

RESEARCH

Millennials active luxury buyers, but spending power lies in older generations

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Ralph Lauren Collection spring/summer 2016 ad campaign

By SARAH JONES

While millennial consumers have the weakest buying power, they are the most likely of any adult generation to have purchased a luxury good or service within the last 12 months, according to a new report from the Shullman Research Center.

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A lot has been made of the up-and-coming consumers, as marketers seek to woo them to their brand even before many of them have the means to make high-end purchases. This strategy may pay off down the line, but luxury brands would be smart not to ignore more established clientele.

"Luxury marketers can continue to do what they have been doing marketing-wise cross generationally as long as they understand that while millennials clearly enjoy buying affordable luxuries, the majority of them just cannot yet afford the more expensive ones," said Bob Shullman, founder/CEO of [The Shullman Research Center](#). "Right now the older generations are the ones who can afford the truly high-end luxuries."

Shullman Research Center's "The Generational Paradox" is based on the fall 2015 wave of its Luxury, Affluence and Wealth Pulse, which surveys consumers across income brackets, focusing in on affluent and wealthy individuals. Of the 1,690 respondents, at least 1,078 interviews were conducted with individuals with a household income of at least \$75,000.

Generational divide

For the purposes of the report, millennials are aged 18-34, Gen-Xers are 35-50, boomers are 51-69 and seniors are at least 70 years of age.

Gen-X consumers have the highest median income per individual and household of any generation. However seniors have the highest median personal net worth, at \$147,000, with boomers coming in second at \$80,000.

Individuals' top concerns vary greatly depending on their age group. While millennials stress the most about finding a good job or being out of work, Gen-X consumers are most anxious about saving enough money for retirement.



Dolce & Gabbana spring/summer 2016 ad campaign

Boomers cite their own health as their top worry, a concern that makes the top three for every age group.

Millennials are most apt to be attuned to poverty and social inequality, while political corruption, terrorism and war concerns senior citizens more than any other age group.

When it comes to financial goals, all generations place having enough for daily expenses or for emergencies at the tops of their lists.

Millennials diverge from the group in their desire to improve their standard of living, a goal which half show an interest in. This is higher than the cross-generational average of 40 percent who agree they want to boost their lifestyle.

When it comes to saving up for a big expenditure, 34 percent of millennials share the goal, compared to the average 24 percent of all consumers. They are also most likely of any generation to seek a fun challenge when it comes to their financials.

Respondents' likelihood of buying luxury goods decreased with age. While 43 percent of millennials have made a luxury purchase in the last 12 months, only 9 percent of seniors said they had done the same.



DFS shopper

"The millennials are clearly the future buyers of higher end luxuries," Mr. Shullman said. "Today they currently are into buying less expensive luxuries on average, so the business challenge for luxury marketers today relates to how much their brands are focused on short-term results compared to the long-term.

"Many millennials are not yet employed, so their ability to buy the higher proved luxuries luxury brands produce with the profits luxury marketers desire is somewhat limited unless these millennials have 'free and easy' parents who still fund their lives or a trust fund," he said. "In general our take is that most millennials are not really targets for higher-end luxuries until they reach their early 30s."

Future of luxury

Social media has opened the world up for millennials and for the first time has allowed luxury brands to directly interact with tomorrow's affluent consumers.

During Luxury Interactive 2015's panel "Millennial Marketing Tapping Into the Social-Obsessed Segment," executives from brands not typically associated with the millennial consumer discussed the importance of reaching out to this demographic while they are young to establish a connection and cement a bond that will mature as they age. Social media has emerged as the driving force behind these connections as various platforms allow the creativity and personalities of millennial consumers to flourish as they share and embrace their interests and passions ([see story](#)).

However, millennials cannot be generalized, as the age group includes individuals at varied life stages.

The millennial generation is too diverse and broad for marketers to avoid segmenting, according to a prior report by The Shullman Research Center.

Consumers born between 1981 and 2000 are considered millennials, meaning that people as young as 15 and as old as 35 (34 at the time of the survey) comprise the group. Because that 20-year gap is particularly profound in the early stages of life, marketers need to segment millennial consumers into specific groups to take advantage of particular habits and beliefs ([see story](#)).

"I have looked at millennials who have jobs, are married or partnered and have children, and their concerns in general tend to mirror those of the Gen-Xers and Boomers who also have children," Mr. Shullman said. "My point of view based on our data is that once someone becomes a parent, their lives change radically until their children are on their own, which is many years later."

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