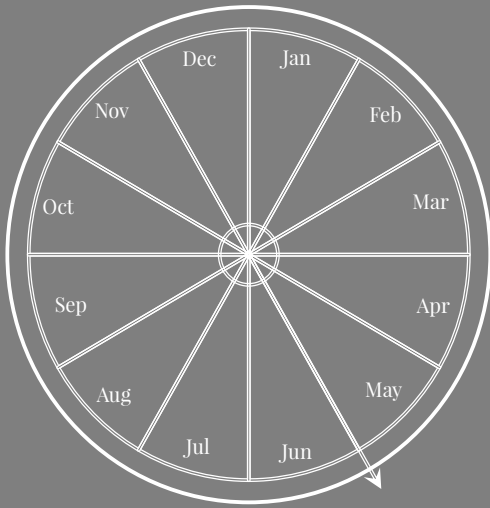


# B



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## Notes

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Knowledge.  
Perspective.  
Passion.

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# OVER

# EXTENSION

Luxury brands are amongst the most valuable brands ever created. They thrive on being perceived as hard to access, exclusive and elite and this makes them extremely desirable. Most people in the world cannot afford to buy from these brands: even considering those who are aspirational purchasers, for whom luxury is also unaffordable, the total number of people who consume luxury is very small compared to the global population. And yet, luxury brands command a power outsized to their captive consumer base. Their influence trickles beyond those who walk out of their doors clutching shopping bags.

Evidence of this power is everywhere. Last year, TIME Magazine ranked Balenciaga as one of the most influential companies in the world. The brand, which didn't even exist between 1968 to 1986, is, in dark corners of the internet, often considered to be a psyop or a social experiment, such is its influence on culture. Louis Vuitton, which is essentially an elite 19<sup>th</sup> century luggage maker, is considered more valuable as a trademark than General Electric, MasterCard or Sony.

The value of luxury brands as brands is what makes them so profitable. Though many of them will spin stories to consumers about the quality of their materials, craftsmanship and attention to detail – all of which are mostly true – they are less open about their effective gross margins, which can be significantly higher than mass market goods. The beauty of luxury is that price inflation is not

inverse to total sales. In fact, higher and higher prices act as a siren call to luxury consumers, signalling a healthy, desirable brand that will provide them with an even greater sense of exclusivity. Some luxury even becomes more desirable the higher the price (the Veblen Effect). Of course, this isn't true with mass-market products and brands. For these brands, there is consistent downward pressure on profitability as cost of manufacture increases. Price increases are rarely tolerated and often result in lower sales volumes.

Due to the inherent value in luxury brands, the industry is crawling with salivating private investors looking for sleeping beauties, “the next thing” brands, antiquated and cobwebbed brands and cool, start-up brands. The financial potential of luxury brands is huge. Though they often begin by specializing and focusing, the opportunity to extend to other verticals is highly attractive: the brand creates the value, not the product, meaning it's open season on introducing product lines with chunky profit margins.

However, there's a problem with this: it's too easy. And anything which is too easy needs caution. The biggest fatality that luxury brands can suffer is loss of desirability. As soon as people are “over” a luxury brand, its commercial future crumbles. Luxury's graveyard is full of companies that made commercial decisions that are actually brand errors: pricing too low, making the products widely available, meeting consumer demand with supply – all these would aid ‘normal brands’, but luxury cannot act like a normal brand. Whereas a normal brand

**“...Whereas normal brands can easily become generalists, and often benefit from doing so, luxury brands rarely ever can... This is why luxury brands, no matter how successful, cannot lurch into any vertical and expect success.”**

would never suffer from over exposure, a luxury brand can. Whereas normal brands can easily become generalists, and often benefit from doing so, luxury brands rarely ever can.

This is why luxury brands, no matter how successful, cannot lurch into any vertical and expect success. Firstly, this is akin to simplistic licensing which was always a source of short-term revenue for brands, but a long-term brand equity headache. Burberry is a great example of a brand that suffered from handing out licenses and losing control of its brand destiny. Viz Michael Kors and Ralph Lauren. Licensing works well in specific specialist categories such as fragrance where the manufacturing know-how and brand-controlled image can combine forces; it particularly makes sense where scale is just not feasible managed solely by the brand itself. But, generally speaking, it is high risk.

Quality control is one of the often cited issues with licensing, but we would also suggest that creeping generalisation – the other side of the tightrope towards being a genuine lifestyle brand – and a sense of commercial seediness are probably the issues most brands face today. The supercar manufacturer Bugatti recently announced plans for a new luxury mansion complex in Dubai. The new Bugatti Residences will be home to 200 mansions and penthouses alongside luxury amenities like a French Riviera-style beach, a jacuzzi spa and a private members club.

The luxury car maker tweeted: ‘Reimagining the ‘Art of Living’ in the heart of Dubai: The first BUGATTI Residences located in the prime area of Business Bay are the result of the collaboration between BUGATTI and Dubai based real estate developer @Binghatti.’

Bugatti is a brand primarily known for being one of the most elite and rarefied on earth. New road models such as the Chiron rarely see production numbers above 500 in total (not annual, *total*). Only 40 Bolides will ever be made. One of its vintage models, the 57SC Atlantic, is one of the most valuable collectible vehicles in the history of motor cars, pride of Ralph Lauren’s collection and each of the few hundred that remain worth over \$40m. A motoring specialist: indeed, amongst the royalty of motoring history.

The proposed apartment development in Dubai, which has already been criticized as looking like a giant Slinky toy, does something curious to the brand of Bugatti. Firstly, it makes it more visible. Whereas previously Bugatti has been a brand scattered sparingly across the corners of the earth - seen for split seconds; photographed and admired for a moment by crowds; celebrated at elite, inaccessible events – here it was concentrated into a permanent form, always present, never fleeting.

Secondly, it takes itself into an unknown and loosely related extension. Yes, you park your car at your house – but that’s really where the connection with real estate ends.

Thirdly, and perhaps most importantly, it portrays itself nakedly as a brand that needs to make money. Luxury brands never look good when they appear to be commercially seedy. Yes, luxury is expensive and those profit margins aren’t imaginary, but when luxury debases itself to make coin, it never ends well. The best luxury businesses are successful at hiding the fact they need to make money, and there is nothing more obvious and degrading than a brand that pushes too far out of its sphere of knowledge and influence. The mystique dies and grubby mercantilism is the abiding memory.

# Sector updates



*Image: Louis Vuitton*

American luxury homeware brand RH (formerly known as, er, Restoration Hardware) have opened their first store outside America in the UK. However, whilst this expansion had been long expected, the location wasn't. Though they are anticipated to open a Mayfair gallery in the next two years (in the old Abercrombie & Fitch building, 7 Burlington Gardens) their first UK 'store' is in the magnificent setting of Aynhoe Park, near Banbury on the edges of the Cotswolds. RH have owned the estate since 2020 and have transformed the stately home into a retail and hospitality venture 'RH England, The Gallery at Aynho Park.' Barton notes it has three restaurants – The Orangery, The Loggia and The Conservatory, a Wine Lounge, Tea Salon and Juicery, not to mention an Architecture & Design Library, RH Interior Design Studio, deer park and sunset terrace with fire pit. And, of course, the actual 'store.' In addition to Mayfair, this move will be followed by a roll-out of galleries in Milan, Paris, Madrid, Brussels and Düsseldorf.



*Image: RH*



*Image: Duncan Taylor*

Louis Vuitton surprised everyone recently when it announced it had opened an airline lounge in Doha's Hamad International Airport. Vuitton's heritage, after all, is *entirely* about travel, but it does seem a bold move for a brand that is very careful about broadening its reach and risking its brand reputation. The Louis Vuitton Lounge by Yannick Alléno is accessible via the Al Mourjan Business Lounge and for VIP guests via an elevator from the Louis Vuitton duty free store. The food, given the chef, is the highlight and is available at a charge from a simple soup to a six-course tasting menu. The big question on Barton's lips was a simple one: "Why?" Luxury goods brands introducing restaurants in Paris is one thing, but airline lounges – even when done well – never seem to deliver the magic. They attempt character and luxury, but it often comes off as exactly that: an attempt. Guests are tired, rushed, often unkempt, the omnipresent tannoy system is anathema to a three-star tasting menu. Lounges are a respite from the relative chaos of the airport, but they are far from actual luxury.

Duncan Taylor Scotch Whisky have launched their first luxury whisky experience in the exotic and entirely un-Scottish locale of southern Vietnam. The Duncan Taylor five-floor townhouse is in the upmarket first district of Ho-Chi Minh City, about a block away from the legendary colonial Hotel Continental, where keen whisky drinker and novelist Graham Greene scribbled and slept. Duncan Taylor's townhouse has a mezzanine bar with fusion cuisine designed by celebrity Vietnamese chef Tran Van Fan, private tasting rooms and a retail store. Barton notes that the local cuisine has been cleverly designed to pair with whisky, highlighting the different tastes in emerging markets for food and alcohol pairings. "There is a shift in drinking habits in south-east Asia" Euan Shand, Duncan Taylor's Chairman remarked "...we were keen to create a versatile and authentic customer experience that...moves with the times and promotes Scottish hospitality at its very best." Further international hospitality moves are expected to be made by Duncan Taylor this year, although no locations have yet been announced.