The Sybarite Report 2019

THE FUTURE OF LUXURY RETAIL

SYBARITE

Foreword

by Simon Mitchell & Torquil McIntosh, Co-founders of Sybarite

Successful luxury retail experiences that are out of the ordinary are the holy grail for everyone involved in the sector. Just what defines that elusive encounter and transaction is something everyone, from LVMH to the smallest boutique, is trying to understand right now. What is luxury these days, how does it apply to retail and how are retailers adapting to new, ever-shifting realities?

At a moment of political uncertainty, there are more challenges than ever. Companies that don't innovate and deliver what the increasingly media savvy consumer wants are closing down while the growth that Asia (and China in particular) has seen means the East has now established itself as the market to be reckoned with. The Middle East, meanwhile, continues to challenge the status quo with more museums and cultural buildings opening to attract increasing numbers of visitors.

As we produce this report, our second to date, what luxury retail will look like by end of this decade is up for debate. We've tried to understand the ever-evolving definition of luxury retail in general, including how the department store continues to be relevant, and how the lines between commerce and culture are steadily blurring with hospitality. We've tried to analyse what it is that still makes people go shopping in beautifully designed spaces rather than sitting at a screen.

While the notion of luxury continues to morph in different markets, one thing is clear: both individual brand stores and department stores alike are seizing every opportunity to create more immersive and even "Instagrammable" environments to draw customers into their stores.

In addition to the fast-changing pace of technology and the fickle world of social media, the slower, but increasingly powerful, shift towards sustainability is also playing a bigger part across the retail spectrum. As architects, the break-neck speed of these developments is as thrilling as it is challenging. It requires brands to look beyond the four walls of a space and to put their audience centre stage, to electrify each and every one of their senses. Today, a store should be just as much a symphony for the ears and as spine-tingling to the touch as it is a feast for the eyes.

For Sybarite, these are the spaces that we truly thrive on. We believe in human engagement, created not least by inspirational environments. We believe in storytelling and buildings that have great narratives, be they a department store, a mall or a boutique. This is deeply ingrained in how we create immersive, meaningful architecture that brings a brand's culture to life and helps it engage with each and every user in an intimate way.

This year's report highlights the evolution of luxury retail to incorporate this human experience. We see that brands are no longer the authoritarians of old, dictating their mantra to the masses. We are now in the age of conversation; the age of the immediate; the age of social media making and breaking brands' reputations.

Through the pages of this report, we explore the new, the not-yet-new and even the old to paint a picture of the luxury retail landscape of 2019 to help centre our gaze as we look to the future of design.

Torquil McIntosh (left) and Simon Mitchell (right). Photography by Julian Anderson.

Executive Summary: What's in Store

by Yolanda O'Leary, Brand Consultant

"What we are seeing now is the luxurification of human engagement."

Milton Pedraza, Founder & CEO, The Luxury Institute

In this year's report, our second edition, we have set out to explore the wider universe of luxury retail, the highs and the lows, with an emphasis on the experiences helping the physical space compete with rising levels of frictionless and seamless digital engagement.

In collaboration with GlobalData and our network of experts, we have analysed the key global luxury trends and emerging markets as well as the world's top 20 luxury department stores, taking into account the key challenges and opportunities they face in providing a shopping experience fit for the 21st century.

Last year we saw that innovation, conviviality and sensory design were helping retailers fight back against big-box saturation. As luxury consumers continue to shift away from conspicuous consumption and demand new levels of escapism, this year we've seen a further shift towards creating a more intimate connection with the customer and a spike in spending on experiences such as leisure travel and dining.

Despite technological advancements and the hyper-convenience it is affording luxury shoppers, the need for digital disconnection and human connection has never been more important.

Wellbeing and sustainability is continuing to grow in importance as luxurians seek out and spend on sustainability and personal betterment. Simplicity, nature, spirituality and taking time to switch off from the everyday is increasingly defining a new approach to life that is rooted in self-optimisation.

Indeed, human touch and self-development is becoming the future of luxury experience. Milton Pedraza, the chief exec of the Luxury Institute, captured this sentiment in a recent piece for the *New York Times*, saying, "What we are seeing now is the luxurification of human engagement."

With 74%[1] of consumers now saying they would be more loyal to a business that gives them the option to speak to a human rather than businesses that rely solely on digital channels, the need for knowledgeable and engaging luxury services will become the new normal.

This desire for personal is also fuelling a growing desire for local provenance in Asia, where markets such as China and the Middle East are becoming even more sophisticated and demanding. China still dominates and much of this shift is coming from a more nomadic, global mindset that has been fuelled by 20- and 30-something Millennials seeking more immersive and localised retail moments via "neighbourhood"-based brands such as Airbnb, the Ace Hotel and Dover St Market.

"A wave of independent, direct-to-consumer brands created by local entrepreneurs in Asia are changing the game, competing with international luxury brands by reinventing local craft techniques, informed by local practices and ingredients," says Lucie Greene, Worldwide Director of the Innovation Group at JWT.

Indeed, in Asia, it is becoming more important for retail to maintain the balance between local, discovery and destination tenants, with spaces such as SKP in China (positioned second in this year's department store ranking), reflecting a more lifestyle-driven approach to shopping. This is supported by the continued dominance of China, which, despite a slowdown in retail sales in the past year, is still expected to overtake the US as the largest fashion market in the world in 2019[2].

The menswear market is another bright spot in the luxury industry, set to outperform the women's clothing sector across the world by 2020. We expect this trend to drive luxury brands to raise their game in a bid to target the urban Millennial man through wellness experiences and more casual fashion styles fuelled by street culture.

This year, our research shows that luxury brands are rethinking their purpose in order to cater to a more agile luxurian who is adopting an ageless and borderless mindset and looking for a unique and personal, not identikit, experience. In the next decade, luxury will reset its DNA to cater to this next-generation consumer, who cares less about brand and value and is instead measuring the uniqueness of the experience and the emotional impact delivered.

Notes
1. Calabrio and Vt1.GA Consulting study May 2018
2. McKinsey FashionScope 2018

LUXURY MARKET OVERVIEW

By Victoria Buchanan, The Future Laboratory

Global luxury has been challenged to prove it can meet new consumer demands as well as keep up with social and technological change in the 21st century.

Against a backdrop of economic and digital turbulence, the past five years has seen the number of ultra wealthy (UW) consumers increase exponentially[1]. In 2017 the world's billionaires grew their wealth to approximately $8.9trn, its highest level in recorded history.

But cultural tides are turning against the wealthy elite. In Paris, yellow-vested protestors have attacked the stores of luxury players such as Chanel, Louis Vuitton and Balenciaga, which are being held up as symbols of elite corruption.

This collective backlash against the symbols of ostentatious spending is fuelling new anxiety among luxury consumers globally. "You don't want to shop at Louis Vuitton on the Champs Élysées when cars are burning on the street. You don't want to walk around with an Hermès bag when there's a violent protest happening," says Mario Ortelli, managing partner of luxury advisors Ortelli & Co.

Where wealth used to be something the affluent wore proudly, today the wealthy are embracing a more inconspicuous form of consumerism. "Now high-end brands must adapt to a new world view, creating products and services that are more social, accessible and supportive of others" says Chris Sanderson, Co-founder of The Future Laboratory.

> "The new luxury consumer is changing, in a world defined by social media and ubiquitous access, the new luxury is about uniqueness, time and betterment for both individuals and the planet."
>
> Philippa Wagner, 23Lab director at the Ennismore group

Luxury resilience

Despite this growing anxiety around luxury, Bain & Company predicts that the luxury industry will be driven by modest growth in the market for personal luxury goods, which is set to grow between 3% and 5% per year through 2025.

North America continues to command the position as the world's biggest luxury market, but disruption from discounters and failing malls have challenged the sector and challenged brands to reinvent.

The Chinese government's effort in boosting domestic consumption is also showing – from 2015 to 2018, domestic luxury spending increased from 23% to 27% of the total spending[2].

Online opportunities

As digital confidence rises among luxury consumers, they are increasingly looking to social networks and online platforms as a new store window.

"'Is it going to look good in a selfie?' The answer to this question can make or break a modern brand," says luxury brand strategist Ana Andjelic. "And with good reason, too: the way a product is going to be discovered, shared, talked about and bought is today more important than the product itself."

Shopping for luxury goods online now makes up 9% of all transactions in North America and Europe and 6.5% in APAC. Although this number proves that physical retail is still powering the lion's share of sales, digital retail is becoming a critical source of growth and a powerful way to increase brand equity.

MonteNapoleone – one of Europe's most expensive shopping streets[3] – has become the first European luxury district to launch a WeChat official account in order to create a dedicated hub for Chinese consumers and tourists, who will be able to use their smartphones to purchase services and make online payments through WeChat Pay.

Wellness connection

Wellness tourism is also set to become a major luxury growth driver as consumers look to integrate transformative wellness activities into their travel plans. The market is expected to grow by 7.5% a year – faster than the rate of global tourism – into a $919bn market by 2022, according to a report by the Global Wellness Institute and SRI International[4].

"Luxurians are yearning for a sense of simplicity and silence as well as connectivity to their more spiritual selves," says Philippa Wagner, 23Lab director at the Ennismore group. "Luxury is no longer just lying on a beach or a spa treatment, but places that take people on a journey of personal discovery and transformation"

With the average American now spending $199 a month, or about 22% of their disposable income, on non-essentials for themselves, including both traditional "self-care" treats and restorative or luxury experiences, the desire for wellness is also transforming cannabidiol (CBD) into a high-end product[5]. Luxury retail spaces, gourmet dining and branding are elevating cannabis into a covetable wellness experience that is estimated to reach $50bn by 2020.

Tapping into this "new gold rush", department store Barneys New York is already teaming up with several premium cannabis companies to launch a legal dispensary called The High End, while the Ritz-Carlton and Park Hyatt hotels are creating luxury spa treatments infused with CBD beauty products.

Experience economy

Luxury consumers are also shifting their focus from material possessions to the "experience economy" and are seeking services that are engaging, immersive and personalised.

Retail is reinventing itself to cater to this, with Mood Media reporting that 48% of consumers say discovery is one of the top three drivers for continuing to shop in a physical space.

Following on from the 2018 launch of digital platform Clos19, which focuses on selling lifestyle experiences such as wine tastings and travel experiences, LVMH has now announced that it is planning to open a London hotel, spa and luxury flagship store to give customers an experience that goes further than just shopping.

> "Experience is everything that gives a product a context... products on their own aren't that memorable anymore."
>
> Ana Andjelic, Luxury Brand Strategist

Notes

1. https://www.wealthx.com/report/world-ultra-wealth-report-2018
2. https://jingdaily.com/half-of-chinese-luxury-spending-domestic-2025-bain
3. https://www.retailgazette.co.uk/blog/2018/11/new-bond-street-crowned-europes-expensive-shopping-street
4. https://globalwellnessinstitute.org/industry-research/global-wellness-tourism-economy
5. https://nypost.com/2018/07/13/americans-spend-143280-to-treat-themselves

Luxury Trends

How retailers are evolving to succeed in the new world

by Victoria Buchanan,
The Future Laboratory

Above: The Vessel in New York City

Luxury designers are shaking off the tired tropes of sustainability, using virtual hype to build exclusive environments and creating inspirational spaces that allow consumers to indulge in local culture and learning. The following are the six key consumer trends shining a spotlight on the future of the luxury experience.

01

Modernising heritage
In Asia, young luxurians are increasingly looking back to ancient and past aesthetics as inspiration, and they are celebrating traditional rituals and craftsmanship.

With 48% of Chinese Millennials[1] now saying that the label "Made in China" makes them feel a strong sense of pride, brands are shifting from just exporting western design into Asia and pivoting to help consumers to explore their own identities. "International labels are partnering with local Chinese creatives to pioneer new styles and maintain the respect of Chinese consumers," says Nick Cakebread, founder of The Luxury Conversation. "Brands are bringing these partnerships to life through artistic collaborations."

In Shanghai, Gucci is partnering with 30 Chinese artists as part of a two-month exhibition, while the Palace Museum in Beijing has launched a range of six lipsticks inspired by the country's ancient artworks and traditions that pay homage to China's cultural and artistic heritage.

The Earth Library skincare boutique in Seoul also reflects this shift. Inspired by Korea's traditional apothecaries, the wellness spa and store features luxury skincare blended with natural ingredients, based on traditional Korean medicine that dates back to as early as 3000 BC.

02

Cultural collaborators
As brands look to differentiate and define themselves in a globalised world, they are continuing to align further with the cultural fabric of the cities they inhabit through collaborations and installations that provide bespoke experiences in each location.

> "The buzz word is 'community' but it's really about longevity, and finding recurring reasons for people to come to spaces and shop and spend."
>
> Lucie Greene, Worldwide Director, Innovation Group at JWT

New York's most recent development Hudson Yards epitomises this shift, conceptualised as a neighbourhood surrounded by 14 acres of public space and new cultural landmarks rather than just a stand-alone retail mall. To elevate the offer, the space has cleverly borrowed design cues from multi-brand luxury concept stores such as 10 Corso Como and Dover Street Market, deploying site-specific art and fine dining.

Similarly, Coal Drops Yard in London's revamped King's Cross area brings together independent brands that host lectures and workshops. "All of this collectively lends an air of intimacy – or at least, it creates a layer of local authenticity, human connection and energy in what would otherwise be a series of chain stores, which we've seen people will happily forgo otherwise for online shopping," says Greene

In China, the Raffles City shopping mall in Chongqing is also hoping to bring a feeling of intimacy to the urban environment. Set within a cluster of four skyscrapers, the retail corridor will be built like an indoor streetscape.

Notes
1. Foresight Factory https://www.foresightfactory.co/2018/06/19/marketing-to-chinese-national-pride-part-one

03

Brand educators

Luxury brands are also taking a philanthropic approach to connect with the creative talents of cities and indulging a hunger for knowledge and culture through art, music and educational experiences.

Now open on Old Bond Street, the Alexander McQueen store includes a space that is open to both British and international fashion students to study in and create garments. In addition, a series of talks will be hosted in the space along with workshops and rotating exhibitions. "Traditionally, the top floor of a luxury store is very exclusive," says CEO Emmanuel Gintzburger. "Here, we wanted to make it inclusive, breaking the rules and turning the pyramid upside down. Our top floor will be a creative space, where we want design and fashion communities to learn, discover and share."

British fashion house Burberry is also exploring the impact that the arts have on students' development and lives through a new research programme. In partnership with King's College London, the four-year initiative aims to measure the impact that an arts and creative education can have on young students' lives

EARTH Library Showroom at Sogyeokdong, Seoul, S. Korea. Designed by Teo Yang Studio. Photography by Yoon Suk Sim.

04

Branded bites

As the lines between retail, hospitality, entertainment and the lifestyle sectors continue to blur the luxury food and beverage sector has become increasingly tied to a desire for experiences, and luxury retail is making the most of this shift.

"Brands are using food to help boost dwell time and play to the heightened value of sensory experiences you can't get online," says Greene. "Theatrical food experiences and food emporiums are often packed to the rafters on weekends, in contrast to empty stores and malls, because food has become synonymous with culture for consumers."

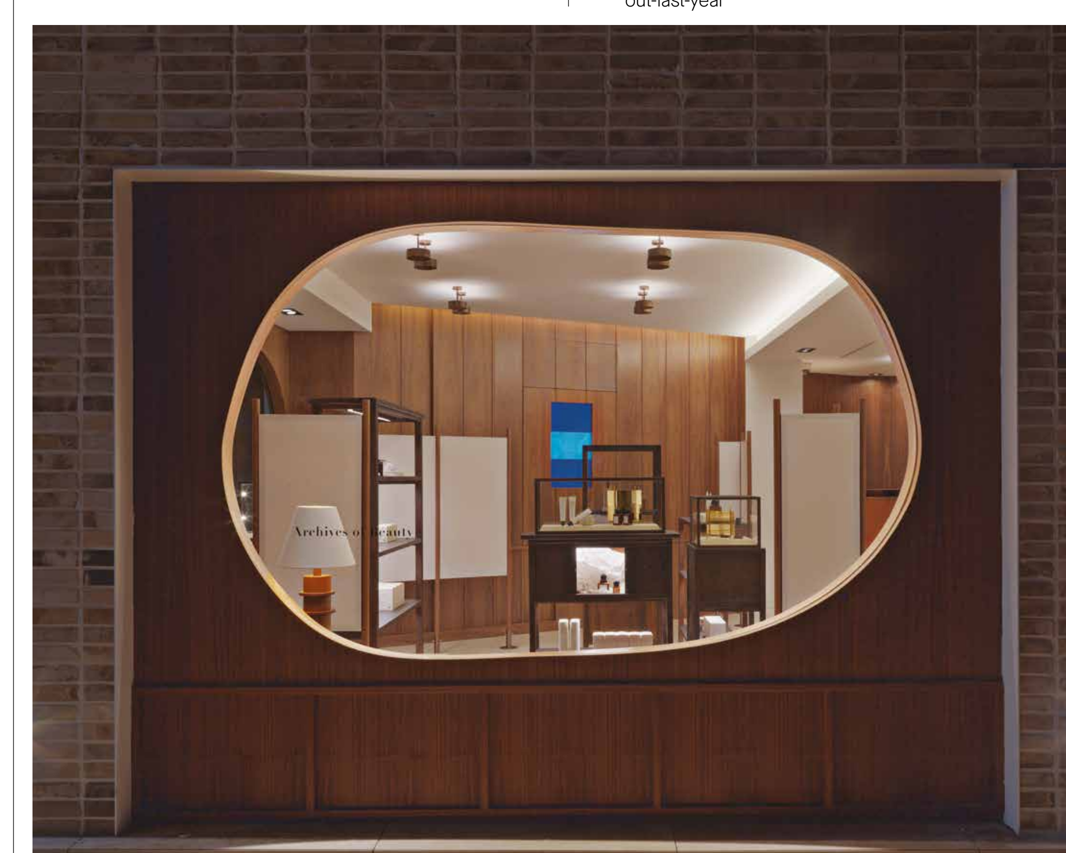
Over the past year luxury retailers have experimented with introducing independent, Instagram-worthy food venues. In the UK, where consumers spend more than £49bn[2] on food and drink purchased and consumed outside the home, Harvey Nichols has opened its 109 Bar and Kitchen; and Liberty has opened Arthur's, marking the completion of the iconic department store's year-long renovation.

Similarly, department-store chain Barneys New York is creating an edible experience for shoppers at its Madison Avenue flagship store through a partnership with Alfred Tea.

> "Brands are using food to help boost dwell time and play to the heightened value of sensory experiences you can't get online."
>
> Lucie Greene, Worldwide Director, Innovation Group at JWT

Notes

2. Kantar https://uk.kantar.com/consumer/shoppers/2018/the-uk-spent-over-%C2%A349bn-on-eating-and-drinking-out-last-year



05

Purposeful luxe
Driven by a heightening environmental and social awareness, luxury consumers are turning to brands and business to counteract a growing feeling of ecological anxiety. In the last year, luxury retailer Lyst reports that it has seen a 66% increase in searches for "conscious" fashion labels, which includes sustainability related keywords such as "ethical" and "vegan".

"In the next 10 years, a collective backlash against ostentatious spending will force luxury brands to rethink their products and services to be more mindful, responsible and conscious," says Chris Sanderson, Co-founder of The Future Laboratory.

Already proving that sustainability and high design can coexist and appeal to a luxury consumer, Stella McCartney has vowed to stop selling products made from python, alligator, lizard and crocodile skin. Instead she is focusing on investing and developing innovative bio-materials, including a genetically engineered silk that is vegan-friendly and produces far less pollution.

Luxury department store Selfridges is following in her footsteps, introducing five new brands as part of its Bright New Things project to promote sustainability and prove that ethics can be synonymous with stylish design. Similarly, The Conduit in London, a new luxury members' club with a social purpose, is bringing together sustainable fashion and beauty brands through a pop-up shop.

Eye/LOEWE/Nature collection, shot by Kuba Ryniewicz on British actor Josh O'Connor

> "Luxury today is more democratic. While it still comes at a cost, that cost is now more closely aligned with knowledge and access as opposed to cold, hard cash."
>
> Jian DeLeon, director Highsnobiety

06

Virtual exclusivity
Luxury brands are turning to the hype model made popular in streetwear to create and build a sense of digital exclusivity. "The paradigm is shifting from exclusivity to inclusivity," says Jian DeLeon, editorial director at Highsnobiety, which recently published its first new luxury report. "Once a form of de facto elitism, luxury today is more democratic. While it still comes at a cost, that cost is now more closely aligned with knowledge and access as opposed to cold, hard cash."

Nike, which was named as the third most important luxury brand in Highsnobiety's report, is one brand experimenting with this new form of digital access, opening a new virtual store where shoppers can only access limited edition items once they have earned credits from a previous purchase. The 360 degree website acts as a digital storefront, allowing visitors to shop the latest range through an "influencer avatar" that acts as shopkeeper behind a virtual counter.

Another new platform called Ntwrk – dubbed QVC meets Comic-Con – is a new player that wants to redefine commerce's modus operandi by melding TV, retail and convention culture.

THE ART OF SEDUCTIVE RETAIL

by Deyan Sudjic, Director, The Design Museum

"There is every sign that the creative art of retail theatre is still flourishing."

Below: Dover Street Market – Simone Rocha Permanent Space. Courtesy of Dover Street Market.

Given just how much retailing has migrated to Instagram and other online honeytraps, it's clear that if the shop is going to survive at all, it must persuade people to switch off their screens and offer them the kind of experiences that the digital world cannot match. Most likely that will mean concentrating on what great shops have always been best at: putting things that you can't see anywhere else on show in spaces that make you feel good to be in, and which make the merchandise look wonderful. All that, and having the people in them who know how to keep their audience entertained and impressed, while also ensuring that they do not pilfer the stock.

If retailers can't do all of those things, then they are doomed. Rem Koolhaas, the Pritzker Prize-winning Dutch architect who has been working for Prada for the past 20 years, was way ahead of the game. Long before Apple had started work on the smartphone, which made it possible to order a pizza, call a taxi, meet a new partner or furnish your house with the flick of a finger, he was already anticipating the death of shopping even as it appeared to be in the midst of its most flamboyantly baroque phase. He set his students at Harvard to work on a three-year study of shopping and concluded: "The best metaphor for shopping is that of a dying animal – a dying elephant that in its death struggle becomes completely wild and uncontrollable."

Koolhaas was suggesting that the phenomenon of shopping had swallowed the world, making museums, malls, hotels, casinos and airports all part of one single chaotic whole as the prelude to an apocalyptic Gotterdammerung. Koolhaas should know: he was responsible for designing an outpost of the Guggenheim Museum in the middle of the San Marco-themed shopping mall at the Venetian Casino in Las Vegas.

We can see abandoned, empty malls all across the planet now. In some places they are the victims of over provision. In others they fail because they simply aren't attractive enough. But Koolhaas's firm is still designing department stores, a type that dates back to the early days of the consumer society in the 19th century. Technology may shift the means of delivery, but the essential content stays the same. The novel, the cinema, and the video game have all emerged from technological shifts over the past two centuries. But they are all versions of storytelling, a tradition that has always been an essential part of what it means to be human.

Paid influencers might seem like a product of new a form of social media that has only existed in the last decade, but they can equally be understood as the mutation of the celebrity endorsements that has seen architects and opera singers photographed for Rolex advertisements. Facebook can be understood as a more pervasive form of the early 19th-century newssheets, and fake news continues in the tradition of the 18th-century pamphleteers who were paid by politicians to slander their rivals in the most luridly imaginative of ways. Shops that can offer the same kind of theatrical magic that their ancestors did will have a future, just as publications that accentuate the qualities of paper and print production demonstrate that the book is far from dead. And there is every indication that the creative art of retail theatre is still flourishing.

In the age of consumerism, of which (despite some signs of fatigue) we are all the products, retailing has never been about utility. The department stores which emerged in the 19th century, not long after the first museums to which they are conceptually closely related, served as the public realm. They were places in which the newly affluent bourgeoisie could find entertainment and enlightenment. Their customers could take pleasure in lavish displays and spectacular settings, and have the alibi of the acquisition of essential

“If the shop is going to survive at all, it must persuade people to switch off their screens and offer the kind of experiences that the digital world cannot match.”

goods to protect them from moral censure. Such 19th and early 20th century stunts as the shopping days to Christmas countdown pioneered by Gordon Selfridge or the roof-top golf tournaments organised by Macy's are no different from the startlingly successful Bicester Village Shopping Collection offering space to the Tate Gallery among Gucci, Prada, Ralph Lauren and other luxury brands.

Émile Zola's novels portrayed life in 19th-century Paris and the impact of Hausmann's transformation of the medieval city into an early modern metropolis. His book, *Au Bonheur des Dames*, is set in a department store in the 1860s, one of a fast-modernising Paris's more recent urban innovations that would soon be imitated around the world. The department store was a place in which the newly affluent acquired the tastes of the aspirational classes. They learned what to wear, which fork to use and how to furnish their homes.

Zola introduced his readers to an institution modelled on Aristide Boucicaut's Le Bon Marché store, which still occupies much of the Rue de Sèvres. The store used innovative architecture to create a wildly popular indoor space for the public that summed up modern Paris.

But opposite, the gas-lamps were being lighted all along the frontage of Au Bonheur des Dames […] The machine was still roaring, active as ever, hissing forth its last clouds of steam, whilst the salesmen were folding up the stuffs, and the cashiers counting up the receipts. It was, as seen through the hazy windows, a vague swarming of lights, a confused factory-like interior. Behind the curtain of falling rain, this apparition, distant and confused, assumed the appearance of a giant furnace-house, where the black shadows of the firemen could be seen passing by the red glare of the furnaces. The displays in the windows became indistinct also; one could only distinguish the snowy lace, heightened in its whiteness by the ground-glass globes of a row of gas jets, and against this chapel-like background the ready-made goods stood out vigorously, the velvet mantle trimmed with silver fox threw into relief the curved profile of a headless woman running through the rain to some entertainment in the unknown of the shades of the Paris night.

Humans are hardwired to look for change. Just as fashion makes us look for ways of shocking our predecessors, to switch from excess to restraint, from flamboyant to austere in the way that we dress, so the settings in which we shop change direction. Comme des Garçons famously perfected the polished concrete look in the 1980s and eventually reached the point at which there was exactly nothing on show. All the stock in its Tokyo Axis store was hidden away in concealed cupboards and only brought out on request. Comme des Garçons' edit of Dover Street market could not be more different; it celebrates mess and inconsistency, and has inspired other retailers such as the Korean eyewear company Gentle Monster to go to extremes.

Successful retailers, and the creatives who work for them, understand that and are constantly innovating, looking for new ways to do old things. To tell stories, to use architecture and design to make places that feel distinctive in some way. It is a knowing game, but when done well, it can be enjoyed by consumers, rather than leaving them feeling manipulated. The restaurant receptionist who greets you by name even though they have never seen you before because they have an efficient database in front of them makes you feel warm and welcome. Facial recognition technology used to trigger a personal greeting from an elevator is plain sinister.

Just as the White Cube art gallery in London once seemed transgressive but is now familiar, we find new ways of ensuring that customers pay attention, at the level of the city as well as of the individual store. At one end of the scale, Shanghai Village is the misleadingly named complex at the gates of Disney World that spreads across an area the size of Chelsea in a series of pavilions that evoke an imagined World's Fair that never took place in Shanghai in the 1920s, with Art Deco Americana and Viennese secessionism. It is also the extraordinarily innovative, elegant, sometimes playful, design that Sybarite has achieved for China's most successful department store SKP, the Dadaesque installation art of Gentle Monster and the sensuous austerity of Heidi Slimane's new stores for Celine. It is there in Vittorio Radice's work for the Rinascente department-store chain, seen most recently in the company's new store in Rome, Rinascente Tritone, built over its own authentic classic ruin. These are all spaces that are about a sense of place. Some are places that we would like to reflect who we are; others are places that we experience to find out who we really are.

Above: Gentle Monster flagship, Shanghai

THE DIGITAL DANDY

*by Nick Compton, Senior Editor, Wallpaper**

Last year, and to much excitement, Matchesfashion.com opened a multi-tasking new emporium in London's Mayfair. It was the latest example of what might look like a counter-intuitive investment in bricks and mortar retailing by a successful e-commerce operation. And Matchesfashion is successful to the tune of a £1bn-plus valuation. Housed in a five-storey Queen Anne pile opposite the Connaught hotel in London, the store houses huge private shopping suites and a sales floor given over entirely, in the very short term, to single brands – a space to present collections exclusive to the store but also to experiment and play. It also houses a courtyard garden, event space and fully equipped podcast studio. Matchesfashion uses it to host talks, small gigs, pop-up restaurants and even yoga classes, much of it streamed live, when appropriate.

For Matchesfashion, the investment wasn't counterintuitive at all. It was all about the experiential hit and about building the brand community – the flagship store as friendly clubhouse. Of course there was technology (and smart use of data gathered on the website) but it was subtly employed. Inevitably it was declared a model of the store of the future.

Just a short stroll away is Dunhill's Bourdon House, an even grander pile and another example of flagship store as multi-service social space. Mayfair's only detached mansion offers a barbershop and spa, a cellar bar and restaurant and a 12-seater cinema as well as presenting the Dunhill collection in a thoroughly aristocratic environment (the store used to be home to the Duke of Westminster). The Bourdon house store though is now a decade old. In many ways, retail's new model – the store as experiential showcase (while e-commerce handles the heavy lifting sales wise) – is a perfect fit for more traditional menswear retailers. The finer tailors and outfitters have always traded on a certain intimate "clubability", offering a place of gentlemanly retreat, rest and a bit of a gossip while having fittings or sifting through swatches.

Back in 2012 gentleman's outfitter Hackett opened its concept store in London's Spitalfields. The tweed, taxidermy and wood-panelling are all there, as it to be expected, as is an in-store branch of the Murdock barber-shop chain. (There are now Murdock branches in three of the Hackett stores. It's a smart but simple solution for driving footfall. Getting a haircut or wet shave is not yet something you can do online.) There are also billiard tables and a downstairs lounge.

Last summer the tailor Timothy Everest, recently departed from his eponymous brand, opened the first store for his new MbE operation in an old Victorian pub just across the road from the Hackett store. As well as offering a bespoke and made-to-measure tailoring service – even for jeans – the store also includes a café and space for yoga. Over in Mayfair meanwhile, Richard James, the tailor most responsible for the modernisation of Savile Row, has added a bar and lounge to his Clifford Street store.

It's also worth noting that the clustering of the smarter sort of menswear stores, often in more "neighbourhoody", off-the-main drag patches, from Spitalfields in east London to Lamb's Conduit Street in Clerkenwell to Beak Street in Soho, seems to be accelerating. While digital stretch means you can welcome and embrace customers wherever they are, physically pulling them into stores requires collective effort. And Everest and others are now internalising that group appeal, bringing other brands – gap-filling, carefully selected and consonant – into their stores; from Norman Walsh trainers, made in Bolton, to Japanese denim in Everest's case. Thom Sweeney has bolstered its tailoring service with shoes by Crockett and Jones, spectacles by Moscot and luggage by Troubadour at its Mayfair store, again surrounded by grown-up boys-club comforts.

Ralph Lauren, meanwhile, has taken brand co-operation to another level. Over the past few years, streetwear brands such as Supreme and UK label Palace have had customers – mostly obsessively loyal young men – queuing round the block, desperate to get their hands on the latest product "drop". These brands have upended the traditional model of lumbering seasonal updates, instead "dropping" limited-run new lines – often collaborations with other brands – constantly throughout the year. Last year's Ralph Lauren and Palace got collaborative, generating much excitement and announcing that streetwear and "drop culture" were being assimilated into the mainstream.

Top: Nordstrom NYC W. 57th St. Store Facade. Middle: Men's Grooming at Nordstrom Men's Store NYC, photography by Connie Zhou. Bottom: Rapha – courtesy of Rapha

The US chain American Eagle, which riffs on Ralph Lauren's preppy casualwear model, is also adopting new Gen Z-friendly retail methods. Last year it took a stake in Las Vegas sneaker specialist Urban Necessities and added a 19,000 ft² pop-up for the brand in its Manhattan store. On a more prosaic, though possibly more prescient, level it also introduced Style Drop, a new subscription-based rental service.

New York also saw the arrival of Nordstrom's first standalone menswear store last year. The luxury department store insisted that men have proved less enamoured of internet shopping than women, so opening a dedicated menswear store made sense. And the 47,000 sq ft standalone outlet ticks a lot of the right boxes, digital and physical. It stocks 200 brands, including (at launch) a Comme des Garçons pop-up as well as a space for cult sneaker reseller Stadium Goods.

It also offers all sorts of omni-channel conveniences, including the Reserve Online & Try In Store system, which lets consumers choose up to 10 items on Nordstrom's website and find them waiting in the dressing room. A Nordstrom app allows shoppers to order a drink to the dressing room, and self-service return kiosks mean items bought online and in store can be scanned and dropped off. Digital screens in the suit department also allow shoppers to scan fabric swatches and customise their orders on screen. The store offers a 24-hour click and collect service, perfect for the harried business traveller in need of a fresh shirt for that 8am meeting. Personal stylist appointments can be booked via Nordstrom's e-commerce site. There is also a Clubhouse on the second floor and a coffee bar on the lower ground floor.

How far the more traditional menswear retailer can or should adopt these kinds of tactics is open to question. But it's clear that comfortable armchairs and digital doodads and distractions won't save you if you're not offering product and services that people want.

The British shirtmaker Thomas Pink, now Pink Shirtmaker London and part of LVMH's stable of luxury thoroughbreds, is being relaunched with a radical rethink of its retail MO. The pinned down shirts-in-cellophane-in-cubbyholes retail model is definitely out. "The product, especially the shirts, is the focus of the new store concept," says Adrian Condina of architectural practice Sybarite, which is working with Pink on the retail redesign. "We want the shirts to tell the story of the brand, and being displayed simply and beautifully amongst a rich backdrop will encourage both current and new customers to appreciate the refinement of the collection."

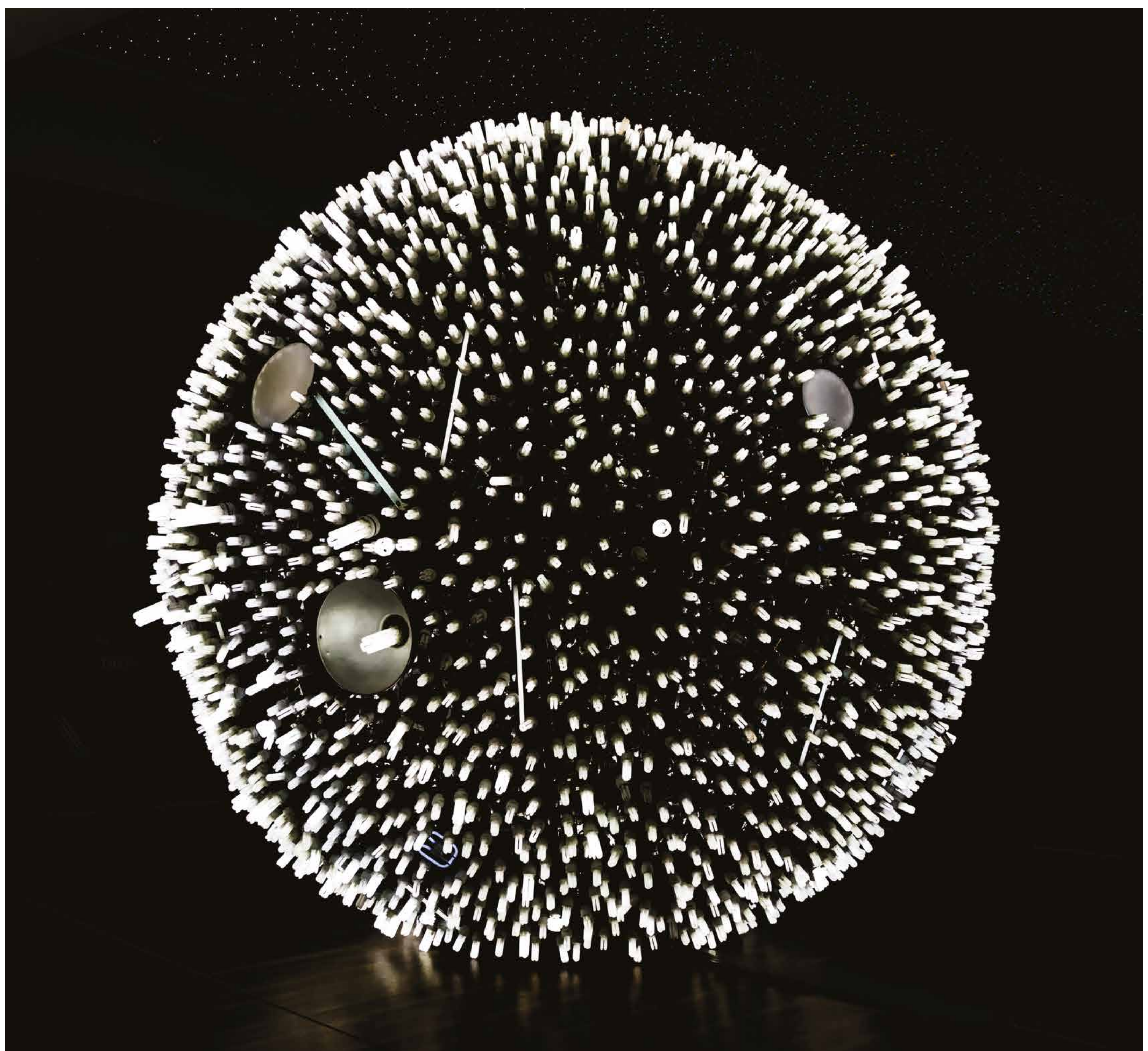
Of course, the contemporary dandy is probably as concerned about cutting a dash while running or cycling as in the office or bar. Rapha, launched in 2004, has now established itself as a sort of Lycra Paul Smith with an almost religious following among MAMILs (middle-aged men in Lycra). Smith, a famously keen cyclist, clearly missed a trick in not launching his own two-wheeling line. As well as hitting a sweet spot with elegantly understated but technically-proper cycling gear, Rapha has also proved itself an extremely smart retailer opening 22 stores, or clubhouses, in 13 countries. As the name suggests the stores are more café and social hub than retailer. There is a tacit acknowledgment that most customers will do their shopping online while the store is a place to watch races, meet for Sunday rides (the Rapha Cycling Club now has 13,500 riders) and swap gear talk with fellow cyclists. And where Rapha does get digital, it does it in what feels like a wholly organic, customer-focused way. It has just launched an online service that allows cycling clubs to create their own Rapha kit, choosing from different colour combinations and uploading their own logo design. Rapha is a brand that mixes digital smarts, applied in the right places, with gear-filled rabbit holes (and men love rabbit holes) and has created a club that people want to belong to, that they build their identity around. As a model for modern menswear retailing, it has serious legs.

HOW TO SHOP IN THE FUTURE

by Tom Cheshire,
Author and Asia correspondent,
Sky News

"Asia is already leading the way: the five largest malls in the world are all on the continent, based as much around experiences as commerce."

Below: Artificial Moon installation in K11 mall, Hong Kong.



"Little sweetheart" is a 20-year-old woman who lives in a small village in Henan in central China. Seven days a week, five hours a night, she and her little sister try on clothes in front of a camera. They chat and they joke, and they stream it to Taobao. A million people watch each night, sometimes two million. And they buy the clothes they see on their phones. Beneath Little Sweetheart's studio is a warehouse, where 60 workers pack and send merchandise on its way. She and her husband manage the whole operation, and bring in about $2m a month.

Livestreaming is a phenomenon in China. Venture capital firm Kleiner Perkins estimates it's already the number one source of revenue online in the country, ahead of mobile games, videos and television. This isn't just QVC 2.0; livestreaming mashes up e-commerce, social media and entertainment, and it offers some clues as to how we'll shop in the future.

Little Sweetheart's approach is improvised, hacked together, and very effective. By cutting out the middlemen, she not only keeps costs down but also reacts much quicker to customers' changing tastes.

But it works at the high end too. Live streams of fashion shows are popular and on Single's Day (a wildly popular festival created solely for online shopping) Alibaba, which owns Taobao, broadcasts a "See Now, Buy Now" show with brands such as Burberry, Adidas and Gap. ShopShops (a start up) does something different: its team visits bricks and mortar retail stores in the US and livestreams the stock as they try it on. The orders roll in, they buy the goods then ship them to China. It's an interactive retail experience, with comments and questions from users – a lot like going shopping with friends, but all on the consumer's mobile phone screen. Its VIP clients spend $5,000 a month.

Combine livestreaming with other emerging trends and technologies and you can start to see the store of the future. AI will trawl customers' buying and search histories, to suggest new products. Augmented reality (AR) puts those products into your world: Taobao Buy displays 3D holograms inside your home. Ikea's Place app, meanwhile, does a similar thing for furniture.

Virtual reality (VR) will make it even more immersive: Alibaba has already experimented with VR, letting customers walk around Macy's and buy items. The retail giant recently collaborated with iStaging, whose product lets any real-world store quickly render its physical premises in VR and put it on Taobao.

However, the human connection is still vital: Ruhan, backed by Alibaba, is a finishing school for influencers with a twist. The company builds huge followings for relatively unknown vloggers, then, with the following established, creates products to cater to their specific audience.

That doesn't herald the end of the real-world store. Instead, we will see a blurring of the offline and online worlds – what Alibaba founder Jack Ma calls the "New Retail". Both Amazon and Alibaba have pioneered real-life stores that, thanks to surveillance and facial recognition, let shoppers wander in and pick up what they want without having physically to get their wallets out. A company called MyStore-E offers software that automatically detects a shopper's gender, age and dress sense from video cameras. As the technology improves, AI will be able to sense customers' emotional states and combine that with their online and offline purchase history, and offer recommendations. Neurons Inc is a Danish start-up that promises "access to customers' minds" by "using neuroscience to measure, predict and affect choice". In the real world that means using eye trackers and electroencephalogram brain monitors to create "heat maps" of customer attention in store; its clients include Google, Lego and Ikea.

For now, that information will be delivered to shop assistants' phones. But soon enough those assistants will be robots. Lowe, the US DIY store, trialled its Lowebot in 2016. It trundled around offering answers in different languages and helping customers find products in store while monitoring inventory in real time. Next they'll fetch a customer's orders: Walmart filed a patent for drones that will fly to the backroom storage warehouse, pick up your item and deliver it back to you.

AR and VR are both being applied too in the real world: Tommy Hilfiger's London flagship store features interactive mirrors that suggest other clothes and accessories to match the ones you're trying on. Adidas created a mixed reality fitting room in Hong Kong to let its customers try clothes in winter conditions, with audio, visual and temperature all being adjusted in the room. The next step is turning mixed-reality into full-reality. Once you've chosen a customised outfit in your AR booth, 3D and 4D printers will have the physical thing ready in minutes.

With individual shops packing so many smarts, the role of the shopping centre and department store becomes even more important. The Dubai Mall may be the largest in the world but Asia leads the way. Five of the largest malls in the world are all on the continent and are based as much around experiences as commerce. The K11 malls in Hong Kong and Shanghai and Parkview Green in Beijing both include high-end art in their buildings – a concept described by K11 as "museum retail". At SKP in Beijing, design and architecture is part of the shopping experience. Others are going down the same route: the Cirque du Soleil acrobatic troupe plans to open its first centre inside a mall in Toronto this year. And Westfield showed its own vision of the shopping future, called "Destination 2028", a "hyper-connected micro city" with an emphasis on health and wellness.

That high-end, luxury vision is a long way from Little Sweetheart's self-run operation in Henan. But, amid this abundance of technologies, the trick is in throwing it all together into something meaningful for customers.

Luxury Department Store Ranking

by Yolanda O'Leary, Brand Consultant

"The highest ranked retailers are all benefiting from their pro-activity in investing in their stores, helping them to offer differentiation and unique shopping experiences".

Joseph Robinson
GlobalData Retail Consulting Director

GlobalData and Sybarite have partnered again to identify the most unique and productive luxury department stores in the world.

As stores with outdated value propositions continue to decline, our analysis of the top five luxury department stores (when ranked by sales per ft^2 in 2018, including online sales), offers a window into what retail reinvention should look like.

Top five analysis
Harrods, SKP, Le Bon Marché, Selfridges, Liberty remain the top five most productive stores. What makes them so successful?

According to GlobalData retail consulting director, Joseph Robinson, "The highest ranked retailers are all benefiting from their pro-activity in investing in their stores, helping them to offer differentiation and unique shopping experiences. This is particularly important against the backdrop of the relentless rise of online penetration, and the increasing focus among luxury brands on going alone with standalone stores."

SKP Beijing was a new entry to the luxury department store market last year, ranking in fourth place, and, with the opening of SKP Xi'an in May 2018 , SKP now ranks second, with annual retail sales per ft^2 hitting $1,997.

China represents a significant growth spot in the global luxury department store landscape, and SKP has capitalised on the opportunity by opening a carefully curated destination in a second tier city in a bid to attract local luxurians with a blend of international and local brands and lifestyle experiences.

Meanwhile, the European stores have all continued to benefit from an influx of high-spending international travellers. More than 6.3 million Chinese travelled abroad this Lunar New Year, with Chinese Millennials flocking to popular destinations such as London, Paris and Milan[1].

Harrods has held on to the top spot in the ranking, driven by its focus on investing in tradition and experiential services – factors that are difficult to replicate online. This helped it to grow sales by 6.8% to just over £2.1bn, during the year to 3rd February 2018.

The Knightsbridge store has redeveloped around 125,000 ft^2 of its space in the past year, with a further 60,000 ft^2 of developments currently underway in its menswear floor and beauty hall. The retailer has also launched a new editorial strategy and continued to invest in its digital services, announcing a partnership with Farfetch Black and White Solutions which is set to enhance its e-commerce offer.

Robinson explains, "Department stores need to think outside the box and take risks to encourage consumers to visit. Selfridges is a great example of a retailer that is not afraid to be bold and different, creating an immersive in-store experience. Selfridges' The Anatomy of Luxury series, housed in its Corner Shop space, is a weekly pop-up stocking archive collections, collaborations and exclusive or limited edition products. It helps pique shoppers' interest, creates a reason to visit every week and cements Selfridges' reputation as a key shopping destination".

Selfridges and Liberty have continued to innovate by elevating their food and beverage offer. Both have seen strong growth in recent years, with Selfridges posting an 11.5% sales uplift during the year to 5th February 2018, and Liberty growing sales by 8.1% during the year to 3rd February 2018. In 2018, Liberty opened Arthurs, a new restaurant that pays homage to its Arts and Crafts roots, while Selfridges opened Brasserie of Light, an all-day brasserie designed by Martin Brudnizki.

In the past year Le Bon Marché has refurbished its children's department and continued to establish its position in the luxury e-commerce market. In 2017 Le Bon Marché expanded its loyalty programme 24 Sèvres into an online e-commerce platform and now it is responding to consumer appetite for new ownership models by partnering with luxury rental service Armarium to offer customers the opportunity to rent spring/summer 2019 collections pieces at Le Bon Marché stores.

What still 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, or the appeal of the buildings and store environments.

Ones to watch
So what can we expect for next year? While department stores have been incredibly challenged, new multi-brand retail formats are emerging that bridge the gap between digital-first products and physical spaces.

Neiman Marcus is tapping into this with the launch of its 250,000 ft^2 flagship in at the new Hudson Yards development in New York, while Parisian department stores are also re-calibrating and trying to carve out a niche. La Samaritaine is expected to reopen as a department store, hotel and office space by early 2020, and Galeries Lafayette is investing in the launch of a new retail laboratory.

Notes
1. https://www.voguebusiness.com/consumers/chinese-new-year-tourist-spending-italy-gucci

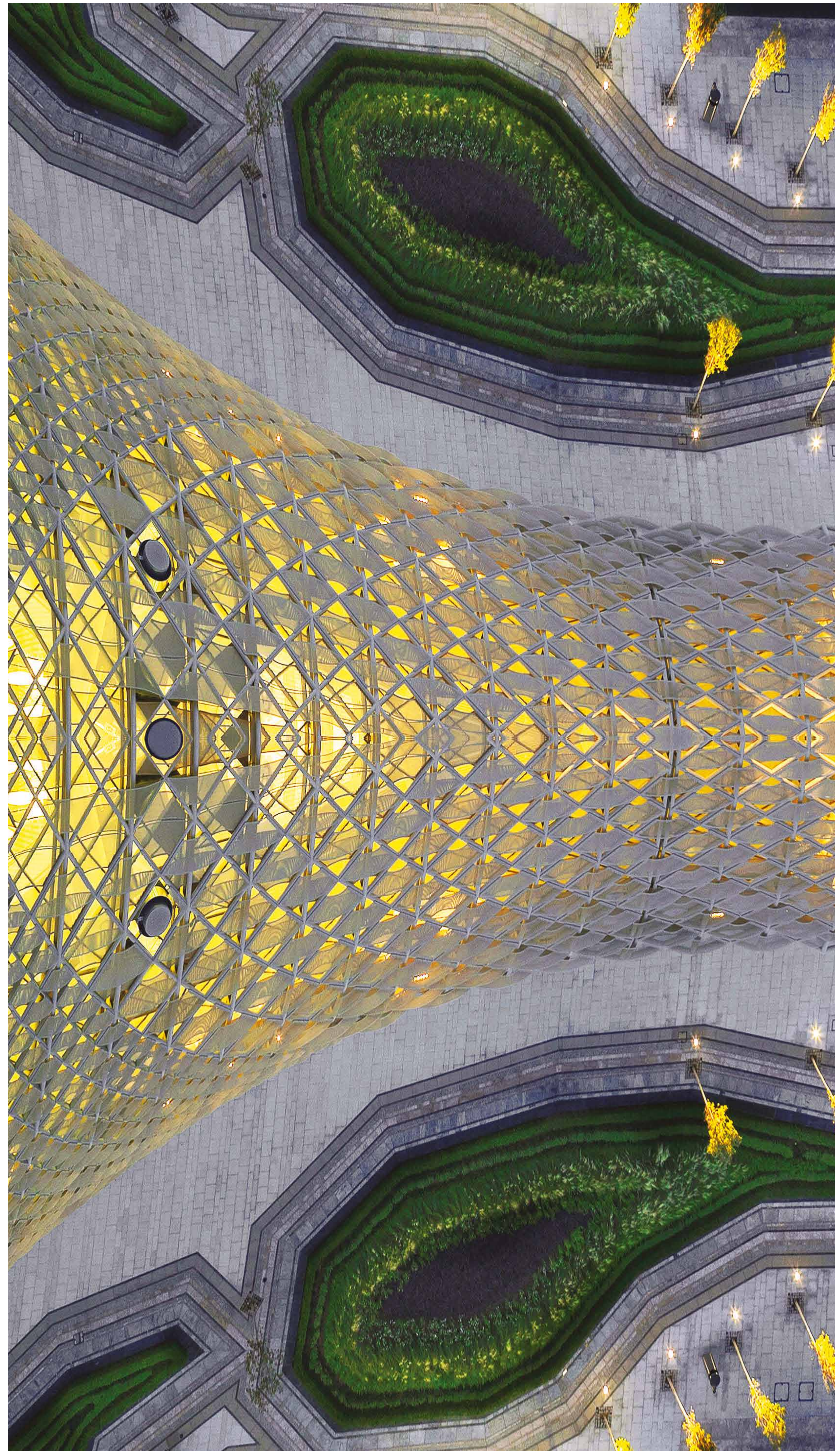
The Top 20 Ranking

Our analysis of the top luxury department stores, when ranked by estimated sales per ft², 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 ft² 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.

SPOTLIGHT ON: UAE



by Louise Nichol, Former editor-in-chief of Harper's Bazaar Arabia

Left: The Galleria on Al Maryah Island, Curved steel and glass.

On a balmy night in March 2019, at a party held under the dazzling Burj Khalifa in Dubai, the 25-year-old Chinese art collector and Co-founder of Beijing's M WOODS museum, Michael Xufu Huang, was feted for a collaboration which saw $5m-worth of art by the likes of Andy Warhol transported from the Chinese capital to the United Arab Emirates and exhibited across seven pavilions in The Dubai Mall, the most visited mall in the world.

Open for six weeks in March and April, the exhibition turns the usual relationship between corporate sponsor and artistic endeavour on its head by bringing art to the beating heart of commerce.

"I felt that the idea of a collaboration between a retail centre and a museum might not be totally possible," says Patrick Bousquet-Chavanne, CEO of Emaar Malls, the developer of 4.5 million ft^2 The Dubai Mall, "and yet here we are being able to celebrate contemporary art that's multi continental, multigenerational. Can a commercial centre really welcome art? The answer is yes. Can consumers of multiple generations fully appreciate art in a great place like The Dubai Mall? The answer is also yes."

For a mall with a new fashion wing housing an extra 150 stores and dining venues, including a three-floor Gucci temple and the largest Nike Beacon store in the Middle East, the collaboration was logical. Luxury brands and a younger generation of consumers alike are both hungry to bask in the glow lent by contemporary art.

"Millennials around the world are discovering new experiences and art is at the very centre of their life and how they express themselves," says Bousquet-Chavanne.

For Huang, the collaboration, which ran for six weeks in March and April, represents a mind-shift change that opens up opportunities for brands, stores and malls prepared to think outside of the traditional retail box.

"M WOODS is an experimental museum and in China it's not like we follow the west or institutional rigid rules; our goal is just to bring art to more people. But we still want art to be seen in a beautiful space and The Dubai Mall is the best mall in the world," says Huang. "The amount of traffic is what attracts us, there are many more people visiting The Dubai Mall than the art district. At our exhibitions we want you to take a million photos and post on social media because that's how we get more people to see it. With this collaboration we have so many Chinese fans posting about it," he says.

Each of those Chinese consumers is incredibly valuable to The Dubai Mall, which welcomed more than 84 million visitors of 200 nationalities in 2018. And what do Huang's contemporaries make of Dubai? "It's very cosmopolitan. It's like a little wonderland," he says.

Experience is all

"Experiential retail is at the heart of malls' sustainability or any physical retail for that matter," says Bousquet-Chavanne, adding that The Dubai Mall hosts 642 branded events a year.

Ahmed Ismail, CEO of Majid Al Futtaim Properties (MAF), which operates 15 malls in the UAE totalling 8,529,775 ft^2, including the 2,669,450 ft^2 Mall of the Emirates in Dubai, cites three trends reshaping the retail landscape in the UAE: the growth of e-commerce, the rise of the millennial customer and growing consumer expectations on customer experience.

"These trends are probably going to accelerate over the coming three to seven years," Ismail says, "which has very clear implications for everybody in the retail ecosystem. From our perspective in the shopping mall space it means that our physical spaces need to become more experiential, more sensorial, more memorable, more Instagrammable."

He adds: "You will see more and more of our mall space allocated to high experience quotient tenants."

Rania Masri, chief transformation officer at Chalhoub Group, which operates 239 stores in the UAE representing 973,843 ft^2 (and set to grow to 268 stores and 1,023,626 ft^2), says: "We always say that boring retail is dead." She cites product personalisation and customisation as key drivers in the group's Level Shoes concept, alongside live events with designers and scent creation in the Faces beauty stores.

"The store has now become essential in everything linked to experiences. Even with the online surge of the businesses, in-store stays the favourite choice for consumers and will still represent at least 75% of the revenue generation globally. We will see more and more events, community building activities, showcasing of art and talks," she adds.

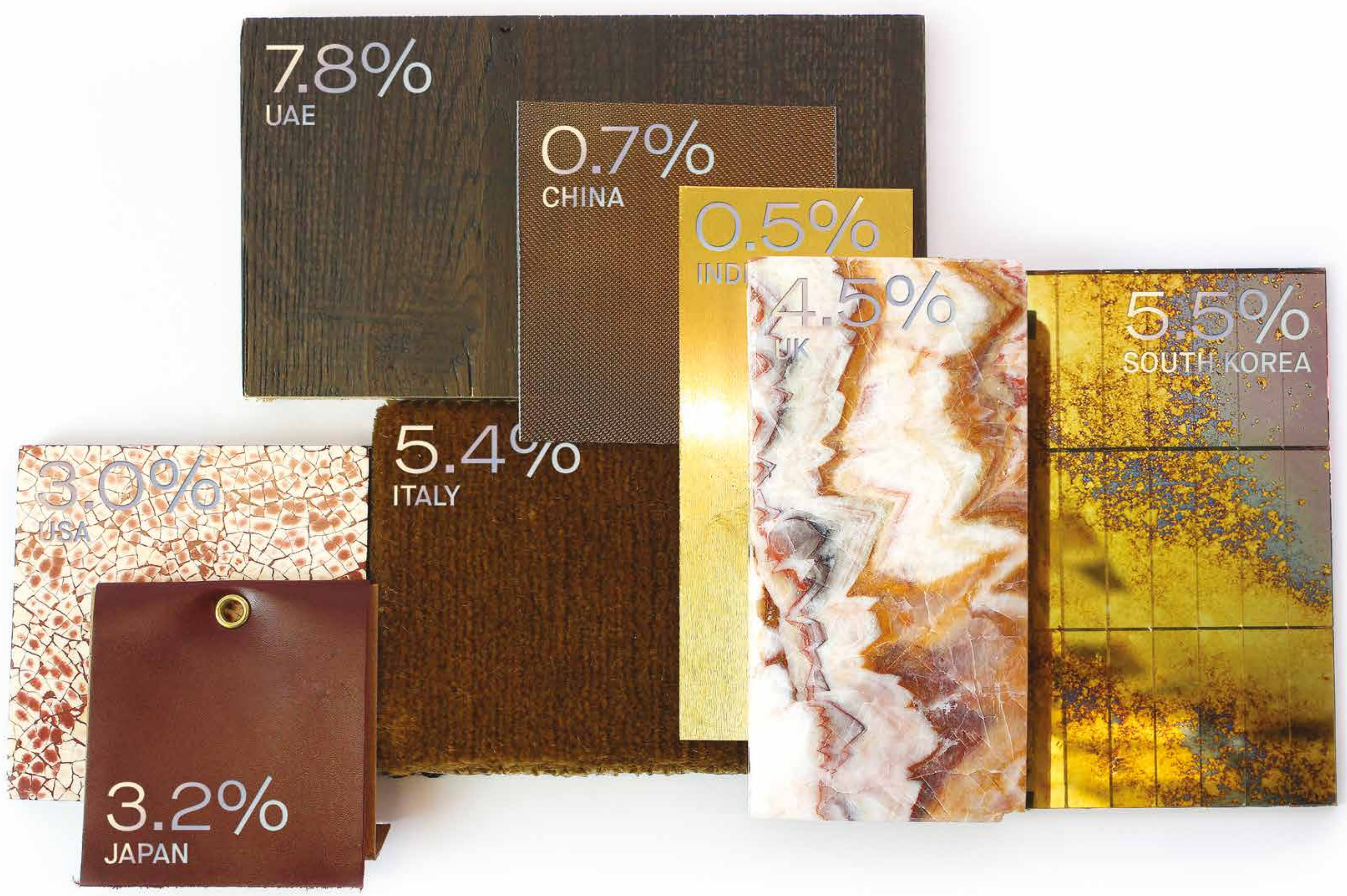
Chalhoub Group UAE & India country manager Mansour Hajjar adds that the rise of online retail has created opportunity in the physical space, "to enhance further the customer experience at the physical retail level capitalising on what online retail cannot offer, namely the empathy, the sensoriality and the immediate product availability."

In the UAE capital Abu Dhabi, luxury mall The Galleria on Al Maryah Island, which opened in 2013, has been designed around the young Emirati families that represent its catchment area, with three public parks. In September 2019 the mall will expand to add 200 more retail brands to the 130 currently operating, alongside 250,000 ft^2 of entertainment and 60 new dining options. Daniel Parry, managing director and general counsel of developer Gulf Related, says: "We will have an incredible way-finding system on your phone and home delivery, but we will also have parks where kids can run around and parents can disconnect." Bousquet-Chavanne

Luxury still rules
As a percentage of total retail spend, the MENA region still claims the highest concentration of luxury spend in the world at 3.8% in 2018, compared with the global average of 2%. In 2018, total luxury goods expenditure in the UAE was estimated at $5,047bn. GlobalData predicts this will grow to $6,796bn by 2023, a rise of 34.7%, coming in slightly under KSA, where luxury goods sales are expected to rise by 41.9% in the same period.

The UAE also has the highest proportion of luxury goods sales as a percentage of total retail sales in the world, with spend on luxury accounting for 7.8% of total retail (compared with 2.5% in KSA and 0.7% in China).

Below: total luxury spend as proportion of total retail spend



agrees: "Malls that continue to reinvent themselves into experiential destinations will thrive, others will suffer," but adds, "The overall market retail growth should, however, ease the market transformation, unlike what we have witnessed in more developed western markets like the UK or US."

Seamlessly digital
"Because customers today literally live online, our physical spaces need to be more integrated with the digital world," says Ismail. He adds that parent company Majid Al Futtaim Properties investment in tech, "allows us to react with a higher velocity to changing customer trends and expectations." He says: "We're doing a lot of social listening so see what brands, trends and influencers our customers are following online and that allows us to have a very different type of conversation with our retail partners about the type of retail offer that they bring into the market."

Bousquet-Chavanne says: "The UAE consumer base is hyper connected. Social media penetration is at 99% and 48% go online for inspiration when it comes to fashion shopping. Additionally, influencers still have a substantial impact on brands' followings in the region."

The Dubai Mall has 4 million followers on social media with 75 million impressions, as of November 2018. He adds: "You have to think about the mall as a physical platform that streams branded content and is fully enabled by the digital space."

In February 2019 Emaar Malls fully acquired Namshi, the regional fashion e-comm retailer with annual sales across the UAE and KSA in 2018 of $231m, in a strategic move to control both channels. "We already owned the largest physical fashion platform in the Middle East with The Dubai Mall; with the Namshi acquisition we added the largest online fashion retailer in the Middle East, giving us strength in both channels and reinforcing our market leadership."

In 2018 the UAE-based Chalhoub Group entered into a joint venture with Farfetch; it has also invested in Dubai-based e-comm start-up The Modist and has a joint venture with French group Reworld Media to publish The Modern East, which addresses the Millennial Arab segment through targeted and curated content responding to regional trends.

"Fifty per cent of the e-commerce sales in the region are coming from external online players," says Chalhoub's Rania Masri. "This means there is a big opportunity for growth for our market, once we accelerate supply of our local retailers online. We don't see retail excluded from online, we believe both online and offline will evolve to become the retail landscape. This is why as a company we are adopting a fully hybrid strategy, making sure we evolve to addressing the customer wherever and whenever she is."

Chalhoub Group has two in-house incubators dedicated to innovation, Ibtikar and the Greenhouse. Masri says: "We are seeing innovations in business models such as the 'subscription model', we are also testing retail technology to enhance our in-store data and analytics, AI and 3D technology linked to size optimisation for online shoppers, and innovations in customer journeys of tourists such as the Chinese tourists through WeChat."

Meanwhile, in a move that harnesses voice-based commerce, Majid Al Futtaim has partnered with recording artist Will.i.am's I.AM technology company to provide AI voice assistance to shoppers via a device called Omega that resembles Amazon's Alexa.

Dept stores vs flagships
As the UAE retail landscape develops, department stores run the risk of losing relevancy as hyper-realised brand flagship stores become the crux of destination retail. "Flagship stores are more relevant than ever to attract traffic. They are storytelling worlds and deliver the very best physical experiences the brand has to offer," says Bousquet-Chavanne, adding, "Like in many other markets, department stores in the UAE are challenged by the extraordinary worlds created by the brands in their flagship stores, department stores must continue to cultivate their differentiation. The answer, I believe, for survival is deeply rooted in their national heritage and their unique expression and curation of fashion."

Ismail says that brands are looking to consolidate their retail space into fewer, large-scale spaces. "While brands are shrinking their total footprints, they are focusing their attentions on fewer, more flagship experiential stores," he says. "Brands need more space where they can showcase the full range of the brand and they need the environment to really connect with their customers and offer the experience that they cannot fully get online."

Chalhoub Group's Hajjar notes the shift into monobrand stores for beauty brands that were traditionally housed in department stores and speciality multibrand destinations. "The brands that have succeeded with this format are either make-up brands with highly skilled make-up artists offering expert advice, or niche perfume brands with an exclusive collection of fragrances promoted by highly trained perfume specialists with a good understanding of the art of fragrance layering," he says. Other sectors also driving retail growth are streetwear, footwear and F&B. "There is also the emergence of global brands in the streetwear category as well as the disproportionate growth of the footwear offer, particularly in the sneakers segment. F&B is also witnessing growth and increase in the space allocated throughout most of the UAE malls," says Hajjar.

Localised luxury
While international fashion brands still dominate in the malls, the F&B sector is becoming increasingly home-grown. "Some of most popular coffee shops and burger concepts are more local; it's quite the thriving F&B scene now in the UAE," says MAF's Ismail, adding, "On the fashion side we're seeing the beginnings of that. I think it will take a little time. The required scale to run a fashion business profitably is somewhat larger than running an F&B operation."

Chalhoub Group's Hajjar adds, "Many regional brands in accessories, streetwear and footwear are gaining share in this highly competitive segment where heritage and brand name are key drivers. The exponential adoption of social media among GCC consumers along with the endorsement of regional brands by regional influencers played in major role in promoting these brands. On the other hand, in the beauty category, many regional brands powered by social media have become global."

Targeted tourism
Tourism has been a strong driver of retail sales in the UAE, especially in Dubai, although growth is understood to have slowed. Luxury sales have been hit by the loss of Qatari spend following the trade blockade between the Gulf States that began in June 2017. However, Chinese visitors to the region can drive sales when targeted correctly. "We have been working very actively to have a more tailored offer to Chinese tourists and more focus on the independent traveller than the group. That has paid good dividends for us," says Ismail.

Hajjar adds, "Retail has clearly shifted from being a trading business to a customer centric, experience-driven one. Malls, retailers and tourism authorities work hand in hand to deliver high standards in delighting the tourists. Efforts are made across the entire tourist retail journey to make the experience as frictionless as possible by addressing a multitude of aspects related to language, product assortment and sizes, payment methods, product pricing and mostly in customer servicing. In addition, planning, organising and executing large events around the celebration of major tourists festive periods [such as Chinese New Year] have been strong drivers of tourism to the UAE."

Bousquet-Chavanne says: "Tourism prospects for the UAE and Dubai in particular remain very strong, driven by the growing Chinese tourist market and the large population in the Indian sub-continent. I remain bullish because of the exceptional infrastructures in leisure, hospitality and retail that Dubai offers as an exceptional destination."

Spotlight on: UAE

THE NEW BEAUTY BOOM

Right: Huda Beauty – courtesy of Huda Beauty

by Sujata Assomull

Beautifying has been a part of the Middle Eastern culture for centuries. In fact, many skincare and make-up products that are now an everyday part of a global women's regime originate from Arab traditions. From eyeliner to skin toners to hair extensions, Middle Eastern women have been pampering themselves since before the days of Cleopatra.

So it is not surprising to hear that the Middle East is the world's fastest growing beauty market. According to a Dubai-based venture capitalist firm Millennial Capital's Middle East and North Africa (MENA) Beauty Care Report, released at the end of last year, the beauty and personal care industry in the MENA region is worth $15.9bn and is poised to grow twice as fast as the rest of the world.

Women are willing to spend on beauty and every well-known international beauty brand has a presence in the Middle East. From multi-brand format Sephora to cult beauty brand Charlotte Tilbury, the Arab region is on the international industry's radar. The region's style capital is Dubai, the city that Fenty Beauty's Rihanna chose to host her first master class. According to Abu Dhabi-based newspaper *The National*, Dubai has more plastic surgeons than any other city in the world. Yet clean beauty (products that use organic, natural pure or sustainable ingredients) is also seeing growth, and while it still lags behind Europe, it is playing catch-up fast.

At Sephora Middle East (the Sephora store in the Dubai Mall is one of the highest revenue earners for the global chain that operates more than 2,000 stores globally), one of the fastest-selling skincare brands is the home-grown luxury clean skincare brand, Shiffa. A line inspired by Arab traditions, its ingredients include Iranian rose and Egyptian jasmine. Shiffa means "healing" in Arabic. As a spokesperson for Sephora explains, "The market is still young in terms of clean beauty, hence it is a bit early to detect differences between the regions. That being said, the Middle Eastern customer in general is very intelligent, experimental and knowledgeable in the beauty market, hence they are always on the lookout to try out new brands and products."

So the market here really is diverse and open to welcome a plethora of brands and retail formats. Interestingly, most brands, be it Huda Beauty (the best known home-grown brand, which is a little more than five years old and is available in 1,500 stores worldwide) or Fenty Beauty, retail through multi-brand formats. But this is slowly changing. UK-based brand Charlotte Tilbury opened its "Beauty Wonderland" at Dubai Mall last year and now Shiffa is opening its own store, Shiffa Curated, this summer, which will be a gallery-style boutique full of all things that the brands founder's Dr Lamees Hamdan covets from jewellery to kaftans to her skincare line.

With 93% of the GCC's population being active on social media, this is a mature market when it comes to e-commerce. But with beauty being so much about touch and feel, luxury players in particular are now looking to open brick and mortar flagship stores that are experience driven. It's about retail theatre, and creating an environment that makes the consumer want to spend that extra time shopping off-line. At the opening of her Dubai store Charlotte Tilbury told Vogue Arabia, "I have always loved the Middle East and Dubai, and Arab women understand the power of makeup more than anyone else. They share my passion for the best… It was so important to me to create an incredible Beauty Wonderland here in Dubai that would make everyone's beauty dreams come true."

The one product that many women do want to test and try is perfume and fragrance-related products. Millennial Capital's beauty report reveals that while skincare is the dominant concern for the region (with L'Oréal having the largest market share) the most favoured product is fragrance or the traditional oudhs. Traditionally oudhs are worn layered and are bought at the souk (market place) and the whole art of wearing oudh is steeped in rituals, so retail stores for this product tend to reflect and respect these traditions.

There is also the business of experiential beauty shopping. Pallavi Dean, who heads award-winning interior design firm Roar, recently worked on a beauty format and says, "Experience is the future for the beauty industry, and women here want that one feel of something being a bespoke experience. Even if it is just engraving your initials on a perfume bottle as Sephora does. They want that one-on-one time." And she feels brands that want to thrive need to invest in architectural spaces that are sensitive to this and that design plays a key role in communicating this message. Architectural practice, Sybarite, is reimagining the fragrance, beauty and wellbeing environment for Emaar to this end. So, as the beauty industry continues to flourish, you can expect that brands will look to retail formats that create new-age shopping experiences, while also catering to traditions of beauty in the region.

In conversation: Torquil McIntosh, Sybarite Co-founder, discusses scale and the power of holistic thinking when designing every element of a project

A conversation between Torquil McIntosh, Co-founder of Sybarite, and Sarah Miller, Luxury Brand Consultant and Founding Editor-in-chief of Condé Nast Traveller

S: What differentiates a mall from a department store?
T: Malls have massive circulation spaces and shops with their own defined facades. It's like shopping on all of your favourite streets, but under one roof, whereas department stores are more fluid, without the confines of facades, and blend curated brands together, for you to shop by genre. It's more like exploring an amazing marketplace. We design for both and actually they're each an evolution of our desire to shop with convenience, you can say the same for the rise of digital.

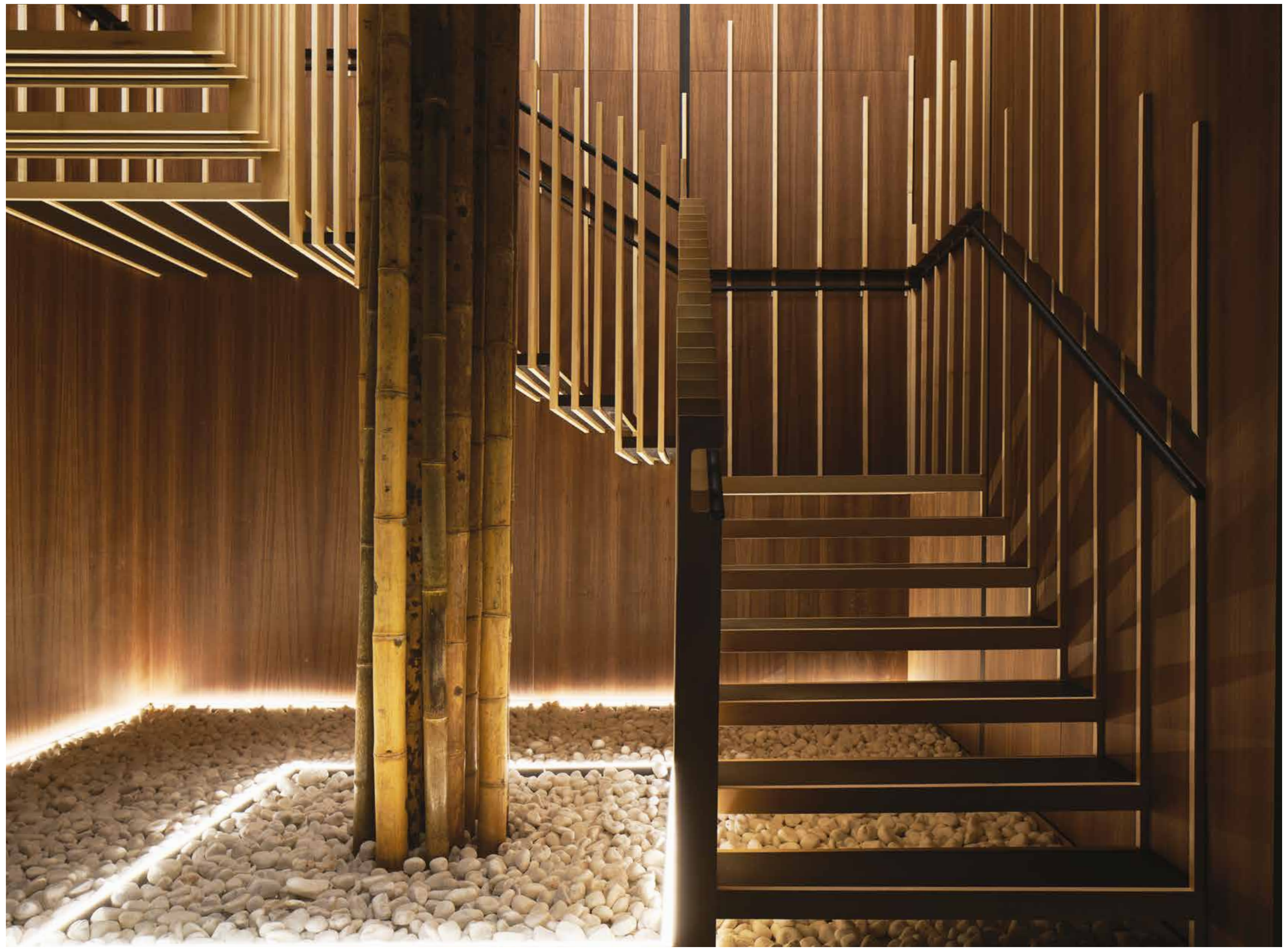
S: Is a sense of scale important?
T: Yes and no. Each end of the scale has the same complexities of site and the same elements that come together to create the final design. If anything, I'd say smaller spaces can present greater design challenges, but the choices you make in overcoming those challenges can really elevate the end result.

S: Describe the experience in some of your smaller designs?
T: We started working with Marni at a turning point for the brand and were with them every step of the way. There was a shift from ready to wear to accessories, so the zoning and visual merchandising had to develop.
Our stand-out architectural feature for Marni is the molten-like sinuous stainless steel rails, which we evolved to also pour outwards into flat VM surfaces. Then it was a case of balancing the rest of the store composition with geometric recessed display cases and intelligent lighting design.

S: Does luxury retail require an architectural language?
T: Yes absolutely. For all the brands we've worked with, whether it's Marni or Joseph or Alberta Ferretti, we always start by creating an architectural language that is strong enough that you couldn't confuse it with another brand, and you wouldn't need the name above the door. You could literally look through a shop window and you'd know it's Marni.

S: How did your relationship start with SKP?
T: SKP used to be called Shin Kong Place, but their customers referred to them as SKP. We opened with a holistic approach to address the brand name, logo and overall brand identity, before we even started the conversation about architecture. We redesigned the logo and used the geometry within that graphic as the foundations of the architectural language. The subtle use of pattern and sinuous curves throughout the store act as a unified, elegant and understated canvas for the retail brands within the store. It's a subliminal message that you're in an SKP branded environment from the moment you approach the building, through to the logo on your shopping bags as you leave. It creates a feeling of intimacy that makes the space both scalable and relatable.

Wood details within the SKP Xi'an department store



“My idea of heaven is a great exhibition and a mind-blowing meal. Retail destinations are evolving to fulfil all of those desires.”

Torquil McIntosh, Co-founder, Sybarite

S: How do the SKP stores you’ve designed compare?
T: With its developed architectural language SKP now has the foundations to build a visual heritage which will stand the test of time. We’re currently designing a further four stores. The Beijing store is the original mothership. Its interiors have been completely refurbished, including designing new restaurants, multi-brand areas, shoe halls, the beauty hall, you name it. We were constrained by the existing column structure, but we used their rhythm and scale to create column treatments which seemingly morph into the ceiling and add to the overall character of the store.

The Xi’an store sits in a sensitive location, close to both ancient City Wall’s South Gate and the region’s parliament building, in China’s oldest city. In that respect it needed to be architecturally sympathetic and sit back, humbly, in its environment. We were able to alter the façade but we inherited the concrete base frame of the building, which was originally conceived as a conference centre and it was technically very complex to convert.

The biggest challenge has been to maintain consistency of design over the whole 20 storeys in such a way that, hopefully, the customer feels ‘brand empathy’ without really knowing it. It’s nearly twice the size of Beijing, at 2,690,977 ft^2, with a thousand brands, including Louis Vuitton, Dior, Chanel, Hermès, Prada and Cartier. Interestingly there’s a greater proportion of domestic brands in Xi’an and we’re definitely seeing the market shift. There are also more restaurants as well as a seven-screen cinema. The cinema has a brand identity and architectural language that’s still linked to SKP, but it would be strong enough to exist as a luxury environment outside SKP.

We’re also evolving the brand under the mantle of SKP South, which is a building across the main road from the SKP flagship in Beijing. To give you an idea of the prominence of the store locations, the main procession to mark the country’s National Day in September will pass between them. We explored several possibilities with Gentle Monster, the South Korean eyewear brand pushing the boundaries of retail theatre. The main 5,382 ft^2 entrance will be a non-commercial space, dedicated to a curated art installation, with the sole purpose of transporting the customer into another world. This juxtaposition with the world outside immediately creates a shift in atmosphere as the customer begins their journey through the different levels of the store. The first floor will be dark and moody,

Left: Yen Restaurant, London.
Right: Rendez-Vous at SKP Xi’an, image courtesy of SKP

“The experiential has to be tenfold what it is now in order for retail to survive”

Torquil McIntosh, Co-founder, Sybarite

the second floor will change the tempo with a bright environment and the third floor will be a curated interpretation of life on planet Mars. The basement floor, will be entirely dedicated to food with 24 restaurants.

S: You mentioned the cinema. Does Sybarite design sub brands within a brand?
T: Absolutely. Take Rendez-Vous at SKP, which is its first luxury lifestyle concept store, a meeting place with a strong sense of artistry and access to international culture at its core. We wanted a name that would work internationally and Rendez-Vous is a turn of phrase that many in China are already familiar with; it conveys the concept perfectly. It’s an inclusive environment and the running theme that holds the whole thing together is the bookstore, running through it like a backbone, leading to a cheese store, a wine bar, cool gadgets and SKP use it as a space to host customer events, lectures and exhibits. It’s an eclectic mix but they all work together. Again, it’s scalable and could easily occupy a small-medium sized building in its own right, because actually you could graft any number of lifestyle categories into it.

It’s an interesting approach to the rise of blended use of spaces that we’re seeing globally. China is way ahead of the West in terms of adopting tech, from WeChat payments and AI to facial recognition, yet at Rendez-Vous we have a thriving 34,982 ft^2 space that’s part hot-desking office, part educational events, part art gallery shop, part reference library, part bar – it has an incredible energy. This is the sort of hub that will keep retail spaces alive, because it provides a way to interact with humanity, beyond the screen.

S: Do you think that customers need to be weaned off the screen to go out shopping?
T: I think people will always be motivated by a good day out. I definitely have a desire to be out in the real world sharing experiences and having fun. For many of my friends a day of ‘retail therapy’ away from screaming children is living the dream.

When it comes to buying physical things, I want great personal service – I want a sales assistant that can look at me and know what will suit me and save me the faff (and deflation!) of trying on something I really shouldn’t! My idea of heaven is a great exhibition and a mind-blowing meal. Retail destinations are evolving to fulfil all of those desires.

S: How do you see luxury retail evolving?
T: I think for retail in general, the experiential has to be tenfold what it is now in order for retail to survive, otherwise everyone’s going to buy on their phones and computers and have 99% return rates (I’m guilty of that, but I never learn!). I think it’s all about curated choice and providing surprises – I think the offer will become much more agile.

We’ve naturally been talking about fashion in luxury retail, but the meaning of luxury is changing. It’s about creating time for the things that bring joy to your life.

Food and cooking are my main passions and I’d like nothing better than visiting a street full of artisan producers and discovering things I’ve never tasted before or that have just come into season. It’s also really important to me to understand the origins, ethics and environmental impact of the produce I’m buying.

Wherever I can I buy from small local producers and I’m happy to join a long queue if I’m assured of the quality and provenance. I’m talking about food here, but I think this is the direction of travel for all things, especially beauty and fashion.

Methodology
The process that lies behind the research on luxury retail for this report

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 ft² 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

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.

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.

Drop
A drop is a limited release of merchandise, usually clothing, often used as a marketing technique.

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.

Human engagement
Forms of engagement that involve inter-human interactions rather than faceless digital experiences.

KSA
This acronym stands for Kingdom of Saudi Arabia.

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.

MENA
This refers to the region encompassing the Middle East and North Africa, covering approximately 22 countries in the Middle East and North Africa.

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.

Multigenerational
Pertaining to more than one generation.

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

Sales per ft²
In addition to total annual sales, this report includes reference to rankings by sales per ft². 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 ft² of space (including online sales).

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

VM
Stands for Visual Merchandising: the way retail is displayed and curated to advantage

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.

About Sybarite

Sybarite is an agile practice of architects and designers that hail from all over the globe and which was co-founded in 2002 by Torquil McIntosh and Simon Mitchell.

Sybarite creates immersive, multi-sensory and seductive environments for its clients and to date Sybarite has created more than 1,500 projects for global brands in the worlds of retail, lifestyle and hospitality.

The studio has a deep understanding of the holistic customer experience and works across an array of scales, from the graphic design and brand positioning of an exclusive customer rewards programme to the architecture of a 20-storey building.

Today the practice operates from a spacious custom designed rooftop studio in West London with future projects on the drawing board including hotels, large-scale high-end shopping malls and multiple new stores for global luxury retail brands.

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