

MARKETING

Challenging stereotypes of Gen Z: What luxury brands should know

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Gen Z: More like X than Y. Image credit: Luxury Society

By A LUXURY DAILY COLUMNIST

By **Oliver Williams**

It is now crucial for luxury brands to observe the consumer behavior of those born between the mid-1990s and the mid-2000s. Studies suggest that Generation Z is increasingly rejecting social media and growing immune to marketing.

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Born between the mid-1990s and the mid-2000s, Generation Z is the first to have lived entirely in an Internet era. The iPhone has dominated most of their lives and few are without one of its many incarnations. Little surprise when they are labeled the "i-generation" due to their ease with technology.

Not until 2025 does **Bain & Company estimate** that Gen Z will make significant inroads into the luxury sector, by when they will account for 5 percent of the global market. In the interim, it is therefore critical for brands to observe the way this group shops and spends.

While some expect Gen Z to follow their millennial predecessors as avid luxury consumerists **Bain predicts** millennials will represent 40 percent of the global luxury market by 2025 recent evidence shows they are more immune to marketing. Moreover, their obsession with technology might be overrated.

Anti-social media generation

Social media defines this generation. Facebook, launched in 2004, is older than many of its ilk and a key marketing medium for luxury brands.

While 30 percent of Facebook's global monthly active people are between 18 and 25 **Facebook** does not disclose data on under 18s a host of studies suggest this is in decline.

Data firm **eMarketer** predicts 2 million Americans under 24 will quit Facebook this year.

Instagram and Snapchat, already popular among Gen Z, are expected to pick up 1.6 million and 1.9 million of this group respectively.

Other studies suggest Gen Z might start leaving social media entirely.

Hill Holliday, a communications firm, **surveyed** 1,000 consumers ages 18-24 in the United States and found that 34 percent have already quit social media and 58 percent are "seeking relief."

Talking to *Luxury Society*, Hill Holliday chief strategy officer Lesley Bielby said many of the Gen Z she spoke with found the pressure of social media too much.

"You put up [on social media] a sense of identity which is fake," Ms. Bielby said. "You have to sustain that, which is exhausting."

Though the study was limited to the U.S., Ms. Bielby sees a global movement here.

"My feeling is it's more of a cohort thing than a cultural thing," Ms. Bielby said.

"We see signs in the qual data everywhere," she said. "We saw it in China, too. I suspect that China may be in a younger phase of the [quitting social media] cycle."

Studies such as this are troubling for brands that rely on social media as a window to this age-group.

Brands' social media dependence only grows as ad blockers become widespread. **Millward Brown** estimates that half of 16-to-19-year-olds instal ad-blocking technology.

Clearly luxury brands need to keep abreast of social media trends.

"Consumers find producers through social media," Jeff Fromm, president of FutureCast, told *Luxury Society*.

The author of a book entitled, *Marketing to Gen Z: The Rules for Reaching This Vast and Very Different Generation of Influencers*, Mr. Fromm tells brands "don't be boring" when it comes to social media.

Ms. Bielby agrees that Gen Z wants more from social media.

"It's not the end of social media," she said. "[Gen Z] love the fact they can use this as a power-tool. They're very action-orientated with the whole #metoo thing."

Online-offline generation

Engaging Gen Z is one thing, but getting them to buy something is another. And while ecommerce might be **the fastest-growing** segment of the luxury market for millennials, the same might not be the case for Gen Z.

An **Ipsos survey** commissioned by Google of more than 2,000 individuals ages 13-34 in the U.S. found that those ages 13-17 were 20 percent more likely to buy in-store rather than online, verses 7 percent for their millennial counterparts.

This is backed up by an **Accenture study**.

"Among Gen Z, the majority still prefer visiting stores to make their purchases," the Accenture report said.

Bain forecasts that 75 percent of all luxury purchases will still occur "in a physical location" in 2025.

In-store behavior might differ, though.

A report by **Shoppercentric** says that 53 percent of Gen Z use smartphones to help them buy in-store, either by searching for better deals, reviews or messaging friends. Accenture calls this a "multichannel event."

Brands getting it right include Nike, Vans and Converse, according to a **YouGov survey** of 400 teens in the U.S., which confirms a steer towards streetwear. Polo and Chanel were the most popular luxury brands, as cited by the YouGov survey.

Asset manager **Piper Jaffray** also conducted a survey of 6,000 U.S. teenagers and found Michael Kors, Kate Spade and Coach the most popular luxury brands. This suggests bags are appealing, but the same survey revealed beauty brands attract the highest spend among females.

How will Gen Z differ from millennials?

Most luxury brands are still trying to adapt to millennials, who seem **to favor experiences over products**. Many assume Gen Z will want the same, come 2025 or earlier.

But that assumption is being challenged.

"They're different to millennials," Ms. Bielby said.

"Millennials are into experience over product," she said. "Generation Z are definitely into brands that matter, even if they're expensive."

The **Cassandra Report**, which monitors these trends, says that 60 percent of Gen Z would prefer to buy a product over an experience, while the opposite is true of millennials.

"The [Gen Z] consumer today wants and prefers brands and we've done research to back that up," FutureCast's Mr. Fromm said.

"This new Gen Z is more traditional in a lot of their values," he said. "They like to work hard for their money and spend it wisely. I think their appetite for luxury brands will be greater [than millennials]."

WITH A GROWING digital suspicion, a preference for old-fashioned shopping and more traditional values, Gen Z are shaping up to be more like their Gen X predecessors than millennial ones.

Luxury brands might do well to remember a time before the iPhone and Facebook and all their manifestations.

Selling luxury is about to become a lot more traditional.



Oliver Williams

Oliver Williams was the cofounder of *WealthInsight*, a leading wealth consultancy that provides intelligence on high-net-worth individuals to the wealth, luxury and nonprofit sectors. A recognized expert in the field, London-based Mr. Williams advises companies on content marketing to high-net-worth audiences. He is also a regular contributor to *Spears* and *New Statesman* magazines.

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