

MARKETING

## Luxury needs to be redefined on millennials' terms: McKinsey

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Chanel fall/winter 2017 features Gen Z's Lily-Rose Depp and millennial Cara Delevingne. Image credit: Chanel

By JEN KING

BRUSSELS While there is no such thing as a typical millennial, just as there is no archetypal luxury consumer, decoding the next wave of high-end consumption can seem daunting for brand marketers.

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While speaking at The New York Times' International Luxury Conference Nov. 14, a McKinsey & Company partner summarized how millennials generally act and explained that the demographics' behavior ripples through to older consumer segments. Born between 1981 and 2000, or ages 18 to 35, millennials make up 30 percent of the global population and primarily live in emerging markets, creating an enormous potential for luxury brands.

"[Millennials are] already a sizable segment of consumers. They are trendsetters and they are impacting and changing the global market, as well as older generations," said Nathalie Remy, partner at **McKinsey & Company**. "Millennials have actually become a marketing channel of their own.

"In a nutshell, we are talking about the core luxury buyers of the future," she said.

### Decoding millennials

During the "Millennials and Gen Z: Decoding the Next Wave of Luxury Consumption" keynote presentation, Ms. Remy broke down who millennials are, the ways the demographic behaves and how luxury marketers can effectively speak to this generation.

Ms. Remy shared that the millennial market is worth \$17 trillion in private wealth, a figure that will multiply by 1.4 by 2020. Also, millennials have massive spending power, with the global value coming in at \$2.45 trillion, which will triple by 2025.

Millennials' spending power has resulted in true luxury aspiration. Currently, millennials are responsible for 20 percent of the luxury goods market.

By 2025, millennial consumers' spend will triple and the demographic will control 40 percent of the luxury goods market.

Besides spending, the consumer group is also responsible for starting trends. Ms. Remy explained that it is because of millennials that smart wearables and mobile payments have taken off recently.

Millennials also serve as a community accelerator and influencer. This is why it is common to see a grey-haired Gen Xer in sneakers, without a tie and texting with emojis.

The influence also expands to social media as the demographic can be considered their own marketing channel.

For example, Chanel has posted 867 official posts to its social media accounts, but #Chanel has been shared by consumers more than 50 million times.

Millennials are a very targeted young audience and can help brands modernize their perception through positive likes, mentions and comments.

Using Chanel as an example, McKinsey's Ms. Remy noted that the French house's appointment of Lily-Rose Depp ([see story](#)) played into the impact of the young actress/model's engaged social media community of more than 3.3 million followers.



*The Chanel L'Eau No. 5 campaign features French actress/model Lily-Rose Depp. Image credit: Chanel*

But, while speaking to millennials is very important for brands, it is also quite difficult. Ms. Remy pointed out that there is no typical millennial due to various differentiators such as geographies, ethnicities, wealth and life status.

Though these factors combine to make each millennial unique, common characteristics remain.

Per McKinsey's findings, these collective qualities include being:

True global citizens

Millennials live in a borderless environment with a global network of friends.

Digital natives

Born after the Web, digital and mobile are second nature and new technologies are easily learned.

Values driven

Millennials are in search of meaning and authenticity.

Value driven

The demographic is very price-conscious due to 2009's financial crisis, and it prefers deals, even in luxury.

Me-now

Daily social posts and selfies apply to me-now culture, but it also reflects millennials' interest in personalized products and see-now, buy-now purchasing options.



*Millennials often seem self-interested. Image credit: Michael Kors*

#### Social and connected

Millennials have three times more friends on Facebook, for instance, than Gen Xers. This larger social network is a platform to share and give feedback.

#### In search of experience

Millennials value memories over material and have caused a shift in goods to service, but this has created high expectations for all experiences.

#### Visually and emotionally engaged

Smartphone in hand, millennials are always camera-ready, often replacing text with images that appeal and speak to emotions.

Millennials can also be considered the "trade-off generation" because of the demographics' habit of overspending in some areas and under spending in others.

For example, millennials often mix and match high and fast fashion and will stay at a Ritz-Carlton, even if they flew to the destination on RyanAir.

#### Frustrating, yet worthwhile

Born from 2000 onward, the next generation in line, Generation Z, has already grown to a market of 2 billion individuals and counting.

Though they are not much younger than the youngest millennial, their experiences have been drastically different. In her presentation, Ms. Remy highlighted a few of these experiences that capture just how different a Gen Z's upbringing has been.

Millennials had DVD collections, music played on iPods, SMS messaging and old school Nokia cell phones. In comparison, Gen Z has free YouTube content, music streaming services, visual mobile applications such as Snapchat and smartphones with interactive touchscreens.

While marketers must be ready for Gen Z consumers in the coming years, the younger group does not have the spending power currently held by millennials ([see story](#)).

To concentrate on millennials, Ms. Remy suggested luxury brands listen to the generation's wants and values to gain an understanding, think digital-first, refrain from just marketing at them, maintain an ongoing dialogue via engagement and ultra-social connectedness and lastly, make the consumer feel unique.

"These are complex issues and there's no easy answer," Ms. Remy said. "I think ongoing research will be needed over the coming years to make sure that we continue to bring more facts and evidence to this.

"Even though [millennials] and Gen Z are not going to turn their backs to luxury, we need to redefine luxury in their terms," she said. "It is a discovery journey, and it is a frustrating journey, but it will be worthwhile."