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THE NORDSTROM WAY

Inside America's #1 Customer Service Company

ROBERT SPECTOR & PATRICK McCARTHY

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MAIN IDEA

The Nordstrom Way is to focus solely and exclusively on doing whatever it takes to create a satisfied customer.

The underlying philosophy and culture of the Nordstrom Way is disarmingly simple: Use your own initiative to provide customers with exceptional levels of service. You'll never be criticized for doing too much for a customer, only for doing too little. If you're ever in doubt, err on the side of doing too much rather than too little.

How the company organizes and empowers its employees to use their initiative in practice is impressive. Firstly, the company has a culture which lauds exceptional acts of customer service and stresses employees are free to use their initiative at all times and in all situations -- to act as if they were entrepreneurs in business for themselves. But equally importantly, the company then delivers on that basic premise by supporting its employees in the decisions they make.

The result is employees find innovative and appropriate ways to provide customers with knock-out levels of service. Customers love it, employees thrive on the responsibility and flexibility of their job and sales soar.

And paradoxically, the Nordstrom Way illustrates the direct link which many companies fail to realize -- specifically that the more front-line employees are trusted and empowered, the stronger the long-term relationship that can be built between a company and its customers. When a company gets the mix right (like Nordstrom has), it creates a sustainable competitive advantage that endures and flourishes.

The Nordstrom Way is the gold standard of customer service.

<u>1. America's #1 in Customer Service</u>	Page 2
Nordstrom is the gold standard of customer service -- the measuring stick by which other companies (in a variety of industries) measure themselves.	
What's interesting about that fact, however, is that Nordstroms is not just one company -- it is actually structured as an army of self-motivated, self-empowered men and women who use their own initiative to create satisfied customers using the Nordstrom model of customer service.	
<u>2. How It All Began</u>	Page 3
<u>3. The Essence of the Nordstrom Culture</u>	Page 4
Everything that has evolved into the Nordstrom approach to business has one simple objective -- to free employees to treat customers the way they like to be treated. The company's entire organizational structure is designed to provide the flexibility needed for employees to achieve that objective.	
<u>4. How Nordstrom Creates A Compelling Place To Visit</u>	Page 5
Nordstrom's objective is always to create a memorable experience whenever a customer visits one of its stores. To this end, what's in the store is considered to be another facet of the way Nordstrom provides superior customer service.	
<u>5. A Company of Independent Entrepreneurs</u>	Page 6
The salespeople who thrive under the Nordstrom system are those who have an entrepreneurial mindset, who are motivated self-starters and who love the flexibility that comes from being dedicated to doing whatever it takes to create a satisfied customer.	
<u>6. The Art of Selling The Nordstrom Way</u>	Page 7
Outstanding customer service is the key to sales at Nordstrom. The company is aggressive -- it wants to sell everybody. Nordstrom sales associates work hard at not losing potential sales, applying practice, experience and commitment.	
<u>7. The Future of Nordstrom Style Customer Service</u>	Page 8
Despite the fact the retail industry is facing major challenges brought about by new technology, the Nordstrom of the future will still be based on one essential premise: Giving great customer service.	

**1.
America's #1 in Customer Service**

Main Idea

Nordstrom is the gold standard of customer service -- the measuring stick by which other companies (in a variety of industries) measure themselves.

What's interesting about that fact, however, is that Nordstrom's is not just one company -- it is actually structured as an army of self-motivated, self-empowered men and women who use their own initiative to create satisfied customers using the Nordstrom model of customer service.

Supporting Ideas

The foundation of the Nordstrom model for delivering customer service are:

1. Empowered employees.

Many companies give lip service to this idea, but employees don't have real authority to do anything too meaningful. Nordstrom is the exact opposite -- employees are fully and completely authorized to do whatever is required to create a satisfied customer, and the company will live with it.

2. Employees who act like business owners.

Since each employee has wide discretion to take the initiative, talking to an employee is just like working with the owner of a small business. They can take the initiative and act without impediments to create added value for the customer.

3. A supportive management structure.

To create a fertile sales environment, the company carried full inventories, with a wide and deep selection of sizes, materials and so on. That breadth of selection represents the company's investment in customer service.

4. A mystique for heroic acts.

Nordstrom employees are idolized for delivering outstanding customer service -- for performing acts for customers that are "above and beyond the call of duty". By idolizing exceptional acts of service, the company encourages employees to go out and deliver the same exceptional degree of service.

To reinforce this foundation, new employees attend a one day orientation course. They are given a gray card (which is the entire Nordstrom Employee Handbook) which reads:

Welcome to Nordstrom

We're glad to have you with our Company.

Our number one goal is to provide
outstanding customer service.

Set both your personal and professional goals high.
We have great faith in your ability to achieve them.

Nordstrom Rules:

Rule #1: Use your good judgment in all situations.
There will be no additional rules.

Please feel free to ask your department manager,
store manager or division general manager
any question at any time.

Key Thoughts

"What separates Nordstrom from its competitors is its army of highly motivated self-empowered people who have an entrepreneurial spirit, who feel that they're in this to better themselves and to feel good about themselves, to make more money and to be successful."

– Bruce Nordstrom

"Nordstrom's sales people have the opportunity to be successful because Nordstrom gives its employees the freedom to make decisions. And Nordstrom management is willing to live with those decisions. Everything else flows from that premise."

– Robert Spector & Patrick McCarthy

"Nordstrom gives all of their employees the charge to service the customer and the authority to do it. The evidence is clear. You look like a far better manager and supervisor when you give power to the people, because it energizes them; you get their ideas and not just your own, so you have a much broader base of ideas from which to draw when you are making decisions."

– Donald E. Petersen, retired chairman, Ford Motor Company

"Giving away responsibility and authority is the ultimate expression of leadership. At Nordstrom, we create an environment for empowerment. We assemble a team and allow them to fail, but obviously, we're there for them when they need us."

– Jammie Baugh, general manager,
Southern Californian Region

"The thing that makes Nordstrom's emphasis on service so appealing is not the fuzzy warmth of personal pampering. Customers go there because terrific service makes Nordstrom so incredibly convenient. Nordstrom helps consumers save time."

– Edward H. Meyer, Direct Marketing Magazine

"People who don't want to sell will never make it in our system because if you don't understand how important that is, and if you don't understand how important the relationship with the customer is, you just won't do well here."

– Martha Wikstrom, general manager, Capital Region

"Management is afraid to give frontline employees the power and authority to make a difference. They are afraid someone will screw up, which will make them look bad. We all know mistakes will be made, and that every now and then there will be a bad apple. But that shouldn't deter a company from following a process of continuing to improve how it functions. The leadership has to make it clear that empowering workers is part of the ethic and approach of the organization. Ed Deming said that customers would get better products and services when workers were encouraged to use their minds -- as well as their hands -- on the job. At Ford, it was wonderful to watch how energized people became when you empower them. It became obvious to me, as I got more acquainted with the Nordstrom stores, that this was their magic. Until another store gets brave enough to go as far as Nordstrom does in that respect, I say there is no one that equals the Nordstrom approach to customer service."

– Donald E. Petersen, retired chairman, Ford Motor Company

2.
How It All Began

The Nordstrom Time Line

- 1901. The first Wallin & Nordstrom store opens. The founders, John Nordstrom and Carl Wallin, start to build a business based on the premise the “customer is always right”. First day sales: \$12.50.
- 1905. Annual sales now \$47,000.
- 1923. Second Wallin & Nordstrom store opens. 12 employees in total (for both stores).
- 1928. John Nordstrom’s sons, Everett (25 years old) and Elmer (24 years old) buy out their father’s shareholding for \$120,000.
- 1929. Everett and Elmer buy out Carl Wallin and refurbish the two stores. They put up a prominent sign: “If we sell you well, tell others. If not, tell us.” Stores now renamed Nordstrom’s.
- 1931. Everett and Elmer almost close their business due to the Great Depression, but manage to survive.
- 1932. Lloyd joins brothers Everett and Elmer in the business. He offers to buy a 1/3 interest, but the business had no net worth as a result of the Depression. Each brother focuses on a different area:
Everett -- the financial specialist
Elmer -- the operations specialist
Lloyd -- the marketing specialist
- 1938. Main store moves to a larger location and the company is officially incorporated. The three brothers rotate the titles of president, vice-president and secretary/treasurer every two years.
- 1941 - 1945. The three brothers buy up all available shoes from domestic U.S. manufacturers, and pay extra for large sizes to be made. By the end of the war, Nordstrom was recognized as one of the country’s largest shoe retailers.
- 1950s. Expansion -- the brothers opened two new stores, remodeled their existing stores and leased department store shoe operations in 9 locations.
- 1960s. Everett’s son (Bruce A.), Elmer’s two sons (James F. and John N.) and Lloyd’s son-in-law (John A. McMillan) are appointed as vice-presidents of the company. To create opportunities for them, a Seattle apparel retail store (Best’s Apparel) is acquired, and the company is renamed Nordstrom Best.
- 1965. Nordstrom opened its first combination apparel and shoe store in a new shopping Mall.
- 1968. With the three second generation Nordstroms approaching retirement age, they contemplate selling the company. They are offered \$24 million by Broadway-Hale, but the third generation Nordstroms instead suggest they take the company public. Despite some misgivings, the second generation Nordstroms agree to the idea.
- 1969. Nordstrom’s gross sales now reach \$60 million per year.
- 1970. Operating management assumed by:
Bruce (37) -- women’s shoes, finance and investors
John (34) -- men’s wear and store planning
Jim (31) -- sportswear, juniors and children’s wear
Jack McMillan (39) -- women’s ready-to-wear

- 1973. Despite a severe recession in Washington State, Nordstrom spends \$7 million remodeling its 245,000 sq. ft. flagship store in downtown Seattle. The company again changes its name to Nordstrom, Incorporated.
- 1975. Lloyd Nordstrom heads up a group of investors who acquire an expansion National Football league team franchise for Seattle for \$16 million, of which the Nordstrom family contributed \$8 million.
- 1977. Sales now approach \$250 million -- making Nordstrom the 3rd largest quality apparel specialty retailer behind Saks Fifth Avenue and Lord & Taylor.
- 1978. Nordstrom opens 124,000 sq. ft. store in Costa Mesa, California. This store quickly becomes the highest volume store in the Nordstrom group, encouraging Nordstrom to open more stores in California. (By the mid-1990s, Nordstrom would have 26 full Nordstroms and 5 Nordstrom Rack stores in California, generating in excess of \$1 billion in annual sales).
- 1994. Total Nordstrom sales now exceed \$3.89 billion, an 8.5-percent increase over the previous year. Net earnings were \$202.9 million (a 44.5-percent increase over the previous year), which equates to \$2.47 per share.
- 1995. Nordstrom now operates 59 large specialty stores in Washington, Oregon, California, Utah, Alaska, Virginia, New Jersey, Illinois, Maryland and Minnesota, 5 smaller specialty stores, 13 Rack stores and 11 leased shoe departments in Hawaii.

Key Thoughts

“You will never be criticized for doing too much for a customer, you will only be criticized for doing too little. If you’re ever in doubt as to what to do in a situation, always make a decision that favors the customer before the company.”

— Bob Middlemas, manager, Oak Brook Mall

“What I’m most proud of is that we have sustained and enlarged the culture that drives our company. I hope this doesn’t sound empty, but our service and the resulting reputation are better today than what they were when I was twenty-one years old. That says it all as far as I’m concerned. Does that mean we don’t get complaints when we do dumb things? No.”

— Bruce Nordstrom

“We keep improving our ability to translate what we are as a company with the people that we bring into other new markets. We can communicate who and what we are, and what we want to be; and then attract the kind of people that want to be on the team, to play retail the way we want to play it -- as a profession that people can be really proud of.”

— Jack McMillan

“When we go into a city as a big corporation, we want to be their hometown store. Our directives don’t come from Seattle, Washington; our directives come from the customers who live in that community. So, our efforts need to be towards those people. People are looking less to big parties and more to individual efforts that mean something.”

— Martha Wikstrom, Capital Region general manager

3.

The Essence of the Nordstrom Culture

Main Idea

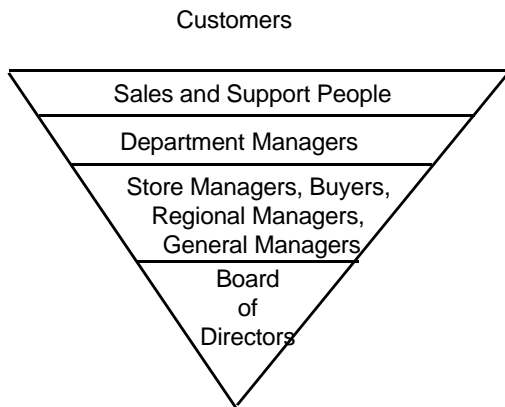
Everything that has evolved into the Nordstrom approach to business has one simple objective -- to free employees to treat customers the way they like to be treated. The company's entire organizational structure is designed to provide the flexibility needed for employees to achieve that objective.

Supporting Ideas

Like other successful companies, Nordstrom has a strong internal company culture and set of values. Key elements of the Nordstrom culture include:

1. An inverted pyramid company structure.

At Nordstrom, everyone in the company works to support the sales staff. Therefore, the company's organizational structure can be represented as:



2. An unconditional money-back guarantee.

Nordstrom's has an impressive return policy. Every sales person is authorized to refund the purchase price, no questions asked -- even if its clear the customer is being less than honest. The Nordstrom philosophy is that it's unfair to penalize the 98-percent of people who are honest just because 2-percent of the people take advantage of the policy.

3. No barriers.

A person on the sales floor can sell merchandise from any department in the store. that frees them to focus on meeting the needs of the customer, rather than restricting them to just the department in which they are based.

4. Promote from within.

All managers at Nordstrom start on the sales floor, so they understand what serving the customer entails firsthand. The company does not hire managers from other sources -- they have to start as sales associates.

5. Buying is decentralized.

Each region has a buyer who orders merchandise for just a small group of stores. That gives them the flexibility to buy stock that reflects local lifestyles and tastes. In addition, buyers are given advice by department managers and sales associates -- who have a shared feeling of ownership for their own business unit.

6. Employee compensation is sales commission based.

That way, employees are paid according to their abilities. The company also supplements this commission based compensation plan by providing a retirement-plan which is based on a profit-sharing revenue arrangement -- providing motivation and encouraging loyalty.

7. Employees set regular, ongoing goals.

The practice of setting goals is the glue for the Nordstrom culture. Sales associates, buyers and managers set daily, monthly and yearly goals. Comparisons with results achieved a year ago are closely monitored. There is a great amount of peer pressure to set goals that are higher than fellow employees -- and then to find ways to achieve those goals.

8. Tangible recognition and praise is given.

The best sales associates are designated as "Pacesetters" by meeting or surpassing their goals -- for which they receive a certificate, an event in their honor, a 33-percent discount credit card for purchases and business cards emblazoned with their Pacesetter designation.

Customer Service All Stars are also selected each month based on sales volume, customer service and teamwork. They receive a 33-percent store discount card and other benefits.

9. Heroics

Employees who deliver outstanding customer service above and beyond normal expectations can be elected to the weekly "V.I.P. Club" or the "Employee of the Month". That way, a description of what they did will be prepared and circulated as an excellent example of the Nordstrom approach to customer service in action.

10. Ownership

Began in 1952, Nordstrom has an excellent employee profit-sharing retirement plan which vests progressively over the employee's first seven years of service. In 1994, for example, 22-percent of the company's earnings (about \$44 million) was contributed to this plan by the company. Long-term employees can retire with profit-sharing totals in the high six figures.

In addition, employees can also contribute from 1-percent to 10-percent of their annual compensation into a tax-deferred investment retirement account with matching contributions by the company on part of their contributions.

Key Thoughts

"People will work hard when they are given the freedom to do the job the way they think it should be done, when they treat customers the way they like to be treated. When you take away their incentive and start giving them rules, boom, you've killed their creativity."

– Jim Nordstrom

"Ownership is the most powerful incentive for business change. Corporations achieve better performance over the longer term when employees share the risks and rewards of ownership. This is accountability from the inside out, and it works. Ownership focuses attention on the good of the organization like nothing else can."

– Henry R. Kravis and George R. Roberts, investment bankers

4.

How Nordstrom Creates A Compelling Place To Visit

Main Idea

Nordstrom's objective is always to create a memorable experience whenever a customer visits one of its stores. To this end, what's in the store is considered to be another facet of the way Nordstrom provides superior customer service.

Supporting Ideas

The key elements which combine to create a memorable shopping experience at Nordstrom are:

1. Sphere of Influence.

Before consumers enter the store, Nordstrom focuses on providing adequate parking. The company also provides valet parking during busy sales times.

2. Convenience, ease and openness.

Nordstrom works on the concept it has 15 seconds to get people enthused when they enter the store. Therefore, the store layout features wide aisles so people can circulate freely, and goods arranged by lifestyle so that entire wardrobes can be assembled quickly and conveniently -- with the assistance of sales associates who stay with them right through the entire store.

Nordstrom stores are usually set out in a circular design, with the escalator well as the hub. There are no dividing walls between the various departments, so customers have an unobstructed view of the entire store. Every department has warm and cosy furnishings, making it a comfortable place to shop.

As a result, about 50-percent of the total floor space is dedicated to selling for a Nordstrom store -- compared to about 70-percent in stores like Macy's. Offsetting that, however, is the fact Nordstrom packs selling space with more inventory per square foot than other retailers.

3. A focus on every aspect of customer comfort.

Nordstrom considers it is the attention to detail that adds value to the consumer shopping experience. For example, in a Nordstrom footwear department, there are plush upholstered sofas and chairs. The chairs are custom made to withstand the wear and tear of every day use. These chairs have legs and arms that are a little taller than average -- so that customers won't have to worry about whether they'll have difficulty getting up from the chair. That increases the comfort level, and allows customers to focus on the shoes rather than the seats.

4. Offering a variety of food and restaurant services.

This has come about in response to changing consumer tastes -- more consumers today are shopping with children or doing lunchtime shopping. By offering people the opportunity to sit down, relax and have something to eat without having to leave the store, the quality of the overall shopping experience is magnified and enhanced.

Nordstrom offers Espresso Bars (coffee and pastries), Cafe Nordstrom (soups, salads and sandwiches), Garden Courts (full service dining) and the Pub (sandwiches, salads, stouts and ales). About half Nordstrom stores offer at least two of these food formats.

Key Thoughts

"The ideal Nordstrom shopping experience is where men and women are invited not only to buy the merchandise but also to relax and linger, their Nordstrom credit card at the ready."

– Robert Spector & Patrick McCarthy

"In the 1970s, shopping was entertainment. In the 1980s, it was the quest for trendy merchandise. In the 1990s, it's a mission: find it, buy it and get out."

– Laura Petrucci, Marketing Corporation of America

"We foolishly treat the consumer's time as a cost-free good in the same careless way that we sued to treat our precious air and water. This omission is costly."

– Professor Theodore Kemper

"The whole point of everything we do is to make the customer happy for the long haul. If people are satisfied and excited about the experience of shopping at Nordstrom, they will come back. And if you haven't created that atmosphere, they won't come back. It's just that simple."

– David Lindsey, vice president, store planning

"When customers first come into the store, we've got about fifteen seconds to get them excited about it. First, are they able to meander through the store without impediments, such as narrow aisles? When they're walking down an aisle and another customer is coming the other way, do they have enough room to pass? If the answer is no, all of a sudden, they're distracted. Instead of looking at the nice sweater, they've got a stroller banging them in the ankles. When they think about our store, they don't think of jostling and banging, they think of it as a pleasant experience. What's that worth?"

– John Nordstrom

"All of these images, collectively, convey the persona of our store and what we are trying to be. We believe in portraying an inviting image of timelessness, comfort and warmth. Because we are designing for a much longer time curve, our stores have an updated, traditional look, just like our clothing. When you put on an updated traditional suit, it should be immediately comfortable; you should look and feel good -- today and tomorrow. You have a favorite suit or tie. We want to be your favorite store."

– David Linsey, vice-president of store design

"Nordstrom has some of the most modern stores in the country because its most dramatic expansion came in the late 1970s and 1980s when financing was readily available to build new stores in new malls and very few competitors were matching Nordstrom's spending. From 1978 through 1995, Nordstrom opened forty-six full-line stores in California, the Washington D.C. area, New Jersey, New York, suburban Chicago, suburban Minneapolis and Indianapolis. As the company expanded, so did the size of its stores. In the early 1970s, the average Nordstrom store area was 60,000 to 70,000 square feet; today it's about 200,000 square feet."

– Robert Spector & Patrick McCarthy

5.

A Company of Independent Entrepreneurs

Main Idea

The salespeople who thrive under the Nordstrom system are those who have an entrepreneurial mindset, who are motivated self-starters and who love the flexibility that comes from being dedicated to doing whatever it takes to create a satisfied customer.

Supporting Ideas

To encourage employees to think and act like entrepreneurs:

1. Hire nice people rather than experienced.

The company hires nice people and teaches them to sell rather than trying to retrain salespeople taught other methods. Nordstrom believes the best people are have been trained by their parents while growing up.

2. Maximum flexibility.

The company has little in the way of formal sales training. that way, people have the freedom to do whatever is appropriate in their own best judgment.

3. A minimum of operating rules.

Since the company does not have extensive operating guidelines or manuals, sales associates are free to focus on creating a satisfied customer, instead of worrying about whether or not they are inadvertently breaking one rule or another.

4. High expectations.

Sales associates are judged solely on what they achieve -- not on how well they adhere to company guidelines. If sales associates don't meet expectations, their employment is terminated. In that way, a natural selection process occurs, where only the fittest survive and flourish.

5. Individual creativity is actively encouraged.

Sales associates are consistently encouraged to act like small business owners, and to apply their creativity to everything they do. This sense of shared ownership provides an opportunity for new and productive systems to bubble to the surface -- where any really good ideas can be communicated throughout the entire organization. In this way, the best sales techniques are constantly being integrated into the company's ongoing operations -- enabling Nordstrom to upgrade and improve its performance on an ongoing basis.

Key Thoughts

"I think we have some exceptional people and I think we have some average people who work at an exceptional level and, given another set of circumstances, wouldn't be able to do that. Our culture supports that."

– Martha Wikstrom, general manager, Capital Region

"Nordstrom sales associates are ordinary people who have decided to set extraordinary goals. It's up to the individual. You can give people all the tools in the world, but only some will take command. The most successful people may not have all the qualifications, but they have the enthusiasm and energy and like coming to work."

– David Butler, shoe salesman, Tacoma store

"We can hire nice people and teach them to sell, but we can't hire salespeople and teach them to be nice."

– Bruce Nordstrom

"We didn't used to feel reluctant to hire salespeople who had worked elsewhere, but as time went on, we learned that people who haven't worked for anybody else haven't learned to say "no" to the customer."

– Jim Nordstrom

"Potential Nordies have to prove to us and to themselves that they really believe in helping others and genuinely like to give customer service."

– John Whitacre, co-president

"Working at Nordstrom means caring about your business every minute, every hour, and being excited about what you do. Consistency is very important. Carelessness and laziness are a disease. I feel that I have my own little Chanel store, and I will be there no matter what happens. That's the consistency."

– Kazumi Ohara, sales associate

"I want the customer to think of me as being Nordstrom. I believe the Bellvue Square Savvy Department is my franchise. This company gives you the freedom to help the customer with everything. No one tells you that there's only one way to do your business. Nordstrom lets you do whatever it takes to make the customer happy, as long as it's legal. They are not going to say "no" to you if the end result is a happy customer."

– Patrice Nagasawa

"What we resist like crazy is making a rule because one person made a mistake. then everybody has to live by a rule because one person did something they shouldn't have done. Get those rules out of the way because all you get are people who are paralyzed. Companies say they are empowering their workers. But when you ask to see their employee handbook, they show you a 400-page manual. Who's going to do anything if they are afraid they are going to break the rules?"

– Martha Wikstrom, general manager, Capital Region

"The company has very high expectations, and if you don't make it, you're out of there. People would ask me if it was true that if you didn't do a good job at Nordstrom you're gone. I'd say, "Yes, I hope so". This is not civil service. It's hard work. There are pressures and expectations."

– Betsy Sanders, former vice-president, California Division

"The point is that Nordstrom attracts and rewards a special type of employee, and the rest of us should punch in elsewhere. Competitors can be expected to mimic the act (and have been trying to). Before long, workers will be getting a taste of what many an entrepreneur has learned, that you're never really master of your own destiny, but somewhat servile to your customer."

– The Wall Street Journal

6. The Art of Selling The Nordstrom Way

Main Idea

Outstanding customer service is the key to sales at Nordstrom. The company is aggressive -- it wants to sell everybody. Nordstrom sales associates work hard at not losing potential sales, applying practice, experience and commitment.

Supporting Ideas

At Nordstrom, the sales process is considered to be high-contact: customers reacting to the sales associates. To optimize sales results, the company has developed numerous tools and techniques, including:

1. Personal customer books.

In a loose leaf binder, sales associates list every customer's name, telephone number, charge account number, sizes, personal preferences, previous purchases, vendor preferences, likes and dislikes, special requirements and other characteristics.

The binder also includes room for daily, weekly and monthly calendars, goal lists, daily to-do lists and a phone directory for every department store in every Nordstrom store in the country.

Sales associates organize their entire days around their personal customer books -- analyzing who may be in the market for new clothes, writing reminder notes to clients and for generally keeping aware of their specific needs.

2. Telephone skills.

Every sales associate uses the telephone intensively to generate business and improve productivity. It's not unusual for sales associates to make 40 or more calls each day.

Associates use the phone to:

- Tell past customers about new items they may like
- Follow up on inquiries and other leads
- Advise clients of items on special
- Keep in touch for present needs
- Strengthen the customer service relationship.

3. An emphasis on earning customer trust.

Many Nordstrom sales associates have such a strong ongoing association with their clients they are frequently enlisted to make decisions on behalf of those clients. This is the ultimate in customer service relationships, where the customer views the sales associate as a valuable resource who fortunately happens to be on someone else's payroll.

4. Thank you notes.

Nordstrom sales associates are famous for sending short, handwritten thank-you notes, thanking customers for their business. Again, this deceptively simple practice is designed to communicate and reinforce one simple message: that their customers are important and appreciated.

They also have numerous spin off benefits. Thanks you notes invariably lay the foundation for further business transactions. Thank-you notes can also be used to generate referrals and other business opportunities.

Due to the fact sales associates are paid on commission, all of them take a long-term perspective of the customer relationship. In particular, most are careful not to oversell on the first visit -- since greater revenues will be generated by repeat purchases

than could ever be generated on a one-off sale that the customer dislikes.

This long-term perspective, combined with a company emphasis on always "treating people like they're the most important thing in the world" clearly and concisely differentiates Nordstrom from other retail stores.

Key Thoughts

"One of the ongoing cultural truisms, which we have to keep indoctrinating our people in, is that you can't be snooty to customers. You can't pick and choose who you're going to wait on. You can't say, "This is our customers and this isn't our customer". They're all our customers, and I mean that sincerely. Bring them all in. As long as they spend their money with us, we're going to treat them the same. The reason why we do so much business per square foot is that we're stretching and reaching out all the time."

– Bruce Nordstrom

"People often come to Nordstrom thinking this is an easy job. They don't realize it's pretty complex. You have to appreciate where the customer is coming from. She has a reason to be there, and it's up to you to bring that out and to find out how you can help her."

– Alice Dick

"You can have as many customers as you want, but you have to take care of each one on an individual basis. Ninety percent of your new clients come from referrals from current clients who appreciate the job you've done. I don't want to disappoint them by giving bad service."

– Patrick McCarthy

"In the 1980s, if you did not have a personal clientele, you could depend on walk-in traffic to make your paycheck. It's not that way in the 1990s. Because of the economy and the recession, the foot traffic is not the same. My personal clientele is the primary reason I've maintained my business. I'm constantly finding ways to stay in touch with them and get them into the store. At Christmastime or when a customer's birthday is coming up, I send out a note to his wife: "Did you get Jack his present yet?" But at the same time, I couldn't do business without new customers. My goal is to meet three new people a day and make one out of three a personal customer."

– Leslie Kaufman

"Positive thinking comes from following simple steps that produce results. I work hard at not having to look like I'm working hard. That comes from constantly thinking and planning. I am a much better salesperson now than I was ten to fifteen years ago because I'm learning better ways to service the customer. When Larry Bird played basketball for the Boston Celtics, he looked so natural you would think he must have always played with such skill and confidence. But Larry Bird was once clumsy: he had to work hard to make his play look natural. Larry Bird "sees" the basketball floor: I "see" the sales floor."

– Patrick McCarthy

7.

The Future of Nordstrom Style Customer Service

Main Idea

Despite the fact the retail industry is facing major challenges brought about by new technology, the Nordstrom of the future will still be based on one essential premise: Giving great customer service.

Supporting Ideas

Most consumers state they shop at Nordstrom for service and selection rather than in an attempt to find the lowest price. Therefore, the challenge of the future for Nordstrom is to find a way to deliver great service in nice surroundings, but at a price that's not much more than someone working out of an Internet Web site is charging.

To achieve that, Nordstrom sells private label merchandise -- which currently accounts for about 20-percent of sales. The company attempts to maintain a reasonable and sustainable "price/value" relationship with its own private label goods -- making a realistic but not excessive margin.

Nordstrom is also competing aggressively with discounters by opening Nordstrom Racks stores (self-service discounters), Last Chance Bargain Shoes and Apparel stores and Nordstrom Factory Direct. The company is also experimenting with online sales and has launched a direct sales division to sell through catalogues in areas of the United States where there is no Nordstrom stores.

Even in these new initiatives, the company still stresses customer service. All direct sales, for instance, come with free FedEx return labels, so consumers can exchange their goods quickly without expense. Similarly, Nordstrom's attempts at online commerce through interactive television initially have included access to a personal shopping assistant via video conferencing -- providing assistance and personal guidance through the sales process.

The company is also entering into a number of strategic alliances and partnerships with manufacturers throughout the world. This will differentiate Nordstrom from its competitors, through exclusivity of the product range.

In addition, Nordstrom is reflecting the broader changes taking place in American society at large. Since 1987, cultural diversity has been a priority -- with the result that around 30-percent of employees are people of color. That compares very favorably with other competing retailers.

Similarly, the company also has become much more sensitive to the needs of consumers with disabilities. Sensitivity training courses have been run for Nordstrom staff. The store designers have taken the need for wheelchair access into account in the design of the stores. The company has also used disabled fashion models in catalog photos and general advertising since 1991 -- generating vast amounts of public attention.

Fortunately, Nordstrom is well positioned to be a major player in the retail shakeout widely anticipated in the near future. In 1994, Nordstrom sales exceeded \$3.89 billion, with net earnings of \$202.9 million or \$2.47 a share. With such strong cashflow and low long-term debt, the company is ideally placed to grow aggressively in the future.

Finally, Nordstrom does have one sustainable competitive advantage over all its competitors. The company continues to be controlled and operated by members of the founder's family.

No other retail stores -- and certainly none as large as Nordstrom has grown -- are controlled by the families of the merchants who founded them. That may yet turn out to be John W. Nordstrom's greatest achievement.

Key Thoughts

"Our commitment is 100-percent to customer service. We are not committed to financial markets, we are not committed to real estate markets, we are not committed to a certain amount of profit. We are only committed to customer service. If we make a profit, that's great. But customer service is first. If I'm a salesperson on the floor and I know that the people who own this place are committed to customer service, then I am free to find new ways to give great customer service. I know that I won't be criticized for taking care of a customer. I will only be criticized if I don't take care of a customer."

– John Nordstrom

"Now whether Nordstrom's collaborative management model can work in the business environment of the twenty-first century is an open question, but I think it has a good chance. The signals go to support the Nordstrom model -- rather than a hierarchical model -- because the world is moving to greater participation, more shared decisions, more decisions at the point of service. Workers at all levels of the organization are empowered by both technology and information, all of which means more collaboration, all of which means shrinking hierarchies. Which means the old-fashioned Nordstrom approach to management may be what the twenty-first century is all about and is what will be increasingly adopted by a variety of organizations."

– Alfred E. Osborne, Nordstrom director and associate professor of business economics, UCLA

"Retailing is a mature industry. In a mature industry, the consumer becomes the boss. They will tolerate nothing but excellence -- there will be choices everywhere."

– Howard Davidowitz, retail consultant

"We run the business like our dads did. It's a different business, but our fundamentals are the same. It'll be the same next year and the year after and the year after. The goal doesn't get changed on people."

– Jim Nordstrom

"Nordstrom and Wal-Mart share the characteristic of building on what works. They don't say: 'We've been in this business for a hundred years and we know better'. They ask themselves: 'What are we doing now that we could be doing better?' They keep reworking it; they stumble and improve, stumble and improve. At their best, Wal-Mart and Nordstrom never lose the awareness that they don't have all the answers. They know that the customer has all the information they need. They know that the salespeople -- the ones who are closest to the customer -- are truly the most valuable part of the company, so they each have a system that gives salespeople everything they need. And in return, the salespeople give their managers valuable intelligence on how to make the business successful."

– Betsy Sanders, director, Wal-Mart