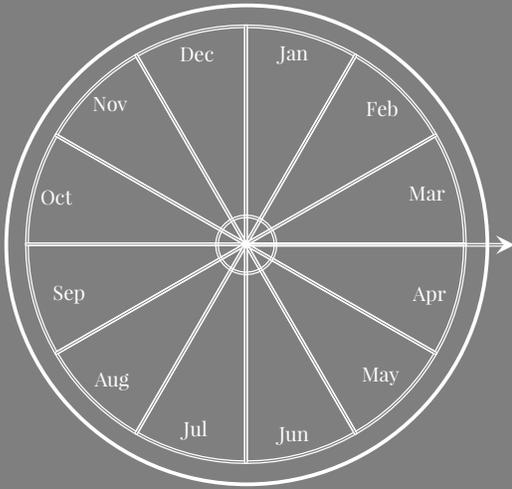
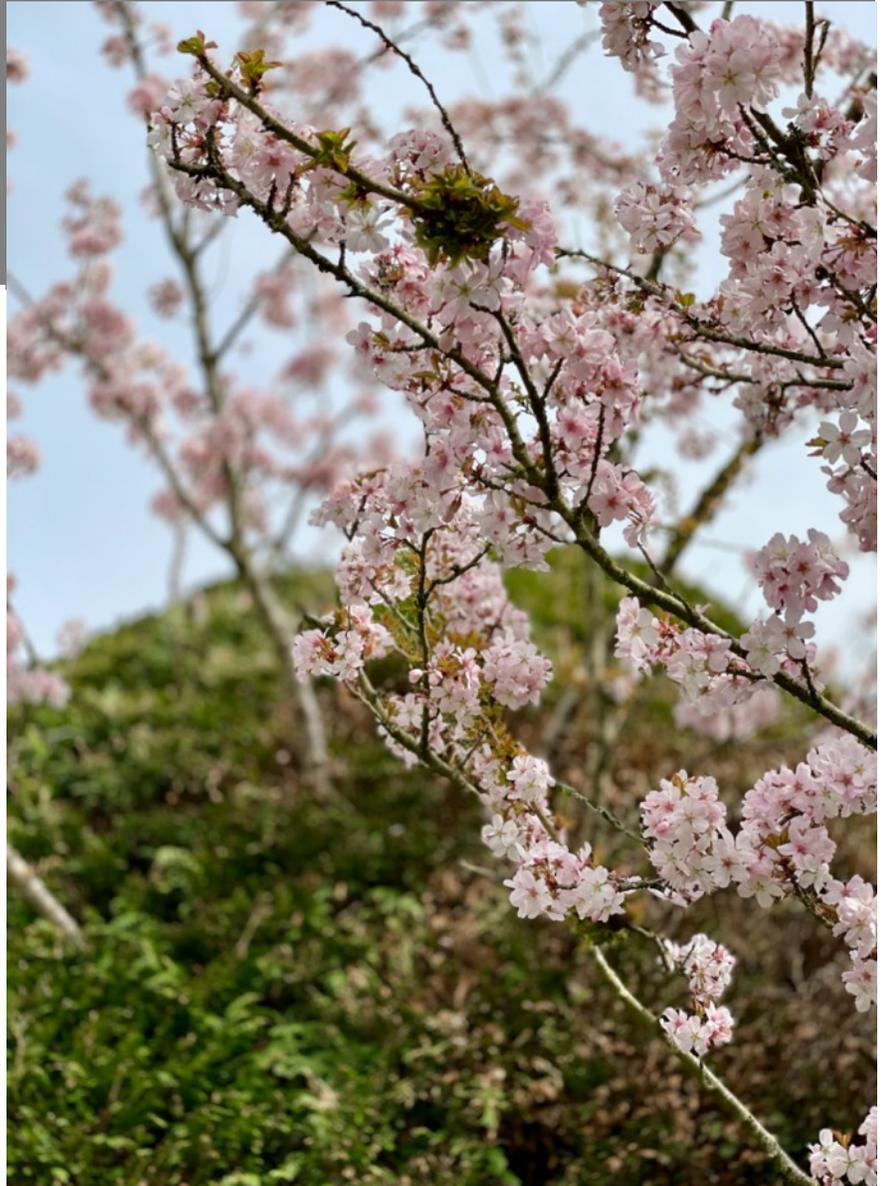


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Could there ever be such a thing as a “luxury vaccine”? Well, the world of 2021 seems to think there is. Not only have we started to take a keen interest in how effective the COVID-19 vaccines are more broadly, there has also been talk of which one is preferred overall.

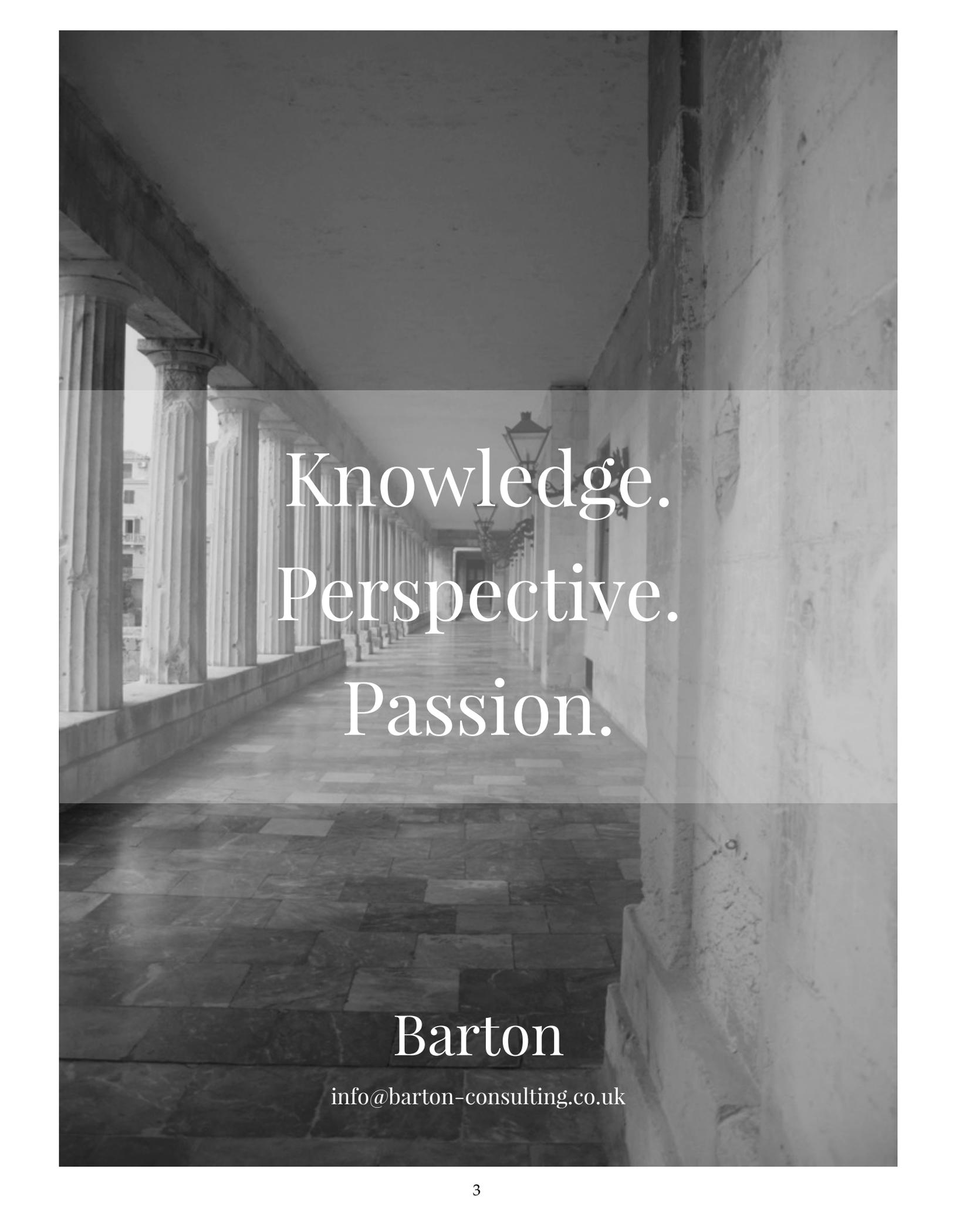
Scientifically, it is nonsense to talk of such things. Vaccines are either effective or they aren't. The brands involved, the price, the countries who sponsor them and those that buy them have no impact on how well they work. But whether vaccines actually work or not is only the first part of the struggle of the process of vaccination. The second part is an ongoing battle to get populations to take them.

This is where rationales diverge from considerations about whether vaccines work or not into concerns about the impact they have (particularly long-term, for which there is no data) but also into brand-led thinking that involves countries as well as businesses. This is arguably the first time in history that we have seen populations claiming their ‘favoured’ vaccine. And yet medical professionals tell me that almost no one has ever enquired about the manufacturer of their annual flu vaccine.

The Pfizer BioNTech vaccine has emerged as “the luxury vaccine.” Not only was it the first to be approved, it is also the most expensive (ticking two luxury qualities) and has been bought by the wealthiest countries. It was the Pfizer shot that was being handed out to wealthy individuals seeking early doses from the comfort of a Dubai villa and it is the Pfizer BioNTech vaccine that very wealthy Chinese individuals are waiting to receive, rather than their own nationally made Sinovac.

Oxford-AstraZeneca's vaccine, by comparison, has been embattled by misinformation, rumours and supply issues. As the most widely bought vaccine (due to its low price), it has suffered as a branded item even though its efficacy as a vaccine is undisputed and more than comparable with Pfizer's. Outside of their own countries, there are similarly negative views towards the Russian Sputnik V vaccine as well as China's Sinovac.

Where there is no choice, there is no favour. Introduce competition and choice, and not only do you see a hierarchy of desirability emerge, you also see that heritage and brand play the biggest roles in affecting that desirability.



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THE TESLA

RECOIL

Back in 2006, Elon Musk shared his secret “master plan” for Tesla. In a blog post he wrote that “almost any new technology initially has high unit cost before it can be optimized and this is no less true for electric cars.”

“The strategy of Tesla” he wrote “is to enter at the high end of the market, where customers are prepared to pay a premium, and then drive down market as fast as possible to higher unit volume and lower prices with each successive model.”

From the Tesla standpoint, this makes a great deal of sense. You start at the top of the pyramid and work your way down; the prices are lower but the volumes are greater. Working your way up the pyramid almost never works, particularly for brands that are firmly in the minds of consumers as belonging to one tier and none higher.

With Tesla, there was very little (practically zero) brand equity to carry with it. The very name itself is of course connected to electricity, but before the Model S was launched Tesla was a little-known and rather niche pioneer in electric vehicles. Founded in 2003, it has no automotive heritage. So Tesla had to be an innovative, disruptor brand. Wealthy early adopters went for the Model S and Model X and thereby created an association with wealth which then naturally linked to “luxury.”

There is no evidence that Musk intended for Tesla to become a

luxury brand. The high price point was incidental to the cost of making the vehicle in the first place. However, there’s also the problem that Tesla could never really have maintained a foothold in the segment of the market where, as Musk puts it, “customers are prepared to pay a premium.”

It’s arguable that with two successful and revolutionary models under their belt, Tesla might easily have duked it out with the big German marques for a while longer in the premium space. For the first time in a very long time, an American manufacturer was able to compete with European brands in luxury consumers’ minds. Brand sentiment surveys for luxury automotive companies conducted in recent years showed that they were comparing themselves to Tesla. The brand cut through a stolid competitive set with its technology and ideals and even began to get close to the untouchable Italian marques for sheer coolness and kerb status.

So why give that up? Well, a lack of ambition can never be laid at the door of Tesla or its officers. However, in deciding to play the volume game rather than the margin game, Tesla took an early decision to squeeze out any luxury brand equity it had acquired in order to capture a far bigger group of aspirational buyers, to whom Tesla is most assuredly a status symbol – and one which they can afford. This is simply brand realism. Though some point to the fact that Musk had always intended Tesla to be a mass-market brand, it is out of necessity and not some altruistic offering from the Gospel of John. The reason why is because Tesla’s own innovation

“...instead of being chiefly associated with raw motoring qualities, brands are now more commonly associated with craftsmanship and appearance of engineering quality...”

has changed the nature of luxury motoring. For sports and GT brands like Porsche, Ferrari, Aston Martin and Lamborghini, the quality, performance and sound of the engine was the technical justification for their lofty price point. Cars like the Ferrari F40 were hardly “luxury” vehicles. Their uncomfortable seats and basic cabin technology told drivers that this was about the thrill of the engine, the experience of driving the car. Post-Tesla, these engines (and this type of car) are now antiquated.

To some degree, the luxury sports vehicle market has been made ‘boring.’ Many of the brands have become more reliable, more environmentally friendly, more consumer-friendly and far more comfortable than they used to be. A Lamborghini or Ferrari of today has many of the same comforts as brands that became famous for being “drawing rooms on wheels.” For example, they still make a noise, but they have special computer modes to turn this noise on and off. Instead of providing a raw, sporty experience, these cars are packed to the gunwales with gadgets to make drivers and passengers more comfortable. Over the years, the model lineups have changed to reflect this shift. Luxurious SUVs with exquisite interior finishings and exterior detailing have replaced dirty, throaty two-seaters as the epitome of high-end motoring. GTs have returned to their early heritage with roomier, more comfortable and better equipped cabins for long journeys.

What this shift in luxury interpretation means is that losing the combustion engine isn’t really a crisis for legacy luxury marques. Though there has been a great deal of concern about the change to a far less exciting electric drivetrain, these brands have enough in the tank when it comes to other luxury credentials.

Instead of being chiefly associated with raw motoring qualities, now brands like Porsche, Ferrari and Aston Martin are more commonly associated with craftsmanship and appearance of engineering quality. Against these, Tesla would have struggled. It has long been criticised by expert reviewers and also wealthy consumers for lacking build excellence, materials, craftsmanship and quality control – something even the premium German brands like BMW & Mercedes-Benz aced a long, long time ago.

However, the cult of Tesla may be oblivious to these issues, or they may not even matter. Tesla is a very strong brand amongst younger Millennials and Generation Z (the future luxury auto consumers), whereas legacy luxury auto brands tend to be preferred amongst Boomers, Generation X and even older Millennials (current luxury consumers). According to YouGov just 37% of Boomers view Tesla positively, whereas 51% of Millennials do.

Does this spell trouble for the future of legacy luxury car brands selling to wealthy Generation Z buyers? It might if they do too little to build into their brands some of the brave magic that has made Tesla so appealing. A sense of revolution, a throwing off of saggy complacency. Tesla appeals because it feels more like a gadget than a vehicle. It isn’t lumbered with ‘high-octane’ heritage that suggests the ‘old world’; some of the most passionate owners even describe the Tesla experience as akin to a ‘space ship’.

However, Tesla’s strategy of focusing on the mass-market tier suggests that the aspiration to Tesla may be short lived and that as Generation Z grows older, a realisation may dawn that genuinely luxury automotive experiences exist elsewhere.

Sector updates



Image: Burberry

Burberry became the first luxury brand to suffer a backlash in China against sanctions imposed over human rights abuses of Uyghur people in the region. Its membership of the Better Cotton Initiative (BCI), a sustainability project that suspended its links to Xinjiang (which produces around 87% of China's cotton) is at the heart of the issue. Burberry's brand ambassador Zhou Dongyu halted her contract with Burberry and the brand's trademark check has been removed from a popular Chinese video game - *Honor of Kings* - with which it recently partnered. In Barton's view, this clash of ideals and ideology with commercial China was inevitable. To western consumers, who push for ESG, sustainability and manufacturing transparency, the reality of China's approach to industry and managing its own prestige via top-down communication and control is a world apart.

MSC rolled on with its new yet-to-be-named luxury cruise brand offering, appointing five senior members to its management team. The first vessel is timetabled to be delivered in 2023, from the Italian Fincantieri shipyard. It will have 461 suites, all with terraces. The new brand is an expansion on the theme of its successful MSC Yacht Club concept - a ship within a ship that provides a greater degree of privacy and luxury to guests. Barton notes the introduction of yet another brand to the smaller luxury ship category emphasises the attractiveness of this market and its potential growth. Whilst COVID-19 has cratered the sector, optimism for its future is high. Seabourn is launching new expedition yachts later this year which, thanks to pent up demand, are already filling up. Silversea's 2023 World Cruise sold out in a day. With mandatory testing & vaccination certification before boarding, cruises are emerging as safe cocoons in which the travel-starved can explore.



Image: MSC



Image: Land Rover

Though Land Rover has been a bit of a laggard when it comes to exploring the electric powertrain, it has nevertheless been (fairly) quick to react to the competitive threats in the ultra-luxury SUV category from the likes of Rolls-Royce, Lamborghini & Bentley. The new **Range Rover** SVAutobiography Ultimate edition - available in long and standard wheelbase versions - has upped the ante in a market that Barton suspects Range Rover considers it created. The long wheelbase, for those who prefer to be driven, sounds more spa than car, with power-closing rear doors and reclining airline-style heated and cooled rear seats. The vehicle has more than 1.2 meters of rear legroom, hot stone massage function, with both calf and footrests. The standard wheelbase version comes with a supercharged V8 and whilst there is no fully-electric model offered, the other powertrain is P400e plug-in hybrid. Notably pricing, at £183,706 for the flagship, is in Bentley territory.