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## Luxury 2030, part 1: Gen Z goes mainstream and disrupts luxury

December 27, 2019



*So you think the luxury market is challenging now? Just wait until the year 2030 when Gen Zers become the largest spending group in the world. Image credit: Louis Vuitton. Illustration: Haitong Zheng/Jing Daily*

By [Daniel Langer](#)

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As we approach 2020, I will start to predict how luxury will evolve over the next decade.

The last five years have been characterized by some of the biggest changes that the luxury market has ever seen and in the shortest time frame. Entire industries are being challenged like never before and need to rethink how they do business through 2030.

Luxury car brands have been disrupted by electrification and the shift away from owning to sharing in cities around the world.

Luxury fashion has been disrupted by "social currency" and trends that emerge and disappear faster than ever before.

Luxury travel has been disrupted by the search for meaning and new experiences that established companies have a hard time delivering.

Luxury watchmakers have been disrupted by the increasing threat of smartwatches.

And luxury jewelry has been disrupted by fewer marriages worldwide, meaning fewer engagement and wedding rings.

Do you see a pattern here?

Chinese consumers have become the most important worldwide now accounting for 40 percent of the entire luxury market. They have a different profile from Western consumers: they are generally much younger (25-30 is the sweet spot), highly-educated and sophisticated, have high expectations, and are digitally native.

But this does not mean stores are obsolete to them. In fact, the opposite is true.

But a store cannot just be a transaction place anymore. It has to create a unique experience to have relevance with

young consumers.

I have written a lot about the need for brands to change their methodologies to successfully master these new challenges, but nothing companies have experienced to date will compare with is coming over the next decade.

We live in accelerated times, and the speed of change will only continue to accelerate. What made managers uncomfortable during the last five years will feel like a relaxing period when people will look back 10 years from now.

A big shift is coming courtesy of **Generation Z**. Most luxury brand CEOs will admit privately that they have a hard time connecting with millennials consumers who are currently between 20 and 40 years of age.

Yet those **millennials** are now the top group for luxury purchases worldwide, particularly in China, and that is threatening many brands' existence.

But the news does not get any better for these brands because, in 10 years, **Gen Z** will be on the verge of dethroning millennials as the most important luxury consumers and they are even more demanding.

Gen Zers grew up digitally connected. Their rite of passage will not be their first car it will be their first smartphone. Their life is entirely digital, and many Gen Zers are already tired of sharing their life on Snapchat or generating content for **Instagram**.

No generation has ever felt so much pressure to share moments, talk about them, and receive social confirmation.

I sometimes call them the "content creation" generation, the first generation to experience a lifestyle that is about social currency, social scores, and social recognition. This creates pressure and the desire to "escape," and the role of luxury is to offer escapes.

This is why branded experiences become more important than anything else.

For previous generations, luxury brands could get away with flawed experiences as long as they could make consumers believe that their quality, craftsmanship, and heritage was better than the rest. Those times are over.

Quality is simply expected now, and consumers know that whatever is the latest technology today will be replaced by something better in less than a year. That leaves experiences as the area for a competitive advantage.

In 2030, when Gen-Zers will account for the largest chunk of luxury spending, the ability to create a differentiating experience for that group will determine the fate of brands and companies.

Experience creation requires completely different skills than what most brands traditionally excelled. It requires a much more holistic approach where the customer is in the center of all strategies.

Today's companies are mostly product-driven rather than story-driven. Companies of the future have to build a strong brand story first and then create branded experiences from that story.

Looking at today's leading luxury brands, only a handful are fully prepared for this challenge. Radically different approaches will be necessary.

First, brands must adapt to their fast-changing consumer insights.

As the speed of change will accelerate exponentially, classic market research will completely lose relevance, and real-time insight generation technologies will take over.

**Artificial Intelligence** will evolve from a buzzword to a minimum necessity, and the ability to make sense of millions of data points will be the difference between success and failure. This is the competitive advantage of the future.

Second, insights need to lead to much faster and more precise actions compared to what brands do today. They need to generate relevant content that is authentic because content may change by the day or even by the hour. Therefore, precise branding and **brand storytelling** must improve drastically.

Rarely is a brand's story precise enough today, and by 2030, imprecise brand storytelling will make brands obsolete.

Many established brands will not survive the transition to Gen Z, as they will have to compete with a lot of new, Gen-Z-focused brands.

Initially, these might be indie or niche brands, but over time the sheer volume of these new brands will change the

game.

As they are born, they will come with new ideas, and many could originate from China to conquer the luxury world from China. Because of these brands, half of the current top-10 luxury brands will not exist in 10 years.

What those brands will have in common is the ability to connect with Gen-Zers in an authentic, relevant, insight-driven and content-focused way. Those brands will have a very precise brand story that combines rational framing with an emotional core. They will excel in optimizing the customer journey and making it distinct. This will create differentiated, highly relevant, and shareable experiences.

THIS IS WHAT luxury was always about: creating a once-in-a-lifetime experience and establishing an emotional relationship with a customer.

In its purest form, luxury is like a romantic relationship. It is intense and emotional. It creates desire, intimacy and a sense of belonging.

Does your **luxury brand** provide this love relationship today at every touch point? If the answer is no, your brand might not survive over the next 10 years.

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