

PROCESSING AND CONTROL

We believe that quality is something designed and engineered into a product. To make sure that every product achieves its intended level of quality, we have outlined procedures for in-process controls. There are two areas that need to be considered in order to ensure the level of quality that Nordstrom expects. One is our Testing Program referenced earlier in this manual and the other is Quality Processing and Control listed in this section.

By defining our performance expectations and implementing a program of comprehensive testing and inspection, our customers are always assured of the consistently superior quality of any Nordstrom product.

Inspection is performed by the Agent or the Quality Control staff member and reported to the manufacturer as well as to the NPG Production Group.

Defective Merchandise

When using the inspection procedures outlined in this section, it is important to remember that Nordstrom sells only first quality merchandise. We are contracting for, and expect to receive, only first quality product from our manufacturers. We will not accept defective merchandise. The Processing and Controls that are outlined in this section were designed to greatly reduce the possibility of defective merchandise reaching our stores.

If, for some reason, we do receive defective merchandise made by you, we will contact you to arrange for its disposition. If we choose not to accept the merchandise, then pursuant to Paragraph 16 of the Terms and Conditions of our Purchase Order, located in Section 3 of Payment Procedure, all labels or markings identifying the items as Nordstrom merchandise must be removed before resale or distribution. There are instances when merchandise is received that, while not technically defective, is so marginal in its overall quality that it does not meet the quality standard originally specified. If such merchandise is still saleable, the department that issued the Purchase Order may negotiate for a reduction on the price of the questionable lot.

Inspection Policies

When performing an inspection or final audit on products, NPG uses sampling procedures based on the probability of the recurrence of an event (in this case a defect). When a series of lots is produced in a stable environment, the audit is a quick and cost-effective way to assure the probability of product compliance with established quality and performance standards. The sampling procedure we use at Nordstrom for Apparel Inspection is the ANSI/ASQC Z1.4-1993 (US Military Standard 105E).

Please remember, the purpose of an audit is to statistically predict how many good or bad units there are in a given lot. It is not intended to tell you what is wrong with those units.

In order for the audit procedure to be effective, parameters must be established which define the minimum acceptable level of quality needed for the product. In ANSI/ASQCZ 1.4 - 1993, those parameters are expressed numerically as the average percentage of defects allowable before a given lot is rejected. At Nordstrom, we use an AQL of 2.5 under the single sampling plan for normal inspection, general inspection level II.

The following Sampling Plans are generally used for Nordstrom Inspection:

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- Inspection Standard – ANSI/ASQC Z1.4-1993
- Inspection Method – Random
- Sampling Plan – Single Sampling
- Sample Size - Inspection Level II
- Acceptable Quality Level – 2.5

Critical Defects – a defect could result in hazardous or unsafe conditions for individuals using the products as well as defects that violate legal regulation.

Major Defects – A defects that is likely to results in failure or to reduce the usability of the unit for it's intended purposes or making it un-salable.

Note: The use of an AQL by Nordstrom in its auditing procedure does not authorize any factory or agent to knowingly ship any defective merchandise as so defined in this manual.

Quality Assurance Process Control

When working with manufacturers to make a product, one of the challenges we face is that of clear and accurate communication. Every company is accustomed to doing things in a certain way, but sometimes the way that a product is evaluated by every manufacturer may not be the same as how we evaluate at Nordstrom.

In order to ensure that we both use the same system, and that the same terminology is used to describe the system, we have outlined methods for inspecting products. These include: evaluating defects, matching the product according to the approved samples, product specification, etc.

In order to perform a QC audit, there must be adequate space to inspect the products.

We recommend that auditors have the following:

- All forms needed for auditing
- Smooth, flat table with enough room to place the product
- Approved samples
- Bible or Product Specification
- Proper lighting
- Floor mat (for the comfort of the auditor)

In-Line Audit

The purpose of performing an In-Line Audit is to identify problems early in the production process. The In-Line Audit will help identify specific problems and allow you to resolve them before the order is completed.

If the production is done in more than one location, each location must be documented with the address of the supplier and a description of the work being done at each location.

When to Perform an In-Line Audit

The In-Line Inspection (Audit) is to be performed when 10% to 20% of the production lot is in process, and enough products are completed to perform the audit. One or more in-line inspections may be required if there are several locations of manufacturing.

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What to Inspect During an In-line Audit

The In-Line Inspection includes the following:

- General Quality
- Bible / Product Specification
- Processes performed at each location

What You Will Need

- A well-lighted flat surface area with sufficient space away from operators for the auditor to conduct the inspection.
- The complete product specification, including the approved sample and standards
- An In-Line Audit Report Form (located in the Forms Section of this manual)
- Defect Tally Sheet (located in the Forms Section of this manual)
- Nordstrom Sampling Plan Chart (ANSI/ASQC Z-1.4-1993 AQL level 2.5)
- Defect stickers
- Pen with black ink
- Approval Sample

How to Perform an In-Line Audit

1. Record the factory's address where the inspection is performed. Production locations should be noted on the In-line Inspection Report.
2. On the production floor, randomly select the proper sample size for inspection. The sample size is determined according to the Nordstrom Inspection Sampling Plan and is based on the total production lot size. The production lot is defined as a collection of units of product which, as far as is practicable, includes units of product in a single style and fabrication, manufactured under essentially the same conditions and at essentially the same time.
3. Inspect exactly the number of units called for in the sampling plan. The number of defects must be tallied and the total recorded on the In-Line Audit Report.
4. All reports must be filled out in black ink.
5. Inspect the products using the specified criteria as a guideline. You may use the Defect Tally Sheet to check off the number of defects. As you go through the sample lot inspecting each product, you can check for general quality.
6. If you find a defective unit:
 - The product should be set aside.
 - The defect should be recorded using a defect code, with a brief description written on the report and a mark kept on the Defect Tally Sheet and totaled on the In-Line Report. Please attach these sheets to the completed In-Line Report.

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- The factory must be informed of the defect by the auditor. The factory then must explain the defect to the responsible operators and show them the proper method for correction.
 - The product must be 100% inspected and defects must be separated out and repaired or discarded.
 - If the defect is not repairable or salvageable (so that there is no obvious evidence of repair), it must be sorted and defective pieces discarded.
 - To ensure that the problem has been corrected, the inspector will re-audit the corrected product.
 - Rejection of a sample lot can be based on the general quality.
7. If an In-Line Audit fails, then another inspection must be scheduled to ensure that the problem is resolved. In order to determine when to schedule the next inspection, the defects will need to be discussed with the factory supervisor to determine when they will be fixed and ready to be re-inspected. The second inspection should use the Level 2 Sampling Plan (refer to the Nordstrom Sampling Plan found on page 34 of this section) and note under the “additional” inspection column on the In-Line Inspection sheet. If this second inspection fails, NPG must be informed of the issue immediately in order to determine the disposition (Accept or Reject) of the product. Samples must be sent to NPG. Pull two samples of the worst case and two samples of the borderline cases. Send one set to NPG and keep one on hand for your records. The samples should be labeled with a description of the defects and stickers should be placed on the product marking the defects. Attach a copy of the audit to the product.

Nordstrom reserves the right to request a 100% inspection at any time.

8. When the reports are completed, they must be distributed to:
- Agent (Agent must keep the reports on file for five years and make the reports available to NPG Production or QA at any time)
 - Manufacturer

Guidelines for conducting an In-Line Audit

A. General Quality

The following is a list including, but not limited to, all possible product defects. Examine the product in the sample lot focusing on these issues, but don't limit yourself to these potential problems. Inspect the product for workmanship defects. Examine the entire sample lot for defects, being sure to check for consistencies from product to product as well as within the same product.

1. Examine product closely.
2. Using the Defect Tally Sheet, keep a record of all defects found:

(Use DEFECTS CLASSIFICATION STANDARD for listing)

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B. Production Location

We realize that manufacturing of product is not always done in one location for various reasons. U.S. Customs needs to know every location that was used for production if more than one country is involved. It is very important to note any Outward Processing Arrangements (Asia), or Subcontractors that are used for manufacturing.

Final Audit

The purpose of performing a final audit is to determine the outgoing quality of the product being produced. It is a last checkpoint for the supplier and Nordstrom to be sure that what is being shipped is a Nordstrom Quality Product. Nordstrom requires that every purchase order pass a Final Audit.

If the production is done in more than one location, each location must be documented with the address of the supplier and a description of the work being done at each location.

When to Perform a Final Audit

The final audit is to take place prior to the scheduled ship date, when a minimum of 80% of the shipment is packed.

What to Inspect

- The Final Audit includes the following:
- Packaging
- Color
- Bible / Product Specification details
- Label
- General Quality

What You will Need

- A well-lighted area with sufficient space away from operators for the auditor to conduct the inspection.
- The complete product specifications, including the approved samples, product style and standards.
- Final Inspection Form (located in the Forms Section of this manual)
- Defect Tally Sheet (located in the Forms Section of this manual)
- Nordstrom Sampling Plan Chart (ANSI/ASQC Z-1.4-1993 AQL level 2.5)
- Packing list
- Defect stickers
- Pen with black ink
- All previous In-Line Audit Records
- Packing Standards

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How to Perform a Final Audit

At the final and packing stage, randomly select the proper amount of pieces in the sampling size. The sample size is determined according to the Nordstrom Inspection Sampling plan and is based on the total production lot size. The production lot is defined as a collection of units of product which, as much as is practicable, includes units of product in a single style and manufactured under essentially the same conditions and at essentially the same time. If some products are being produced for a later shipment at a later time, then these must be considered a separate production lot. If several small quantity purchase orders are being produced at the same time, these can be considered one lot.

2. Pull from packed products. Pull the units randomly.
3. Inspect exactly the number of units called for on the sampling plan. The number of defects must be tallied and the total recorded on the Final Audit Report.
4. All reports must be filled out in black ink.
5. As with the In-Line Inspection, a shipment can be rejected based on the general quality of the audit. Review any problems from the in-line inspection and be certain that they were corrected. Inspect the product using the following criteria as a guideline. You may use the Defect Tally Sheet to check off the number of defects as you go.

Note: It is best to perform the Packaging Audit first and then proceed into the product inspection. As you are going through the sample lot you can check for the General Quality.

6. If you find a defective unit:
 - The product should be set aside.
 - The defect should be recorded, with a brief description written on the report and a mark kept on the Defect Tally Sheet and totaled on the Final Report. Please attach these sheets to the completed Final Report.
 - The factory must be informed of the defect by the auditor. The factory then must explain the defect to the responsible operators and show them the proper method for correction.
 - The product must be 100% inspected and defects must be separated out and repaired or discarded.
 - If the defect is not repairable or salvageable (so that there is no obvious evidence of repair), it must be sorted and defective pieces discarded.
 - To ensure that the problem has been corrected, the inspector will re-audit the corrected product.
 - Rejection of a sample lot can be based on the General Quality.
7. If a Final Audit fails, NPG must be informed of the issue immediately in order to determine the disposition (Accept or Reject) of the product. Samples must be sent to NPG. Pull two samples of the worst case and two samples of the borderline cases. Send one set to NPG and keep one on hand for your records. The samples should be labeled with a description of the defects and stickers should be placed on the product marking the defects.

Nordstrom reserves the right to request a 100% inspection at any time.

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8. When the reports are completed, they must be distributed to:
 - Agent (Agent must keep the reports on file for five years and make the reports available to NPG Production or QA at any time)
 - Manufacturer

Guidelines for conducting a Final Audit

A. Packaging

To determine if the packaging is done correctly, review the packaging of the product against the packaging standard for the product. If products are ticketed at the factory, make sure the color and style numbers are correct. Confirm internal and external packaging markings as per the packaging and carton standards in the International Packing and Shipping Guide Section of this manual. At the time of final audit, the packing documents should be available for review. If they are not available, the shipment fails.

1. Lay out on a table one packaged product in every style.
2. Compare the packaging to the standard for packaging/folding.
3. Look for consistency from package to package and make sure they match the standard.
4. Check the folding, pre-ticketing, hangtags and any polybag markings. If defects are found, check five more to determine if it is a consistent problem.
5. Pull a carton and count the pieces in the carton by SKU, checking against the packing list to be sure they match.
6. If there is a consistent problem, the Packaging part of the Audit fails and you must ask the factory to fix the problem.
7. On the final audit sheet, record whether the Purchase Order is accepted or rejected in the Packaging section. Write a brief description if necessary.

B. Details

To ensure that the products being produced are the correct products that were ordered:

1. Using the Product specification, check the following product details:
 - Construction
 - Visual findings
 - Artwork/Placement
 - Embroidery
 - Screen print artwork
 - Decorative embellishments
 - Logo, etc.

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2. If defects are found, use the Defect Tally Sheet to note the defects.
3. Tally up the total when finished and record on the Final Audit Report sheet describing the types of defects found.

C. Labeling

1. Review the labeling against the Bible/Product Specification.
2. Confirm that the content, country of origin, and care labels are correct according to the Specification and the standard regulation.

Note: Labeling is governed by the Federal Government in the United States. If products are labeled incorrectly upon importation into the United States, the Federal Government can seize shipments, holding them at port and charge fines.

3. If labeling is incorrect, this should be treated as cause for rejecting the shipment. In the case of mis-labeled product, the NPG QA and responsible departments must be advised of the situation so that new labels can be produced.

D. General Quality

The following are Defect Classification Standards for each type of product. These lists are not limited to all possible product defects. Examine the products in the sample lot focusing on these issues, but do not limit yourself to these potential problems. Inspect the product for workmanship defects. Examine the entire sample lot for defects, being sure to check for consistencies from product to product as well as within the same product.

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NORDSTROM INSPECTION SAMPLING PLAN

To assure the probability of product compliance, NPG uses sampling procedure based on the probability of the recurrence of an event, the purpose is to statistically predict how many bad or good units there are in a given lot. If there is one (1) critical issue the product will be rejected and for acceptance or rejection of major defects follow one the table listed below.

Level 1 Inspection

Lot Size	Quantity Inspect	to	Accept	Reject
2 to 8	2		0	1
9 to 15	3		0	1
16 to 25	5		0	1
26 to 50	8		1	2
51 to 90	13		1	2
91 to 150	20		1	2
151 to 280	32		2	3
281 to 500	50		3	4
501 to 1200	80		5	6
1201 to 3200	125		7	8
3201 to 10,000	200		10	11
10,001 to 35,000	315		14	15
35,001 to 150,000	500		21	22
150,001 to 500,000	800		21	22
500,001 and over	1250		21	22

*Taken from ANSI/ASQC Z1.4 - 1993 using an AQL of 2.5 under the single sample plan for normal inspection, general inspection level II.

Level 2 Inspections

Lot Size	Quantity Inspect	to	Accept	Reject
2 to 8	2		0	1
9 to 15	3		0	1
16 to 25	5		0	1
26 to 50	8		0	1
51 to 90	13		0	1
91 to 150	20		0	1
151 to 280	32		1	2
281 to 500	50		2	3
501 to 1200	80		3	4
1201 to 3200	125		5	6
3201 to 10,000	200		8	9
10,001 to 35,000	315		12	13
35,001 to 150,000	500		18	19
150,001 to 500,000	800		18	19
500,001 and over	1250		18	19

*Taken from ANSI/ASQC Z1.4 - 1993 using an AQL of 2.5 under the single sample plan for tightened inspection, general inspection level II.

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DEFECTS CLASSIFICATION STANDARD

Soft Home Product - Decorative Pillow / Throws / Rugs

Critical	Major	
Incorrect labeling	Fabric tear	Creases
Missing Care label	Raw edges	Oily / Grease
Missing Law label	Threads raveling	Distorted edge
Missing labeling reqt.	Severe puckering	Missing attachment
Misleading information	Color bleeding/Staining	Defective components
Fiber content not specified on the label	Uneven stitches	Any omitted sewing operation
Incorrect RN/WPL number	Discoloration	Incorrect stitch
Missing Country of Origin	Pinholes	Broken stitches
Created small parts	Stitch marks	Rusted metal components
Incomplete labeling	Skip stitching	Staining in surface
	Thread color not matching	Components not properly secure
	Not according to approved specification	Components breakage easily
	Foul odor	Uneven color
	Incorrect color shading	Pilling along surface
	Open seam	Loose stitch
	Dye spots	Wrinkle
	Foreign particles can be seen	Label sewn incorrectly
	Labeling placement not affixed properly.	Loose attachment

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Accessories - Handbags / Totes / Mini-bags / Purse

Critical	Major		
Missing label	Surface shade variation within handbag	Handle strap not specified	Leather surface crack
Incorrect label	Discoloration within surface	Shade variation from strap to body	Crushed snaps
Incorrect Leather disclosure	Uneven decoration placement	Variation on components	Rusted/corroded attachment
Incorrect Labeling	Open seam	Variation on decoration	Zipper failure
Small parts	Roughness on surface	Excessive strap twist	Zipper shade variations
Sharp point	Loose/Improper or unsecured attachment	Uneven fold	Magnetic lock does not function properly
Missing Country of Origin	Missing attachment	Color shade variation within product.	Wrinkles, bumps over 1/4"
	Pin holes	Irregular edge stitching affecting appearance	Unsecured strap
	Shoulder strap length not specified	Run-off stitching	Stains, scratch or streak over 1/4"
	Puckering along seams	Loose tension causing unsightly thread balls	Color surface staining
	Color surface bleeding	Visible fingerprints	Soiled/ Oil spot
	Poor operation of turn-locks/clasp/hooks etc.	Any residual glue or dirt marks	Missing Hangtag
	Cut edges not straight, affecting appearance	Missing stitching	Any residual glue or dirt mark
	Color coating flaking, cracking or peeling	Incorrect or missing style name	Untrimmed thread
	Visible fingerprints on surface	Incorrect specified label placement	

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Accessories - Scarves / Hats /Gloves

Critical	Major	
Incorrect label	Fabric tear	Creases
Missing care label	Raw edge	Oily / Grease
Incomplete labeling	Threads raveling	Distorted edge
Missing label	Puckering	Missing attachment
Missing Country of Origin	Color bleeding	Defective components
Fiber content not specified on the label	Uneven stitches	Any omitted sewing operation
Incorrect RN/WPL number	Discoloration / Fading	Incorrect stitching
	Pinholes	Broken stitches
	Stitch marks	Corroded on components
	Labeling placement not affixed properly.	Staining in surface area
	Not according to specification	Components not properly secure
	Label sewn incorrectly	Loose stitch
	Skip stitching	Distorted
	Thread color not matching	Open seam
	Foul odor	Dye spots
	Incorrect color shading	Uneven color
	Pilling along surface	Foul Odor
	Design not matching	Wrinkle