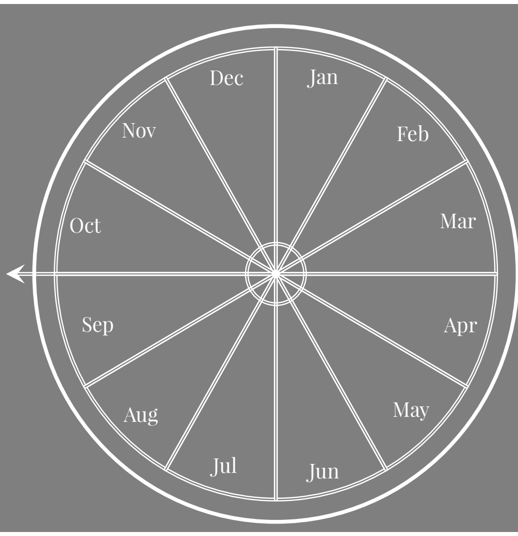


Volume 53:
August/September 2024

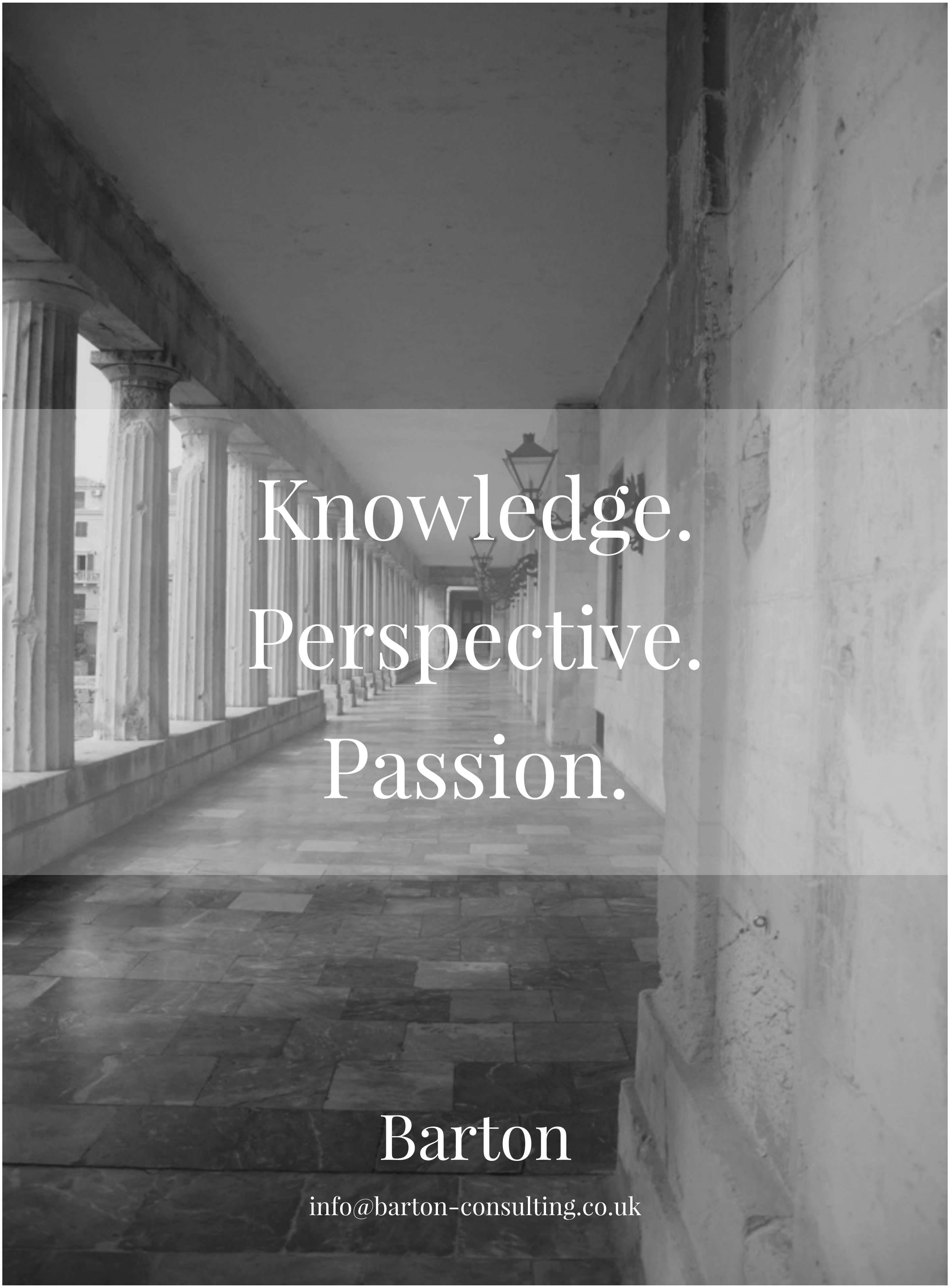
Notes

Who is luxury for?

Luxury consumer archetypes

Sector updates

Recent news and commentary


Knowledge.
Perspective.
Passion.
Barton
info@barton-consulting.co.uk

WHO IS LUXURY FOR?

Who is luxury for? Whilst it may seem a straightforward question, it is actually one that few seem to answer effectively.

The traditional idea is that luxury is for those with the greatest resources; they can afford to have the best of everything, and the luxury tier offers – to a great degree – the best.

There is certainly a lot to be said for this. A recent research study we conducted with high income and HNW individuals shows that the UK population of those with more than £500,000 in annual income spend on average more than half the UK's average salary (£35,000) on personal luxury goods and services alone – around £22,000. This spend rises as income rises. Those with near £1m annual income spend, on average, at least £50,000 on luxury travel and personal luxury goods.

Income is the key factor here, too. Despite the fact that much of the ultra-luxury industry – jewellers, watch makers and the like – are concerned with High Net Worth individuals, this is often a poor indicator. Net worth is a marker of financial security, yes, but it is high income that drives luxury spend. Many individuals with significant net worth – HNWs and VHNWs – are no longer in prime income-earning years and now live on more modest investment income and pensions. Those in the older cohorts are also more often more concerned with legacy and passing on wealth to their children and grandchildren than they are buying the next luxury bauble for themselves. They may be able to afford both, but by a certain age such superficial interests fade away considerably.

The way the wealthy feel about themselves is also not necessarily the same as the way others view them, and it has a big impact on propensity to spend on luxury. In our study, we asked individuals how wealthy they feel on a scale of one to ten. As expected, those with the highest incomes and highest net worth, overall, felt the wealthiest.

However, those with significant net worth (£1m-£3m) but lower incomes (below £150,000 a year) reported lower scores, only feeling as wealthy as those with less than £1m on the same annual salary. Income is therefore a major driver of feeling wealthy, at least amongst HNW individuals. And 'feeling wealthy' contributes to a preparedness to spend; those who felt the wealthiest were also the ones with the highest recent luxury spending and greatest intent to spend in future.

However, many of those in the target market of high income, high net worth individuals did not align with many luxury brands at all, in terms of values or matching their needs. Despite being the perfect archetype of a luxury consumer in an economic sense, they failed in being a match in an ideological sense. Luxury goods brands, in particular, were seen to "lack relevance" for them, were "too expensive" or failed to produce "interesting designs or styles." Lower end consumers with lower incomes, by comparison, felt luxury goods "enhanced their lifestyle" and were "value for money."

“…Their social desire is to be considered ‘old money’; to be above the ‘new money’ even though they themselves have ‘no money.’”

Behind this strange dichotomy is the social phenomenon of luxury, which produces unexpected outcomes. In mass market sectors such as household toiletries, there is no social factor; a purely practical product like detergent is bought on a very simple price-performance ratio by every consumer. Buying a different style of detergent has very little social impact for the consumer, does little to enhance or represent an individual’s personality and fails to excite them.

Luxury has a social value that other tiers do not. It is chiefly purchased for experience rather than purpose, both an internalised one and an externalised one. The level to which it is externalised or internalised is often a direct result of the social value that the consumer sees in it. This produces three main consumer tiers of luxury acquisition.

The first tier is “consciously externalised.” This is where the consumer buys classic, well-known, heavily logoed luxury goods. Though often new to the scene of wealth (from developing markets or from less socially elite backgrounds in developed markets) they aren’t always. Their relationship with luxury often starts long before they begin acquiring it, as a long-held aspiration, fed by consumption of luxury marketing over a period in which they were not even active in the luxury space. One classic example provided of this is cutting out and saving luxury advertisements from publications. The relationship with luxury for these consumers may be new from an economic perspective but it is often far older from an emotional perspective. To them, this shows a kind of arrival that they value both for themselves, and to show to others.

The next tier is “consciously internalised.” This is where the consumer avoids classic, well-known, heavily logoed luxury goods in order not to be associated with the first tier of consumers. Their consciousness is in avoiding being one archetype rather than actively being another. They buy quiet luxury to be different from the loud luxury arrivistes. Though they may mock the first tier consumers for their insecurity in needing loud luxury brands, they themselves are insecure about the way they are perceived. They are very often from privileged backgrounds in developed markets, but increasingly (due to mass-trends like ‘quiet luxury’ pushed through social media influencers) they are entry level luxury consumers, who view obvious luxury brands, many of which they cannot really afford, as vulgar and for the nouveau riche. Their social desire is to be considered “old money”; to be above the “new money” even though they themselves have “no money.” For those who are from privileged backgrounds, their social goal is the same, but to be considered even more elite than they actually are. A classic example is buying vintage luxury to aid the impression they have “inherited luxury”, equalling “inherited wealth.” Though they may act like they do not care about others’ opinions, their conscious internalising contradicts this.

The final tier of luxury consumer is “unconsciously universal.” At this point of consumption, the opinions of others are not of importance. As a result, they buy whatever they feel like without thinking how they will be viewed, whether as a vulgar arriviste or old money doyenne. They lack the conscious concern about what their luxury says about them, and this is often because they do not see luxury as luxury at all, but simply products to use and enjoy. This often means those in this tier have a very different kind of existence, truly from great wealth or dynastic power. However, they can also be highly influential or celebrated people, whose fame and respect is so high that they can behave as they wish without any concern of loss of face. A classic example is that of a famous fashion writer and arbiter choosing famous French monogram-canvas luggage sets to travel with, thus shocking their typical ”consciously internalised” following.

Sector updates

The classic line on global economies is that when the USA sneezes, the rest of the world catches a cold. Luxury brands have become so reliant on **China** in recent years that it is more than fair, in Barton's view, to make a similar comparison. European luxury groups' share prices are now directly linked to their performance in mainland China. Share prices for the likes of LVMH and Kering have yo-yoed over the past few weeks. Rising sharply following hopes of a stimulus package set to boost the economy and spending in China, and then dropping off – rollercoaster style – as the stimulus failed to appear. Sales in the marquee fashion and leather goods division of LVMH fell 5% in the third quarter. In Asia (ex Japan) the drop was 16%, following on from a 14% fall from the previous quarter. As a result, their share prices declined by 7%. The stimulus package has not yet worked to assuage Chinese consumer worries, caused by a weak housing market and concerns about the economic outlook: luxury buying only makes sense when you feel wealthy enough to indulge in it.

Image: Reuters

LVMH completed moving on from the tragic Virgil Abloh era by offloading the streetwear brand he founded, **Off White**, to Bluestar Alliance, a US brand management specialist with less-than-stellar (in Barton's view) fillies in its stable such as Scotch & Soda and Elie Tahari. It is a strange new home for a brand which was once highly collectible by "the streets", known for its cult following and much-sought-after collaborations with Rimowa, Moncler and Louis Vuitton. Now, it is with a group whose brands are in permanent sales promotions, and marketed as masstige. For many, this spells the end of Off White as a luxury force and it seems likely now that its still sizeable appeal will be used to pivot into another category. Its deal with the women's NBA basketball team New York Liberty may spell a more lucrative pathway in sports. The fact that the brand suffered following the untimely death of its founder in 2021 is seen to be connected but it may purely be coincidental: the category hasn't fully recovered since the boom years of the pandemic.

Image: Moncler/Off-White

Selfridges & Co, one of the world's grandest stores, has suffered as all other department stores have suffered. Once some of the most profitable businesses in retail, now consistently loss-making, the Victorian-era department stores have sought to sprinkle other circus acts in their cavernous interiors to woo new clients through its doors: artistic displays, exclusive launches and bougie food establishments. Whilst these have mostly failed, this hasn't completely removed the shine from the magical idea of the 'shop of shops.' Recently, the Public Investment Fund of Saudi Arabia acquired a 40% stake in Selfridges & Co from the owners, Thai-based Central Group who had acquired Selfridges Group with another investor, Signa, in 2021 from the Canadian Weston family, who sold it after the death of the family patriarch W Galen Weston. Selfridges Group owns the De Bijenkorf chain in the Netherlands, Brown Thomas and Arnotts in Ireland and four UK stores. Barton thinks that the Saudi's great GCC rivals Qatar owning the historic rival Harrods has probably nothing to do with it. Ahem.

Image: Reuters