

MARKETING

How China's Gen Z threatens luxury as we know it

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There are two critical dimensions brands need to focus on to be successful with Gen Z: mindset and aesthetics. Labels must have both to stay relevant. Image credit: Shutterstock

By [Daniel Langer](#)

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One of the biggest disruptors ever for the luxury industry is a new generation that has a drastically different worldview than previous ones: **Generation Z** is massively changing the face of luxury brands worldwide.

While some groups such as Gucci, Balenciaga, IWC and Louis Vuitton in particular, have already, at least in part, reinvented their previous business models and gained significant traction with their younger customers, many others are still struggling.

And some brands underestimate the quantum shift or are not even aware of what is happening.

I vividly recall a meeting with executives from a traditional luxury company who seriously asked the question why they need to focus on Gen Z as they do not have any Gen Z customers. My response: if today less than 10-15 percent of their sales are with Gen Z, then they risk being obsolete by the end of the decade.

Consumers will not "grow up" and suddenly change their brand preferences. If there is no relevance today, there will not be tomorrow. Because by the end of this decade, Gen Z will have replaced millennials as the number one customer group for luxury.

In my view, there are two critical dimensions that brands need to focus on to be successful with Gen Zers: mindset and aesthetics. Both are equally important.

Let us start with the mindset.

Generation Z consists of customers 25 years old or younger. They grew up quite differently than any previous generation. While this is true globally, it is particularly true in China, where the cohort has significantly departed from past generations. They grew up in the one-child doctrine, were cared for closely by parents and grandparents, and are the first generation that did not experience hardships. Therefore, they have a more optimistic outlook than the previous generations.

While they care about social impact and pollution, **sustainability** is not the most critical purchase driver, at least not yet. As a result, they are more willing to undertake expensive purchases and investments. It is the most luxury-affine generation that ever entered the market. And they see things very differently.

Gen Z is the first fully digitally native generation. They were surrounded by and immersed in computers and smartphones and 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.

And Chinese Gen Z fully embraces local brands with the result that in entire categories the preferences, in terms of aspiration, are shifting from European brands to their Chinese counterparts at a rapid speed never observed before. Nike and adidas are feeling the pressure from **Anta and Li-Ning**.

According to various media reports last week, one of the reasons for Volkswagen firing its CEO, Herbert Diess, was the significant market share loss of the group in China, with the *Financial Times* writing that the sub-par software and poor digital user experience, as well as a lack of in-demand features such as in-car karaoke, was becoming a no-go for young Chinese customers.

If the car industry can be disrupted by brands such as Xpeng or Nio and the influential sportswear sector shaken up by homegrown players, then no market is safe.

Time for especially the smaller and less well-positioned western brands to be much more customer-centric towards Chinese Gen Z to avoid becoming irrelevant with its rise.

When it comes to aesthetics, the biggest mistake in trying to appeal to Gen Z is to try at all costs to act as if a brand is young, e.g. through specific "young collections." Many legacy fashion names have tried this and failed miserably.

If a brand is not relevant to Gen Z overall, then just launching a funky collection and hoping young customers will take the bait is a bad idea.

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

Many western managers need to step up their game in developing better cultural empathy to support their China colleagues and understand the country's customer mindset in greater detail.

Lastly, the **storytelling** of luxury brands becomes increasingly critical.

In an algorithm-based world of social media channels, where it is not as important how many followers or friends you have but how entertaining and relevant your content is, brand storytelling is the most important enabler for creating **extreme customer value**.

With the rapid rise of web3, this will become the differentiator between brands that are doomed and the leaders of the future. A new savoir-faire in luxury that needs ultra-fast and extremely profound implementation.

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

*Named one of the "Global Top Five Luxury Key Opinion Leaders to Watch," **Daniel Langer** is CEO of the luxury, lifestyle and consumer brand strategy firm **quit**, and the executive professor of luxury strategy and pricing at Pepperdine University in Malibu, California. He consults many of the leading luxury brands in the world, is the author of several best-selling luxury management books, a global **keynote speaker**, and holds luxury masterclasses on the future of luxury, disruption and the luxury metaverse in Europe, United States and Asia. Follow **@drlanger***

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