

NORDSTROM

Erik Nordstrom @ Shoptalk

March 19, 2019



In an opening keynote session at Shoptalk, one of the largest retail and e-commerce conferences, Erik Nordstrom had a candid conversation with CNBC's Courtney Reagan, covering topics from the opening of Nordstrom NYC to our local market strategy. Below are some takeaways from his remarks. You can watch the full interview [here](#).

Does the current state of retail in New York give you any pause to opening your NYC flagship store?

"This is a huge deal for us – it's the biggest investment in the history of our company... Many of our stores take a couple of years to go from signing to opening date and things can change – our stores are long-term investments. New York, in particular, is very complex. It's been a long project, and inevitably there are swings in the external environment that we can't control... so we don't get overly concerned with short-term trends, while we are certainly aware of them." Erik shared his optimism for the future, discussing how this flagship will be the biggest and best statement of the Nordstrom brand in one of the world's top retail markets. We expect that our flagship, coupled with our digital presence, will contribute a meaningful sales lift in the New York City market.

What have you learned from your local market strategy in LA?

"Our local market strategy is really looking at a market as a whole, instead of through the restricted lens of just stores." Erik explained that the strategy is about leveraging inventory, along with digital and store capabilities, to serve customers in new and relevant ways. We launched this strategy in Los Angeles as a proof-of-concept, and the outsized share gains in this market give us confidence as we continue to scale.

A key tactic in this strategy is our Nordstrom Local stores, where customers can shop and access Nordstrom services in a convenient, central location. "We've learned that if it's a smaller store where there's not merchandise to display, it's easier to communicate all the services we have and engage with customers... Probably the most popular service is returns, which may not sound that exciting, but it actually is a big mover in our business." By offering a place for returns, it creates an easier experience for customers, gives us another touch point for engagement and gets returns back faster, which is good for the business.

Customers also use the convenient Local stores in LA to pick up their online orders, and it is a big driver for alterations. "It's something we've done for a long time – we have the most tailors of any company in North America." He describes how many customers don't know we offer alterations, but with the Nordstrom Local stores, the service is front and center and inspires customers to do everything from basic hems to more detailed finish work. "These are just a few of the numerous services we're testing in LA."

When it comes to lessons learned, Erik describes "It's not about a store strategy – it's about how you can better serve the customers in that market." He continues to say, "The more you can engage with customers, the better. It leads to increased spend, increased loyalty and creates a connection point of physical and digital experiences... We keep learning again and again to do what the customer wants." And what the customers want is convenience and new experiences – our local market strategy gives them both.

How do you balance and prioritize the difference between your store and online businesses?

"We are agnostic to where our customer does a purchase with us. The contribution margin of our online sales is about the exact same as a Full-Line store sale, so we don't have that hurdle to get over. Increasingly, it's really impossible to separate out the digital journey from the physical journey. We know that over half of our store visits started with that customer going online. We know that just under half of our store customers pull out their phone at some point in the shopping journey to help. We know that about 35% of our online purchases start with a store visit."

Would you ever consider buying one of the direct-to-consumer brands you work with?

"That's not our business to own brands... Our focus is to be the best brand partner we can be... We believe that fashion is about discovery of new product, and that many of the best customer experiences – be it online or in stores – are where they leave with something that wasn't on their list." He explains this is only possible when we present a range of brands to inspire our customers. "It is very explicitly our focus to be the best brand partner, have a Full-Price business that's driven on newness and bringing these brand stories to life, where these coveted brands will seek us as a partner."

Are you making different choices now operating as a public company than you would have made as a private company?

"I don't think so. Our strategy has been consistent. In hindsight, we don't think our strategic direction has been off, but we think we've been too slow – we can be more agile." Erik went on to describe how future success lies in our unique business model, which allows us to serve customers in multiple ways through stores, online, Full-Price and Off-Price, with meaningful synergies across Nordstrom. Moving forward, we're focused on leveraging our digital and physical assets to provide our customers with a best-in-class experience.

In closing, Erik said, "Physical retail is not going away – I don't think there's any view of that." But he said that to continue to be successful, we need to be able to learn quickly, know how to test ourselves and move with agility.