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Nordstrom Q2 earnings beat expectations, bolstered by Anniversary Sale

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Nordstrom Rewards saw a 30 percent bump in enrollment this quarter

By STAFF REPORTS

Department store chain Nordstrom's efforts to better align inventory with sales and watch expenses helped it beat projections for the second quarter of 2016.

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Despite rising above expectations, Nordstrom saw a decrease in net earnings for the quarter ended July 30 when comparing results to the same period of 2015. Showing signs of a turnaround, the retailer's Anniversary Sale performed better than recent years.

Sales floor

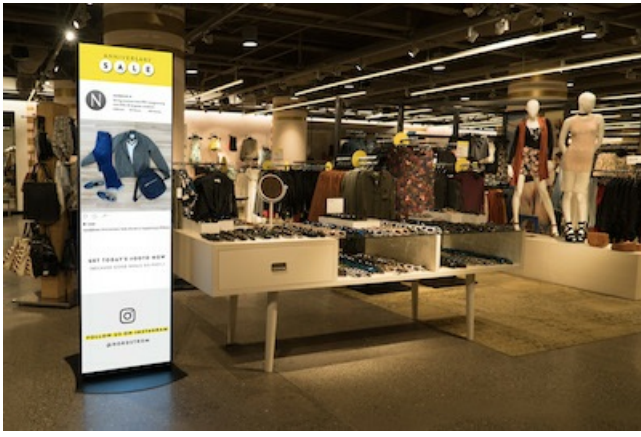
Nordstrom's total sales in the second quarter were \$3.6 billion, down 0.2 percent from 2015, with comparable sales declining 1.2 percent.

In Nordstrom's mainline stores and its online flagship Nordstrom.com, shoes and beauty performed the best. Denim and emerging brands catering to younger female clientele also outperformed.

The retailer's net earnings were \$117 million. Earnings before tax (EBIT) were \$221 million, accounting for 6.5 percent of sales, compared to EBIT \$377 million in 2015, which was 10.5 percent of sales.

Retail EBIT was down \$59 million due to investments in technology, fulfillment and store opening preparations.

Nordstrom's Anniversary Sale started a week later than usual in July, pushing the promotion into August. What tends to be the retailer's biggest event of the year performed better than recent trends.



Nordstrom's Anniversary Sale included in-store social media tie-ins

In the second quarter, Nordstrom expanded its rewards program, enabling consumers to earn points and benefits regardless of payment method. The total number of enrolled customers is now at about 6 million, up from 4.7 million in the previous quarter.

Nordstrom's focus lately has been on efficiency, using resources to boost the customer experience.

In April, Nordstrom announced a planned a reduction of 350-400 jobs in its corporate center and regional support offices to better position itself for growth.

The layoffs will be happening in phases, with the completion in the second quarter of this year. Nordstrom says the cuts will give it more flexibility to respond and react to the changing retail environment and deliver on service, estimating that the reduction in jobs will result in \$60 million saved throughout the 2016 fiscal year ([see story](#)).

"Over the past several quarters, our team has been actively addressing our inventory, expense and capital, and in the second quarter, made substantial progress by bringing down inventory in-line with sales," said Blake Nordstrom, co-president of Nordstrom, Inc., in a statement. "Those efforts, along with the strength of our Anniversary Sale and a great response from customers to that event, drove better than expected results for the second quarter."

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