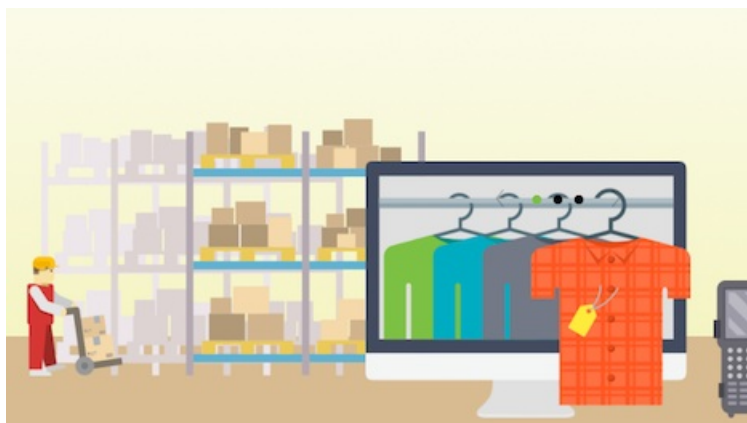


COLUMNS

Overcoming challenges to shipping luxury goods as ecommerce grows

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Are luxury marketers' distribution and warehouse safeguards ship-shape?

By **Jesse Kaufman**

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Diamonds are increasingly becoming ecommerce's best friend. Jewelry and other luxury goods may have taken longer to cozy up to online retail, but that relationship status is changing rapidly.

In 2014, the global ecommerce market for luxury goods totaled \$21.43 billion, according to Technavio. Those market figures will explode over the next two years, with projections pegging the luxury ecommerce market at \$41.76 billion in 2019.

With this 14.28 percent annual market expansion, the heat of competition in the online luxury space will spike.

As consumers turn to online outlets when they want to put a ring on it, the ability of those outlets to securely and efficiently ship luxury items will be critical. Price tags alone provide greater incentives for thieves to target luxe gear.

And as the demand for online purchase of luxury items goes up, the sourcing and marketing for those products become more diverse.

Longer and more varied supply chains add touch points. These more complex shipping channels have opened up vulnerabilities that crooks have not seen before, and as any nimble operation would, criminals have pivoted to focus on luxury goods in transit.

When luxury-lusting thieves strike

The result of these stealthy operations is a theft not only of your inventory, but also of your brand's integrity.

Let us say your database shows that you have 30 units in stock at your fulfillment center, and your killer ecommerce site sells those 30 units. But unfortunately, unbeknownst to you or your database, thieves snatched up five of those units.

Now you have oversold your inventory, meaning you have five angry customers ready to flex their fingers and bang away at poisonous online reviews. The specific customers affected will almost certainly not return to your site, and their vented vitriol can erode your brand with dozens of potential customers.

To avoid that outcome, keep the following in mind to protect your inventory:

1. Lock box

Product security starts with the packaging.

There is a strong temptation to add brand logos or word marks to packaging you naturally want customers to be thrilled about your brand's equivalent of Tiffany & Co.'s blue box.

The problem comes when your blue box is not hand-delivered, but is instead sitting unattended on your customer's front porch.

The customer will not feel a thrill when the box is stolen because the valuable contents were broadcast throughout the neighborhood.

Package your goods in nondescript outer packaging, and use inner packaging to deliver brand messages.

Beyond that, offering a signature-required delivery option can add a higher level of security.

2. Location, location, location

When selecting an outside fulfillment center, it is critical to choose the right location.

Look for a facility with a track record. If the location has a longstanding history of fulfilling high-end orders, you know you are in good hands.

At my company, for instance, we have a specific "luxury cage" that rests under the watchful eye of 24/7 surveillance cameras.

Another layer of warehouse security involves controlling access to the luxury area by ID card.

At a minimum, closed-circuit television and alarm systems are required.

Look for vendors with similar security processes that they can clearly tell you about.

3. An electronic eye on the prize

A powerful weapon in the product security arsenal is radio-frequency identification tech.

A wireless RFID tag gives each product its own unique DNA.

The tag not only tracks the product through the supply chain, but it also verifies the authenticity of the product.

With more than \$250 billion in global annual losses to counterfeit goods, ensuring your product is authentic can bolster the integrity of your brand.

If the product has been tampered with, the RFID tag can tell that story.

4. Speed and planning

It may sound simple, but a lack of speed kills security.

The greatest safety facilitator in shipping luxury goods is fast shipping.

Route planning is crucial to reducing risks of theft. Your planning can eliminate or reduce any vulnerability in the supply chain.

THE BUDDING ROMANCE between ecommerce and luxury consumers could yield unprecedented business opportunities.

Unfortunately, criminals are all too willing to engineer a breakup worthy of reality television.

However, by intentionally thinking through your shipping and security measures, you can secure a long-term relationship.



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