

APPAREL AND ACCESSORIES

Madaluxe Vault is stab at off-price luxury

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From left to right: MadaLuxe Group senior vice president of stores Darin Skinner, MadaLuxe president Adam Freede, MadaLuxe chairman/CEO Sandy Sholl, Craig Realty's Steven Craig and unidentified person. Image courtesy of MadaLuxe Group

By [Marie Driscoll](#)

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Since 2010, MadaLuxe Group has partnered with Europe's iconic luxury maisons seeking North American distribution for excess inventory and, in doing so, has grown its retail sales to more than \$200 million.

But the rapidly changing United States retail landscape suggested a new direction to cofounders Sandy Sholl and son Adam Freede, chairman/CEO and president, respectively, of Seal Beach, CA-based [MadaLuxe Group](#).

This new direction that would provide a platform for MadaLuxe's existing luxury vendor base as their businesses expand, while providing new growth opportunities for Ms. Sholl's own business.

Hence the December launch of MadaLuxe Vault, a direct-to-consumer, off-price luxury online and offline boutique, with a new twist, as a multi-branded destination.

Vaulting ambitions

Ms. Sholl is shy to share her list of luxury clientele vendors. Her business is built on longstanding relationships of trust and discretion, but the brands she brings to U.S. off-price distribution in both her business-to-business and her just-launched business-to-consumer businesses are at the top of many fashionistas' wish list. Her top U.S. retail clients include Gilt, Saks Off-Fifth, Neiman Marcus Last Call, Nordstrom Rack, TJ Maxx, Marshalls and Outnet.

Opening a store in 2017 is a courageous act amidst retail's seismic shifts, but Ms. Sholl and her team are geared to moving ahead in this very attractive white space opportunity.

Off-price and luxury, while not unscathed by retail's woes of disintermediation, price transparency and a 24/7 consumer, have navigated the terrain better than most of retail. The two combined, as in luxury outlets, are among retail's few winning concepts, where the thrill of the find combines with the thrill of a deal. It hardly gets better for today's shopper.

Ms. Sholl has partnered with Steven Craig, founder and president/CEO of Craig Realty, who knows the nuances of the outlet and luxury outlet business.

Mr. Craig was formative in the creation of the outlet center as we know it today, and before starting his own

business, was instrumental in the development of the internationally renowned Woodbury Commons Outlet when he was chief operating officer of Chelsea Property Group.

"With 30 years of outlet experience, you know the properties, the locations, the customer," Mr. Craig said while discussing plans for the next MadaLuxe Vault.

Footing it

The first MadaLuxe Vault opened in Craig Realty's Citadel Outlets. Located 10 miles outside Los Angeles and home to about 145 brand outlet stores, Citadel attracts about 50 percent international shoppers and the remaining 50 percent drive an average of 50 minutes to shop.

Citadel is a destination for approximately 16.5 million visitors annually, replete with eateries and entertainment, and generates about \$1,450 in sales per square foot, with premium brands such as Coach and Michael Kors generating more than four times the center's average.

These sales figures are the envy of most mall and shopping center operators, but trail the metric achieved at Woodbury Common estimated north of \$1,550 located in upstate New York where it benefits from access to the New York fashion ecosystem and attracts many luxury brands.

Citadel has gradually added to its cadre of premium brands and MadaLuxe Vault can jumpstart that effort given its pipeline of product.

"MadaLuxe brings the scale and assortment that we lacked and solves the access problem," Mr. Craig said.

Ms. Sholl is as mindful of protecting her relationships with her key retail partners, as she is protective of her luxury vendors. She plans to avoid locations where she would overlap with either.

For instance, since there is an Armani Outlet at Citadel, the MadaLuxe Vault will not carry Armani product.

Taking stock

As many of the big retailers rationalize the store fleets, including the planned closure of 11 Neiman Marcus Last Calls, Ms. Sholl is thinking ahead about the excess inventory that her luxury brand clients will need to place. MadaLuxe Vault locations and online will solve for this reduction in points of sale, while maintaining the illusion of scarcity that is often paramount to luxury brand executives.

"Should either a brand or retailer come in conflict because of location, they would flex the MadaLuxe Vault offerings to reduce/eliminate any friction and strive for differentiation," Ms. Sholl said. "At Citadel, MadaLuxe isn't disturbing the peace."

While Sandy is creating additional non-cannibalizing distribution for luxury brands, the multi-brand strategy is a boon for the property developer and the consumer alike.

"Sourcing luxury brands for a center is difficult," Mr. Craig said. "There are so few open-to-buy in the luxury arena. It's common for a luxury brand to open one outlet annually and choose between a few locations.

"So, the type of product that MadaLuxe Vault carries, its ability to move with the product, follow the trend and address what the consumer is looking for, it's a win-win for everyone," he said.

Combining luxury-sourcing expertise with Steve's real estate acumen is another win-win as MadaLuxe looks to expand.

ON THE DRAWING BOARD are potential five new MadaLuxe Vault locations this year. For now, the goal is to achieve about \$2,000 in sales per square foot and prove the concept.

Neither Ms. Sholl nor Mr. Craig have any doubt that MadaLuxe Vault will meet the goal and, in the process, spawn the next outlet phenomena.

Down the road, location conflicts are bound to arise, as is the case when brands go direct. Given Ms. Sholl's 20 years of navigating the nuances of luxury distribution, she is working on a solution to sidestep that issue.

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