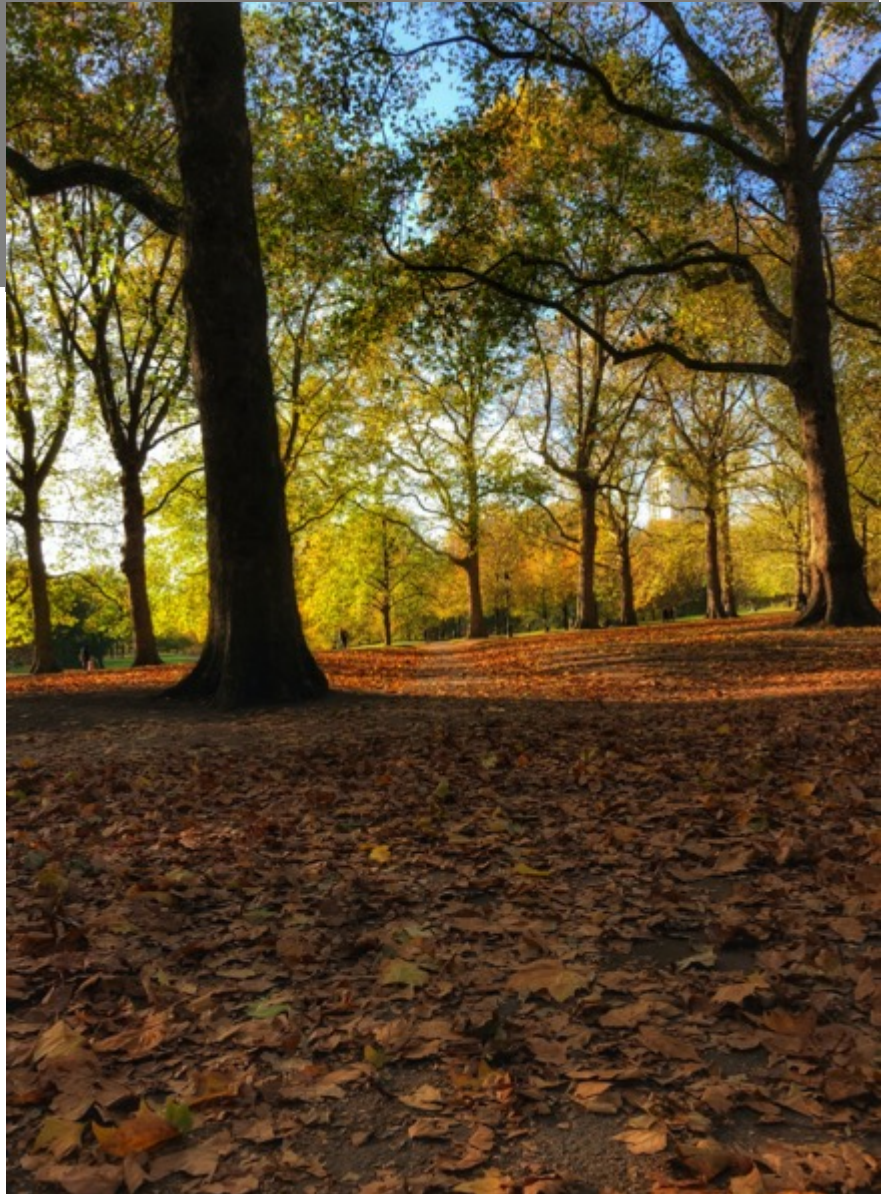
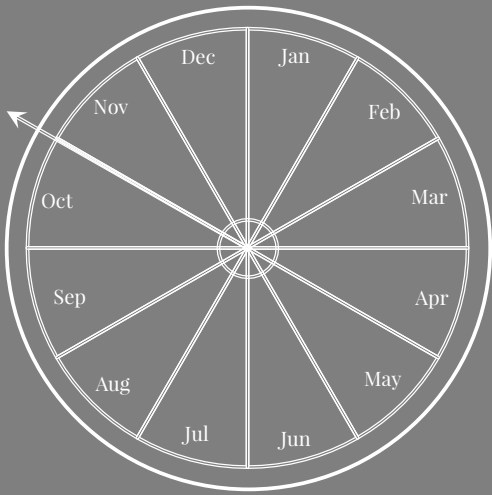


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October 2020

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Winston Chesterfield

Oh dear. Here we are again. Lockdown. Whichever way you look at it, the imposition of such a desperate, draconian measure on an entire population – despite months of focused data gathering, field experience, testing, mortality (sadly) and vaccine development – is nothing short of failure. Across Europe, major, highly sophisticated economies are shutting down nationally to reopen just before Christmas – no doubt because they realise the repercussions of telling their populations that they can't go and see loved ones during the festive period.

There are major impacts from lockdowns. The most obvious, commercially, is the impact on businesses and the economy. The biggest losers are the hospitality and events businesses. Hotels, bars and restaurants already struggle to survive in a very competitive 'normal' trading environment, but a ban on any trade whatsoever makes many of them unviable. Small retail businesses suffer greatly too, many of which are family owned, the revenue of which is relied upon by its members to survive. This is no longer about GDP; it is about lives.

It would be difficult to argue that there is not a group of people who have fared better from lockdown. Those who can easily work from home for example, or those whose pay is guaranteed by the taxpayer. Many of them will have realised

their luck during the first wave of lockdowns. Less uncertainty about income, and a feeling that, as a short term measure, there is light at the end of the tunnel and a few months of inconvenience isn't *that* bad in the circumstances.

However, 'Lockdown 2.0' is rather different. Whilst bigger businesses could take the strain of a one-off spring/summer lockdown, the requirement to do so again – when many suggested it was practically and economically impossible – has caused some alarm. Not because it represents another commercial set-back, which of course it does, but chiefly because this blunt instrument is being deployed yet again.

As a result, confidence in governments' ability to permit normal life to resume is waning. The lack of a plan beyond lockdowns is a frightening circumstance for those who find themselves in some of the most scientifically and medically equipped nations on earth. The wait for a vaccine has been whispered across the continent as the endgame – and one which there is some optimism of achieving – but it is this kind of blind hopefulness that is scaring industry and illustrates the fact that the chasm between the scientifically-minded theorists and the economically-minded pragmatists is widening. For now neither COVID-19 – nor lockdowns (and the evils resulting from them) – are going away.



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NOTES FROM



A COVID ISLAND

I was recently at a luxury resort (the Almyra) in Cyprus. Having business out there, I decided to take advantage of the good weather and stay for a few extra days. When it was announced that the UK would be entering another full lockdown for 28 days, I extended the trip further. The resort was relatively quiet, a good place to work from, and the warm forecast was far more promising than the weather back in the UK.

The Republic of Cyprus' main resorts of Paphos and Limassol are in the grip of tighter pandemic constraints than the rest of the island. The most significant of these restrictions is an 11pm curfew. After this hour, no one – tourists or residents – are allowed out of doors. The north of Cyprus – which has in recent years significantly softened its approach to welcoming tourists from the south – is enforcing a one week quarantine for new arrivals, which has practically ended this year's tourist season.

All visitors to Cyprus are required to present a negative COVID-19 test on arrival, although this is a somewhat hurried process as the hassled medical official at the end of the jetbridge gave only a passing look at iPhone-sized certificates – and no checks against passport names were conducted.

Car rental is little changed from pre-COVID times. The only significant change is the plastic covering the steering wheel and gearstick and the perspex screen at pick-up point. The hotel experience is markedly different, although at this particular resort every effort has been made to provide as 'normal' an experience as is permitted. There are no perspex screens at

reception, staff wear only face masks and not visors. At check-in you receive guidance on how the resort has been impacted by COVID-19, but there was – at the time of departure – a sense of exhaustion and impatience at the rules, and that the hotel recognises guests are there to escape the realities of the pandemic as much as possible.

Staff are entirely professional when it comes to mask-wearing, which is tough to do all-day in the heat, and have learned, as they informed me, to smile using their eyes to maintain a friendliness in service, which is so difficult to do when half of your face is covered.

Guests are asked to wear face masks unless they are on a sunbed or sat down to eat or drink. Most guests comply with this, and children are exempt. It is far more relaxed, staff tell me, compared to June following the reopening, when the anxiety level amongst guests was much higher.

Cyprus has had a difficult year. However, since June when the hotels re-opened to make the most of the rest of the year, it is the luxury, HNW-focused market that has been most resilient and has bounced back the quickest – a situation that Barton forecast earlier this year in our podcast and report for ILTM on the Global Luxury Travel Universe. According to the local Cypriot private jet operator Skylink there has been “*a steady increase since June*” in private jet traffic, with 1,500 flights. Luxury hotels have also been encouraged by the activity since the summer. Kratinos Socratous, director of Sales And Marketing at Parklane (Luxury Collection)

“...luxury resorts have a unique ability to make their guests almost forget the fact that COVID-19 even exists. This has proved to be one of the simplest, greatest luxuries of travelling during a pandemic ...”

Resort & Spa, Limassol claims that based on this year's experience *“the luxury travel market (in Cyprus) will be back sooner rather than later, and it will be the first to bounce back even in what promises to be a difficult year in 2021.”*

At the resort, aside from the breakfast buffet experience- which requires guests to wear plastic gloves whilst picking food from the selection – there is little that has changed from a guest perspective. Restaurant and bar hours are restricted and the curfew means that everyone has to be back in their room by 11pm. For those on holiday, particularly the young, this no doubt feels rather like boarding school, although many fellow guests had taken to buying bottles of spirits from local off-licences to enjoy them on their room terraces after 11pm.

During the daytime, the only difference is the ubiquitous mask, which most people are now entirely used to wearing and seeing. Blessed with space, beautiful facilities, high quality staff and well-heeled clients, luxury resorts have a unique ability to make their guests almost forget the fact that COVID-19 even exists. This has proved to be one of the simplest, greatest luxuries of travelling during a pandemic, and not only during a bleak winter lockdown.

Generally, amongst fellow guests, there was little sense that they were having an inferior experience. Complaints from others were non-existent and there was even a great sense of camaraderie between staff and guests. In fact, guests were spending a lot of time engaging with staff, asking them questions and enquiring after their wellbeing – far more than is usually the case.

One of the biggest losers appears to be excursions and activities beyond the property. With many small businesses closing early for the season – and some of them, sadly, for the foreseeable future – the available ecosystem of activities for guests, on which Barton and ILTM reported last year, is much reduced.

There is no doubt that this will go down as the most destructive year for global luxury travel in recent memory. But incredibly, the green shoots are already starting to show. The uncertainty the industry had about whether people would be comfortable travelling in the short to medium term was initially vindicated but is now dissolving.

It's true that some are not travelling as they used to – the vulnerable elderly, who normally soak up the winter sun in places like Cyprus and the Caribbean – but the profile of guests at the Almyra suggested there are plenty of high-spending demographics willing to.

There were well-heeled, rather downtrodden parents of raucous, pre-school children who took full advantage of the hotel's babysitting services and extensive drinks menu. Several solo travellers (including yours truly) with laptops in the sunset-view bar conducting Zoom calls and sipping Negronis. Also, childless middle-aged couples and single-sex friendship groups from the UK, Germany and France – desperate to escape the hell of a life restricted in the cold back home. Two groups were overheard extending their stay by another week.

On chatting with a few of my fellow guests, it became clear that the fundamental 'lighthouse' elements of a luxury hotel remain undimmed. The convenient and beautiful location, the views of the sea and sunsets, the food and the service.

Though COVID-19 has managed to batter almost every industry in every economy on earth, rattle confidence in governments & national health services and cause the fearful to avoid the risks that daily life presents, it has not changed luxury travellers' fundamental connection with what provokes them to wander in the first place. The excitement and the need for scene-change is evergreen.

Sector updates



Image: Tiffany & Co

Though the **Tiffany & Co** brand is most closely connected with the Truman Capote novel *Breakfast at Tiffany's*, its acquisition by LVMH arguably has more in common with Shakespeare's *Much Ado About Nothing*. After its flesh-eating, well-paid lawyers tore into the American jewellery brand over its management problems and "dismal prospects", LVMH accepted a tiny \$425m reduction in the deal price and agreed to settle pending litigation at the Delaware Chancery Court. Last month we thought that their behaviour suggested a potential retreat, although we mooted the possibility (which other analysts were touting) that "*they have done this as a Trumpian method of getting a better deal for their shareholders.*" Barton considers that their shareholders, for the power of the bluff, were probably expecting a bit more of a discount.

Mercedes Benz (Daimler AG) has increased its stake in Aston Martin Lagonda from 5% to 20% in a bid to rescue the ailing UK luxury carmaker, which has seen its share price drop by over 90% since its ill-fated IPO. Whilst it is announced as a "strategic technology agreement" that provides AML with access to Mercedes' electric drivetrain (for its all-electric Lagonda vehicles), Barton can't help but wonder that this has more strategic possibilities for the future. German rivals BMW and VW-Porsche own some of the most prestigious luxury marques (Rolls Royce for the former, Lamborghini, Bugatti and Bentley for the latter) whereas Stuttgart-based Benz own none (since Maybach was incorporated into the Mercedes line up). It's not hard to argue that a more comprehensive takeover in future would benefit both. Aston have suffered reliability problems and Daimler could easily benefit from Aston's extraordinarily marketable and popular brand.



Image: Aston Martin



Image: Singapore Airlines

Adrian Zecha has announced the launch of (yet another) hospitality brand. Zecha, most famous for founding Aman but also the creator of Regent, GHM (which owns Chedi) and more recently market challenger Azerai, has partnered with Japanese hospitality group Naru Developments and Shiro Miura, a Japanese architect, to launch **Azumi**. The brand, which will offer a new take on the Japanese *ryokan* – traditional (and chic) Japanese inns that typically feature tatami-matted rooms – will open its first property in Spring 2021 on an island in the Setouchi region of Japan. Whilst the launch of a new concept from Zecha is always distracting for luxury hospitality, it isn't hard for Barton to see how the architecturally-minded Indonesian is taken with the aesthetic purity of this concept. *Ryokans* may be traditional but their simplicity, pared back elegance and personal touch is the epitome of what the contemporary luxury traveller is seeking.