

RETAIL

## Residential, customer-oriented design gives in-store a space in a digital world

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Barneys' downtown central staircase, photo by Scott Frances

By FORREST CARDAMENIS

SAN FRANCISCO Physical retail is not dying, but brands need to adjust to consumers' digitally informed expectations.

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"Architecture: Building and Brand Extension" panelists at Financial Times' Business of Luxury Summit 2016 May 23 focused on the shift in physical retail into an experiential and lifestyle component unique to each location, a shift from the uniform, more identifiable layout that many still associate with retail. Listening to and monitoring consumers will allow brands to maintain focus on the customer experience, which can then manifest itself in an in-store environment conducive to shopping.

"I think we have so much data now, and sometimes in the world of design we are afraid to say we actually use data to make certain decisions, but it has really influenced the way we design our stores because we know how the customer is shopping," said Daniella Vitale, chief operating officer and senior executive vice president of Barneys New York. "It forces you to take more risks within the physical store because you are putting things next to each other that may be are a little bit unexpected.

Our restaurant is [huge for consumers]; we know from online behavior that our customers are interested in our restaurant and they're interested in food," she said. "And that is part of Barneys now, so there will be one in all of our stores. That has influenced how we design our stores, and that's a positive thing.

"Of course we want a beautiful environment, but we know so much about how the customer is behaving at Barneys and what they want, and there's been a period in the past five years where people forgot to ask the customer what they want, and that's been a mistake in retail. We made a lot of assumptions but now we have the data that will tell us that."

Form follow function

Barneys' recent Chelsea flagship is an example of reconfiguring the in-store experience in accordance with new trends and behavior.

The use of iBeacons, a mobile application and opt-in purchase history has altered the purchasing experience. Aware of the tendency of consumers to use mobile phones while shopping, often comparing prices and merchandise with competitors, iBeacons will push product information and brand content to consumers when they are near the

associated products.

Likewise, store associates can identify particular customers based on where they are in the store and access their purchase history, thereby allowing for a personalized shopping experience. The layout has also been altered in a nontraditional form in accordance with data showing the footpath of consumers, and a restaurant has been added.

The restaurant and layout position the new Barneys as a place to linger. Barneys' Chelsea location has a more residential atmosphere rather than a pure retail experience, as the online environment now offers the flood of merchandise sometimes associated with physical stores.

"I think what really is most important is to learn why we are talking about an either/or [regarding physical versus digital]; it really today is about both," Ms. Vitale said. "It's about having an environment that is an incredible experience and a social experience.

"I think that socialization is a very important part of retail, and the integration of both digital and physical into stores is absolutely critical," she said. "Our customers are asking for it."

Simon Rawlings, creative director of David Collins Studio agreed, noting that his history of designing private homes has influenced David Collins' store designs. Additionally, traditional in-store schemes, such as lighting, are modified to more accurately reflect situations in which a nice pair of shoes might be worn.

Most importantly, however, the design has to be made for the customer experience above all else. That means a return to listening to the customer a fundamental that Ms. Vitale said retail forgot about for a time and using data that helps to understand her.

South Coast Plaza in Costa Mesa, CA has acted similarly. Its stores feature movable fixtures, and it has recently created a VIP suite. On one recent occasion, the Sultan of Brunei brought a party of 15, including his personal chef, to South Coast Plaza, and the suite made the shopping trip possible for the group when other shopping centers could not accommodate.

For automaker Tesla, the same principles of a guided consumer journey and a customer-first mindset apply, but they manifest themselves differently. The brand is unique among automakers for its presence in shopping malls.

Tesla, however, does not have a sizable market share, and the growth of electric vehicles obscures the fact that many consumers still do not know much about them. While malls may seem like an unusual way to spread awareness, Tesla has grown to 100 malls because data shows that it works.

"Millions of people out there do not know anything about Tesla; they do not have Tesla on the shortlist when they are ready to buy a car; they are not searching Tesla online," said Ganesh Srivats, vice president of North American sales at Tesla. "We are not quite there in terms of market share so we use our stores to surprise and delight customers.

"We want to be somewhere people will be surprised and delighted to see us and we can start telling them our story," he said. "We use malls as a way to draw people into our company and give them an educational experience."

Auto is also unique in that, unlike retail and apparel, it is extremely unlikely that someone will wander into Tesla's mall space and make a purchase. So the store design must balance telling the story effectively and encouraging a return visit without sacrificing the freedom that clients crave.

Asked about waning brand loyalty, the potential danger of going off-brand in appeasing the consumer and confronted with questions of dying department store and shopping center traffic, panelists expressed alternative explanations.

"I think the challenge with malls is not that they are becoming less relevant, but that there is not great product out there," Tesla's Mr. Srivats said. "How many times do you come to a mall where the Apple store is mobbed and the rest of the mall is totally empty? If you have great product, people gravitate toward it."

Ms. Vitale agreed, noting that brands must be aware of their proper spaces, and that Barneys learned the hard way that a 100,000 square foot location in Dallas was not the right move simply because stores of that size are common for malls. She further noted that surprising consumers via collaborations with artists is part of a brand tradition of innovating and giving customers what they want, not a departure that ruins short-sighted notions of the brand.

### **Putting the customer first**

Despite many industry insiders predicting that bricks-and-mortar will be phased out, a November 2015 report from

Boston Retail Partners noted that 90 percent of retail sales transactions still occur in-store.

Boston Retail Partners' "The Future Store Manifesto" focuses on how future retail will be an "omnichannel theatre blending the physical sensory experience with the convenience of digital," a strategy that is slowly being implemented by retailers across industry sectors. As consumer expectations have shifted toward increased mobile interaction, retailers have been faced with challenges, and necessary adaptations are needed to deliver the experience expected in-stores ([see story](#)).

Enhancing customer experience and customer engagement is retailers' top priority, according to an executive from Boston Retail Partners speaking at the Mcommerce Summit: State of Mobile Commerce 2016 on May 5.

Consumers have embraced mobile devices, and improving their experience equates to meeting their needs on that platform. From the business' perspective, integrating a unified commerce experience will not only improve service but also increase productivity and mitigate costs ([see story](#)).

"It keeps coming back to the customer experience," said Debra Gunn Downing, executive director, marketing at South Coast Plaza. "The surprise and delight' factor is really important whether it is in a department store or shopping center.

"There is this sense of discovery, and you personalize the services," she said. "But it cannot be gimmicky. Clients are sophisticated," she said.

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