

RETAIL

Physical contact with brand complements digital distribution: Value Retail founder

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In-store environments allow brands to establish personal relationships. Image credit: Value Retail

By SARAH JONES

HONG KONG While consumers are increasingly transacting online, the bricks-and-mortar experience remains key to creating memories and community.

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Even off-price and online retailers are building physical experiences that go beyond the transactional, engaging consumers in person to build relationships. Beyond a brand building exercise, creating immersive retail environments can facilitate business goals, according to a panel at The New York Times International Luxury Conference on Nov. 12.

"The future of retail distribution is digital, but the future of brand definition and brand equity is physical," said Scott Malkin, founder and chairman of [Value Retail](#).

Online versus offline

Moderator Motoko Rich, *The New York Times'* Tokyo bureau chief, pointed to the statistic that consumers live about half their lives online.

Rather than supplanting the physical experience, however, ecommerce is just becoming another part of the retail environment.

Off-price chain operator Value Retail looks to bring luxury level experiences to its shopping centers. Rather than using leases, Value Retail instead operates with a vendor license model, similar to a department store, allowing for more flexibility.



From left, Federica Marchionni, Scott Malkin and Adrian Cheng with moderator Motoko Rich

The company's outlet shopping centers see an average of \$4,500 per square foot in sales. Value Retail's Chinese shopping centers largely cater to a local audience, but the Bicester Village mall in the United Kingdom sees 60 to 70 percent of its visitors coming from outside of the European Union.

While centered on off-price, the company instead aims to create a space for consumers to explore brands, establishing a relationship that continues in full price stores when they return home. Contributing to this, the chain looks to provide an experience that leaves the shopper with a memory.

With its business model and tourist audience, Value Retail's view on loyalty is different from most brands'. Instead of seeking a repeat buyer, it is more focused on having high-quality consumers come once.

In contrast, Chinese ecommerce site **Secoo** is focused on establishing relationships that bring consumers back again and again. The retailer has a loyalty club for those who spend at least \$50,000 in a year.



Secoo experience center. Image credit: Secoo

Part of the company's strategy for creating repetition revolves around expanding its product offerings, with the platform currently selling 300,000 SKUs. When Secoo launched a decade ago, it was getting most of its inventory from distributors, but the company's CEO Federica Marchionni said that now it is more focused on getting products from the brands themselves.

Secoo has also witnessed consumers' willingness to spend online, with a purchase during Singles' Day reaching \$300,000. The company was established to provide a platform for luxury, and has an in-house authenticator to ensure that products being shipped are real.

While born online, Secoo has created an experiential center, creating a physical environment for customers to engage with its brand.

K11 founder Adrian Cheng has seen retail experiences beyond shopping have a business impact. Its shopping centers include features such as art galleries or urban gardens, encouraging dwell time and conversion rates.



K11 Art Mall. Image credit: K11

According to Mr. Cheng, who some have nicknamed the "millennial whisperer," experience will look different for the "Alpha Gens," the age group that follows Gen Z. Born after 2010, these consumers will be highly focused on the virtual, and will likely have a digital persona who will go shopping or stay at virtual hotels, similarly to how consumers engage with online gaming today.

Alpha Gens will also rely on technology such as vocal recognition.

Retail relevance

Despite being digitally driven, Generation Z consumers value bricks-and-mortar shopping and tactile retail experiences.

A report from Criteo finds that while three-quarters of this up-and-coming consumer group prefer to shop online, 80 percent enjoy visiting physical stores when possible and 65 percent want to touch items before buying. Rather than eschewing traditional retail entirely for ecommerce, Gen Z is instead seeking bricks-and-mortar stores that incorporate technology and seamless omnichannel shopping ([see story](#)).

When buying something for the first time, customers prefer to make purchases in-person over online by 20 percentage points.

Salesforce wanted to examine the differences in customer preferences between online marketplaces such as Amazon, retailers and brand stores. What the research found was that customers like to purchase items from bricks-and-mortar retailers when buying something unfamiliar, but they prefer buying from online marketplaces when seeking something they have already bought before ([see story](#)).

"We want to give great shopping experience to the whole place, not just when they're surfing into the net to find the product that they want but also to see how they receive the product and the customer service," Secoo's Ms. Marchionni said.