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Outsourcing E-commerce Gaining in Popularity in Apparel Industry

As the e-commerce industry matures, more apparel companies are relying on hosted systems for their online sales.

After enduring growing pains and eating lots of dollars through in-house platforms, many apparel firms have found it much easier to outsource e-commerce.

"The inherent costs make it cost prohibitive," said Jeff Max, chief executive officer of New York-based **Venda Inc.**, an emerging e-commerce provider. "Companies are spending millions on Web sites and the technology personnel. It's difficult to make money off of that."

Until recently, e-commerce had widely been viewed as a loss leader for apparel companies, said Edward P. Foy Jr., chief executive officer of Secaucus, N.J.-based **e-Fashion Solutions LLC**. Traditionally, companies invested in Web sites for marketing and brand building—and because everyone else was doing it. Rarely would they make money because of the infrastructure costs involved. As a result, hosted services from companies like e-Fashion and Venda have been making inroads.

E-fashion recently signed **DKNY** for its e-commerce venture. And Venda recently snagged **Land's End**, and counts **Ted Baker** among its clients. E-commerce providers have deeper investments in technology personnel and resources and can leverage their expertise across their client base.

Outsourcing e-commerce is structured with various fee schedules. Venda charges a flat \$10,000 per month fee and does all the front-end tasks from building a Web presence to order management. E-Fashion takes a percentage of sales based on size and structure and can handle the front end, as well as fulfillment.

E-Fashion also is tackling the relatively new area of analyt-

ics, taking data from online shoppers and providing its clients with insight into spending trends, consumer profiles and other information.

Foy said that online shoppers are mercurial and tend to leave a Web site without making a purchase. Getting an insight into such behavior, however, can help companies retain fleeting online traffic.

"The data you can extract is plentiful," Foy said. "We always ask ourselves, 'Are we maximizing orders, and how do we convert buyers?'"

Aside from the fundamentals of providing a visually appealing and functional medium, technology providers are studying emerging trends to snare the elusive online shopper.

Venda added **Venda ImageWear** merchandising software to its clients' systems in December in an effort to make the online shopping experience as real as possible. The tools allow users to zoom in and out and rotate merchandise close enough to see textures and threading of garments. ImageWear also allows companies to create virtual catalogs from hard copies by turning pages at the click of a mouse.

Merchants who employ such rich media have realized a 5 percent increase in sales and a 16 percent increase in average



DEBUT: DKNY's new Web presence was created by e-Fashion Solutions.

order value, said Venda's Max, citing **Jupiter Research** data.

Smaller apparel companies may not be able to afford doling out \$10,000 a month or giving up a percentage of sales, but keeping abreast of the resources is important because of growth potential, said Brian Nolan, a principal with Toluca Lake, Calif.-based **Suspect Clothing**, which recently launched an in-house e-commerce system.

"When you get to a certain point, yes, you have to look [at third-party providers]," said Nolan, who took advantage of his technology background to develop Suspect's Web presence. He said his other choices would have included providers such as **eBay** or **Yahoo Stores**.

But mid-size to larger companies are making the move to outsource e-commerce. Foy said his company will bring on five more clients in the coming weeks, all of which had company-owned platforms.

"You're leveraging the platform for an immediate revenue stream and immediate cash flow," Foy said.—R.M.