

RETAIL NEWS / MARKETING CONSUMER BEHAVIOR

British Luxury Leaders Talk Growth in the Americas as Brexit Drama Intensifies

Walpole summit comes as Boris Johnson pulls out of race for prime minister at last minute.

By [Samantha Conti](#) on June 30, 2016

LONDON — As a drama of Shakespearean proportions unfolded in Westminster, with pro-Brexit campaigner Boris Johnson dramatically bowing out of the race to become Britain's next prime minister, luxury goods leaders got on with business, discussing ways to expand in the Americas as the U.K.'s relationship with Europe remains unsettled.

But while a lot of the off-schedule talk centered on Brexit, the theme of the annual Walpole Luxury Summit Thursday was actually "The Americas," and speakers included luxury brand consultants Marigay McKee and Steven Murphy, jeweler Stephen Webster, Trevor Hardy of the Future Laboratory and the Brazilian branding expert Carlos Ferreirinha.

"Emotion rules," said Murphy, adding that luxury brands need to pay attention to two big demographic themes in the U.S.: The high spending, tech-savvy Baby Boomers and the Millennials, who by 2019 will surpass the Boomers in spending.

"Emotional engagement in America starts with the Boomers," said Murphy, adding that 65 to 70 percent of them are active on social media. As for Millennials, they may have a decidedly unsentimental approach to life — but they still want engagement.

"They're on the move — and they're about ephemerality," Murphy said, adding that they prefer Airbnb to owning second homes; use Uber instead of buying a car, and download music tracks rather than buy albums.

He also said that of the 92 million American Millennials, 11.8 million are luxury shoppers.

The importance of emotional engagement was a major theme. Hardy, chief executive officer of The Future Laboratory, the trend-forecasting consultancy, said that because of all the noise and chatter online, and because people are tired of buying things all the time, younger generations are turning to apps and digital experiences "that reveal themselves slowly."

He pointed to one app that allows users to choose music based on album-cover designs — and added that there is a heightened interest today in how products and services, especially when it comes to luxury goods, "make us feel." As a result, Hardy said, retailers are no longer forced to organize their stores around product but can now base their merchandising on people's moods and feelings.

McKee, a former executive at [Saks Fifth Avenue](#) and [Harrods](#) who now consults for brands such as Needle & Thread, Violet Grey and Aruna Seth, also talked about how retailers can organize themselves, and, in particular, how U.S. department stores have a far harder life than their European counterparts.

She pointed out that in Europe, more than 50 percent of business is done on concession, while in the U.S. more than 90 percent comes from wholesale. "You need a focused buying team. Inventory is an issue, and because of the size of the market and the volumes involved [department store executives] are very nervous and cautious about voicing an opinion — and about being wrong," she said.

She described the three big challenges for U.S. department stores in particular as "online, off-price and outlets," but said the future was full of opportunity if department stores stick to a mantra of creating unique "experiences, environments and emotions."

McKee, a Brit who is now based in the U.S., also talked about the commercial power of social-media-driven brands such as Kylie Cosmetics — whose marketing is done solely through Snapchat — and the importance of offering consumers something more than a transactional experience in a nice shop.

She said retail's future is about alternative formats, as in boutiques that present “luxury as hospitality” or the **Hudson Yards** redevelopment, which will be filled not only with retail but with multi-purpose spaces and lots of green expanses as well. “There is no room in America for another [traditional] shopping mall,” she said.

With all the talk of consumer engagement, emotions were certainly running high on the side lines of the one-day conference in Piccadilly, where conversations naturally turned to Britain's vote last week to exit the European Union. Most of those who attended said all the uncertainty would present an ongoing challenge to businesses.

“It's culturally depressing, and not good for the domestic market,” said John Ayton, the entrepreneur and investor who cofounded Links of London, and who now has stakes in businesses such as the jeweller Annoushka, Bremont Watch Company and Orlebar Brown.

He said the focus is now on building upon the core strength of his companies and carrying on with business as usual. He said his hope is that the U.K. will remain part of the single market, that new opportunities will come from trading outside Europe and that the international staffers at all of his companies will not suffer.

Bonnie Takhar, president of Charlotte Olympia, said that from a business perspective, she foresees “a tumultuous two years” before markets settle down, and her belief is that Britain will end up with a “very diluted” version of Brexit.

She added that the fourth quarter is set to be strong due to the weaker pound (Charlotte Olympia manufactures and invoices in euros), although she acknowledged that the currency bump will only be temporary.

Allyson Stewart-Allen, CEO of International Marketing Partners Ltd., which advises British companies on how to crack the U.S. market — and vice versa — said American companies are taking Brexit particularly hard.

“Britain was always their interpreter and their lily pad on the way to doing business on the Continent. Geographically and culturally, it was well-positioned,” said Stewart-Allen, who is American but based in London.

She added that there is still no clarity on whether Brexit will even happen — there are questions about whether the referendum result is legally binding — and there is also the very real possibility of a general election, adding to all of the uncertainty.

She believes that American businesses want “consistency and uniformity” when they're doing business abroad, and loathe any kind of complexity when it comes to trading. “They'll just go somewhere where it's easier to do business,” she said.

It was certainly a day full of complexity — many would say skulduggery— in London.

Just a mile away, in Westminster, the man who became the symbol of the Brexit campaign, Boris Johnson, renounced his bid to become prime minister after Britain's justice minister and fellow pro-Brexit campaigner Michael Gove — the man who'd originally agreed to be Johnson's campaign manager — declared his candidacy. Gove's was a bombshell announcement that came just minutes before the final deadline for nominations.

London's Evening Standard newspaper called it “one of the most extraordinary political days ever seen, even by the standards of Westminster skulduggery.” The Conservative party is set to elect the new prime minister by early September, and Gove will be pitted against home secretary Theresa May, former defense secretary Liam Fox and others.