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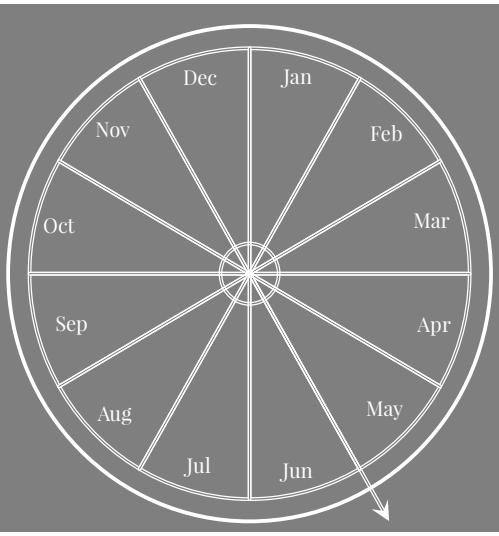

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Notes

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Back in 2020, at the start of the pandemic, airlines and travel-focused businesses became uninvestable. Airlines particularly are difficult enterprises to run at the best of times, but when entire fleets were grounded two years ago, they suddenly appeared anachronistic – quaint reminders of another world, like tobacco advertising.

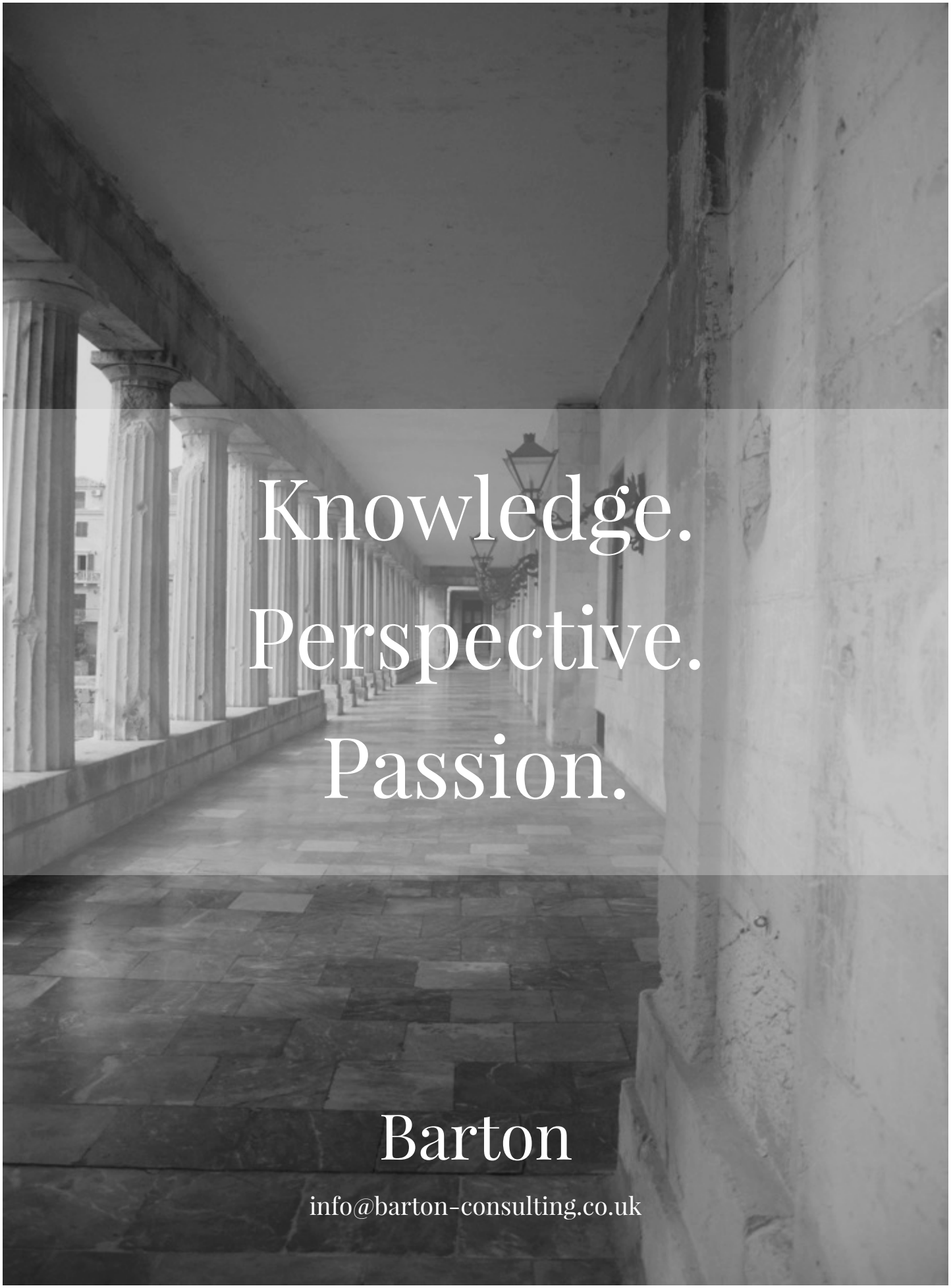
However, the reality for those involved was no gentle journey of nostalgia. Parked planes, furloughed cabin crews and pilots, irrelevant marketing and absent customers – it was truly the stuff of nightmares for any airline board or shareholder. And in such terrors, it can of course be rather difficult to see beyond the storm. But that is what so many airlines failed to do.

Surveys were conducted with individuals and businesses about attitudes towards the pandemic and future travel and predictions were made of fewer customers, fewer flights and much reduced fleets. The airlines responded and workforces were slashed by the thousand, with many executives predicting that the airline industry faced a very slow recovery even after the pandemic ended, needing years and years to reach previous demand volumes. It was a universal message across the industry, and changes were made. There was just one problem: it was spectacularly wrong. The demand for flights now across the opened-up world is sky high, and many airlines aren't able to meet it.

The strategy was wrong because there is an inherent problem asking other human beings to comment on how they *might feel* in another state of mind: they simply don't know.

The context at the time is vital. A media narrative perpetuating doom and gloom for months, a worsening death toll, lack of transparency as to the cause of the virus, the COVID pandemic made many feel that not only would it continue to get much worse, they thought it would change everything forever, even when it ended.

This led to extreme pessimism about the future, and in particular the view of experts on how much of our previous existence we would get back. People in influential positions did indeed make reckless statements about things 'never being normal again' (part of the fear narrative to encourage compliance) but it was up to private organisations to decide for themselves whether, for example, being locked up in a house, a street, a village or a country would make many people want to break free at the first opportunity.



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THE LUXURY DICHOTOMY

Service, the act of being well looked after by another human, is a truly ancient comfort. In the past, those who lived the lives of greatest ease tended to have the largest number of active servants (or, shamefully, slaves), to cater to their needs and whims. They were needed for cooking, cleaning, transporting, fanning, farming: all the jobs that were necessary but which required a lot of manual labour and physical endeavour. Luxury lifestyles were therefore linked to the idea of doing as little as possible, and having others do it for you.

The established wealthy's cushioned existences have always been aspired to by the nouveau riche. In 16th, 17th and 18th century Europe, status was based on how many footmen you employed, whether you had a foreign chef de cuisine or if you had a gardener solely employed to look after your roses. As time went on, with mechanisation and new technology of the 19th and 20th century, the sheer size of the servant army was no longer the guarantor of luxury, but servants and being served still represented a superior lifestyle.

This led many middle-class households, who had never been privileged to employ domestic servants, to enjoy the experience of service in other environments, one of the most notable being the grand palace hotels of the late 19th and early 20th century. These experiences provided a taste of upper-class lives, which by the early 1900s, had become rarer and more expensive. Some of it was about the environment – the grand chandeliers, the marble, the fringed-velvet cushions – but much of it was about the strange, somewhat unsettling but ultimately indulgent feeling of being *served*.

Today, the mantra of 'service, service, service' is as strong as ever in luxury hospitality. To the wealthiest clients, this is often the most decisive factor. Of course beauty and design matter – they are not democratic, accessible characteristics – but beauty without service is crushingly disappointing. This is why brand is still important in luxury travel, despite the fact that many luxury hotel brands are seen as unattractively formulaic: clients want the pleasure of a place that looks and feels local, but with the assurance of receiving consistent, quality service.

But what is service? It is certainly not something which luxury travellers aspire to out of a desire for exploitation. For one thing, friendliness has become of paramount importance. Being 'known' and 'understood' as a client has become very attractive, once again suggesting more of a

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desire for familiarity than formal, robotic wish fulfilment. This does not, though, extend to the informal or the sense that those providing the service are 'the same' as those paying for it. From a human perspective, this is naturally the case of course; no modern luxury travellers should see themselves as being fundamentally better than service providers.

But there is a silent contract in luxury that the *receiver* of service is the same as the one who is *paying* for it. This is why the credit card owner alone is not the only one who is well-treated. The service provider needs to be conscious of deference to all service receivers, unless there is an express wish for it to be avoided altogether.

This brings us to the dichotomy in luxury today.

The same consumer that enjoys the morning service in a luxury city hotel leaves the hotel to go to the luxury branded boutiques – and the experience is entirely different.

Firstly, they will probably have to line up in a queue outside a luxury boutique with all the other customers. Why a queue? Well, all stores introduced social-spacing indoors for the pandemic. Even supermarkets had queues outside at the height of it. But now, even after limitations on shoppers in stores have been relaxed, luxury brands have carried on the practice. Why? For years, the most elite luxury brands had been toying with appointments and bookings and making the customer wait for their store visit. COVID forced this to happen. Now they have the control, they don't really want to relinquish it.

This upsets the silent contract in luxury service. Instead of it being a privilege for the client to be able to pay for a service, it places the brand and its service providers in a position in which they have the power to *allow* the client the privilege.

Certainly, this can make the brand desirable in the sense that access is not easily available to everyone: luxury brands have long been weaving a greater sense of 'exclusivity' into their experience.

But it also means that eventual clients have to *endure* a poor service experience in order to receive a good one, whereas in luxury hospitality, the good service experience is offered upfront, in full knowledge it will be compensated for.

Now, many will find getting into a luxury brand's store on a busy Saturday afternoon is as challenging as getting into Studio 54 on a Saturday night. Luxury businesses have reasoned this will make people desire their brand more, but the major difference is that consumers are expecting a more holistic luxury experience from purchasing luxury goods that they are not expecting from a nightclub. In other words, eventually, the luxury brand experience has to mean more than rarity and exclusivity.

This could be why Chanel is planning to open "private" boutiques for its 'pre-existing customers.' Chanel's chief financial officer Philippe Blondiaux said in an interview last week that Chanel will *"...invest in very protected boutiques to service clients in a very exclusive way."*

Although there are no details as to what this 'very exclusive way' would be, it seems awfully likely that it will be an exercise in re-inventing the wheel, leaving the non-private boutiques as forbidding citadel souvenir shops for the pilgrimmage of the hoi polloi, encouraging appointments, limited interactions and a relationship between service providers and customers that is unrecognisable in any other area of luxury.

Sector updates

Image: Byredo

Puig, the Spanish fashion and fragrance group that owns Charlotte Tilbury, Derma and Penhaligon's has acquired a majority stake in **Byredo**, the minimalist Swedish fragrance and beauty brand, valuing it at around $1bn. The previous owners, Manzanita Capital and Ben Gorham (Byredo's founder) will retain a stake in the business, the latter as Chief Creative Officer. Manzanita have been in control of Byredo for around a decade, in a portfolio of luxury beauty brands that includes close competitor Diptyque, as well as Malin+Goetz & Space NK. Commenting on the acquisition, Puig Chairman and CEO Marc Puig said: "We are thrilled to welcome Byredo… his new acquisition marks a new key milestone in Puig's ambition to develop a business with a strong portfolio of purpose-driven brands." The latter point is pertinent to current trends in this space, but defining what that purpose is will be crucial.

Mercedes-Benz, the Stuttgart motoring giant, is set to get rid of a number of its entry-level models in a bid to regain some of its lustre as a bona fide luxury brand, and build a more sustainably profitable business for the next ten years. Having recently sold one of its 1955 300 SLR Uhlenhaut Coupes, one of only two created, for a record $143m this month (taking the 'most expensive car' crown from Ferrari, no less), Benz is likely to get rid of some of its more practical, compact vehicles such as the A-Class and B-Class models, to focus on electric (all models by 2030) and specifically larger sedans, sports coupes and SUVs. Some of this is down to drivetrain change, with the higher variable costs of electric models meaning a lower profit margin than they currently enjoy – and far harder to sustain with lower value vehicles. The fact that Volkswagen has made a similar announcement points to the beginning of the end of the great German democratisation of motor brands.

Image: Mercedes-Benz

Image: Emerald Cruises

Emerald Cruises, known for their luxury river cruises, have launched their first luxury ocean cruise at a ceremony in Venice. The location for the launch is rather tongue-in-cheek as Venice had banned 'grandi navi' cruise ships (over 180m in length). The Emerald *Azzura* is just 110m and takes just 100 passengers with a crew of 68, so is welcome in *La Serenissima*. It enters a growing fleet of 'luxury yacht' ships with the scale and feel of a superyacht, not a cruise ship. This is often considered to be the 'ultra-luxury' category of cruising. Ritz-Carlton is launching its yacht journeys this year and Emerald's parent company, Scenic Group, already has an explorer yacht in its fleet, the Scenic *Eclipse*. Aman Resorts also recently announced its own superyacht, Project Sama. Tellingly, Saudi's PIF (the sovereign wealth fund of Saudi Arabia), has entered negotiations to buy the smaller-ship ultra-luxury brand Seabourn from Carnival – there is a sea change ahead in luxury cruises.