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RETAIL

Neiman Marcus Group said to mull bankruptcy as US retailer struggles with debt, COVID-19 shutdowns

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

By LUXURY DAILY NEWS SERVICE

The coronavirus-induced closures may be the straw that broke the camel's back for debt-laden Neiman Marcus Group, one of the most storied department store chains in the United States and a key channel for luxury fashion and leather goods brands.

The Irving, TX-based company is said to be in talks with lenders about filing for bankruptcy that would let it continue operating and paring down its $4.3 billion in debt as it cut costs. Bloomberg News first reported about the possibility, with other media outlets following.

"We are evaluating all courses of action to preserve our financial strength so that we may continue serving our customers and associates, and being a great partner to luxury brands globally," a Neiman Marcus spokesperson said in a statement to The New York Post newspaper.

"Our priority has been and will always be to ensure stability for our associates and brand partners."

The retailer recently closed all doors in the U.S. as a measure against the spread of the dreaded COVID-19 coronavirus. That added pressure to an already struggling retailer, although its ecommerce operations are currently accepting orders.

Louis Vuitton at Neiman Marcus. Image courtesy of Related Companies

Outdated model?

This potential bankruptcy development comes 12 days after Neiman Marcus Group said it was revamping its operations, including shuttering its off-price business, merging in-store and online teams and selling off two distribution centers in Texas.

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

"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, in a statement at the time.

"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.

Department stores in the U.S. were already in a historic decline as consumers shifted allegiance to monobrand luxury stores and their ecommerce offerings as well as online platforms such as Net-A-Porter, Moda Operandi, Matchesfashion and Farfetch.


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

The 2013 sale of Neiman Marcus Group to private equity group Ares Management and the Canada Pension Plan Investment Board saddled it with more debt on the books.

The retailer bought more time last year as it concluded a restructuring deal with creditors. But the store closures due to the virus scare exacerbated an already tenuous situation.

Neiman Marcus Group, along with Nordstrom, Saks Fifth Avenue and Bloomingdale's, comprise the leading luxury department store chains in the U.S.

ALL OF THE department stores in North America are struggling with changing consumer behavior in favor of online shopping and the direct push by luxury brands to own the end-client relationship.

Neiman Marcus Group also owns Horchow and Bergdorf Goodman.

Indeed, Bergdorf Goodman is one of the most prestigious department stores in the U.S. that kicked off the careers of many fashion giants including Michael Kors, as well as introduced many European luxury brands to the local market.