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A Two-Year Gilt Trip for Hudson's Bay Goes Awry

EXCLUSIVE

Brand conflicts and profit pressures seemed to have led to the announcement that Hudson's Bay had jettisoned Gilt Groupe to competitor Rue La La.

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Luxury brands want to keep their pricepoints high and their merchandise exclusive but when **Hudson's Bay Co.** acquired flash sale e-commerce platform **Gilt Groupe Inc.** there was a sense that maybe the owner of Saks Fifth **Avenue** could change that.

Fast forward 29 months and the Brampton, Ontario-based retailer has seemingly thrown in the towel on Gilt, selling the business it acquired in 2016 for $250 million for a **reported $100 million** to competitor **Michael Rubin**-owned Rue La La.

"Most thoughtful luxury brands have pulled back distribution," said Steve Goldberg of retail consultancy The Grayson Co., which has advised Neutrogena, **Ann Taylor**, **Tommy Hilfiger Corp.**, and **Tory Burch LLC** among others. "They're saying 'we are who we are, and we're a full-price retailer.'"

The parent company of Saks and Lord & Taylor chains acquired Gilt it was meant to ramp up the retail giant's synergy with mobile sites. At the time, HBC expected the deal to add $500 million to its fiscal sales. HBC stores sell products from luxury brands including **Gucci America Inc.**, Fendi, **Prada SpA Group**, and Givenchy, among many others.

Neither HBC nor **Kynetic LLC**, the parent company of Rue La La, responded to requests for comment.

Founded in 2007 as the financial crisis hit, Gilt made its name as a flash sales innovator, offering highly discounted luxury goods for a limited period of time. And for a time, the model was lucrative. Case in point: in 2010, Gilt raked in about $425 million.

Two years later, however, HBC has too many competing pressures to invest in New York City-based Gilt as a long-term investment, though much of HBC's mobile capabilities have improved with Gilt's expertise, a former high-ranking company employee told The Deal.

But things weren't rosy at Gilt when HBC first acquired the business. Gilt had also been plagued with declining revenues and dashed IPO hopes by the time of HBC's 2016 buy-up, which closed at $250 million. It was widely viewed as a disappointing price tag for Gilt, as the company had once been valued at $1 billion and had also raised $280 million in VC funds.

As flash sales have declined in popularity, said Goldberg, Gilt has "evolved and morphed into something that lacks clarity," making it difficult to sell to customers. The lack of guardrails on the website's concept, he said, is unappealing.

For Rue La La and Rubin -- its owner and part owner of the **Philadelphia 76ers National Basketball Association** franchise -- the combination with Gilt should provide opportunities for synergies between the two long-time rival e-commerce companies. Rue La La was founded in 2007 and Rubin picked up Rue La La in a **2009 deal with his former company GSI Commerce Inc**.

Rubin owns Rue La La through his Conshohocken, Pa.-based investment firm Kynetic.

Boston, Mass.-based Rue La La and Gilt will now operate together as Rue Gilt Groupe and the transaction is anticipated to close in July 2018.