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Luxury needs to overcome pervasive myths

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Image courtesy of Printemps

By STAFF REPORTS

NEW YORK Instead of focusing on client retention, retailers should be focused on reducing their sales associate turnover, according to the CEO of the Luxury Institute.

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In a presentation at Luxury Interactive 2016 on Oct. 18, Milton Pedraza explained that brands need to address the root cause of customer attrition, which lies with their employees. Looking to the examples set by Costco and Apple, hiring carefully and valuing frontline staff can help ensure that consumers have a consistent experience when shopping with the brand.

Keeping key talent

Mr. Pedraza noted that Costco hires the right people and gives them an hourly wage around \$22, education and benefits, giving them reasons to stay. Only about 5 percent of staff leaves after one year.

Similarly, Apple has a very selective process that leads to employees staying for years.

A case study shows the monetary impact of associate turnover.

A client that consistently spent \$100,000 was used to working with a particular sales associate. When that employee left, the remaining staff did not forge a similar connection, and her spending went down considerably.

Even though she loved the brand, she shifted her spending to other retailers after finding that the relationship was no longer the same.



Boss on Demand

Poor staffing is only one of the struggles luxury brands are facing.

For the first time since the economic crash in 2008, many top luxury CEOs are worried about the state of the industry, according to the Luxury Institute.

Issues ranging from the economy to the weather and internal service problems have contributed to a world in which nine of 10 would-be clients leave a store without a purchase and only 20 percent of the buyers return. Although the global economy and the weather are hard to control or predict, every brand has a chance to empower its sales associates to convert and retain sales ([see story](#)).

Luxury is in the midst of a revolution, and luxury brands vary in their response to it. Some are unaware of this disruption, while others are aware but disregard the changes happening, honing in on their existing business model.

One group knows that there is a disruption, but is unsure what to do about it. The final and smallest group understands the revolution exists and is taking a moment to self-assess.

According to Mr. Pedraza, Gucci is one of these brands, as CEO Marco Bizzarri led the brand's comeback from its prior financial challenges by taking a hard look at its operations.



Gucci's pre-fall 2016 campaign

Mr. Pedraza laid out three myths are holding luxury brands back from their full potential.

Myth number one revolves around believing that something is already being done in an organization, when in reality it is not being done well. Often the parties within a company get too close to each other and too comfortable to assess its operations fairly.

The second myth is the cry "No, we can't possibly do that." While luxury likes to talk of "authenticity," Mr. Pedraza said that instead of originality, the industry is producing many copycats.

In order to truly be competitive, brands have to offer something unique, for example Alessandro Michele's designs

for Gucci that have helped the brand differentiate itself.

Luxury brands also have to rethink their metrics, going beyond sales transactions to measure fitting room activity or the success of turning a complaint from a customer into a positive experience.

Finally, the third myth concerns the idea that more human, monetary and time resources are needed to accomplish a goal. Brands can do more than they think with what they have.

Others have noted a need for a reassessment.

Luxury leaders will need to embrace more collaborative characteristics to connect with the new consumer, according to the former CEO of Chanel at The New York Times International Luxury Conference on April 5.

Globalization and the advent of technology have brought luxury to an inflection point, and the tried-and-true process that has guided the industry for decades or more will no longer work on its own. As the priorities of tomorrow's consumers shift, luxury's must shift with them and deliver a genuine transformation from the inside out ([see story](#)).

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