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New breed of consumer shakes up luxury fashion

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By [Ed Jay](#)

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What a difference an economic cycle makes. As luxury fashion springs back to life following the recession, the profile of the luxury consumer has changed in surprising ways, and luxury retailers are taking notice.

Along with the resurgence of the luxury fashion market, we saw the emergence of a new shopper in luxury fashion who had not purchased luxury items prior to the recession.

These consumers, whom we call “luxury newcomers,” are responsible for fueling much of the growth in luxury shopping, accounting for 61 percent of the total consumers spending in this category, according to our spending data.

Moreover, this new breed of luxury consumer comes with enormous spending power.

Y not

Purchases by luxury newcomers accounted for 33 percent of luxury retail spending coming out of the recession, representing a big opportunity for luxury retailers to grow their brand.

The luxury newcomers also do not look like the luxury shoppers of the past: they are

increasingly younger and – perhaps surprisingly – male.

In fact, the newcomers consist largely of Generation Y, a younger group of consumers with a large percentage of disposable income.

The Gen Y consumers are demonstrating that they value high-quality products at a younger age than the traditional luxury consumer. They are also more spontaneous and frequently experiment and explore new brands.

These spending habits stand in direct contrast with those of the traditional luxury consumer, who are characterized by more consistent spending behavior and brand loyalty.

Although Gen Y represents the smallest share of luxury consumers, the group has increasingly shown a willingness to spend their hard-earned dollars on big-ticket luxury items.

For example, Gen Y consumers increased spending on premium luxury fashion by 33 percent in 2011 over the year prior. They also increased spending on full-priced online luxury retail by 31 percent in 2011 over the year prior.

Additionally, Gen Y led spending ahead of older generations in the jewelry category with an increase of 27 percent for 2011 compared to the previous year.

Strong ticket

The effect of this younger generation has caught the attention of retailers, including luxury watch brand Tourneau.

In fact, at the National Retail Federation Annual Conference & Exhibition in New York this past January, Don McNichol, senior vice president at Tourneau, explained that Gen Y increasingly accounts for a larger percentage of the luxury newcomer and their entry price point has risen significantly.

Men have also started to play a more active role in luxury fashion. They have a disproportionate share of spend given their number of transactions, which means they are making bigger ticket purchases.

Men's spending growth in clothing and luxury is also stronger than women's.

WHILE THE TRADITIONAL luxury consumer remains important for luxury brands, the newfound purchasing prowess of Gen Y spenders and the growing category of male shoppers makes these two groups the interesting demographics to watch as they continue to increase spending and grow their share of the luxury market.

And, as the profile of the luxury consumer continues to change and diversify, luxury retailers will need to rethink their marketing strategies, adjusting them to attract the luxury newcomers.

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