

RETAIL

Saks to close downtown New York store as digital shopping behavior entrenches

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Saks Fifth Avenue's women's store in Brookfield Place in downtown New York is set to close Jan. 5. Image credit: Saks

By STAFF REPORTS

In yet another sign of the tumult in retail and only two years after its opening, Saks Fifth Avenue will close its 86,000-square-foot department store for women in the swanky Lower Manhattan Brookfield Place mall.

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The Jan. 5 closure of the **woman's store** will not affect the Saks men's store that opened in February in another part of the Brookfield Place complex. However, it is a sign that the way women shop for luxury products has changed, whatever the official line is.

"The closure of another Saks store is yet another sign that digital commerce continues to devour offline retail and that relevance matters more than ever, especially for multi-brand retailers," said Milton Pedraza, CEO of the **Luxury Institute**, New York.

"The immediate future of Saks and most luxury fashion and retail brands is far fewer, better curated, stores that transform into relationship-building centers with emotionally intelligent expert stylists," he said.

Saks put a positive spin on the news in its comments to trade publication *Footwear News*.

"This Saks branch location was a test concept where we learned even more about how our women's customers like to shop in New York City," a Saks spokesperson told *Footwear News*.

"We determined that their preferred format is a combination of our digital channels and our iconic Fifth Avenue flagship, where our grand renovation is creating an unparalleled luxury shopping destination," the statement said.

Out but not down

In addition to in-store art exhibitions, the downtown New York store boasts unique touches such as a health spa, leather goods spa, hair salon, nail salon, tattoo parlor and massage parlor. These services were offered by different brands leasing space from Saks.

Saks was the anchor tenant of **Brookfield Place** when it wrapped a \$250 million renovation of what was formerly known as the World Financial Center.

The redo attracted luxury brands such as Burberry, Bottega Veneta, Herms, Louis Vuitton, Gucci, Davidoff of Geneva, Omega, Ermenegildo Zegna and Vilebrequin.

Swish food courts also pepper the mall that hugs the north end of Battery Park City that runs along the Hudson River.

Saks was counting on traffic from office-goers working in the nearby Brookfield Properties towers housing magazine publisher Meredith, Nomura Securities, law firm Cadwalader, American Express and Bank of America, as well as Goldman Sachs one block up and Conde Nast across the street in One World Trade Center.

However, Battery Park City by itself is not enough to sustain a larger luxury retailer such as Saks. While most of its residents are well off, that neighborhood has been traditionally tough for retailers who have not seen local spending support stores.

A new tenant is expected to take Saks place, according to a report in *WWD, Footwear News*'s sister publication.

The news comes soon after Saks parent Hudson's Bay Co. reported a 7.3 percent comp-store growth in its third-quarter earnings report, outperforming fellow retailers Neiman Marcus and Nordstrom.

Net net

The rapid growth of ecommerce and mobile-driven retail has encouraged luxury brands and retailers to accelerate their digital efforts while reevaluating the role of the retail store.

Indeed, the increasing popularity of luxury online retailers such as Net-A-Porter, Farfetch, MatchesFashion, Moda Operandi and a host of rental services such as Armarium and Flont has put pressure on legacy department store brands.

While some retailers are investing heavily in their ecommerce and mobile operations, Nordstrom has bet on bricks and mortar with a \$500 million spend on stores. A men's store opened recently in New York's Columbus Circle district, with another store planned for women.

Neiman Marcus will also open a store in midtown New York's latest retail-and-residential development, Hudson Yards.

Another department store chain, Barneys, this year was slammed with the doubling of rental for another 10-year lease of its Madison Avenue property, thus putting the future of that location in downtown. Earlier this year, Barneys shut down its Upper West Side location after 10 years of operation.

Barneys a few years ago opened a contemporary-themed store in New York's Chelsea district, returning to the same location it had departed decades ago. That said, the retailer's financial woes continue, having survived bankruptcy in 1995 and facing ongoing issues over rent, all of which are well documented.

For its part, Saks is busy renovating its flagship midtown Fifth Avenue store and ramping up its digital presence.

"The decision to close this location was not easy, and we intend to transfer as many sales associates to new roles as possible," Saks said in its statement to *Footwear News*. "We have no plans to close our Brookfield Place men's store."

Saks has 120 employees at its downtown location women's store.

While Saks is making the hard decisions, many of its rivals are still hoping that store-based retail will regain its heyday.

"It may be expensive to terminate leases, but it's absolutely necessary now," Luxury Institute's Mr. Pedraza said. "It's unfortunate that the leaders of these brands continue to move slowly to adapt in 2018 despite the obvious needs."