

# Four ways to reinvent the department store

By Erica Ng, WGSN, 22 May 2014

Building a retail brand with a focus on digital, customer engagement and sustainability is crucial for department stores to reconnect with today's consumers, said speakers at the Global Department Store Summit in Singapore.



Sehun Park, CEO, Hanwah Galleria

## \* SHORTCUTS

- **Clean up:** add clarity to individual branded areas to give shoppers an open view of collections and help build the retail brand proposition
- **Rethink sustainability:** environmental concerns are creating more 'cause-conscious' consumers. Sustainability should be built-in to strategy
- **Be flexible and selective with digital:** avoid 'technology for technology's sake' and consider brand image when making retail technology investments
- **Relationship building:** curating the offer and adding personal services are among the ways to foster customer engagement

Repositioning department stores to better connect with younger consumers was at the heart of discussions at the biennial Global Department Store Summit (GDSS) held in Singapore this month. Around the world, the department store concept is being challenged as many traditional players lose sight of their core customers in the face of growing competition from shopping malls, standalone brand flagships and online retail.

Meeting at the GDSS, organised by trade body IGDS, the senior bosses of major department stores worldwide agreed on an urgent need in the sector and in their businesses to establish what their brands stand for. This needs to be a strategic value that is unique and relevant for today's demanding and tech-savvy shoppers, whether they are in mature or developing markets.

Read on for four strategies that global department stores are using to reinvent themselves.

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## 1. Clean up



(L-R) IDGS board member Andrew Jennings, Shopper Stop MD Govind Shrikhande, MasterCard SEA president Matthew Driver, Åhléns CEO Gregg Mowins



Hanwha Galleria, Seoul

Across Asia department stores have been solidifying their propositions to highlight themselves as a 'brand with a mission' instead of merely a retailer. Many have reviewed the merchandising mix and brought in exclusive labels to target young consumers looking for something different, and some are adjusting the offer to create a greater sense of curatorial inspiration and personal service.

One practical way to express this focus on branding is to clean up display fixtures and bring all labels into one open area to visually present the department store's merchandise selection with clarity.

Singapore's [Robinsons department store last year revamped its Orchard Road store](#), clearing the womenswear and menswear floors of individual label decorations. South Korea-based Galleria also renovated its flagship in Seoul in April, with a unified merchandise display design for all the labels it carries and a new range of private-label lifestyle products. CEO Sehun Park said the idea was to create "one integrated identity" for Galleria.

In Japan, department store [Isetan went through a 10bn-yen revamp](#) in 2013 to create a new concept of integrating art and fashion, with art installations displayed alongside mannequins and new event-space areas. Indian department store Shoppers Stop rebranded with a new logo and a massive marketing campaign, with the goal of positioning the store as part of "each customer's personal style transformation".

"We now have to connect with customers at not only a transactional level but also an emotional level that's very new for department stores," said Shoppers Stop's customer care associate and managing director Govind Shrikhande.

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## 2. Rethink sustainability



Esquel's PYE store, Hong Kong



Marc Bolland, CEO, Marks & Spencer

A new generation of consumers who are more 'cause-conscious' than 'cost-conscious' are driving the need for sustainability in the business, said David Spooner, VP of sales and marketing for Banyan Tree Hotels & Resorts Singapore. In a 2013 global survey by Nielsen, 50% of respondents said they were willing to pay more for goods and services from companies that give back to society – up from 45% in 2011.

For Banyan Tree, Spooner said sustainability matters because it is a key brand attribute that helps create an emotional bond with consumers and employees, an objective for many department stores in their mission to reinvent their identities. Initiatives, such as inviting them to plant trees on hotel properties, help them to develop a personal attachment towards the brand and create a feel-good element as they spend time with the brand.

Marc Bolland, CEO of UK retailer Marks & Spencer, stressed the need to maintain the elements of desire and aspiration while also achieving sustainability. The department store introduced a new quality charter to all of its buying teams, suppliers and regional offices last year to align ethics and design ethos.

"Sustainable products often lack status, which means they don't get consumers interested," Bolland said.

Environmental concerns are top-of-mind for China's consumers who struggle with high pollution levels on a daily basis. Sustainability is also a core concern for Chinese cotton-shirt manufacturer Esquel, which has now expanded into retail with its own-label shirt brand Pye. The company is planning a new production centre in Guilin, China, which will feature a botanical garden and education centre to showcase organic fibres and sustainable practices. Through this effort, Esquel aims to bring consumers closer to the production process and educate how it affects the environment.

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### 3. Be flexible and selective with digital





(L-R) AI Futtain president Paul Delaoutre, Far Eastern Group chairman Douglas Hsu, Coin & Excelsior MD Simone Dominici, Selfridges MD Paul Kelly, Myer Holdings CEO Bernie Brookes



Delegates at Global Department Store Summit 2014, Singapore

Digital has radically changed the way consumers shop, and department stores are being challenged to keep up. There is no debate on the potential of e-commerce and the value of the customer data it provides, but the speed of how quickly technology changes and the cost of perfecting omni-channel are holding many retailers back.

The volume and complexity of the data coming through online shopping, social media and geo-fencing are overwhelming, with Douglas Hsu, chairman and CEO of Far Eastern Group, questioning the practicality of leveraging big data to enhance in-store customer service. "There's such thing as too much data. Do retailers have to put up with all of it?"

Paul Delaoutre, retail president of AI Futtain UAE said the key to retail technology investments is flexibility. This means that retailers should be flexible and selective on which technology investments make sense for their particular brand image. Retailers should also re-examine their target customers' expectations and restructure the business to ensure the right people are empowered to make quick decisions.

Selfridges Group's managing director, Paul Kelly, agreed that digital is a long-term investment that retailers must carry, but it is equally important for senior managers not to lose sight of personal interactions.

"Omni-channel is the greatest gift anyone has given retail," he said. "Data tells you half of the story of what's happening in the shop. Visiting the shop floor yourself tells you the other."

#### 4. Relationship building



Tiang Sooi Foo, CEO, Tangs



Tangs beauty lounge, Singapore

The physical store remains the most important touchpoint for department stores building relationships with customers. Speakers from a range of retailers including Isetan Mitsukoshi and Galleria gave examples of fashion shows, pop-up stores and workshops as new ways to draw customers in and increase dwell time.

Singapore-based department store Tangs invested SG\$45m in 2012 in a three-year overhaul of its flagship store on Orchard Road to enhance the customer experience. Tiang Sooi Foo, CEO of Tangs said the new retail concept brings together a comprehensive boutique experience in malls and the curatorship and intimate setting of a department store.

The first phase of the revamp focused on beauty, which saw the opening of a new spa and salon lounge where customers can take advantage of facials, make-up and hairstyling services. Across the beauty floor sales people are trained across brands and are now called “Tangs ambassadors” rather than being linked to one specific brand.

“To counter online shopping department stores need to become ‘experience stores’, to give immersive experiences to capture imagination and attention,” Foo said.