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# EDITED TRANSCRIPT

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## PRESENTATION

**Omar Regis Saad** - *Evercore ISI Institutional Equities, Research Division - Senior MD and Head of Retailing/Department Stores & Specialty Softlines Team*

Good afternoon. It's Omar Saad from Evercore ISI. Thank you so much for joining one of our afternoon fireside chat sessions with Nordstrom. We're super lucky here today to have Erik Nordstrom, CEO; Anne Bramman, CFO; as well as Heather Hollander from the IR team. I'm going to turn it over to Heather and Erik for some opening remarks and safe harbor statements, and then we'll dive into Q&A. Heather?

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**Heather Hollander** - *Nordstrom, Inc. - Head of IR*

Thanks, Omar. Good afternoon, everyone. Just a quick housekeeping before we begin. Today, we will not be commenting on our second quarter results. So any discussion of our performance today will be based on our results through the end of the first quarter, unless otherwise noted. So with that, I will hand it over to Erik for opening remarks.

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

All right. Thanks Heather. Thanks, Omar. I appreciate you having us. I thought I'd just start off to give a little context of what we saw coming out of Q1. As we shared on our call, I think the real highlight was the strength on our top line, which was broad-based across our core categories and geographies. For those of you who have followed us, last year and really throughout the pandemic, we saw -- what sure felt like a lot of headwinds on both those subjects, our key categories and our geographies. And geographically, a lot of our stores and disproportionate amount of our best stores are in more densely populated urban areas, areas that have an element of office workers around them, that have an element of tourism. Those were hard hit last year. As was geographically, we saw a much faster recovery in the southern part of the United States than we did in the northern part. We saw a lot of change to that in Q1. A lot of recovery, both in the northern part of our stores and importantly in our key categories.

In our categories, while we have a home area, we have active and we had growth there over the pandemic, I don't think it's a news flash that some of our key categories, more dressier items, more items, categories that are for going out. That has changed. We saw a change in customer behavior of people that are really coming to us concerned to look their best. That could be a big event, like a wedding, could be returning to the office. But it's not just that. I don't want to send the signal that it's all about people wearing suits and high heel shoes. It's really about, I think, people going out and being more thoughtful about how they look. And we've seen that play out in our categories and the elevated demand for newness. And some of that is event-driven, but some of it is we think of the signals we see are replenishing wardrobes, which we know about some of our categories that didn't get much action over the pandemic. And as customers are getting out there, that replenishment of wardrobe is something that we're seeing.

We feel good about how we're positioned for these times and our model, which is 2 banners, Nordstrom and Nordstrom Rack. It's a big digital business and certainly well-positioned stores. And the key to that model is the connection of those assets. We talked about the banner of closer to you. We're able to be closer to customers to serve them better on their terms by connecting these assets and leveraging them to serve customers on their terms. And we have felt for a while now that we need to have more capabilities, more capabilities to serve customers as they want to be

served. So we've invested in digital capabilities, our locations, the categories we have and all adds up to our service model, and service has long been our foundation as a company that really we build everything from, how the customer is defining service has no doubt changed and continues to change. And again, we feel really good about how we're positioned for these times.

I also want to call out the progress we've made on 3 goals in particular that we shared in our Q3 conference call last year. And those are improving our Rack performance, increasing our profitability and optimizing our supply chain and inventory flow. We've seen progress in all 3 of those areas, and have plans for rest of the year to make progress there. And we feel good about that.

I would leave with -- before we get into Omar's questions, certainly, just volatility, there's uncertainty out there. There are still challenges with supply chain. There's still challenges of inflationary pressures, wage pressures, the economy in general, where we are not immune to those pressures, and we're feeling that. But we do have -- we're in the midst of initiatives to address those to control the things we can control. And there are our levers we can pull, and we're seeing progress on things in merchandise margin and supply chain and inventory flow that are helping to mitigate some of these headwinds and again, positions us well for these times.

So with that, I'll hand it back to you, Omar.

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## QUESTIONS AND ANSWERS

**Omar Regis Saad** - *Evercore ISI Institutional Equities, Research Division - Senior MD and Head of Retailing/Department Stores & Specialty Softlines Team*

Thanks for the intro, Erik. That was super helpful. Pretty interesting comments about people are being a little more thoughtful about how they look. That's probably a good thing for Nordstrom because I think Nordstrom has probably pops into a lot of people's heads, when they say, okay, I want to look good again.

Maybe a little bit more broad and then we're going to dive in on some of the company-specific elements. Any signs -- it sounds like things are going quite well. Any signs of consumer weakness, softness, overreliance on credit, inflation, fatigue, those sort of signs and from your perspective, how do you see the health of the consumer across incomes, regions, all your different demographics?

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

Yes. What I'd probably say is the health of our consumer, I mean that's what we see. And my point with that is -- our customer is a higher income profile than I think most retail customer base is. And one of the ways that shows, had shown up for a while. We -- last year, we really didn't see much lifts if any when stimulus checks went out, and I see other retailers calling that out as they're anniversary-ing that. That really hasn't been a part of our customers' spending motivation.

All signs we have is our customer is healthy and it's -- I think a good correlation for us in these times is travel. As customers are getting out, you're surely seeing the strength in travel industries. We're seeing our business correlate to that. And it's not a price-sensitive business. We're not seeing any signs of our customers trading down. It's kind of the opposite.

A tougher part of our business really is clearance. Lowering prices on unsold merchandise is not what's really driving our business right now. It is newness -- one of the healthiest part of our business and has been for several years now is our designer part of our business, the very top end of our business. So we see customers really looking for the brands and the categories that they want. And it could be for an event, it could be just to replenish your wardrobe, but that newness. And there is a mix shift there, which is to a little higher price point mix that is beneficial to us as well.

**Omar Regis Saad** - Evercore ISI Institutional Equities, Research Division - Senior MD and Head of Retailing/Department Stores & Specialty Softlines Team

Interesting, definitely not necessarily aligned with what we're hearing from a lot of other big retailers. You talked about this kind of spending shift reversal, not just work and occasions, but just wanting to look good. Do you have any sense how much of a wardrobe replenishment to use your word, is left? Is this a couple of quarter process? Is it a multiyear process? It felt like maybe they stopped spending in the categories for a couple of years? Does that mean we're a couple of years for them to refresh their wardrobe. Does it happen all at once? How do you think about it as you plan your business?

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

Yes. Well, as we plan our business, there is uncertainty. There's no doubt about it. And when there's uncertainty, it's more uncertain the further out, we need to plan. So for inventory commitments for buys we're making for starting for -- start making buys for 2023, we're more conservative, and we adjust as we get closer, and that's now long been our practice.

For the rest of the year, all signs point to a healthy customer who's interested in our categories. And there is obvious seasonality in our business. So as customers are interested in getting out, be it events or wardrobe replenishment, it's for spring wardrobes. And -- we do expect some continued strength in the back half of the year. Now as was implied in our guidance update after our Q1, we are not planning on the same level of top line in the rest of the year. We indicated we're seeing about -- we're indicating about half of the top line increase that we had first quarter for the second quarter, we think that's the prudent thing to do. So again, I think there's a lot of help there. I think they're still pretty confident in the back half of the year for our categories, you get into 2023. Certainly, there's more uncertainty.

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**Omar Regis Saad** - Evercore ISI Institutional Equities, Research Division - Senior MD and Head of Retailing/Department Stores & Specialty Softlines Team

Got it. So you guys don't have some sort of closet freshness meter for your customers in your database that you can kind of mine into. Great. So you also mentioned Rack in your opening remarks. A lot of people are focused on it. It's a lot of stores. Maybe give us an update on that turnaround. When are we really -- can we really start to expect a lot of that better quality inventory to start flowing through with a little bit more fashion component that customer is looking for?

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

Yes. Well, there's a lot more inventory in the Racks now than we had a year ago. We were for most of the pandemic under inventoried in the Rack business. Our flow of goods were most disrupted there. And in particular, the portion of our inventory, which I think is the most important portion of our inventory in the Rack, is the most coveted brands we have, the real sought-after brands that we carry in our Nordstrom banner, which is really -- I think the most compelling value proposition for the Rack is the world's great brands at great prices. And the supply of those brands were most impacted during the pandemic. We've seen a good recovery to that, not quite all the way but significantly improved from what we've had in the last 18 months or so. So pure inventory.

Quantity is much better in the Rack and that mix of having these really coveted brands has improved. We still have a ways to go on that one. Working closely with our most important brands. And to be clear, these are our most important brands as a company -- for almost all of these brands, we're their biggest retail partner at full price and they sell us in our Rack business. So there is an overall partnership there that is important.

It's important for us, but it's also important for brands. Just as Rack is our largest and very important acquisition point for new customers, it works that way for brands as well, that exposure within the Rack environment introduces a lot of new brands to customers and connect brands to new customers. And we see a very healthy migration of those Rack customers to our full-price business. And that works for brands as well. So for Rack, we're seeing improvement. We continue to see sequential improvement quarter-by-quarter. We still have a ways to go. And we feel good about plans we're on and the traction we're seeing, but again, still more work to do.

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**Omar Regis Saad** - Evercore ISI Institutional Equities, Research Division - Senior MD and Head of Retailing/Department Stores & Specialty Softlines Team

Got it. Great to hear. And one more follow-up on Rack and then I've got a margin question for Anne. How has the integration of Rack into the local market ecosystems? How is that going? How is that working? I think your -- the inventory is fungible now across all the different channels, including Rack? And also, the strategy, I think you had kind of tiered some of the Rack stores based on markets in different geographies, kind of value stores up to the more premium stores. Are you still pursuing that segmentation? Is that an important part of the Rack strategy?

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

Yes. Let me start with the first part. We talk about our market strategy, that really is a Nordstrom banner strategy. Now the Rack participation is there is that we've opened up a lot of Racks. Racks in our top 20 markets to be pickup and return locations for Nordstrom purchases. But we do not have that same inventory fungibility within our Rack banner. So -- we think there is some promise there, and we're working on some things. There is a cost difference to the lower price points in the Racks business. Don't lend themselves as well to moving around merchandise between locations as much as our Nordstrom banner. So we need to be careful not just to run the exact same plays. But having Rack as part of our market strategy for our Nordstrom banner business, there is a synergy there. And the obvious one is it brings traffic to our Rack stores for pickups and returns. And we do see a number of customers who are in there for those activities and they're buying things, as you can imagine. And so there is a good synergy there.

The second part of your question, remind me what that is?

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**Omar Regis Saad** - Evercore ISI Institutional Equities, Research Division - Senior MD and Head of Retailing/Department Stores & Specialty Softlines Team

Follow-up on the Rack. The other side -- the other piece of the Rack, inventory fungibility, what was the other piece of my question, I apologize. I lost my train of thought as well.

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

I've confused you, if that's...

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**Omar Regis Saad** - Evercore ISI Institutional Equities, Research Division - Senior MD and Head of Retailing/Department Stores & Specialty Softlines Team

Yes. Let's move on. Let's move on to that margin question, It'll come back, I promise. Oh, the tiering, the market tiering. You -- at the Analyst Day, you talked about you kind of tiering the Rack stores, different geographies at different tiering. Are you still pursuing that? You have more value-oriented stores, but I don't know if the value orientation is as strong as it needs to be, is it really in alliance with the Rack strategy?

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

Yes. We have made adjustment on that. And a couple of reasons. I think the most important one is -- that level of precision doesn't fit with the times we're in. It's the flow of goods just doesn't lend itself to that right now. So we have to be more opportunistic. I think you're seeing that a lot of retailers having to commit earlier and bring merchandise in a little earlier. So again, we need -- our north star for the Rack is great brands at great prices. And -- it's a unique mix we have. We have access to brands that other off-price retailers do not. We need to nail that, and that applies to all the stores. There's not a Rack that I go into that that's not what our folks are asking for.

So as that mix got hampered during the pandemic, that's really been our focus. Let's hit that first. We do think there's opportunities in certain categories or locations to have lower price points as incremental sales. But our focus right now, first and foremost, is those great brands.

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**Omar Regis Saad** - *Evercore ISI Institutional Equities, Research Division - Senior MD and Head of Retailing/Department Stores & Specialty Softlines Team*

Got it. Sticking with the bread and butter, I like that. All right, Anne, your turn. Sorry about that.

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**Anne L. Bramman** - *Nordstrom, Inc. - CFO*

All right. No worries.

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**Omar Regis Saad** - *Evercore ISI Institutional Equities, Research Division - Senior MD and Head of Retailing/Department Stores & Specialty Softlines Team*

Little hiccup. So -- last quarter, you guys raised margin guidance when tons of other retailers, big, powerful giant successful retailers lowering guidance on inflation and freight, especially for other factors. How are you guys able to do this? What's going on in the numbers that you're able to deliver accelerating margins that others aren't?

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**Anne L. Bramman** - *Nordstrom, Inc. - CFO*

Yes. So I think it helps to start with the top line, and we were really pleased with how broad-based our customer reaction has been, the demand in both of our banners, particularly in the Nordstrom banner, but even with the Rack banner as well and the resiliency of our customers. We talked about this in Erik's earlier comments, in the opening comments, the customer -- the demand is back and our customers seems to be pretty resilient to what we're doing.

From a cost perspective, what I would say is we started seeing this pressure last fall. And so we started taking -- so what we assumed going into '22 was that pressure was not going to subside, both on the labor cost side as well as the supply chain and freight cost piece too. So that really was a call to action for us to start thinking through -- now the initiatives around getting more productivity on our supply chain, driving initiatives around really thinking being we call it smart walkdowns but really thinking about the economics around our inventory, how to get it more efficient.

And then we also looked at pricing. And so our MSRP shop primarily on the Nordstrom banner, so we did start seeing some of that come through, which has helped to offset it. We're probably one of the last ones to be able to price increases. And then in the Rack, we've also been very selective in key categories and key items and really get some of the pricing on that as well. So it's mix, it's demand, it's price. We're seeing transactions going up as far as the counts against last year and then really driving some of the productivities to it.

So for us, we're seeing leverage on the top line primarily in the first half as we continue to grow out of this. And then the second half is when we're really starting to see some of these initiatives coming through as well. And -- we're already seeing early wins on the merchandise margin side. It will continue to accumulate throughout the year. On the supply chain side, a little bit later as far as seeing that coming through, but we're seeing some really, early promising signs of that as well. So -- and we expect to see more of that in the second half. So that's really how we thought about it. We didn't assume it's going to go away. And so it was really an effort for us to figure out how to continue to drive productivity.

**Omar Regis Saad** - Evercore ISI Institutional Equities, Research Division - Senior MD and Head of Retailing/Department Stores & Specialty Softlines Team

Got it. Helpful. People have been focused on the lower promotionality going on in the broader soft line segment and higher margin levels. Is this onetime in nature? Is it sticky? Maybe you can talk about what you -- whether you think the industry will return to promotions or not? And what Nordstrom's strategy is around promotions? Obviously, not historically very promotional business, maybe more on the Rack side?

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**Anne L. Bramman** - Nordstrom, Inc. - CFO

Erik, do you want me to take that or do you want to?

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

Yes, I can start it and then you can fill in. Yes, I think, Omar, that's the important context is we're not a promotional retailer. That's not top of the list of our value proposition. So there's no doubt that the industry had a lot less supply and pretty strong demand last year. So inventories were low. You saw less promotion out there. And we didn't benefit as much from that as we're less promotional. So we don't think we're sensitive to that, but we did put into our plans this year a more normal promotional cadence. We certainly didn't expect last year's promotional cadence to continue. So we think we're well planned for that.

And the margin improvement, Anne went through some of those, but we see and are seeing opportunities to do what we can to manage our margins. And that's -- some of that's increase in retail prices. We've communicated mid-single-digit increases in prices. We are seeing improved promotional effectiveness and smarter markdowns on our end using more data-driven approach to our markdowns.

And the last piece I'd call it is around category management. Again, it's very data-driven. And we have seen last couple of quarters, margin benefit from those activities. So there's external pressures on margin promotional activity. Again, I don't think we're as susceptible to that. Even in Rack, it's not -- I don't think we're as sensitive as maybe some others, but we do have offsets that lever we can pull internally.

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**Omar Regis Saad** - Evercore ISI Institutional Equities, Research Division - Senior MD and Head of Retailing/Department Stores & Specialty Softlines Team

Got it. In coming out of the quarter, inventories looked optically high. How much -- how do we think about the inventory mix between price and units and then pull forward for the Anniversary Sale? And maybe talk a little bit about the Anniversary Sale. It sounds like you're pretty excited about this year. It sounds like demand is kind of peaking and -- or accelerating, I should say, not peaking, accelerating at the right time for your categories. Is there a reason to be optimistic for Anniversary, it could be kind of a turning point in the business?

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

Yes, do you want me to take that, Anne?

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**Anne L. Bramman** - Nordstrom, Inc. - CFO

Sure. Sure.

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

Yes. Let me start with Anniversary and then we can get into -- and then Anne can chime in on the inventory levels. Yes, it's -- what, will this be my 47th Anniversary Sale since I was a 12-year-old stock boy, been through a lot of them. And I would note, we always feel pretty good in June. I do think there is reason to feel good.

And we're seeing healthy top line. Our customer is showing interest in newness. Anniversary Sale, for those who don't know, what makes it different and makes it very unique is it's not a clearance sale. It's not marking down things that aren't selling. It's brand new merchandise. We work with our best vendors. And we cut price on it. And the legitimacy comes -- that product gets marked back up whatever is left over and goes into our regular inventory. And the point there is it's newness. And it's really for us that start of the fall season and a lot of our customers view it that way as a turning the page this season. So this customer interest in looking their best and getting out there more. We do think that there's a fall version of that and Anniversary Sale is very well positioned for.

Anne, you want to talk about inventory?

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**Anne L. Bramman** - Nordstrom, Inc. - CFO

Yes. So Omar, we came into Q1 heavy on inventory. And so we knew we needed to clear through a significant portion of it. And we also, recall that we exited the quarter in a pretty good place and that we knew we had a little bit left in certain pockets to get through in Q2, which was part of our guide. What I will say is we did pull forward a lot of receipts for Anniversary. It's about 1/4 of that piece to it.

We get this question a lot is, are things back to normal in supply chain? And I think what we would say is it's done better. It's still choppy. And so now I think we're just getting much more resilient about how to handle that choppy. And part of it was last year, we were late getting some of our receipts in for Anniversary. And so we've really made a conscious effort to land as much as we can to improve -- to be much more consistent in the flow-through in our supply chain and to make sure we have product available for early access for our customers so that we could delight them as they came in to shop for early access.

And so that's really the approach we've been taking. And on top of that, we also had started looking at putting in some things for pack and hold for Rack, also making sure that we smooth out some of that resiliency in our supply chain components to it as well. So our inventory, while optically may seem high in general, we feel pretty good, and we expect to continue to narrow that gap in Q2 and the rest of the year.

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**Omar Regis Saad** - Evercore ISI Institutional Equities, Research Division - Senior MD and Head of Retailing/Department Stores & Specialty Softlines Team

Got it. Thank you, both. Data analytics, a lot of companies talking about it, a lot of companies doing it. You guys have a lot of data. I'm sure you have a lot of analytics. How are you using data to make better business decisions? Erik, you kind of alluded to on the promotions and being available even when targeted. In other areas, are data analytics informing what inventory goes into the Anniversary Sale?

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

Yes, absolutely. We -- last year, we really had good results from that. We've used a much more data-driven approach to our inventory, not so much the individual item selection, but the inventory levels of those items. And we really saw good results from that, that the art part of it, and I think our buyers are really good at the art part, which is picking the right items, picking the merchandise, and it's -- that's all about newness. There's a brand desirability thing there that's our buyers are really plugged into. But how much, an Anniversary Sale is -- it's such an intense period. We got a lot of demand. And it is just a scarcity event. We run out of the best merchandise. So -- and we certainly don't want to carry over a lot of Anniversary merchandise after the sale. So getting it that right is super important. And -- and we saw that our inventory -- Anniversary inventory last year was more efficient. We made better calls on the quantity, the depth of each item. So we see opportunities to improve there.

The other big bucket I would call out on AI is discovery. Discovery is really important for us. I think more important for us than, say, a general merchandise retailer. We're not -- our categories, we're not a retailer that really lends itself to a see customers coming in with a shopping list and knowing exactly what they want or the dimensions of what they want, so maybe going to a home improvement store. It's -- a lot of our customers come to us. They're interested in something new. They don't know what that is. And one of the best experiences we can provide a customer is they leave with something they know they wouldn't have picked on their own and is now becoming the favorite thing in their closet. We get stories after stories of that. AI is helping a lot with that of teeing up, be it a customer journey online with our recommendations, be it empowering our stylists. We have more tools for stylists ever than before. It could be a digital styling session. It could be a physical styling session, arming our stylists with again, recommendation. So it's early relevancy in discovery. We use AI quite a bit through there and we've seen some real good results from there.

And I would pair it with -- you've heard us talk about our efforts to bring more selection, increase our customer choice count on our side, and we've made a lot of progress on that. There's really, parallel paths on that, but that is important, and we see benefit to our business, the more selection we have. But it needs to be paired for good discovery with offering up relevant items at the right time in their customer journey. So that's data-driven. That's AI that comes in there.

So all I think about it, historically for us, curation came from a buyer writing a purchase order. And that's how we curated. Increasingly, curation is going to come from what we put in front of the customer, be it in stores but certainly on digital journeys that we have a bigger library of customer choice count to pull from, and we use data, we use AI to offer up a curated selection for that customer. So our customer is not seeing 5,000 little black dresses, but they're seeing the 10 that really are most relevant for them.

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**Omar Regis Saad** - *Evercore ISI Institutional Equities, Research Division - Senior MD and Head of Retailing/Department Stores & Specialty Softlines Team*

Got it. That's really interesting. And then how does this tie into -- you've got this huge digital ecosystem, leveraging that through more of a marketplace model or a 3P model, if you will, or any other ways to monetize your digital ecosystem for shareholders, other companies are doing advertising services and things like that?

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

Yes. You're seeing that around. And certainly, there's -- it's a growing and important part of the business. And I think it reflects the changing -- one of the changing natures of our business. Why should a top brand distribute through a retailer like us, and at the top of that list is our customer base. Our customer base is very attractive to [partners] (corrected by company after the call). And you've seen this in the last number of years and a lot of the partnerships we've had with very, if not exclusive, low distributed brands. A lot of born-on-the-web brands, a lot of vertical brands that aren't traditional wholesalers. But as they look to expand their business and get their product for more customers, we are a very efficient way of doing that.

So that, finding ways to leverage and introduce our customers with great products is an increasingly important part of our business. And increasingly, it needs -- and certainly, we believe it needs to take more forms than the traditional wholesale retailer relationship. We think we need to have more models to get to that end.

We don't start with the model. We start with what products do we want to get in front of our customers and then we work with brands and what's the best model to do that. So marketplace would certainly be in there. The biggest examples we've had to date has been around drop ship, where the vendor owns the inventory. That's been a fast-growing part of our business.

But I would highlight partnerships like the ASOS partnership that is unique and -- with them buying Topshop. That's a big, big important brand for us in the young customer space. We wanted to have a more strategic relationship with them. But we also really admire their business and serving the 20-something customer, their own brands, and we saw opportunity to partner with them. And they saw the opportunity in us. So we just, a couple of weeks ago, at -- the Grove in Los Angeles opened ASOS store and really happy with the launch there.

My point, I think the bigger subject there is we're going to need more business models to bring the product to our customers that differentiate us. And we're pretty darn flexible on what those models are, but we need to have that capability.

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**Omar Regis Saad** - Evercore ISI Institutional Equities, Research Division - Senior MD and Head of Retailing/Department Stores & Specialty Softlines Team

Got it. I think we have time for one more question. Are you happy with your store footprint on the full price side? You closed some stores during the pandemic -- And is there -- do you need mall traffic to return? The centers you're in are great centers typically or obviously great urban locations. Or does that kind of digital component now make you comfortable that you don't need full level pre-COVID mall traffic to be profitable?

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

Yes, I think it's the latter. It's an interesting thing to me last year. So we've got great salespeople, and we celebrate them and selling \$1 million is a big milestone. We had 75% more million dollar sellers last year than we did pre-pandemic. It's not because there was 75% more store traffic. Our salespeople are adopting these tools. And the selling job changed, and it didn't change because I changed it or Anne changed it. It changed because the customer changed. The selling job isn't just serving the customer that walks into the doors and down the aisle. It is serving customers who are not coming in the store. But they still want a real person to help them with discovery, in particular, to give them the confidence in something new and to suggest things.

And so I don't think we need mall traffic to come back to pre-pandemic levels, that we need to meet the customer where the customer is at. As for our Nordstrom store portfolio, we think it's about where it is. Pre-pandemic, you saw us close 1, 2, 3, 4 stores a year just as stores age and operating covenant expires and locations go through cycles. I think you'll see that, but we don't think we have 20%, 30% of our stores that we need to close.

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**Omar Regis Saad** - Evercore ISI Institutional Equities, Research Division - Senior MD and Head of Retailing/Department Stores & Specialty Softlines Team

Got it. So the store count will come down a little bit over time or that those gets refreshed or moved to new locations?

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

I would expect it to come down a little bit over time. There could be some relocations, but I would expect it to come down a bit, but again, very incrementally and over time.

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**Omar Regis Saad** - Evercore ISI Institutional Equities, Research Division - Senior MD and Head of Retailing/Department Stores & Specialty Softlines Team

Understood. We're at the end of our 35 minutes. Thank you so much for your time, Erik and Anne. Best wishes for a robust and long-duration fashion wardrobe replenishment cycle ahead.

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**Anne L. Bramman** - Nordstrom, Inc. - CFO

Thanks, Omar.

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

Thank you.

**Omar Regis Saad** - *Evercore ISI Institutional Equities, Research Division - Senior MD and Head of Retailing/Department Stores & Specialty Softlines Team*

Talk to you soon. Thank you. Bye.

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