

RETAIL

Neiman Marcus Group to shut off-price stores, slash 750 jobs and unify ecommerce and in-store teams

March 12, 2020



Chanel's spring/summer 2020 collection glasses selling at Neiman Marcus. Image credit: Neiman Marcus

By LUXURY DAILY NEWS SERVICE

In yet another change afflicting luxury retail, U.S. department store giant Neiman Marcus Group is revamping its operations, including shuttering its off-price business, merging in-store and online teams and selling off two distribution centers in Texas.

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The moves will cost 750 jobs as Neiman Marcus Group focuses on strengthening customer ties, building a omnichannel seamless experience and maintaining profit and growth for its investors. The closing of its Last Call discount retail business is a particular blow.

"The customer is at the center of everything we do and that focus is the reason why NMG continues to perform on plan," said Geoffroy van Raemdonck, CEO of Neiman Marcus Group, Irving, TX, in a statement.

"We are building a solid luxury customer base and taking deliberate steps today to align Neiman Marcus' in-store and online teams, revisiting how we deploy our resources by investing in our supply chain, and streamlining Last Call," he said.

The news comes in the midst of the coronavirus global crisis, putting pressure on an already hardscrabble retail environment that last week claimed fashion rental service Armarium as its latest victim ([see story](#)).

Privately held **Neiman Marcus Group** owns Neiman Marcus, Neiman Marcus Last Call, Bergdorf Goodman, Mytheresa and Horchow, posting sales last year of \$5 billion with a \$4.5 billion debt load.



Exterior of The Shops & Restaurants at Hudson Yards. Image courtesy of Related Companies

Making a call

The pivot to focusing on full-price retail is key, leaving two other U.S. department store rivals with their off-price units standing: Saks Off 5th and Nordstrom Rack, the former affiliated with Toronto-based Saks Fifth Avenue owner HBC and the latter with Seattle-based Nordstrom.

Another rival, Macy's Inc.'s Bloomingdale's also sells off-price, but does not have a footprint to compete with the other players.

Forty percent of Neiman Marcus sales come from customers who annually spend \$10,000 or more with the brand.

As part of the reorganization, David Goubert will grow his role as Neiman Marcus Group chief retail officer in charge of the unified online and in-store teams.

Mr. Goubert has his work cut out for him. He will have to transition store associates to a client advisor role with more digital tools, as well as creating new positions at the store and regional levels centered on key elements of the journey that culminate in a single product transaction.

The enhanced client advisory role could include dining experiences, client services, hospitality or wardrobing customer lifestyle moments.

Each touch point is intended to deepen and personalize the customer and position Neiman Marcus as a preeminent luxury retail destination across the United States.

A consequence of this transition is the loss of nearly 250 non-sales jobs across all stores. However, new jobs will be created for team and client development.



Kate Upton going for the classic chic look in Neiman Marcus' spring 2020 campaign. Image courtesy of Neiman Marcus

Price to pay

Meanwhile, the majority of its 22 Last Call stores will be closed by the first quarter of Neiman Marcus Group's fiscal year 2021. Some stores will stay open as a sales channel for Neiman Marcus leftover inventory.

This action will allow the company to focus on its core high-value luxury customers and free up resources to invest in Neiman Marcus and Bergdorf Goodman. Around 500 Last Call jobs will be eliminated over the next eight months, although some associates will be able to apply for other open positions within Neiman Marcus Group.

As part of this action, the Company expects to eliminate approximately 500 roles in the Last Call organization over the next eight months. Some affected associates will be placed in other roles. Others will be eligible for severance, outplacement services, as well as have an opportunity to apply for other open positions within NMG.

What Neiman Marcus found out was that the Last Call customers were not feeding into the full-price Neiman Marcus stores, which meant the same effort in acquiring and retaining them with lower ROI.

THE TWO warehouses in Texas which Neiman Marcus owns and leases out will be sold to free up cash. The company has already beefed up its West Coast distribution center to result in a four- to five-day speed-to-market improvement.

"The decisions we're making today to transform the business are purposeful and will ensure NMG's future success," Mr. van Raemdonck said.

"We have a loyal customer base, solid store footprint, and a strong online presence," he said. "We will continue to manage the business for continued growth and success."