



Luxury marketing: Demographics of luxury consumption

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Admap

July/August 2016



Title: **Luxury marketing: Demographics of luxury consumption**
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Source: **Admap**
Issue: **July/August 2016**

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The Shullman Research Center

When US luxury marketers consider how to market their products and services, they need to remember that 'luxury' means different things to those they define as their target consumers. Marketers should therefore fully understand to whom they are marketing and use appropriate luxury words and descriptions in their marketing materials and advertising.

One of the challenges facing luxury brand managers today is to determine who has been buying their offerings so they can effectively market to both current and prospective customers. Consumers of luxury products and services in the United States – at present the largest luxury marketplace in the world – are typically portrayed as being very high-income or rich individuals, an exclusive and hard-to-reach target group. Our article, ['Insight into US luxury consumers'](#) (*Admap*, April 2015), demonstrated that, while these high-income and rich consumers clearly constitute a valuable segment of the total luxury marketplace in the US, mass-market consumers with average incomes also form a substantial proportion of the US luxury marketplace in terms of both the number of recent buyers and the dollars they have spent on luxury products and services.

As a follow-up to that 2015 article, this article delves into which generations are currently buying luxuries in the US based on our most recent representative survey of American adults (the 2015 Shullman Luxury, Affluence and Wealth Pulse).

Specifically, it addresses the following:

- How did luxury-buying patterns change in 2015 compared with 2014? Which luxury categories grew, stayed the same, or lost buyers?
- What is 'luxury' in the eyes of Millennials, compared with the views of Gen Xers and Boomers?

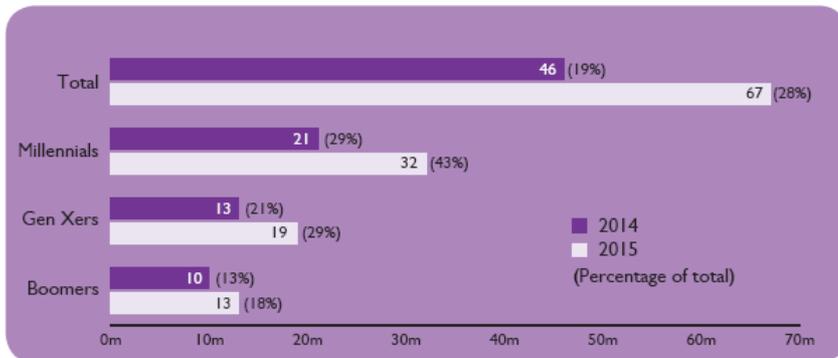
'Luxury' means different things to different people, from one bottle of champagne, to high-end cosmetics, to ownership of a private jet. Even within categories, mass-market brands are increasingly producing more prestigious items at the top end of their product lines. As far as consumers in the different generations are concerned, we will show in this article that 'luxury' is in the eye of the beholder and is defined by consumers.

So, who has been buying luxury lately? According to our survey (the question is: 'Thinking about what you, yourself, have bought during the past twelve months, did you, yourself, buy any luxury products or services?'), about one in four (28%) of all American adults (18 years of age or older) bought one or more luxury products or services during the past twelve months. A one-in-four penetration of the total market may not sound very large, but when we project that statistic to the number of adults

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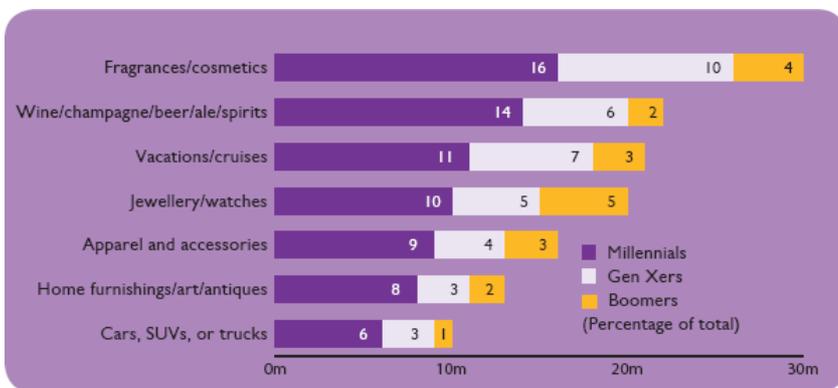
who are luxury buyers, it equals 67 million consumers in 2015. When luxury buyers are segmented another typical way, by gender, our survey finds that men are more likely to buy luxuries (58%) than are women (42%).

Figure 1: Luxury buyers in previous 12 months (millions)



When segmented by generation (the major focus of this article), some notable differences start to emerge. The number one luxury-buying generation in 2015, according to our survey, is the Millennial generation (18 to 34 years old in 2015) who constitute 47% of luxury buyers, followed by Gen Xers (35 to 50 in age) at 28%, Baby Boomers (51 to 69 years old) at 20%, and Seniors (70 or older, not included in the remainder of this article) at 5%. These differences are also partly due to the size of each generation in the total population. Notably, the Millennials, including 15–17-year-olds, already constitute the largest American generation, and this year should eclipse the Boomers, becoming the largest generation of adults 18 or older in the US.

Figure 2: Categories bought by 2015 luxury buyers (millions)



When we then look at how much the luxury market changed from 2014 to 2015 (Figure 1), we note that the total number of luxury buyers increased substantially – by 21 million consumers (from 46 million to 67 million), an increase of 46%. The number of Millennial luxury buyers increased by 11 million (a 52% increase over 2014), Gen X buyers increased by 6 million (a 46% increase), and Boomer buyers increased by 3 million (a 30% increase).

When we asked the luxury buyers 'What luxury products or services did you buy in the past 12 months?' and provided them with a list of luxury categories from which to select, fragrances and cosmetics came out on top in 2015, with 30 million adults having bought one or more of them (Figure 2). The second-highest grouping was alcoholic beverages, with 22 million buyers. Vacations and cruises took third position, with 21 million luxury travellers. The next three luxury categories – jewellery and

watches; apparel and accessories; and home furnishings, art and antiques – were bought by between 13 and 20 million adults. Last (based on the number of buyers, not on the total dollars spent) was luxury vehicles, with 10 million consumers having bought or leased one or more new or pre-owned luxury cars, SUVs, or trucks (out of almost 60 million total vehicles – new or pre-owned – sold in total in the US during 2015).

Notably, Millennials were the primary buyers during 2015 of all the luxuries enumerated in Figure 2. The second-largest buying group for most of the luxury categories was the Gen Xers, followed by the Boomers.

The Boomers, although the smallest of the three generations among luxury buyers by number, typically spent the most, judging by a very conservative metric we use: the median amount that buyers reported they spent for the most recent luxury they bought during 2015. The Boomers' most recent luxury purchase was reported at about \$900. Millennials, soon to be the largest adult generation in the US, reported spending about \$600, less than the two older generations, as many Millennials are still in school or just starting to work. Also, according to US Census Bureau estimates, Millennials currently have lower personal incomes than Gen Xers and Boomers and consequently less total personal buying power today. The Gen Xers, between the other two generations in age, reported spending about \$650 on their most recent luxury purchase.

As noted earlier, when luxury marketers consider how to market their products and services, they need to consider that 'luxury' means different things to those they define as their target market. We know this because, in our survey, we actually ask consumers to tell us in their own words, 'When you read, see, or hear the word luxury, please describe briefly what you think about'.

If Millennial, Gen Xer, and Boomer luxury buyers all described luxury using the same words, 'luxury' would have a consistent meaning across the generations, and marketers could play back some of the top ten words (at least, the positive ones) that all luxury buyers use. But it's not that simple. Only four of the top ten words we determined are included in all three generations' top ten descriptions of luxury. The universal words in rank order of usage (high to low) are 'quality', 'expensive', 'name-brand', and 'high-end'. Among total luxury buyers, the remaining six descriptions that are not used by all the generations, in rank order, are 'costly', 'unaffordable', 'comfort', 'rich', 'non-essential', and 'designer'.

The Millennials' top ten 'luxury' descriptions include three words that are unique to them: 'best', 'classy', and 'money'. The Gen Xers' top ten include five words unique to their generation: 'cozy', 'premium', 'style', 'unique', and 'valuable'. Finally, the Boomers' top ten luxury descriptions include only two unique words that did not appear in the top ten for the other generations or for total luxury buyers: 'desirable' and 'overpriced'.

In conclusion, based on the insights we just described, we can see that the American luxury marketplace offers a multitude of opportunities to those luxury brand organisations and managers who understand the differences within it. Depending on the product or service categories that the luxury organisations offer and the price points at which the products are sold, marketers should ask themselves if their organisations are using appropriate luxury words and descriptions in their marketing materials and advertising.

About the author

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