



ON STAFF: No More ‘Pretty Woman’ Moments in Retail

By Kathryn Hopkins

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Some luxury brands are moving away from the traditional commission model for sales executives.

“You work on commission, right?...Big mistake! Big! Huge!”

Those were the famous words uttered by Julia Roberts’ character Vivian Ward in 1990’s hit movie ‘Pretty Woman’ when she was shooed out of a luxury store in Beverly Hills by snooty sales executives, who mistakenly thought she didn’t have any money to spend because of the way she was dressed.

Little did they know that she was actually armed with businessman Edward Lewis’ (Richard Gere) credit card and had money to burn, which she later did with the help of much friendlier sales clerks at a nearby store.

Flash-forward to 2019 and Vivian may have more luck in the customer service department — even if she is still wearing her thigh-high boots and a cutout bodysuit. And it’s not because fashion trends have changed three decades later and over-the-knee footwear and navel-grazing tops are considered in style these days.

It’s actually due to some luxury brands beginning to move away from the traditional commission model based on how much each sales executive sells, which has often involved chasing purchases from wealthy-looking customers or as one headhunter put it, choosing their prey. Instead, some are opting for a model that rewards teamwork.

Chanel Inc., the U.S. subsidiary of Chanel Ltd., is one of those making the change to its commission structure. It recently announced in an exclusive interview with WWD that it will shift to a blended model of compensation that focuses on rewarding fashion advisers whose teams work in a collaborative manner in serving the clients’ overall experience in its freestanding stores in North America.



Gucci owner Kering and LVMH Moët Hennessy Louis Vuitton, which owns Louis Vuitton, Christian Dior and Givenchy among others, did not respond to requests for comment on their plans for rewarding sales executives in their U.S. stores.

According to industry watchers, part of the reason for this change in mind-set is the traditional model encourages sales executives to focus their attention on those that they think will spend the most money, which is now harder than ever to decipher. “Between Goldman Sachs announcing their dress casual to the Internet companies, it doesn’t behoove anyone to presume who the customer is or not,” Robert Burke, a retail consultant, said.

But even more important to brands is that the individual rewards model isn’t the best for their latest obsession — so-called experiential shopping. In New York City, think Restoration Hardware’s multistory Meatpacking store complete with an in-house interior design firm and a rooftop restaurant and bar and Gucci’s first SoHo store designed more as a “cultural gathering space” than a shop.

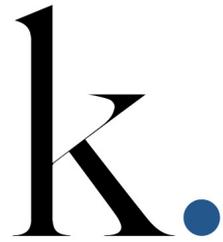
This is not so much about scoring a sale then and there on the shop floor, but trying to build an ongoing connection with the customer by ensuring that everyone has an enjoyable and unique in-store experience that will hopefully result in multiple purchases in the future — perhaps in-store, perhaps online.

“What you want to do is create a very special emotional connection with your customer and the transactional piece comes after and it does come because people will always consume luxury products, but the reason why people go back is more for the experience rather than the product,” Caroline Pill, a vice president at executive search firm Kirk Palmer Associates, explained. “Maybe they don’t buy at all in your store, but they just have the experience in-store and then they go home and they go shopping online or vice versa.”

To make this dream of customers having a seamless experience in-store and online a reality requires teamwork and this means brands will have to consider a pay structure to encourage this — whether it be store targets, global performance or through other methods.

It also means that some brands are working on how to track sales from store to online as sales executives may be less inclined to encourage shoppers to make a purchase at a later date via their smart phones or laptops if there is no incentive to do so.

But making the leap to a more team-friendly commission structure in the U.S. might not be an easy sell as sales executives are more reliant on commission than their European counterparts, with the latter tending to have more of a balance in terms of their guaranteed base salary.



Grace Nida, a managing director for the global luxury sector at recruiter Korn Ferry International, said: “Out of all markets, U.S sales assistants in luxury rely much more on commission so it’s hard to break that and change is very, very difficult.”

For that reason, she thinks such a move will require a lot of training, a good team compensation package, as well as perhaps increasing base salary. It will also depend on the luxury sector as in some, like watches and jewelry, commission is higher than in fashion.

Brands will certainly have to tread carefully as what they don’t want to happen is for a sales executive who has been at a particular store for 20-plus years to leave for a competitor and take all their customers with them, she added.