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## CONFERENCE CALL PARTICIPANTS

**Brooke Siler Roach** *Goldman Sachs Group, Inc., Research Division - Research Analyst*

## PRESENTATION

**Brooke Siler Roach** - *Goldman Sachs Group, Inc., Research Division - Research Analyst*

Good morning, and welcome to this next section of the Goldman Sachs Global Retailing Conference. My name is Brooke Roach, and I cover the apparel and brands sector here at Goldman. I am very pleased to introduce our next session with Nordstrom. Here with me today is Erik Nordstrom, CEO; and Cathy Smith, CFO. Welcome, Erik. Welcome, Cathy.

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**Cathy R. Smith** - *Nordstrom, Inc. - CFO & Treasurer*

Thank you. Good morning.

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**Brooke Siler Roach** - *Goldman Sachs Group, Inc., Research Division - Research Analyst*

Erik, would you like to kick it off with a few brief opening comments?

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

Yes, I thought I'd just give a little context where we're at. We passed the midpoint of the year. Really encouraged with the execution we've had on our plan. Our top line continues to show improvement and some momentum there. But I want to bring you all really to this, I think the highlight of our plan, which is we entered the year and saw opportunities to improve our profitability even in a what we saw as being an uncertain customer environment. And that's playing out really well. We're ahead of our plans in delivering higher profitability and feel good about delivering on our year.

Another piece I'd call is just as we entered Q3, hopefully, most of you know, our big event in Q2 is our Anniversary Sale, and we've come out of that with really high sell-throughs on that event. So we entered the year with really good inventory position, and we think we're well positioned for -- what we continue to see is a pretty uncertain customer environment, but we like our positioning.

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## QUESTIONS AND ANSWERS

**Brooke Siler Roach** - *Goldman Sachs Group, Inc., Research Division - Research Analyst*

That's great. And then you think about the strategic levers that you're focused on this year, what are the most important ones that you think you can execute against? And are there any areas that you're particularly focused on in this dynamic and inflationary macro backdrop?

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

Yes. We entered the year with 3 focuses we've called out and are well on our way on executing them. First was with our Rack business really delivering an inflection point with our sales there. And that focus, which we can get into, is a couple of things to call out there. One is really focusing on great brands at great prices, getting more of our inventory into the brands that our customers come to us most often for. And a lot of them are unique to the depth that we have in these recognizable brands, is something that we think that sets us apart.

The [second] part of the Rack business, we see opportunity to add new stores there. We've started adding new stores. Again, we've got [10] opened so far this year, [9] (corrected by company after the call) more are coming and start of the year, about 250 stores. So we see a lot of opportunity to add growth there, and it's a terrific investment for us.

The third piece of our Rack plan is engagement. And in particular, we have a scaled online off-price business in Rack.com, which is unusual. It's, filling off-price merchandise online is challenging. So there's not many people who do that. For us, it's a key part because it's part of our ecosystem. It's something that can connect with our stores and allow us to have more engagement with customers.

So Rack growth is one piece. Other piece, our inventory productivity. Not to tell any of you, the last couple of years have been bumpy to say the least with supply chain and access to goods and cost challenges for us. That's smoothing out. Our plan at the end of the year was for faster turns and more productivity over with our inventory investments, which inventory always starts with what the content of our inventory and it goes to how much. But increasingly important is the where, where we put the merchandise to really provide the fuel for our Closer to You strategy, which is connecting our physical assets, inventory being a big one of them, at the local level for customers and things like same-day pickup, being able to do Buy Online, Pick Up In-Stores, be it a Nordstrom store or be it a Rack store, things like that.

The third piece -- we've had a focus this year around supply chain and really pleased with our team there is executing super well. We had our fourth quarter in a row of over 100 basis points improvement in our variable costs with supply chain. So we're getting a lot of efficiency there, which is obviously important in and of itself. The other piece is improved customer experience. So we're getting faster deliveries to our customers, again, by leveraging our network. Those have been our focuses.

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**Brooke Siler Roach** - Goldman Sachs Group, Inc., Research Division - Research Analyst

That's great. Maybe we can bridge that to the current trends that you're seeing in the business. How would you characterize the health of the Nordstrom consumer today? And within that, can you elaborate on the softer trend quarter-to-date that you had noted in -- by banner, by consumer demographic or by others or otherwise?

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

Yes. We've started the year and saw a lot of uncertainty. And so okay, what's the prudent response on our part. First and foremost is to get our inventories in line and put ourselves in a position to respond on whatever the environment ends up being. And that served us well so far. I think this quarter is a good example of that.

As we called out in our second quarter earnings call, we saw August start a little softer. September has gotten a little better from that and just reflects the unevenness that we see with our customers. We've seen softness really across all income groups, the healthiest income cohort we have is our higher income cohort, so a little healthier than, for us, our lower income cohorts, which relatively, I think, is a higher customer mix, mix than some others. So we see uncertainty. I think there's some macro data that's encouraging and there's some macro data that causes us to pause. And again, that's -- we enter the back half of the year. And we think that the prudent thing is to stick to our plans. We're confident that we can deliver on our commitments. We're well ahead of our commitments at the halfway point, but do see continued uncertainty.

**Brooke Siler Roach** - *Goldman Sachs Group, Inc., Research Division - Research Analyst*

On that point, Nordstrom has now posted 2 quarters of better-than-expected sales trends. And yet you haven't changed your fiscal year guidance outlook. What's keeping you so guarded on the outlook in the second half? And are there any particular items that you're focused on into holiday?

**Cathy R. Smith** - *Nordstrom, Inc. - CFO & Treasurer*

Yes, I'm happy to maybe start there. So first you noted, we're very, very pleased with the first 2 quarters, sequential improvement, delivering above our commitments. But given the -- just the dynamic of the back half of the year, while we saw a great success in the Anniversary, which tends to portend a good holiday, we want to make sure that we continue to navigate the dynamic environment. So I think, as Erik said, we're just being prudent. I think it's the important thing to do right now and to stay agile to address whatever the consumer needs are.

**Brooke Siler Roach** - *Goldman Sachs Group, Inc., Research Division - Research Analyst*

So it's more of a function of macro uncertainty than it is about a lack of confidence in your own business?

**Cathy R. Smith** - *Nordstrom, Inc. - CFO & Treasurer*

That's right.

**Brooke Siler Roach** - *Goldman Sachs Group, Inc., Research Division - Research Analyst*

That's great. On designer, that's one of the areas that's been a little bit softer this year. I'm wondering if you can talk a little bit more about your outlook for improvement in designer. Are there changes that you're making to the merchandise? What other opportunities do you see in the business from a category perspective to perhaps offset some of those designer trends?

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

Yes, before we get into the opportunities, there's a context-wise, designer has been the fastest-growing merchandise area for us for the last number of years. And this year is certainly a pullback softer year-over-year. But we'll still end the year ahead of 2019 in designer. So it's been a source of growth. And it's a very important category for us. And I want to be clear, like when we talk about designer, that term can get thrown around and conflated, I think, with the term luxury, it's a big true designer business for us. And is a key part of the breadth of merchandise offering we have. And that offering works together. There's a synergy to that.

And in particular, the importance to us, what we do around discovery of new products, new brands, a lot of our customers come to us not knowing exactly what they want, but interested in something new. And designer is a big part of that. We're -- I've seen, the leading retailer around a customer's first designer purchase, which I think makes sense with the breadth of our offering that customers when it -- the time is right, maybe their income is right to make a designer purchase that they are in our stores, they're on our website and we have that offering for them.

The super important area that's been healthy this year, we entered the year with a pretty big pullback in sales and then designer has very long lead times with the inventory. So it's not an easy area to adjust our inventory levels.

We said at beginning of the year, we thought it would take us all year to get in the right position. We're a little ahead of our plans in getting there so far. So we're getting our inventory levels in the right position with designer. We still have a ways to go, but we're confident we'll get there by the end of the year.

One of the opportunities, I call it, again, it still will be a real vital area of our business. We do see opportunity to have more for us, unowned inventory in designer, having more consignment and other inventory models that allow us to bring to a customer the offering of designer that they want and we want to have without the inventory risk that can be a little more painful in the designer area than the some other categories.

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**Brooke Siler Roach** - Goldman Sachs Group, Inc., Research Division - Research Analyst

On that inventory point, one of the other areas where you've been looking to improve the inventory is in the Rack banner. And that's an area where you've had some success year-to-date, and you had talked about some better trends in the second quarter in Rack. Can you talk a little bit more about the progress that you've made in Rack inventories? Where are we in that journey? And are you satisfied with the health and composition of Rack inventories today?

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

We're really encouraged where we're at. We've seen an inflection point in our top line, and it is coincided with our execution on great brands, great prices, which is part of taking these strategic brands and putting more of our inventory into these brands. And it -- the important thing is that, it does vary a bit by category. But the healthiest categories you have in Rack business, athletic, especially athletic footwear, beauty, handbags. All 3 of those have a particular strength and importance on brands, recognizable brands, and the brands that we have access to having our Rack business be part of our bigger ecosystem, has really helped fuel that top line. So active footwear, call out On Running, Hoka, New Balance have all been real big drivers of business for us this year. So we're really encouraged as we've been able to be in a position and, number one, we had to get our inventories in a healthy position to invest more in these strategic brands. We entered the year with a good inventory quantity. We've -- our team has been executing against these strategic brands, and we continue to see more traction on the top line from that.

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**Brooke Siler Roach** - Goldman Sachs Group, Inc., Research Division - Research Analyst

One of the questions we often get is the comparison of the Rack business to off-price. And while Rack has started to perform a little bit better, it still has an execution gap relative to other publicly traded off-price peers. Can you talk to the opportunities that you see to close that execution gap, both in top line and in profitability, both this year and longer term?

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

I don't think I'd use the term execution gap. I get there's a gap in growth, certainly. And Rack is, it's important for us is a couple of areas that I'd want to call out. It is part of our larger ecosystem. And our statement there, our average price point is quite a bit different than some of the other peer off-price players. It sits somewhere between them and really kind of closer to mid-tier department stores.

Our customers -- Rack customers do shop some of the other off-price players, but they shop mid-tier department stores predominantly. So we sit in that area, and that is our strength. It's our strength in the brands that we can bring to customers in an off-price environment. But it's also important for again our ecosystem. It doesn't fit in a silo. Rack stores is our biggest source of new customers to JWN overall. And we see significant migration from these new customers from our Rack banner into our Nordstrom banner over the first couple of years that we -- after we acquired these customers. So I would bring it back to those brands, the depth of offering of those brands, we think is we're uniquely positioned to do that. And it's something that not only drives a profitable Rack business for us, but it's an important customer acquisition part for our overall business.

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**Cathy R. Smith** - Nordstrom, Inc. - CFO & Treasurer

I think I would add to that though, as well. We see continued growth opportunity with that positioning that Erik just described. As you said, we've got roughly 250 or so Rack stores, and we continue to see more white space where we can have growth in the Rack, in that offering where that brand is positioned and it's great for our ecosystem.

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**Brooke Siler Roach** - Goldman Sachs Group, Inc., Research Division - Research Analyst

As you think about the opportunity for continued Rack improvement, one of those opportunities is also new store rollout. You mentioned at the beginning of our conversation today, where are you seeing the most success from those new store rollout builds? And what types of new store productivity or new store economics are you seeing as you start to accelerate the number of new stores in the fleet?

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**Cathy R. Smith** - Nordstrom, Inc. - CFO & Treasurer

Yes. So we're really -- like Erik said, we're really pleased. We've got 9 or 10 open now, [10] (corrected by company after the call) open, I guess, so far. And with each one, we take learnings, we roll those learnings into the next openings and they keep getting better and better. So I would start there. We're really excited with the most recent one. I think Erik was at a new store last week, and the new opening. And so we continue to see those. They have a great return on investment, which we like. But more importantly, it's a great source to new customers to the Nordstrom brand as well.

So all-in-all, we like what it's adding to the ecosystem. We'll continue to take those learnings and roll those in. And it's a new muscle we're having to rebuild. So like all good retailers, we take those learnings and keep building in them.

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**Brooke Siler Roach** - Goldman Sachs Group, Inc., Research Division - Research Analyst

Last year, at this time, we talked about some of the challenges that you had in private brands. And since then, you've done a lot of execution work against that to improve the success of private brands in the Nordstrom portfolio. Can you provide an update on this category and whether or not you're seeing a difference in performance in private brands relative to what your expectations were?

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

Yes, the performance has been marked improvement and kind of in 2 steps. One, we had to get our inventory levels to the right spot. Yes. Last year at this particular point coming in an Anniversary Sale, our own label was a drag. We had lower sell-throughs there than we had expected and had inventory to clear out in the back half of the year. Our sell-throughs on our own label product are significantly higher than they were last year in a very healthy level. Part of that is, we rightsized the quantity, but it does reflect the team's progress and in the product that we're making in. We see a lot of growth opportunity. I think we're in a position now of being able to have the content and the flow coming that we can start building our investment in our own label product, given its performance.

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**Brooke Siler Roach** - Goldman Sachs Group, Inc., Research Division - Research Analyst

Inventory has been a consistent theme today in your comments. And one of the questions that we're asking every company in our conference is on the outlook for inventory and where we are in the inventory and destocking cycle. Where do you think we are in the destocking process for the industry and for Nordstrom? And are there any areas of heavy inventory that you're still watching?

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

Yes, I don't know about the industry. I comment on our own situation. We here see opportunities, and it adds to the health of our business to have faster turns, and it's not just about stating up markdowns. Again, it allows us to have the flow of newness and that newness, that discovery is vital for our business. That is when we're at our best, when customers think of us as a place of offering something new. So our plans are for faster turns this year. We're ahead of those plans and continue to see opportunities to turn faster. The only area I'd really call out that we have a ways to work through as we talked about earlier, is designer, that still will take the rest of the year to get through that. But we are set up to enter next year clean in that category as well.

**Brooke Siler Roach** - Goldman Sachs Group, Inc., Research Division - Research Analyst

That's really helpful. As we think about the cleaner inventory levels for Nordstrom, on the back of that, we've seen a lot of companies look to move pricing around as they look to enhance their competitive positioning. Well, I know you don't control a lot of the base ticket pricing that goes into your stores. How are you thinking about the pricing that's getting shown to the consumer next year? Do you think it's going to be going up? Do you think it's going to be about the same? Or do you think pricing is going to go down next year?

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

Yes. I reiterate your comment for our Nordstrom banner business, it's very much an MSRP business and then we manage the markdowns from that. Rack, we have a little more flexibility with our pricing there. I would think it needs to pull back a bit. I mean, this cycle we're in of higher prices and lower units all can balance out on the top line, that's not a long-term solution. As an industry, we need to deliver the value for customers to where trips and unit sales start going up as well as the overall sales number does. So hopeful that as things normalize around the globe, but particularly the supply chain costs and some cost efficiency that's passed along to the customer.

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**Brooke Siler Roach** - Goldman Sachs Group, Inc., Research Division - Research Analyst

The final question that we're asking all companies at our conference today is that of the consumer backdrop. Do you see the consumer facing more headwinds or fewer headwinds next year compared to 2023? And how are you thinking about the potential impact from trade up or trade down among your income demographic cohorts?

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

We'll start with the latter. We haven't seen real evidence, clear evidence of trading down. That's, we normally don't in that. It's -- there is -- I think you start with the income, average income, household income that our customer has, even our Rack banner, is higher than I think many other retailers and we've seen more resiliency in those income cohorts.

I think there's a lot of uncertainty. Again, we're not economists, I'm a shoe salesman by training. So I think the prudent thing for us is to manage our expenses, manage our inventory in a way that gives us the agility to respond to what we see there and for our Nordstrom banner, that means a flow of newness, for the Rack banner, that means being opportunistic in getting the best deals out there on these -- bringing these great brands at great prices to our customers. And that's what we can control. We're well positioned to do that.

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**Brooke Siler Roach** - Goldman Sachs Group, Inc., Research Division - Research Analyst

Great. Cathy, let's bring you in here. On gross margins, how would you frame the profit outlook for gross margins in the medium term, both as you contemplate inventory, promotions, but also leverage on your fixed cost?

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**Cathy R. Smith** - Nordstrom, Inc. - CFO & Treasurer

Yes. As you -- or as Erik has said, too, -- so let's start with, we continue to see improvement, have -- we're pleased with where we are through the first half of the year and inventory positioning or inventory is a key part of our gross margin going forward. And so being clean coming through Anniversary Sale into the back half of the year is a great place to be as we think about going forward. We're also coming off of some pretty challenging back half of last year with the markdowns we took in the fourth quarter.

So we're expecting gross margin improvement through the remainder of the year. It will be more modest in the third quarter, a little bit more in the fourth quarter, as we said, as we reaffirmed our guidance. So that's kind of the way we think about it. I think it's always key to focus on the

things that Erik said, which is inventory that's in our control, making sure we're staying as clean and lean as we can there, so that we can get that relevance and inspiration for our customers is the most important thing. Focus on the things in our control and the rest will take care of itself.

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**Brooke Siler Roach** - *Goldman Sachs Group, Inc., Research Division - Research Analyst*

And on SG&A, Nordstrom has delivered several quarters of over 100 basis points of strategic improvements here. As you start to annualize some of those early wins, can you contextualize the outlook for further improvement? What are the most important drivers? And are there more efficiencies still on horizon?

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**Cathy R. Smith** - *Nordstrom, Inc. - CFO & Treasurer*

Well, so I'm always going to say there's always more. I'll start there. That's my disposition. Our team has done an amazing job over the last 4 quarters or 5 quarters of supply chain productivity, and you've seen that come through with over 100 basis points of improvement each quarter. So that will start to moderate because you can't keep comping over that improvement. But we still have a ways to go. I would tell you, across the SG&A, there are always places that we can be more effective and efficient, and we'll continue to strive to do that.

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**Brooke Siler Roach** - *Goldman Sachs Group, Inc., Research Division - Research Analyst*

Putting those 2 things together, Nordstrom has a long-term EBIT target of 6% plus. Can you help us understand how you're thinking about reaching that level? And what levers are in your control versus what are functions of the external environment?

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**Cathy R. Smith** - *Nordstrom, Inc. - CFO & Treasurer*

Yes. So just to reiterate, we keep everyone on the same page, our guidance for this year is 3.7% to 4.2% in adjusted EBIT. And so start thinking about that. So we're not at that longer-term 6% that you referenced. Obviously, we've got a little bit of work to do still. It will come on both sides. It'll start always with sales. So I'll tell my story because I always tell this, but I used to walk a lot of retail with a great operator and he had a sign in his office that said "sales is not the most important thing, but it's right up there with oxygen." And I always start then with sales because that's always the solve for almost everything, is not the most important thing, but it's right up there with oxygen. So that will help in achieving that longer-term EBIT.

And then it's all the work we do on inventory to get to the gross margin and then we'll continue to do work on the SG&A line. Again, we've made really, really great progress, but closing that gap from where we are today or guiding this year into that more longer term 6% will take us a little bit of time.

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**Brooke Siler Roach** - *Goldman Sachs Group, Inc., Research Division - Research Analyst*

Within that one of the comments that Nordstrom has historically made is that you're largely channel agnostic between stores and digital for full line, maybe not necessarily so for Rack. Can you talk about the initiatives that you have in place to move the needle on Rack digital to continue to improve profitability there? And is it still the case that you're still channel agnostic between your full-line channel?

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

Yes. Yes, our contribution margin between a Nordstrom.com sale and a Nordstrom store sale is pretty darn similar. And we actually don't split it out much internally because it's really not relevant of -- one, it's a bit arbitrary when you assign a sale to which channel. Because so many customer journeys involve both the digital and the physical assets. So we've been in that position for a while, to really just focus on the customer journey and being where the customer wants us to be.

And that's -- as I think a lot of people have seen a lot of companies Buy Online, Pick Up In Store, got a lot of boost during the pandemic. For us, we have the added capability of to leverage our Rack stores. So a customer can go on nordstrom.com, make a purchase and Pick It Up at a Rack store, which I think about [1 in 5], think about [1 in 5] (corrected by company after the call) of our nordstrom.com Buy Online, Pick Up In Stores happen get picked up in a Rack store. That synergy is great for the customer. It's great for us as well. It drives a lot of traffic and customers are in our stores. They tend to buy things as well. So that -- we are agnostic there.

Digitally, we continue to invest in that direction, that direction being how do we leverage our digital and physical assets to serve customers better. And a lot of that is around inventory availability and placement. But there's also increasingly use of machine learning around logging customer data and our own product data to help in the discovery process. That could be a customer's online journey of what we're able to offer up around the journey of suggestions.

We also use that for our own stylists. And while a lot of focus gets put on e-commerce, it's still a huge part of our business, is having a great personal stylist in a customer, and we can have these digital capabilities for internally of our own people who can make relevant suggestions for their customers, and that could be in person, that could be in what we call style boards. This is basically our stylists have capability of building their own web pages of suggestions for customers and an increasing amount of our salespersons' sales come from customers who aren't in the store, they are having remotely. So that's a big part of our digital investments as well.

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**Brooke Siler Roach** - Goldman Sachs Group, Inc., Research Division - Research Analyst

That's great. Credit has been a hot topic in retail. You called out some normalization in some of those trends last quarter. Can you elaborate on this? How is Nordstrom's credit revenue structured? What's the flow-through rate that you get on that? And do you think that worsening credit trends could weigh on your top line opportunity, should this trend persist?

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**Cathy R. Smith** - Nordstrom, Inc. - CFO & Treasurer

Yes. So let's start with our customer -- our credit customers tend to have a higher income, they have a little bit higher quality credit score than an average. So that's a good place to start. As we noted in the second quarter call, we have seen delinquencies start, they have been rising actually all year, but they're now back to kind of pre-2019 levels. And so we'll be mindful there as we continue to watch where the consumer is going there. But I always start with, we've got a little bit higher quality, which is great. They tend to be a little bit more resilient, we've watched through previous downturns. So we'll watch that. But in the bigger context, credit is really important too as an important part of our loyalty program for our customers. And those are really important to our company, obviously. So we want to make sure that we continue to fuel both the credit as well as the other loyalty customers for our business and we'll continue to do that.

Again, we're kind of blessed with a little bit higher income cohort that is a little bit more resilient. So going forward, we'll continue to support the credit program. We have a great bank partner. We like the structure of our relationship there. It's -- credit for our business has been pretty consistent as a percent of sales in the amount of its contribution. It is strong flow-through, but it's probably a bigger perspective around the total ecosystem of what that customer brings. So I don't know, Erik if you'd like to add anything there?

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

Yes. I would just emphasize that last point that it's a key part of engagement and Anniversary Sale is a good example. It's, Anniversary really resonates with customers who've experienced it before. It's something that a lot of our customers mark on their calendar, go with friends and family. And it reflects, take the highest tier of our loyalty level. I think it's a little over 90% engagement of customers in that segment shopping during this Anniversary Sale period, which end of July is not the usual busy period of fashion retail. So it's an important part and a real healthy part.

**Cathy R. Smith** - Nordstrom, Inc. - CFO & Treasurer

I'll, just for 1 minute, I'll take a minute. This was my first Anniversary as a Nordstrom employee, and I have to tell you what a bunch of fun. Our most loyal customers, they dress up. They come in our stores, they're zealot. It was like a huge, huge fun. So it's first time I got to see it from this side of the fence, has been a long time Nordstrom customer, but it was amazingly fun.

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**Brooke Siler Roach** - Goldman Sachs Group, Inc., Research Division - Research Analyst

That's great. The other hot topic in retail is shrink. And a lot of those challenges have been discussed pretty widely in terms of what's driving it. But what are you seeing here? What's embedded for your outlook for the year? And what actions do you have in place to mitigate this risk?

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**Cathy R. Smith** - Nordstrom, Inc. - CFO & Treasurer

Yes, I'll start and then Erik can add on. So first off, as we've shared, and I think many others have, shrink's at elevated levels from historical amounts. That said, it's been pretty stable for us and continues to be. So we'll start there from the financial aspect, I'll knock on wood, doesn't appear to be, that's not wood, appear to be getting worse. But -- so it's been steady. We are taking a number of actions, and Erik can detail those more, but everything that others are doing as well to continue to try to mitigate it. But it's clearly an industry challenge and needs to be addressed.

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

Yes, I would just add the shrink we're seeing is fairly consistent as Cathy mentioned and within our plans. So it's not a barrier to delivering on our near-term plans. I think it is a barrier to get to the profitability levels we want to eventually get to, the more historic levels that we've had that, hard to do that with shrink being elevated over those historical levels. There's a lot of things going on, and we've made investments in personnel and devices, maybe what you need for us is where we're at our rollout of RFID. That's been progressing well this year and provides us with significant information for all parts of our business, but one of it will be to help with our shrink efforts.

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**Brooke Siler Roach** - Goldman Sachs Group, Inc., Research Division - Research Analyst

Excellent. Any final thoughts to wrap it up?

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

I don't think so. You did a great job.

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**Brooke Siler Roach** - Goldman Sachs Group, Inc., Research Division - Research Analyst

Well, thank you.

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

I have nothing left to say.

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**Brooke Siler Roach** - Goldman Sachs Group, Inc., Research Division - Research Analyst

Very kind. Well, thank you, Erik. Thank you, Cathy, and thank you to all of you in our audience today for joining in.

**Cathy R. Smith** - Nordstrom, Inc. - CFO & Treasurer

Thank you.

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

Thank you.

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