

Macy's turnaround plan saw green shoots in Q3

Article



The news: Macy's sales slump continued into Q3 despite positive momentum from its [revamped stores](#) and **Bloomingdale's** and **Bluemercury** brands.

- Both net sales and comparable sales fell 2.4% YoY, per its preliminary report.
- Net sales of \$4.74 billion beat FactSet's \$4.72 billion consensus.

However, the retailer delayed the release of its full earnings report after discovering that an employee hid between \$132 million and \$154 million in delivery expenses across nearly three

years, triggering an independent investigation.

How we got here: Shoppers shied away from Macy's namesake stores but were happy to spend on luxury and beauty items from Bluemercury and Bloomingdale's.

- Macy's comparable sales fell 3% YoY, due to weakness across its store fleet as well as softer-than-expected sales in its digital channels and cold-weather categories.
- However, in the 50 stores where the retailer invested in staffing, merchandising, and revamped displays, **comparable sales rose 1.9% YoY**.
- Bloomingdale's bounced back from its Q2 net sales decline with a 1.4% YoY increase—and 1% growth in comp sales. Apparel, beauty, and digital drove growth.
- Bluemercury delivered its 15th consecutive quarter of comp sales growth—up 3.3% YoY—thanks to resilient demand for premium beauty, particularly skincare.
- Macy's advertising business also grew during the quarter: Sales rose 13.9% YoY to \$41 million, although that was not enough to offset the \$22 million (15.5%) YoY decline in credit card revenues.

Our take: Accounting issues aside, Macy's turnaround plan appears to be working.

- Its revamped stores have delivered comparable sales growth for three consecutive quarters, while its focus on luxury and beauty is helping it stay relevant with wealthier shoppers.
- Department stores are also expected to get a **boost from in-person shopping** this holiday season—although they face tough competition from big-box stores, off-price retailers, and ecommerce marketplaces as consumers prioritize value.

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