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RETAIL

Bloomingdale's parent Macy's Inc. to cut loose 3,900 employees

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By LUXURY DAILY NEWS SERVICE

Bloomingdale's parent Macy's Inc. will let go of nearly 3,900 employees as it restructures to cope with lost sales over the COVID-19 lockdowns imposed across the United States March 18 through May 4.

The New York-based retailer expects to save approximately $630 million per year in savings from these layoffs. The company will reduce headcount across corporate and management ranks as well as its stores, supply chain and customer support network.

"COVID-19 has significantly impacted our business," said Jeff Gennette, chairman/CEO of Macy's Inc., in a statement. "While the re-opening of our stores is going well, we do anticipate a gradual recovery of business, and we are taking action to align our cost base with our anticipated lower sales.

"These were hard decisions as they impact many of our colleagues," he said. "I want to thank all of our colleagues those who have been active and those on furlough for helping us get through this difficult time, and I want to express my deep gratitude to the colleagues who are departing for their service and contributions.

"We look forward to welcoming back many of our furloughed colleagues the first week of July."

Macy's Inc. owns the Macy's and Bloomingdale's department stores that are staples in malls across the United States. It also owns the Bluemercury cosmetics retail chain.

Model under threat pre-pandemic

Macy's is more mainstream in its brand portfolio and Bloomingdale's is a rung below Neiman Marcus, Saks Fifth Avenue and Nordstrom in their positioning and merchandise offerings.

Department stores were already under threat pre-COVID-19 in the U.S. with competition from ecommerce and stores run directly by luxury brands.

Now, these retailers have to adjust to new social-distancing realities with by-appointment shopping, curbside pick, order-online and pick-up in-store and fewer customers allowed into the building, all required to wear face masks. The sole saving grace during the lockdown was ecommerce sales.

The Macy's Inc. cuts follow similar measures at its rivals. Some such as Neiman Marcus Group filed for bankruptcy protection and others drew on new financing.

Macy's Inc.'s decision to trim payroll will generate savings of around $365 million for fiscal 2020 and an estimated $630 million on an annualized basis going forward.

The savings will be on top of the anticipated $1.5 billion in annual expense savings announced in February that the company expects to realize by end of 2022.

MACY'S INC. SAID it expects pre-tax costs of approximately $180 million for fiscal 2020 as a result of this

restructuring. Most of it will be recorded in the second quarter and all of it will be in cash.

"We know that we will be a smaller company for the foreseeable future, and our cost base will continue to reflect that moving forward," Mr. Gennette said.

"Our lower cost base combined with the approximately $4.5 billion in new financing will also make us a more stable, flexible company," he said.