*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.

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| Nordstrom should apply various measures and specific objectives in assessing the success of its Web-based inventory integration. Firstly, they should compare their actual sales quantity with the sales quantity in the benchmark. For instance, when they find out that the actual sales quantity equals or higher than the benchmark quality, they will know that the Web-based inventory is successful. According to a study by Paliulis, & Labanauskis (2015), benchmarking improves business quality. To the contrary, when they find out that the actual sales quantity is lower than the sales quantity on their benchmark, the Web-based inventory integration will be unsuccessful.  Secondly, comparing other competitors online sales with Nordstrom total sales can be another measure. Obviously, many businesses have various competitors. Thus competitors’ will try and introduce new strategies that will make them unique from other business entities in the same industry. For instance, Nordstrom should examine their competitors’ online sales and compare them with their actual sales. This will give them an opportunity to evaluate whether the Web-based inventory integration is successful or not. If their sales are more than their online competitors’ sales, the Web-based inventory integration is successful or unsuccessful when making low sales.  Thirdly, the business can compare the current years’ online sales with the previous year sales. A proper analysis can be done on the sales quantities of the business over a number of years. The success of the Web-based inventory will be realized when the current year online sales are more than the previous years’ sales. To the contrary, the Web-based inventory integration will be unsuccessful when the online sales of the current year are less than the sales of last years.  Lastly, customers’ reaction on the introduction of the Web-based inventory integration can also be used to assess the success of the Web-based inventory integration. It is natural that customers will have various views after the introduction of a particular technology to the business. If the majority of the customers will have positive views about the introduction of the Web-based inventory integration, then the management team will perceive it as a success to the business. |

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.

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| Nordstrom can make use of participatory planning to improve various sectors of the business such as floor displays, product purchasing, and sales associates’ job satisfaction. According to a study by Cilliers & Timmermans (2014), participatory planning improves business activities. Firstly, the way customers buy a business product is very important to the survival of the entity. Nordstrom can engage participatory planning to improve the way its products are purchased by the customers. For instance, through participatory planning, Nordstrom can inspire its customers. The firm can share the business vision with the customers.  In addition to that, Nordstrom can go on and ask customers about their opinions on the products it offers. Customers will air different views and opinions about the products. This will give Nordstrom a chance to deliver products that fit the tastes and preferences of the customers. Hence, this will increase the demand level of the products, thus leading to a high purchasing power. Involving the customers will reveal the current trends of various products in the market. Nordstrom will use this opportunity to provide products that are useful to the customers.  Participatory planning can also be used to improve the floor displays in business sectors. For instance, Nordstrom can engage with experts in designing to create a standardized floor display. A good floor display generally attracts customers to the business. The designers should assist Nordstrom in ensuring that all products in the floor displays are well positioned to attract more customers. The experts in designers should be well equipped with customers' information on various products. Hence, engaging the designers in planning will definitely improve the floor displays.  Lastly, participatory planning can help improve job satisfaction of the sales associates. Business should engage with their salespersons to understand their different capabilities. For instance, Nordstrom should create time and comprehensively engage with its sales associates. Clear evaluation of their needs should be conducted. The management can learn that some sales associates may not perform because they lack some skills and experience. Nordstrom should conduct training activities that will help their sales associates increase their efficiency in the business. |

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

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

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| Businesses usually want to grow to various places. Such businesses use certain strategies that help them to expand to different places. According to a research by Laudon & Traver (2013), internet services increase efficiency in businesses. Nordstrom business introduced the use of internet to its business activities. Customers find it easy to get a variety of information about the business in the online platforms. On the other hand, Nordstrom workers also have an easier time while conducting the activities. For instance, customers can clearly locate the stores where they want to shop. There might circumstances where a particular product misses in nearby stores and have to be shipped from another store  In addition to that, the online shopping saves time for both the customers and the sales associates. In Nordstrom, customers can shop online at the comfort of their homes. The introduction of the internet strategy has helped customers place orders from different parts of the country. On the other hand, the sales associates also save a lot of time while selling the products. They only deliver products to specific customers who have placed orders on variety of products. The introduction of the online shopping will also be of significant in the future to Nordstrom. The business will gain more customers in the future. This will be as a result of online advertisements and online shopping through the use of internet. Individuals will learn more about the business through the various online platforms such as Facebook, Whatsapp, Instagram, and Twitter. There are some instances where customers might be busy; the online shopping strate4gy will give a chance to such customers in getting what they wish at their residential homes or offices.  In addition to that, the introduction of internet shopping options will give rise to innovations in the business. Nordstrom will attract new inventions from other stakeholders of the business such as the sales associates. For instance, they can implement ways that create makes the business transactions easier than before. Hence, in the future, Nordstrom will attract many customers through the use of internet services such as the online shopping option. |

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?

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| Internet services are very essential aspects of the business. Nordstrom applies internet services as a particular strategy to expand its activities to various areas in the nation. However, the strategy should incorporate some changes and updates for it to work smoothly in favour of the business. For instance, the management team should only provide access to the computer services to some specific people. This update will enhance the security of business activities. There should be passwords and fingerprints introduced to the access of different computer facilities.  In addition to that, the company should hire qualified personnel to handle the internet services as well as the computer systems. This will add some expenses to the company but it will help in controlling the internet services department. Furthermore, customers will be assured of good services whenever they visited Nordstrom online option platforms. This will help in building a strong relationship between the customers and the company at large. Hence, good relations will lead to better conditions of doing business, thus increasing revenue to the company.  Nordstrom can increase its marketing ability through the introduction of promotions. Promotions can also be carried out through the internet. For instance, the social media platforms can be used to conduct various product promotions by the business. Promotions increase the business prospects of the particular firm. Nordstrom should provide promotional services to its customers. The customers will eventually have a way of learning more about the business products as well as closely interact with various personalities of the business. This will help the business to grow and expand its services to various areas of the nation. Hence, selling promotions will boost the total sales of the business entity.  Lastly, Nordstrom team of management should design various types of the target population in the online options. This will involve categorizing the population according to various needs and demands. This will help customers in selecting a particular link that has product brands matching their tastes and preferences. This option will minimize customers’ time in searching the products in the entire platform. Furthermore, the sales associates will know where to place much focus. |

References

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