

Polyvore deal gets Yahoo closer to a 'buy button'

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Fashion website Polyvore doesn't fit the stereotype of a Silicon Valley startup getting bought by a tech giant.

Its CEO, Jess Lee, is a woman. So are most of its workforce and its millions of customers.

But when Yahoo announced in July it was acquiring the 8-year-old social shopping platform, the Web pioneer showed its ambition to compete with Google, Facebook and other companies working to install "buy buttons" that make purchasing jeans, nail polish or a lamp as integral to their websites as searching or networking.

Click, buy - and Yahoo gets a cut.

"Investors and VCs are figuring out that style is a huge business," Lee said in an interview at her Mountain View firm. "They have finally figured out that women are big business."

Lee is also not your stereotypical CEO. In the heat of the Yahoo negotiations last month, the 32-year-old former Google Maps product manager took a break to glue together mechanical wings and don wigs, armor and epaulets made from car tires.

She was costumed up for San Diego's annual ComicCon, where she also played Batman-themed card games with strangers and spent hours furiously debating, as she put it, the future of "the Marvel cinematic

universe."

"That's my mecca every year," Lee said. "I camped outside for 17 hours to get into a panel."

By the time Yahoo's announcement came down a few weeks later, however, she was back to business.

She wrote handwritten thank-you notes to each of Polyvore's 130 employees, and then revealed the pending acquisition to loud cheers and clinking glasses of scotch and champagne in the company's lunchroom.

The notes were a thoughtful technique Lee learned from an old boss and mentor, Marissa Mayer, who as Yahoo CEO will now be her boss again.

"A lot of what I learned about a good company culture came from my time at Google, and particularly what I learned from Marissa," she said.

It was Mayer who convinced a 21-year-old Lee to join Google in 2004 as a product manager. Lee, a Stanford graduate from Hong Kong, admitted to Mayer during a job interview she would rather be an engineer.

"She gave really good advice," Lee said. "She said that when she looked back on her decisions, she always chose the more challenging path because she would at least grow and learn something even if she didn't succeed."

Lee was still working at Google three years later when she discovered a new website, Polyvore, which had been founded by former Yahoo software engineers Pasha Sadri, Guangwei Yuan and Jianing Hu.

Lee spent about three hours a night tinkering with outfits, mixing and matching clothes and accessories using the website's collage tool. She

eventually sent an email to Sadri complimenting and critiquing its features. Polyvore recruited her in 2007 as a product lead. She became CEO in 2012, replacing Sadri, who later went on to work at WhatsApp.

Polyvore's business model has evolved since it was founded eight years ago, and it will bring to Yahoo close partnerships with big-name retailers such as Neiman Marcus, Nordstrom and J. Crew.

While known for its dedicated users who obsessively create wardrobes or home furnishing sets by clipping together items, the company has also worked to attract more passive users who ask Polyvore's smartphone app, Remix, to assemble a coordinated outfit that they can quickly click on and buy.

"When you see a product on Polyvore, you click out on it (to a retailer's website). We get paid," Lee said. "Which is a much better business model for publishers like us, and is part of what made us so interesting to Yahoo."

The acquisition also goes with moves Mayer made last year, hiring cosmetics guru Bobbi Brown to run Yahoo Beauty, and Elle's Joe Zee to run a complementary digital magazine, Yahoo Style. Both of those will now integrate with Polyvore, which will keep its stand-alone site even as its workforce shifts into Yahoo's Sunnyvale headquarters.

Some remain skeptical about how much Lee's business will add to struggling Yahoo's bottom line.

"I don't know that there are a ton of assets that Polyvore can bring to the table," said Sucharita Mulpuru, an analyst who follows e-commerce businesses for Forrester Research. "It had kind of peaked maybe four years ago, and was eclipsed by some of these other players in the image and discovery space," such as Pinterest, a site now considered so

valuable that Yahoo couldn't afford it.

Compared with Pinterest's \$11 billion valuation and hundreds of millions in venture funding, Polyvore had raised a modest \$22 million before its acquisition, making it "enormously capital-efficient and built solely on organic growth," said Dana Stalder of venture capital firm Matrix Partners, an early investor. Its shopaholic user base also buys a lot, giving advertisers a higher return on every dollar they spend compared with other shopping sites.

Yahoo and Polyvore have declined to reveal the acquisition price, but news reports - all based on anonymous sources - have suggested it could range between \$30 million and more than \$230 million. It is Yahoo's biggest acquisition of a consumer platform since taking over microblogging site Tumblr for \$1.1 billion in 2013.

Among those who think the deal is worthwhile is Sukhinder Singh Cassidy, who spent about six months as Polyvore's CEO before realizing it wasn't a good fit. She is now CEO of Joyus, another social shopping firm, but says she is still a Polyvore fan.

"Yahoo gets out of this deal a millennial audience, relevant and highly monetizing content in the lifestyle category, a new product to sell to advertisers, and a known entity in Jess Lee," she said. "Marissa loves strong product leaders and Jess is certainly one."

Unlike rival Pinterest or bigger companies, Polyvore doesn't yet have a "buy button" that allows direct purchases from the site. But many tech companies are moving in that direction, and Lee's team could be poised to help Yahoo develop such a platform, Singh Cassidy said.

This year isn't the first time big companies have taken an interest in shopping-oriented startups. The Hearst Corp. bought social shopping

website Kaboodle in 2009 and Google bought Like.com in 2010.

But those shopping aggregation sites were "really rudimentary" compared with today's sites, "much more functional than beautiful," Singh Cassidy said.

"I think you may well see another wave," Singh Cassidy said.

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JESS LEE'S EMAIL TO POLYVORE

Before she joined social shopping startup Polyvore in 2007 and became its CEO in 2012, Jess Lee was an addicted user who tinkered with its virtual outfits about three hours each night after returning home from her job at Google. Here are excerpts from the email she sent to Polyvore co-founder Pasha Sadri in 2007, complimenting and critiquing the website's features (most of her suggestions were later implemented):

"Nice to meet you! :-) I just wanted to tell you that I love Polyvore! It's fun to use, completely addictive, and there's a pretty healthy community of users on it. I haven't been this excited about anything on the web since maybe YouTube. I honestly think Polyvore could be the next Flickr."

"Could you add a lightweight way of bookmarking items for future use?"

"I want image rotation. Just 90-degree increments would be enough."

"Anyways, Polyvore really rocks and I think you've hit a goldmine."

-Source: Polyvore

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