



The Rack is a key revenue driver for Nordstrom in the U.S., generating higher sales per square foot than their mainstream counterparts. CHIP EAST/REUTERS

FROM PAGE 1

## Nordstrom: Retailer says 'lessons to be learned' from Target

» "Canada's lacklustre retail sales growth could persist as households focus on repaying debt," the Moody's report said.

Target's expansion has become a cautionary tale for Nordstrom.

The discount chain reported almost a \$1-billion (U.S.) operating loss in 2013 at its new Canadian operation, which arrived here last March; it expects more red ink through 2014. Shoppers have complained about empty shelves and prices that are higher than those in its U.S. stores.

Nordstrom executives watched Target struggle to launch 124 stores in Canada over nine months – and another three last week – which many industry observers say was too much to execute properly. Target is now working on improving its underperforming distribution and replenishing systems.

"There are absolutely lessons to be learned," Ms. White said on Thursday.

"We are approaching it differ-

“

**They're studying what happened at Target. It's a realization that you can't just come in and expect to open overnight and things are going to work out just fine.**

**Rick Pennycooke**

*President of the Lakeshore Group*

ently than them to begin with."

She noted that Nordstrom's full-line stores are more complicated to roll out, taking 18 to 24 months each, compared with just six to eight months to get a Rack outlet up and running.

Nordstrom also underestimated the costs and systems involved in ramping up in Canada, Ms. White said.

"There are enough differences for us in our distribution and systems that virtually everything that we do in the States we have to alter somehow for Canada, and we had underestimated that."

In the U.S., Rack is a key revenue driver for Nordstrom.

They generate higher sales per square foot than their mainstream counterparts: \$553 compared with \$372, respectively, last year.

"This has been a great growth vehicle for us," chief financial officer Mike Koppel said.

Nordstrom, which has targeted

\$1-billion in sales in Canada, has been less ambitious than Target, anticipating an operating loss "for several years until we reach necessary scale," Mr. Koppel told a conference, call last month.

He estimated that the retailer will post a \$35-million operating loss in 2014, mainly tied to infrastructure and pre-opening costs.

"They're studying what happened at Target," said Rick Pennycooke, president of retail real estate consultancy the Lakeshore Group.

"It's a realization that you can't just come in and expect to open overnight and things are going to work out just fine."

He said other retailers that are slowing their expansion plans include lingerie specialist Victoria's Secret, home decor chain Crate and Barrel and fashion purveyor Ann Taylor.

**Nordstrom (JWN)**

Close: \$62.36 (U.S.), up 18¢