

# As consumers pull back on discretionary purchases, Macy's leans into higher-margin private labels

Article

**The news:** Macy's plans to launch its **On 34th** private label brand this Thursday.

- The new women's apparel and accessories collection, which will feature what the retailer [calls](#) "classics made for modern life," is the first of four private label brands that the retailer aims to launch by the end of next year.

**The context:** Boosting private labels' share of overall sales is a key priority for Macy's. The retailer is in the midst of a three-year process that involves adding new brands, refreshing some existing ones, and replacing others to ensure they appeal to consumers across different life stages, style preferences, and price points.

- Macy's is "looking at our portfolio to identify gaps that we were not serving, whether it be from a customer profile standpoint or from an aesthetic standpoint," **Emily Erusha-Hilleque**, senior vice president of private brands at Macy's, told Modern Retail.
- At the end of fiscal 2022, Macy's had a stable of two dozen private label brands that accounted for about 16% of its sales. It aims to grow that share to at least 20%—if not the 25% that CEO Jeff Gennette said he wanted to reach by 2025 back in 2020.

The private-label push is part of the company's long-term growth plan. However, it has taken on increased importance as consumers (and Macy's customers in particular) have pulled back on discretionary spending.

- The retailer expects comparable-owned and licensed sales to drop 6% to 7.5% this year.

**The landscape:** Given Macy's softening sales, higher-margin private labels can help bolster the retailer's bottom line, drive customer loyalty, and differentiate its inventory from its competition.

- **It's opportune timing for the push, given that consumers are pinching pennies.** Thirty-seven percent of shoppers purchase private-label products to save money, per Numerator.
- **Consumers' expectations have changed.** People no longer think of private label products as inexpensive knockoffs but as hip, trendy products thanks to the efforts of retailers like **Target**, which has more than 45 private label brands that generated more than \$30 billion in sales last year and grew faster than overall sales, per The Seattle Times.

While **Amazon** recently [announced](#) it was shuttering dozens of its house brands, that reflects its own unique circumstances. The retail giant is in the midst of a massive [cost-cutting push](#) as

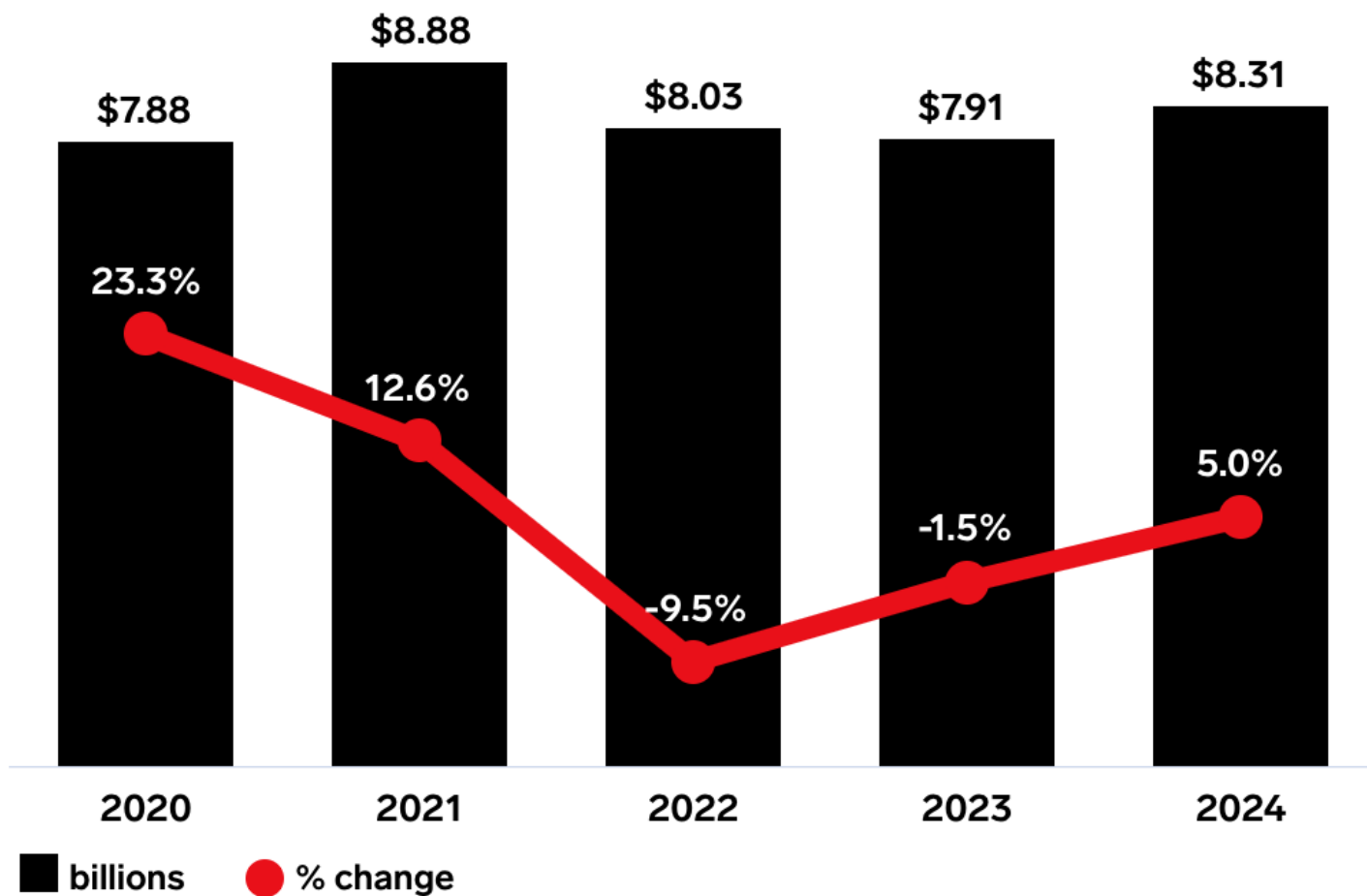
a means of responding to the US Federal Trade Commission's investigation of the company's business practices.

**The big takeaway:** While there's a clear opportunity for Macy's to lean into private labels, execution is critical.

- It needs to deliver on-point designs, or else it can be left with a glut of goods that can be difficult to clear.

# Macy's Retail Ecommerce Sales

US, 2020-2024



Note: represents the gross value of products or services sold on macys.com, bloomingdales.com, and bluemercury.com (browser or app), regardless of the method of payment or fulfillment; excludes travel and event tickets

Source: Insider Intelligence | eMarketer, June 2023

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