

MULTICHANNEL

Retailers spur mid-winter spending with deep discounts

January 5, 2016



Promotional image for Barneys sale

By SARAH JONES

With the holiday shopping season behind them, luxury retailers are ringing in the new year with another tradition.

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Fashion brands and retailers alike are looking to move leftover inventory through sales promising discounts of up to 70 percent. Even though end-of-season sales have become an accepted practice across luxury retailers, it may not be the best practice.

"It is not clear how this holiday season performed," said Gustavo Gomez, director of research and methodology at [Envirosell](#), New York. "As the numbers keep coming in from different sources what is clear is that there are many winners (Amazon seems to be a big one) and losers (seasonal apparel in the United States).

"An after-holiday sale is standard for most retailers, but luxury brands have to be careful not to dilute the brand equity with excessive markdowns," he said. "Seventy percent off seems excessive."

Price drop

Retailers including Saks Fifth Avenue, Barneys New York, Neiman Marcus and Bergdorf Goodman are all running sales on fashion items. Getting consumers in the door and on their Web sites to shop, the stores are heavily promoting their bargains through email campaigns and social media. Most of these communications are simple, with minimal copy to leave the focus on the large percent discount.

The text that is contained in the messaging surrounding these sales often pushes the idea that they are limited-time engagements, with a Barneys email telling consumers, "It's now or never." On its content site *The Window*, the idea is expanded, proclaiming that the sale is "the stuff of legends," and telling the reader she is wasting time when she could be shopping.

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BARNEYS
NEW YORK

IT'S NOW OR NEVER

DESIGNER
SALE

UP TO
75% OFF

SHOP WOMEN'S

SHOP MEN'S

SHOP HOME

SHOP KIDS

SALE

Email from Barneys

Saks, which began promoting the sale on Christmas Day, told email recipients that they should treat themselves now that their holiday shopping is complete.

Neiman Marcus sent a mailer dedicated to its sale. The 95-page glossy booklet opens with a message about overcoming "winter's doldrums" with some new fashion, explaining "at these great prices, it will only *look* like you spent a fortune."

In many cases, merchandise is marked down extensively. For instance, at Saks a Saint Laurent skirt that was originally priced at \$1,450 is now selling for \$435, while a Balmain duffle on Barneys has been reduced from \$5,090 to \$1,799.



Saks Fifth Avenue @saks · 6h

Take up to 70% off your favorite brands with our giant shopping event. #SaksStyle
s5ave.nu/6016Bn3Ji



Tweet from Saks

What has been a mild winter so far may be responsible for some of the current markdowns. Typical seasonal items

such as winter coats and warm attire may have been less sought-after by shoppers.

"Brands need to be creative and not just offer 70 percent off their merchandise," Mr. Gomez said. "Loyalty discounts, charity events, discount on multiple items can help maintain the brand allure.

"If deep discounts must be offered then, brands should make it obvious why," he said. "Brands should play on the warm weather when offering discounts. For example, by saying that it was 70 degrees on Christmas in New York, and offering 70 percent off on winterwear, it is obvious why the items are being discounted - they didn't sell due to warm weather. This focuses the sale to a specific time, place and reason with the potential to limit brand erosion."

Sales offer an opportunity to reach audiences with varied wallet sizes. Post-recession, the same customer who purchases items full price may also be swayed by the lure of a bargain.



Screenshot of Bergdorf Goodman homepage during sale

While they do serve a purpose, by getting rid of old stock, the role of sales has changed over time.

"Clearance sales are useful to drive traffic when it wouldn't ordinarily be there," said Paula Rosenblum, managing partner at [RSR Research](#), Miami.

"So, if you think about Denver (the only place I can think of that's cold right now), the last thing you'd want to do is go shopping," she said. "But an exciting clearance sale might get a shopper out to the store, and while she's there, she might buy some full price fresh product. That was the traditional approach and it was useful.

"All that goes out the window when retailers are over-inventoried and had a weak quarter. We are in a somewhat dangerous cycle now, where retailers buy too much, and consumers play 'Markdown Chicken' waiting for the last and best markdown. That's not useful, but it's necessary to clear out the old stock."

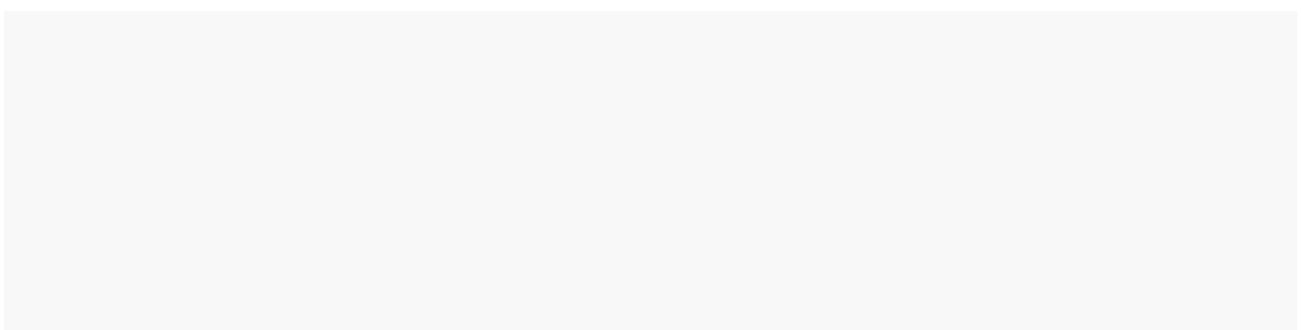
Main event

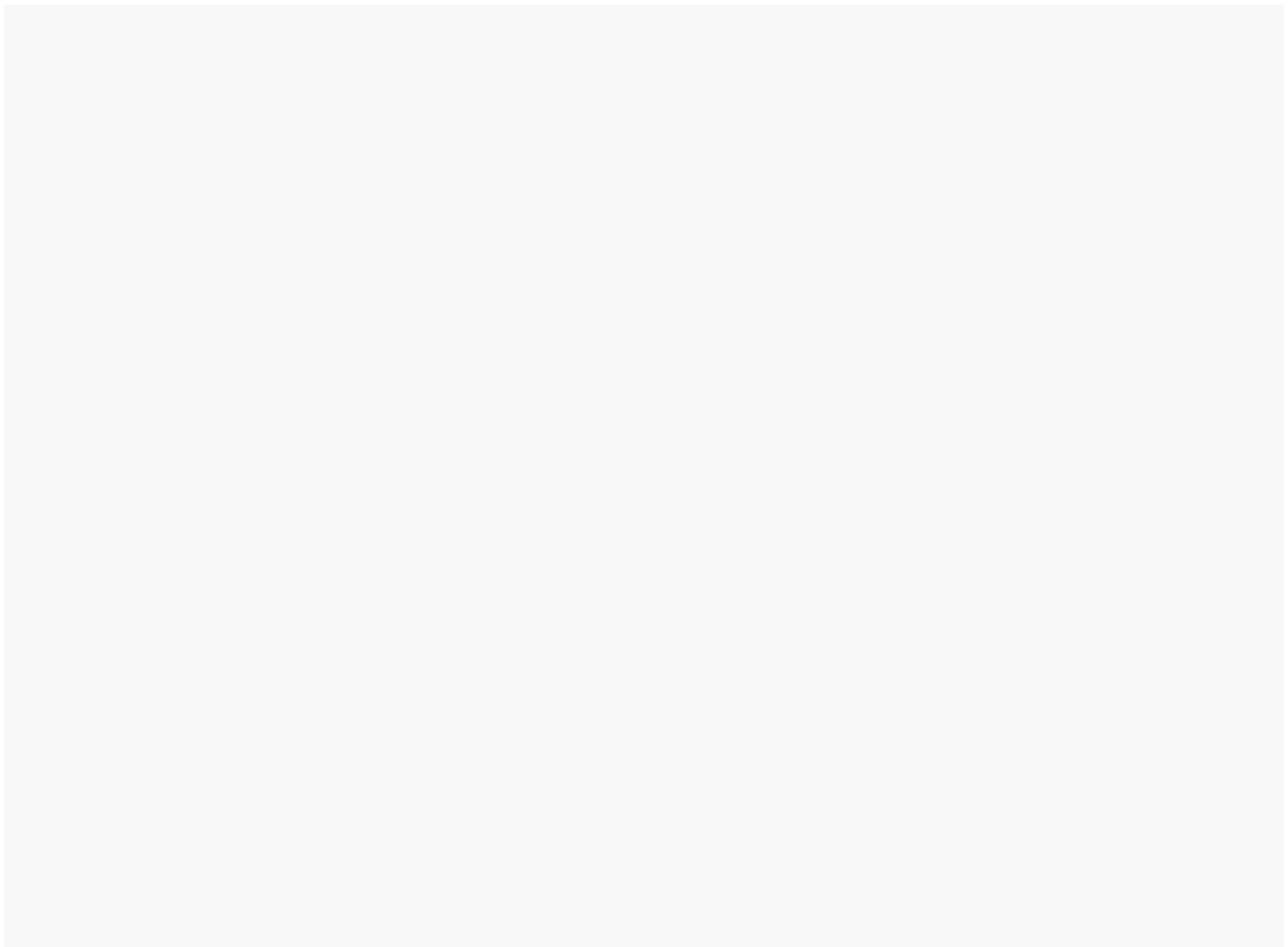
Recognizing that sales are a time to make an impression on crowds, British retailers' post-holiday sales are often treated as a main event.

For instance, Harrods put its sights on its post-Christmas sales rush for Boxing Day.

Held on Dec. 26, Boxing Day is a British bank holiday that has evolved into a day marked by retail sales as consumers look to make returns, redeem gift cards and take advantage of after Christmas discounts. Each year, Harrods stages a Boxing Day event to kick off the beginning of its post-holiday sales, which in turn keeps attention on the retailer after the traditional shopping season has come to an end ([see story](#)).

In the United States, Nordstrom began its sales earlier than some of its peers.





Save up to 50% for the whole family. #nsale

A photo posted by Nordstrom (@nordstrom) on Dec 26, 2015 at 8:54am PST

"I like what Nordstrom did, more or less," Mr. Rosenblum said. "The company started its semi-annual sale early. I don't remember it starting on Dec. 26 before.

"The problem is, though, that because I bought online, I only bought the sale items," she said. "Ecommerce makes it really easy for shoppers to cherry pick, so the brand image isn't damaged so much, but the margins are."

These sales can have a tremendous impact on a brand's bottom line.

On Boxing Day, the holiday celebrated the day after Christmas in Britain, department store Selfridges says it saw its most profitable hour ever.

According to [The Telegraph](#), by 10 a.m. on Dec. 26 only an hour after opening Selfridges recorded almost \$3 million in sales across its chain of stores, breaking its previous record by 2 percent. Elsewhere, including Harrods, consumers turned out in droves to seek discounted luxury merchandise ([see story](#)).

However, this increased traffic and sales may come at a cost in the long-term.

"It definitely will attract aspirational shoppers, but everyone likes to save money, so core customers are likely to take advantage of the sales," Envirosell's Mr. Gomez said.

"Brands need to hope that core customers are buying like to have and not need to have items," he said. "The former brings in the extra sales; the latter decreases profits.

"In the end, brands have to realize that they are playing a long-term game and not looking for short-term gains. Sacrifice one season can be more profitable in the long run than risking brand equity."

Final Take

Sarah Jones, staff reporter on Luxury Daily, New York

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