Nordstrom pays price for overcharging error as shares dive

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Shares in Nordstrom Inc slumped 9 percent on Thursday after the U.S. department store operator reported disappointing same-store sales and said it had been forced to refund some of its credit card customers after overcharging them.

The credit card problem meant that it would issue refunds to between 3 and 4 percent of Nordstrom cardholders, with most receiving less than $100, Co-President Blake Nordstrom said on a call with analysts.

“We have taken action, including the appropriate steps to ensure the problem is addressed and does not happen again,” Nordstrom assured analysts.

The charge knocked $0.28 per share, or $72 million, from its third-quarter profit, leading net income to fall 41 percent to $67 million, or 39 cents per share.

Although the issue was a one-off, it was one that Nordstrom could ill afford, analysts said. Like other brick-and-mortar retailers, it has struggled to adapt to changing consumer habits as shoppers increasingly buy online rather than visiting malls.

Fighting to retain market share, the 117-year-old high-end retailer has invested in its website, apps, and loyalty program over the past few years.

Online sales rose 20 percent in the third quarter and accounted for 30 percent of the company’s net sales.

The Seattle, Washington-based company has also invested heavily in its discounted, or off-price, offerings, opening new Nordstrom Rack stores in the United States and Canada.

Nordstrom Rack stores sell excess and off-season inventory from Nordstrom stores and other retail channels, competing with the likes of Macy’s Backstage and T.J.X Cos.

The off-price business gained 6 million new customers last year and Nordstrom said it expects about one-third of off-price customers to cross-shop the full-price business over time.

Wall Street was not impressed with the results, with shares down 9.31 percent at $58.99 in after-hours trade.

“Given a relatively robust macroeconomic backdrop Nordstrom turned in a decent but uninspiring quarter,” said research firm Retail Metrics founder Ken Perkins.

“Consumer net worth is up meaningfully over the past few years and high end consumers have fared well but are not driving sales growth at the luxury chain.”

Earlier on Thursday, retailer J.C. Penney Co Inc reported weaker-than-expected results due to heavy discounting.

On Wednesday, rival Macy’s raised its full-year profit forecast, encouraged by good performance at its stores and its growing online business.
Nordstrom raised its full-year sales forecast to a range of $15.5 billion to $15.6 billion, from $15.4 billion to $15.5 billion previously.

Comparable sales at the full-price business segment increased 0.4 percent in the quarter, below analysts’ estimates of a 1.74 percent rise, according to IBES data from Refinitiv.

Excluding items, the company earned 67 cents per share, while total revenue rose 3.3 percent to $3.75 billion. Analysts on average had expected Nordstrom to earn 66 cents per share on revenue of $3.69 billion.