

Luxury marketers: Keep calm and carry on

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Keep calm and carry on. Image credit: Posterini

By MICKEY ALAM KHAN

Not since the Great Recession of 2008-09 has the luxury business been under such a threat.

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There is no sugarcoating the setback. Stock markets worldwide crashed March 9 and today's no picnic either, oil prices plummeted after Saudi Arabia called Russia's bluff, Italy is under complete lockdown, several U.S. states are in a state of emergency, China is slowly limping back but months from any semblance of supply-chain readiness and several industry sectors, including travel and hospitality, will see a rash of bankruptcies.

Tipping into recession seems a mere formality, according to some.

Tipping point

Luxury is particularly exposed this time, unlike the previous recession.

Now, everything is jammed up in exactly the spots where luxury is most vulnerable: Italy for its manufacturing, China for its consumption, and the U.S. and the rest of the world for a panicked public that will not or cannot travel for fear of catching the coronavirus, or COVID-19. Worst of all, stock markets are spooked and that is where the rub is: most affluent consumer wealth is locked up in equities along with homes, art and jewelry.

It helps if luxury companies have a rainy day fund or are well capitalized. Not many have that luxury, especially the family-owned brands.

So if consumer purchasing in-store or online is way down and travel is paralyzed, what should luxury brands and retailers do?

Think of what happened in the previous major conflict worldwide: the second world war. Everything was disrupted, from lives, to supply chains, to homes and businesses and cultures. And yet the United Kingdom had perhaps the best five words of advice to its citizens and empire in the face of extreme hardship: Keep calm and carry on.

Easier said than done, you say, but that is exactly the need of the hour.

With several factors out of luxury brands' control, they should focus on what they can steer themselves. For example: Communicate with your customers. Assure your base you are thinking of them and their families' safety. Let them

know you value your relationship. As simple as that: drop a line by email.

Communicate with your employees. Your staff are your frontline. Let them know you put their safety and their families' first. Communicate regularly so there are no gaps in information and no reliance on rumors or fears. As the virus outbreak and its consequences grow, fears over employment will multiply. Work with your HR and legal teams to ensure appropriate messaging.

Communicate with your landlords and local authorities. Ensure that your company is in the loop. Regulations, quarantines and curfews may be imposed overnight, dislocating operations at short notice. Stay in touch with your area's elected representatives. Smaller brands might need rent or tax relief, so it is best to stay in touch with those who can make both happen.

Communicate with your vendors. Keep them posted on inventory requirements. A disrupted supply chain will take weeks, if not months, to get back on its feet. Ensure that supplies of raw materials and components, as well as talent, are ready for when the markets are equipped to accept customer traffic.

Finally, look at this as an opportunity to digitize even more of your brand, from marketing and retail to inventory management and back-end tasks. The one thing that may emerge from this global crisis is increased customer acceptance of big-ticket purchases online and via mobile.

IT MAY NOT be tasteful now to brazenly promote your brand or product, but do not go silent, either.

If your customers are holed up in their homes, they certainly are online reading or watching the news, bingeing on entertainment, chatting on the phone via social media or voice calls, and, yes, shopping. Habits are hard to die, but new habits form quickly on digital platforms.

This coronavirus-induced crisis too shall pass.

Newer luxury brands have lived through maybe two or three major crises in the past couple of decades, such as 9/11, SARS and the Great Recession.

Older brands have seen off two world wars, the Great Depression and the collapse of empires. What kept them going was focus on the quality of the product, maintaining the emotional pull of the brand, eye on the customer and a little cash in the bank. Those requirements still hold true.

This is a war of a different kind, if you will. It requires nerves of steel. Bend, but don't break.



McKey Alam Khan is editor in chief of Luxury Daily

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