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Macy's Closing 120 Stores, Cincinnati HQ As Part Of 3-Year Plan

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In a bid to regain its financial footing, department store giant Macy's is moving its headquarters, cutting 2,000 jobs and closing more than 100 stores. 7 West 7th St.



Google Maps. The soon-to-close headquarters for Macy's at 7 West 7th St. in Downtown Cincinnati.

The three-year restructuring plan, which Macy's executives dubbed the "Polaris" strategy and revealed during the company's annual investor conference in New York, would save Macy's \$1.5B annually by 2022, including \$600M this year, company leaders said.

"We are taking the organization through significant structural change to lower costs, bring teams closer together and reduce duplicative work," Macy's CEO Jeff Gennette said in a release. "This will be a tough week for our team as we say goodbye to great colleagues and good friends. The changes we are making are deep and impact every area of the business, but they are necessary. I know we will come out of this transition stronger, more agile and better fit to compete in today's retail environment."

The retailer is expected to close 125 underperforming stores in its chain, including 30 already in the process of shuttering, company officials announced. Those stores together account for \$1.4B in annual sales.

Macy's said it will lay off 2,000 employees as part of the restructuring, including at its stores, its San Francisco tech office and at its longtime downtown Cincinnati headquarters, which it plans to vacate, moving its official headquarters to New York City.

Macy's is also planning to close its technology office at 680 Folsom St. in San Francisco, laying off 831 workers between April and August of this year. In turn, Macy's is shifting those activities to its New York technology office and to Atlanta, where it plans to occupy a new office building.

These real estate moves make sense as part of a larger effort to reposition Macy's as more of a nimble, omnichannel retailer, said The Boyd Co. founder John Boyd, a site selection consultant. Macy's online sales exceeded \$6B last year, the company said.

"This really has to do with surviving the Amazon threat and the rise of e-commerce, as well as intense competition from successful brick-and-mortar retailers like TJMaxx," Boyd said. "Operating costs in Atlanta [are] roughly 20% less than what Macy's will pay in the Bay Area."

Carol Spieckerman, the founder of the national retail strategy consulting firm Spieckerman Retail, said Macy's made the correct move by wrangling corporate employees into New York.

"All of that decentralization has been a drain and also has the effect of creating a fragmented strategy," Spieckerman said. "That arguably could have happened a lot sooner."

Macy's also announced changes to its retail operations, including establishing four new billion-dollar, private-label brands aimed to provide higher profit margins. It also plans to renovate 100 stores in 2020 and build seven new free-standing Backstage outlet stores, a segment that has seen success for the retailer, as well as roll out a new store concept called Market by Macy's.

The new store concept will be located in lifestyle centers and feature both national and local products as well as food and beverage. The first store is scheduled to open this week in Dallas.

There are risks to Macy's new strategy, especially in closing so many additional stores. Closing physical stores removes the brand from the eyes of consumers, especially a younger generation of shoppers who may not have the same traditional experience of shopping at a Macy's,



Courtesy of Spieckerman Retail. Spieckerman Retail founder and national retail consultant Carol Spieckerman

Spieckerman said. At the same time, Macy's is hoping to lure those same shoppers online to take up the slack of lost brick-and-mortar sales.

"When you start cutting back on that store presence, you also are relinquishing some of that preference," she said. "They don't have a presence in every major market."

Officials with Placer.ai, a firm that analyzes retailers' brick-and-mortar foot traffic, said in a report that the stores being shuttered thus far were cannibalizing one another in a few markets.

"Macy's realizes that it needs to close stores in order to optimize its retail footprint. And so far, it seems like the chain is identifying the right stores to close," Placer.ai officials said in a release. "With a tighter portfolio, the brand can focus on maximizing the potential of its existing locations."