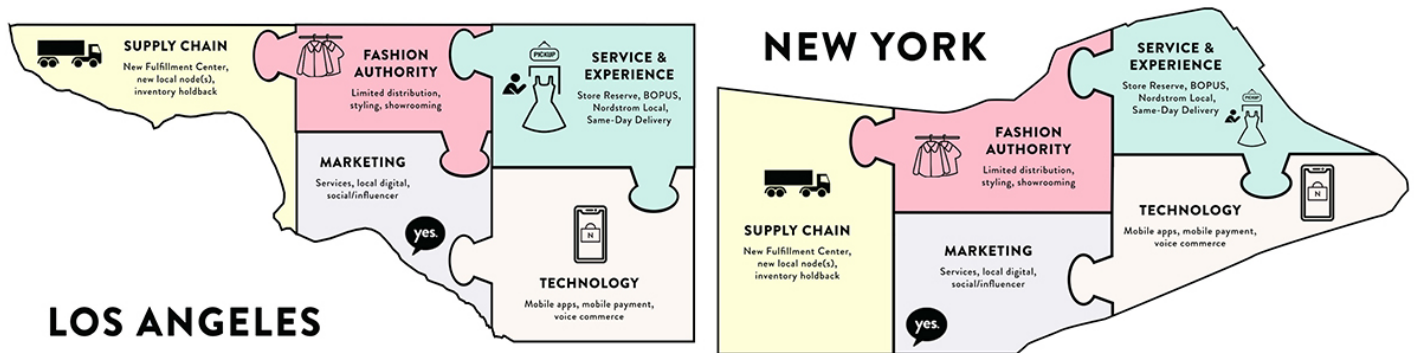


NORDSTROM

Local Market Strategy: Q&A with Ken Worzel

June 11, 2019



Our chief digital officer and president of Nordstrom.com talks through the past, present and future of our local market strategy.

What is Nordstrom's local market strategy?

Everything we do starts with the customer – our local market strategy is no different. At its core, this strategy helps us engage with customers through better services and greater access to products no matter how they choose to shop. The premise is that we can serve customers best when we combine our digital capabilities with our local assets of people, product and physical locations to help reimagine the shopping experience for customers and serve them on their terms. This strategy enables increased customer engagement through services and greater access to merchandise selection with faster delivery and at a lower cost to us.

We know that customers already naturally shift back and forth between digital and physical connections with us. Fifty percent of customers who make a purchase in our store will have first spent time on one of our digital touchpoints. We also know that 35% of customers who place an online order will have visited a store to help inform that purchase. With our local market strategy, we make this shift easier by leveraging all our assets together in a seamless way.

Our business is highly concentrated in our top markets with our best customers, which is why we chose to launch our local market strategy in Los Angeles, our largest market. We've learned a lot there, and we're excited to now apply those learnings in New York, our second largest overall market and our largest market for online sales.

How does this come to life for customers?

The best example is how we are linking all our inventory together across a market to provide a much deeper and broader selection to customers. This also allows them to access inventory through experiences we know they like, such as next day delivery, the ability to buy online and pick up in a store, curbside pickup and more. These services used to be limited to specific inventory within a single store, but now with our local market strategy in LA, any customer in that market can access inventory and services from any location. We plan to have a similar experience for NYC customers this fall.

We essentially ask the customers two questions. First, "when do you need the product?" Based on that answer, we can show them different selections of product based on what's available in the market in their desired timeframe. The second question is "where do you want that product," so we can show all the different ways and locations we can ship to them. We want to make it easy for customers to control the entire experience.

How does this relate to Nordstrom Local neighborhood service hubs?

The Nordstrom Local concept is a hyper-local touchpoint for customers to engage with our services such as online pickup, alterations, styling appointments and more. Through our three locations in LA, we've learned that it's easier to communicate all the services we have and engage with customers in a smaller physical location that's convenient for them.

Customers have become attuned to experiences that are built around how they live their life. With Nordstrom Local, we aim to do that in a way that brings the best of what our brand offers on their terms. We're also testing things we haven't done before. For example, if a customer loves a particular stylist, the two can meet at any store location within LA that's most convenient – stylists aren't tied to a single store.

What results have you seen so far?

We've seen outsized results in this market. We started out thinking if we did this well, we would see more engaged customers, more utilization of services and higher spend. In the LA market, demand for Buy Online, Pick Up In-Store increased by 4x, and customers who visit Nordstrom Local spend 2.5x more on average. Customers also love using Nordstrom Locals for returns, which we get back eight days faster at these locations, allowing us to turn products around and sell it again much faster.

We're seeing more online-only customers head to our stores and vice versa, which is an important part of our business because spend increases the more channels our customers use. We're also growing market share faster in LA than other markets. We are happy with the results, but we are continuing to learn.

What's next for the local market strategy?

We're always focused on finding ways to make this even better. It's great that picking up online orders in our stores is easier, but what else can we do? We're thinking about things like having a tailor next to order pick up so an alteration isn't a separate step – it's integrated into the experience. We're getting more and more focused on making things easier for our best customers in our best markets.

This is all happening in advance of the opening of our two new West Coast supply chain facilities, which means we will have even more inventory readily available for customers. We believe this is the way we best serve our best markets with our best customers. We're not just talking about omnichannel, we're actually bringing it to life in a way that customers care about, which is to make it easy and convenient for them.

For us, the next step is to focus on NYC as we plan to open our Nordstrom NYC flagship store in October and two Nordstrom Locals in the fall – one in the West Village and another in the Upper East Side. But we're not just opening up stores, we're expanding a market. All our locations will share merchandise and services, creating more convenience and touch points for customers across the city, and contributing a meaningful sales lift for the market.

We are applying a lot of the lessons we've learned in LA to NYC. Specifically, we've seen in LA that we have an opportunity to use locations to test new things like pop-up events, return hubs and different things we've never tried. We're listening to our customers in each neighborhood and integrating what they want to create an experience that is unique to them.

We're excited and confident in the opportunity to serve customers for the long and near-term with our offering, which we feel is interesting and relevant in an environment that's modern and relevant.