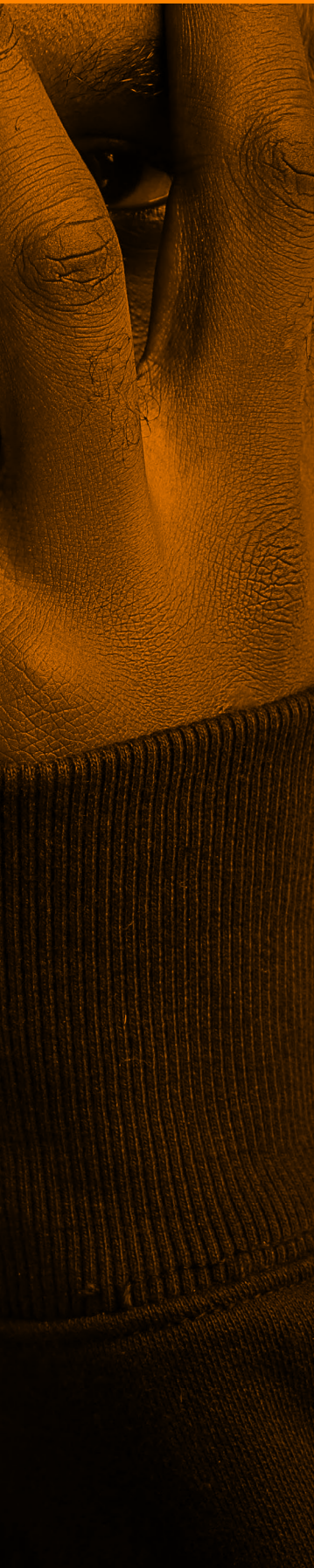


The Rise of Next Gen Luxurians

An NXGN
White Paper





Executive Summary

The luxury market is poised for a revolutionary transformation driven by Generation Z (Gen Z), a demographic with unprecedented wealth and often misunderstood aspirations.

Contrary to popular belief, these 'Next Gen Luxurians' are already reshaping the luxury landscape with their unique preferences and significant purchasing power. Entering the market earlier than and spending differently from their predecessors, these Next Gen Luxurians are challenging traditional luxury experiences and risk pushing them towards obsolescence.

This white paper unveils critical insights luxury brands must grasp to survive and thrive in this new era. We explore how Gen Z's core values – authenticity, community and unconventionality – will redefine what luxury means and why brands must adapt urgently.

Brands that embrace Next Gen Luxurians' desire for personalised, transformative experiences will dominate the future of luxury. This shift is not merely about understanding the next generation; it's about aligning with their values and desires to capture their loyalty in a rapidly evolving competitive landscape.

The future of luxury is here, and the time to act is now. This white paper provides the catalyst for luxury brands to discover how to navigate this transformative era and secure their place in the hearts and minds of the Next Gen Luxurians.

Introduction

In the luxury industry, the perennial question “What comes next?” is paramount for operators striving to keep their offerings relevant and innovative. However, to answer this effectively, one must first consider “Who comes next?” Understanding a brand’s evolving clientele is the cornerstone of anticipating trends and setting new standards in this rapidly changing industry.

These questions sparked Luxury Branding’s NXGN initiative, a suite of services designed to help luxury brands understand and better serve the next generation of luxury consumers.

In our [NXGN Briefing](#) presentation we identified, decoded and demystified these Next Gen Luxurians. In building on these findings, this paper will lay out eye-opening evidence, inspire reflection on common preconceptions, and promote urgency towards decisive action.

The next generation is misunderstood and too often underestimated, shrouded in false narratives circulating like Chinese whispers in the media. In addition, the lingering stain of the pandemic continues to mis-shape public perception, casting a shadow over this emerging cohort. We find the reality is quite different.

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Who are the next generation?

By the 'next generation,' we primarily refer to Gen Z, although younger Millennials also warrant consideration.

In 2024, Gen Z (born between 1997 and 2012) is aged between 12 and 27 (FIGURE 2). Among the global population of 8.1 billion, Gen Z numbers

2.1 billion, or 26%, making them the largest generational segment (FIGURE 1).

Meanwhile, Millennials number 1.9 billion (24%), but approximately half of these individuals are still under 30, forming a sub-category sometimes referred to as 'Zillennials'.

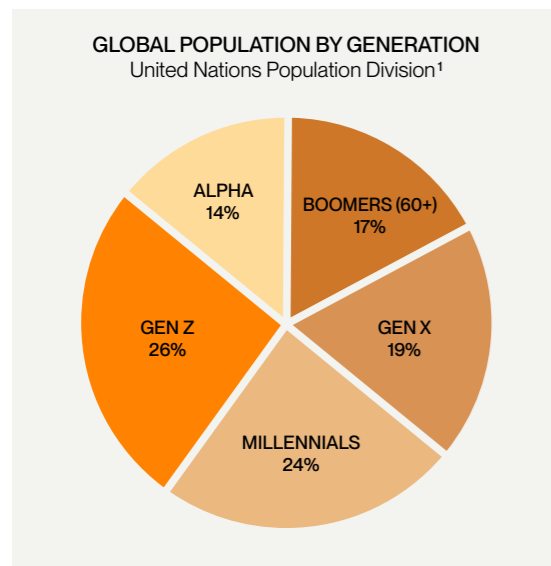


Figure 1

Gen Z is the largest generational cohort of the worldwide population, wielding unprecedented influence on the global economy

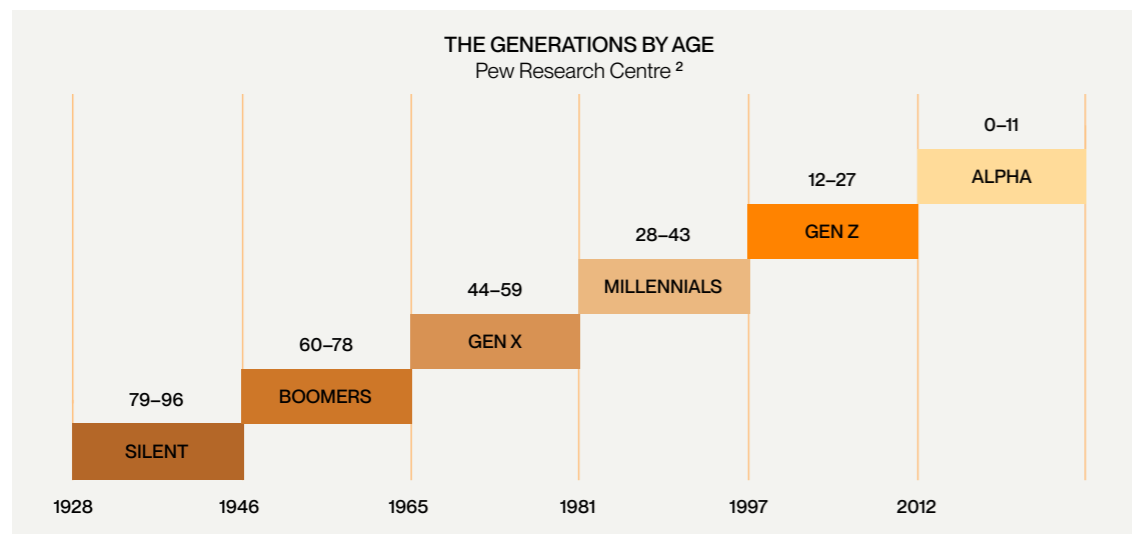


Figure 2





Gen Z's global spending power is projected to exceed the current level of Millennials by the turn of the decade





Defying Perception

RISING SPENDING POWER

How, then, do Gen Z and Millennials defy the limited public perception of them?

Although it has not yet attained the level of Millennials, according to combined data from [Oxford Economics](#)³, [ESW](#)⁴ and [Brookings](#)⁵, Gen Z's global spending power is projected to exceed the current level of Millennials by the turn of the decade ([FIGURE 3](#)). And in terms of annual global income, Brookings forecasts that Gen Z is on track to close the gap to Millennial income by 2030 and surpass Gen X by 2035 ([FIGURE 4](#)).

Gen Z are also better off than their millennial counterparts were at the same age. From data compiled by [The Economist](#)⁶, the average 25-year-old has an annual household income of over \$40,000, 50% higher than the average Baby Boomer when they were 25 ([FIGURE 5](#)). And according to [Bowmore Wealth Group](#)⁷, the number of Millennial and Gen Z millionaires in the UK recently doubled from 1,000 to 2,000 within a single year and is set to skyrocket further as Gen Z comes of age.

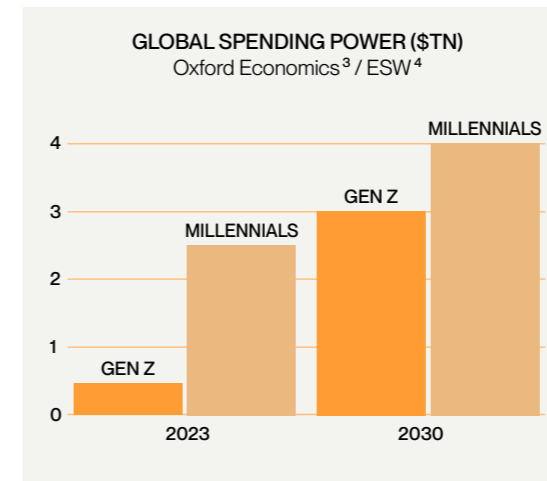


Figure 3

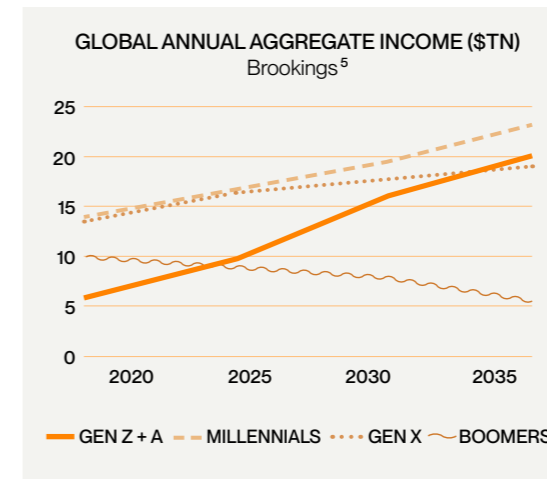


Figure 4

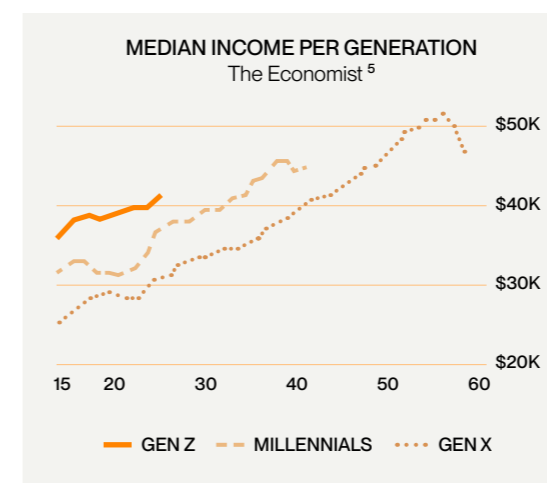


Figure 5

SHIFTING CONSUMPTION PATTERNS

Not only are these new consumers making more money earlier, but they are also channelling their income and wealth into luxury goods, services and experiences sooner.

Bain & Company's 2024 Long Live Luxury⁸ report confirms Gen Z's positive attitude towards luxury and its ability to afford, or at least prioritise, luxury at a younger age. They report that Gen Z consumers make their first luxury purchases an average of 3-5 years earlier than their Millennial predecessors (at 15 rather than 18-20).

Bain also predicts significant growth in luxury spending for younger generations (FIGURE 6).

- By 2030, Generations Z and Alpha will together account for one-third of the luxury goods market
- Their spending is expected to grow 60% faster than Millennials' between now and 2030
- This growth will more than double their current spending
- As a result, they are projected to outspend Gen X in the luxury market

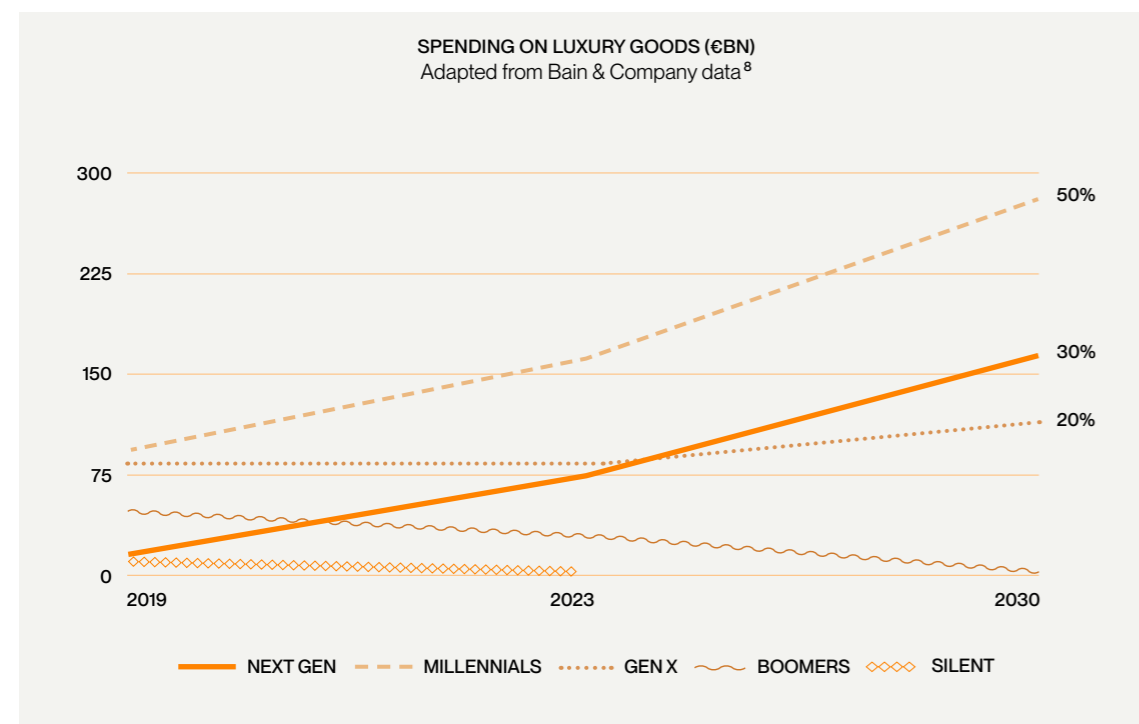


Figure 6

Gen Z consumers make their first luxury purchases an average of 3-5 years earlier than their Millennial predecessors

The Next Gen Luxurian has undoubtedly arrived on the scene. A closer examination reveals that this group is not just present but is also reshaping the nature of luxury consumption. They are earning and spending in ways that markedly differ from previous generations.

To effectively engage with these new consumers, brands must understand their unique characteristics and preferences. What sets them apart from earlier generations? How can brands capture their attention and earn loyalty in an increasingly fragmented and noisy world? The key to answering these questions is a deep appreciation of Gen Z's distinct values and behaviours.





Understanding Next Gen Luxurians

In a commercial landscape saturated with empty promises and superficial initiatives, Next Gen Luxurians seek genuine recognition. They crave to be heard beyond the noise of social media, especially as they navigate a world where isolation and loneliness are pervasive.

Next Gen Luxurians
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in an often digitally
isolating world



SHARED GEN Z NEEDS

Authenticity, community and respect are the fundamental needs shared by all Gen Z consumers. They reflect the cohort's demand for realness, belonging and genuine acknowledgement.

NEXT GEN LUXURIAN DESIRES

In addition to these universal needs, we have identified distinct desires peculiar to the Next Gen Luxurian: originality, personalisation and transformation.

With luxury experiences being increasingly commoditised and generic, they crave bespoke encounters that resonate deeply with their identities. As they seek not just self-actualisation but self-transcendence, responding to these nuanced expectations will be key to navigating the evolving shape of the experience economy.

The Evolving Experience Economy

Pine and Gilmore's experience economy theory demonstrates that as goods and services become commoditised, the customised experiences that luxury brands create will matter most. This mantra holds for Gen Z: the graph below from McKinsey⁹ (FIGURE 7) shows that spending on experiences continues to increase over time while spending on hard goods dwindles.

While Gen Z values memorable experiences over hard luxury goods, there is a distinction to be made with the Next Gen Luxurian. This group tends to present symptoms of 'been there, done that' syndrome or 'experience fatigue' at a far younger age than previous generations ever did before them.

Gen Z values bespoke experiences over hard goods, but the Next Gen Luxurian faces experience fatigue sooner

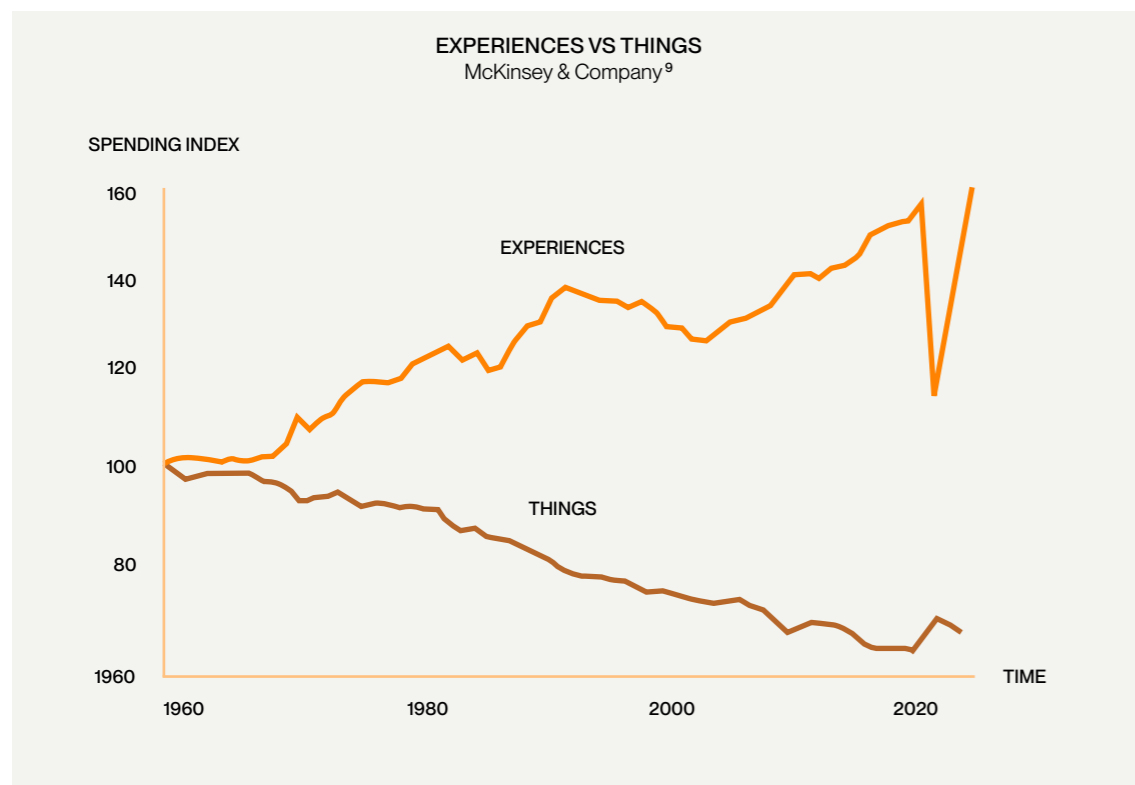


Figure 7

Accelerated Development

Gen Z's relationship with luxury is fundamentally different from that of previous generations, shaped by early exposure and the digital age:

- **Early Exposure** Affluent Gen Z members have experienced luxury from a young age, contrasting sharply with older generations
- **Digital Influence** Social media and popular culture have immersed Gen Z consumers in luxury lifestyle content, accelerating their understanding and expectations
- **Accelerated Discernment** This early exposure has fast-tracked Gen Z along what Guy Salter termed the 'discernment curve' (FIGURE 8). As a result, they are developing sophisticated tastes and selective consumer behaviour much earlier than previous generations
- **Informed Consumers** With vast information at their fingertips, Gen Z luxury consumers are more knowledgeable and discerning in their choices than previous generations
- **Shifting Perceptions** These factors have dramatically altered how Gen Z perceives and values luxury, catalysing a paradigm shift in the market

The result? A new luxury landscape where brands must cater to a younger, more informed, and more discerning clientele than ever before.

Next Gen Luxurians – young, affluent consumers with significant spending power – seek unconventional in their experiences. A 2024 study by Virtue Media¹⁰ surveying 1,000 Gen Z individuals across diverse backgrounds, found that 86% agreed with the statement, "It's normal to be weird." This embrace of the unconventional presents both a challenge and an opportunity for luxury brands.

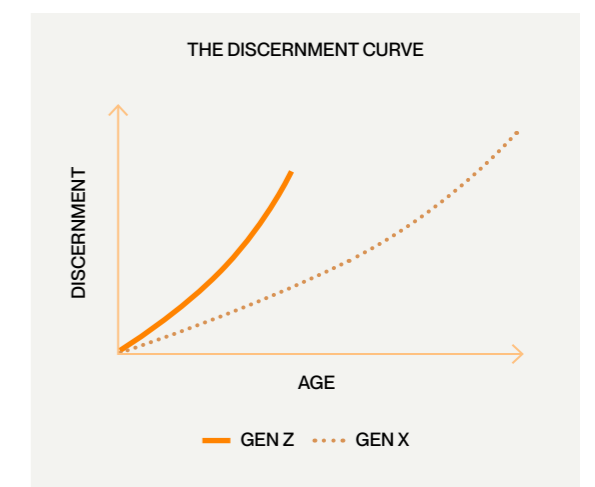
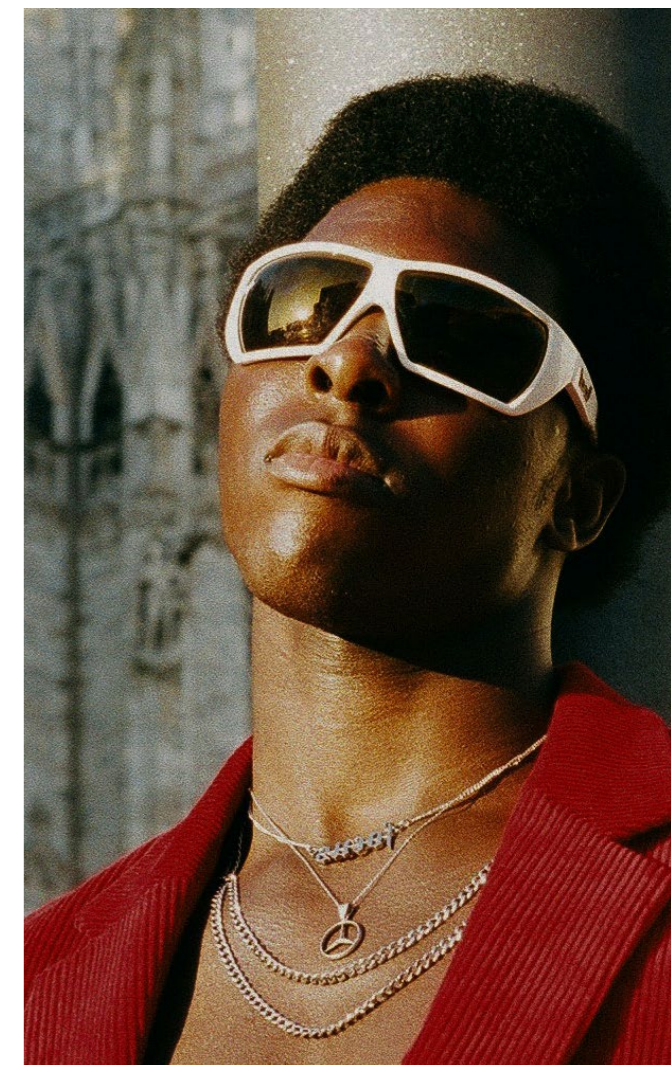


Figure 8



Luxury brands must express an authentic sense of human uniqueness





ADAPTING TO NEW EXPECTATIONS

Traditionally, luxury brands have celebrated heritage and adhered to established norms. However, this approach risks alienating the next generation of consumers. To build rapport with Next Gen Luxurians, luxury brands must dare to express an authentic sense of human uniqueness that resonates with this demographic's values and preferences.

Expectations have also shifted due to the disparity between Gen Z's childhood experiences and those of their Gen X parents. Where previous generations aspired to certain luxury experiences, many Next Gen Luxurians have already enjoyed them, on family holidays for example, rendering them fond memories rather than bold aspirations.

Moreover, social media has further diluted what was previously perceived as exclusive. Luxury experiences, once rare and aspirational, now seem abundant and accessible through the lens of Instagram and TikTok.



As a result of these shifts, Gen Z not only starts earning and spending earlier but also views high-end experiences differently – their perception heavily influenced by both early exposure to luxury and the ubiquity of social media.

In this context, what resonates most with Next Gen Luxurians are spontaneous, authentic moments of connection and genuine enjoyment.

Luxury brands must adapt to this new reality, moving beyond traditional markers of luxury to create unique and personal experiences. Future offerings must transcend regular experiences, focusing on creating transformative interactions that resonate on a deeper level.

Sowing the Seeds

Thus far, our analysis has centred on Gen Z's wealthiest one per cent, representing approximately 21 million potential luxury consumers worldwide. This group undoubtedly presents a significant influx of new consumers for the luxury market.

However, luxury brands would be remiss to overlook a broader, equally crucial demographic for long-term strategic planning. This wider group comprises the top 10 per cent of affluent Gen Z individuals – the so-called 'luxury aspirers'¹¹ – who, while not yet wealthy, possess immense potential and ambition.

According to Knight Frank's 2024 Next Gen Survey¹², Gen Z is the most economically optimistic generation, with 75% of respondents anticipating their wealth increasing over the coming year (compared to 69% of Millennials and 56% of Gen X).

Numbering approximately 189 million globally, this top 10 per cent cohort represents a vast wellspring of future purchasing power for premium and luxury brands.

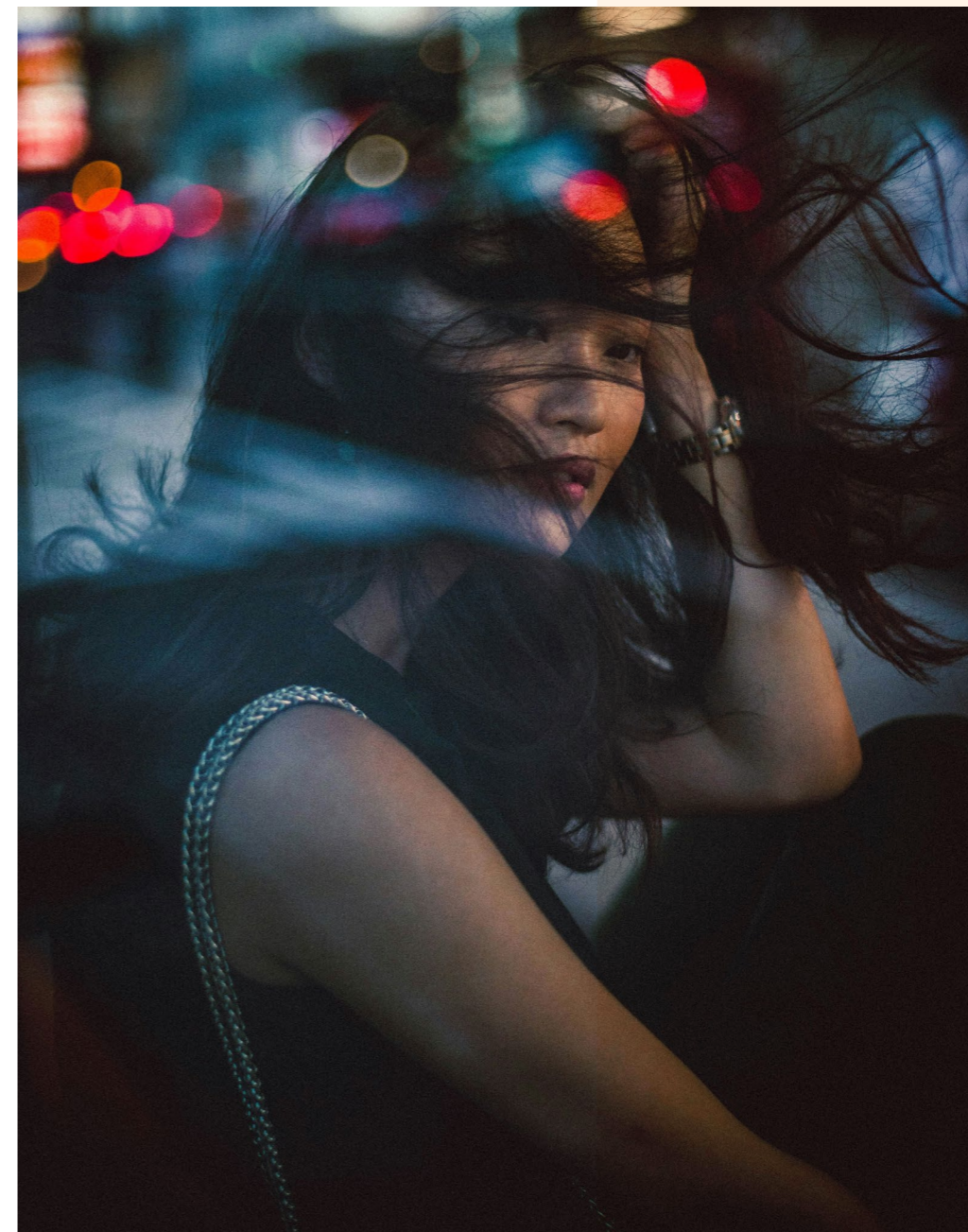
CULTIVATING FUTURE CONSUMERS

The strategic imperative for luxury brands is clear: Begin cultivating aspiration and desire within this larger demographic early in their journey. By proactively engaging with these potential consumers, brands can nurture a loyal and eager customer base poised to increase their spending as their financial capacity grows.

With proactive initiatives, luxury brands can establish themselves in the minds of the broader affluent segment. This long-term approach to consumer cultivation will be instrumental in securing market share and brand loyalty in the evolving landscape of luxury consumption.

Success in the next-generation luxury market hinges on a dual approach, catering to current affluent customers while cultivating desire among potential future consumers. Brands that master this balance – maintaining exclusivity yet offering strategic points of accessibility – will be well-positioned to thrive in the evolving luxury landscape.

Luxury brands must begin cultivating aspiration and desire within this larger demographic early in their journey



Ready or Not

Returning to the significant and growing segment of Generation Z that is already actively consuming luxury goods and services, at NXGN, we doubt the luxury industry's readiness to serve this demographic effectively.

Anecdotal evidence suggests that young luxury consumers often face scepticism and discrimination when patronising high-end establishments. Many report feeling compelled to justify their presence as customers

when visiting renowned luxury retailers and hotels, particularly in major fashion capitals like London.

This disconnect between the reality of Gen Z's purchasing power and the industry's perception of them highlights a critical gap in luxury brands' customer service strategies. The luxury sector appears ill-prepared to engage with and cater to this new generation of consumers.



Engaging Next Gen Luxurians

The key to engagement with Next Gen Luxurians lies in developing a deeper, more nuanced understanding of how they wish to connect with and consume luxury.

The best way to develop this understanding is through direct engagement with Gen Z consumers, using focus groups, surveys and collaborative initiatives to gain firsthand insights into their expectations and desires.

Principles luxury brands should consider include:

- **Embracing Unconventionality**
Infuse offerings with quirk, character, and layers of intrigue. Go beyond the ordinary to create experiences that spark curiosity and conversation
- **Addressing the Ultra-Curious Mindset**
Exploit Next Gen Luxurians' desire to understand and question issues with a hands-on approach. This strategy can foster debate and collaboration, building an involved community around the brand

- **Celebrating the Mundane**
Next Gen Luxurians are redefining what moments are worthy of celebration. The success of platforms like BeReal, which shares random, filler moments from day-to-day life, illustrates this shift away from curated perfection towards authentic, spontaneous experiences
- **Focusing on Authentic Connections**
Instead of clichéd luxury imagery of sunset meals on the beach and pristinely made-up suites, express moments of personal connection through visual storytelling. Showcase the typically undervalued and neglected details that shape Gen Z lives
- **Reinterpreting Luxury**
Aim to redefine luxury's emotional benefits from Gen Z's perspective. This approach is crucial to prevent experience fatigue among the next generation of luxury consumers

By embracing such principles, luxury brands can navigate the evolving landscape of the experience economy and build lasting relationships with the next generation of luxury consumers.



A Call to Action for Luxury Brands

EMBRACING THE FUTURE

The luxury market is undergoing rapid transformation, driven by the changing preferences of a new generation of consumers.

Brands now face a critical decision: they can either passively rely on secondhand information from industry publications or proactively engage with Next Gen Luxurians, the dynamic force shaping the future of luxury.

Gen Z isn't just the future; it is the present, already wielding significant influence and purchasing power

Next Gen Luxurians crave engagement, yearn to be heard, and are eager to leave their indelible mark on the world of luxury.

The time for action is now, and luxury brands must actively seek out Gen Z voices and perspectives, create platforms for meaningful dialogue and collaboration, demonstrate a genuine commitment to understanding and valuing their insights, and adapt strategies and offerings based on direct feedback from this rising demographic.

By inviting members of this next generation to share their ideas, aspirations, and vision for luxury, brands can show they are ready, willing, and able to take Gen Z seriously. This proactive approach will inform better strategies and foster loyalty and advocacy among these new luxurians.

Luxury Branding NXGN is ready to guide you through this transformative journey.

Together, we can bridge the gap between traditional luxury and the expectations of the next generation, ensuring your brand not only survives, but thrives in this new era.

The next generation
of luxury is calling.
The question is,
how will you answer?



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