

RETAIL

Bloomingdale's parent Macy's teeters on edge, furloughs almost all employees

March 30, 2020



Bloomingdale's flagship department store in New York. Image credit: Bloomingdale's

By LUXURY DAILY NEWS SERVICE

Macy's Inc., owner of upscale department store chain Bloomingdale's and its eponymous marque, has taken the drastic decision to furlough the majority of its employees across the United States as measures to stem the COVID-19 outbreak take a severe toll on retail.

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The move affects potential most of the 130,000 employees of Macy's, Bloomingdale's and Bluemercury, depriving luxury brands of a key wholesale channel. The parent company, already weakened prior to the coronavirus crisis, said it will keep a minimal staff to handle its ecommerce business, warehouses and call centers.

"While the digital business remains open, we have lost the majority of our sales due to the store closures," Macy's Inc. said in a statement.

"We've already taken measures to maintain financial flexibility, including suspending the dividend, drawing down our line of credit, freezing both hiring and spending, stopping capital spend, reducing receipts, cancelling some orders and extending payment terms, and we are evaluating all other financing options.

"While these actions have helped, it is not enough.

"Across Macy's, Bloomingdales, and Bluemercury brands, we will be moving to the absolute minimum workforce needed to maintain basic operations.

"This means the majority of our colleagues will go on furlough beginning this week. There will be fewer furloughs in our digital business, supporting distribution centers and call centers so we can continue to serve our customers online.

"At least through May, furloughed colleagues who are enrolled in health benefits will continue to receive coverage with the company covering 100 percent of the premium. We expect to bring colleagues back on a staggered basis as business resumes."

Wholesale trouble

Many established and young luxury brands rely on Bloomingdale's to drive sales of fashion, leather goods, accessories, footwear, watches, jewelry, eyewear, perfumes and cosmetics.

Founded in 1846, [Bloomingdale's](#) has 34 full-line and 19 outlet stores in the U.S.

The U.S., like Italy, France, Spain, United Kingdom, Ireland, Canada and India, is in a state of lockdown or with severe social-distancing guidelines. This has resulted in the closure of thousands of retail stores as consumers cannot travel or shop.

Even before the virus hit, department store chains were under tremendous pressure as monobrand stores and ecommerce took a larger bite of luxury sales.

The department store model has been called into question, with Barneys New York being proof that the wholesale approach may be dated.

This outbreak could prove the death knell for many established retailers who are not well capitalized or cannot hold out any longer without cash flow.

Department store chains such as Nordstrom, Neiman Marcus Group and Saks Fifth Avenue are relying on ecommerce sales as their bricks-and-mortar stores remain closed.

Even ecommerce giants such as Net-A-Porter have had to close U.S. and European online doors over warehousing and lack of inventory issues. Online fashion rental service Armarium shut down March 7 and competitor Rent the Runway is said to have laid off staff.

FOR A STORIED retailer such as [Macy's Inc.](#), there is no sugarcoating the effect of the virus.

"The COVID-19 outbreak continues to take a heavy toll on Macy's Inc. business," the company said.

"Our top priority is the health and safety of our customers, colleagues and communities during this unprecedented crisis. All of our stores have been closed since March 18th and will remain closed until we have clear line of sight on when it is safe to reopen."

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