

WHAT WOULD YOU DO?

Customer Service at Nordstrom: A Way to Mitigate Potential Conflict?

CASE STUDY

Customer service can become a highly contentious situation when employees are confronted with dissatisfied or disgruntled patrons. How employees handle these situations will affect customer loyalty, the company's reputation, and ultimately its profitability. Handled well, such situations can result in reduced conflict with customers and can strengthen a company's relationship with its customers. Handled poorly, these situations can erode customer relationship management and perhaps eventually destroy the company.

Nordstrom, an upscale retailer headquartered in Seattle, Washington and operating almost 200 stores in about three-fifths of the states in America, G.A. Fowler and R. Dodes, "Corporate News: Retailers Tap Stores to Speed Online Orders," *The Wall Street Journal* (Eastern edition) (May 20, 2010): .G.A. Fowler and R. Dodes, "Corporate News: Retailers Tap Stores to Speed Online Orders," *The Wall Street Journal* (Eastern edition) (May 20, 2010): B4. provides some valuable clues on how to do customer service the right way. "While Nordstrom was growing nationally, it focused on catering to customers' needs, individually. Instead of categorizing departments by merchandise, Nordstrom created fashion departments that fit individuals' lifestyles. Today, Nordstrom has grown from one downtown Seattle shoe store into a nationwide fashion specialty chain with renowned services, generous size ranges and a selection of the finest apparel, shoes and accessories for the entire family. The company's philosophy has remained unchanged for more than 100 years since its establishment by John W. Nordstrom in 1901: offer the customer the best possible service, selection, quality and value." Anonymous, "About Nordstrom: Company History," Nordstrom Web site, <http://shop.nordstrom.com/c/company-history> (accessed July 18, 2011). Anonymous, "About Nordstrom: Company History," Nordstrom Web site, <http://shop.nordstrom.com/c/company-history> (accessed July 18, 2011).

Nordstrom is famous for its exceptional customer service. Whether it's true or not, a classic story about

Nordstrom's service tells the public a lot about the high-end retailer's approach to customer relationship management. According to the story, "[a] man walked into the Nordstrom department store in Fairbanks, Alaska, with two snow tires. He approached the counter, put the tires down and asked for his money back. The clerk, who'd been working there for two weeks, saw the price on the side of the tires, reached into the cash register and handed the man \$145. It didn't matter that Nordstrom sells upscale clothing and not tires. The customer wanted to return the tires. The clerk accepted the return because that is what the customer wanted." B. Janet, "Customers Never Tire of Great Service," *Dealerscope* 50(7) (July 2008): .B. Janet, "Customers Never Tire of Great Service," *Dealerscope* 50(7) (July 2008): 40. John Nordstrom, one of three brothers in senior executive positions at the retailer, "claims he was there and that the refund took place in a former tire store that had been converted [into] a Nordstrom outlet." B. Janet, "Customers Never Tire of Great Service," *Dealerscope* 50(7) (July 2008): .B. Janet, "Customers Never Tire of Great Service," *Dealerscope* 50(7) (July 2008): 40.

Nordstrom handles customer returns on a case-by-case basis. N. Templin, "Cheapskate: How It Felt to Be Kicked by a Running Shoe," *The Wall Street Journal* (Eastern edition) (November 13, 2008): .N. Templin, "Cheapskate: How It Felt to Be Kicked by a Running Shoe," *The Wall Street Journal* (Eastern edition) (November 13, 2008): D3. Sometimes Nordstrom will replace items years after their purchase—just to keep the customer happy. N. Templin, "Cheapskate: How It Felt to Be Kicked by a Running Shoe," *The Wall Street Journal* (Eastern edition) (November 13, 2008): .N. Templin, "Cheapskate: How It Felt to Be Kicked by a Running Shoe," *The Wall Street Journal* (Eastern edition) (November 13, 2008): D3. "We really think a reason our customers shop with us is that we stand behind our merchandise," says a Nordstrom spokesperson. N. Templin, "Cheapskate: How It Felt to Be Kicked by a Running Shoe," *The Wall Street Journal* (Eastern edition) (November 13, 2008): .N. Templin, "Cheapskate: How It Felt to Be Kicked by a Running Shoe," *The Wall Street*

Journal (Eastern edition) (November 13, 2008): D3. “Returns of *Nordstrom* products do not have to include a sales invoice or a *Nordstrom* price tag. . . . *Nordstrom* knows it’s not the price but the customer service that gains and retains loyal customers that generate strong profits.” B. Janet, “Customers Never Tire of Great Service,” *Dealerscope* 50(7) (July 2008): . B. Janet, “Customers Never Tire of Great Service,” *Dealerscope* 50(7) (July 2008): 40.

Nordstrom’s sales associates also keep close tabs on their clientele so they can provide excellent customer service—especially to patrons who are frequent shoppers and who spend considerable sums of money. Associates carry a clientele book with them onto the selling floor and they refer to it when a recognized or high-valued customer comes into the store. The clientele book contains information about the specific customer’s recent purchases, important dates, and fashion tastes, among other data items. Anonymous, “Precision Merchandising,” *Dealerscope* 51(1) (January 2009): , , , and . Anonymous, “Precision Merchandising,” *Dealerscope* 51(1) (January 2009): 22, 24, 26, and 28.

More recently, *Nordstrom* has begun “issuing mobile devices that workers on the sales floor can use to scour the company’s inventory for a garment in a size a customer is requesting. The shopper pays on the spot, with no need to locate and wait at a cash register.” A.M. Zimmerman, “Check Out the Future of Shopping — Shaving Time Off the Weekly Grocery Run to Keep Consumers in Stores and Spending,” *The Wall Street Journal* (Eastern edition) (May 18, 2011): . A.M. Zimmerman, “Check Out the Future of Shopping — Shaving Time Off the Weekly Grocery Run to Keep Consumers in Stores and Spending,” *The Wall Street Journal* (Eastern edition) (May 18, 2011): D1.

Nordstrom increasingly uses its large store network and large, centralized distribution hub to ship online orders quickly to customers. G.A. Fowler and R. Dodes, “Corporate News: Retailers Tap Stores to Speed Online Orders,” *The Wall Street Journal* (Eastern edition) (May 20, 2010): . G.A. Fowler and R. Dodes, “Corporate News: Retailers Tap Stores to Speed Online Orders,” *The Wall Street Journal* (Eastern edition) (May 20, 2010): B4. In recent years *Nordstrom* has invested heavily in integrating its online and in-store divisions, which has had the effect of providing better customer service because of merchandise being out of stock less frequently. G.A. Fowler and R. Dodes, “Corporate News: Retailers Tap Stores to Speed Online Orders,” *The Wall Street Journal*

(Eastern edition) (May 20, 2010): . G.A. Fowler and R. Dodes, “Corporate News: Retailers Tap Stores to Speed Online Orders,” *The Wall Street Journal* (Eastern edition) (May 20, 2010): B4.

Another way in which *Nordstrom* effectively serves its customers is by seeking feedback from them. Luxury retailers like *Nordstrom* have “embraced online customer reviews, . . . opening their websites—and the brands they sell—to the slings and arrows of public opinion.” R. Dodes, “Luxe Lowdown: Tony Sites Begin to Invite Buyer Reviews,” *The Wall Street Journal* (Eastern edition) (October 18, 2010): . R. Dodes, “Luxe Lowdown: Tony Sites Begin to Invite Buyer Reviews,” *The Wall Street Journal* (Eastern edition) (October 18, 2010): B1. *Nordstrom*, being a leader among luxury retailers, launched its online customer review system in the autumn of 2009.

The reasons that luxury retailers have launched online customer review systems include “the need to beef up online sales, and a realization among luxury retailers that customers want the ability to take shopping advice from their peers.” R. Dodes, “Luxe Lowdown: Tony Sites Begin to Invite Buyer Reviews,” *The Wall Street Journal* (Eastern edition) (October 18, 2010): . R. Dodes, “Luxe Lowdown: Tony Sites Begin to Invite Buyer Reviews,” *The Wall Street Journal* (Eastern edition) (October 18, 2010): B1. According to the E-tailing Group, 71 percent of online shoppers are influenced by customer reviews; and according to Bazaarvoice Inc., customer reviews tend to be overwhelmingly positive. R. Dodes, “Luxe Lowdown: Tony Sites Begin to Invite Buyer Reviews,” *The Wall Street Journal* (Eastern edition) (October 18, 2010): . R. Dodes, “Luxe Lowdown: Tony Sites Begin to Invite Buyer Reviews,” *The Wall Street Journal* (Eastern edition) (October 18, 2010): B1.

Perhaps the bottom line with respect to *Nordstrom*’s approach to customer service is best summarized in the observation made by John Graham. Writing in *The American Salesman*, Graham observes: “Being known isn’t what’s important. What adds to your panache and builds credibility is what you want to be known for. What’s important isn’t the *Nordstrom*’s name; it’s the link to extraordinary customer service that makes the store unique.” J.R. Graham, “A Sales Strategy That Works! How to Get the Fish in the Boat the Right Way,” *The American Salesman* 55(6) (June 2010): . J.R. Graham, “A Sales Strategy That Works! How to Get the Fish in the Boat the Right Way,” *The American Salesman* 55(6) (June 2010): 17–21.

DISCUSSION QUESTIONS

1 Dealing with dissatisfied and disgruntled customers is, perhaps, one of the greatest sources of conflict for retailers. Is Nordstrom's approach to customer service and customer relationship management an appropriate way to defuse or prevent potential conflict situations? Explain the reasoning behind your answer.

2 Using the assertiveness and cooperativeness dimensions that underlie the five conflict management styles,

explain Nordstrom's approach to customer service and customer relationship management.

3 Drawing on your answer to the preceding question, discuss the advantages and disadvantages of the conflict management approach that seems to characterize Nordstrom's approach to customer relationship management

SOURCE: This case was written by Michael K. McCuddy, The Louis S. and Mary L. Morgal Chair of Christian Business Ethics and Professor of Management, College of Business Administration, Valparaiso University. Michael K. McCuddy, The Louis S. and Mary L. Morgal Chair of Christian Business Ethics and Professor of Management, College of Business Administration, Valparaiso University.