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RETAIL

Saks owner HBC looks to omnichannel to combat slumping sales

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Retail is facing challenging times. Image credit: Saks Fifth Avenue

By STAFF REPORTS

After reporting declining sales for the first quarter of fiscal 2017, Saks Fifth Avenue's owner Hudson's Bay Company is streamlining its operations to save on costs.

Part of this "transformation plan" includes the elimination of approximately 2,000 positions in North America, which HBC says will make it more "nimble." Aimed at furthering its omnichannel approach, HBC's move also includes the creation of a center of excellence focused on technology, allowing the retailers within the group to share innovations.

Whittling down

In the 13 weeks ended April 29, 2017, HBC's total sales were $3.2 billion, down 3 percent from the same period the previous year.

Saks specifically saw its comparable sales drop 4.8 percent. The company attributes this decrease to the combined factors of declining foot traffic, lower international sales and a changed timeline for two promotions.

Saks continues to renovate its flagship store on New York's Fifth Avenue, and the banner opened four new stores during the quarter.

Going forward, the retailer will focus on marketing and events, including its loyalty program SaksFirst. Saks also plans to enable click and collect at all stores in the coming months, along with growing its drop ship program.

Amid overall lowered sales across the group, digital revenue grew 5.4 percent, with HBC's department stores seeing an increase of 13.2 percent in ecommerce sales.

Image courtesy of Saks Fifth Avenue

Putting the focus on "all-channel" retail, HBC is launching a transformational plan that intends to save $350 million per year once it is fully put into effect by the end of 2018. Intended to improve productivity and efficiency, HBC is planning to leverage the size of its company to collectively deliver for less.

As it did for corporate communications and digital marketing (see story), HBC will centralize its technology operations, bringing together its IT and digital technology teams in a center of excellence.

Further consolidating and incorporating digital into the bigger retail picture, digital operations will join the center of excellence for logistics and supply chain, while digital marketing will now fall under the marketing center of excellence. This centralized marketing organization will function as a creative agency for each of the brands, and HBC plans to hire a CMO to lead the team.

Another area that has been trimmed down for efficiency is the buying and merchandising team, with responsibilities reorganized and layers pared down.

HBC is also rolling out a new training program for store associates across its banners. Having been successfully tested at 10 locations, it will be expanded over the next year.

"We know we can do better and we are taking bold decisive action," said Jerry Storch, HBC's CEO, in a statement. "Rather than chase the rapid industry changes, our Transformation Plan will reposition HBC to get ahead and stay ahead.

"This North American based initiative, the result of a process we began more than six months ago, is designed to increase synergies across our portfolio of businesses, sharpen capabilities that give the company a competitive edge and re-align our expenses to focus on growing our digital business," he said. "Savings from the changes we have announced today are required to help mitigate the pressures we are facing in the current environment.

"As we have developed our plan, we have been determined to become not just a leaner company but also a better one. These changes include significant improvements to our organizational structure, store operations and procurement strategy, all of which better reflect the company's efforts to drive the business forward and deliver a best-in-class all-channel experience.

"Combined with our prudent management of capital expenditures, we believe that this improved structure will better position HBC for the future."

Amid a difficult retail climate, other companies have also looked to streamline operations.

Last year, department store chain Nordstrom planned a reduction of 350-400 jobs in its corporate center and regional support offices to better position itself for growth.

The layoffs happened in phases, with the completion in the second quarter of 2016. Nordstrom said at the time that the cuts were to give it more flexibility to respond and react to the changing retail environment and deliver on service, estimating that the reduction in jobs will result in $60 million saved throughout the 2016 fiscal year (see story).