SIZE

Fewer, bigger stores are the default for many retailers as they engage in rightsizing their estate. But bigger doesn't necessarily mean better. **Mark Faithfull** reports

Do SUPERSIZED stores really measure up?

It has become an accepted fact from repeated telling that retailers want a smaller store estate focused on larger shops in prime locations. Reaching the majority of shoppers no longer takes 300 stores but just 50 or so, if you get the right locations.

Thus we've witnessed Arcadia's multiple brands exit many peripheral high streets while opening huge flagships in shining mega-malls and city centres.

Primark's stores are getting larger and busier, becoming a coveted anchor for shopping centres.

Even the new kids on the block, such as Missguided, have gone large in their initial locations.

"For retailers, the cost of stores is increasing in both capital expenditure and operational expenditure," says Lara Marrero, retail practice leader at design firm Gensler. "There are build costs, rents, the price of keeping up with the Jones' with store fit-outs. We put the total [cost increase] at about 6% year on year."

Yet despite retailers' desire to super-size their offers, there is a feeling that flagships and warehouse-scale outlets may have reached their zenith.

The convenience of putting everything under one roof is sound enough, but only if it outweighs the inconvenience of trawling around a bloated, multi-level store.

Indeed, the race for space has not proven universally successful.

US fast fashion retailer Forever 21 attempted to capitalise on the post-crisis real estate collapse in North America by snapping up 15 Mervyn's department stores, mainly anchors of struggling malls. But the plan to create mega-stores – on average four to five times the size of its typical units – soon became a burden.

In the UK, it was a similar story for Forever 21. Since entering the market in 2010, it has expanded and then downsized a number of stores, as well as closed several flagships including its shops in Glasgow and Westfield Stratford.

"Clearly many retailers have focused on smaller portfolios but I don't feel that we're seeing those flagships and prime stores getting any bigger," says Kevin Dengate, ISG managing director, retail. "I would say that retailers are aiming to get smarter, using their stores to differentiate and to create excitement.

"We're seeing some raising of the specification but more than anything we're seeing cleverer use of the budget. And each retailer is approaching it differently – so while simple racks and shelving will no longer do and everyone wants bespoke fixtures, it's hard to identify common trends."

Location strategies

Instead of assuming bigger means better, many retailers are examining how newcomers are approaching their stores and also assessing whether they can do something completely different.

"Online players are getting very sophisticated at working out where sales come from and store strategies are becoming highly influenced by ecommerce, so it's less about footfall and adjacencies and more about highly locational strategies," says Marrero.

"That enables retailers to start looking at smaller stores in off-high street positions, which brings down capital and operational costs and allows them to think about brand engagement rather than having a store full of product, because shoppers can buy online."

Choosing the right location with the right offer can even generate a new retail neighbourhood. The Burberry Outlet store proved to be the catalyst for east London's designer discount village, Hackney Walk, and Merci's establishment in Paris helped create a new retail area along the previously unfashionable Boulevard Beaumarchais.

But to get an off-prime pitch right means understanding what people do in that area.

In an area like Shoreditch, for example, there is the chance to capitalise on the activity

> "Store strategies are becoming highly influenced by ecommerce"
> **Lara Marrero, Gensler**

around the bars and restaurants, while avoiding main retail thoroughfares.

What seems important is that the store and offer must be authentic to the brand, allowing a retailer to operate specifically to its ethos.

The approach taken by Canadian athleisure retailer Lululemon is a good example. Stephen Spencer, director of store development, admits that Lululemon took a prime site on Regent Street as the UK flagship in part for awareness. "We went for the biggest store with the biggest windows," he recalls.

The flagship, which opened its doors in January, proves the case for scale and the personal touch. With a long, open front and two floors packed with merchandise and social media opportunities, the store is clearly a flagship for a global customer base. Yet the emphasis on the retailer's activity classes and an upper floor cafe and lounge area make it a locally focused store too.

This apparent contradiction is actually coherent, so long as the brand understands itself, says Marrero. "It's going beyond storytelling to mean we are staying on with the client to ensure that what they try is authentic and fit for purpose and that the unique also doesn't become commonplace.

"Put simply, retailers are having to work a lot harder with their space."

It's not only happening in fashion. Last year Made.com added to its fledgling showroom concept in Paris with the introduction of technology that allows customers to create a wish list without having to make any purchase in store or carry anything home.

"The strategy was to merge the physical and the digital so technology and innovation are at the core," says Gregor Jackson, founding partner at designer gpstudio.

"Mini models of the furniture activate large format, projected content in the tunnel which links the two main areas, allowing the customer to interact both physically and digitally. Customers can add items to a wish list through iPads which scan tags on the furniture."

From a shopfitting perspective, the solution to mixing flagships and boutiques is to create fixtures, fittings and finishes which can be directed to any style and size of store.

"We're now looking at creating sets of kit, building to the larger format stores but being able to pick out the key and the flexible elements for each location," says Marrero.

Dengate adds: "What we are seeing is retailers wanting to implement changes much more quickly. So they'll trial a concept in a couple of stores and if they like it then we'll be booked in to make in-store changes very quickly across the portfolio. A new look won't go from the major stores down to the smaller shops over a period anymore, instead they want things moving very quickly."

SMALL BUT PERFECTLY FORMED

Sephora, Boston, US

French beauty retailer Sephora has opened a new concept in Boston that not only serves as its smallest footprint yet, but its most digitally enabled space too. Sephora Studio, which at 2,000 sq ft is about half the size of its regular stores, aims to raise the bar for personalised client services.

"There is no better way to create meaningful connections with clients than through personalised experiences and a customised approach to beauty," says Calvin McDonald, president and chief executive of Sephora Americas. "The Studio merges the best of an inclusive neighbourhood retail environment with best-in-class digital tools that enable our beauty advisors to customise recommendations on an individual basis."

Advisors are armed with iPhones set up to help shoppers with product information and reviews, appointment check-ins, check out their loyalty status, plus they are also a point of sale.

Rockar, Bluewater, UK

Having taken the retail approach to cars out of the dealership and into the mall, Simon Dixon, founder of Rockar, says that the ultimate aim of the smaller footprint outlets remains to reach new consumers and optimise online, as he gradually opens new shopping centre stores such as the unit at Westfield Stratford

"Rockar has responded to a shift in purchasing behaviour," he says, stressing that the shopping centre stores are the antithesis of car dealerships, with their focus on sales and a machismo atmosphere.

"Customers are looking for more accessible ways to buy a car more aligned to how they shop for clothes, food and gadgets, especially with the leasing models that make the price point of buying a car more like buying anything else at the stores."