

STR 222 Situation Analysis

Client: Nordstrom

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Nordstrom is a luxury department store most widely known for their impeccable customer service and their growing E-commerce sales. They are focused on providing high quality consumer experience with an entire section of their website dedicated to sharing what their commitment to their customers is all about. "In store or online, wherever new opportunities arise, Nordstrom works relentlessly to give customers the most compelling shopping experience possible. The one constant? John W. Nordstrom's founding philosophy: offer the customer the best possible service, selection, quality and value." Along with their top-notch customer service is their growing online sales which has allowed Nordstrom to expand their company digitally into 96 countries in addition to the two that they have physical stores in. Nordstrom currently makes about 18% of their sales digitally with 25% of those sales coming from mobile devices. Considering the two most prominent areas of Nordstrom's business approach are their customer service and e Commerce development, they are lagging behind on pairing the two. While their competitors, like Lord and Taylor and Saks Fifth Avenue, have yet to reach Nordstrom on either of these components, there is value in staying ahead of the competition in these two areas and pairing customer service and digital media efforts will give Nordstrom leeway.

Industry History and Current Trends:

In 1901 a small shoe store in downtown Seattle opened named Wallin & Nordstroms after the founders, Carl Wallin and John Nordstrom. Even then, Wallin and Nordstrom knew that the foundation of a strong business had to start with their consumer perception, and the pair decided to add their second store in 1923. John handed the business over to his sons, Everett and Elmer, in 1928 and his third son, Lloyd, joined the team in 1933.

Wallin & Nordstrom began growing fast and by 1960 they had become the largest independent shoe store chain in the country with eight locations throughout Washington and Oregon. By 1963 the Nordstroms decided to take their next big business leap and entered into the women's clothing market, and Wallin & Nordstrom became Nordstrom's Best. Seeing that the women's clothing was a success, the company decided to add men's and children's apparel to their inventory in 1966. By 1973, 2 years after Nordstrom Best underwent another name change to become Nordstrom Inc., the company had surpassed an annual sales revenue of \$100 million and was recognized as the highest volume fashion store on the West Coast. The first Nordstrom Rack was also opened in 1973 starting the revolution of discounted designer fashion.

Now into Nordstrom's recent history, they entered the private online market in 2011 after purchasing HauteLook. In 2012, Nordstrom became the only major U.S. retailer to sell products from the British retailer Topshop and Topman. Nordstrom continued to keep their strong customer service presence in their growing online franchise by adopting Trunk Club in 2014, a personalized, online, fashion service. Reaching a total net sales of \$13.8 billion in 2014, it's safe to say that Nordstrom is doing something right.

Now managed by the fourth familial generation along with a prestigious executive team, Nordstrom operates 303 stores in 38 states, comprised of 116 full-retail stores and 177

Nordstrom Rack stores. This year Nordstrom plans to open five new full-retail stores in Canada, their first manhattan store in 2018, and by 2020 the company wants to have 300 Nordstrom Rack stores. With the growing popularity of digital media, Nordstrom's profits are also thriving from their online retail outlets including nordstrom.com, nordstromrack.com, and HauteLook which continue to take over a growing percentage of Nordstrom's total revenue.

Consumer Analysis:

One of Nordstrom's fairly new target consumer groups is millennials (age 16-34) who are key drivers of their online sales. By the year 2020 Nordstrom plans to make a yearly revenue of \$1.3 billion and "the company's success will depend in part on how well it appeals to the younger customer" considering this is the most tech savvy and digitally connected generation.

MediaMark Reporter suggests that about 2,909,000 men have shopped at Nordstrom in the last three months of fall 2013, which is about 2.6% of the adult male population in the United States. However, roughly 7,175,000 women have shopped at Nordstrom in the last three months of fall 2013, which is 5.9% of the population of women in the United States making women more prominent Nordstrom consumers than men. Overall the average target age range of adults who shop at Nordstrom are ages 18-49.

A majority of Nordstrom's consumers have a household income of \$75,000-\$149,000. This shows that Nordstrom's target audience are those who are able to afford the high quality clothing, accessories, and shoes that the company has to offer, judging by their income.

Competitive Analysis:

Nordstrom is known for their high quality, designer clothing and focuses heavily on their customer satisfaction. "I think [Nordstrom's] in-store experience is second to none," said Ted Hurlbut, Principal Retail Consultant at Hurlbut & Associates. Nordstrom is a well established company, but Lord and Taylor is a close competition. Lord and Taylor is similar to Nordstrom with regard to their high quality clothing lines but are less appealing to the younger generations with their target consumer being women ages 35-55. This causes younger audiences to view Lord and Taylor as expensive, luxury, and a department store for an older generation.

Macy's, another one of Nordstrom's top competitors, has been growing into a more desired store for a wide range of different demographics. Many sales associates argue that Macy's is Nordstrom's closest department store competition, while others believe that Lord and Taylor is sympathizing more with Kohl's, generally thought of as a lower quality department store.

Saks Fifth Ave. is also one of Nordstrom's strong competitors, being known for their expensive accessories and luxury clothing for both men and women. The two high-end department stores overlap in their products, ranging from evening gowns to athletic wear, and their target consumers. Saks, a New York based company, does have an edge above Nordstrom with its extension of international stores located in the Middle East, Mexico, and Canada.

Every one of these companies has competitive sales and are comparable to Nordstrom, all having high quality clothing lines and a clear idea of their target demographics. All though they seem to all have the same position in the department store world, each of them have their own goals and strategies to gain and maintain customers.

Brand Analysis:

Beginning as a single shoe store, Nordstrom has grown into one of the largest high quality clothing, accessory, and cosmetics stores in the nation. Shoes remaining to be their largest department, Nordstrom continues to sell a wide variety of heels, sneakers, and everything in-between. When walking into a full-line store, consumers can find the shoe department on the first floor taking up a majority of the space.

Nordstrom continues to honor their policy of outstanding customer service, one of the foundations John Nordstrom built his company on. One of the company's policies states that if the consumer tears, breaks, or damages a product bought from Nordstrom, the consumer can bring back the product and exchange it for no extra charge. Nordstrom also has a unique policy stating that if the consumer doesn't have the receipt they will still allow the product to be returned. This policy provides a trustworthy consumer-employee relationship and allows the consumer to trust the company as a whole, creating more loyal customers.

PR & Promotional Analysis and Category Creative Analysis:

Nordstrom's primary consumer attraction is their customer service that can't be beat. Nordstrom employees are highly encouraged to make customer service the number one priority which ultimately creates a trusting and lasting relationship between the company and its consumers, making clients more likely to favor Nordstrom over other department stores. Knowing that this is a key selling point, Nordstrom emphasizes this aspect of their company very publicly on their website, in publicity, and any other sort of external communication.

Since millennials are who make up most of the online sales, "E-commerce is Nordstrom's fastest-growing channel. The company expects Nordstrom Rack and online business to generate over 50% of revenues going forward." Millennials are another example of how the company is promoted online and is implementing the marketing communication of many-to-many.

Public Opinion/Stakeholder Analysis:

Because of the designer and high-quality brands that Nordstrom fosters in their inventory, those who don't shop at Nordstrom might view the company as "snobby, rich, suburban moms." Looking at their demographics, Nordstrom's target audience includes shoppers primarily of the upper/middle class. Those who do shop at Nordstrom view its stores as a high quality retail with a wide variety of brands and products to choose from.

Nordstrom treats their employees extremely well which ultimately leads to employees treating their customers well. The average income of a Nordstrom employee was \$19 in 2011, 60% higher than the industry average. Employees are also given health insurance, disability and life insurance, and unpaid annual sabbatical, giving Nordstrom major employee loyalty points.

In addition to their generous employee benefits, Nordstrom is also widely acclaimed for their positive presence in the communities they reside in. "Nordstrom's dedication to go beyond a simple business presence exists just about everywhere is has store locations. Between donations of time and money to charities as well as a commitment to sustainable environmental practices, human rights, and community support, Nordstrom is committed to keep a sterling reputation."

Nordstrom's is still considered a family owned business with Blake Nordstrom serving as president, Erik, Peter, and James Nordstrom as Executive Vice Presidents, and many more Nordstrom family members in various parts of the company. This family affair can be taken either way by the public: a loyal family connection or a dictatorship. Recently the Nordstrom family was accused of using the company planes for non-business related excursions and company pilots allegedly spent 40% of their time flying the immediate Nordstrom family for non-business functions. After word spread, some of Nordstrom's major shareholders became upset, outraged that the Nordstrom family could abuse their power.

SWOT Analysis:

<p>Strengths:</p> <ul style="list-style-type: none"> -Their E-commerce expands their client base to the 94 countries they serve that don't have physical Nordstrom stores -Loyal customers -Highly rated customer service -Skilled workforce -Largest luxury department-store chain in the U.S. -Brand names -Attracting different niche groups through pop-up stores 	<p>Weaknesses:</p> <ul style="list-style-type: none"> - Potential customers might be lost because of snoddy stigma -Tax structure -Investments in research and development -Competitive markets
<p>Opportunities:</p> <ul style="list-style-type: none"> - Because Nordstrom neglects marketing to minority groups, by trying to target the upper/middle class in those minority groups, they could increase sales. -New products -Emerging products -New markets -Global markets -Growing economy 	<p>Threats:</p> <ul style="list-style-type: none"> -Intense competition -Bad economy -Prices of products is too high -Outlet malls and stores may sell "off-brand" items -Increasing interest rates

Situation:

Nordstrom has recently decided to allocate \$1,200,000 towards improving their online profits in the next five years. After a decrease in, in-store sales, Nordstrom has decided to dedicate more time and money into their E-commerce rather than spending it on already established in-store sales, especially since one of Nordstrom's target audiences is millennials who continue to rely heavily on social media and other digital media forms. In 2013, Nordstrom determined that 18% of their total sales came from online purchases, and 25% of those sales came from mobile devices. Within the next 5 years they expect 40% of their online sales to come from mobile devices. Considering the large sum of money Nordstrom has dedicated to improving their online sales, they are not being savvy enough with their digital media in combination with their leading customer service as other trendy fashion sites are.

Solution:

Nordstrom needs to consider the growth in sales coming from online and work harder to improve their Social media. An easy fix would be to place their social media icons at the top of the website instead of at the bottom, to make consumers more aware of the various ways to shop and explore Nordstrom digitally. Nordstrom could also give incentives for those who follow them on various social media outlets by providing coupons or discount codes to increase their followers.

"Our challenge is to have the capabilities so the customer can shop in the way they want, and technology is an important part of our ability to deliver that experience for the customer," says Nordstrom's Business PR Director Dan Evans. "Speed, convenience, E-commerce and personalization are becoming more important to how the customer views good service, and technology is an important enabler that helps us deliver that experience." Based on Evan's comment it seems that Nordstrom agrees on the convenience and speed consumers want to have in their online shopping experience, but they are continuing to stay on the mainstream end of digital media marketing instead of exploring new, creative options to do so.

One option Nordstrom could try to increase sales from mobile devices is to mimic services such as like.to.know.it that have users sign up for the service on their computer by putting in their email and Instagram profile, then when a user "likes" the photo on Instagram, the product details are sent straight to their inbox. Instead of wasting time searching the entire website for the specific product advertised on Instagram, consumers will have direct access to product details, literally at their fingertips. This would cut down search time and make online shopping even easier for the consumer.

When consumers go to the Nordstrom website, follow them on Instagram, or like them on Facebook, they've already gotten the consumers attention, and for the later two they're already Nordstrom supporters. What Nordstrom needs to do is develop a better consumer-company interaction in their digital world to combine their two greatest strengths. Digital media in today's society is interactive and though Nordstrom's image might not translate well into a video game or the like, there are other ways to create a conversation with consumers like employee blogs and vlogs, a public Snapchat account for consumers to have a peek into the Nordstrom corporate life, or other innovative digital strategies to support consumer savvy processes.

Conclusion:

Overall Nordstrom is a company who has high standards in customer service and provides the highest quality materials for their consumers. The company does have their rival department stores and minor weaknesses, but as long as Nordstrom continues to be what they are and work harder at melding their customer service and E-commerce, they could continue to become one of the best, most successful department stores.

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