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We are barely three months into 2020 and already we have a new C-word.

COVID-19, known simply by its family term 'Coronavirus', has brought the greatest sense of dread to the world in over 50 years.

For it is not since the height of the Cold War that humanity has collectively feared such massive destruction so profoundly.

Countries that are known for their liberal values and liberal governments are close to imposing martial law – some already have but do not possess the resources to enforce it. Life, as we know it, has stopped. In many countries across the world, the streets are empty. Restaurants and cafes are closed, as are the stores selling non-essential items. We are confined to our own homes, recommended to maintain distance between each other to avoid the spread of the virus. The very thing that makes the human species a success – social interaction & communication – is actively discouraged, and often punished.

The effect of this on the global economy is enormous. National outputs have cratered, jobs have been lost, entire sectors have been reduced to absolute zero. And yet the greater spectre of death always obliges us to downplay any

financial concerns we have, and rightly so. This is a time of international crisis, requiring entirely different kinds of national government and international cooperation.

Unlike war, where countries choose sides on notions of ideology, loyalty and geopolitical gain, we find that all of humanity is on the same side in this pandemic.

In many ways, this makes a refreshing change from the venal tribalism that has infected our daily lives in recent years and it exposes those who seek to maintain tribal lines during such events as immature petulants. When the world is on fire, it is surely the duty of everyone to carry a bucket. The crisis has also shown there is a clear difference between holding those in power to account and attacking policy blindly as a way of settling old scores. Strange that in times of such madness, destruction and injustice we are afforded such clarity.

Unprecedented events such as these also give us a window to appreciate the simple gifts of life to a far greater degree, a concept we touch on in this month's article 'Does luxury matter?' For when humanity is reduced to the raw, essential act of preservation, our material desires and wants appear, momentarily, crass and distasteful. The question is, what happens when this is all over?



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DOES LUXURY

MATTER?

Coco Chanel famously said “People think that luxury is the opposite of poverty, but it is not; it is the opposite of vulgarity.”

However, in the current environment, ‘luxury’ is anathema, to the point that it actually starts to feel pretty vulgar. The concepts, desires and language that were deeply embedded in our lives a few months ago now seem as far away as Pluto. Lifestyles that were so immediate and on-tap now seem impossible. The imminent threat to our health and critical state of being has caused the edifice of ‘want’ to come crashing down.

Almost everything has receded in importance since the pandemic provoked global action to postpone our lives in the interest of saving them. What was seen as a ‘first quarter blip’ economically is now being talked of as a ‘write-off year.’ Climate change, most recently referred to as ‘the most imminent threat facing humanity’ is barely even mentioned. In a world of increasing commercial tension, trade negotiations are silent. We are a world adjusted to the new abnormal.

These are the times that luxury brands dread. Not only for the reason that a loss of economic continuity leads to a hole blown in the side of business revenue, but for the worry of what follows when this is all over. Stock market commentators are right to point out that the 11-year bull

run was unrealistic and needed a correction. Many sighed relief that it should come with the advent of the pandemic, thereby promising a potential V-shaped recovery once a Messiah moment – such as a vaccine – has been achieved. Easier said than done, but it is obvious to see the clear differences to this downturn and the financial crisis a decade ago.

However, the loss of continuity is more concerning to a luxury goods industry that had steadily built momentum over the last two decades, albeit one which was overly dependent on one nation. At the time of writing, this particular country’s most affected province, Hubei, has relaxed its restrictions on social interactions for the first time. China has been widely praised in carrying out these draconian measures so efficiently; in reality, China and some of its neighbouring countries, have plenty of recent experience in handling novel virus outbreaks. The psychological resilience of consumers is therefore likely to be strong.

As a result, China is expected to be high in the ‘bounceback’ league table, which makes for convenient reading if you are a luxury leather goods brand with 40% of your clientele based in the People’s Republic. There is little in the consumer data to suggest they will suddenly stop buying.

“we have had everything we desire for many years, without ration or restriction, and subsidised by massive fiscal interventions...”

For other countries, particularly those in the west, the future is a little less certain. For one thing, ‘soft’ luxury consumer goods – such as shoes, bags and fashion – had long been seen as something destined for overseas clientele. Rising prices, changing designs (focused on the new core consumers’ needs) consistently reminded buyers in Europe that though luxury goods originated from their culture, they weren’t really meant for them.

In February, the data appeared that China would likely be the worst affected nation – at over 80,000 cases and 3,000 deaths. The reality is that the worst affected country will probably be in the west, most likely in mainland Europe. Northern Italy, one of the key geographic areas for the luxury goods global supply chain, is currently the worst affected region in the entire world, recording twice as many deaths as China – a country that has 25 times its population.

In moments like these, frustrated peoples seek answers and explanations, but they also begin to question their own attitudes and behaviours. There is a great potential for a psychological ‘reset.’

It is not the deaths that cause this change. After all, people who are unwell or old and frail die in great numbers each year. What seems to be causing it is an awareness of a sense of powerlessness, of the focus on survival in an age where we have had everything we desire for many years, without ration or restriction, and subsidised by massive fiscal interventions.

In western countries, luxury was already viewed somewhat cynically by an increasingly conscious population who felt the need to direct resources towards things that mattered more – experiences, spending our limited time on earth *doing* things rather than buying them. In a locked down continent, the inability to do anything at all is obviously likely to exacerbate this.

Experts have already started to posit on whether the end of the pandemic restrictions will bring about a new found lust for luxury, for there is an argument that enforced confinement, social restrictions and being locked up with family members for weeks on end will make that first trip to the boutique feel like Christmas morning.

There is an alternative argument though that the destruction of this edifice of ‘want’ – with its celebrity-influencer-backed social media campaigns, rising prices and undertones of greed – will reveal things about our societies and ourselves that we will want to correct. That in fact spending time with families and loved ones will reunify us with the concept of the nuclear collective, not to the culture of ‘me.’

This is not to say that luxury is somehow adrift in this new landscape. Instead it needs to reconnect with values that it only sometimes pretends to espouse. We have learned, in this time of uncertainty, to love the things on which we rely; health services, having food on the table, people being there for us. Things that last, things that work. Luxury should be about producing and making things we can rely upon.

Sector updates



Image: LVMH

Among the corporate virtue-signals and PR ploys exercised in the name of battling COVID-19, the offer of **LVMH** to make free hand sanitizer at its perfume factories ranks as one of the more sensible, useful – and least cynical. At a time when households are stockpiling such products and supermarkets and pharmacies are imposing rationing on consumers, the need for individuals who have to head out to work and maintain hygiene could not be greater. However, thus far, LVMH's offer has been presented exclusively to French health authorities. By comparison, Barton noted that the chemicals giant Ineos, whose chairman Sir Jim Ratcliffe is Britain's richest man with a net worth of \$20bn, has offered to make 1m bottles a month of free hand sanitizer in new factories in the UK and Germany – thereby making it available to citizens in the UK *and* across Europe.

Year on year retail sales at **Burberry** have plunged by 80%, due mainly to the enforced restrictions that came as a result of cooperative methods of dealing with the COVID-19 outbreak. The British luxury brand has been particularly hard hit given that Chinese spending accounts for around 40% of its retail sales. The lack of buying in a shutdown China, combined with a lack of Chinese consumers travelling overseas to shop, has cratered revenues. However, with China reopening for business, Barton believes Burberry may be in the more fortunate group of luxury businesses who are heavily reliant on Chinese consumption. As the rest of the world shuts down for potentially months on end, strong domestic consumption in a back-to-business China could, theoretically, bring solace to the raincoat specialist. The real issue is how much can domestic consumption pick up in place of overseas buying, now impossible due to worldwide travel restrictions.



Image: FT



Image: Burgess

The world of ultra-high net-worth individuals often appears even further detached from reality in times of crisis. COVID-19 is one of those crises that, unfortunately, provokes all of us to act selfishly. For many this results in purchasing more toilet roll than we actually need. For the more fortunate, it means heading out of locked-down cities to second homes in the country. For the extremely fortunate, it means heading out to sea on a **superyacht** for the next few months, only docking to pick up food and fuel. A superyacht is the ideal isolation tool; an entire family can float around on the open seas, able to enjoy the beauty of nature, anchoring far away from civilisation. Onboard gyms ensure fitness routines aren't disrupted, cinemas and music rooms afford entertainment. Barton is rather envious, except for the fact that these close quarters will ensure cruise-ship type infection rates, should the virus ever venture aboard.