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## BUSINESS DAY

### ***Nordstrom Opening a New York Store as Other Retailers Close Theirs***

By Michael Corkery



*The Calvin Klein boutique space on the second floor of the new Nordstrom men's store in Manhattan. While other major retailers are closing or reworking their Manhattan stores, Nordstrom is opening one.*

*The reason: They can be hugely successful.*

*Credit Hiroko Masuike/The New York Times*

The Nordstrom family has run stores for more than a century, first selling shoes in the Pacific Northwest and later introducing fashion-forward clothing to wealthy suburbanites across the country.

But the Nordstroms, one of the last remaining dynasties of American retailing, had never made a big bet in nation's retailing capital until now.

On Thursday, Nordstrom will open its first full-line store in Manhattan, a sleek, three-floor home to men's clothing, shoes and grooming supplies at 57th Street and Broadway.

The Seattle-based company arrives in New York at an inauspicious time for retailers. Its competitors are selling off or converting some of their grandest stores, not building new ones. The city's toniest shopping strips, in SoHo and on Madison Avenue, have been littered with empty store fronts.



*The store, on 57th Street and Broadway, may serve as a test case for whether department stores have a future in an increasingly digital world. Credit Hiroko Masuike/The New York Times.*

But the Nordstroms think they can buck the trend, even as many investors on Wall Street have grown wary of brick-and-mortar retailing.

Last week, with seven days before the doors were to open, the new store buzzed with contractors installing wiring and sales staff getting trained on shoe styles and online pickup.

The racks were hung with a mix of runway fashion pieces and the shelves were filled with stacks of Levi's jeans. Large windows flooded the aisles with natural light. By a front entrance, there was a Comme des Garçons jacket festooned with a furry ladybug pattern priced at a cool \$5,023. And there was a pair of sparkling blue and red Gucci loafers with an \$830 price tag.

But there were also Samuelsohn suits starting at about \$1,000, Vans sneakers for about \$50 and Adidas slides for \$20.



*No expense seems to have been spared on the store's design, which includes large windows to flood the clothing racks with natural light. CreditHiroko Masuike/The New York Times.*

Nordstrom created a mock-up of the new men's store in an industrial area outside Seattle, accessible only to employees, as it tried to figure out how best to appeal to both New York's fashion mavens and more down-to-earth shoppers on lunch break.

"We know a market like New York doesn't need just another place to buy a pair of pants," said Peter Nordstrom, a company co-president and a great-grandson of the co-founder John W. Nordstrom.

The store may serve as a test case for whether department stores have a future, as people more frequently shop online. To compete, Nordstrom is aiming to combine cutting-edge technology with old-school in-store service.

Rag-snapping shoe shiners will work on the bottom floor, while digital screens in the suit section will display custom-made jackets on an avatar of the shopper. There will be 16 tailors on staff — part of the largest network of tailors in North America.



*The audio items section on the store's first floor. CreditHiroko Masuike/The New York Times*

If a customer needs a tie at 2 in the morning, he can order it online and a Nordstrom employee will meet him at a store entrance — no matter the hour. Returns can be made by simply scanning an item at a digital kiosk and depositing it in a bin — no human interaction needed.

The company plans to open an even larger women's store, totaling seven stories, across from the men's store in the fall of 2019. And Nordstrom already operates two Nordstrom Rack stores — a line of discount stores that has flourished among bargain hunters — in Manhattan.

One reason the company is making such a big investment in Manhattan: Other similar businesses find that their Manhattan stores are among their best performing — despite all of the city's recent retail turmoil.

But opening large, cutting-edge stores in one of the priciest real estate markets — and most competitive retail environments — in the world is a costly endeavor. “It is definitely risky, there is no question about it,” said Joel Bines, global co-head of retail at AlixPartners, a consulting firm. “You need to have nerves of steel to attempt to run a large-scale profitable shopping destination in Manhattan.”



*There are 16 tailors on the men's store staff — part of the largest network of tailors in North America. Credit Hiroko Masuike/The New York Times*

Nordstrom must also answer to Wall Street, where investors easily get impatient with companies that make long-term investments at the expense of profits.

Nordstrom shares have fallen about 40 percent since April 2015 and some analysts have grown frustrated with the company's strategy. A JPMorgan analyst recently called out the company's "inconsistent multiyear track record" on expenses and questioned the company's predictions of increasing profits.

“We have heard this story before,” the analyst wrote in a research note.

Last June, the family — which founded the company as a shoe store in 1901 — sought shelter from the stock market.

Peter Nordstrom and his brothers Erik and Blake, the company’s three co-presidents, and their father, Bruce Nordstrom, the company’s former longtime chairman, and a few other family members set out to acquire all of the company’s shares and take the retailer private.



*Before building the men’s store, Nordstrom created a mock-up in an industrial area outside Seattle as it tried to figure out how best to appeal to both fashion mavens and down-to-earth shoppers on their lunch break. Credit Hiroko Masuike/The New York Times*

“The whole world is changing,” Erik Nordstrom said in an interview. “It is not a time to milk the business and take the proceeds and just keep them.”

For months, the family group — which owns about 30 percent of the shares — went looking for financing, but a rash of retail bankruptcies — including Toys “R” Us — raised fears on Wall Street that brick-and-mortar retailers were perilous investments.

When the family group finally made an offer of \$50 a share last month, it was readily rejected. A special committee of independent board directors called the price inadequate; the family’s offer was less than the value of the company’s shares on the day they made their bid.

In the interview, Erik Nordstrom said “there is some disappointment” in the failed privatization process.



*From left, the brothers and Nordstrom co-presidents Peter, Erik and Blake Nordstrom, and their cousin Jamie Nordstrom, executive vice president, on the roof of the company's flagship store in Seattle. A group of family members set out to take the retailer private, but their offer was rejected earlier this year. CreditRuth Fremson/The New York Times.*

**“We are not interested in taking the company private just for the sake of taking it private nor would we put this massive burden of debt on the company to do it because it served our own interests,” he said.**

Peter Nordstrom left open the possibility that they could revive the effort down the road. **“I think our family wants to reserve the right to continue to do what we think is in the best interest of the business,” he said.**

This week, the family said it is focused on opening the new store. Bruce Nordstrom searched years ago for a place to open a New York store, but could never find the right opportunity.

**“It is really a subject that has spanned the generations,” Erik Nordstrom said.**

Nordstrom considered locating its new store in the Hudson Yards development, on the Far West Side. But it settled on the immediate area around Columbus Circle, near the retail shops in the Time Warner Center and a hive of ultraluxury apartment construction.

Initially, Nordstrom planned to open a combined men's and women's store that would be part of a new building, but decided to open a dedicated men's store when a large space — previously occupied by several banks, a struggling discount retailer and a muffin shop — opened up nearby.

Nordstrom signed the lease for the men's store property in late 2015. Faith Hope Consolo, a retail broker at Douglas Elliman, said rents were generally higher then. But Nordstrom may have gotten a deal, she said, because of the size of the property. A Nordstrom spokeswoman declined to comment on the terms of the lease.

The women's store, meanwhile, will be constructed from the ground up in the new building.

"We feel like we can go in there and we can do our thing and have a chance to be successful," Peter Nordstrom said. "It may be the hardest thing we've ever had to do."