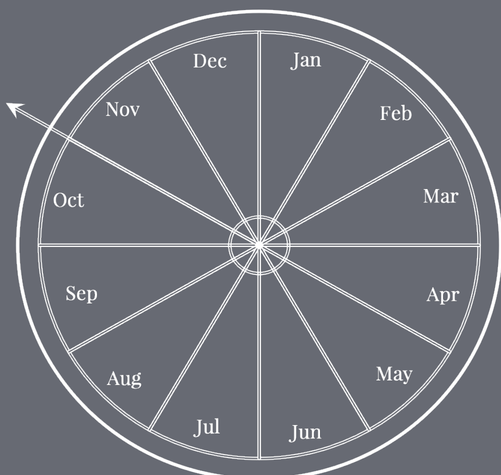
Barton Diary



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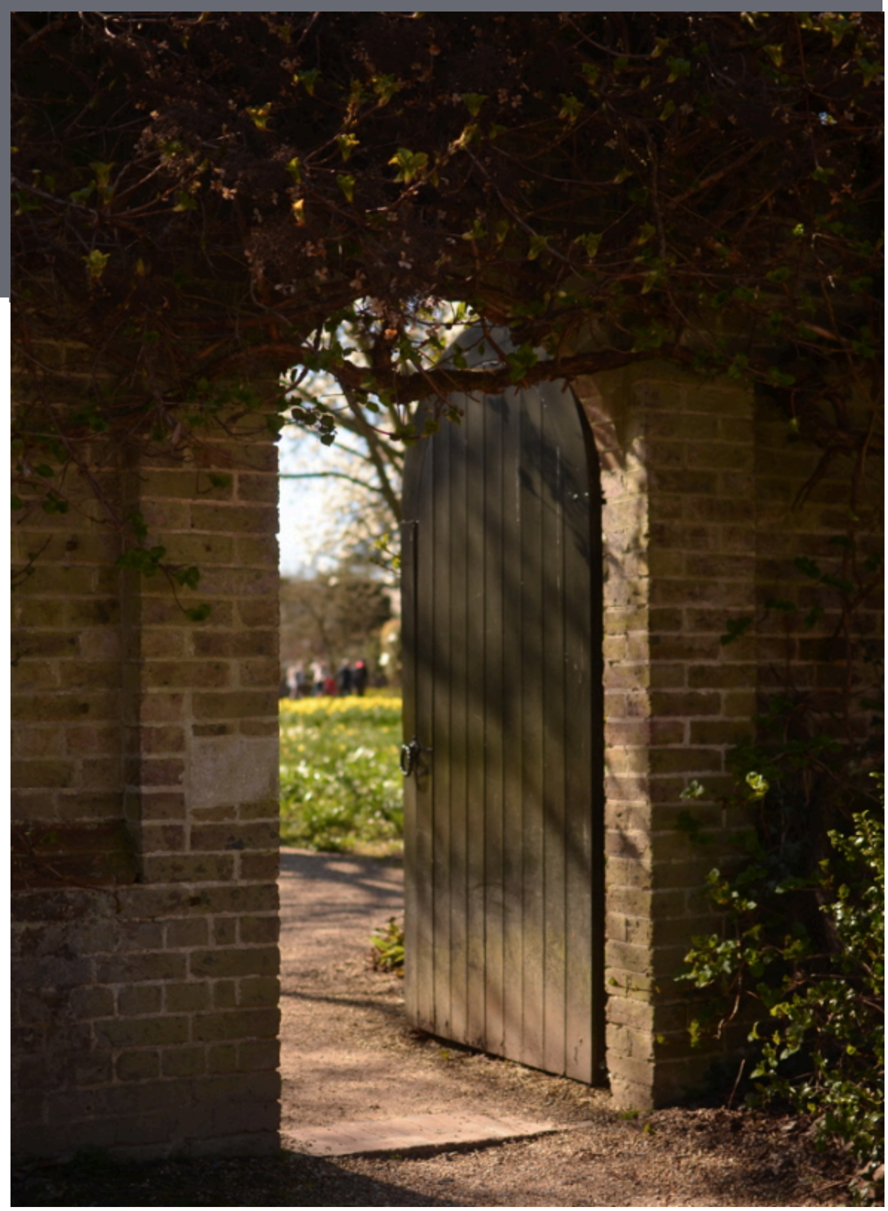


Notes

Welcome

Barton Founder & Principal,

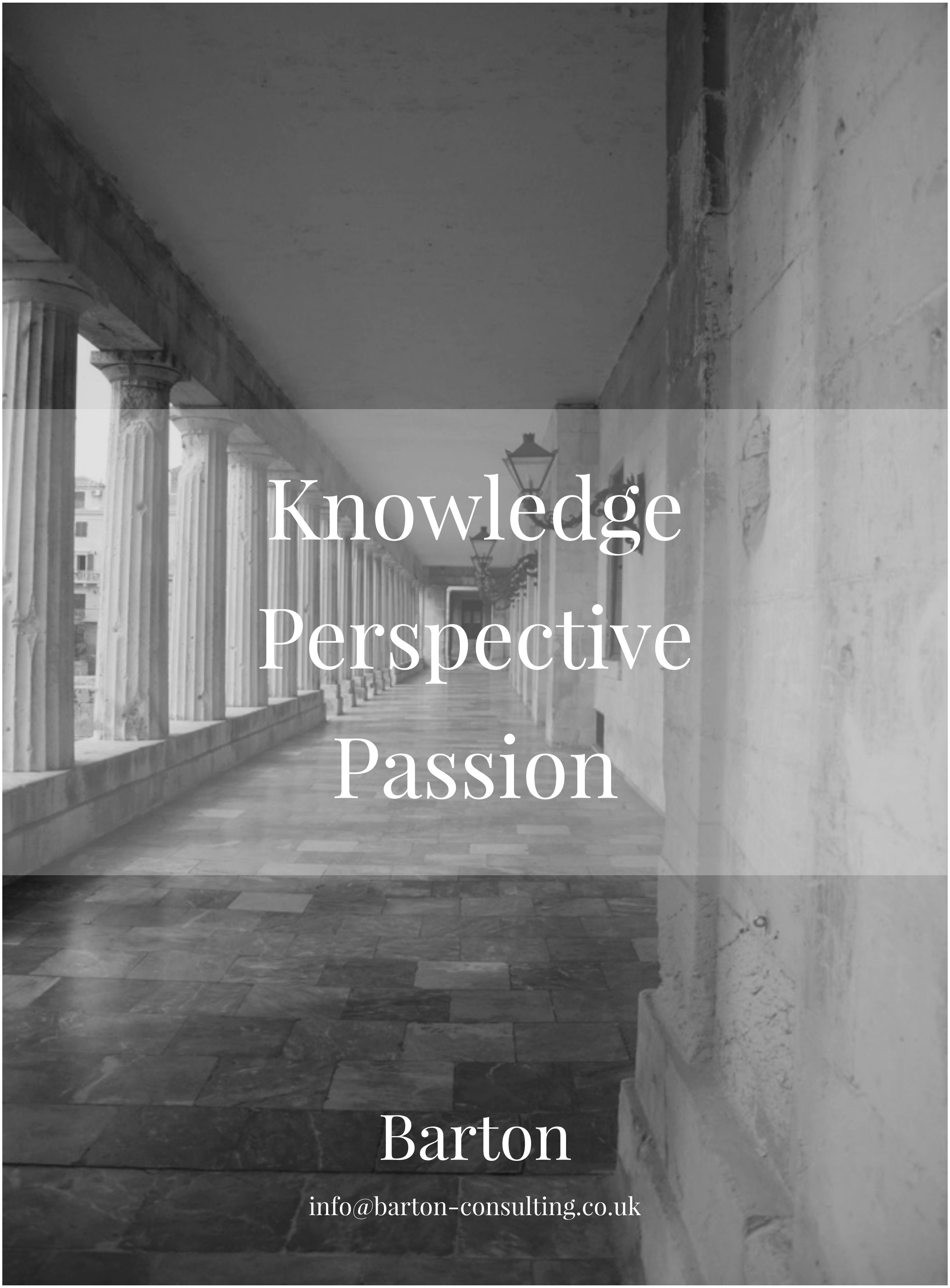
Winston Chesterfield

October 2019

And so we enter the final quarter of what has been an eventful year. Well into the tenth month and towards winter we ride – and Barton is getting busier by the day.

It's often a tempting time for reflection at this point, but with the end of the year just two months away, our focus must be forwards. In a quickly changing world, staying one step ahead is becoming an ever more difficult task, but Barton is an advocate of proactivity and not reactivity: a strong brand is a bold one. A leader, not a follower.

In this month's (slightly shorter) entry, there is a piece on the use of the rarity principle, how it's connected with luxury and how it is being used beyond the traditional luxury arena by more mass market brands. Then we have the usual roundup of interesting stories across the luxury sector.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IT'S NOT LUXURY BUT IT IS RARE

What is luxury if it isn't rare? In my view it isn't luxury at all. For Barton, luxury is a catch-all term for an experience that is far above the ordinary, and something that is unusual for the person experiencing it. This recognises luxury as a very individual issue as it has different meanings from one person to the next.

We love to define luxury as being something well-made or something expensive, but this only gets us so far. Things can be very well-made if they are made by hand, but they can also be made well by machine. And things that are merely expensive are not always well-made, nor are they necessarily particularly rare. This is especially true in an era where luxury brands have to walk the tightrope of maintaining brand equity in efforts to grow ever bigger.

In the last few years, the message I have delivered time and time again to clients and brands is simple: rarity is the most important principle to achieving and maintaining luxury. Without it, the very idea of luxury vanishes. Luxury cannot be easily available. It cannot – unfortunately – be democratized. It is not often found. It is often challenging to acquire. And no, as much as we would like it to, it does not belong to everyone. Some of the most beautiful things on earth *do* belong to everyone, but these are not luxuries.

Luxury is fundamentally unfair. We are fortunate in the modern world that as many more economies are developing, fewer and fewer are living in poverty. The World Bank's own research shows that in 1990 36% of the world's population were living in technical poverty; just 25 years later, this proportion has shrunk to 10%.

Technological progress also changes matters. Things that were 'luxuries' in previous centuries are no longer so in this century. Plumbing, electricity and heating are considered basic essentials for human beings in most developed nations: around 140 years ago, they were only affordable for the top 0.1%.

One of the other ways in which someone defined luxury to me was 'the ability to do what someone else cannot.' This is tied to the point of rarity in that having access to things which others do not have access to builds a sense of esteem from luxury – it gives us an internal reward of 'deserving.'

Goods from a brand that are only available from a certain city, or even a certain store, turn the tables on the traditional retail model and build into the brand a sense of attractive exclusivity. We like not only that we have it, but that others do not – as hard as that is for us to admit.

“This is causing luxury to lose its monopoly over the scarcity principle…”

It is this principle that is at the heart of Rolex’s business model. They recognised the need for fine watches to become investment pieces for their owners, for models to be limited, distributed thinly, far and wide around the world, to avoid being too available. They have contributed to a booming second-hand market that more often than not achieves sale prices for timepieces above those of the recommended retail price. They have cleverly shifted new Rolex timepieces from being a luxury ‘product’ to being an alternative asset, and collectors items. In other words, their fundamental rarity ensures their value and their indispensability.

And it’s a principle that many luxury brands are quickly reaffirming as they realise the difficulties of maintaining brand exclusivity with the advent of one-click purchasing and a sense of mass-ownership conveyed through social media. But it’s also a principle that non-luxury players have been quietly beginning to deploy.

This is the era of ‘Drops’ – the younger generation’s middle finger to traditional luxury’s methods of exclusivity. This is about creating value out of scarcity itself, instead of intrinsic value: the basic economic principle of reducing supply beneath the level of expected demand. Why? Well, to create brand value of course. Luxury has been playing this game for a long time, and non-luxury brands are wanting in on the action which is causing luxury to lose its monopoly over the scarcity principle and connecting it with mundanity.

Take Lego. Now, the principle of any toy company from its inception is to get as many toys into the hands of as many children as possible. Toys are there to bring joy into someone’s life, so why would any brand choose to restrict how many customers can buy its products? And yet Lego has taken specific action to create a premium value for its brand.

Firstly, Lego sets are not inexpensive; their prices have been increasing and many of the grander project sets cost well over $500. On top of that, Lego introduced regional exclusives, which created an international demand for a secondary market, and a premium amongst collectors for the rarest pieces. This creates a phenomenon called *anticipated value attraction*: these sets are not bought as toys but as items of investment – little collections of plastic bricks become collectible and seen as items of luxury.

Then there’s sports brands like Nike and Adidas. Through collaborations, limited releases and regional exclusives, they have created an army of consumers who buy because they see value in the product’s rarity. Many of these then sell the items on the secondary market to other consumers at eyewatering multiples. A pair of training shoes that cost $150 in retail can then often sell for two to three times that amount. Why is this important? Because very simply it keeps people talking about the brands, and connecting that brand with high value. The scarcity principle is all about creating brand value. Luxury brands have understood and used this to help consumers *believe* in their brand purpose; now non-luxury is using it, the game will change.

Sector updates

Buccellati have been acquired by Richemont, adding it to its vaunted family of jewellery and watch brands, including the likes of Cartier, Vacheron Constantin and Van Cleef & Arpels. Johann Rupert hailed the "family spirit" of the brand as one of the attractions for Richemont – although it has been 85% owned by the Chinese Gansu Gangtai Holding Group since 2016. 100 years old this year, Barton thinks the real story behind the magic of the Milan-founded jeweller is early overseas expansion into wealthy hotspots. Less than 40 years after founding the business, Mario Buccellati opened in New York and Palm Beach. When his son Gianmaria took over around ten years later, he opened in Paris, Moscow, London, Tokyo, Hong Kong, Los Angeles, Sardinia, Capri and Aspen, turning a 'little family jeweller' into a jet-set icon.

Image: Buccellati

The French luxury hotel company **Airelles** are opening a property inside the Château de Versailles grounds next spring. Known for their namesake flagship hotel in chic skitown Courchevel and the beautiful Bastide de Gordes in the hills near Avignon, this will represent the fourth opening for the group once the Val d'Isere hotel opens in December. Named Le Grand Contrôle after the building it occupies (built in 1680), the new hotel will feature just 14 rooms, in addition to an Alain Ducasse restaurant, a wellness center and indoor pool. Barton thinks the most enticing part of the offer though is being being able to take advantage of the views over the Orangery's parterre and the Pièce d'Eau des Suisses, not to mention the exclusive (after hours) access and experiences within the Château itself – essential given the immense international army of tourists that pile into Versailles during the day.

Image: Airelles

Can chocolate bars be 'bespoke'? This is the question on every KitKat fan's lips after **Nestlé** announced they will be launching a luxury "KitKat Chocolatory" in John Lewis stores (UK only) in the run-up to Christmas. These will enable buyers to personalise an eight-finger KitKat bar with one of more than 1,500 flavour combinations, together with personalised wrapping. The catch is that these bars are significantly more expensive than a standard KitKat. Whereas a normal four-finger bar will set you back around 60p (around US80c), a single hand-made Chocolatory creation will be more than 20 times as expensive at £14 ($18). There's no indication that the ingredients of the bar itself are any different, or that the flavour combos are necessarily luxurious which makes Barton wonder how such a multiple was reached: "Break the bank, have a KitKat"?

Image: Nestlé