

RETAIL

The friendly flagship of the future

March 31, 2021



A significant percentage of post-90s consumers have just started buying luxury goods, and a flagship store helps inexperienced customers get a sense and feel for the brand. Image courtesy of Huawei

By [Glyn Atwal](#)

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

The smell of coffee is an instant yet subtle reminder of craft and culture. In Shanghai, the Lavazza flagship store their first outside of Milan attempts to recreate the Italian coffee experience that cannot be emulated on social media.

The flagship store is an integral part of a luxury brand's strategy to showcase the brand. And in China, it offers instant credibility and a bold statement, so a brand can break through the clutter and reinforce its stature. That raises the competitive pressure for brands to deliver a "wow" flagship store experience to their customers.

But the accelerating digital transformation of luxury's retail landscape means brands are not sure if they should keep investing in physical flagship stores. In fact, Gucci Beauty recently launched its digital flagship store on [Tmall Luxury Pavilion](#).

So is the traditional flagship store dead? Luxury executives have certainly become astute at developing their digital footprints. But it would be a miscalculation to play down the strategic value of physical flagships.

New to luxury

[Young Chinese customers](#) are new to luxury.

According to McKinsey & Co., a significant percentage of post-90s consumers have just started buying luxury goods. Digital informs and inspires, but a flagship store can help inexperienced customers get a sense and feel for the brand.

The flagship experience is a critical interaction between brand and consumer one that can make or break the relationship.

As Toni Belloni, group managing director at LVMH, stressed in an interview with the *Financial Times*: "The store is the first point of contact for all our brands where its story-telling becomes story-living." This early discovery stage is particularly significant for luxury brands that do not enjoy mainstream awareness.

Positioning

Luxury brands use brand signals to position the brand, and the flagship store provides a conspicuous platform to support the desired positioning.

Longchamp, for example, is broadly associated with Le Pliage, especially among younger consumers. But its flagship store in Shanghai is a reminder that the brand is also a specialist in traditional luxury leather making.

Flagship store strategies can also be used to reposition the brand. The opening of Huawei's three-story flagship on East Nanjing Road in Shanghai is an attempt to pursue a prestigious position, competing against the likes of Apple.

But it also demonstrates innovation beyond the smartphone category in new growth sectors such as the smart home.

Skills

Luxury consumers want to acquire new skills or increase those they already have. Numerous digital tutorials exist, of course, but they cannot replicate the intensity of active involvement.

For example, Miele provides consumers an opportunity to cook with leading chefs in its Shanghai, Beijing and Hong Kong showrooms.

Meanwhile, the Porsche Experience Center in Shanghai offers training courses to enthusiasts who want to improve their driving skills. Hennessy's first Chinese flagship store in Sanya offers shoppers a selection of masterclasses like its Mixology Ateliers.

The flagship store experience provides a forum for upgrading the skills, knowledge, and confidence that luxury consumers need to elevate their status.

Exclusivity

Flagship stores can offer brands unique opportunities to instill exclusivity and develop more meaningful relationships with the customers.

For example, Herms Maison in Shanghai has a designated event and exhibition space that hosts art and cultural exhibitions, and many of them focus on the culture and heritage of the French luxury house. Luxury brands have also sought to develop dedicated store collections, such as The Burberry Shenzhen Capsule Collection, or offer exclusive in-store services, such as creating an individualized glass bottle at Hennessy's flagship Sanya store. These luxury experiences are accessible for those who choose to visit flagship stores.



Herms celebrates its origins as a harness maker with an exhibition at its Shanghai Maison. Image courtesy of Herms

Beyond sales figures

Luxury brand executives should look beyond weekly sales figures to justify a flagship store strategy. There will always be a need to surprise, advise, or **entertain customers**.

However, reinventing the flagship experience will be vital to ensuring that the luxury brand connects with younger, tech-savvy customers. **Burberry's first social retail store in Shenzhen**, which blends the physical and digital worlds, will continue to disrupt the retail experience.

In the future, these trends might even change the way we appreciate Italian coffee.

Glyn Atwal is an associate professor at the Burgundy School of Business (France). He is co-author of "Luxury Brands in China and India" (Palgrave Macmillan).

© 2021 Napean LLC. All rights reserved.

Luxury Daily is published each business day. Thank you for reading us. Your **feedback** is welcome.