



# Trust

*We have a great chance of succeeding if everyone feels that they are in an environment that trusts them.*

—Blake Nordstrom



**O**ur very existence is based on trust, which is defined as the “firm belief in the reliability, truth, ability, or strength of someone or something.” We trust that the sun will rise tomorrow morning, that our car will start, that the traffic lights will work, and that our morning latte will taste exactly like yesterday morning’s latte. And that’s just the first hour or two of our day.

Every meaningful personal and business relationship is based on trust. The only organizations that engender loyalty and achieve longevity are those that work to earn our trust literally every day. Businesses that violate that trust will be severely—if not fatally—harmed. A trustworthy company understands that reputation is everything. Without the trust of its stakeholders—including employees, shareholders, customers, and suppliers—it may as well as turn out the lights, lock the doors, and go home.

Trust is not a strategy. Trust is how and why we live our lives—both personally and professionally. An untrustworthy person doesn’t wake up one morning and say, “I think I’ll try trust.”

“Why do two people trust each other in the first place?” That’s a question asked by Professor Paul J. Zak at Claremont Graduate University, in an article in *Harvard Business Review*, entitled “The Neuroscience of Trust.” Zak, who teaches economics, psychology, and management, discovered that a brain chemical called oxytocin signals to the brains of

rodents that another animal is safe to approach. In humans, oxytocin increases empathy, which is essential for collaboration.

Zak found that employees in high-trust organizations are more productive, have more energy, collaborate better, and are more loyal to their employers.

The Gallup organization, which measures employee engagement in the workplace culture, polls companies on how well they explain expectations; provide the necessary tools; and offer recognition, praise, and career development opportunities within a positive environment. When employees have a deep connection with work and colleagues, when they feel that they are making a meaningful contribution, and when they are afforded opportunities to learn and advance, then their companies enjoy superior productivity and increased profitability.

## **Trust Employees**

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Building a values-driven culture of service begins with hiring people who share those values and who fit into the culture. We then expect them to earn the trust of management, colleagues and, of course, customers, with a strong desire to give great customer service.

A college degree has never been a requirement at Nordstrom. For frontline salespeople, enthusiasm, a desire to work hard, and a capacity to generate their own traffic are much more important in a system that can best be described as a process of natural selection—a purely Darwinian survival of the fittest. As Blake has noted, “You can’t teach a work ethic.”

Nordstrom believes that the employee experience determines the customer experience. Its philosophy is to hire people who are attracted to the company’s entrepreneurial culture and provide them with opportunities to succeed.

We believe “The Nordstrom Way” can be summed up in three sentences:

1. Stay true to the values of the culture.
2. Attract people who share the values of the culture.
3. Teach and coach based on those values.

All of that sounds deceptively simple. The challenge is to stay consistent with that humble vision so that you replenish your workforce with like-minded people. Our consulting clients often ask us how Nordstrom finds people who want to give outstanding customer service.

“Most of the time, they find us,” said Bruce. “We can hire nice people and teach them to sell, but we can’t hire salespeople and teach them to be nice. We believe in ‘hire the smile, train the skill.’”

Nordstrom provides little in the way of a formalized training program. When asked who trains Nordstrom salespeople, Bruce answered: “Their parents.” Or their grandparents or guardians—whichever instilled them with a set of values.

People will rise or fall to the expectations that the organization puts on them. If everyone in the department is chewing gum or is on the phone chatting with friends, the new hire will follow that behavior instead of engaging with the customer. But if that new hire joins a high-performance, high-expectations culture, he will either emulate that behavior and become a part of that culture or realize that this job is not for him and leave.

“Some people might think our way of doing things is too gung-ho for them,” said Bruce. “Okay, then don’t work here. This is not a job for clock-watchers.”

High-trust companies hold their people accountable and treat them like responsible adults.

“Everything that we do is done through trust,” one department manager told us. “I don’t need to stand over my employees and tell them what they need to do to make the customer feel good. I trust them to make the right decision so that the customer walks out the door with a smile on her face and the purchases that help keep that smile on her face.”

Managers always stress to new hires the importance of trusting their customer, and that if they are ever in doubt, they are empowered to err on the side of the customer. Slipups, blunders, or errors are not fatal at Nordstrom, where they believe that mistakes can be transformed into opportunities. When you prove your trustworthiness by promptly admitting mistakes and quickly rectifying them, you strengthen and deepen your relationships.

No Nordstrom employee will ever get into trouble for making somebody happy. They are empowered to do whatever it takes to make that happen. At Nordstrom, as long as you make the customer happy, no one has a problem with you. If you make the customer unhappy, everybody has a problem with you.

Christian Parrocco, a young Nordstrom employee, told us, “My entire career at Nordstrom has been built on trust. Every single step I’ve made through the company stems from trusting the people around me. We all rely on each other. When you’re trusted, it makes you want to do more.”

## **Trust from Customers**

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Only one out of every three existing Nordstrom customers says she has a relationship with a salesperson at Nordstrom. What’s exciting for Nordstrom is that three out of four customers say that they would like to develop that kind of trusting relationship. When customers have

a rapport and a bond with a Nordstrom salesperson, their spending doubles. Consider Chris Sharma, who has been the top salesperson at Nordstrom for many years. Sharma, who is a personal stylist in men's wear and furnishings in the Tysons Corner store in suburban Washington, D.C., sells in excess of \$2 million in merchandise every year, and has many regular customers who annually spend between \$30,000 and \$50,000. That's trust.

Here's a customer letter that describes how salesperson Jackie Byrd is more than just the customer's "go-to person at Nordstrom," more than just a friend.

She is a much-loved member of our family who just happens to work at Nordstrom. Through every major event in my relationship with my wife, Jackie has been there for me. She saved me when I needed help to remake my wife's wardrobe. She was there for me when I wanted to propose, and she helped make the entire event perfect. She was there for me when we got married. She attended our wedding, and made it perfect by simply being there. When I need her, she is always there. Always.

My wife and I are expecting our first baby. Jackie was the second person we told and once we found out the sex (daughter), we drove to the mall to share the news with her first. We never considered going anywhere other than Jackie to get our unborn baby daughter taken care of.

Jackie proactively seeks to meet our needs and ensure we feel loved and appreciated. I've never worked with *anyone* who has gone to so much trouble to ensure we have what we need. From driving to other Nordstrom stores to pick up an item, to bringing me dress socks to our wedding in Southern California—I don't exaggerate when I tell you Jackie is the one of top three most important women in my life. I literally could not live without her.

Nordstrom is built on people like Jackie Byrd who transcend being an employee and become loved family members.

The best Nordstrom salespeople take a long-term view of their business. It's not about making the big sale with one customer and not caring if you ever see her again. It's about developing an enduring relationship built on trust.

Elsbeth Haladay, a top seller for two decades at the Towson, Maryland, store until her retirement, understood the importance of taking the long-term view. During her first month at Nordstrom, Haladay helped a young man on a tight budget find his first business suit for an interview. Haladay made sure that he walked out of the store with complete confidence that he was dressing for success. The young man got the job, his company grew to be prosperous, and he continued to shop with Haladay. Eventually, the man became an influential public figure in the local Baltimore area, and continued his long-term relationship with her.

"The most important thing," said Haladay, "is to think about what the customer truly wants and continue to deliver that over time for an ongoing experience. Relationships are about building trust over time."

Nordstrom has many ways to develop relationships with customers. For example, for many years, Nordstrom has had a Breast Prosthesis Program, in which salespeople become Certified Prosthesis Fitters and are specially trained to fit women for all intimate apparel following a mastectomy, lumpectomy, or other reconstructive breast surgery. The program provides items and services such as breast forms for mastectomies, lumpectomies, and reconstructive breast surgery; post-mastectomy camisoles and bras; and free pocketing on any bras purchased from Nordstrom.



“The days after my mastectomy were some of my darkest,” wrote a Nordstrom customer named Shana on her website TheMomEdit.com. “Words cannot express how thankful I was for the support and hand-holding Nordstrom provided to my overwhelmed self. They were able to get me out of my scratchy and stiff hospital-issued compression bra and into a silky soft Spanx contraption that was both comfortable on my scarred chest, yet still offered the binding I needed for my bruised ribs. Since none of my bras fit (seriously *none*), they also helped me select a pretty little bralette for once I no longer needed the compression.” She added that her experience was so positive because of, “the caring and helpful staff at Nordstrom.”

## Hiring

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As Nordstrom has expanded across North America, the company faces a constant challenge of finding the kind of people who want to give Nordstrom-like service, and to help them optimize their capabilities and give them opportunities so that they want to stay with the company and make it a career.

When opening a new store, Nordstrom primarily recruits from within. It draws on seasoned Nordies from throughout the company, high achievers who have grown up and learned within the Nordstrom culture. Then it hires locals to fill out the staff.

To recruit workers with disabilities, company representatives attend special job fairs and work with businesses, service agencies, and assistive technology providers that network with the disabled community.

Once a candidate has applied, he or she goes through a phone screen with a recruiter or a person in human resources, followed by

in-person interviews with a department manager and a store manager. Although candidates meet with assorted members of the store team, the hiring decision ultimately lies with the department manager. Nordstrom provides managers with a variety of training tools to help them make the best hiring decisions.

For every 300 or 400 positions that Nordstrom needs to fill in a new store, the company usually receives some 3,000 to 4,000 applications. (In other words, a person has a 1 in 10 chance of getting hired at Nordstrom.) The people who are not hired are sent thank-you notes because their effort to apply is appreciated and, after all, Nordstrom would like them to remain or become Nordstrom customers.

## **Onboarding**

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New employees must buy into the culture and understand their role in maintaining and supporting the culture through their actions. On the first day of orientation, new Nordstrom employees read an introductory message that sets the tone for what is expected of them:

As we travel along the road of life, we encounter paths that lead to a great opportunity for growth. To recognize the doors that open to a bright future is the key. Once inside, we crave support from our colleagues. We know that the health of our relationships is paramount to our own success, and that the joy of sharing ideas leads to a diversity of options. Our reward is access to a wealth of knowledge that we would have otherwise overlooked. Welcome to Nordstrom. Our door is open.

Among the paperwork that they receive is a  $5\frac{1}{2}$ -inch by  $7\frac{1}{2}$ -inch card entitled “Nordstrom Employee Handbook” (see Figure 1.1).



**Figure 1.1** Employee Handbook

That's it. This simple, straightforward directive is the foundation upon which The Nordstrom Way is built because it removes the roadblocks to taking care of the customer.

Nordstrom believes that the more rules employees are asked to follow, the more they are separated from the customer. Such unempowered employees invariably find themselves serving the rules, not the customer. They wrap the rules around themselves like a security blanket and then send the message to the customer: "You can't hurt me. I'm protected by the rules."

Rules and policies reflect the company's perspective. Good judgment reflects the customer's perspective.

Please note: We are not talking about the rules and regulations imposed by governmental bodies and professional associations. You have no control over these mandates. We are talking about internal rules that are self-imposed. Are the rules in your organization getting in the way of how you interact with your customers? We urge you and your team to periodically revisit those rules to see if they are still relevant and important to how your organization functions.

Jim Nordstrom, cochairman of the third generation, once said, “The minute you come up with a rule you give an employee a reason to say no to a customer. That’s the reason we hate rules. We don’t want to give an employee a reason to say no to a customer. Our people are judged on performance, not on obedience to orders.”

Nordstrom’s way of doing things inspired an executive at a world famous Nordstrom vendor, who said, “At our company, we live by the rules and it’s a tremendous pain in the ass. Nordstrom challenges us all to do something differently.”

As you have seen, Nordstrom does not believe that great customer service emanates from lots of policies, rules, and procedures. The only way to take care of customers is to empower employees to use good judgment and focus on the issue for the customer right in front of them. The best service happens when people take ownership of their customer and do what they think is best to take care of the customer right then and right there.

“It’s hard to do this without a training manual,” said Erik. “We get this across by telling stories and recognizing people a lot. In the morning before our stores open, the store manager recognizes people who did a good job the day before. They’ll read a letter from a customer where we’ve made a difference in their lives. These stories bring into reality the words that define this culture. We can’t boil it down to a set of steps that everyone must go through. Our only shot at taking care of the customer is to hire the right person and empower them.”

“We are going to keep making decisions that are in the best interests of the customer,” said Nordstrom’s chief innovation officer Geevy Thomas. “When responding to a request from a customer on the sales floor, ask yourself: ‘Does this request pass the test of reasonableness?’”

How do you define “reasonable”?

After one of our RSi customer service workshops for a prominent financial services company, we were approached by an attendee, who was on crutches because her left leg had been amputated from the knee down. She told us this story:

“I would go to other department stores and ask if they would sell me one shoe. That request made them nervous and ill at ease. They would apologetically tell me that they could not do that. It was against the rules! Finally, I went to Nordstrom and asked if they would sell me one shoe. The saleswoman said, ‘Absolutely,’ and they charged me half the price. I’ll always give Nordstrom my business.”

When he heard that story, Thomas said, “When viewed from the customer with one leg’s point of view, a request for one shoe at half price is a reasonable request!”

Let’s say that this customer bought a \$500 pair of shoes. Instead of a \$500 sale, it was a \$250 sale. She’s told that story to untold numbers of people. We’ve told that story around the world. Was that gesture worth \$250 in advertising? Nordstrom thinks so. That’s why it empowers its salespeople to do whatever it takes to satisfy the customer.

## **Reinforcing the Culture**

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New employees become steeped in the culture. They learn the values that the company supports and the atmosphere it tries to create, where everyone is in a position to succeed. Nordstrom wants new employees

to connect with the company as a whole and with their home store in particular, to help them understand what is special about their team and to get them excited about their new career.

They are schooled in the Nordstrom service philosophy and encouraged to work on enhancing the customer service experience one customer at a time.

They learn about the company's history, culture, and experience by watching video interviews with members of the Nordstrom family and top-performing employees. In person, they hear from successful store managers, department managers, and salespeople, who tell their personal stories about how they started with the company and how proud they are to be working at Nordstrom and appreciative of the opportunities they've had to prosper. So many people say, "I started with Nordstrom when I was in college. Originally it was a part-time job, but 10 years later, I'm still here." They might even shed a few tears of happiness. Sometimes people in the audience are crying along with them. This is how a generous helping of honest emotion cultivates the culture and turns what could be an abstract concept into a concrete reality.

"The most important thing I've learned is how much every single interaction with the customer counts no matter how big or small the sale is," said a salesperson. "You may not know the story behind a particular purchase. You may never know the impact that that one sale is going to have on a customer and how they view Nordstrom as a company. But if you don't make that interaction a special moment, you'll never have a chance to cultivate long-term relationships."

Nordstrom consistently reinforces this dual message: (1) every single decision the company makes is for the benefit of customers; and (2) Nordstrom employees are crucial to that experience. Nordstrom reinforces its culture with messages such as, "Our goal is to provide

outstanding service every day, one customer at a time,” and “We work hard to make decisions in the best interest of our customers and those serving them.”

Nordstrom provides further guidance to its employees about how to achieve the Nordstrom mission in a practical way every day with a clear description of the Nordstrom culture and the things that Nordstrom values: being family; trusting each other’s integrity and ability; taking the initiative (with management’s support); setting and accomplishing personal goals; taking ownership; being open, honest, and respectful in communication; being a good neighbor; showing courtesy to everyone (customers and coworkers alike); and having fun. Employees learn every aspect of the company and how each aspect works and fits in with the overall culture.

“You learn from the veterans who have the culture embedded in them,” said manager Callie Hutton, who started as an intern while in college. “Everyone on the team works together to train that employee, to show them how it’s done at Nordstrom, how we take care of our customer. In onboarding, it’s important for people to feel that they are a part of the team and that they understand our culture. People don’t work for a company; they work for other people. We all have to be a servant leader for our team to make sure they feel good about working here and want to continue to work here.”

## **Find Your Own Way**

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After going through employee orientation and becoming familiar with the culture, the systems, the merchandise, and the sales goals expectations, salespeople are encouraged and empowered to develop their own style, to find their own niche, their own way of taking care of business

that fits their unique personality and talents because, ultimately, success at Nordstrom comes down to what works for each individual. Not everybody can be a top seller, but everybody has individual strengths.

Top salespeople are encouraged to pass on the knowledge and tricks that they have acquired along the way, such as goal setting, self-marketing, selling, using the phone, social media and, of course, customer service. That is how a customer-service, sales-oriented culture is perpetuated and sustained.

Although this book is entitled *The Nordstrom Way*, there are actually more than 72,000 Nordstrom ways, because each employee is an individual, with a unique style and approach to taking care of the customer.

“Healthy competition is good; we love to win,” Nordstrom tells new hires in its company literature. “If you thrive in a high-energy, competitive, team environment, you’ll love it here.” (See Chapter 7: Competition and Compensation.)

Key to success is finding the right balance in rewarding individual achievement, teamwork, and customer service. Ultimately, it comes down to the individual. Nordstrom provides the information, tools, and the empowerment. Employees learn from each other and share what works. Nordstrom doesn’t believe that learning The Nordstrom Way works very well in a classroom. That’s why Nordstrom wants people to get out on the sales floor and learn firsthand.

Each new salesperson is matched with an experienced salesperson or manager in the same department for up to a full day of observation and practice. They work through a checklist of selling concepts and role-playing scenarios to help bridge the gap between the new hire’s first day on the job and another class. Eventually, they learn the foundation of relationship selling, how to develop expert fashion knowledge, and how to confidently engage with the customer.

Top salespeople believe in making customers their best friends. Customers are there to spend money, so make them happy.



“Approaching each customer as though they would become a friend changes the way you interact with each person. Always ask yourself how you can best make the customer happy so that they’ll come back to work with you again,” said Elsbeth Haladay.

## **Empowerment**

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Empowerment to do the right thing is the byproduct of trust. If you boil the Nordstrom system down to its essence, down to the one sentence that separates Nordstrom from most other companies, it is this: Nordstrom gives its people on the sales floor—the front line of the business—the freedom to make entrepreneurial decisions, and management backs them on those decisions. Everything else flows from that simple premise.

That’s called empowerment. In most businesses, empowerment is a cliché. At Nordstrom, it’s a reality. Nordstrom empowers salespeople and managers at all levels with a wide range of responsibilities without shackling them with lots of bureaucratic guidelines that get in the way of serving the customer. Nordstrom wants its people to operate like nimble, entrepreneurial shopkeepers rather than static blocks in a retailing monolith.

“We’ve never tried to solve a customer service challenge at headquarters or through training modules and policies,” says Erik. “We’ve always done it through empowerment—and that’s the only way we’re going to meet the challenge today.”

Empowerment encourages personal ownership, which Blake called, “key to our success and our company’s ability to persevere even through the toughest of times. Throughout our organization, our people are empowered to use their energy and their entrepreneurial spirit to take care of the customer. We don’t have one person whose role it is to

maintain the culture or manage service or our reputation. We are all responsible for keeping alive and well these components of who we are at Nordstrom.”

If an employee wants to go above and beyond for a customer, or would like to make a suggestion on how to improve service or to try something new, “We want you to take the initiative,” company literature says, “and we’ll support your efforts to deliver exceptional service. Selling something is the best service that we can provide.”

Regarding empowerment at Nordstrom, there are those who get it, those who really want to get it, and those who will never get it.

Nordstrom believes in empowering people as close to the customer as possible in order for those people to bring an entrepreneurial, proprietary attitude to their business.

As a business leader, you have to be confident enough in your system and your people to take your hands off and allow business to work.

“If everyone can feel like it’s their reputation, their name on the door, and that they are in an environment that values them, trusts them, hears them, and allows them to make a difference, then collectively we have a great chance of succeeding,” said Blake.

A women’s apparel salesperson in New Jersey said that she approaches customer service, “as if I’m running my own shop: Greet every customer with a smile. Learn their names and keep in touch with them. Go the extra mile. A couple of times I have hand-delivered alterations to a customer’s home. They were really wowed by that.”

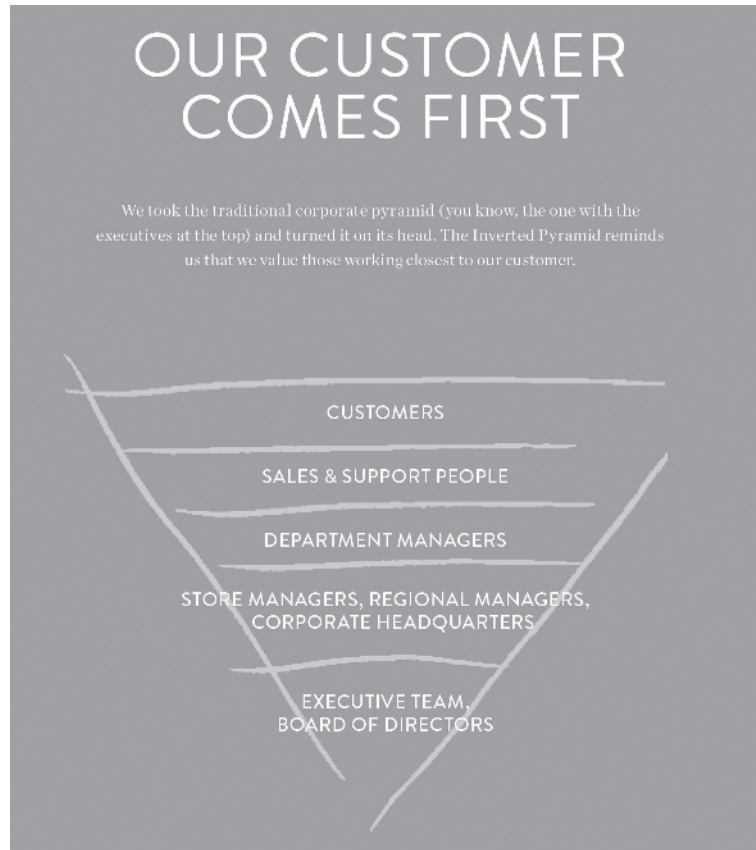
As another salesperson told us, “It may say Nordstrom on the front of the building, but I want the customer, when she thinks of Nordstrom, to think of me. I believe the department where I work is *my* franchise. Nordstrom gives you the freedom to help the customer with everything. No one tells you that there’s only one way to do your business. Nordstrom lets you do whatever it takes to make the customer happy, as long as it’s legal. They are not going to say ‘no’ to you if the end result is a happy customer.”

## Inverted Pyramid

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Nordstrom's empowerment culture is illustrated by the company's informal structure of an Inverted Pyramid. (see Figure 1.2.) The Inverted Pyramid is a cornerstone of the Nordstrom culture.

Customers sit atop the pyramid. Beneath them are the salespeople, department managers, and executives, all the way down to the board of directors. This is both a literal and symbolic way of how the company does its business. Customers are on top because they are the most



**Figure 1.2** Inverted Pyramid

important. But the next most important are the salespeople because they are the ones who are closest to the customers.

“There’s a lot of meaning to the Inverted Pyramid because it reflects our values,” said Erik. The Inverted Pyramid guides our leadership style, which is about support, not command-and-control.”

It is the job of the rest of the workforce to help those people on the sales floor (the front lines) because they are the engines that power the machine. If they aren’t making money, then the company isn’t making money.

As employees rise up through the managerial and buying ranks, they are referred to as “moving down the pyramid,” “supporting” their departments, and providing “servant leadership.” This kind of language buttresses the Nordstrom value of humility, which we will discuss in greater detail in Chapter 5.

“Part of my job as a servant leader is to serve my team up the Inverted Pyramid,” said regional store manager Greg Holland. “Respect flows from the bottom of the Inverted Pyramid [where the top executives are] all the way up to the top. As a regional manager, my job is to serve my store managers because they have to serve their department managers, who have to serve our salespeople and our salespeople have to serve our customer. I ask the people I support questions such as: ‘What’s getting in your way? What is the thing that’s frustrating you that I can help to alleviate?’ I get my kicks out of serving others. It makes me feel good.”

“The Inverted Pyramid lends itself to the trust component,” said manager Adrienne Hixon. “Those of us farther down the Inverted Pyramid know our marching orders, which is to support those closest to the customer. That’s a huge trust factor.”

Smart people can look at Nordstrom’s Inverted Pyramid “and scoff at it,” said chief innovation officer Geevy Thomas. “Those people will not make it here.”

## **Trust Among Customers**

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Treat each customer as a whole person, as an individual, so that you learn their likes and dislikes. When customer service comes from the heart, individual salespeople can add their own personal touch in order to create a relationship in which the customer feels as if she is working with a friend. The result is a strong connection that turns a happy customer into a brand ambassador.

No matter how electronically wired we are, there will never be a substitute for personal interaction for creating long-lasting relationships. According to a global study from IBM, 67 percent of members of Generation Z shop in brick-and-mortar stores “most of the time,” with another 31 percent shopping in-store “sometimes.” In other words, 98 percent of Gen Z shops in-store at some time or another, and they still expect a personalized experience.

What a priceless way to connect with your customers! The brick-and-mortar experience will never die because we are all social animals. Retail is where the economic order and the social order meet. And what says “instant gratification” more eloquently than brick-and-mortar stores? You can buy an item and immediately have it in your hands. What a concept!

Most shoppers say that in-store purchase decisions are influenced by store associates whom they seek out for help or recommendations. These shoppers say that they are more likely to make a purchase from a sales associate who has helped them in the past. Sales associates who remember customers’ personal preferences have a positive effect on how much they buy.

Van Mensah, a men’s suit salesman at the Pentagon City, Virginia store, is a native of Ghana who holds an MBA degree from Northeastern University in Boston. He believes that honesty and sincerity are the keys to success.

“When you are dealing with the kind of clients who come to Nordstrom, if you try to play games, they will see through that very quickly,” he said. “If you know the merchandise is not right, come forward and say, ‘in my professional opinion, this is not going to work for what you are buying it for.’ You might lose some money; it might be the most expensive item he wants to buy. But I would rather sell him something that is less expensive but will actually work better for him. If you tell him the product is not right for him, you get more credibility.”

When you’ve established trust, customers will give you the benefit of the doubt.

“The moment of truth is what happens between salespeople and customers,” said Pete. “So, every decision we make—based on every experience we have had—must go back to supporting the relationship between the salespeople and the customers.”

Front-line people are empowered to establish relationships with customers and to find ways to take care of them. They must be able to listen to the customer, understand their needs, and follow through to fulfill them. If a salesperson can’t find an item that a customer has requested, Nordstrom insists that the salesperson gets back to that customer to engender trust and loyalty. Customers want to do business with a company—and an individual—they can trust.

Nordstrom is faced with the challenges of reinventing itself while preserving cross-generational appeal. For a department store that’s been around since 1901, Nordstrom faces a two-headed challenge: to not alienate its aging-but-existing, bread-and-butter base of loyal customers, while at the same time, being sufficiently hip and relevant to attract new, young customers. You don’t want people to think you’re stodgy and old, but you don’t want to exclude those over 30, either.

What remains constant is that Nordstrom looks at every change and initiative through the lens of the customer.

## Return Policy

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One such customer-friendly approach is the Nordstrom return policy, which is a virtually unconditional, no-questions-asked money-back guarantee. (Due to public health laws, there are some product category exceptions, such as cosmetics.)

This generous policy was established in the 1920s, when Nordstrom consisted of one shoe store in downtown Seattle and one near the campus of the University of Washington, a few miles away. After all, shoes are one purchase that can be confirmed only by use—walking around to make sure they fit. Brothers Everett, Elmer, and Lloyd of the second generation dreaded having to deal with obviously outrageous or unreasonable returns, so, they reckoned, if they could pass off the responsibilities for the adjustments and complaints, their enterprise would be more personally enjoyable.

“We decided to let the clerks make the adjustments, so they would be the fair-haired boys,” recalled Elmer. “We told them, ‘If the customer is not pleased and comes to us, we’ll give her what she wants, anyway.’”

Tracking the costs for the first year, they found that they could afford the return policy, which became a point of differentiation from their competition. In a world where most retailers make returns an ordeal, Nordstrom made the experience as painless as possible, which generated priceless word-of-mouth advertising. It still does.

The third generation of Nordstroms—Bruce, John N., and Jim—preserved and encouraged that generous approach to returns.

Returns, Jim told us in the early 1990s, “are the best way in the world for us to own the customer forever. When somebody comes in with a return, that’s the time to separate yourself from the competition. You have to remember that the person who’s returning the item is back in our store. We want them to see that we’re on their side.”

Jim believed in greeting that customer with a big smile and that, “If you take back the item with a smile and no questions asked and the customer walks out the door happy, what’s that worth? A lot. It’s the best sales closure we have as a company. What a wonderful opportunity for a salesperson to own a customer.”

A retired jewelry salesperson in southern California agreed: “Our return policy is a wonderful way to establish trust with the customer. The first part of my approach to returns is to have a ‘yes’ attitude, which is even better than a positive attitude. If you smile and are genuinely helpful, the customer can see you’re not just here for the money. Each customer encounter—whether it’s a return or a sale—is an opportunity to build trust. When you sell something to a customer, you make a commission. But when you make a friend, you create a lifetime relationship.”

Jamie Nordstrom, who is Jim’s son, said simply, “We don’t have a return policy. What we have is a belief in empowering our salespeople to deliver the best service. The best person to make a decision on how to best serve that customer—including taking returns—is the person standing right in front of the customer.”

The company’s overall primary message is: “If you’re ever in doubt as to what to do in a situation, always make a decision that favors the customer before the company.”

If a customer comes into the store with a pair of five-year-old shoes and complains that the shoes are worn out and wants her money back, a Nordstrom employee has the right to use her judgment to give the customer her money back.

Empowering the people on the sales floor with the freedom to accept returned merchandise is the most noticeable illustration of the Nordstrom culture, because it is the one that most obviously affects the public.

Nordstrom has its liberal return policy “not because we’re good guys; we do it because it works,” said Bruce. “We want to do more



business. It serves our purpose to be nice to people, to wait on them, to turn the other cheek.”

Doesn’t that unconditional policy invite abuse? Sure it does, but central to the Nordstrom philosophy is a desire not to punish the many for the dishonesty of a few. Which is not to say that returns are often frustrating for Nordstrom salespeople. You have the customer who “borrows” a dress for a couple of years (or a weekend) and then returns it. Nordstrom will put its foot down in egregious situations.

“Now, if somebody goes too far, we’ll say that although fairness is our credo and that’s how we try to live our retail life, this adjustment is not fair,” said Bruce. “The ones we say ‘no’ to are people who have a lengthy history of wearing something and then returning it.”

Because it is a multichannel retailer, Nordstrom allows customers to return to their stores any items purchased at [nordstromrack.com](http://nordstromrack.com) or its HauteLook online site, where luxury brands are sold for up to 75 percent off the original price. This move alone has driven millions of incremental trips to Rack stores.

“Customers would rather just walk in a store and hand us this stuff than box it up and wait for UPS to pick it up,” said Erik. “We can do that because we have stores. It’s good for the customer and it happens to be good for us. We like to have customers in our stores because they tend to buy something. That’s why we need to focus on what’s important to the customer. With online returns to the store, the best thing you can do is to get that return done as quickly as possible. That’s a great experience. That’s the best way to get them excited about spending more time in the store.”

Nordstrom’s return policy also means that the company stands behind what it sells, essentially telling the customer, “I am so confident you are going to love this item, I want you to buy it, wear it to work someday, and if you do not feel great about it, I want you to bring it back,” said Jamie. “I don’t want you to have anything in your closet that you bought from Nordstrom that you do not love.”

Everett, of the second generation, was a perfectionist about product quality. Once, an order of women's pumps was found to be poorly constructed. The uppers were separating from the soles near the ball of the foot. When Everett alerted the manufacturer, he was told, "They're not all bad. Just send back the ones that come apart." Everett's reaction was to go into the stockroom, take every pair of shoes from that manufacturer and start popping them apart, just to make sure that no customer would have a problem.

## **Quality Center**

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Ensuring highest product quality continues to be essential to the Nordstrom culture. In an industrial/retail area south of Seattle is the Nordstrom Quality Center, which is dedicated to making sure that the products the company sells will be of the highest quality and workmanship.

From throughout the company, the facility receives defective shoes and clothing that can be repaired. Quality Center employees sort all of an individual vendor's merchandise into one bin, then invite the vendor's representative (or, in some cases, the principal of the company) to the facility to show that individual what common quality issues Nordstrom is facing with the company's merchandise, such as buttons that are poorly sewn on. Nordstrom offers feedback on how construction problems could be solved. Vendors that want to continue to sell to Nordstrom are grateful for the feedback.

The Quality Center has also helped Nordstrom to solve one of its historically major concerns dating back to its strictly shoe store days: matching up the shoes that had lost their mates. That task was virtually impossible to do in individual stores, because, in the natural course of business, some shoes bought for one store might get transferred or returned to another store within the company.

The Quality Center refurbishes and shines up mismated shoes as well as shoes that were worn and returned by customers. The spruced-up shoes are marked down and then sent to Rack stores.

Typical of Nordstrom, most of the workers at the Quality Center are veteran employees who have worked on the sales floor, so they are familiar with merchandise construction and know what to look for.

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As counterintuitive as it may sound, the return policy works to the benefit of the best salespeople, who realize that returns are part of the game. They take back the returns with a smile, knowing that many of those customers will return. Some enterprising Nordstrom salespeople will even send a thank-you note to a customer who has returned a purchase. If you were that customer, wouldn't a gesture like that get your attention?

More than 67 percent of customers who shop at Nordstrom.com return unwanted items to a Nordstrom store—even though the company does not charge postage and handling for returns. Stores are convenient, and the shopper actually has real, live, knowledgeable salespeople to work with. The salespeople are motivated because the customer is generally a ready buyer.

This is why taking a multichannel approach has been so effective for Nordstrom. We will go more deeply into multichannel in Chapter 8: Innovation and Adaptation.

## **The Tire Story**

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The most famous Nordstrom return story (which the national press frequently cites) is the tale of the salesperson who gladly took back a set of automobile tires and gave the customer a refund. What doesn't

ring true about this story? Nordstrom has never sold tires. Is the story apocryphal?

No—it's true! In 1975, Nordstrom acquired three stores in Alaska from the Northern Commercial Company, a full-line department store that sold many products, including tires. (Northern Commercial was the local B. F. Goodrich dealer.) After Nordstrom bought the stores, the company converted them to Nordstrom stores and eliminated lots of departments, including the tire store across the street, which Nordstrom later stocked with menswear and shoes.

Here's how John N. described the scene:

I was visiting Fairbanks soon after the change [from Northern Commercial to Nordstrom] and was standing in the back of the store with our manager. The doors opened for the day and we saw a small, older man walking across the street carrying a tire. He entered the store and looked around, seemingly confused. Our manager started toward the door and I grabbed him and said, "Let's stay here and see how our team handles this."

Our young salesman greeted the customer and asked to help him. The little guy said he had purchased the tire here and it didn't fit his car, so he wanted to return it. I was so happy when our young salesman asked if the customer remembered how much he had paid for it. The guy thought it was about \$25. Our guy opened the cash register and handed him the \$25 and told him he hoped he would return so we could help him with clothing or shoes.

We took the tire and nailed it up in the stockroom as an example of how you give customer service. We didn't realize the story would become a wonderful cultural pillar of the company.

This has become the quintessential Nordstrom return story, and one hears variations of it all over the United States. When we speak to corporate groups, the number one question (there is no close number two) they ask is: "Is the tire story true?"

“We have to create new stories every day,” said Geevy Thomas. “We want to know what your tire story is from yesterday. What are we doing today to *wow* the customer?”

As we’ve seen, Nordstrom places trust for all parties concerned above all else. Trust is fragile. It is a value that has to be reinforced every day in as many ways as possible. Nordstrom has made it a priority to maintain that trust as best as it can. That’s not easy, with more than 72,000 employees across North America and Puerto Rico. But the company continues to prove that an approach and philosophy that constantly emphasizes, recognizes, illustrates, and rewards the value of trust has created a foundation for loyalty and longevity.

