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TODAY'S DIGITAL DAILY

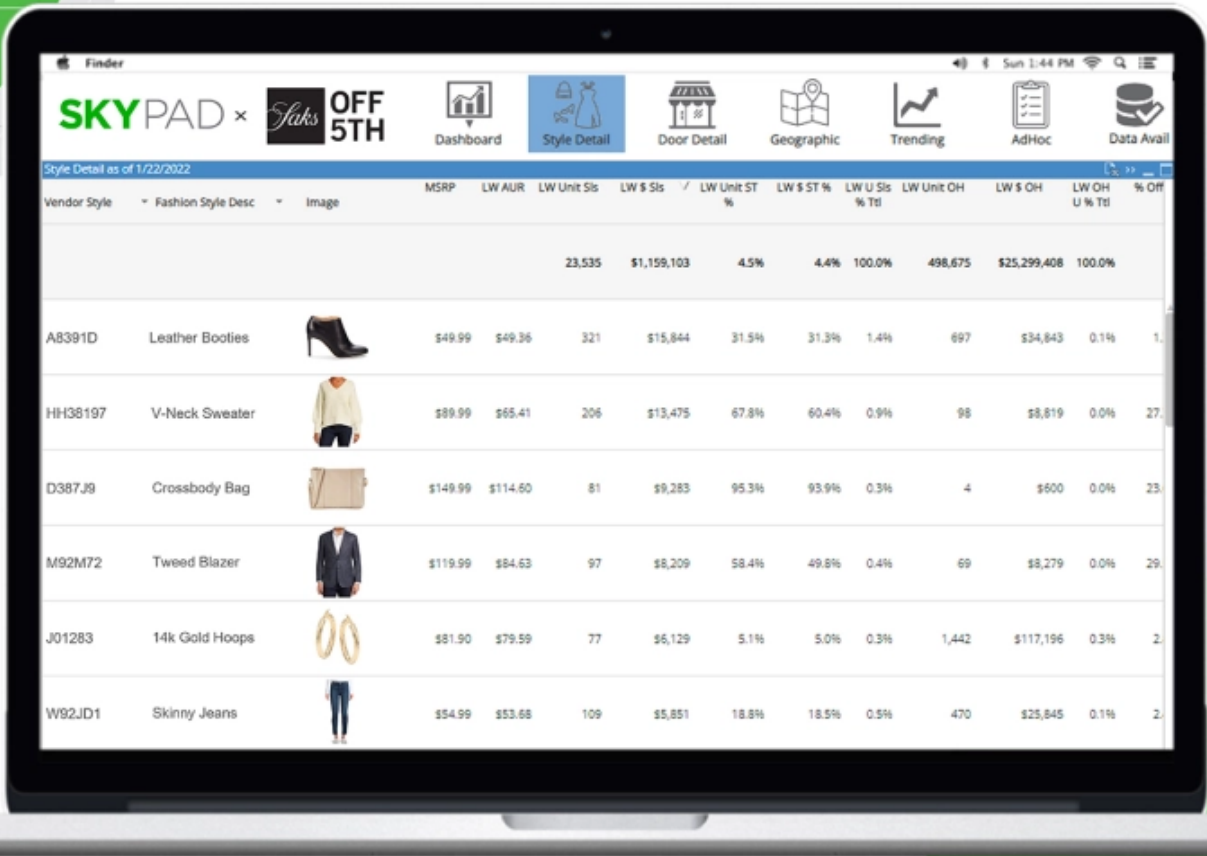
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## At Saks Off Fifth, a Buildup of Brands and Technology

Chief merchant Molly Taylor says Saks Off 5th is building a more balanced assortment with many more brands.

By **DAVID MOIN**  
FEBRUARY 8, 2022, 7:00AM



Saks Off 5th has begun using the SkyPad software solution.

It appears to be an opportune moment for off-price retailers.

Soaring inflation could drive consumers to shop value-priced retailers more often, while lingering global supply chain issues means there's more late arriving, out-of-season merchandise that regular-priced retailers want to unload and off-pricers can pick up.

"Most of what we procure is already in the U.S., in warehouses here," said Molly Taylor, chief merchant of Saks Off 5th. "It does really reduce a lot of that noise from the supply chain conversation. It's a significant advantage for us."

Last June, parent company Hudson's Bay Co. teamed with investor Insight Partners to establish the Saks Off 5th e-commerce business as a stand-alone operation, separate from the Saks Off 5th stores, mirroring what HBC did with its **Saks Fifth Avenue** (<https://wwd.com/tag/saks-fifth-avenue/>) brand. Insight invested \$200 million into Saks Off 5th, valuing it at roughly \$1 billion, and helping it fuel digital growth by adding talent, technology and widening the assortment. The money will help Saks Off 5th enhance digital capabilities including improving fulfillment and logistics, support infrastructure and expanding the assortment.

"We are really purposeful and strategic around new category growth and building out a balanced assortment. We are building strength in some of our casual and core categories as well as our legacy strengths in dress up, fine jewelry and handbags," Taylor told WWD in an exclusive interview.

From 2020 to 2021, the upscale off-pricer added 500 brands to its assortment, including Ted Baker, Longchamp, Kendra Scott, Ganni, Adidas, Brunello Cucinelli, Giuseppe Zanotti, Mansur Gavriel, Levi's, Bally, Brooks Brothers, Skechers, Allen Edmonds, Eddie Bauer, Hush Puppies, Dr. Scholl's and Tommy John, and this year's goal is to add another 300, Taylor said. "There is lot of room to continue to grow from a brand perspective and have a balanced assortment where we can serve all of the needs of our customer." According to Off 5th, the majority of the brands added are available in-store and online, though brick-and-mortar has obvious space constraints.

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Molly Taylor

To automate and speed the flow of information between Off 5th and vendors, and provide greater insights into selling trends, Off 5th has partnered with the Sky I.T. Group and its business-to-business SaaS platform called SkyPad.

“Because we added 500 brands over the past two years, and are adding 300 more this year, the timing is perfect for this,” Taylor said. “We want our teams to really focus on fostering those brand relationships and curating our assortment versus spending time creating reports. Our teams and our vendors can use the SkyPad intelligence at the same time. It’s time-saving and a tool that most of our vendors use with other [retail] partners,” including **Saks Fifth Avenue** (<https://wwd.com/business-news/retail/saks-fifth-avenue-features-lupita-nyongo-in-spring-campaign-1235060555/>) since 2018.

Before, “It was very much a manual data pull from our systems. SkyPad is automated and simple,” Taylor said. Chanel, Celine, LVMH, Neiman Marcus and Nordstrom also use SkyPad, according to Sky I.T. Group.

SkyPad will be used by Saks Off 5th buyers, divisional merchandise managers and planners. It went live with Saks on Monday, and is expected to go live for the vendors on Feb. 14.

“It informs us on what categories we need to amplify,” right down to individual store locations, Taylor said. “We are able to see, for example, that swimwear is starting to take off in colder climates and we might not have known that before. We would want to chase that category. Because insights are so easy to grab, we are able to react quickly. SkyPad accelerates our team’s ability to focus on what’s important. We are looking at ways to make our complex off-price business easier.

“We are an end-to-end solution for sell-through reporting,” said Gil Hakami, vice president of business development at Sky I.T. Group. “Leveraging SkyPad’s self-serve platform, brands and buyers gain ease and speed to enhanced product and location level performance insights. SkyPad automates critical data to quickly analyze what’s selling, where it’s selling and how to maximize in-season opportunity....It’s a quick process. The program takes approximately four to six weeks to set up and go live.”

The data generated covers unit and dollar performances by style; color; size; retail door and online, across a wide range of time periods, such as week-to-date, month-to-date and season-to-date. SkyPad provides training and support to retailers and brands.

While buyers see how all the brands they work with are performing, the brands get visibility on how only their products are performing.

“The pandemic brought a sense of urgency for this type of visibility,” Hakami said. “Retailers need to be nimble and quick. To be able to pivot you need to have the luxury of information, and the ability to shift business from brick-and-mortar to dot-com.”

“From a legacy perspective, when you think of Saks Off 5th, you think of tailored clothing, special occasion dresses, fine jewelry and handbags for dressed up occasions,” Taylor said. “But the mission has been to become more balanced, to build out our activewear assortment, core knits and basics assortments — the whole casual counterpart to our strengths in dress up. They might want a designer handbag. They might want a track suit. We want to be in the mid-tier branded space as well as in that contemporary and designer branded space. Madewell and Adidas are good examples of mid-tier limited distribution in off-price that really matter to our customer. Our customer still wants brands. They want fashion. They want newness, but we want to serve all occasions as well. That’s been a big part of our growth.”

Last year, Off 5th changed its pricing. “We really shifted away from that high-low strategy to an everyday value strategy. That is where we remain.” Generally, merchandise is sold at 40 to 60 percent off regular prices, everyday, though it depends on the brand.

Regarding cost pressures, “We haven’t seen much yet,” Taylor said. “Our commitment to the customer is to continue to have the best product at the best price. If we need to make any adjustments, we really look at market intelligence. We use data analytics tools. We comp shop all the time. If the market adjusts a little bit, we will with it, but we haven’t seen that yet. Costs haven’t really gone up.

“The biggest bump that we are experiencing, as are all of our vendor partners, is a little slowness in supply chain, transportation, etc. That hasn’t yet translated for us into significant cost increases. In both of those conversations, off-price really has an edge. We source in different ways. We have goods in the pipeline if we need to push out and pull forward. We did a really good job at delivering consistent freshness to the customer in 2021 and expect to in 2022, in spite of any hiccups in transportation.

“We definitely have the levers to take advantage of something today that may be out of season and either chose to hold it until the next season or to put it online. We know that seasonality is a little less tricky in the online space.”

From retailers looking to unload late goods, “We have not had a lot of reach out. We’ve had some and we do have the ability to hold goods and are using that as a strategic level to insulate us against any cost pressures that might come in the fall.”

Taylor said Off 5th was “very lucky” in the extent it received seasonal goods in the second half of last year. “It was a little bit delayed in the third quarter, but we really did deliver within the selling time period for us, and for spring, our inventories are current. We have a very small percentage of true heavy [weight] seasonal product carried over to spring. We know that’s been a story, that there is still some winter goods on boats and we will definitely be responsive to those offers. But there are no merchandise shortages that we are experiencing. We feel good how we are turning the corner into spring, and feel better this spring than last spring.

“We want to take great goods, coveted brands whenever they’re available to us, and we do have the ability to store them for next year, pack them away or we do have the opportunity to put them online.” At Off 5th, pack-a-ways are called “locker” merchandise. “We have more locker today than we did a year ago.” It’s stored at two warehouses on the East Coast, which handle both inbound and outbound merchandise.

At Off 5th, the ratio of closeout merchandise to merchandise produced specifically for Off 5th is about 65:35, Taylor said.

**Merchandise received from Saks Fifth Avenue represents “a minority percent of our assortment,” she noted. Off 5th also engages in drop shipping and plays in the resale space,**



primarily in handbags, through a partnership with LXR & Co., a Montreal-based firm that retails and wholesales vintage luxury, formed in November 2020. Merchandise obtained through LXR is displayed in a limited number of Off 5th retail doors (Off 5th has 101 locations) and on saksoff5th.com as part of the designer complement.

“LXR has given us a lot of intelligence that our customer really trusts us to play in the [resale] space,” Taylor said. “We should do more due diligence and figure out how that can be a more meaningful part of our assortment.”

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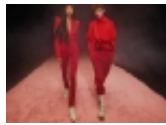
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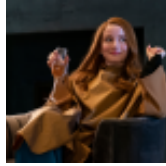
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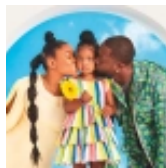
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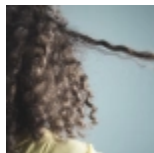
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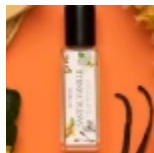
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