

COLUMNS

This holiday season will not be ordinary: 4 challenges facing luxury retailers

October 14, 2021



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The National Retail Federation **expects holiday sales** will grow between 3.6 percent and 5.2 percent this year compared to last season. But let us not kid ourselves: despite the incredible opportunity that exists, the next few months are going to challenge luxury retail operations of all sizes.

The lingering labor shortage is not only impacting whether stores are fully staffed but also hindering things such as facilities maintenance and repairs because contractors are stretched harder to find in a pinch.

Further, inflationary prices will give some customers sticker shock, and the supply chain is overwhelmed.

Indeed, luxury retailers have a lot to think about. With that in mind, let us look at four key challenges that retailers face and what they can do about it this month as they get ready for their big season.

Challenge 1: The early purchasing surge

Half of U.S. shoppers plan to have their holiday gifts purchased by Thanksgiving. With labor shortages, what do store and ecommerce facilities managers need to do to prepare for this?

The key will be to get ahead of schedule. That, of course, means staffing up ecommerce fulfillment centers and retail stores, even if it means paying wages that would seem high in years past.

Retailers should also ask job candidates how many hours they want to work rather than tell them how many are available. Make the employment as attractive as possible.

Retailers should also implement as many self-service kiosks as possible to help customers with store information and allow cashier-less checkouts. They should use foot traffic data and other store-based digital intelligence to optimize the best floor areas for the kiosks.

The holidays are too crucial for luxury retail brands, and the customer experience (CX) cannot suffer, so a combination of getting ahead of seasonal hiring and offering self-service features can be a winning formula.

Challenge 2: Avoiding store interruptions

Staffing should not be the only concern when it comes to retailers planning ahead.

Store and ecommerce managers need to make sure their facilities are protected against equipment breakdowns, HVAC issues and other hard-to-predict problems that can cause stores to temporarily shut down for hours or even days.

My company found that work orders for repair services were up 4 percent year-over-year during October and November in 2020.

Luxury retailers can expect the same and probably more this season, especially considering how unpredictable the weather has been throughout 2021.

Store and ecommerce managers need to have firmly established relationships with repairs contractors and other last-minute service providers who can save the day when things go wrong.

Retailers also need to make sure their store equipment everything from the kiosks to the heating system is in good shape.

Predictive analytics tools are available on the market and should be routinely used by retailers during the holiday season and year-round so they do not have to implement machinery in the middle of a busy shopping day.

Challenge 3: In-store returns will be back like never before

Order returns are part of today's retail world, and they lifted considerably after the pandemic began.

According to the NRF, ecommerce returns more than doubled in 2020 from 2019 and cost the industry **\$428 billion**. This means stores need to also become fulfillment centers.

Consider that **76 percent of new customers** say they would be more likely to shop with a retailer based on a great returns experience. So, retailers need to make returns a better performing part of their business, and using stores as an omnichannel hub should be part of the answer.

It is still early days for major retailers in this regard, but it is happening.

Walmart and Target have been converting their retail spaces into mini-distribution hubs to shorten the last mile for customers. And Walgreens has partnered with FedEx to turn its pharmacies into returns centers, which increases the brand's foot traffic.

It is all about placing stores at the center of a modern retail design to offer convenient returns for the best possible CX. And it is part of the reason why **Saks Fifth Avenue**, Glossier and Bonobos have been opening stores again.

Challenge 4: Cutting logistics costs by getting greener

There are so many packages flying back and forth due to the growth of ecommerce deliveries and returns, and these holidays will represent another wave of them. How can luxury retailers control the logistics cost for their fulfillment centers?

For one, they should start by making their operations greener, which is great for sustainability but also healthy for saving company cash.

Starbucks has **cut energy costs by 30 percent** with greener stores. Obviously, remodeling stores is not going to happen overnight before the holidays there are too many other things to worry about, and that is a longer-term project.

But retailers should be inspired to do smaller things now. They can use analytics tools to see which facilities systems are using the most energy, and then they will know if those systems could perform better, cost-wise, if given a little tender loving care from a repair pro.

For CX, retailers can save money on paper by adopting online portals that allow customers to return items in a paperless fashion, replacing return labels as the consumer world has gone largely printer-less.

Right now, just **52 percent of omnichannel merchants** enable returns through an online portal, app or order look-up. It is an opportunity to cut down on the cost of returns.

WHILE THE HOLIDAYS are always challenging, this year presents a different mix of operational dilemmas for

which retailers have to get ready.

The good news is that the challenges can be overcome or, at least, alleviated if store and ecommerce managers seek out and use data-based tools.

More than anything, tis the season to be prepared as early as possible.

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