

MULTICHANNEL

## Relationship building critical to luxury retail: Luxury Institute CEO

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*Image courtesy of Ferragamo*

By SARAH JONES

LONDON The human element is going to be the top differentiator among luxury brands going forward, according to the CEO of Luxury Institute at Luxury Interactive Europe 2015 on Oct. 26.

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As consumers increasingly experience the world through screens, they will come to crave the now-rare human connection. Here is where luxury brands can help themselves stand apart by outperforming their peers at relationship building and delivering a worthwhile personal touch.

"As consumers are more sophisticated, and as products become more commoditized, it's the delivery of an optimized experience across channels that is critical and that high performance client relationships are our differentiators," said Milton Pedraza, CEO of [Luxury Institute](#), New York.

### Brand image

Brands are struggling to define themselves, especially as they bleed into more affordable price points. For instance, a representative from an Italian jeweler told Mr. Pedraza that his brand does not know its own identity anymore, after a move down market left it straddling premium and exclusive.

Luxury Institute client Nordstrom now makes half of its sales via outlet stores. Recognizing that the customer retains a level of mystery, Nordstrom similarly remains ambiguous. Despite this non-specific label, the retailer still scores first in customer service in surveys conducted by the consultancy.

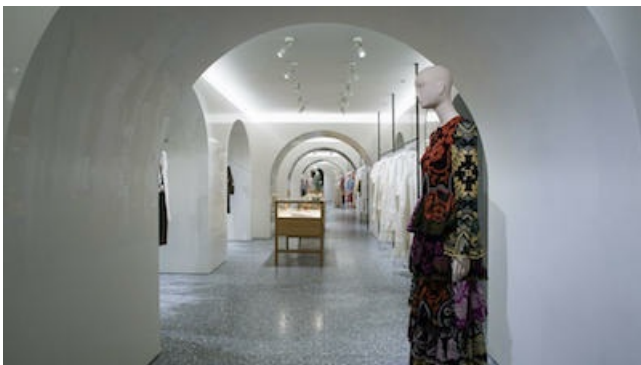


*Nordstrom heavily promotes its anniversary sale on social media*

Consumers are becoming more sophisticated, and brands need to optimize their user experience for their requirements.

Across channels, brands in the luxury space are struggling to connect the dots between policy, procedure and system to deliver a rewarding customer experience.

While 37 percent of men and 49 percent of women find browsing without help from a store associate to be most effective, this does not remove a brand's place in the process. For brands to guide consumers' exploration, they should include signage in an on-brand way or have store associates communicate with the shopper to help them find what they are looking for.



*Valentino store in Rome*

Even in the digital space, which tends to be thought of as a do-it-yourself shopping channel, the human element cannot be entirely removed. Walmart might be able to automate and take out that the personal interaction from the buying experience, but for luxury brands, the relationship is everything. It is especially important to invest in this personal approach for top tier clients.

Therefore, sales associates should be taught interpersonal skills, such as trustworthiness. While often thought of as innate, these can be learned. Ensuring that all associates are pulling their weight will also help to retain top frontline employees over time.

For best practices, Mr. Pedraza suggests looking outside of the luxury industry rather than studying peers. Those that excel at relationship building are within the military, medicine and airline industries. For instance, brands can look to the military, which has developed successful methods of empowering soldiers, to gain insights on store associate education and guidance.

#### **Making a connection**

Mr. Pedraza asked each of the tables to discuss what changes they would make to their organizational structure, front line associates and compensation to help foster strong client relationships.

Ideas from around the room included rotating employees within roles to develop empathy, looking at the company from the consumer's perspective and empowering sales associates with access to technology and a CRM system. Other suggestions included new roles, such as a customer information officer, which would span sales and marketing.

After hearing from the room, Mr. Pedraza shared his suggestions. These include empowering employees by shifting the organizational structure from a top-down management style to one where individuals are self-managed.



*Milton Pedraza*

On the same note, employees should be educated rather than trained, with the focus on ideas for creative relationship building rather than delving out a strict formula to follow.

Associates should be compensated for their actions, such as messages sent and appointments booked, rather than their sales results.

Brands should also make sure that each and every member of their team fits the culture. For many companies, this would mean eliminating employees who do not want to talk to anyone.

In addition, brands should ensure that the technology they are providing their staff with is up-to-date. Ineffective systems are often a dealbreaker for associates, particularly younger employees, and they will take their talent elsewhere.

While technology can help to deliver a high-touch experience to consumers, data and automation cannot replicate the level of engagement that a salesperson can create with shoppers, according to an executive from Moda Operandi at Luxury Interactive 2015 on Oct. 13.

Moda Operandi employs stylists, who work with its most valued consumers to provide personalized recommendations and one-to-one communications, but the process being used to deliver this service was tedious. Keeping the same human touch business model, Moda Operandi built a new platform to help its stylists deliver more relevant, visually appealing messages to the most important customers ([see story](#)).

"The key is that we've created these great channels, but we haven't connected the dots," Mr. Pedraza said. "And that I think is the critical issue.

"It's not that we're not innovating in each of those channels. It's that we have not connected the dots to the point where, for example, a sales associate is empowered and inspired and maybe incentivized to send the client online," he said. "Or that when the client buys online, the sales associate reaches out with a thank you card and a follow-up.

"We haven't figured out those little basics that really create relationships. Today we are very digital, very technical, we've disempowered the people in the stores, is one of my premises. We haven't connected the dots, as simple as they are to connect, whether it's technologically or humanistically, we haven't figured out the policies, the procedures, the systems yet."

Final Take

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