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PRESENTATION

Alexandra Ann Straton - *Morgan Stanley, Research Division - Research Associate*

Great. Okay. Good morning, everybody. For those of you who don't know me, I'm Alex Straton, I'm the co-lead for branded apparel, footwear and softlines retail here at Morgan Stanley alongside Kimberly Greenberger. We're super pleased that you all joined us today for the first day of the conference. And we're equally delighted to have the Nordstrom management team, or some members of it at least, here today.

So starting with a quick overview of the company, Nordstrom is a leading fashion retailer with over 350 locations in the U.S. and Canada, including approximately 100 full-line Nordstrom stores, 7 Nordstrom Locals and 240 Nordstrom Rack locations. The company also serves customers through its dot-com businesses, so that's nordstrom.com nordstrom.ca, nordstromrack.com, and Trunk Club.

I'll first introduce Erik, Nordstrom's CEO. So Erik held a number of positions throughout the company during his time there, including EVP and President of nordstrom.com, and EVP and President of Stores before becoming Co-President in 2015 and then CEO in 2020.

Turning to Michael. Michael joined Nordstrom in 2009 as the company's Controller. And prior to his appointment as Interim CFO, he served as Chief Accounting Officer and Senior Vice President, Finance.

Thank you both so much for joining us today, and welcome.

Erik B. Nordstrom - *Nordstrom, Inc. - CEO & Director*

Thank you for having us.

Alexandra Ann Straton - *Morgan Stanley, Research Division - Research Associate*

Great. So we're going to begin the session today with opening remarks from Erik, followed by a fireside chat question-and-answer style format, where we'll explore some of the common investor questions that Kimberly and I are hearing. And then we've also reserved time to answer your questions at the end.

Before we do dive into that, I do need to remind everyone that for important disclosures, please see the Morgan Stanley research disclosure website at www.morganstanley.com/researchdisclosures. So that protects me.

With that all covered, I'll turn it over to Erik.

Erik B. Nordstrom - *Nordstrom, Inc. - CEO & Director*

I need something to protect me.

Michael W. Maher - *Nordstrom, Inc. - Senior VP, CAO & Interim CFO*

Well, how about this? We might be making some forward-looking statements today, you can refer to our website for disclaimer on that.

Alexandra Ann Straton - *Morgan Stanley, Research Division - Research Associate*

There we go. There we go.

Erik B. Nordstrom - *Nordstrom, Inc. - CEO & Director*

Yes, I thought I'd just start kind of connecting our Q3 earnings, just had our call a couple of weeks ago, and as we look forward to 2023.

So Q3, for us, we met our financial goals and are really proud of how the team executed in a really tough environment. We came out of Q2, we started to see some softness in our business and the team pivoted quickly, which in our business is going after inventory and going after expenses to put us in a position to get through uncertain times.

So, met our financial goals, saw real strength in our core categories of the women's apparel, men's apparel, designer shoes led the way for us. Continue to make progress on our strategic initiatives, which I'm sure we'll get into a bit here. Particularly pleased with our supply chain performance. Supply chains had -- I don't need to tell you, a lot of headwinds through the pandemic. And our team has been working on it, initiatives to control what we can control and really came through in Q3. First of all, with customer, better customer experience with faster delivery. And secondly, at a lower expense. Our cost per unit of moving goods through our network reduced and getting good leverage there. So very encouraged about that.

I want to touch on Rack. Rack business started the year in really simplifying our focus to great brands at great prices. And when we talk about great brands, I think a good way of thinking about that is that it's mostly about brands that we carry in our Nordstrom banner. 90% of the brands, our top brands in the Nordstrom banner are represented in our Rack business. Many of those brands do not show up in the off-price channel. Our mix is unique. And really the reason customers come to us -- come to Nordstrom Rack to find these brands at, really premium brands that they see in our Nordstrom banner.

So getting the right mix of those brands, our inventory has been a big focus of ours. And that's kind of a 2-step process. One is obviously getting more of that brands. And as brands have had more availability there, we've been increasing the percentage of our buys to those brands.

The second piece is in clearing out the less productive inventory we've had. And as we talked about at -- on our Q3 earnings call, the -- we've seen a softening of demand for clearance. So there's always clearance. There's always less productive parts of inventory. Clearing that out has taken more markdowns and has been slower than normal time.

So that really shows up in our Rack business in particular. Rack plays a role and really the birth of Rack was clearing out our Nordstrom banner goods so we can open up our inventories for freshness. So working on that, making good progress there.

We're encouraged that the performance of our top brands in Rack continues to be encouraging. We had 9% increase in our top brands in the Rack business last quarter. So that's the Rack business.

As we look at 2023, really 3 focuses I'd call out. One, Rack business getting to a much more sustainable demonstrable growth results, and in particular, getting to 2019 run rates, which we expect to get by end of the year. To get there, really will take optimizing our inventory. Again, getting a greater proportion of our inventory into these premium brands, and we see that happening over the course of the first half of the year.

Second focus to call out would be around our merchandise. And as we think about '23, most importantly is to enter 2023 clean. We've had some -- again, some inventory to clear out. We talked about that coming out really of Q2 that would take the second half of the year. We are on pace to do that, to round the corner and enter 2023 clean. That's vital for us.

But the second piece with our merchandise is to respond to these more uncertain times, more volatility, to increase our agility, we believe not only entering clean but to plan for faster turns and to be more positioned to chase the business and really invest into what the customer is responding to. So big focus and something we feel really good about and think we're well positioned to get after.

The third focus, again, would be supply chain, continue to build upon both the better customer experience by faster, more consistent deliveries and continuing to leverage our expenses there.

And I'd end with, as we look to 2023, there's a lot of uncertainty. There's certainly macroeconomic factors that for a shoe salesman like myself is hard to predict. And -- so what's our response to that? Our response is really to be as agile as possible. And for us, that really started in earnest coming out of Q2. We've made good progress with our expenses, with our inventory levels to where we feel really good that we'll be well positioned for that uncertainty and be able to respond accordingly.

QUESTIONS AND ANSWERS

Alexandra Ann Straton - *Morgan Stanley, Research Division - Research Associate*

Great. That's a super helpful overview. We're going to touch on a number of those points in the Q&A as well. So we'll certainly be elaborating.

But perhaps just to kick off the Q&A portion, maybe why don't we start with near-term trends? On your earnings call, you gave some details on the range of assumptions underlying your 2022 guidance. How have the holiday trends so far to date impacted your view on that guidance? Is there anything you can share with us on that?

Michael W. Maher - *Nordstrom, Inc. - Senior VP, CAO & Interim CFO*

Yes. So we did reaffirm our annual guidance on our Q3 earnings call. And just to remind everybody what was assumed in those ranges there. So the high end of the range assumed that we would see holiday sales build and customer demand build, consistent with what we used to see pre pandemic. So really accelerating as you get closer to Christmas. And that the level of promotional intensity would be consistent with what we saw late October, early November.

The low end of the range assumed that the softness that we saw in late October, early November in the demand would be more of a persistent thing throughout the quarter and that the promotional intensity would be greater than what we were seeing at that time.

So at this point, we're seeing the demand build a little bit slower and the promotional intensity is a little bit higher than what we saw pre-pandemic levels. But I think it's important for us to emphasize that about 2/3 of our expected volume is still in front of us for the fourth quarter. So a lot is going to depend on how the next few weeks play out for us.

Alexandra Ann Straton - *Morgan Stanley, Research Division - Research Associate*

Great. That's a super helpful color so far on holiday. I'm sure everyone was eager to hear that. Post Black Friday, we're all guesstimating.

So maybe just zooming out away from the near-term trends. Nordstrom announced its Closer to You strategy a number of years ago, and part of that is expanding real estate into Nordstrom Local format. Can you just update us on that strategy, the successes you've had and then perhaps just comment on if you have had an opportunity to increase the productivity of your existing real estate with that strategy.

Erik B. Nordstrom - *Nordstrom, Inc. - CEO & Director*

Sure. Yes. Really, the core of Closer to You is, everything for us starts with the customer. We have a long legacy of customer service. And so what does that mean in modern times? We think, for us, it is bringing our assets together to serve customers better. Our digital assets, our physical assets. And for physical assets, we really look at the market level, the portfolio of physical assets we have that we can bring to bear to serve customers better. And those assets are Nordstrom stores, Nordstrom Rack stores and some Local stores we have here in New York and in Los Angeles.

And really, it's -- those physical assets are a means to an end of serving customers better. And Closer to You, the strategy at the market level, it allows us to, for instance, offer 4x the amount of selection for next-day delivery by linking those assets together and gives customers more options on how to be served.

For instance, not only do we have buy online, pick up in store, nordstrom.com orders at our Nordstrom stores, customers can, in our top markets, pick them up in our Nordstrom Rack stores as well. And I think buy online, pick up in the store is an omnichannel service that customers have really responded to across the industry. And for us, it's about 12% of our digital business there at nordstrom.com. And about 1/4 of those pickups are done in Rack stores.

And I share that because I think it really is a good example of how customers respond and wanting service on their terms and we need to adjust to that. The pickup of Rack stores isn't something we've marketed a lot, but it's something that customers have really taken to.

So we've focused more in the last couple of years in bringing these services and leveraging our Rack stores as part of Closer to You more so than opening Local stores, mainly because we already have them. It's an existing asset, we have a lot more of them. And where we have lit up these Rack store capabilities, it has improved the overall market performance we've seen.

We are pleased with the Nordstrom Local performance, they've exceeded our plans. And again, we view it as an asset that fit within our portfolio to take care of customers better.

Alexandra Ann Straton - *Morgan Stanley, Research Division - Research Associate*

And so you have about 7 of those now. Is that right or around there? And have you guys given out targets where you think that, that could potentially go? Or is it still out there?

Erik B. Nordstrom - *Nordstrom, Inc. - CEO & Director*

Yes, it's a mystery.

Alexandra Ann Straton - *Morgan Stanley, Research Division - Research Associate*

Great. Okay. Well, maybe turning to another strategy then. Partnering with a new distribution brand has been a key differentiator for you guys, particularly against your competitive set. You touched briefly on some of the successes of those across your earnings calls recently. I think SKIMS, On Running and then Joey kindly reminded me of Allbirds when we were outside. So can you just discuss your strategy around that, how you maintain relationships with those brands? Maybe how you select the new ones would be and how you strengthen really those partnerships over time?

Erik B. Nordstrom - *Nordstrom, Inc. - CEO & Director*

Yes. It's -- I mean, it's long been important for us to be the best partner for the best brands in the world, and that goes back a few generations in that, grew up hearing stories of -- during the Depression of when there's rationing of goods and shoes are being rationed and my grandfather would take care of the traveling salesman that he got some extra shoes to sell. It's more important than ever to have a unique mix and particularly where we compete. You think of the convenience elements of retail that have gotten a lot of attention and, I'll say, a lot of digital penetration there. And we compete with that.

But where we really need to differentiate ourselves is in the discovery part. We are really good at exposing customers to new brands and introducing those new brands to customers. And customers come to us for less a price promotional retailer than for newness.

And the brands are mainly drawn to the customer base we have, the large customer base we have. Our history of building new brands and exposing those new brands, the digital assets we have, the services we provide. So due to that, we think we have to be flexible to be able to partner with brands of all different sizes.

In particular, a sweet spot for us are not necessarily launching new brands, but brands that are early stage and really hitting their growth where we can really help them scale. So I think we used these 3 at our Q3 call, which is On Running, SKIMS, Fear of God. Those 3 are all in our top 5 growing -- fastest-growing brands we have. They're all amongst already our top brands overall in just pure size. And they're good examples. They're different brands. But I think they have the, a common thread of real interest from customers that are not brands you see everywhere. They're limited distribution. And be it how we've linked our online capabilities with our stores, be it the strength of our salespeople, we're able to bring those brand stories to life and really have had a lot of success with that.

Alexandra Ann Straton - *Morgan Stanley, Research Division - Research Associate*

That's great. I feel they love to highlight you guys as a partner as well. So it's good to hear that overview. Yes, we hear it on both sides of the earnings calls.

So maybe let's turn kind of backwards in time at the Anniversary Sale. It seems like a real success this year. But you did mention you were starting to see some consumer pressures, particularly at Rack. Can you just talk about the dynamic there? And kind of -- you gave us a little bit of an overview of your thoughts on Rack, but maybe the longer-term strategy there going forward, too.

Erik B. Nordstrom - *Nordstrom, Inc. - CEO & Director*

Yes. Well, let me first start with the softness was really in some customer segments. We started to see some pullback. And as we've analyzed it really was pronounced in our lower household income customer segments. That's much more exposed to Rack than our Nordstrom banner business.

And yes, we started to see that late June, kind of through July. And we have seen signs of customer pullback, but it is most pronounced at the lower income levels, which, again, is more the Rack customer.

Again, the North Star for us in our Rack business is great brands at great prices. And we need to get to the optimal mix that we're confident really resonates with customers. We first have to clear out the slower-moving product we've had as we've talked about the last 2 quarters, the movement of clearance product in particular, slowed on us. So we've had to be more aggressive to clear that clearance product out and open up the space to bring in the second piece, which is a bigger proportion of these premium brands. There's a lot of access, just a great product out there right now. When -- when times get a little tougher, there is more product out there available in off-price. And again, with our brand relationships, with the most important brands in the Nordstrom banner, that most cases we get the first call for that off-price product.

So that's what we've been working on it, and we're not there yet. I wouldn't say we're -- we have the mix that we want. And we do have some more clearing to do through the end of Q4. Again, we are on pace to enter 2023 clean and setting us up for the optimal content mix that we want in the Rack.

Alexandra Ann Straton - *Morgan Stanley, Research Division - Research Associate*

That's great. So it sounds like you firmly can say we've seen kind of more lower income consumer pressure. Have you seen it spread out at all since kind of that started? Or what do you look at to gauge that?

Erik B. Nordstrom - *Nordstrom, Inc. - CEO & Director*

Yes. We look at it a lot. We have tremendous customer information. And there are signs of strain on the customer across all customer cohorts. It is most pronounced at the lower income level.

Now we still see customers responding to newness and responding to our higher-ticket items. So it's not a price thing where -- for us, it's not at all that lower price is doing well and higher-priced items are not doing well. In many cases, it's the opposite. I think what the common thread there, for us, is newness and bring a flow in of really desirable product. Designer has, the last several years, been our strongest merchandise category. There's still real strength there.

So there is strain. I think customers are being more selective, a little more careful in their purchasing. And again, there is correlation with income levels, but it's not the case where across the board customers are breaking down.

Alexandra Ann Straton - *Morgan Stanley, Research Division - Research Associate*

Okay. That's super helpful. Maybe a similar kind of trying to assess some dynamics in the -- with the consumer and then with our space more broadly. This year, we've really seen strong demand for wear to work and kind of the more special occasion type of apparel and footwear. And it seems like you guys have been beneficiaries there. So perhaps as you're thinking through next year, how do you think about that dynamic as you're planning the business from an inventory perspective, from a demand perspective? Are you worried of lapping these types of dynamics? Or how should we think about it?

Erik B. Nordstrom - *Nordstrom, Inc. - CEO & Director*

I'd start with the strength of ours for more the important occasions. And that could be important things like weddings, but it could be as simple as going out to a restaurant, traveling. The more customers get out, the more importance they put on their appearance, the more they look to us. Those categories are important for us. And that has been -- that shift over the year has been helpful for us.

As we look forward, we think there's continued strength in those categories for us. But there is uncertainty. And so again, more than normal, we think where we need to be is to increase our agility, which is, in particular, having the inventory dollars to respond to what customers are looking for. And most importantly, again, that's entering 2023 clean at inventory levels we want. And again, we're on track to do that.

Secondly, it's planning next year for faster turns. And feel confident we can do that.

The third piece is not just planning for faster turns, but saving more of our open-to-buy dollars to spend closer to the season and really chase product and respond to what is working. And that response agility is a reflection of the uncertainty. The change in category performance over the last 18 months has been unlike anything I've seen. You think of the categories that were hot during the pandemic, home and active wear and everyone's wearing yoga pants and slippers, and we sold a lot of that stuff. We didn't sell many men's suits or high heel shoes during that time. That shifted and shifted in a hurry. And I think you've seen excess supply of a lot of those pandemic-hot categories in the industry that people are looking to clear through.

It feels like that those shifts -- those quick shifts are kind of here to stay. So we've really been like, how do we retool our business to be as agile as possible and again, entering clean, plenty for faster turns, holding dollars back, we're confident we'll make our inventory more productive and that we see the opportunity to have higher merchandise margins.

Alexandra Ann Straton - *Morgan Stanley, Research Division - Research Associate*

Okay. That's super helpful. And we've hit on inventory a number of times here. We're going to hit on it again. So it sounds like you have this goal to be clean by the end of the year. So maybe talk to me about how is your composition heading into holiday? Where do you feel like maybe you're too light or too heavy? What is the assortment now?

Erik B. Nordstrom - *Nordstrom, Inc. - CEO & Director*

Well, assortment is great. And we intentionally brought holiday merchandise in earlier this year. And last year, there was a lot of supply chain delays that presented challenges. So we feel really good. We have a lot of fresh inventory. Our inventory is very current. The softest part of our inventory would be clearance that we're looking to work through the system. But we feel really good about our inventory position for holiday.

Alexandra Ann Straton - *Morgan Stanley, Research Division - Research Associate*

Okay. Another question on inventory. You mentioned the word agile quite a bit in terms of the goals you have to change. Maybe could you give us some examples of what you're doing within the organization to move towards that goal?

Erik B. Nordstrom - *Nordstrom, Inc. - CEO & Director*

Yes. As I mentioned, I think most importantly to have the inventory dollars to go after. To where our buyers who are really, really good at picking the right items, to empower them they need to have the dollars to go spend in doing that versus the activity of, say, canceling because you have too much. So getting those plans and the inventory levels where they need to be is most important.

I think the other piece, so we can go back to the partnerships. Mentioned Allbirds. There's some new brands like that, that really are terrific partners for us and SKIMS, some big businesses. But having that closer partnership -- and really, for us, the clarity of what we're trying to get to, we think we can serve customers better by bringing more selection and getting their merchandise to them faster. And to do that, we think there requires more flexibility, more capabilities at our end of different ownership models of inventory. It can't just be traditional wholesale retail.

The last few years, the biggest example of that alternative form of inventory would be drop ship, of tapping into the deeper inventory selection that a brand would have and having it shipped directly from the vendor. That's an example.

But we think when you have other capabilities of various forms of inventory ownership, so whether the vendor owns it, we owns it -- we own it, wherever it comes from to, that increases our agility, that increases our ability to serve customers by bringing them more selection and getting it to them faster. And so we continue to invest in capabilities of alternative modes of inventory ownership.

Alexandra Ann Straton - *Morgan Stanley, Research Division - Research Associate*

Okay. That's clear. I'll get off the inventory soap box now. And maybe let's move to margins. So at your last Investor Day, you outlined a medium-term target of, I think, a 5% to 6% level. Maybe talk to us about the steps you're taking by line item to get there and how we should think about the key levers.

Michael W. Maher - *Nordstrom, Inc. - Senior VP, CAO & Interim CFO*

Yes. I guess, we still believe, we're still confident in our ability to achieve 6% EBIT margin as a step to even greater improvement in profitability over the longer term. I think it starts with top line growth. We outlined a scenario of sustainable low single-digit top line growth. And Erik talked a little bit about some of our initiatives around that in Nordstrom and Rack banners.

And then as you go down the P&L, I mean in the margin side, inventory, again, faster turns, more open to buy, we think that enables us not only to have better top line outcomes but better margin outcomes. We're always better off chasing as opposed to clearing.

And then on the expense side, number one is going to be continued expense discipline. We've really held the line on overhead since taking a significant piece out of our overhead cost structure back in 2020. We are subject to the same wage and inflationary cost pressures as everybody else, but really holding the line on the drivers like overhead has helped us to mitigate that.

And then more recently, what we're really excited about, you heard Erik referred to progress in our supply chain optimization. We got about 100 basis points of leverage on our variable fulfillment expenses as a percentage of sales in the third quarter. And we expect to build on that in the fourth quarter and going into 2023. And since we are approximately 40% digital business, that's a really powerful lever for us. It's not only about improving our profitability but increasing the speed to customer and improving the customer experience as well.

Alexandra Ann Straton - *Morgan Stanley, Research Division - Research Associate*

Okay. That's -- those are great levers to keep in mind, so thank you. Maybe turning to e-commerce. Digital sales penetration was about 34% in the latest quarter, which is about in line with where you were in 2019. So you probably saw a pop and then kind of come back down. So how are you thinking about this business in 2023? Can you comment on any trends you're seeing in the digital versus the in-store business as of now? And kind of how you're thinking about it for next year.

Erik B. Nordstrom - *Nordstrom, Inc. - CEO & Director*

Yes. I can start. First and foremost, we don't start with a channel view of the business. We start with the customer view of the business. And for most of our Closer to You strategy that is linking our digital and physical assets. So things like, I mentioned buy online, pick up in store. Is that a digital sale? Is that a store sale? We really don't care. And it's not just a philosophical thing in serving customers. It's the profitability of our nordstrom.com business is pretty much at parity with our Nordstrom store business. And so even business model-wise, we're very agnostic kind of between where sales go.

That being said, there is having -- it's been a focus for us to add capabilities to our digital portfolio for a number of years now. And we continue to see opportunities there in -- and in particular, I think in fitting with my earlier comment on discovery, of that digital channel is important for discovery.

Most customers start their shopping journey online even if they end up in a store. So our search capabilities, how our -- how we leverage data to offer up suggestions and outfits to customers, how we bring personal styling to life digitally. Personal styling has long been a big strength of ours in stores. Having various forms of digital styling that are different levels of engagement for the customer really at their choice of how much engagement they want, and we've seen great response to that.

And it's a combination of leveraging the strength of our people and even in a digital environment, but particularly leveraging the deep customer data we have. We've invested a lot in the last few years to get a data platform in one source of truth that we can show for customers in a personal way that we know them and are highly relevant by what they're seeing digitally.

And I think a way of thinking about it is, what is the digital version of what our historical strength has been in stores, of having a great salesperson, a great personal stylist who, when it works well, the customer thinks, boy, that person knows me and I'm leaving with some purchases I know I wouldn't have had on my own. Unaided, I would have never gotten it for myself, and you know what is my favorite thing in my closet, what's the digital version of that. And we see a lot of opportunity there for us to really be a leader in discovery.

Alexandra Ann Straton - *Morgan Stanley, Research Division - Research Associate*

That's a super helpful overview. Now I know we only have a few minutes left, so I would like to open it up to you guys for questions. So if anyone has one, just feel free to raise your hand or else I'll just keep going. More on the list here. Do we have any questions? Go ahead.

Unidentified Analyst

Your comment about slower build and more promotions, does that apply to full price and to Rack? Or is that more Rack versus full price?

Michael W. Maher - *Nordstrom, Inc. - Senior VP, CAO & Interim CFO*

It's really both across the business so far.

Unidentified Analyst

Are you seeing any customers saving items in their carts waiting for maybe deals to hit and more promotions to build? Or are you just seeing people executing when they want to buy?

Erik B. Nordstrom - *Nordstrom, Inc. - CEO & Director*

I haven't noticed that specifically. There is a sense of customers holding back. And some of it is the way the calendar falls this year. It's an extra Saturday for Christmas, Hanukkah is later. There's some calendar reasons for holiday to be pushed back a bit. But I do think there's something to the environment, of the promotional environment, where customers hold back then. We've seen some signs of that.

Alexandra Ann Straton - *Morgan Stanley, Research Division - Research Associate*

Okay. Well, maybe we'll wrap it up with one question from me. Erik, you became CEO in 2020, which was obviously a super volatile period for retail to say the least. Maybe can you talk about your major learnings from that period and kind of how this has helped shape your strategy for the business going forward?

Erik B. Nordstrom - *Nordstrom, Inc. - CEO & Director*

Yes, we're a really unique kind of structure and for the vast, vast history of our company haven't used the CEO title. And for my career, it was really working with my brothers Pete and Blake and trying to be the best team of 3 we can be. And -- different people have different responsibilities but had a very clear and strong bond of trying to show up and leverage what we can as a team of 3.

So for us, more than the pandemic, in 2019 with Blake's passing, that, you can imagine, was a big shock personally. But professionally it's Pete and I are team of 2. And we have an executive team that runs the business and is super strong. But that led to a lot of change.

And with the pandemic, I think the biggest change over the last couple of years is the volatility, is the need for -- and you've called me out on it, using the word agility, that's just more important. It's -- yes, we'd all like to be better predictors of the future, we're not going to be. I could sit here and tell you what I think, with all confidence of my many decades in the business of how customers are going to be next year and future years and what retail is going to be like in 10 years and I'd be wrong. So to embrace that and really, okay, how do we get in front of that uncertainty? That's, how do we be agile? What's it mean in our business?

And that really has driven everything from how we show up with customers, what service means, how we connect our digital and physical assets, how we work with vendors, how we manage our inventories, how we manage our expenses. That's -- I think that volatility and having to be agile has been a big lesson for me.

Alexandra Ann Straton - *Morgan Stanley, Research Division - Research Associate*

Those are like the buzzwords, I think, for most of the retailers.

Erik B. Nordstrom - *Nordstrom, Inc. - CEO & Director*

There are buzzwords with meaning though.

Alexandra Ann Straton - *Morgan Stanley, Research Division - Research Associate*

Great. Okay. Well, thank you so much for spending time with us today. And thanks, everybody, for joining. We're up on time, so thank you.

Michael W. Maher - *Nordstrom, Inc. - Senior VP, CAO & Interim CFO*

Thank you.
