

RETAIL

Luxury labels think long-term with bricks-and-mortar investments

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The renovation of Chaumet's Paris headquarters has been completed. Image credit: LVMH

By SARAH RAMIREZ

While the luxury industry has faced setbacks as physical shopping screeched to a halt due to the coronavirus pandemic, brands are continuing full-speed ahead with investments in bricks-and-mortar.

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In recent weeks, French luxury groups LVMH and Kering have reopened newly renovated and relocated stores across the globe. Luxury label Hermès has also unveiled new and revamped boutiques in recent weeks.

"Stores, flagships that express, enhance and build brand equity will continue to be important for luxury for the foreseeable future," said Marie Driscoll, managing director luxury and fashion at [Coresight Research](#), New York.

"Now it is important to assess your physical presence and be only in those locations that function on multiple levers they are profitable, they build awareness and community, and they are part of an omnichannel strategy and act as fulfillment for online orders and showrooms."

Ramping up retail

Both LVMH and Hermès have focused on physical retail in Japan. Not only is Asia a valuable luxury market, but it is also the region that has recovered the fastest from the pandemic shutdowns.

In July, LVMH opened three flagships in Tokyo's ultra-chic Ginza district: Hublot, Zenith and Loro Piana. Japan is the largest market for both watchmakers ([see story](#)), while Loro Piana is hoping to better establish itself among consumers who appreciate luxury craftsmanship.



Hublot's new flagship in Tokyo, Japan. Image credit: LVMH

"When we asked ourselves whether this was the right time to open a store in such an important market, we quickly responded that it was certainly a great gesture of optimism," said Fabio d'Angelantonio, CEO of Loro Piana, in a statement. "And I must say that it was interpreted positively by the market."

"People, especially young people, have a desire without forgetting the rules of social distancing to look to the future in a positive way."

Elsewhere in Tokyo, Hermès reopened a renovated store in the Marunouchi district. The brand first arrived in Japan in 1979, and the Tokyo flagship moved to its current location in 2004.

Farther north, Hermès also renovated its boutique in the city of Sendai.

Both renovation projects were spearheaded by Parisian architecture agency RDAI and take inspiration from Hermès' Faubourg Saint-Honor flagship, as well as traditional Japanese design techniques and materials, such as bamboo.

This month, Hermès also opened a new store in Moscow's Vremena Goda shopping center, marking the brand's third boutique in the Russian capital.

French jeweler Chaumet is marking its 240th anniversary with a completed renovation of its iconic headquarters. Joseph Chaumet began working at 12, Place Vendôme in 1907, and this renovation was first conceptualized in 2015 well before the pandemic.

Interior designer Patricia Grosdemange worked on the project, which blends together Chaumet's past and present.

"The thinking behind the project was to rediscover the spirit of a private residence and the art of hospitality, harmoniously linking history with innovation," Ms. Grosdemange said in a statement.

Visitors can now customize pieces in the Arcade, which first opened in 1970 and has been refreshed with a mix of contemporary and 1970s decor. The salons have been restored to better reflect the architecture and tastes of the 18th and 19th centuries.

In the United States, Kering's Gucci is reopening stores with an emphasis on the Bay Area.

Gucci's 11,000 square foot flagship in San Francisco's Union Square has reopened after completing renovations. The Italian label also relocated its San Jose boutique to the Westfield Valley Fair mall after the upscale shopping center completed its own \$1.1 billion expansion project.



Across the U.S., Gucci stores have reopened with modified service and shoppers are encouraged to schedule appointments at select boutiques.

"If any retail segment is best prepared for social distancing, it is luxury," Ms. Driscoll said. "Most luxury stores have limited product on the floor and are pristine in terms of cleanliness; they are museums to the brand."

Looking ahead, it is unlikely luxury brands will not continue to invest in physical retail stateside.

U.S. jeweler Tiffany & Co. is currently undergoing renovations at its New York City flagship.

Exterior renderings reveal a Tiffany blue glass addition to three top floors of 727 Fifth Avenue, a modern addition to the landmark building. With future in-store events in mind, the new glass facade and addition will house an event and exhibition space.

Originally built in 1940, construction on the Tiffany flagship began more than a year ago and is expected to be completed in spring 2022 ([see story](#)).

Cause for concern?

Despite the optimistic investments from luxury brands, the outlook for physical retail is far from rosy as more consumers turn to ecommerce at higher rates than ever before.

According to the [Savigny Luxury Index](#) (SLI), the luxury sector just had one of its worst quarters on record.

Global luxury conglomerates and international brands such as LVMH, Kering, Herms, Prada and Ferragamo registered double-digit sales declines with their latest results, and the median decline for the second quarter reached between 40 and 50 percent, according to both Business of Fashion and SLI.

The Savigny Luxury Index (SLI) highlights that even brands that boosted online sales volumes and energized their multichannel marketing strategies still registered notable financial losses ([see story](#)).

According to a new study from Mood Media, 71 percent of shoppers are comfortable returning to bricks-and-mortar stores, with two-thirds of global consumers having already returned to non-essential stores. However, about three in 10 consumers report they are spending less money and less time in-store than they did prior to the pandemic.

Although the in-store shopping experience remains valuable for consumers, it is notable that U.S. consumers are more resistant to physical shopping compared to consumers globally.

Sixty percent of U.S. shoppers have returned to non-essential stores, compared to 67 percent of consumers worldwide and 81 percent of Chinese consumers. U.S. shoppers between 16 and 24 years old have resumed non-essential shopping at a rate of 54 percent, compared to a combined rate of 74 percent of Generation Z consumers elsewhere.

Only 22 percent of U.S. shoppers expect their in-store shopping habits to "return to normal" by the end of 2020 compared to 25.5 percent of global consumers ([see story](#)).

"Similar to the rest of retail, the pandemic has accelerated the digital transformation and the consumer is increasingly comfortable shopping for everything from grocery to diamonds online," Coresight Research's Ms. Driscoll said. "It is a call to action for luxury brands that were slow to build a robust online platform that it is imperative to discovery, shopping and purchase."