*University of Phoenix Material*

Nordstrom Case Study Analysis

# Nordstrom—“High Touch” with “High Tech”

How does Nordstrom stay profitable despite dips in consumer spending, changing fashion trends, and intense competition among retailers? One answer: Acute attention to detail and well-laid plans.

**All in the Family**

The fourth generation of family members that runs Nordstrom has brought the store’s time-honored and successful retail practices into a new era. “Nordstrom, it seems, is that rarity in American business: an enterprise run by a founding family that hasn’t wrecked it,” says one business writer. The company provides a quality customer experience via personalized service, a compelling merchandise offering, a pleasant shopping environment, and increasingly better management of its inventory.

**Secret of Success**

The secret of this company’s success lies in its strategic planning efforts and the ability of its management team to set broad, comprehensive, and longer-term action directions, all of which are focused on the customer experience. The current generation of Nordstrom family members was quick to spearhead an ultramodern multimillion-dollar, Web-based inventory management system. This upgrade helped the company meet two key goals: (1) correlate purchasing with demand to keep inventory as lean as possible, and (2) give customers and sales associates a comprehensive view of Nordstrom’s entire inventory, including every store and warehouse.

**Demand Planning**

Instead of relying on one-day sales, coupon blitzes, or marking down entire lines of product, Nordstrom discounts only certain items. “Markdown optimization” software assists in planning more profitable sale prices. According to retail analyst, Patricia Edwards, this helps Nordstrom calculate what will sell better at different discounts and forecast which single items should be marked down. If a style is no longer in demand, the company can ship it off to its Nordstrom Rack outlet stores. It’s all part of Nordstrom’s long-term investment in efficiency. “If we can identify what is not performing and move it out to bring in fresh merchandise,” says Pete Nordstrom, “that’s a decision we want to make.”

**Inventory Planning**

Although inventory naturally fluctuates, Nordstrom associates can easily locate any item in another store or verify when it will return to stock. Customers on their smart phones and associates behind sales counters see the same thing—the entire inventory of Nordstrom’s stores is presented as one selection, which the company refers to as perpetual inventory. “Customer service is not just a friendly, helpful, knowledgeable salesperson helping you buy something,” says Robert Spector, retail expert and author of The Nordstrom Way. “Part of customer service is having the right item at the right size at the right price at the right time. And that’s something perpetual inventory will help with.”

The upgraded inventory management system was an immediate hit. As of launch day, Nordstrom found that the percentage of customers who purchased products after searching the website for an item doubled. It also learned that multi-channel customers—those who shop from Nordstrom in more than one way—spend on average four times more than one-source customers. This profit more than offsets the cost of hiring additional shipping employees to wrap and mail items from each store. Now Nordstrom doesn’t have to turn away the customer who spied a red Marc Jacobs handbag but found it out of stock in her local store. She can buy it online or at the store counter and it will be shipped to her, even from a store located across the country.

**Keeping It Lean**

By displaying stock both on its website and in its stores, Nordstrom has realized some very meaningful sales and customer service results. Items don’t stay in stock very long. The chain turns inventory about twice as fast as its competitors, thanks to strong help from online sales.

Fast-turning inventories are a sign a retailer is well managed, making it more attractive to investors. “The old, classic Nordstrom way is that if you sell more stuff, that compensates for any deficiency you may have in terms of technology,” says Robert Spector. “They didn’t want to replace the high touch with the high-tech. The challenge, not only for Nordstrom, but for other retailers, is how you strike that balance between having up-to-date systems and giving that personal service.” “Traditional retailers have traditional ways of doing things,” echoes Adrianne Shapira, Goldman Sachs retail analyst, “and sometimes those barriers are hard to break down.” But Nordstrom’s commitments to planning are paying dividends.

*Source:* Schermerhorn Jr., J.R., Bachrach, D.G. (2016) Nordstrom—“High Touch” with “High Tech”. In *Exploring Management* (Cases for Critical Thinking).

# Case Analysis Questions

**Answer** the following in up to 350 words each.

1. **Determine** the specific planning objectives and measures Nordstrom could use to assess the success of its Web-based inventory integration.

|  |
| --- |
|  |

1. **Explain** how Nordstrom could make use of participatory planning for continuous improvements in areas such as product purchasing, floor displays, and sales associates’ job satisfaction.

|  |
| --- |
|   |

1. Nordstrom wants to grow in a number of different areas.

**Research** one of its strategies and project it into the future.

|  |
| --- |
|   |

1. **Refer** back to one of Nordstrom’s strategies for growth.

What changes, revisions, or updates would you plan for the company? What stretch goals come to mind?

|  |
| --- |
|   |