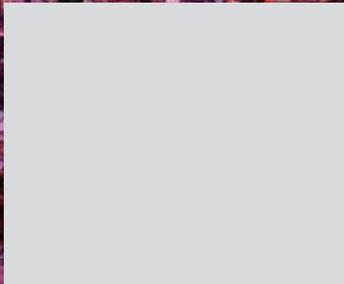
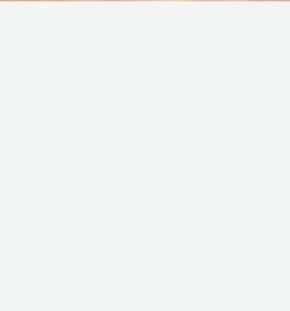




# Global Luxury Landscape 2021



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The next generation's tastes focus on sustainability and company ethics.

# How Gen Z Will Define Luxury

**GENERATION Z, GENERALLY DEFINED AS** those born between the late 1990s and the early 2010s— i.e., the demographic group succeeding millennials—is changing the luxury-goods industry. Gen Zers, who make up roughly one-third of the global population, are digital natives who expect brands to embrace technology as much as they do. According to Forbes, this generation spends the equivalent of more than US\$200 billion annually and will spend US\$10 trillion in their lifetime.

Luxury brands across the world are actively researching Gen Zers and their interests, seeking emotionally relevant ways for organizations to approach this growing, highly desirable audience. Within the luxury space, a crossover of interests is also important, with art, cultural and philanthropic-minded events offering a connection point for luxury-goods providers to engage with their target clientele.

Wealth-X, a global leader in wealth information and insight that partners with prestige brands across the financial services, luxury, nonprofit and higher-education industries, provides a glimpse into the mindset of Gen Zers with spending power.

Wealth-X's latest report, "Interests, Passions and Hobbies of the Wealthy 2021," focuses on the very high net worth (VHNW) population—those with US\$5 million to US\$30 million—and ultrahigh net worth (UHNW) individuals, with US\$30 million or more. The report notes that younger individuals are

rapidly joining this wealth tier, while acknowledging how their interests differ significantly from those of the general VHNW population. (According to the study, nearly 4% of the general VHNW population is under the age of 40.) Sports, technology and travel are at the top, and while still important, philanthropy comes lower down the list. Interests among the youngest segment of VHNWs include travel, music, food and animals, none of which feature among the leading pursuits of the general VHNW population.

## Responding to New Digital Demands

Luxury marketers are rapidly adapting to the expectations and demands of Gen Z, whose population hovers around two billion worldwide. They're the first generation to have grown up with smartphones, social media and apps, all while expecting seamless digital experiences and effortless transitions between multiple screens. (Gen Zers are thought to feel most comfortable switching between five screens at a time, whereas for millennials, it's three screens.)

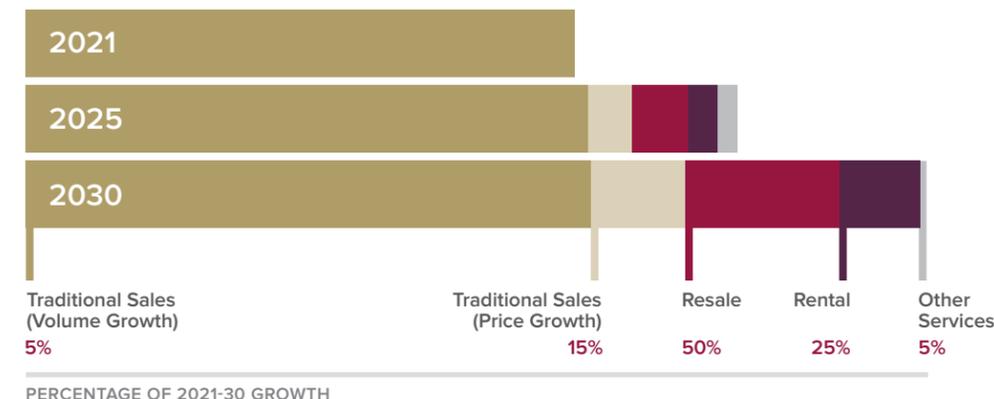
Born in the digital age, these consumers judge brands based on how each presents itself in the digital sphere. No matter how much history and prestige a luxury brand has, if it uses outdated digital platforms, offers a poor user experience, or engages in social media in an overly commercial,

Getty Images

## 2021-2030 Revenue Growth Will Be Fueled by Rental and Resale

The younger generation is more interested in the secondhand and shared economies.

Source: National forecast based on Bain & Co. and Positive LuxCo analysis



inauthentic way, Gen Zers will often turn away and seek alternatives.

Attention spans have never been shorter, as researchers have shown Gen Zers' attention span is approximately eight seconds, which illustrates how quickly they can process information as relevant to them.

Gen Z's ability to filter information and distinguish authenticity from commercialization is causing luxury marketers to rethink traditional digital strategies in favor of a more collaborative and transparent way of engaging this new generation.

With savvy Gen Zers skeptical of anything that seems manufactured or inauthentic, they value sources that help them filter their choices, such as vloggers and digital influencers who give real and honest opinions via the likes of YouTube, Instagram and Snapchat. Whether it's world news or luxury brands, this generation places great value on digital curators and gatekeepers that help them shrink their options to a more manageable size. Luxury brands are seeing traditional, branded celebrity endorsements falling out of favor among Gen Zers, which explains why an increasing number of luxury marketers are turning to short-form, video-led content that can be repurposed across multiple digital channels.

## Giving Back

Perhaps the most discerning characteristic of Generation Z is that many view social and environmental responsibility as a defining purpose. According to Mashable, 26% of 16-to-19 year olds volunteer on a regular basis, 60% want their jobs to influence the world, and 76% are concerned about humanity's impact on the planet.

This generation places a high value on brand integrity, which in turn places more pressure on luxury brands to do good in the world as well. Luxury brands are seeking opportunities to contribute toward a greater goal, one aligned with their ideals and values. This generation seeks out purpose-driven companies and feels profoundly influenced by issues that affect them directly; among the most important are climate change,

LGBTQ+ rights, human rights and animal care. For example, the animal-free fashion brand Stella McCartney showcases their ongoing commitment to sustainability through new products (e.g. 2021 has seen the launch of the world's first-ever clothing line using vegan mushroom leather) and partnering with respected organizations such as Parley for the Oceans, which fights marine-plastic pollution through creative collaborations, effectively transforming ocean waste into high-end fashion.

As luxury brands prepare for the future purchasing power of Gen Z, partnerships that showcase the brand's willingness to collaboratively address social and environmental issues should be considered an integral part of the brand-narrative building.

Following a turbulent 2020 defined by the global COVID-19 pandemic, the luxury market—encompassing both luxury goods and experiences—has started its path toward recovery, according to the Bain & Co. Luxury Study 2021 Spring Update. The industry returned to growth in the first quarter of 2021, growing by 0–1% compared with 2019, which is viewed by the industry as the last comparable year.

This comes after the overall luxury market shrank by 20% to 22% in 2020; it's now estimated at approximately €1 trillion globally, back to its 2015 levels.

The Bain & Co. report also touches on one of Gen Z's greatest influences on the luxury-goods market: the rise of the secondhand market, which in 2020 grew by 9% and was valued at €28 billion, up from €26 billion in 2019. The market for previously used luxury items encompasses not only entry-level younger consumers who are mainly buying aspirational categories and products, but also top spenders searching for high-end or collectible products. Luxury brands are increasingly tapping into this market in order to engage with customers throughout the life cycle of an item. ●

**76%**

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