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Book excerpt: What do HENRYs want? The new style of luxury status symbols

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Pam Danziger is president of Unity Marketing

By Pam Danziger

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Luxury brands: meet the HENRYs. Your gatekeepers to the luxury market of the future. HENRYs are an often overlooked and underappreciated segment of consumers. HENRYs fall between the Ultra-affluents (top 2-3 percent with incomes \$250,000-plus), the traditional target market for luxury brands, and the middle income consumers (\$50,000-\$99,900).

Quoting comedian Rodney Dangerfield, HENRYs "get no respect" in luxury circles. They are the lower-income, mass-affluents. HENRYs (High Earners Not Rich Yet) have incomes from \$100,000 to \$249,999, and they number nearly 24 million households, as compared with 3.3 million in the ranks of the ultra-affluents.

Often called "aspirational," that term refers to consumer motivation and psychology. It lacks precision. HENRYs, however, is a demographic segment, defined by income. So HENRYs can be quantified, studied, numbered and counted, something that you simply cannot do around the concept of an aspirational customer.

Younger HENRYs are more valuable to luxury brands than mature HENRYs

As a demographic segment, HENRYs are strictly defined by income, but income varies with age. Predictably young people start out with lower incomes, which rise as they gain experience and stature in their careers, only to drop back down again with retirement. The age window of affluence, when people's incomes reach their peak, is between 35 and 54 years.

But during that 20-year period of highest earnings, the younger 35-to-44-year-olds are of more value to marketers than their more senior middle agers, who range from 45-54 years of age. Our research among affluent consumers conducted over the past 11 years consistently finds that younger affluents spend between 1.5 and 2 times more on higher-end goods and services than their older affluent counterparts. Today those prime 35-44-year-olds are mostly Gen-Xers, a generation that is roughly half the size of the generations on either side, boomers above and millennials below.

Problem is that between now and about the middle of the next decade, the relative numbers of young affluents 35-44 years with heady appetites and enough spending power to indulge in luxury will be thin on the ground. Not until around 2026-2029 will the millennials cross over and make up the majority in the prime spending and earning period. This could mark the next luxury boom or bust if brands do not successfully make the transition to the tastes

and values of the next luxury generation: millennials.

Opportunity lies just over the horizon: Rapidly growing numbers in the 25-to-34 age range but they are not as affluent. For luxury brands, the population projections show powerful opportunities emerging for luxury marketers that can tap the potential of the 25-to-34-year olds, the millennial cohort. While today these consumers have less income and so less money to spend on luxury, being younger they have a powerful appetite to acquire more material possessions. Further, until millennials' incomes start to grow, the generation's most highly educated consumers with the best prospects for achieving high incomes as they mature will start their ascent up the income ladder as HENRYs.

Luxury brands must start today to position for the future and that means getting up close and personal with young HENRYs on the road to affluence. Brands must understand that luxury does not mean the same thing to the next generation as it did to their parents' or grandparents' boomer generation, so brands must adapt to the millennials' unique perspective on luxury.

Marketing luxury in a brand new style for young HENRYs

The key challenge for luxury brands and young HENRYs is not how they connect high-tech gimmicks and Internet marketing tactics but how to create new and compelling reasons why their brands are meaningful and important to this digitally-empowered generation.

Getting to the "why" of the brand is where the future of the luxury market will be built. New branding strategies are what is needed. It is all about tailoring the brand message to the unique psychology of younger consumers on the road to affluence.

Today, luxury brands telling stories of exclusivity, status, indulgence and over-the-top extravagance repel more than they attract. New narratives are required that connect with the unique consumer psychology of the next-generation luxury customer, which is democratic, not elitist.

For example, luxury brands tend to view middle-aged women as their best customer prospects, but based on our research into the spending habits among the affluent demographic segments, men represent the best luxury prospects, especially young HENRYs on career paths leading to ultra-affluence (\$250,000-plus). What sets men apart from women in terms of their luxury preferences is that men are more status conscious. It is the peacock phenomenon.

For young HENRY men status displays are important, but they value very different status symbols than their fathers or grandfathers. Their status symbols are not simply about how much money one makes or spends. Rather, it is much more about who one is and what one values.

For young HENRYs status symbols are less about traditional high-end luxury brands, and more about brands that really express one's values and identity. Think:

Mini Cooper, rather than Mercedes

Ironman Triathlon watch, rather than Rolex

Shinola messenger bag, rather than Louis Vuitton

For young HENRY affluents, there is a distinct generational component to their chosen status symbols. They reject old-style luxury status symbols. Rather, they connect with status symbols that communicate to their peers about which tribe they belong to.

Luxury is a state-of-mind, not a price point

For HENRYs, luxury is a state of mind, not a price point or brand. The luxury stories crafted for HENRYs must go well beyond stated status, privilege, and exclusivity, all values linked to the 1 percent who are not their role models.

Young HENRYs are looking to both brands and shopping experiences that capture their mood and their spirit. They want luxury that speaks to their unique values, such as luxury that is inclusive, yet individualized; luxury that is self-expressive but not self-absorbed or narcissistic; luxury that is made for them, not some reality television star; and luxury that delivers unique and meaningful experiences.

Pam Danziger is president of [Unity Marketing](#), Stevens, PA. Reach her at pam@unitymarketingonline.com. Extract from the newly published mini-book, "What Do HENRYs Want?" Adapted for style.

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