Putting the Customer at the Center

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

EDITORS' NOTE Terry Lundgren assumed his current title 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. In 1987, he was named President and Terry J. Lundgren CEO of Bullocks Wilshire, an up-



COMPANY BRIEF Headquartered in New York and Cincinnati, Macy's, Inc. (www.macysinc.com) is one of America's premier national retailers, operating 36 Bloomingdale's stores and about 800 Macy's stores in 45 states, the District of Columbia, Guam, and Puerto Rico. The company additionally operates macys.com, bloomingdales.com, and Bloomingdale's Outlet stores.

Are we in a true economic recovery today?

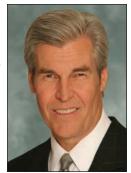
We're in a partial recovery. When we see these broad-based signs of increasing consumer confidence and spending, we have to get into the detail of where these initiatives and trend lines are being generated from.

People are feeling more confident because the value of their homes is growing, but you can't necessarily spend against that. So it's only a partial relief.

As far as the spending is concerned, there has been a tremendous amount of spending in housing and, therefore, in the home improvement areas, which benefits Macy's and Bloomingdale's.

Consumers are also spending on automobiles, which are achieving record sales.

The confidence and spending to date have been confined to small sections of the economy that are not gigantic job creators. So the economy won't be back in full swing until consumers feel confident enough to spend on discretionary



items in addition to nondiscretionary items, because that is when jobs will be created and incomes will grow. That improvement in unemployment rates will lead economic growth.

Coming out of the downturn, business leaders are doing more with less. Do we have to change our thinking regarding unemployment going forward?

Companies have seen productivity gains as business has been gradually improving and you have not seen the hiring rates consistently go-

ing up with the improvements in growth rates. Companies are waiting to see some consistency in growth rates before there is general hiring.

However, we have hired 5,000 people in each of the past two years because we have had that growth. We hired more than 1,000 college graduates in June and early July - about 700 are permanent positions and 300 are college interns.

In our case, we have been taking market share and funding growth because of our omnichannel strategy, and our My Macy's and Magic Selling strategies that have been working for us.

But there has not been enough of this widespread growth in terms of jobs in the overall economy and that is still on my mind.

Where do you see opportunities for growth going forward?

As time goes on, the fundamentals are in place for improved economic conditions in many parts of the country, particularly in the southern parts of the country where population growth is occurring.

But I see the prospects for overall economic growth happening into the future, particularly into the fourth quarter and into 2014. And I'd rather see all boats rising - that would be the better sign for the economy rather than us continuing to take market share.

How deep is the commitment that Macy's has to New York?

We have been in New York for 155 years so it is our first commitment, and this is our flagship so we are well-represented with important Macy's and Bloomingdale's stores throughout the five boroughs. We have 16,000 employees working in those five boroughs and a payroll of \$1.5 billion. As a company, there is a great deal of pride among our employees about giving back to charity organizations and schools in this city.



Macy's flagship store at 34th Street and 7th Avenue in Manhattan

Are you surprised at the development that has occurred in outer boroughs like **Brooklyn?**

As the worldwide demand for buying and renting properties in Manhattan has continued to grow, it has become necessary for the surrounding boroughs to grow as well. People want to live, work, and shop here, and there needs to be job creation for them to continue to afford to live here. If you can't afford to live in Manhattan, you're likely to move to an outer borough.

Brooklyn has been the primary beneficiary because of its proximity but it's also a fantastic neighborhood with great stores. We have a wonderful store there and we have benefitted from the growing community. People are also migrating to Astoria, Queens and other areas - they're raising families there and investing in those local communities. There is room for us to continue to grow and the Mayor has been a driver of that growth. Our latest construction is a new store in the Bronx.

You are co-chair of the Partnership for New York City. Why is this organization so critical to New York?

Jerry Speyer and Henry Kravis were the early visionaries who saw the value of the business community coming together, often with people they do business with or even compete against, to take off their business hats and put on their New York City hats so they can discuss what we can do as business leaders to help make this a better city for our employees to live and work in.

When you look at the time these individuals are prepared to contribute to doing what is right for New York City, it's remarkable.

What has made Mayor Bloomberg so effective in leading New York?

As soon as he got into office, he surrounded himself with very strong people to help him execute a vision for growth and prosperity for New Yorkers.

I hope the next mayor realizes his or her role is key but who he or she surrounds themselves with will determine success over the course of the term.

How do you maintain a long-term focus today when there is such short-term need?

You have to do both. Even when things were going well for us prior to 2008, we were thinking about how we could continue to build our organization to put the customer at the center of all of our decisions. Forward-thinking and pushing the organization has to be part of the CEOs work style. ●