

Challenges and opportunities for supply chain management

Arvato Supply Chain Solutions and Roland Berger examine supply chain challenges in the luxury goods market

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Guetersloh – Following the pandemic-related slump in 2020, the luxury goods industry has regained its former strength. The global market for personal luxury goods, which includes luxury fashion, decorative luxury items such as jewelry, watches and writing instruments, and beauty items, reached a value of EUR 310 billion this year and all indications are for further growth. According to current estimates, the market will grow to 480 billion Euros by 2030. Increasing customer demand and current global uncertainties have made supply chain management a strategic core function, which poses major challenges for luxury brands. This is one of the conclusions from the recent study "Personal luxury: Supply Chain challenges & how to prepare for the future", developed by Arvato Supply Chain Solutions in cooperation with the international strategy consultancy Roland Berger.

"The market for personal luxury goods offers significant opportunities for growth," explains Julia Boers, President of Consumer Products at Arvato Supply Chain Solutions. "We commissioned Roland Berger to conduct a study to learn more about current and future developments and obtain detailed information about the market in which we already serve clients." The strategy consulting experts analyzed the European and American luxury markets intensively. "Important industry experts from different areas were also interviewed, individually speaking to current market developments and their effects on supply chain management," says Dr. Richard Federowski, Partner Consumer Goods and Retail at Roland Berger. Four key trends were identified that will have massive impacts on the market for personal luxury goods until 2030. One of them is the emergence of a younger buyer group who holds higher expectations from luxury brands – they not only expect a unique and consistent customer experience through all touchpoints, but also react very sensitively to issues surrounding sustainability. There is also a revelation that selling standardized products worldwide will no longer suffice; local product collections will be expected. This will lead to greater complexity in products.

In addition to stationary trade, omnichannel commerce - the combination of online and offline channels - has become an important growth engine for luxury brands. Buyers demand seamless interactions between the channels coupled with the ability to contact the brand directly online. With the move to increased online sales, expectations for short delivery times and highly flexible shipping options are also increasing. The fourth emerging factor is new market uncertainties which luxury brands must navigate.

Geopolitical and pandemic crises have already led to instabilities in the business environment, and these have had a strong impact on sales processes in various regions or have put a strain on existing logistical processes.

Turning challenges into opportunities

"These complex and multidimensional developments pose major challenges for luxury brands and retailers," explains Abbas Tolouee, who worked on the study as a senior consultant at Arvato Supply Chain Solutions. "We have identified four critical points that companies must turn into factors of success in order to remain competitive in the long term." Luxury brands and retailers face the challenge of offering a luxurious customer experience embodying the brand's DNA across increasing numbers of sales channels – from initial customer contact, through order placement and including after-sales service. They must have control over all customer touchpoints within the supply chain, which is only possible when there is end-to-end integration of all IT systems and corresponding interfaces. Particularly an online shop must have real-time product availability, provide order status information, and offer several shipping options. Additionally, speed and punctuality in last mile delivery are essential. The second challenge is inventory management across different regions and channels. To accomplish this, luxury brands and retailers must synchronize all data in real time and invest in intelligent inventory optimization technologies and forecasting tools to anticipate demand, plan supply and detect fraud.

To get a handle on rising operating costs, luxury goods manufacturers should increase their operational efficiencies through automation and digitalization. Warehouse services solutions should include a cloud-based IT infrastructure with fully integrated and automated supply chain processes that ensure high operational efficiency. This also ensures that errors and product losses are minimized, and inventory control is optimized. Transparency surrounding the CO₂ footprint is also extremely important, especially for the younger target group. It is not enough to know the origin of the product and to measure its impact on the environment. Companies must monitor sustainability throughout the entire supply chain and define a company-wide framework to meet the expectations of their customers. "This is where partnerships with experienced logistics service providers such as Arvato Supply Chain Solutions offer an advantage," explains Abbas Tolouee. "We not only support our clients in developing holistic sustainability concepts for transport, packaging and storage optimization, but we also offer a number of practical solutions which we have already developed to assist our clients in mastering these challenges." Those solutions also form part of the study, and selected examples are reviewed in depth.

The complete study: "Personal luxury: Supply Chain challenges & how to prepare for the future" is available here: <https://arva.to/personal-luxury>

About Arvato Supply Chain Solutions:

Arvato Supply Chain Solutions is a leading international service provider in the field of supply chain management and e-commerce. Using the latest digital technology, Arvato develops, operates and optimizes complex global supply chains and e-commerce platforms for its partners in the fields of Tech, Healthcare, Consumer Products, Automotive, Banks, Insurances and Publisher. At 85 locations in more than 20 countries, about 17,000 employees work together to provide innovative and tailor-made solutions along the order-to-cash cycle. In addition to classic logistics services such as warehousing, order picking and transport management, Arvato Supply Chain Solutions develops and operates complex global supply chains, e-commerce, and IT platforms, omnichannel solutions and digital distribution models.

For more information, please visit www.arvato-supply-chain.com.

Arvato Supply Chain Solutions is part of Arvato, a leading international service provider with more than 96,000 employees in almost 40 countries. Arvato is a division of Bertelsmann.

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