

RETAIL

## Luxury brands invest in experiential flagship stores to escape confines of malls

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Luxury houses are building independent flagship stores in China's top-tier cities. Image credit: Hems

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Luxury brands have for decades relied on footfall at China's high-end shopping malls to reach domestic consumers. But a shift is underway. A growing number of prestige houses are opening experiential flagship stores in the country's top-tier cities.

"Chinese consumers are increasingly seeking shopping experiences that go beyond mere consumerism," said Elisa Harca, cofounder/CEO of Shanghai-based marketing agency Red Ant. "They want originality, excitement and a cool atmosphere for socializing and, of course, to *daka* [to show you have been to places that are popular]."

In November last year, Louis Vuitton opened its first independent flagship store in China at Sino-Ocean Taikoo Li Chengdu. The 1,500 space offers Louis Vuitton's full line of products. The French house also opened its first branded restaurant in China in the neighborhood.

Fellow LVMH label Dior has also opened a three-story retail space with a terrace garden serving exclusive afternoon tea near the Louis Vuitton store.

Elsewhere, at the beginning of this year, beauty label Sisley opened its first Asia-Pacific Maison Sisley, which includes in-store coffee shops and beauty salons, in Shanghai Zhang Yuan, a complex of houses built in the late 19th century to an East-meets-West architectural style.

More such stores are in the pipeline.

Louis Vuitton and Dior are in the process of building independent flagship stores in Beijing shopping and dining mecca Sanlitun, located in the heart of Chaoyang district. According to [local media](#), Hermès plans to build an independent maison there, too.

*Jing Daily* uncovers what's prompting businesses to experiment with new retail formats and analyzes how brands benefit from standalone flagships.

Challenges of operating in a mall

Standalone boutiques are commonplace in Europe's fashion capitals Paris, London and Milan, where brands tend to congregate in luxury districts: Rue Saint-Honor, New Bond Street or Via Montenapoleone.

But in China, high-end commercial complexes define China's luxury experience. Chinese consumers are used to spending their free time in malls that offer shopping, dining and entertainment options in one building.

Although the multi-functionality of shopping malls helps brands secure footfall, the format also restricts what the labels can do with their retail space.

"Shopping malls often have strict rules around opening and closing times, what can be displayed at the entrance, and the types of services that can be offered," Aurelien Rigart, cofounder of digital consultancy ITC, which operates offices in China, Singapore and Vietnam, tells *Jing Daily*.

"Moreover, everything in the shopping mall tends to look the same and lacks a unique character due to the limited retail space that's similar to every other store in the mall," he said.

Independent flagship stores offer brands much more flexibility.

For instance, they can adapt the store experience according to consumer trends without having to negotiate with mall managers. This allows for a faster turnaround time, which is crucial in a dynamic market such as China.

"When operating stores in shopping malls, brands must share part of the revenue and deal with much more intense competition for customers' attention," Mr. Rigart said. "With their private buildings, brands have 100 percent ownership of the stores and can easily and effectively create unique and memorable brand experiences."

#### Creating culture

Luxury brands' experiential flagship locations are redefining the role and meaning of traditional counters and boutiques.

The art pieces on show in these spaces and the presence of coffee shops, art galleries and beauty salons are creating an atmosphere based on more than the sales process.

Through these emblematic buildings, brands are seeking to enhance their positioning.

**Bernard Arnault**, chairman/CEO of LVMH, said during the group's 2021 year-end earnings call, "Louis Vuitton is not just a fashion brand. It's a cultural brand with a global audience."

Independent flagship stores are like a blank canvas that brands can modify according to their needs.

"The shift towards lifestyle-oriented experiences may encourage brands to diversify their offerings beyond traditional fashion and accessories and to experiment with new product categories and services," Ms. Harca said.

"For example, they may start incorporating wellness or cultural elements into their retail spaces to cater to evolving consumer preferences," she said.

In a survey by Chinese media platform Luxe.co, more than **60 percent** of respondents expect beauty labels to incorporate spa salons into their stores.

Additionally, independent flagship stores provide space for brands to create temporary pop-up stores, in-store trunk shows and host events for their very important clients (VICs).

"By providing a space where customers can socialize, relax and spend time with friends, brands can create a sense of community and belonging among their fans," Mr. Rigart said.

These luxury stores are meeting points for elite consumers, and strengthen the bond between brand and the VIC.

"Experiential stores can drive sales by providing opportunities for customers to interact with products in a more meaningful way, so that they are more likely to develop an emotional connection with the brand and feel more excited about making a purchase," Ms. Harca said.

#### Getting the formula right

Ultimately, the goal of these flagship stores is to encourage potential consumers to learn about the brand and secure existing clients' loyalty by fully immersing them in the brand's universe and educating them about the house's unique identity.

Novelty is an important element in drumming up interest.

Mr. Rigart points to Dior's Zhangjia Garden in Shanghai, which operates as a popup store with evolving themes.

But Ms. Harca offers a note of caution.

"The success of experiential stores depends on a range of factors it's important for brands to ensure they don't offer style over substance," she said.

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