

## Macy's to cut 7,000 jobs

**No new closings are planned as the department store giant expects sales to remain sluggish through 2009.**

By Andrea Chang

February 3, 2009

Department store giant Macy's Inc. said Monday that it would cut 7,000 jobs, or 4% of its workforce, as it expected sales to remain sluggish through 2009. No store closings were announced.

Staff reductions and other moves to restructure the company's operations, including grouping stores by region for merchandising purposes, will help make the Cincinnati-based retailer "more lean and efficient," Chief Executive Terry J. Lundgren said.

"In the current challenging economy, we must operate in a responsible manner that allows us to maximize the value we offer to our customers and enhance our profitability," he said. "Reducing our workforce is an unfortunate outcome of the current economic environment, and I am frustrated that so many of our people will be unable to move forward with us."

Macy's said workers would be cut from the company's stores, corporate offices and other facilities, with an average of five to six positions eliminated per store. The company employs about 180,000 people and also owns luxury department store chain Bloomingdale's.

Macy's didn't specify how many positions would be cut in Southern California. But customers will probably see a difference in stores, retail professionals said.

"Shoppers, not only at Macy's but at all retailers, will notice that there will be less sales floor coverage," said Richard Giss, a partner in accounting firm Deloitte & Touche's consumer business division in Los Angeles. "There's less people in stores and less buying, so you need less people to process those transactions. Customer service is definitely going to suffer."

In recent weeks, several retailers -- including Pacific Sunwear of California Inc., Williams-Sonoma Inc. and Cost Plus Inc. -- have announced plans to cut staff levels and other expenses to weather the severe economic downturn.

Last month, Macy's said it would close 11 stores across the country, including one of its

two neighboring locations in downtown Los Angeles, affecting 960 workers.

**"It's definitely a time of strategic merging and cutting back the fat," said Jack Hender, president of merger and acquisition firm Net Worth Solutions Inc.**

On Monday, Macy's also slashed its quarterly dividend and announced the widespread rollout of an initiative to localize merchandising to specific stores.

Under the plan, Macy's stores nationwide will be grouped into geographic districts that will average 11 stores each. Macy's said the regional groups would help the company focus on local customer needs and preferences in each location.

Macy's spokesman Jim Sluzewski said several district offices and one regional office would open in Southern California as part of the new localization initiative, adding about 175 positions.

Still, Macy's said it expected lower sales this year as consumers continued to hold back on spending. The company is predicting that sales at stores open at least a year, a key indicator of retail health, will be down between 6% and 8% in 2009.

"Everyone is trading down," said economist Sung Won Sohn, a professor at Cal State Channel Islands. "Macy's is considered to be an upscale store. And people have decided to shop at less-expensive stores and stretch their dollars. So stores from Nordstrom to Macy's -- they're all hurting."

Macy's shares fell 4%, or 36 cents, to \$8.59.

In the coming months, retail experts said they expected to see more dramatic cost-cutting moves.

"This is not something that's going to be fixed in a matter of a few months," Sohn said. "I think Macy's and many retailers are expecting the current difficulties to last well into 2010."