

RETAIL

Luxury department stores' next chapter will be online

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Gucci is one of many luxury brand available on Saks' ecommerce site. Image credit: Saks

By NORA HOWE

Recent changes at Saks Fifth Avenue and the upcoming ecommerce relaunch of Lord & Taylor are the latest indications that the future of the U.S. department store is online.

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Due to the COVID-19 pandemic and advancements in technology, ecommerce tools and digital offerings have accelerated tremendously within the fashion and retail space. However, what began as a quick solution to the global health crisis has become the new normal for conducting business.

"Ecommerce has endless aisles, allowing retailers and brands to offer every iteration of a product," said Marie Driscoll, managing director for luxury and fashion at **Coresight Research**, New York. "In physical retail, one is constrained by space and creating a visually appealing shopping environment.

"Ecommerce allows retailers to remove broken assortments and markdown and clearance merchandise from the physical store, allowing the best presentation for the newest product while preventing in-store shoppers from markdown diversion, and driving them towards full-price merchandise."

The rise of ecommerce

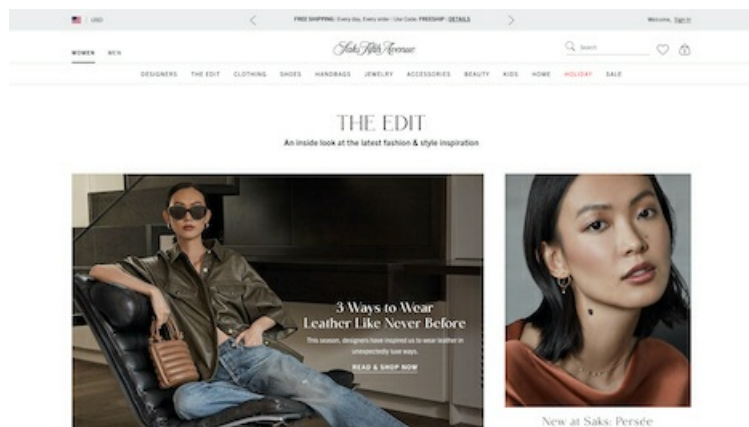
Department stores including Saks Fifth Avenue and Lord & Taylor were hampered with nonessential lockdowns at the start of the pandemic, and ecommerce was the only viable way to connect with consumers and sell products.

In early March, Hudson's Bay Company (HBC) announced it would split Saks Fifth Avenue into two separate entities, creating an entirely digital ecommerce company known simply as Saks.

With a \$500 million minority equity investment from private equity firm Insight Partners, HBC is establishing Saks Fifth Avenue's ecommerce business as a standalone company valued at \$2 billion. HBC will be the sole owner of the retailer's 40 bricks-and-mortar stores, which will operate separately and be referred to as SFA ([see story](#)).

The separation 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.

The chain's split fosters a hybrid approach to post-pandemic retail, serving customers who will crave in-person experiences and those who will continue to lean digital ([see story](#)).



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

It is no surprise that companies are starting to put more resources into building their online presence and investing in ecommerce tools.

According to [Adobe Analytics](#), at current growth rates, ecommerce is expected to bring in between \$850 and \$930 billion this year. With a pandemic-induced 20 percent boost, 2022 is expected to be the first trillion-dollar year for ecommerce.

Ecommerce retailer Mytheresa which recently debuted on the New York Stock Exchange ([see story](#)) saw its net sales grow by almost 33 percent year-over-year during the second quarter of fiscal year 2021 ended Dec. 31, as luxury consumers continue to shop online. The retailer achieved 158.6 million euro, or \$193 million at current exchange, in net sales for Q2 2021, an increase of 32.9 percent.

Mytheresa also grew its active customer base by 28.2 percent to 569,000 in the second quarter. It welcomed more than 100,000 first-time shoppers, another record, while lowering customer acquisition costs ([see story](#)).

Rival online retailer Farfetch reported its 2020 revenue increased 64 percent year-over-year to \$1.7 billion. Farfetch also saw strong Q4 2020 gross merchandise value and digital platform growth with an increase of 43 percent and 49 percent year-over-year, respectively ([see story](#)).

U.S. department store chain Nordstrom has similarly outlined a long-term strategy with a focus on digital as it looks beyond the COVID-19 pandemic. Nordstrom expects that ecommerce will account for about 50 percent of total sales in the future ([see story](#)).

This accelerated boom in ecommerce has encouraged investors to resurrect liquidated retailers, as indicated by Lord & Taylor's latest announcement. Not long after shuttering all stores in February, the brand is eyeing a new online-first chapter.



Lord & Taylor filed for bankruptcy in August 2020, and liquidated all of its stores in February 2021. Image credit: GlobeSt

Founded in 1826, the classic American retailer filed for Chapter 11 bankruptcy in August 2020 ([see story](#)). In October, Saadia Group LLC bought the retailer and its parent company Le Tote for \$12 million through a bankruptcy auction.

Lord & Taylor's revival as an ecommerce store will launch in mid-April, initially offering men's and women's

fashion, beauty, skin care and fragrance. According to *Women's Wear Daily*, children's wear, accessories and footwear will be added in the coming months.

"Online is great tool for communicating product attributes, informing consumers and using media to tell vibrant brand stories," Ms. Driscoll said. "Gamification of shopping online engages consumers and drives purchases as does the appearance of scarcity.

"However, digitally, it is difficult to build relationships, create brand connections and emotional brand rapport not ideal for romancing consumers," she said. "The ease of comparison shopping and price seeking online undermines brand loyalty and develops price seekers."

Elevating the in-store experience

While many companies look to serve digitally savvy and safety-conscious consumers by bringing brand offerings online, others are trying to elevate the experience for consumers who prefer to shop physically.

U.S. retailer Bloomingdale's partnered with British fashion brand Stella McCartney to curate The Carousel at Bloomingdale's: Stellabration pop-up shop. The Carousel at Bloomingdale's is a rotating shop driven by culturally relevant themes and curated by guest fashion experts.

Stellabration will immerse visitors in the world of Stella McCartney, featuring the designer's genderless Shared capsule collection for the first time at Bloomingdale's, as well as its spring 2021 and resort 2021 accessories collections ([see story](#)).

Nordstrom has also recently partnered with smart home gym **Tonal** to bring the strength training system to customers nationwide.

The experience is expected to launch this month in the women's active department in 40 Nordstrom locations across 20 states in the U.S. The partnership will be brought to life through a 50 square foot concept where visitors can experience a full Tonal demo and try a workout firsthand ([see story](#)).

"Ecommerce will not eradicate physical retailers, at least not in the foreseeable future, however we will continue to see sales migrate online and less relevant, undifferentiated retail stores close," Ms. Driscoll said. "Great stores are a combination of theatre, product and social they are experiential and immersive.

"I would rather go to Amalfi than watch the movie and get the clothes, food and wine delivered."