

RETAIL

Does luxury need to reevaluate its retail footprint after the pandemic?

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Harrods ' in London's Knightsbridge. Image credit: Harrods

By DIANNA DILWORTH

The coronavirus pandemic has devastated the already suffering retail industry, forcing these businesses to adapt to a new normal simply to survive.

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Consumers have been relying on ecommerce shopping during the COVID-19 pandemic, and digital will likely continue to play an even more important role even when bricks-and-mortar stores reopen. Indeed, retailers may have to reevaluate their retail footprints after the pandemic to maximize revenues and best serve customers.

"I believe stores may become places that have less inventory, although some people may want to still pick up in stores," said Milton Pedraza, CEO of [the Luxury Institute](#), New York and Los Angeles.

"Many customers will still shop in the store, but the product may be shipped and delivered sometimes conveniently even before they get home," he said. "People will want fast shipping irrespective of what channel they use to shop."



What will remain

In rebuilding the new retail experience, brands will have to return to the basic foundations that stores should be a positive place where consumers can find new and appealing products.

"There are elements that will remain such as discovery, engaging physically with the products and people," said Adam Freede, CEO of MadaLuxe, New York. "It must be a safe and comfortable and joyous experience, or they will not come or stay."

MadaLuxe Vault is the direct-to-consumer division of MadaLuxe Group, one of the United States' largest wholesale distributors of luxury fashion.

"Luxury mono brands have been continuously updating their strategies well before the pandemic," Mr. Freede said. "This is nothing new for them. They are methodical and already have strong systems in place, so there won't be much of a difference in how they operate post-pandemic."

"On the other hand, the pandemic has exponentially increased the need for U.S. multi-brand retailers to reevaluate their footprints," he said. "It's something they've been looking at for years, but the virus has definitely sped up the process."

Multi-brand retailers will likely see challenges in inventory and pressure in terms of margins due to markdowns and seasonal inventory levels.

"I don't think existing stores will create smaller footprints necessarily, but strategies regarding overall store count will definitely continue to shift," Mr. Freede said.

"This was already true pre-pandemic, but has been exacerbated heavily by the current situation," he said.

"On the flip side, it will be a very opportunistic time to get great lease locations at good values, so there will be bricks-and-mortar opportunities for the bold."



Saks Fifth Avenue New York. Image credit: Saks Fifth Avenue

Behavioral shifts

This pandemic has exponentially sped up the shift to ecommerce shopping, especially among baby boomer consumers who have been a bit slower to change their shopping behavior in the past.

Consumers have been more willing to order from categories that they would normally reserve for in-person purchases due to the pandemic.

"Ecommerce is thriving in all sectors right now," Mr. Freede said. "The bigger discussion is about how brands are going to enhance their ecommerce experiences digitally. The customer experience is critical, especially in luxury. Extending the in-store experience to be had digitally is the hardest and most important component."

As news circulates that Neiman Marcus may file for bankruptcy, some in the industry are nervous that this news could hint at the end of the department store. These stores were struggling with footfall before the pandemic and the closures may be the final straw, especially if consumers fear returning to shopping in person.

Still, these stores will likely not go away entirely, but they may be downsized. U.S. department store giant Nordstrom

is also said to be cutting 16 stores from its portfolio.

"Luxury stores are not going away," Mr. Freede said.

"The experience of a luxury store can never be replicated by any other experience," he said. "Stores will still have a major role to play in terms of customer experience, brand identity and brand connection."

Many luxury brands have been relying on social media to entertain consumers and emails to promote sales. Digital innovations will likely be the driver for the retail experience going forward.

"Education, touch and experience the products in an entertaining way," Mr. Milton said. "They will interact with expert/emotionally intelligent brand ambassadors. Those are the two major reasons to go to a store."

When stores reopen, they will need to make customers feel safe. They will need to offer hand sanitizer and space, so that customers will want to stay.

"Customers are going to expect the utmost safety precautions," Mr. Freede said. "Luxury stores will take safety to the next level especially with social distancing. Trust is the new luxury."

"The future is not just about luxury products, trust is an equal part of the equation," he said. "The luxury retailers are highly trusted by their shoppers. This is a critical component of the new world."

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