

Interbrand


Best Global Brands 2020

- Automotive
- Finance
- Luxury
- Media
- Retail
- Sport
- Tech





Desire

In the Decade
of Possibility



Welcome to Best Global Brands 2020



In 2020, in a year of turbulence so seismic in scale and rapid in impact that the world is still computing the effects, the aggregate value of the Top 100 Best Global Brands has grown by 9%. Their total brand value exceeds \$2 trillion.

As the pandemic and wider social outrage exposed fault lines in society and polarized people further; we see a similar divergence in the Best Global Brands with 43% of brands growing, and 57% declining in value (vs 29% declining in 2019). This year's winners are notable for particularly fast growth; the average increase amongst the top 3 brands alone was 50%. It's clear that in 2020, strong brands

have become stronger as a result of the COVID effect, which has accelerated digital transformation trends, such as cloud-based tech and streaming, across sectors, reinforcing the dominance of technology first brands.

Crises recast the tacit contract between organizations and people. Certainly, we are seeing that now. As rising expectations dissolve into anxiety, people are demanding more of the businesses they buy into. There is a growing sense of human disempowerment, a growing awareness of the power of brands, and consumers are beginning to see their consumption choices as votes of confidence. In some instances, organizations have more power than governments.

At a time of deep reflection, the deepest form of relevance is increasingly being driven by an uncompromising approach to fundamental human issues. Businesses that do not yet know, very specifically, which constituents they are systematically disadvantaging (and how) are at risk because in this hyper transparent world, the truth will out, and customers will “cancel”.

PayPal is one of 2020’s fastest risers, thanks to a radical application of its values and the trust those actions drive. In 2015 it decided to prioritise customers’ financial interests over its own higher revenue products. Despite an immediate stock market drop of 9% this move unleashed long-term growth. More recently, Paypal has begun a program to redistribute capital from shareholders back to its lowest paid employees to ensure that everyone who works at PayPal can pay their bills. At a time of anxiety, there’s not much that matters more.

Microsoft has become a Top 3 Best Global Brand in 2020. It’s CEO, Satya Nadella, argues that in the future: “you’ll only have permission to profit as a business if you have the consent of customers.” In this we see that as people begin to hold business to account, choice is morphing into consent and brands are mediating the commitments a business makes to its constituents. In this mix brand is still a promise, but a promise of something deeper. Done right brands offer an equilibrium between business and customer. A set of shared values.

Only 41 brands from our 2000 ranking remain on the table today. At one time, it was inconceivable that the DotCom Boomers Yahoo or AOL could fail, or that we’d fall out of love with our Nokia handsets. But Google and Apple showed us

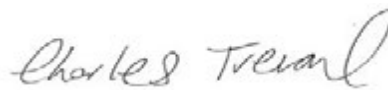
a more compelling vision of the future and the rest is history.

The lifespan of an organization was contracting before 2020; the pandemic and our collective awakening will only serve to accelerate that trend. Jeff Bezos, CEO of Best Global Brand, Amazon, a business so large it is almost planetary, said: “I predict one day Amazon will fail. Amazon will go bankrupt. If you look at large companies, their lifespans tend to be 30-plus years, not a hundred-plus years.”

While it’s hard to conceive of a world in which the 100 Best Global Brands are no longer in our lives, we are undoubtedly at a point of divergence. A tipping point for many. Businesses that cannot serve citizens and brands that fail to gain the consent of customers will not stay ahead of our constantly renewing expectations and they will fail.

Climate change is the next apocalyptic event we face, so sustainability has to become a radical priority for organizations and brands. Microsoft has committed to being carbon negative (not just neutral) by 2030 (and Shell dropped off the Best Global Brands list this year).

Change, once again, is creating winners and losers and posing difficult choices. The real question may be, are you going to lead from the future or manage your decline?

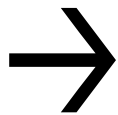


Charles Trevail
Global Chief Executive
Officer, Interbrand





Luxury brands analysis: Resets and Resilience



There can be no surprise that in this year of crisis, all but one of the top 100 brands in the luxury sector have dropped in value.


However, what shines through is the resilience of luxury brands in a year that desire was suppressed, aspiration was questioned and discretionary spending plummeted.

After a challenging few months early in the pandemic the sector rebounded surprisingly swiftly and strongly, especially in Asia which returned to relative normality quite quickly. This offset a decline in other territories, providing an encouraging model for a staggered

but definite global recovery. By September, for example, some luxury brands were reporting double-digit revenue growth in China compared to the same period last year. Brand owner LVMH (Louis Vuitton, Dior, potentially Tiffany & Co, and many more) said China sales in the third quarter rose 65% from a year ago while overall group revenue dropped 38%. Luxury rival Kering (Gucci, Saint Laurent and more) said sales in mainland China had jumped over 40% after a hit in the first quarter.

There were declines from a lack of tourism, however; Chinese shoppers are the world's top buyers of luxury goods, and some 66% to 70% of their spending takes place outside China.

In this most austere and worrying year, it seems that luxury is more of a necessity than one might have thought. The ability of luxury brands to rise above everyday concerns has never been so desirable, or so much needed by so many.

<p>17</p> <p>LOUIS VUITTON</p> <p>-2% 31,720 \$m</p>	<p>21</p> <p>CHANEL</p> <p>-4% 21,203 \$m</p>	<p>28</p>  <p>+0% 17,961 \$m</p>
<p>32</p> <p>GUCCI</p> <p>-2% 15,675 \$m</p>	<p>73</p> <p><i>Cartier</i></p> <p>-9% 7,494 \$m</p>	<p>83</p> <p>DIOR</p> <p>-1% 5,988 \$m</p>
<p>94</p> <p>TIFFANY & CO.</p> <p>-7% 4,966 \$m</p>	<p>97</p> <p>BURBERRY LONDON ENGLAND</p> <p>-8% 4,809 \$m</p>	<p>99</p> <p>PRADA</p> <p>-6% 4,495 \$m</p>

REBECCA ROBINS
GLOBAL CHIEF LEARNING
& CULTURE OFFICER, INTERBRAND

The Interbrand View: New craft for new consumers →



“At their best, luxury brands are a commitment to craft, skills and knowledge, they are a tribute to a sense of human achievement.”

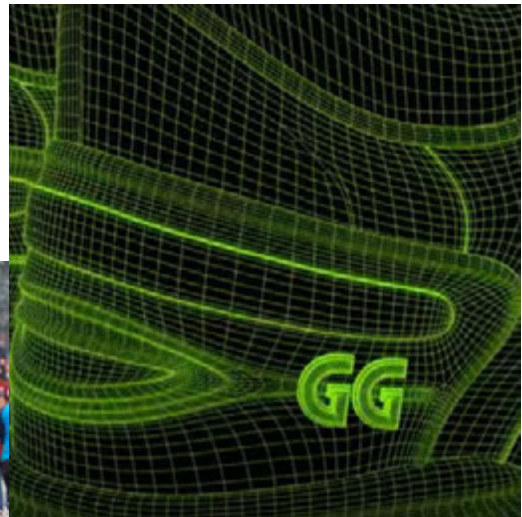
Rebecca Robins

The year of the reset also marks a reset for luxury brands. Having outperformed all other sectors in our Best Global Brands study for two years running, some estimates say that luxury could contract up to 35%¹. However, the leading brands in this sector proved resilient through the last economic recession, and there are signs of them doing so again. Coming out of the last economic



€78bn

Hermès market capitalisation has risen this year



30%

projection of Chinese demand for luxury goods growth this year



of brands in demonstrating empathy, agility, presence and affinity in the context of what consumers value now.

MAKE THE ESSENTIAL EMOTIONAL

A fluent e-commerce and channel strategy have been crucial to brands holding strong through the crisis. It's also a reminder that it is far from the exclusive domain of the digitally native brands. Combine it with the sheer strength of a brand that has sustained value and loyalty over the past decade (almost trebling revenues in the process), and Hermès tells a story in the timeless appeal of a quieter luxury brand, whose e-commerce has been booming. "Even as it has been roiled by covid-19, its market capitalisation has risen this year to €78bn, while big competitors have shrunk."²

crisis, we were writing up our research into what ultimately emerged as 'Meta-luxury: brands and the culture of excellence'. Luxury then was defined as 'time' or 'space' – definitions that seem to have even more resonance now. A crisis is always a catalyst for a re-evaluation of what we value and why, and for new forms of creativity in response. Our conversations through the lenses of brand leaders, investors, and valuers have shown the imperative

Brands are exploring new ways to be present and relevant to consumers, from the new theatre emerging in Digital fashion shows, to marrying the online playbook

“So much comes and is gone that should be crystal and kept.”

Seamus Heaney

with the emotions of the in-store experience and selling ceremony. Burberry is investing in new forms of social economics, as it opens its first social retail store in Shenzhen, in partnership with Tencent. It's an experiment in a hyper-connected, consumer experience, revolving around gaming, e-commerce and social media.

As projections of Chinese demand for luxury goods are set at as much as 30% growth this year, presence and engagement in China will be crucial to brand rebound.

As TikTok has debuted its own version of digital fashion month, Saint Laurent and JW Anderson are among the first movers showing collections on the platform. Prada has launched their new collection, streaming for the first time on TikTok, alongside on Instagram and Prada.com.

Make the essential emotional and the emotional essential

GAME ON

“The virtual world is creating its own economy,” as “the worlds of fashion and gaming are colliding”. In a year where we have seen \$9,500 spent on a digital dress that only exists on Instagram, Gucci CMO Robert Triefus voices the rise

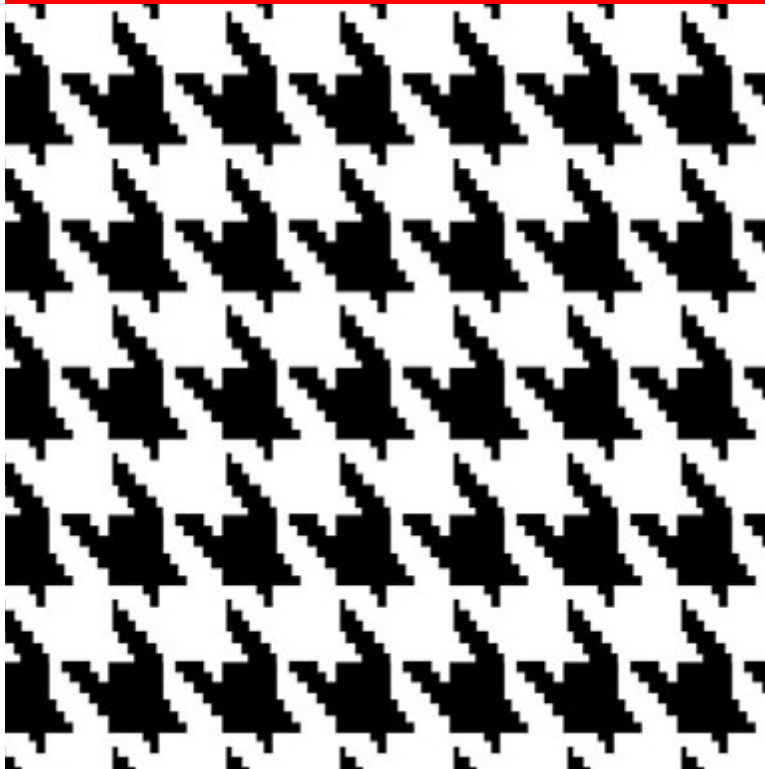
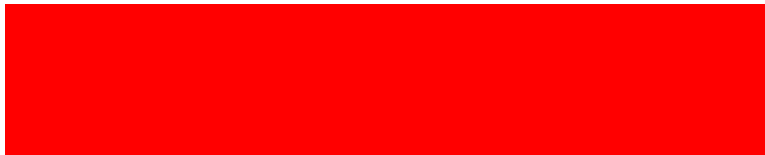
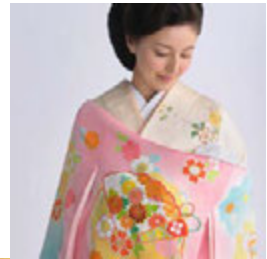
of virtual luxury in rhythm with a remote virtual world - something that the brand is playing into with the launch of Gucci Garage, a platform where we could all design our own virtual sneakers. With a video-gaming audience of 2.5bn, it's not surprising that experimentation in games and gaming is coming into its own. Burberry, Gucci and Hermès have all launched games. Louis Vuitton brand tango'ed with Riot Games. Nintendo New Horizons fans are customising outfits for characters in Chanel, Dior, Gucci and Prada, and even in a brand that's older than all four brands put together - Chiso, the Kyoto born kimono brand, founded in 1555.

You might be selling an if, not a what...

PERSONAL LOGISTICS

Throughout history crises have been a platform for new forms of creativity and innovation, which is no less true for luxury brands, that have both proven resilient through recessions, and continued to volve as the designers and definers of new forms and norms. New forms and modes of responsiveness have already emerged, as evidenced in the acceleration of Gucci 9, a virtual customer service centre, where CEO Marco Bizzarri has talked about the core objective

Luxury brands have proven resilient through recessions, and continued to evolve as the designers and definers of new forms and norms



of providing their customers with “a direct connection to the Gucci community that is seamless, always accessible, personalised..”.

Telfar’s Bag Security program was a smash in their invitation to the inclusive-exclusive, and in what became a sell-out hyper-personal ‘drop’. A 24-hour event was open access to pre-orders of your fully customisable Telfar bag (or bags). The brand has just been recognised in the Cooper Hewitt National Design Awards for Fashion Design.

Evolve your channel strategy into personal logistics.

ETHICS

With the rise of more conscious consumerism, and the relationship between consumers and brands changing to hold brands to account, ethics have a long way to go, however, they are starting to run deeper. As the first luxury brand to hardwire its commitments in sustainability to the bottom-line, Prada led the way at the cusp of 2020, in a term loan with Crédit Agricole Group, enabling the fashion house to favourably adjust its annual interest rates upon hitting specified sustainability goals. September saw Burberry and Chanel both announce the launch of sustainability bonds. And harder commitments are on the rise with investment in brands in re-commerce, from Fashionphile’s series B to the upcoming ThredUp IPO. A partnership recently announced with luxury consignment brand The RealReal sees Gucci actively incentivise shoppers to purchase resale items on The RealReal’s website.

Which rebellion are you going to support?

SUMMARY

At their best, luxury brands are a commitment to craft, skills and knowledge, they are a tribute to a sense of human achievement. They celebrate a culture of excellence that reminds us of what it is to be human. In the conversations that we have had this year across an eclectic mix of brand leaders, investors and consumers, we asked the same question: ‘how would they define luxury today?’. What was evident in the responses was a common language, and in recurring themes of “creativity” and “humanity”.

The imperative of a new paradigm through this crisis is about setting new standards, and new forms of craft and creativity to meet the needs of a changed, and changing, customer. In a recent Vogue interview on the philosophy of innovation at Hermès, Pierre-Alexis Dumas, artistic director and member of the founding family, speaks to this specifically: “In Greek, paradeigma, means change, but it also means example.”

Over two decades of our Best Global Brands study, one of the constants in the determinants of brand strength has been the tension between the brands who interrogate the question ‘why?’, and those who just ask ‘why not?’. Why not has, invariably, led to short-term decisions in the name of short-term uplifts. It has led to overextending a brand to the point of dilution. At the turn of a new decade, as we mark a seismic reset in modern history, we will never find better answers unless we keep asking the question ‘why?’...

1 Business of Fashion, data from BCG.

2 The Economist, Schumpeter.

REBECCA ROBINS SPEAKS WITH
MARK MORRIS BURBERRY'S SENIOR
VICE PRESIDENT OF DIGITAL COMMERCE

The brand view: A virtual lens on luxury →



“A personal relationship is the essence of luxury”

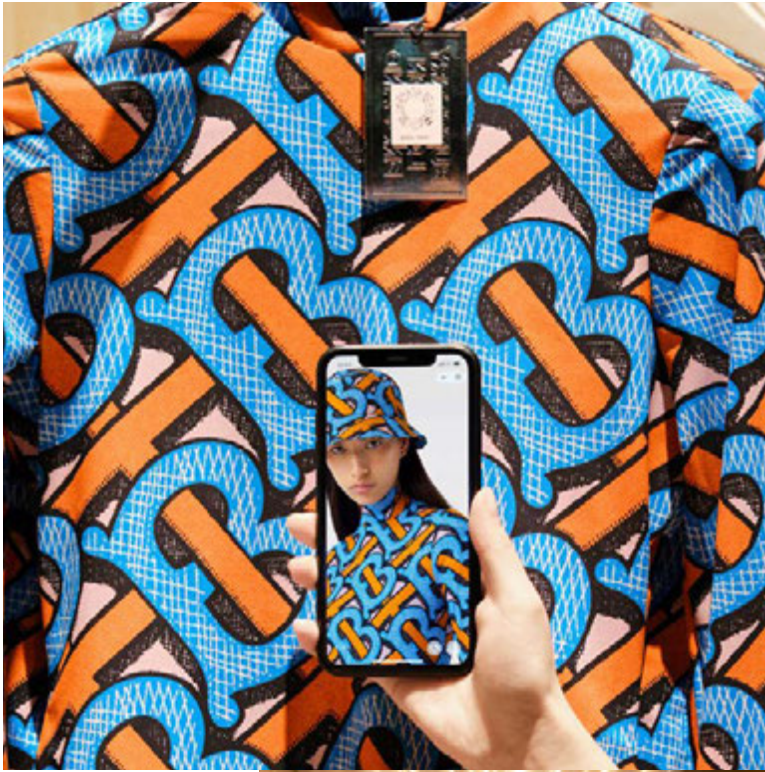
Mark Morris

Times of crisis have often been platforms for innovation and experimentation. How has that emerged for Burberry,

as luxury brands have been pushed to find new ways to stay close to their customers?

The good thing for us is that it didn't involve pivoting. We already had a strong digital focus and there were areas that we dialled up, but we had a structure that allowed us to scale fast. We have been looking at customer journeys and how they have changed. The sorts of things that we were focused on is online to offline connectivity, outreach tools for inspiration, chat functionality with store associates. A personal





relationship is the essence of luxury and that is a guiding philosophy for us. Luxury customer service moving towards a human relationship, augmented by data.

The opening of the social retail store in Shenzhen seems to be a good example of this. Can you tell us more about what's been working?

It's been a personal favourite of mine this year. And, of course, we launched this new type of store remotely. The last decade of Burberry innovation has provided us with this foundation where we can now tie all the pieces together. This is what social retail is, we have connected everything into one long-term relationship with our customer.

At its core, the social retail concept is a store based around the idea that our offline and online lives are intrinsically linked. In terms of our digital behaviours, we have taken the success stories we have seen over the years and tied it all together into one cohesive experience which can live in perpetuity. It's no longer about individual one-off experiences, now they all come together and form a cohesive journey.

We have a WeChat mini program, which unlocks physical experiences both in store and online. When you download the mini program your character is an egg and you don't have any currency. From that point, should you choose to engage with Burberry either online or in store, your social currency builds and your egg hatches into a Burberry



A lot of the work we're doing is about joining together our digital ecosystems



animal. For example, if you scan a QR code in store, or order something from the café, you build social currency and unlock rewards. Store interactions will give you online interactions, and vice versa.

Our social retail store in Shenzhen is a store that was built from social but has exciting rooms and experiences for customers to discover. We have a highly engaged Chinese customer and Shenzhen is a young, tech-first city. This store is performing a role as a springboard for how we will connect with the customer more broadly. The learning so far has been strong – we've had a really positive reaction and good engagement. We see a lot of customers sharing and interacting with it.

China was a market in which Burberry had early success, amongst the first wave of luxury brands. What other things are working well/ do you see working well for Burberry in China?

China has a fashion forward customer and there are certain elements of our global digital agenda that we

look to lead from China. As China recovered quite quickly through the crisis, our digital position helped us in the country. We've had good performance across Burberry.com, Tmall store and WeChat store.

Going back to our history as a digital pioneer, we were the first brand on Alibaba's Tmall back in 2014. We were selected for Tmall's Super Brand Day on September 17th and similar to our live streaming on Twitch, we offered multiple camera angles of the Spring/ Summer 2021 show and had 28m views on the platform alone. The reach is incredibly large! Partnerships like this one with Alibaba enabled us to reach second and third tier cities in China and we were pleased to welcome lots of new customers to our brand. A lot of the work we're doing is about joining together our digital ecosystems.

What is the biggest change in consumer behaviour that you're seeing? What is it that consumers are putting value on – and new value on – in the Burberry brand, and in luxury overall?

In terms of trends, our consumers are following some of the broader behaviours seen across fashion and luxury, like self-gifting and buy-now-wear-now. Digital innovation continues to be key. Our Summer monogram campaign did very well. We had a CGI campaign with a B Surf game, including lots of AR innovation – the idea was something playful and it seemed to capture a lighter spirit that people needed or were looking for. We leaned into the trends that were working.

Some brands are betting on virtual luxury by offering digital dresses (almost \$10,000 was spent on a virtual dress on Instagram, for example), and online gaming. As a brand that has been experimenting in this area, could you share more about Burberry's point of view here? And what do you think a luxury brand should do to be seamlessly integrated into the digital world, where consumers are increasingly spending their time?

It's a super-interesting area. An example is our own gaming environment and how you use it to tell stories to different audiences. One example of this is social retail in Shenzhen, where we have taken the gaming experience, with playful characters, outfits, rewards and challenges and brought it into luxury. Different characters unlock different experiences in store, for example the café menu will develop in line

with your social currency, just like an online game. There are also online rewards, like clothes and accessories for your character and stickers, GIFs and skins to share online. The more you engage with Burberry, the richer the experience becomes.

Another route is around existing gaming platforms and introducing elements of your codes into those environments. It's allowing people to engage with you in more novel and freeform ways and it provides a different lens on creativity. Those environments designed specifically for luxury offer a more bespoke experience. We do have a couple of exciting things coming up as we continue to explore this area.

You partnered with Twitch for the livestream of your latest show. As Rod Manley, said: "Burberry has always been a brand of firsts and partnering with Twitch continues this legacy." As a brand that led the way for other luxury brands a decade ago, can consumers expect something from Burberry that's working in a more relevant way for consumers?

Rod is right, we're a brand of firsts and with a clear idea of what we want to achieve. For the Spring/Summer 2021 show, Twitch made sense because of the nature of the multi-dimensional show. Our approach is to prioritise the core capabilities in technology that are appropriate to luxury and where we feel we can experiment.

How do you define luxury – in one word, or one sentence?

For me personally, and from my digital lens, luxury is the freedom and bravery to create. It's the guiding principle in the digital world.

The more you engage
with Burberry, the richer
the experience becomes



LIDI GRIMALDI, CEO OF INTERBRAND MILAN, SPEAKS WITH
ROBERT TRIEFUS EXECUTIVE VICE PRESIDENT, BRAND AND
CUSTOMER ENGAGEMENT, GUCCI

The brand view: Legacy with purpose →



“There needs
to be a very
strong chemistry
between the
business side and
the creative side”

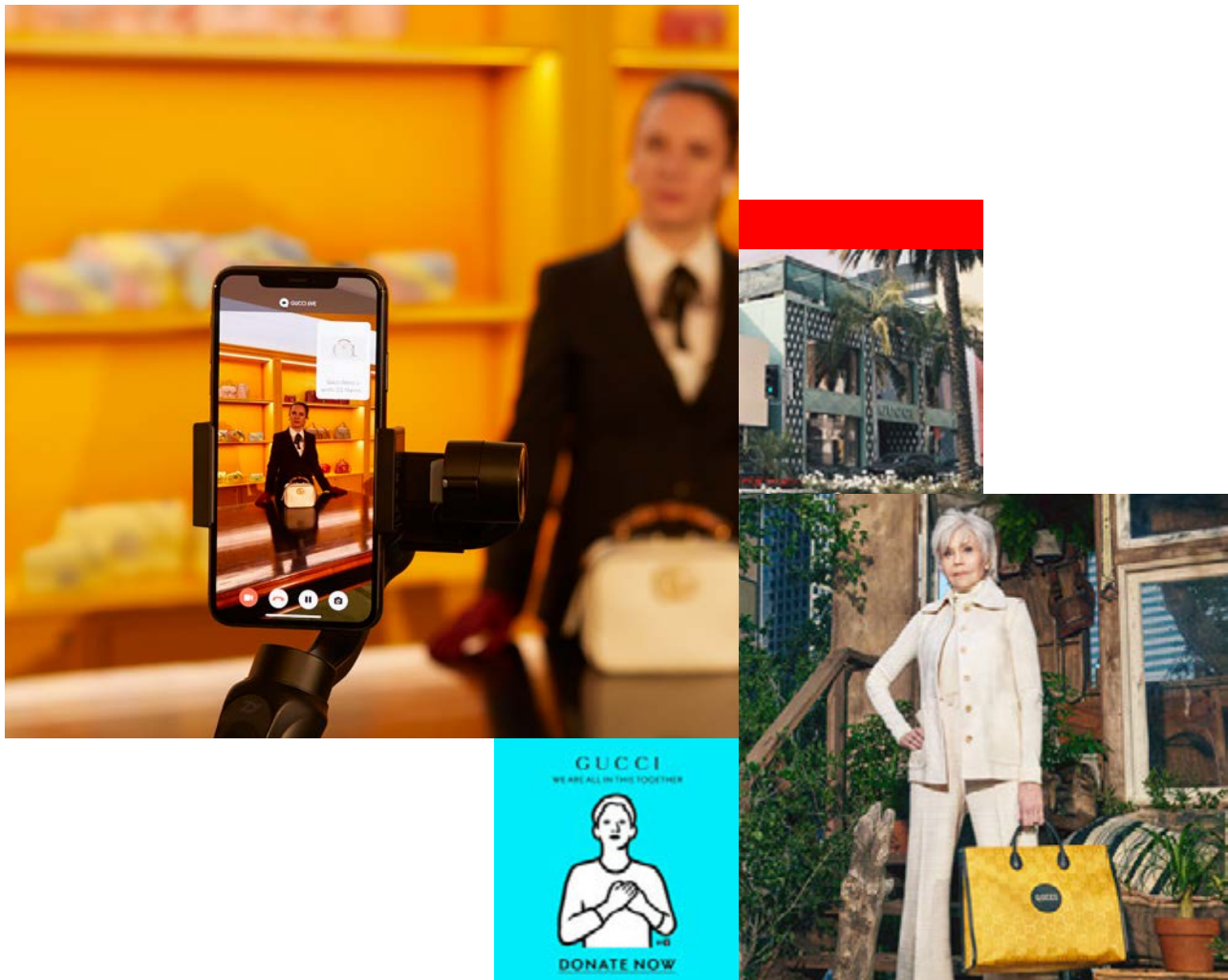
Robert Triefus

What changes
do you see
happening right
now in your
brand and the
luxury industry?

Six years ago, when Gucci's CEO, Marco Bizzarri, and Creative Director, Alessandro Michele, were given the responsibility to take on the legacy of Gucci, a brand that will next year celebrate its 100th anniversary, they looked towards the future against the context of an industry that was homogenous and set in its ways.

Despite being an industry that is assumed to set trends and innovate, it had habitually tended to stick together and repeat the same approaches, business models and so on over a significant period of





time. Marco Bizzarri, on looking at Gucci when he arrived, in December of 2014, felt it was flatlining. It was a successful brand, but it wasn't growing at the rate that he felt it could be offering and was a great opportunity for disruption.

At that time, one of the factors that he felt could be a defining unique competitive advantage was to create a culture at the company that was more reflective of the world that we live in today. A world that is certainly more inclusive, more concerned about sustainability. In other words, a world that was more values-driven.

In 2020 we are facing circumstances that are unique. The changes that Gucci is now implementing are

changes that were happening organically anyway. The pandemic has, in a way, acted as a catalyst.

Business and creativity need to be synergistic, there needs to be a very strong chemistry between the business side and the creative side.

And we've been mapping out a new manifesto for the post-Covid era that will focus even more strongly on digital first, and on the community – the brand's community, our customers and our stakeholders, and engaging with that community with a values-first philosophy; values such as challenging the status quo, being inclusive, being diverse, being sustainable, and of course, being digital.

You have touched upon the relationship between Gucci and digital as a channel to interact with your consumers. Can you explain how you leverage it?

Gucci, back in 2000, was really the first true luxury brand to embrace e-commerce. At the time, if you think back 20 years, there was a great deal of cynicism and skepticism about whether luxury could be sold online. Because there was a sense that you needed that physical, tactile and service-driven environment.

Of course today, 20 years on, we know that that was a fallacy and that e-commerce is as adaptable for luxury as it is for other categories. Of course, there are certain principles, as there are in the physical world, that, as a luxury brand, you need to focus on in order to ensure that the experience that your customers can have in the digital world, and particularly in the e-commerce world, meets the expectations that they have for service, quality and the ability to understand the product and get a sense of the quality and the creativity of the product. We now operate e-commerce in over 34 markets. We, of course, think significantly about the experience about the quality of the engagement that we provide on our e-commerce site.

And now, in the pandemic era, when we think about the importance of digital in a world where you have to recognize the constraints of social distancing and a certain nervousness that some customers may now have for going into the physical environment, it's extremely important that we double down. Because Gucci has been at this for 20 years, and has embraced digital all along the way, we were very well positioned to really increase our capacity in providing digital seamless experiences. So we rapidly rolled out a number of innovations

already under development including a virtual showroom.

At the end of 2018 we announced our intention to establish a global client service centre. Today, we now have that global client service centre, Gucci 9, in place with over 500 online client advisors. Given that network and that structure, it means that we're able to support our stores through the digital, personalized and human service that our online client advisors can provide supported by the latest customer service technology. And we've even enhanced that; we now have Gucci 9 Live, a video service that can be accessed by clients wanting to get close to a physical experience, which replicates a store experience by live video. These kinds of innovations have really equipped us for this pandemic, to bridge digital and physical.

Diversity and inclusiveness are important topics right now. How do you approach this now, and in the future?

In 2015, when Marco Bizzarri wanted to create a competitive advantage through cultural difference, corporate culture and brand culture, he had already identified the values of inclusion and diversity as primary concerns, as did Alessandro Michele who immediately moved to reflect these values in his first collections. However, at the beginning of 2019, Gucci experienced an incident concerning the design of a balaclava sweater that became associated with blackface that made us realise that we still had work in order to further embed diversity and inclusion within the company, within our processes, and within the way that we think and express ourselves.

So at the beginning of 2019, Marco Bizzarri gathered around him and Alessandro a group of advisors, who have become part of our Changemakers Council. Having

gathered this council in Harlem, with the support of Dapper Dan, we established an action plan that complemented and enhanced our existing practices. And this action plan has involved a number of important programmes and changes within our own corporate culture.

The programmes include a design fellowship, where we have now identified 11 design fellows from fashion colleges around the world, who will spend up to a year with a fellowship in Rome, with Alessandro and his team.

Of course, unfortunately, the COVID pandemic has delayed the start of that, and it may be that we have to start in a virtual way. In America, we launched both an impact fund of \$5 million, over five years, being directed towards local organisations around our stores in those cities where we can especially direct support to disadvantaged minorities.

Also in 2019 we launched a companywide Volunteering programme called Gucci

Changemakers whereby all 20,000 of our employees have four days a year, which is paid time that they can dedicate to their communities and to nonprofits. That was another way of expressing our inclusion in our community.

And we also launched a scholarship programme in America, especially to provide support for students from minority communities, that has just awarded its first scholars. And on the internal side, we've been giving unconscious bias training to our employees in America and at our corporate offices, and we're rolling it out around the world. So learning through experience has allowed us to put in place programmes that really do, I think, lead us towards an even more inclusive and diverse culture for our company.

How do you build community into the heart of your brand? And how could you reach a new community in the future?

This is probably one of the hardest answers to articulate well, because, of course, all successful brands, all those brands in your top 100, will talk about the importance of the community that is around their brand. But how you engage with that community is ultimately what drives the success of a brand and drives the energy of a brand. When Marco Bizzarri said that he wanted to put creativity at the centre of what this brand stands for, and what drives this brand, it was because he understands very well that the emotional quotient is the defining and distinctive criteria for success for a brand.

The ultimate success for a brand in creating true engagement is driven by authenticity



How do you create emotional bonding with your customers?

We are extremely privileged at Gucci, I believe, to have a creative director who is driving those emotional values for our brand. Looking at the influence that Alessandro Michele is having on culture today, if you think about the way he has been empowering self-expression and redefining the notion of beauty through his collections and narrative he is now a reference point for the zeitgeist.

The reason I mention this is because the ultimate success for a brand in creating true engagement is driven by authenticity. A lot of brands talk about authenticity, but very few are really able to demonstrate that, which we know

for Generation Z and millennials, is so important. We did some research with a group of Gen Zs and it was fascinating. One comment that they mentioned is that the reason that they are engaged with Gucci is that they see a perfect imperfection in what the brand does.

And that's a really interesting thought. In the past luxury brands have been controlling forces, with one way communication at arms length, but now a luxury brand can be engaged in a notion of imperfection, but making it perfect with a two way inclusive dialogue between the brand and its community. And I think that is at the essence of what Alessandro has been able to bring to Gucci and to the authentic engagement we have with our community.

REBECCA ROBINS SPEAKS WITH
ALESSANDRO BORRUSO DEPUTY
DIRECTOR OF SOTHEBY'S DIAMONDS

The valuer's view: The psychology of possession →



“We have a culture that adapts easily, and enjoys being more adventurous”

Alessandro Borruso

Sotheby's created a luxury and lifestyle division in 2017 and had been investing in online in the years leading up to the crisis.

In an article written in January of this year, presciently titled “The Big Year of Change for Auction Houses”, Sotheby's CEO Charles Stewart talked about the importance of luxury to Sotheby's as a major opportunity “to further develop new sales channels, including marketplaces, e-commerce and even retail – putting us on a path for future growth.”¹

It seems that you were already geared up to work online before this crisis hit. How has this played out in reality?

In Hong Kong, we are offering one



70%
of participants,
from relatively
new categories,
such as thematic
Hip Hop

30%
increase in new
bidders, and a
quarter of those
are under 40



of the largest diamonds ever sold. A flawless diamond, one of the rarest in the world – and it's online without a reserve. That's a sign of what's changed. If there's one thing that really struck me, with our clients, it's trust. Our clients are not only buyers, they are also consignors. The trust from a consignor to give us their property to be sold online is a real vote of confidence. As a brand established in 1744, that's almost 300 years of trust, and their trust has been rewarded time and time again.

We discovered a lot more about ourselves, during this time – that we have a culture that adapts easily, and enjoys being more adventurous. We already had a big focus on online in the years before the crisis, and so it was a question of investing and innovating more in what we were doing already.

Our global network has been one of our strengths – we never stopped. And we kept things moving even when countries were in lockdown, as we were able to shift assets across locations, having eighty offices in forty countries around the world.

The auction room has always been a selling ceremony. It's a unique performance of retail theatre. How do you bring this to life online?

On our digital platform, we do everything possible to replicate a sense of theatre. Oliver Barker recently held an amazing auction standing alone in our London auction room surrounded by many screens virtually connected in real time with our colleagues across three continents. We also have interviews with artists online and guided exhibition tours.

We are keen to reduce the distance with our clients. We talk about "social distancing" in the context of health and safety, but operating online has brought us

closer to our customers, and closer to each other in many ways.

And it puts even more value on in-person experiences, for example, when we held an auction in London, with 30 clients in the room in compliance with the government guidelines. We're experimenting with new ways to bring people together in real life. A pop-up boutique in the Hamptons allowed us to show up in a new context, and with new clients.

How are jewellery and watches standing up to other categories of investment?

The luxury division was created because there is such huge demand. Jewellery and watches are often an entry category for us. As you said, 'luxury is not a category', and one of our strengths is that we have so many categories, where new clients who might come to us first, to bid on one very specific product, become curious about other categories. We have seen a 30% increase in new bidders, and a quarter of those are under 40. Watches and some relatively new categories, such as sneakers and thematic Hip Hop sales tend to attract up to 70% of new participants, with an average age of 39. We're speaking a language that also appeals to younger generations.

Have you seen any surprises over the past six months?

Collectors are increasingly confident in buying high-value lots online. We broke the world record for a watch sold in an online auction three times in three months. In July, a Rolex Daytona John Player Special sold for \$1.5 million. A Cartier Tutti Frutti bracelet sold for over \$1.3 million – the highest price for any jewel sold in a Sotheby's online sale. It's the idea of buying something with a unique story, an emotional connection to a creation that's incomparable.

As new forms of virtual luxury emerge, how do you see the future of what Sotheby's will be valuing?

As we saw \$9,500 spent on a digital dress that only exists on Instagram, Gucci CMO Robert Triefus said: "Virtual items have value because of their own scarcity, and because they can be sold and shared."

In the future, we may well see digital jewellery, especially if the main human stage is social media. We concentrate right now on tangible things that represent beauty, rarity, emotion. Pieces that will never be recreated or seen again. A research study was conducted on the psychology of possession, on the moment the bid is with you – you feel a moment of possession, and then an immediate sense of loss when the bid is elsewhere. It's the anticipation of that moment of possessing your object, of putting your hands on it.

Have the last 12 months reaffirmed or changed your view on how brands need to exist and operate, now and in the future?

Technology is a key part of our strategy, which allows more people

than ever to participate in our sales and engage with us. This is a time of digital transformation for the business, and collectors are keen to embrace new, fast and dynamic ways to transact with us.

What's next for you – where you will be focusing in the near future to ensure growth and success?

The next steps are around live auction, online auction, immediate purchase and continuing our experimentation with new physical spaces. We want to expand our offering to clients, so they can buy with us whenever they want, in whichever way is most convenient for them and not be restricted by the confines of the auction calendar. We already have Sotheby's Diamonds salons in London and Hong Kong where we offer unique contemporary jewellery masterpieces.

We also have two wine shops and we aim to increase our physical retail spaces offering our clients a larger spectrum of works available for immediate purchase in the future. Live sales will continue as an important part in years to come, but we will hold a growing proportion of online sales going forwards.

How do you define luxury?

Luxury is the interface between somebody's creation and your dreams and aspirations.

Operating online has brought us closer to our customers, and closer to each other in many ways

It's the idea of buying something with a unique story, an emotional connection to a creation that's incomparable.



REBECCA ROBINS AND
VALENTINA SULIGOJ SPEAK WITH
FREDERIC COURT OF FELIX CAPITAL

The investor's view: Creativity and humanity →



“There’s a need
for more humanity,
more personal
relationships
and a human
connection”

Frederic Court

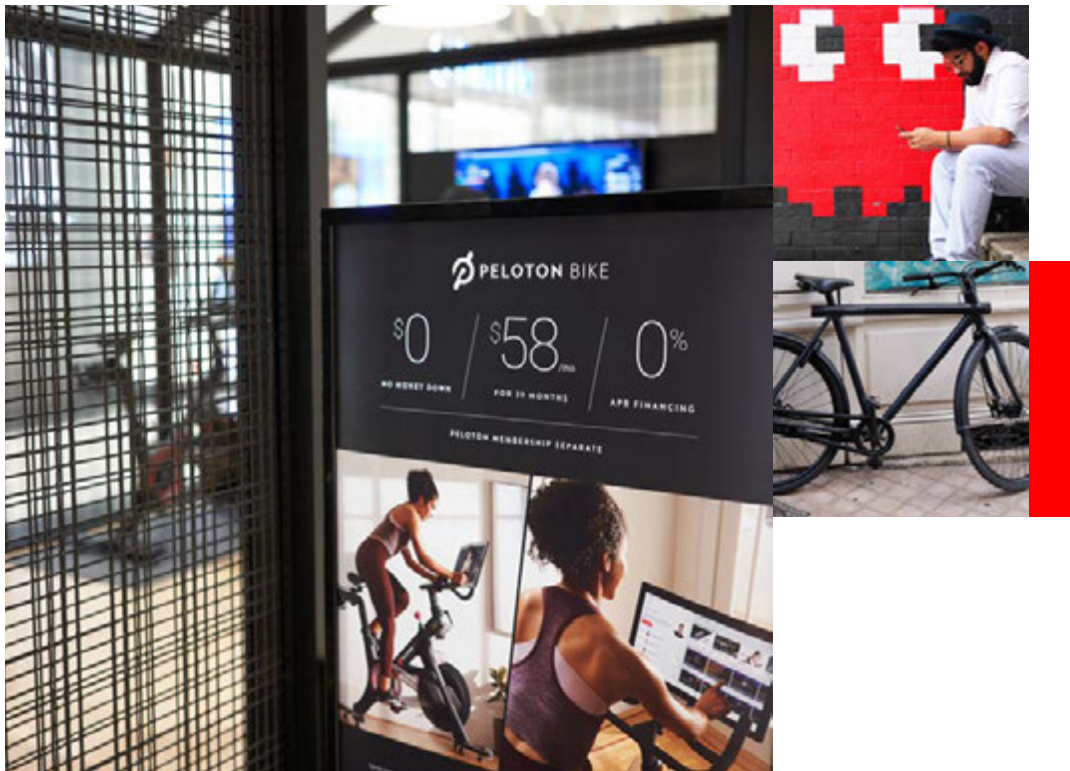
Felix Capital is an investor in the intersection of technology and creativity, including brands such as Farfetch and Peloton. With a name derived from the Latin for ‘happy’ and ‘lucky’, the team lives by the words: “Work hard to be nice to people”.

It’s an anxious world right now, with multiple crises. How have you coped with the current situation?

At Felix, we’ve been extremely busy doing three things:

1. Re-shifting and adapting our businesses to this new environment, including remote work, no more travel and creating new ways to collaborate as a team but also





new ways to collaborate with our portfolio and to source investment opportunities. All of this is happening in a context where the COVID pandemic accelerated digital adoption and the transformation of our lifestyle with technology.

2. Supporting our portfolio, especially with the rise of uncertainty and the importance of having cash reserves (many companies had to adapt their cost base or even fund-raise to extend their runway). With a longer-term impact of COVID, many companies are benefiting (especially those in ecommerce, wellness, digital media, food, etc.) with the exception of travel companies – the travel industry was heavily affected by the crisis and is currently quasi-frozen.

3. Making new investments, including with teams we hadn't met before in person. It was a new way of doing business, without having the chance to meet with the founders in spite of starting a long-term partnership with

them. We got to know them through multiple conversations on video and got comfortable that we could create a strong bond and mutual trust.

Times of crisis have often been platforms for innovation and experimentation. Is that true for you?

Yes – there are currently great opportunities for up-and-coming brands which are more agile and can blend technology into their offering and leverage social media channels as a way to engage consumers. One recent investment that is “brand-driven” is VanMoof: Electric bikes, direct-to-consumer, design-led product with a strong community. Another, which gained a lot of attention and has just announced a funding raise of \$300m, is Mirakl, a start-up that helps businesses to build their own marketplace.

What is the biggest change in consumer behaviour you've seen? What are consumers putting value on?

The young are a generation of activists; they are much more vocal about what they expect from

the brands they transact with. Sustainability is also becoming more important and we're integrating it increasingly in the companies we're working with. Consumers are asking for more sustainable packaging, for a more transparent and sustainable supply chain.

However, there is nothing completely new going on in consumers' behaviour; it's really an acceleration of what was already there: an acceleration of the digitalization of our lives, of a more conscious attitude and a more sustainable lifestyle.

Another area that is becoming more and more important is self-care, especially during a difficult period with COVID. Being fitter, eating better, taking care of your mental health, meditating, these are activities we are all more prone to do. That's why we invested in Unmind, for instance, because people are looking for tools for mental health. The social price of this crisis is going to be a heavy one. There's a need for more humanity, more personal relationships and a human connection.

What are the biggest challenges for heritage luxury brands? Can they create a bond with consumers in the same way some newer brands have?

During the recent period, we've seen many emerging digital-first brands create amazing bonds with consumers. For instance Goop and Anine Bing have started to create content in a much more agile and cost-effective way. Goop launched a new beauty line using videos the teams created with their mobile phone, very cheaply but very authentically. The same thing for Anine Bing, taking videos from home. Authenticity is key.

But I'm wondering whether heritage luxury brands need to do this – I don't think people expect them to. Building a direct communication with customers in a personal way is not

as central or imperative for them. Consumers still expect these brands to be top-down, they rule the fashion world. They have enough brand equity to drive pricing, fashion trends, and consumers' interest. The counterpart is that it will be very difficult for smaller brands that don't have these attributes, neither a strong brand equity or a direct communication and intimacy with consumers.

Has the crisis changed your strategy?

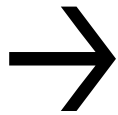
Our investment strategy is focused on the areas in our lives where we see the strongest potential for change and growth. Overall, though, we are very interested in brands with a positive impact on the world: sustainability in all sectors, wellness defined in many different ways. Our investment in VanMoof is a good illustration of how people expect their life to be more sustainable. More and more people are switching to bikes, to sustainable modes of transportation. Reinvention of urban lifestyle will also impact how we live. We are doing a lot of work around digital tools for communities and ways to a more human connection. Home is also going to be an area to explore as it has become even more important in our lives, which we saw in lockdown.

We've seen a great rise in creativity. Creating content differently, engaging with an audience digitally and making a living differently as a result. People are seeking opportunities to express themselves creatively, purely for self-expression or for work. With the economic and social constraints of COVID, people have also been forced to be creative, to find new ways of doing things. All of it is about humanity, at its centre.

How do you define luxury, in short?

Self-care and wellbeing are precious – this is the luxury people aspire to, which can be done in many different ways.

The connoisseur's view: Word from the street



“Brands from
any industry
can learn
from stories
in the world of
streetwear”

Arjun Chawla

Streetwear has long served as a lens for bigger and often dual forces happening in the world. After all, modern streetwear itself exists at the convergence of contrasts: accessible and high-fashion, cutting-edge and vintage, subversive of the ‘norm’ yet both inspired by it and an inspirer of it.

And while born from subcultures, streetwear has gone mainstream – a tension which last year sparked Virgil Abloh to ponder if streetwear could die in 2020, a provocation which has since been flipped on its head by a year where streetwear has seen new life. So with 2020 being a year of dualities unlike any other before,



Even as consumers this year have stayed out of cities, they've still been inspired by city streets

↑6%

Average resale price for the top 500 sneakers
Feb-June 2020

↓10%

S&P 500 stock values over the same period



it's only fitting that brands from any industry can learn from stories in the world of streetwear and the related spheres of sportswear and athleisure.

COVID has not disrupted the resale market for sneakers, streetwear, and related accessories. According to Jesse Einhorn, Senior Economist at StockX, a stock market style online platform where buyers and sellers transact by setting their own bids and asks over these types of items, the platform has seen success despite the pandemic. Here's what he says on StockX's website when introducing the StockX Snapshot, a report on the platform's recent performance:

“Over the past six months, StockX has seen extraordinary growth across our platform. Despite unprecedented, industry-wide challenges due to the global pandemic, we surpassed \$2.5B lifetime GMV (gross merchandise value), 10M lifetime sales, and in May and June, we saw the two biggest months in the platform's history.”

In fact, according to the StockX Snapshot report, “Between February and June, the average resale price for the top 500 sneakers increased 6%, while the S&P 500 decreased 10%.” Platforms like StockX have proven that sneakers go beyond social currency and are literally an investible asset that can turn a profit even in a pandemic. More than simply making the market for sneakers and streetwear more accessible, StockX has provided consumers with more transparency, given them a seat at the table to help shape trends, and provided them an avenue for entrepreneurship - areas where Gen Z in particular has a strong appetite.

Speaking of appetite, 2020 has also seen streetwear's influence

spread to new areas, such as food: Travis Scott's highly successful partnership with McDonald's includes a streetwear merchandise line, including items from shirts and hoodies to a McNugget body pillow.

Even for consumers unable to buy any of the merch, the \$6 Travis Scott meal is a refreshingly accessible and affordable product that can help consumers feel a new type of connection to a broader community and one of its now literal tastemakers. Two weeks after the launch of the partnership, McDonald's stock price hit an all time high - a remarkable achievement for a restaurant this year - with analysts seeing the Scott partnership as a key factor.

And when it's time to work off that meal, this year has been the first time consumers can turn to the Nike Training Club app for free. The move to free was motivated by the pandemic but subsequently made perpetual. In Nike's latest earnings call, CEO John Donahoe reported that Nike has seen “an all-time high” in global use. And regarding the Nike Run Club app, Donahoe said “four consecutive months of more than a 1 million downloads each month” and noted how the app has filled the social gap for runners who engaged in group runs pre-pandemic. Athleisure and streetwear have long enjoyed a symbiotic relationship. Streetwear has inspired the sweatpants and hoodies of athleisure, and athleisure has helped fuel mainstream acceptance and what is now being called athluxury.

Athleisure of course has driven the day-to-day uniforms of seemingly everyone this year. So even as consumers this year have stayed out of cities, they've still been inspired by city streets, considering how their everyday athleisure outfits are likely influenced by streetwear.

This year Virgil Abloh's Off-White announced an athleisure focused line called OFF-ACTIVE. And Lululemon, who launched its streetwear line called Lab last year, has seen a net sales increase of 3% in Q2 despite the pandemic According to SimilarWeb data cited by MorningBrew, site traffic in Q2 jumped by more than 130% for Alo Yoga, and by more than 90% for Vuori and Nike.

Athleisure is a core example of a category whose brands were well-poised for a pandemic and its implications on consumers' new day-to-day life contexts and digital shopping needs.

The most crucial duality streetwear has had to face this year is around diversity and inclusion. So much of streetwear and its influences are rooted in Black culture. Yet despite this, many of the brands who play in the streetwear space don't reflect the diversity of the audiences who have fueled their business. Brands involved in streetwear are also facing questions around

cultural appropriation and elitism. The killing of George Floyd and the subsequent momentum of the Black Lives Matter movement have made the world of streetwear take a much needed look in the mirror. In a recent LA Times article, 10.Deep founder Scott Sasso remarked, "You can't ignore the fact that there aren't many Black brand owners in the streetwear space."

This year has also seen strong examples of streetwear brands take a stand. Samuel Ross of A-Cold-Wall announced 10 grants to support Black-owned businesses. And he has continued to pursue his brand's bigger purpose in this area, recently quoted by Vogue saying "My long term, mid term and immediate goal is to support Black infrastructures and economics – not just talk to fashion, but sectors from agriculture to fintech." Alife sold out of its hoodies honoring the name of Ahmaud Arbery and donated all proceeds to his family. Complex stated that "Alife was one of the first streetwear brands to take any sort of action in light of these recent current events." Alife released the hoodie on what would have been Arbery's birthday - May 8 - three weeks before the killing of George Floyd.

Streetwear pioneers Bobby Hundreds and Pharrell gave new meaning to the idea of fashion collaboration by showing the power of collaborating around a cause, with their 'The Hundreds' and 'Billionaire Boys Club' streetwear lines dropping a collaborative Black Lives Matter

Most importantly, is your brand and industry being authentically inclusive?



t-shirt, with all proceeds donated to Black Lives Matter & the Black Mental Health Alliance.

And numerous other brands in this space have dropped pieces and made donations supporting racial injustice, hopefully a sign that streetwear brands will stitch inclusivity into their strategy ongoing.

This sampling of stories of streetwear and athleisure from 2020 offers thought starters for any brand to consider. Looking at the examples of StockX, McDonald's, and Nike, can your brand help consumers transcend the current constraints by democratizing experiences in new ways that perhaps go beyond your core product?

Taking a page from the athleisure playbook, is your brand set up to fit into the new occasions of your consumer's lifestyle? And most importantly, is your brand and industry being authentically inclusive and if not - what role can you play?



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Best Global Brands 2020

Desire In the Decade of Possibility

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