



SAVING YOURSELF

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# The Cheaper, Smarter Way to Buy Luxury Fashion

How insatiable is the appetite for cheaper designer clothes from 'off-price chains' like Nordstrom Rack, Neiman Marcus Last Call, Barneys Warehouse, and Saks Fifth Avenue Off 5th?

The [department stores Barneys New York](#), [Nordstrom](#), [Neiman Marcus](#), and [Saks Fifth Avenue](#) are the kinds of places that feel like they can give you all the luxury in the world.

Shopping at these stores says you are on a certain income tier, or that fashion is a serious investment for you—in many cases both.

For those who don't have the income of the average luxury shopper, the thirst for those high-end labels is still there. These mainline department stores recognize this. Enter the off-price chains.

Nordstrom Rack, Neiman Marcus Last Call, Barneys Warehouse, and Saks Fifth Avenue Off 5<sup>th</sup> have become a growing presence in the retail sphere, and we can mostly thank millennials for that.

While the average age of mainline store shoppers tends to be higher because older people have more disposable income for high-end clothes, the younger generation still has their desire for designer threads, but have less to spend. This desire has caused off-price chains to become a driving growth factor for companies' business.

According to a 2015 Market Realist study, by the first half of fiscal year 2015 ending Aug. 1, 2015, Nordstrom Rack had surpassed the total number of Nordstrom stores: 178 compared to 118.

It goes beyond just the consumer habits of the millennial generation though—off-price chains help meet specific sartorial needs.

Twenty-four-year-old Pascale Florestal is a full-figured woman who used to have trouble finding dresses that fit well. She saw fashion as something that is for rich people, and never thought she could wear higher-end clothing.

When she was hired in her most recent arts administration role, she began needing more formal dresses for events her company hosted. She decided to give Nordstrom Rack a try, and it changed her entire perception of fashion. “Going into Nordstrom Rack, I discovered all the brands I always loved but could never afford, but I recently bought two dresses from Nordstrom Rack, and they are the best dresses I’ve ever worn,” Florestal said. “It didn’t stop

there either. I got two blouses, two pairs of shoes, and two of the best bras imaginable.”

What impresses her most about Nordstrom Rack are the extended sizes. “So many clothes for plus-sized women just aren’t form fitting, but at Nordstrom Rack I find dresses from brands like Betsey Johnson and Calvin Klein that fit me like a dream,” Florestal said.

Some in the retail industry see off-price stores as a trend created by these mainline companies as a result of the economic crisis that could potentially cost the mainline stores.

You moved that merchandise to an outlet location, helping your mainline stores retain a fresh look.

However, as the stores began to grow through the “race to the bottom”—as Dion describes America’s financial crisis—customers began responding more to outlet stores.

He believes outlets have also gotten their rise because of fast-fashion chains like Zara and Forever 21. Mainline department stores had to compete with them, and were losing out.

As the men’s clothing market is growing, off-price stores have also found their appeal with male customers as well.

Nicholas Olson is a 23-year-old graduate student of public policy in Germany. When he lived in America, he fell in love with Barneys Warehouse.

“They have the harder-to-find brands and they also carry Paul Smith more frequently than any other off-price chain,” Olson says. “Also, their holiday and end of season sales can bring down prices massively. Things can be 50 percent off, and they can be up to 80 percent off their original price with those sales.”

The off-price stores do help overall company business, and for some companies they are also easier to open.

According to Jessica Canfield, a representative for Nordstrom Rack, “Nordstrom continues to accelerate our Rack growth because of the positive customer response to our new stores. Rack stores can be opened on a relatively short timeline. We can dial up or dial back our Rack growth depending on how customers respond. Our Rack stores also require less space than our full line stores, which makes it easier for us to find new locations.” Another idea behind investing so much in off-price chains is that eventually, as those younger customers who shop age, they will have more disposable income and shop at the chains’ main stores.

Retail analyst Gaurav Pant dissents from this. “Consumers will go for higher brands based on economic conditions, like when there is a higher economy. Good economic conditions are essential for driving growth for mainline brands.

“While the concept of those customers eventually shopping at higher price stores seems like a good idea, I don’t see it helping the mainline stores, especially in the short term,” Pant said.