

October 28, 2009

## Operator of 'Private' Web Sales Is Acquired

By [BRAD STONE](#)

The idea of holding private sales of premium merchandise on the Web suddenly seems to be in vogue.

[GSI Commerce](#), which manages the Web sites for major retailers like [Toys "R" Us](#) and Zales, announced on Tuesday that it was buying Retail Convergence, operator of the Web site [Rue La La](#), in a deal valued at as much as \$350 million.

Sites like Rue La La, and its major American rival, Gilt.com, take the exclusivity of designer sample sales onto the Web. Only current members can invite new participants. Every day there may be new items to buy. For example, a Rue La La member might log on to find 50 percent off items like Prada bags or [Marc Jacobs](#) shoes in a two-day sale.

Retail Convergence also operates [Smartbargains.com](#), a site aimed at selling excess inventory of major brands.

Since it started operations at the beginning of last year, Rue La La has signed up 1.2 million members. It produced revenue of \$28 million in the third quarter of this year, up from \$5.8 million in the same quarter a year ago.

GSI's purchase includes a \$180 million payment at the closing of the deal, half in cash and half in stock. Rue La La's shareholders would earn an additional \$170 million if the company's revenue reached certain goals.

Michael G. Rubin, chief executive of GSI Commerce, based in King of Prussia, Pa., said the company would use the property to help its retail partners sell excess inventory.

"What you are getting is completely addicted customers," he said. "It's completely viral. There are virtually no marketing costs in this business."

The concept of private sales on the Web was pioneered in France in 2001 by a company called [Vente-Privee.com](#). By 2007, the site had expanded to most of Western Europe. Summit Partners, a [private equity](#) firm, acquired a 20 percent stake, valuing the company at about \$1 billion.

A rush to develop similar sites in the United States ensued, and there are now around a dozen similar online services with names like [Hautelook.com](#) and [BillionDollarBabes.com](#). The Gilt Groupe, co-founded in late 2007 by a former [eBay](#) executive, said it brought in revenue of \$25 million in its first year. In July, the Gilt Groupe, based in New York, raised a round of [venture capital](#) that reportedly valued the company at \$400 million.

The site features specific brands for two-day periods. Currently on Gilt.com, for example, some 40 [Donna Karan](#) items are on sale, among them a teal silk gown that retailed for \$4,200 and is on sale for \$838. Gilt now has 1.6 million members and several specialty sites, like [Giltman.com](#).

“It’s a simple model,” said Scot Wingo, chief executive of ChannelAdvisor, which advises companies on their e-commerce strategy. “The nice thing about the deal sites is their selection complexity goes way down. That allows them to focus on picking sales very closely and driving values for customers interested in those deals.”

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