

Digital-first Gen Z affluents pushing luxury to go virtual

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Afterworld: The Age of Tomorrow is a video game that was released in December 2020 from fashion label Balenciaga. Image credit: Balenciaga

By SARAH RAMIREZ

With younger consumers accumulating and spending more wealth, especially in Asia, luxury brands will have to adjust to ensure marketing strategies and digital offerings remain engaging.

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During the [Technology in Luxury Conference](#) on March 31, panelists discussed how changing demographics among ultra affluents are impacting luxury brands' approaches to marketing and retail. As luxury brands grow to understand how Gen Z consumers have different preferences and attitudes, they will have to adapt to build and maintain customer relationships.

"Younger fashion fans are arguably much less pliable to heritage luxury's traditional seduction techniques," said Katie Baron, director of brand engagement at intelligence firm [Stylus](#), London. "They're arguably more catwalk apathetic, and I think that is actually increasingly reflective of a sort of seasonal fashion scape we're moving into."

The event was hosted by Luxury Briefing. Tim Jackson, director of the British School of Fashion, moderated the panel.

Reliance on digital

According to research from Knight Frank, while the world's wealth hubs are still North America and Europe, wealth populations are growing the fastest in Asia, particularly China. This will have repercussions for luxury as a whole.

Knight Frank's Global Wealth report focuses on ultra-high-net-worth-individuals with more than \$30 million in net assets.

UHNWI from Asia are younger, experiential, environmentally aware and tech savvy. Essentially and critically, they do things differently than the older generations that currently manage the majority of wealth although the share of spending from Gen X and Baby Boomers is declining.

According to Andrew Shirley, editor of the Knight Frank Wealth Report, the different attitudes of the younger generation is influencing the firm's own approach to research.



Hermès has more than 25 stores in China. Image credit: Shutterstock

For instance, luxury handbags are becoming a popular investment class, particularly in China. Hermès handbags have topped the [Knight Frank Luxury Investment Index \(KFLII\)](#) for two straight years, with prices growing by 17 percent in 2020 alone.

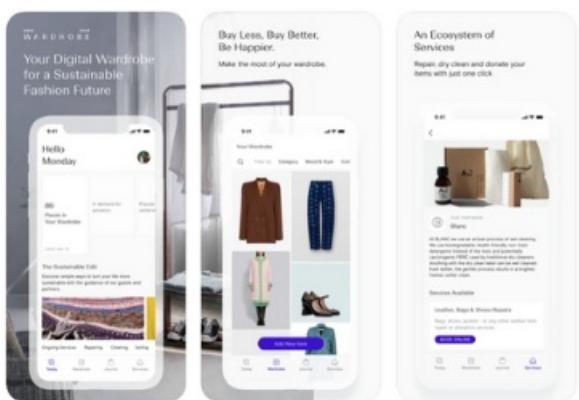
Luxury brands will have to continue to adapt to reach Gen Z affluents in the tech spaces where they thrive, according to Ms. Baron.

Virtual flagships will be key, as these can serve as legitimate spaces for socializing alongside compelling online experiences, from games to ecommerce.

This comes as digital fashion is growing in popularity, with more brands experimenting with crypto-collectibles and online avatars. Ms. Baron also argues that prestige brands have an advantage as they have the resources to deliver high-level visuals and in-game services.

Beyond gaming, luxury consumers are also developing digital wardrobes that allow them to track and view their clothing in virtual formats. The most advanced of these platforms also offer virtual services.

By investing in these tools, luxury brands can generate more revenue with post-purchase service opportunities, such as dry cleaning or clothing repairs. This will be vital as consumers become more mindful of sustainability and as the secondhand luxury market continues its rapid growth.



Save Your Wardrobe is one of the apps that digitally keeps track of user closets. Image credit: Save Your Wardrobe

Drop culture will also continue to evolve, by continuing to emphasize exclusivity in capsule collections as well as other categories such as art and other collectibles.

Finally, Ms. Baron predicts that luxury brands will take augmented reality another step further by introducing holograms to facilitate conversations that resemble in-person communications.

Physical spaces in a digital world

The growing value of digital spaces is also impacting physical spaces from their configuration to their perception.

The pandemic has accelerated the luxury real estate industry's move online.

Agents are now video conferencing with sellers and offering to connect them with buyers via virtual showings. Sellers are often taking the role of presenting the video on Zoom, Facebook Live or Instagram Live, while the real estate agents give audio tours ([see story](#)).

In China, WeChat is instrumental in helping luxury brands digitize physical shopping spaces.

British fashion label Burberry created an avatar of brand ambassador Zhou Dongyu with her voice helping users navigate digital recreations of physical boutiques. Another effort allowed users to follow a virtual animal elf completing different activities in the store.

Burberry also embraces omnichannel on WeChat, allowing users to make online reservations to the Thomas's Caf in Shenzhen and view photos from other visitors ([see story](#)).

"The physical and the digital will be key to delivering an elevated breed of ecommerce," Ms. Baron said. "This is going to be such an important factor, in my mind, in distinguishing the premium from the mainstream."

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