

NORDSTROM

Retail Supply Chain Virtual USA: Q&A with Alexis DePree

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Our Chief Supply Chain Officer Alexis DePree sat down with NRF's VP of Supply Chain and Customs Policy Jonathan Gold as a part of the Reuters Retail Supply Chain Virtual USA conference to discuss the new age of retail supply chain amidst the COVID-19 disruption.

What were some of the early actions you took once COVID-19 hit?

When this all hit, our first priority as a company was to figure out how we were going to protect the health and safety of our teams. There is really no singular thing we can do to achieve that, but it's a collective set of actions we all need to take together every day to help keep us safe.

We started by specifically focusing on three numbers: six, 20 and 100. Six feet of physical distance —we changed the layout of our facilities to give people more space in places like breakrooms and updated picking paths to keep separating within the aisles. Twenty seconds is the recommendation on handwashing —the elements of personal hygiene that we're all responsible for. Then 100 is to not come to work unless you're 100% healthy. A huge part of this is our self-awareness for how we're feeling each day, how much risk have we introduced and making smart decisions about if it's the best thing to go into work that day. We've continued to evolve this approach and monitor the latest guidelines which led to implementing health screenings, face coverings and numerous other practices to help keep our people healthy.

We also recognize that the pandemic affects everyone differently. We all have different family, community and work situations that affect us, so we immediately eliminated our attendance policy and provided additional paid time off for our teams —among other things —to help empower our people to make the right decisions for themselves.

Retail was heavily impacted by COVID-19 —how did it impact Nordstrom and how did you adjust for that?

While our supply chain was still operating and our stores were temporarily closed, we shifted to 100% digital. We were fortunate to already have the capability to fulfill orders out of our stores for almost a decade now and that continued to be possible based on our safety measures and local guidelines. Stores normally fulfill about 20% of online orders, but while our stores were closed, that jumped to over 50% for much of March and April.

Hitting that capacity required a new level of integration between supply chain, inventory management and stores. This resulted in some great strides made in the level of partnership and transparency across teams, which also led to better-unified planning. That's one of the reasons why I love supply chain —we sit in the middle of everything and can connect the product to the customer and all the teams in-between.

Those first few weeks in March were incredibly dynamic times and really pushed our teams closer together. I still remember all the decrees coming out one after the other and how immediately we came together to understand what was in the letter of the law, how to make sure we're being responsible corporate citizens and following the requirements in each location, and then how we could adjust and navigate our operational plans necessary to stay operating. Looking back, it was certainly a firefight in navigating the crisis but in hindsight, you can look back and be proud of the partnership, integration and new unlocks in abilities we achieved because of it all.

One example of a new unlock was in our Off-Price Rack stores where we did not have store fulfillment capabilities coming into the year. It was on our road map and something we were working toward, but our teams got scrappy and quickly enabled store fulfillment from Rack locations which freed that inventory in the stores and made it available to our customers. Simultaneously, we were able to also launch Nordstrom.ca, our dedicated website for our Canadian customers.

What role does supply chain play in how Nordstrom serves customers?

The customer experience is at the heart of what we do. Supply chain is responsible for making sure the right product shows up at the right place at the right time —that's critical to the customer experience. We're focused on delivering the same quality and experience for customers regardless of if it's in a store or at their doorstep.

One thing we know for certain is customers today want control and convenience. One of the ways Nordstrom is able to deliver on that is through our market strategy. In our top five markets, we allow our customers to connect to all the inventory and services across all our assets in the market, unlocking up to eight times more selection than what a customer would find in a single store. Supply chain plays a critical role in that. The fact that a customer can order something online and pick it up at a Nordstrom Local the next day regardless of where that product is coming from is a great example of how supply chain helps deliver on the customer experience.

What do you think the "new normal" retail world will look like and what lessons have you learned through this experience that will help you navigate this new environment?

What is normal? That is a great question these days. I think the new normal will be more of what we have today. We believe that many of the retail trends we're seeing are just an acceleration of existing trends that we had been investing towards. What's consistent is that customers still seek great experiences and products regardless of how they choose to shop.

Our digital and physical and networks complement each other, and supply chain plays a huge role in blending the two, but that requires new levels of flexibility and responsiveness. Supply chains of old were designed for scale, cost and repeatability. Those elements still matter but the importance of flexibility cannot be overstated. The change curve is much faster and more dynamic, and our younger customers have grown up with that rate of change as the norm, so we need to view that as our new normal and continue to adapt.

There are two values among the Nordstrom value system that have really stood out to me during this time. One is Owners at Heart —we talk about ownership in our responsibility to leave the world better than we found it. Our teams have really embraced that and it's changed how we think about what is possible. We don't judge things by what our job is but rather by what the customer needs and how we can deliver on that. The second is Curious and Ever-Changing —we don't know what normal in the future will be, so how are we building the capabilities to anticipate and simulate new scenarios. I don't think supply chain will be about getting optimal anymore, it's going to be about finding the best option for multiple scenarios because that is what will allow you to be agile and responsive to changing demands and win in the new normal.

How important are supply chain partners outside of Nordstrom to make this all a reality?

A huge part of our internal practices has been transparency with our teams, sharing the best information we have and working to solve problems together. I think that's true with all of our partnerships —from parcel carriers to brand partners, everyone has been impacted by this crisis. Strong transparency and collaboration are critical to advance together. The best way to navigate uncertainty is by focusing on where you do have certainty which comes from sharing information so you can plan, propose and prepare for what might happen. Supply chain is an ecosystem and we have to treat it as such.