

Barton Diary



Volume 2: August 2019



Notes

Welcome

Introduction from Barton's founder

The scramble for sustainability

Luxury moves quickly to own a movement

Luxury's eroding resistance to resale

Is second-hand luxury still luxury?

Sector updates

Recent news and commentary



Welcome

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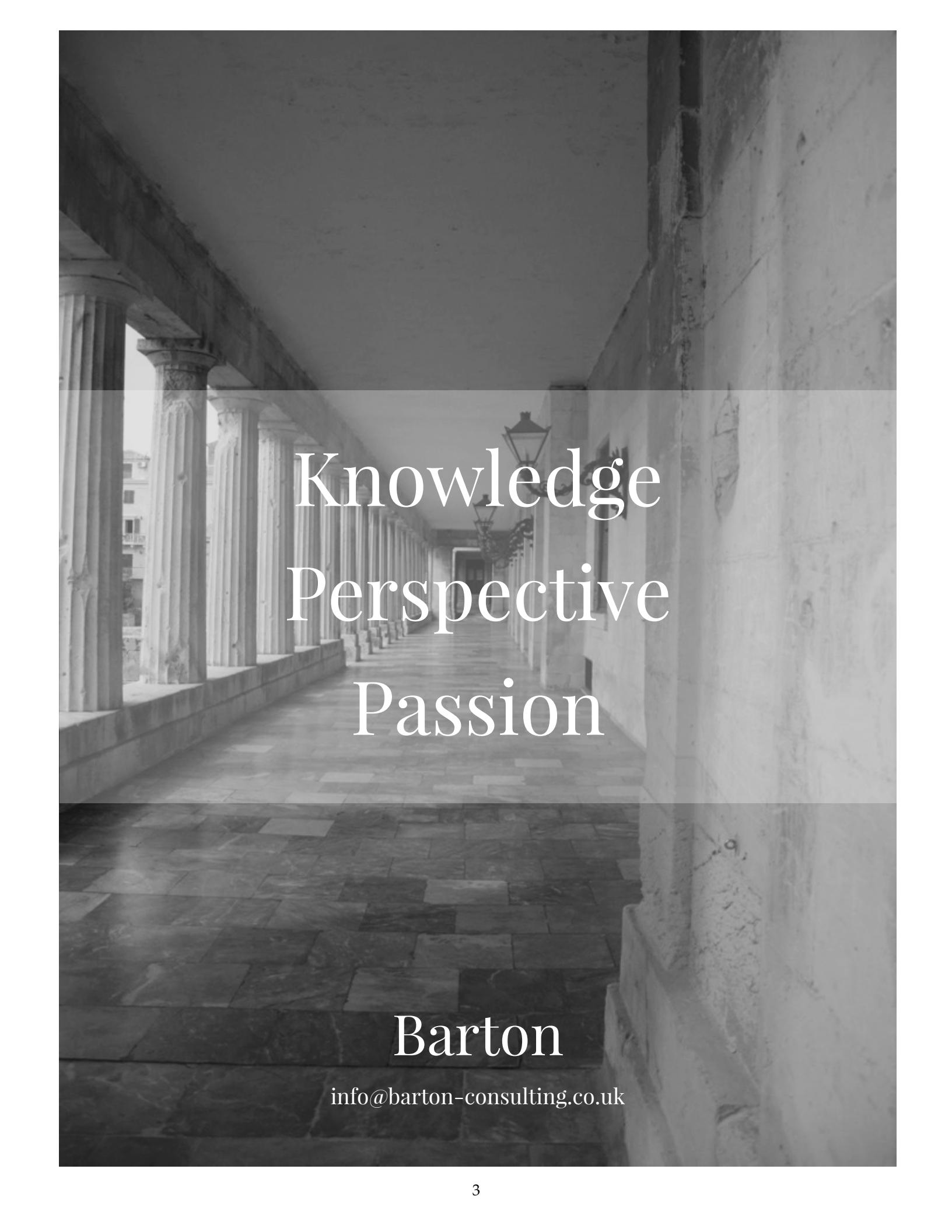
August 2019

The month of August: for some the heart of summer, for others the beginning of its end.

If there was ever a ‘hump month’, then this month surely must be it. The hazy sunshine and the brown grass, the quiet offices and noisy beaches; it has few of the ingredients that promise industry, and all the qualities of professional purgatory. I fondly remember Paris-based clients telling me I needed to send a report by the second to last week in July – because after that no one would read it till the middle of September.

However, I hope that the Diary might prove to be an exception and offer rewarding and enjoyable beachside (or poolside) reading.

In this month’s entry, there’s a piece on the rapidly growing trend of showcasing sustainability and how luxury brands have scrambled to achieve prominence by signalling their credentials in different ways to consumers. There’s another piece of commentary on the booming resale market, luxury’s natural resistance to this and whether it will work for fashion brands to offer second-hand products themselves and finally, a round up of news from around the sector, with more clear links to that aforementioned super-trend, sustainability.



Knowledge Perspective Passion

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THE SCRAMBLE

FOR SUSTAINABILITY

If you ask 10 people to provide their own definitions of luxury, the chances are that you'll receive at least 7 and maybe even as many as 9 different explanations.

Luxury is always open to interpretation, because it is entirely dependent on a number of relative factors such as the individual's taste, their background & priorities in life, their wealth and income, not to mention their level of insecurity or vanity. One man's luxury can often be another man's vulgarity; one woman's caviar can be another's daily bread.

If you ask 10 people to provide their own definitions of sustainability, you'll discover a similar phenomenon. Some will connect it to unacceptable waste, others think it's about global warming. Another person might mention plastic. And then you have those that think it's about paying staff a decent wage and not employing underage workers.

This fluffy vagueness of sustainability is actually one of its greatest strengths as a movement. It is able to unite those who dislike seeing dirty plastic bottles on far-flung tropical beaches with those who believe no one should be flying to far-flung tropical beaches. The principle of being 'sustainable' condemns at once and in unison all those who are not recycling properly, or who care about wildlife – although for very different reasons and from very different socio-political interpretations. This makes the cause of sustainability fairly malleable and appealing to broader sections of society and consumers than more targeted causes such as, for example, environmentalism.

It's also a concept which is at odds with the way in which mass-consumerism has evolved over the last 30 years, which is perhaps why luxury brands are all muscling into the arena and claiming sustainability credentials. The reality of course is that consumption has consequences. The traditional product & service business model of expansion demands greater consumption, whether you happen to be selling t-shirts for \$5 or \$500, and so this greater use creates greater consequences – unless you attempt to mitigate them.

Luxury businesses are considered to be under a greater moral obligation to pursue sustainability initiatives because of luxury's price point. The luxury goods sector, particularly, has often been accused of using similar practices, manufacturing facilities and even materials to mass-market manufacturers – but with the clear difference of being

able to charge a far higher price. Showcasing greater sustainability credentials, which have the immediate effect of making the brand's processes appear far more transparent, is an effective way of battling the perception that luxury is deceiving consumers in this regard.

However, sustainability is also a pricing *opportunity* for luxury. Not only is luxury not constrained by the same price limitations of mass-market products and services, it also has the advantage of the Veblen effect; with no practical price ceiling, products and services from brands which claim greater sustainability credentials, and cite a higher cost for doing so than competitors, may make the sustainability claims more credible, and the brand and product more attractive. This of course depends upon the sustainable measure in question. Recycled materials are almost never valued as highly as new materials; there are surely limits to a branded backpack, made from recycled shopping bags found in the Atlantic, being considered a genuine 'luxury' product.

Millennial consumers (who else?) are considered to be at the heart of luxury's recent sustainability soul-searching. Why? Well, for one thing they represent a huge commercial opportunity. They are a very large cohort, far larger than Generation X, despite this latter group being the generation with, currently, the highest average incomes. Secondly, they are considered to be more selective when it comes to brands and far less loyal. Instead, they are considered to be governed more by movements, often socio-politically motivated, and they can be brutal to brands that don't display the kind of 'right on' values of the moment – such as was the case with the backlash against luxury brands accused of burning clothing stock.

These consumers are seeking signs of these values in all products they buy, but luxury – as a rarer more substantial purchase, and one which is often promoted socially by the user – is expected to make a showcase of these values. As a result, brands are taking radical steps. Prada Group's announcement this summer that it is saying goodbye to animal fur followed on from announcements from pretty much almost every major luxury fashion house proclaiming that they are not only banning fur, but also exotic skins (with notable exceptions such as Saint Laurent and Dior). The majority of these declarations came about in the last 18 months, however, one of the most interesting facts is that a few major brands, such as Ralph Lauren and Vivienne Westwood, have been fur and exotic skin-free for more than a decade, without many people actually noticing it.

Although this clearly illustrates there is a copycat element to brands' sustainability causes, many brands' visions differ in their scope and desired impact. For instance, some luxury goods businesses focus on relatively achievable goals such as ensuring they use "ethically sourced" & "fully traceable" materials in manufacture. Luxury hotel groups talk of banning plastic bottles from their properties. Others have detailed far more ambitious commitments, such as Kering Group, converting their entire business to fully renewable energy within ten years – something that experts believe might not achievable for major economies for another half-century.

This raises a question around the level of transparency and detail necessary for a brand to make a claim of being 'sustainable.' Whilst many brands are gunning to be the sustainability champion, there isn't yet any evidence to suggest that the most extreme sustainability measures will necessarily win over consumers from brands who claim more modest credentials. Of course, the simple answer to this is that it isn't just about business, it's the right thing to do. However, with sustainability in its infancy, brands are able to claim a whole host of positive activities qualify. But once these measures become the norm, and in many cases eventually a legal requirement, then wouldn't it suggest that the brands with the early start on more ambitious measures will be viewed more positively? Possibly, but that also assumes that sustainability has a long tail of sustained attraction to consumers.

This in itself is problematic as much of this trend is predicated on the current trajectory of sustainability. Once sustainable measures – in the broadest definition – become the norm for not only luxury brands and businesses, but also mass-market leaders too (such as Inditex and H&M Group, already leading the way on recycled clothing) then where is luxury's difference? And, more importantly, how long will this consumer need be a decisive factor in brand preference?

“A resale market is a good indicator of brand power, and of the desirability of its products over time ...”



Luxury and the eroding resistance to resale

Is second-hand luxury still luxury? That's the question many are asking in light of the booming second-hand market for luxury fashion and accessories, and the recent IPO of online luxury resaler The RealReal.

Whilst 'vintage' has long been a credible option for consumers, it was always an arms-length market from a brand perspective, not to mention a very small one. A resale market is a good indicator of brand power, and of the desirability of its products over time, but for many high-end fashion & accessory brands these are still 'unapproved' sales – hence Chanel's decision to sue The RealReal, as only they can authenticate their own products. And why facilitate the resale of old when you can sell the new and keep the market evolving? After all, it is the sale of the new; of tomorrow, not today or yesterday, that energises the fashion industry.

But take another luxury category that has long encouraged and taken part in the resale market – motor cars. The likes of Ferrari and Rolls-Royce see the record multi-million dollar auction sales of their vintage vehicles as a key reason to believe in their brand, and so they celebrate resale; they portray the brand as one of investment, and the cars more as works of art than modes of transport, thereby energising the new vehicle

sales as much as the old. And it is their sense of ownership – of approving, acknowledging and taking part in the resale market – that encourages consumers to believe in that key pillar that drives people to spend more in the first place: luxury lasts.

Timepieces are another category where resale is gradually being seen as an opportunity. Audemars Piguet has opened up boutiques that sell brand-endorsed used watches; the realisation being that the business for new watches would not be cannibalised by the demand for old. However, this is more valid in such categories where new products are strictly limited in production and are collected for their rarity, beauty and investment value more than for their practical value.

The challenge for fashion & accessories is different. The resale market, practically speaking, presents far greater competition. Which is why the recent decision of struggling Mark Cross to offer to buy back its bags and sell them on again raised so many eyebrows. The timepiece resale market is predicated on it being a 'steady investment'; the fashion resale market is predicated on 'markdowns from new' – there are consumer segments attracted to such a concept that cause problems for luxury brands, even those desperate for revenue.

Sector updates



LVMH have signed former Kering family member and sustainability pioneer **Stella McCartney**. Not only will her namesake brand be a *maison* in the group, but crucially, she will take on the role of sustainability advisor to the board and special advisor to the Chairman, Bernard Arnault. In fairness to McCartney, she was vegan way before it became a trendy virtue-signal – and in fact, it may have been a vision that hampered the business to an extent as it wouldn't sell leather, thus limiting its appeal in the long boom for luxury leather goods. McCartney joins a group, however, that is very much built on the sale of animal hide, with Vuitton at its heart. It will be interesting to see the tug of war in the group between following Millennial eco-trends and satisfying existing clients across the world – many of whom see materials like high-quality leather as being central to luxury's difference. *Image: Stella McCartney*

Bentley announced that it is going electric – or, less impressively, that it will be by 2035. The marque produced the EXP 100 GT concept vehicle as both a celebration of its centenary and an expression of the future: 435 miles on a single charge, a mere 15 mins for an 80% recharge and a now-predictably superfast 0-60mph acceleration of 2.5 secs. It also promises more exciting new technologies such as hand-gesture controls and biometric mood sensors that control lighting levels and fragrance. It is also crammed with the usual environmentally-motivated signals of the current era; 'local' fabrics, 'naturally fallen' trees, 'recycled rice husk paint' & seats made from 'surplus vines.' It's always curious when marques provide these grand visions of the distant future which nearly always turn out to be something they'd be happy to make today & sell tomorrow, based on existing trends and technology – like those Victorian drawings of steam-powered flying machines. *Image: Bentley*



Knight Frank & WingX released [analysis](#) of last year's private jet travel showing the top 30 island destinations for private landings across the world. The number one location, the Bahamas, notched up over 16,400 private jet arrivals. The number two destination, Mallorca, could claim merely one third of this total at 5,600 landings and the number three, neighbouring Ibiza, comparable at 5,400. The key trend in these top destinations? Short distances from the origin – and therefore relatively low cost. Although billed as 'where the wealthy fly their jets', this could also be pitched as 'which private jet journeys are most cost effective.' For example, the top origin for landings into Ibiza is Mallorca – a mere 35 min journey. A one-way empty leg for a midsize plane seating 8 people can be had for 2400 Euros: a meagre 300 Euros per person – for which one need not be a UHNW or even HNW individual. *Image: Knight Frank*