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Nordstrom Lowers Price of Rewards

By DANA MATTIOLI

Let them have free tailoring.

[Nordstrom](#) Inc. is adjusting its loyalty program to make rewards less expensive to come by, the high-end department store's latest effort to draw a broader range of buyers for luxury goods.

The store's frequent customers will be able to get perks like custom shopping parties and tickets to in-store fashion shows after shelling out just half as much as they used to spend to qualify for the rewards. Spending requirements for Nordstrom's 4-tiered loyalty program ranged from \$1 to \$20,000 and up.

Members on the lowest rung of Nordstrom's loyalty program will automatically receive as much as \$100 in complimentary alterations, and the company is extending special deals where shoppers at Nordstrom Rack discount outlets can earn multiple points for each dollar spent.

With its latest move, Nordstrom aims to pull in more "aspirational" shoppers, the middle-class buyers who drove the luxury boom in the middle of the last decade by splurging for pricey boots and jackets they wouldn't ordinarily buy.



Bloomberg News

Nordstrom is adjusting its 'Fashion Rewards' loyalty program. Above, a shopper at a Nordstrom store in Christiana, Del., last year.

Tighter credit, the crunch in home prices and a still-weak jobs market have kept such shoppers largely sidelined. But even as wealthy shoppers drive luxury sales back to prerecession highs, high-end department stores are broadening their product lines and expanding their outlet divisions in hopes of winning over younger and less affluent customers.

In October, Neiman Marcus ended a decades-long policy of accepting only cash, American Express or its Neiman Marcus card. The retailer now accepts Visa and MasterCard as well.

Nordstrom has expanded its Rack outlet chain and this past February bought HauteLook Inc., an online "flash sale" site that gives members access to goods at 50% to 75% off retail prices in limited-time sales.

The company's latest effort targets the 2.6 million members of its "Fashion Rewards" loyalty program. Those customers make twice as many shopping trips and spend three times more than a typical Nordstrom shopper, says Kevin Knight, president of Nordstrom Credit.

Under the various levels of rewards, the more a customer spends, the better the perks.

The company has boosted enrollment over the past few years, helping sales growth in a retail environment that is showing only moderate gains overall. For the 11 months through December 2011, Nordstrom posted \$9.8 billion in sales, up 13% over the same period in 2010.

Level 4 members previously had to spend \$20,000 a year to get invitations to exclusive shopping events, faster shipping and additional perks like unlimited free alterations, custom shopping parties and tickets to fashion shows. Now, the company is halving the level of spending required for levels three and four to get the same perks.

Level 3 members will have to spend \$5,000 a year, and Level 4 will have to spend \$10,000.

Nordstrom says its loyalty- card holders have increased their spending recently, but hopes the move will draw more shoppers into the program.

"Rack stores tend to be a common point of entry and a place where people try Nordstrom out," says Mr. Knight, explaining the extension of parts of the loyalty program to that chain.

In 2006 and 2007, Nordstrom opened just one new Rack per year. In 2011, it opened 18.

Nordstrom, meanwhile, continues to play to the high end of the new luxury boom. The department store has increased its designer offerings and prices, says Edward Yruma, a senior apparel and retail analyst at Keybank Capital Markets.

Write to Dana Mattioli at dana.mattioli@wsj.com

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