

*The*

# NORDSTROM

THE INSIDE STORY  
OF AMERICA'S #1

*Way*

CUSTOMER SERVICE COMPANY



Patrick D. McCarthy

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THE INSIDE STORY *Way*  
OF AMERICA'S #1  
CUSTOMER SERVICE COMPANY

Robert Spector  
Patrick D. McCarthy



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A portion of Patrick McCarthy's royalty earnings will be donated to a charitable fund for children.

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Robert Spector  
Seattle, Washington

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# Introduction

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The idea of telling the Nordstrom customer service story was born on March 18, 1990, when Elizabeth Wales, a Seattle literary agent, gazed out the back window of her home, where she saw her neighbor, Patrick McCarthy, mowing his backyard lawn. Earlier that same day, Wales had read a lengthy feature story on McCarthy in the *Seattle Times*. The article, which ran under the headline "Personal Touch: Service Makes Salesman a Legend at Nordstrom," examined McCarthy's reputation as the retail chain's quintessential employee, the top sales associate for fifteen consecutive years. While Wales, whose spouse is a McCarthy customer, was reading about McCarthy's willingness to make deliveries to the homes of his customers, an amusing image flashed in her head: "One of these days, Patrick is going to come home with my husband's pants."

In a sense, McCarthy's personally delivering those pants is the perfect metaphor for the Nordstrom way. Nordstrom's culture encourages entrepreneurial, motivated men and women to make the extra effort to give customer service that is unequalled in American retailing. "Not service like it used to be, but service that never was," marveled correspondent Morley Safer on a *60 Minutes*

Nordstrom profile. "A place where service is an act of faith." But Nordstrom's standard is not limited to retailing. "If all businesses could be like Nordstrom and all employees could be like Pat McCarthy," said Harry Mullikin, chairman emeritus of Westin Hotels and Resorts, "it would change the whole economy of this country."

At Nordstrom, at least, there are many thousands of employees like Pat McCarthy in company stores all over America, and the reader will meet several of them in these pages. In fact, one of the reasons that Nordstrom—the family and the company—agreed to cooperate on this book was our commitment to not focus exclusively on McCarthy (who is quoted in this narrative in the third person), but also to include the comments and experiences of other top Nordstrom sales and management people. We later added the observations of several members of the company's board of directors, as well as prominent business leaders who happen to be Nordstrom customers.

Most importantly, co-chairmen Bruce A. Nordstrom, John N. Nordstrom, James F. Nordstrom, and John A. "Jack" McMillan participated in a series of candid interviews, together and separately, with Robert Spector. The result of their cooperation is an unprecedented study of every detail that makes Nordstrom work.

It should be noted that Nordstrom did not suggest that this book be written nor did the company commission its publication. In fact, as a rule, Nordstrom executives at all levels of the organization rarely grant interviews—even when they are being honored. When Bruce Nordstrom was selected as *Footwear News Magazine's* Man of the Year for 1987, he reluctantly accepted the award, but politely declined to be interviewed for the article. The Nordstroms aren't snobs; it's just that they are uncomfortable with blowing their own horn. They like to say that there is nothing special or magical or difficult about what they



do and that the system is embarrassingly simple. "We outservice, not outsmart," is a typical Nordstromism. They describe themselves as "just shoe salesmen" who haven't been educated at the elite business schools of Harvard or Stanford, but rather at the University of Washington (which has a solid reputation of its own). James Nordstrom once conceded to *Footwear News* that, "Many people think that we Nordstroms are secretive, because we don't talk much about ourselves. The truth is, we can't afford to boast. If we did, we might start to believe our own stories, get big heads and stop trying. . . . Our success is simply a matter of service, selection, fair pricing, hard work, and plain luck."

Such self-effacing comments might be dismissed as disingenuous if not for the fact that the Nordstroms' history confirms their desire not to draw attention to themselves. Although they are extremely competitive, they prefer to project an image of small-town modesty. Ann D. McLaughlin, the former U.S. Secretary of Labor, who has been a Nordstrom director since 1992, recalled that when she flew from her home in Washington, D.C., to Seattle for a board meeting, the Nordstrom family, "thanked me for taking the time to come. It wouldn't have occurred to me to be thanked for doing something I feel responsible for. But that's their attitude. The boardroom is very low key and that helps keep everyone in perspective." When the Nordstrom family controlled the ownership of the Seattle Seahawks of the National Football League, they sought a degree of anonymity that is almost unheard of in a business where owners often battle their players for a share of the limelight. According to Mike McCormack, the former general manager of the Seahawks, the Nordstroms did not even want to have their names and pictures printed in the Seahawks media guide. "There were times when protocol demanded that they make an appearance on the field, to

present a check to charity," said McCormack. "They did not like that. They wanted to enjoy it in the background."

Nordstrom people at all levels are especially reticent when it comes to talking about their reputation for customer service because, "We know that, at this moment, someone, somewhere is getting bad service at Nordstrom," said Jammie Baugh, executive vice-president and general manager of the Southern California division, who added, "It was never that we were so great, it was just that everyone else was so bad." Her colleague, Martha S. Wikstrom, general manager of Nordstrom's Capital (Washington, D.C.) region said Nordstrom's reputation for customer service (which was built on word-of-mouth, not self-congratulatory ads or press releases) has put it in a position of being held to a higher standard than its competition. Wikstrom recalled the times when customers, "who have gotten poor service from us told me, 'If this had happened at Macy's, I would expect it, but this is *Nordstrom*.'"

### ■ The McCarthy Example

This selfless attitude promotes a culture where a person like McCarthy can succeed. In fact, his journey to financial rewards and job satisfaction can serve as an example, not only for every one of Nordstrom's 35,000 employees, but also for every frontline employee in virtually any business.

For 15 consecutive years, from 1977 through 1991, McCarthy was the number one sales person in the chain. In 1992, 1993, and 1994 he was runner-up to Leslie Kaufman of the Westside store in Los Angeles (who we will meet later in this book). McCarthy sells well over one million dollars worth of merchandise each year in the men's clothing department of the downtown

Seattle flagship store. With commissions, McCarthy can earn upwards of \$90,000, plus profit sharing and other benefits—not bad for someone who is paid a base wage of \$9.85 an hour. But McCarthy's self image is not that of an hourly employee; like other top Nordstrom sales people, he considers himself an entrepreneurial, independent businessman ("a franchise within a franchise," he calls himself) with a client list of 6,000 names, ranging from recent college graduates shopping for their first suit, to U.S. senators and corporate chief executives (including Nordstrom co-chairmen John, James, and Bruce Nordstrom and Jack McMillan), who rely upon McCarthy to take care of their wardrobe needs.

One of his customers, Jerry Grinstein, chairman and chief executive officer of the Burlington Northern Railroad of Fort Worth, Texas, said, "Pat takes care of me and my whole family. On a trip to New York City, one of our kids said he wanted to shop for a jacket. I said, 'Go see Patrick. He'll make sure you get the right thing.' That ended that discussion. When I'm in Seattle, I will stop off at Nordstrom to say hello to Pat, even when I'm not shopping, because I like him so much. I can trust him to do what he says he's going to do. He can get something ready in an hour when everyone else will take a week. When I asked Pat to get sport jackets for our senior officers, he took care of it in the time he said it was going to take. There was never an excuse, delay, or mishap anywhere along the line."

Grinstein, a Seattle native who has been a McCarthy customer for more than twenty years, marveled at McCarthy's ability to "get into the customer's mind. All of us talk the language of being focused on the customer. But sometimes we become so obsessed by costs that we lose sight of the customer. Pat is thinking of me more than he's thinking of Nordstrom's costs (which is

how Nordstrom wants him to think). Once, when I was shopping, Pat asked me if I needed any shirts or ties. I said the only thing I needed were walking shoes. He said they were on sale and that he would pick up a pair for me. I told him my size and he later sent me the pair. When I tried them on and they didn't fit, I sent them back to Pat." The store didn't have Grinstein's size in that style, but instead of losing the sale, McCarthy sent Grinstein a pair in a similar style. Although they were more expensive than the first pair and were *not* on sale, McCarthy still charged Grinstein the sale price of the original purchase. "Now," Grinstein asked rhetorically, "how could I ever go to anybody else?"

The Nordstrom system supports and encourages individual salespeople to have an intimate business dialogue and relationship with the key vendors in their departments. Donald E. Petersen, the retired chairman of Ford Motor Company, recalled the time that he was looking for a particular style of sport coat and asked both McCarthy and a salesman from another top retailer if they could find the coat in a 43 long, which is a hard-to-find size. "In a matter of a day or two, Pat called me back to tell me the coat was on its way to the store, and asked me when I was going to be in Seattle to pick it up. He has that kind of relationship with his suppliers."

McCarthy has the ability to work with several different customers at once, at various stages of the selling process—from welcoming one man entering the department to finding merchandise for a couple of others to consulting with the tailor to closing a sale with yet another customer. "The number of people he can serve simultaneously is phenomenal," Kip Toner, a vice-president of a Seattle auction company and a longtime McCarthy client, told the *Seattle Times*. "He should charge admission. It's a show, like a carefully orchestrated symphony,

where he's got them all moving at the same time. And the joy is, everyone's happy."

Nordstrom creates the right conditions for its employees. "A person like Pat McCarthy can blossom in the Nordstrom environment," said Harry Mullikin of Westin Hotels, a McCarthy customer for more than two decades. "But if he went to work for another company, he couldn't—no matter what kind of person he is. Pat has this marvelous ability to make you feel that you're the only customer he has; that you're the only customer he wants to see. He might not see me for a month or two, but when I come back into the store, he acts as if he's been waiting for me all that time." When McCarthy calls Mullikin about the arrival of some new merchandise in the store, "Pat makes it sound as if he has something special just for me—which is not true, of course," Mullikin said with a chuckle.

McCarthy's silky treatment of clients has made him Seattle's best-known sales associate. Even people who have never bought a suit at Nordstrom know who Pat McCarthy is. A breakfast meeting with Pat in a downtown Seattle restaurant is repeatedly interrupted by customers coming over to his table to say hello. He is frequently invited to give speeches about customer service and building a clientele to the sales and marketing teams of law firms, insurance companies, banks, and other businesses.

## ■ A Career That Almost Never Happened

McCarthy's success is all the more remarkable because, in the early 1970s, after working at Nordstrom for less than two years, he came within a thread of being fired because he had developed a reputation for being uncooperative, hard to manage, and not a team player. Fortunately, the new department manager, who had been ordered to terminate McCarthy, didn't believe in dropping

the ax without first forming his own opinion. Besides, he'd been told that McCarthy was a sincere man, who was open and friendly with customers and possessed the potential to be a good Nordstrom sales associate. That department manager, Patrick Kennedy, told McCarthy to stop fighting with co-workers over customers—even at those times when McCarthy was positive that the customer was his. “Ring up the sale for the other guy,” said Kennedy, “and smile when you do it.” Then he gave McCarthy some of the most important advice a sales associate can get, advice that McCarthy has carried with him ever since, advice that today he gives to new employees: “Relax. Stop worrying about making sales.” Easier said than done, thought McCarthy, in the hotly competitive Nordstrom arena of commission sales. But, Kennedy explained, when you stop worrying about money and concentrate on serving the customer, the money will follow. People who succeed in sales understand this paradox.

McCarthy had arrived at Nordstrom from an unlikely situation—the state prison in Shelton, Washington, a timber community sixty miles south of Seattle, where he worked as a counselor for felons. The first couple of years at Shelton, he helped adult criminals make the transition to the community by placing them in jobs; after that, he became supervisor of a halfway house for juveniles, counseling them to stay in school or find employment, rather than remain dependent upon the state. The work was frustrating and mentally draining. “I’ve always believed in hard work, but in that environment, it just wasn’t there. You couldn’t get the kid to listen, to understand that you can make something of your life. As much as I wanted to help, I couldn’t.”

A college friend set up an interview for McCarthy with the friend’s father-in-law, Lloyd Nordstrom, one of the co-chairmen of what was then known as Nordstrom Best,

Incorporated. Although Nordstrom was then seventy years old, it had recently diversified into apparel and become a fast-growing, publicly traded company under the management of a new generation of Nordstroms—John, Bruce, and James Nordstrom and Jack McMillan—all in their thirties. The seven-store retail chain was generating annual sales of about \$80 million, as well as hundreds of new career-advancement opportunities. Lloyd Nordstrom advised McCarthy to try a career in sales, a field that McCarthy thought he “might have an aptitude for, because I had always been comfortable with people and sensitive to their feelings,” he recalled. In January 1971, at the age of twenty-six, with a wife and three young children to support, he joined the men’s furnishings and sportswear departments at the store in the Bellevue Square shopping mall, across Lake Washington from Seattle. (At that point, Nordstrom had been selling men’s wear for only three years.)

Nordstrom then, as now, provided little in the way of formal sales training. After teaching new employees how the cash register worked, Nordstrom dispatched them to the sales floor to learn about the merchandise and start selling. Although they were paid an hourly wage, the real money (and the scorecard for career advancement) was in high sales commissions. “I immediately saw that sales were pretty important to these guys. So, that was what I was going to give them,” McCarthy recalled, with a touch of understatement. Unfortunately, he was ill-prepared for the job. “I made every mistake in the book. Although I liked to dress well, I knew virtually nothing about clothing and had no personal style. I wore my shirts too big. I didn’t know how to fold garments for display or to coordinate colors and textures. Worse, because I had some learning disabilities, including dyslexia, my work habits and organizational skills were poor. I couldn’t even get to work

on time.” After three days on the job, McCarthy’s sales-per-hour track record (the company’s standard of performance) was near the bottom of his department and he was told that if his performance didn’t improve, he was on his way out the door.

McCarthy realized that he needed a mentor to teach him how to survive at Nordstrom. He found his role model in a co-worker named Ray Black, who was a professional men’s wear salesman. Thoroughly knowledgeable about the merchandise, Black could take a swatch from a bolt of fabric that was going to be tailored for a suit and coordinate a complete wardrobe of shirts and ties, all the way down to the cufflinks. Before joining Nordstrom, Black had worked for many years in several of downtown Seattle’s fine specialty men’s wear shops, and his loyal clients followed him from store to store. “They came into the department asking for Ray because he identified their needs and knew how to satisfy them,” said McCarthy. “Men saw him as an ally. They heeded his advice on where to get a good haircut or what style of glasses to wear. He offered them choices and suggestions and gave them the confidence to try something different. Their wives saw Ray as the mediator who could interpret their views to their husbands.” McCarthy also noticed that Black had the ability to not only remember a customer’s name, but his last purchase as well. “I thought to myself, ‘I want to be able to do that.’” So, McCarthy volunteered to help Black whenever and wherever Black needed him, and the veteran salesman accepted the offer. “Pretty soon, we developed a routine: After Ray sold suits and sport coats to his customers, I helped them with their shirts and ties. With that increased customer contact, I was able to develop my poise and improve my interviewing skills.”

Most importantly, Black taught McCarthy how to become an entrepreneur who could create his own business.



Black didn't sit around waiting for people to walk into the men's wear department; he was calling customers on the phone to alert them to new merchandise that was arriving in the store. "Ray showed me what a good salesman should be; he showed me that the Nordstrom system worked and that I could make as much money as I wanted. The way I saw it, the Nordstroms were taking all of the risks and providing all of the ingredients—the nice stores, the ambience, the high-quality merchandise—to make it work. All I had to do was arrive every morning prepared to give an honest day's work, and to value and honor the customer."

Six months after almost being fired, Pat Kennedy, the department manager who had given McCarthy his reprieve (and who today is one of Nordstrom's top corporate footwear merchandisers), invited McCarthy to become his assistant manager in the men's wear department in a new store that Nordstrom was opening in Yakima, Washington, about 120 miles east of Seattle. McCarthy accepted the offer because it was an opportunity to help create an operation and watch it grow. (Nordstrom had already been operating a shoe store there for several years.) Yakima, which had a small middle-class population (Nordstrom's primary market), would be his litmus test.

Business was good on the Friday the Yakima store opened and continued on a respectable pace throughout the rest of weekend, but by Monday the customers had stopped coming in. "At the end of the day, Pat Kennedy and I found ourselves leaning on the balcony overlooking the selling floor, watching the cosmetic saleswomen put their merchandise away and wondering what we were going to do," McCarthy recalled. "We each had a family to support, and Nordstrom didn't pay us much in those days." They took matters into their own hands. To generate traffic, McCarthy and Kennedy turned to one of the most basic