

Macy's online sales rise 16% despite store woes

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general retailers

Macy's, the largest US department store chain, yesterday underlined the increasing lure of online sales to embattled US retailers, as it reported a 16 per cent increase in quarterly sales on its website, even as store sales fell 9.5 per cent.

The retailer stepped up investment in its online business over the past two years, after ending an initial online partnership with Amazon. Terry Lundgren, chief executive, said that in the future more of Macy's capital expenditure would be directed online as expansion of its 840-strong network of physical stores slows.

"In the future as we project out, more of the capital resources will go in that direction . . . I do think over time new stores, and new mall construction sites, are going to take longer to become a reality," he said.

Macy's online sales grew by 29 per cent last year, even as its overall sales fell 7 per cent. It did not give a total for its 2008 online sales, but industry estimates put them at about \$1bn.

David Fry, founder of Fry, a web services company, notes the recession has seen increased variation in the online performance of retailers, who could previously count on double-digit growth from their online business.

JC Penney, for instance, reported flat year-on-year internet sales of \$1.5bn in 2008 as its comparable store sales fell 8.5 per cent. But Gap, the clothing retailer, saw a 14 per cent increase in direct sales, to \$1bn, while its comparable sales fell 12 per cent.

This month, Amazon, the largest US online retailer, said its North American sales had increased by 21 per cent during its first quarter. Wal-Mart has also reported strong sales online.

In addition to providing growth opportunities for retailers with a large physical store presence, such as Macy's, industry consultants say they are seeing a surge of interest in retailers expanding online operations.

Janet Hoffman, a retail consultant with Accenture, said she had seen increased interest from retailers in combining online presence with physical stores through initiatives such as store delivery for online purchases.

"When you look at the capital expenditure required for new stores . . . clearly it makes sense to extract value from your existing investments," she said.

Eddie Lampert, CEO of Sears Holdings, highlighted his company's online strategy at Sears and Kmart department stores at the company's annual meeting last month. Sears is currently testing a new online service, called Mygofer, and has opened a pilot store in Illinois focused on providing physical delivery of goods ordered on the internet.

In an indication of the widening appeal of online business, Dollar Tree, one of America's hard-discount dollar stores, recently launched online bulk sales of its household and office goods, with free store delivery.

A recent survey by Shop.org and Forrester found that almost half of the 117 retailers surveyed had no plans to cut online marketing, despite the recession.

Credit: By Jonathan Birchall in New York

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