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Luxury consumer preference for experience over ownership heralds sharing economy

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Experiences over possessions. The luxury market's new mantra penetrated everything from travel and hospitality to retail and technology.

According to a 2014 Boston Consulting Group report, $460 billion was spent on unique travel adventures, compared to $170 billion spent on personal luxury goods.

With the experiential luxury sector consistently outperforming any other sector of luxury goods, luxury brands are challenged to become purveyors of self-expression and lifestyle.

The sharing economy can help.

Market share

Originally conceived as a way to fix market inefficiencies between supply and demand, the sharing economy became a $15 billion market in 2014.

In luxury, the sharing economy existed even before the digital bandwagon.

NetJets, the pioneer in the space with its fractional ownership model, was founded back in 1986.

Private Residence Clubs emerged in the Rocky Mountains in the early '90s. Destination Clubs followed.

It turns out that very successful and very affluent people are also very rational: they understand the costs and benefits of owning an asset versus simply using it.

Beyond this behavioral economics argument, there is something else.

Our friends would rather hear about that ice marathon we ran in Alaska than about yet another pair of Louboutins we bought.

Hunting for a unique experience makes us unique, much more than owning material goods does.

Traditional luxury imagery may have been a reflection of our identity, but experiential luxury is our identity.

Things we do shape who we are, the lifestyle we lead, and the choices we make. They are our personal Weltenschauug.

This new modus operandi of the rich makes the next generation of affluents seek a luxury cabin in Napa one weekend, a private island the next, and the New York townhouse the third – with a wardrobe to match. They can choose to get to their destination with a private jet, or a chopper, a yacht or a Lamborghini.

In the event of hosting a private dinner at a distant location, high-end artworks are theirs to rent as well as is a Rolex of choice, if in need of making an impression.

The experience is going to be different each time, and that kind of uniqueness and individuality is exactly what the next generation of affluent consumers is looking for.

Material concept

"Rental brands are gaining popularity, demonstrating the new luxury consumer's desire to be spontaneous without the pressure of permanent ownership," said Nicole Victor, partner and senior vice president of planning at New York agency Rumble Fox.

"As the notion of ownership of goods has changed and the desire to own goods like homes and cars has decreased significantly among younger generations, luxury brands will have to find a place in the new sharing, less-acquisitive generation," he said.

This less acquisitive generation comes from the Silicon Valley and from the tech-savvy, environmentally conscious ranks of millennials.

"I just want access to luxury – I don't want to own it," noted a young financial services executive.

This statement echoes both the sentiment of the generation and the codes of modern luxury: attainability, service, timeliness and experience.

Interestingly enough, this is what sharing economy is about. Its main premise is not about frugality. It is about pushing the boundaries of customers' expectations of what a good service is.

The seamlessness, flexibility and convenience that Uber or Rent the Runway provide is something that new affluents now came to expect and demand from their legacy luxury brands as well.

The white-glove, invisible concierge, one-step-ahead-of-you service without the burdens of ownership such as worrying about depreciating assets is how the sharing economy is going to win in luxury.

The luxury of sharing may attract those who want to try out different things before they invest money in a high-end purchase.

It may attract restless, easily bored globetrotters.

It may attract honeymooners looking for a week of luxury.

It may attract experience-seekers set on actively curating their own identity.

Or it may attract those old-school affluents who did their math and concluded that they are better off renting.

In all likelihood, it will continue to attract all of the above, lending the luxury sector's nascent sharing economy market a high-growth potential.

THE LUXURY SECTOR'S emerging business models and revenue streams will revolve around offering products on demand as a service versus just selling them, partnerships and tie-ups, motivating a marketplace and new service value-adds.

Now, due to legacy brands' corporate inertia, this market is exposed to newcomers, which have been quick to seize the opportunity.

These smart upstarts are well on their road to relevancy with the next generation of affluents as they redefine what modern luxury is and how we enjoy it.

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