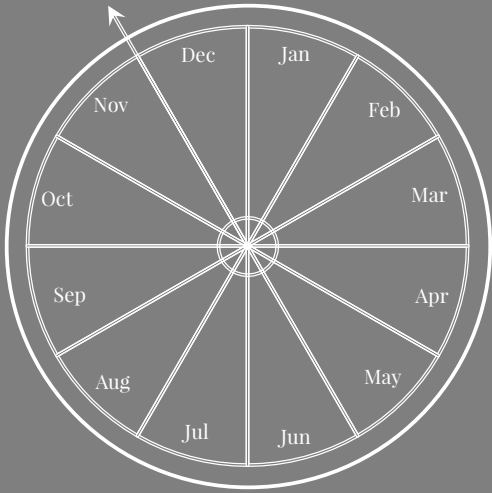


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Volume 16: Festive Edition 2020



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Festive Edition 2020

Barton Founder & Principal

Winston Chesterfield

2020. What a year.

Of course, there are some choice adjectives you could insert into that sentence – many of them unpleasant and many of them the same word in different languages, which is no bad thing. After all, it is unusual that so many people across the world should have shared the same enemy for so long but been able to do so little towards ridding the world of its menace.

This is why I have long thought the pandemic's comparison with being at war to be rather a simplistic one. For one thing, wars are a deliberate human evil that can be avoided or ended with rational judgement. There is no such end for a pandemic. You can't reason or sign a treaty with a pathogen.

Secondly, there is an ability for almost everyone to really contribute to a war effort, particularly a truly global one like World War Two. There are things to be done in the battlefield, behind the desk, at the mill on the farm and even on the radio, the music halls and cinema. The pandemic has merely enforced closure, inactivity, distance and even idleness. As much as that may be championed as being central to the 'war effort', it doesn't feel like it.

The comparison that does make sense is what the pandemic has done to our value of life.

Wars emphasise the value of everyday life, of things that really matter now and for the future, because we are deprived of the ability to enjoy them. In this sense, the Second World War was incredibly harsh compared to this pandemic, particularly when taking into account the deaths of millions of young men on the field, the brutal bombing of civilisations, the hard rationing of food and the destruction of nations and a way of life.

Quite simply, life is valued by how we spend each day. More and more people across the world are raising their voices, calling out for the freedom they have lost, to be able to spend their remaining days in a better way. Many people, who may have previously been nihilists, have woken up to the fact that there are things that truly matter in life and suddenly find they are reluctant to waste any more time.

It is often said that a truly wealthy person is one who realises what they have already, not what they have yet to achieve. I think this year has shown that feeling truly wealthy is about valuing the life and the days yet to live – and where they can take you. Merry Christmas & A Happy New Year.



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THE YEAR

THAT LUXURY FORGOT

Make no mistake, 2020 will go down as one of the worst years for the luxury industry in all history. Despite the Pollyannaish statements you read in the media about consumers moving their spend online or temporarily displaced purchases – you know, buying cars instead of holidays – this year, particularly the dreadful first half, has been entirely anti-luxury.

Frequently repeated austere words like “essential” have battered the mindset of many consumers. Though luxury is the perfect and excusable self-indulgence in difficult times, it has been marginalised and suppressed. It has even been implied that we shouldn’t care about it or even value it. That there are things far more fundamental we should be fixated on, such as our health and that of our friends and family. Missing luxury has always been a guilty emotion but in 2020, this guilt is magnified.

In a world where thousands of small businesses are going under, mass unemployment and mountains of debt loom (along with massive tax hikes), not to mention untreated illnesses, increased waiting lists and early deaths, it’s not difficult to see why luxury is only able to whimper about its demise; there are far more important tragedies to review. But it is still a tragedy that any industry should suffer, irrespective of what they produce, for the simple reason that there are people and jobs at its heart.

The guilt complex to luxury overshadows the very human aspect to the industry itself. The majority of businesses that cater to “luxury consumers” are small businesses. Though the luxury goods industry is dominated by a number of giant groups,

the vast majority are minor enterprises, often family-owned. The reality of handmade craft in luxury means that it is more of a human industry than many others and the very nature of personal service also requires manpower and not machines.

Earlier on this year in the March edition of the Barton Diary, we mused whether the events of this year will make people question luxury purchases entirely. Whether the temporary and devastating blip that was 2020 will have a more lasting impact on the psyche of luxury consumption, encourage a return to simplicity and purity and away from personal indulgence. However, that was in March, which already feels a lifetime ago. No one was even thinking of a vaccine then; now, in December, vaccines are being administered to hundreds of thousands every fortnight. The Messiah moment everyone had been waiting for came just before Advent, although it’s fair to say that recent events have now dulled the optimism that this ‘miracle’ produced.

And it’s not only the vaccine. A great many people are less afraid than they were in March. A good number are growing impatient with restrictions on their liberty and the frustration with a stop-start life from lockdowns and tiers is burgeoning. Some are therefore arguing, such as the Yale academic Dr Nicholas Christakis, that an eventual end to the pandemic restrictions will bring about an orgy of indulgent spending and even social liberalism – our very own ‘Roaring Twenties’ which in itself was a reaction to the horror of the First World War. These are exactly the ‘sunlit uplands’ in which luxury can thrive.

“...if 2020 has shown us anything it has shown us how hard it is to break human beings away from their instinctively social habits ...”

In luxury travel, there are increasing signs of optimism. Having seen the international luxury travel market crater over the year due to border closures and travel bans, many worried industry organisations expected the impact on luxury travellers to be long-lasting, particularly the fear of the virus and the inconvenience of post-pandemic travel that required masks and permits. However, there seems to be little sign of this fear amongst their clients. Trips have not been cancelled but deferred to next year. Many luxury travel businesses are now eyeing 2021 as the bounceback year.

China is the major reason why the industry is optimistic of a bounceback in the near term. The hunger of Chinese consumers for luxury goods is seemingly unaffected by the pandemic. Whereas before organisations have been cautious about dipping deeper into China and particularly its e-commerce market, relying instead on Chinese travellers buying whilst abroad in Europe or North America, tie-ups between the likes of FarFetch, Richemont and Gucci with Chinese e-commerce behemoth Alibaba show there is far greater willingness to make luxury more available in China via e-commerce platforms. Though a cynic may read this as reactive and desperation, it is long in the making.

Even the automotive industry – which has faced many challenges in the last few years, most significant of which has been the battle against carbon emissions – can afford to look on the bright side. With personal health and minimising the spread of the virus prioritised, the private vehicle became a highly desirable object once more. With the introduction of bans on new petrol and diesel cars by the end of the decade in many countries, there is no doubt that the industry has its work cut out, but it also enables

it to open a new chapter. Electric vehicles are hardly the carbon-emissions free green machines that they are claimed to be but that won't be a problem the manufacturers need to face.

The changing lifestyles of consumers also present other sectors with opportunities. Micro-mobility is on the rise within cities, presenting opportunities for accompanying products and accessories. The entwining of technology with fashion is still nascent and ripe for luxury brands to continue to innovate. Health and wellness has never been more important to well-heeled consumers, who are always seeking new and better tailored regimens and activities for their particular needs.

There is clearly cause for concern still. The warp-speed casualisation of 'Zoom life' has rapidly aged the elegant attire wrapped around mannequins in luxury boutiques. Even with the prospect of a return to normal in the next six months, there may be a slower return to our former habits. Major urban centres may also undergo a slow and painful evolution as stores shutter for good, online sales become the norm and a big contingent of cities' wealthy inhabitants choose more flexible out-of-town working solutions.

However, if 2020 has shown us anything it has shown us how hard it is to break human beings away from their instinctively social habits. In almost every country, compliance with lockdown measures declines the longer they continue. Families and friends meet up, people flirt and fall in love. Even businesses agitate for face to face meetings despite the existence of a second wave of the virus. The way we once lived was not by artificial design but by a natural and organic process of feeling our way through the world. The future is not as bleak – nor as different – as some might think.

Sector updates



Image: Gucci

Gucci has joined Alibaba's Tmall platform, a move that provides yet more evidence that luxury brands are doubling down on China to recover from the huge hit sustained by the pandemic. For years, Gucci and other luxury brands have been afraid of e-commerce in China, worried about diluting their brand image through appearing on mass-market third party sites and because platforms like Alibaba have enabled the sale of fake goods. Barton's founder mentioned as far back as 2016 that "the Chinese luxury consumer expects e-commerce" from luxury brands, so much of this move is about the economic reality of China becoming the single most important market for luxury goods in the world and one in which e-commerce now accounts for almost a quarter of luxury goods sales, up from 13% a year ago.

SFERRA Fine Linens recently acquired **Pratesi** which, alongside Frette, is probably the most famous high-luxury linens brand in the world, supplying superyachts and jets, as well as the homes of the ultra-wealthy. Though SFERRA (owned by US-based private equity firm Highland Partners) is a competitor to Pratesi given the similar price point and Italian brand history, it is expected to appeal to a different consumer base. The Chairman of the company, Mark Blanchat, identified that the "designs, styles and feel of [the two brands] are entirely unique." In Barton's view, this would mean the three major heritage linen firms in the world – SFERRA, Pratesi and Frette – would all be in the hands of private equity businesses (the latter owned by Change Capital Partners since 2014), all eyeing international expansion and the promotion of Italian branded luxury in linens and adjacent categories.



Image: Pratesi



Image: Bentley Motors

Back in August 2019, the Diary reported that **Bentley** Motors was going all electric – by 2035. However, with British legislation since then indicating a ban on new petrol and diesel sales from 2030, the Crewe-based luxury manufacturer has had to rethink their somewhat ponderous timetable. Now, by 2026 – 9 years ahead of its previous date – all of its vehicle products will be plug-based, whether hybrid or battery electric. And by 2030, every Bentley will be entirely electric. The question of 'carrot or stick' was always one which hung over luxury automotive firms. The lack of infrastructure for electric vehicles is still alarming – even in countries where electric vehicle adoption is more widespread – and many analysts have predicted it would be unwise for ultra-luxury brands such as Bentley or Rolls-Royce to offer vehicles which make the experience of ownership such a pain. However, it would appear to Barton that in this case the 'stick' has won.