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NORDSTROM

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Nordstrom; Company Overview

Nordstrom, Inc. is a fashion specialty retail company that operates through several retail channels. The Nordstrom branded full-line stores and online stores provides customers with a wide variety of branded and customized merchandise. Thus, it distinguishes itself from other department stores with unmatched customer service. There are over 300 stores; some of its prominent stores include Nordstrom Rack stores, Jefferey boutiques, Last Chance clearance stores, and HauteLook. The company offers a variety of products such as apparels, accessories handbags, shoes, home accents, and bath and beauty products, and other items for men, women, teens and kids. Also, the company offers services such as stylists, spa, restaurants, alteration and tailoring and gift cards among others. Nordstrom is headquartered in Seattle, Washington, the US, with its major stores located in Canada and the U.S.

The Seattle-based retailer company is considered the best of its competing retailer companies operating in the same line of business specifically for flaunting a healthier, leaner real estate imprint, collaborating with prominent clothing brands like Topshop for provisions to its stores, and most significantly by operating a profitable off-price business; the Nordstrom Rack. The company boasts among its rivalries in regards to distribution operates, whereby it distinctively dispenses its products through its own merchandise distribution and fulfillment centers. Consequently, the company has made unparalleled developments especially by leading its competitors in the use of digital novelties to improve the experience. For instance, it developed websites, and apps that are stores-oriented linking with customers to enable them choose the kind of experience they want. Its latest alliance with Trunk club; a customized apparel service entity that helps people to choose their products on the Internet will likely improve their service for younger customers who are online savvy.

Nordstrom's main target market is the millennials. These kinds of customers grew up with technology and frequently use it regularly, and they are largely the biggest generation in the US that is entering its crucial spending years. The company's priority of positively ensuring better customer experience has enabled it to have high success rates in comparison to its competitors likes of Dillard's, Macy's, or JC Penney. For instance, the net sales and cash inflows of the company have improved a lot most recently, despite lately engaging in very high investments that require large cash outflows (Market realist, 2015). Nevertheless, the investments are not going to halt soon, as the company intends to expand Nordstrom Rack stores

and intensify its digital novelty to increase online sales. In the contemporary world, online sale is the prolific growing channel that guarantees convenience of shopping. Thus, investing in it will ultimately attract the modern-era customers to its stores, hence building a relationship with them, luring them to shop at full-line Nordstrom stores frequently.

Strengths and core competencies of Nordstrom Company

The prime strength that has enabled Nordstrom to make its significant milestone in retail industry is its capability to employ a complex integrated omni-channel strategy in its operations that gives customers an unmatched shopping experience. The company boasts for being among the leading entities that successfully use different channels that are entirely unified with each other; which offer a wider platform that enable consumers to switch between the channels in consideration to their subjective preferences.

Secondly, Nordstrom Rack enables both the newer (younger) and price responsive consumer. The company has extensively invested its resources in ensuring the needs of millennials are met. It is purported that millennials are becoming the prevalent population in the US, and since their expenditure is dependent on money which is by far less for them, Nordstrom Rack becomes a deal maker by offering valuable apparels with huge discounts, thereby meeting their demands (Bailey, 2015).

Thirdly, the company's norms, values, standards, principles and values serve as a strength that has facilitated it to attain its significant success milestone. The company largely believes that by treating its employees the right way, employee loyalty to work is achieved, thereby propelling the company to its prosperity and success. Similarly, the strength of the company can be attributed to its relentless advocacy towards environmental sustainability. The increased emphasis of the company regarding the environment by working in the areas of afforestation, recycling and green transportation encourages customers to engage with the company as a return more sales are realized.

Consequently, the most significant competence of the company is its engagement with ecommerce services in the recent years. Online and mobile sales are considered the technological strategic utility tools in the contemporary business environment that can help companies generate higher revenues. With its desire to expand its online presence and integration of mobile channels, with a new website and new apps, it is projected that it will eventually meet the demand for online retail platforms (Thomas, 2018). Further, catering for the less wealthy and younger

population is regarded as an opportunity for the company. It is noted that the demand for affordable clothing is high, and a lot of customers cannot afford expensive clothes, however, Nordstrom's tenure of offering valuable clothing with substantial discounts especially in the Nordstrom Rack attracts more customers, who end up being loyal customers.

Moreover, Nordstrom's opportunity results from opening up of new markets because of government trade agreements. So far the company has been able to penetrate the Canadian market, whereby its first stores opened in 2014 (Transcription, 2018). The increased favorable trading environment facilitated by the government through its free trade agreements and adoption of advanced technology has provided Nordstrom, Inc. a significant opportunity to venture into new emerging markets.

Weaknesses and Threats facing the Nordstrom

The crucial weakness attributed to Nordstrom is that it is recently stuck in the middle. The company has been engaging in compelling projects, whereby most of its resources have been directed towards focusing on providing high customer service and at the same time towards competing with off-price retailers. The implementation of these projects has led to increased costs ultimately leading to low margins. Thus, according to recent reports the net contribution % profitability ratio of Nordstrom Company is below industrial average (Nordstrom, 2018). As such this current sudden developments and overhauls in the outlet stores is a shortcoming for the company as this decreases the work efficiency of the employees and also, reduces provision of customer services.

By far the reputation of Nordstrom Company has been built based on its association with provision of products that match the high social class needs. However, with fluctuations in the economy, and with the rising in millennial population who have limited sources of income, the company will likely experience less returns as these group of consumers who comprise the majority of its customers will shift to other retailer companies that offer the same products but at lower price points (Sachs, 2016). Thus, the success in the present situation in case of projecting and expansion in the future trends is challenging for the company.

The company has not been able to meet its objectives due to overwhelming threats. The key threat for the company has been due to intense competition. It noted that the steady profitability has attracted a lot of players in the retail industry over the past years, thereby putting

downward pressure on Nordstrom's overall sales and profitability. Increasingly, there is a lot of competition from almost all its sectors. The company has competitors in the department stores segment, specially new and existing players have also engaged in the off-price segment that was an initiated with Nodstrom Rack. Also, Dillards and Macy's have been identified to be vital competitors in the classic department store market (Lutz, 2016). Notably, the biggest threat regarding the segments of the company comes from large off-price retail firms like TJX.

Subsequently, the company suffers the threat of uncertainty regarding labor costs. The good economic climate in the U.S has adverse effects on the company; this means that there are more job opportunities and higher wages. However, based on the large employee base the company has this favorable economic circumstances are a big concern. Also, the ever- changing consumer purchasing behavior is a big threat for the company. For instance, change in the purchasing behavior from online channel is an imminent threat to the present physical infrastructure which is largely driven by supply chain model.

Strategic-Level Competitive Moves; Five Forces Model

Threat of New Entrants

Evidently, new entrants in Apparel Stores will take along new advancement, new approaches of doing businesses and eventually exert pressure on Nordstrom, Company. The new entrants will apparently put pressure on Nordstrom through offering new value offers to the consumers, reducing costs, and lowering pricing strategy. Hence, there is need for the company to employ strategies for managing all these challenges and building effective barriers to protect its competitive edge. However, based on the current circumstances, Nordstrom's competitive edge is secure as there is high entry barrier for high apparel departmental stores due to its costs (Values & Capitalism, 2015). Another barrier is that brands fear the risk of making losses as customers will likely engage with the already established brands (Nordstrom) due to brand recognition and loyalty.

Bargaining power of buyers

In most cases buyers are often demanding a lot from their producers. Often, they want to be given the best services or be provided with the most valuable products by paying the least conceivable price. This has extensively impacted Nordstrom Company's profitability rate. Given

the smaller and more influential the client base Nordstrom has, it often subjected to pressure as these consumers have the higher bargaining power and often seek aggregate offers and discounts. However, the company can manage the bargaining power of buyers by rapidly innovating new products; this will also limit the defection of existing customers to its competitors. Alternatively, this can be addressed by building a large base of customers, which will ultimately provide a chance for the company to rationalize its production and sales process.

Bargaining power of suppliers

Evidently, nearly all firms operating in the in the Apparel Stores industry obtain their raw material from various suppliers. Hence, it can be asserted that dominance of Suppliers in can decrease the margins Nordstrom Company based on how they earn in the market. The general impact of high supplier bargaining power is that it lowers the cumulative profitability of companies. However, to manage the bargaining power of suppliers, Nordstrom can employ the following strategies. First, the company should invest in building efficient supply chain with a diverse supplier, secondly; it can engage in different product designs using different materials in order to alternate production when one supplier increases the cost of raw materials. Finally, Nordstrom can develop a situation where all of its suppliers solely depend on it; in this case the suppliers will have significantly less bargaining power; just like how Nike and Wal-Mart manage their suppliers (Jeanne W. Ross, 2018).

Threats of Substitute Products or Services

Evidently, when a new product or service is able to meet the needs of a consumer, the industry profitability of the initial product or both products suffers. In Nordstrom's case the threat of a substitute product or service is high, and this poses a serious threat as they production will offer a value proposition that is exclusively dissimilar from current offerings of the company. However, the company can employ strategic moves to manage influence of substitute products or services. First, it should diversify its offers, from just being product oriented to being service oriented. Secondly, it should focus on being conscious of the core needs of the consumer, and lastly it can address the threat by surging the substituting costs for the clients.

Rivalry among the Existing Competitors

Businesswise, if there is intense rivalry from existing players in any industry, prices will be driven down which will ultimately result in decreased profitability. In the Nordstrom's case,

the company operates in a very competitive clothing departmental stores industry, whereby the rivals troll its overall profitability. However, Nordstrom can tackle this intense rivalry by employing the following strategic moves. First, it should engage in a sustainable differentiation approach, second it should build scale to facilitate better competition and lastly, it should form an alliance with some competitors to widen their marketing niche.

Preferable Strategic Moves that the Nordstrom Company should undertake

Based on analyzing all the porter's five competitive forces in Nordstrom regarding on how they specifically impact the profitability of the company in Apparel Stores industry, some specific core strategic moves can be singled out in order to swiftly respond to the competition and to exploit any apparent emerging opportunity (Morden, 2016).

First, the company should focus on addressing the threat of bargaining power of buyers. Given the many players in the apparel industry, it is certain that customers have the ability to select from any company that offers the products that meet their needs and at a fair price. Since Nordstrom engages in high end products, it is certain that very few buyers will be willing to pay for the set price of these products. Thus, to ensure it has a competitive advantage over the other players in the apparel industry as well as to ensure convenience of its customers, Nordstrom should relatively match the price of its offerings with those of other retailers.

Consequently, Nordstrom Company can manage the threats due to rivalry, substitutes, and bargaining power of suppliers by engaging in or making its operations highly differentiated. By doing this, rival firms will find it challenging to win the customers of the Nordstrom since each of their products will be unique (Marketrealist, 2015). Also, the company's focus on differentiated products should ensure the production of these products within the industry maximizes capacity by large increments. This strategy will cause disruptions in the supply-demand balance, affecting both rivalries and the dominance of suppliers within the industry. Additionally, to some extent this strategy can aid Nordstrom can take advantage of developing a cost advantage due to economies of scale, thereby selling its products at low prices to the low-income buyers of the industry; this ultimately widens its pool of customers.

How Nordstrom Company Will Need to Change/Adapt in order to implement the Strategic Move(s)

Nordstrom's prime identified competitive strategy is differentiation of its overall operations. This differentiation can be implemented through offering superior customer service, improving the quality of products as well as continuous improvement of its services. The main objective of the company is to sell its merchandise, thus by engaging in provision of fascinating merchandise and unyielding commitment; the company can build customer trust which will in return result to unparalleled sells. Initiating the differentiation strategy by providing personalized sales associates to aid customers in researching for their desired merchandise and shopping will be of significance.

Subsequently, it is identified that in order for Nordstrom to stay competitive in the apparel industry, it has to employ the switching costs strategy. This strategy can be implemented by engaging in free shipping online, offering exceptional customer service, allowing customers to access in-store and online inventory, by guaranteeing a liberal return policy or by simply price matching. For instance by engaging in free shipping online can be costly but can increase customer loyalty, also if the company becomes aggressive in implementing price matching, while still engaging in selling high end brands, they will eventually gain a favorable competitive edge.

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