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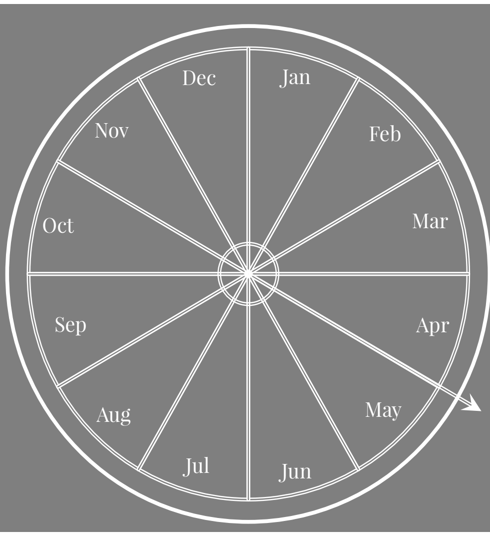

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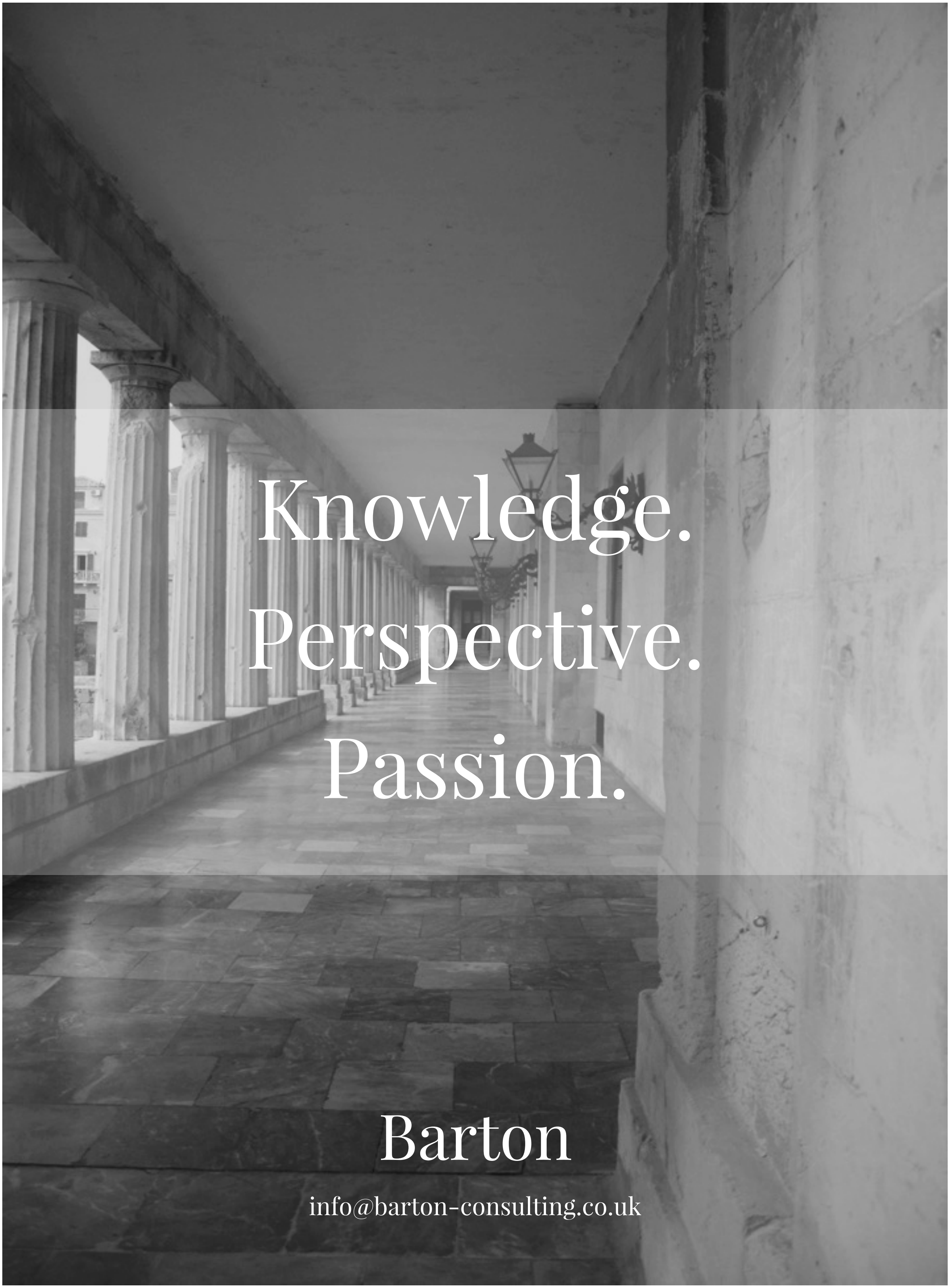

Knowledge.
Perspective.
Passion.
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PHYSICAL TRADE

Back in 2017, you couldn't find an analyst who thought tired old brick-and-mortar stores would see a Lazarus-style comeback. The future was bright, the future was online. The pandemic falsely galvanised this tale with record e-commerce sales (of course there would be when all non-essential retail was closed) and, like working from home, many were convinced this would be a permanent change.

However, like many of this short era's behavioural indicators, such as the death of business travel or the end of people moving to global cities, these turned out to be unreliable long-term forecasts. If the years from 2020 to the end of 2022 taught us anything, it was that though there was evolution in particular areas, for example, the work-from-anywhere culture for small businesses, most things just reverted to normal. The brave new digi-led world that the 2020s immediately promised would quickly pall, and we are once again creatures who love social gatherings, love the energy of big cities and, yes, we still love stores.

Last month, the *RetailX Global Luxury Report 2024* highlighted that just 13.9% of luxury shopping in 2023 took place online. In 2021, Bain & Company had made the bold prediction that by 2025 (now less than a year away) "Online [will] become the leading channel for luxury purchases. This dramatic increase comes at the expense of brick-and-mortar…" Before the pandemic, in 2019, online sales accounted for around 12% of all luxury goods sales, increasing quite dramatically to 20% during the pandemic. This was on the back of data from Euromonitor in 2018 showing that online sales growth was triple that of physical retail.

The e-commerce story appeared copper bottomed. But everyone got it wildly wrong. The multi-brand platforms, squeezed by single-brand e-commerce improvements and the return to physical retail after COVID-19, were the heroes of 2020: but the likes of Matches, YNAP and Farfetch are now all but run-out.

Their fall has been stomach-churningly perpendicular. Farfetch at the end of 2020 had a market capitalization of $21.68bn. At the end of last year it had dropped to $250m. It is now worth around $3.5m. The similarly beleaguered Matchesfashion sold in December last year to Frasers Group for $63m (it was valued at over $1bn when Apax Partners bought it in 2017) and was shut down completely by Frasers Group in March this year, having failed to turn the business around and ruling out the heavy restructuring required. .

Luxury boutique real estate, by way of contrast, has seen more than $9bn investment from luxury brands since the start of last year. Despite growing sales on their e-commerce platforms, brands clearly see a center-stage role for physical retail outlets beyond that of a glorified gift shop for a brand museum. The old guard who never really understood e-commerce will, of course, feel vindicated: it's just not the same, they said, if you cant feel and touch the product.

> “…the experience of buying in-store is more fulfilling. It’s a day out, an adventure with texture and smells, with human service and all the sensations and trimmings that go along with it…”

Whilst this may well be true in part, what a lot of e-commerce hype forgot is that the experience of buying in-store is more fulfilling. It’s a day out, an adventure with texture and smells, with human service and all the sensations and trimmings that go along with it. Lunch in a chic nearby bistro; looking the part walking Saint-Honoré or Old Bond Street carrying crisp, new shopping bags; those 5pm cocktails with friends to pore over the indulgent new purchases. None of this happens online, and even if it did during the pandemic, it would have felt distinctly third-class by comparison.

And so with stores on the rise again, and a return to the ceremonious pageant of luxury goods buying, we have created three must haves for luxury brands looking to make a splash with a a new store.

1. Small and elite is better than huge and remote

As both a point of sale and tool of marketing, stores need to represent the absolute best of a brand. Everyone knows there are good and bad ‘ends’ to streets like Bond Street or Via Montenapoleone. Having a store on one of these streets is no longer enough; you have to be ‘in the mix’, in amongst the most desirable parts of it, from both a neighbouring brand perspective and an aesthetic perspective. One of the best areas of Saint-Honore is around the intersection with Place Vendome; in the environ you not only have the likes of Chopard, Goyard (their original store location) and Louis Vuitton, but also the Ritz Hotel and ever-trendy Costes. Bond is all about being as close to Old Bond as possible, with its chiming bells, village-y feel and ultra-elite company (Graff, Cartier, Patek Philippe). As such, it is better to have a smaller store in a superior location than a giant store marooned on a less Instagram-friendly boulevard.

2. Service is about serving – not waiting

One of the biggest issues with some luxury stores is that they have become places to avoid rather than places to return to. With queues outside, iPad check-ins and waiting long periods for someone to be available to serve you, they are to be endured, not enjoyed. Whilst this may work for brands which thrive on perceived exclusivity to build a feeling of conquest in the consumer, it can build resentment with a more discerning client who is not used to waiting, and not used to being told no. Instead, the focus should be on serving, even when you are not serving: conduct demonstrations, provide entertainment, provide refreshments, invite the consumer further into the brand, don’t keep them on the periphery until they’ve made a purchase.

3. Function as a shop, look Instagrammable

It is hard to get the balance right between function and form. Some stores that focus too much on the practical side (first and foremost acting as a shop) with heavy lighting, starkly-retail floor designs and uninteresting flows diminish their luxury credibility. Stores that act as too confusing or too conceptual a space tend to intimidate customers, some of whom barely make it past the front door before turning back. Cosiness, quirkiness and elegance are the watchwords for fine store interiors. Offer an interesting in-store journey if you can, like Arquinesia in Palma, which doesn’t show any items for sale until you reach the last room. Think of how to incorporate elements like a small café, walk up ice cream bar or pop-up cocktails. However, never neglect that you are still a retail store that has to sell items that are stocked on site, so make sure you don’t offer the frills without being able to fulfill the basics. Good lighting is always important here, a range of different mirrors and campaign imagery to help inspire.

Sector updates


Image: Hermès

Another quarter, another announcement that luxury goods brand **Hermès** has managed to 'defy' expectations. Whilst the rest of the luxury market softened, amidst dampened demand from China (which, Barton notes, is suffering from a prolonged real estate crisis which could be about to get worse), the French house chalked up a 17% increase in first quarter sales this year, with all geographies posting double-digit growth. By comparison, LVMH reported more modest first quarter growth: a mere 3%. It hasn't all been plain sailing for Hermès in recent times though. In March this year, it was hit with a class-action lawsuit in the US by Californian plaintiffs who alleged that, er, they had asked for a Birkin handbag and Hermès didn't give it to them. Hermès, they alleged, *"implemented a scheme…requiring consumers to purchase other, ancillary products from Defendants before they will be given an opportunity to purchase a Birkin handbag."* They claim this is illegal tying, in contravention of the Sherman Act. In reality, of course, businesses can choose to sell what they like and for the price they choose.

Gulfstream has delivered the first of its long-awaited G700 aircraft to clients. The Savannah, GA based manufacturer has finally completed handover of two aircraft recently, which has taken much longer than normal due to a delayed certification process. Meanwhile, flight-test and certification activities continue on the ultra-long-range G800 – a sister to the G700 – and the large-cabin G400. Features of the G700 include 100% plasma-ionized air replenished every two to three minutes and 20 Gulfstream Panoramic Oval Windows – the largest windows in business aviation. The cabin is designed for "whisper-quiet" noise levels, and a low cabin altitude. Last month, **Bombardier** announced its new flagship Global 8000 aircraft, which can fly 8000 nm (7,750nm for G700) and up to 0.94 mach (compared to 0.935 mach for the G700). Though Gulfstream's upcoming G800 offers the same maximum distance as the Global 8000, Barton notes it has a lower maximum mach of 0.925. Both Gulfstreams and the Bombardier offer takeoff distances below 6,000ft, enabling them to utilize more airfields than other business jets.


Image: Gulfstream


Image: Habitas

The great luxury hotel consolidation continues as French hotel group **Accor** are in talks to acquire Habitas, the renegade brand launched by the enigmatic Oliver Ripley. Accor SA has a majority stake in subsidiary brand Ennismore – of Hoxton, Estelle Manor and Gleneagles fame – and is expected to attempt to acquire Habitas through it. Habitas has 'Homes' in Chile, Mexico, Morocco, Namibia, Qatar and Saudi Arabia, with plans for more in Costa Rica, Bhutan and Indonesia, in addition to further properties in Mexico and Saudi Arabia. Habitas itself is a young brand, founded in 2014. Buying young hot, ten-year-old brands is on-trend these days, Barton has noticed, with **Hilton** recently agreeing to acquire Graduate Hotels, the varsity-themed brand with hotels across US university towns – as well as Oxford & Cambridge in the UK – and at the same time buying a controlling interest in Sydell Group, in order to expand the 2012-born NoMad brand "from its existing London flagship location." Hilton has grand plans for NoMad, and has slated 100 new properties for the brand. Sydell will remain responsible for design and management.