

RETAIL

Luxury retail must adapt to impact of remote work

March 3, 2021



A shift to remote work implies a shift in consumer behavior. Image credit: Unsplash

By NORA HOWE

While the massive work-from-home shift served as a short-term response to the COVID-19 pandemic, companies have begun adopting the trend as a permanent work style impacting lifestyle preferences and habits for many consumers.

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Remote work grants individuals more economic and behavioral freedom, allowing them to live anywhere and increase productivity, but it could have negative implications for retail. As the desire for workday flexibility increases, brands and retailers must examine how this change in daily behavior will affect their businesses and what they can do to combat the loss of physical traffic.

"A fair number of luxury consumers have moved out of large cities like New York, and have relocated into less populated areas in the suburbs," said Bob Shullman, founder and CEO of [The Shullman Research Group](#), Stamford, CT. "According to *The Wall Street Journal*, [New York] has lost 500,000 private-sector jobs since March 2020; tens of thousands of small businesses and 5,000 restaurants have closed; and less than 15 percent of office workers are back in the workplaces they left a year ago.'

"The city commute has been materially reduced," he said.

Remote living

The premise of working remotely has crossed over from a short-term response to the new normal.

According to a survey conducted by Chris Herd, founder and CEO of [Firstbase](#), companies are cutting their commercial office spaces by 50 to 70 percent, and nearly 30 percent of the companies he spoke with are going fully remote.

In July 2020, IBM reported that 84 percent of employees indicated that they would still like to work remotely even after offices reopen ([see story](#)).

"Businesses have adapted to a virtual work environment and some organizations will never return to a five-day a week urban workweek, and that is changing the landscape of our towns and cities," said Marie Driscoll, managing

director of luxury and fashion at [Coresight Research](#), New York. "Many service businesses that were supported by commuters have closed, and the dispersion of business across broader regions has changed the profile of smaller communities, providing new business opportunities regionally.

"Traditionally urban flagships that could attract urban city dwellers and workers along with travelers both domestic and international-supported temples to the brand' destinations," she said. "But even pre-COVID we saw global brands closing these huge flagships as their business moved online."



Companies are giving up expensive commercial real estate and opting for a complete shift toward working remotely. Image credit: Getty

Technology has also been a large factor in fueling the push toward working remotely. As technological developments allow employers and employees to connect with each other and produce work digitally, people are taking this as an opportunity to live anywhere.

Work commutes have often been a driving force in real estate desirability the closer a home is to the office or train station, the higher the value is in the market.

"We are seeing some clients express interest in permanently relocating to resort or rural locations that were typically considered second home markets," said Philip White, president and CEO of [Sotheby's International Realty](#), Madison, NJ. "Thanks to technology, consumers do not need to be confined to living near their offices, allowing many buyers to expand their real estate search and maybe move to a home in their dream location."

As employees continue to opt out of the in-office work model, daily routines will shift and ultimately impact brands and retailers that rely on the physical business from commuter employees.

"In their whole reassessment of physical footprint, you could see luxury retailers set up satellites in the suburbs of some major cities," Ms. Driscoll said. "But they'll definitely need to weight the investment against reopening in more densely populated real estate, versus getting their online game right, and better using their city real estate for online fulfillment."

In order for retailers to survive in the post-COVID-19 world, they must adopt new ways of connecting with consumers digitally.

According to Bazaarvoice's annual [Shopper Experience Index](#) report, nearly a third of American shoppers said they have reduced their in-store trips, while 18 percent reported they only shop in-store for essentials and 20 percent are not shopping in-store at all ([see story](#)). So while digital shopping is not going to completely replace brick-and-mortar any time soon, it is preferred.

Other shopping habits have also shifted.

The need for professional apparel and cosmetics decreased in the early months of the pandemic as loungewear and casual appearance increased due to lockdown restrictions, according to a report from Owl Labs. Forty-four percent of respondents did not find it necessary to get dressed up for a video meeting and are saving an average of \$479.20 per month during the pandemic ([see story](#)).



According to Bazaarvoice, more than half of shoppers in the U.K. would rather shop digitally than in-store. Image credit: Getty

"Retailers are redefining experiential shopping as consumers move online often to discover it is easier than working with a salesperson," said Christopher Ramey, president of [Affluent Insights](#), Palm Beach. "Retailers have to rethink their entire value proposition when competing against the internet."

Being proactive

The luxury fashion and beauty sectors rely heavily on consumers' ability to sample, test and try on products in-store. Some brands were already exploring how to leverage digital tools for optimal consumer engagement, but with new health protocols and a decrease in commuter traffic, these strategies are crucial.

Over the last several years, LVMH-owned beauty retailer Sephora has made AI tech a large part of its brand and business strategies. In 2015, users of its app could hover over model images and instantly learn how to complete looks themselves and gain access to products and exclusive content ([see story](#)).

By the spring of 2017, Sephora launched a virtual try-on service, enabling customers to craft their own eyeshadow looks and try experts' curated stylings with purchasable products. Virtual Artist, Sephora's mobile and online augmented reality tool, was updated to include eyeshadow capabilities in which users could try their own blend of products, test expert looks and follow tutorials ([see story](#)).

In October 2020, Italian fashion house Salvatore Ferragamo introduced its newest Tramezza men's shoes collection and innovated the customer experience with an augmented reality made-to-order service. The label collaborated with Microsoft Azure Cloud and HoloLens 2 to create an immersive and personalized virtual reality experience and meet the growing demands of the digital customer.

The program allows customers to visualize the digital replica of the collection and interact with the 3D samples to accurately customize which materials and colors they favor. In the application, customers can begin shared interactive sessions where a client advisor may enter customers' virtual rooms to assist in choosing and configuring the models that best fit their preferences ([see story](#)).

"The only luxury sectors being positively impacted by the work-from-home model are [brands and retailers] that were already marketing digitally before the pandemic, and those that quickly began marketing their products and services digitally since the pandemic began last year," Mr. Shullman said.