

FASHION MEETS TECH

Redefining by Staying Focused

By RACHEL STRUGATZ

THEY ARE the anti- Amazons.

The buzziest e-commerce players right now all have the same m.o. — a laser focus on a specific category, from sneakers and boots to jewelry, eyewear and innerwear. Where Amazon started with books but now offers almost everything, these companies are sticking to only one category and aiming to do it better than anyone else. The success of Warby Parker in eyeglasses, Bonobos in men's wear, BaubleBar in jewelry and Everlane in luxury basics has spawned a host of others following the same strategy — and hoping to hit it rich in the process. Of course, that depends on how rapidly they can build brand awareness and scale. If that isn't challenge enough, the other caution is that even 20 years after it was founded, Amazon is still bleeding red ink.

But the Internet age is all about entrepreneurs, and this month alone saw three category-specific launches:

■ **The Arrivals:** An e-commerce site that's trying to solve the conundrum of delivering high-quality, fashion-forward outerwear at a reasonable price.

■ **Thursday Boot Company:** Two Columbia Business School buddies' take on well-made men's boots that don't break the bank.

■ **Glossier:** Founded by Emily Weiss of Into the Gloss, it offers functional beauty products with a smart design.

These come fast on the heels of a string of other entrants over the past year or so, including Negative Underwear, The Greats, MM.LaFleur and Ayr — a vertical innerwear line, a men's sneaker brand, professional women's clothing and Bonobos' sister line of women's separates, respectively. Three-year-old Everlane, which co-founder and chief executive officer Michael Preysman projects will hit \$30 million in sales by yearend, is already on track to turn a profit in 2015.

Their business model — like the pioneers in the space — is built around cutting out the middleman, eliminating the wholesale process and creating a fully realized brand via the Internet. In the several years since the model emerged, it has spawned a new way of brand building, one that hinges on marketing and getting the word out instead of peddling the collection to retailers and department stores in hopes they'll bite. Also, managing a direct brand gives the company more control over its voice, message and products' life cycle.

"It's legitimate that customers have been very disappointed with large brands and their customer relationships. Someone has had to come in," said Thomai Serdari, brand strategist and adjunct professor of marketing at New York University's Leonard N. Stern School of Business. "The customers felt quite alienated or disconnected and didn't feel that brands spoke to them. That is what initiated this."

But even these at-first pure plays are discovering that an online-only presence won't get them to the levels of their dreams. Both Warby Parker and Bonobos have established physical presences — whether a free-standing door, a pop-up shop or real estate within a major retailer — to grow scale.

"The inflection point I see when most vertical brands start doubling down on physical retail is when they reach \$50 million to \$100 million in sales," said Nick Brown, a partner at venture capital firm 14W, whose portfolio brands include Everlane, Moda Operandi, Reformation and Lyst.

Brown said that several years ago he would have thought a brand needed to play the part of wholesaler to scale up. "I'm not sure you need that anymore. You need retail, but I don't think wholesale," Brown said, adding that it's more about the "physicality of it than the way in which it's done."

He drew a contrast to multi-brand, pure-play e-tailers like

THE ARRIVALS

Founders: Kal Vepuri, Jeff Johnson

Category: Outerwear



PHOTOS BY GEORGE CHINISE

GLOSSIER

Founder: Emily Weiss

Category: Beauty



Net-a-porter, Asos or The Real Real. Unlike their vertical counterparts, these sites have been able to grow into large businesses without a physical presence. For the newer players, though, establishing a strong foothold online is the primary goal right now.

"We're solely focused on the online channel now," said Kal Vepuri, cofounder of The Arrivals. "We'll be smart and make educated decisions about what we do in the future, but right now we're 100 percent laser focused [on online]."

Other new additions to the space echoed similar feelings about venturing into physical retail, preferring to keep the focus on offering well-made product

that top out at \$685, made of materials from Italy, Morocco, South America and Mongolia. Careful attention was paid to packaging: The looks come in branded neon-red boxes with handwritten notes tucked inside. Even the labels — including a chest label sewn inside, as well as a hangtag that tells the story of the item — look elevated.

The \$685 Rainer, a structured moto jacket, is comprised of pebbled leather with a removable lamb-fur collar while the \$385 Atlas is a raw indigo-denim parka with a waxed finish (a version with a shearling-lined hood and removable liner costs \$585). For spring, Johnson said customers can expect light, packable on-the-go pieces, leather jackets and jackets with tech elements.

Johnson and Vepuri, who maintained that the company is privately funded, declined to disclose sales projections for the first year.

Thursday Boot Company has already sold nearly \$185,000 worth of boots through a Kickstarter presale campaign that started Oct. 3 via its site getthursday.com. This will allow cofounders Nolan Walsh and Connor Wilson to gain insight into inventory management, and maintain their \$199 price point. To date, they have already sold about 925 pairs of boots.

"Thursday is the star of the weekend," Wilson said of naming the company. "We want something that's versatile enough; if it rains, not a

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that in most cases costs less than half the price of "name brands" putting out similar looks.

Take outerwear, for example.

The category is tricky, as it's harder to mask lower-quality materials when producing jackets and coats than it is for lighter, summer wares, according to Jeff Johnson and Kal Vepuri, cofounders of The Arrivals. After finding, as consumers, that they were faced with either purchasing product largely fashioned from synthetic materials — or spending upwards of \$1,000 to \$2,000 on designer items — the two got to work designing a range of outerwear where quality was paramount.

The result: nine styles (five for women and four for men)



THURSDAY BOOT COMPANY

Founders: Connor Wilson, Nolan Walsh

Category: Boots

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problem. If I have to go from more formal to more casual, I'm ready. 'Thursday' explains that full lifestyle. You see a lot of stuff that's very construction workery or too fashion."

Walsh and Wilson, who quit their jobs in finance last year to do something "more entrepreneurial," said they wanted to create footwear that marries the durability found in American boots with the sophistication seen in European brands. The President is the most formal style, with little embellishment and clean lines, the Captain is a cap-toe style and the Diplomat is a moc toe. Each style comes in black, natural and brown, and is built with Goodyear welt construction.

After visiting factories all over the world, the two decided on one located in León, Mexico.

"They were able to hit that top-level handcrafted boot, and they were able to hit the price point," Walsh said. "[We found] places here that weren't able to hit [the desired] price and others that couldn't hit the quality."

The venture is self-funded by Walsh and Wilson, who said they sold \$72,000 worth of boots in the first day.

Eight-month-old Ayr, Bonobos' women's counterpart, launched in February and already opened a Guideshop in April — the physical model

BONOBOS/AYR**Founder: Andy Dunn****Category: Men's wear, women's wear****BAUBLEBAR****Founders: Daniella Yacoby, Amy Jain****Category: Jewelry**

imagined by Bonobos founder and chief executive officer Andy Dunn — that doesn't stock inventory. Guideshops — Bonobos itself has ten, with plans to open 30 additional locations in the next two years — give consumers access to every style and help them try on and order what they wish and then have deliveries shipped to their homes.

The Ayr line, which ranges from \$50 for a graphic T to

\$525 for a coat made of Italian wool, is also expanding into wholesale through a partnership with Shopbop.

He admitted that he was unsure if women would like the Guideshop model — where they were unable to walk out with the looks — but positive feedback has given Dunn the confidence he needed to plan to open the first freestanding Ayr store in New York next year (the cur-

rent Guideshop operates out of the brand's headquarters here).

"It took Bonobos one year to do what Ayr did in seven months," Dunn said of Ayr's accelerated growth rate. "Ayr's been able to take a lot of learnings from Bonobos and apply them faster. We were in year four or five by the time we tested a Guideshop and had our first wholesale partnership."

For instance, Ayr hit \$1 million in sales in September — ahead of schedule and five months sooner than it took Bonobos to reach the same milestone.

Negative Underwear cofounders Marissa Vosper and Lauren Schwab said that their brand is starting to explore offline opportunities as they approach one year in business. They have confirmed a targeted offline presence for the holiday season (they can't reveal the partner yet) and are in the midst of devising a Valentine's Day strategy that merges online and offline. A range of white underpinnings will roll out for holiday, followed by a nude collection in February — the result of "clear and consistent demand" from customers for more colors.

"We think it's important to always have a balance of both — especially for a product that's highly tactile and service based," Vosper said. "We continue approaching everything as an experiment for this first year and will be really interested to see how our Valentine's Day/One Year performs next to launch with triple the product offer."

The Greats, the sneaker brand that celebrated a year in business in August, is also starting to look at offline opportunities in a significant way. Cofounder and ceo Ryan

Babenzien, who said the majority of the brand's product sold out within the first 90 days, raised a seed round of \$1.5 million that closed in April. Babenzien claimed the company has been cash flow positive since June and will turn a profit in January.

"We're considering a Series A round [of funding] for growth, but the reality is that we are not in need of capital, which is uncommon. We are in a sound position financially," Babenzien said. He projects sales of \$2.4 million for the year, with 40 percent of purchases coming from a

ed Fieldhouse opened on Oct. 18, and Babenzien contended that half of the company's total revenue for the entire weekend came from the 250-square-foot space's first weekend in business.

"We always said we were going to open The Greats stores," Babenzien said. "That's been in our plan from Day One — whereas a lot of others have discovered the value of retail [later on]. Third-party retail is where it gets tricky. You're relying on another retailer to merchandise and sell your product."

Babenzien has held back

**WARBY PARKER****Founders: Dave Gilboa with Neil Blumenthal (Andy Hunt and Jeff Raider not pictured).****Category: Eyewear**

"The customers felt quite alienated or disconnected and didn't feel that brands spoke to them. That is what initiated this."

— THOMAÏ SERDARI, NEW YORK UNIVERSITY

mobile device.

Currently, there are three styles: the Bab and the Wilson, which each retail for \$59, and the Royale — a handmade sneaker that comes in leather or suede, ranging in price from \$159 to \$179, depending on fabrication. Ten new silhouettes will be introduced through the second quarter of next year, which is also when Babenzien wants to open the first Greats freestanding store.

The brand dabbled in retail pretty early on — opening a tiny Fieldhouse below its office on Kent Avenue in Williamsburg last December that was only open on weekends. An expand-

from global distribution, making the point that if a customer is paying \$59 for footwear and \$40 to ship it, then they are better off buying something else in their local market. This, however, has not stopped a wealthy Hong Kong man from purchasing \$25,000 worth of Bab sneakers, having them sent to a U.S. address and then shipping them to Hong Kong so he can sell them for \$15 more than the Greats' retail price.

"From a brand-building perspective that is magic — to be a one-year-old brand with a secondary market in Hong Kong," Babenzien said.

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While many of the early vertical players eventually expanded into offline retail a year or more after they launched, now brands like Weiss' Glossier are thinking about the strategy from the get-go. Weiss launched her four-product beauty range with a nearly simultaneous online and offline experience.

"We started with four products because we want to paint a new picture of beauty — both aesthetically and distribution-wise, to the fact that we're making luxury products at a super-accessible price point," Weiss said of Glossier's offerings, which include an \$18 soothing rosewater face mist, a \$25 priming moisturizer, a \$26 perfecting skin tint and the \$12 Balm Dotcom (a universal skin salve). "We're rethinking beauty, rethinking what luxury means and what the luxury experience should give you. We want to be friendly."

A boxed "Glossier Phase 1 Set" of the four items retails for \$80 at glossier.com and at the brand's pop-up on Lafayette Street in Manhattan, which is open Tuesdays through Sundays until Nov. 2.

Weiss is intent on having a close relationship with her consumer — she checks the brand's Instagram account throughout the day for comments, uploads images with the hashtag #glossier and directs messages from fans and customers. In fact, she launched the brand on the social platform — starting an Instagram account a month before the Web site went live. She's been frequenting the pop-up on weekends, clad in a lab coat that she dyed pink to match the brand's signature pastel-pink packaging.

When asked if she would



NEGATIVE UNDERWEAR

Founders: Marissa Vosper, Lauren Schwab

Category: Innerwear

ever wholesale the collection, Weiss was quick to respond: "Never say never. Instagram didn't exist four years ago, and we just built a brand on it.



MM.LAFLEUR

Founders: Narie Foster, Miyako Nakamura and Sarah LaFleur.

Category: Women's workwear

We'll go where our customer wants us."

Sarah LaFleur cofounded MM.LaFleur, what she calls a line of "better workwear," with Narie Foster and Miyako Nakamura, who spent seven years at Zac Posen as head designer. Since launching in January 2013, the company has secured \$2 million in funding to date and projects sales in the few millions for this year.

Classic dresses in silhouettes, such as A-line or short-sleeve, with a pencil-skirt ranging in price from \$150 to \$220, and more elevated styles — think ruching with a more day-to-night feel — retailing for a bit more. Prices start at \$45 for a belt and top out at \$465 for a coat. The site launched with dresses but has since expanded to blazers, sweaters, belts, scarves, skirts and tops.

LaFleur said that the Bento Box — a box of six to seven items that are sent to every new client (everything is designed in-house) after filling out a brief survey about their personal style — has become the brand's fixture. Potential customers keep what they want and send back what they don't like.

Although the three began by hosting trunk shows for colleagues and friends leading up to the launch of mmlafleur.com, the company has yet to establish an official retail presence. A SoHo headquarters right now doubles as a showroom for consumers who want to make an appointment to try on the clothing. LaFleur said wholesale is off

the table — as the brand's margins don't factor in retail mark-ups — but the plan is to open a freestanding door in 2015.

These are the new players in the new world, and for now, growth seems aplenty. But how they mature, where they top out and how they continue to grow once they've filled their own particular niche, is still largely unknown.

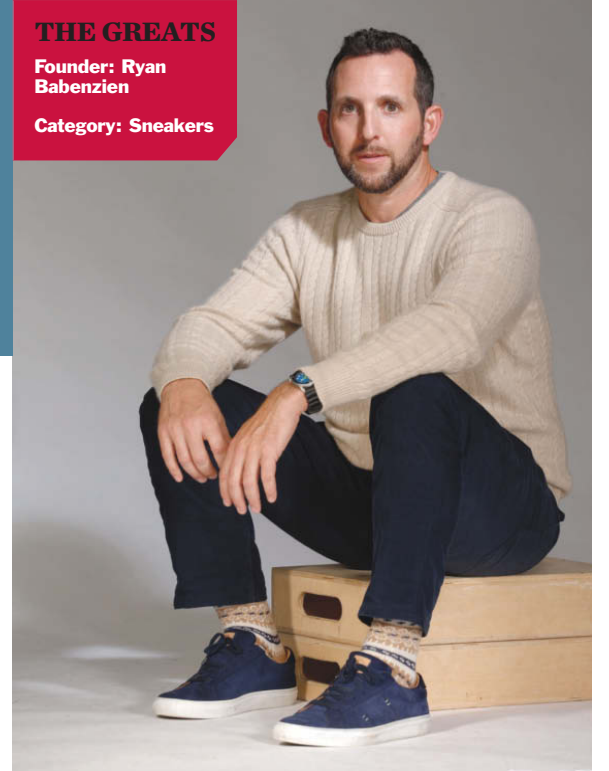
"As these companies grow, the challenges they are facing is, making the adjustment to an online brand that really has no human interaction into a brand that needs to translate that to an established retail model while speaking the same language they've already established online," Serdari said. The ones that are able to do this — as well as build a whole range of services to complement their product, the way Bonobos has — will win in the space.

But how large a single category brand can scale remains to be seen. Even Bonobos has found pants aren't enough, and it has added a full line of men's wear now. Industry experts

included only custom acetate frames with single vision prescription lenses, but by the following year they expanded the range to include sunglasses, and titanium and mixed-material frames the year after that.

"This year, we introduced progressive lenses, which enabled us to serve a completely new customer segment. By staying focused, we've been able to spend time on design, to create special customer experiences and to optimize different areas of the business. As we master one area, we're able to take on more and more," he added.

Blumenthal, along with cofounder Dave Gilboa, are naturally optimistic about the future. For them, the growth lies in perfecting all facets of eyewear and increasing distribution channels, not bulking up the product range. And it very well might work. By yearend, Warby Parker will have ten freestanding doors across the U.S. — a San Francisco unit will open at the end of November and a concept store will bow in Chicago around the same time. The two



THE GREATS

Founder: Ryan Babenzien

Category: Sneakers

question how big Warby Parker can become if it remains a private-label eyewear brand. Sure, Luxottica and Safilo are multibillion-dollar businesses, but that is with designer licenses. Will Warby have to expand into other categories?

Definitely not, according to cofounder Neil Blumenthal. To him, focus is the key ingredient for success — especially for eyewear. He sees how having a few very large companies dominating the space actually benefits Warby Parker.

"Eyewear is a massive category that was ripe for disruption when we entered — [meaning] high prices and low value, dominated by a few large companies with licenses, with less than 1 percent online penetration," Blumenthal said.

The brand's first collection

plan to double their retail presence in 2015, opening at least another 10 stores next year.

Yet as bullish as Blumenthal and Gilboa may be, plenty of pitfalls remain ahead for these new category killers. First, for every handful that launch, it seems only one will actually make it. For example, a little after Warby Parker hit the scene, a slew of eyewear e-commerce players with similar value propositions popped up — BonLook, Classic Specs, Eyefly and Lookmatic among them. But one now rarely hears much about any of those sites.

And there is always the danger that even if a pure play does dominate a category for some time, a better, faster, smarter version might break into the category and build a better mousetrap.