

Jet.com's Marc Lore is out to reinvent the shopping cart

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In this Monday, May 2, 2016, photo, employees at Jet.com work in Hoboken, N.J. Jet.com CEO Marc Lore aims to reinvent the shopping cart while taking on Amazon.com. The marketplace site, launched in July 2015 to a lot of scrutiny, now sells more than 11 million products ranging from jeans to diapers in its bid to underprice an industry Goliath and other stores. (AP Photo/Seth Wenig)

Jet.com CEO Marc Lore has set out to reinvent the shopping cart.

The marketplace site, launched last July to a lot of scrutiny, now sells about 11 million products, from jeans to diapers, from more than 1,800 retailers.

And while the goal is to undercut Amazon and everyone else, Jet.com is not a discount site.

Jet.com is built on a real-time pricing algorithm that determines which sellers are the most efficient in value and shipping and adjusts prices based on what items are in the checkout cart, as well as how far the desired products are from the shopper's home. So as shoppers throw items in their cart, they're encouraged to add more to build a more efficient cart and buy items labeled "smart cart" for more savings.

Users can even further customize orders for more savings. For instance, if they waive the right to return an item, a huge cost for online retailers, prices drop even more.

Jet.com has provided plenty of reasons for investors to be encouraged. Lore expects the value of goods sold on the marketplace, or gross merchandise value, to hit \$1 billion in May. It's adding about 350,000 new customers a month, with one-third being repeat customers for basic essentials, like detergent, over a 90-day period. And Jet.com has raised a total of more than \$800 million. Jet.com, which stakes its reputation on service, now delivers to two-thirds of the country overnight in its trademark purple box.



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Still, there is Amazon.com, a retail hyperpower which last year broke through global sales of more than \$100 billion. Retailers are fighting just to co-exist in landscape vastly altered by its existence and, as the latest round of earnings has shown, many have yet to figure out a way to do that.

But Lore has competed with Amazon.com before. As CEO of Quidsi,

whose main site was diapers.com, Lore went toe-to toe with Amazon.com. Eventually, it bought him out for more than \$500 million. Now, with the online market expected to more than triple in the next 10 years to \$1 trillion in revenue, Lore is back and sensing plenty of room for Jet.com to roam.

The path hasn't been smooth. Three months after Jet.com launched, it ditched its annual membership fee of \$49.99, leading critics to question the business model. It now promises to undercut Amazon and other retailers by 4 percent to 5 percent instead of larger discounts. Lore says the membership wasn't critical to the business model and his confidence appears unshaken. Jet.com expects to reach overall profitability in 2020 and to hit \$20 billion in general merchandise value with 15 million customers. For now, Jet.com wants to make sure people know about it. It's taking the profit it makes from selling products and investing it in advertising. To attract shoppers, Jet.com is testing [fresh food](#) like eggs.

Forrester Research analyst Sucharita Mulpuru believes that gaining loyalty is easier said than done. "In an age of hyper-charm, it's hard to retain customers," she said.

Here, some excerpts from an AP interview with Lore at its headquarters in Hoboken, New Jersey.

Q. So, with Jet.com, you really want to change how shoppers behave?



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A. Jet is about empowering consumers to shop in a smarter way and giving them more control. We are pulling logistics costs out of the system. If you look at shipping and fulfilment, it represents over 20 percent of a retailer's revenue. So if you sell something for \$100, you are going to spend on average \$20 in shipping and fulfilment.

Q. Are you trying to go head to head with Amazon?

A. I don't think about anyone in particular. Online, Amazon is the biggest player, and there is no one really close to them. We think there is room for a very large No. 2 in the space. I would love to get 10 percent share of the trillion dollar market in the next 10 years. That would be amazing.

Q. Why did you drop the membership fee?

A. We never charged anybody. We gave everybody free membership. This was a trial for us. It wasn't critical to the business model. And we did a bunch of pricing testing. What we realized was that people didn't value the membership. Basically, the fact that we were already cheaper than everywhere else when you shop smarter was enough to win everybody. The 4 to 5 percent (discount) was enough.

Q. How have you created an emotional connection to the brand?



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—The colored box, the handwritten notes. I just spent a day in the warehouse. I did 150 personalized videos where I am welcoming customers to Jet. We are investing in the design, the look...to build an emotional relationship with the consumer.

Q. Tell me about your move into fresh food.

A. We've been testing it for months now. We're just trying to figure out

how to get the right packaging. Make sure stuff doesn't spoil...eggs don't break. It's fresh food delivered to your door with the highest-quality produce. We are not using our own trucks. We are using a delivery network made up of regional and national carriers.

Q. What keeps you up at night?

A. What keeps me up today is that we are growing so fast, and hiring so many people. We have to make sure we maintain the culture. The end of the day our ability to recruit the very best people and keep them happy and empowered is everything. That will be the difference between whether we make it long term or not.

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