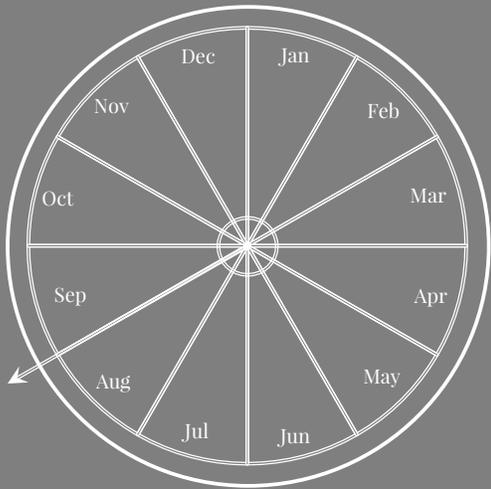


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August 2020

Barton Founder & Principal,
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August 2020 comes to a close and with it the season of summer. Whilst we all expect some pleasant sunshine and warmth before the end of next month, the browning of the leaves, the crunch underfoot, the ripening orchards and the darkening evenings augurs of autumn.

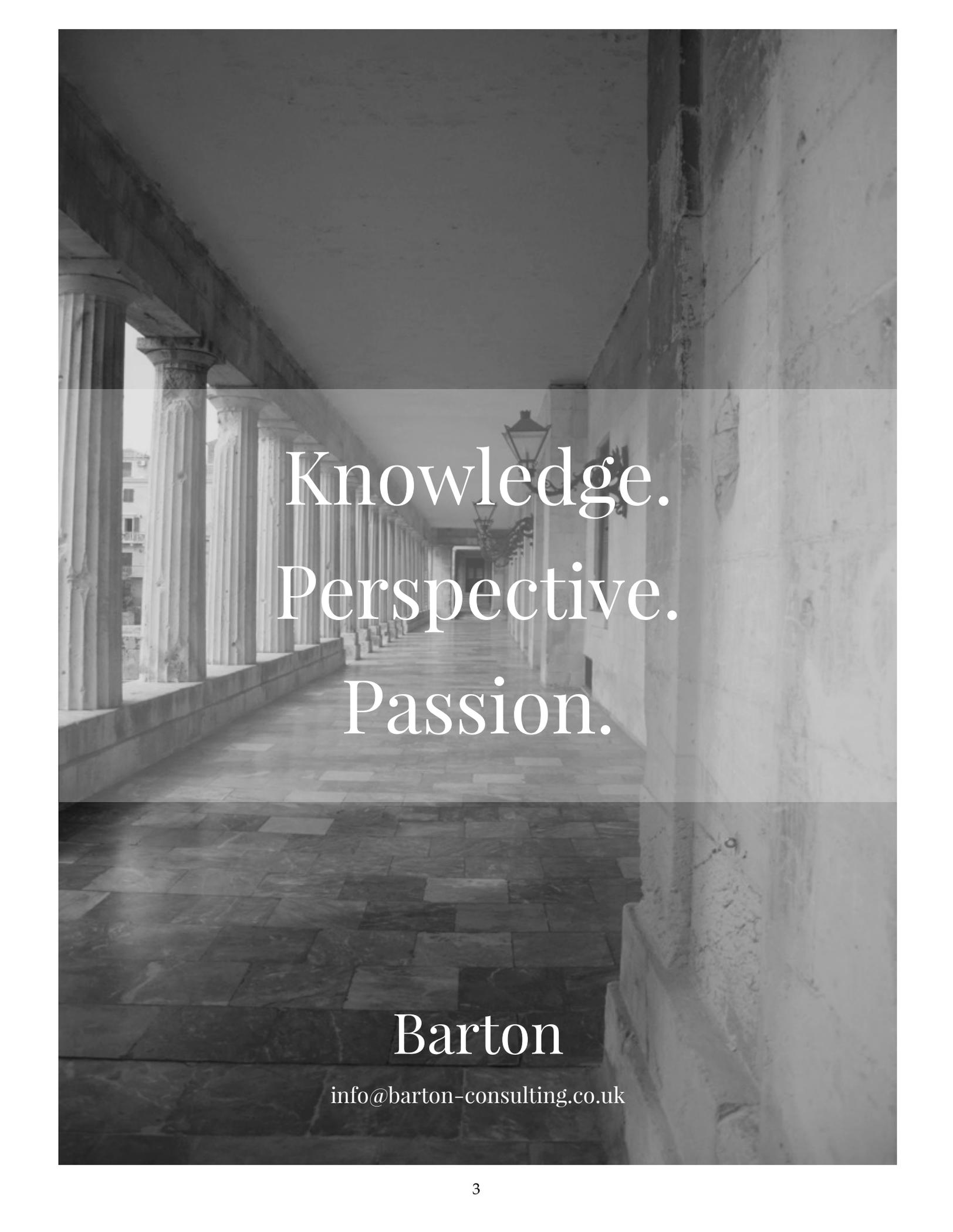
The trending term of the last month was #secondwave – the fear growing across the world that we are due another massive spike of COVID-19. Second national lockdowns have been mooted, politicians have talked airily of requiring face masks in public for the foreseeable future. As a result, large populations of COVID-19 conspiracy theorists have acquired large followings of disgruntled citizens living in free democracies who reject these limits on freedom and are claiming that the virus is not the threat it once seemed and that governments have been using it as a means to exert control over the population.

The commentariat who have been quick to label certain politicians and political groups as “fascist” or “totalitarian” have stayed strangely silent about the encroachment on civil liberties being carried out in democratic societies. Of course,

the central issue of health and “keeping people alive” has justified these extreme measures but it is well to remember how quickly accustomed populations become to living under such regimes, and how this kind of power can intoxicate even the most liberal of regimes.

We live in very strange times. On the one hand, we live in one of the most peaceful and prosperous epochs in the history of humanity. Though we have problems to contend with, we are more than capable of adaptation than ever before. And yet, we seem to be drawn to conflict rather than away from it. We would rather confect and inflate problems rather than acknowledge they are not there. We swear that politics and political tribes are tearing us apart – and yet we raise the sentinels of political life to an undeserved stature or vilification. We have replaced civil discourse and disagreement with shaming and cancellation.

One of the catalysts for this is the rise of the digital world, which is an entirely different place from the real world. In this month’s article, we examine the digital future that COVID-19 has hastened into our lives.



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DIGITAL

LOVE?

When Jeff Bezos became the first person to surpass \$200bn in net worth, we had the standard outpour of outrage. So standard that it is exactly the same kind of outrage – although considerably less well written – that accompanied the status of Standard Oil’s John D. Rockefeller as the first American billionaire in 1916.

There were the usual comparisons with Amazon workers’ average pay being significantly below that of the world’s richest businessman – ignoring the fact that over 840,000 people are gainfully employed because of Amazon. And the usual recriminations about whether anyone on earth needs – or could ever spend – that kind of fortune.

The most telling lines however were those that attempted to tell the story of how this success came about. How Amazon crushed all in its path; how a ruthless Jeff Bezos assaulted a bricks and mortar retail world with a digital wand and forced them out of business. In reality, if we want to explain why Jeff Bezos is now the world’s first double centi-billionaire – just a couple of years after he became the world’s first centi-billionaire – we just need to look at ourselves and the way we live our lives.

Amazon simply made everything easy and it allowed a different kind of sales platform to prosper and thrive. It created a subscription delivery model that gave us immediate satisfaction, enabling us to order tools or toys from our bed that were delivered to our door within hours. It created a virtual hyperstore which we could browse and buy with a single click. In many ways it defined the online world that, because of COVID-19, we are now fully adopting.

The question is, how much have we fallen in love with this digital world? And how much is it going to change who we are, what we buy and why we buy it?

Farfetch, the Amazon of luxury goods and another winner from the pandemic, reported a 74% revenue increase in the second quarter and a bump of half a million new customers. Analysts hailed Farfetch as the future of multi-brand luxury against a backdrop of department store bankruptcies. CEO Jose Neves pointed to the “significant shift of consumer demand to online since the onset of COVID-19” but also the “brands and retailers’ focus on digital channels.” This is a vital point. It’s not just about e-commerce being the only option in a world with shuttered shops – after all, there were still significant problems in getting deliveries to customers. It’s the full steam ahead order on all things digital that is going to change everything. Not just sales but brand storytelling, social engagement and customer service. Once reticent players in the online world, luxury brands have started a digital juggernaut that will likely change the way their brands are perceived.

The great thing about digital is that it has created a level playing field. Brands, and luxury ones particularly, previously existed in a rather patrician analogue world. The most established brands had a complete advantage over less established ones. New entrants found it tough to compete, to find a retail space on the right street, to become known through the right circles and achieve prominence by advertising in the glossiest magazines. It was a harder and much longer journey to prominence. Digital platforms remove many of these advantages and place more power back in

“Digital social media platforms are now being accepted as the primary pathways to raising awareness, consideration & acquisition.....”

the hands of creative luxury businesses who can tap into consumer psychology, offer new products and stories that speak to them (albeit largely via a digital voice) in a way that older, more established brands are afraid to do. On the internet, there is no functional delineation between the “right” part of Bond Street or the “wrong” part. A website is a website. An Instagram account is an Instagram account. There are no postcodes.

However, complete digitisation of the consumer journey could be problematic for luxury. One of the strongest draws to luxury, and how consumers rate the difference between luxury and non-luxury, is the buying experience. With a traditional luxury retail experience, luxury brands can offer you goods that have no intrinsic rarity or special material value but which make you feel you are buying a superior product because of the way it is sold.

For decades, in surveys with luxury consumers, the key difference and requirement from luxury has been “service”; however, what this really meant was the entire experience from first entering the store to leaving it with the goods in hand. In between there were personal interactions, compliments, tactile experiences with surfaces, brochures and products, smells and sounds that enticed and reassured. You felt ensconced and then enthroned. You were in the right place.

There is no such warmth or humanity with an entirely digital experience. Only at the delivery stage does the humanity of buying luxury appear, with carefully wrapped goods and handwritten notes. Until that point, the process is mechanical and barely different to the experience of buying a tin of paint on Amazon. This seriously inhibits a luxury brand’s ability to bring its unique personality to the sales service experience and arguably significantly ‘dehumanises’ brands overall. However, the hidden impact of the new ‘how’ of buying is on the ‘why’: what motivates the consumer to purchase one brand rather than another has often rested on the superior emotions that the winning brand makes them feel when making the purchase.

Without these differentials in personal brand emotion, it is likely that brands will be bought on a far more functional, external basis: how the brand is perceived by others & how it is valued by a peer group. This has made the digital world the perfect place for product sensations such as exclusive collaborations and limited releases. Brands and their products are now bought (and sold) in the manner of art, antiques and collectibles. There is certainly a good deal of the irrational still possible in such purchases, but much of the emotional brand connection is diluted.

Digital social media platforms, particularly visual portals like Instagram, are now being accepted as the primary pathways to raising consumer awareness, consideration and acquisition. Not only are luxury consumers seeing more of the brands they wish to see on their feed, they are actually clicking through and making the purchase when they do so, revolutionising brand marketing and building the direct conversion between product proposition and sales. But even though video and interactive content is enriching what has been a two-dimensional experience, they only offer a fraction of the complexity of the in-person journey and it is creating a uniform jumping off point that is producing a generic brand introduction experience, making it hard for brands to stand out from the crowd.

The other thing that a fully digital world resurfacing from COVID-19 affects is how we live. Relying more on working from home, living at home, with less interaction with others, less socialising and therefore less call for wardrobe upgrades, it is likely that luxury goods – which have always had a great social currency – will be assessed differently by many. There’s no doubt that the digital world brings with it a raft of opportunities and that it will enable disruptive brands to muscle in on tired categories more easily, rejuvenating them for consumers. But we cannot forget these are the same consumers once craving authenticity, demanding to see human input and human stories, eulogising about the tactile difference between luxury and non-luxury. For these, the digital world is a poor conduit.

Sector updates



Image: Hypebeast

Amazon is pushing forwards with its luxury brand platform, due to launch in September, which will allow brands to operate their own concessions on the site. Brands that agree to be on the platform will have access to centralised warehousing (in the US only initially) which is operated by Amazon and, perhaps most importantly from Barton's perspective, they will be able to lean on Amazon's massive delivery network. For all the naysayers who questioned whether Amazon's format could even attract a handful of luxury brands, the tech giant responded by giving brands complete control over the look and feel of their virtual stores, allowing them to sell as much or as little as they want and enabling full control on discounting – whilst at the same time, capitalising on Amazon's legendary delivery and customer service platform. Brands are going to have their cake & eat it too.

Longshot, the team behind the extremely successful new country-house hotel **Beaverbrook** – with its unstuffy sushi restaurant, incredible spa and uninterrupted views of the Surrey hills – are going long on London and opening a townhouse hotel in Chelsea to accompany their country-ish pile in Spring 2021. Though central London is still a ghost town by comparison with its pre-pandemic state, the team are confident that the city will be largely back to normal by the warmer months next year. For Barton, whilst developing a companion townhouse makes sense for the “story” of Beaverbrook (which is more of an early 20th century country house than a hotel), the greater opportunities and yawning gaps in UK luxury hospitality would appear to be outside the metropolis – as this summer's entirely full occupancy of Beaverbrook would attest. Perhaps Longshot will be eyeing other areas of the country for further projects.



Image: Beaverbrook



Image: Anantara

Anantara has debuted a luxury railway carriage – the Vietage – which is attached to a standard train service that travels between two of its hotels in Vietnam: the Anantara Hoi An Resort (which is the only truly luxury option in the ancient city) and the Anantara Quy Nhon Villas, 300km further south on the coast. Given Vietnam's antiquated narrow-gauge, single-track railway, the journey takes around 6 hours. During that time, passengers are invited to indulge in a three-course meal, free-flowing alcoholic and soft drinks, and a 30-minute head and shoulder massage whilst enjoying views of mountains, rice paddy fields and rural villages. The style of the train is, naturally, reminiscent of the golden era of rail travel and the seats, unlike those of the rest of the train attached, are elegant and luxurious. Barton thinks this is the really clever sell, to show guests more of the country whilst keeping them in-brand.