

LUXURY MEMO SPECIAL REPORTS

## Millennials – Luxury Memo special report

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*Dolce & Gabbana's Stories features millennial-centric content. Image credit: Dolce & Gabbana*

By JOE MCCARTHY

Armed with growing wealth, technological prowess and a penchant for responsible consumption, millennials have transformed the luxury market in recent years, changing how brands approach everything from marketing to in-store experiences.

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Oftentimes, these disruptions have faced significant resistance within the industry, leaving brands far behind where they could be had forward-looking investments been made. In the years ahead, the expectations of millennials will become the status quo and brands vying for long-term relevance will have no choice but to prioritize this demographic.

"Some luxury brands are doing an amazing job of consumer engagement and evolving into multifaceted lifestyle brands," said Gabrielle Rein, co-founder and creative director of **Viceroy Creative**. "These brands are flourishing and the numbers prove the tactics are working."

"Other brands are old and stale, afraid to change or don't know how, and those brands are headed towards a slow and painful death," she said. "The lack of creativity and the fear of risk taking will kill them. You have to take risks and be bold luxury is about hopes and dreams and excitement."

### Top 5 millennial luxury trends

- Emerging wealth

After coming of age during the great recession, millennials are gaining greater financial security as they work their way up to the C-suite and stake out new entrepreneurial territory. With their new purchasing power, millennials are reshaping sectors across the luxury industry, from hospitality to automotive to beauty.

- Sustainability

Millennials are increasingly concerned about the ecological impact of their lives and will gladly abandon brands that fail to incorporate sustainability into their business models. Whether it is through sourcing quality materials, lowering greenhouse gas emissions, or developing circular recycling systems, brands that adopt a planet-first approach can expect to be rewarded by millennials.

- Experiences

Since they broke onto the scene, millennials have been purported to favor experiences over "things." This platitude has held true over the years, and luxury brands are finding creative ways to meet this expectation.

- Social media

Although found on most social platforms, millennials overwhelmingly prefer the lush imagery and candid storytelling of Instagram. Many luxury brands have excelled at finding the right balance of accessibility and allure with their Instagram pages, tapping influencers and showcasing elite products and experiences.

- Forward looking

New technologies can often seem like a risky investment, but brands that embrace the latest in artificial intelligence, augmented reality and more will stay a step ahead of competitors when it comes to appealing to millennials. Being a technologically savvy brand also means offering impeccable digital experiences for consumers shopping mobile.

## Emerging wealth

Wealth is being created at an unprecedented rate around the world, and millennials are often at the forefront of this boom.

When it comes to the stratospherically wealthy, millennials in the U.S. are receiving larger inheritances than previous generations, whereas wealth in other countries is largely being created independently of inheritance, [according to a report by Luxury Portfolio](#). The world's billionaires became 20 percent richer in 2017, [an increase of \\$1.4 trillion](#), and a high percentage of this wealth was transferred along generational lines.

The bulk of luxury consumers in the millennial demographic, however, can be categorized as HENRYs (high-earners-not-rich-yet), between the 75th to 95th percentile of earners.

"Since true affluence comes with age, the millennials aged 23 to 38 in 2019 are only now beginning to hit their stride in terms of income and wealth," said Pam Danziger, president of [Unity Marketing](#) and author of "Meet the HENRYs," New York.

"Compared with the rest of the millennial generation, the young HENRYs are better educated, more informed and set the trends that their lower-earning peers will emulate," she said. "And even more important for the long-term prospects of legacy luxury brands, most people who reach ultra-affluent levels of income start out as HENRYs.

"These are the customers that luxury brands need to identify now in order to nurture for future growth."



*Spring is looking to entice millennials with cash back. Image courtesy of Spring*

Although millennials came of age during the traumas of the global financial meltdown around the turn of the decade, they are uncharacteristically bold spenders, willing to spend big on meaningful experiences and products.

"This market segment spends lavishly when they have money, without much consideration about their debt levels," said Sheetal Jain, president and CEO of [Luxe Analytics](#).

Millennials are also willing to break down the boundaries between mainstream and luxury markets, customizing go-to rotations of brands that would historically have seemed incompatible.

This does not mean that millennials are ruthlessly chasing deals. Instead, it means they are interested in the cultural

cache of experiences and products.

For example, the rapid rise of Fashion Nova and its popularity among millennials is largely due to partnerships with celebrities such as Cardi B, whose collection with the company **sold out** immediately.

"Spending patterns have evolved from wanting the best' ie. most expensive to wanting what's best for you," Viceroy Creative's Ms. Rein said. "You might love Nike and also Herms and rock them at the same time.

"Millennials spend on brands they are proud to associate with and the lines have blurred between luxury and pedestrian brands," she added. "People want cool and quality in all aspects of their lives.

"They also want stuff that photographs well for the 'gram. Signature styles are becoming more powerful due to social media influences."

### Sustainability

As climate change **intensifies** torching forests, melting ice caps, drying out lakes and more many millennials are seeking to transform global consumption patterns to save the planet.

Oftentimes, this mission hones in on individual habits such as avoiding plastic use, driving less and buying organic, local products.

Increasingly, however, millennials are calling on their favorite brands to join the effort, which has spurred the development of a massive push for sustainability.



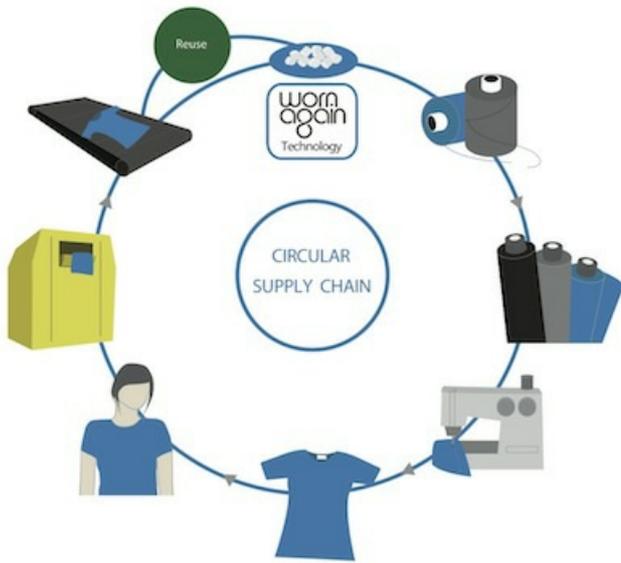
*Tesla will help provide stable and sustainable energy for Southern Australia. Image credit: Tesla*

"Luxury brands need to be socially responsible, which means being ethical, contributing to important social causes and demonstrating environmental responsibility," said Milton Pedraza, CEO of the **Luxury Institute**, New York.

In recent years, many brands have pledged to phase out virgin plastic from their supply chains, reduce water use, minimize greenhouse gas emissions and more.

Luxury conglomerate Kering, for example, recently launched a course at the London College of Fashion that focuses on sustainability (**see story**) and the conglomerate **invests in regenerative agriculture** to promote the health of landscapes.

"At Kering we believe that the shift towards sustainability and innovation in luxury fashion is not only an imperative, in our world of finite resources, but also a goldmine of opportunity," said Francois-Henri Pinault, chairman and CEO of Kering, in a statement made during the launch event for the course.



*Kering has worked towards a more circular supply chain. Image credit: Kering*

The pioneer in this space is arguably Stella McCartney, the fashion designer who has for years criticized the fashion industry's staggering environmental impact. In 2018, her eponymous label **launched a partnership** with the marine protection nonprofit Parley for the Oceans on a backpack made from plastic recovered from the oceans.

In December, Stella McCartney led a push to get 40 major companies throughout the fashion world to sign a charter for climate change in support of the United Nations' Paris climate agreement (**see story**).

In addition to changing how products are made, millennials are also reshaping how luxury tourism is conceived. A recent report by Virtuoso found that millennials are more than three times as likely as Generation X consumers to seek out sustainable travel plans (**see story**).

Luxury hotel brands are catering to this preference through offerings that protect and promote local environments. Since luxury hotels are often beachfront properties, many companies have sought to reduce their plastic consumption to limit ocean plastic waste (**see story**).



*Selfridges is no longer selling plastic soda bottles. Image credit: Selfridges*

The specter of climate change has also spurred many consumers to seek out coral reefs, mountain peaks and rare lakes before they disappear, generating a boom in sustainable tourism.

As countries mandate stringent efficiency standards for cars and other sectors, luxury automotive brands such as Ferrari are following the lead of Tesla through more electric car offerings (**see story**).

All of these efforts show that luxury brands are heeding millennials' concerns about the health of the planet. But to become truly sustainable, major overhauls have to be made, sometimes in ways that threaten the core of what a brand stands for.

"Luxury brands are all re-examining their value proposition in terms of brand purpose, values and product and service offerings," Luxury Institute's Mr. Pedraza said. "They are redefining what they stand for, whom they serve and how.

"This cannot be just putting lipstick on a pig," he said. "It's a heart and soul wrenching struggle to remain relevant."

## Experiences

From dives in a submarine to rides in a helicopter, affluent millennials are increasingly seeking out exclusive and rewarding experiences that they can showcase on Instagram ([see story](#)).

In a way, this trend speaks to the pursuit of influencer status, a phenomenon that has become so widespread in the past year that *The New York Times* coined the term "[nanoinfluencer](#)."

"The concept of a luxury good as a status symbol is rapidly being replaced by that of a status experience or an Instagram-worthy moment," Unity Marketing's Ms. Danziger said. "Millennial HENRYs want to start checking off the boxes on their bucket list by age 40, not wait till they're 70."

Each year, luxury travel companies unveil new packages that let consumers access seemingly unprecedented experiences, such as a [hotel room submerged in water](#) or [tours given by rare experts in a field](#).



*Cunard introduces customized voyage and tour packages. Image credit: Cunard*

More broadly, however, millennials are more interested in "living in the moment" than "owning a product," according to Luxe Analytics's Ms. Jain.

This preference for avoiding purchases is seen most sharply in the rise of the "sharing" economy, with players such as Rent the Runway, AirBnB and ZipCar. Rent the Runway, in particular, allows millennials to access an ever-changing luxury wardrobe for nights out without forcing them to fill up their closets ([see story](#)).

"Recent research reveals that at least three in four millennials prefer to pay money for an experience rather than a product," Ms. Jain said. "They would rather splurge on a lavish holiday or buy front-row tickets for a concert than spend on purchasing a car or home."

"Therefore, marketers need to create seamless a consumer journey that permits them to buy tickets, attend the show and share the experience across social channels," she said. "They should find ways of how more value can be added to consumers' experience."



*Rent the Runway and other disruptors are changing the fashion game. Image credit: Rent the Runway*

For luxury brands that specialize in selling products, fitting into this paradigm often entails creating immersive "pop-up" events to surround a product and expanding loyalty programs to offer exclusive experiences.

For instance, Cartier created a weeklong pop-up in New York that explored the five senses to showcase its jewelry and fragrance lines ([see story](#)) and Dior created another New York pop-up that consisted of various smaller pop-ups ([see story](#)).

## Social media

Mastering social media has always been a challenge for luxury brands that have historically stood at a remove from aspiring consumers to cultivate an exclusive mystique.

These days, however, poor performance on platforms like Instagram can be disastrous for luxury brands trying to reach millennial audiences, and companies that adopt too formal a style can be rejected.

Brands in different sectors thrive for different reasons on the platform. Auto brands, for example, can simply show glamorous shots of their vehicles for high engagement.

Fashion and beauty brands, on the other hand, generally have to tap elite influencers to make a splash on the platform. Brands including Balmain and Moschino have been able to leverage the cultural capital of their head designers for Instagram pages that look like highlight reels from celebrity after parties.



*Balmain's designs were created specifically for the Met Gala. Image credit: Balmain*

This obsession with celebrity culture is also why beauty lines such as Fenty and Kylie Cosmetics have become overnight successes.

Luxury brands have to stay on top of popular hashtags, memes and micro influencers who may be showcasing their products. Additionally, constant dialogue with followers helps to improve engagement rates among millennials.

Instagram has made it easy for brands to warm to the platform, especially with its introduction of shoppable ads ([see story](#)).

Other platforms such as Facebook and Sina Weibo help brands to engage millennials, and provide opportunities to reveal special offers and exclusive experiences.

Video storytelling is another crucial way to engage millennials, and Instagram once again is the premier platform for streaming and other videos.

[View this post on Instagram](#)

THANKYOU @yslbeauty #blackopium #feelthecall x @jonas\_lindstroem

A post shared by Presley (@presleygerber) on Aug 20, 2018 at 11:58am PDT

### *Instagram post from Presley Gerber*

Instagram Stories can show what the in-store experience looks like, allow followers to virtually attend a special event and break down barriers between physical and digital impressions of the brand.

"Luxury brands can successfully engage millennial consumers by understanding 'millennial state of mind' and developing innovative approach to entice millennial shoppers," Ms. Jain said. "They should offer a seamless, bespoke experience across online and offline channels through omnichannel marketing approach.

"They should harness the power of social media for storytelling and engaging the target group," she said.

### Forward looking

Millennials came of age as online and mobile shopping became mainstream. In other words, millennials are used to monumental shifts in the consumer experience and they are also eager to test out the latest technological breakthroughs.

While many luxury brands were extremely slow to adopt digital storefronts and other basic online shopping expectations, they have the opportunity to avoid the mistakes of the past by becoming early adopters of the emerging technologies of today.

Sometimes these technologies simply improve the security, transparency and efficiency of brands.



*Sephora works with ModiFace for augmented reality pushes for personalization. Image credit: Sephora*

"Luxury brands should work towards re-inventing consumers' shopping experience by understanding their pain

points, needs, desires and aspirations," Ms. Jain said. "They should embrace technologies such as blockchain, artificial intelligence, smart sensors, computer vision, chatbots and facial recognition to solve problems like counterfeiting, delayed check-outs, queuing, product navigation, waiting time for product returns, delays in online order pick-ups and late order fulfillment.

"The next frontier of luxury retail will seamlessly merge the physical and the digital to offer hyper-personalized experiences and provide operational efficiencies," she added.

For example, millennials expect to be able to walk into a store and have a bespoke experience enabled by the Internet of Things (IoT), with devices swiftly collating unique data points on the customer to inform a sales associate. At the same time, these consumers expect cross-channel shopping to be highly secure ([see story](#)).

While these investments will improve customer loyalty and the overall shopping experience, they are unlikely to garner major headlines.

For that, brands will likely begin investing in artificial intelligence and augmented reality programs. The ecommerce lifestyle retailer Yoox, for example, recently empowered an AI system to develop a fashion line after scouring the looks of various influencers ([see story](#)).

Automotive brands are at the forefront of AI adoption as they rush to develop the first commercial autonomous vehicles. Germany's Volkswagen Group recently unveiled technology for an autonomous parking program ([see story](#)).



*Automakers and brands in other sectors are embracing technology. Image credit: Audi*

Elsewhere, Mandarin Oriental introduced an autonomous robot called "Pepper" that greets guests and provides playful entertainment ([see story](#)).

These efforts are part of a much broader shift to transform the shopping and brand experience for millennial consumers and stay ahead of the technological curve.

"Today, luxury brands are trying to provide seamless bespoke experience to consumers across all touch points," Ms. Jain said. "But, they still need to work on eroding the boundaries between physical and digital."

Best practices for luxury brands appealing to millennials:

- Milton Pedraza, CEO of the Luxury Institute:
  - "Define your brand purpose and values. What do you stand for that matters in this world? Make sure your culture aligns with purpose and values and is empathic, trustworthy and kind to all constituents in the brand ecosystem."
  - "Make sure your product or service value proposition is relevant and compelling to consumers. Make sure you are truly environmentally responsible."
  - "Master and teach the skills of emotional intelligence and high performance relationship building within your teams and with consumers and partners."
  - "Leverage data, technology and artificial intelligence efficiently and effectively while keeping in how it can augment and enhance humans, not just replace them."
- Gabrielle Rein, cofounder and creative director of Viceroy Creative:

- "Be authentic. Find your statement. Follow a strategy that feels right for your fans and give the people what they want. Lead with artistry, creativity, passion and love."
  - Pam Danziger, CEO of Unity Marketing:
    - "Programming the human dimension into luxury brands' digital and in-store systems will require managers with skill sets acquired from anthropology or sociology, not necessarily in the computer science lab or the retail management track."
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