



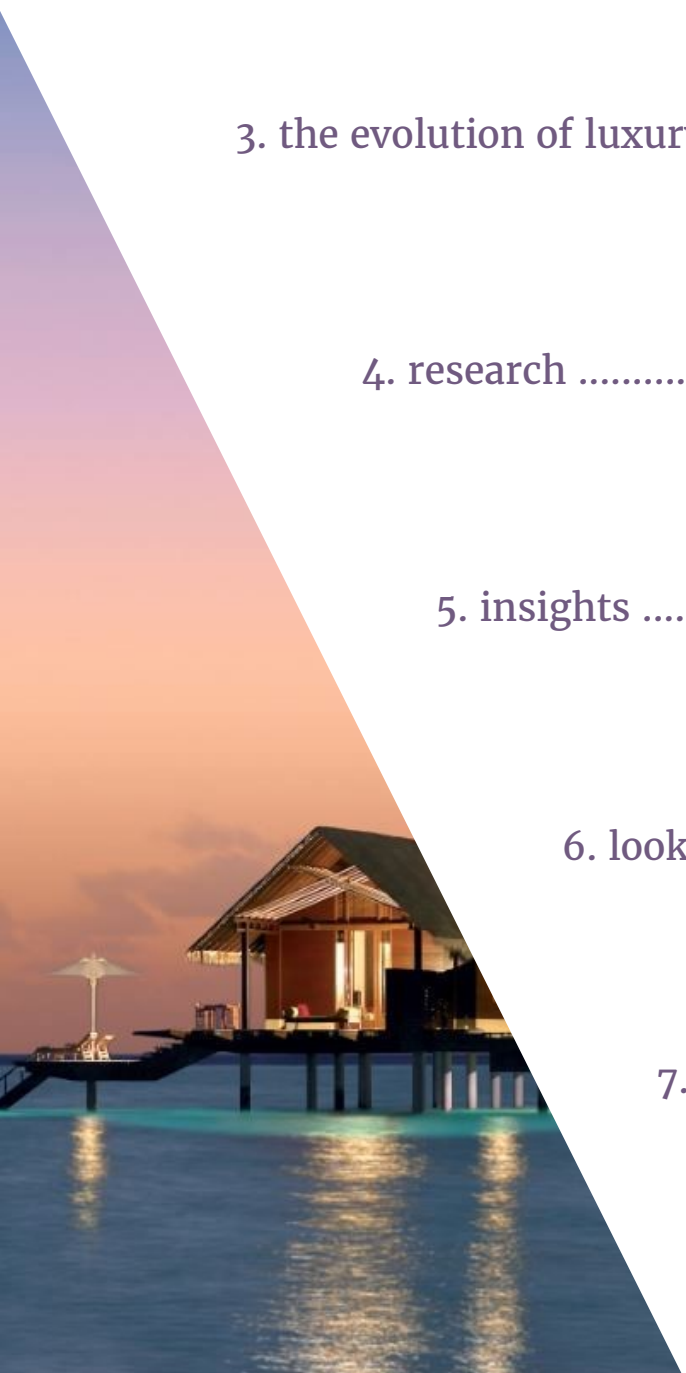
EXPLORING THE MEANING OF LUXURY TO GEN Z

a firsthand exploration of
post-millennial consumption & aspiration

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1

INTRODUCTION

background. core question. definitions.

1. INTRODUCTION

MILLENNIALS ARE THE MOST RESEARCHED AND MARKETED TO GENERATION IN HISTORY.

But for forward-thinking brands and marketers, what—or who—is next?

In an age when marketers are spending five times more to reach Millennials than all other demographics combined (Swant 2015), Generation Z, Millennials' entrepreneurial and diverse younger siblings born from the mid-1990's to 2010's, are quietly becoming one of the most powerful consumer segments in the U.S. and around the world. Despite the fact that most brands are still clamoring for their piece of the Millennial pie, Generation Z is already influencing a staggering \$829 billion in household spending in the U.S. alone (IBM 2017). Diverse, ambitious and predicted to account for 40% of the population in key current and emerging luxury markets (Europe, the U.S. and BRIC countries) by 2020, they are heralding a new age of consumption.



Former spokesmodel for Chanel Eyewear, Lily-Rose Depp (b. 1999) is just one of a new wave of teen celebrities influencing the world of luxury and high fashion (George-Parkin 2016).

At the same time, the world of luxury goods and services is rapidly evolving. Conventions of affluence, status and exclusivity have been overturned by seismic shifts in the category and in culture. Objects of status and desire are being redefined as aspiration moves away from the ownership of goods toward access to fulfilling and transformative experiences.

Aware of these cultural and categorical trends, I became curious about both the future of luxury and Generation Z as a consumer segment. As I began to explore the growing body of literature on Gen Z for potential topics of exploration for my thesis and was simultaneously apprenticing with a brand agency that specializes in premium and luxury brands, I discovered a little explored territory at the intersection of these two segments. Although a wealth of information exists on the perceptions and expressions of luxury today among Baby Boomer, Gen X and Millennial consumers, very little research has been conducted on the unique meaning of luxury consumption to the emerging Generation Z cohort. Thus, the crux of my study became:

“What does luxury mean to Generation Z?”

*What objects and experiences do they associate with indulgence? What do they consider to be worth a premium?
How is status earned, displayed and interpreted among them?*

After conducting a comprehensive audit of existing literature, I was still left many questions. I didn't want to limit my inquiry and analysis to the conventional avenues of checkbox surveys yielding one-dimensional data—I wanted to explore the underlying beliefs and value systems that drove consumption attitudes and behaviors. As a member of Generation Z (and a college student without a research budget), I decided to talk to my peers about luxury and aspiration in their language, simply asking them what they aspired to—what they aspired to own, what they aspired to do and what they aspired to be. While my limited sample was certainly not representative of the generation as a whole, their insightful responses, when triangulated with quantitative secondary sources and qualitative cultural context, help to paint a richer picture of the “why's” behind this next generation of consumers. And while every generation likes to believe that it is unique, the more that I read, the more I am convinced that our generation's complex and nuanced “why's” will have a particularly profound impact on luxury consumption in the years to come.

ACKNOWLEDGEMENTS

As a student in the M-School Institute of Marketing at Loyola Marymount University's College of Business Administration, I am fortunate to be in a program of study that has exposed me to real world branding and advertising projects and industry mentors through close relationships with leading agencies. As an apprentice with the strategic planning group at Team One, Publicis Groupe's luxury brand agency, I am also lucky to be surrounded by experts in luxury brand marketing. As a result, there are many advertising industry mentors who have encouraged and inspired me to explore this topic, including M-School codirectors and instructors, Professor Matt Stefl and Dr. Andrew Rohm and my apprenticeship mentor at Team One and the agency's Chief Strategy Officer, Mark Miller.

As my faculty advisor, Professor Matt Stefl played an integral role in bringing this project to life. A 15-year veteran of the advertising industry, Matt most recently served as EVP and director of strategic planning at Dailey & Associates. From helping me hone in on my thesis topic to directing me to relevant industry reports and advising on research design and synthesis, he was invaluable throughout the process.

Cultural anthropologist, Steven Garcia who was coincidentally both a guest lecturer at the M-School and now works at Team One also helped me throughout the project. I consulted Steven periodically over the course of the project, even shadowing him on two ethnographic interviews for his own thesis for his M.S. in applied anthropology at the University of North Texas. Steven provided very practical insight into the methodology, design and analysis of the ethnographic approach in marketing and directed me to valuable resources on cultural anthropology in the private sector. Similarly, senior strategic planner, Teresa Cruz who spearheads Team One's Global Affluent Leadership Tribe research and thought leadership platform, contributed her expertise on trends in luxury consumption and brand marketing to help me formulate my review of literature and interview guide questionnaire.



M - S C H O O L
I N S T I T U T E O F
M A R K E T I N G
A T L M U | L A

WHY GENERATIONAL SEGMENTATION?

Widely popularized by generational researchers William Straus and Neil Howe in the 1990's, generational segmentation has been utilized by social scientists, policymakers, and business strategists for decades (New Strategist Press 2013). It is predicated on the assumption that a birth year-defined cohort's shared events and experiences during the formative years of childhood and adolescence cause the group to develop "similar preferences, ways of thinking and patterns of behavior" (Klaer 2016: 2). Thus "a group of people bound by the kinship created through shared events that changed the society in which they grew up," coalesce over time to form a generation (Merriman 2015: 3).

The events and experiences that define a generation may be political, economic, social, technological or environmental in nature. For example, national or international catastrophes such as war, major natural disaster or financial recession will often shape a generation's attitudes and behaviors. Conversely, advancements in technology and society such as increased access to information, communication and education also play a crucial role in molding generations (New Strategist Press 2013). When over-relied upon, generational segmentation runs the risk of reductionist oversimplification and generalization. However, when layered on other methods of marketing analysis, generational research provides valuable insight into high level trends, sentiments and cultural shifts.



Jewelry designer, Choichung Leung and her daughter, Gen Z influencer and model, Sahara Lin (b. 1997) pose for Refinery29.



DEFINING GENERATION Z

Although like all generational segments there are no universally accepted birth years that clearly define Generation Z, leading business consulting and market research firms including IBM (2017: 1), KPMG (2011), Euromonitor (2017: 12), Marketo (Jones 2014), Vision Critical (2016), and one of the pioneering agencies of Gen Z research, Sparks & Honey (2014), commonly define the cohort as beginning in 1995 and spanning until the mid 2010's or today. Based on this definition, many of Generation Z's oldest members (myself included) are graduating from four-year colleges and universities and entering the workforce full-time this year. This research focuses on members of the cohort born between 1995 and 1999, currently ages 18 to 22, to provide a glimpse into a more homogenous post high school early adulthood life stage.

In addition to the work of previously mentioned industry thought leaders, this paper draws upon several secondary research sources that differ marginally in their definitions of the Generation Z cohort (no more than two years). Other monikers referring to the demographic born in the mid to late 1990's include: Gen We beginning 1996 (Iconoculture 2017); iGeneration beginning in 1997 (Schneider 2015); Pivotal beginning in 1997 (Swartz 2017: 6); and Centennials beginning in 1997 (Inskip 2016). These terms are often used interchangeably.

Top to bottom: Gen Z influencers: 18-year-old engineer and entrepreneur George Matus; 18-year-old rapper Kodie Shane; 18-year-old professional gamer; Sumail Hassan; and 20-year-old model Barbie Ferreira (Matus, Hassan and Ferreira were featured in TIME Magazine's list of "Most Influential Teens" in 2016).

DEFINING LUXURY

Luxury has always been complex and multifaceted, taking on a myriad of diverse meanings to different individuals whether associated with status, wealth, extravagance, indulgence, reward, escape, comfort or mobility. Perhaps most commonly, luxury is conflated with wealth that affords the ownership of premium goods and services. As a result, luxury has traditionally been thought of as a category of goods and services restricted to an elite few who can afford them rather than accessible to many.



However, today's luxury is far more diverse, multifaceted and complex than ever before.

Seismic trends in both business and culture over the past few decades have broadened access to goods and services that were traditionally considered to be luxury (Silverstein 2003). Thus, today's luxury is more difficult to define today than ever before. The primary research component of this study examines luxury broadly in the context of indulgence, leisure, status and aspiration, seeking to explore attitudes that may develop over time rather than exclusively viewing luxury through the lens of a price tag or income bracket.



DEFINING THE ETHNOGRAPHIC APPROACH

Ethnography, the study of culture, originates in cultural anthropology but has gained traction in the private sector over the past few decades. Ethnographic user experience researcher and author of *Practical Ethnography: A Guide to Doing Ethnographic Research in the Private Sector*, Dr. Sam Ladner attributes the popularity of the approach in the business world to two factors: first, because it is “conducted in context” it provided new insights into use cases, preferences and other valuable observational points that may be missed by traditional market research. Second it takes the rare approach of defining and seeking to understand the world from its participants’ point of view (Ladner 2014: 17). Although I have designed and analyzed my research from the ethnographic approach, my project is not representative of a true ethnography which often involves months and even years of in situ research.

A shop-along Abbott Kinney Boulevard in Venice with research participants, Edan & Esther, (b. 1995) LMU undergraduate students from Manhattan Beach and Guangzhou.

“THE
ETHNOGRAPHIC
METHOD IS STEEPED
IN THE PATIENT APPROACH
TO DOCUMENTING SOCIAL LIFE
AND MAKING INTERPRETATIONS
ABOUT ITS MEANING.” (LADNER 2014: 16)



2

GENERATION Z

*five transformations that make
them different from millennials*

2. GENERATION Z

MARKET SIZE & INFLUENCE

“We will end up looking more like iGen than they will end up looking like us.”

– Jason Dorsey, Founder & CEO, Center for Generational Kinetics, TEDxHouston 2015

As of 2016, Gen Z comprised a staggering 25% of the U.S. population. By 2020, it is predicted to account for 40% of all U.S. consumers (Holland 2016). Despite the fact that many of its members are not old enough to drive, vote or work full-time, these ever-connected, hyperaware global citizens are already having a profound impact on society’s beliefs and behaviors—and their influence only continues to grow. In 2016, Euromonitor estimated that the three- to 12-year-old cohort in the U.S. alone had an estimated spending power of \$43 billion* annually (WARC 2016: 2).

By 2018, Generation Z is predicted to control \$200 billion in direct spending.
(Warc 2016: 2)



BUT THEY'RE NOT MINI-MILLENNIALS.

As marketers prepare for this emerging market segment, one misconception that many hold is that Generation Z is identical in behaviors, beliefs and attitudes to Millennials (VisionCritical 2015: 5). In reality, both qualitative and quantitative research over the past several years suggest that some fundamental—perhaps even polar—differences in the values, beliefs and behaviors of these segments. While Millennials are digital migrants, Gen Z’s are the first true digital natives. While Millennials are characterized as idealists, Gen Z’s tend to be more sober-minded realistic. Culturally, Generation Z is characterized as self-directed, ambitious, brand-wary and socially conscious, resembling the Silent Generation (the generation prior to Baby Boomers) more than any other (Williams 2015).

For clarity, I have synthesized the most salient insights of my review of literature into five key ways that members of Generation Z see the world differently than Millennials.

*Estimation of gift and allowance money directly controlled by 3–12-year-olds. Large scale quantitative data on Gen Z’s independent income and direct expenditure is currently limited because 1) the majority are still members of their parents’ households and 2) The Bureau of Labor Statistics and United States Census Bureau’s publicly available data sets group younger Millennials and older Generation Z members into one demographic (age 15–29).

Photos: Previous page: Gen Z fashion influencer & model Luka Sabbat (b. 1997) is described by The New York Times as a “hooked up yet wholesome cool kid.” (Tom Ford custom designed his prom suit). Above, American rapper Astro (b. 1996) and Japanese supermodel Rina Fukushi (b. 1999) are archetypical Gen Z influencers.

1. THEY SEEK STABILITY—NOT SPONTANEITY.

Despite growing up unsheltered from change, Gen Z craves consistency.

In sharp contrast to Millennials' penchant for novelty, Generation Z longs for stability, control and familiarity (Altitude 2016: 9). Having grown up in a post-9/11 world of escalating political insecurity, terrorism and school shootings, Generation Z has had its sense of safety challenged from a young age (Merriman 2016: 5). Unlike the generations that came before them, however, members of Gen Z could not be shielded from shocking messages by their parents. Rather, they are exposed to a constant, uncensored, and real-time stream of current events on the web.



Though they've grown accustomed to instability, around them they crave predictability and safety (Klaer 2016: 8). Their risk aversion is evident in their habits and behaviors as well. Highly cautious and conscious of their decisions' implications on themselves and others, Generation Z is much less likely to engage in the risky behaviors that were considered teenage "rites-of-passage" by Millennials and members of Generation X at their age (Altitude 2016: 10). Teen drinking, smoking, drug use and pregnancy are at their lowest rates in decades and 69% of older members of Gen Z (born 1995-1998) considered their parents to be their top role models (Northeastern University 2014: 8). But safe doesn't necessarily mean boring—Generation Z still wants to experiment and explore as long as there's a purpose and a plan.

2. THEY'RE FRUGAL PRAGMATISTS—NOT ENTITLED IDEALISTS.

Having never experienced a flourishing economy, they exude frugality reminiscent of their grandparents'.

Members of Generation Z tend to be more pragmatic (Euromonitor International 2017: 15), future-oriented and fiscally-conservative (Altitude 2016: 16) than their Millennial counterparts. They tend to be highly aware of their family's financial situation from a young age and are very comfortable discussing money (JWT 2015). Having seen the pitfalls of their Boomer and Gen X parents in the Great Recession, they are debt-averse savers with 83% believing "saving money is important at this stage in their lives" (Altitude 2016: 18). In 2015 American Express noted that teen savings rates were on the rise, with the most common savings goal being college tuition (Euromonitor International 2017: 14). Some articles paralleled their financial attitudes and habits with those of the Silent Generation (b. mid-1920's-mid-1940's) who were born into the Great Depression.

When it comes to planning for their futures, they are acutely self-aware, knowing their constraints and searching for practical solutions to live within them (Inskip 2016). One study noted that "whereas Boomers raised Millennials to believe they could do anything, Gen X taught their children pragmatism—encouraging them to work and think strategically, build practical skills, and get comfortable making trade-offs" (Altitude 2016: 16). This sense of sober-minded pragmatism is evident in their concerns about their financial futures. With the stagnant job market and rising cost of college far outpacing inflation, 67% of 16- to 19-year-olds polled in 2014 reported that they were concerned about being able to afford college and 64% were concerned about finding a job (Northeastern University 2014: 1).

3. THEY'RE ENTREPRENEURIAL CREATORS—NOT PASSIVE AGGREGATORS.

While Millennials curate, Gen Z creates.

In the online lives of Generation Z, content creation is social currency. While Millennials are apt to collect and share media on platforms like Facebook, Spotify and Pinterest, Gen Z's prefer and expect to create and share their own content. They are fluent in photos, videos, GIFs and animations and expect two-way dialogue when engaging with brands and media outlets. These preferences are perhaps best exemplified in their obsession with original content social media platforms such as YouTube, Music.ly and Snapchat (Holland 2016).

Generation Z's passion for creation translates even into its educational and occupational preferences. Entrepreneurial self-starters, more than 4 in 10 members of Generation Z expect to work for themselves in the future as opposed to working for someone else and nearly 2/3 believe that colleges should teach students how to start a business (Northeastern University 2014: 1). Whether for work or for play, Gen Z's are creative self-starters with all the information they need at their fingertips.



American tech entrepreneur George Matus (b. 1998) began prototyping drones at age 11.

4. THEY SEEK PERSONAL ACHIEVEMENT—NOT EXPERIENCES OR THINGS.

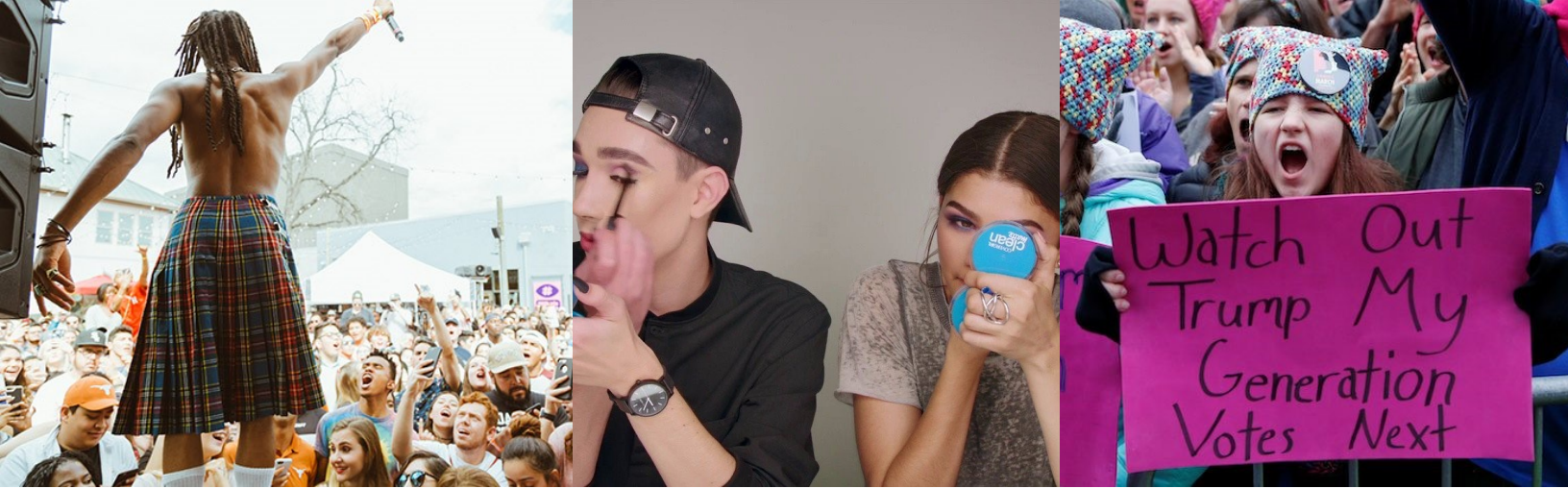
While Millennials prefer to live in and for the moment, Generation Z pursues personal success with an eye toward the future.



Defiantly rejecting the stereotype of the self-gratifying, entitled and underemployed Millennial living in his parents' home, Generation Z holds work ethic and independence in high esteem, considering career success a coveted status symbol despite the fact that they are far from adulthood (MG2 2016). More than half of Generation Z members surveyed by marketing consultancies Barkley and FutureCast agreed that “personal success is the most important thing in life”—almost 10% more than Millennials and other generations (Swartz 2017: 15). Achievement is core to their identity as a generation and as individuals.

Unlike Millennials, affluent Gen Z's are not content to ride the coattails of their parents or attribute their success to fortunate circumstances. Even well-off members of Generation Z have a strong need to feel they “earned it” themselves. In fact, 69% believe that “becoming a success is a matter of hard work; luck has little or nothing to do with it” (Swartz 2017: 15). And their confidence in their own work ethic is apparent. 80% of high schoolers believe that they are more driven than their peers (Jones 2014).

Photo: American Olympic gymnast, Gabby Douglas (b. 1995) graces the cover of Teen Vogue.



5. THEY'RE INTEGRATED COLLECTIVISTS—NOT TOLERANT INDIVIDUALS.

Unlike the segregated, tolerant and even multicultural generations that came before them, Generation Z is blended—fluid in definition of self and other.

The most global and ethnically-diverse generation in history, Generation Z is coming of age in a time when racial, cultural, sexual and religious inclusion are norms to be expected—not progressive milestones to be lauded. As intergenerational researcher Jason Dorsey noted, “They are so diverse, they do not see diversity unless it’s absent.” Most members of Gen Z will not remember a time when there had not been a black U.S. president, same-sex couples did not have equal rights and gender fluidity was not a mainstream concept (Aitken 2016). While Millennials rejected the restrictive social norms that their parents and grandparents dared not challenge when they came of age, members of Generation Z did not consider themselves obligated to these expectations in the first place. They steer clear of associating with binaries and categories preferring fluid and multidimensional identities.

Gen Z’s pride themselves in being open-minded, respectful and accepting of their peers’ choices (Northeastern 2014: 10). Having been exposed to a wide gamut of information from a young age, they tend to be being more comfortable discussing traditionally taboo topics such as unplanned pregnancy and sexual orientation than members of previous generations were at their age (Swartz 2017: 12). Ironically despite their perceived open-mindedness and the breadth of information they have access to, they are highly susceptible to becoming trapped in echo chambers of virtual and real friends who share their opinions and beliefs. Perhaps this is because their social lives revolve so closely around feeds tailored by algorithms to reflect their own interests.

Gen Z tends to take an altruistic and collectivist outlook on their role in society, being empathetic, intuitive and informed members of the community and feeling a strong sense personal obligation to improve their communities (Merriman 2015: 3). 60% want to change the world for the better and 55% put their belief into action through volunteering commitments (Northeastern University 2014: 8). Despite their conservative behaviors, they skew extremely liberal on social issues and don’t shy away from political and social justice discussions, in which they are outspoken both online and offline (Northeastern 2014: 9).

L-R photos: Bay Area rapper, Duckwrth performs for Millennial and Gen Z fans at an Urban Outfitters sponsored concert wearing a kilt; A Cover Girl YouTube beauty tutorial features the brand’s first ever “cover boy,” James Charles (b. 1999) and former Disney star Zendaya (b. 1996); and a young protester at the International Women’s March on January 21, 2017.

KEY TENSIONS

CONSERVATIVE IN BEHAVIOR

YET LIBERAL IN BELIEF

MULTIFACETED INDIVIDUALS

YET BLENDED COLLECTIVISTS

PRAGMATIC

YET HOPEFUL

GENERATION Z CAN'T &
WON'T BE CONSTRAINED
TO BINARY IDENTITIES.



THE EVOLUTION OF LUXURY

five ways luxury is changing today.

3. THE EVOLUTION OF LUXURY

OVERVIEW

“The democratization of luxury is occurring across a surprisingly broad set of categories, and it is destabilizing competition, creating new winners and losers, and offering new rules for brand strategy. The question for established marketers is, Who will be first to bring the new luxury to my category?”

–Michael Silverstein & Neil Fiske, Boston Consulting Group, 2003



P2P vacation rental platforms such as Airbnb are not only taking market share from budget hotels but posing a threat to luxury hospitality by offering unique, lavish accommodations such as the listing pictured above.

Far-reaching and more difficult to define than ever before, the universe of luxury products and experiences is growing steadily. In late 2016, Bain & Company projected that the worldwide market for luxury goods alone would total \$1.18 trillion USD by the end of the year recording a modest growth rate of 4%.

However, luxury is not what it once was. A perfect storm of economic and consumer trends have created unprecedented change in the segment, including rising standards of middle market consumption over the years, the proliferation of mass luxury beginning around the turn of the millennium and more recently the boom of the on-demand economy.

As consumer attitudes and spending evolve, the demand for luxury travel experiences is far outpacing the demand for luxury material goods. From 2014 to 2015 alone, luxury hospitality grew at a rate of 7% worldwide, the fastest growth rate of any sector in the luxury goods and services category (Carr 2016: 3). Furthermore, luxury transportation has been disrupted by ridesharing fractional ownership models. In fashion, conventional accessible luxury labels such as Ralph Lauren, Coach and Michael Kors have been tarnished by deep discounts in the department stores that carry them (Felsted 2016). The experiences and things once thought to be synonymous with conspicuous consumption are changing and it's just the beginning.

As a result, indicators of affluence and social status are in flux. Traditionally, status has been signaled through the ownership of coveted items from well-known brands. With the emergence of the experience economy, status shifted toward access to exclusive experiences (The Global Affluent Tribe Study™ 2017: 21). Today, many would argue that status is about self-betterment and self-optimization. Affluent consumers must seek even more exclusive one-of-a-kind products and experiences in order to differentiate their level of consumption from that of the masses (Carr 2016: 3). In the following pages, I've summarized five of the most prominent of these long-term trends in luxury goods and services.

1. THEN, IT WAS ABOUT EXCLUSIVITY. NOW, IT'S FOR THE MASSES.



Jaden Smith (b. 1998) debuts Louis Vuitton's SS15 womenswear collection.

Luxury beyond income and demographics

Around the turn of the millennium, Boston Consulting Group (BCG) fellow and senior partner Michael Silverstein and former BCG partner Neil Fiske observed the trend toward more accessible, mass-market luxury and penned a now iconic *Harvard Business Review* article and a best-selling book on the topic. In their writing, Fiske and Silverstein identified three emerging categories of “new-luxury” products that were largely reshaping premium consumption (Silverstein 2003). The first, “accessible superpremium,” sit at or near the top of their category in price but are still accessible to middle market consumers such as Belvedere vodka and Starbucks coffee. The second, “old-luxury brand extensions,” are affordably priced branded products offered by premium heritage brands like Tiffany, Burberry and BMW alongside their traditional offerings. The third, “mass prestige” products “occupy a sweet spot between mass and class” commanding prices higher than generic and conventional labels but lower than accessible superpremium and old-luxury offerings. Silverstein and Fiske concluded that all three of these new-luxury products found a sweet spot of market opportunity by

translating the emotional benefits once associated with luxury for middle market consumers, allowing them to command higher premiums than functionally-marketed goods while also capturing higher volume than “old luxury” goods.

In addition to the expansion of luxury beyond the ultra-affluent, today's successful premium brands are expanding beyond traditional demographic norms of gender, age and ethnicity to target and acquire new consumers by appealing to psychographics (TrendWatching 2016). In what TrendWatching calls an age of “post-demographic luxury,” brands are giving consumers greater permission to engage in products and experiences that were not traditionally “for them” by projecting avant-garde inclusivity rather than perpetuating heteronormative archetypes (TrendWatching 2016).

2. THEN, IT WAS ABOUT SELF-INDULGENCE. NOW IT'S ABOUT SELF-OPTIMIZATION.

From products to experiences to transformations

In a day and age where products and experiences are more widely available than ever before, status is becoming about self-actualization—“less about 'what I have' and much more about 'who I am'” (TrendWatching 2016). Although the desire for self-betterment has been around since the dawn of mankind, never before have we lived in an age when our bodies and minds have been so trackable and optimizable. Instant access to information through a variety of consumer technologies have revolutionized the self-help industry; it comes as no surprise that luxury products and experiences have followed suit. Five star hotels offer deluxe marathon packages and A-list designers team up with tech brands to create fitness wearables (TrendWatching 2016). Status no longer means consuming passively and indulgently without discretion but consuming strategically in a way that betters the mind and body.



Legendary jewelry designer Iris Apfel's WiseWear smart jewelry line made its debut at CES 2016 and retails around \$300 in Saks Fifth Avenue, Nordstrom and online.

3. THEN, IT WAS ABOUT COLLECTING. NOW, IT'S ABOUT SELECTING.

In an age of excess, luxury customers are taking back control of material consumption.

Having reached a critical saturation point of what IKEA's Chief Sustainability Officer, Steve Howard called "peak stuff," the sheer accumulation of material things as a display of status is losing its luster in many Western cultures and product-based companies are reassessing their value propositions accordingly (Wiggins 2016). In response to this saturation with "stuff" and the mass availability of luxury, affluent consumers are seeking new forms of differentiated consumption. One emerging trend is consumers' desire to curate fewer, more meaningful things that demonstrate their refined taste. This undercurrent of "conspicuous non-consumption" is evident in several popular lifestyle trends including minimalism, capsule wardrobes and tiny homes, all of which aim to declutter life as a means of asserting status (Carr 2016: 18). As a result, today more than ever, it is crucial for luxury goods to be rooted in compelling narratives—whether they be stories of craftsmanship, social activism or personalization—in order to differentiate and earn the limited shelf space in the homes of today's affluent consumers.



With roots in minimalism, the capsule wardrobe trend has taken Pinterest by storm, encouraging followers to simplify their lives by paring their closets down to high quality basics.

4. THEN, IT WAS ABOUT REMOVED OBSERVATION. NOW, IT'S ABOUT AUTHENTIC IMMERSION.

Today's luxury is not about being a tourist or a taste-tester—it's about living like a local and a connoisseur.

While upscale travelers of the past may have preferred concierge services at all-inclusive resorts far from the locals, increasingly today's luxury consumers want to immerse themselves in experiences that feel both authentic and autonomous. They want to "travel well and travel on their own terms" preferring coveted, off-the-grid experiences that provide them unique stories and photos to share long after their travels are over (The Global Affluent Tribe Study™ 2017: 6).

Modern travel brands like Airbnb are capitalizing on this trend by promising travelers—from shoestring to premium budgets—the ability to "belong anywhere" by connecting them with local peer-to-peer accommodations and even activities. Propelled by this promise, Airbnb has recorded consistent organic growth far higher than any other hotel or online travel agency over the past several years, recording just under 50% YOY growth from 2014 to 2015 (Euromonitor 2016: 3).

Taking note of Airbnb's success, many luxury travel brands that are now realizing the value of cultural immersion to their consumers are struggling to catch up. Others like the Four Seasons Resort Hualalai in Hawai'i—ranked the best hotel in the world on TripAdvisor in 2013—have been making local culture a focal point of their narrative for years (Pacific Business News 2013). Despite offering some of the world's best conventional resort amenities including its storied golf course and spa, one of the Four Seasons Resort Hualalai's differentiating selling propositions is its Ka'upulehu Cultural Center where guests are immersed in indigenous oral history, traditional Hawaiian craft, music and dance workshops and can visit a restored traditional Hawaiian fishpond. In a day and age when even exotic vacations have become generic and cliched, affluent consumers seek differentiation through unique and engaging experiences



5. THEN, IT WAS ABOUT OWNING PREMIUM GOODS AND SERVICES. NOW, IT'S ABOUT ACCESSING THEM.

In an economy where cars can be hailed at the tap of a finger, yachts, private jets and designer dresses can too.

A 2014 PwC analysis of the five most prominent sectors of the sharing economy (finance, online staffing, accommodations, car sharing and content streaming) estimated that peer-to-peer business in these five categories alone generated \$15 billion in revenue globally and were on track to contribute \$335 billion by the year 2025 (PwC 2014). Today, as peer-to-peer and shared ownership business models are being applied to even more categories and contexts, those numbers continue to grow.

The world of luxury is not immune to the sharing economy—in fact it is inherently susceptible to it. Originally, the sharing economy was conceptualized as a way to capitalize on idle utilities. Big ticket luxury items such as designer clothing, yachts and helicopters are a prime opportunity for on-demand commoditization because they tend to be novelties typically reserved for special occasions. As a result, a host of businesses such as Rent the Runway and Eleven James offer middle-market consumers the opportunity to rent premium clothing, watches and jewelry at a fraction of the cost. Even yachts and helicopters can be chartered at the tap of a finger with services like Uber Chopper and Uber Boat. In tandem with the trend toward mass luxury, the sharing economy is making previously out of reach products and experiences accessible to the masses.

A separate but related trend challenging the notion of ownership in the luxury sector is the growing popularity of the fractional ownership model. Once limited to resort properties and timeshares, NetJets (pictured above) pioneered the way to apply the fractional ownership model to private aircrafts when it launched in 1986. Today NetJets is the fifth-largest airline by number of planes with a fleet of 700 (Schumpeter, 2016). Since then, fractional ownership's application in the luxury sector has broadened to yachts, sports cars and even private islands (Andjelic 2015).

Although both the on-demand and fractional ownership models were originally devised to solve inefficiencies and save costs among penny-pinching consumers, their impact today extends far beyond price-conscious consumption and is transforming the scarcity and accessibility of luxury products and experiences (Andjelic 2015).

~~LUXURY IS EXCLUSIVE.~~

~~LUXURY IS OWNED.~~

~~STATUS IS STUFF.~~

LUXURY IS
EVOLVING
DAILY.



4

RESEARCH

design & strategy. limitations. key questions.

4. RESEARCH

DESIGN & STRATEGY

Rather than creating a survey or focus group, I opted for a qualitative ethnographic approach. As a peer researcher, I felt that ethnographic interviews would be the most valuable method for collecting and analyzing in-depth insights from my peers for two reasons. First, in-context interviews would allow me to collect multidimensional data points on my target. Not only would I be capturing my participants' opinions in their own words through their quotes but I would be taking in rich data on their physical surrounding, social dynamics and interactions with their settings through my observations, notes and photos. Second, I chose an in-depth qualitative approach because I wanted to weave laddering, projective and associative techniques into the conversation to dig deeper into underlying motivations and assumptions.

I also attempted to give my luxury-wary participants' "permission" to discuss luxury by framing the conversation around leisure, indulgence and special occasions rather than luxury, which I realized was some what of a "bad" word to Gen Z in and of itself. Later in the conversation, after these unaided references, I introduced the word "luxury" to gain insight into the top-of-mind associations and stereotypes that my respondents held.

Taking the advice of private sector ethnographer, Sam Ladner in *Practical Ethnography*, I opted to collect data through photos, audio recordings and handwritten notes. I intentionally decided not to record the conversations on video as I felt this medium could be potentially distracting and off-putting to participants. Several of the photos I have included were taken by me but many others were shared with me by respondents from their Instagram or Facebook profiles.

By combining these strategies, I aimed for the most introspective and unfiltered accounts of Generation Z's experience with luxury, luxury aspirations, and perceptions of luxury in its own words.



RECRUITMENT CRITERIA

Respondents were between the ages of 18 and 22 at the time of the study (born January 1995- March 1999).

1995 was chosen as the upper bound of this range in consistency with widely-used industry definitions of the cohort (page 5) March 1999 was chosen as the minimum age so that all participants would be at least 18 years old at the time of the study. Recruiting within this age range allowed me to focus my research on a more homogenous post high school young adult life stage.



LIMITATIONS

Because the teenage and young adult life stage are formative years, research among youth is often discounted as “inherently optimistic” (Inskip 2016: 3). Aware of this reality, I kept in mind that my target demographic’s tastes and behaviors would inevitably change over time and focused more on understanding the convictions and motivations that drove them rather than specific responses.

Within my sample, there were several limitations as well. Due to time constraints, scheduling conflicts and a lack of funding, I could not complete in-depth ethnographies with a more diverse sample. Instead I opted for two-hour, in situ ethnographic interviews with a friends and family recruit. Though the respondents were diverse in background, hometown, ethnicity, household income and other demographic factors, they were all undergraduate students at private universities in southern California and in many cases had similar brand affinities, interests and goals. Furthermore, because my sample is close to the Gen Z-Millennial border, I was aware that their responses might skew more Millennial at times.

Finally, due to the qualitative, in-depth nature of ethnographic research, the findings of this study are not generalizable. In contrast to empirical methods which seek to inform decision making through predictive analytics, ethnographic research aims to illuminate the meaning behind behaviors and eventually lead to richer insights (Ladner 2014: 112).



PRIMARY RESEARCH TOPICS

1. **Definition and Purpose of Luxury:** What types of luxury products and experiences do respondents prefer? In the continuum of luxury as material, experiential or transformative, where do their responses fall? What role does luxury play in their lives?
2. **Status & Displays of Luxury:** How do respondents see their peers displaying luxury? Do respondents feel the need to justify that they “earned” luxury?
3. **Effects of the Sharing Economy on Luxury:** Do respondents still value ownership as opposed to access to luxury? Has convenience made luxury a more frequent indulgence?
4. **Language of Luxury:** What language do respondents use to describe what they want before being exposed to the word “luxury?” What associations do they have with “luxury?”
5. **Generational Differences in Ideas of Luxury:** What do respondents believe differentiates their idea of luxury from that of other generations?

INTERVIEW GUIDE



1. Can you show me something that felt like you treated or indulged yourself? How does that make you feel?
2. Can you show me one Instagram photo from your profile that sums up your idea of leisure? Why this one?
3. What’s your ideal birthday? Or, if you could plan the perfect birthday surprise or gift for your [brother/sister/boyfriend/girlfriend] regardless of budget, what would you do? Why?
4. What is something that you think is worth saving up for? Why? How do you know it’s premium?
5. How do you think people our age define and display status?
6. What comes to mind when you think of the word luxury? Can tell me what the typical luxury consumer looks like?
7. How do you think our idea of luxury is different from our parents’ generation’s luxury? What has changed and what hasn’t?



5

INSIGHTS

*gen z's new value
equations for luxury*

THIS IS GEN Z.

AND THEY ARE WRITING
NEW VALUE EQUATIONS
FOR LUXURY.

MULTIDIMENSIONAL DATA POINTS ←

9

IN-DEPTH, IN-CONTEXT
CONVERSATIONS

13

WEEKS OF RESEARCH
& ANALYSIS

100's

OF EXPERIENCES SHARED, PHOTOS
TAKEN & NOTES WRITTEN.

IN THE CONTEXT OF

50+

SECONDARY SOURCES



1.

They want to invest—not indulge—in experiences that engage their hearts and expand their minds.

Apathy is no longer cool among teens and young adults. Awareness is. Members of Generation Z don't want to lounge in a cabana and tune out for a week—they seek self-directed journeys that intermingle leisure with engaging experiences to open them up to a broader understanding of themselves and the world around them.

When asked about a time that she indulged herself, 21-year-old respondent Mebra spoke about an enriching two weeks she spent in Thailand last year, volunteering in an orphanage and exploring Thailand's culture, history, religion and natural beauty along the way. Of the benefits of travel, Mebra said,



When asked about a time she indulged herself, Mebra shared about a two-week trip to Thailand where she spent a week volunteering in an orphanage and a week learning about Thailand's culture, history and natural beauty.

“Looking up plane tickets is my hobby... There's so much that the world has to offer. There's so much to learn and you see God in other places and people. So for me, traveling is an investment worth whatever the amount is. Of course, I still try to get the cheapest fares that I can.”

When asked by friends how she can afford to travel internationally on a college student budget, she explains that she lives with her parents and earmarks most of her money from working throughout summers and semesters specifically for travel (admitting that she feels she should be saving more of it for her goal of eventually buying a home). She says she spends very carefully, eating and drinking out less than most her age and spends less on clothes (although a cute pair of shoes are her kryptonite). To Mebra, travel is a worthwhile investment in personal, spiritual and intellectual growth even if it means sacrificing small indulgences in and potential savings.

Other participants had similar sentiments. When asked what she thought was worth saving up for, 19-year-old Jazmin responded, “Over the summer I worked and saved a lot of money because I knew I wanted to do a spring break [community service] trip over and take [a Catholic theology] class that travels to Rome this semester. So I saved up my money to pay for those trips all by myself. I knew that if I were to spend my money on a trip, it would be worth it to spend it on one with a spirituality aspect and a focus on developing you as a person. I knew that I'd be spending on more than just this trip—it would be a fulfilling experience to me mentally, physically and spiritually.”

ES = INTENTIONAL EXPLORATION + PERSONAL GROWTH

Although these sentiments around experiential travel and service learning particularly reflect Loyola Marymount University's strong commitment to social justice and holistic education, they are also consistent with larger Gen Z trends toward social responsibility and global citizenship.

Although travel experiences help them to expand beyond their comfort zones, Gen Z also feels that it is important that these experiences are introspective and autonomous. Pictured below on a recent camping trip in the desert, 19-year-old Kalani said his ideal luxury vacation wouldn't involve any tour guides or concierge. "I want travel experiences where you're out on your own or with friends, finding your own way," he said, emphasizing that off-the-beaten-path adventures were not only luxurious because they were exciting and rare but because they allowed him to learn more about himself.

Engaging and enriching leisure experiences can take place on a small and local scale too. 21-year-old Gabe likened his recent visit to the Los Angeles County Museum of Art to a "watered-down version of Disneyland because it transports you to an entirely different place." Similarly, Mebra mentioned that exploring different neighborhoods of Los Angeles and their history and culture was a favorite weekend pastime of hers.

Whether it's a Saturday afternoon spent ambling through modern art or several weeks spent immersed in the culture, religion and history of a faraway destination, Gen Z's idea of a luxury experience is not vacation for the vacation's sake or even adventure for adventure's sake. It's an experience that engages and expands the whole person. Uncomfortable with the idea of passive and purely indulgent leisure, Gen Z seeks opportunities to develop mind, body and soul. Their brand of self-improvement is not necessarily quantifiable and trackable self-optimization but holistic and introspective self-betterment.

BRAND TAKEAWAY:

For Gen Z, the experience is important, but it's a means to an end. Offer them active, intentional experiences that yield intellectual, creative, spiritual and emotional growth.

89%

of Gen Z's "want to spend their free time in activities that are productive and creative rather than just hanging out."

(Merriman 2016: 8)

Kalani recharges through off-the-beaten path weekend camping trips with friends in the Southern California desert.



2.

They want to do what they love and love what they do (but also want to make some money while they're at it).

Generation Z may be more pragmatic than Millennials, but at the end of the day, they're still wide-eyed, idealistic teens and 20-somethings who want to see the world. Like Millennials, they consider a flexible lifestyle that affords opportunities for travel to be a coveted status



Pictured on a weekend camping adventure with friends, Kalani dreams of moving to Australia in an RV after graduating from college and working remotely as a graphic designer.

symbol. However, Gen Z does not consider a flexible lifestyle alone a life well-lived. They believe that like all indulgences—if it's worth having, it must be earned, whether by working smarter or harder than the rest. Accordingly they're intentionally planning ahead for fulfilling and financially-secure careers that afford them the flexibility to travel and do the things they love.

Despite the fact that I did not explicitly ask my participants about their professional aspirations, many of our conversations returned to career success and satisfaction as a high form of status. Even the youngest participants who were in their first year of college had clearly articulated career-related definitions of success. When asked about status symbols among her peers, 18-year-old Dion mentioned that “if you can get a job right after college, then you've made it.” Similarly, 19-year-old graphic design major Kalani (pictured above) shared his dream to move to Australia after graduation where he plans to do freelance graphic design work remotely while traveling up and down the best surf breaks of the Gold Coast in an RV.

My respondents also spoke passionately about the importance of feeling personally gratified in future careers whether by working for an organization their values align with or translating their passions into entrepreneurial ventures. 21-year-old Gabe spoke of working for a mission-driven organization as the new status symbol among Gen Z's, adding “today, it's about having a job that you

really love. Before it was just about money.” 22-year-old Keawe, pictured at right on his recent spring break trip to Iceland, is the archetypical example of Gen Z's passion and pragmatism and shared that he chose international business as his college major to turn his love of travel and intercultural studies into a viable career path. Although he would like to start his career by gaining experience with an established multinational corporation, his ultimate goal is to start an international venture that allows him the flexibility to manage his business from anywhere in the world. Gabe and Keawe's responses are not unique but resonate with large scale quantitative data collected on Gen Z's future career aspiration. In 2014, 80% of Gen Z's said they wanted a job that “impacts the world.” 76% wanted to turn their hobbies into careers, compared to just 50% of Millennials (Jones 2014).

76%

of Gen Z's want to turn their hobbies into careers.

(Jones 2014)

S LIFESTYLE = SECURITY + FLEXIBILITY + FULFILLMENT

Repeatedly, respondents shared that their idea of luxury was not defined by material or experiential achievement but by leading a lifestyle that afforded them three things: 1) financial security, 2) flexibility (in the sense of working remotely and being able to make career changes, and 3) intrinsic fulfillment.

After identifying these three elements of Gen Z's aspirational lifestyle, I made two interesting connections that supported my hypothesis. First, a 2016 quantitative survey conducted by VisionCritical revealed that the top three factors that mattered most to Gen Z in a future career were 1) salary, 2) work-life balance and 3) making a difference, aligning with my findings (45). Second, I realized that these three factors correlate with the three innate psychological needs that self-determination theory postulates are critical to intrinsic motivation: competence, autonomy and relatedness (Ryan 2000: 1). First, because they believe strongly in meritocracy, members of Gen Z consider career competency to be a crucial part of their identity and feel it is validated by the ability to earn financial security. Second, the need for autonomy aligned with my respondents' desire for flexibility. Third, the concept of relatedness aligned with my respondents' strong desire for a sense of personal fulfillment and purpose in their work.

As pragmatists, Gen Z realizes that career paths that afford them all three of these elements are not only few and far between, but also hard to attain, contributing to their perception as scarce status symbols. While other generations aspired to own luxury things that few could afford, Gen Z aspires to earn a luxurious lifestyle that few can achieve.

BRAND TAKEAWAY:

Provide achievement-oriented yet socially conscious and adventurous Gen Z's a glimpse into the lifestyle they aspire to and practical steps to getting there.

“For me, I can't see myself doing the same thing my whole life. I don't think I'm a very linear person when it comes to career choices. But ultimately, the goal for a lot of our generation is to run a business that allows you to work from anywhere in the world.” -Keawe (b. 1995)

Pictured on a recent spring break trip to Iceland with friends, Keawe dreams of running a business that allows him to work from anywhere in the world.





STREETWEAR SHOES LIKE ADIDAS HAVE GONE PREMIUM THANKS TO HIGH-PROFILE DESIGNER COLLABORATIONS. THE JUXTAPosition ALLOW GEN Z'S TO SEAMLESSLY TRANSITION BETWEEN A VARIETY OF CONTEXTS & SETTINGS (GOOGLE, 2017).



MY RESPONDENTS REFERENCED LULULEMON AS A VERSATILE STATUS SYMBOL THAT CAN BE WORN TO THE GYM, TO CLASS OR AROUND TOWN.



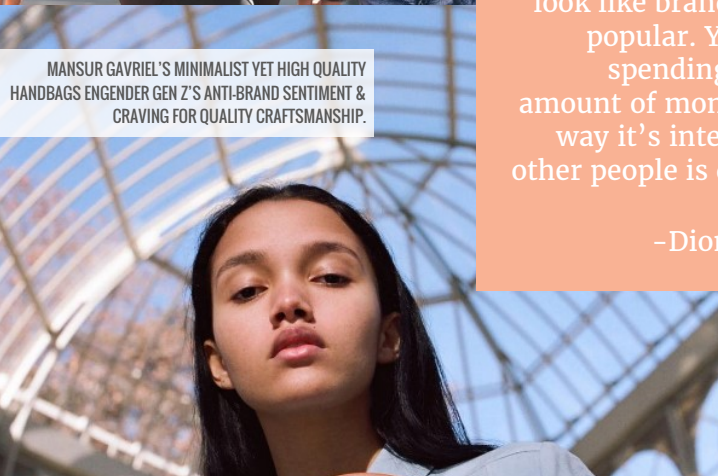
ESSENTIALS x MANY F

RESPONDENTS ADMIRE DANIEL WELLINGTON'S TIMELESS, SIMPLE SILHOUETTES WHICH THEY FELT THEY COULD "WEAR TO WORK AND WEAR OUT" FOR YEARS TO COME.



3. LUXURY

As you've probably deduced by now, the idea of material indulgence in these things, here are a few of the premium and why. (Hint: there



MANSUR GAVRIEL'S MINIMALIST YET HIGH QUALITY HANDBAGS ENGENDER GEN Z'S ANTI-BRAND SENTIMENT & CRAVING FOR QUALITY CRAFTSMANSHIP.

"It's the brands that don't look like brands that are popular. You may be spending the same amount of money but the way it's interpreted by other people is different."
-Dion (b. 1998)



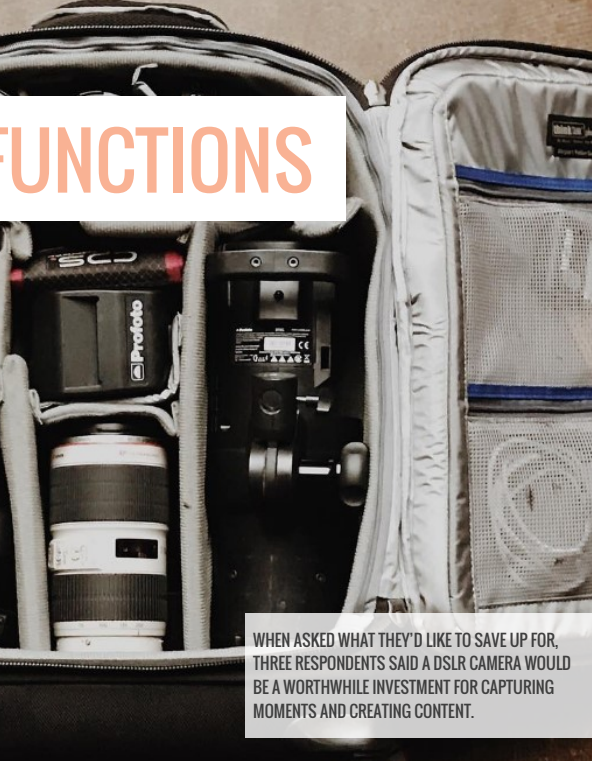
EVERLANE'S MINIMALIST AESTHETIC AND ETHICAL PLATFORM POSITION THE BRAND FOR SUCCESS WITH AFFLUENT GEN Z CONSUMERS (SEGRAN 2016).



TIMELESS STYLE + MINIMAL BRANDING



FUNCTIONS



WHEN ASKED WHAT THEY'D LIKE TO SAVE UP FOR, THREE RESPONDENTS SAID A DSLR CAMERA WOULD BE A WORTHWHILE INVESTMENT FOR CAPTURING MOMENTS AND CREATING CONTENT.



"I know that if I buy this one Patagonia jacket I'm not going to buy 10 other jackets that I might not wear. It really is about buying the one thing you value and the one thing you're going to take care of."
-Jazmin (b. 1997)

PATAGONIA'S ANTI-CONSUMERIST COMMITMENT TO QUALITY AND SUSTAINABILITY GIVE IT A HIGH "COOL FACTOR" AMONG GEN Z'S (GOOGLE, 2017)

ANY THINGS =

Now, Gen Z isn't comfortable with... But when they do spend on... brands they feel can justify a... (e's nothing gold or flashy here).

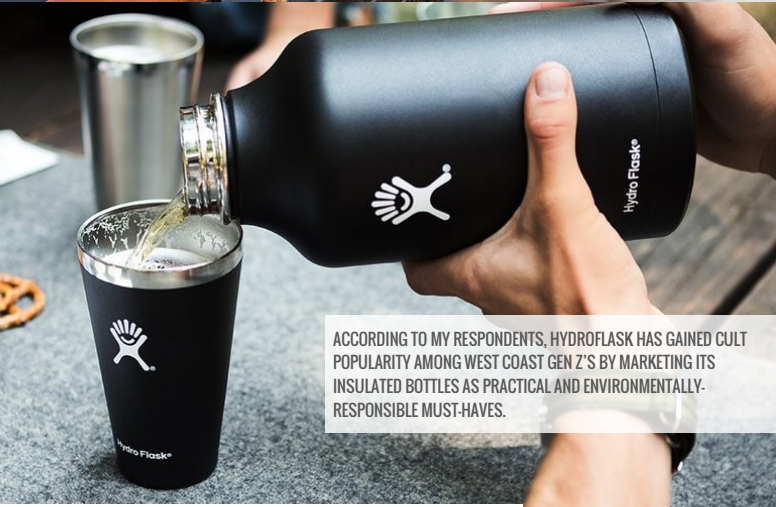
RELIABILITY / YEARS TO COME



BIRKENSTOCKS HAVE EARNED THEIR WAY INTO PRAGMATIC, LONG-TERM ORIENTED GEN Z'S LIVES (SCHLOSSBERG, 2015).



ALTHOUGH ASPIRATIONAL FOR MOST GEN Z'S, TESLA IS CONSISTENTLY RANKED ONE OF THE "COOLEST" BRANDS BY TEENS AND YOUNG ADULTS BECAUSE OF ITS SLEEK BRANDING AND BOLD AND COMPELLING ENVIRONMENTAL MISSION (GOOGLE 2017).



ACCORDING TO MY RESPONDENTS, HYDROFLASK HAS GAINED CULT POPULARITY AMONG WEST COAST GEN Z'S BY MARKETING ITS INSULATED BOTTLES AS PRACTICAL AND ENVIRONMENTALLY-RESPONSIBLE MUST-HAVES.

COOL FACTOR + MISSION



Esther and Edan prefer gifting each other practical “things they need” or sentimental homemade things that “show they really care” rather than purely ornamental gifts.

4.

When it comes to gifting, they spend their time sentimentally and their money pragmatically.

Because gifting is one of the most common purchase justifications across nearly every category of luxury, understanding its evolving role in consumers’ lives is crucial to the luxury industry. While traditionally, special occasions have justified indulgent gifts and hefty price tags have symbolized sacrifice and devotion, frugal and brand-wary Generation Z takes a more pragmatic approach to the ritual. Current business publications warn that today’s teens and young adults just “aren’t into Tiffany and other luxury brands” and are not as interested in giving and receiving glitzy gifts as previous generations (Schlossberg 2016).

When asked what they would do or buy to surprise a sibling or significant other for their birthday, most respondents mentioned either practical items that they knew would provide functional value to the recipient or sentimental artifacts that they would make by hand. 21-year-old Adrianna (pictured at right) said, “I’m sentimental with writing letters and that kind of thing but with gifts I’m practical because I’m not going to spend money on something [my boyfriend] doesn’t need. For example, for a while his phone would die for no reason. So I got him a charging case for his birthday.”

“Rather than buying him a gift, I would make something myself. I think it’s more meaningful and I can write what I want to say to him. It’s not just a gift you can get just anywhere—I want it to be unique. I want it to be just us.”

– Esther (b. 1995)

WHEN LUXURY IS GIFTED, PERSONALIZATION > PRICE TAG

Given Gen Z's reputation for pragmatism, their preference for "useful" gifts that are justified because they meet a need or simplify a loved one's life makes sense. The gifts that they most want to receive tend to be functional as well. Gen Z marketing consultant Nancy Nessel writes, "Gifting is an occasion that mirrors the more conservative behavior of Gen Z: they are practical, frugal, and prefer to blend in, not standing out with glitzy items. Gen Z is very practical — financially and behaviorally — about how they attain, earn, save and spend their money, and this practical mentality applies to gifts. Gen Z is more likely to save their money, saving money gifts and earnings to put towards their savings for a car, or for college tuition." Nessel observed that even affluent members of Gen Z who were privy to name brands tended to favor those with a reputation for long-term utility over those differentiated by style alone, citing a Patagonia vest as an example (which coincidentally was also mentioned by my respondents as being an investment-worthy premium brand).

My respondents openly disdained gifts that were purely ornamental such as jewelry, seeming to consider these a shortcut to buying affection. When asked why they preferred to handcrafted sentimental gifts such as letters and scrapbooks, respondents had two main reasons. First, with increasingly mass-produced gifting options, they wanted to create something entirely unique to their relationship—something no one else had. Second, in an increasingly digital world, they felt that spending time and energy creating a tangible, analog expression of how they felt was the deepest form of giving.

Personalized gifts also often take the form of experiences for Gen Z. All participants had thoroughly-planned ideas of experiences they would like to customize and share with their loved ones either in addition to or instead of physical gifts. Unlike physical gifts however, they felt that splurging on an extravagant experience such as a weekend getaway or wine tasting was justifiable for a special occasion.

As traditional premium gifts become more ubiquitous and easy to attain, Gen Z is less impressed by those that reflect only monetary spending and more by those that reflect intentional investments of effort, time and energy by a loved one.

BRAND TAKEAWAY:

Offer Gen Z products and experiences they can make their own and share.

"I don't get why gifting jewelry was ever a thing. Everyone says "Oh you got me this beautiful necklace!" Then it sits in a drawer. It doesn't take that much thought."

Adrianna and Gabe enjoy planning all-day, multi-stop adventures and handwriting letters on special occasions.



WHAT IS LUXURIOUS TECH TO A GENERATION OF CO-CREATORS?

The technology that excites Gen Z doesn't promise them ways to escape life but ways to better capture and share it.

As the first generation of true digital natives, Gen Z has never understood life untethered. From their perspective, technology such as smartphones, Wi-Fi and social media are not luxurious indulgences but necessities they can't get through the day without. At the same time, they are a generation raised on Snapchat, obsessed with creating their own content and expecting two-way dialogue. What kind of technology is considered luxurious to a generation that has it all? Products and services that give them the ability capture, enhance and share their experiences in ways that few others can such as the 360-degree camera that Gabe said was a recent indulgence he treated himself to.



LUXURY AS FAMILIARITY?

“Another thing [I consider luxurious] is making some local food from home. I can't really buy it here so I like making it myself.” - Esther (b. 1995)

Esther shared that even though they're inexpensive to make, she considers black tea eggs (pictured at left) a luxury because here they are a rare indulgence that remind her of her home and family nearly 6,500 miles away. Many of my respondents shared similar associations of luxury as family and security. To some degree, luxury has always been equated with comfort. Is this association more resonant among Gen Z's who more than other generations gravitate towards safety, comfort and familiarity?

TO GEN Z, HAS THE SHARING ECONOMY KILLED THE PRESTIGE OF OWNERSHIP?

“[Status] is not so much about material objects anymore because anyone can borrow or rent that to show off. A lot of is really fake.”

–Edan (b. 1995)



AND DO FRUGAL GEN Z'S THINK IT'S A WASTE OF MONEY?

Mebra likened renting an apartment to “throwing money down the drain” and lamented taking an Uber because they were expenses that were not building equity for her. Will practical and entrepreneurial Gen Z's buy into the luxury that the sharing economy offers? Is convenience something they're willing to spend on?

UNDERCOVER BRANDING?

“[Brand recognition among our generation] is about the product not the logo. Brands—whether they make the logo distinctive or not—they're trying to make a product that people recognize immediately.” –Mebra (b. 1995)



SUMMARY OF RESPONSES

As I had anticipated, my interviewees were generally dismissive of brand names, luxury and indulgence when discussing their own attitudes and behaviors toward spending. They considered themselves to be less externally showy and more concerned with personal fulfillment than their peers and previous generations. Car enthusiast Edan summarized this belief stating, “I’m not the type of person that takes my car to Rodeo Drive to rev the engine in front of everyone. I’m the type of person who takes it to Malibu to drive in the canyons alone.”

My respondents’ perceptions of the luxury category were removed and critical. Their top-of-mind associations with the word “luxury” either involved ostentatious displays of wealth they observed on social media such as “DJ Khaled in his mansion or on a jet ski” or examples they had limited exposure to such as a wealthy family friend’s “really nice house with unnecessarily nice things” rather than their own personal possessions or experiences.

When asked if they would consider themselves potential “luxury consumers” in the future, their answers can be best summarized in 19-year-old Jazmin’s words, “I’d like to think not.” All but one almost immediately rejected the term “luxury” as something they did not need or want citing moral and practical reasons. It became evident that among my sample, there was a heightened sense of conscientiousness surrounding conspicuous consumption that was reflective of the Gen Z cohort as a whole. When they did give themselves permission to pay a premium for an object or experience, respondents considered investment in personal growth or achievement, perceived quality, multifunctionality, social and environmental mission and lasting style and utility to be worthwhile purchase justifications.

What was perhaps most surprising was the deep intentionality and introspection with which respondents considered how they wanted to spend their time and money even in regards to seemingly small decisions. They wanted both their products and experiences to serve dual purposes—helping them achieve their many ambitions and communicating those ambitions to others—whether a community service trip that expanded their worldview or a DSLR camera that helped them document their social lives. Setting lofty aspirations and disdaining excess, Gen Z’s have created their own brand of luxury much less about indulgence and more about investing in becoming their best selves.



6

LOOKING AHEAD

applications.

further research. conclusion.

6. LOOKING AHEAD

APPLICATIONS

*What does this mean for
luxury brands & marketers?*



These observations and insights have several potential implications for luxury brands and marketers looking for ways to connect with the next wave of affluent and mass premium consumers:

1. **They don't really care about your logo, but they still like your brand.** The brands that appeal to Generation Z's preference for understated styles tastefully minimize their names and logos on products but retain subtle visual motifs, silhouettes and design elements that build their brand's awareness (think Mansur Gavriel, Birkenstocks and Daniel Wellington). This allows young, in-the-know consumers to recognize and signal brand affinities without looking like they're trying too hard or being overtly ostentatious.
2. **They want you to help them achieve their goals.** For constantly connected, constantly creating Gen Z, passive indulgence is a waste of time and money. Premium products and services that don't offer practical utility or at least engaging learning experiences will find less relevance with today's teens and young adults as they grow.
3. **They want to create and share meaning.** Brands that can provide Gen Z products and experiences that they can make their own and share will win the Snapchat generation's heart and wallet. However, creation isn't always virtual. In an increasingly digital world, they want to create real memories and one-of-a-kind tangible artifacts to memorialize the moments and relationships that they care about.

FURTHER RESEARCH

Following Gen Z as they become the next major consumer segment

Although conducting primary research was an insightful learning experience, my study had clear limitations and evolved over the course of the project. A couple of insightful topics of further exploration as Generation Z continues to grow and develop might include:

- **The Role of Technology:** As the first generation of true “digital natives,” does Gen Z consider technology a tool to help them achieve their idea of luxury or status? Is technology more of a necessity and less of a luxury for them than it was for previous generations?
- **The Sharing Economy:** Does the sharing economy encourage more frequent consumption of luxury products and experiences among Gen Z? Or does it simply make those experiences less exclusive and premium and therefore less desirable?
- **The Art of the Humble Brag:** When it comes to social media, certain luxury purchases such as bedazzled purses with overt logos are not socially acceptable to post about while other experiences, such as tickets to Coachella can be tastefully shared. What are the new rules of social media “humble brags” among Gen Z? What role does social media validation of luxury purchases play in Gen Z’s perceptions of social status?
- **The Demise of Luxury Labels:** Are sales among traditional luxury brands actually suffering as a result of Gen Z’s professed aversion to brand names? If so, how will these brands adapt to changing consumer preferences over time? If not, what is the disconnect between what they say and what they do?

Additionally, it would be valuable to replicate this study across other universities and geographic regions to determine similarities and differences across various subcultures. Most importantly, it will be crucial to track how Gen Z consumer trends and attitudes evolve over time and whether or not they actually align with purchase behaviors.

CONCLUSION

As tweens, teens and young adults, Generation Z is still growing into its defining characteristics and collective identity as a cohort. However, despite its members’ youth, it is already a highly complex consumer segment led by strong convictions and nuanced by fascinating tensions in their beliefs and behaviors. It’s a highly influential segment as well. As the generation’s pull in household spending grows and its oldest members prepare to enter the workforce, it is becoming crucial for brands and marketers—particularly those in the luxury sector—to take note of how Generation Z’s perception of value is evolving.

My qualitative research, though representative of only a few voices in this powerful new wave of consumers, uncovered thought-provoking and data-supported glimpses into the experiences, lifestyles, gifts and things that Generation Z considers to be worth a premium. From my analysis of primary and secondary sources, I’ve learned that luxury brands that deliver not only quality and utility but opportunities for investment in personal growth and expression will connect with price-conscious, pragmatic and goal-oriented Gen Z’s in the years to come.



HI! MY NAME IS LAUREN MABUNI.



I'm a Gen Z born in 1995 and I'm relentlessly curious about all things at the intersection of brands and culture. I'm also currently a full-time student in the M-School Institute of Marketing and College of Business Administration at Loyola Marymount University and a soon-to-be junior strategic planner at Team One. For any questions or further information, please contact me at

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