



Tommy Kelly has five of the world's top 10 clothing brands on the books of his company, which he founded a decade ago

BRYAN MEADE

BUSINESS

I fashion stars into global online giants, says eShopWorld founder Tommy Kelly

The e-commerce specialist is thriving as it boosts global internet sales for brands such as Nike and Calvin Klein

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The offices of eShopWorld, located within the bosom of Ryanair's headquarters in Swords, north Dublin, were Mary Celeste-like last Tuesday. Over its two floors, the e-commerce company normally accommodates more than 200 staff. Yet just a single manager occasionally walked along the corridor, and the sound of a Zoom call echoed from a far-off meeting room. Otherwise, silence. Tommy Kelly, the founder and chief executive, was on his first visit since March 12.

Such calm is utterly misleading because the business is humming. EShopWorld helps big fashion brands such as Nike, Victoria's Secret and Calvin Klein sell to international online markets. In the lockdown, some of its brands experienced sales increases of up to 400%. Sales in markets such as Mexico tripled.

Lockdown has "broadened the digital demographic", says Kelly. It drew in more older shoppers, who spend big and are loyal. Brands experienced 20%-30% increases in average order values, or AOVs in the e-commerce lingo. According to eShopWorld's customer surveys, these new, more mature online shoppers are showing less of an appetite to go back to bricks-and-mortar retail.

Sales of leisurewear, casual wear and cosmetics boomed, and eShopWorld experienced a rise in high-end luxury and even occasion wear, despite a marked absence of occasions.

The company also prospered in markets where sales statistics pointed to a decline. Clothing sales online in the UK fell by 14.4% in May, according to IMRG, a online retail association. In the same month, eShopWorld's UK sales of mostly American brands were up 72%, and rose by 122% in May.

At its current run rate, the company is on target to facilitate €1bn of sales for its brands this year — a figure Kelly often dangled in media interviews as an aspiration. It is now within his grasp, but he insists it is only the beginning. "This is a \$3bn-\$5bn sales business," he says.

The growth has been extraordinary. Last year, eShopWorld posted sales of €564m, up ninefold since 2016 and up 36% year on year. The company counts five of the world's top 10 clothing brands as clients, and added 16 new ones in 2019 — three-

quarters of them European or British. EShopWorld is 50.1%-owned by Asendia, a logistics joint venture between La Poste of France and Swiss Post. Kelly holds the rest.

Last year the shareholders invested €20m in upgrading its technology and the business added more than 100 staff. By the end of this year, headcount is set to rise to 450. Halfway through 2020, and sales are charging towards an annual increase of 80%-100%.

The growth is rooted in a clear proposition. “We’re here to take famous brands global,” says Kelly, “not to make brands famous globally.” The company seeks to meet the “huge pent-up demand for global brands that haven’t really been properly presented in a cross-border capacity online”. These brands spend enormous sums on global marketing, but their online focus is overwhelmingly domestic. “They don’t get full value for their investment internationally,” says Kelly. For a single brand, sales might not justify the expense and management time of setting up a dedicated e-commerce operation in a far-flung market.

“For a large brand, you’re talking about 20% of your business that is spread over 30 markets — 3% here, 2% there. Are you going to have the energy or expertise to get to understand those markets? Cost is key,” says Kelly.

He calls it the eShopWorld “iceberg”. Above the waterline is the brand website; below is the bewildering list of regulation, compliance and logistical issues to be addressed: language localisation, payments, fraud, cyber-security, messaging, customer services, returns. “Right down to who is the right company to deliver the package to the door.”

Each market has its peculiarities. “In Turkey, probably 70% to 80% of credit cards in issue can’t do international acquiring, so you have to go into the country to take payment,” says Kelly.

The pandemic proved the model. Health compliance measures differed across markets; eShopWorld could service all of its clients at once.

The company interacts with 150-200 service providers, and has its own stack of technology. It can get a “frictionless” e-commerce site up and running in 12 weeks. Kelly estimates it would take at least 18 months for a brand acting alone.

It is not only nuts and bolts, as data analytics are a huge part of the business, with a budget of \$30m (€26m) directed to market research, tracking not only sales but consumer behaviours and societal change. The company has 80-100 staff focused on this. “It is not launch and leave; it is a partnership,” says Kelly.

The company is “a single source of solve”, adds the boss, who may have spent a little too much time around marketing folk in America.

EShopWorld is Kelly’s second “accidental” enterprise, having previously stumbled into building Ireland’s largest logistics company. He grew up in Ballyboughal, near Swords, where his father was a farmer. Part of the family lands were developed in the 1990s as the Hollywood Lakes golf course, which was sold to its members. Kelly bought back the course to ensure an upgrade.

He studied at Multyfarnham Agricultural College in Co Westmeath, and had little intention of doing anything but farming. A friend bought a truck and trailer, before seeking advice and then involvement. With brother Joe, Kelly formed TwoWay Vanguard in 1994, with backing from financier and Airtricity founding director Louis Fitzgerald.

It prospered in the tech boom of the 1990s, doing shipping and fulfilment for Dell, Creative Labs and IBM. By the time it was sold to Dubai-based Amarex in 2006, TwoWay operated from 15

offices in Ireland, Britain and Holland, and posted sales of \$85m.

Kelly stayed on as Amarex's head of Europe and North America, remaining in the role after he set up eShopWorld in 2010 with two US shareholders. At the outset, the company was based in North Carolina and chaired by Florida businessman Mike Verble. Amarex was "lead global distributor".

"Think back even 10 years ago: if you bought something in the US, the company gave it to a transport company," says Kelly. "The delivery man turned up at your door and asked you to pay \$100 when you thought it was \$70, and they would say something about taxes and currency charges. You were cheesed off with the brand, and probably never shopped with them again."

In a nutshell, this is the problem eShopWorld sought to solve. Kelly joined the business full-time in 2014, a year after Asendia took an initial 10% stake. He says the parcels group is a very "collaborative shareholder" that lets management run the business while backing investment.

Importantly, eShopWorld does not exist to feed its parents. Only about 5% of its packages are carried by Asendia. Unlike rivals, it is "vendor agnostic", according to Kelly.

The business was set up to be profitable "from day one", he adds. Profits might fluctuate as it ramps up technology investment or staff numbers for expansion, but he believes there is no discipline better than making a profit. Its earnings last year topped €13.5m.

Kelly is bemused by rivals such as Israel's Global-e, which recently raised \$60m to exploit the global shutdown of main street. Fundraising "is a distraction for management", he says. Borderfree, another rival, has stagnated as a unit of Pitney

Bowes, a postal service company. Its volumes declined sharply in March because of higher shipping rates.

It is an area “where you have to absolute focus, continuously innovate and invest”, says Kelly. That does not suit being wedged in a plethora of other bolt-ons in a large corporation, he reckons.

Kelly says he benefits from being neither a retailer nor technologist. He is more pragmatist than dogmatist. As an outsider, he gets to ask the obvious questions. In the past two years, however, he has assembled a cadre of senior management with a wealth of retail and technology experience.

Kelly sees no immediate end to the stellar growth rates. If bricks-and-mortar retailers achieve 30%-40% of pre-Covid sales, they will be happy, he says. He does not see shoppers rushing “to queue to get into shopping malls, then get temperature checked, then queue to get into shops, then get temperature checked and then find no access to changing rooms”.

For US brands, 70% of online sales growth is global, and there is a strong correlation between online growth and stock ratings. Mexico, the Philippines and Russia are among eShopWorld’s fastest-growing markets. The more it sells, the more knowledge it gleans and can share with its brands, who then generate more sales. It is virtuous circle.

Kelly would like to recruit more British brands, and not just to help them sell in the Philippines. “For the UK, post Brexit, Europe will be an international market.”

EShopWorld’s focus on “large enterprise brands” keeps it off Amazon’s radar. “When we represent the brand, the brand owns the shopper. When Amazon represents the brand, Amazon owns the shopper. It is about brand preservation,” says Kelly.

Future growth opportunities will be pursued remotely. Kelly does not see staff returning to the Airside Business Park HQ in any great numbers in 2020. Product development and technology productivity have risen in the lockdown. As we spoke, Kelly was grappling with how he could marry some of the staff's growing aspirations to work from home and the need to collaborate and share ideas.

As a single source of solve, it shouldn't be a problem.



Al Pacino as Michael Corleone and James Caan as Sonny Corleone in *The Godfather*

THE LIFE OF TOMMY KELLY

VITAL STATISTICS

Age: 60

Lives: North Co Dublin

Family: married to Cora; three children and six grandchildren

Education: Multyfarnham Agricultural College, Co Westmeath

Favourite film: *The Godfather*

Favourite book: *Shoe Dog: A Memoir by the Creator of Nike*, by Phil Knight.

WORKING DAY

Up to March, I would be lucky to spend one week a month in Dublin. Everybody has been spending less time in the air. There has been more access to senior executives, including chief executives.

DOWNTIME

I try to get out on my bike a bit. I spend time with family, especially the grandchildren. I have a grassland farm but, to be honest, I'm not active on it. I also like doing nothing, relaxing, and reading a book.