

COMMERCE

How to win back loyalty of rattled employees?

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The Ralph Lauren store at 888 Madison Avenue in New York is among retail shops closed during the coronavirus pandemic. Image credit: Ralph Lauren

By DIANNA DILWORTH

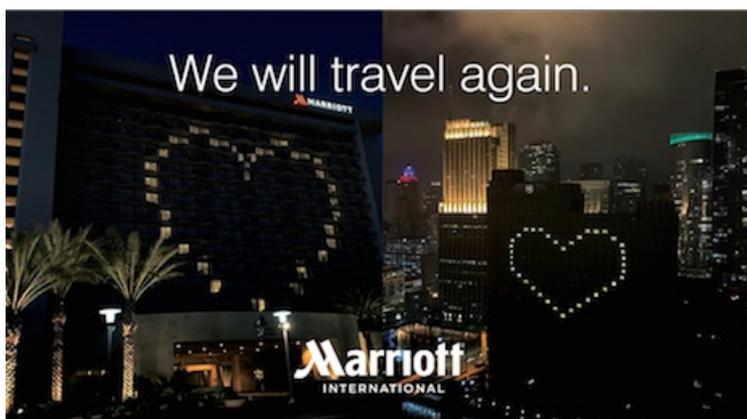
Retailers, manufacturers and brands across luxury sectors have had to lay off or furlough employees in response to the loss of income from the COVID-19 healthcare crisis and resultant government-imposed lockdowns.

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The Commerce Department revealed this week that U.S. gross domestic product fell at a 4.8 percent annual rate in the first quarter of 2020, suggesting that these corporate cost-cutting measures will continue. The White House is predicting that unemployment in the United States could hit 20 percent in June, the largest out-of-work rate since the Great Depression.

"This isn't your typical restructuring or industry-specific round of layoffs," said Will McInnes, chief marketing officer of **Brandwatch**, Brighton, United Kingdom. "The most recent wave of layoffs and furloughs are in response to a pandemic, the likes of which haven't been seen in 100 years.

"With this crisis comes some understanding that times are tough for absolutely everyone," he said. "Because of this, you'd suspect that there is a certain level of mass understanding that everyone can offer some empathy for."



Marriott International is the world's largest hotel company, with brands such as Marriott, Ritz-Carlton, Bulgari Hotels & Resorts, Luxury Collection, St. Regis, W, Westin and Sheraton. Image credit: Marriott

Widespread panic

Employees layoffs and furloughs span the spectrum, from conglomerates to independents.

Marriott International, the world's largest hotel chain with brands such as the Ritz-Carlton and Bulgari hotels, put tens of thousands of employees on furlough leave as the hospitality business is devastated by the coronavirus outbreak.

The Bethesda, MD-based company has furloughed staff such as housekeepers and general managers without pay but with healthcare, although the cuts will not yet include corporate-level staff. The company had 174,000 employees as of the end of 2019.

Every department store chain, luxury manufacturer and monobrand stores associated with exalted maisons have downed shutters temporarily.

Saks Fifth Avenue, LVMH-owned cosmetics-focused Sephora, Nordstrom, Bloomingdale's, Bergdorf Goodman, Gucci, Rolls-Royce Motor Cars, Cartier, Chanel, Jimmy Choo, Rolex, Patek Philippe, Hublot, Aston Martin, Ralph Lauren and Versace have all closed their retail storefronts.

Neiman Marcus is reported to be mulling bankruptcy. There are plenty of others who are running on reserve fuel, despite government help.

Management consultancy Bain & Company expects luxury sales to contract \$66 billion to \$77 billion this year. That percentage drop of 22 percent to 25 percent is the combined revenue of what the two largest players in global luxury generated last year: \$59.1 billion for LVMH and \$17.4 billion for Kering ([see story](#)).

So that is how the stage is set.

As business suffers, brands and companies should be humane and offer as much understanding and resources as possible to the employees who have been let go.

"Companies are struggling to survive, and in their efforts for survival, there are some truly human costs," Mr. McInnes said.

"They shouldn't sugarcoat or mislead employees about the health of the overall organization," he said. "It's as simple as that. Transparency and communication are extremely important."



Rania V. Sedhom is managing partner at Sedhom Law Group. Image courtesy of Sedhom Law Group

Communication is key

Companies should be using this time to retool and strategize new policies and practices that they would like to see going forward.

This could be better health care or sick leave policies or better cleaning practices in the office. It could also include cost-trimming measures such as cutting 401K matching programs, pausing employee travel expenses and limiting executive bonuses.

While many companies are in a holding pattern as they await the outcome of the pandemic, they should still be in touch with furloughed or laid-off employees that they want to rehire.

Communication can be through phone calls, texts, Zoom, emails or even handwritten notes.

"Everyone is experiencing anxiety, even in those companies where no austerity measures have yet been implemented," said Rania Sedhom, managing partner at [Sedhom Law Group](#), New York.

"A simple touch-base that tells the valued employee that you are thinking about them can do wonders," she said.

"It is such a nice gesture, for example, to mail or email an employee a happy birthday card or happy anniversary card, if their birthday or employment anniversary took place during the stay-at-home period. Imagine someone's delight in receiving something other than a bill through the mail or email."



Exterior of The Shops & Restaurants at New York's Hudson Yards. Image courtesy of Related Companies

Outlook

The future is still uncertain. There is no way of knowing what the conditions will look like and how many employees will be called back to work.

"Normal is a relative, and we'd be foolish to think that everything - including business - will go back to exactly how it was before the pandemic," Mr. McInness said.

Many companies will wait a few months after re-openings start to bring the entire workforce back and that may not be the same volume of staffers as they had before.

While most employees are hoping to hold on to their jobs, those that are winning back employees after furloughs and layoffs will depend on how the employees were treated during interim.

"For those employers who communicated openly with employees and periodically touched base with them, having them return will be relatively easy," Ms. Sedhom said. "For others, it will be challenging. When companies are able to call employees back to work, many will be happy to return."