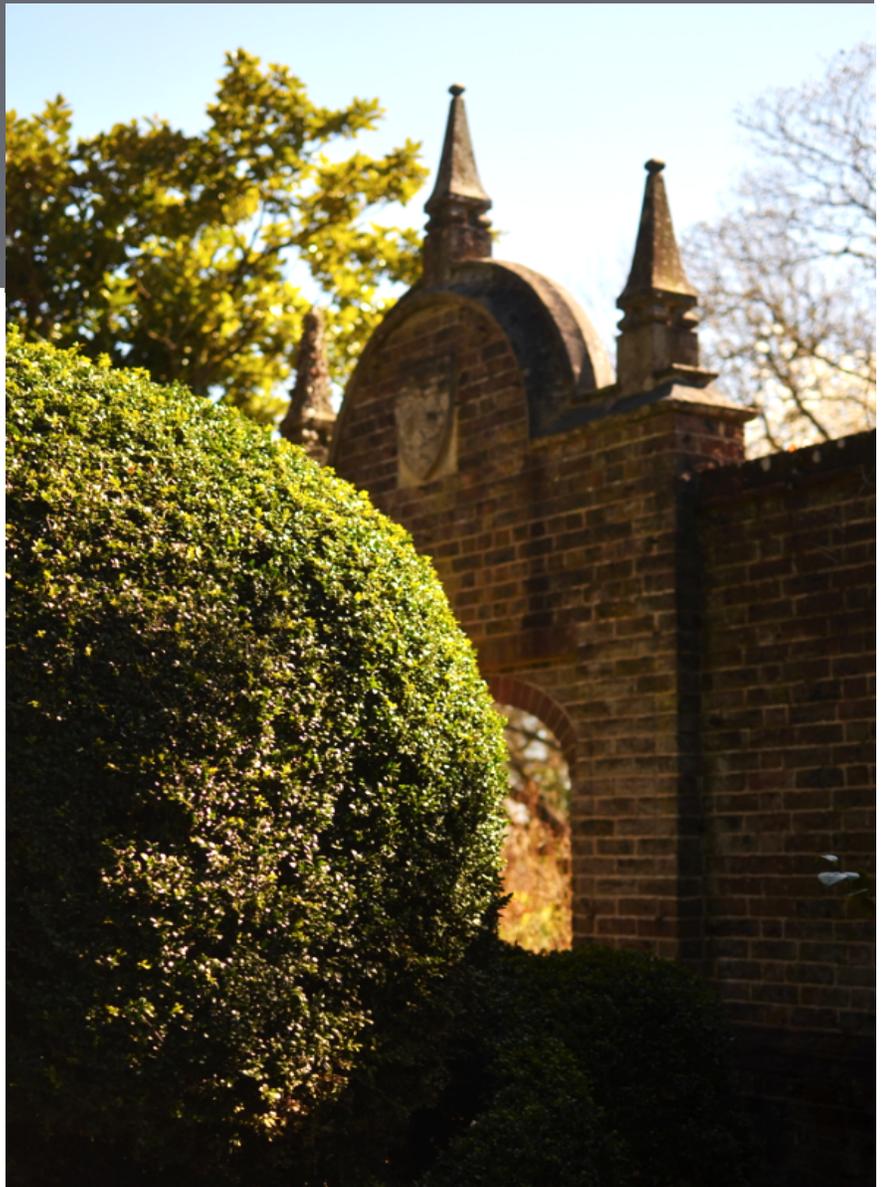
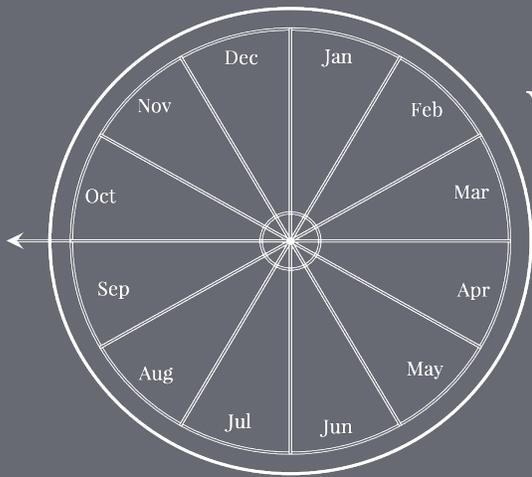


Barton Diary



Volume 3: September 2019



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Welcome

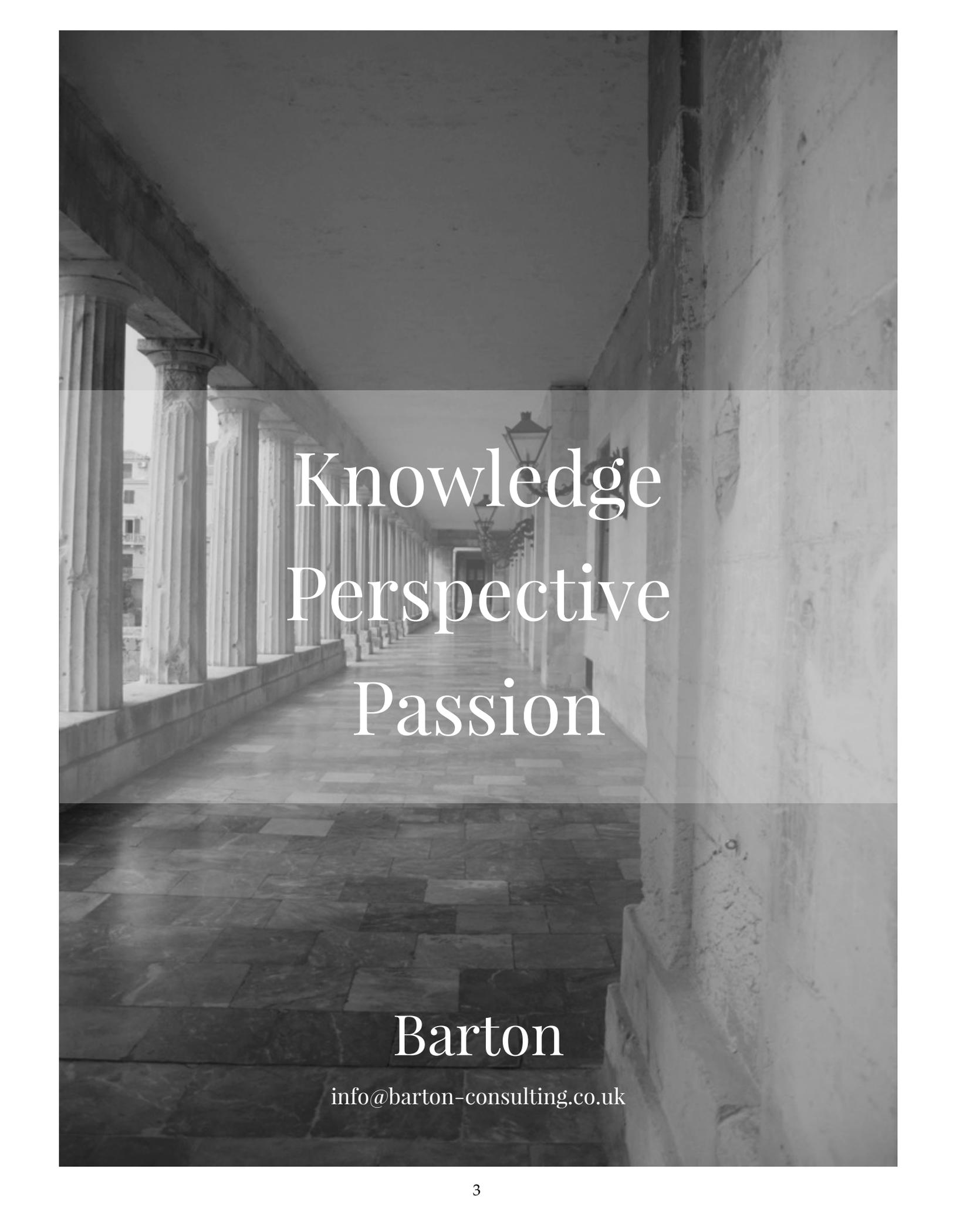
Barton Founder & Principal,
Winston Chesterfield

September 2019

We are now more than halfway through the month in London, and the sun and the mercury are already a little lower. The gaiety of summer is fading away and the realities of the final quarter of the year are almost upon us.

If you tell an organisation they've got around 100 days before Christmas – which is the effective end of the business year – they often panic. This last wedge of the year feels inordinately short and for the ill prepared, it feels even shorter. As time wizzes by, we turn our thoughts to planning for next year and its challenges.

In this month's entry, there's a piece on the Barney's bankruptcy, the decline of luxury department stores and how this is more than collateral damage from the rise of e-commerce. There's another item for the month of the Monaco Yacht Show, on the enduring status of the superyacht as the most indulgent and ultimate luxury on earth, and a round up of news on issues relating to the luxury and prestige sectors.



Knowledge
Perspective
Passion

Barton

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DEPARTMENTAL

DECLINE

The demise of the once-haughty luxury multi-brand store Barneys New York has been a humiliating saga.

First came the Chapter 11 bankruptcy, strongly linked with struggles in dealing with its huge pile of debt, as well as rising costs. Its flagship location on Madison Avenue has seen rents continually rise and recently these escalated to an astonishing annual sum of \$30 million. And so in order to save its iconic but eyewateringly expensive landmark store, it is shuttering other stores in locations such as Las Vegas and Chicago, reducing its once expansive reach and hunkering down on its home turf.

As if this wasn't embarrassing enough, Barneys name is then linked with a potential acquisition by Farfetch, exciting the market that there could be a turnaround of its fortunes - only to have these immediately scotched by the London-based company itself. For the initial elation that we might yet see the next generation of luxury retail wizardry in such a marriage, the lack of interest from one of the most dynamic luxury e-retailers in the world was telling: "Who will want Barneys now?" they asked.

One of the issues that hasn't been covered about Barneys itself was the extremity of its approach to luxury fashion. In seeking to attract a younger, hungrier target audience, they became extremely focused on hot trend brands at wildly high prices. Initially, this led to the store being name-dropped in hip-hop and its conscious modernisation seemed to be working. The only problem was, the size of the audience for these brands is not only relatively small, they are also shopping format-agnostic and less likely to be loyal to brick-and-mortar brands.

However, Barneys is the rule and not exception to what has happened and is continuing to happen to luxury retail generally. Though much has been made of its failure to succeed commercially in changing times, it is by no means unexpected, and one thing is for certain, they won't be alone - luxury department stores were the e-commerce of their time and they've had their day.

It is important to remember where the necessity for multi-brand, multi-department retail came from. Back in the industrial age, there was a burgeoning class of consumer, in between the workers and the aristocrats, that was acquiring wealth and required the right products to showcase such wealth. 'Shopping' - the term for that idle drift

between stores – was not yet an acknowledged pastime and before the department store, it was not yet fashionable to be seen in places of retail commerce. With the introduction of these giant palaces of goods, two things happened which captured the market.

Firstly, the scale and magnificence of department stores amazed people: lifts and escalators, huge Corinthian columns soaring to the ceiling, massive chandeliers – these places ensconced shoppers in luxury and comfort before they'd made a single purchase.

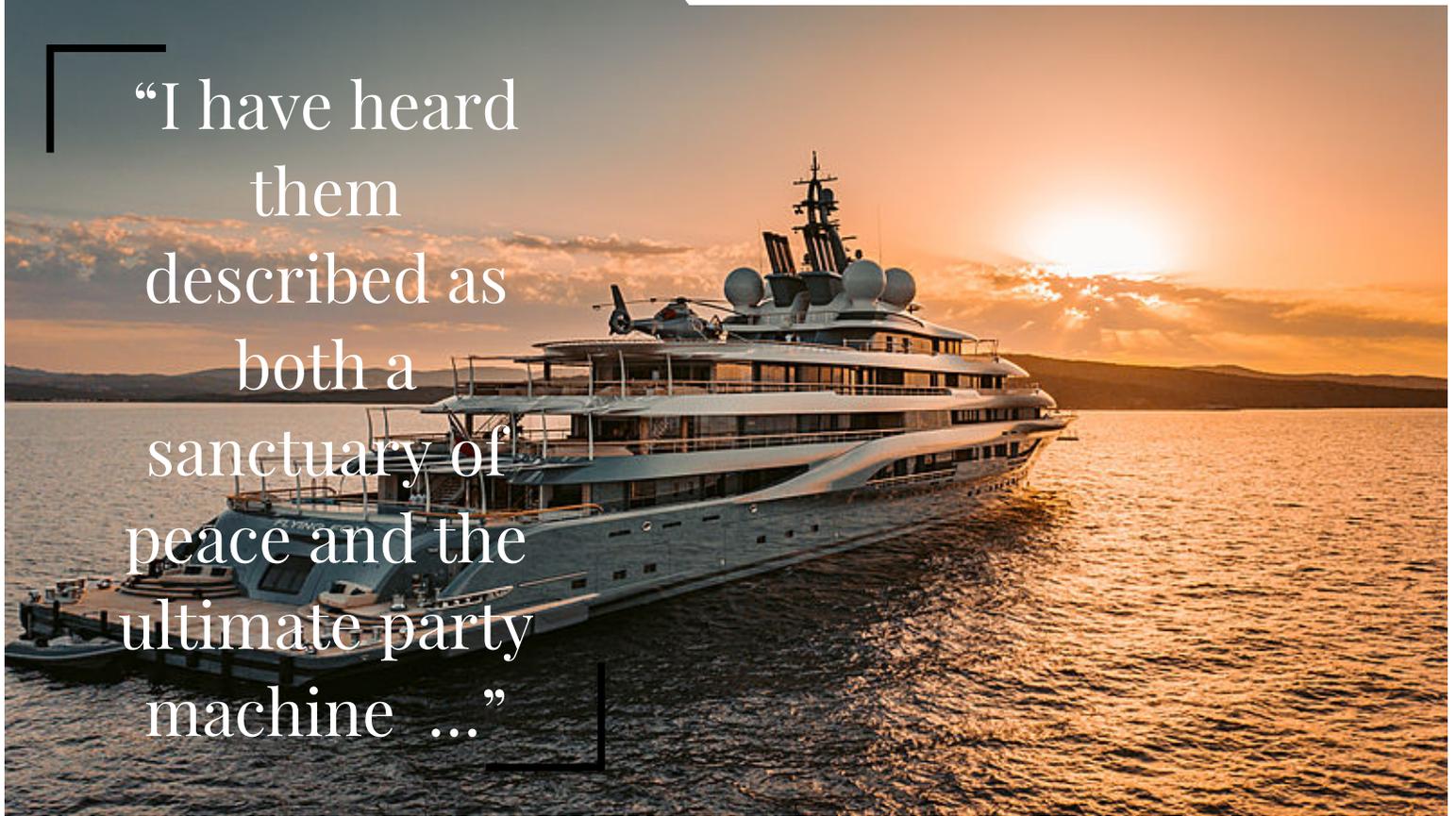
Secondly, the notion of taking such a variety of products and a variety of makers and brands, and displaying them side by side was one of the smartest innovations in the history of retail because it appealed to that same desire that enabled luxury e-commerce to grow: effortless. Whereas once these finely clad people would have had to tramp from store to store through filthy streets and in the cold and rain, in the magic warmth and splendour of department stores, they could satisfy their material urges with ease. However, this late 19th century innovation is now woefully out of date. Yes, many of these stores still amaze with their now-antiquated grandeur and formidable facades, but there is less of a compelling argument for the multi-brand luxury goods store as the primary retail environment for luxury shoppers.

Firstly, the sense of 'discovery' they once provided has been superseded by discovery through social media and online multi-brand stores like Farfetch or Net A Porter. New brands, new looks, new products – all are a click and a share away. Whilst the retail store still trumps on product experience, it severely lags on inventory to the point that product experience is no longer compelling itself: there is no point in brand x being next to brand y if the stock is limited and won't give consumers satisfaction – if they can just order it online, with free delivery, why bother even walking through Barneys' doors?

Secondly, the physical activity of 'shopping' is arguably far less fascinating than it used to be. In many countries, wellness, exercise and self-improvement activities have overtaken retail therapy as the most desirable activities for weekend leisure time. And whilst the upper-middle classes of the early 20th century will have seen the social cache in promenading through gilded retail halls, they have entirely lost this draw and they function now more as open spaces to wander in-between a yoga class and brunch.

And so great department stores like Barneys struggle against the perpendicular rental rises, an increasingly disinterested and agnostic consumer, and the failure of an old-fashioned floor-by-floor format that (compared to new brandship stores and experiential boutiques) offers a bland buying experience that lacks the excitement factor that so thrilled the stores' first ever customers.

Now, these expensive palaces of commerce on Fifth and Madison Avenues need to find a new purpose – lest they go the way of the old mansions they used to sit alongside. For Lord & Taylor, their iconic Fifth Avenue store surrendered to WeWork and the changing face of an area that was once, almost exclusively, a luxury haven. For a brand like Barneys, who have recently unveiled an irreverent window-display trolling its own bankruptcy, restoring this sense of luxury is the key challenge. How does a store bring the luxury of the 21st century into a format of the 19th century? One way to look at it is under the umbrella of experience. The touch-it-and-see aspect of retail can still be appealing, as can the concept of bringing elements of socialising – and in particular social cache – back into department stores. A failed experience will be one in which a customer finds no reason to stay or return; these palaces can regain their sense of wonder in the contemporary world through sensation.



“I have heard them described as both a sanctuary of peace and the ultimate party machine ...”

The ‘Have Yachts’ and the ‘Have Superyachts’

Technically, a superyacht is a mode of transportation – but that seems an absurd definition for much of the craft on the water at this year’s Monaco Yacht Show.

One of the assets of transportation is its physical operational efficiency. With the largest yachts approaching lengths of some early 20th century ocean liners, it is difficult to imagine a more cumbersome way for a small group of 10-15 individuals to transport themselves around the coastal waters of southern and eastern Europe.

Secondly, transportation’s *main* purpose is to transport (or convey) something, whether that be passengers or cargo. It is preposterous to think of superyachts as a form of conveyance, when so many of them remain anchored for days in remote bays, covered in waterslides and surrounded by skibobs and jetskis.

Yachts – the significantly less-wealthy cousin to superyachts – are, more understandably, closer to corresponding to the definition. Whilst many of them are comfortable, their primary purpose is to offer a convenient way to travel across the seas. They provide a platform of experience of a kind, but they do not have the sheer sense of impossible indulgence that craft

above 24m have. They are clearly less spacious, more practical and functional, and this focuses on the actual luxury that they provide: experience and adventure.

Superyachts on the other hand, though feted as ‘experiential luxury’, are often so beyond the common understanding of either ‘luxury’ and ‘experience’ that this seems an inadequate definition. With some superyacht owners purchasing vessels up to a value of 15% of their net worth, there is an intriguing element to such devoted indulgence: why do so many successful and often ruthless individuals lavish so much of their fiercely protected wealth – whether to own or to charter – on superyachts?

The answer is simple: there is nothing else like them that they have experienced. I have heard them described as both a sanctuary of peace and the ultimate party machine. They offer absolutely everything that the wealthiest consumers value in both luxury and non-luxury experiences. Their sense of excess can often catch the most experienced and blithe individuals off their guard. Virtually everyone who takes a once-in-a-lifetime journey on board a superyacht vows that they will never have a better travel experience ever again – and this is often having been ‘transported’ virtually nowhere.

Sector updates



Land Rover have released a long-awaited new version of the iconic Defender to much praise, but also some confusion. It was on the Instagram account of Hypebeast, with its 8m followers, where Barton found the top liked comment puzzled over its design DNA: “Where is its signature boxy look and utilitarian style?” Where indeed. Recent buyers of the now discontinued older Defender had admired its retro utilitarian look. Much like the Mercedes G Wagon, that was part of its somewhat aggressive, masculine charm. The new Defender adopts the softer, new design DNA of vehicles like the new Discovery and Freelander – retro begone. However, there’s no doubting that the new Defender has greater luxury credentials when it comes to the interior, with a 10” touchscreen, heated seats and a 3D surround camera system.

Image: Land Rover

The Comité Interprofessionnel du Vin de Champagne (CIVC), the trade body of Champagne producers, have announced they are well prepared for Brexit ‘of any kind’, overstocking cases to last for almost a year on the other side of the Channel, in case there is a border closure. Britain is Champagne’s largest export market, ahead of the United States, with a total share of 17%. Pierre-Emmanuel Taittinger, of the **Taittinger** Champagne house is reassured by the long British love affair with French fizz: “They have loved Champagne for 300 years and, Brexit or no Brexit, they will continue to like it.” There is concern however about the future exchange rate of sterling to Euro, with sales from 2017 to 2018 down by 1 million bottles. However, Barton believes that its cheaper and increasingly popular ‘competition’ (cough, Prosecco, cough) may also have something to do with it.



Image: Taittinger



It’s hard to think of a story that better captures the zeitgeist of social media and its frightening power than that of **Gucci** and its awkward blackface incident in March that not only damaged its social media engagement but precipitated its first quarterly decline in US sales for three years. A controversial \$890 sweatshirt was compared to blackface, and the response was ferocious. Rappers who had once dropped the brand into their lyrics now burned Gucci items in social media videos and called for boycotts. Gucci’s reaction was swift, with an immediate apology and appointment of a diversity officer. But this was to no avail, the damage had been done. It reminded Barton of the recent situation in Hong Kong, where Chinese loyalist consumers were threatening to boycott luxury brands that sympathised with Hong Kong protestors. There again, luxury cowered and the consumer conquered. *Image: Gucci*