# Department Stores Make Case at Shoptalk

## Executives from Macy's, Nordstrom and Hudson's Bay discussed transformation at the conference.

By Adriana Lee on March 4, 2019

The legacy department stores were out and about and making themselves heard at Shoptalk, a retail conference known for championing innovation.

Macy's Inc., Nordstrom Inc. and Hudson's Bay Co. all represent an old guard that is making sense of a new landscape, one that practically screams "innovate or die." They will go down either as proof that even large, heritage stores can succeed by creatively blending new and traditional retail. Or they'll wind up as one of the growing numbers of cautionary tales.

They are all aiming for the former. And after a mixed holiday season, the moves they make matter now more than ever.

Macy's is already looking at ways to jazz up its customer experience, according to chief digital officer Jill Ramsey, who said a key element will be the phone. "We're famous for our front windows, but Macys.com is our front window now," Ramsey said, holding up a smartphone.

More than half of all its online sales come from phones, she said, as well as nearly 66 percent of online traffic. "Our app customer is our most loyal customer," she added.

The business is leaning more on services like styling, as well as in-store perks and rewards that land on cell phones within the store. Last year, Macy's also acquired Story and made its founder, Rachel Shechtman, its brand experience officer, bringing a unique storytelling element to the business.

The stakes for such efforts are high. Over the past couple of years, Macy's has shuttered numerous locations — and is on track to shutter nearly 100 stores this year. But that pain also brings insight: According to the retailer, when it shuts down a location, it also notices that online sales there fall as well.

Nordstrom knows the value of physical stores all too well.

In a discussion with Courtney Reagan from CNBC, the retailer's co-president, Erik Nordstrom, described a symbiotic connection between Nordstrom's online and offline business.

According to the executive, 50 percent of visits to the company's physical locations begin online first. The same is true in reverse, though to a lesser degree, with 35 percent of web visits

preceded by brick-and-mortar visits. And for almost half of all purchases in those real-life stores, shoppers used their phones. In fact, online sales funneled in 30 percent of the $15.5 billion in revenue Nordstrom raked in last year.

Digital native e-commerce operations and brands might be all the rage, but for Nordstrom, brick-and-mortar remains an essential to engage customers. He sees them as "long-term investments," adding that "we don't get concerned with short-term trends."

For instance, he mentioned that many shoppers, even long-time patrons, weren't aware the department store did alterations. The messaging, online and real life, could communicate or reinforce that. Meanwhile, the business looks to making returns more efficient and expanding "buy online, pickup in-store opportunities."

The call for experience and service that transcends channel have been loud and clear, and those themes are strong at Nordstrom — so much so that the company leaned on many of these services and attributes for its new New York City men's store. And they'll be strong elements for its second store in Manhattan. The 320,000-square-foot space, which will open across the street from the men's store in the fall, will be the largest investment in the company's history.

The bet is another sign that retailers are growing more ready to take on big changes.

"We think we've been too slow," Nordstrom said. "We need to move faster."

Also very much on the move is Helena Foulkes, ceo Hudson's Bay, who left CVS last year with a prescription for the Canadian department store giant: dump the distractions and focus on strengths.

In a Code Commerce session during Shoptalk on Sunday night in Las Vegas, she laid out how that thinking played into a string of recent moves — including the fire sale of e-commerce site Gilt Groupe. After two years, the $250 million acquisition wound up being sold for less than $100 million in a deal struck in June.

"I could see why we bought it. It was this idea…if you're in the apparel business, you should try to have something that's online only," Foulkes told Recode's Kara Swisher. "I think it may have been a really good idea that was probably not well executed. And when I came in, what I saw was a massive distraction…"

Likewise, Hudson's Bay off-loaded its controlling interest in German department store Galeria Kaufhof and shuttered its Home Outfitters business in Canada. Meanwhile, in the U.S., Lord & Taylor's flagship on Fifth Avenue in New York went dark.

As a 350-year-old business itself, Hudson's Bay seems to have some empathy for the legacy department store business and the tricky spot it finds itself in now.

Lord & Taylor is in a sort of limbo that's "neither the high-end luxury, where you can really own it, nor is it the low-cost, deep discount retailer," Foulkes said.

The ceo was quick to add that current president Vanessa LeFebvre is doing a great job at bringing innovation to the business. But it's "handicapped by its positioning in the marketplace," she said.

Foulkes believes the way out is to get personal and local. "You have to say, I'm in Westfield, N.J., and I'm going to be incredibly relevant for this market that I serve," she said. "I'm going to bring in new services, stylists and do things that really matter to the people who live in this community.