

SURVIVAL OF THE FITTEST: DEPARTMENT STORES

With House of Fraser closing more than half its stores, Debenhams posting profit warnings, and Lord & Taylor and Barneys closing in New York, where does the future of department stores lie?

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Since the collapse of BHS in 2015, it's not been an easy ride for the department store sector. Research by property platform Lendy says the number of large department stores in England has fallen by 25 per cent in less than a decade to just 180 from 240 in 2009.

House of Fraser has announced plans to close 31 of its 59 stores, including its Oxford Street flagship, after launching a Company Voluntary Arrangement (CVA) in June. Debenhams plans to downsize at least 30 of its stores. Marks and Spencer has announced plans to close 100 stores. So what can, and should, department stores do moving forward?

Selfridges was recently crowned Best Department Store in the World for the fourth time at the Global Department Store Summit. The forward-thinking retailer has been busy remodelling its Oxford Street flagship, most recently launching the final phase of its Body Studio and expanding the department by 321 sq m. Collaboration is a crucial part of Selfridges. The Corner Shop has hosted a variety of brands this year in celebration of the store's latest campaign: The Anatomy of Luxury, including a Rolling Stones pop-up and brands such as Gentle Monster, A. F. Vandevorst and Issey Miyake.

John Lewis has announced plans for a radical overhaul, turning 15 of its stores into pilots from September. John Lewis's new flagship at the new Westfield London extension is not only big in size, it's also big in experience, offering 23 different services including the Sofa Studio, Sleep Room and Demo Kitchen.

The retailer is building loyalty by offering customers vouchers in return for recycling their old clothes, reducing the impact on landfill. The scheme is currently being trialled with 100 customers.

As well as the increase in online retail, Samantha Dover, senior retail analyst at Mintel, says large store estates also make it difficult for department stores to respond quickly to the major changes on the British high street, with a host of new shopping centre developments redirecting shoppers away from traditional shopping districts towards new retail destinations. She says 'large space retailers don't have the flexibility to relocate in the way smaller operators can and this has left many House of Fraser stores out on a limb.'

However, Mintel's research shows that despite ongoing challenges, the outlook for the department store sector is more optimistic than reports suggest. 'British consumers continue to regard department stores highly. Not only do many consider the department store shopping experience better, many think they offer a better selection of products and see these stores as a good way to discover new brands and products,' says Dover.

The most successful department store retailers are recognising that the distinction between whether a sale is made online or offline is becoming more and more blurred. As a result, the role that physical stores play in this particular retail sector is fundamentally changing. 'Stores are fast becoming a marketing tool to help



Left: Sybarite has completed the design of SKP, a huge 250,838 sq m department store in X'ian, China that spans 20 storeys.

Above: House of Fraser has announced plans to close 31 of its 59 stores, including the Oxford Street flagship.

retailers sell a lifestyle to their customers and this trend has driven retailers like John Lewis and Selfridges to reimagine the in-store experience, with improved leisure facilities helping to maintain footfall and increase the amount of time people spend in-store,' continues Dover.

Harvey Nichols has recently unveiled its new-look womenswear destination in Knightsbridge, the latest stage of an ambitious redevelopment for the flagship. Following a four month refurbishment, the 2,043 sq m space was designed by StudioFour|V and features a new unconventional and experimental design concept, which moves away from the traditional branded shopfits and instead offers a more sophisticated and elegant interior akin to a luxury boutique.

Simon Mitchell, co-founder of Sybarite, says he doesn't envisage technology making stores redundant. He says department stores of the future will place more value on experience - both a transactional and social experience. 'Creating inspirational spaces that enable consumers to experience a brand on a deeper, physical level is key to a store's success.'

Sybarite has completed the design of SKP, a 250,838 sq m department store in X'ian, China that spans 20 storeys. 'Xi'an is so much more than just a department store,' says Sybarite co-founder, Torquil McIntosh. 'Despite the potentially overwhelming scale it manages to be very intimate, which, in turn, makes it very easy to >

Karl McKeever, founder & managing director of transformation agency Visual Thinking, shares his top five tips for department stores moving forward.

1. BETTER EXECUTION – FOCUS ON THE BASICS

Securing both positive perceptions and maximising 'ease' of shop (self selection) for shoppers. Some department stores focus too much attention on environment design to 'make' the visual impact. Yes new, bold design is easier to 'see' than great attention to detail on daily operational/VM standards. However, great products/brands and retail concepts will fail with poor daily retail standards actions.

These retail basics - tidying; folding; neatening; straightening; alignment; putting things in size order - are often not viewed as a priority, but they really do make a difference. Shoppers notice these things (subconsciously and consciously) and form their opinions based on whether a store looks 'credible and quality' - regardless of brand or price. Older consumers are likely to be much more picky and discerning about store standards.

2. FOCUSED OFFER

Department stores should regularly audit their inventory (brands stocked/range and choice of lines) to ensure they are correctly aligned to the target shopper demographic. Make sure the product offer is always RELEVANT to fulfil the practical and aesthetic needs of the shopper: age, gender, lifestyles, incomes etc. Look for exclusives and special buys as a way to drive and promote shopper traffic.

3. OUTSTANDING SERVICE

This is an area where department stores need to excel. When shoppers have eventually found their brand/department in-store, they are then ready to shop. Great service is not rocket science but makes ALL the difference: welcoming, attentive, responsive and courteous. Shoppers always thanked for their time and purchase. For us, the mantra is 'Would you be impressed?'

4. EVENTS AND COLLABORATION

Stores should create 'exciting blockbuster' seasonal and product events that integrate across the whole store and in departments - combining window displays, merchandise, VM and marketing activity in engaging and highly experiential events. Selfridges, Le Bon Marche, SOGO, Macy's and Saks Fifth Avenue are great at doing this.

5. PRIVATE LABEL BRANDS

This is an opportunity to differentiate and maximise profit. Private label brands (developed in house) provide a way for department stores to create something unique. Here they don't have to play by the brand's rules and can create something magical. However, it requires joined-up thinking with the previous points 1-4 above, and skills and flair in harnessing the best of all internal teams on designing, developing, promoting and delivering this to shoppers. With the potential to command significantly higher margins, this should be an area where brands continually reinvest and innovate.

Left: Selfridges has launched the final phase of its Body Studio in London.

Below: Harvey Nichols in Knightsbridge has unveiled its new-look womenswear destination.

Bottom left: The Personal Styling Studio at John Lewis, Westfield London.



shop. Ultimately, the store offers something hugely experiential for its customers, and I think that makes it very powerful.'

As well as its extensive fashion offering – 1,000 high-end global brands – SKP also features multistorey event spaces, boutique cinemas, restaurants, cafes and a garden terrace, designed by Sybarite in collaboration with Arup. Elsewhere, social spaces are five times larger than those within its predecessor, SKP Beijing. Under the 'Rendez-Vous' umbrella, you'll find a wine bar, fine wine cellar, restaurant, art gallery and several niche non-fashion boutiques, including couture tea brand TWG and an artisanal fromagerie with its own cheese making facilities. These spaces are all linked by the elegant and contemplative bookshop.

In Paris, Galeries Lafayette is opening a new flagship store on the Champs-Élysées in March 2019. The 9,000 sq m store will replace the Virgin megastore that closed its doors in 2013. Danish architecture firm BIG – Bjarke Ingels Group – will create 'a disruptive customer journey' at the new store. According to Fashion Network, the idea is that the space will also be able to evolve.

Across the pond in New York City, Lord & Taylor is closing its NYC flagship after more than 100 years of trading. Round the corner, Barneys has closed its store in Manhattan's Upper West Side, which opened in 2013. Barneys on Madison Avenue is also hanging in the balance due to rent prices rocketing. American department store chain Sears is also closing stores – 48 Sears stores and 15 Kmart stores spread across 29 states. Macy's has also closed a number of stores this year.

Erik Mueller-Ali, vice president of CallisonRTKL, says American department stores will continue to evolve and says size matters. 'Department stores present merchandise and services at a scale that no other retailers can match: when done correctly, department store pop-ups, brand collaborations or social events create a real impact. Whether the customer is able to attend an actual event or just sees it on social media, department stores have the ability to control the retail narrative and grab people's attention in a meaningful way.'

Through loyalty programs and online shopping channels, department stores have consumer data to tailor communication and merchandise offerings to individual customers. 'This is not about big brother watching every move; it's about having a best friend who helps you cut through the overwhelming options of modern shopping. With department stores, the personalised service component extends beyond the digital realm. Since merchandise is organised by category, sales associates tend to specialise in their department, gaining a true understanding of the products they are selling. Knowledgeable staff becomes a reliable resource to help customers navigate through the latest fashion, creating a much needed personal connection,' says Mueller-Ali.

In order to tempt the modern consumer off their phone and into the store, the most forward-thinking department stores are turning retail into modern entertainment. Whether its Selfridges staging ambitious multisensory art exhibitions, John Lewis's pop-up rooftop restaurants or Liberty hosting a sewing school, department stores still have a draw for consumers. **RF**