7 Unique Challenges of Luxury Fulfillment

Customer experience is amplified when it comes to luxury goods

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Will that luxury handbag sell itself? Maybe. But if the customer experience is lacking you might lose the sale. Luxury brand consumers have come to expect an exceptional experience throughout the shopping and purchasing journey—both online and in-store. And when a part of that journey is negative, or fails completely, everyone suffers.

Thanks to the pandemic, customer expectations and shopping habits have shifted—quickly and frequently. Which includes how and when a customer receives their order. And while fulfillment complexity is a challenge that all retailers must contend with, luxury brand fulfillment is unique and challenging—in more ways than one.

What are some of the unique challenges of luxury fulfillment?

7 challenges luxury brands need to be aware of

The challenges come at every stage of the customer journey—from the moment your customer browses online for a specific product and all the way to handling returns. What are the challenges you need to be aware of? And can they be solved with one solution? Let's find out:

1. Overselling and underselling due to inaccurate inventory data

Picture this. A customer visits your website, intent on buying a certain product. They have done their research, find the item in their preferred size or color and check out. But wait—they get a notification soon after telling them the product is out of stock. Now you have a disappointed customer who has had a poor brand experience.

Why did this happen? You likely don't have an accurate, single view of all your inventory. With

visibility into inventory data siloed across different systems and locations, it makes it much harder to keep track of what's in stock, being processed and sold.

2. Limited availability of hot items

Part of what makes a brand exclusive is the limited availability of certain products. Often produced in restricted quantities. Sometimes a store's inventory is controlled by headquarters—and possibly on a global level. But it makes inventory data visibility a real challenge.

When each location only receives a small number of items for each SKU, this puts pressure on the brand to monitor—in granular detail—exactly how many units are being sold where and when.

You must have an accurate view of all your inventory data across every channel, otherwise you risk overselling and a canceled order. So, tracking accurate Available to Promise (ATP) and Available to Sell (ATS) inventory is extremely important.

3. High-value customers

Customer experience is always important. But a great CX is even more critical for your high-value customers. When you are selling from multiple channels—think physical stores, your brand website, social channels or mobile—your stock is likely sitting in many different locations. And your risk for fulfillment issues? Amplified.

You don't want your ultra high-value customers to be affected. Enter: virtual inventory. What is virtual inventory? Virtual inventory allows you to easily control what is sold where. For your VIPs, you might

want to create a separate pool—also known as a virtual catalog—of inventory that only they can see. That way your most important customers won't be disappointed.

What's more, you can offer your VIPs different delivery options or perks, and even control back-end sourcing so they get their order faster. How? Virtual inventory lets you leverage and prioritize all pools of stock—internally or with third parties—to ensure fast, optimal fulfillment every time.

4. Thin inventory

A common theme for luxury goods? Thin inventory—meaning you may only have 1-2 items per store. So while other brands might utilize safety stock for better control of in-store sales, setting safety stock at the location level does not work in this scenario. What can you do instead?

You might want to set safety stock across a "pool" of locations. For example, you could specify that if you have at least 3 units across 5 stores, the item will show as available online.

5. Meticulous sourcing rules are necessary to provide an outstanding CX

Luxury fulfillment oftentimes calls for specific, meticulous sourcing rules. Part of what makes a brand exclusive is the limited availability of certain products. Often produced in restricted quantities. Sometimes a store's inventory is controlled by headquarters—and sometimes on a global level. But it makes inventory availability a challenge.

When each location only receives a small number of items for each SKU, this puts pressure on the brand

to monitor—in granular detail—exactly how many units are being sold and when. And if there are replenishments, managing the levels, replenishment dates and in-stock positions become even more important.

- **Complexity multiplies—fast**
  How complex can it get? You may have over a dozen sourcing rules, with each rule using 3-4 criteria points to determine the most optimal location to ship from. That can be up to nearly 50 rules/criteria to run. Without a best-in-class system in place to handle this level of complexity, you run the risk of out of stocks, canceled orders, and ultimately disappointed customers.
- **Consider delivery speed in the big picture**
  And speed isn't everything when it comes to fulfillment. In an interview with Tom Davis, Global Digital Operations Director at Cartier, he stated that people who are buying luxury goods don't necessarily want next-day delivery. It's about the strategic use of an order management system. Tom shared that "The order management system needs to have the ability to have that process of thinking built into it. Companies are getting smarter and smarter about how to manage inventory."

Luxury vs Mass Merchant, Digital Agility and Headless Commerce

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6. Order consolidation—do it right

Many retailers and brands rely on split shipments to get goods to customers faster. But as a luxury brand, your customer experience is always top of mind. This means that split shipments are not always the best option. Some customers may prefer fewer shipments, so you'll want to provide them with the option to have their order consolidated before shipping.

You may even prefer to consolidate your shipments and provide a single shipment to customers, and a superior packaging experience. Even if it means transferring inventory from one place to another. For example, if your distribution centers (DC) have special packaging used just for home deliveries that's not available in stores, you might transfer items from a store to a DC for fulfillment so order can be expertly packaged, before being sent off to the customer.

7. Luxury returns

The luxury counterfeit market gets more sophisticated by the day. Counterfeit designer bags may come to mind, but phony goods go beyond that—think sunglasses and perfume. And thieves are getting even more cunning. Some order the actual item and then return a counterfeit product instead. So how have some luxury brands combatted this?

Take perfumes for example. Some brands 'code' their products by putting laser-engraved numbers on the bottle, but it's only viewable if it's held at a specific angle under a special light.

The fashion industry has even provided training to customs personnel to better enable them to identify counterfeit goods being shipped across international borders.

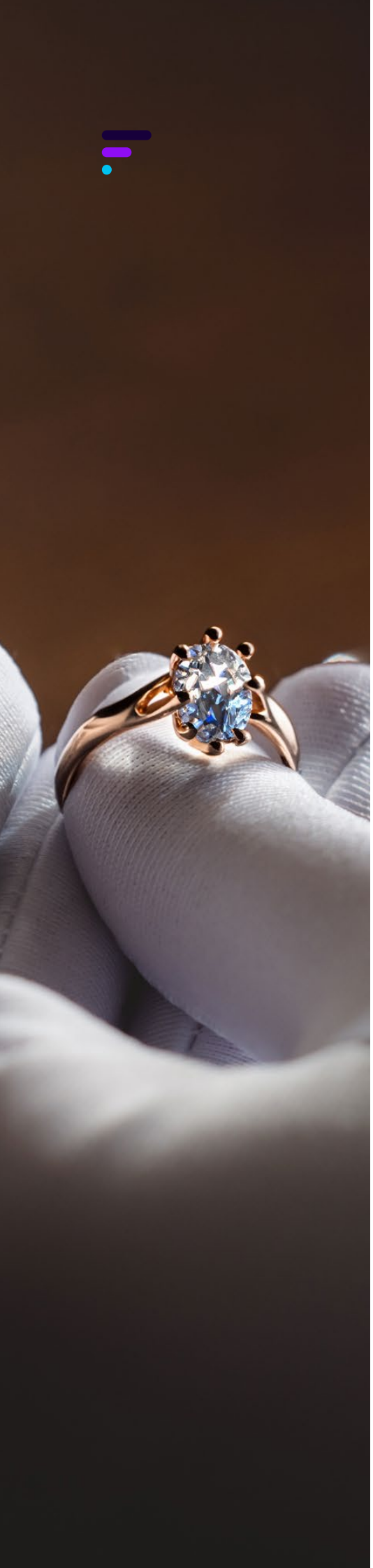
With the right information and technology, employees working in your returns center can validate whether a product is genuine. Serial numbers, hidden IDs, even the packaging can indicate whether someone is returning a knock-off. You can help make the returns process smoother when you configure workflows that prompt your staff to perform these checks when items are returned.

Luxury fulfillment scenarios call for the utmost detail

What are some more frequent luxury fulfillment scenarios that call for specific rules? Let's explore these common ones:

Pick by location, department or product specialty
Luxury products can be more specialized, which means that multiple pickers may be involved for a single order. This might be based on where stock is physically located, or the specialty knowledge of a store associate.

Take an order that includes items for both adults and kids. These are likely located in two different areas—which means you have a dedicated picker per space. How can you make sure all items are picked and packed in a timely, accurate manner? You need the ability to craft your staffs' pick and pack process to add, edit or skip steps to meet your unique business needs.



White glove service delivery options

While curbside delivery, Buy Online Pickup In-store (BOPIS) / Click & Collect, or next day delivery are services that many other brands and retailers offer already, luxury shoppers expect additional options. A shop assistant delivers the product directly to your customers' doorstep. Or maybe they are traveling and the luxury items are to be delivered directly to their hotel room—and within a 60 minute time frame.

Personalization—but only if done exceptionally well

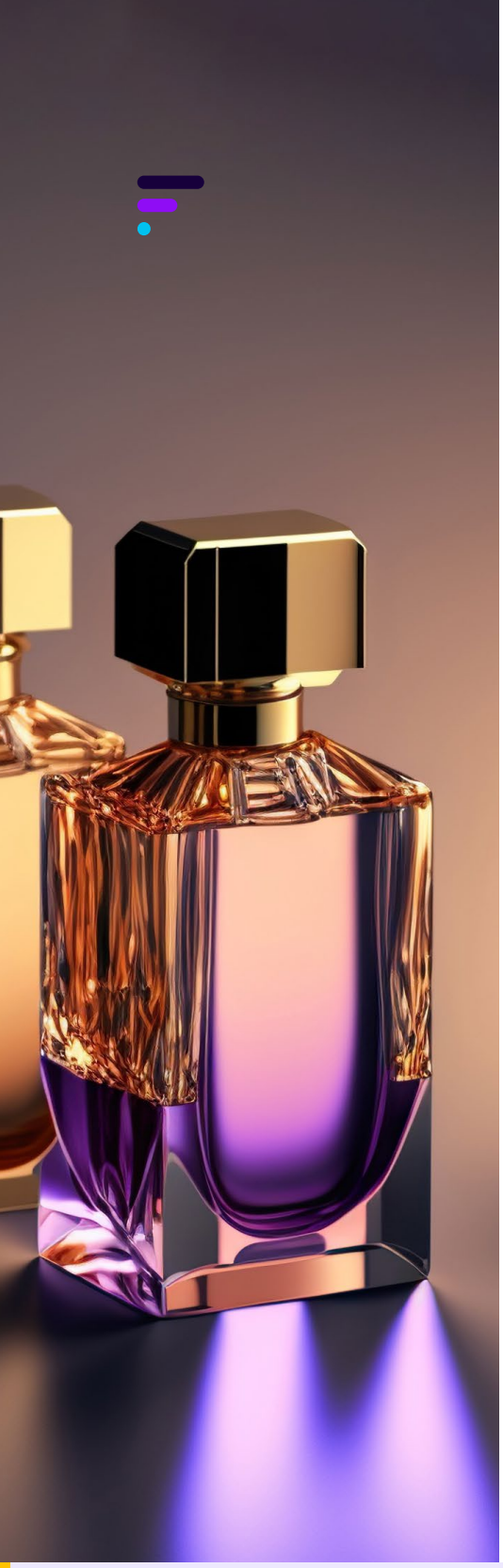
It's all about the personal touch. That unique product that's made for you. Adding your monogram to that luxury handbag, your future wife's name to the engagement ring or including a personal note to a gift. Personalization rules will help you make your customer's product truly unique to them. But it takes a lot of backend logic to ensure it happens correctly, smoothly, and on-time.

Payment fraud checks during checkout

Manual processes can slow things down. But payment fraud checks are necessary when it comes to high-value—and high-cost—items. If your average order value (AOV) is in the thousands, for example, you may want orders to go through a payment fraud check, which might include steps such as checking on the validity of the buyer and confirming the actual payment method.

But for this to happen, you need the right solution in place that can manage these manual processes, such as:

- triggering the correct steps along the process
- sending notifications to internal teams and customers
- acknowledging steps have been completed



On top of that, the solution needs to be flexible enough to ensure that the steps can be tailored to your brand—which is critical to providing an outstanding experience, both internally and for customers.

Real-time transfer of ownership

Luxury goods are expensive—especially when you consider the cost of some luxury watches or handbags. Timing of the transfer of ownership between the retailer, shipper—and ultimately the customer—is extremely important.

While many retailers will charge a customer for an online purchase when it ships, for high value items, precise timing can be essential. For example, in the seconds between the arrival of a courier and handing a package to them for delivery. At this point, it means the retailer is no longer responsible for the product—the carrier is. But only flexible systems give you the control you need to ensure timing accuracy. And without a fast and seamless process, errors can occur—which can be costly to your bottom line.

The type of delivery system luxury brands use differ as well. Tom Davis from Cartier explained that “in the world of luxury there could be a higher cost or price on a product, and there’s a whole set of insurance and liabilities. You have to manage it in a very, very different way.”

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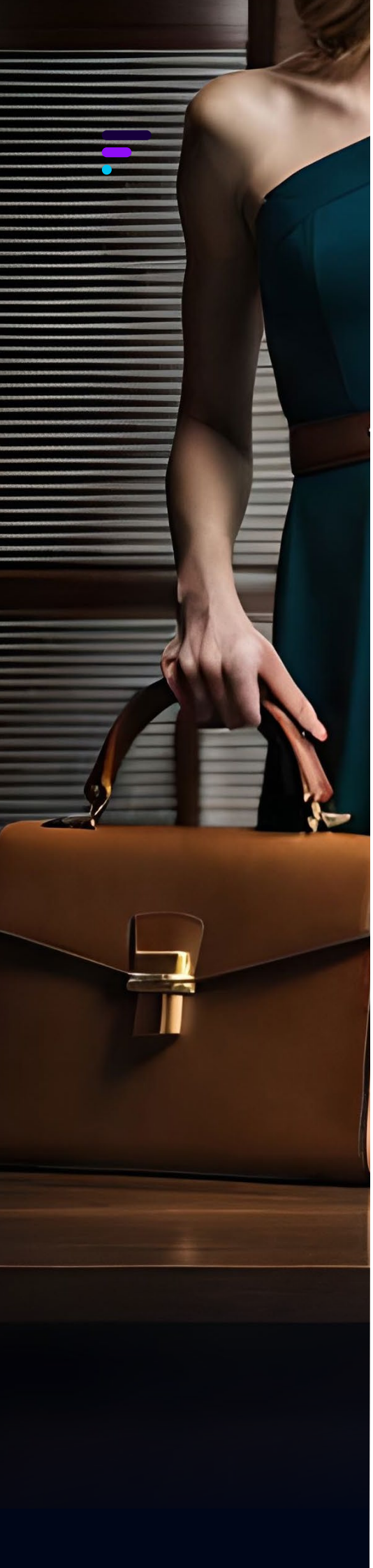

Quality checks

Quality is of the utmost importance when it comes to luxury goods. And as orders are packed, you want to ensure all items have gone through a quality check. This is typically a manual process. But imagine if you had a system that could automate manual processes? And even alert staff when orders come through?

Summary

The stakes are higher when it comes to luxury goods. Ensure you have full control over the unique aspects of luxury fulfillment, especially:

- The exclusivity and limited availability of products; and
- High expectations of an outstanding customer experience; combined with
- An extremely high level of security throughout the entire journey.

Make sure you can craft every detail of your order management CX with a system that can handle the unique fulfillment needs of luxury brands—and be ready for the trends that lay ahead.

With a distributed order management system such as Fluent Order Management, you have full control of your brand's unique requirements. The flexibility of the cloud-native platform means every detail can be meticulously crafted—from pre-orders to fulfillment, what you sell in each market or region, to managing returns.

Go beyond a spreadsheet. Beyond what your ERP and Commerce platform can do. It's time for an order management system that can handle your needs and give your customers the high-caliber experience they expect—and deserve.

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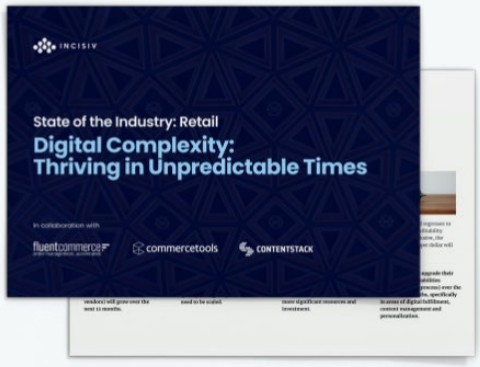

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