

NORDSTROM

Jamie Nordstrom @ WWD CEO Summit

November 18, 2019

President of Stores Jamie Nordstrom participated in Women Wear Daily's CEO summit through a fireside chat where he discussed all things NYC, our market strategy and why we are excited about the future of the business. Below are a few of the insights shared.

We're not just opening a store in NYC —we're expanding a market.

We're focused on thinking about our business as serving customers in a market. It's not about the business you do in a store, online, at Rack —we look at a place like New York or LA or Chicago and think about how we can gain market share and better serve those customers by understanding what they want and how they want to shop. We think about how we can leverage all our assets that we already have to create a more seamless experience.

We started our market strategy in Los Angeles last year and have brought it to New York, which really consists of linking together all the merchandise in a market in our digital properties and stores. If you live in the Upper East Side, you can shop at any of our stores in the area, including the flagship store, on your phone or online. You can have merchandise delivered to the Nordstrom Local on 73rd same-day or next-day, go try it on there, get it altered, and have a pretty darn good shopping experience without ever going to the store.

We're applying our market strategy to our top markets.

We're looking at our top 10 markets and designing how to best implement our market strategy. It'll be different for every market. In Chicago, we have 17 Racks that are super convenient, so we want to add express service hubs to those locations where customers can pick up orders, make returns and can get alterations done so we can be a better alternative —it's not just about putting in Nordstrom Locals, it's about leveraging our existing assets. We look at where our customers live and what are the points of friction they face and design something specific for that.

When we first started, we operated in Seattle and Portland and competed against the retailers there where we focused exclusively on those customers. Over the past 15-20 years, the market focus went away and it was all about the internet and being everything all the time, but we're going back to focusing on our customers based on where they live, what their unique needs are, what occasions they are shopping for and how we can be a better solution to solve for those needs.

We want to be the best for every type of shopping journey.

We know that customers have a lot of different occasions they are shopping for. Sometimes it's just to replace lipstick and want it to be as frictionless as possible. Other times it's to try on dresses for two hours and want the full treatment. And there's everything in between.

There're a lot of retailers who are good at one of those different journeys —we want to be good at all of them. We think the foundation we built with digital, supply chain, stores and ultimately our people enable this, but we never feel like we perfected the model. We're always obsessed with where the customer is going and what tech they're using so we can continue to keep pace with them. We fail a lot and are ok with that because that's how we continue to learn and improve.

We're constantly reevaluating how to use our stores.

We are doing things where we are creating express service hubs for order pickup, alterations and returns, and we're putting them in the most convenient space on the first floor. It's a struggle because it throws all the metrics out the window, but the one thing we know is that if our stores look like they do now in five years, we will be failing. It's expensive to reallocate space in a store but it's absolutely necessary. We must be constantly asking how we can use the most productive parts of our stores to serve customers and create a different environment than they are used to seeing.

Going forward, our stores will be really focused on services. Thirty percent of our business is purely digital. That might be going to 50%. So, what's the role of the store in that world? We think that's a fun problem to have. But there are two things a store does really well, much better than a web site or your phone —that sense of discovery, of bumping into something that you didn't come to look at and service like getting your pants hemmed. We're focused on how to deliver that in a way that is super compelling. In some places, like New York, you need 320,000 square feet to bring that to life. In Columbus, Ohio, it might be something else. We have an opportunity to go to every market where we do business and start to figure out what is the right recipe. It's not about making big wholesale investment changes to our fleet, it's about starting to plant those seeds about how we can start to use those places better to serving customers as we become increasingly digital over time.

We want to be the place you go that has the coolest stuff.

Just look at how the customer dresses —nobody dresses in just one brand or top to bottom designer. They're wearing a Topshop jacket, Rag & Bone jeans, Nike shoes and a Chanel handbag. It's not about price points or one single brand, it's about what's cool. We've got a one-off Nike experience in our new flagship that is unique in the world. We have super rare, of the moment Nikes that are just \$99 or \$130 but are super cool. But then you go upstairs and see a super unique Burberry experience that is more expensive. It's not about the price, it's about what's cool. There're a lot of places where you go because they always have the cheapest stuff or the place you go that always has the most expensive stuff —we want to be the place you go that has the coolest stuff.

The same is true for our Rack stores. A big part of our value proposition is we're selling full-price brands. We sell first price merchandise that was made for our full-price channel but at a discount. You're seeing first-rate, first-run product at 50-70% off.