

NORDSTROM

Pete Nordstrom with The Robin Report

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As a part of The Robin Report's ongoing CEO series in partnership with the Syracuse MBA program, President and Chief Brand Officer Pete Nordstrom joined Robin Lewis to discuss the trend of localization and Nordstrom's strategy in the COVID world. Below are a few highlights from their conversation.

Tell us about your management structure philosophy—the inverted pyramid. Is this as relevant today as when it was developed?

The biggest differentiator we have is the way we serve our customers, which is how the inverted pyramid developed organically. This structure essentially means that salespeople are at the top of our organization and are supported by all other roles below them, including me and our leadership teams. As the business evolved so did our management structure philosophy.

The pyramid was developed by my Dad's generation of leaders in the 70's, which combines the idea of customer service and the importance of our customer-facing employees having ownership and skin in the game. That generation of leaders took complex ideas and made them simple, which galvanized and energized the company around a core purpose. While our practices have changed, the spirit of customer service and ownership stays the same. People who are interacting with our customers are still the most important— even though the business has become more complex.

Can you highlight some of the biggest changes that older Nordstrom generation leaders would have considered crazy?

In the 60's we were only a Northwest company—it wasn't until the 70's that we started to expand. The formula of operating strictly through physical stores and growing the business by opening more stores was tried and true. There wasn't a need to adjust that formula until the start of the internet which changed everything. Today, more than 50% of our business is done online. While physical stores are part of the formula today, we had to evolve with technology. To be in the business of offering products to satisfy and compel customers, we had to build more flexibility in how we work with brand partners. A great example of this is our concession concepts.

The concession is a new concept that wouldn't have worked before technology. Concessions essentially give the brand more control, which is how many prestigious designer houses operate. Without allowing room for more flexibility, specifically in how we operate our inventory, we wouldn't have the distribution we offer today. In other words, it didn't serve us well to not have that product offering for our customers. We evolved our beliefs and practices on product availability and partnerships to better align with brands our customers resonate with. We want to sell the world's best products, which meant taking a different approach from what was previously used.

Our aim is to take the friction out of shopping your favorite brands by offering them in one place—it's a one-stop-shop. I've heard people say department stores won't be necessary anymore, which would mean shopping for products at different stores, rather than having it available in one location. This also applies to the online business—going to several websites to then need several usernames and passwords to shop for products across several categories doesn't offer the most convenient shopping experience. Our aim is to offer the product selection customers are looking for in one place—this becomes a compelling choice for people.

Closer to You is more than a marketing campaign or slogan, can you expand on this?

It starts with the customers' point of view; they are looking for a place that knows them and resonates with them. The essence of retailing has always been focused on the one-on-one connection between a salesperson and customer. We've had the most success with our salespeople having connections with a customer which creates a sense of trust—Nordstrom was defined by those touchpoints. We still have those high-touch customer services, but you also need to acknowledge how customers define good service. It's no longer strictly focused on the high-touch service, but on convenience and speed.

Closer to You takes all the assets we have—physical stores, people, digital functionalities, distribution and fulfillment centers—and brings those assets closer to our customers. Customers can access the breadth of what Nordstrom has to offer. Our market strategy is where Closer to You started. Seamlessly integrating our digital and physical capabilities is what sets Nordstrom apart.

Watch the full conversation [here](#).