

MARKETING

New luxury lies in untapped markets, business models and mindsets

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Affluent millennials

By BRIELLE JAEKEL

NEW YORK JGA's chairman noted that the way millennial and Gen Z consumers grew up has shifted their thoughts on luxury, making experiences, uniqueness and transparency more important than it was for past generations.

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During the session, "Millennials: Influencing Purpose, Prestige and the New Luxury," at Luxury FirstLook 2017: Time for Luxury 2.0 Jan. 18 the chairman detailed the differences in the mindset of millennials and Gen Z, which is shaping the industry. Major changes are coming to luxury with new markets likely to emerge such as cannabis and pets, and new business models such as following products through their lifecycle instead of separating ties after the sale.

"What is interesting with the Gen Zs is they have woken up and said I don't want to owe my life to a bank or student loans, they have actually more equity earlier in their life than millennials because they are much smarter buyers," said Ken Nisch, chairman, JGA. "But the other thing is they have gotten into the workplace without the income deficit that millennials had because the worst time to get a job was in 2006 and 2010.

"Most of those millennials will never recover in their lifetime the spending power they lost by starting in a down market," he said.

Luxury Daily produced [Luxury FirstLook 2017: Time for Luxury 2.0](#)

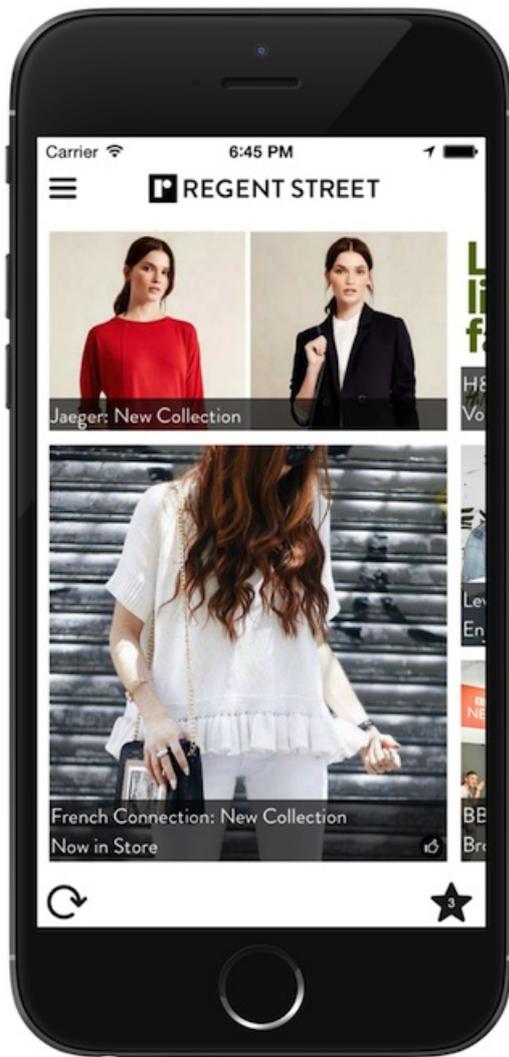
Millennials vs Gen Z

The consumer thought process has shifted from "the what" to "the how," meaning that consumers are more interested in how the life of their product and where it comes from instead of what it is. They want experience over product, and they are willing to pay more for it.

The idea of luxury is drastically changing due to new generations coming about. Millennials do not have the equity that prior generations have had, which had caused luxury to become so prevalent.

With mounds of student debt and a low job market at the time of entry, millennials do not have the funds that previous generations have to spend on luxury products. However, Generation Z might be a more important customer

to luxury brands and retailers, as the job market will be much more profitable for them.



Regent Street can cater to young consumers

These younger consumers' different mindset means they are thinking more about how to get rid of things to make room for the things they value. They would rather an experience and no longer look the part of a typical luxury consumer.

The luxury consumer also varies now, with many mixing up the low-end with high-end. For instance, a customer in the morning could purchase a \$1 coffee but then buy an expensive lunch, but then at night be searching for discounted product.

In the face of a more difficult economic climate, strategy will become the differentiating factor between winners and losers in the luxury sector, according to new research from Bain.

The 15th edition of the Bain Luxury Study conducted for Altagamma found that for the third year, the personal luxury goods market was largely flat, declining from 251 billion in 2015 to 249 billion in 2016, or \$262 billion. This slowed growth indicates a "new normal" in which consumer confidence is down and brands cannot rely on a favorable market to grow profits ([see more](#)).

Shifting retail

To stay on top in the volatile market, luxury retailers should think of a new way to do business. For instance, keeping a relationship with a product throughout its life cycle instead of just manufacturing it, selling it and then cutting ties.

Consumers are often reselling high end products. Retailers can get in on this and help them with that resale and gain some sort of value from that transaction. This could be the new retail model.

For instance, concept boutique Dover Street Market has been working with handbag consignor Maia to give rare and vintage Herms handbags a physical point of sale.



Loewe giant elephant installation at Dover Street Market London

Maia, the mother of Herms in Greek mythology, was founded by fashion stylist Nicola Robinson to supply her affluent clients with hard-to-come-by handbags unavailable to others. As for Dover Street Market, its mission aligns with that of Maia, as its network of boutiques offers consumers capsule collections and limited-edition goods from the likes of Gucci, Tiffany & Co. and Brioni ([see more](#)).

New retail markets are also emerging. With the legalization of marijuana growing, brands may have a significant part to play with the manufacturing of cannabis accessories.

Another growing sector is pet products. Consumers are now spending more on their pets as a whole than their children.

"[Young consumers] are willing to pay a higher price if there is an experience associated with it," Mr. Nisch said. "They think the overall experience is the biggest reason not to buy something. So if the experience doesn't feel right, it doesn't matter if the product is good.

"Remember, it is about 'how' not just the 'what,'" he said. "The biggest thing is, the most influential part of the experience is that it brings them back."

1 thought on “New luxury lies in untapped markets, business models and mindsets”

1. [Sky Rota](#) says:

[January 19, 2017 at 7:32 am](#)

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