

Macy's is cautiously optimistic this holiday season, but Kohl's has a bigger mountain to climb

Article

The news: Macy's raised its full-year guidance after better-than-expected Q3 results, driven by strong sales for its premium **Bloomingdale's** and **Bluemercury** nameplates. But Kohl's

withdrew its guidance for the year and declined to provide Q4 estimates as it continues to struggle to find its niche.

- Macy's revenues came in at \$5.23 billion, slightly above the \$5.2 billion forecast by Refinitiv.
- Kohl's net revenues declined by 7.2% year-over-year (YoY).

Why Macy's is bullish: Macy's relatively strong performance owed to its wide variety of goods across multiple price points—in essence, becoming a one-stop shop for shoppers of all incomes. That breadth helped the retailer capitalize on continued demand for luxury goods without sacrificing its appeal to cash-strapped shoppers.

- Comparable sales at Bloomingdale's rose 4.1% while active customers rose 9%.
- Macy's has also seen success with its [Toys R Us shop-in-shops](#), which in addition to broadening its product assortment have helped it attract a “younger and more diverse” clientele. Eighty-five percent of Toys R Us customers are also shopping elsewhere in the store.
- Finally, the retailer continues to benefit from shoppers returning to in-person experiences. Macy's brick-and-mortar locations outperformed its digital business; while both segments contracted in relation to the previous year, brick-and-mortar sales fell just 1% compared with digital's 9% decline.

Why Kohl's is in trouble: While Kohl's has successfully fended off several threats this year, including from activist investors pushing the retailer to sell itself, its place in the retail landscape is becoming increasingly tenuous. **Neither luxe enough to attract big spenders nor discounted enough to bring in bargain hunters, Kohl's is increasingly out of step with the majority of shoppers.**

- CFO **Jill Timm** said on the retailer's earnings call that middle-income shoppers—its core consumer base—are purchasing fewer items per trip and trading down to private labels.
- The company has tried to attract younger, spendier consumers by [adding Sephora shop-in-shops](#) to hundreds of its stores—a strategy that has somewhat paid off. In Q3, Kohl's stores containing a Sephora saw a mid- to high- single-digit sales lift, validating its plans to add an outpost of the beauty retailer to all of its locations.
- But Kohl's can't rely on other retailers' brand equity to drive sales forever—nor will it be able to survive in a difficult retail landscape without a specific value proposition.

A tale of two department stores: Macy's steady performance in a period when many retailers have struggled is a testament to its strategy of having something for everyone, regardless of how much—or how little—they're willing to spend. That will give the retailer a boost this holiday season as more shoppers look for ways to indulge without breaking the bank.

Kohl's, on the other hand, is a perfect example of the importance of branding. Even in times of difficulty, shoppers gravitate toward their favorite retailers, making Kohl's lack of distinct identity a major stumbling block as it tries to revitalize growth.

Go further: Check out our **Holiday Shopping Report** for more on what to expect this season.

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