

RESEARCH

Internet retail key to reaching next generations of luxury consumers: report

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Photo courtesy of Bloomingdale's

By SARAH JONES

Those with the highest spending power in the United States overwhelmingly prefer online shopping, with 72 percent buying via ecommerce in the last three months, according to new research by Unity Marketing.

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While online retail still only accounts for a fraction of the sales seen in bricks-and-mortar outlets, it has seen a steeper steady growth over the past 10 years, with a 113 percent increase to traditional retail's 17 percent rise in the same period. As younger generations become the primary spenders, this growth will only continue, making it imperative for brands and retailers to be accessible via ecommerce.

"The most impactful finding in our new study of affluents online is that the Internet has been fully integrated into the lifestyles of the luxury consumers," said Pam Danziger, president of [Unity Marketing](#), Stephens, PA.

"As a source of information and news, to make reservations and travel plans, to connect with friends and family, the Internet plays an important role," she said. "And when it

comes to shopping, that is the most important reason why affluents use the Internet. It gives them immediate access to whatever their hearts' desire.

"With retail growing at only a snail's pace since 2005, the sales tracked by online retailers and ecommerce sites has more than doubled. Yes, online sales are only about one-third of that of the GAFO-type stores—for example, the general merchandisers, apparel, furnishings and other types of stores that fill the nation's malls, shopping centers and main streets—but online is the growth segment of retail and it is destined to be well into the future.

"That is because of a key finding in our study: some 40 percent of affluent luxury shoppers enjoy shopping online more than in the store, and 47 percent enjoy it about the same. Online shopping has it all over traditional retail."

Unity Marketing's "[Affluents Online: A Generational Perspective](#)" report is based on a January 2015 survey of 1,200 affluents in the top 20 percent of U.S. households. Respondents had an average household income of \$258,700.

VIP customers

Affluents' spending in the U.S. is expected to reach \$6 trillion in 2015, which is about half of the total \$12.1 trillion consumer expenditure in the country even though they only represent 27.6 million households out of 123 million.

When these consumers shop, they are most likely to do so on Internet-specific retailers, with 72 percent of respondents having done so in the last three months. This is followed by discount stores and mass merchants, at 65 percent, clothing stores and Web sites and department stores and Web sites.



Barneys recently updated its ecommerce site

Affluents' preference towards online shopping shows the importance of getting online today, but this is also a necessity to reach the luxury consumers of the future.

How affluent consumers use the Internet depends more on their age than their income.

Survey respondents who are 24 to 44 years old have an average income that is 25 percent

higher than their mature counterparts aged 45 to 70. These young affluents are more apt to shop online and enjoy it.

While 15 percent of mature affluents say they enjoy online shopping less than in-store, only 9 percent of young affluents say the same. This leaves 91 percent of young consumers who agree that they like online shopping about the same or more than in-store, compared to the 85 percent of mature shoppers who responded similarly.



Image courtesy of Saks

“Unity Marketing’s research is focused on both millennials on the road to affluence, as well as the young HENRYs (high-earners-not-rich-yet) customers who have already reached the mass-affluent income range (\$100k-\$249.9k),” Ms. Danziger said. “The idea that these totally Internet-centric, connected young people will suddenly drop their cell phones, tablets or computers once they reach a certain income level and decide to go shopping in the real world is ridiculous.

“The shopping habits young people develop as they mature will only continue on into the future, being reinforced day-in-day, day-out-out by positive interactions with retailers through online,” she said. “And today, young, old, richer and poorer are all accessing the Internet for their shopping and buying behavior.”

Looking forward

In the next 10 years, luxury retail will see a shift as new consumers come into affluence.

As baby boomers age and millennials mature into established consumers, luxury brands will have to retool many of their marketing strategies to account for the generational shift,

according to an earlier report by Unity Marketing.

“[Millennials on Road to Affluence: Mapping a Path to the Next Luxury Generation](#)” says that in approximately 10 years, the next consumer spending boom is scheduled due to the influx of millennial consumers who have traveled on the road to affluence. The consumers, who will be between the ages of 34-54 years old in 2015 to 2034, will replace baby boomers as the prime target for marketers working at both the high-end and low-end of the market ([see story](#)).

Today, luxury brands also have an opportunity to appeal to an increasingly relevant group of consumers known as the HENRYs, who have more spending power than the middle class and may eventually become wealthy in the future ([see story](#)).

Affluent consumers have shown their interest in buying goods online, but many luxury brands have been hesitant to embrace ecommerce as part of their retail strategy.

Chanel is the latest luxury brand to dip its toe into ecommerce through a three-week fine jewelry capsule on Net-A-Porter, but the brand currently limits its direct operated ecommerce to cosmetics. Even with the possibilities through ecommerce from a sales perspective, how can luxury brands decide if selling online is right for them? ([see story](#))

"The data speaks for itself," Ms. Danziger said. "If some brands choose not to sell online, it is fool-hardy and short-sighted to the extreme.

"Brands, all brands including luxury brands, need to be where their prime customers are and today's luxury consumers, both the mass-affluent HENRYs and the ultra-affluents, are all online shopping to their heart's content and very satisfied with the experience.

"My advice to brands that still hold out from giving all-access online: Get over it!"

Final Take

Sarah Jones, staff reporter on Luxury Daily, New York

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