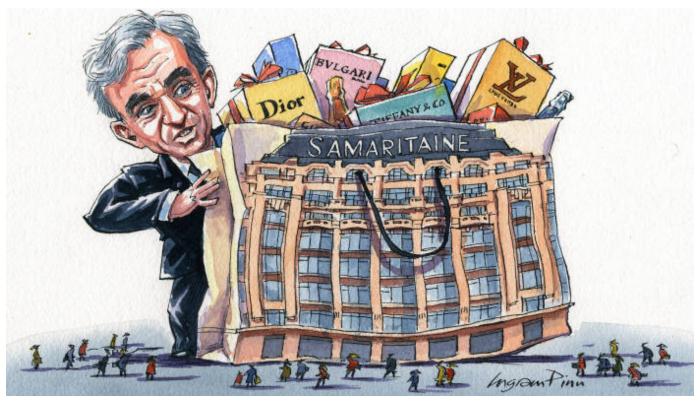
Opinion Retail sector

LVMH has become a luxury department store

Bernard Arnault's company is the modern incarnation of La Samaritaine and Neiman Marcus

JOHN GAPPER



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John Gapper 3 HOURS AGO

In *Au Bonheur Des Dames*, Émile Zola's 1883 novel, an entrepreneur who plans to create the grandest department store in Paris is asked a pertinent question. "Was this gigantic shop not a rash and fantastic undertaking... Where would you find the customers to fill this commercial cathedral?"

Bernard Arnault, chairman and chief executive of LVMH, faces the same question about <u>La Samaritaine</u>, the *grand magasin* he is to reopen in April in the heart of Paris after a €750m restoration of its ornate buildings. La Samaritaine was an emblem of the consumer age when it opened in 1870, but operating a department store in the era of ecommerce and fast fashion is perilous.

One answer is by selling fancy jewels. LVMH's \$16.6bn acquisition of Tiffany, the US jewellery

chain, adds another maison to Louis Vuitton, Christian Dior and many others that will occupy La Samaritaine. Like Octave Mouret, the hero of Zola's novel, Mr Arnault has faith in the intoxicating effects on shoppers of entering an art nouveau arcade filled with luxuries.

"Women, pale with longing, leaned over as if to see their own reflections in it," Zola wrote of a lavish display of silks in Mouret's store. "[They] stopped in their tracks, seized by a vague fear that they might be swept up in the torrent of such luxury, and by an irresistible desire to leap and to lose themselves in it."

The department store's future is less arousing than its past. Barneys New York <u>filed for Chapter 11</u> bankruptcy in August, and Henri Bendel <u>closed its Fifth Avenue</u> flagship store and 22 others this year. The mid-market department store is also endangered, with chains such as Sears in the US and House of Fraser in the UK collapsing, and revenues at others falling.

Zola's reference to cathedrals was intentional — La Samaritaine is sited between the Louvre and Notre-Dame and the evangelical US entrepreneur John Wanamaker later installed a 10,000-pipe organ in his Philadelphia department store. The grand halls and staircases of stores such as La Samaritaine and Le Bon Marché (also owned by LVMH) were meant to evoke wonder.

But grandeur was only part of their appeal. Aristide Boucicaut, founder of Le Bon Marché, was a pioneer of retailing efficiency (Zola's Mouret was partly based on Boucicaut, along with Ernest Cognacq, founder of La Samaritaine). His store adopted fixed prices, in place of the haggling in dry goods stores, supplementing them with discount sales.

It is easy to forget that department stores were the Amazons of their time — they were as much about bargains as luxuries. "Everything led to this point: the capital that was constantly being renewed, the system of concentrating the merchandise, the low prices to attract the customers, the fixed prices to reassure them," wrote Zola, who studied Parisian stores closely.

The ability to offer both luxury and value was their strength then, and is their problem now. Like other physical shops, department stores are often outdone on value and variety by ecommerce. Only about 15 per cent of US retail sales are online, but digital has taken 40 per cent of growth since 2016 thanks to changing habits, according to McKinsey & Co, the consultancy.

The natural response, given the impossibility of beating Amazon at its own game, is to go upmarket and reinforce the excitement of being in a department store. "Imagination urges on. It is the yeast of progress. It pictures the desirable," wrote Harry Gordon Selfridge in 1909. The retail chain he founded has just opened a three-screen cinema in its flagship London store.

Some retailers are trying to update the allure of these 19th-century pleasure domes. Neiman Marcus advertises its <u>New York City store</u> at Hudson Yards as "truly a playground for everyone", with fashion shows, arcade games and a "digital styling lounge". Galeries Lafayette hired 300

"personal stylists" on Instagram for its new flagship store on the Champs-Elysées.

But the bar has been raised for amazement since the 19th century, before the days of Disneyland and digital entertainment. There was nothing like Le Bon Marché when Boucicaut hired Gustave Eiffel to design his store's ironwork. Running a department store is also very expensive, given that sales are shared with luxury brands.

That puts Mr Arnault in a stronger position than most retailers — rather than having a store and needing to fill it, he owns luxury clothes and jewellery brands already, many with their own outlets. One way to look at the new La Samaritaine is as a collection of LVMH shops under one glamorous roof. It has economies of scale, if not the ones enjoyed by Cognacq.

Indeed, one way to look at LVMH itself is as a department store, albeit a virtual one. Before Mr Arnault few believed in the idea of a luxury conglomerate, but he saw potential in placing brands in one technology and marketing house. "The great revolution in ladies' wear had started with this invention," Zola wrote of his fictional store, and Mr Arnault might say the same.

La Samaritaine is unlikely to make much money itself — department stores now struggle to be profitable. But if Mr Arnault succeeds, he will show there is still a place for retail worship.

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