



PARTNER CONTENT

The Evolving Art of Luxury Experiential Retail

An exploration by BoF Insights, in partnership with Royalmount, of how consumer demands for luxury retail have evolved since the pandemic and what best-in-class brands and retailers are achieving today.

April 2023

BoF INSIGHTS | ROYALMOUNT

Introduction

Physical stores have long played a critical role in a luxury customer's journey, but a game-changing shift is now under way that will deepen the entire shopping experience.

Leading global brands and retailers are redefining retail through the incorporation of immersive and emotional experiences — as demonstrated by the new Royalmount development in Montreal, its tenants and other best-in-class players.

This report assesses how brands and retailers can successfully navigate luxury retail's new dynamics by crafting strategies around three pillars: supercharged connectivity, sustainable retail and inclusive luxury.



Inputs & Resources

- 1 Expert Interviews**
 Aesop, Boucheron, Burberry, Carbonleo, Design Hotels, Firmdale Hotels, Four Seasons Hotels & Resorts, Harrods, L Catterton Real Estate, Le Bon Marché, Nike, Reformation, RH, Sephora, SMCP Group
- 2 North America Survey**
 Proprietary March 2023 survey of ~1,500 US and Canada customers, first segmented to frequent luxury customers in urban areas and further defined as visiting a luxury store at least once a year (n = 603)
- 3 Global Case Studies**
 Harrods, Le Bon Marché, Nike, Reformation, RH, Royalmount, Sephora

Executive Summary

Luxury shoppers have a stronger sense than ever of what they consider to be superior retail experiences. In today’s interconnected world, customers want an engaging retail journey, ranging from hyper-personalisation to creative experiences that align with their values. Without a doubt, the physical store is front and centre.

~54% of North American luxury shoppers say they visit a luxury store at least quarterly

~77% of respondents expect to visit luxury stores as often or even more frequently in the year ahead

Physical retail has the opportunity to meet — and exceed — the increasingly high expectations from luxury shoppers by innovating around three pillars:

01 Supercharged Connectivity

~67% of luxury shoppers agree that stores should feature **more digital integration**

02 Sustainable Retail

~61% of luxury shoppers agree that stores should meet **higher environmental standards**

03 Inclusive Luxury

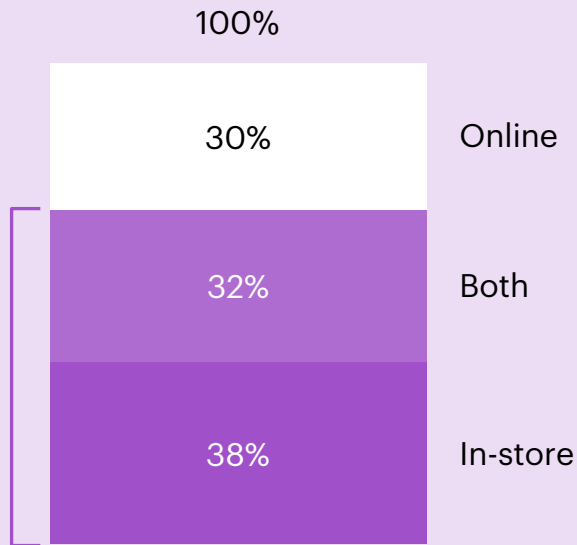
~49% of luxury shoppers agree that stores should be **more than a place to buy luxury products**



Stores continue to play a pivotal role in the luxury customer journey, from customer service to community building to storytelling

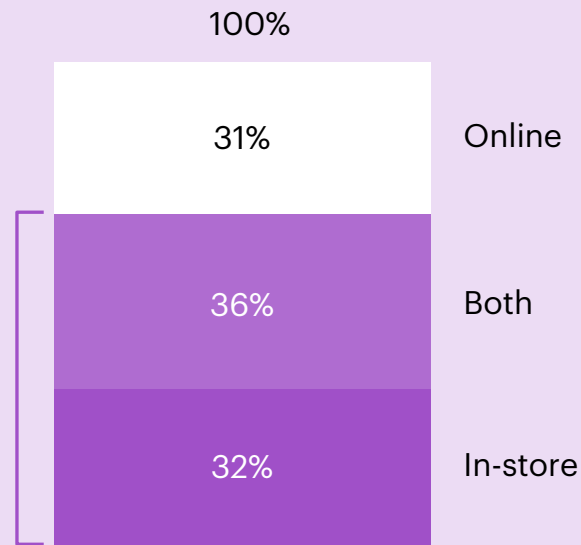
~70% of luxury shoppers

prefer to involve a store when joining brand communities.



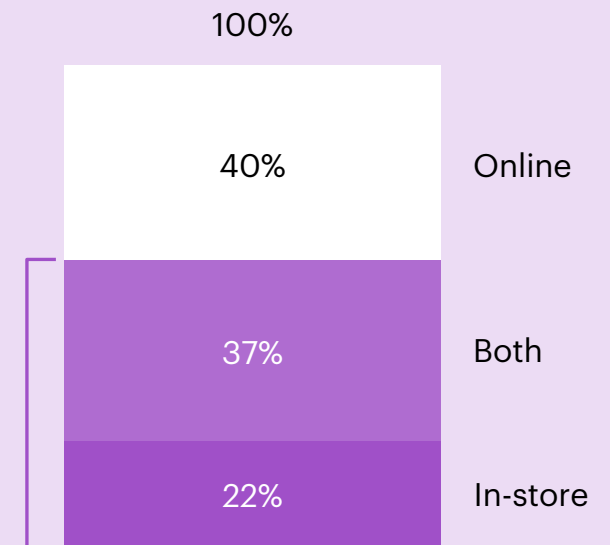
~68% of luxury shoppers

prefer to involve a store for customer service.



~59% of luxury shoppers

prefer to involve a store to learn about brand stories and values.



Source: BoF Insights and Royalmount survey of US and Canada frequent luxury shoppers living in an urban area.

Luxury brands and retailers continue to invest in initiatives that reimagine physical stores because of:

- The tangible and intangible value of store associates connecting with customers.
- The community role they play when like-minded customers converge.
- Their ability to foster inspiration and organic discovery.
- The real-time feedback loop and messaging during product launches and other activations.
- The boost to the overall business when physical and digital tactics work together for a complete omnichannel experience.

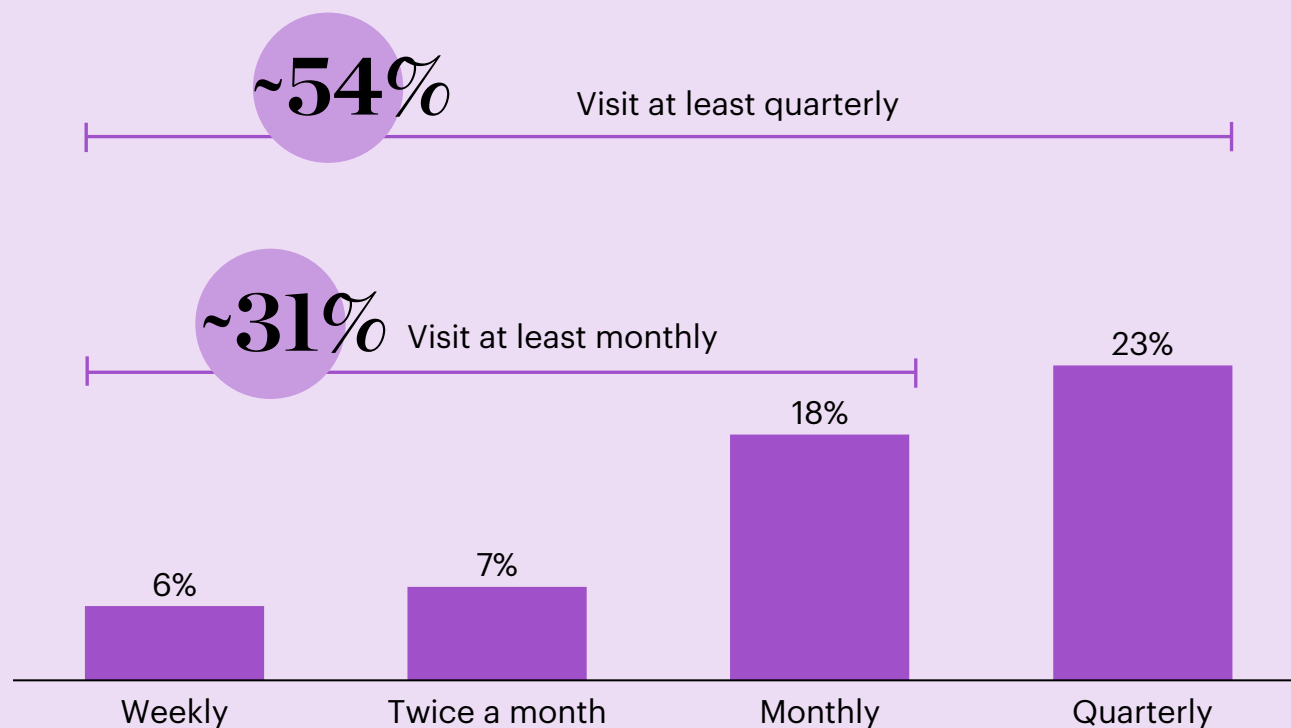


Image courtesy of Getty Images

Shoppers are visiting luxury stores often – half at least quarterly and a third at least monthly

Q: How frequently do you visit luxury stores in person?

% of respondents



Source: BoF Insights and Royalmount survey of US and Canada frequent luxury shoppers living in an urban area. Data shows customers that shop at least once a quarter in a luxury store.



Importantly,

~77%

of luxury customers expect to visit a store as often or even more frequently in the year ahead versus 2022 due to the desire to shop in person.



Source: BoF Insights and Royalmount survey of US and Canada frequent luxury shoppers living in an urban area.

Luxury customers are demanding even more from stores than pre-pandemic



Image courtesy of Getty Images

~67%

of respondents agree that stores today should feature **higher levels of digital integration**



Image courtesy of Firmdale Hotels

~61%

of respondents agree that stores today should meet **higher environmental standards**



Image courtesy of Shutterstock

~49%

of respondents agree that stores today should be **more than a place to simply buy luxury products**

Source: BoF Insights and Royalmount survey of US and Canada frequent luxury shoppers living in an urban area.

“

The trend of creating welcoming environments that are highly curated was already present. But I think consumers today are even more educated and more sophisticated. They are looking for authenticity, quality and respect.

The pillars around connectivity, sustainability and inclusive luxury are all essential. Delivering on these principles will make a positive difference.”



Mathieu Le Bozec, managing partner of L Catterton Real Estate (partner in Royalmount)



Best-in-class players are innovating on precisely these three pillars in order to differentiate themselves



01

Supercharged Connectivity

- **Reward:** Tech needs to offer direct or indirect benefits to shoppers.
- **Choice:** Customers should be able to balance in-store tech with human interactions as they see fit.
- **Human Connection:** Deployed correctly, tech builds deeper bonds between people.



02

Sustainable Retail

- **Responsibility:** Whether building anew or retrofitting, sustainability is a key part of the equation in physical stores.
- **Anticipation:** Retail players must stay ahead of sustainability regulations.
- **Wellness:** Spaces that promote nature bring peace of mind and a sense of calm.



03

Inclusive Luxury

- **Immersion:** Experiential retail should focus on engaging activities for all kinds of visitors.
- **Dwell Time:** By reducing frictions, visitors will have more opportunities to shop and enjoy themselves.
- **Community:** Retail players are important for fostering a neighbourhood environment.

01 Supercharged Connectivity

Supercharged connectivity refers to technology as an enabler for forging deeper human relationships

Luxury shoppers are most interested in technology that provides clear benefits, like loyalty programmes and free amenities (which can be used to capture CRM data)

Q: What do you think are the most important technology offerings when visiting a luxury shopping destination?

% of respondents that placed offering in top 3 choices

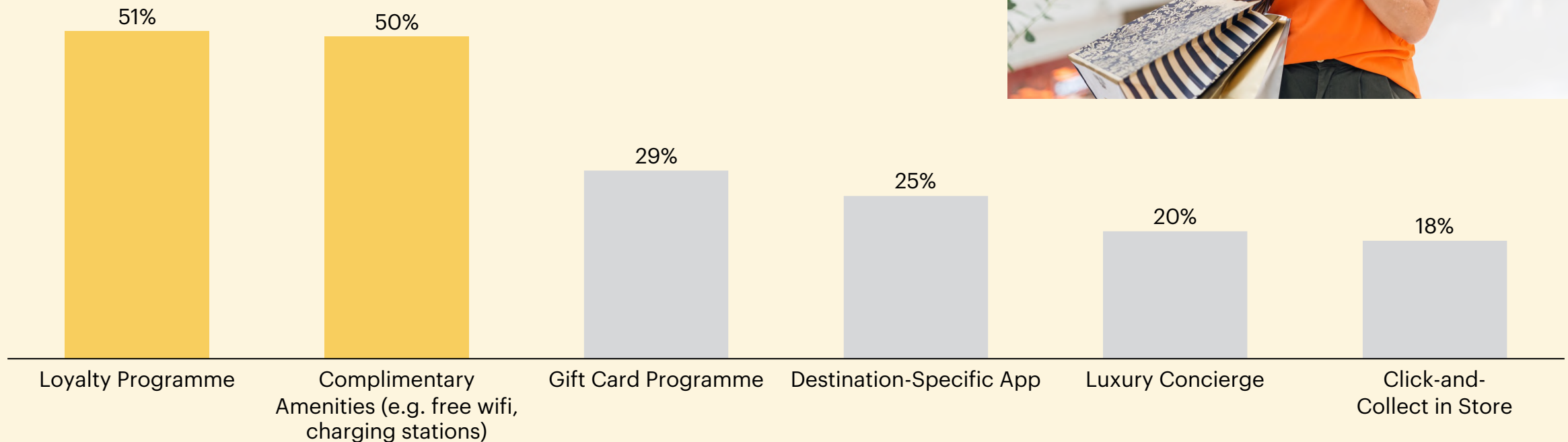


Image courtesy of Getty Images

Source: BoF Insights and Royalmount survey of US and Canada frequent luxury shoppers living in an urban area.

CASE STUDY | Harrods puts data to use to connect with customers and brands

The storied UK department store has long been known for its relentless focus on the service it provides luxury shoppers, and in recent times, technology has boosted that effort. For example, data gleaned from its loyalty programme informs the creative ways it engages with the millions of customers who visit the store every year, be it from opening new restaurants to launching pop-ups or special exhibitions in partnership with top luxury brands like Christian Dior and Louis Vuitton.

Implications

- 1 Breadth:** Retailers, such as Harrods, and landlords are even better placed than brands to offer a loyalty scheme as customers are able to earn on activities beyond shopping (e.g. dining, personal care services).
- 2 Surprise and Delight:** Loyalty programmes that provide shoppers with novel or unexpected non-financial benefits are excellent differentiators that can result in greater mindshare.
- 3 Long-Term Engagement:** Loyalty programmes become more valuable over time, reinforced by the volume of customer data that leads to more opportunities for personalised touchpoints.

“We are in a very privileged position where the super brands want to work with us [and] tap into our customer base. Our customer relationship management system gets to data at a deep level, beyond just capturing when a customer has made a transaction. This leads to a very sophisticated clientele segmentation.”

Gerard Duran, head of marketing at Harrods



“

The future of the store will be determined by the relationship that the brand has with its sales associates and its customers.

Of course, there's technology. But all of that is held together by humans.

With all the efficiencies that you can get from purchasing items online, there remains the need and desire to be with others.”



Suzanne Santos, chief customer officer of Aesop

Image courtesy of Aesop



CASE STUDY | Technology underpins innovative services at Sephora

Beauty retailer Sephora ensures its 25,000 in-store sales associates (Beauty Advisors) are **fully trained and equipped with technology to enrich customer visits**. ‘The Skin Diagnostic’ allows staff to **diagnose customer requirements** via a smartphone and recommend a personalised care routine, while the ‘MCIQ’ is a makeup **tool that uses AI** to enable foundation-matching against a dataset of more than 10,000 skin tones.

“Today, consumers are looking for a personalised and innovative experience when they shop. All of our advisors are trained in three categories (perfumes, skin care, makeup). It is not uncommon that customers will return to a specific location to get the expertise of a particular advisor.”

Sarah Boyd, managing director of Sephora UK

Implications

1

Continuous Innovation: Providing a steady stream of new in-store tools keeps brick-and-mortar fresh.

2

Choice: Customers should be able to choose the extent to which they want to engage with tech in store.

3

Expertise: Tech integrated with hands-on attention leads to an experience that can’t be replicated at home.

02

Sustainable Retail

Sustainable retail is now an imperative to address evolving consumer demands and needs

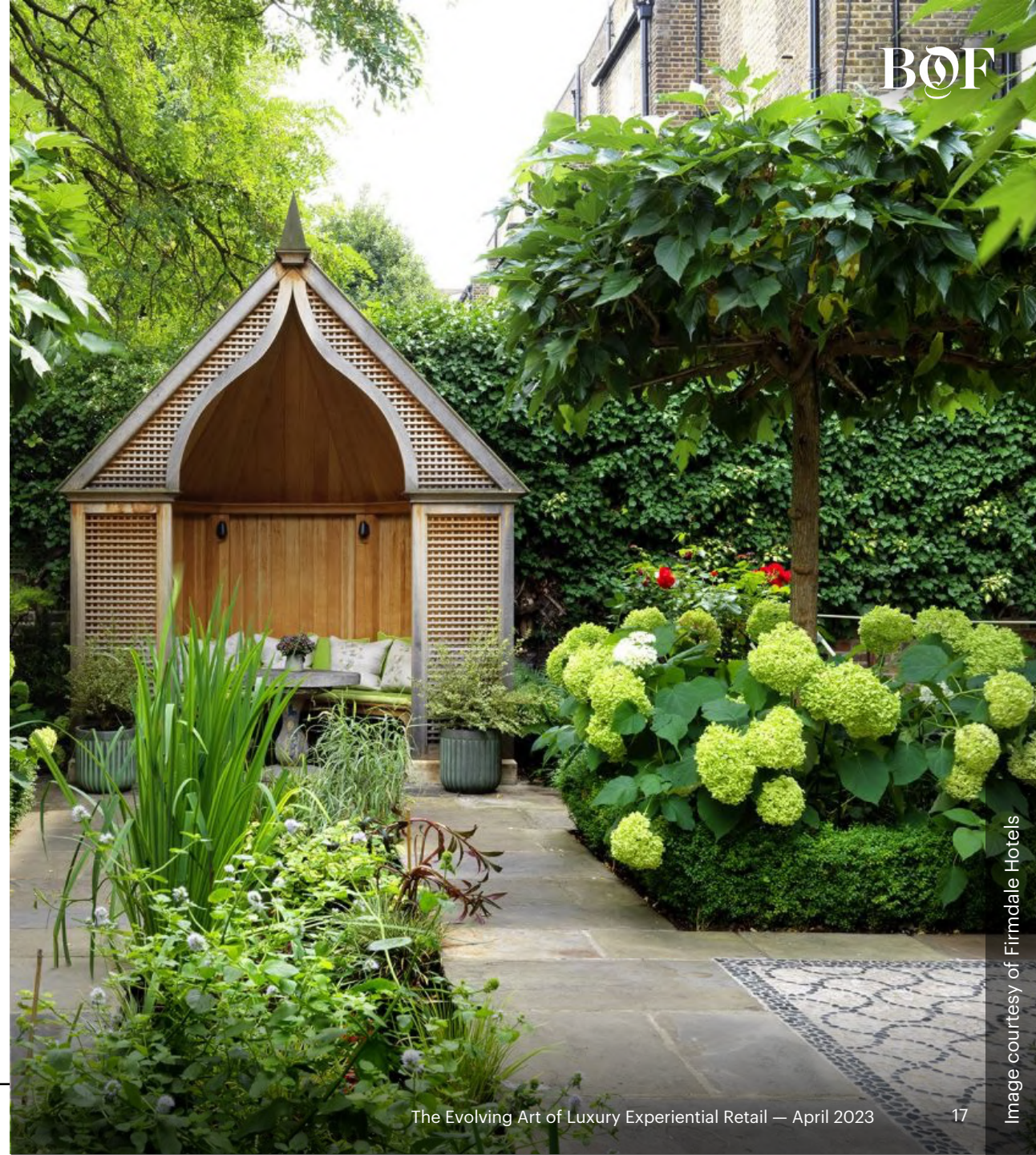
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When we look at [consumer trends], we see people taking a more conscious approach. It's about seeking real cultural immersion, transformation and knowledge, underpinned by a sustainable sensibility.

People are seeking sustainability and trying to make choices that will be more impactful.”



Sarah Doyle, vice president, global brand leader of Design Hotels



CASE STUDY | Reformation's environmental values are promoted through its store designs

The eco-conscious apparel brand makes **sustainability a focal point and talking point with customers in its stores**. Stores are designed consistently with materials that aim to **minimise the environmental impact** while forming an integral part of its branding. Reformation also encourages customers to recycle by paying them to drop off pre-loved items at certain retail locations.

Implications

1

Strategy in Action: Store associates help customers understand sustainability as practised by the brand, as well as through their own purchasing decisions.

2

Local Sourcing: Using the same materials across stores can simplify buildouts and reduce carbon emissions, while bolstering community ties.

3

Circularity: Brands and retailers are incorporating recycling and resale into their businesses to help achieve sustainability targets and boost customer engagement in store.

“Sustainability is [about] how we make product and how we operate stores. We make sure it’s a talking point that all of the store materials are natural or recycled. The furniture is vintage. The electricity is [part of a carbon] offset. We bring this conversation to our customers.”

Hali Borenstein, chief executive of Reformation



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CASE STUDY | Nike's sustainable store design upcycles products into new building materials

Nike employees can take credit for creating the brand's recycling initiative, called Nike Grind, which **transforms manufacturing scraps like rubber and end-of-life shoes and apparel into new products**. External partners and Nike shops both make use of these recycled materials for flooring and other furnishings. Grind is **coupled with other green initiatives**, such as Forward, which seeks to reduce carbon output through material innovation.

"Sustainability is a key component in how we run our business. Consumers can see sustainability woven into the fabric of Nike stores through store design, products and services. As we open new stores, we aim to incorporate elements of sustainable design to provide benefits at scale."

Shannon Glass, vice president, general manager of Nike Direct North America

Implications

1

Passion: Brands can boost staff and customer engagement by reflecting their values in products and services.

2

Scale: Brands can expand their sustainability initiatives to other companies for greater impact.

3

Efficiency: Upcycling waste must be part of a wider sustainability strategy touching on all parts of product journeys.

03 Inclusive Luxury

Inclusive experiences offer something for everyone in the community

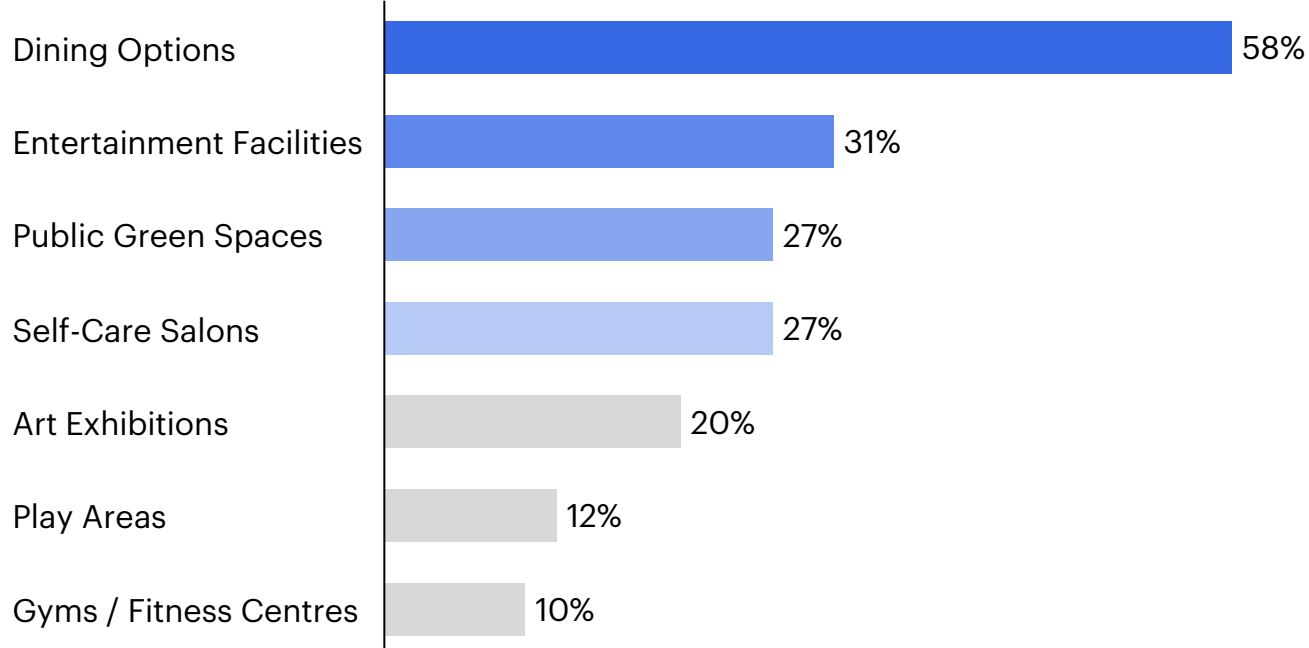


Image courtesy of Four Seasons Montreal

Mixed-use shopping districts can better appeal to customers because of the variety of choice

Q: What do you think are the most important and desirable attractions / landmarks when visiting a luxury shopping destination?

% of respondents that placed attraction in top 3 choices



Source: BoF Insights and Royalmount survey of US and Canada frequent luxury shoppers living in an urban area.

CASE STUDY | Le Bon Marché's focus on 'retail-tainment' broadens the store's appeal

The Parisian department store began supporting the arts as a **long-term plan to deepen customer loyalty and attract new visitors**. In addition to nearly a decade of collaborating with artists like Ai Weiwei on large-scale installations, the store showcases unique paintings, sculptures and furnishings. It also **regularly hosts concerts, readings and other activities**, including immersive theatre that started in 2022.

"[Experiences] are about bringing the brand into the mind of customers and bringing in people who wouldn't otherwise have been interested. We give customers a reason to visit. It's not about immediate conversion to sales [but convincing] people to stay for longer in our stores."

Patrice Wagner, chairman and chief executive of Le Bon Marché Group

Implications

1

Authenticity: Experiential retail must come across as genuine and as part of a brand's DNA to resonate with customers.

2

Rejuvenating Physical Spaces: Physical store spaces must evolve to enable new activities, such as exhibitions or performances.

3

Long-Term KPIs: Zeroing in on metrics like new customers and time spent in store can help monitor the value of experiences.

CASE STUDY | RH leverages dining to engage visitors and attract passers-by

As a home-furnishing retailer at Royalmount, RH will serve as an anchor within the shopping district. In positioning itself as offering more than home goods and furniture, RH is designing its **rooftop restaurant** around an indoor / outdoor concept that echoes other parts of Royalmount in its **unity with nature and the availability of welcoming spaces to spend time and socialise**. Other RH amenities like wine and coffee bars will be **destinations in and of themselves**.

Implications

1

Inspiration: Restaurants showcase home products in real-world settings, providing a sense of place that can stir the imagination while building affection for a brand.

2

Hospitality: Expanding into cafes or restaurants provides alternative spaces for shoppers to relax and spend more time interacting with the brand or retailer.

3

Multi-Sensory: Activating all five senses underscores a key advantage of physical spaces over online interactions.

“We try to create inspiring spaces that blur the lines between residential and retail, indoors and outdoors, and home and hospitality. We think [our space at Royalmount] will be architecturally significant and experientially significant.”

Gary Friedman, chief executive of RH



Innovating around these three pillars generates emotions that transform in-store shopping

“

Twenty years ago, clients came to the boutiques only to get product. Now, you can often get that same product online.

When clients come to a boutique today, they want the full experience. They want emotions and memories. Our clients should feel like friends of the house — it's that sense of intimacy.”



H el ene Poulit-Duquesne, chief executive of Boucheron

“

More and more, what we try to explain to our sales associates is that they must create an emotional journey. It can't be a pure transaction.

There are a thousand ways to turn those interactions into deeper connections.”



Isabelle Guichot, chief executive of SMCP Group

The most successful retail players evoke deep emotions from visitors that can encourage return visits

Q: What emotions do you expect to feel when visiting a luxury shopping destination?

% of respondents



Source: BoF Insights and Royalmount survey of US and Canada frequent luxury shoppers living in an urban area.

“

Royalmount is not a project that was developed overnight. It’s a manifestation of 20 years of slowly assembling thoughts and ideas around human connectivity and happiness.

The most important input to this development was years of consumer psychology. You must become more empathetic of everything around you, whether trends or people.

My personal mission is **to bring people together in a place that ultimately makes them happy.** It’s all about emotional wellness.”

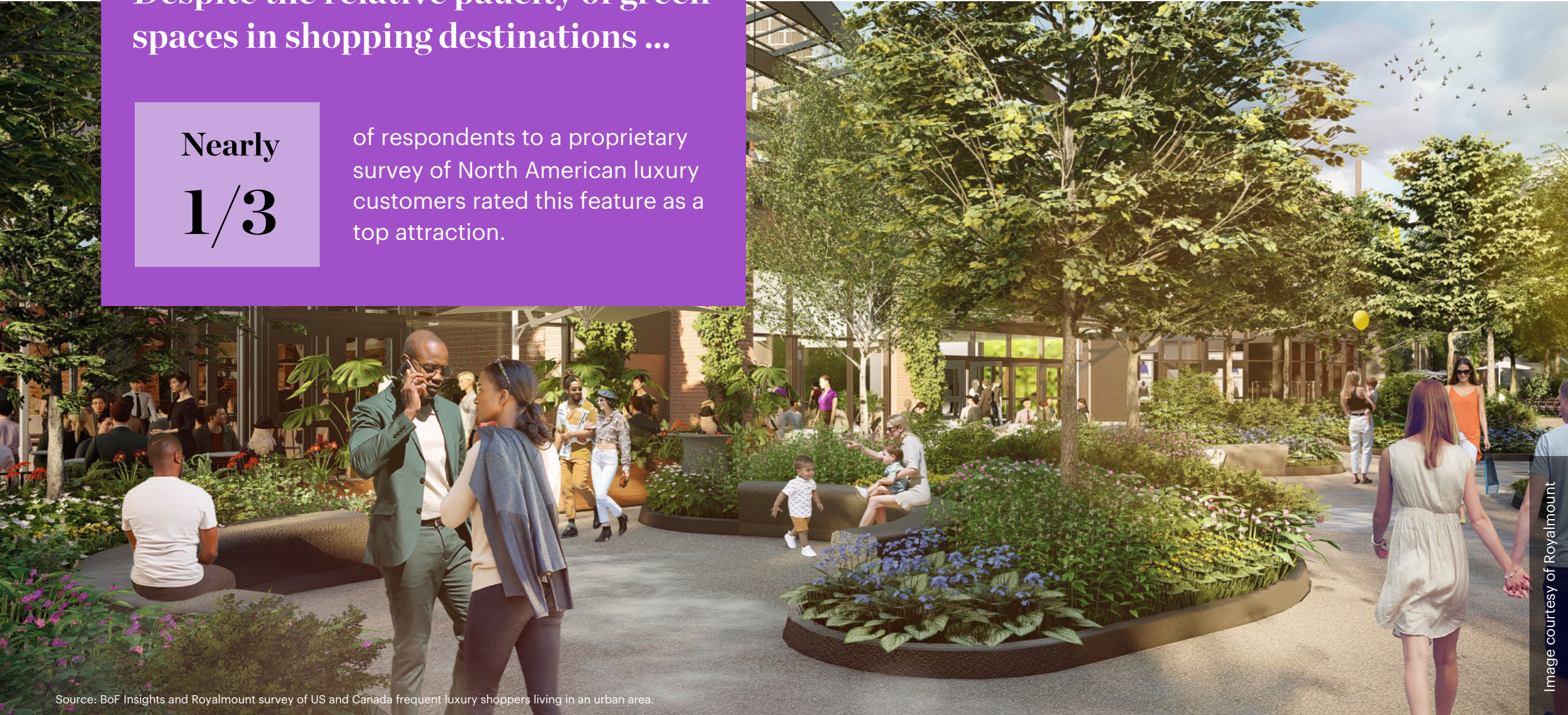


Andrew Lutfy, chief executive of Carbonleo, Royalmount visionary and lead investor

Despite the relative paucity of green spaces in shopping destinations ...

Nearly
1/3

of respondents to a proprietary survey of North American luxury customers rated this feature as a top attraction.



Source: BoF Insights and Royalmount survey of US and Canada frequent luxury shoppers living in an urban area.

CASE STUDY | Royalmount encapsulates the three pillars of successful experiential retail

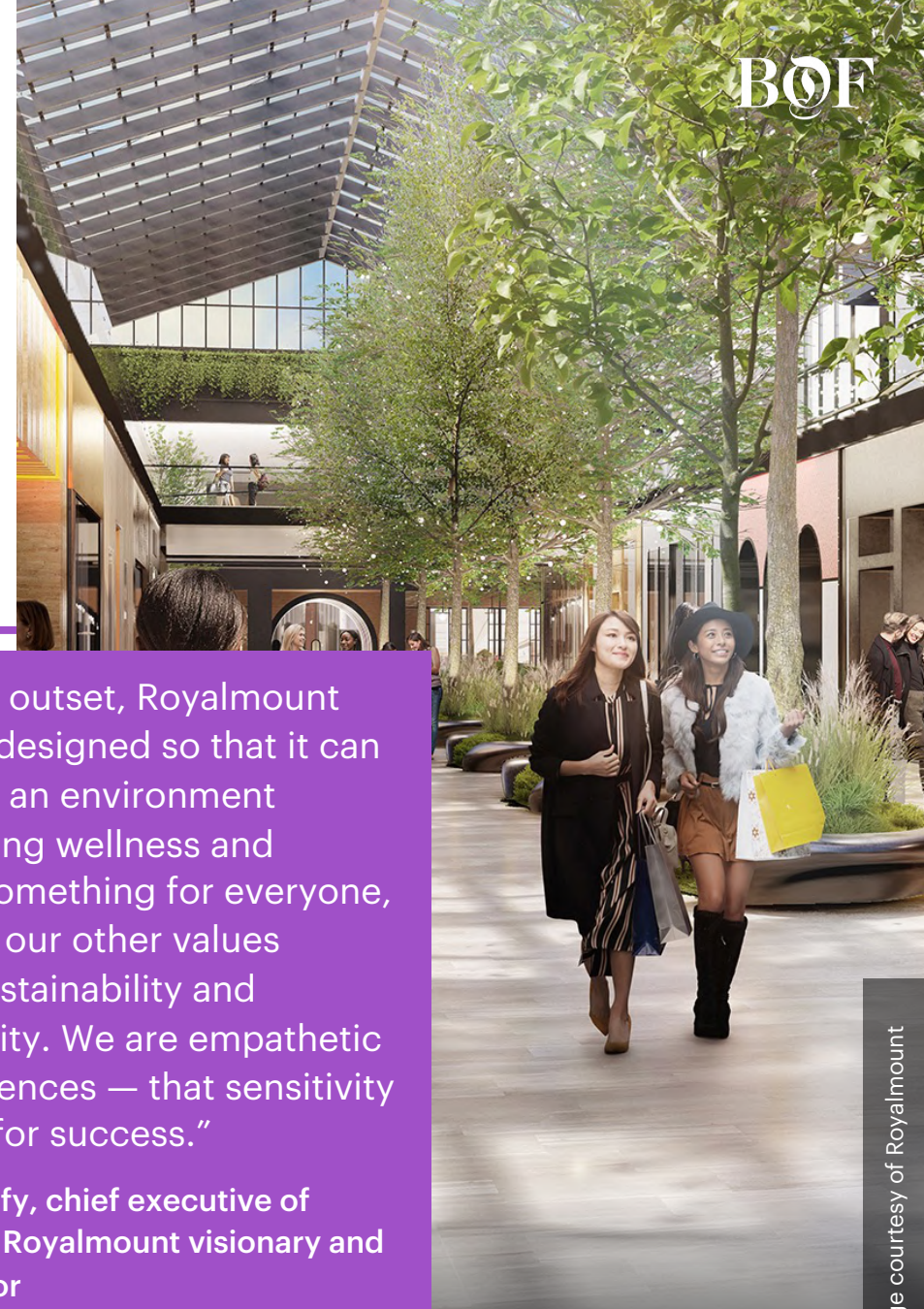
Royalmount is a forthcoming shopping district in Montreal that will be home to more than 170 stores, including a luxury district, and 60 restaurants. It will be the first 100% carbon-neutral mixed-use development in America and the largest LEED Gold retail project in Canada. At its heart will be a 1.8-acre urban park that will host public art and cultural events and Le Champs Libre™, a 3km elevated linear park connecting the district's many offerings, for locals and out-of-town visitors alike.

Takeaways

- 1 Connectivity:** Royalmount accelerates unity and belonging within the community through eclectic and integrated design, community programming and technology-enabled spaces.
- 2 Sustainability:** As a LEED Gold-certified district with an urban park and linear park at its core, Royalmount will provide visitors with open, natural spaces to re-energise their senses.
- 3 Inclusive Luxury:** Royalmount is designed with and for communities. By curating a wide range of high-quality experiences that bring people together within a cultural epicentre, luxury is made accessible to all.

“From the outset, Royalmount has been designed so that it can deliver on an environment emphasising wellness and offering something for everyone, alongside our other values around sustainability and connectivity. We are empathetic to all audiences — that sensitivity is critical for success.”

Andrew Lutfy, chief executive of Carbonleo, Royalmount visionary and lead investor



“

The offline is going to become rarer and what is rare, becomes desirable. Luxury lifestyle in outdoor centres will provide precisely what the digital world cannot.

What Royalmount aims to accomplish is to take into consideration how we actually live and how we want to live.

We want to go back to a more efficient system where we eat, sleep, shop, meet, laugh and drink at the same place.”



Michael Burke, strategic advisor to the president, former chairman and chief executive of Louis Vuitton



About Royalmount and Carbonleo

[Royalmount](#) is Carbonleo's latest creative endeavour that will reimagine Montreal's midtown to become the city's number-one destination for shopping, dining and entertainment for communities near and far.

The mixed-use destination is orientated around supercharged connectivity, sustainable retail and inclusive luxury. It will be **the first 100% carbon-neutral mixed-use development in America, as well as the largest LEED Gold retail project in Canada.**

Royalmount aims to define the shopping experience by providing visitors with the freedom to move intuitively in a rejuvenating environment while enabling a space for brands to create unique, best-in-class moments of inspiration.

Carbonleo is a Quebec-based real estate development and management company with an innovative approach based on extensive experience and a vision for the future. Carbonleo is dedicated to creating a range of remarkable, high-value projects that blend seamlessly into the regions in which they are built.



About BoF Insights

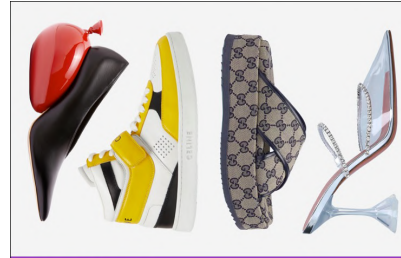
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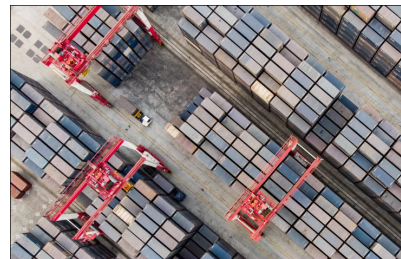
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