

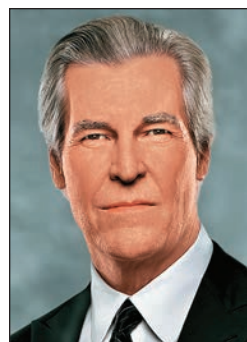
Omni-Channel Focused

An Interview with Terry J. Lundgren,
Chairman and Chief Executive Officer, Macy's, Inc.



Macy's Herald Square in New York City

EDITORS' NOTE Terry Lundgren assumed his current titles in January 2004 after having served as President and Chief Operating Officer since March 2003, and President and Chief Merchandising Officer since May 1997. He began his retailing career in 1975 as a trainee with Bullock's, a Los Angeles-based division of Federated Department Stores, and became Senior Vice President and General Merchandising Manager in 1984.



Terry J. Lundgren

In 1987, he was named President and CEO of Bullocks Wilshire, an upscale chain of specialty department stores owned by Federated. Lundgren left Federated in 1988 to join Neiman Marcus where he served as Executive Vice President and, shortly thereafter, was named Chairman and CEO. He returned to Federated in April 1994 as Chairman and CEO of the Federated Merchandising Group. Lundgren holds a B.A. degree from the University of Arizona.

COMPANY BRIEF Headquartered in New York and Cincinnati, Macy's, Inc. (macysinc.com) is one of America's premier omni-channel retailers, operating about 870 stores in 45 states, the District of Columbia, Guam, and Puerto Rico under the names of Macy's, Macy's Backstage, Bloomingdale's, Bloomingdale's Outlet, and Bluemercury, as well as the macys.com, bloomingdales.com, and bluemercury.com websites.

You have been clear about the challenges facing the retail industry and the need to evolve. Will you talk about how you see the current landscape and how Macy's is positioned for the future?

Historically, Macy's has been the company that has led the industry out of challenging times and that includes during 9/11, when people thought there would be no return to the fashion industry because people were expected to change their priorities.

We had a great run in the years following as we reinvented our company and acquired our biggest competitor.

In 2008, we heard the same talk when the financial crisis occurred. People were no longer going to shop in department stores – they were going to want to do things that were safe and family-oriented, and make

sure that their savings accounts would cover all of their losses in the future because they were concerned about losing their home mortgages and things of that nature.

We restructured the company and changed the names of all of the stores to Macy's across the country. Many other things were done in response, and we had the best years in the company's history from 2010 to 2014.

Now we're facing a different kind of challenge but we stand very confident and ready to respond as we have in the

past. There are different challenges and there will be a different response. We see the future very clearly as being one that will benefit those retailers that are omni-channel focused.

We have the sixth largest online retail business in the country and the third largest in our categories only behind Amazon and Walmart. We're heavily armed to take advantage of this new shopping behavior that is favoring an omni-channel consumer behavior.

There is also a tremendous amount of innovation going on in our company. Much work is being done currently to have a much more formidable, exclusive product lineup at both Macy's and Bloomingdale's in the fall season and into 2017 – a rebuilding of the brand strategy work; much more work done on consumer analytics that wasn't done in the past. We have so much data and we have now brought in a team of people who are mining this data and helping us get in front of the individual personal opportunities for consumers.

A lot of things give us strong encouragement that we will once again lead the industry out of the current slowness that the retail industry is experiencing.

We hear much today about fast fashion. Is the environment different and are the competitors different?

The competitors have changed consistently in our industry and they're changing again. The fastest growing part of our apparel business is with the millennial consumer. We're seeing even more ways to attract this consumer by taking advantage of the fantastic experiences that one will only find at Macy's.

How much are you focused on international growth opportunities?

The Middle East is an expansion opportunity, particularly for Bloomingdale's, but also for Macy's.

We have an outstanding partner in the Al Tayer Group, and they take on the large burden of management and investment. We guide them with assortment and strategy. We have a very successful Bloomingdale's store in Dubai and we have announced the opening of a Bloomingdale's in Kuwait, and of a Bloomingdale's and Macy's in Abu Dhabi. So we are gradually expanding in the Middle East with our partner there and we will continue to do so.

The biggest potential is in China. There is a government that is attempting to move the economy and their GDP growth to be more of a consumption-based economy, similar to America's. As this consumer is incited to spend as opposed to just save, there is a natural opportunity for companies like Macy's to grow and prosper.

We want to be there now before this evolution of their economy occurs, and we are learning through our relationship with Alibaba, who is the organization to be with in the online space. As we learn more about the Chinese consumer and their acceptance of the Macy's brand, we will form our vision and strategy for the future in terms of how we can go about maximizing our opportunity with the Chinese consumer.

I believe it will grow beyond an online business to an eventual omni-channel business as we have here but the stores will look quite different than they look here – they will be much more of a service orientation where customers will shop online and pick up their products in local stores.

We're waiting to clearly understand the Chinese consumer through our experience that we're having there today and we'll develop that strategy as time goes on. I'm encouraged about the possibility of growth there.

Will you touch on the My Macy's localization concept and will it continue in new markets with customized product?

Yes. My Macy's was revolutionary in its time for a large company like ours to have a centrally driven vision for our product strategy and to be the largest seller of fashion brands in the world while, at the same time, be locally relevant to consumers living in individual markets.

This whole personalization relationship of providing individuals with customized experiences and product will encourage them to come into the store and have that curated assortment that is intended for them and their needs, events, and purposes. It is where I believe the future of retailing will be and I believe we will be at the forefront of that process. ●