

MARKETING

Gen Z, millennials, big brands driving luxury

July 14, 2022



Gen Z and millennial shoppers will continue serving as a driving force in the luxury market. Image credit: FreedomPay

By KATIE TAMOLA

As the luxury market evolves, some circumstances remain the same, including the space's immense ability to grow.

Subscribe to **Luxury Daily**
Plus: Just released
State of Luxury 2019 **Save \$246 ▶**

After the luxury market not only survived COVID-19 but saw record sales during the pandemic, it became evident that the industry is resilient. During *Luxury Daily's* "Five Trends in the Luxury Goods Industry" webinar on July 13, editor in chief Mickey Alam Khan addressed explosions in wealth, how big brands are getting bigger, China's influence, continued investment in digital capabilities and the driving power of young consumers.

"These luxury houses have basically invested so much in their marketing, advertising, that they've earned the trust of existing customers and prospects," Mr. Alam Khan said.

Trends driving luxury

When considering how the luxury market has thrived, a critical factor has been its consumers. For many, it begins with having an excess of cash.

Ostensibly, there has been an explosion in wealth the wealthy have grown even wealthier.



Big brands are getting even bigger. Image courtesy of Louis Vuitton

As consumers' circumstances are different across the board, many have seen their personal wealth grow in different ways, whether it is fueled by the stock market, investment pay-offs or monetary transfers from family members.

Nearly \$30 trillion has been created in wealth worldwide over the past few years.

Another trend permeating the luxury industry is big brands growing even bigger.

Brands and conglomerates such as LVMH, Kering, Richemont, Hermès, Chanel and more have spent so much time and put so much thought into cornering the best real estate for their offerings. They have carefully and voraciously selected key locations to reach existing and new customers.

These brands have also fostered powerful and effective digital presences, implementing groundbreaking digital features such as AR, VR, virtual try-ons, NFTs and more. Social media, especially popular platforms including Instagram and TikTok, has also served as an effective tool in fostering community and attracting crucial audiences such as Gen Z and millennials.

Considering smaller independent luxury brands cannot match these brands' marketing budgets, they must exhibit great creativity, resilience and dedication in reaching consumers.

One cannot contemplate the success of the luxury market without the vast contributions of Chinese consumers.

Brands must keep in mind that Chinese consumption of luxury is now almost one-third of global sales. They must continue catering to Chinese consumers through a mix of digital and in-store offerings and have strong presence on platforms such as Tmall, which are immensely popular.

Retailers and brands must also be cognizant of the fact that the Chinese government and its consumers can be easily put off by stereotypes and negative characters. Chinese consumers are sensitive to how their culture is portrayed, and brands must be thoughtful and respectful.

When ensuring that one's understanding of the luxury market is well-rounded, one cannot ignore the massive role of the digital market, as ecommerce and mobile commerce account for 25-30 percent of global luxury goods and services revenue.

Brands must make sure they have a tremendous presence online, from their own Web sites and social media channels to ensuring they are well-served on department stores' and retailers' websites.

Organizations must also balance their online offerings with a sense of exclusivity, beckoning consumers to travel into physical locations for certain items and experiences.

Ownership of first-party data, such as email and direct mail lists, is crucial. Adding personal touches with things including hand-written notes to loyal customers can also go a very long way.

Youth is the future

The continued success of luxury is largely reliant on Gen Z and millennial shoppers. As [Forbes](#) reports, millennials will make up 50 percent of luxury sales by 2025, and Gen Z shoppers already account for nearly 10 percent of the market.

Consumers under the age of 40 are driving the sales of luxury goods and services worldwide, so it is absolutely crucial that brands and retailers understand what these populations value and place emphasis on.



Gen Z and millennial shoppers prioritize sustainability. Image credit: Shutterstock

Gen Z and millennial shoppers prioritize several disparate values, including diversity, inclusion and sustainability. As Generation Z grows up and gains more purchasing power, this cohort's values will contribute to shifts in luxury spending.

In a webinar hosted by *Business of Fashion* last September, fashion industry experts discussed how Gen Z consumers have shifted luxury as a whole towards more value-driven spending. In particular, sustainability is one of this group's guiding tenants ([see story](#)).

These populations are adept at identifying genuine efforts and initiatives too, so it is important that brands appear authentic and ethical to their cores.

Companies need to be cohesive and work together to create a seamless brand image. Marketing initiatives should have real substance behind them, communicating values systems, instead of being artificial ([see story](#)).

"When we talk about sustainability, it's serious stuff to them [Gen Z and millennials]," *Luxury Daily's* Mr. Alam Khan said.

"They will know that when they're spending \$500 or \$1,000 or \$5,000 on a luxury goods product that the environment wasn't damaged, that there wasn't too much runoff from the dyeing process that went in and polluted the streets and that the tanning process was not harmful to the environment," he said. "Or when you're mining those diamonds that you didn't pollute the water or you gave the laborers a good daily wage and those things matter."

© 2022 Napean LLC. All rights reserved.

Luxury Daily is published each business day. Thank you for reading us. Your [feedback](#) is welcome.