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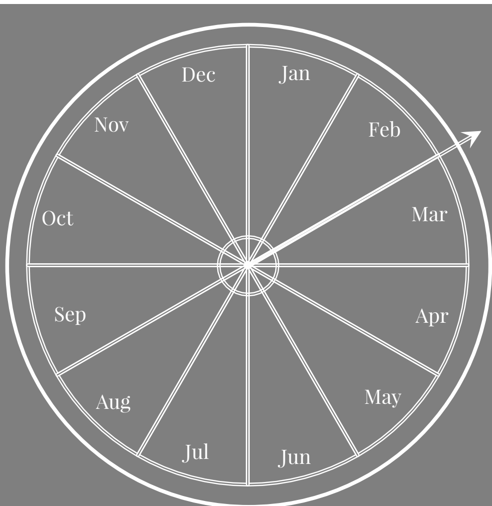

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Notes

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2020 was the year of not being able to use our passports. 2021 looks like it will become the year we start to use a very different kind of passport.

Over a protracted lockdown period, our realisation of true ‘haves’ and ‘have nots’ – of genuine luxuries and illusory ones – has created a divide in society. During the first lockdown, homeowners and established families ‘lorded’ it over house-sharing renters, whose expensive rooms in the centre of ghostly great cities felt like prisons for which they had to pay a king’s ransom to inhabit.

Now that the end of lockdowns is in sight, the new hierarchy is forming, and it is not on the basis of property ownership. Vaccine rollout, even in ‘speedboat’ countries such as the US and UK, is still currently focused on high-risk groups. And in other countries with far slower rollouts, vaccinating lower risk groups seems likely to be months away at least.

To have received a vaccination now places you in a privileged group, and not only because it affords you protection from COVID-19. It seems it will also enable you to return to normal life, ahead of the unvaccinated; to be able to enter bars and restaurants, stay in hotels and return to the office.

Of course, discussion of passport schemes is partly designed to encourage as many people as possible to take the vaccine, as most people are now agitating for things to get back to normal, but they also are serious proposals that many governments will impose on populations for months and even years to come.

The first major impact this will have is on travel. Unless you’re in one of the ‘vaccine speedboat’ nations below a certain age without at-risk underlying conditions, its highly unlikely you will be able to visit other countries before the end of this year. This is a serious blow to international tourism, presenting another roadblock in the route back to normality for an industry which has been truly hammered by the pandemic.

The second blow is to hospitality. If the schemes as being considered go ahead – and countries all take a similar approach – even domestic tourism and entertainment may be off the cards for many, as establishments and venues turn away those without vaccine certification.

These long-suffering industries may sadly have to continue to hurt even after they have reopened. The path to freedom – though visible – is not yet open to all.


Knowledge.
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TAKING BIRKENSTOCK

A decade ago, you would be hard pressed to find anyone who considered Birkenstock to be a luxury brand of any stripe. Too comfort-focused. Too frumpy. Too ordinary. It plainly eschews all the elements that are core to luxury footwear; there is little rarity in the materials, the shoes are well-made but hardly high-craft and their design – whilst practical and sensible – is remarkably uninspiring. And they are relatively cheap.

And yet the recent acquisition of the orthopaedic German brand by LVMH-affiliated L Catterton and Financiere Agache – the value of which analysts estimate at around $5bn – has resulted in a downpour of glitter on Birkenstock's rather dull cork soles.

Of course, when an LVMH-linked business makes an investment in a brand, it is seen as a luxury anointment. The response has therefore been to point to the new era of casualisation – a trend which we have acknowledged for some time – as the reason for its elevation from being a utilitarian staple for the unfashionable to a status brand for the Zoom generation.

However, all this contradicts what we know about the luxury industry and how it works. That it is a club and one that is very difficult to join from the lower reaches. Whilst heritage is coveted, we know this does not entirely convince consumers of a brand's worthiness. Secondly, the industry is full of cautionary examples of businesses that have tried and failed to elevate their target consumer and product price point.

Birkenstock's announcement that they needed owners who bring "a deep understanding…and respect for brands with a long heritage like ours" made it plain that they consider their 250-year history as a passport into the luxury realm. But this is nearly always the case when the brand in question has heritage exclusively within the luxury sector, not outside it.

Again, they point to the evolution of luxury happening all around us. Many years ago, it would have been unthinkable for luxury brands to consider producing sneakers and casual footwear and offering them for the same price as truly elegant, traditional shoes. Trainers and other such items were never worn by style-conscious luxury consumers in luxury environments. Now, such consumers wear them all the time, and they confer a status like never before. In London, the luxurious Ritz hotel has famously been the last bastion of formality where "jeans and sportswear are not permitted for either ladies or gentlemen" and "a jacket and tie" is required for gentleman when dining. With its new Qatari owners planning a £300m makeover for the property, it is highly likely that these rather lofty rules – which have long ceased to apply at other smart hotels such as Claridge's or The Connaught – will disappear.

In today's world, such rules are not only an anachronism, they are an illogical counter to the direction of taste in wealthy consumers. On the one hand, these buyers want the reassurance of 'heritage' brands that bring generations of craftmanship and experience. On the other, they want to live by their own rules and contemporary

“…there are very few new houses that can compete with truly storied names in the minds of consumers…”

preferences, which for many are increasingly focused on comfort and ease. In this area, many heritage brands have to continually struggle for relevance, particularly where the purpose, materials and designs they are known for are outdated or cease to be attractive to modern consumers.

However, simply because a product is a better fit for contemporary consumers from a lifestyle perspective, it does not entitle it to a ‘luxury’ anointment, particularly if it is a brand that has become well-known at lower price tiers. This is determined not by the industry but by consumers, who seek ‘extreme value’ from luxury brands over non-luxury brands.

In order to acquire ‘extreme value’, a brand must possess certain qualities. Amongst these is a conscious and consistent adherence to luxury principles, one of the most relevant being rarity. It is nearly always impossible for brands to elevate themselves from associations with mass production to exclusivity. Even Burberry – which was never a ‘mass’ brand - found this challenging during its renaissance, after clawing back licences.

Without ‘extreme value’, it is difficult to see which law of consumption permits such brand ennoblement. There is always the possibility with Birkenstock that the new owners do not see the brand in the same pantheon as that of traditional luxury brands, and wish to conduct no such brand alchemy. However, what we could be witnessing is an exaggerated reverence for heritage over all other qualities.

New fashion brands struggle to gain a foothold in an incredibly competitive market; there are very few new houses that can compete with truly storied names in the minds of consumers. One of the reasons for this is that during the last century, luxury fashion has become increasingly democratised. Not in pricing, but in terms of the evolving target audience.

Once, it was the case that the latest designs of the great names – the likes of Worth and Doucet - were only available to those with great wealth. Wearing outdated fashion was an embarrassment within this social group, an attitude which fostered a greater creativity and turnover in new fashion, and a resulting greater demand for novelty. These fortunate people were the only luxury consumers and they were a very small group.

Since those days, the middle classes have grown aggressively and the proportion of newly affluent and wealthy people in developed economies has increased. This has magnified the need for brands which signify arrival and status – the most common desire for those who freshly find themselves in exalted circles. Brands with long heritage tend to be the most established and best known, and therefore the most potent signals.

Whilst Birkenstock’s design and materials don’t exactly convey luxury, it is a sign of the new investors’ belief in heritage and longevity above fashion’s whims. The stakes are no longer about novelty and frivolity but about concepts such as investment & brand surety. We have reached the age where orthopaedic anti-style shoes triumph over haute fashion.

Sector updates

Image: Jaguar

Another month, another car brand announces they will be rid of the internal combustion engine within less than a decade. This time it was Tata-owned British manufacturer **Jaguar** (suppliers of the UK Government's official ministerial vehicles) who announced they will be all-electric by 2025, less than four years away. At the same time, sister brand **Land Rover** made an announcement that they will produce their *first* all-electric vehicle in 2024. Whilst this may seem bizarrely asymmetric – given that there is shared technology within the parent group – Barton considers it speaks to the difference in fortunes between the two brands. As one slowly ambles towards electrification – despite dominating a category (SUV) that has the strongest correlation with the desires of electric buyers – the other races towards it in a bid to defibrillate itself back to life.

The fashion arm of Rihanna's LVMH-backed brand **Fenty** has been forced to close after just two years. Launched in 2019, and with successes in categories like beauty and lingerie, the failure of the Fenty name in fashion has been blamed on the pandemic, with The Guardian reporting that it represents the continued "slowdown of luxury fashion." Hmm. That doesn't make any sense, as luxury fashion has been one of the 'winners' of the pandemic, thanks to e-commerce. In fact, LVMH's fashion and leather goods division reported an overall 18% year on year increase in the final few months of 2020. So what went wrong with Fenty? Barton's view is that the timing is unfortunate, particularly for a new brand, but also that the pricing for the brand across the divisions was not cohesive (2 for £29 on Savage x Fenty bras but over £300 for a pair of Fenty jeans). Even with electric celebrity and experienced backers, succeeding in fashion is never a done deal.

Image: Fenty

Image: Armand de Brignac

Moët Hennessy flexed its muscles again this month with a 50% stake in **Armand de Brignac** champagne, acquired from hip-hop superstar Jay-Z. Jay-Z had patronised the 'Ace of Spades' label since the mid-2000s, having boycotted Louis Roederer Cristal after the incoming MD of Louis Roederer Frédéric Rouzaud made some comments on the success of Cristal within the hip hop community. He bought the brand outright in 2014. Armand de Brignac is made by the still-independent Cattier family of champagne, but is far better known for its pewter labels, shiny golden bottles and excessively large formats such as the Midas. With their distribution power, Philippe Schaus, president and CEO of Moët Hennessy, said the new partnership would allow the company to take Armand de Brignac 'to new heights across the world.' As a brand with a reputation for big bottles, and a parent with a full house of nightclub marques, Barton thinks this may end up being literally true.