

## **What Is Saks Fifth Avenue's Target Market?**

**Vanessa O'Connell, "Park Avenue Classic or Soho Trendy?" *The Wall Street Journal*, April 20, 2007.**

In a significant departure from its historical approach, Saks Fifth Avenue is focusing on making each store more productive rather than opening new stores. Department store competition is heating up; Macy's stores doubled to 820 (after acquiring May Department Stores), and Bloomingdale's, Neiman Marcus, and Nordstrom continue to battle for dominance. In response, Saks wants to identify a target market for each store, because it has found that target markets differ throughout the country and even from town to town.

Many Saks stores were not catering to the correct market and thus was not carrying appropriate merchandise. Its New York flagship store accounts for one-fifth of the company's annual revenue, and the target market at this location includes 46–57-year-old women who prefer classic styles for work and slightly more modern looks for the weekend. But such a selection does not resonate Birmingham, Alabama. Through market research, Saks found that its merchandise was too conservative for the slightly younger customer base there, who would travel as far as Atlanta, Georgia, to shop.

So how could Saks go about pairing merchandise with customers? The retailer has developed a nine-box matrix whose axes display the fashion degree—"Park Avenue" classic, "uptown" modern, "Soho" trendy, or contemporary—and pricing levels—"good", "better" and "best," ranging from moderately priced to expensive—that characterize customers of a particular store. With this combination of spending levels and styles, Saks can deliver the appropriate merchandise.

Saks still has a long way to go to make stores productive. Its average sales per square foot equal only \$385 compared with Neiman Marcus at \$624 and Nordstrom at \$393. Bloomingdale's is also escalating its designer offerings, making it a serious competitor for Saks as well. Thus, Saks must start off on the right foot by identifying its target markets accurately.