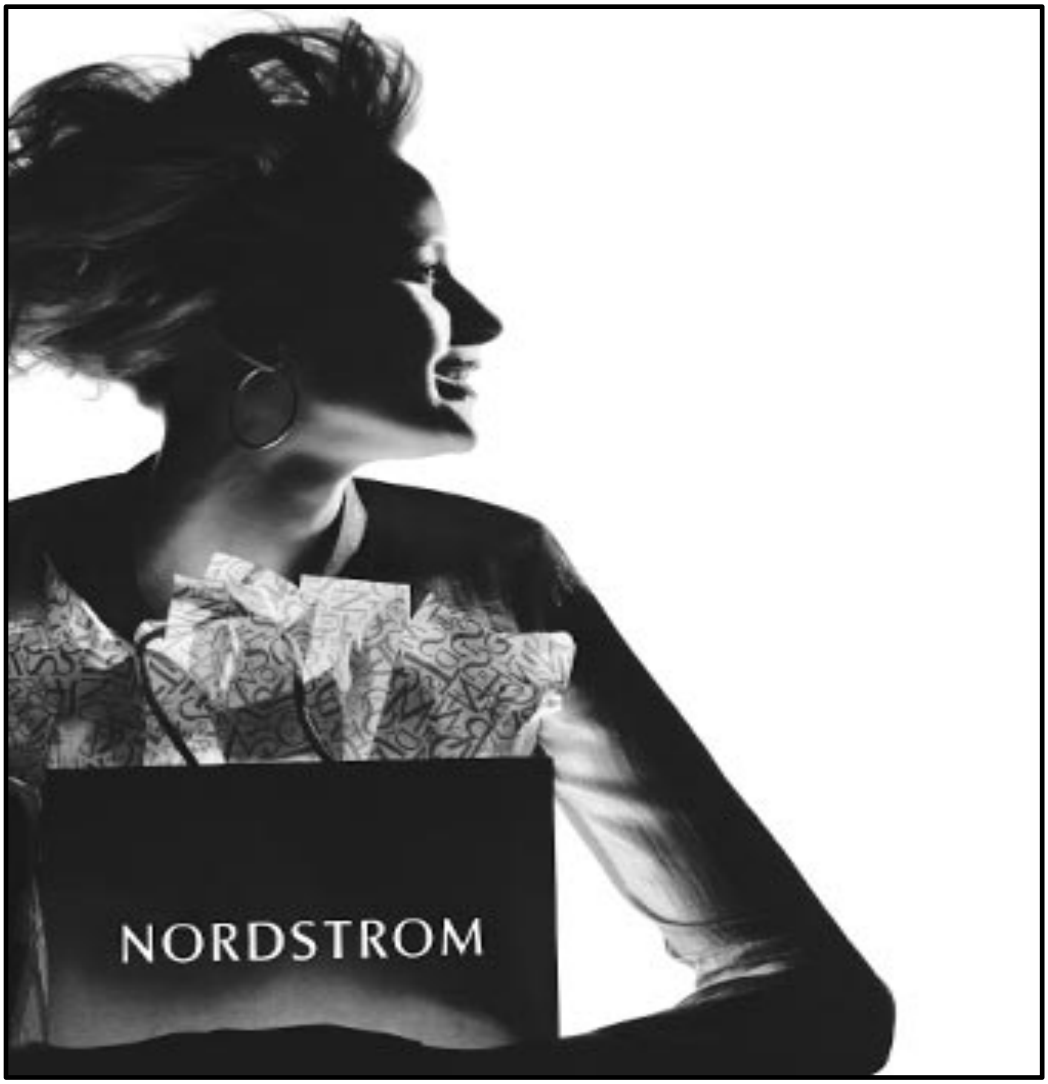

NORDSTROM'S CASE STUDY

SWOT Assignment
National & Retail Advertising - ADVG23349
Professor: Tina Preussner
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Case Study: Nordstrom

Statement of the Problem:

Fashion specialty retail is highly competitive, where the industry is rapidly changing. Due to this constant flux, Nordstrom is struggling with a number of issues that include competition, market share, distribution and technology. (Dunne, Lusch, & Carver, 2014)

SWOT Analysis

Strengths

After reviewing the case study entitled *Nordstrom's External Environment and Risk Assessment of this Environment* it is evident that *Nordstrom* has specific internal strengths within their company. One key element is the ability for *Nordstrom* to be able to respond to the ever changing fashion industry as well as the consumer trends. *Nordstrom* is able to portray their new lines for the upcoming season by doing research well in advance pertaining to the forecasted fashion trends as well as the spending patterns of their target market. By *Nordstrom* doing this there is the potential for them to increase their sales as well as portray an image of taking care of their clientele, which also allows them to remain current with their competitors. (Dunne, Lusch, & Carver, 2014)

Nordstrom is well known for the training and development of their current and future management staff as they see it as a strong start to a company's image. By training their staff early on they are able to instill experience, which translates to knowledge of their operations and relating them to the retail industry. With good future outlook for strong management *Nordstrom* is able to develop managers to put forth their operations therefore resulting in a better outcome. (Dunne, Lusch, & Carver, 2014)

Nordstrom has taken the initiative to respond to federal, state, and local laws and regulations by implementing internal procedures. Should there be significant legislative changes, *Nordstrom* is able to comply with them. For example with Obamacare introduced *Nordstrom* will be required to develop a procedure that will allow them to "offer competitive health care benefits to attract and retain employees." (Dunne, Lusch, & Carver, 2014)

Nordstrom has achieved great success through their relationship with merchandise vendors. These external relationships present the opportunity for merchandisers to limit certain products to be sold only at *Nordstrom*, which can direct consumers specifically to *Nordstrom.* This allows them to be competitive with other competitors. This has assisted *Nordstrom* through their positioning of high-quality fashion allowing opportunity for specific cliental. (Dunne, Lusch, & Carver, 2014)

<u>Weaknesses</u>

Firstly, the fashion specialty retail industry is competitive. *Nordstrom* must continue to compete with other national, regional, local and online retailers in order to maintain its share of the industry. *Nordstrom* may lose market share and its sales may suffer if the brand does not maintain and excel its standards in customer service, product quality, selection, store environment and location. (Dunne, Lusch, & Carver, 2014)

Secondly, *Nordstrom*'s credit card business. The credit card segment has substantial competitors, such as banks and other credit card companies who are financially stable. *Nordstrom* could lose market share to these competitors if the brand does not effectively anticipate and respond to the competition. If inflation continues to rise, interest rates will follow. This will affect *Nordstrom* significantly as it too borrows money to finance their inventory. In addition, as interest increases, credit card users may be unable to meet the higher rates associated with using and owning the branded credit card. (Dunne, Lusch, & Carver, 2014)

Thirdly, *Nordstrom* must be aware of the changing fashion trends that are emerging and consumer preferences. If *Nordstrom* does not identify and respond to emerging trends in consumer spending, the brand may harm its ability to retain its existing customers or attract new ones. Consumers expect *Nordstrom* to be a leader in the fashion industry. If *Nordstrom* cannot maintain their brand image with their consumers and carry the latest collection, they may lose their customer's loyalty. (Dunne, Lusch, & Carver, 2014)

Lastly, with technology evolving in today's society, and with other companies focusing and enhancing their online capabilities, *Nordstrom* must also strive to refocus its objectives on strengthening its own online presence. *Nordstrom* plans to focus on enhancing its website and mobile communications, broaden its online merchandise selection and improve the quality and delivery of merchandise to its customer. However, there is still no guarantee on brand performance. If these new technological implementations do not perform as *Nordstrom* expects, their profitability and growth could be greatly affected. (Dunne, Lusch, & Carver, 2014)

Opportunities

Demographics

The first opportunity for *Nordstrom* is its strategic growth plan. This plan entails the expansion of retail locations on a local and international scale. This plan for growth must be well executed and supported by the appropriate demographic and retail assessments to ensure a successful growth. *Nordstrom* must continue to assess and understand its competitors to ensure brand leadership and to remain a leader in its industry category. (Dunne, Lusch, & Carver, 2014)

Technology

The second opportunity for *Nordstrom* is its refocus on e-commerce and technology. Currently, the brand incorporates and participates online via social media networks to engage and interact with customers. The brand has already made upgrades to certain aspects of their mobile communications. Currently, these modifications are awaiting implementation. By upgrading the necessary technologies, *Nordstrom* is able to expand its product offering and engage its customers online to gain leadership over its competitors and to enable accessibility to users who would otherwise be unable to transact with the brand. (Dunne, Lusch, & Carver, 2014)

Business Acquisition

Lastly, the third opportunity for *Nordstrom* is its acquisition of other businesses. In conjunction with the brand's refocus on technologies, *Nordstrom* is better able to enhance both the customer's online and retail location shopping experience giving itself a competitive advantage over its competitors. *Nordstrom*'s credit card business pairs its loyal consumers with the product more quickly without the wait. (Dunne, Lusch, & Carver, 2014)

Threats

Economic:

During economic downturns, fewer customers shop at *Nordstrom*, in store or online via website. Customers that shop during a recession restrict finances being spent on merchandise. If *Nordstrom* does not anticipate this economic low with consumer sales promotions, such as percentage discounts, or increase marketing expenditure, the brand could decrease profitability and lose market share. This economic decrease may also affect the repayments and delinquency rates of the brand's credit card customers, increasing the brand's profitable loss. If consumers continue to be hyper-conscious of their budgets, they may in-turn refrain from paying off their *Nordstrom* credit cards affecting the portfolio that Nordstrom currently acquires. (Dunne, Lusch, & Carver, 2014)

Although few microeconomic indicators suggest that a modest economic recovery has begun, some key factors such as employment levels, consumer credit, and housing market conditions remain weak. A slow economic recovery or renewed downturn could have significant effects on its business. Consumers may not have the disposable income necessary to shop at the brand. A statement from the Federal Reserve Bank and the Bank of Canada indicated that inflationary pressures are developing in both economies. Signs of inflations could cause rates to increase. *Nordstrom* customers would not only suffer with high credit rates but the brand would also be facing a crisis of higher interest rate on loans. This loss on behalf of both the brand and the consumer would weaken the loyalty that has been built around strengthening Nordstrom's current portfolio. Without loyalty, *Nordstrom's* client base would minimize, proving difficult to attract new customers and maintaining existing ones. Ultimately, if *Nordstrom*'s loyalty program does not effectively benefit its loyalty members, and if their competitors have lower interest ratings, there is risk of market share loss in favour of the competition. (Dunne, Lusch, & Carver, 2014)

Nordstrom continuously competes with other national, local and online retailers that carry similar merchandise. With several competitors, it is recommended that *Nordstrom* redefine its unique selling proposition in order to differentiate itself from within the industry. If the brand is not successful in gaining new customers or maintaining loyalty, Nordstrom could risk losing significant market share. (Dunne, Lusch, & Carver, 2014)

Online retail shopping is quickly changing and *Nordstrom* is expecting an increase in competition with e-commerce from competitors and comparison-shopping. *Nordstrom* could see future sales decrease due to the majority of competitors embracing and promoting e-commerce. The brand must increase awareness and encourage its customers to utilize the brand's website to purchase merchandise in order to maintain its standing as a competitor amongst other retail, tech-savvy brands. (Dunne, Lusch, & Carver, 2014)

Legal and Regulatory

A new anti-spam legislation in Canada will impact the use of email communications to consumers in the market. Non-compliance of these new legislative initiatives could be subject to fines and legal costs. Since *Nordstrom* is an American retailer entering the Canadian market, the brand must keep in mind this new legislation to avoid fines and legal costs. If *Nordstrom* does not acknowledge the importance of by-laws and legislation within Canada and does not communicate this with employers, it could result in loss of income to the company. (Dunne, Lusch, & Carver, 2014)

The financial crises in 2008 in the United States resulted in a new legislation called Credit Card Accountability, Responsibility, and Disclosure Act of 2009. This act included new rules and restrictions on credit card pricing finance charges and fees, and customer billing practices. New rules and interpretations of this legislation are expected to follow over the next few years. If *Nordstrom's* Credit Card Program does not meet the standards of the new legislation, it could jeopardize the company's loyalty program. Resulting in *Nordstrom* losing their loyal clients and potential consumers. Consumers are quick to respond to loyalty program changes and these insights could damage *Nordstrom's* brand image. (Dunne, Lusch, & Carver, 2014)

The expansion of *Nordstrom* requires great attention and resources, which may result unsuccessfully if not considered. In addition, competition from strong local competitors, compliance with foreign and local laws and regulatory requirements and potentially unfavourable tax consequences may cause its business to be adversely impacted. (Dunne, Lusch, & Carver, 2014)

Nordstrom is expanding their company in several countries including Canada. They must investigate all factors before opening a new store to ensure it is following all regulations and to avoid any legal issues that could arise during the company's expansion and cause the company to lose money. (Dunne, Lusch, & Carver, 2014)

Technology

Recently, several large security breaches have taken place with large credit card companies and with a large department store outlet such as Target. These foreign cyber attacks have been sourced from China, North Korea, and most recently Russia. As governments in these foreign countries continue to deny knowledge of these security breaches, it is highly probable that they will occur again in the future. *Nordstrom* may not be able to anticipate these techniques or implement adequate preventive measures. One of *Nordstrom's* third party providers has been linked to a major software security breach, which caused *Nordstrom*'s database to be shut down temporarily. If a security breach was to occur again or to be release to the public that it had occur, it could create a poor image of *Nordstrom*. As consumers are extremely private and sensitive about their personal information, consumer's trust may be broken with *Nordstrom.* This may turn consumers away from shopping at *Nordstrom*, creating fear that personal information could be compromised in the future. (Dunne, Lusch, & Carver, 2014)

Alternatives/Options

Alternative/Option 1: Advance Technology & Social Media

The first alternative is strengthening *Nordstrom*'s value functions that are necessary to keeping the brand a leader in the fashion industry. To strengthen these functions *Nordstrom* needs to provide services that are of value to customers starting with the upgrade of technology and mobile communications. *Nordstrom* has already created these upgrades. What remains is implementation. Another technology advancement that differentiates *Nordstrom* from their competitors is creating an app, which would allow consumers to interact, explore and engage with the brand's new product lines.

Pros:

The advantage of integrating these upgrades is the improvement of customer usability and accessibility online via e-commerce channels. This upgrade will allow customers to access and engage with the brand any time at any place. This upgrade also benefits employees with being up-to-date with the latest in social media networking and technology.

Cons:

The disadvantage of this technological upgrade would be cost: cost of the hardware and the training of employees in how the technology works. If the new app is not created successfully and contains glitches, consumers may become frustrated with the brand. *Nordstrom* must be consistent with their new technology.

Alternative/Option 2: Incentive Towards Credit Card Payments

The second alternative is to review and refocus the integrated marketing communications plan that retargets brand objectives that reduce risk for future brand development. The Agency suggests *Nordstrom* invest in sales promotions targeting its loyal customers, possibly offering an incentive to paying off their credit cards in a timely manner, potentially with a discount offer.

Pros

The advantage of this would is the incentive for customers. The incentive encourages consumers to feel good about paying off their credit cards in a timely manner. Exclusive promotions to loyal consumers may entice them to purchase more and feel recognized for being a loyal to the brand.

Cons

The disadvantage may be the customer's loss of interest due to the financial risks associated with owning a credit card. Consumers might be offended or insulted and could feel that *Nordstrom* is trying to bribe their customers to pay off their cards early. Some may see that the company is desperate for one or rumors could spread that they are having financial issues.

Alternative/Option3: Loyalty Program

Nordstrom's Loyalty Program consists of consumer's signing up for their credit card and they will receive incentives as well as discounts. *Nordstrom* entering the Canadian Economy faces several competitors with a similar loyalty program and credit card rates. It is suggested that *Nordstrom* create new and exciting incentives for consumers to look beyond competitor rates and attract them to sign up with *Nordstrom's* Loyalty Program. As *Nordstrom*'s Loyalty Program has a tiers, they could make it easier for consumers to earn their rewards by changing how many *Nordstrom* points they receive per purchase. The brand could also offer a complimentary *Nordstrom* $20 Note for the month of the consumer's birthday, personalizing brand touch-points. Lastly, *Nordstrom* could offer consumers of its Loyalty Program a free styling session with their Fashion Specialist, teaching them the newest trends of the season.

Pros:

Upgrading loyalty programs for consumers usually adds more value for consumers and has a positive response. Consumers love feeling special especially during their birthday or special events in their life. Upgrading the Loyalty Program will allow consumers to look past their competitors and recognize that *Nordstrom* cares for their consumers. As opposed to changing the brand image with sales and promotions in store, *Nordstrom* could offer more dollar rewards with their loyalty program. This would perceive the brand as prestigious instead of discounted. This technique will also make the consumers feel that they are appreciated for shopping at *Nordstrom.* By offering free styling sessions and creating a bond with consumers is a great opportunity to find out their needs and wants. If they do not carry something that the consumer is looking for, they could contact the consumer and let them know they have received something similar.

Cons:

Customers may realize that the brand is struggling with sales and may question the new and improved loyalty program. By offering more rewards with the loyalty program, customers may question *Nordstrom*'s motives behind the incentive. If consumers feel deceived with the new loyalty program, this could cause the brand to have a negative image. Another concern would be if consumers are uninterested by the new one-on-one styling sessions with a Fashion Specialist. *Nordstrom* could be at a loss due to the lack of successes from the proposed marketing strategy. In addition, consumer may not live close to a *Nordstrom* retail location and may feel it is an inconvenience to travel the distance.

Recommendation

Nordstrom should enhance their technology and loyalty program, as there is a smaller risk associated than with the other alternatives. It is suggested that *Nordstrom* develop an attractive mobile app that allows consumers to interact with the brand on their smart phones, tablets and computers. As technology advances and consumers rely on the Internet for the latest fashion trends and comparative shopping, the *Nordstrom* app will be designed for consumers to create fashion looks they can share with their friends and families on social media.

Furthermore, *Nordstrom* could promote a customer contest for best and new fashion looks, which would encourage consumers to download and try the new app. *Nordstrom* social media pages would allow a two-way conversation between the consumers and the brand, creating a relationship with potential customers and strengthening current relationships with clients. *Nordstrom* could also post pictures of the latest fashion trends and could give free advice on fashion tips for consumers who are seeking.

Nordstrom's loyalty program would receive a slight improvement, offering consumers more rewards without drastically changing the loyalty program or damaging the brand's image. Changing the rewards system would have a positive response from consumers with the pleasure of being recognized as a loyal customer. If *Nordstrom* successfully enhances its loyalty program by offering more value, consumers may look beyond the competition and continue to be loyal to *Nordstrom*, in addition to attracting new customers possibly from competitors.

Also, *Nordstrom* could incorporate its loyalty program into its new app allowing consumers to see their program status and to see the points they have accumulated. Notifications could also be sent to the consumer via the app with exclusive promotions that are specific to their program status, like a triple rewards event for higher tiered customers. *Nordstrom* would continue to build a positive brand image with their customers and increase their market share.

Bibliography

Dunne, P., Lusch, R., & Carver, J. (2014). *Retailing. 8th Edition.* Mason, Ohio: Cengage Learning.