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Will luxury retail grow again?

By Kenne Shepherd

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What's next for the luxury retail market? Retailers and their brokers, who are considering opening new stores in Manhattan's high-rent retail districts, are waiting to see. Emerging in the mid 80's, the luxury retail store became a major market phenomenon by the year 2000, especially on upper Madison Avenue, Fifth Avenue, Chelsea and Soho. However, the continuing economic downturn, exacerbated by 9/11's aftermath and fears of international conflict, has brought an air of caution to the market, and for many retailers, growth has hit the "pause" button.

The success of specialty stores over the last five years has been dramatic. According to Wendy Lieberman of WSL Strategic Retail, shopping in specialty stores had increased 22%, contrasted to an 18% decrease in department stores. And while this last year saw the opening of major stores for Prada, Burberry, McQueen, Chanel, Donna Karan and DKNY, many of these projects were underway well before the downturn.

But how did luxury retail stores come to claim such a large market share over department stores? And what has been their attraction for high-end shoppers? In large part, it's due to the persuasive power of branding in a store environment. For over a decade, star fashion designers have understood that success lies in becoming global brands, first through the inventive

use of PR and advertising to extend their reach, and then through the development of stores and shops. Consumer response had been steadily positive, with customers indulging a growing appetite for trendy products like the must-have Gucci shoes or Prada bag.

Nothing offers fashion retailers a better presentation of their brand than the unique shopping experience offered by their own stores. Indeed "owning the store" gives designers full control of promoting the brand, from layout and lighting to special effects and merchandising. Called lifestyle design, it lets the designer present his or her story from the moment of entry,



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LANCÔME COLOUR STUDIO

Macy's Union Square San Francisco

The new 1,200 SF prototype Lancôme Colour Studio combines open sell retail with in-depth product demonstrations. The design of the retail environment encourages hands-on interaction between the customer and the product, while still enabling Lancôme's well-trained staff to offer expert service to those who desire more personal attention.

gently guiding the customer through the space, engaged in a narrative that shows the collections to their best advantage. Thematic displays, consistent from store to store, can project and enhance the broader themes from the current collection, advertising campaigns and promotions.

Best of all, a store of one's own allows the display of the entire product line in one location, unlike department stores where collections are spread out among swim wear, eye wear, evening wear and the like. The ability to convey the complete look and cross-sell, from suit to shoes and accessories, makes a compelling story or display - and sales opportunity. And designers like Versace, Armani and Calvin Klein, have extended the cross-sell to items for the home, so that one can indeed live the designer lifestyle.

Bringing the experience together is, of course, customer service. Sales associates, with their in-depth knowledge of the collection, can present the designer's aesthetic and offer customers personalized attention, building relationships that often include keeping a file of their purchases, preferences and requests to be notified when that hip new item is restocked. What shopper can resist?

For several fashion designers, store branding has extended to the hiring of internationally known architects whose own style will artfully amplify their own. But whoever the architect is, a store's opening is a carefully choreographed publicity event, accompanied by a crescendo of major promotions that begin happening before and play out after the opening. The event itself can provide full expression of the brand, with the designer presenting a

lifestyle message that is usually featured in major fashion magazines and general interest publications.

So what is the future of such a potent promotion and sales tool? Today, high-end fashion shopping is down while the purchase of items for the home is up. While upscale shoppers haven't entirely forgone the service and amenities of specialty retail stores, the development of new stores is now on hold for many fashion retailers. Certainly Fifth Avenue and Madison Avenue remain reasonably secure for future development, with Chelsea being tested for a high-end retail future.

Soho's fate however, is unknown. With its proximity to the World Trade Center site and the area's subsequent closing for several months, it has yet to recover from the trauma of 9/11. Much of the gallery trade, which was part of the area's cache, had already relocated to Chelsea. Now, Soho's fate seems very much tied to the redevelopment of lower Manhattan, and that area's final resolution is several years away. Perhaps the opening of Bloomingdale's on Broadway in fall 2003 will be the catalyst for a shopping resurgence. Given the uncertainty of the times, many retailers are choosing to sit tight. □



SALVATORE FERRAGAMO

Fifth Avenue New York City

To launch a pivotal new design direction for Ferragamo, we created an interior image that offers an updated yet classic look synonymous with the luxury retailer's definition of modern style. Simple lines, expansive selling spaces and sweeping interior views create a new retail environment, bringing a fresh minimalist style and soft modern appeal to the time-honored tradition of Ferragamo. Subtle colors, soft textures, double height spaces, and display cases that appear to "float" in space create an atmosphere that invites the buyer to partake in the unique brand of luxury that the House of Ferragamo has to offer.

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