



Kevin P. Ryan

EDITORS' NOTE Kevin Ryan is one of the leading Internet entrepreneurs in the United States having launched several New York-based businesses, including Gilt Groupe, Business Insider, ShopWiki, and 10gen/MongoDB. He helped build DoubleClick from 1996 to 2005, first as President and later as CEO. Currently, Ryan serves on the board of Human Rights Watch, the New York City Investment Fund, and INSEAD, and is a member of the Yale International Council and the Council on Foreign Relations. He holds a B.A. from Yale University and an M.B.A. from INSEAD.

COMPANY BRIEF In 2007, Kevin Ryan along with a founding team created Gilt Groupe (www.gilt.com) as an invitation-only site for coveted women's apparel and accessories. Today, Gilt Groupe has millions of members and has added business lines for the home; children; men's apparel and gear (GiltMAN and Park & Bond); artisanal food and wines (Gilt Taste); vacation travel (Jetsetter); local services and experiences (Gilt City); and has launched the leading flash-sale site in Japan (Gilt Japan).

Did you know early on that you were going to be an entrepreneur?

No, but I always liked running organizations and people felt comfortable with my doing that. Student groups are great training because you have to create an atmosphere where you believe in what you're doing in order to keep going. If you apply that to a company, it helps.

I worked for large companies the first eight years of my career and found that I wanted to have more control over what I was doing. I worked with progressively smaller companies and then proposed that the large media company I was working for give me a couple million dollars to fund an Internet division. They denied me, so I went out to do it on my own.

A Lesson on Entrepreneurship

An Interview with Kevin P. Ryan,
Founder and Chief Executive Officer, Gilt Groupe

I like running larger companies as well; I like high rate of change. So I'm not someone that wants to run a 10-person company.

As you grow in scale, is it tougher to maintain that entrepreneurial feel and culture?

It does have to change a bit; there has to be more structure or it doesn't work.

You want to try to be as resistant as possible to losing that entrepreneurial feel. But once it's no longer a 10-person company where everyone knows each other and it becomes a market success, you have to have a more structured budget. But within reason, you should still be having fun.

In the early days, what made you feel there was a need for Gilt Groupe and what was your vision for the brand?

My vision was what we're doing today, except I had not thought of full price. I had a model in mind that I'd seen in Europe, where there were a number of companies that were having flash sales and selling off price merchandise, which created urgency and scarcity, and which worked for the vendors, the consumer, and the company. So that was the model I had in mind.

What I wanted to do differently was having different verticals. I never liked going to European sites where, on one page, there were deals for women, men, and kids; the average guy doesn't want to see dresses for sale – he wants to see the products he can buy. I wanted to create that.

The brand we created ended up being very high-end, more so than any of the European competitors. They started describing us as a luxury site – even before people used the word discount, because of the photography, the selection, and the branding. As a result, I realized we could put full price sales on the site.

You have a vision in mind and hopefully that works, but you have to keep your mind open and realize the company has created something that allows you to go in another direction that you didn't initially think of.

Are the verticals today the right mix? Are there opportunities to broaden that reach?

We're in most of the verticals I want to be in – I don't want to be in small verticals. We may add one or two more, but when I think of the large purchases, our typical customer is relatively high-end, not a billionaire but someone who likes good quality things. We have covered 80 to 90 percent of what the customer buys.

Is yours a niche market? How broad is the profile?

In percentage terms, it's a smaller percentage of the country; in spending terms, it's a large percentage. The clients are probably people making \$75,000 and above. That is a big part of the country, especially when it comes to purchasing.

Has it been challenging to differentiate in this space?

It's never easy because we have many competitors, but we don't have a lot of competitors that go across the various verticals. Most of our competitors have trouble expanding across verticals.

Our second advantage is positioning. Our customers will say that our site is different – we have different brands and they like the photography and the layout. It's been said we have done a great job of combining editorial, e-commerce, and high-end.

How engaged do you get in those aspects?

We have 900 people so the company would not function if I had to make every decision. A huge part of our success is hiring really good people.

But I was particularly involved in making sure the right people worked on the launch of Home and they were essential to making it successful.

I do have multiple sessions where I see page by page what something will look like and we make changes.

What I don't get involved with is choosing which items are sold – that's what our category experts do.

Do you find the women's side to be the largest?

Women's is larger than men's – it's 70/30. But our share of market is higher in men's. So a department store would generally have around 15 percent of its revenues come from men's – ours is 30. People are stunned at how successful we are in men's.

You're a leader in customer service. How have you been able to differentiate in that area?

Although we have our own in-house systems, it's more about people, attitude, and commitment. We don't outsource customer service. We have Gilt employees who are highly trained and who believe in what we're doing.

We put every single employee through customer support training. We spend an entire day training employees to really hear the customer's voice and to appreciate what can go wrong or right – it is a valuable experience.

As a technology business, how do you avoid losing that human touch?

To be successful, you can't have one without the other. What makes it work for consumers is going to the site, finding what they like, and without even realizing why, more things they like show up in front of them. But when it gets to their house and they have a problem, a person needs to work that out and that ends up being part of the overall product experience for that consumer.

As long as we keep thinking about what you need and not just what people here want to do, we will continue to build up the various elements that make us successful. What makes this business complicated is that there is a technology component, a merchandising component, a design component, and a big distribution component. When all of that adds up right, we can give you a good experience.

What are the key characteristics that make a brand fit?

It doesn't have to be expensive, but it should be a brand that people who know about the brand say is a good value for that price. But that's tough to define.

We don't have specific guidelines because you can't put numbers to it. But over time you can feel it and it's pretty consistent across the board. Generally, I don't want to have anything in our discount area on Gilt that you can buy somewhere else in the same price range.

During 2008 and 2009, did you see a major adverse impact? What is the outlook for growth in this volatile environment?

In down times, there is more merchandise available in both the women's and men's areas. In the other areas, there isn't a huge impact. No matter what, there are going to be many restaurants, hotels, and other entities tonight in New York that are half full and could use help. So those are not as impacted by the ups and downs.

What is the focus on international markets?

We recently launched international shipping so that opened a good part of the world for us. We haven't set up operations in many countries other than Japan, where we're the leader in flash sales. We have opened an office for Jetsetter in London. The reason we haven't been as aggressive there is because when you go to another country with this business, you're starting from scratch.

Is it tough to manage the growth?

You have to have great recruiters and good managers, and you have to be selective, but you need to bring people in fast or you're going to lose revenues and opportunities.

You also have to keep adjusting your course. We started at about the same time as most of our competitors and we're now somewhere between two and five times larger than they are. Why? Because we were able to move quickly and, because there is a big market, we now have real leverage.

Is it more challenging to become an entrepreneur today?

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As opposed to thinking only about making money, you enjoy creating a great product people will appreciate and creating a great work environment.

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No, certainly not in our space. For four years, we've never had any involvement with any government and don't need one. The Internet sector doesn't need anything – it's doing particularly well in New York. It's growing, jobs are being created, we have capital markets that function, and there is unlimited VC money.

Were there times in your career when you weren't sure it would work?

The key is funding. I've always made sure we have plenty of money and leveraged that.

However, along the way, several things didn't work. During the Internet market collapse in 2000 and 2003, I did seven rounds of layoffs.

I started five companies – we sold two; one we lost money on and another, we made money on, so it netted out.

We're doing the riskiest thing you can do in starting with a piece of paper and launching something. VCs are coming in after some proof points, but we have nothing.

But if you have more successes than other people have and more successes than failures, you're in good shape. Most failures remind you that it's not easy and you have to remain completely focused.

What is the secret to your success?

There is a little bit of luck – you have to be in a good industry; I have a fair amount of experience, which makes me better. Ideas are worth little – at day's end, you need money and people. Success in the idea world helps you do both – you can convince people who had great jobs to join you and take a lower salary because they feel it will work.

How do you maintain your composure?

As opposed to thinking only about making money, you enjoy creating a great product people will appreciate and creating a great work environment.

I have no exit strategy because I'm focused on becoming a successful company that is big and profitable. You get that way because customers love to buy things from you and you run an efficient operation. That leads to good things, which provides you with choices – you can sell or go public, for instance.

In terms of U.S. competitiveness, is the U.S. still in a leading position?

In the Internet space, we're competitive and a real leader, but not in other areas. I don't feel good about the basic level of high school education that occurs across the country, nor about the health care system or our infrastructure, which are all parts of our competitiveness. We also don't have the respect in many other parts of the world because of the way our government functions.

Is corporate social responsibility important to you as a leader?

In the very beginning, I didn't think the company should spend a lot on giving to charities. The best thing we can do from a corporate social responsibility point of view is make this company successful, because if we go bankrupt, that doesn't help anyone.

We probably did 200 charity offerings on Gilt City where we were selling tickets for nonprofits. So I can work it into the product in a way that we give money but deliver a lot of value. That is important to the people who work here and to our customers.

Looking two to three years out, what is your focus for the business?

We want to be more profitable at what we're doing and we want to grow, which makes the business model work. We have a lot of fixed costs so scale is extremely important.

Are people aware of the scale of this business?

We did over \$400-million last year, but people are surprised when we tell them the numbers. They underestimate how big it can become. ●