

Deloitte.



Bling it on

What makes a millennial spend more?

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New research shows the complexity of the millennial consumer mindset when it comes to buying luxury and premium products

Reaching tomorrow's premium consumers

Who are the premium customers of tomorrow? How do companies reach them, influence them, retain them?

Today the top segments of the luxury and premium consumer markets are still dominated by Baby-Boomer and Generation X buyers – individuals who were born between the end of the Second World War through to 1980. This post-war generation may have adopted some of the online spending patterns of the generation that followed, but they also retain consumption habits that were formed in an earlier age: they are brand-loyal, they value traditional store buying and personal contact, and they respond to traditional brand messaging. They are modern but rooted.

However they are becoming supplanted by a new generation, the much-talked about “millennials”. According to the US Census Bureau, the number of millennials in the US now exceeds the number of Baby-Boomers¹. Millennials mostly grew up in the internet era: their assumptions, their social patterns and (some of) their values are different. They are already an influential and growing segment of the premium consumer market. But they will soon become the dominant segment of that market.

Companies that seek to succeed in premium markets need to understand this millennial segment of consumers. To reach them and convert them into premium customers they need to know what motivates them, what influences them, and how they influence others.



In early 2017, we commissioned a research study of millennial consumers in four key markets – the US, UK, Italy and China (representing a balance of the world's largest markets for premium and luxury goods in the US and China, and two of the world's largest producers of these goods, in the UK and Italy). There is no accepted definition of the millennial age group, although many consider it to be those born between 1980 and 2000. For the purposes of this study we looked at the current 20-30 year old cohort, born between 1986 and 1996 – a generation old enough to have entered work and formed consumption habits, but young enough to have most of their economic life before them and barely remember a pre-digital world. The study looked at responses from over 1,000 individuals, answering questions designed to tease out some of the complexities of the new consumer mindset.

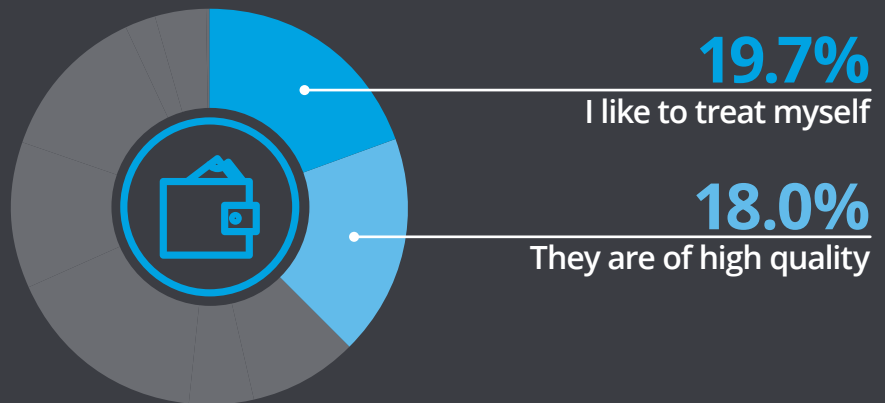
¹ <https://www.census.gov/newsroom/press-releases/2015/cb15-113.html>

Findings at a glance

Luxury spending is focused on the self.

In our survey respondents from all four geographies were most likely to say that they **bought luxury to please themselves**, not to impress others or to do what influencers or celebrities said they should do.

What are the main reasons you are willing to spend money on high-end fashion or luxury items?



Millennials hear messages from multiple channels simultaneously.

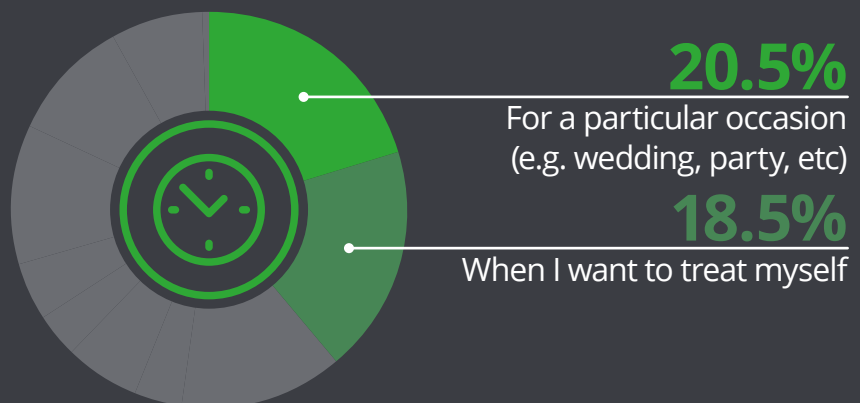
Millennials inclined to purchase luxury say they find information from traditional sources such as **magazines**, through to **videos**, **websites** and **blogs**.

How do you find out about the latest high-end fashion or luxury item trends?



Millennial luxury buying is not routine; the pattern of regular buying is giving way to a much more **fragmented** and **impulsive** set of buying behaviours.

When do you tend to consider purchasing a high-end fashion or luxury item?



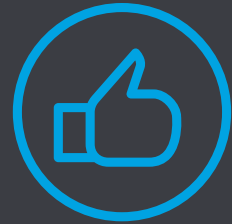
More than half of all millennials surveyed **still like to buy in store**, but the reasons for this are **different**.

What do you think are the main benefits of shopping in store when you're looking to buy high end fashion or luxury items?



25.6%

Can touch/feel the products



24.2%

Can try products

Quality is king – it's the single **most important attractor** to a brand.

What **ONE** thing most draws you to a luxury brand?



39.1%

Quality products

In early 2017 Deloitte commissioned a research study of **millennial consumers** in **four key markets**, the **US, UK, Italy** and **China**.



1,005

Total respondents across geographies



c. 30%

Spenders on luxury products



230+

Average respondents per geography



20-30 years

Average age of respondents

Lessons and strategies

Our survey of luxury-buying millennials shows that this critical group of premium product consumers presents entirely new challenges for brand companies in terms of communication and customer retention.



The millennial mindset is self-directed. Millennials are more likely to buy for themselves than to impress others. They hear what influencers say but may not follow them.



Millennials are information-rich, but there is no preferred channel of information and influence. Millennials say they make buying decisions based on information from multiple sources, traditional magazines, to videos, websites and blogs.



Markets differ: there is no global millennial solution when it comes to brand messages. Social media is the most important communication channel for most markets, but not in China. Experience and personalisation is important, particularly in the US.



Levels of brand loyalty also differ market by market. The more mature the market, the less brand loyal millennials are likely to be.



Sustainability and ethics are not particularly strong influencers for millennial luxury buyers. A high propensity to pay a sustainability premium for most products does not apply to luxury in the same way as it does in mass products.



Quality and uniqueness are the most important factors in drawing millennial consumers to luxury products. Heritage and aspirational qualities are less important.

The great challenge for brand owners seeking to capture the affections of millennials is how to communicate to a generation with shifting preferences and loose brand loyalties, and for whom no single channel appears to be significant. Yet amid this apparent uncertainty, the one factor that plays a role in almost every aspect of millennial consumption is the rise of online.

Online sales alone do not capture the full significance of the rise of online interaction. The survey shows that at every point in the interaction between brand companies and consumers, the online component is growing. Consumers may buy in store, but they will have compared products and prices online before doing so. They may cite multiple sources of information advice, but most of them will have been mediated online, through social media, blogs and v-logs. Online has also empowered challenger brands that are making inroads into premium and luxury markets, by lowering the barriers to entry and demonstrating that high value purchases will be made online if the online offer is attractive enough.

If brand companies do not own or share effective online modes of communication, information and sale, they are likely to have to buy them, by acquiring brands or platforms. It was once thought that luxury and online selling were mutually incompatible. That is no longer the case. Net-a-Porter is now routinely selling watches priced at over \$100,000 online, including through mobile apps, and the rise of even more disruptive luxury business models, such as Farfetch continue to pioneer new offerings.

The great challenge for brand owners seeking to capture the affiliations of millennials is how to communicate to a generation with shifting preferences and loose brand loyalties, and for whom no single channel appears to predominate. Yet amid this apparent uncertainty, the one factor that plays a role in almost every aspect of millennial consumption is the rise of online.

It is also the case that for premium product companies M&A and joint ventures are the clearest route to capturing millennial consumers. For example, in personal care established companies like L'Oréal, Estée Lauder and Coty have been continuously acquiring independent challenger brands that have grown through the use of online influencers, social selling and user generated content. But online presence and influence take time and investment to build. Faced with the growth of online luxury commerce at the highest end of the market, together with the appearance of online niche and indie disruptors and the likely loss of some market share to these new brands, acquisitions are increasingly seen as the most reliable source of growth for premium brand companies. Investors also like the M&A strategy: share prices that were formerly closely correlated to like-for-like sales (a measure that excludes the impact of acquisitions) are now equally likely to respond to market share growth through acquisition to organic top-line growth.

However, M&A and joint venturing are also the strategies of choice for brands that need to bolt on an online or technology component that they lack. A recent personal care JV that has electrified the premium cosmetics market is Charlotte Tilbury's Magic Mirror, an in-store virtual reality experience delivered through a joint venture with virtual reality studio Holition that has stolen a march on competitors' app-based digital try-out approaches, while the acquisition of a majority share in Net-a-Porter by Richemont once set a new precedent for luxury's migration to online selling, notwithstanding the subsequent developments since the merger with Yoox.

The emergence of millennial patterns of purchase and communication identified in this survey presents a structural challenge to premium brand companies. The primacy of the premium store, with its tangible experiences and personal contact, is giving way to something rather less structured and more complex to manage. Companies have to meet the structural challenge with structural change: it is inevitable that this means inorganic growth strategies, and the integration of very new modes of interaction between the company and the customer. To date, the M&A flow in premium and luxury products has concentrated on consolidation and vertical supply chains. We expect that the coming wave of M&A and JVs will concentrate on technology and communication designed to win the millennial consumer.

The millennial core

Unlike the generations that preceded them, millennials are not necessarily richer than their parents were at that age. Their costs are higher, costs that may not be matched by real income growth. For example, the Federal Reserve's most recent Survey of Consumer Finances¹ found that the average net worth of US millennials (defined as those between 18 and 35) was only \$10,400. For those between 20 and 30, average net worth varied between \$2,093 and minus \$38,915 according to age (most of that debt was college debt).

But income-based consumer segmentation may not be the best way to profile the millennial consumer. Recent research by the Demand Institute² suggests that within the millennial segment there is a very significant population of wealthy individuals and families that are distinguished by a distinctive consumer mindset and propensity for brand engagement – consumers that outspend other consumers in a variety of categories. These are the consumers that premium product companies need to identify and influence. They tend to be younger and more urban than other consumers; they have higher disposable income and both the ability and the propensity to spend on higher priced, higher margin products.

The research we present in this paper is designed to capture the characteristics of the millennial segment of this consumer group. These are the consumers that brand companies have to engage if they are to succeed in luxury and consumer markets; these are the consumers that established brands need to retain if they are to maintain market share and margins in the face of the threat posed by challenger brands.

They tend to be younger and more urban than other consumers; they have higher disposable income and both the ability and the propensity to spend on higher priced, higher margin products.

1 <https://www.federalreserve.gov/econres/scfindex.htm>

2 <http://demandinstitute.org/connectedspenders/>



Rise of the 'digital native'



What is a luxury product? Although 'luxury' is one of the most abused words in the English language, it also remains one of the most powerful. We treat luxury as a broad category, ranging from high luxury like high-end handbags, watches and jewellery to premium brands across other categories that share store space with utility products (e.g. homeware). The one thing that is common to all of these products is that price does not directly reflect function. These are the products that attract the world's highest spending consumers, and account for the highest profit margins of all the world's branded goods.

But this is a category that has faced headwinds in recent years. The slowdown of the Chinese economy (China and the US are the world's biggest luxury markets) and the impact of terrorism on travel-related spending depressed luxury sales growth in 2016 – although encouraging growth has revisited the sector in the first two quarters of 2017. Also significant has been the growth of challenger brands, often brands with the kind of online marketing capacity that is not native to traditional luxury brands. In jewellery, fashion-driven challengers like Dana Rebecca and Shay Jewelry are attacking established store-based incumbents. In mechanical watches, new low-to-mid priced manufacturers like crowd-funded Marloe and e-commerce based Farer and Christopher Ward are taking sales from better known and higher priced Swiss watchmakers. There are similar stories in beauty, fashion, technology, and accessories.

One prime example of the link between millennial consumption and communication patterns and the rise of challenger brands can be found in the premium personal care industry. Here a host of 'digital native' start-ups are shaking up a staid department-store based industry (e.g. Glossier and Too Cool for School). Cyclical innovation in established personal care brands and a relatively low rate of category creation have given way to sudden innovation by challenger brands. The old model of maximum category presence – being 'everything to everyone' within their category boundaries is breaking down as the market becomes more fragmented and as consumers and influencers operate a pick-and-mix approach to products, brands and categories. Reliance on 'above-the-line' advertising on the high street and in traditional print media, and the persuasive power of in-store beauty consultants, is giving way to a much more amorphous marketing environment which embraces online opinion sharing, and rating and influencing from a diverse group of product authorities who create a conversation between brands and potential customers through social multimedia, with Instagram now seen to be the most influential social channel for luxury brands.

What links these changes together is that they are driven by millennial consumption and communication patterns – online, informed by social media, and very liable to switch brands. It is no accident that most successful challenger brands in the industry (brands such as those mentioned above, together with others like Charlotte Tilbury) have their roots in digital and/or social media marketing aimed at millennial consumers.

We treat luxury as a broad category, ranging from high luxury like watches and yachts to premium brands that share store space with utility products... These are the products that attract the world's highest spending consumers, and account for the highest profit margins of all the world's branded goods.

Where are those high spending millennials?

Our survey of millennials inclined to luxury spending found that consumers in the UK and China were most likely to be 'very interested' in such spending, and that these consumers were more likely to be women than men.

Now there are signs that more established brands are beginning to fight back. According to the latest global market forecast from the Italian luxury manufacturers association Fondazione Altgamma¹, the world market for luxury is set to grow between 2-4 per cent this year, with a strong recovery in domestic spending in China and faster growing European economies also underpinning growth.

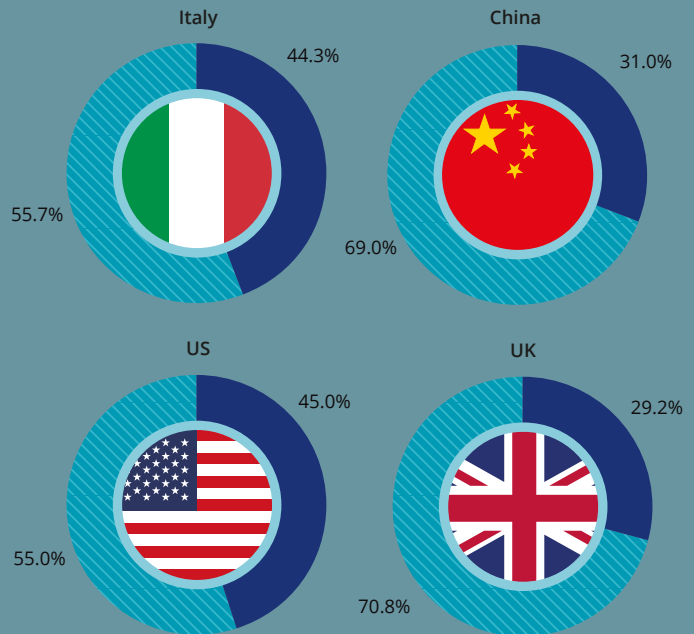
Significantly, most growth is forecast in omnichannel retail that integrates online and store selling. The omnichannel space is where high-spending millennials are found – drawing influence and data from online comparison and review sources, buying in store when they need to touch and feel the product as well as seeing it on screen, buying and re-ordering online when convenience dictates. Developing channels of communication and influence with this consumer segment is the key to capturing the new wave of growth in luxury and premium spending.

How interested are you in high-end fashion or luxury items (so an item that is not deemed to be a necessity)?

Overview



■ Slightly interested ■ Very interested



■ Slightly interested ■ Very interested

Male v female



■ Male ■ Female

1 <https://www.ft.com/content/1cd0b772-439e-11e7-8d27-59b4dd6296b8>

Millennials buy for themselves, not for others

The millennial mindset

Luxury spending is focused on the self. In our survey respondents from all four geographies were most likely to say that they bought luxury to please themselves, not to impress others or to do what influencers or celebrities said they should do.

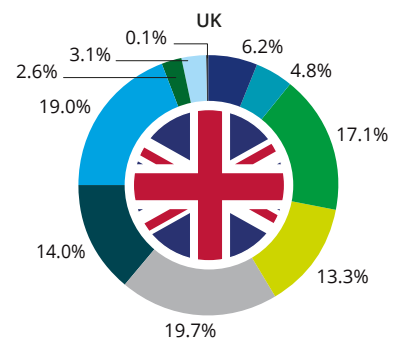
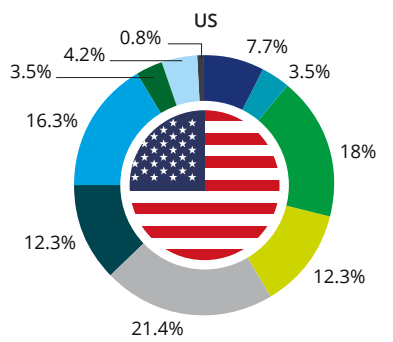
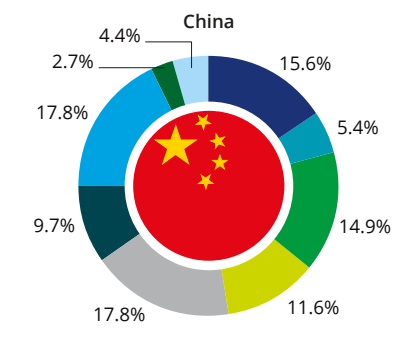
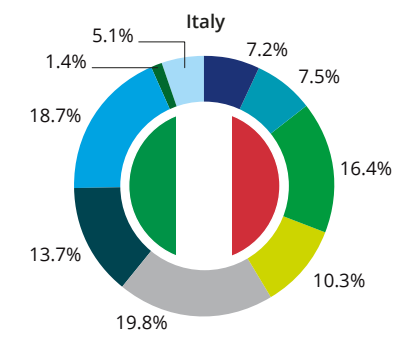
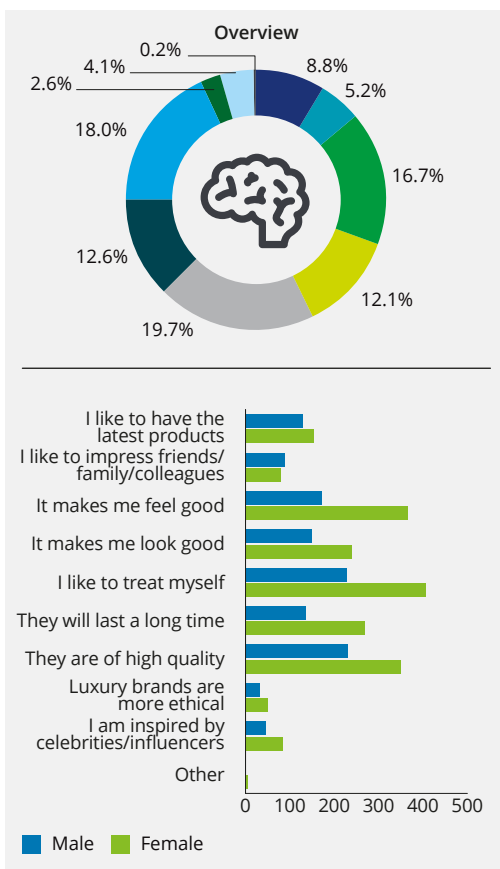
'I like to treat myself' and 'it makes me feel good' were together the most common reasons for buying. Impressing friends and family scored low, and following influencers scored even lower. The need to impress was the only category where men were more likely than women to cite this as a motivation: the gender difference appears to be that women are more likely to buy for themselves, to look and feel good, while men are more likely to engage in gift buying, and to impress others. And in no geography was the perception that luxury brands are 'more ethical' significant.

Also significant is the high value given to a brand's website in all four geographies, and the high value given to the perception that luxury goods are long-lived.

In terms of geographical difference, China is the market where consumers are markedly more likely to value having the latest product (this result may reflect the fact that Chinese product markets are marked by very rapid version turnover of styles and stock; Chinese consumers frequently say that they prefer to buy an attractive product as soon as they see it).¹

The millennial motivation

What are the main reasons you are willing to spend money on high-end fashion or luxury items?



- I like to have the latest products
- I like to impress friends/family/colleagues
- It makes me feel good
- It makes me look good
- I like to treat myself
- They will last a long time
- They are of high quality
- Luxury brands are more ethical
- I am inspired by celebrities/influencers
- Other

¹ <https://www.ft.com/content/09520124-3d28-11e6-8716-a4a71e8140b0>

The Chinese traveller-shopper



Chinese buyers account for more luxury buying than any other country, and most of that spending has been outside of China. In our estimates Chinese consumers account for 30%-35% of global luxury sales (the US consumer base accounts for c.25% of the market, and European c.20%), yet only 7-10% of luxury sales are made in China.

Over the last two years, the trend has been for more Chinese luxury buying to take place in China (relatively speaking). The UK, Hong Kong, Singapore and Japan all saw average Chinese tourism expenditure fall in 2016.¹ Terrorism in Europe has dampened Chinese demand in European capitals – Paris and London are prime destinations for Chinese travelling shoppers. At the same time, the Chinese authorities have clamped down on proxy shopping abroad – the so-called ‘daigou’ personal shoppers who bring back luxury goods for mainland customers; several luxury brands have also harmonised their Chinese and domestic prices, removing the discount that Chinese traveller-shoppers formerly found when shopping abroad.

Chinese consumers account for 30-35% of global luxury sales (the US accounts for c.25% of the market, and Europe c.20%), yet only 7-10% of luxury sales are made in China.

¹ <https://www.moodiedavittreport.com/average-chinese-tourist-spending-is-declining-but-its-not-all-bad-news/>

Millennials hear messages from multiple channels, simultaneously

66/99 Influence and the purchase decision

The proliferation of sources of information and influencers is reflected in the responses to our survey: millennials inclined to purchase luxury say they find information on luxury items from traditional sources such as magazines, to videos, websites and blogs.

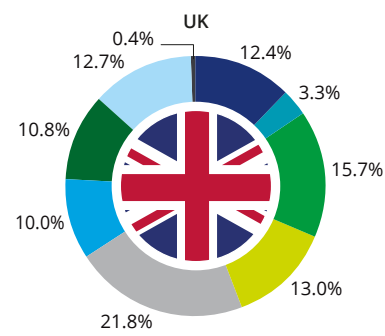
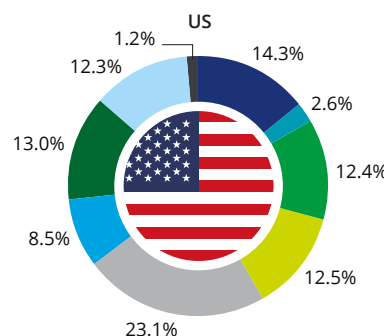
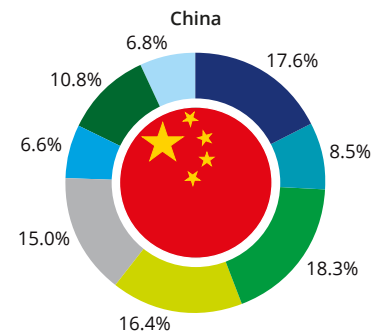
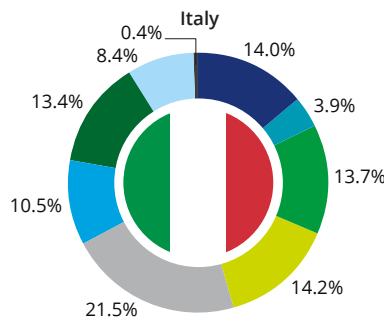
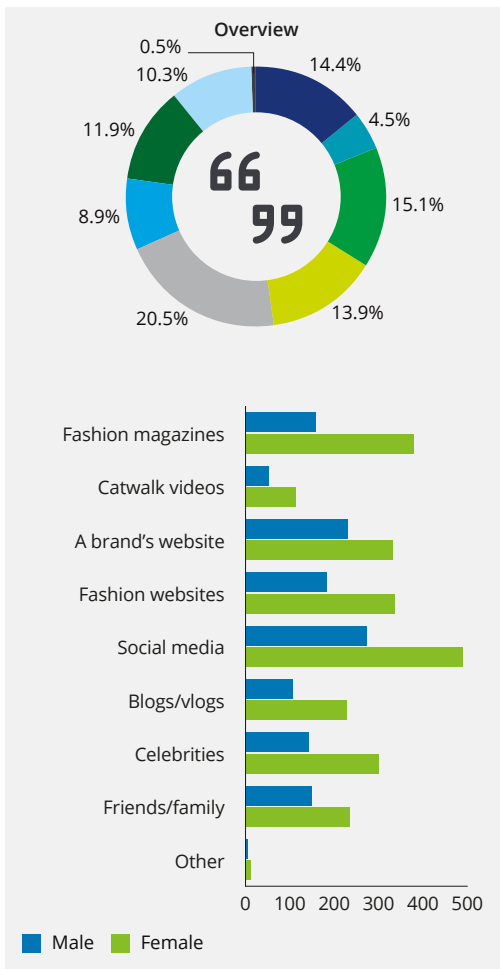
The lesson is that brand owners cannot afford to concentrate on one or two channels of information and influence: to capture the attention of their target segment they have to work harder, on multiple fronts.

Social media is the most cited information channel in all geographies except China, where brand and fashion websites are more important than elsewhere. However, these majorities are slim and the key aspect here is simply the fact that millennials have a very balanced range of influences.

However, when respondents were asked to cite the single most important influence on purchase decisions out of three choices, significant differences between geographies emerge. The brand remains king in all geographies, while the influence of friends emerges as almost as important in the US. In China, millennials cited the influence of celebrities almost as frequently as the brand.

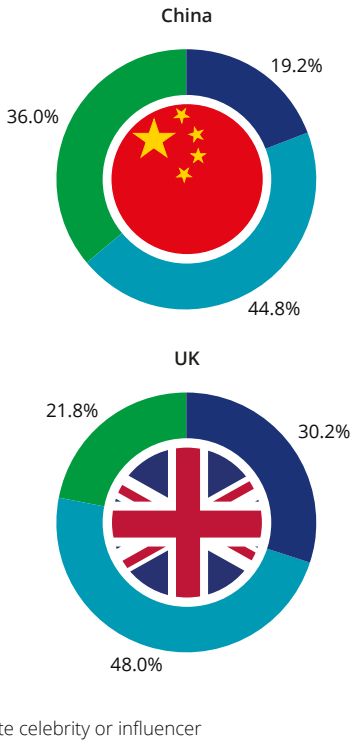
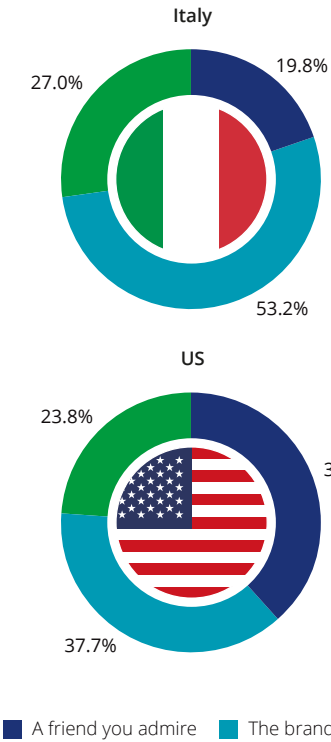
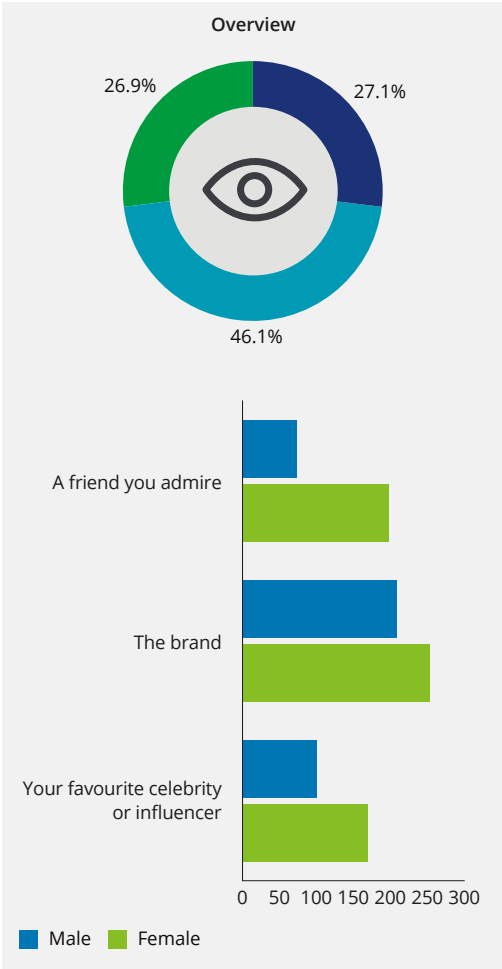
The influencers

How do you find out about the latest high-end fashion or luxury item trends?



- Fashion magazines
- Catwalk videos
- A brand's website
- Fashion websites
- Social media
- Blogs/vlogs
- Celebrities
- Friends/family
- Other

Which ONE would have the greatest influence on your decision?



Social media is the most cited information channel in all geographies except China, where brand and fashion websites are more important than elsewhere.

Impulse and occasion drive millennial luxury buying

The buying moment

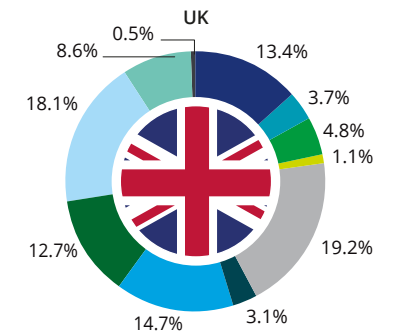
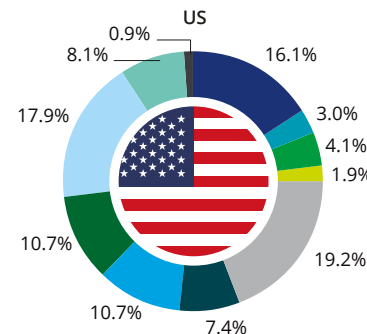
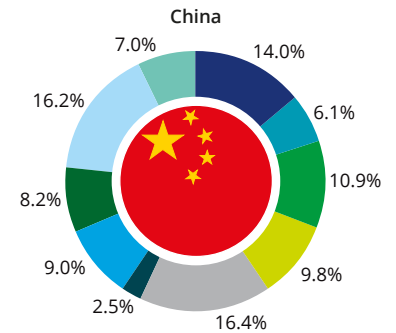
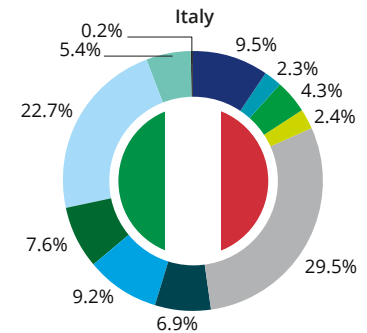
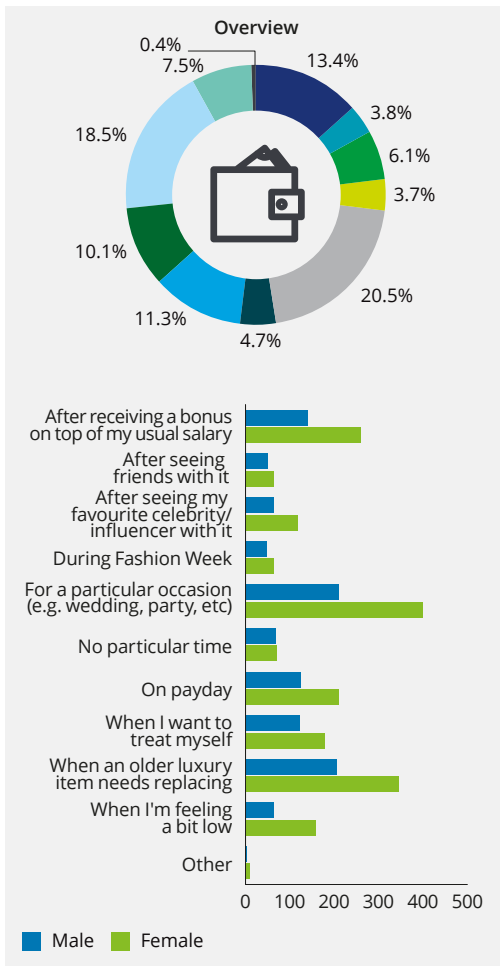
Millennial luxury buying is not routine; the pattern of regular buying is giving way to a much more fragmented and impulsive set of buying behaviours.

Millennials say they are most likely to buy when they receive extra income (such as a bonus), for an occasion such as a wedding or party, for a treat, or for replacement of an older luxury possession. Although there are differences by geography, they are not great. The pattern of buying appears to be a global pattern.

The lesson for brand companies is that regular consistent luxury buying cannot be relied upon; companies need to identify the triggers that motivate their customers and mould their market offer around them. That these triggers are exceptionally important is shown by the very small proportion of respondents globally who say that they buy luxury at 'no particular time'.

Purchase triggers

When do you tend to consider purchasing a high-end fashion or luxury item?



- After receiving a bonus on top of my usual salary
- After seeing friends with it
- After seeing my favourite celebrity/influencer with it
- During Fashion Week
- For a particular occasion (e.g. wedding, party, etc)
- No particular time
- On payday
- When an older luxury item needs replacing
- When I want to treat myself
- When I'm feeling a bit low
- Other



Stores survive, but millennials don't visit them for advice

📍 How and where millennials buy

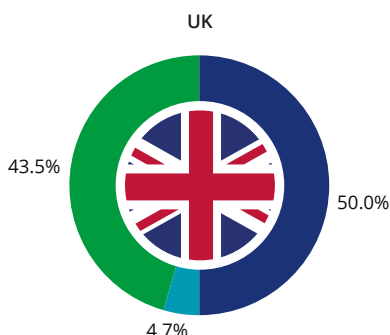
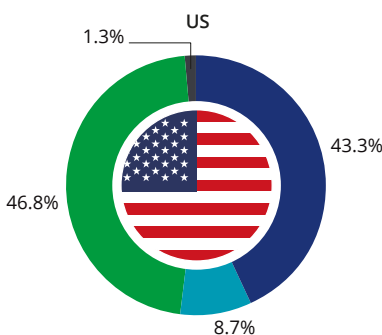
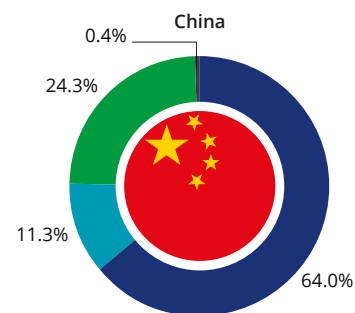
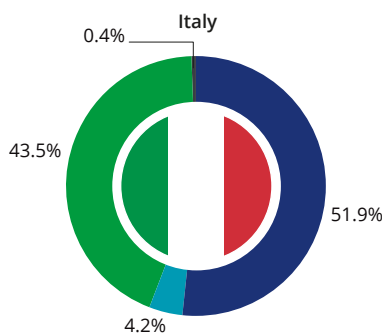
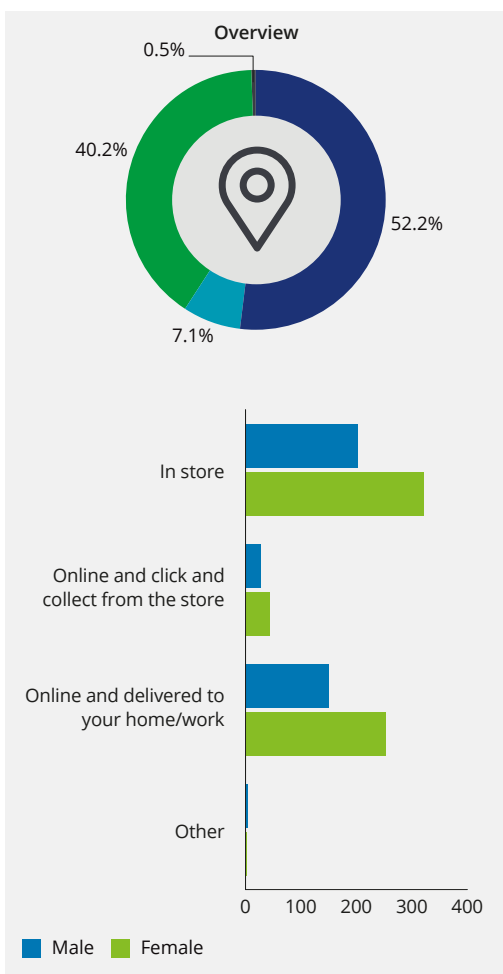
Slightly more than half of all millennials still like to buy in store. But the way they are using stores is quite different from the store buying of the pre-millennial generation.

The big geographical difference is the strong preference for in-store buying in China – two thirds of Chinese buyers prefer to buy in-store. They are also the most likely to prefer buying online but collecting in-store. But click-and collect in-store is preferred by only a minority of buyers in all geographies – raising the question of how economically valuable a click-and-collect model will be in luxury retail. Both European and US buyers are more likely to buy online for home delivery – which marks a key moment where online trumps store in the preferences of luxury purchases.

But why do millennial buyers want to go to a store at all? Although it may surprise brand companies, the survey shows that they do not typically visit stores for the store experience, or for help and advice from sales assistants. The ability to browse in-store is also not widely cited. They are most likely to go to get close to products – to experience the touch and feel of luxury goods, and for the opportunity to try them. The conclusion must be that millennials are more likely to browse online, and get advice online, before they enter the store, specifically to see and try that product – and that has clear implications for brand investment.

How to buy, and why

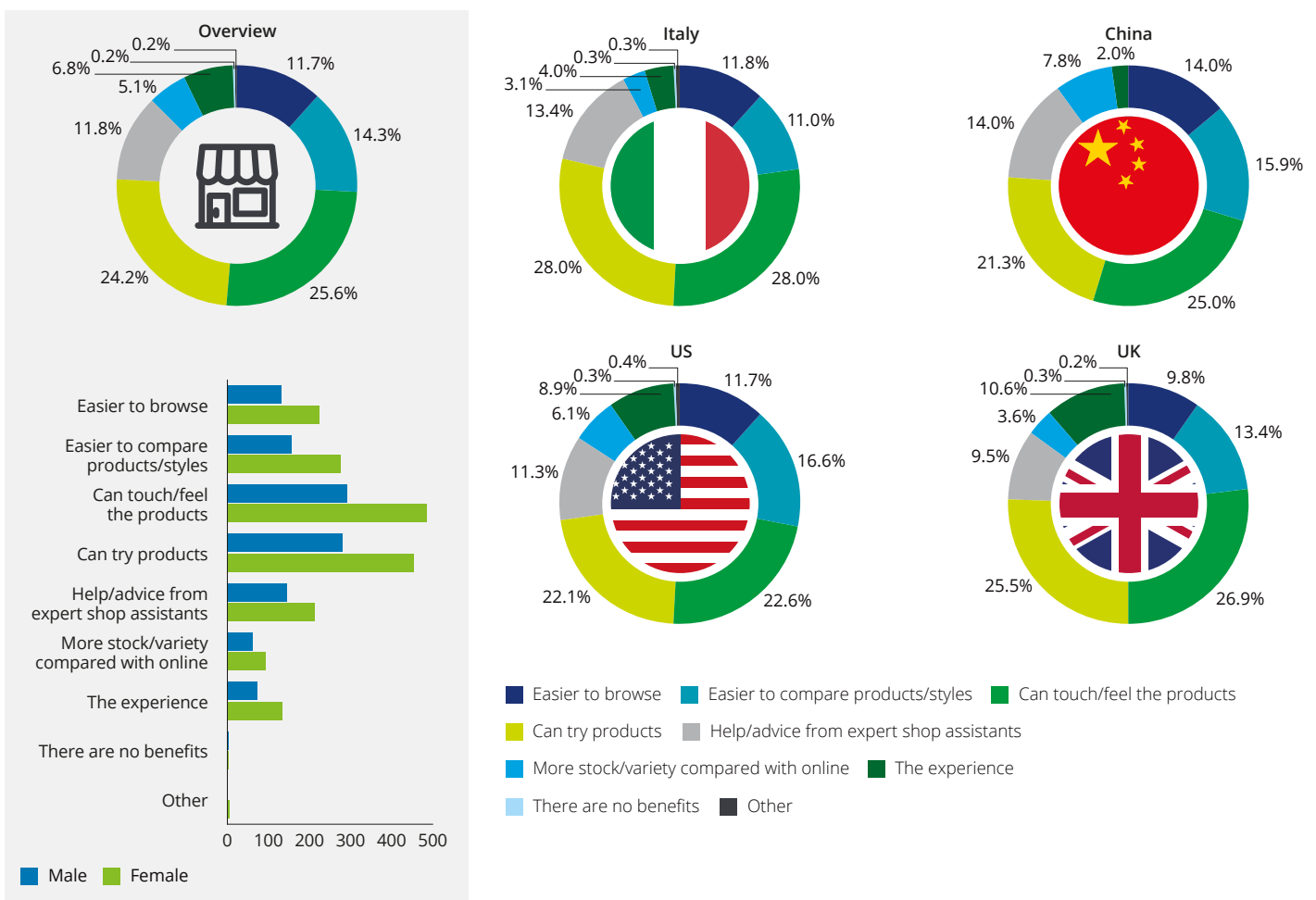
You've come across a high-end fashion or luxury item that you must have! What would be your preferred way to buy it?



The conclusion must be that millennials are more likely to browse online, and get advice online, before they enter the store – and that has clear implications for brand investment.



What do you think are the main benefits of shopping in store when you're looking to buy high end fashion or luxury items?



Quality is king

**What draws the millennial consumer to a luxury brand?
What pushes the consumer to buy luxury when they could buy a similar, cheaper brand?**

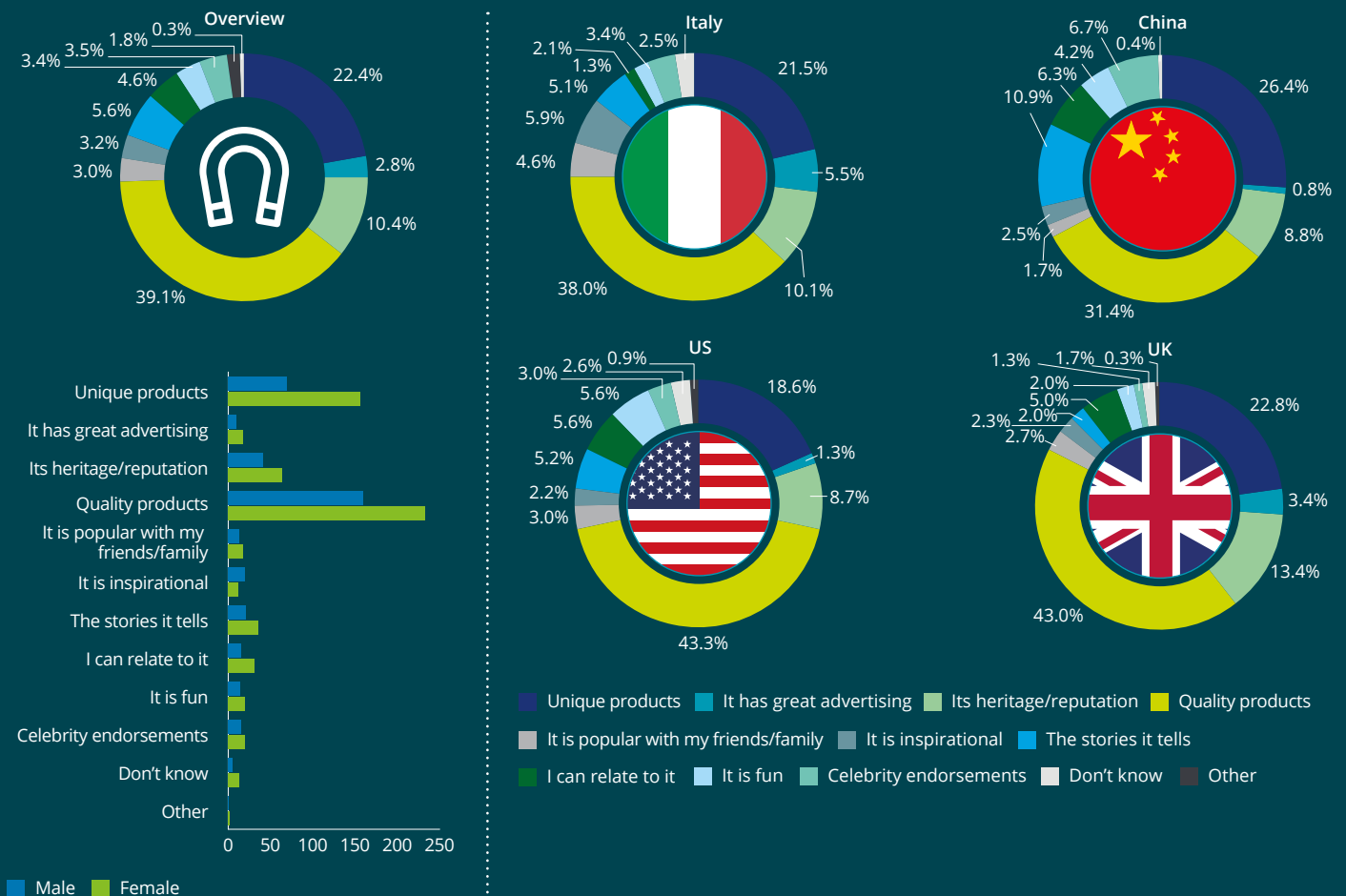
Although high luxury brands like to stress their heritage, and premium brands stress inspirational qualities in their marketing messages, these are not for the most part what draw millennial consumers to the brand. Quality is what draws these consumers – and millennials tend to have access to extensive data on the real quality of luxury products, through online comparative resources and discussion forums.

On a global basis, almost 40% of millennial consumers say quality is the most important factor that attracts them – almost double the proportion who cite the next most attractive aspect of luxury, uniqueness.

Quality is also the one attribute likely to push a consumer to buy luxury when they could buy utility – although brand image and brand name are also important. Association with a celebrity or influencer, packaging, or the availability of in-store advice is not significant. We conclude that one thing that distinguishes millennial luxury buyers is that they make their own decisions.

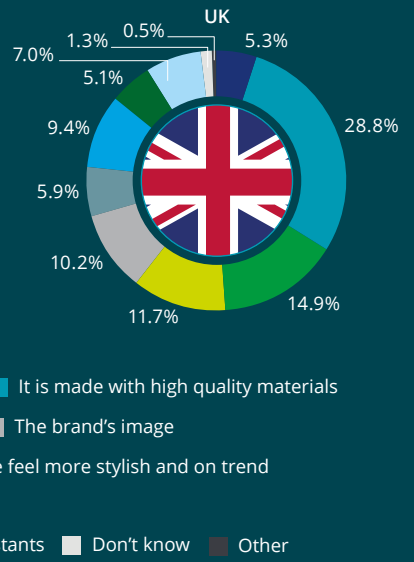
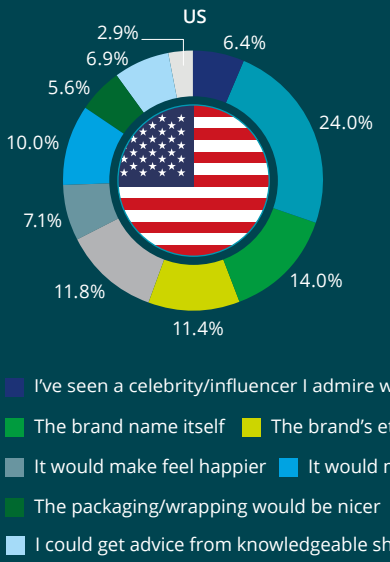
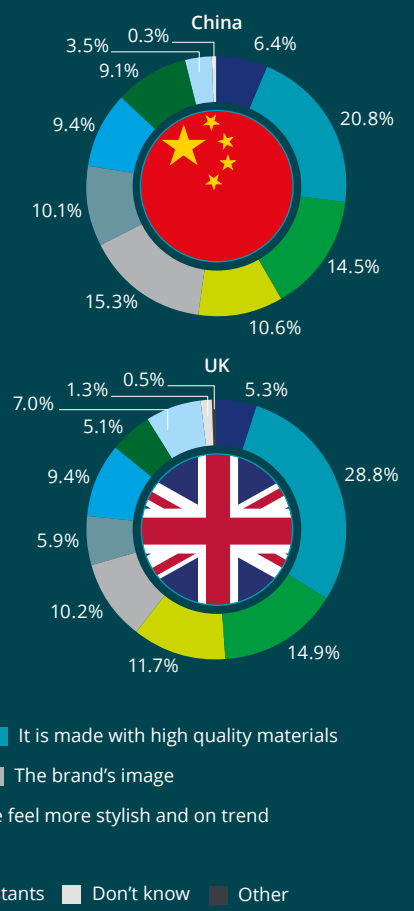
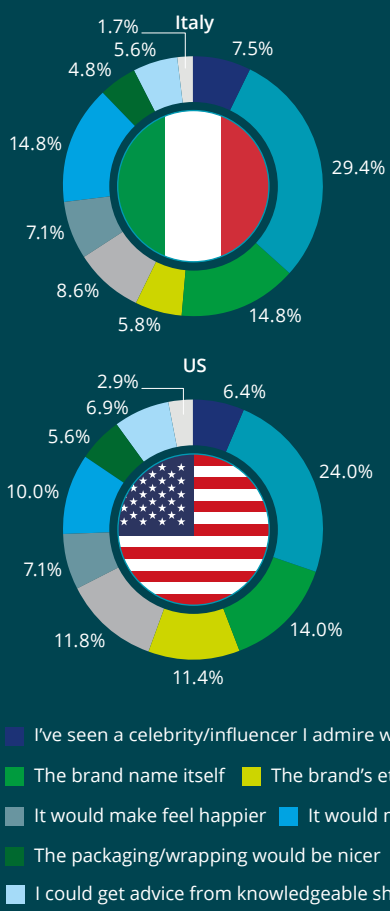
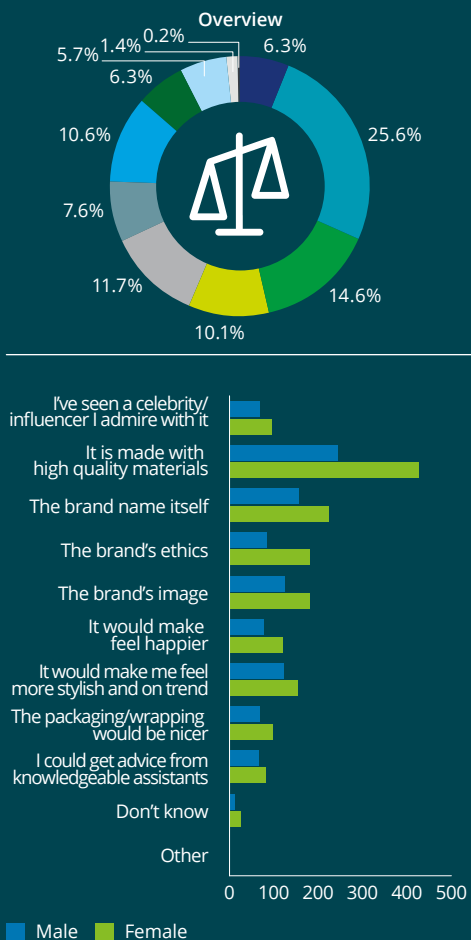
Quality is also the one attribute likely to push a consumer to buy luxury when they could buy utility.

Luxury brand power dissected
What ONE thing most draws you to a luxury brand?





If two fashion items are very similar, but one is a luxury brand, and one is a high street brand, what would make you happy to spend MORE on the luxury brand?



Market maturity determines the value of experience

Aa Personalisation and experience

'Experience' is becoming a core concept in premium brand strategy.

This is not a new concept; bespoke couture and tailoring are well established, while in cosmetics customers now expect peer tutorials, in-store digital playgrounds and make-over mobile apps. Personalisation of products is an opportunity for premium pricing, while experience is increasingly a premium commodity itself, seen in a growing market for luxury hospitality and events, often bought as gifts.

When millennials were asked about the importance of personalisation and of experience as a product, the results differed markedly by geography. More than half of respondents were certainly prepared to pay more for a personalised product in the mature markets of the US and Europe – in the US almost three quarters would certainly pay a personalisation premium, rising to over 98% if you include those who would probably pay

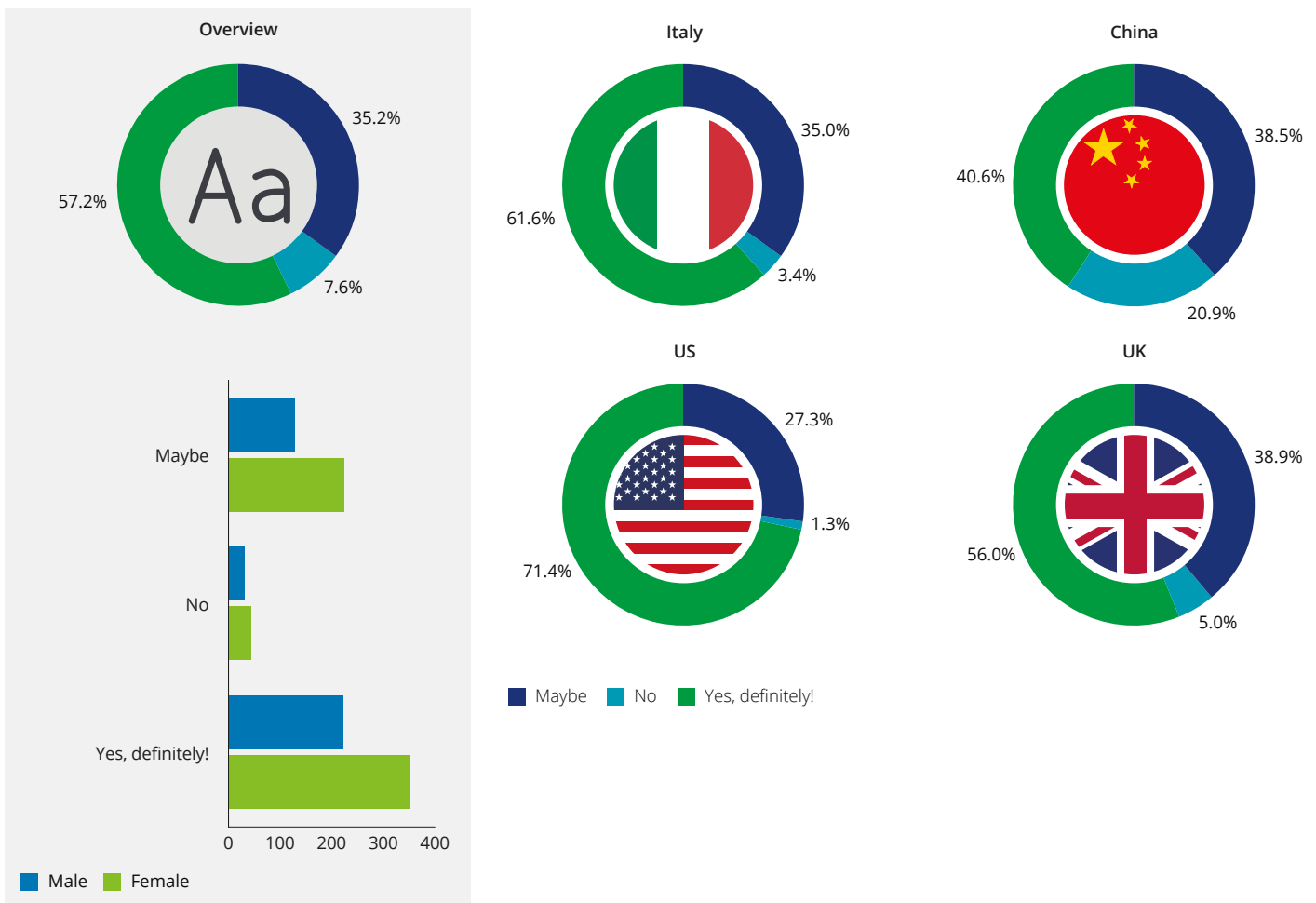
the premium. In China the proportion willing to pay that premium is much lower, and a significant minority would certainly not pay the premium. It appears that willingness to pay premium prices for goods and services that go beyond core luxury products is determined by market maturity.

A comparable divide emerges when millennials are asked about luxury gift choices: would they prefer to buy a luxury brand product, or a luxury experience? In the US and Europe 50% or more would choose the experience; in China that falls to only 34%.

There is also a marked gender difference in preference. On a global basis and after adjusting for the presence of somewhat more women than men in the survey, the responses show that men are markedly more likely to choose a luxury product over a luxury experience.

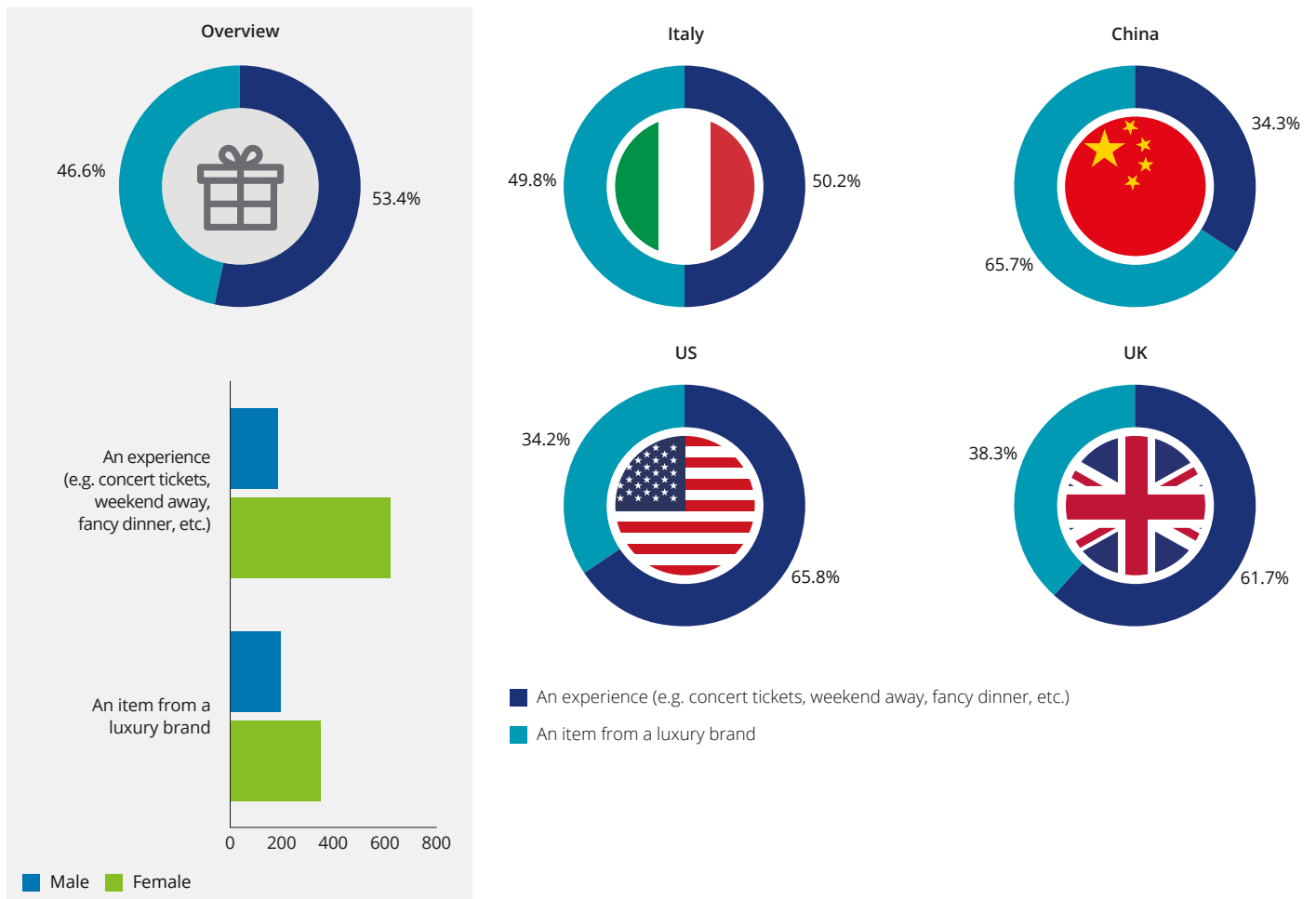
Who values personalisation & experience?

Would you be willing to pay more for a high-end fashion or luxury item that was personalised to you?



...when millennials are asked about luxury gift choices: would they prefer to buy a luxury brand product, or a luxury experience? In the US and Europe 50% or more would choose the experience; in China that falls to only 34%.

If you were looking to buy a present for your partner/family member and had a generous budget, would you go for...



Sustainability and ethics are not leading purchase triggers

Putting a price on sustainability

Millennials may say they consider the sustainability and the ethical profile of luxury goods and services – but it would appear that they are not front-of-mind when purchase decisions are made.

In earlier questions these issues scored low as motivations for purchase – for example when millennials were asked to select from nine different motivations for buying luxury, globally only 2.6% cited the ethical profile of the brand (and there were no significant variations by geography).

When asked specifically about sustainability and ethics responses differed by geography, with US millennials most likely to say they always consider these issues (49% said this), followed by China (38%). European millennials returned a different result, with millennials in the UK and Italy much less likely to consider these issues influential. In all cases the number of millennials who consider these issues either 'sometimes' or 'rarely' was surprisingly high, ranging from around half to almost three quarters.

Other studies have shown that millennials are willing to pay more for products perceived as ethical and sustainable in most categories – for example the most recent Nielsen Global Survey of Corporate Social Responsibility¹ shows that three out of four millennial respondents are willing to pay a sustainability premium.

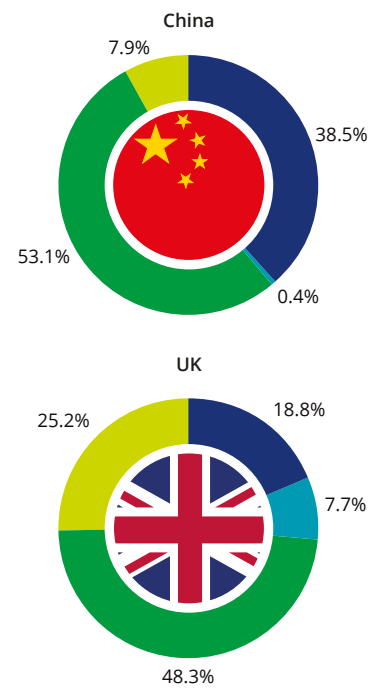
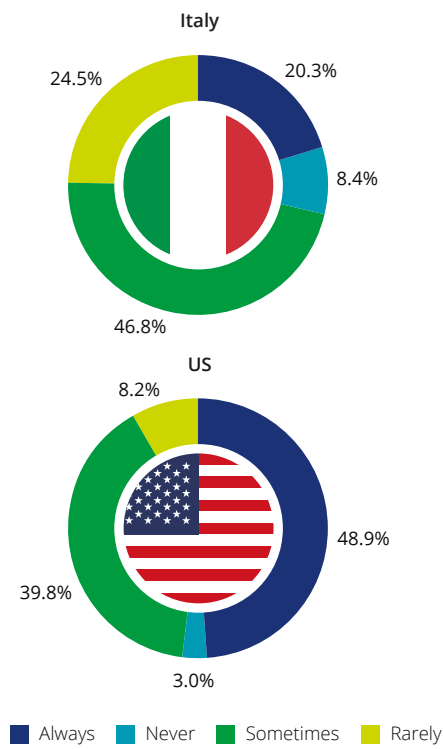
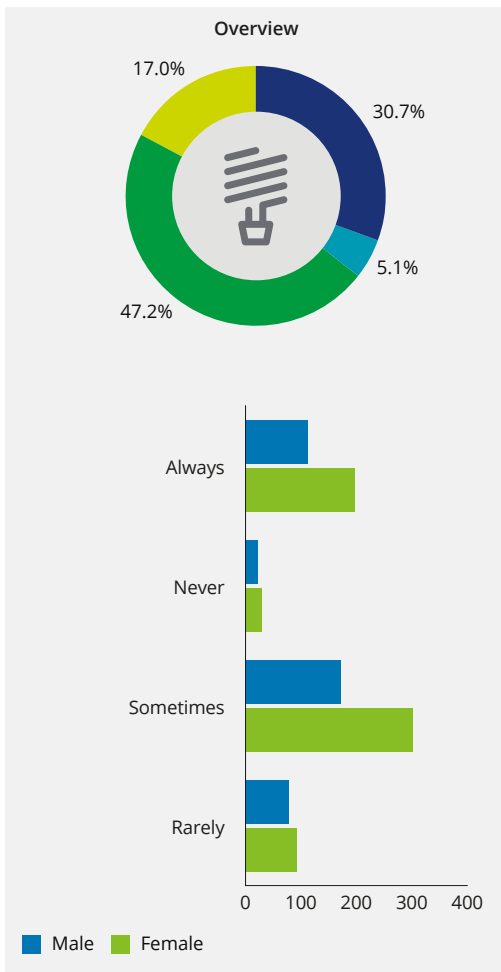
However, this sustainability consciousness may be lower in luxury buying, as we suspect the most likely explanation for this is that luxury buying is more episodic than routine; consumers do not expect their luxury spending to have the same sort of social and environmental impacts as routine, bulk buying of necessities. But these results pose a challenge for the many brand companies that have assumed that sustainability is an increasingly important part of the premium brand offer. It may be that in the premium product category attributes of 'purity' and 'naturalness' – a very important part of the brand story in premium personal care, for example – are becoming more important than sustainability.

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¹ <http://www.nielsen.com/uk/en/insights/news/2015/green-generation-millennials-say-sustainability-is-a-shopping-priority.html>

Paying the sustainability premium

Before purchasing from a luxury brand do you make sure it is a sustainable and ethical brand?





Markets determine the strength of brand loyalty

🏷️ How strong is premium brand loyalty?

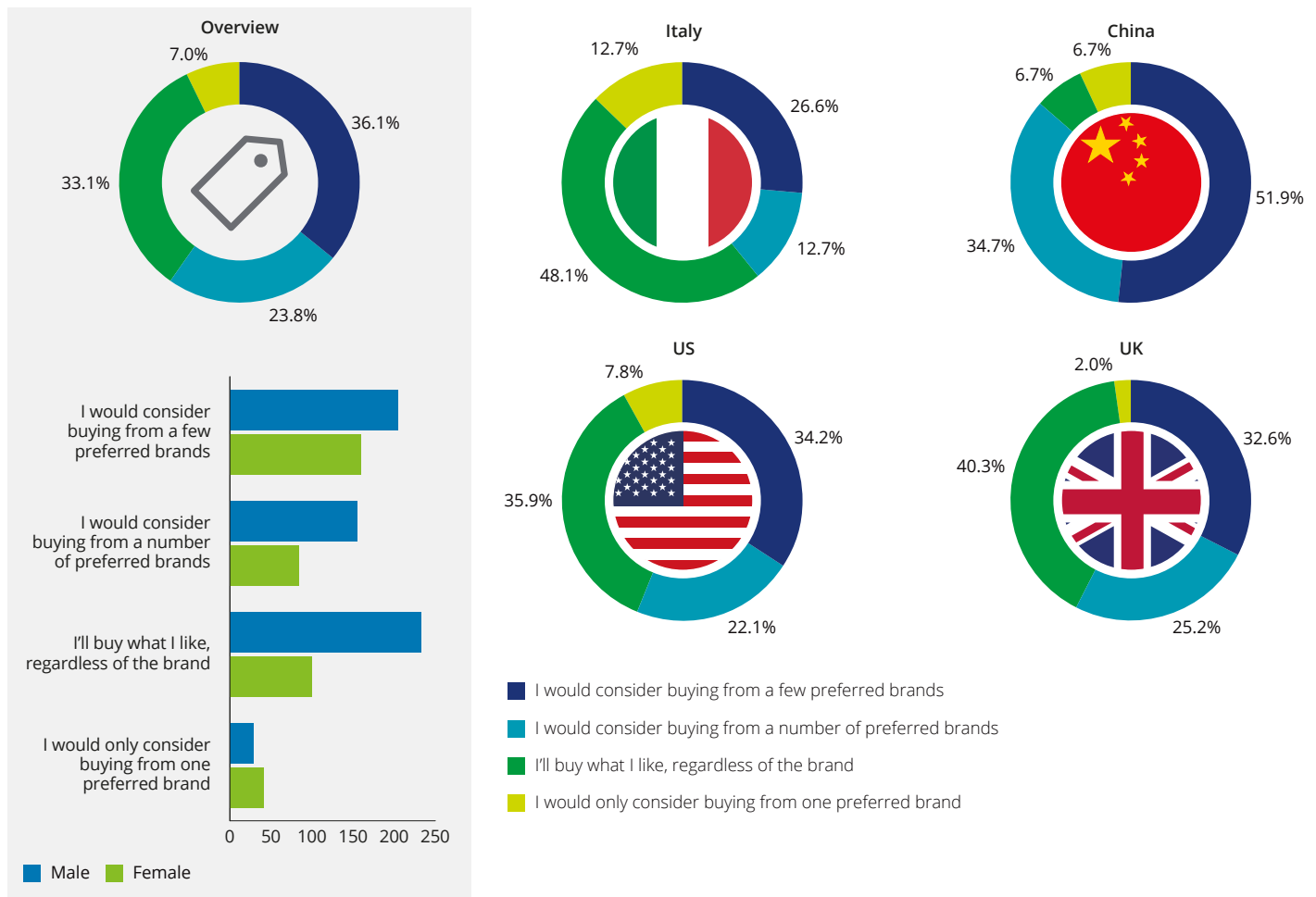
Millennials in mature markets are much less brand loyal than their equivalents in China. Somewhere between a quarter and a third of US and European millennials say they buy from a few preferred brands; in China that rises to over a half of millennials.

Even more striking, a large proportion of millennials in the US and Europe say they will buy what they like regardless of brand. Very few (7%) in China say this. There are also marked differences between men and women respondents. On a global basis, men show much less brand loyalty.

At either end of the loyalty scale, men are much more likely to buy regardless of brand, while women are more likely to be in the small group that buys from one preferred brand only.

Brand power declines as markets mature

When it comes to high-end fashion or luxury items, which ONE best describes you?



The battle for the millennials' wrists...



The market for premium watches – primarily analogue mechanical watches, and smartwatches – is a pure luxury market. These are products that nobody needs: for all practical purposes we can assume that every millennial consumer already owns a functioning and highly accurate timepiece, in the form of a smartphone or tablet. Mobile devices can offer all of the functionality of an analogue watch and more. They can also duplicate most if not all of the functions of a smartwatch. Yet millennials continue to buy costly analogue watches for reasons of fashion and prestige.

Traditional analogue watch sales have begun to emerge from a downturn. Swiss watch exports (considered by many as an indicator for the entire luxury industry) fell by 10% in 2016 year on year, but LVMH, Richemont and Swatch (which owns several analogue watch brands including Omega) all report improving like-for-like sales in the first quarter of 2017.

More than half of all millennials in all markets own at least one analogue watch, and almost 20% in all markets own more than one. The one market that stands out somewhat is the US, where millennials are most likely to say they do not own any analogue watch.

Those that do own these premium watches use them regularly – in every market except the US they are worn either every day or most days by more than half of the owners. Adjusting for the small gender imbalance in the survey, it appears that men are most likely to use their premium watches every day.

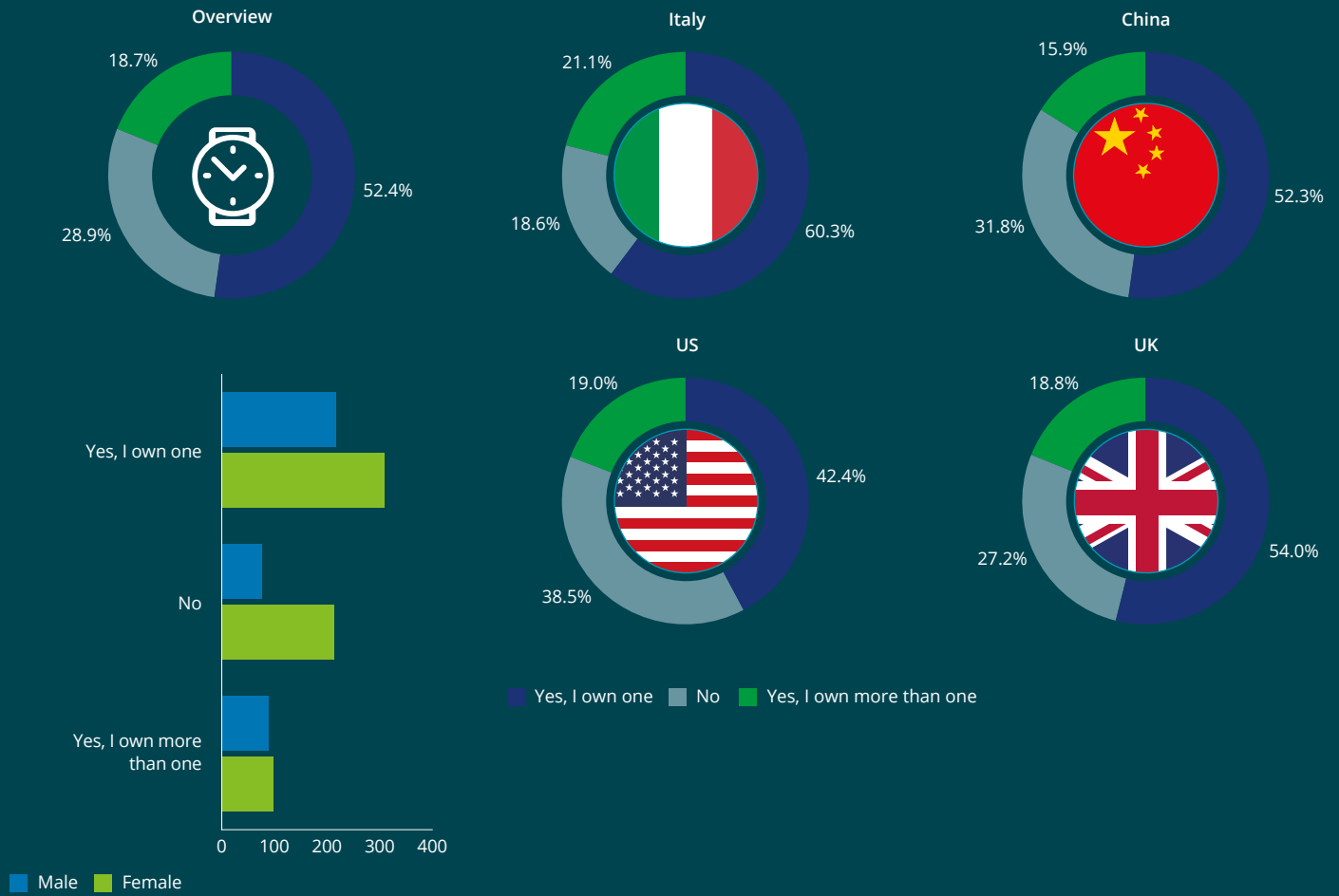
While analogue watch sales appear to be recovering, smartwatches have struggled to win converts; millennials are likely to be critical to the rate of take-up of smartwatches such as the Apple Watch and the Samsung Gear line, but research has suggested that true adoption is slow – for example a recent survey from Gartner shows that almost a third of buyers in the US, UK and Australia abandon their smartwatches¹ shortly after purchase.

Here again markets differ markedly. In our survey, millennials were asked how they would spend a gift of £5,000 that had to be spent on a watch. In all markets except the US millennials would prefer to buy a single analogue watch to ten year's worth of new releases of any smartwatch (which can be seen as two options of similar economic value). In China more than three-quarters of millennials preferred a single analogue watch. In the US, however, there is more appetite for premium technology, with almost equal proportions of millennials opting for smartwatches versus analogue.

¹ <http://www.gartner.com/newsroom/id/3537117>

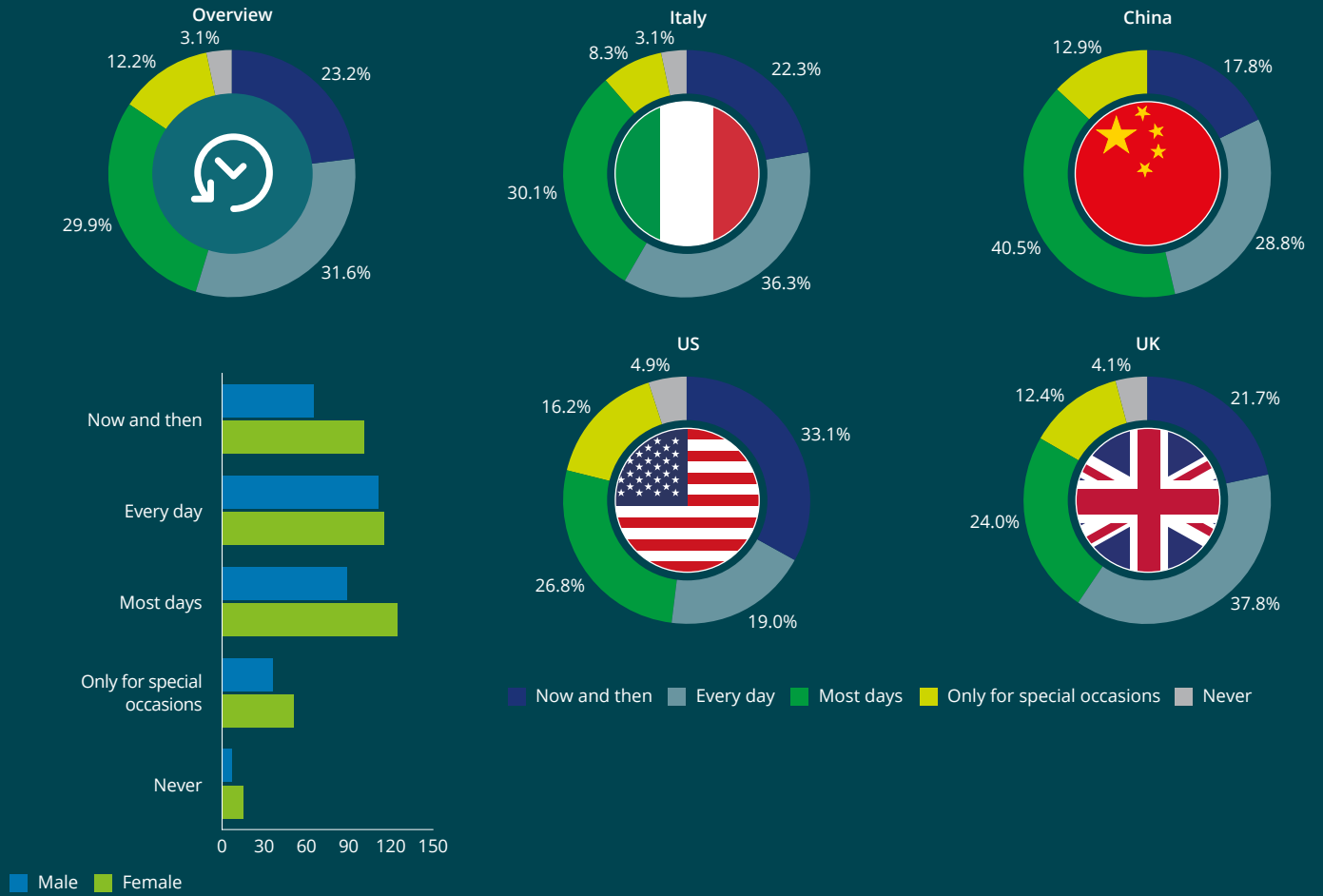
Premium watch ownership

Do you own a traditional, analogue watch?



Premium watch use

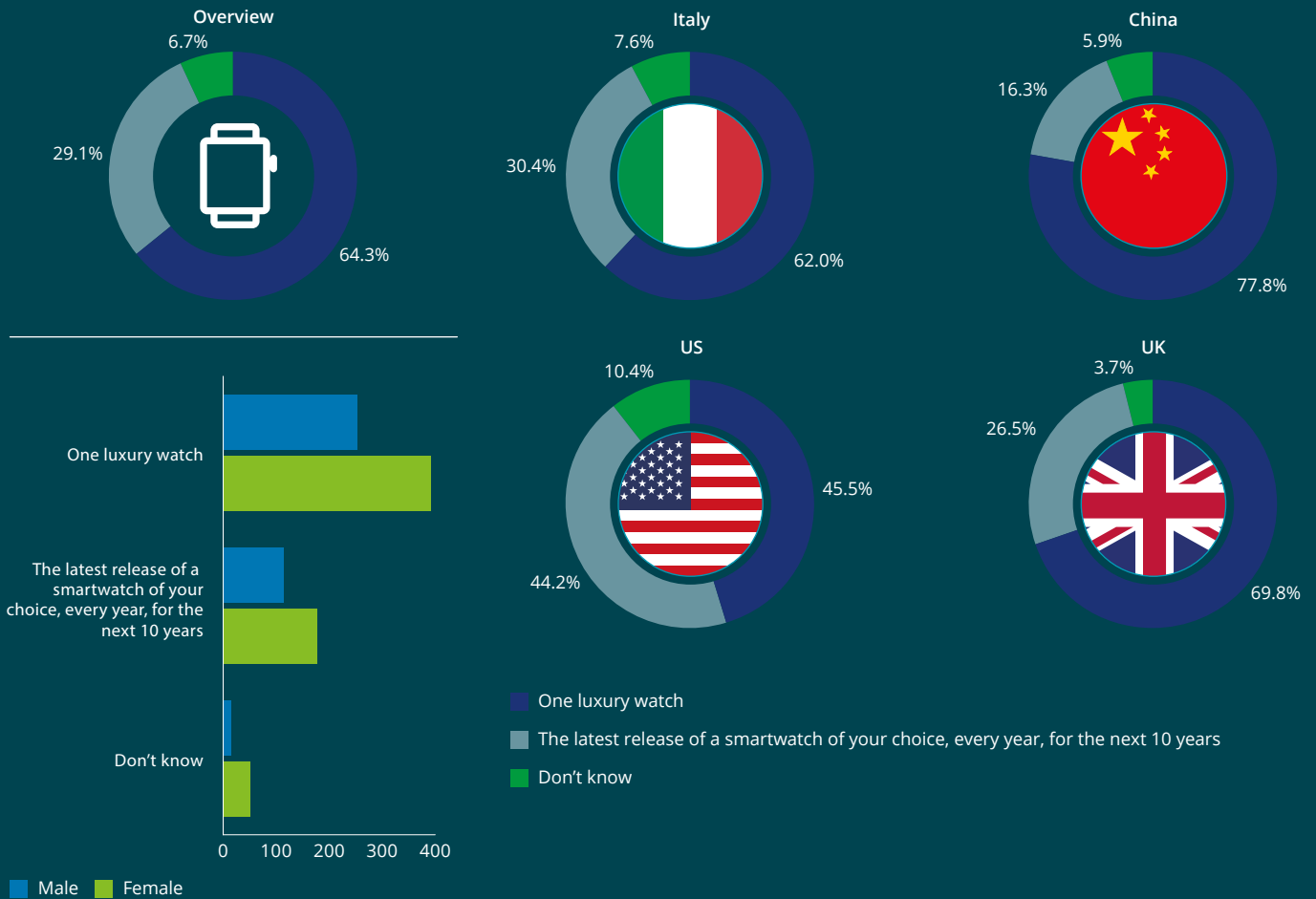
How often do you wear your analogue watch?



Smartwatch takeover

In all markets other than the US, millennials would choose a premium analogue watch over a smart watch

Irrespective if you own or don't own an analogue watch and you were given £5,000 to spend on a watch, what would you prefer to spend it on?



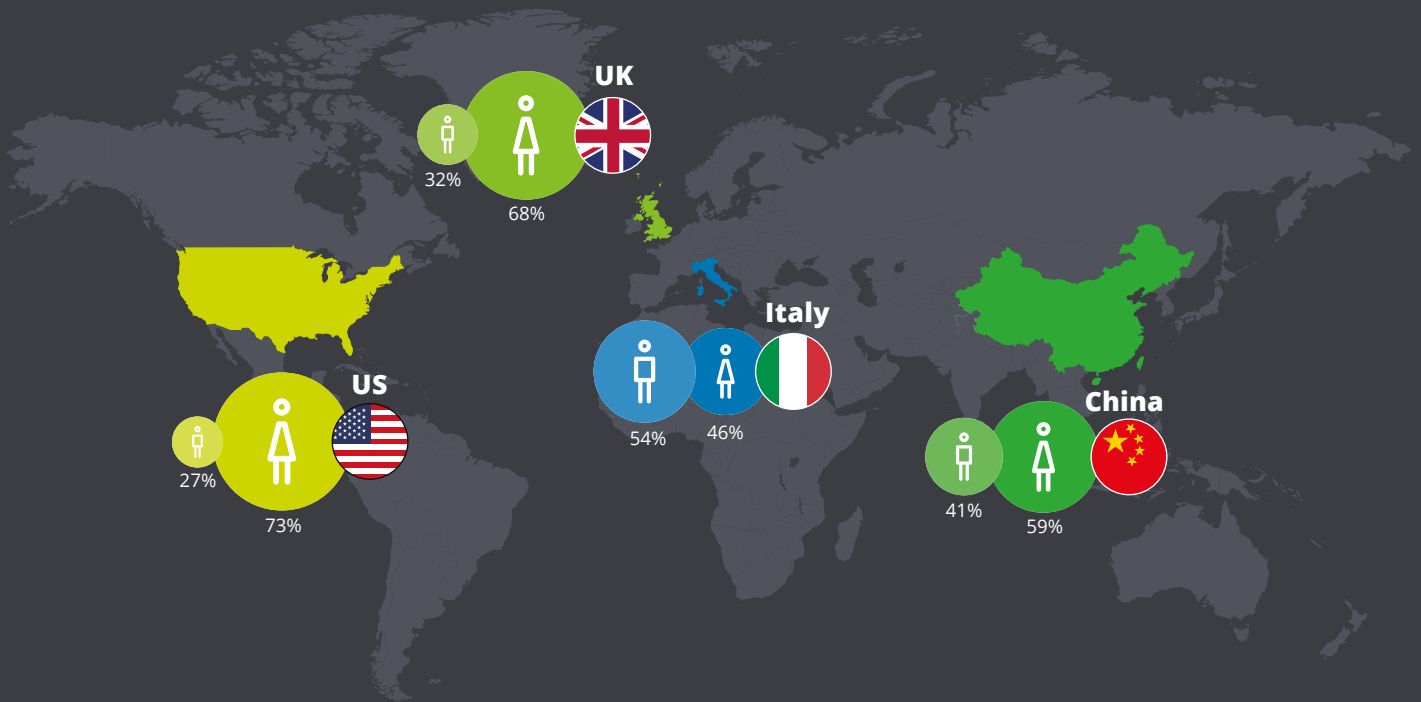
The survey scope

We interviewed over 1,000 20-30 year olds in the US, UK, Italy and China who said they were either interested or very interested in luxury spending.

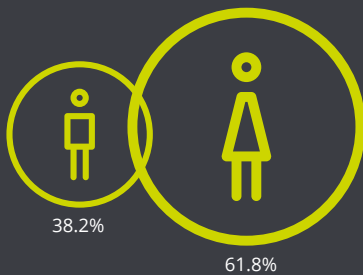
The respondents were evenly spread over the four geographies, and a large proportion of them had already bought luxury items (products costing \$500 or more that were not necessities) in the last year.

As a first nuance, UK respondents were the most likely to have bought at least one luxury item. Chinese respondents had a higher propensity towards luxury items; they were most likely to have bought more than five.

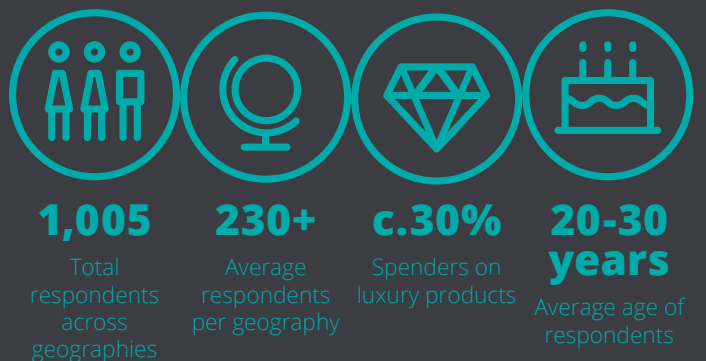
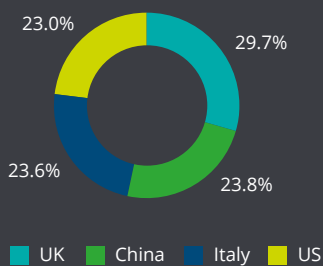
Our millennials



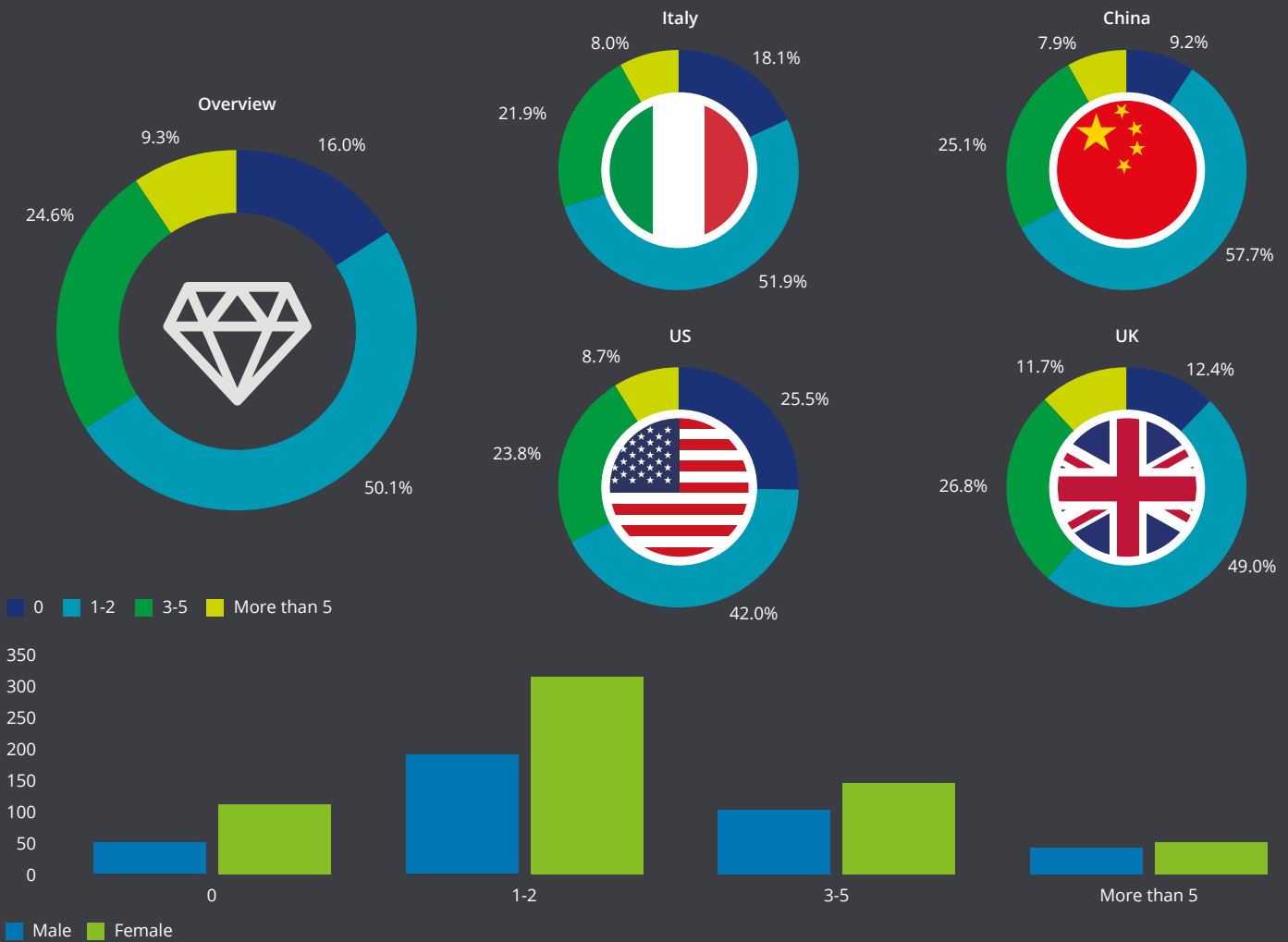
Gender breakup



Country breakup



How many high-end fashion or luxury items costing \$500 or more have you bought in the last 12 months?



More than three out of five respondents had bought luxury within the last year in every geography except the US, and UK respondents were the most likely to have bought at least one luxury item.



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