

COLUMNS

Youthquake: Off the scale

July 26, 2017



Susan Skelly is publisher of Excess All Areas

By [Susan Skelly](#)

Subscribe to **Luxury Daily**
Plus: Just released
State of Luxury 2019 **Save \$246 ▶**

There is a storm brewing over the horizon and, if you believe the analysts, it is set to sweep all before it, changing the way we spend, shop and live our lives. That storm is Generation Z, a generation that has not known a world without a Google search engine, a smartphone or Snapchat.

"Gen Z is going to shape a specific kind of luxury, a luxury that is going to be inclusive, shared, personalized, less impulsive, values-driven," Ken Nisch, chairman of JGA, a branded environment and retail experience consultants, told the audience at Luxury Daily's *Luxury First Look 2017: Time for Luxury 2.0* conference in New York Jan. 18, 2017.

"For them, luxury no longer refers exclusively to expensive handbags or jewelry. Now, it includes high-priced farm-to-table dining, craft beers and "uber-luxe" travel. Luxury is getting their parents to pay for a data plan, rather than getting a new Coach handbag for a Sweet 16 party."

For this generation, experiences, uniqueness and transparency are more important than they were for past generations.

"With this generation, the word luxury' doesn't resonate," said Hana Ben-Shabat, a retail and consumer goods specialist with global management consulting firm A.T.Kearney, who also spoke at *Luxury First Look 2017*. "They think luxury is about showing-off, about excess they don't feel they should have. However, they do understand that luxury is equated with quality and they appreciate that quality and are willing to spend money for that. It's not about consuming and having a lot of things."

Unique experiences are very important drivers in deciding what and where to purchase.

Said Mr. Nisch, "Sixty percent of Gen Z feel that the overall experience is the single biggest factor in deciding whether to purchase a product or service."

Generation Z is not about "I am what I own" but "I am what I do." It is about experiences being shared on social media and being unique. About customizing what they buy.

"Gen Z values quality and product longevity," Mr. Nisch said, citing the campaign of [watchmaker] Philippe Patek, whose message is that you simply take care of a product for the next generation.

Gen Z wants to buy from brands that reflect their values for ethics and honesty. They will stop buying if they find the brand has acted in a way they do not like for example, testing on animals, or using sweatshop labor, or paying less than minimum wages.

It can hardly be a coincidence that so many luxury brands Bulgari, Gucci, Cartier, Georg Jensen among them now make signature items (rings, bangles, pendants, bags) a portion of whose sales benefit various charities?

Defining a generation

Gen Z essentially the under 20s is shaped by distinct economic, social, technological and geo-political traits. Among the influences: 9/11, terrorism, recession, parents losing jobs and houses, wealth inequalities, and, in the U.S., being raised by one parent (28 percent), all of which have determined attitudes to earning, spending and saving.

"They will exercise oversized influence on our society," Ms. Ben-Shabat said. "Their coming of age is being seen as one of the most important changes of the next decade."

Last year, the global population of Gen Z was estimated to be between 1.86 billion and 2.5 billion most in emerging markets.

By 2020 Generation Z will account for 40 per cent of all consumers. Based on their average pocket money, they have \$44 billion to spend each year, and they influence about \$600 billion in household spending.

In Australia's 2010 Census, Gen Z was the largest demographic group. Some 25.6 per cent of the population more than 5.7 million people were younger than 19. The local luxury retail sector, according to IBISWorld, will be a \$2.4 billion industry by 2020.

Generational definitions are elastic. Give or take several years either side, it looks something like this: Baby Boomers I, 1946 to 1954; Baby Boomers II, 1955 to 1965; Generation X, 1966 to 1976; Generation Y, aka Millennials, 1977 to 1995; and Generation Z, 1995 to 2012. (Some researchers close it off at 2010, the year when the number of Gen Xs giving birth declined, and more Gen Ys began giving birth, others extend it through to 2016.)

An A.T. Kearney survey identified six standout traits in Generation Z: they embrace diversity; are responsible; are connected to community; are discerning about status; exercise influence on society; and have a mastery of technology. On the latter point, 92 percent have a smartphone, 65 percent have tablets, 5 percent own recreational drones and have 3D printers in their home).

Tolerance is one of the defining factors of Gen Z. They are growing up with role models from very diverse ethnic backgrounds and in an era of change in attitudes to sexual identity.

"Gen Z is open-minded," Ms. Ben-Shabat said. "And they truly believe people should not be judged or evaluated based on any affiliations that they may have. As a result, their expectation is that society and corporations should behave accordingly."

With that in mind, luxury brands need to keep a checklist of five fundamentals in shaping strategies around marketing to Gen Z: inclusion, engagement, personalization, intrinsic value and experience.

And indeed they are rewriting the terms of engagement.

Brands such as Dolce & Gabbana, Gucci, Balmain, Miu Miu and Chanel have front rows, runway and after-parties peppered with the Gen Z and millennial children of the rich and famous.

The value lies in the vast imprint of social media followers this generation has. And the spirit and effervescence it brings to the table. Even if Gen Z might not necessarily buy the clothes, luxury brands trust that entry level luxuries such as lipstick, scarves and underwear will bring about conversion to more pricey items down the track.

Personalization? Count the ways. Burberry invites wearers of their signature trench coats to post examples of how they are wearing it. Anya Hindmarsh offers to print a word in the consumer's handwriting on a new bag, Hermes has offered personalized colors and messaging on their silk scarves.

Retail strategists are focused on creating new consumer experiences and environments. What used to be called stores "in the old days," are now just as likely to be called guide shops, web rooms, embassies, experience points.

"Stores used to be very nicely appointed stock rooms with well-dressed stock attendants," Mr. Nisch said. "It's really moving into something new now."

It is a nod to the rise of circular commerce aka, multi-channel or omnichannel whereby the consumer uses both a front door, a side and a back door. They might research online, check it out in the store, buy, share the look online, and then find a way to recycle when the novelty has worn off.

"The role of the store as a distribution point versus an influencer point is changing radically," Mr. Nisch said. "Shopping is about social activities. Gen Z like to go together, they like to take selfies, they like to get opinions if it can be shared, it's something they will do."

Mr. Nisch believes the new model for retail, is one of "planned obsolescence" a space that is curated, launched and repositioned in a way that keeps the interest up, and creates content for social media.

But retail strategist Peter Ryan, of Red Communication Australia, is skeptical of digital intrusion into physical retail, of the trends towards digital signage, voyage interruption technology, digital recognition, the obsessive need for vendors to kowtow to the 24/7 news cycle.

"According to the U.S. Commerce Department, 8.4 per cent of retail sales are virtual; 91.6 percent are physical," he said. "Yet we get all this hot air about how virtual is killing physical retail.

"There is no [evidence of] linkage through to increased profit."

Communications might change to reflect pop culture, Mr. Ryan says, but human behavior is very slow to change.

"Retail has always been about suspending time. You walk into an environment and it feels so cool that you relax and you don't look at your watch, you put your phone away. Technology only plays into the high anxiety levels we already have.

"Louis Vuitton is getting low 20 percent compound growth rate and they don't have any of that. They have no problems attracting young customers who love the products, love being made to feel special.

"Or take Anthropologie. Their average dwell time is over an hour. The average dwell time in a typical specialist store in a mall in America is seven minutes. Anthropologie has created a grounding experience that's super-immersive, titillates all of the sense and makes you want to spend time in there. That's what retail is.

"Quick in-and-out is a convenience store."

There is no such thing as loyalty, maintained Mr. Ryan. The only thing that matters is relevance. "If you are relevant to the customer right here, right now they will buy from you, if you're not they won't."

Mr. Nisch acknowledges that luxury brands are the masters of the in-store experiences.

"The question now is how you make that resonate with this generation," he said.

Mr. Nisch cites, as a prime example of the zeitgeist, Rei Kawakubo's Dover Street Market emporiums, in particular the New York's store at 160 Lexington Avenue and 30th Street, where curated retail shines: "Nike is next to Comme des Garcons, and [cult skate wear label] Supreme is sitting above couture dresses that cost \$25,000, \$30,000 and, it's the same customer who is buying the Nike and the couture."

This article first appeared in the July 2017 edition of Robb Report Australia

Susan Skelly is publisher of Excess All Areas, Sydney, Australia. Reach her at susan@excessallareas.com.au.