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## Profiles in Innovation

### *Adam L. Gimbel*

Adam L. Gimbel, President of Saks Fifth Avenue liked to keep his finger on the pulse of his business. So each night he hit every floor down from his eighth-floor office. Gimbel chatted with sales associates on each landing.

He'd find out what goods were hot by asking employees what they sold that day. The talks gave him a feel for what goods were duds.

Gimbel, the grandson and namesake of the founder of the family's retail empire, led Saks for 43 years.

Armed with a passion for his business, a hands-on management style and knack for creating the wow factor, Gimbel (1893-1969) turned Saks into a luxury retail powerhouse.

By the time he retired in 1969, Saks, then part of Gimbel Bros., was the nation's largest specialty chain. It accounted for 40% of Gimbel Bros.' \$600 million in annual sales. He expanded Saks from one store in New York City in 1926 to 29 branches across America.

For his feats, Gimbel entered the World Retail Hall of Fame. Today Saks Inc. runs 54 Saks Fifth Avenue stores, 48 Saks Off 5th stores and Saks.com. It also operates Club Libby Lu specialty stores. In 2007; Saks rang up \$3.3 billion in sales.

Gimbel laid the groundwork for Saks' success as one of the nation's premier upscale retailers. He was very good at understanding and creating the concept that Saks was about high-end luxury as well as accessible luxury.

Under Gimbel, Saks carried everything from designer couture collections to Saks' own store brand. That's how Saks evolved into its present format.

The major elements of Saks' strategy to carry a range of prices and quality — good, better and best — were grounded in the roots that Gimbel planted. And, Gimbel brought excitement to the store.

Gimbel joined Saks Fifth Avenue as vice president when it opened in 1924. It was the first joint effort of the Saks and Gimbel families to create an upscale specialty store on the Fifth Avenue site where the Saks flagship store stands today.

When Saks President Horace Saks died, Gimbel took the helm in 1926. At the time, new consumers were emerging on Park and Fifth avenues. They were women willing to pay up for select fashions.

To lure them, Gimbel remade Saks. As with any innovator, he thrived on taking risks. He refused to stick to orthodox tenets of merchandising. His ideas were revolutionary and gave Saks a distinct personality.

He gleaned a lot of his concepts from traveling the world. A year before he took the helm, Gimbel went to the Paris Exposition. He came back with a plan to renovate the store with new windows and interiors in the Art Moderne style he'd seen in the French capital. He thought the store should look like an elegant home, so he ripped out the old-fashioned counters on the main floor and re-placed them with modern designs.

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He broke up the huge store floor into specialty salons. It was all part of his move to create flash and a high-fashion image.

Since he saw a growing interest in skiing, he put a slope on the sixth floor and hired ski instructors to oversee it.

In 1927, he invited a famous Parisian coiffure, Antoine, to open a salon in the Fifth Avenue store.

Gimbel saw exclusivity as crucial at a high-end store like Saks. He believed in quality and he loved exclusive things.

The exclusives flew off the shelves. In the 1960's, Saks carried the double-breasted coat dress with brass buttons. Everyone bought this dress.

One way to assure a steady supply of select Saks designs was to make them himself. So he set up in-house workrooms where seamstresses, tailors and designers turned out private-label, store-branded goods.

By running its own workrooms, Saks didn't have to pay a middleman. It could produce goods at lower prices that would bring high volume and higher margins. It was the core of Saks' success — elegance in volume at a price. An exclusive dress at Saks could sell for \$75, while another store would have to sell it for over \$100 to make a profit.

Gimbel also believed Saks had to bring its business to its customers. To do so, he pioneered branch stores. His first year as president, he opened the first Saks branch store catering to beach goers in Palm Beach, Fla. Two years later, he opened a second resort store in affluent Southampton, N.Y.

He then expanded across the U.S. Gimbel's strategy yielded big numbers. In 1937, Saks earned \$1 million on \$20 million in sales, according to Fortune magazine. That meant Saks had a profit-to-sales ratio of 5.2% vs. an industry average of 2.1%.

And shoppers were willing to pay. Saks' average transaction was \$12, more than double the \$5 industry average. Saks' sales per square foot in 1937 were \$65, vs. \$46 for the trade.

As with any shrewd merchant, Gimbel knew the road to profit was paved with satisfied customers: "We are successful because we know our customers," he said. "We advertise taste, not price. We carry what our customers want in depth."

Gimbel gave employees a free hand to throw out ideas and run with them. This approach served to motivate employees and give them confidence. Everything was a team effort.

Gimbel downplayed his role in Saks' success. He would describe himself as "the official irritant." "I know just enough about this business to most likely make people do a better job," he said.

He also created a family atmosphere. He knew everyone who worked in the store by name, plus their families. A highly successful trait also evidenced by Bob Galvin at Motorola.

Well before joining Saks, Gimbel developed the instincts of a great merchant. He was born in Milwaukee to a family of retail entrepreneurs. He resisted the family business and studied architecture at Yale for three years.

He intended to return to Yale to finish his degree. But his father, Charles, persuaded him to go the retail route. "In retailing you might get tired, but you'll never get bored," his dad said.

Gimbel decided to stay in the field. When America entered World War I, he joined the Army in 1917 and became a first lieutenant. After the war ended the next year, he was ready for training to work at Gimbel's in Philadelphia.

To sharpen his skills, he traveled to Europe and Asia. The idea was to learn new business methods, locate unusual goods and make contacts.

Armed with this training and a natural flair for retail, Gimbel became known as a merchandising genius. ♦