



Reductions to Our Workforce

The following message from CEO Eric Artz was shared earlier today with impacted co-op employees.

Jan 25, 2024

Team,

I have difficult news to share today that will impact each of you in some way. I want to start with the difficult part first, and then I'll share more about why, how we got here, and a bit about how we'll move forward.

Today we will reduce our total workforce by 357 people, impacting 200 people at headquarters, 6 in S&CS, 30 in Experiences and 121 in our distribution centers. No non-HQ store-specific roles are impacted. I am sharing these details with you this morning, so that you have a clear picture of what will happen today and in the days to come. Decisions like these—with real impacts to people's lives and livelihoods—are the most difficult that I must make as your CEO.

The coming days are going to be tough as we let go of a lot of good people. We're going to do everything we can to support them, but that will not make this moment any easier. Each of you will have a lot to process, whether you are leaving the co-op or staying. Our priority today is to have the necessary conversations with colleagues we are saying goodbye to, and we will create more time in the coming days to discuss how we move forward.

While this work was primarily driven by financial necessity, we took a strategic approach to evaluating team structures against business needs to ensure consistency across the organization as leaders made decisions about which roles to eliminate. While many decisions were based on work that no longer exists, we also focused on reducing duplicative work, layers and hierarchy to build more efficient and connected teams.

What to expect over the next few days

When we've had to make difficult decisions like these in the past, you've shared clear feedback asking for more transparency and time to understand what's happening—and why. I shared the market context and probability of today's changes in December, and committed to coming back to you as soon as we had clarity about how we would move forward. That's why I'm sharing this now, before all conversations have been completed.

Here's what you can expect from us over the coming days:

Today:

- Leaders will inform all employees whose jobs are being eliminated via 1:1 conversation. Every employee whose job is eliminated will receive separation benefits including severance, COBRA, and outplacement support and services.
- I will send a brief note later today to let you know when all conversations are complete. Following that, team leaders will pull their teams together to share and process individual team impacts.

Tomorrow:

- Divisional leaders will schedule team meetings to share major divisional impacts and changes.

Early next week:

- We'll share an overview of our plan moving forward, including major updates to work and projects.
- Our next HQ town hall will be focused on further explaining these changes and the plan moving forward. I want you all to hear directly from me and other senior leaders.

In addition to today's reduction in force, I am announcing the following actions:

- While 2023 results are not yet final, we believe we will achieve a payout just above the enterprise threshold for the 2023 Summit Incentive Plan for headquarters, Experiences and Sales & Customer Support. The summit results for stores and distribution centers will continue to be calculated separately based on their individual plans. Assuming no material changes to the preliminary results, all Summit-eligible departing employees would also receive a 2023 Summit payout upon final approval.
- We will not fund merit increases for headquarters (including leaders) in 2024. Some teams will remain eligible for 2024 merit: store teams and managers, DC teams and managers, S&CS teams and managers and non-HQ Experiences teams and managers.
- We will not backfill recent leadership departures as we take the opportunity to right-size our senior leadership team to the needs of our business. Altogether, we are reducing the size of our senior leadership team by 22 percent for 2024.

How we got here

As you know, the state of the business—and our industry—has become increasingly challenging and highly promotional. As I shared in my most recent CEO Huddle, while the U.S. as a whole has avoided entering a recession (by definition, two consecutive quarters of total U.S. market decline), outdoor specialty retail has experienced four quarters of decline—and that trend has been worsening. While we were able to outperform this trend for much of the last year, it caught up to us in Q4 and we now expect conditions to remain very challenging throughout 2024.

As a result, we are planning this year's revenue to be down from 2023, reflecting the macroeconomic conditions we are expecting for 2024. When we plan our revenues down, we must adjust our plans and cost structure accordingly. We must also continue our work to return REI to profitability to set the co-op up for long-term health and success.

As a cooperative, we have both the privilege and the deep responsibility to think longer term, about generations, not just quarters. We can—and must—get through this moment because **the world needs a healthy REI**. We understand time outside is fundamental to a better life, a life well lived. Our mission is to help more people get outside and to create equitable access for everyone to spend more time outside. We also know there is no mission without margin. Running a healthy, profitable business fuels our mission and the collective positive impact we aspire to create in the world.

The year ahead will require us to make strategic and intentional choices to control the things that we can. Many of these choices will be difficult. And they are what we must do to ensure the co-op is healthy for the long-term.

Where we go from here

Our work is important, and REI makes the world better. We will talk more about what the path forward looks like over the coming days and weeks, but the next 24 hours are about supporting people. Today, I simply ask that you take care of yourselves and each other. Remember that we have resources, like the Employee Assistance Program, to support you as well.

Continue to move with care and compassion as you always do. And know that I am deeply grateful for each one of you. I'll be back to share more about how we move forward in a few days.

Eric

About the REI Co-op

REI is a specialty outdoor retailer, headquartered near Seattle. The nation's largest consumer co-op, REI is a growing community of 23 million members who expect and love the best quality gear, inspiring expert classes and trips, and outstanding customer service. If you can't visit one of our many [stores](#), you can shop at [REI.com](#), [REI Outlet](#) or the [REI shopping app](#). Everyone is welcome to shop REI, but members who join the co-op enjoy a [range of benefits](#). More than a retailer, REI is a purpose-driven and values-led company dedicated to enabling life outside for all.

