



Breathing

China has a fast-paced culture, a passion for innovation, and a hunger for change.

The nation's 6.3% R&D investment increase is more than double the growth rates of both the U.S. and Europe, according to a 2016 study in *R&D Magazine*. And China is slowly losing its image as a copycat nation. The country's State Intellectual Property Office led worldwide patent application filings by a large margin for three years running, with 825,136 filed in 2013, according to the 2014 edition of the *World Intellectual Property Indicators*.

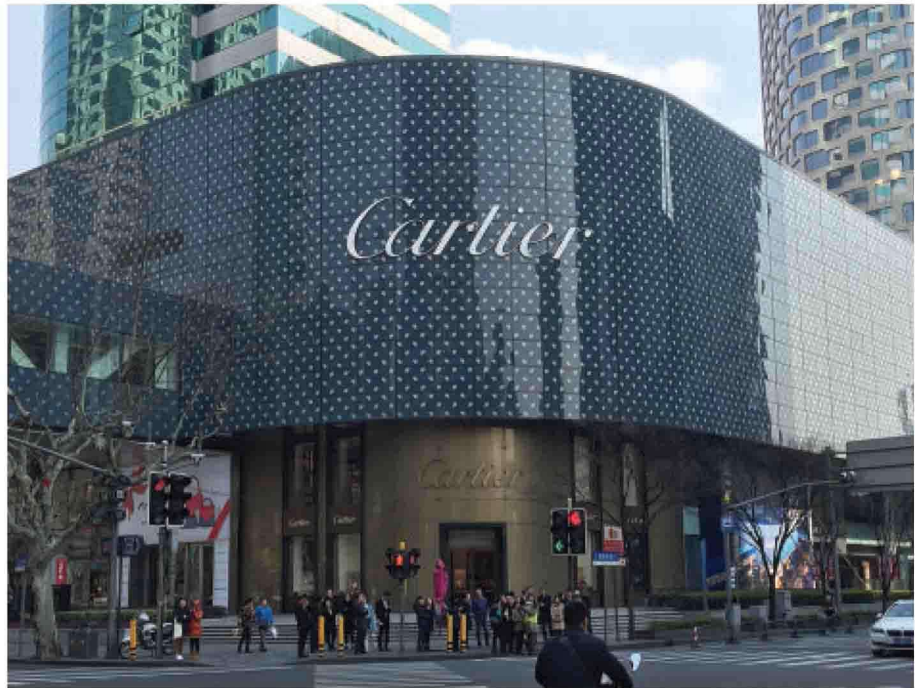
Replete with 87,366 retail companies—the most on the planet, China places importance on creating unique branded experiences. New store designs constantly appear in rapidly growing megacities such as Shenzhen, Gangzhou, Beijing, and Hangzhou. Chinese retail design demonstrates attention to detail through the use of textures, exotic materials, and digital signage. China is becoming a trendsetter in the convergence of technology and design within businesses.

Five trends make this market worth global attention.

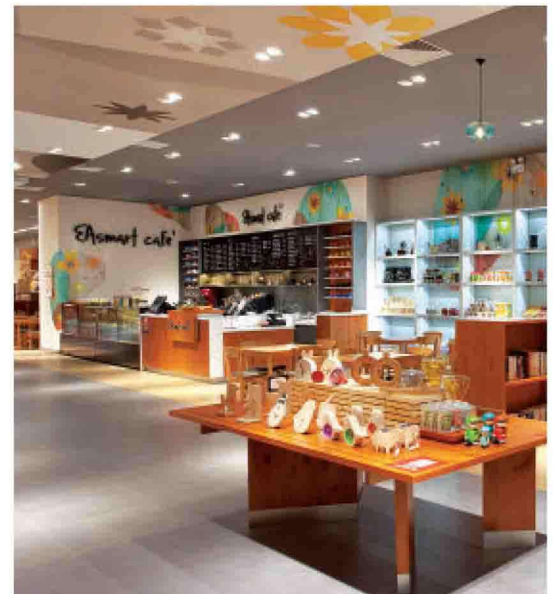
1 Big and Biggest

There is no such thing as one flagship store, as the population of most Chinese cities allows for numerous flagships in one market. China accounts for nearly a quarter of the 150 most-populous cities worldwide, and both Shanghai and Beijing eclipse even New York City and São Paulo in population, according to a 2016 World Atlas report. Apple has five flagships in Shanghai alone, and the city boasts three high-fashion malls featuring ultra-premium brands.

Consumers are moving from suburban communities to urban centers, driving rapid growth in major cities such as Shanghai. As these urban centers grow, distinctive communities are emerging with their own personalities and cultures. Flagship stores play an important role as landmarks that define and legitimize these communities.



Chinese consumers have a deep desire for status brands, providing a fertile market for luxury.



Fire

5 HOT RETAIL TRENDS IN THE LAND OF THE DRAGON

by Jean-Pierre
Lacroix



As they emphasize flagships, Chinese retailers are reducing their store counts as sales gravitate online. To succeed and remain relevant, retailers need to rethink their portfolios to focus on two types of stores: large flagships delivering unique, compelling experiences and small, community stores providing better access to products that consumers would otherwise purchase online.

The Chinese love to eat out. It's hard to walk more than 20 ft. without coming across either a global food chain or an independent food operator. In addition to their sheer numbers, the size of the establishments is often large, with many comprising multiple floors. And the demand is not expected to abate. A McKinsey study on the Chinese consumer of 2020 forecasts dining out to grow by 10.2% annually.



Bigger is better for Chinese retail. Architect MNA helped Ralph Lauren make this store appear larger with a four-story façade.

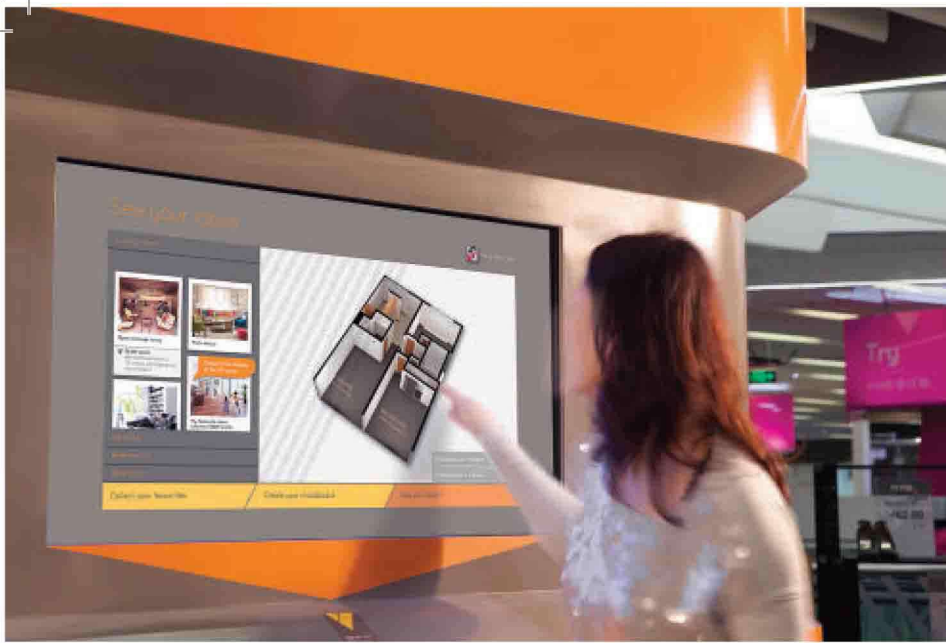
2 Digital, Digital and More Digital

China is truly a digital nation like no other. Here, digital signage is not just a line item; it's the cost of doing business. The technology is valued as an application to both the exterior and interior. The exteriors of entire skyscrapers act as gigantic digital signs, with additional signage throughout the interior space. And it's integrated into retail stores. For example, Samsung's store on the famous Shanghai pedestrian shopping street Nanjing Road features an entire façade of digital screens integrated within the architectural personality of the store.

Digital is also valued to support the customer journey. Chinese consumers embrace technology in everything they do. Digital is a critical element in the way they shop and want to experience brands. The mobile wallet, for instance, has been entrenched within the Chinese market for eight years. To meet consumer expectations, a major retail client emphasizes technology throughout the customer journey, from exterior digital signs to intimate tablets for use while customers are waiting.



Eating out is so expected that this Shanghai tech-oriented store (Easmart) designed by rkd retail/iQ includes an in-store café.



Technology is used heavily. DIY retailer B&Q uses high-tech solutions to show consumers how their homes would look after renovation in this Shanghai store.



Within this culture, digital is expected to be seamlessly integrated into the overall retail experience. So it is not an afterthought in store design. Right from the start of any project, great effort is put into ensuring a lack of delineation between the physical and the digital.

Supporting this integrated digital experience is the emergence of robots as greeters, most commonly seen in financial institutions. Expect to see more robots as lobby managers and greeters providing customers with convenient access to information and assistance as the technology improves and represents yet another link between the physical and digital worlds.

3 QR Code Everything

Chinese consumers have fully embraced QR codes. Scanning of these matrix barcodes had reached 113.6 million a month by late 2013, according to an *Ad Age* report. The widespread usage is mostly due to the Chinese mobile messaging app WeChat, which has more than 700 million active users. Its built-in QR code reader allows users to share contact information, make payments, transfer money, and follow other WeChat accounts.

Since China is a digital nation, it has embraced QR codes as the link between conventional messaging found on printed signs with the digital world, most commonly defined by the mobile phone. As a result, QR codes are used on all print communication, both large and small.

QR codes will continue to play a large role as more augmented-reality applications are created for various functions, such as providing better wayfinding or creating immersive popup stores. Yihaodian.com, China's top online retailer, has 1,000 virtual supermarkets where customers can shop and have products delivered to their homes the same day.

4 Faster than Fast

Everything moves faster in China, from the largest high-speed train network in the world to the rapid expansion of megacities and the creation of new ones. Speed to market is needed to fill voids in market opportunities as new cities emerge with expansive malls and High Street shopping areas. This growth



Design detail is emphasized from retail stores to restaurants like this Atto Primo in Shanghai, designed by Gensler.



is primarily fueled by the growing power and size of China's middle class, which is now the largest in the world. With rising wages and buying power, the Chinese have a deep desire to buy status brands. China's upper-middle-class consumers are helping stimulate rapid growth in the consumption of luxury goods, which grew 16% to 20% per year from 2009 to 2012, according to a McKinsey report. BMWs and Audis are common.

Driven by the need for rapid expansion, the typical schedule for a retail project in China is about five months from concept to completed prototype, regardless of whether it's a 20,000-sq.-ft. flagship or a store in a small regional mall. For example, our firm was recently retained to develop two flagship stores and one smaller regional location that will take six months to complete, from the time we were briefed to the completion of construction.

Since demand is growing, scale is also critical, with the average chain consisting of 5,000 stores and growing. China's largest bank, The Chinese Postal Bank, has 37,000 branch locations and typically renovates more than 5,000 stores a year. The competitive nature of the market is both financially driven and culturally motivated, as retailers do not want to be outdone by their competitors. This puts great emphasis on store design as an effective branding tool.



Top and above: Design details and materials were carefully chosen to appeal to the luxury shopper in this Ralph Lauren flagship in Hong Kong.



Textures and finishes are critical even amid restaurants like Dalloyau in Hong Kong.

5 Attention to Detail

Retail stores in China tend to feature unique textures and materials due to a penchant for well-designed objects. Feng shui teachings may have ingrained this in the Chinese. Or it may have grown out of access to low-cost premium materials, thanks to China's proximity to the sources and its overall buying power due to the number of stores.

In addition, Chinese consumers spend more on luxury items in relation to their income than do North Americans. Gates to markets Chinese have not been able to access for a long time are now open, and the newly born middle class and affluent young people are seeking more sophisticated experiences.

Whatever the motivating factors, store design leverages layers of textures through materials, colors, and lighting. A stroll down any outdoor pedestrian mall will reveal the intricacies of Chinese design and how it creates distinctive experiences. Attention is given not only to materials, but also more importantly, to how the space feels and reflects the cultural needs of the population. From an emphasis on vistas and views to the overall flow of the space, stores and restaurants in China are well designed, with the emphasis on the customer's perspective, not the operator's.

As retailers around the world explore new design options, they may want to spend time studying design trends emerging from China.

As Chinese retail brands continue to grow and prosper, it is also conceivable that they will start popping up elsewhere. Developers are always keen on providing unique brands as part of their tenant mix, and some of these rapidly growing, well-designed Chinese brands may fit the bill.

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Dragon Images: iStock.com/AnkDesign

Lighting and materials create distinctive experiences, such as at this Ports 1961 in Shanghai.

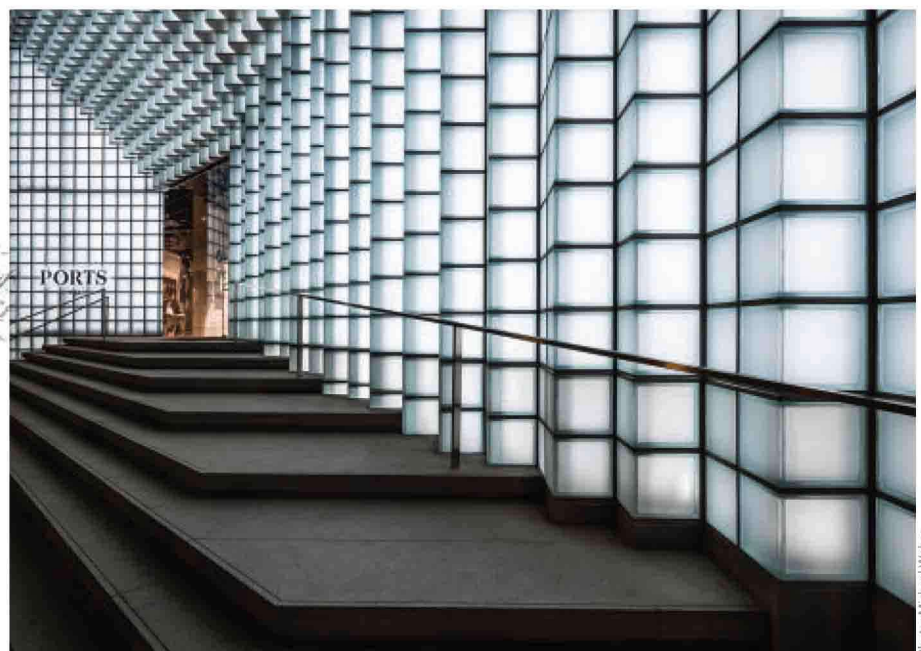


Photo: Michael Weber