

RETAIL

## Is clicks-and-mortar the future of China's luxury retail?

November 13, 2020



*By November 11, over 138,000 visitors experienced Burberry's new social retail store, according to numbers from the brand's Mini-Program. Image credit: Burberry*

By **Yaling Jiang**

Subscribe to **Luxury Daily**  
Plus: Just released  
State of Luxury 2019 **Save \$246 ▶**

On a recent Thursday evening, the young professionals in Shanghai's city center started rushing to the subway through the **Kerry Center** shopping mall.

When a consumer walked into cosmetics concept retailer Bonnie & Clyde, a beauty consultant quickly came to greet her and walk the customer through the spacious store and its standalone display tables and shelves chockfull of \$400 face masks and \$125 blushes.

The cross-border retailer uses the store as a showroom to sell a range of niche foreign brands such as Natura Bisse from Spain and Chantecaille from France. It is a version of the "try offline, buy online" model that allows consumers to scan a QR code to place orders through a **WeChat Mini-Program**, which are then delivered in under four hours within Shanghai, and under 24 hours to the rest of China.

"We have all of our stock within the free trade zone in Shanghai, and we invest a lot of support into our logistics," said the concept store's founder/CEO, William Lau.

Merging online and offline operations, clicks-and-mortar also referred to as "clicks and bricks" is an existing trend in **omnichannel** business models that has been accelerated by **COVID-19**.

While the term refers to an innovative combination of physical and Web store marketing in other countries, in China the model could have a lot more manifestations as mobile-friendly consumers are used to shopping online.

From emerging contenders such as Bonnie & Clyde to market veterans including Burberry and Farfetch, signs point to high-end retail seriously considering the concept, but when is the right time to test the waters with clicks-and-mortar? And, more importantly, how should brands measure their return-on-investment? *Jing Daily* spoke with experts about what it really means to make a "digital transformation" and how they can start narrowing this massive issue to make concrete goals.

What is behind clicks-and-mortar?

Aside from Bonnie & Clyde, Burberry's new "social retail" store in Shenzhen, which opened in August, is yet another example of how this concept can materialize in China. It offers a customized WeChat Mini Program so visitors can access store tours and learn about new products.

By Nov. 11, more than 138,000 visitors experienced the store, according to numbers from the brand's Mini-Program. In other cases, luxury e-tailer Farfetch's recent pop-up community spaces in China offered QR codes for potential consumers to scan, browse, and buy off its website.

Clicks-and-mortar might seem as easy as hiring user-experience designers to create an eye-pleasing interface, but what it requires from a company goes far beyond that.

If a brand wants its stores to be fully digital, it will need a thorough facelift on the back-end or even across its entire organization, according to Jason Ong, a director at global consultancy **AlixPartners**' Shanghai office.

While developing the concept of clicks-and-mortar, traditional retailers and digital natives have been facing different issues.

"The challenge for a traditional retailer is that products are located in all the stores," said Philip Handford, design director at the architecture consultancy firm **Gensler** and who previously worked with Burberry's former chief creative officer and president Christopher Bailey in London. "So, for a traditional retailer to change its business to online is very expensive and risky."

Mr. Handford thinks that his former employer sees the Shenzhen store as an experiment.

"Burberry really does experiment with the latest technologies, the latest shopping habits, and the way that social media and **KOLs** drive exposure and the marketing of brands in China," he said.

But China's digital natives do not exactly make life easy for brands.

"Even though you see the physical stores, what's behind this is community groups that manage a lot of the consumers and fans," pointed out Mr. Lau, who often speaks at conferences on topics about Chinese **Gen-Z** consumers. "This is what you would call social community management."

Be clear with the goal and ready when the future arrives

"By 2022, we will see a tipping point in online and offline sales," according to Mr. Handford, who has also worked on global stores for Selfridges, Phillip Lim and Adidas, among many others.

"This is when we are going to see 50/50 online versus offline sales in China, according to *eMarketer*," he said. "So the power of online is really driving things about consumers."

If a hypothetical luxury client asks Mr. Handford how they can start developing ways to test the waters, he said he would start with a series of questions: "What is their objective with a project? Is it driving sales? Is it about offering a real brand transformative experience? Is it all about service? Every client has different needs."

In fact, **Bonnie & Clyde**'s debut started from a need to market cosmetics brands that the concept retailer's mother company, Ushopal, has helped to operate in China.

In 2017, Mr. Lau became a partner at Ushopal, a company founded in 2016 that seeks out niche luxury beauty brands from around the world to help them operate in China.

"If you were to compare [Bonnie & Clyde] with a traditional channel the online side is managed by a certain partner, and the offline is managed by another," Mr. Lau said. "So you will often see discrepancies with products and communications. But at Bonnie & Clyde, there are no discrepancies."

When it comes to return on investment (ROI), brands should be clear about what they want before starting a clicks-and-mortar project.

According to AlixPartners' Mr. Ong, progress will be difficult if brands think about clicks-and-mortar strictly in financial ROI terms.

"I think brands need to be very careful about what ROI and metrics they want to get," Mr. Ong said. "For luxury, I think this would almost be like digital marketing. It's really hard to measure."

But, he added, for a brand such as Burberry, there are many metrics to track.

"You can track engagement, the numbers mentioned, the number of followers on your account, and the number of

membership sign-ups," Mr. Ong said.

Yet, when asked how luxury brands should approach this new concept, all of the experts pointed toward a brand's customer profile.

"I know it's a bit cliché, but the customer is the center of it," Mr. Ong said.

*Published with permission from [Jing Daily](#). Adapted for clarity and style.*

---

© 2020 Napean LLC. All rights reserved.

Luxury Daily is published each business day. Thank you for reading us. Your [feedback](#) is welcome.