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MARKETING

# Rebound strategies for US luxury brands

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*COVID-19 has hit U.S. luxury brands hard, but the resulting disruptions it is causing could lead to even lengthier economic hardships, and novel rebound strategies are needed. Image credit: Coach*

By Adina-Laura Achim



The luxury business is currently focused on the health problems associated with COVID-19, but further market disruptions also need to be considered.

Some other consequences of this crisis include, but are not limited to, a probable global recession, a plunging stock market, inflation and heightened nationalism in China, supply chain disruptions, and a rise in Western Sinophobia.

As a singular emergency in modern times, standard contingency plans might not work during this outbreak.

Together, this group of disruptions has crippled the entire luxury business, and even if retailers effectively address one aspect of the crisis, they could still suffer permanent harm from some of the other effects. It is a situation that calls for unprecedented measures and a transparent relationship between the private and public sectors.

Considering the low level of public trust in the U.S. government partly due to the disorganized and slow response to the COVID-19 crisis we foresee that American luxury retailers will need additional time to rebound after the virus slows.

Another issue is that the United States does not have a recognizable retail luxury sector such as Europe's, and most of the country's mainstream names are associated with "affordable" luxury such as Coach, Polo/Ralph Lauren, Michael Kors and Kate Spade.

With lower inherent values, awareness and loyalty will continue to decline for these brands because, when tougher times come for consumers, they will only invest in luxury goods that bring maximum value to their lives.

A Herms Birkin is an investment, but a Coach bag does not have the same equity nor the same worth as a status symbol.

And, lastly, let us not forget that over the past decade, American retailers have struggled to overcome the "retail apocalypse" by lagging behind in online-to-offline sales optimization.

Now, this already fragile system is buckling under the weight of the COVID-19 situation, and President Trump's prolonged trade war with China has only worsened the impact on American retailers and consumers.

"We paid a couple more billion dollars of tariffs about $3.5 billion worth of tariffs in 2019, which we didn't pay in 2016," said Steve Lamar, president/CEO of the American Apparel and Footwear Association, to CNBC.

Let us take a look at some rebound strategies that could be useful to American retailers during this unprecedented time:

Building a world-class customer service model
The luxury world has been successful in globalizing impeccable customer service, but for the newest generations of consumers, white-glove treatment implies much more than just concierge services.

Today, brands must adapt to the world-class customer service model that millennials and Gen-Zers demand.

In this new model, digital experiences, prestige, convenience, high-end personalization and efficiency are as important as delivering traditional customer services.

Savvy brands that succeed at this understand that their physical stores must act as showrooms for customers where they can experience the brand, receive accurate information about product releases, test new products, and exchange ideas with staff members who act as brand connoisseurs.

These interactions address our human urge to focus on essentials and build genuine connections with brands.

This customer service model not only gives buyers impeccable service, but it also offers them the consciousness and recognition they crave.

By inviting the luxury buyer in and empowering him or her to personalize a product while also listening to their feedback brands can transform the consumer into a co-creator. It is an approach that naturally enables a brand to energize the relationship with their target base.

The foundation of this new customer service model is the team's leaders and staff. Without them, top executives cannot formulate or develop the brand's core values.

The Ritz-Carlton is a perfect example of this direction since the luxury hotel chain promotes a company culture that promotes its staff as "Ladies and Gentlemen serving Ladies and Gentlemen." In other words, the employees remain the company's most important resource.

Inside the Ritz-Carlton brand, leadership development is encouraged, and the staff is motivated to develop new skill sets.

Encouraging demand through targeted and patriotic marketing efforts
Sophisticated ad campaigns with slogans such as "Buy American" and "consume local" fall in line with today's "America First" policy, but they did not originate with Donald Trump.

In fact, this marketing philosophy has existed for decades, going back to President Hoover's "Buy American Act" from 1933.

Over the years, consumers have seen various ads that play off a sense of national pride, where symbols of the American lifestyle were employed to encourage consumerism.

And while most international luxury consumers do not glorify the "Made in America" brand or pursue it with the same ardor as the "Made in Italy" one, that is not the case with U.S. buyers.

Americans tend to respond positively to this doctrine because they feel as if buying local is their patriotic duty.

A good example is Ralph Lauren, who built a fashion empire out of an "idealized version of the American dream." He made the American prep lifestyle a commodity by invading every media channel with perfectly styled ads promoting Ivy League values.

This intelligent marketing strategy made the brand into one of the most successful and recognizable in America today.

Other U.S. retailers such as Tommy Hilfiger, Lilly Pulitzer and J.Crew followed suit. This showed the rest of the world that the adoration of a rarefied American lifestyle that few enjoy could become a lucrative business idea.

We are an age when the American dream is in crisis, and social mobility is more static than it has ever been, according to Axios. Therefore, dressing up in a sophisticated style has become a new snobbery, offering one motivation to follow their dreams.

Blending digital and physical

Ours is also an age of big digital retailers Alibaba, Amazon and surviving in their shadow is getting to be increasingly difficult. However, some retailers have managed to not only survive, but thrive.

For example, Target had seen an incredible rebound since blending the brand's online and offline experiences.

The American retailer adopted digital transformation to engage with the "always-connected" younger consumer.

But by putting the needs of the consumer first and understanding their lifestyle choices and shopping behavior, Target also improved its customer service.

The U.S. retailer optimized its online-to-offline experience by integrating and advanced technologies and optimizing its supply chain.

But, according to Digital Commerce 360, Target "credits much of its success with its ability to draw heavily on a large amount of data it gathers on customers."

Frankly, most U.S. retailers have yet to achieve the level analytic capability that Target now practices and have fallen far behind many countries in the use of advanced cluster analysis.

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