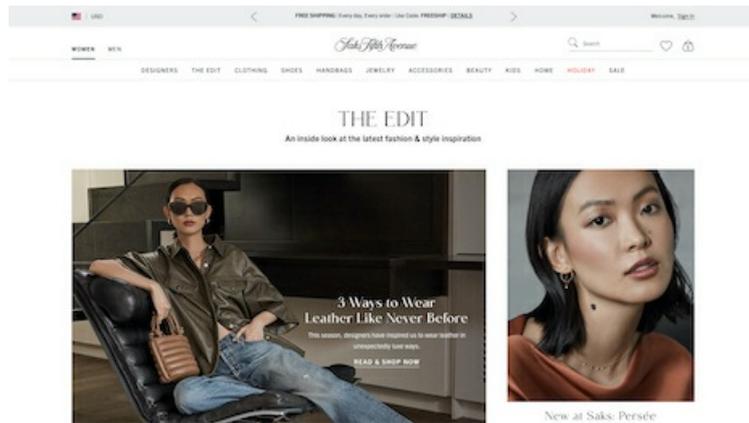


RETAIL

What does the Saks ecommerce split say about shoppers and retailers?

March 8, 2021



Saks has announced its new standalone ecommerce business. Image courtesy of Saks Fifth Avenue

By KATIE TAMOLA

The owner of department store chain Saks Fifth Avenue is establishing the retailer's ecommerce business as a standalone entity, signaling an evolution in consumers' shopping preferences.

Subscribe to **Luxury Daily**
Plus: Just released
State of Luxury 2019 **Save \$246 ▶**

According to Hudson's Bay Company, the newly-split Saks the ecommerce business and SFA the physical retailer will operate separately, but continue a symbiotic relationship. The separation, however, allows HBC to more strategically invest in its different offerings as the luxury retail sector navigates exponential ecommerce growth amid a challenging climate for bricks-and-mortar stores.

"Very similar to how many restaurants are becoming ghost kitchens' with different branding to take advantage of a delivery-first customer base, now retailers are realizing that leveraging their existing brand may not drive retail as much as building a platform from scratch," said Mathieu Champigny, CEO of content agency **Industrial Color**, New York.

"It is a chance to establish a new brand while also taking advantage of the low barrier to entry for building the backend of an ecommerce platform as prices have been driven down dramatically," he said.

HBC has partnered with venture capital firm Insight Partners to establish the separate ecommerce business that will be known as Saks, and with the firm's \$500 million investment in Saks, the business is now valued at \$2 billion.

The retailer's 40 bricks-and-mortar stores remain solely owned by HBC and will operate separately as SFA, making Saks and SFA independent but related sister companies and ultimately giving consumers more options based on their shopping preferences.

Separate sisters

In January, Saks Fifth Avenue's then president and CEO, Marc Metrick, discussed the intention in maintaining the separation of its physical stores and online presence.

Mr. Metrick noted the importance of the chain's omnichannel approach, and how some consumers, even amid a pandemic, are still seeking in-person shopping experiences. This, in turn, also ultimately boosted the chain's digital

business.

The chain's split signals a reality that during and beyond the pandemic, consumers will have disparate shopping preferences. Some will crave in-person experiences, while others will continue to lean digital.



Many consumers appreciate the option of choosing between in-person shopping and ecommerce platforms. Image credit: Getty

Last November, Saks revealed a new and improved site. Saks.com was introduced as a new luxury ecommerce hub where consumers could purchase goods, create wish lists and experience a "complete the look" feature for additional product suggestions.

The emergence of the standalone Saks ecommerce platform comes on the heels of continued online sale growth amid the pandemic.

During 2020 Cyber Week, global online sales hit a fresh high of \$270 billion, up 36 percent compared to 2019, according to a new study by cloud software company Salesforce. In the United States alone, online sales during this period amounted to \$60 billion, a 29 percent increase year-over-year ([see story](#)).

Richard Baker, HBC's governor and CEO, expressed in a statement that luxury ecommerce is slated to continue its exponential growth. Separating Saks and SFA into two disparate entities sets the department store chain up for multifaceted growth and success.

"This move speaks to luxury retailers' acknowledgement that the luxury consumer is willing to and wants to shop luxury online," said Marie Driscoll, managing director of luxury and fashion at [Coresight Research](#), New York. "The two companies expect to work together and leverage the strengths each has to support the best possible consumer experience.



In-store shopping declined last year amid the coronavirus pandemic. Image credit: NRF

"The consumer has to be at the center of any retail strategy; more needs to be revealed to see the consumer at the center of this strategy," she said.

The bricks-and-mortar stores and ecommerce site will both accept returns, exchanges and SaksFirst credit cards.

Mr. Metrick, former president and CEO of Saks Fifth Avenue, will become the CEO of Saks. Larry Bruce will become president of SFA, having previously served as director of stores.

Saks at every turn

Although online spending has increased as a result of the pandemic, consumers appreciate having continued

options regarding in-person shopping and ecommerce.

As some states started their reopening process, many consumers have begun to spend more than they did during lockdown. But as stores reopen and shoppers begin spending more, the shift to digital will likely continue as consumers look to avoid long periods of time inside bricks-and-mortar stores ([see story](#)).

With many consumers looking forward to returning to in-person shopping and disparate consumers not feeling comfortable doing so, the chain's split allows the ability to meet consumers at every turn.

Throughout last year, Saks implemented strategies that successfully combined the in-store experience with digital developments, placing a significant focus on customer personalization and ease and, ultimately, creating new practices for the digital era and mobilizing product presentation ([see story](#)).

"In the broadest sense, it's just a necessary move for any retailer in 2021 you have to go to where your customers are, and even venerable brands like Saks can't depend on their flagships to carry the company's bottom line anymore," Industrial Color's Mr. Champigny said. "People are shopping online more than ever on both websites and social platforms, and there's no doubt it is a habit that is here to stay."

© 2021 Napean LLC. All rights reserved.

Luxury Daily is published each business day. Thank you for reading us. Your [feedback](#) is welcome.