

MARKETING

## Gen Z brings challenges that will keep luxury awake at night: A.T. Kearney

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Image source [Maisonette.com](http://Maisonette.com)

By SARAH JONES

NEW YORK While those in Generation Z are mere years younger than millennials, the cultural and environmental factors surrounding this cohort have led to key psychographic differences between the two age groups, according to research from A.T. Kearney.

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Born between 1998 and 2016, Gen Z is the largest consumer group in history, totaling 2.5 billion individuals worldwide. As these consumers come of age, marketers will need to take note of this generation's values and behaviors that are poised to disrupt some of the core tenets of luxury.

"Luxury was always designed to young people, although eventually it could only be afforded by older people," said Hana Ben-Shabat, partner in the retail and consumer goods practice, **A.T. Kearney**. "But in essence it's about youth. The whole luxury industry, the product, the designs, always inspired by young people."

"As these young people are really different than everything we have seen before, it's becoming a question who we are designing for, what do we have as our inspirations to continue building the industry?" she said.

"The second thing is that Gen Z has some characteristics that are going to challenge the key principles of luxury. And these principles are everything that we knew about exclusivity, brand control, universality and intrinsic values."

*Luxury Daily produced Luxury Roundtable: Engaging Gens X, Y & Z on May 3.*

Breaking the mold

In a session titled, "Gen Z and the Paradox of Luxury: A New Generation Challenges Old Definitions," Ms. Ben-Shabat focused on research from A.T. Kearney. While centered on understanding Gen Z, the report is based on a survey of 1,800 individuals across generations to provide a comparison.

One of the big differences between Gen Z and millennials stems from their home lives.

Raised by the idealistic baby boomers, Gen Y's parents told them they could do anything they wanted, leading to the generalized entitlement associated with this audience.

Gen Z, on the other hand, came of age during the recession and saw their parents struggle with lowered job security. Even if their own household was not rocked by unemployment, Gen Z was left more aware of their spending and how it was viewed by others.



*Marc Jacobs Daisy campaign featuring Gen Z model Kaia Gerber*

Gen Z is also more apt to be raised by a single parent, with 28 percent coming from single parent households. Combined with the economic instability early in their lives, these individuals feel a greater sense of responsibility.

Beyond home life, these consumers idolize role models who are making a difference, such as Bill Gates. These socially aware individuals also seek out opportunities to volunteer and have an impact themselves.

Demographically, Gen Z is the first primarily minority generation, with Whites comprising only 48 percent of the age group. Because of this greater diversity, these consumers do not make as many differentiations between races.

Gen Z expects the marketing served to them to reflect their values of inclusivity, incorporating a variety of races and sexual orientations.



*Balmain Kids, spring/summer 2017*

Overall brand values are also important to Gen Z. While they will not actively search for information regarding brands' actions, 50 percent say they will boycott a brand if its practices do not live up to their standards.

While Gen Z is not interested in accumulating just for the sake of buying, they will buy items that can be tied to experiences. However, in good news for luxury, they are interested in investing in quality items.

With Gen Z craving individuality, brands can also make an appeal through customization.

Brands should also identify their values, such as sustainability and craftsmanship, that will be attractive to this group.

#### Connected consumers

Gen Z consumers grew up with digital media, never knowing a world without Google. All but 6 percent of them check their phone or computer at least once every hour, more than any other generation.

Having grown up with social media, they are also prolific at creating diverse personas across different platforms, presenting a different face on Instagram and Snapchat, for instance.



*Image source A.T. Kearney*

One way to engage this audience is through two-way communication, giving these consumers the opportunity to participate.

When marketing to Gen Z consumers, one of the tactics that resonates with this audience is influencers. As consumer trust dwindles, influencers are a more trusted source since they more closely resemble the consumers themselves.

While influencers, particularly vloggers, are an effective tactic in the short-term, but Ms. Ben-Shabat advises brands to focus on building greater trust themselves for the long-term.

"I think what we are seeing happen in the world of influencers, now there is a whole segmentation of influencers," Ms. Ben-Shabat said. "You're either macro-influencers, which are those that became YouTube superstars with 10 million, 20 million followers, sometimes 30 million across platforms.

"And then there are the micro-influencers," she said. "And the micro-influencer could be someone who just did something, like skateboarding in New York City, and all of a sudden everybody follows him and everybody wants to dress like him, and he maybe has 100,000 followers, but he's a micro influencer and he's influencing that community. And I think going forward the micro-influencers are going to be more important."

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