

RETAIL

Person-to-person connection keeps bricks-and-mortar retail relevant

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Retailers are adapting to changing consumer behavior and values. Image credit: Moda Operandi

By SARAH JONES

MADRID For luxury retail, the in-store experience remains a vital piece of brand engagement, as consumers turn to physical environments for education and interaction.

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During a panel at the FT Business of Luxury Summit on May 21 moderated by *Financial Times* Paris correspondent Harriet Agnew, speakers from Moda Operandi, Sephora and McArthurGlen shared their perspectives on why bricks-and-mortar retail is not dying. The panelists agreed that the key to luxury retail is the people who work for them.

"Our business is very much about building relationships with customers, it's all about experiential retail," said Chris de Lapuente, CEO of **Sephora**. "So stores are very much a part of our lifeblood, it's who we are.

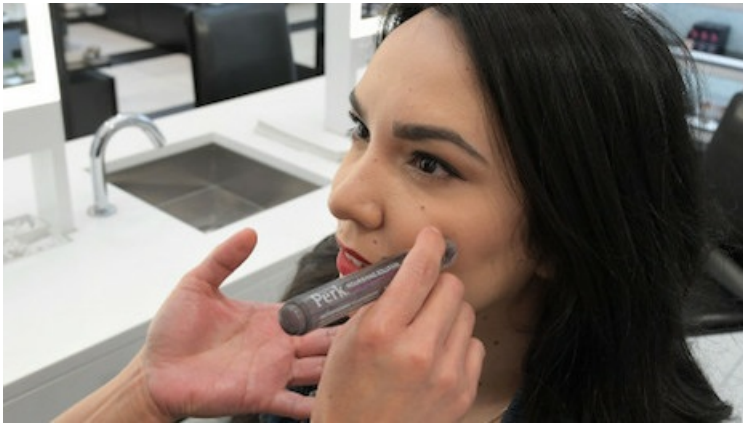
"It is true that there's less traffic going to stores, but we just have to work harder and harder to excite and delight customers and make them want to come back to Sephora," he said. "At the end of the day, it's all about building our ecosystem.

"It's about driving customer to stores and also motivating them to shop online, and ideally we want them to shop in both places."

Retail relevancy

When asked if physical retail is dead, Julia Calabrese, CEO of upscale outlet developer **McArthurGlen**, pointed out that while some chains that operate on a more mass-market level such as Debenhams and JC Penney are dying, luxury retailers are thriving because they are destinations.

Indicative of this continued optimism about the store in luxury, a common theme among the panelists was expansion. However, the companies are being selective in where they open.



Sephora show examples of how store employees can be helpful, by showing customers something new. Image courtesy of Sephora

When Mr. de Lapuente joined Sephora about eight years ago, his original vision was bringing the beauty retailer to every country, expanding from its footprint in 20 markets. This approach changed as he realized the opportunities still untapped in core markets such as the United States and Europe, and today the LVMH-owned brand has locations in 34 nations.

McArthurGlen has similarly slowed its development of new locations to about one shopping center per year, down from multiple openings. This year, the company will be opening in Malaga, Spain.

Moda Operandi originated as a pure-play ecommerce destination for buying fashion straight off the runway. Since its founding, the company has branched into bricks-and-mortar, and it soon will be opening its first physical space in Hong Kong, expanding into Asia.

Half of Moda Operandi's business is driven by stylists, and the percentage is even higher among its best customers. The company's CEO Ganesh Srivats explained that opening bricks-and-mortar locations is a means to give the stylists a physical space to interact with clients.



Retailers are being more selective about their expansion plans. Image credit: McArthurGlen Designer Outlets

Luxury retail is often about discovery, whether it is the latest beauty products or fashion.

Only 20 percent of Sephora's sales come from online channels, as consumers head to its doors for makeovers or product exploration.

Meanwhile, McArthurGlen goes beyond the selling with experiences such as chef pop-ups and the arts, including opera and exhibits.

Data driven

As consumers shop in-store, technology offers a way to personalize the experience and learn more about them.

McArthurGlen does not handle transactions itself and it has no ecommerce platform, so the chain instead leverages geolocation to find out what stores shoppers are frequenting.

For Sephora, technology is also used as an engagement tool. The retailer has augmented reality experiences that enable consumers to virtually try on shades without having to physically apply them.

Moda Operandi is working to use the data it has on client preferences to both help its brand partners and personalize the experience for customers. However, showing suggested items requires a curated approach that still delivers something unexpected.

Ultimately, companies desire customers who shop across channels.

Affluents are increasingly drawn to online shopping because of convenience, but omnichannel shoppers spend more on luxury items than the average on- or offline consumer.

According to Forrester Analytics' Luxury Retail Forecast, nearly 60 percent of luxury sales growth will originate from ecommerce by 2023. More than 90 percent of affluents worldwide purchase luxury goods and services, but only 5 percent are responsible for a third of luxury spend ([see story](#)).

As ecommerce giant Amazon disrupts and challenges retail, marketing, merchandizing and distribution traditions, the luxury business across disparate sectors is not immune to heightened consumer expectations.

While typically considered to serve a separate audience from luxury, Amazon counts many affluent consumers among its customer base and competes for wallet share of luxury buyers. Amazon's weight is forcing luxury businesses to adapt to its methods of selling ([see story](#)).

With this pressure, Mr. Srivats said that having a simple transaction and fast fulfillment is no longer enough for differentiation.

"For the last five, 10 years, the Amazon effect has been so pervasive in retail, that so much of the energy the innovation in retail has been at the end of the fulfillment side of the experience, which is how easily can I transact, how quickly can I fulfill," he said. "There's only so many payment options you can give somebody and there's only so quickly you can get something to somebody's house. You can get a handbag faster than you can get your food delivered.

"So eventually that becomes a commodity, because customers expect that kind of service as a commodity, so you can't win on just [that] service," he said. "You have to win on discovery, which is how to excite and delight customers at the top end of experience. And that's a much more complex problem, because it's a human problem, not a logistics problem."