

RETAIL

## Macy's plans for Bloomingdale's: Reclaim luxury leadership

September 16, 2020



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

By [Pamela N. Danziger](#)

[Subscribe to Luxury Daily](#)  
Plus: Just released  
State of Luxury 2019 [Save \\$246 ▶](#)

In Macy's Inc.'s recent earnings call, the most surprising news was the opportunity it sees in luxury. It surprised [CNBC's Lauren Thomas](#) too, who immediately got on the phone with CEO Jeff Gennette to get the scoop.

Mr. Gennette said the collapse of competing luxury department stores, notably Barneys New York, Neiman Marcus and Lord & Taylor, combined with the announced closure of 16 of Nordstrom's current 116 full-line locations, gives Bloomingdale's running room to fill the void.

Overall, he identified some \$10 billion in market share "up for grabs" because of the disruption in retail.

Given the current state of department store retail, Macy's and Bloomingdale's have a lot of work ahead to capture some of that available market share.

Amidst the turmoil caused by the pandemic closures, [Macy's Inc. second quarter sales](#) declined by 35.1 percent overall, to \$3.6 billion compared to \$5.6 billion last year.

One bright spot was digital sales, which increased 54 percent, a significant contribution since digital represented 26 percent of 2019 revenues, or \$6.4 billion out of a total \$24.6 billion in sales.

For the past three years, Macy's revenues have hovered just under \$25 billion.

Another bright spot this quarter was Bloomingdale's, its luxury nameplate.

"Luxury, particularly at Bloomingdale's, outpaced our expectations," interim CFO Felicia Williams reported. "Given our strength in this area, we are leaning harder into luxury in order to capitalize on the shift in spending."

In its quarterlies, Macy's doesn't report segment sales, but for year ended 2019, Bloomingdale's represented 11 percent of total corporate sales, or about \$2.7 billion, of which \$2 billion is generated in stores and the remainder online.

Currently, Bloomingdale's operates 35 full-line stores, including two licensed stores in the Middle East, one

furniture store, and 19 outlets.

The earnings call was short on specifics are they not always? but it announced a focus on these four segments, without providing a definition: luxury, advanced contemporary, textiles and Bloomingdale's The Outlet off-price.

While Mr. Gennette has his hands full turning around the entire corporation, including the Macy's behemoth with 613 stores, Bloomingdale's CEO Tony Spring is tasked with making good on Mr. Gennette's luxury aspirations.

The 55-year-old Mr. Spring has worked his entire career at Bloomingdale's, joining the company in 1987 as an executive trainee after graduating with a B.S. in hospitality administration from Cornell.

Over the years, he assumed increasing responsibility, including managing home furnishings, marketing and Bloomingdale's direct, and restaurants. He was promoted to Bloomingdale's president and chief operating officer in 2008, then became CEO upon the retirement of Michael Gould in 2014.

Future vision of Bloomingdale's

Mr. Spring graciously provided a statement about the direction he foresees for Bloomingdale's:

"At Bloomingdale's, luxury continues to be an important part of our offering, and we are excited by its current performance. As our customers spend more time at home and, in effect, less on experiences, luxury has become the perfect reward, escape or pleasure. That should be even more true this holiday season. As the omni destination for the best brands, Bloomingdale's continues to develop our luxury assortment in every category from accessories to jewelry to home to fragrances."

There again, the "how" is missing, but a recent in-depth interview conducted by [Mortimer Singer of Traub](#), founded by the legendary Marvin Traub, the brand's visionary who for 22 years guided Bloomingdale's through its heyday until 1992, provides valuable context

The first question on Mr. Singer's mind, and ours as well, is if there is hope anymore for a multi-brand department store such as Bloomingdale's.

Stressing the importance of newness, creativity, imagination and the willingness to change with the times, Mr. Spring said, "When they [customers] fall in love with something, whether it be in a physical space or a digital space, we have the opportunity then to build a relationship with that client."

Both Messrs. Gennette and Spring are fully committed to the value proposition of the department store model, and rightly, as I explored in a recent article, [Measuring the True Value of a Store](#).

There is nothing like the multi-brand department store for customers to discover exciting new brands and ideas, but traditional department stores, including Bloomingdale's, have been hampered by "resting on our laurels too much," Mr. Spring said.

Stressing the need for more flexibility and to build its business as a collaborative relationship with its featured brands, Mr. Spring envisions the brand as more of a marketplace or platform for customers to encounter brands on the theatrical stage that is called Bloomingdale's, a "temple of retail" that is "distinctively" Bloomingdale's.

To attract the best and brightest luxury brands to Bloomie's, Mr. Spring positions the relationships as "one-plus-one equals-three," adding, "You're joining a partner that's been around for 148 years. You are joining a brand that has an international reputation and naturally attracts traffic, without a lot of additional incentives to draw that traffic in. You are partnering with people who understand the brand because we are committed to the relationship with the partners that we work with."

Mr. Spring has got the right vision in tune with the times: "We're really interested in the best ideas and the newest thinking and what is creative and innovative. In terms of our financial model, it can be as little as one item or as big as a collection; it could be as simple as a pop-up or as complicated as a long-term concession," he said.

Can it be done?

The big question is can Mr. Spring and his team pull it off?

For that answer, I turned to Tom Mirabile, current founder of [Springboard Futures](#), a consumer trend and forecasting consultancy, and who previously served as vice president of product development at Bloomingdale's.

As Macy's richest legacy brand, though a much smaller sister company to Macy's, Mr. Mirabile sees its independence as a separate brand key to its potential success.

"The great thing is that Macy's hasn't gotten in their face," Mr. Mirabile said. "They must continue to let Bloomingdale's act independently. Today luxury has to be flexible and agile."

The same goes for the whole of retail as well.

#### Smaller size means more agility

Because Bloomingdale's is so much smaller and so easier to turn, and Mr. Spring is so focused on flexibility too, it should succeed, as long as it does not get compromised or held back by Macy's. But that may be tricky, since the obvious place to look for new Bloomingdale's customers is among those already shopping at Macy's.

"They've got to reach down and pull those people up," Mr. Spring said. "So it seems as though conversion and upgrading of Macy's extant online customer might be one key to realizing the goal of luxury business expansion."

Of note, in the earnings call, Mr. Gennette mentioned that "Bloomingdale's is going out the door at about \$90. And Macy's brand at about \$35."

#### Wide range of price points

Another plus in Bloomingdale's column is its wide variance in price points, which is a quality shared by Nordstrom in the luxury space.

"Its price point variance is high enough to engage customers who aren't embedded luxury consumers," Mr. Mirabile said. "That variance may well allow them to hold on to new visitors beyond the near term."

But by reaching down to what many call the aspirational, lower-income customer, Bloomingdale's may alienate the true luxury customer.

"Back in the day, you had luxury consumers buying within a price point because price was value; high price became part of the value equation," Mr. Mirabile said.

That may be changing, as the last recession taught even true luxury consumers that good quality could be found at more affordable prices, but there is still a mindset that equates price with value, where a higher price means better quality.

If one can afford it, and true luxury consumers can because their financial status is secure, why not pay for the best that money can buy?

#### Online excellence

Over the long term, Mr. Mirabile sees the new battleground for luxury consumers to be fought online.

"The growth of direct-to-consumer engagement in the luxury space has been turbo-charged by the pandemic, and so have the luxury consumers' comfort and trust levels with online shopping," he said.

To that end, Mr. Mirabile sees Bloomingdale's way ahead of its direct competitive cohort.

"Online retailers have never been really great at creating an environment, but if you go on Bloomingdales.com, you can shop by trend with editorial leadership to guide shoppers," Mr. Mirabile said.

"So as opposed to engaging at the category or object level, you can see the whole portfolio of products that relate to the leather trend, for example," he said. "Bloomingdale's has managed to maintain and enhance its reputation as engaging trusted curators."

Of course, in the stores is where the real magic happens and Bloomingdale's CEO Mr. Spring has a real feel for that, having tutored under Marvin Traub early in his career and worked across so many different areas of Bloomingdale's.

"Bloomingdale's has a solid position in better and luxury brands," Mr. Mirabile said. "They've done a great job building their *Loyalist* program as a means of engagement and fidelity for their guests."

#### Being a great brand blender

Fidelity to Bloomingdale's DNA is critical to its future and core to that is curating across the wide span of what luxury has to offer.

"The hope in luxury retail is curation," Mr. Mirabile said. "Nobody wants to go to 10 different sites or stores to get what they want. A store like Bloomingdale's has to be a brand blender, putting together the right blend for each customer."

Can Macy's sustain it over the long haul?

In conclusion, while it makes complete sense for Messrs. Gennette and Spring to lean into luxury by reimagining luxury for its current and future customers, this past quarter's bounce may not be sustainable.

Mr. Mirabile and I share that opinion.

"Mooring luxury or any growth to pent-up pandemic demand is simply not a sustainable position," he said.

That said, the final question is if Macy's Inc. can continue to support Mr. Spring and Bloomingdale's as it sets its new course, all the while keeping the corporation afloat.

In January, [Macy's secured](#) an additional \$4.5 billion in financing that at least temporarily kept the bankruptcy wolves at bay.

But Macy's future remains uncertain. [Macroaxis puts its bankruptcy risk at 44 percent](#), which is higher than Nordstrom at 36 percent.

For Bloomingdale's, its prospects are good for picking up some of the customers and luxury business that Barneys, Neiman Marcus and Lord & Taylor have left on the table.

But representing only about 10 percent of the corporation, its success, even if it is hugely, magnificently, eye-poppingly successful, will not mean much if Bloomingdale's goes down with Macy's Inc.



Pam Danziger is president of Unity Marketing

*Pamela N. Danziger is Stevens, PA-based president of [Unity Marketing](#) and Retail Rescue, cofounder of the American Marketing Group, and a luxury marketing expert. Reach her at [pam@unitymarketingonline.com](mailto:pam@unitymarketingonline.com).*

---

© 2020 Napean LLC. All rights reserved.

Luxury Daily is published each business day. Thank you for reading us. Your [feedback](#) is welcome.