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EDITED TRANSCRIPT

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PRESENTATION

Oliver Chen - *Cowen and Company, LLC, Research Division - MD & Senior Equity Research Analyst*

Hi. It's Oliver Chen. And we are thrilled to have Nordstrom here. In our view, Nordstrom is an iconic and modern retailer with what we view as the most advanced local market inventory strategy. This strategy drives speed, agility as well as an unmatched customer experience. Nordstrom is also one of the leading partners to brands as the company has stuck to its long-term goals of executing and redefining what it means to be customer-centric.

Erik Nordstrom is Nordstrom's CEO and a Director of the company. Mr. Nordstrom previously served as Co-President of Nordstrom and has been with the company for more than 35 years in both executive and operational roles.

Anne Bramman is Chief Financial Officer of Nordstrom. Ms. Bramman joined Nordstrom in 2017 from Avery Dennison Corporation where she served as a Senior Vice President and CFO since 2015. Additionally, she has previously held the CFO position at Carnival Cruise Lines and was the CFO of Henri Bendel, a subsidiary of L Brands.

Before I hand it over to Erik and Anne for their opening remarks, I'd like to mention that this fireside chat may contain forward-looking statements. Please refer to Nordstrom's safe harbor language in its Q1 earnings release filed on May 28, 2020.

I'll turn it over to Erik, and then Anne for opening remarks. Erik, thanks for joining us.

Erik B. Nordstrom - *Nordstrom, Inc. - CEO, Principal Executive Officer & Director*

Thanks, Oliver. Appreciate it. This is, certainly, a challenging time for retail. We're going to get into all of those issues. I want to start with you, more importantly. It is a painful time for our country, and we all know that the death of George Floyd, Ahmaud Arbery, Breonna Taylor and far too many others for far too long, really been painful examples for a country, that change is needed.

We know we have a role to play on that -- in that. We take that responsibility very seriously. Our reputation as a company is something that is personal for us. We're a 119-year-old company. Our reputation both how we serve customers and how we create an environment for our employees, something that's long been a focus for us.

We're often called a people company, and I think that's true. It's -- people have always been our top priority. And in particular, being in an inclusive place where customers and employees from all different backgrounds and experiences, what have you, can feel welcome and comfortable in our stores. That's always the key to who we are. It's a big part of our values. And it's a big part of our strategy, our model as we move forward.

So thank you. With that being said, I want to get into a little bit of our model, because it is unique. And I think sometimes, as I fully understood, there's a flexibility that's inherent in our model. And I say model, in particular, our Nordstrom brand, our Nordstrom Rack brand, having stores and having online, a really robust online business, gives us an inherent flexibility that has served us well over these last several years as there's been change with customers how they want to shop. It has certainly served us well these last couple of months during uncertainty. We think it positions us well for uncertainty for I think the near term, the rest of the year. And more importantly, it allows us to be -- we think, more customer-centric.

The customer has been changing. Clearly, there's been more changes these last couple of months. We see it as an acceleration of changes that were in place before. We feel real confident in our strategy. We feel confident in the investments we've made in these last couple of years, how it positions us to serve the customer on their terms, but we do see it as an acceleration. And so we are accelerating our strategy. I already mentioned our market strategy, which we can get into. But those are -- that's a good example of where we think we need to accelerate to serve the customer where they're going.

So with that, I'll turn it over to Anne.

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

Great. Thanks, Erik. I just want to reiterate Erik's comments. It is part of our culture and values as a company. And given the environment we have with the racial injustice as well as maneuvering through a pandemic in this country at the same time. We recognize our role in this. We recognized it's a painful time, and we also recognized our responsibility to keep our customers and employees in an environment that they feel they can bring their authentic self, but also to keep them safe as we continue to reopen stores.

I'd like to also talk a little bit about our recent earnings call and talk a little bit about the results that we shared with you. Just to provide some context, as we exited 2019, we were in a strong financial position. We had accelerated our sales trends in the second half of the year, and we continue to demonstrate our strong inventory discipline. That momentum continued into February where sales tracked ahead of our guidance that we've given for the expectations for the quarter.

And in March, as we started seeing the impact of COVID-19 began to unfold, in particular, being here in Seattle, we had some early visibility into that. We took immediate steps to start strengthening our financial flexibility and increase our liquidity, immediately start looking at our inventory, realigning that and then also start the hard work of reducing our overhead costs.

We'll talk a little -- a lot on our conversation today, but inventory is our biggest lever of flexibility. It's our biggest investment in any single year. It's our biggest lever. And so we immediately started having conversations with our partners, our vendors, and we reduced receipts by 30%. And we generated customer demand through increased marketing and promotions on our -- digitally. We also use the fulfillment capabilities that we've invested in for quite some time to do store fulfill, and that really helped us clear the inventory, especially the seasonal inventory that was more perishable during this time when stores were closed.

As a result, these actions actually decreased our inventory in Q1 by 25% from last year, and this really put us in a favorable position. And it's allowing us to bring in some freshness in June -- for June receipts. We know our customers like fresh, fresh product, they like newness. And so it really helped us have some dollars available to be able to do that.

We also significantly decreased our cash burn as we exited the quarter, and we expect to get to a breakeven monthly cash burn by the end of Q2. And we're confident based on these actions and additional actions we did to raise funds that we've got sufficient liquidity to execute our strategy in 2020 and well beyond that as well.

And so with that, I'll turn it over to you, Oliver, for Q&A.

QUESTIONS AND ANSWERS

Oliver Chen - *Cowen and Company, LLC, Research Division - MD & Senior Equity Research Analyst*

Thank you so much. Very helpful opening remarks. So Erik, regarding store reopening and trends, can you update us on how many stores have opened? And any updates on what you're seeing? We've been seeing some optimistic point -- data points from other retailers today.

Erik B. Nordstrom - *Nordstrom, Inc. - CEO, Principal Executive Officer & Director*

Sure. Right now we have about 40% of our store fleet open. That includes full-line stores and Rack stores. This is a big week for us. We open 118 stores this week. That will get us to about 75% of our stores. So it's -- and in general, that 40% was more focused on smaller markets than our biggest markets.

So I would be a little cautious in making too much out of small sampling, but I would tell you that our results are ahead of expectations. Our Rack results are a bit stronger than our full-line store results at this point. And we are seeing improvement sequentially over the weeks that we are seeing things improve.

Oliver Chen - *Cowen and Company, LLC, Research Division - MD & Senior Equity Research Analyst*

Yes. Erik, and have there been learnings in terms of the opening process and what you're thinking about what makes sense for other openings? It's quite a dynamic situation and also planning both labor inventory is not very easy in this environment.

Erik B. Nordstrom - *Nordstrom, Inc. - CEO, Principal Executive Officer & Director*

Yes. We've learned a lot. I mean, there's -- clearly, there's been many subjects these last couple of months that have been new. We've learned -- we felt really good about our safety plan going out. We've received very positive response from customers and our team as well, which is a big part. I mean giving people both -- our employees the confidence to come to work and the customers' confidence to come to shop is important. But we've learned some practical applications in that and then made some adjustments.

As far as inventory and staffing goes, I would say it's back to the flexibility. That's been more important than trying to plan it with any precision. I really can't. But we've had crews in our stores all along. Our stores are closed because of, as Anne mentioned, the big store fulfill that we do.

So we have productive use of people in our stores to begin with. So to open the doors isn't a big burden from a labor scheduling standpoint. There's -- activities can be done in either certain customers that are in the stores or fulfilling of orders. And with the inventory -- and being able to fulfill so much from the stores, we weren't too backed up. But we move around so much inventory to begin with.

What goes with fashion. Fashion is, with all the sizes and colors, it's not a narrow and deep inventory model. It is broad and shallow. So inevitably, what our customer may want is in another location. So being able to leverage the inventory we have and move it around very quickly for customers has always been important, but especially right now.

Oliver Chen - *Cowen and Company, LLC, Research Division - MD & Senior Equity Research Analyst*

Yes. Erik, on the digital business, which is a key point of difference for Nordstrom and what you've done there, e-com grew 5% last quarter. How did that perform versus your internal expectations? You mentioned that traffic was fueled by more than 50% growth in new shoppers. Can you discuss strategies to turn those new shoppers into permanent shoppers? And more broadly, how should investors think about the e-com growth opportunity in terms of penetration?

Erik B. Nordstrom - *Nordstrom, Inc. - CEO, Principal Executive Officer & Director*

Sure. So our digital results were in line with our plans, our expectations. When COVID hit, and our stores got shut down, that's 70% of our business. Our focus quickly shifted to cash and inventory. Those became our most important subjects, and we approached our digital business with that let. So we're very pleased with the results on both those fronts. Our -- both the liquidity position we have -- the burn rate of cash came down dramatically as the quarter went on, and as Anne mentioned, our inventory being down about 25%. Early report that the -- as -- would not be surprised. It is a promotional environment out there in retail right now, be it online or now as stores are opening up. And so the average price is less. It's -- bidders

-- from an inventory perspective, it is important to get through the units. But there was -- there's a lot more units that have gone for our system and which would correlate a bit with the number of customers and orders. But then every transaction brings down the sales number a bit.

Oliver Chen - *Cowen and Company, LLC, Research Division - MD & Senior Equity Research Analyst*

That's very helpful. And from a margin perspective, how is it best to think about 2Q and 3Q versus first quarter as we think about what Erik meant -- what Erik communicated around promotions, deleverage and also the shift in your anniversary sale from 2Q to 3Q?

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

Yes. Thanks, Oliver. So we -- as Erik talked about, our inventory is very perishable. There's a piece of it. So we know that the longer it sits there, the less value it has, so we took a lot of actions in the quarter in order to get the most we could for that inventory and also open up some dollars so that we could drive some freshness in Q2. We fully anticipated Q2 was going to be highly promotional in the marketplace, and so we wanted to have a little bit different assortment offering for our customers as well. I think from a -- if you step back and look at the sequential -- the guidance we gave, is that we continue to believe this is going to be a slow recovery. We've modeled that. We stress-tested that. We are certainly cautious as how we're approaching all of this from a business perspective in order to give us some flexibility as we see things progress. But we do expect to see continued improvement in margins. So we think Q1 was kind of the low point from a margin perspective. We will continue to see some improvement, but it's not going to be an immediate improvement, it's going to be a gradual improvement.

The -- and we're also expecting our earnings to gradually improve through the year as well as we look at a lot of stress testing and a lot of scenario planning in the business. We did shift the anniversary sale out. We -- one, because we thought it was going to be a highly promotional environment; and two, we wanted to make sure that customers -- I mean, as you know, our anniversary event is really known for bringing in new goods, new fresh product at a promotional price, and so we wanted to give that opportunity to really give our customers something to look at and shop and to stand out. So we believe that, that's worth about 10 percentage points shift from Q2 to Q3 on a sales perspective. But we are continuing to expect further expense savings that will help offset some of that shift as well but from an expense deleverage perspective.

Oliver Chen - *Cowen and Company, LLC, Research Division - MD & Senior Equity Research Analyst*

And that leads to another topic about inventories and merchandise margin management. You did exit with a clean position, which gives you lots of flexibility. How are you approaching the next few months as we do face this promotional environment? And you've been very -- a very good retailer about price matching in the past. And how are you balancing the top line versus merchandise margins?

Erik B. Nordstrom - *Nordstrom, Inc. - CEO, Principal Executive Officer & Director*

Okay. Anne can fill in. I think, well, yes, we are committed to price match. It's -- and we've always said that. I think to -- there's -- if you're going to be customer-centric, you don't want the customer to feel like they made a bad decision buying something for you and 5 months later, they see it less price someplace else. So that's part of our customer promise.

We -- as I mentioned, we're in position to start bringing new receipts. And we really look at our model as a whole. We look at our Rack business as this very efficient, effective channel to clear out older merchandise. And even with our inventory down 25%, we still have some clearance of spring goods to deal with. And certainly, the industry does.

So we look at our sell-through rates, what's the best channel to clear out our goods, and that's -- that was the premise of launching Rack to begin with, was to keep our Full-Price business clean and able to bring in newness.

But we know already that there are a lot of great buys that we had on the marketplace, especially in Off-Price. So we look at that to flex the balance between those 2 channels, and we will be buying some merchandise that we think we can sell-through real quickly and at good margins.

Oliver Chen - *Cowen and Company, LLC, Research Division - MD & Senior Equity Research Analyst*

Yes. Yes. And do you think Rack stores will rebound before full price, Erik? And it sounds like Rack has multiple opportunities, whether that be buying supply in the marketplace as well as using it as a clearance vehicle.

Erik B. Nordstrom - *Nordstrom, Inc. - CEO, Principal Executive Officer & Director*

Yes. We think there's a growth storage to our Rack business both online, it's -- we have a very unusually large online Off-Price business. It's over $1 billion business and growing -- has been growing rapidly. But we think there's store growth too, as opposed to I think regional malls, where there's -- has a challenged space than the Full-Price area. We believe there are some opportunities.

And the nice thing about the Rack model, the store investments are much, much less, and are much faster to build. Our leases are shorter. We have a lot of flexibility to where we can pilot lots of different approaches, merchandise mix, price mixes and move from there. So I think a good point. It, certainly, feels like much like the last recession that there's change afoot.

But the details matter a lot. It's not just price point categories and how customers want to shop, so we do see Rack as, again, as a growth opportunity for us, but we will test our way into that and flex to where we have success.

Oliver Chen - *Cowen and Company, LLC, Research Division - MD & Senior Equity Research Analyst*

Yes. Okay. I'm going to move on to liquidity and cash. So you did take quick and decisive action to bolster your balance sheet and reduce expenses. How comfortable are you with your current cash position? And how are you thinking about cash burn at the store level?

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

So let me just walk you through the sequence of events over Q1. So we started the quarter with 800 -- around $850 million of cash on the balance sheet. We drew down our revolver, so we had $800 million from that, and then we also did a debt financing of about $600 million.

So as part of that, we also pulled another -- a number of other levers, including suspending our dividend, and then we stopped our share buyback program.

On top of that, we had given guidance at the beginning of the year that we were continuing to look for ways to reduce our overhead or cost base. So we had given a target of about $200 million to $250 million of planned savings. I would say we're well on our way of achieving that. We gave updates to that, where we were, on the last earnings call.

In addition to that, we pulled another $500 million of cash opportunities between reducing expenses further, reducing some of our CapEx as well as really looking at our working capital pieces to this as well. So given all of those actions and the fact that we were able to reduce our cash burn by over 40% just from March into April, and we're reducing -- coming out of this year, we're going to be reducing our non-occupancy overhead by 20% for the year. We're very confident that we have sufficient liquidity to execute both this year and for the long term.

As far as the store piece to it, we -- as Erik mentioned, we've already had labor in the stores and -- to do store fulfill. So as we open these stores up, there's not a lot of incremental cost to serve our customers as we open the doors.

And so from a cash perspective, we did close -- announced that we closed 16 full-line stores this quarter. Prior to going into this year, all those stores are cash flow positive. And so we just took a really hard look at some of these stores and made the decision to close a couple of those stores in certain markets. So right now we're expecting our stores to be cash flow positive.

Oliver Chen - *Cowen and Company, LLC, Research Division - MD & Senior Equity Research Analyst*

Yes. And on the store closure topic, what were some of the frameworks or guardrails around those tough decisions? And also your local strategy, your market-by-market strategy, is very compelling. How does that impact how you think about your store footprint in the future?

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

Yes. You may start with that, and you can finish. Yes. Okay. So just to remind you, we have -- we think a very high-quality store portfolio. So about 95% of our full-line stores are in what's considered an A mall. And as an offset to that, our Rack stores are in mall -- non-based mall locations. So we -- when we took a look at this from a market perspective, we really looked at stores that, I mean, in the fourth, fifth or sixth store in a market. We looked at what -- what we needed to serve that customer in that market and really looked at the overall economics and lease structure on that as well. So we've -- and we -- additionally, as part of market strategy, we tested in New York this fall the ways to leverage our Rack locations both for store fulfill as well as some of the services pieces to our store returns. And so we feel like that's another opportunity for us as we go through the market strategy, it's to really look and see how we leverage those Rack locations as well.

Erik B. Nordstrom - *Nordstrom, Inc. - CEO, Principal Executive Officer & Director*

Yes. I would say it's -- our thinking around physical assets has changed quite a bit in the last couple of years as part of our market strategy. And I'm thinking about kind of 2 rough buckets. One is the inventory bucket and the other is the services. In inventory bucket, it's how can we leverage the inventory we have, which is the biggest investment we have, and which the majority of our inventory sits in stores, which is closest to most of our business. Also our business is done in the markets where we have stores.

So we've been investing in ways to leverage that inventory and just in short to give customers a significantly bigger selection at a faster delivery. So that's -- and that is looking at as a market-by-market approach as opposed to looking at stores individually or as a region.

So as Anne mentioned, the store closures we had -- almost all the store closures were smaller stores, older stores in multi-market stores for us where we think we can still serve those customers through our digital tools and through, again, rethinking the physical experience. And it can include the Nordstrom local stores. It can include doing what we call express services at our Rack stores where a customer can do a nordstrom.com pick up, can do a nordstrom.com return, can do alterations.

Those services that used to be only at our Nordstrom stores, we have found customers really appreciate having them and the convenience of our Rack stores, where we have more of those locations.

So we're very excited. We think we've had some real proof points both in Los Angeles and New York to that strategy. And having -- those store closures do fit. Again, that's an acceleration, but it fits in that direction of rethinking the physical footprint.

Oliver Chen - *Cowen and Company, LLC, Research Division - MD & Senior Equity Research Analyst*

Yes. Another question we had is the capital projects. You've done a really good job cutting back on CapEx in this environment. So which projects have been pushed back in light of what changes have happened? And what are your needs ahead as you think about DCs and other capital projects that may be in your pipeline?

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

Yes. So we deemphasized some of the investments in some of the stores, some of the remodels, that type of thing. What didn't get deemphasized was our continued investment in technology and supply chain. So we are in the process of opening up a West Coast -- we call it the omnichannel, so it can do fulfillment and distribution for our West Coast customers. We don't have a fulfillment center on the West Coast for our nordstrom.com customers. That is continuing. We will -- we are planning to open this up before holiday.

That is a big investment for us, and it's a big unlock in serving those customers, both from a timeliness to get their product, and also -- but also, I think it also helps as far as that last mile and to continue to deliver on our market strategy as well. So we're continuing that process. We continue to look at ways to continue to invest in the digital capabilities on the technology platform side as well as making sure that we're continuing -- supply chain is less about being that back of house. It's really more about the customer facing -- how do we make that a really good positive customer experience.

Oliver Chen - *Cowen and Company, LLC, Research Division - MD & Senior Equity Research Analyst*

Okay. And the anniversary sell. And moving that, could you guys talk about what shoppers can expect to be different this year versus the past and how you're thinking about planning inventory buys? I know it's a really big event, and you've done a great job with proprietary products.

A housekeeping question to Anne and the 10% shift are you talking about sales or earnings. We just want to make sure we get that right as well.

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

Yes. So it's 10% shift in sales. And so do you want to talk about the offer?

Erik B. Nordstrom - *Nordstrom, Inc. - CEO, Principal Executive Officer & Director*

Yes. So yes, as Anne touched on, we're moving the event back. A big part of that as far as to -- first to really delineate the anniversary from versus sales out there. There's a lot of clearance sales. Everyone does it. We do it to clear out older merchandise. That's not what an Anniversary is. Anniversary is brand new merchandise at lower prices. And it's what's made it such a powerful event for us over decades. We thought moving it to August would give us time to separate that and have it stand up for what it is. And it allows us to buy into it. We are -- we see it as -- it's really good for us to say, okay, there's been a lot of clearance and coming out of these unprecedented times to really try to kind of stake in the ground and say, okay, we're getting back to what we've historically been very good at, exposing a customer to new products, great prices from their favorite brands and bringing in new receipts to do that. August lines up really well for that. So we are buying into it. We're putting more -- the event has been a heavily digital event for several years now. We do a bigger portion of our business digitally than we do outside of anniversary. Given some of the uncertainty around stores, we are emphasizing that more and have made some investments there.

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

I think the other thing is from a category perspective, we're really looking at categories that are resonating with customers, casualization, all -- those -- the things that we're seeing people really respond to. So we -- this gave us an opportunity to also relook at some of the offering on that as well to make it even more compelling.

Oliver Chen - *Cowen and Company, LLC, Research Division - MD & Senior Equity Research Analyst*

On that topic, Anne and Erik, how will you make sure to think about value and the right price points that people will care about going forward? As well as the consumer preferences change with assortment, what are things you're doing to make sure you're in line with the reality of the work-from-home movement?

Erik B. Nordstrom - *Nordstrom, Inc. - CEO, Principal Executive Officer & Director*

Yes. I think there -- I think it's more latter the -- the kind of categories or what people buy, how they live versus just pure price points, we can't be an occasion-only retailer. There's -- for people, there's fewer occasions. People don't view dressing for work as a different occasion, having a different wardrobe than being at home for many people these days. So that overall trend of casualization, again, is an example of an acceleration that's happened. And so we're very purposeful in moving our mix in that direction.

The other thing about price points, I think it's important to understand about us -- our mix is unique. We have a broader range of price points than I think most others, if not all others, out there. And the mix is important. They're not stand-alone businesses, just as our Rack business is not stand-alone for our Full-Price business. Our Rack business, and a lot of it is the price points, but these price points -- and there's a lot of overlap in our brands. Customers commit to these brands. It's our #1 source of new customers, and about 30% of those customers end up becoming Full-Price customers within the first year. But even our Full-Price business, we see that high low of having a robust designer business. Designer has been our biggest category of growth for the last couple of years, and it's a very important part of our business. But we believe our customer -- and really I think a modern approach to designer is not head to toe 1 designer, 7 days a week. Customers like to mix and match. Customers like to be able to express themselves from that. And that discovery of new product is something that we need to be good at. And it does drive our merchandise mix, and a range of price points is important to that. But that range also gives us the flexibility of moving to where the customer goes.

Oliver Chen - *Cowen and Company, LLC, Research Division - MD & Senior Equity Research Analyst*

Yes. Agility. And thinking about that way in which the new customer shops. But a question we do get is about e-com margins, with what's been happening and also your continued momentum there? And you previously noted that e-com margins are in line with store margins. What are the opportunities going forward for profitability? And could they exceed physical margins in the coming years?

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

Yes. I think it's important just to step back and remind you of some of that we went through -- it seems like a long time ago, but 2018 Investor Day. And that our Full-Price stores and online business is really at parity. And I think the thing to remember is that in our stores, it's a commission-based structure, and so it's a variable cost.

And so when you think about that from a contribution margin perspective, between the shipping costs versus your commission base, that's really the big piece of it, because it's a shared inventory model. I mean, the company has had shared inventory for Full-Price for a long time. So we talked about store fulfill. We talked about the fact that we can offer things to customers, both online and the stores, and we've got that real-time visibility into it.

I think the opportunity for us is in the Off-Price space. We talked about the fact that we -- late in Q1, turned on store fulfill for our Rack business, which was a big deal. And we're continuing to migrate where we're putting our online business for nordstromrack.com/Hautelook as well as the Rack inventory online platform. And that's happening very quickly. And that is a big margin unlock for us as well as being able to be much more efficient from a store fulfill perspective.

So I think you're going to continue to see us get more benefit, more economics as we continue the path and the journey. So I don't know if it's necessarily channel-specific because, as you know, our customers like to shop multiple ways and across multiple distribution points. And so for us, it's how do they shop and how do we make sure that we have that service and offering for them?

Oliver Chen - *Cowen and Company, LLC, Research Division - MD & Senior Equity Research Analyst*

Another point of difference in innovation is your Nordy Club program. If you could update us on progress there and how it's helped your decision-making and/or how you think about digital spend and demand creation through that program as loyalty programs are so important.

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

Yes. Our loyalty customer, we love our loyalty customers. They had shopped. They continued to shop with us in Q1. We had 13 million active customers, and they made up about 2/3 of our sales in Q1. And they tend to visit about 3 to 4x more than any other customer.

So we -- our Nordy Club, our loyalty customer is a very big piece of component of continuing to drive the business forward. And certainly, anniversary sale is another opportunity for us to really serve that customer and give them some opportunities to pre shop and have some different looks at the inventory and then some -- gives them a lot of exposure to special things. So we're continuing to leverage feedback. We continue to evolve that program. But as you mentioned, the loyalty customer for us is a very, very big piece of our company.

I don't know, Erik, is there anything you want to add to that?

Erik B. Nordstrom - *Nordstrom, Inc. - CEO, Principal Executive Officer & Director*

No.

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

Okay.

Oliver Chen - *Cowen and Company, LLC, Research Division - MD & Senior Equity Research Analyst*

Erik, what about competitive positioning/the future of the mall? How are you thinking about the broader competitive set and market share opportunities as -- unfortunately, a lot of competitors will exit the market as well.

Erik B. Nordstrom - *Nordstrom, Inc. - CEO, Principal Executive Officer & Director*

Yes. I think so. It's -- the industry is certainly under strain, stores, in particular. It's no secret that -- the U.S. has been over store, over mall for quite some time. About less than 40% of our business is the mall-based store, and it's -- we like that, and that is accelerating. So that flexibility, we think, gives us market share opportunities there.

Yes. I think a lot of this come back to again being agile and flexible. And the piece we've -- again, it has been underway for a while and very well may accelerate is with brands. As I mentioned, we need to be a great place for customers to discover new product. What we do in our categories, it's not where customers have a shopping list and they're just crossing off and know exactly what they want. A lot of our business is done from customers that -- they're interested, they're curious. They may know they want something new but don't know exactly what it is, and be able to -- we think that requires not only having a curated mix, but being a place where the best brands in the world want to partner with us. That's long been essential to what we do.

And yes, I think it's safe to assume that brands won't need as many retail partners as they did in the past. But there's going to be some retail partners or at least one to give them visibility and exposure to new customers in stores and online. And having Off-Price business also helps with that. So brother Pete has -- he's been working in the market for, I don't know, 25 years plus now, probably the oldest guy there in these days continuously. But those relationships are very important to us. We think our future is going to -- should include being many more flexible models, could be rental, it could be resell, could be different ownership models of inventory. Those are means at the end. The end is to have a compelling mix for customers that lend -- where we can leverage both our physical and digital assets to really be the leader in product discovery.

Oliver Chen - *Cowen and Company, LLC, Research Division - MD & Senior Equity Research Analyst*

I think from what we see here at Cowen like discovery, trust, rethinking retailers platforms and embracing a community local experience that incorporates speed and convenience are keys to winning share and thriving.

Our last question for the panel, which we're asking everybody is, what are the top 3 learnings or surprises/permanent changes that you see having happened through the crisis? And any closing remarks you have as well.

Erik B. Nordstrom - *Nordstrom, Inc. - CEO, Principal Executive Officer & Director*

Well, I'll start. We have 3 each. You'll probably take mine. Well, I think it has been about speed and agility that things have changed so dramatically, so quickly, be it stores closed, be it categories shifting dramatically towards casualization and comfort. And there have been unrest in the country. There's a flexibility that's needed there. And that's -- we've been learning. I've been pleasantly surprised how quickly our team has been able to move.

We are a leaner, more flexible, more agile company today than we were 2 months ago. And we think that's positioned us really well moving forward.

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

I think for me, one of the -- we've long invested in assuming some of these trends were happening. And to me, it's been really reassuring almost or an opportunity kind of almost weirdly invigorating to know that the path and journey we've been on has been correct. And it's just accelerating. And so how do we really leverage those investments, those capabilities in order to take us to the next stage from a market share perspective, from a -- serving the customer perspective and really growing the business? I think the other piece is I would say coming in, in this past year as a management team, we have learned a lot. We're working through some of the operating issues we had last year and really quickly making decisions and being very agile and working as a team. And just -- we all are very focused on what the key priorities are. We all know what they are, and we come back together, sometimes twice a day, including Saturday and Sunday, just to check in with each other to make sure that we're on the right path. And that's been really -- at the end of the day, it's about the team working together, and making sure that we're all marching towards the same thing, and it's been really refreshing.

Oliver Chen - *Cowen and Company, LLC, Research Division - MD & Senior Equity Research Analyst*

Yes. You've been a trusted and consistent partner to many vendors, and also really incubating new and discovering new brands and rethinking the retail experience with the flagship as well as local. And I also applaud Nordstrom for really being authentic to that mission of inclusivity to both customers and employees and focused on authenticity, which is really important for the future of retail at large.

So thank you. Thank you for your time today, Erik and Anne. Really appreciate it. And audience and clients, thank you for being part of this as well.

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

Thanks, Oliver.

Erik B. Nordstrom - *Nordstrom, Inc. - CEO, Principal Executive Officer & Director*

Thank you.
