

VENTE-PRIVEE.COM

Vente-Privee.com was one of the pioneers in the concept of the so called “online outlet”: founded by Jacques Antoine Granjon in 2001, the company generated 500 million euros in revenues in 2008, employs one thousand people and has some 5.7 million customers throughout Europe. Jacques-Antoine Granjon and his partners had been in the wholesaling business for 23 years when they launched



Vente-Privee.com in 2001, turning their expertise in sourcing and selling discount clothing into a thriving web-based business. Vente-Privee.com is the pioneer in running Internet-based, members-only events for consumers interested in purchasing high-end designer brands at substantial discounts to retail prices. While Vente-Privee.com was generating significant cash flow to fund operations, Granjon and his partners had most of their personal net worth tied up in the business. To provide liquidity for his partners and to help the company grow, Granjon began to consider selling a portion of Vente-Privee.com, while retaining a majority position. He also believed that an investor partner might help Vente-Privee.com to expand globally.

In 2007, Vente-Privee.com sold a 20% stake to Summit Partners. Over the next few months, Vente-Privee.com considered such strategic initiatives as geographic expansion, and successfully opened operations in Spain, Germany, Italy, and the United Kingdom. Since Summit’s investment in 2007, Vente-Privee.com has accelerated its growth and continues to be the undisputed industry leader across Europe, with more than 90% of the market. Its website attracts one million unique visitors a day who buy 40,000 items daily, and Vente-Privee.com is still much larger than all of its competitors combined. Today the company employs more than 800 people and handles in excess of 600 upscale brands, including Armani Casa, Calvin Klein, Givenchy, and Ralph Lauren. In recognition of its e-commerce website and client satisfaction, Vente-Privee.com continues to receive numerous industry awards as it redefines the European off-price market.

The “online outlet” concept is the organization of designer brand sales events over a limited period of time (typically 2-3 days), available to invite-only members. Registration is free of charge and does not entail an obligation to buy. However, in order to register, a person must be referred by an existing member. Forty eight hours before a given sale takes place, an invitation email is sent to all Vente-Privee.com members. Sales usually start at 6 am GMT on weekdays, and 8 am GMT on weekends, and last for 2 to 3 days. When a sale has ended Vente-Privee.com places an order with the brand partner. When delivered, this is packed, labelled and delivered to members who participated in the sale. Members are also able to cancel their orders or return items, depending on local laws. Sales include a diverse selection of product categories: fashion, accessories, toys, watches, home appliances, sports equipment, technology and wines. According to Jacques Antoine Granjon, the key part in the concept was to

consider the brands as the most important customers: they had to feel well treated, consider Vente-Privee.com a true ally helping them to get rid of their stocks at the end of the season. To that extent, the company considered itself a B2B2C model.

Despite its phenomenal success in France, it took Vente-Privee.com several years to internationalize the concept. In the meantime, some competitors appeared in other European markets. And even though Vente-Privee.com was about thirty times larger than all its remaining competitors combined, some of the local ones were pretty decided to give the company some battle for market share. In Spain, for instance, [BuyVIP](#) (founded in 2005, 28 million euros in revenues in 2008) and [Privalia](#) (founded in 2006, 125 employees and 22 million euros in revenue in 2008) followed the same model with slight variations, and were also moderately successful. Vente-Privee.com entered the Spanish market in 2007, and had managed to enlist 300,000 customers and to generate 23 million euros in revenues in 2008. So far, the brand have allocated zero euros in online advertising: all the promotion had been viral, via word-of-mouth, and using the corporate blog.

In order to grow the business in Spain, Vente-Privee.com hires a young MBA graduate from a prestigious business school in Madrid (yes, that's **YOU**). First of all, the company wants to know to what extent its "no advertising whatsoever" approach has been correct or incorrect in Spain, and perhaps redefine it for the future.

QUESTIONS:

1. What do you think of the "online outlet" model? Is it here to stay or is just a fad? How do you envision the future in this regard?
2. How would you structure the company when entering a new country? Which areas of the company should be taken to the new country and which ones should stay in the headquarters in France?
3. Advertising: would you advise Vente-Privee.com to allocate a budget for online advertising? Why? If the answer is yes, what type of actions would you undergo?