

MARKETING

Why do luxury brands misunderstand Gen Z in China?

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Gen Zers value nothing more in brands than clear values. Hence, brand storytelling has become more critical than ever before. Image credit: Shutterstock

By **Daniel Langer**

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Generation Z, those customers aged 25 or lower, are still the most misunderstood generation. And while many brands try to appear young at all costs, they are often seen as creating an inauthentic brand experience. Given this, it is critical to understand what really drives Generation Z.

Let us start with mindset. Gen Zers grew up quite differently than any previous generation. While this is true globally, it is particularly true in China, where Generation Z has strongly departed from past generations.

Having grown up in the one-child policy, they were cared for closely by parents and grandparents, and are the first generation that did not experience hardships.

Therefore, Gen Z has a more optimistic outlook than the previous generations. As a result, they are more willing to undertake expensive purchases and investments. It is the most luxury-affine generation that has ever entered the market and they see things differently.

At Pepperdine University, I have the privilege to teach and interact every year with dozens of Chinese students, most of them Gen Z or young millennials. Through in-depth discussions it becomes clear how cosmopolitan and sophisticated this generation is. This includes a profound knowledge about brands, their stories, the experiences they provide, in every detail. And many of these young Chinese purchase, or are well familiar with, some of the most exclusive and highest positioned luxury brands such as Hermès, Patek Philippe or Rolls-Royce.

In contrast to this, many brands think of Gen Zers often as "entry-level" customers, not as potentially their best customers.

Gen Z is the first fully digitally native generation. They were surrounded by and immersed in computers and smartphones and have had access to social media from their earliest days, dramatically shaping their experiences and interactions. It also allowed this generation unprecedented access to information and connections with people worldwide, from casual exchanges to their college education.

As a result, Gen Zers have a much more global view and broader sensitivities to culture, diversity and inclusion than previous generations. They have much greater access to information and trends from all over the world, shaping their preferences and viewpoints.

The biggest mistake in trying to appeal to Gen Z is to try at all costs to act as if a brand is extremely young or funky even if it does not fit the brand, e.g., through specific "young collections." Many legacy fashion brands tried this and failed miserably.

When a brand is not relevant to Gen Z overall, launching a seemingly youthful collection and hoping young customers will bite into the bait rarely, if ever, works.

On the contrary, because of their easy access to information, Gen Zers value authenticity. In fact, they expect brutal honesty and uncompromised authenticity from brands. That is a weak spot for many established brands that are used to a careful "corporate communication" approach, where every word is so carefully chosen that consumers often cannot feel any authentic connection.

As a result, from the viewpoint of younger audiences, many incumbent brands seem out of reach, inauthentic and distant. A different, authentic, inclusive, and spontaneous way of interacting with Gen Z is needed.

I remember a discussion with Cedric Charbit, CEO of Balenciaga, during the New York Times Luxury Conference in Hong Kong. In the dialogue, he stated that even a paradigm shift would be necessary in which luxury brands take significant risks. They must have a clear position, even on politically controversial topics. That Gen Zers want substance and not just pretty faces. This is pivotal.

An implication for luxury brands is to be daring and stand for something in an unapologetic way. Gen Zers value nothing more in brands than clear values.

Hence, brand equity, brand positioning and brand storytelling have become more critical than ever before, leaving many incumbent brands at significant strategic disadvantage. I estimate that up to 90 percent of luxury brands today need to overhaul their brand storytelling to be seen as relevant by Gen Zers.

This explains why just launching a younger line without working on brand equity has zero impact. Worse, it may decrease the relevance further because there is more confusion than clarity always a bad idea.

Adding fuel to the fire, many brands still confuse "talking about sustainability" with being sustainable. Gen Z is the first generation that is starting to vote with their wallets when they do not believe that a company is sustainable. Moreover, ESG pressure by investors made many brands seemingly focus more on this. However, it will backfire with the youngest customers if brands do not walk-the-talk.

Gen Z is a dream generation for luxury brands. They see themselves as "personal brands" and spending up to nine hours a day online creating social media content makes them master brand builders for themselves.

Many are extremely familiar with **crypto and NFTs**, accelerating a rapid change in new luxury categories with which previous generations have struggled.

The question for luxury brands is: do they deploy the right strategies to be relevant? Are they able to inspire a generation that combines admiration for the best brands in the world while also desiring disruption? Are they able to create bold moves while still be "on brand?" Only then will the dream generation not become a nightmare for them.

This is an op-ed article that reflects the views of the author and does not necessarily represent the views of Jing Daily.

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