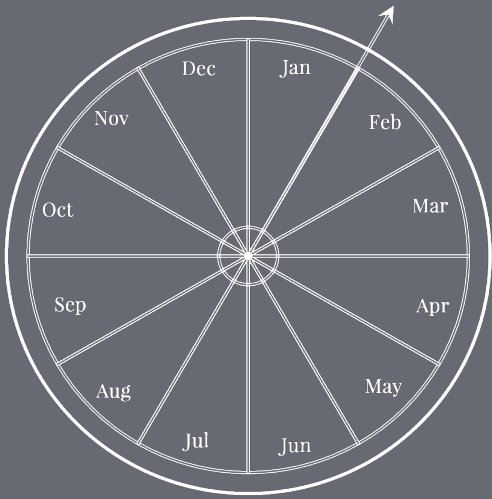


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Volume 6: January 2020



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Welcome

Barton Founder & Principal,
Winston Chesterfield

January 2020

And so it begins. A new year, a new decade. We are on the cusp of a new age. An age in which the concept of individualism sets itself against the tribe; an age in which ancient allegiances to nationhood will stand their greatest ever test; an age in which the Two Worlds of our reality (online and offline) clash and vie for ideological supremacy.

I have always believed in the study of history as a guide for how we might create the future. It is because of our consciousness of the past that certain things are actively repeated and other things are actively avoided.

But history had no prescience of technology. It could not predict the internet. Nor could it imagine the unique challenges we face in the modern world. Simultaneously, we marvel at and recoil from our world and the people in it. We tell ourselves lies to affect another reality. More and more, we seek not to understand and adapt to what surrounds us, but to fight against it. And the spirit that lies at the heart of anything that never ceases to fight is the spirit of war; the person who carries this spirit is a warrior. We have become, whether we like it or not, a world of warriors.

All over the world, absolute poverty is in rapid decline. More and more people are living longer, with better medicine, food sources and water supplies. That there are still those without should never be forgotten, but the trend is a positive one. Large-scale war has not been seen in most of the world for decades. Science is developing new ways to provide food for the earth's ever-growing population. Global philanthropic donations are increasing every year. In many countries, homicide rates are at their lowest levels in recorded history. And yet we seek out adversity and injustice. It is strange that we make a virtue of this mentality whilst condemning the act of war itself, but this is perhaps because adversity is a natural human state. Perhaps war, like empire, is simply a state of mind. And so we fight on, seeking new adversaries.

Happy New Year - all the best for 2020.



Knowledge
Perspective
Passion

Barton

info@barton-consulting.co.uk

Dresses & Skirts v

Shoes v

Bags v



v Knitwear

v Denim

v Activewear

PRIME

TIME?

It was always going to happen. Jeff Bezos, the quietly married, geeky, baggy-sweater wearing, awkward-looking, loud-laughing founder of a revolutionary online bookseller morphed into the world's richest, brawniest, gym-going, divorced, sell-anything-I-want global business titan. Money and outrageous success can do that to you, particularly the latter which has a habit (when it is so consistently repeated) of making you feel you can achieve anything you want.

And so why shouldn't Amazon sell luxury fashion? It sells pretty much everything else. Thus far it has left the gigantic feeding frenzy of online luxury retail to the likes of YNAP, Farfetch and Matches. And now it wants in on the game. After all, online retail is a market that Amazon pretty much created. It is the great grand-daddy of them all. Farfetch even tipped itself to become the 'Amazon of luxury' following its wildly successful IPO.

There is no doubt that Amazon could pose a serious threat to the luxury specialists. For one thing, Amazon can do the 'online' bit far better than they can. Its systems, geographic reach, business structure and assets dwarf them. The problem that Amazon has is the 'luxury' bit. How are they going to be able to adapt their universal, sell-anything, discount-mart approach to the increasingly discerning clientele who are acquiring luxury fashion?

Counterfeits are a serious problem. As is Amazon's promotional strategy. The platform works very well for attracting small-fry sellers who want to sell faux-Gucci, or a brand that is looking to dump its old stock at a hefty discount – a Yoox-ish online factory outlet – but how could it work for a brand that feels the need to consistently upgrade their own, proprietary retail channels because they aren't sufficiently 'luxurious'?

Indeed, the concept is a little hard to envisage. Alongside your dash button for fabric softener and a daily deal for an in-car USB charger, there sit your recently viewed Prada slingbacks, which, even though they have a meagre 3.5 star review rating, you decide to place in your shopping basket.

It is a singularly unappealing interface for a purchase with such significance, particularly from a financial perspective.

And yet, 'luxury' is already sold on Amazon. Glossy super-slim television screens that cost more than a car. Expensive sound equipment. Gaggenau ovens. \$1000 hairdryers. So what's the big deal about luxury fashion? Why is a \$1,200 handbag *more luxury* than a \$15,000 barbecue?

One answer to this question relates to commoditisation – a concept which makes luxury fashion brands shudder.

“It is luxury’s purpose to instruct and lead consumers...it is Amazon’s mission for consumers to lead themselves...”

Luxury fashion and accessories exist as a counterpoint to mass-market fashion and accessories, which are sold on the principal of volume and availability – a low price ensures a great sales volume and a massive retail network ensures the broadest possible availability. They have been commoditised.

Luxury fashion and accessories brands have, particularly recently, pursued the opposite strategy: restricting volume of stock and limiting (and in some cases reducing) POS. This has been a very successful strategy and for the very simple reason that commoditisation is luxury fashion’s kryptonite.

Amazon is the high-priest of commoditising products and brands. The level playing field, uniformity of user-experience and the bottom-up, review-led, consumer-empowering approach are anathema to luxury brands. It is luxury’s purpose to instruct and lead consumers; it is Amazon’s mission for consumers to lead themselves. This is the fundamental flaw that lies at the heart of their ambition.

And so the concept of an Amazon-branded luxury fashion platform appears to be stillborn. The only reason they haven’t yet been laughed out of the online chat room is because they’re still Amazon, even though they don’t have a chance of competing with proprietary online stores and multi-brand luxury specialists. Or do they? All this depends on how Amazon proceed with the vision.

One of the quiet successes of Amazon is that they understand their brand has limited value in the eyes of the consumer: they see it as efficient and they see it as reliable. Aside from that, the Amazon brand has no other value. In many ways this makes Amazon simply a giant facilitator, an enabler of other brands rather than a competitor to them.

This is important as it indicates that they have the ability to see where they can add value as a consumer-focused organisation, rather than as an ambitious brand. Many of the other multi-brand online luxury fashion retailers have delusions of grandeur. In fact, with their brand collaborations, exclusive events, trendy offices and Vogue-esque editorial, they are aping luxury brands.

To a point, this is valued by the consumer and is optically appealing; you sell luxury, so you need to look like you sell luxury. And as a consumer it’s nice to have well-made, elegant boxes and invites to cocktail events. However, modern consumers are ruthless when it comes to businesses that act above themselves, and seek to ‘brandify’ their experience beyond that which is expected – or wanted.

If Amazon were to create its own sub-brand of luxury retailer (let’s call it ‘A’) where you could buy Stella McCartney trainers in a Stella McCartney-designed webstore-within-a-webstore, use your Prime account to access special collections & same-day deliveries, all with the backing of Amazon’s infrastructure, it would appeal to all that modern purchasers seek from retailers, luxury or not: efficiency, trustworthiness & a focus on the consumer.

Sector updates



Image: Louis Vuitton

LVMH doesn't do things by half. When out shopping for a luxury jewellery brand it pounced on \$16bn Tiffany & Co – the only house with comparable muscle to rival Richemont's Cartier. Now, its flagship luggage and leather goods workhorse **Louis Vuitton**, is creating a name in fine jewellery, acquiring the world's largest uncut diamond to be discovered since 1905. The Sewelo diamond weighs a monstrous 1,758 carats which Vuitton expects to yield several cut stones each between 100 and 300 cts, and potentially a big stone around 800-900 carats. The mighty Cullinan that was discovered in 1905 (3,106 cts) produced two wonder stones at around 530 and 317 cts, both now part of the British crown jewels. Barton thinks there's probably a *very* juicy market (royals & billionaires only) for a stone that dwarves the baubles owned by Her Majesty Queen Elizabeth II.

Coronavirus worries are dampening expectations for luxury brands in China. Though the spread of the deadly virus is not expected to significantly worsen given the measures now put in place to prevent its spread, the cancellation of all flights to and from China by the likes of British Airways illustrates the severity of the preparation taking place, and the impact on Chinese luxury buyers. Luxury stocks have dived. LVMH share price is down 7.5% since the announcement of the outbreak, which has depressed preparations for Lunar New Year, normally a time in which brands step up their connection with Chinese consumers. Those who remember SARS remember the impact it had on their business; billions in losses. The problem for the industry now is that it is even more reliant on Chinese consumers than it was 17 years ago. From Barton's perspective, however, this is also about how China will be perceived, on certain issues, to be stuck where it has always been.



Image: SCMP



Image: FT

What's really the most expensive place in the world to live a luxury lifestyle? The Global Wealth & Lifestyle Report 2020 from **Julius Baer** surveyed prices of 18 premium goods and services across 28 cities around the world to find out. Asian cities Hong Kong and Shanghai came first and second respectively, followed by Tokyo in third. Despite its legendary status as a wallet-achingly expensive place to live, London came just 7th overall, behind LA and New York. However, this was not a western story. With Singapore at number 5, and Taipei at 8, there are 5 Asian cities in the top 10 most expensive; Europe has 3 and North America 2. The fact that Manila and Jakarta are both more expensive than Barcelona & Frankfurt may also come as a surprise. The Asian story, Barton surmises, is one of massive regional demand (from a giant & growing population) and a limited supply of high-quality global cities. The trend towards urban congregation shows no sign of abating.