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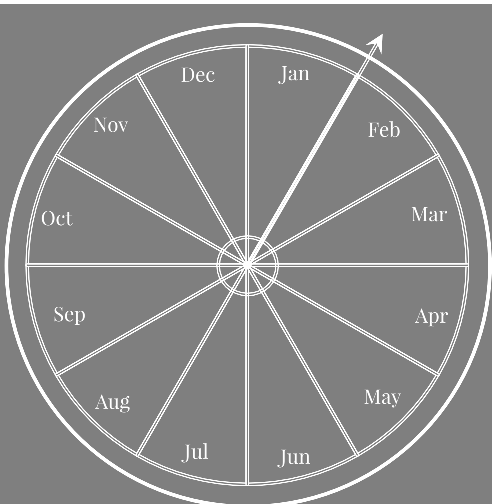

Volume 17: January 2021

Notes

January 2021

2021 is the first year in living memory that started not with a bang of optimism but with a groan of cynicism. For this was the realisation that we had reached the end of a terrible year, only to carry the shadow of it into the next.

However, though we may yearn for the rose-tinted days of January 2020, as it was pre-pandemic, there is still reason to be cautiously optimistic about the rest of this year.

Firstly, though there is deep concern across the world about the resistance of the virus and the continuation of the pandemic, vaccination programs boasting three approved vaccines (and potentially a fourth) are only months old & have already seen over 80m administered globally, with millions more per day.

Secondly, there are indications for luxury and prestige businesses that 2021 could be a recovery year. This is unlike other downturns. Enforced closure, stay at home orders and an inability to travel in many developed countries have meant that consumers, particularly the wealthy contingent, have been indulging in 'comfort' spending (such as buying luxury goods online), or simply saving themselves for the reopening of the world, imprisoning their spending power.

In normal recessions, such as the financial crisis of a decade ago, as well as a decline in confidence, a guilt factor amongst consumers often plays a part in depressing spending on luxury goods. Emerging from the pandemic, there is little guilt likely to be felt. In fact, many consumers will feel themselves entitled to indulgence given the lifestyle austerity of the previous 12 months.

Luxury travel and hospitality businesses have suffered the most during this period. Unlike goods businesses who could simply divert their attention to online sales, the closure of borders, shuttering of on-essential businesses, travel bans and quarantines have been fatal to those in the luxury travel & hospitality ecosystem. However, the appetite to 'get back out there' – which had been impacted initially by virus fears – has returned. At one stage, many were asking if we would travel in the same way again, if we even wanted to. The growing impatience with lockdowns and the desire to break free confirm the opposite is more likely the case.

Leo Tolstoy once wrote "The two most powerful warriors are patience and time." They have found a worthy match in the first pandemic of the internet age but they will prove to endure as the year unfolds. Good fortune to all readers.

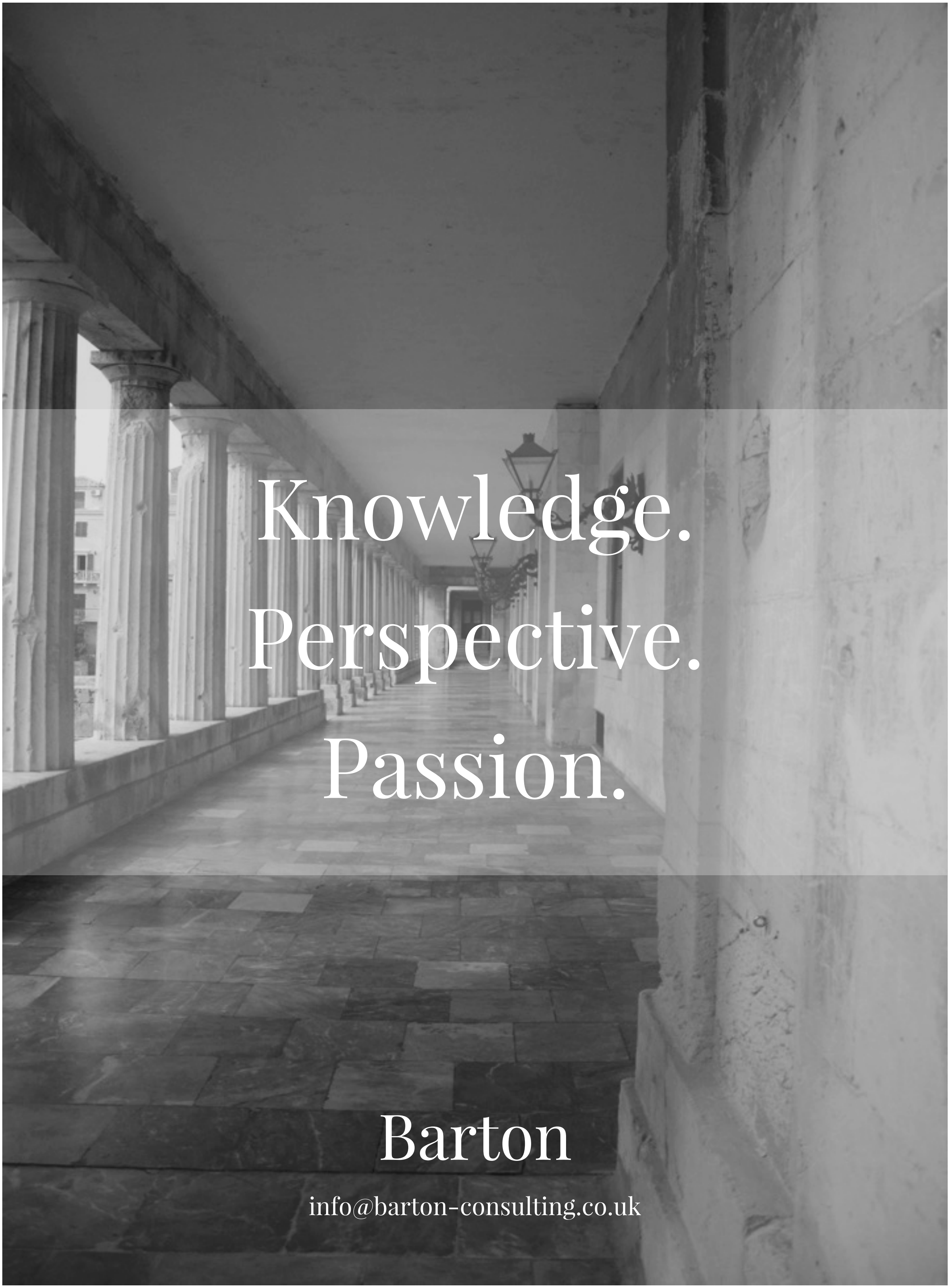
Knowledge.
Perspective.
Passion.
Barton
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Image: Shutterstock/Blue Planet Studio

OF WHEAT & CHAFF

There is a serious brouhaha that has developed in recent weeks over “influencers” flying to sun-drenched shores, instead of locking down in their primary place of residence in dreary northern Europe.

Outraged Britons in particular have frothed with anger over the photographs of suntanning social media mavens taking selfies by a pool in Dubai. “That’s not work!” one popular comment on an online news site raged “That’s a holiday! Do they think we are fools?”

The COVID-19 pandemic has revealed some rather stark differences in lifestyles. In normal times, run-of-the-mill influencers’ lives are often fairly fabulous but rarely so distracting that they cause consternation. This is largely because pre-pandemic liberty meant that people’s lives were sufficiently kaleidoscopic not to be alarmed by vibrancy in others.

However, now that most people’s lives have been made to be offensively beige, the fact that those they are ‘influenced’ by have not been subject to the same misery that they have, for the better part of a year, has ignited some almighty anger.

This has caused some commentators to call time on the influencer model. Columnists have written articles pondering whether the concept of “influencers” is even sustainable post-pandemic, given that many have carried on regardless, pursuing the most enviable existence possible in circumstances that have been very difficult and highly restricted for the rest of us.

A kind critique would be that many of those who consider themselves influencers have clearly decided that their job is to promote a better life, a more desirable existence, rather than condescend to normality and hunker down with mortals.

A more acerbic view would be that these people consider themselves above mortals and don’t want to spend their days in places where no bars or restaurants are open & opportunities to convey a privileged life are limited.

What this comes down to is this: what do we want to be influenced by? Is it the idea that those we consider to be ‘aspirational’ figures should be showing us a legally questionable but wish-we-were-there lifestyle? Or should they be showing a best-behaviour way of living? After all, other influencers who have stayed at home have sometimes been accused of virtue signalling with some of their content.

What this debacle shows is that influencers are still a naïve form of marketing for brands. In one way, they can brilliantly connect with consumer desire. Aligning your brand with them is to place it in the sights of people who, to some degree, crave their lifestyle. The best products, particularly in luxury, are not sold to someone for who they are, but for who they want to be.

“…there is no copyright on lifestyles. The more one influencer succeeds with a pointed toe pose on a beach, the more copycat influencers spring up….”

However, over time, influencers have also exposed their own limitations. For one thing, there is no copyright on lifestyles. The more one influencer succeeds with a pointed toe pose on a beach, wearing a designer bikini, the more copycat versions spring up. And whilst it is said that copying is the ultimate flattery (particularly for handbag brands), influencers have very little control on origin authenticity.

Repetition is also a major weakness of influencers. The pursuit of sunshine during a locked-down winter by many of this group was entirely predictable but the content produced was also often formulaic and uninventive, suggesting that many of these individuals and their teams have little strategic vision for their own brand and a rather shallow pool of ideas.

The other crack in the influencer model is one of ego and loyalty. Though it was fully expected that the bestof-breed would start to build their own ‘empire’ (as many of them term it) with their own labels, teams and dedicated offices, this has led to standoffs with brands, not just over cost but also over image alignment and values. Some companies that claim to have ‘made’ certain influencers have complained that they have been dumped once their champion influencer was getting offers from more attractive brands.

Some influencers believe that the last 12 months have changed the way people will see them in future. In a recent article, Emily Johnston – a fashion and lifestyle influencer – says that though she herself enjoys “fashion, travel and frivolous stuff”, the pandemic has not been the time to churn out this kind of content. She emphasised the importance of producing “relatable, empathetic and responsible content.” This connects to one of the central benefits that consumers have cited about the positives of influencers: they aren’t wealthy celebrities to whom they cannot relate, but real people who just happen to have a talent for living that many people find very attractive.

Whilst there are some doubts that ‘fashion, travel and frivolous stuff’ will be taboo subjects at the end of the pandemic (after all, there is not an era in humanity yet in which they have been unpopular), this point about relatability and empathy does draw together some of the problems that influencers have run across.

The better influencers, instead of running off to an easy life in the sun simply because they can, have sought to stay true to their core value of being relatable, whilst also being inspirational. This is simply by working with brands to produce content that is within reach but sufficiently well crafted to make consumers aspire to their lifestyle. That could be working with a luxury wellington boot brand for a series of posts on lockdown exercise walks during a muddy winter. Or showcasing the possibilities of at-home luxury dining with restaurants’ home delivery services. It could even be working with brands in the artworld to showcase new hobbies and crafts as a way to beat the montony of lockdown. The best content has always been that which offers a solution just within the consumer’s reach.

Retaining the balance between aspiration and relatability – not to mention the importance of likeability and creativity – is important not just for influencers, but also the brands that use them.

Sector updates

Image: MyTheresa

Following on the precipitous trail of the mighty Farfetch, **MyTheresa** debuted on the US stock market in an IPO that saw their shares jump in value. With an expected price of around $26, they opened at $35.85, raising around $406m and valuing the business at around $3.08bn. By way of comparison, Farfetch shares shot up to $20 on their IPO and are now trading at around $60, valuing the business at over $20bn. The success of MyTheresa's launch and the strengthening valuation of Farfetch reaffirm investors' belief in the two pandemic phoenixes: luxury and e-commerce. With store closures laying waste to brick and mortar sales, there is clearly a bet that the online habits formed amongst consumers during this period won't revert once restrictions have eased. Barton is also optimistic about the prospects of digital retail, although for some products, there is always a place for stores.

Peer to Peer online luxury consignment shop **Tradesy** reported a jump in sales just before Christmas last year. CEO Tracy DeNunzio attributes the 92% jump in jewellery sales and 36% increase in used designer boots to customers "doing their bit" for sustainability, suggesting that these consumers are erstwhile 'new' luxury buyers. Hmm. Though this is an attractive story, Barton isn't convinced it is the *whole* picture. The closure of stores has forced all buyers online. Those that might go to small, independent shops for second-hand (read: good value) Cartier and Van Cleef items had nowhere to go when such places were shuttered without any set-up for online sales. However, the appeal of second-hand luxury sales has been growing for some time, and there is increasing evidence that wealthier consumers are interested, although this is also because of items' investment value & rarity, as well as sustainability.

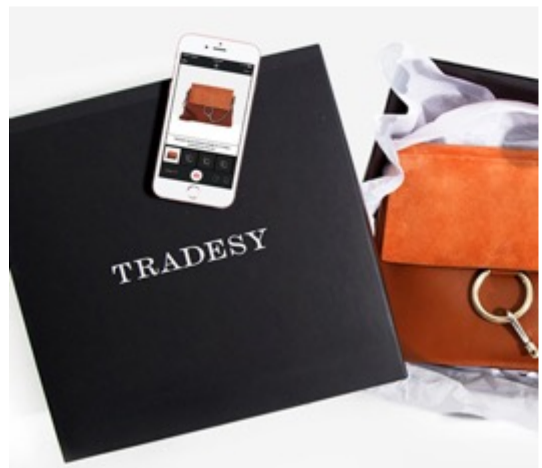

Image: Tradesy

Image: FT

The tall, 28-year-old son of LVMH founder Bernard Arnault, Alexandre, was appointed to a role as an EVP of Product & Communication at **Tiffany & Co**, the French group's latest shiny acquisition. The young heir moves to New York for the role, ending his stint at Rimowa. With four of his children employed within the group, there is clearly an expectation that one of them at least will end up taking the reins when the 71-year old billionaire steps back. Whilst some shareholders may express alarm at the rather public and blatant nepotism, Barton considers that, from a family office perspective, the Arnault children are being properly tested not just for business competence, but for the transfer of wealth and are being given the chance to show what they can do, in relatively risk-free circumstances. Whilst from other angles the approach appears to be rather old fashioned, from an internal perspective, letting the kids take the wheel is bang on trend.