

Deming Cup Award Ceremony 2012

Honorees: Terry J. Lundgren and Ratan N. Tata



On October 23, 2012, the W. Edwards Deming Center for Quality, Productivity and Competitiveness at Columbia Business School awarded the 2012 Deming Cup to Terry J. Lundgren, chairman, president and chief executive officer of Macy's, Inc., and Ratan N. Tata, chairman of Tata Sons Limited. Past winners, Dr. Brent James, chief quality officer of Intermountain Healthcare, and Sergio Marchionne, chairman and ceo of Chrysler Group LLC, and ceo of Fiat S.p.A., returned to Columbia and passed the cup to the new recipients.

The third Deming Cup Award Ceremony and dinner was held in Columbia University's Low Rotunda to celebrate Terry J. Lundgren, chairman, president and chief executive officer of Macy's, Inc., and Ratan N. Tata, chairman of Tata Sons Limited.

Twenty four members of the judging committee attended: Rob Amen, Kevin Burke, John Coatsworth, Tom Cole, John Dillon, Ali Dogramaci, Awi Federgruen, Beth Ford, Nelson Fraiman, Peter Gibbons, Lynne Greene, Jeff Keefer, Klaus Kleinfeld, Shelly Lazarus, Nicolás Loiza, Sergio Marchionne, Jorge Morán, David Niles, Bennett Nussbaum, Paul O'Neill, Keith Sherin, Burt Steinberg, and Garrett van Ryzin. The Deming Center is grateful for their attendance and support and encourages the rest of the committee to participate next year.

Additional attendees included: **Manny Chirico**, ceo of Phillips-Van Heusen Corporation, **Kenneth Cole**, founder, chairman and chief creative director of Kenneth Cole, **Maria Cuomo**, chair of Help USA, **John Demsey**, group president of The Estée Lauder Companies, **Meyer Feldberg**, dean emeritus of Columbia Business School and senior advisor of Morgan Stanley, **Kathryn Fuller**, chair of The Smithsonian's National Museum of Natural History and director at Alcoa, **Don Goldfarb**, interim dean of Columbia Engineering School, **Mike Gould**, ceo of Bloomingdale's, **Surya Kant**, head of North America, UK & Europe operations and president of American operations at Tata Consultancy Services, **Henry Kissinger**, former U.S. secretary of state, **Jane Lauder**,



general manager of Origins and Ojon, **GG Michelson**, former chair of the trustees of Columbia University and board member of Macy's, Inc., **Joe Neubauer**, chairman of Aramark, **Sam Palmisano**, former chairman, president and ceo of IBM, **Henry Schacht**, former ceo of Cummins Engine and Lucent, and senior advisor to Alcoa, **Kapil Sharma**, general manager North America of Tata Sons Limited, and **Ronny Wurtzbuerger**, president of Peerless Clothing.

Columbia Business School alumni, faculty, and current students from the EMBA and Ph.D. programs participated. Total attendance was 250 people.

Nelson Fraiman, Director of the W. Edwards Deming Center, opened the evening and introduced John Coatsworth, provost of Columbia University, for welcoming remarks. He congratulated both 2012 recipients, Terry Lundgren and Ratan Tata, and thanked past winners, Sam Palmisano, Sergio Marchionne and Dr. Brent James for coming to the event, and 2012 Deming Cup sponsors for supporting this initiative. Tom Cole, chairman of the W. Edwards Deming Center board and chief administrative officer at Macy's, Inc., reviewed the history

of the Deming Center and invited members of the audience to join the board.

Henry Kissinger, former U.S. secretary of State, introduced Ratan Tata, and surveyed his contributions to India and the United States. Klaus Kleinfeld explained how Mr. Tata has supported the performance of Alcoa as a board member.

Meyer Feldberg introduced Terry Lundgren and explained the work Mr. Lundgren has done at Macy's, Inc. Kevin Burke noted Macy's increased revenues, increased number of associates hired and Macy's focus on sustainability during his tenure as chairman, president and ceo. He also paid tribute to Mr. Lundgren as a philanthropist, champion of education and champion of NYC.

The full texts of Henry Kissinger's, Klaus Kleinfeld's, Ratan Tata's, Meyer Feldberg's, Kevin Burke's and Terry Lundgren's remarks are given below.



Judging Committee

César Alierta Izuel '70

Chairman and CEO, Telefónica

Rob Amen '73

Columbia Business School

Kevin Burke '83

*Chairman, President and CEO,
Consolidated Edison*

John Church

SVP, Supply Chain, General Mills

John Coatsworth

Provost, Columbia University

Tom Cole

*Chief Administrative Officer, Macy's,
Inc.*

Fred Curado

President and CEO, Embraer

Bruno Di Leo

*SVP for Sales and Distribution, IBM
Corporation*

John Dillon '71

Senior Advisor, Evercore Partners

Ali Dođramacı

*Chair, Board of Trustees, Bilkent
University*

Awi Federgruen

Columbia Business School

Beth Ford '95

*Chief Supply Chain & Operations
Officer, Land O'Lakes, Inc.*

Nelson Fraiman '71

Columbia Business School

Peter Gibbons

*EVP, Global Supply Chain Operations,
Starbucks Coffee Company*

Lynne Greene

*President of Clinique, Origins, & Ojon,
Estée Lauder*

Thomas Groos '80

Partner, City Light Capital

Richard Jaffe '92

Managing Director, Stifel, Nicolaus & Co

Jeffrey Keefer

Former CFO, DuPont

Klaus Kleinfeld

Chairman and CEO, Alcoa

Shelly Lazarus '70

Chairman Emeritus, Ogilvy & Mather



Sang Wan Lee

Executive Advisor to CEO, Samsung Electronics

Nicolás Loaiza '11

Co-founder and CEO, Bodytech

Sergio Marchionne

Chairman and CEO, Chrysler Group LLC; CEO, Fiat S.p.A.

Andrew McNaughton

COO, Balfour Beatty

Sunil Mittal

Chairman and CEO, Bharti Enterprises

Jorge Morán

President and CEO, Sovereign Bank

David Niles '98

President, SSA & Co

Bennett Nussbaum '71

SVP and CFO, Winn-Dixie

Paul O'Neill

Former Secretary of the U.S. Treasury

Janet Robinson

Former President and CEO, The New York Times

Keith Sherin '91

Vice Chairman and CFO, General Electric

S.D. Shibulal

Co-founder and CEO, Infosys

George Stalk

Senior Advisor and BCG Fellow, BCG

Burt Steinberg '70

Former President and Director, Dress Barn

David Thurm

COO, The Art Institute of Chicago

Carlo Tunioli,

Senior Vice President, Benetton USA

Garrett van Ryzin

Columbia Business School

Photo highlights from the Deming Cup Award Ceremony 2012



Terry Lundgren receives the award. From left to right: Kevin Burke, Meyer Feldberg, Terry Lundgren, Brent James, Rob Amen, Tom Cole, and Nelson Fraiman.



Ratan Tata receives the award. From left to right: Tom Cole, Klaus Kleinfeld, Ratan Tata, Paul O'Neill, Sergio Marchionne and Rob Amen.



Glenn Hubbard, Nelson Fraiman and Paul O'Neill greet guests at the receiving line. From left to right: Paul O'Neill, Frank Thomas, Ratan Tata, Don Golfarb, Glenn Hubbard, Henry Schacht, Nelson Fraiman and Klaus Kleinfeld.



GG Michelson and Paul O'Neill.



Nelson Fraiman welcomes Keith Sherin.



Jill Schurtz and Beth Ford.



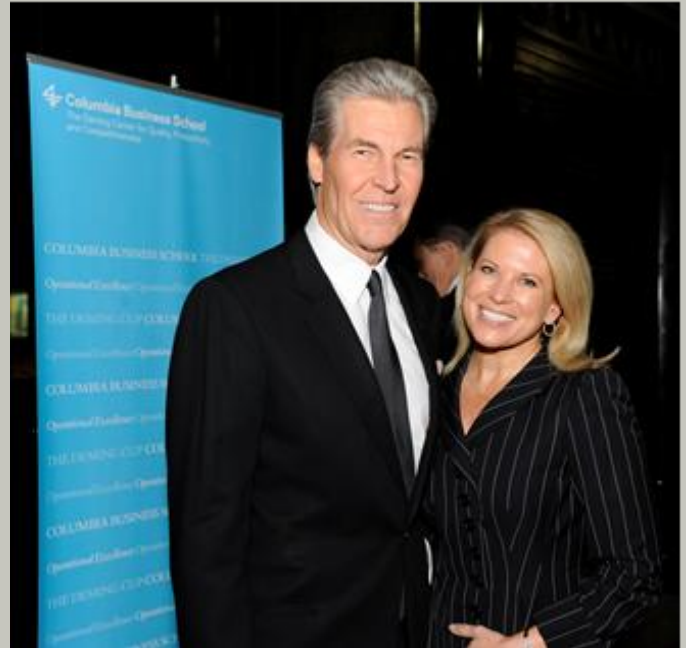
Ronny, Poppy and Rich Wurtzburger.



Friends and family of Ratan Tata enjoy the ceremony.



Jane Lauder and Lynne Greene.



Terry Lundgren and his wife Tina.



Meyer Feldberg and Awi Federgruen.



Bennett Nussbaum, Bruce Robertson and Sergio Marchionne.



Meyer Feldberg, Mike Gould and Burt Steinberg.



Shelly Lazarus and Klaus Kleinfeld.



John Coatsworth opens the Deming Cup 2012 and welcomes the audience.



Dr. Henry Kissinger introduces Ratan Tata



Kevin Burke introduces Terry Lundgren.





The dinner concludes with a group photo of all recipients of the Deming Cup. From left to right: Terry Lundgren (2012), Ratan Tata (2012), Sam Palmisano (2010), Sergio Marchionne (2011) and Brent James (2011).

Agenda

Welcoming Remarks and Introduction

Nelson M. Fraiman, Professor, Columbia Business School

John H. Coatsworth, Provost, Columbia University

Thomas L. Cole, Chief Administrative Officer, Macy's, Inc.

Speakers

Henry A. Kissinger, Former U.S. Secretary of State

Klaus Kleinfeld, Chairman and CEO, Alcoa

Ratan N. Tata, Chairman, Tata Sons Limited

Meyer Feldberg, Dean Emeritus, Columbia Business School and Senior Advisor,
Morgan Stanley

Kevin Burke, Chairman, President and CEO, Consolidated Edison, Inc.

Terry J. Lundgren, Chairman, President and CEO, Macy's, Inc.

Closing Remarks

Robert M. Amen, Executive in Residence, Columbia Business School

Dr. Kissinger's remarks to introduce Ratan Tata

Ratan and friends, if you look at me, you will see a victim of the New York social life. I could come only for a few minutes to pay my respects to Ratan, because I have to go to another occasion. But I would have not missed this.

I've known the Tata family since I met JRD Tata, the uncle of Ratan, a man of unlimited imagination, unbelievable dedication and great courage. He devoted himself in respect to me to getting me to come to India so that he could smooth over some differences of opinions that had been developed while I was Secretary of State. We never quite made it. But then I met Ratan.

I never thought that anyone could match JRD's influence, rich and dedication. But Ratan, in its understated way, in his careful and visionary approach, both to business and India, he has dedicated to India but also understood the importance of relating India to the rest of the world. And that country surrounded by conflict, the only democracy in the immediate region, is now entering the global economic system and will play a greater role in the years ahead. I've known no one who has dedicated himself to the progress of India, to democracy and to humanitarian causes in India as he did.

He has been my guide and the guide of many Americans in dealing with India, a complicated country. He has led a great business organization and has transformed it from a national into an international institution. This was not an easy task, but Ratan has carried it out with enormous distinction.

I'm here because I'm very grateful to him. And also because of what I know, about what he has contributed to India, to the relationships between India and the United States. I understand that he is retiring in a few months. That is not conceivable and it will not really happen. What it means, he is shifting his activities from administration to execution of division.

Thank you all for giving me this opportunity and thank you for giving him this prize to a truly distinguished leader.

Klaus Kleinfeld's remarks to introduce Ratan Tata

Good evening. It is a true pleasure to me to be here tonight and to introduce a real recipient of the Deming Cup. I really can't think of a better person to receive this award.

Ratan... I've gotten to know him since he is a member of the Alcoa board and we consider ourselves extremely lucky to have him and I will tell you why.

Ratan has been educated as an architect and I think that says a lot about him. A great architect dreams first. A great architect sees things before they emerge and make us see the beauty of it. A great architect has a creative vision but at the same time a great architect has the capabilities to get something done. A great architect has a perspective. The capability of envision something in the 3D space. That alone says a lot about Ratan. But he added an unbelievable flexibility of intellect. The smart capability of deep bottlenecking and execution. And a global unique perspective. A true global visionary.

Let me go to a different perspective, the execution part. Like as I said, as an architect he also has the capability to make his dreams come true. He wanted to build the new Volkswagen. And said: "I want to build a new Volkswagen for the developing world". And then he put the price tag: \$2,500. And everybody in the industry said: "There is a crazy man in India and he will not succeed". I still remember when Ratan spoke about the idea of what to leave out, instead of what to add. This is the amount of detail he goes into.

It did not stop there. Another project that is a little less known here in the west but very well known the \$5,000 mini truck. This is now the most important transportation medium used in many of those developing countries.

Then came the time when you start stepping into the large shoes that your predecessor had left you. In 1993 you became chairman of Tata Steel and refocused the company immediately to look at the global competitiveness. And today Ratan your company Tata Steel is among the top 10 in the steel industry. That alone is a great achievement.

Again, it did not stop there. Now he has tried the sweet taste of globalization, he went after the automotive firms. Because that is another passion of Ratan. He went after Jaguar and Rover. And he made sure his vision again came true. He put a team in place to execute his vision. And look at what we have today. Very successful. A great turnaround. I take my hat off to it. It is fantastic.

Ratan is truly a fan of the Deming principles. He is a truly a believer of business excellence. Ratan put together the Tata business excellence model, which has a 100 point scale and every business unit is evaluated along this scale.

That already could conclude my remarks. I cannot close without mentioning, probably to me, the most important aspect of Ratan, and that is his values. They stand out totally unmatched, I would say.

And Ratan, you also see your role in society. But you see it in various layers. And I would say the most basic layer is your conviction of every man can make it to something if you give the person the proper education. An education is the gift of knowledge and you have put a lot of time into it. I know that you have programs around like the TCS program or the literature program that has trained more than 250,000 Indian basic reading.

To me it was a very marking moment when we, as Alcoa, decided to build a large aluminum system in Saudi Arabia. One of the concerns we all had was how we were going to be able to educate people that are not used to work in an industrial environment. And Ratan, you told me: "Klaus, you know that you will have to invest in education. I want to be by your side. I believe that education is the most important thing that we could give to any region". That is the man we are honoring tonight.

Ratan, his vision, his execution, his values have transformed the Tata group into an organization that truly embodies the Deming principles. Your leadership Ratan, your commitment to excellence, make you an excellent recipient of today's award.

Let me bring this man up. Ratan.

Ratan Tata's remarks on accepting the third annual Deming Cup

Thank you Klaus. I have to say that I'm not used to hearing so much about the good things I did. Normally people talk about the mistakes I've made. So thank you very much. I'm overwhelmed, and I'm honored that you have chosen me.

I would like to thank the selection committee of the business school for the award. But especially I would like to express my thanks to the 450,000 employees of the Tata Group. Without their commitment, their results, and their dedication to the job, it would have been impossible to do the transformation we have tried to do. The only thing I can say with humility is that I accept this award on their behalf, respecting the contributions that they have made. I do that with a great deal of pride, because we succeeded in transforming a large group, known as slow moving, traditional, not so aggressive in the market place, and with their help and with their commitment, we transformed it into a more aggressive institution.

During this transformation we set three guiding principles: To be bold, to think big and to lead and never follow. All through this exercise Dr. Deming has been an inspiration for continued excellence, improvement, quality and productivity. This has helped us to make the transformation successful without compromising our values systems and our ethics.

I would be lying if I say that this journey is completed. In fact in my view it just has started. We have a long way to go to sustain what we have built and we need the commitment and the dedication of our employees. What you have given me today is going to be the largest motivator to make this happen. So this will be seeing by every single one of our employees as recognition of what we have been trying to do in India.

Thank you.

Meyer Feldberg's remarks to introduce Terry Lundgren

It was fifty years from the time I was first in this building. I came to Columbia as a graduate student fifty years ago and I was in Low Rotunda in 1963. This is a great space. This is an appropriate space to honor the two honorees, Terry Lundgren and Ratan Tata, this evening for the Deming Cup.

I have spoken many times in this space. I remember introducing Dr. Kissinger in this rotunda at a Business School dinner in early 90's. Six month ago I moderated a discussion between mayor Bloomberg and Jeff Immelt. I also moderated a discussion between mayor Bloomberg and Boris Johnson, mayor of London. In addition, this place is also open to the constituency around Columbia. My granddaughter had her graduation ceremony from middle school in this space. So, this is a very special space and I'm delighted that we are honoring my friend and colleague Terry Lundgren this evening in this particular space that is part of my home. I'm also delighted to have our Provost here, John Coatsworth.

I remember in 1990 a group of faculty members came to visit me in my office and said "we would like you to make an offer to Edwards Deming as a distinguish Professor at Columbia Business School". I was persuaded and in fact we hired Professor Deming as distinguished Professor to teach in the school. He taught for about three semesters a course Quality Control Management. As it happens my son was a student and took his class. Ever since then he keeps reminding us of Deming's great phrase "you can know everything about water and nothing of ice."

So my role tonight is to introduce my friend and colleague Terry Lundgren, Chairman and CEO of Macy's as the recipient of the Deming Cup.

I joined the Board of Federated in 1991 shortly after the company came out of bankruptcy. In 1994 after the acquisition of Macy's the entire group was renamed to Macy's. I have been in the board with three different CEO's. Terry became the CEO in February 2003. In 2005 Terry made the bold decision to acquire the May Company and in one dramatic step doubled the size of Macy's.

I want to tell you about Terry as an individual, but first some data on his 10-year term.

When Terry became CEO in 2003 Macy's had 456 stores. Today it has 846 stores, which is 150 million square feet or 4,000 acres or 5 times the size of Central Park. The number of employees went from 113,000 in 2003 to 175,000 in 2012. Market capitalization increased from \$4.9 billion to \$15.4 billion. Sales grew from \$15.4 billion to \$26.4 billion. Macy's is the nation's largest-volume seller of most every major brand offered at Macy's -- including Ralph Lauren, Estee Lauder, MAC cosmetics, Coach, Calvin Klein, Michael Kors and Tommy Hilfiger.

What is the story behind these numbers? Who is Terry Lundgren and how did he get Macy's to where it is today?

First we all must understand that Macy's and Bloomingdale's are iconic national brands in the United States.

Second thing we need to understand that everyone is a customer of Macy's and Bloomingdale's. In this room tonight each and every one of you has visited a Macy's or a Bloomingdale's 20, 30, 40, 50 times during your lifetime. You visited as a child, as a teenager, as an adult, as a young married, as a parent, as a grandparent. Everyone in this room is or was a customer of Macy's or Bloomingdales. This is what Lundgren is responsible for, a true piece of Americana that happens to be a fabulous business that provides permanent jobs for nearly 180,000 people and seasonal jobs for 80,000 people.

For Terry it is about the stores, the fashion, the prices, the inventory, the advertising, the marketing, the coupons, but above all else it is about the people. His people, his colleagues. I meet with Terry Lundgren at least once or twice a month at a Board meeting, at a Committee meeting or one on one. I have never seen him flustered or rushed. He is always attentive and agreeable. He likes people.

Every year we go on several store tours. We walk into the entrance of the store, the Board and Senior Management with Terry in front. After 3 minutes Terry has disappeared. He is standing with a group of Sales Associates chatting with them. People come around him. He connects. He has an essential human touch. He has the unique attribute of empathy.

What is it that distinguishes him as a leader? I could recite all the standard leadership characteristics, but instead I'm going to list the 4

things that for me most differentiate Terry from many of his compatriots.

The first is his passion, enthusiasm, and energy. Terry understands the difference between 100% and 90% is not 10%, but is the difference between success and failure.

The second thing is that Terry is a team builder; he surrounds himself with talented people. This gives the board confidence.

The third thing is that he is bold, he has an excellent judgment. He gets the big calls right. In 2005 he persuaded all cities to change all the nameplates to Macy's or to Bloomingdale's in order to create a national brand. It was the right call.

The final element is his vision. He has a great capacity in articulating his vision, a vision that is understandable.

You know that retailing is a 24-hour-a-day business, 365 days a year. The stores, the warehouses, and the online business. In spite of the demands of his job, Terry spends considerable time with his beautiful wife Tina and with his 2 daughters. He is passionate about golf and has now become a jogger and a runner. His ambition is to be able to keep up with Tina.

Ladies and gentlemen, it is my privilege and honor to present Terry Lundgren for the Deming Cup. Terry is a friend and a colleague.

When Hollywood make the next movie about Macy's the Studio Director will come to Herald Square, he/she will go up to the 13th Floor of the Macy's building, will walk into Terry's office, have one look at him and say, "That's the star. That's my lead." This man was truly made for the part.

I thank my colleagues at the Business School for inviting me, an old Dean back to introduce my friend Terry Lundgren this evening.

Thank you very much.

Kevin Burke's remarks to introduce Terry Lundgren

It is my pleasure to recognize the Deming Cup award honoree Terry Lundgren.

I'm not going to talk about one Terry Lundgren. There is many different Terry Lundgren. We are here to honor the Terry Lundgren who started working as a department store trainee and became chairman of the corporation. We are here to honor the Terry Lundgren that led his business to increasing success through the turbulent economic downturn. The Terry Lundgren who fosters social responsibility within his organization and in the larger community. And I see what he does in New York city. The Terry Lundgren who supports education and philanthropy. And the Terry Lundgren who is really a champion for New York city and the United States.

I can spend all evening just naming Terry's accomplishments . Of course I won't, but I do want to give you a few examples.

Terry, the business man, begun his retailing career in 1975. He was a trainee with Bullocks, a division of Federated Department Stores. Within 20 years he was chairman and chief executive officer of the Federated Merchandising Group. Under his leadership the company doubled in size in just 18 month through strategic acquisitions. As the head of Macy's, Terry has increased revenues by more than 70% since 2003. Sales also increased by billion dollars each year during the past two years.

The great recession has profoundly affected

many industries across our nation. Under Terry's leadership Macy's added 50,000 associates during the past 10 years. And that is a truly example of Terry's leadership.

But there are other Terry's. Terry the socially responsible citizen. He introduced to Macy's a focus on environmental sustainability. The company reduced the use of paper, and increased recycling. Macy's also reduced the use of electricity by 31% since 2002. And you might be surprised I say this, but we do encourage energy conservation.

Terry has also been a champion of education and continues to sponsor his alma matter, the University of Arizona. He inspires students. Terry has personally established scholarships. The School of Family and Consumer Science Center has created the Terry Lundgren Center for Retailing in his honor. Macy's helped to create the Career Service Center. Terry and Macy's continue to be strong partners of the University.

Terry also supports education and issues in New York city. Terry and Macy's have specially supported the Life Science secondary school. It is not surprise that Terry has forged a strong partnership with the Fashion Institute of Technology. Students of FIT has become associates at Macy's working in design, merchandising, planning, buying, and other areas.

Terry the philanthropist has taken a leadership

role in the community through service on charitable and public boards. Terry's personal focus reflects two important sides of New York City. The leading center of commerce and finance and also the center of arts and culture.

Terry received the Carnegie Hall medal of excellence for his outstanding philanthropic leadership in New York.

Finally Terry the champion for New York city. I've enjoyed working with Terry at the partnership for New York city, which Terry co-chairs. The partnership engages business leaders to advance the city, the state, and the country's economy. Terry always looks for what is best for the people and the city and the country. But some of the work has been reflected in the partnership investment funds, which has raised more than 100 million dollars and made more than 100 investments in businesses in non-profit projects in New York city, which continues to grow.

In a New York Times interview Terry described a poster at Bullock's. The poster said: "Bloom where you're planted." It means... "whatever you do, whatever you are doing, do it really well". And this evening we celebrate all of what you have done, really really well. For Macy's, for your customers, your employees, and for the people in New York city.

Ladies and gentlemen I'm honored to introduce Terry Lundgren.

Terry Lundgren's remarks on accepting the third annual Deming Cup

Thank you, thank you very much. Professor Feldberg, Kevin, Nelson and congratulations to Ratan for his extraordinary transformation of the Tata group. I want to thank several people that are here in support of us tonight, many members of my board, my management team, many business partners and my wife Tina. Thank you.

So typically we might not associate a Deming model with a customer driven business like Macy's or Bloomingdales. But his 14 principles are very tight to the way we operate in our company because Deming talked about team work, vendor collaborations, communication, motivation, precision and management effectiveness. These are all things that every retail organization needs to have in order to succeed.

One of Dr. Deming quotes is: "The worker is not the problem. The problem is management". We have a 180,000 full-time employees and we share this belief in our company. I've always found along in my career that people who work for you they want to do the right thing, they want to perform well, and they want to be successful in the company. But management needs to be clear in the definition of success.

What do you expect from your associates to do? What are the tools required to make sure they are capable of delivering success. All of these things are up to management to deliver.

Also is key to deliver clear, constant and consistent communication. We are not sitting in an office in New York trying to find out what

customers in Miami Beach want from us. We are up there and we are visiting the stores and listening closely. We have created a two way open dialogue with up to 50,000 of our associates. I think this is really what Dr. Deming would have prescribed as a high potential success for a company.

Our business model does require precision. We have around 7 million products in our stores across the country. If one of our buyers buys a beautiful cashmere sweater and this looks fantastic in our show room, it doesn't mean it will sell well in Phoenix Arizona in August. No matter how beautiful it is. If the same sweater is in Chicago in October there is a high potential that the product will sell well, but only if it is in the right size, in the right fit and in the right quality that the customer is looking for. So, it is in a way a complicated business to get all of these logistics right.

Now let me talk about a couple of quick examples about how Dr. Deming principles clearly apply to the Macy's model. Deming teaches that you must first fix the system to improve results. In our case the system is called My Macy's. And this aim to satisfy customers in individual stores and individual markets. What we define success in My Macy's is when a customer walks into a store in any of our cities across the country and says: "This is My Macy's, because you know me, you get me, you are satisfying my needs because the products you are offering in this store is about me". And it is very different in Minneapolis that it is in Orlando. So trying to get into these details is a critical aspect of what we do.

Six years ago, as Meyer said, we changed the name of 400 department stores in one day. This decision was not necessarily popular in any city, but we did it with a great deal of caring and listening. We met with our associates in every city and talked about the business model. And the business model started with: “We are now a national company. We had stores in the east coast and in the west coast. We have missed the middle of the country. We were not there”. We could not advertise in the Macy’s Thanksgiving Day parade, which has driven me crazy because it is the 3rd most watched television program on earth. We were not able to advertise on our own television program. So, that was controversial. But that was not the most complicated of our decisions.

Much more complicated was taking seven of our corporate divisions four years ago and changed that model dramatically. We had thousands of people working in seven cities around the country. But they were getting away from the customers, so we changed that model to replace them with sixty nine small districts with 20 people in each of these markets. They now know the customer, they know our top sales associates, they know our management locally, and they are the ones directing what we should have in each of these local markets. That has been the biggest win for our company. This is what we call My Macy’s breakthrough. And the rate of success has grown tremendously.

There is no technology that can tell you, when a customer walks into one of our stores and we don’t have the product, what was that product.

There is no technology that will tell you this, but a human being can. So we put these educated individuals to tell us this information and to make sure our strategy is human driven strategy. So we did this, and at the same time we took half of a billion dollars of the operating costs out of the business by changing our structure. I know this would make Dr. Deming very happy.

Another quick example is where technology is king. Now we have the ability to search the entire system, the network of our stores, find a product and deliver it to the customer. Before, when a customer walked in and we did not have the product, we used to ship it from our online business, if we had the inventory, but frankly, two out of three times we didn’t. So today we are now accessing all our inventories. And the chance of success has risen again dramatically.

In addition, our associates are using pads to identify shelves merchandise instead of opening every case and find jewelry. They are also using pads at the floor in Macy’s and Bloomingdales in the shoe department, but not only to find the inventory, but to signal the inventory to be brought to the customer. And there are so many more applications that are happening right before our eyes that are making our ability to satisfy customers much more effectively than in the past. And based on the speed of technology in the online retail business, this will help us dramatically in the month and years that are ahead of us.

However we have some much room to improve and Dr. Deming concept of continuous improvement lives in our companies. This is a great recognition for my outstanding team who has helped us to achieve the results and we are accepting this recognition on behalf of our employees.

Thank you very much for this evening.



Columbia Business School

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and Competitiveness

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