

The “MOMM” Strategy

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

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. 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.



Terry J. Lundgren

COMPANY BRIEF Headquartered in New York and Cincinnati, Macy's, Inc. (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.

How is the retail sector faring economically and is there growth in the market?

Retail is incredibly competitive, particularly in the U.S. with all forms of retail, some traditional and some emerging.

The pie is not getting bigger so it's how it's getting sliced. We have been fortunate to be at the forefront of innovation and have grown our market share consistently. We have grown sales by \$4.4 billion over the past four years without growing the total number of stores.

We've managed to perform in a challenging marketplace, but it's not getting easier. Some retailers will be successful but at the expense of others.

What has been the secret to the success?

A consistency of our strategy, which we call “MOMM.” The first “M” stands for “My Macy's” and it's our localization effort. We have a unique organization structure, which is having groups of 20 individuals living in 60 cities across the

country who are local experts on the needs of consumers in individual markets. They have a span of control of 12 to 15 stores, which is few enough for them to get to know the customers living in those markets and shopping in our stores, and respond to their needs, which are all very different. So guiding the central buyer in New York with what specific products they need from our core brands has been a huge part of our success.

The “O” stands for “Omnichannel” – we have been a leader on the subject of technology and retail. Our online business is now the eighth largest Internet company in America, and we're determined to move up that ladder.

The second-to-last “M” is for “Magic Selling,” and that is what happens at the point-of-sale. Many customers today make their decisions after coming into the store and trying on an item, and then they go home and buy it online, but that transaction would not have occurred without the experience in our stores.

The last “M” is for “Millennial,” and that's the young consumer today who is 13 to 30 and the largest part of our population, and soon to be the largest spending group in our economy. So we spend a lot of time on that group.

The strategy is clear and we do a great job communicating among our 174,000 employees so they can all feel a part of it.

Is there a consistent feel among stores no matter where they are or are they designed with a local feel in mind?

We're the largest seller of almost every brand we carry, so the consumers come to us for these brands.

Also, a great deal of what we sell is either only available at Macy's or is in limited supply, and that is only made possible by our size. We're a \$28-billion retailer so, in addition to having our own exclusive brands, we also have brands that make special products just for us.

Then there is the value that is consistent with us, the positive and fun experience we try to create with magic selling inside our stores.

We try to make our customers feel better for having visited the store.

At your size and scale, is it tough to maintain the culture?

You need to have a test-and-learn environment, and we have that – we're constantly trying new ideas.

I'm always challenging our organization to push for continuous improvement. This requires doing things differently than we have in the past. My organization hears that message and responds to those challenges. We always put the customer at the center of our decisions.

I consider myself the “Chief Customer Officer,” and I always think about what the customer wants. As long as we keep the customer our highest priority, we will continue to innovate around ideas that will benefit the shopping experience. This culture of innovation is deeply embedded.

When you look to the future, will brick-and-mortar still be relevant?

Brick-and-mortar will continue to be relevant – it just might not require as many stores as there have been in the past.

At Macy's, Inc., our business is better in a zip code where we have a store than it is where we don't have a store and rely only on online shopping.

The consumer will use her phone to decide where to shop today, and hopefully she will find Bloomingdale's or Macy's on her phone. She will go into the store and hopefully buy the item right then and there. But sometimes, she wants to think about it, so she will buy the item on her desktop or tablet at home that evening. This is how the consumer is shopping today and without the middle experience inside the store, the business doesn't become as large as it has.

How do you meet the needs of your diverse consumers?

Our localization capabilities allows us to respond to a diverse consumer base in one market or a younger customer base in another market, and in many cases those subjects are connected. The Millennial generation is the largest and also the most diverse we have ever experienced in America, and the Hispanic population also plays a major role in that regard.

Our ability to locally respond with product for a young, Hispanic customer in Los Angeles or other markets is a real advantage for us. We continue to focus on new products and brands that relate to these young consumers.

I'm thrilled that, in 2015, we're launching an entire line of product with Thalia Sodi. She is a huge brand herself in the Hispanic market and she has a massive following in the Latino market. It always comes back to the product the customer wants with us. ●