

## Delight case study: Nordstrom



Photo - Wikipedia

### A brief Nordie History

John W. Nordstrom left Sweden in 1887 when he was just 16 years old for the lure of big city life in New York. He arrived there unable to speak a word of English, with only \$5 in his pocket. City life was difficult. John tried mining and logging to make ends meet. One day, he read a newspaper headline about the gold mines in Klondike, Alaska, and decided to try his luck there. Within a few years of working Klondike's mines, John had earned \$13,000.

John returned to Seattle to start a shoe company with a friend he'd met in Alaska. In 1901, John W. Nordstrom and Carl Wallin opened their first store, Wallin & Nordstrom, which would eventually become Nordstrom, Inc.

Nordstrom and Wallin retired in 1928 and 1929 respectively, both selling their shares to Nordstrom's sons, Everett and Elmer. A third son, Lloyd, joined the team in 1933.

By 1960, the company had grown to become the largest independent shoe store chain in the country, with eight stores in Washington and Oregon. The main store in Seattle became the largest shoe store in the country. During the 1960's Nordstrom ventured into the clothing market, buying Best Apparel, a Seattle-based clothing store in 1963, and another store based in Portland, Oregon in 1966. Menswear and childrenswear sections were included in store in 1966. By 1968, Everett, Elmer and Lloyd decided to retire. The company was taken over by Everett's son Bruce, Elmer's sons James and John, Lloyd's son-in-law Jack McMillan, and family friend Bob Bender.

Nordstrom went public in 1971. By 1973, sales surpassed the \$100 million mark and the company became known as the largest-volume West Coast speciality store.

As a company, Nordstrom has grown from one tiny shoe store in Seattle into a nationwide fashion specialty chain known for their services, expansive size ranges and a selection of the finest apparel, shoes and accessories. Despite this growth, the company philosophy has remained unchanged for more than 100 years: offer the customer the best possible service, selection, quality and value.

## Simplify the rules

For years, Nordstrom has given their new employees a simple, grey 5 by 8 inch card containing only 75 words:

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 confidence 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.

There is so much implicit power in that one, simple rule. Employees are told immediately that they are trusted, valued and respected, and that Nordstrom has confidence in their abilities and judgment.

The rule also makes it easier for Nordstrom to separate their employees into two groups without having to do much. Those who constantly need to be told what to do, and those who take the initiative, are self-motivated and see themselves as self-employed or entrepreneurial. People who constantly need to be watched and told what to do simply can't thrive within Nordstrom's culture and will eventually fall away.

On a visit to Stanford Business School, Jim Nordstrom was asked how a Nordstrom sales clerk would handle a customer returning a dress that had obviously been worn. He replied:

"I don't know. That's the honest answer. But I do have a high level of confidence that it would be handled in such a way that the customer would feel well treated and served. Whether that would involve taking the dress back would depend on the specific situation, and we want to give each clerk a lot of latitude in figuring out what to do. We view our people as sales professionals. They don't need rules. They need basic guideposts, but not rules. You can do anything at Nordstrom to get the job done, just so long as you live up to our basic values and standards."

***Nordstrom keeps their rules simple, which makes their employees feel trusted and free to make their own choices within reason.***

***Simplify your rules to allow your employees the freedom to take the initiative and use their own judgement when making decisions.***

***How can you simplify your rules to allow your employees the freedom to take the initiative and use their own judgement when making decisions?***

## Empower your employees

Nordstrom has turned the typical corporate hierarchical structure on its head. The company's hierarchy is structured as an inverted pyramid, with the customers first and the sales force second. This reflects Nordstrom's culture, where Nordstrom employees are told to make decisions that put the customer before the company. Employees are never criticised for going the extra mile for a customer; they are criticised for doing too little. The lower sections of the pyramid – department managers, buyers, merchandise managers, store managers, regional managers and the executive board – are in place to support the sales staff at all times. This structure gives the sales force a feeling of empowerment and support.

Sales staff have the freedom to accept returned merchandise, and are allowed to sell merchandise to customers within any department throughout the store. This way, the relationship between the customer and the salesperson is continued and preserved and the sales department is empowered as a whole. Sales staff are also encouraged to build and nurture their own customer base, and are paid on commission, which means that they even control the amount of money they make at the end of the month. Nordstrom sales staff are not just obsessed with making sales, though. They want to make a sale that delights the customer. Why? Because Nordstrom delights their employees by empowering them, and their employees reflect this delight in dealings with their customers.

Managers are given ownership and empowerment within their departments because they are responsible for hiring, training, coaching, nurturing, and evaluating their sales teams, while still spending time on the selling floor, interacting with the customers and sales staff.

*People will work hard when they are given the freedom to do the job the way they think it should be done, when they [can] treat customers the way they like to be treated. When you start taking away their incentive and start giving them rules, boom, you've killed their creativity. - James F. Nordstrom*

**Nordstrom helps their employees to feel empowered by giving them ownership of decision-making processes within their respective departments.**

**Create opportunities to empower your employees.**

**What opportunities can you create to empower your employees?**

## Encourage healthy competition

Goal-setting is at the core of Nordstrom's culture. Employees in every department and at every level are constantly working to meet or go beyond personal, departmental, store, and regional goals for the day, month, and year. Inter-employee pressure and personal commitment push competitive employees toward constantly higher goals.

Employees have access to sales figures from all departments and stores in the chain, which means that they can compare their performances. Top performers are encouraged to lead staff meetings and workshops and to share their tools and experiences, and workers who consistently don't reach targets get special training.

Not everyone takes to the "Nordie" way. Disgruntled "ex-Nordies" have complained that the highly competitive environment wasn't for them. Some say the pressure to meet sales-per-hour goals meant working off the clock doing non-sales activities, like stocking. The Nordies who stay are probably driven by the fact that the extra effort will bring in a little extra commission in the long run.

**Nordstrom uses goal-setting practices and other methods to encourage healthy competition between employees.**

**Encourage healthy competition between your employees.**

**What methods can you adopt to encourage healthy competition between your employees?**

## Recognise and reward outstanding performance publicly

In daily pre-shift meetings, employees share stories with one another about recent interactions with customers. Slips of paper and pens are available at till points for customers to praise or bemoan store service. Employees who go above and beyond the call of duty are recognised and rewarded publicly, and other Nordstrom employees are inspired and encouraged to create their own stories. Most customer interactions in the retail business can be fairly routine, but once in awhile, an exceptional interaction will arise. Nordstrom understands that repeating these exceptions to employees and customers alike is far better than paid-for advertising.

Here's a recent example:

A security worker at a Nordstrom store noticed a customer on her hands and knees. When he asked what was wrong, the customer informed him that she may have lost a diamond from her ring when she was shopping the day before. The employee helped the customer look, but they could not find the diamond. He then went into the maintenance area and proceeded to empty out the bags from all the vacuum cleaners that had been used to clean the store the previous evening. He found the diamond.

<http://www.theciceronegroup.com/2010/07/21/being-the-nordstrom/> 21 July 2010, by Christine Frishholz

Outstanding sales performances, good ideas and suggestions are rewarded with prizes and praise, and Nordstrom awards its top sellers annual membership in the company's Pace Setter's Club, entitling them to 33% discounts on merchandise. Pacesetters are also given rewards such as a gift certificate, or an outing or event in their honor, special business cards, and a lapel pin.

***Nordstrom recognises and rewards outstanding employee performance publicly, which in turn encourages other employees to strive for excellent performance.***

***Recognise and reward outstanding employee performance publicly.***

***What methods can you use to recognise and reward outstanding employee performance publicly?***

## Implement helpful technologies

Nordstrom has implemented a number of technological upgrades to assist its sales force. It has added new cash registers that interface with Nordstrom.com, so if a product is not available in the store, employees can order it for the customer online. It has also introduced an electronic version of the employees' personal book, in which workers keep clients' names and phone numbers.

The website features a careers portal in which existing employees can make changes to their details and check their pay, leave and other employee issues online. These technological upgrades make it easier for Nordstrom employees to provide customers with the best possible service and keep track of their employment records, benefits and salary fluctuations.

***Nordstrom has implemented technological solutions to assist its salesforce and improve customer service.***

***Implement technological solutions that improve employee performance.***

***What technologies can you implement to assist your employees?***