

Fashion window-shopping on the internet

A fast-growing German business which has become the country's second-largest online clothing retailer and one of the fastest growing e-commerce companies in Europe, has designed its online shop like a fashion magazine to inspire customers seeking new ideas



Most online clothing retailers have a simple model: consumers look at their websites to search for clothing they want and purchase it. ABOUT YOU sees itself as a fashion discovery website which uses personalised data to offer suggestions of outfits and trends in the same way as the pages of a fashion magazine. It is like window shopping on a smartphone, according to Tarek Müller, one of its three co-founders – appealing to people who want to refresh their wardrobe but need inspiration.

Based in Hamburg and operating in six EU countries, it is proving popular with its target market of women and men aged 20 to 39. It is doubling its sales annually by attracting 10 million users every month, who look at the website on average once a week. In 2017, its gross sales were EUR900 million, with net revenue of EUR283 million – double that of 2016. And the company expects revenues to rise to EUR450–480 million in 2018–19.

‘We do traditional advertising on television and outdoor billboards, but the majority of customers know us through social media where

we have pioneered testimonials provided by ‘influencers’. At first, we approached potential influencers before we were well-known, and we offered to provide them with clothing; they post photographs of themselves saying their outfits can be bought on ABOUT YOU.

‘Now that we are well-known among our target group in Germany, potential influencers approach us and tell us what clothes they would like to model. We have a couple of hundred influencers, and they are paid a commission on the sales of items coming through their recommendations on social media.’

In 2017, the company highlighted the success of its influencers with an awards ceremony to acknowledge the most creative and most influential social media stars. More than 3 million viewers watched the event live via Facebook and YouTube. A second award ceremony in 2018 was screened on national television in Germany and reached almost one in five 14- to 19-year-olds, making ABOUT YOU the market leader among the target group on that day.

Tarek Müller, who is 29, launched his first business at the age of 13 when he was playing computer games with friends on a server that

charged five euros a month. ‘No-one was prepared to invest their pocket-money, but we had a website and I had the idea of putting advertising on it. The next day, we had a return of one euro and I was amazed. We improved the website and the next day we had three euros – so I stopped playing computer games and started building websites with advertisements!’

‘This created a network of online communities and I started to make good money. At 15, I registered my company and when I looked at who was advertising on my websites, I found that they were mainly online shops. I asked one if it was worth paying 20 cents for every user’s name I sent them, and they said they were earning around one euro for each one. Online shops seemed like a great business model, so I started a couple and an e-commerce agency at 18 and dropped out of school.’

He built more online shopping companies and had 12 in different niche markets as well as a consultancy business advising retailers on digital business models. In 2011, he sold one of the online retailers to the Otto Group, the German family-owned mail order company which has several thriving e-commerce businesses. Otto asked him

to design an e-commerce business with the potential to scale up in the fashion sector and he wrote the business plan for what became ABOUT YOU. The company liked it and asked him to become co-founder of that business which, after declining at first, he agreed to do.

His two co-founders were Sebastian Betz, another serial entrepreneur, and Hannes Wiese, a former business strategist for Roland Berger, and together they founded ABOUT YOU in 2014. It now employs more than 500 people from 25 countries, with an average age of 29. And in addition to its German base, which accounts for 75 per cent of sales, it operates in Austria, Switzerland, the Netherlands, Belgium and Poland – with 99.5 per cent of sales online.

‘The Otto Group provided help with infrastructure from the beginning. And as the second largest e-commerce business in the world after Amazon, it was also a great source of knowhow and expert feedback. It remains the largest shareholder, and has recently brought in new investors, and we may sell some of our shares if the opportunity is good. It is too early to think about an IPO, however, because the company still has great growth potential with no difficulty in raising capital.’

ABOUT YOU has become Hamburg’s first ‘unicorn’, a non-listed digital start-up with a company valuation of more than USD1 billion

The latest financing round in July 2018 raised USD300 million for ABOUT YOU, making it Hamburg's first 'unicorn', a non-listed digital start-up with a company valuation of more than USD1 billion. The financing round stemmed primarily from an investment by Heartland, the holding company of Bestseller, one of Europe's largest fashion retail groups. Heartland said that it had followed ABOUT YOU closely over the past few years, and saw a company with sound leadership and solid potential.

As a technology-driven company, the majority of its employees are tech people who are a scarce resource and like to switch jobs often to find new challenges. ABOUT YOU has devised a flexible organisational model to ensure that they hold on to their tech staff by allowing them to easily find new challenges and avoid succumbing to boredom. Called MOVE, it offers developers the opportunity to switch between different teams and units every six months so that they can gain fresh experience and take on different roles.

From the company's point of view, this flexibility enables it to react quickly to new challenges without slowing its growth. 'If you organise tech experts in the right way,' says Tarek Müller, 'it is an efficiency lever. We adapted US online company

employment models such as those of Google and Zappos. For example, if you are working in our logistics system and you get bored, you can switch to another team such as our mobile app. We have aligned ways of working and use of tools between teams to make switching easier and shorten the learning curve.'

Future plans for ABOUT YOU include expansion into more countries in continental Europe such as the Czech Republic. Its move into the Netherlands six months ago has already made ABOUT YOU one of the country's largest fashion online retailers, and it sees good potential for more growth in each of its existing countries. And there is the possibility of extending the range of goods sold, with options including sports, children's and beauty products.

Tarek Müller believes that one of his skills is seeing the possibilities of projects which others see no market for yet. 'When we first started out, most people thought it was not a good idea to start an online fashion shop. There were already quite a few in Germany, but we did it because we saw an opportunity with the rise in the use of smartphones for e-commerce. So far, we have been proved right to do it, and there is so much that can be done to increase still further the personalisation of online retailing.'●

TAREK MÜLLER'S TIPS FOR AMBITIOUS ENTREPRENEURS

'No entrepreneurial story progresses smoothly – you will have great successes and great failures. So don't get depressed if things go wrong or too enthusiastic if things go right. Keep calm through the ups and downs!'

'When choosing an investor, co-founder or business partner, don't choose someone who is cheapest or gives you the highest valuation. Look for people who can help you take the business forward by giving you input and opening networks of supporters for you.'

'It is always better to think big, because the risk of failure is the same whatever your size.'