The Sybarite Report 2018
The future of the luxury department store

Transcendent retail and the role of design

SYBARITE

Foreword

by Simon Mitchell & Torquil McIntosh

Successful department stores have always been the ultimate haven for a luxury retail experience that transcends the ordinary. And yet they are facing a challenging time. In the past year there have been more closures than ever before in the sector and newer markets emerging in Asia and the Middle East are challenging the status quo. This is forcing retailers to think more creatively to deliver engaging customer experiences, to innovate and move with the times.

What the landscape will look like in the next five years is, perhaps, anyone's guess.

As part of the process of producing this report, we've tried to understand the ever-evolving definition of a luxury department store and what it means to different people. We at Sybarite think they still have relevance, not least because of the legacy created, and being created, by many of the world's most iconic stores such as Harrods and Le Bon Marché – global architectural icons and personal favourites of ours.

However, it would be blinkered of us not to acknowledge the associations of the definition of a luxury department store today, at a time when some consumers, journalists and markets see the term as outdated, irrelevant or simply unnecessary. And the definition of a luxury retail experience is changing: what is sought today by Generation Z is very different to what millennials wanted, and no doubt future generations will seek something different again.

For an architectural practice there's so much that can be achieved within a department store that you can't achieve in any other retail format. They naturally have to be big, grand 'houses' to support their brand, which goes hand-in-hand with architecture, but they also need to be good at the small things and, increasingly, be digitally integrated and seamlessly curated.

If designed well, it should be the only place you would want to go to shop, meet friends, eat and drink – or simply pass the time.

We've been fortunate as a practice to be part of this transformation through our work with China's leading luxury retailer, SKP, which is doing things very differently to traditional US and European department stores.

We hope this report, produced in collaboration with GlobalData and our expert contributors, goes some way to answering some of retail's big questions. Is one market relevant to the next? Can one solution fit all? And looking at our department store rankings, do the iconic, older department store players still have the formula for success? Should newer entrants learn from them, or should they be looking further afield?

We hope this report helps the industry get closer to defining what luxury department stores need to do to truly transcend the customer's expectations for many more years to come.

Sybarite co-founders, Torquil McIntosh (left) and Simon Mitchell.
Photography by Julian Anderson.

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SYBARITE

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Co-founded in 2002 by Torquil McIntosh and Simon Mitchell, Sybarite is an agile practice of architects and designers that create immersive, multi-sensory and seductive environments for its clients.

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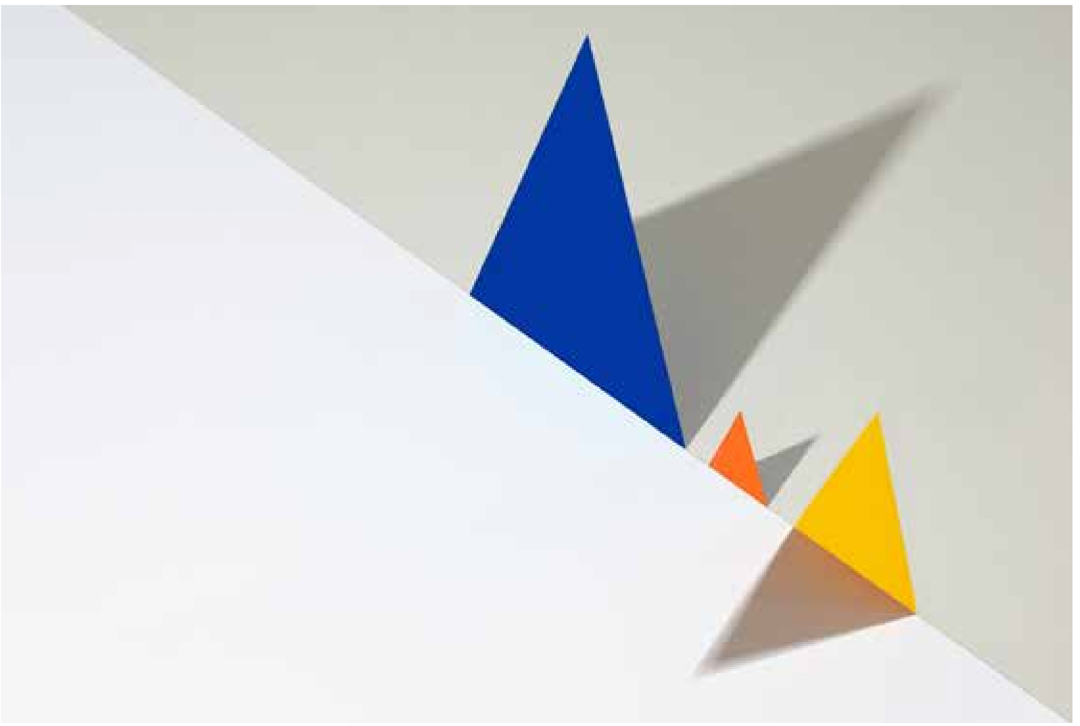
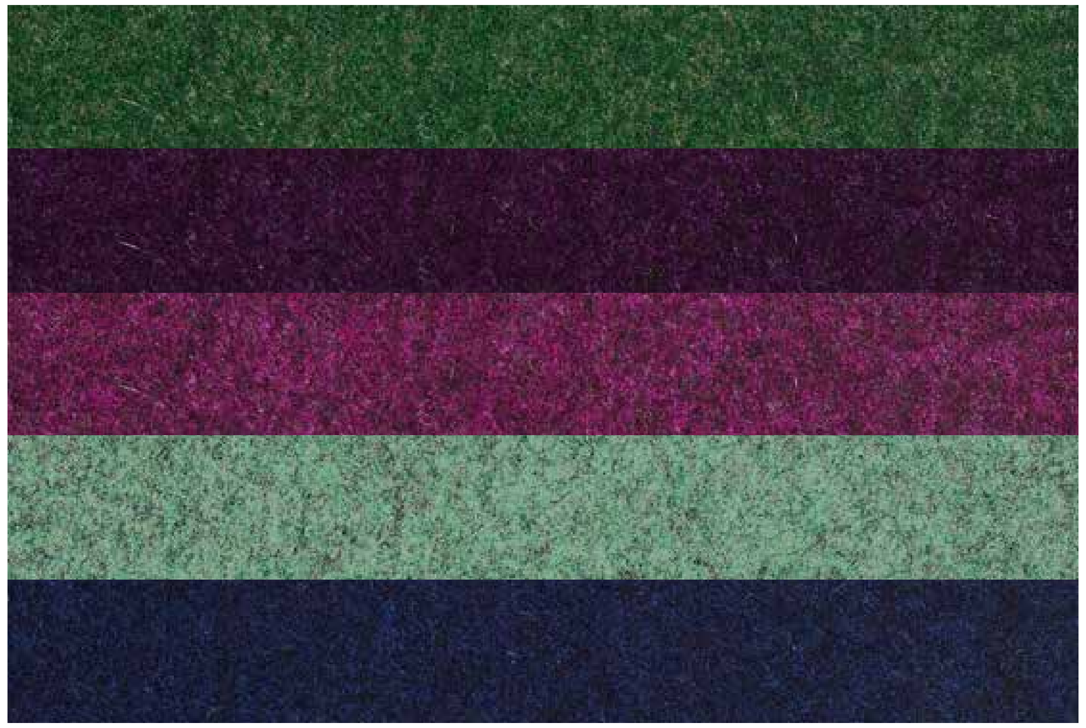




ART021 project photographed by Zeng Wu. Styled by Leaf Greener.

Executive summary: What's in store

More than 200 years after the first department store opened in London, the segment is being challenged by the digital revolution to reinvent itself for a new-age consumer.

In collaboration with GlobalData, Sybarite has set out to identify the most successful and unique luxury department stores in the world, exploring the challenges and opportunities they face in providing a shopping experience fit for the 21st century.

The top five stores in GlobalData's ranking show us that innovation, conviviality and sensory design can offer an antidote to the homogeneous retail we've come to see around the world. Department stores have always acted as community hubs, drawing on their locale to tell new stories and define a sense of place. But increasingly they are also embracing digital technologies as a way to transcend channels and engage their customers wherever they are in the world.

In 2014 an important tipping point was reached when, for the first time, emerging market countries across Asia Pacific, Latin America and other regions overtook their western counterparts as the main sources of growth in the department store segment. This has laid the foundation for SKP Beijing to become one of the world's largest luxury department stores by turnover and sales per square foot.

Indeed, the very definition of a luxury department store is in flux as our need for visual physical spaces changes. For the purposes of this report, we've taken it to mean a cohesive space with a high-end, multi-brand offering across multiple product categories, housed under one roof.

As nomadic lifestyles and healthy living become the new hallmarks of affluence, luxury department store traditional market segments are converging with new categories, such as co-working and gyms. Consumers are becoming less obsessed with brand and value, and measure luxury instead according to the 'uniqueness' of an experience and by the emotional impact it has.

This is driving a change in focus from sales per square foot to inspiration or experience per square foot. Balancing the two makes for a better business and a more engaging customer experience, evidenced by retailers such as Dennis Paphitis, founder of Aesop,who discovered a direct correlation between interesting, captivating store spaces and customer traffic within his stores. This now extends into digital.

For that reason, we have also included online sales in our measurement of top stores to take into account the influence of the physical store in driving e-commerce.

Our research shows that luxury department stores are rethinking their purpose for the 21st century. While some experts have claimed that it's time to let retail die, we believe it's time to adapt to the new metrics of success, and to embrace the best that technology has to offer while still delivering on a need for destination and service. It's time to take some experience lessons from the world's oldest department stores, and look at the innovations of newer players.

Global market overview

Taken as a whole, the retail sector seems to be struggling globally. Not a day goes by without stories of profit warnings, poor sales, abandoned stores and an over-supply of space dominating the business news pages.

At the same time, economic and political events have hit luxury spending hard. Global currency fluctuations, reduced demand in China, declining tourist numbers in Western Europe and ongoing trade wars have all squeezed profits at luxury houses around the world.

The future of the department store segment

But it's not all doom and gloom for the department store market. After a decline in global sales in 2015 it has emerged with a new sense of purpose. The sector has posted strong growth in the past two years and is now forecast to grow 33.9% to $656bn between 2017 and 2022, according to GlobalData.

This growth is being driven by Asia, where consumer spending at department stores is set to increase 58.4% from 2017 to 2022 to reach $342.9bn. This is thanks to a rise in middle-class spending on luxury fashion, leather goods and beauty. China is set to be responsible for more than half of this growth, with an impressive 53.7% proportion of the total Asian market.

North Africa and the Middle East is also emerging as a bright spot, with growth set to increase 58.3% from 2017 to 2022 to reach $20bn, thanks to a high level of purchasing power that belies its relatively small consumer base.

The picture in America is not as bright. A disappearing middle class[1], rising competition from speciality stores and digital-first retailers are proving to be a challenge for the US market which, according to GlobalData, is "A disciplined approach in spending, combined with other factors disrupting the luxury sector in the US, is driving a very competitive marketplace as consumers engage with a more restrained, resourceful version of luxury," says Chris Sanderson, co-founder of The Future Laboratory.

In Western Europe, the sector is also suffering amid more cautious spending that has continued after the eurozone crisis and, more recently, the Brexit vote in the UK. Growth in Western Europe is set to be just 9.8% over this same period and still does not match the level of sales being generated in 2014. In contrast, Eastern Europe is forecasting growth of 43.8%.

The UK and France are forecasting overall department-store sales of just 2.6% and 5.8% retrospectively up to 2022. In contrast, Spain is growing at twice the rate of other European cities, with sales at department stores forecast to grow 19.6% by 2022, thanks in part to a spike[2] in high-end tourism that has driven the sales of goods in destination cities such as Barcelona and Madrid.

Luxury in the spotlight

Despite recent crackdowns by Chinese customs' authorities on tourist spend[3], Chinese travellers are expected to remain a key driving force of the European luxury market. Chinese international travel has tripled in the past 10 years to 130 million trips in 2017[4], with affluent, increasingly adventurous, consumers setting the pace of travel retail, hotels and hospitality.

"Singles, younger generations, and those from smaller cities are travelling, making this cohort a powerful, and moving, target," says Lucie Greene, worldwide director of the Innovation Group. The share of personal luxury goods purchased by Chinese nationals globally reached 32% in 2017, and online sales of personal luxury goods will make up 25% of the market by 2025[5].

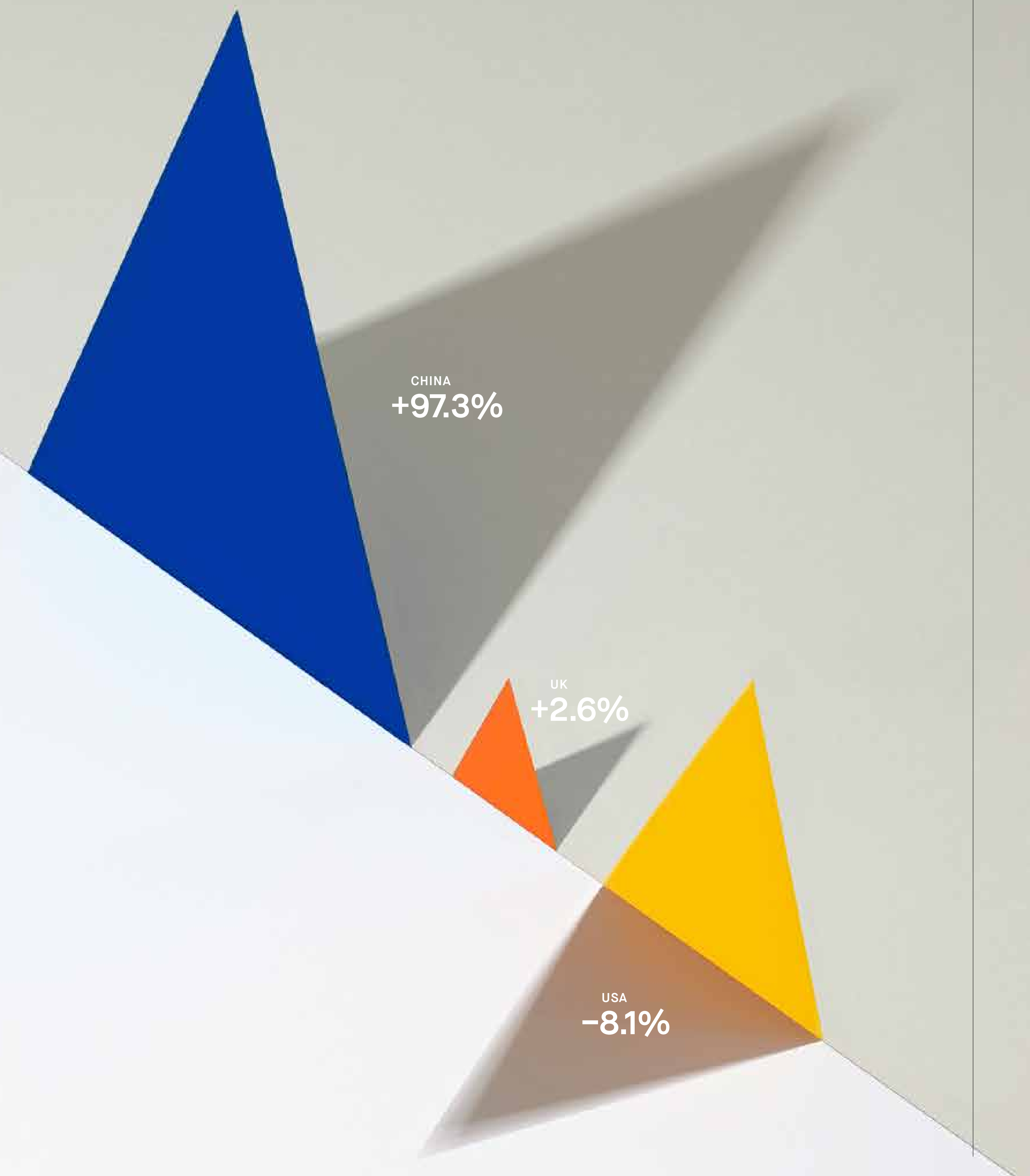
With the remarkable growth of online channels, the role of the physical department store will need to change to better engage with customers in a way that transcends channels. "Consumers in the future will be able to shop wherever they want," says The Future Laboratory's Chris Sanderson. "The retailer's job will be to bring the world to them."

Notes

1. www.pewsocialtrends.org/2015/12/09/the-american-middle-class-is-losing-ground/
2. www.ft.com/content/72812d3a-3ef9-11e8-b7e0-52972418fec4
3. Bloomberg Businessweek
4. www.jwtintelligence.com/trend-reports/china-outbound/
5. www.bain.com/insights/luxury-goods-worldwide-market-study-fall-winter-2017/

GlobalData:
Growth/decline and future forecasts of expenditure through all department store retailers, from 2017 to 2022

GlobalData forecasts that China will see growth in the department store sector of a staggering 97.3% between 2017 and 2022. The UK and the USA are expected to lag far behind, with growth of just 2.6% in the UK, and a decline of -8.1% in the USA, over this same period.

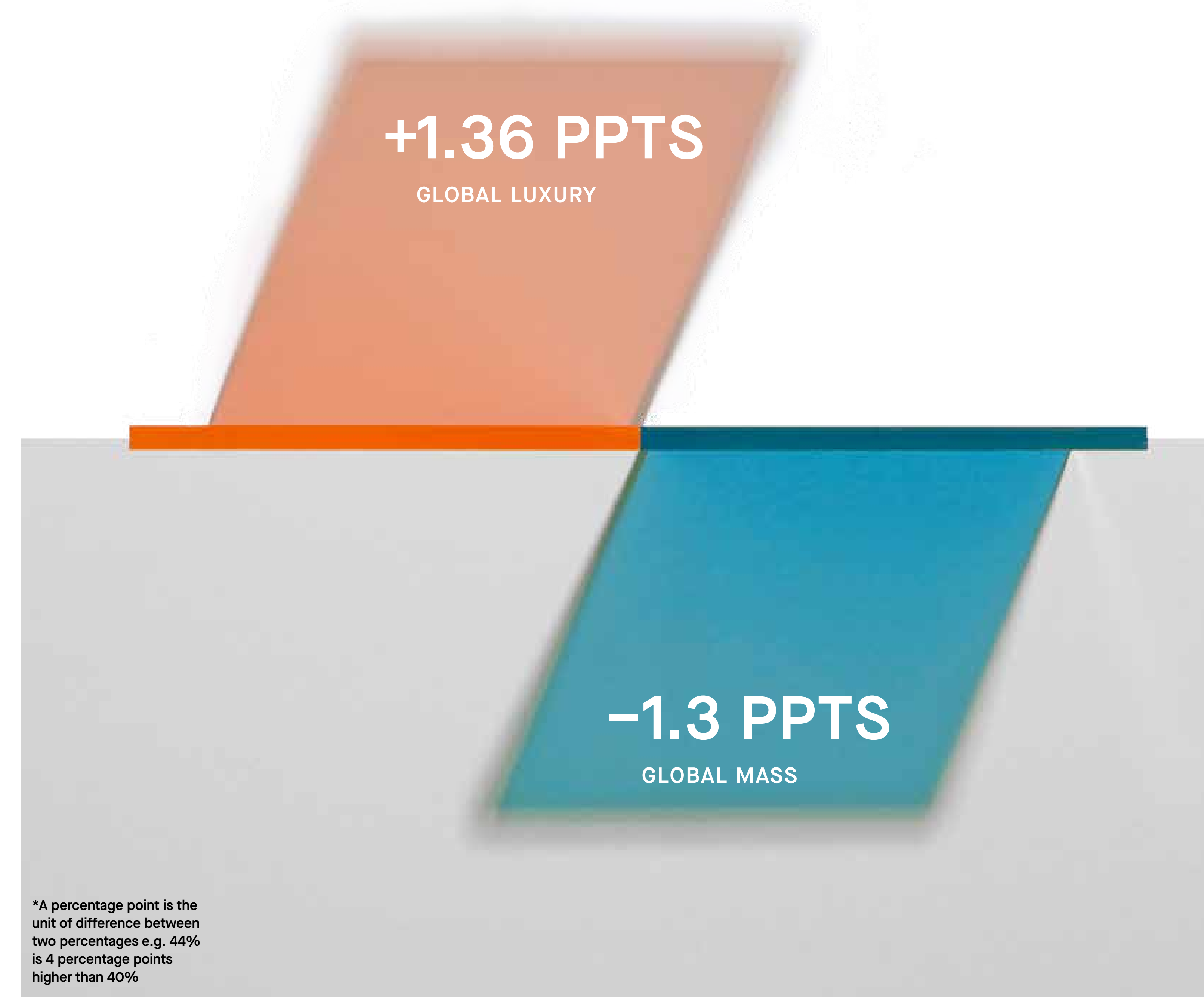


GlobalData:
Projected value of department store sales in 2022

Asia is predicted to see department store sales soaring by 2022 with values expected to reach $342.9bn, driven by growth in spending on luxury fashion, leather goods and beauty. That's more than three times the value of sales in North America, expected to be $100.9bn.

GlobalData:
Global department store luxury growth vs mass market growth 2014–2017

Global luxury growth has risen since 2014 compared with mass growth, fuelled by emerging economies, which have a huge wave of consumers with luxury aspirations that they can attract in order to grow. By breaking down the entire global department store into mass market/value and premium/luxury segments, we found the latter has grown by 1.36 percentage points between 2014 and 2017, a significant increase in just three years.



*A percentage point is the unit of difference between two percentages e.g. 44% is 4 percentage points higher than 40%

Luxury Retail Trends

by Victoria Buchanan, The Future Laboratory

Fundamental changes to consumer behaviour and sentiment are shaping demand, creating a new set of challenges and opportunities for luxury retailers. Luxury brands can no longer live by heritage alone.

As technology takes on a greater role in delivering hyper-convenient retail to us in more flexible, seamless formats, luxury department stores will need to respond by creating inspirational spaces that allow consumers to experience a brand on a deeper, physical level that will then convert to sales, be that in-store or online. The following six key consumer trends shine a spotlight on the future of the luxury department store experience.

Gentle Monster's flagship store, London. Photography by Gentle Monster in-house

01

Purely personal

In today's mobile-first digital age, luxury department stores are fighting back by drawing upon brand authenticity and experiential tactics. VIP services are being optimised in spaces that blend online shopping with gallery-like installations to entertain and serve today's plugged-in consumer.

Luxury e-tailer Ssense has created an unconventional store that translates the DNA of its online offering into a physical format. Built around a personal shopping model, customers can choose from more than 20,000 items on the Ssense platform ahead of their visit and, within 24 hours, the selected products are transported to the store and presented on a personalised rail, ready to try on.

Department stores can also learn from the new standalone Nike store on Avenue, LA, which focuses on concierge-led services. Shoppers can simply text a store associate to organize a return or an exchange via kerbside pick-up.

The Harvey Nichols department store group is leveraging AI to launch its Black Book app to help people stay connected with their preferred stylist, in-store and online.

"In the future, dynamic pricing, on-the-spot offers and value-added services could link with personal profiles to create completely tailored shopping experiences," says Lucie Green, worldwide director at the Innovation Group.

02

Cultural collaborators

As department stores look to differentiate and define the sense of a unique locale, they will align further with the cultural fabric of the cities they are situated in through collaborations and installations that provide bespoke experiences in each destination.

"Today's luxury shopper is well travelled, and already has a great deal of access to culture throughout their social engagement," says Karl McKeever, founder of the retail consultancy Visual Thinking. "Aligning with the cultural fabric of the city offers a way for stores to deliver storytelling to the customer on a deeper level."

Department stores could learn from Gucci, which is paying homage to Italy's antique stores and museums at its new museum in Florence. Spread over two floors in a 14th-century palazzo, the museum is a powerful combination of an art exhibition with hospitality and retail. To show its respect for Florence's impressive architecture, Gucci donates 50% of each ticket to support restoration projects in the city.

In a similar vein, Selfridges flagship store in London features art as part of its new Art Block series which, in partnership with Yorkshire Sculpture Park, invites a new artist to take over a space in the store every six months.

03

Health temples

The notion of wealth is changing, as two thirds of Americans admit to equating wealth with good physical health rather than money.

With health-focused spending expected to increase by 17% to reach $833bn by 2020, well-being is set to become a luxury status symbol, a trend that will spread to all corners of the globe as people look to transform their inner and outer selves.

In line with this shift, luxury department stores are already expanding their offer with alternative services. The Wellness Clinic at London's cebrated Harrods includes 14 luxury treatment rooms and two personal training studios as well as bespoke nutrition planning, sleep-pattern tracking and DNA-based skincare testing.

In the future, luxury department stores will not only supply 360° products and services that support healthy living, but they will actively augment a sense of wellbeing through architecture and design.

Stella McCartney is already offering a new retail space that promises the cleanest purified air, while Biofit incorporates air-purifying plants, circadian lighting and forest aromatherapy to help boost moods.

Notes
5. The State of Bricks + Mortar report 2017, Mood Media

Athleisure capsule collection by Particle Fever 211 x Lane Crawford. Stocked at Lane Crawford, Shanghai. Photography by Polygiene.

04

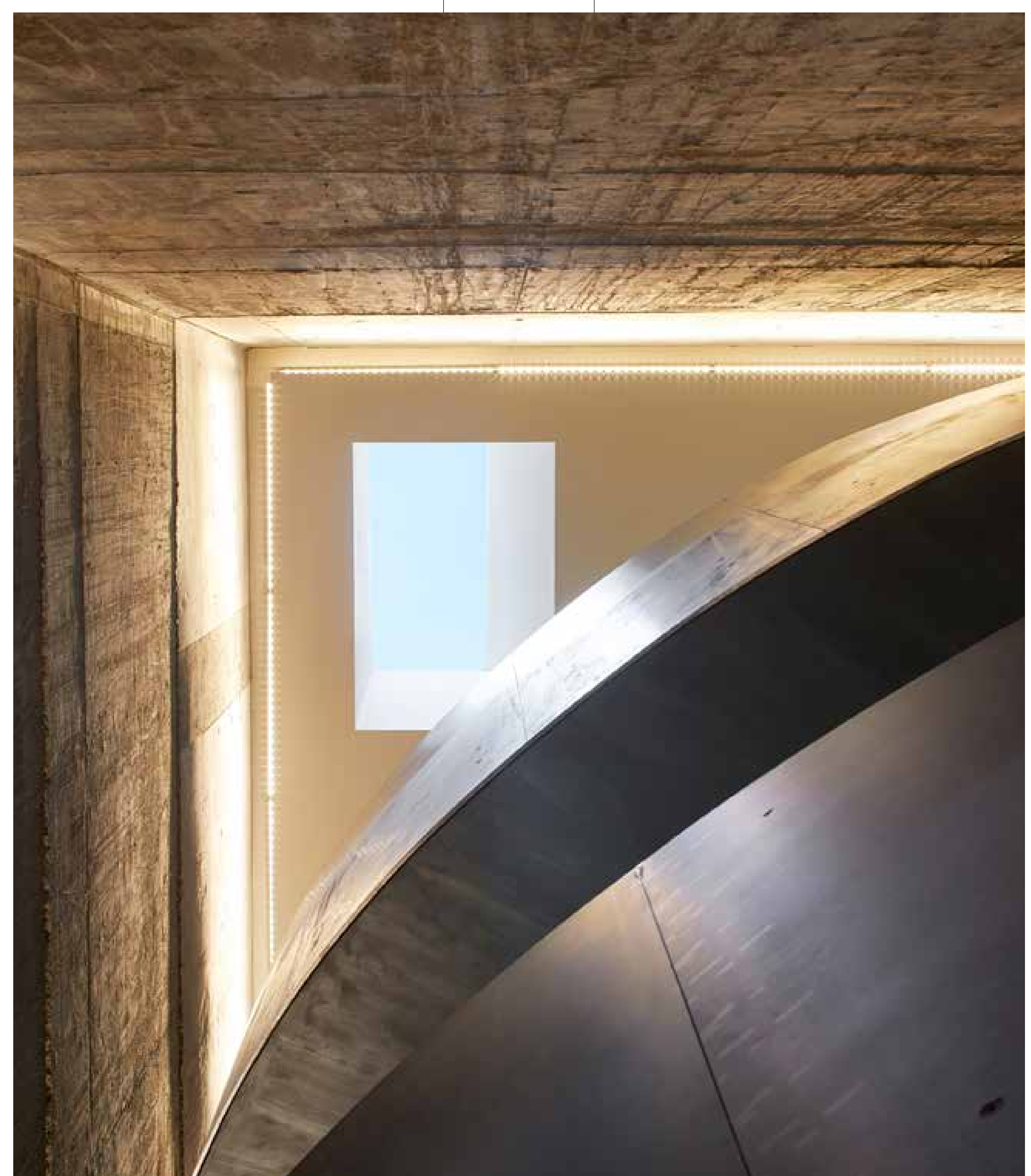
Neighbourhood formats

Department stores are evolving to cater to a younger, more street-savvy consumer who is tired of the old tropes of luxury department-store shopping.

"Department stores need to rethink their proposition and recognise that the way people shop is different," says Lucie Greene, worldwide director at the Innovation Group. "Millennials are looking for service-driven experiences and Instagram-worthy product; and that shouldn't always involve a pilgrimage-type journey. How can department stores cater to those on-the-go moments?"

In Texas, Neighborhood Goods wants to turn the department store into a community hub together with local brands. The store will feature up to 15 monthly pop-ups offering menswear, womenswear and housewares from both local start-ups and established companies as well as in-store lectures, product launch events and live podcast recordings. Meanwhile, a restaurant, bar and co-working space are designed to boost linger time.

American department store brand Nordstrom is also taking a neighbourhood approach in a bid to reverse declining footfall in the sector with its new Los Angeles concept store, Nordstrom Local. The space on Melrose Avenue has no inventory but instead offers a kerbside collection service for consumers to pick up their online purchases, as well as free stylist appointments and garment alterations.



Stella McCartney's 23 Old Bond Street store features a sculptural steel staircase and skylight. Photography by Hufton + Crow.

05

Transcendent retail

Thanks to the pervasiveness of technology, online is an increasingly influential channel throughout the luxury shopping process, with smartphones and tablets fast becoming the primary shopping tool for luxury consumers.

With 70% of luxury purchases now influenced by online interactions, retailers are investing more in their transactional websites, as well as building in-store experiences around a high-end perception of technology.

Consumers will increasingly expect a personalised experience built on their contextual data, which is why online retailers such as Farfetch are investing in AI and data-optimised technology platforms to dramatically improve retail productivity. Its Store of the Future platform is capturing invaluable customer data and enhancing human interactions between shoppers and sales associates.

A robotic system at Au Pont Rouge department store in Russia silently conducts operational and logistical tasks. A mobile app can be used to scan items around the store that are then added to a virtual basket. When the customer is ready to buy, the automated system either forwards the order to the point of sale or prepares to deliver it to the customer's home.

Tech is also transcending the physical world through augmented reality technologies. The Yves Saint Laurent standalone store in Shanghai features screens that use facial recognition so that customers can 'try on' different makeup looks virtually. "Consumers don't care about online or offline; what they want is a seamless experience," says The Future Laboratory's co-founder Chris Sanderson.

06

Friction-full retail

A rising demand for experiences is creating a new challenge for department stores, as consumers look to spend on unique, spontaneous and immersive experiences. In fact, consumers still view shopping as entertainment, with 48% globally citing 'discovery' as one of the top three drivers[5].

While online retail offers hyper-convenience, department stores are responding by offering the exact opposite, slowing down the visitor by encouraging a more creative or contemplative shopping journey that purposefully adds friction to the experience.

"In a digitally saturated, always-on world, physical retail is finding new ways to engage the consumer," says Chris Sanderson, co-founder of The Future Laboratory. "The power of this lies in creating experiences that enrich people's time, so that you're not always just focused on pushing shallow consumption."

Saks Fifth Avenue is tapping into this trend by moving its fragrance department from the ground floor to the second floor, which makes the shopping process feel more intimate. For many shoppers who are overwhelmed by the prospect of choosing a perfume, slowing down the pace gives more time for discovery and immersion into the stories of the scents.

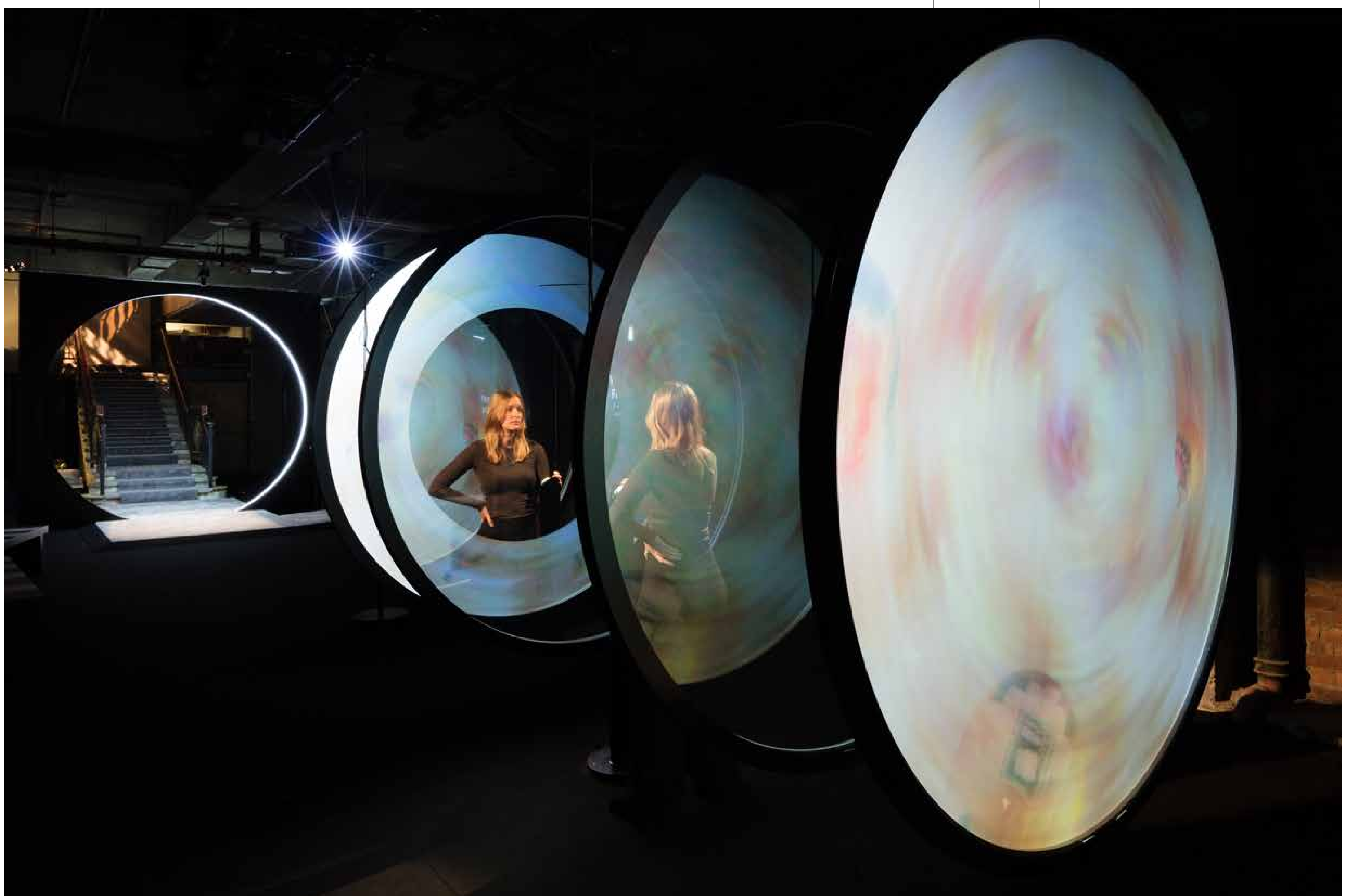
Retailers are also turning the physical destination into a unique, artistic experience to slow the path to purchase. In South Korea, Tamburins and Gentle Monster both use creative installations as a way to create a feeling of 'happening-upon' and designing surprise into the customer journey.

Expert perspective: Reinventing the luxury department store

by Natalie Berg, Retail Analyst and Founder, NBK retail

> "A department store should be a social centre, not merely a place for shopping."
>
> Harry Gordon Selfridge

The Flipside, a multi-sensory exhibition at The Old Selfridges Hotel, explored altered states of luxury. Images by Google Pixel 2 and Selfridges.



In the past, dedicating 100,000-plus square feet of retail space to 'palaces of consumption' made sense. But today's progressive consumer has access, at their fingertips, to millions of products that magically turn up at their doorsteps within 24 hours. The original premise of a luxury department store, the one-stop shop, has been eroded by online retail.

A failure to reinvent the proposition fast enough has even driven brands such as Coach, Michael Kors and Nike to take a stand, pulling back a distribution channel that is seen as increasingly volatile.

"We'd like to have less inventory in the [department] stores, and have less of our brand appearing on sale, in particular, in that channel of distribution. So you'll see that pullback happen," said John Idol, CEO of Michael Kors, during a recent conference call to analysts.

In an environment that is becoming more competitive, department stores can't simply rely on discounts and sales. It is time to reinvent.

In many ways this means that luxury department stores need to go back to their roots. They must engage with shoppers in a way that transcends the transaction, providing them with an immersive and memorable experience worth ditching their screens for. Luxury department stores should be a place to discover, learn, play, eat, and even work.

A great example of this is Hudson's Bay Company's partnership with WeWork and the launch of The Wellery, an upscale fitness centre with two workout studios, salt rooms and a vegan nail salon. With brands such as Sweaty Betty and Lululemon increasing their focus on experiential marketing strategies, Selfridges is also turning up the experience dial, having launched the world's first boxing gym within a department store.

The luxury end of the market has an advantage because it's already destination-led. Harrods, Galeries Lafayette and KaDeWe are genuine European tourist attractions. There is, therefore, a huge opportunity to deepen shopper engagement and increase dwell time, while simultaneously making use of excess space. Galeries Lafayette has transformed a 19th-century Parisian building into a home for its new public foundation, as well as a gallery for contemporary art. The 2,500-square metre space houses exhibitions across disciplines, from fashion to ceramics and the performing arts. The basement will serve as a studio and research centre for artists.

Many luxury retailers are turning to a more conventional method of driving traffic – food. Saks Fifth Avenue is planning to open a version of the French eatery and celebrity magnet L'Avenue in its renovated flagship store. Brands including Burberry, Gucci, Armani and Ralph Lauren have been opening their own luxury food and drink experiences in their stores as an extension of the lifestyle their customers are buying into.

And, as retail increasingly converges with other sectors, luxury chains must also look to technology to break down the barriers between physical and digital. Consumers don't care about online or offline; what they want is a seamless experience. They want hyper-personalisation and, particularly in a luxury setting, stellar customer service. Retailers who are actively embracing this trend include Nordstrom, through the launch of its smaller, merchandise-free stores, and Harvey Nichols through its use of the Hero app, allowing shoppers to marry the convenience of buying online with the concierge service you would find in a luxury department store.

Department stores have an opportunity to distance themselves from the utilitarian experience of online shopping, but they must inject personality and soul into their stores, further blurring the lines between retail, hospitality and lifestyle. By becoming more experience- and service-led, department stores can add a deeper social dimension to their brand, enabling them to tap into consumer spending shifts simultaneously and, crucially, differentiate from online rivals.

As Harry Gordon Selfridge once said, "A department store should be a social centre, not merely a place for shopping."

GlobalData Luxury Department Store Ranking

Sybarite's sketch design for the Atrium of SKP Beijing

by Joseph Robinson, Consulting Director, GlobalData

Sybarite commissioned GlobalData to identify the most successful and unique luxury department stores.

Our analysis of the top 40 luxury department stores when ranked by sales per square foot in 2017, including online sales, offers a window into what retail reinvention could look like.

Thanks in part to their significant global pull, Harrods, Le Bon Marché, Liberty, SKP Beijing and Selfridges take the top five spots. All of these luxury department stores have each become destinations in their own right.

A fresh addition to this year's list is SKP Beijing, a new player situated in Beijing rather than the more well-known shopping destinations of Shanghai or Hong Kong.

So what makes the top five so successful?

Even the four, older, iconic locations in the top five have not remained successful by relying on fame and heritage alone. They are also forward-looking, proactive and innovative. They have a deep understanding of their customer and provide them with something more than just shopping. They are taking a long-term approach to building their retail legacies, finding bold, creative ways to adapt to the changing retail landscape.

One of the key factors driving the success of these luxury department stores has been their reluctance to stand still and a willingness to invest in order to maintain their status. Selfridges recently completed the refurbishment of its Oxford Street store, in which $394m was invested to create the largest accessories hall in the world. Constant reinvestment helps Selfridges stand out in a crowded market and allows it to maintain its reputation as a best-in-class department store.

A focus on providing uniqueness, through either range or in-store, is also a theme for each of these stores. Le Bon Marché, for example, opened in 1852 with the remit of being "a new kind of store that would thrill all the senses". To this end, the store is also an exhibition space, featuring more than 80 pieces of contemporary art and furniture. Elsewhere, SKP Beijing's shoe hall has been ranked anecdotally as one of the largest (48,500 square feet in terms of volume of brands) and most successful in terms of sales in the world.

These luxury department stores are all proud of their globally recognised iconic architecture, which further helps them stand out from the increasingly crowded retail landscape. Liberty operates from a grade II listed, mock-Tudor building which was built in 1924, while Le Bon Marché's unique space was designed by architect Louis-Charles Boileau and the engineer Gustave Eiffel.

From a luxury perspective in the UK, where three of our top stores are based, international visitors continue to be drawn to London for the luxury experience, with the city further boosted by the current benefits of the value of sterling. London's history and heritage offers another attraction.

China and the Middle East also represent two significant growth spots in the global luxury department store landscape. Retailers are opening new stores in these regions to offer a high-end shopping experience and better brand visibility to luxury retailers.

What makes the top five luxury department stores so special is their true destination status, whether it's through the size of the store, the unique ranges of products on display, or the appeal of the buildings and store environments in which they operate, all ensuring their unique appeal and allure is maintained.

Perhaps a surprise on this year's list is SKP Beijing, a new player Situated in Beijing rather than the more well-known shopping destinations of Shanghai or Hong Kong.

The Top 40 Ranking

Our analysis of the top luxury department stores, when ranked by estimated sales per square foot, measures the financial productivity of space at each luxury department store.

This takes into account the overall annual sales by calculating how much each sells per square foot in the space they operate from (including influence of online sales). For the purposes of this report GlobalData, in collaboration with Sybarite, has defined luxury department stores as a cohesive space with a high-end, multi-brand offering across multiple product categories, housed under one roof. Luxury/premium positioning is based both on price positioning and consumer perceptions of retailers.

The full methodology is available at the end of this report. It is important to note that some of the data contained within this research has been modelled by GlobalData based on assumptions and estimates.

1. **Harrods,** London, United Kingdom

2. **Le Bon Marché,** Paris, France

3. **Liberty,** London, United Kingdom

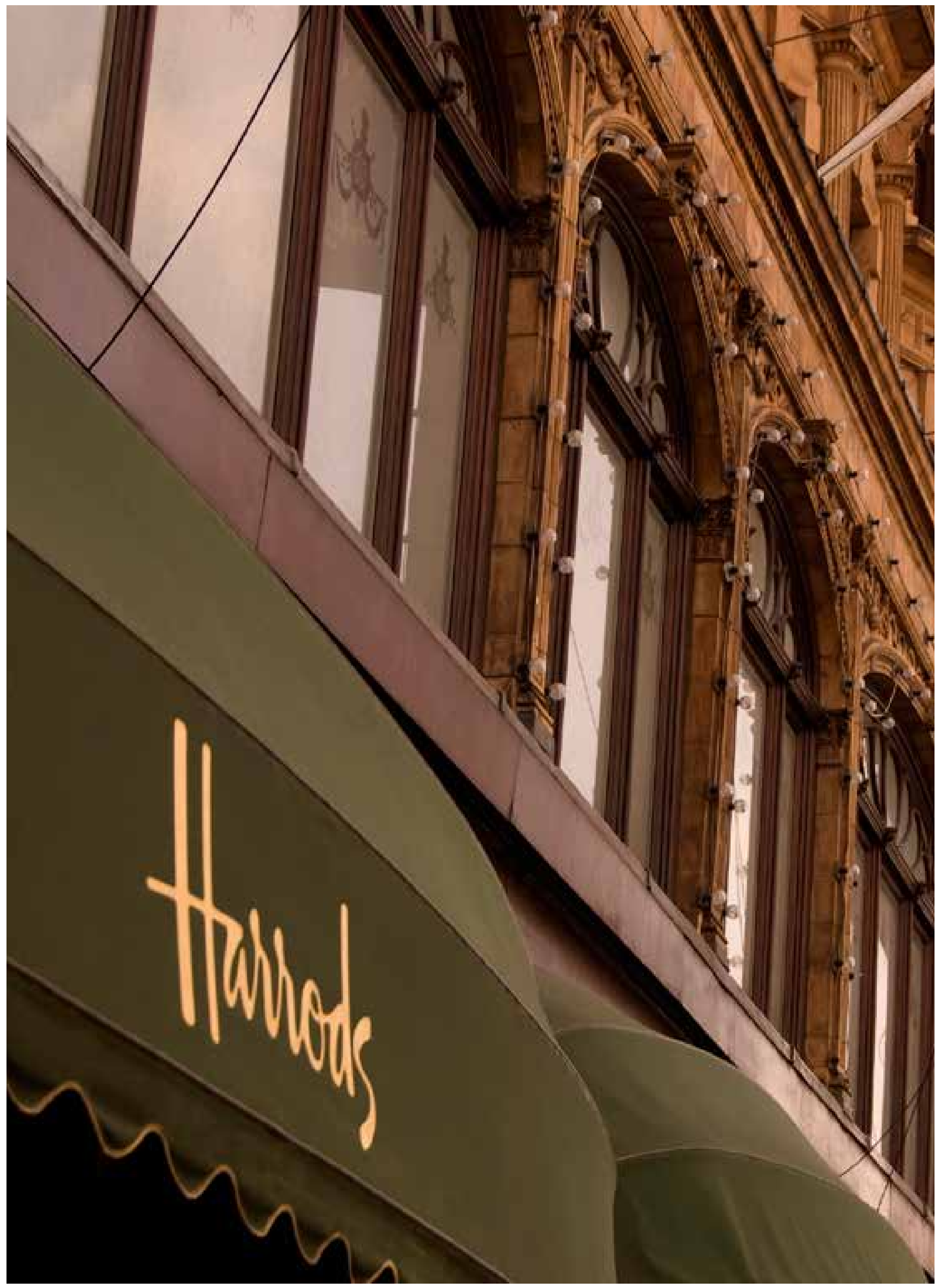
4. **SKP,** Beijing, China

5. **Selfridges,** London, United Kingdom

6. **Takashimaya,** Japan
7. **Lane Crawford,** Hong Kong
8. **Isetan,** Japan
9. **Printemps,** France
10. **Holt Renfrew,** Canada
11. **Beymen,** Turkey
12. **Alsterhaus,** Germany
13. **KaDeWe,** Germany
14. **Harvey Nichols,** United Kingdom
15. **Excelsior Milano,** Italy
16. **Neiman Marcus,** USA
17. **Breuninger,** Germany
18. **Fenwick,** United Kingdom
19. **Hyundai Department Store,** South Korea
20. **Gum** , Russia
21. **Central Emporium** , China
22. **La Rinascente,** Italy
23. **Saks Fifth Avenue** , USA
24. **Barneys** , USA
25. **Liverpool** , Mexico
26. **Robinson,** UAE
27. **Nordstrom,** USA / Canada
28. **Bergdorf Goodman,** USA
29. **El Palacio de Hierro** , Mexico
30. **David Jones** , Australia
31. **Åhléns** , Sweden
32. **Kastner & Öhler,** Austria
33. **Tsum** , Russia
34. **De Bijenkorf** , Netherlands
35. **Lotte Department Store,** South Korea
36. **Galeries Lafayette,** France
37. **Shinsegae,** Japan
38. **Illum,** Denmark
39. **Dillards,** USA
40. **Bloomingdale's,** USA

The world's top five luxury department stores

1.
Harrods
London, UK



As one of the world's most famous luxury department stores, Harrods is a treasured British institution.

"Harrods offers an excellent selection of brands across sectors as well as exclusivity, rarity and curation of product, all brought to life through an elevated retail experience,"

Karl McKeever, Managing Director of Visual Thinking

With its grand entrance hall designed by John L Harvey, the building is one of London's most well-known and well-loved landmarks, situated in the heart of Knightsbridge.

While its motto is "All things for all people everywhere", the department store has long been synonymous with 'luxury' and 'exclusivity'. And, in recent years, it has benefited from an influx of affluent shoppers from China and South-east Asia. By identifying these consumers and offering them exclusive brands, carefully orchestrated retail theatre and an elevated shopping experience, Harrods has seen Chinese nationals overtake the British to become the biggest spending consumers in 2017.

The building is grade-2-listed, which means there are restrictions on alterations and extensions. Nevertheless, in 2017, Harrods embarked on an impressive $260m refurbishment, expanding the watch room, relaunching the lavish wine and spirits room, and doubling the size of the hugely successful Salon des Parfums. These innovations have boosted Harrods' reputation as an expert in luxury goods. Harrods also opened a wellness centre, growing its offering out of retail and into exclusive, luxury experiences.

"Harrods offers an excellent selection of brands across sectors as well as exclusivity, rarity and curation of product, all brought to life through an elevated retail experience," says Karl McKeever, retail expert and managing director of Visual Thinking. "The Harrods shopper wants to engage in a conversation around brands, products and stories."

2.
Le Bon Marché
Paris, France

Le Bon Marché Rive Gauche, Paris. Photography by DR.

"The more credible we are among Paris shoppers, the more international customers we attract."

Patrice Wagner, Chairman and CEO, Le Bon Marché group

Le Bon Marché opened on the Left Bank of Paris in 1852 as a new kind of store that would "thrill all the senses".

Le Bon Marché Rive Gauche, Paris. Photography by DR.

Le Bon Marché opened on the Left Bank of Paris in 1852 as a new kind of store that would "thrill all the senses". The space was designed by Louis-Charles Boileau and Gustave Eiffel, an astonishing architectural gem with a glass and metal roof and a giant glass cupola hanging over the main hall.

"Le Bon Marché is very Parisian. It's very enjoyable to walk around the area surrounding Le Bon Marché, with its interesting buildings, cafés and cinemas. For me this is part of the local cultural experience," says Kristen Pelou, a retail architecture and interiors photographer. "As you walk through the store itself, every step you take reveals something of interest. It could be a new product, a new corner, brand, display, or architectural detail. It could be the volumes, the glass roofs or stairways."

Le Bon Marché is still the smallest department store in Paris and it has held on steadfastly to its distinctive character. To mark its 160th anniversary in 2012, the store embarked on an ambitious renovation project which saw the introduction of a twin walkway, to better connect the store's two buildings, and a newly expanded footwear and accessories space.

"The restoration to reveal the glass roofs is very impressive, as is the new footwear space and book store. The result is quite outstanding. Nothing is excessive; the interior is elegant and authentic," says Pelou.

The store stands out from competitors by being more selective in the brands it stocks and, rather than following the usual 'shop-in-shop' model, it works closely with brands on their display and concept so their presence is always specifically Le Bon Marché. Its recent collaboration with Off-White, which saw the brand create a pop-up store with a shoppable café, highlights a willingness to embrace new design codes.

While many large department stores are chasing big spenders from abroad, most of Le Bon Marché's customers are French. The retailer is also embracing digital with the launch of 24sevres.com, a new e-commerce site launched in collaboration with LVMH brands, offering delivery to more than 75 countries and a click-and-collect service in Paris.

3.
Liberty
London, UK

The famous façade of Liberty, London.
Photography by Liberty London.
www.libertylondon.com

The mock-Tudor façade of Liberty, just off Regent Street, is as quintessentially 'London' as red phone boxes and Buckingham Palace.

"Rather than being a one-stop shop for luxury, Liberty focuses on a very tight edit of things that cannot be found anywhere else."

Lucie Greene, Worldwide Director of the Innovation Group

Designed in the 1920s out of ship's timber by Edwin Thomas Hall and his son, Edwin Stanley Hall, Liberty is a wood-panelled luxury treasure trove, famous for its iconic print fabric, handcrafted designs and, arguably, one of the best fashion edits in the world.

Innovation and imagination have kept Liberty in the lead over the years, including playful, experimental collaborations with Nike, Acne Studios and the artist Grayson Perry, among others.

"We strive to offer our customers a unique retail experience that defies modern-day shopping conventions, with inspiring curation and directional design," says Madeleine Macey, communications and marketing director at Liberty London. "We have created a community of inquisitive and knowledgeable customers who come to Liberty, knowing that they will discover something truly exceptional."

A recent redesign has returned the focus to its core customer. The quirky space has been re-imagined and re-used to accommodate new collections and give more space to brands popular with Generation Jones and Baby Boomers. With its refined edit of hard-to-find and staple luxury brands, Liberty attracts a discerning, and very loyal, customer base. "As a retail destination, we are synonymous with a best-in-class product offering and loyalty-driven customer approach, with exclusive experiences and one-of-a-kind buys available to our customer base," says Macey.

"Liberty can straddle humour with luxury and has strong authority around craft," says Lucie Greene, worldwide director of the Innovation Group. A new Paper Room houses the famous Liberty stationery and gifts, and haberdashery sales increased after a department revamp which includes a new communal sewing table.

While other stores are going all out to create new experiences, Liberty has taken a different tack by concentrating on its core customer and going back to its roots.

"Rather than being a one-stop shop for luxury, Liberty focuses on a very tight edit of things that cannot be found anywhere else," says Greene. "In this respect it's punching above its weight by being able to attract such high sales figures, and that really speaks to the tightness of its offer."

4.
SKP
Beijing, China

The main Atrium of SKP Beijing. Photography by Kristen Pelou

"SKP Beijing's inclusion on this list goes towards demonstrating how architecture and design can contribute to a consumer's shopping experience and drive sales."

Jessica Rapp, Jing Daily

SKP is unique among the top five in that, until recently, it was a shopping mall.

Above left: The Luxury Watch Gallery at SKP Beijing. Photography by Kristen Pelou
Above right: The Beauty Hall at SKP Beijing. Photography by Kristen Pelou

SKP is unique among the top five in that, until recently, it was a shopping mall. In 2015 Sybarite was responsible for turning a bland, generic mall into an iconic store befitting the luxury brands it now houses, removing the glass shop fronts, and creating a more inviting and private space that feels intimate despite its scale.

"Our recent development has seen a transformation of SKP into a curated, design-led department store with a clearly articulated house style," says Michael Ferrera, SKP's senior director of store planning and design. "We wanted to balance the historic locale with a desire for contemporary luxury and create something that takes visitors on a voyage of discovery."

Since its transformation, SKP has become one of the world's largest luxury department stores by turnover and sales per square foot. "SKP Beijing's inclusion on this list goes towards demonstrating how architecture and design can contribute to a consumer's shopping experience and drive sales," says Jessica Rapp, writer for Jing Daily.

It also demonstrates how design can complement the brands in-store. "The design cues of SKP Beijing are very elegant," says Mr Patrizio Bertelli, chief executive of Prada. "It creates the perfect backdrop for Prada to convey our brand values: uncompromised quality, innovation and a craftsmanship approach."

As a new generation of wealthy Chinese consumers start to buy more luxury goods in their home country, the department store, as long as it's thoughtfully designed to offer a more engaging experience to these newly affluent customers, is poised to play a leading part in the China's fast-changing retail landscape.

"Chinese Millennial consumers, many of whom grew up as only children and are given endless attention and care from their parents, are consequently a generation that prioritises individuality," says Rapp. "Ideally, their shopping experience should reflect this." China's luxury consumers are also increasingly globally-minded, well-travelled and sophisticated.

To cater to this new generation of consumers hungry for experiences, Sybarite completed RENDEZ-VOUS, a design-led concept store within the space, featuring a bookstore, an artisanal cheese room, a tea room and a restaurant.

"SKP Beijing understands what the affluent consumer is looking for," says Rapp. "When it introduced the RENDEZ-VOUS lifestyle store, it knew that Chinese shoppers weren't simply wanting to pop into a luxury brand boutique after work and then leave. They want an experience, a space to hang out and be social, and they want chances to engage with brands on a deeper level."

5. Selfridges London, UK

Selfridges is the leading light of retail theatre. Ever since the Oxford Street flagship, designed by Daniel Burnham, opened in 1909, its mission has been to make shopping fun.

Selfridges, Oxford Street Corner.
Photography by Andrew Meredith.

> "Selfridges has adopted a two-pronged strategy successfully, tapping into a sense of heritage and history while simultaneously adopting state-of-the-art immersive and experiential approaches"
>
> Chris Sanderson, co-founder of The Future Laboratory

In-store fashion shows, scientific exhibitions, clubs, a rooftop golf course – Selfridges has always been a leading exponent of retail as entertainment.

Selfridges constantly reinvests in its small portfolio of four flagship stores in the UK, which helps it to be bold, to evolve and to adapt to changing trends. As part of a $395m refurbishment of the Oxford Street store, the accessories hall became the largest in the world, channelling the mood of a fashion gallery with a champagne bar centre stage. It has also invested more than $53m into improving its e-commerce experience.

The store remains a master of the unexpected, hosting experiences that are often socially driven and intriguingly at odds with the idea of luxury, such as a pop-up interfaith charity shop and a food-waste restaurant. Innovative cultural collaborations such as these keep this store relevant and connect deeply with customers old and new.

"Selfridges has adopted a two-pronged strategy successfully, tapping into a sense of heritage and history while simultaneously adopting state-of-the-art immersive and experiential approaches to drive both international and local appeal," says Chris Sanderson, co-founder of The Future Laboratory. By investing in the redevelopment of local retail sites as well as sponsoring artwork on the new London Underground entrance at Bond Street, Selfridges continues to use its prime locations to define a sense of place.

Spotlight on China

As the axis of innovation in luxury department store retailing shifts, China, the world's biggest consumer market, is becoming a must-win territory for global luxury retailers.

"The story of shops closing and the decline of retail has become a familiar one across the Western world," says Chris Sanderson, co-founder of The Future Laboratory. "There's no such quandary 8,000 miles away in China, where the 'either-or' retail equation is being pushed aside in favour of a holistic model that melds the best of both the in-shop and online experience."

In response to new spending habits, luxury department stores have been busy changing their strategies, outlets, and even products to appeal to affluent shoppers in China. We set out to better understand the luxury department store and its changing role in this market.

Notes
1. www.thedrum.com/news/2018/08/20/china-e-commerce-market-forecast-reach-18tn-2022
2. Bain & Company

ART021 project photographed by Zeng Wu. Styled by Leaf Greener.

Market overview

Against a backdrop of explosive digital adoption, retail in Asia is transforming in order to keep pace with newfound economic and social change and is set to reach $343bn by 2022.

China's online retail market will be more than double the size of the US market by the end of 2018, buoyed by the likes of Alibaba and JD.com[1]. The internet giants together account for more than 85% of the market, demonstrating their growing influence over the nation. Leading from the front are China's department stores, which showed the first signs of recovery in 2017 after years of what is considered fairly tepid growth.

In 2017, sales of luxury goods on mainland China jumped 21.4% to $22bn, buoyed by the aggressive purchasing habits of Millennials[2]. This marked nearly a six-fold increase from the rate of 3.5% recorded in 2016.

GlobalData predicts this positive upwards trend will continue to impact the retail market, with Chinese department stores set to grow a staggering 97.3% to $184.3bn between 2017 and 2022, cementing China's position as the largest department-store market in the world, with a total of 5,703 department stores and shopping centres.

Cultural capital

In the past five years luxury operators have stepped up efforts to differentiate from the proliferation of mass department stores through more curated and experiential formats. Galeries Lafayette has opened a Beijing flagship; multi-brand boutique 10 Corso Como has launched a Shanghai destination store; and China's premium luxury department store Lane Crawford has expanded with a trio of new concept flagships in Shanghai, Beijing and Chengdu.

Department stores in China are moving beyond the hard sell, building cultural and artistic capital through immersive venues and events such as film festivals and live music. "As China is getting wealthier, people need to have more cultural identity," says Adrian Cheng, founder of the K11 Art Mall. "We are proud of our own country and think contemporary Chinese culture is very important – not just art, but design, architecture and furniture. Young generations want to be part of this new cultural identity that represents the new China."

When it opens in 2019, K11 MUSEA will be Hong Kong and Asia's new cultural destination and will feature an outdoor amphitheatre space and a 25-foot-tall LED film screen. Similarly, SKP in Beijing pitches itself as "more than just a luxury department store", and features event spaces, art galleries and a bespoke cinema screening room. When SKP Xi'an opened in May 2018, the brand mix was approaching 50% domestic and that is expected to increase towards 60% as the store develops.

GlobalData:

Monetary growth in key Asian countries

Monetary growth in the department store sector in China is forecast at $131.5bn between 2012 and 2022, which is expected to drive growth in the country's retail sector. India is another market showing huge potential, set to grow by $22,5bn.

'[In China] luxury operators have stepped up efforts to differentiate from the proliferation of mass department stores'

Total retail

The either/or retail equation is being cast aside in China for a total retail approach, as department stores merge the best of the in-store and online experience. In particular, Alibaba, JD and WeChat have directed investment into technology and services that allow for more seamless shopping across physical channels and, during their intense two-decade battle for market share, they have created an all-powerful domestic online shopping market.

There is also room for growth, as currently only 38% of China's population is shopping online. By 2022, it's expected that the country's online retail sales will increase at an 8.5% compound annual growth rate until 2022.

Now they are going after the luxury market. In June, JD.com, which has already invested in London-based luxury e-tailer Farfetch, announced an upcoming partnership with Saint Laurent in China. Meanwhile, Alibaba is set to launch its own dedicated high-end platform, Luxury Pavilion, featuring brands such as Burberry.

Beyond connecting with culture and investing in tech, the focus of developments in the coming years will be in tier-two cities, with established developers looking beyond tier one markets. For example, in early 2018 SKP opened in Xi'an with a strong tenant mix and supply of high-end brands in a city that has traditionally been the preserve of local department stores.

Expert perspective
The influence of Millennials and Gen Z in China

by Crystal Wilde,
Journalist and travel writer
living in Beijing

A young and sophisticated generation of shoppers with markedly different tastes, aspirations and consumption habits is fundamentally reshaping the luxury landscape in China.

China's modern youth are known as the 'Moonlight Clan' and their consumption habits are a stark economic departure from their parents' generation of steadfast savers. "What we have now is a more existential consumer," says Mike Bastin, MA Fashion Marketing and Branding course leader at the University of Southampton, who researches cultural, social and personal influences on fashion brand consumption in Asia and China in particular. "Existential consumers are more independent consumers who are not prone to following the crowd as much as they used to."

A quest for individuality is also fuelling a new set of life priorities for Gen Z and Millennials. They are shunning traditional notions of success, with 61.5% already saying that financial accomplishment is no longer the main signifier.

Young people in China are also reassessing their transnational identity and giving far more weight to their own cultural heritage. Both demographics have a strong sense of national pride, having witnessed the reform and opening up of China, the return of Hong Kong and the Beijing Olympic Games. They both passionately support domestic luxury brands such as MO&Co, Peacebird and GXG.

Chinese Millennials are, however, still hooked on legacy international brands, snapping up products that offer them a guarantee of longevity and quality, such as Louis Vuitton, Gucci and Dior. Gen Z on the other hand are more inclined to experiment with new brands and co-branded releases, such as Louis Vuitton and Supreme's 2017 collaboration and Off-White's series of tie-ups.

Technology is another crucial factor in attracting Millennials and Gen Z shoppers, with mainland department stores incorporating artificial intelligence, augmented reality and virtual reality into their playbooks. Brands have also increased their spending on Millennial-aimed digital marketing, accounting for more than 50% of total marketing budgets last year, compared with 35% two years ago.

As PWC's Global Consumer Insights Survey 2018 China Report says, "Some companies are still focusing on the 'digital savviness' of the Chinese Millennials, trends which are now so pervasive that they have become truisms." While nearly all Chinese youngsters shop online to some extent, mall culture is still an important, and much used, means of socialising.

Federica Marchionni, the new international CEO of China's luxury e-commerce platform Secoo, says China's Y and Z generations want immediacy, but that doesn't necessarily mean online. "Increasingly now they are shopping through their phones and even social media," she says. "They will continue to shop like this when they are alone, but when they want to socialise they will take the opportunity to go into the malls and department stores." Real-life experiences are key to Chinese youngsters, even if they do insist on posting every moment of them on social media. In the past year, 53% of Chinese consumers spent more on experiences, such as travel and dining, than the year before, compared to 26% of Americans.

Luxury brands are already trying to adapt their messaging to speak to a younger demographic. Gucci recently curated its 'No Longer/Not Yet' art exhibition clearly aimed at young Chinese consumers, whose interest in art has grown steadily over the years. The brand's Instagrammable exhibition featured works by a range of Chinese artists, among them multimedia artist Cao Fei and op-artist Li Shurui.

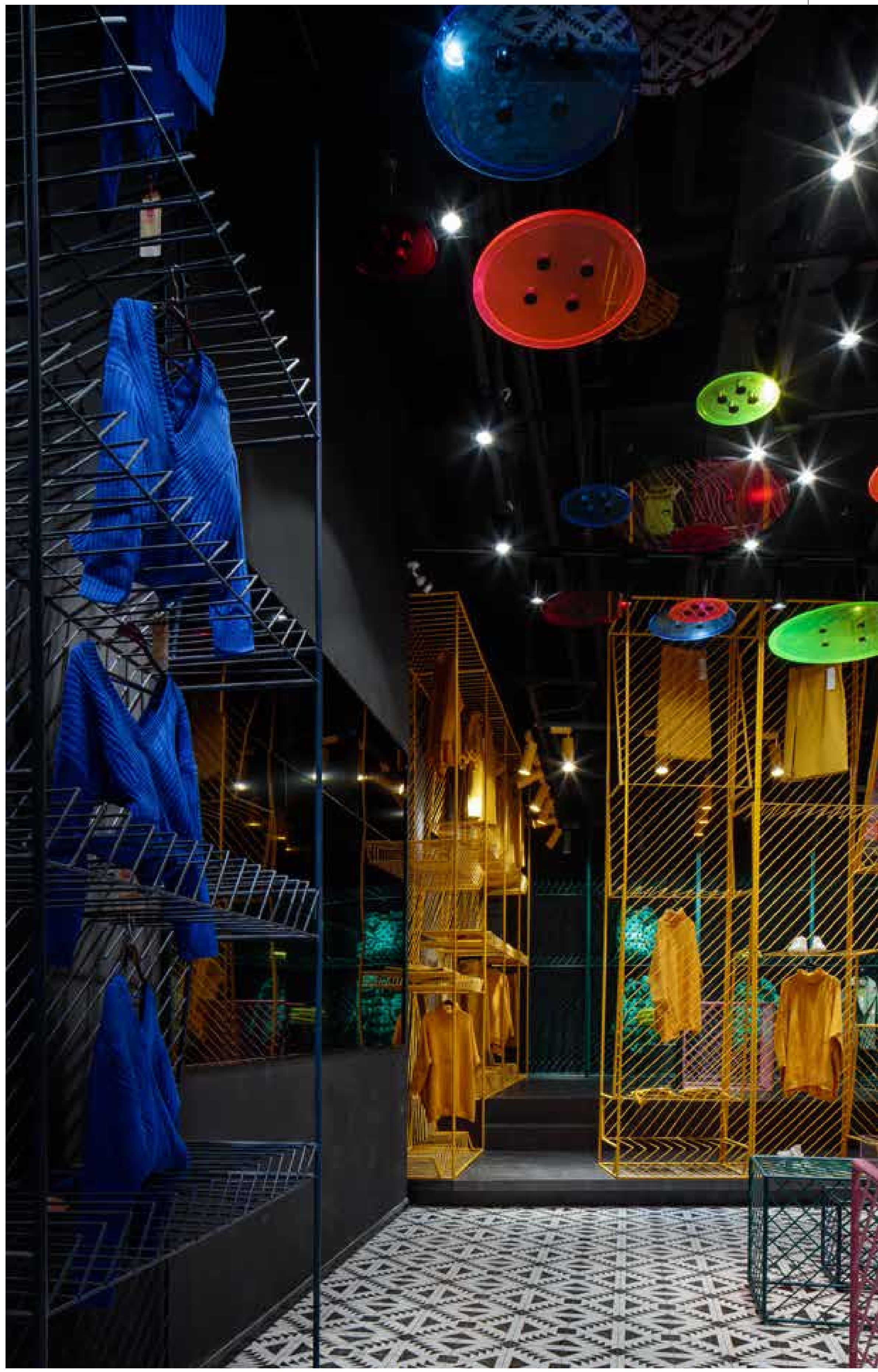
Similarly, Fendi is pivoting to speak to a youth-led mindset with the launch of F Is For..., a digital platform featuring interviews, editorials, creative music and art content. As part of an event for its launch in Shanghai, the brand hosted a concert featuring Chinese K-pop star Jackson Wang alongside local hip-hop acts such as DJ Wordy, Miss Vava and Higher Brothers.

So, while it may feel that there is an unbridgeable gap between luxury department stores and young shoppers, with one representing heritage and craftsmanship and the other demanding innovation and speed, there is great opportunity for brands willing to tap into new growth sectors, take risks, and be fluid. Understanding key demographic purchasing trends, taking a creative approach to technology, and making stores worth leaving the sofa for will put those that dare in the cross hairs of China's young spenders.

Design Company: X+Living (www.xl-muse.com).
Photography by Shao Feng

"Existential consumers are more independent consumers who are not prone to following the crowd as much as they used to."

Mike Bastin, Course Leader of MA Fashion Marketing and Branding (with a focus on Asian consumers), University of Southampton



Expert perspective
What's driving change in China?

In China, a few tech titans have considerable dominance over the online shopping sector so, if we are to understand the future of the luxury department store, it's helpful to look at where these firms are putting their efforts and their capital.

By Tom Griffiths, founder of Half a World and China digital expert

Alibaba and JD are looking to luxury consumers as a market for their new offerings. Until recently, most luxury brands have been reticent about e-commerce globally. Online sales channels didn't offer the experience that luxury customers expect. From online customer service to payments, delivery and returns, creating an online customer experience that matched the in-store experience was prohibitively expensive.

Both JD and Alibaba have launched luxury e-commerce marketplaces aimed at solving this problem. JD's Toplife assures brands that the delivery experience will be tailored and luxurious. Even the delivery couriers wear white gloves and suits. Alibaba's Luxury Pavilion aims to digitise more of the exclusivity of luxury shopping, offering its members invitations to launches and celebrity events, access to limited editions and personal shoppers.

While these firms are trying to bring the offline world online, they're also attempting to bring the benefits of digital to bricks-and-mortar shopping. Alibaba's CEO Jack Ma coined the phrase 'New Retail' to describe the push to blur the line between offline retail and online shopping. Alibaba's main testing ground for its New Retail technologies is its high-end supermarket chain, Hema.

Hema stores function like delivery depots in urban centres, boasting a delivery time of less than 30 minutes in their catchment areas. But Hema members can also visit them, with the Hema app guiding them through the experience, from product recommendations and information to payment and on-site chefs to cook up meals from the produce they've just bought.

Alibaba and Tencent have both publicly acknowledged their intention to bring digital to offline retail, and it's likely that the technology they're trying and testing at high-end supermarkets will soon be seen in luxury malls and stores.

In Hangzhou, China Tmall.com has opened a new store featuring the top 100 brands from the e-commerce site. Described as a 'dressing room', the space is designed to reflect the fact that all brands can be experienced online first. Shoppers can browse the website on interactive digital screens at the entrance, or view a selection of top brands through four themed zones in-store, closing the loop between physical and digital retail.

China's tech titans are in fierce competition over the luxury consumer. By improving online experience and testing new ways of digitising the offline experience, they're investing large amounts of capital and resources into changing the way consumers shop.

In summary What the future holds

To compete with online shopping, luxury department stores have to offer a completely different, elevated experience. All the top performers in our report have found innovative ways to become true destinations. They're places to meet, to linger, to be entertained and inspired, whether that's through space design, spectacular retail theatre, cultural events and collaborations, a tight edit of product, or luxury services.

The following five takeaways highlight the future expectations that will be key to driving people to engage with the luxury department store in the future:

01

Personal
People are increasingly looking for services that are tailored to their in-the-moment needs with idiosyncratic and personal touches to transform service interactions into genuinely unscripted experiences.

A store should answer an intimate and intricate need

02

Purposeful
Younger generations have new markers of success and a new sense of what authenticity means to them. While history and heritage still matter, department stores need to find new ways to communicate more contemporary values that are both innovative and sustainable.

A store should add meaning and deliver a conscious, long-term approach

03

Transformational
Lifelong learning and good physical and mental wellbeing are aspirations, and experiences are becoming more desirable than things. People increasingly want retailers to extend brand encounters beyond the point of purchase.

Stores should help people on their journey of discovery and self-improvement

04

Emotional
People are looking to have all of their senses engaged which means adding more texture to the retail experience to create rich memories and feelings. Music, scent, colour and even taste can help elevate the department store environment.

Stores should provide emotional value and deliver mood-aware experiences

05

Cultural
The department store should connect back to the local values of the area it inhabits and become more like a museum, library or cultural centre, fusing the best of commercial and culture together.

Stores should satisfy a hunger for knowledge and culture

In conversation: The power of design

Simon Mitchell, Sybarite co-founder, discusses delivering thoughtful design at a time of unprecedented change and seizing the opportunities presented by experiential retail. Interview by Victoria Buchanan

Joseph Miami designed by Sybarite. Photography by Justin Namon, RA Haus

Victoria Buchanan: Do you think branding can help department stores to create a defined house style and an awareness of a brand throughout the store?

Simon Mitchell: A 'house' style gives individual retailers within a department store more of a context in which to represent their own individuality among their competition. When something is consistent across many scales (from staff name badges to the building façade, for example) it provides subliminal confidence in that everything feels considered and wrapped around the customer without being forced.

We always try to understand the brand, its DNA and its customer. You have to start by asking the client a simple question: why are they doing what they are doing? What makes them get out of bed in the morning to do what they do? That answer ignites a thread or seed of something that we build upon.

VB: As more people look for experiences, how can product merchandising in department stores take visitors on a journey of discovery?

SM: People will come if the offer is right and the experience is good. I believe that design and buildings have a soul, and good visual merchandising plays a vital role in this recipe. Bad visual merchandising can kill a great design just like bad lighting can stop a potential sale. We work very closely with our clients and their VM teams to ensure the offer is presented to its full potential.

From the logo to the weight of the door handle and the button you push on the lift, it all makes the customer feel wrapped up and immersed by the depth of detail and curation of the brand

VB: One of your guiding design principles is lighting. How can you use it effectively throughout the department store to highlight and enhance products and create an ambience?

SM: A well-lit product is already 50% of the design challenge. If the product looks great and is highlighted well with focus lighting and not-too-strong ambient lighting, the customer will be drawn to the product.

For us, that means always thinking in a three-dimensional way. By that I mean the space, the floor, the ceiling, the walls, the materials, the lighting and, most importantly, the product. For example, a shoe store shouldn't have a blazing, cold light with too many reflective hard surfaces, as this creates an environment where the products get washed out and they lose their inner energy. You really need to create light and shade with highlights. This is where materiality and the shape of the space must work hand in hand with the lighting.

"When something is consistent across many scales, it provides subliminal confidence."

Simon Mitchell, Co-founder, Sybarite

Marni's store in Aoyama, Japan. Photography by Nacasa

"Colour association can stretch the limits of the mind with subliminal design coding."

Simon Mitchell, Co-founder, Sybarite

Marni's iconic store on London's Sloane Street. Photography by Richard Davies.

VB: What about colour? What is its role in store design, branding and packaging?

SM: Colour, just like lighting and materials, is so important. Think of Harrods and you immediately think of British racing green. Think of Tiffany and you think of that lovely duck-egg blue. Colour association can stretch the limits of the mind with subliminal design coding.

How does Sybarite approach this? Take the Marni Store in Sloane Street. At its London flagship store we referenced the English St George flag and the London bus, the telephone box, the post box, cream teas, strawberries and cream... all very English (red and white). We applied this colour philosophy to this particular store but each of the Marni stores has its own cultural references and each stands apart from the other, while at the same time resonating with the brand so much that you don't need a logo on the door.

VB: Cultural awareness is also becoming more important in designing a landmark destination. How can department stores use design to reflect back local culture in an authentic way?

SM: What is important here is that the customer no longer appreciates the cookie cutter approach. Customers are well informed and travelled; they do not want to see the same store in Tokyo as the one in London, Paris or New York. The stores in different cities may hold the same collection, but the experiences should be curated with the local customer in mind.

As retail architects, it is more important for us to connect the cultural and local codes into our designs so that they resonate with both the local consumer and the well-travelled international customer. Locally sourced materials and craft aesthetics, native to distinct regions, can be incorporated into architectural builds and retail concepts in a show of respect to the heritage of that area. In addition, brands should be stocking exclusive pieces that help differentiate the experience.

Methodology

We carried out this research to answer the question: What makes a unique and iconic luxury department store?

Our approach to evaluating luxury department stores combines quantitative and qualitative research. For the purposes of this report, we have defined department stores as a type of general retail store, in which the retailer displays products within distinct departments, often located on separate floors, specialising in defined product areas. Luxury/premium positioning is based both on price positioning and consumer perceptions of retailers.

The hard metrics
A. GlobalData analysed department store market data, which has been calculated using a combination of GlobalData's existing consumer and market data and secondary sources, such as trade association data, national statistics data, and other official government information.

B. We assessed the sales per square foot of each store. We also took into account online sales in order to reflect a total retail approach to shopping in which online and offline influence each other.

C. This report only includes full-line department stores and excludes smaller concessions, such as airport stores. Where department store operators trade from smaller concession stores, these typically represent an extremely small proportion of their overall sales.

It is important to note that some of the data contained within this research has been modelled by GlobalData based on assumptions and estimates. For any queries relating to these estimates, please contact GlobalData at clientservices.consumer@globaldata.com

Expert interviews
A. We spoke to retail and luxury experts and asked them questions such as what luxury means to them and which stores deliver strong cultural awareness and customer experience.

B. We also asked them to prioritise the trends that we've identified in our desk research, based on their relevance for each luxury department store.

We believe the approach taken in our evaluation provides a clear view of current and future luxury department stores, and the importance of design in relation to each.

Glossary

AI (artificial intelligence)
Computerised systems that automate tasks that would normally require human intelligence. Applications include online customer service chat bots, check-out free purchasing and delivery robots.

Augmented reality
Immersive technology that enhances the shopping experience digitally. This could be a smartphone or 'wearable tech' app that allows shoppers to 'try on' clothes virtually, visualise new furniture in their home, or see images of models wearing selected outfits from the product range.

Authenticity
Delivering a consistent message that's true to your roots and your brand values, and not trying too hard to be something that you are not.

Baby Boomers
The generation born between the end of the Second World War and the early 1960s when there was a marked population growth. The group is often described as being wealthier, healthier, more active, and more consumerist than any generation before them.

Contextual data
Information about a person's preferences, details and consumer habits, taken from various sources, that can help personalise the shopping experience.

Cultural awareness
A store with a high cultural awareness has a connection with and respect for local culture and is part of the fabric of the city in which is resides, often becoming a tourist attraction in itself.

Curation
A careful selection of brands and products that fit with the store's identity and that appeal to the target customer.

Dwell time
The number of times a customer visits a store, a department, aisle, or a product, and the time spent there.

Edit
A highly curated selection of products and brands, including only what complements the customer's values and preferences.

Experience economy
The phenomenon of consumers spending on experiences rather than product.

Generation Jones
People born between around 1954 and 1964. Born later than the Baby Boomers, they are considered to be more pragmatic and 'middle-of-the-road' in their approach to life. They are more digitally savvy than the previous generation, but also happy to unplug and go offline.

Generation Z
The generation born between 1997 and 2005, which means 13 to 21 year olds (in 2018). They are completely at ease with digital technology and use it constantly. They have never known a world that isn't online.

Hyper-personalisation
Using data in a highly advanced way to personalize customer communications, campaigns and services. For example, using real-time browsing data to target a potential customer with a tailored online ad campaign.

Luxury department store
GlobalData defines department stores as a type of general retail store, where the retailer displays products within distinct departments, often on separate floors, specialising in defined product areas. Luxury/premium positioning is based both on price positioning and the consumer perceptions of retailers.

Millennials
The generation born between 1981 and 1996, which means 22- to 37-year-olds (in 2018).

Multi-brand
A store that sells products by more than one brand, e.g. department stores.

Retail theatre
Creative, artistic or dramatic concepts, experiences and in-store designs, which appeal to the senses and make shopping fun.

Sales per square foot
In addition to total annual sales, this report includes reference to rankings by sales per square foot. This is a measure used to understand how productive the space is at each of the luxury/premium department stores. We take the overall annual sales and calculate how much each store sells per square foot of space (including online sales).

Total retail
Retail as a holistic experience, regardless of channel.

Wellbeing
The new luxury status symbol. The pursuit of good physical and mental health, through activities such as yoga, meditation, healthy eating and exercise, delivered by services such as spas, salons, gyms, personal trainers and nutrition experts.

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