Macy’s marks worst day ever on Wall Street, will shut eight stores in 2019

Jessica Goldstein
14 January 2019

Retailer Macy’s, Inc. marked its worst-ever stock plunge on Thursday as share prices fell by 17.7 percent, the worst day for the company’s stock in its near 27-year history on Wall Street. The stock took another 2.64 percent hit on Friday.

The Cincinnati, Ohio based holding company operates the subsidiaries Macy’s and Bloomingdale’s department store chains, and the beauty store chain Bluemercury, altogether operating 875 stores in the United States, Guam and Puerto Rico. According to Deloitte, Macy’s, Inc. is the world’s largest fashion retailer and 36th largest retailer overall.

Despite a strong start to the holiday season according to CEO Jeff Grennette the retailer’s sales fizzled out in mid-December and never rebounded. The holiday season, from Thanksgiving until Christmas, accounts for a large chunk of all retailers’ earnings during the year due to the increase in consumer spending.

Other major department store retailers in the US also saw stock drops after the holiday season as well, although investors announced early on in the season that retail sales were the strongest of any holiday season in the past six years.

Kohl’s department stores saw a 4.8 percent drop in its stock price, and competitor J.C. Penney lost 4.5 percent. Kohl’s announced that it plans to shut down four stores and consolidate three customer service and operations locations as part of its corporate management’s evaluation program, aimed at reducing inventory and costs. J.C. Penney meanwhile began 2019 by announcing three store closures in 2019 following 146 store closures announced between 2017 and 2018.

Macy’s announced in August 2016 that it would close 100 stores, or about 15 percent of its total base at the time, in order to cut costs. Eight stores will close this year as a part of the planned closures.

The recent stock drops and store closures among the most prominent American department retailers occur against the backdrop of the threatened liquidation of Sears Holding Corp.—once the largest retailer and private employer in the US—as part of the ongoing US “retail apocalypse.”

Brick-and-mortar retailers face competition from online behemoths, particularly Amazon, which recorded a 17 percent increase in holiday sales in 2018, according to Rakuten Intelligence. Because of market competition, hundreds of stores have closed across the US in recent years and thousands of workers have lost their jobs.

Struggling department stores have tried to innovate in order to compete with the growth of online sales, including Macy’s, which has recently begun to shrink store sizes, expand its discount Backstage locations, and expanding into the buy online, pick up in-store business. Still, these programs have failed to stimulate the growth sought after by Wall Street investors.

Some analysts reported being initially puzzled by the large drops in share prices of major retailers, citing that the stage was set for strong sales in 2018 in particular because of the low unemployment level in the US and relatively higher wages compared to recent years, as well as lower gas prices. While department stores faced major losses, discount chains such as TJ Maxx and Target and online retailers like Amazon posted larger gains.

In reality, while official unemployment in the US is at 3.9 percent, any job growth has disproportionately come from low-wage part-time, precarious work and contract jobs—the “gig” economy. Wage growth remains very low when considering the rate of inflation, and a majority of workers in the US do not have enough savings to cover an emergency hospital bill or car expense.

Workers in the US do not have enough disposable income to support the hunger of retail investors for ever greater profits, and in response, corporations close businesses and slash jobs and wages in an effort to make short-term gains for Wall Street.

The capitalist system, which subordinates the entire productive forces of society to the profit interests of a wealthy few, is responsible for the crisis facing retail workers and all sections of the working class in the United States and around the globe. It is not workers in other countries, or other industries, who are the enemies of workers in the US—but the entire capitalist class and its servants in the Democratic and Republican parties and the trade unions.

Those employed in the retail industry are some of the lowest paid and most heavily exploited workers in the United States. According to the website Glassdoor.com, many positions at Macy's stores start at little more than $9 to $11 per hour. In contrast, CEO Jeff Grennette earned total compensation of $10,760,134 in 2017. Macy's, Inc. reported gross profits of $9.69 billion for 2018.

With such a massive amount of wealth hoarded at the top, there is no reason that any worker at the Macy's stores should have to struggle with poverty or face a job loss. Retail workers at Macy's should take the struggle against store closures, job cuts and poverty wages into their own hands by forming democratically elected rank-and-file workplace committees. These committees must link up with workers at Sears, J.C. Penney, Amazon, and with workers in the auto industry at General Motors, Ford, and Chrysler who also face threats of layoffs and plant closures in the name of corporate profit interests.

To contact the WSWS and the Socialist Equality Party visit:

wsws.org/contact