

Research Article

Buying Behaviour of Generation X, Y and Z Consumers: A Study on Luxury Products

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Abstract

In this day and age, luxury brands have exceeded their horizons from being limited to the rich and elite with a significant rise in expenditure. There have been a lot of discussions about millennials, Gen Z and Gen X customers online and in the media about the way they interact with luxury brands and the effects of generational changes. Quality and quantity are some of the important factors when it comes to choosing luxury products. It is observed that millennials are selective on the trends and brands before spending.

Brand integrity and customer satisfaction are some of the major factors that attract today's customers. Innovative technology and digital presence are also very much important for the luxury brands. In this study, we have narrowed down our focus on luxury goods. This study is going to help marketers and luxury brands to develop an in-depth understanding of purchase intention and customer values of all three generation cohorts.

Keywords – Generation X, Millennials, Gen Y, Gen Z, luxury brands, luxury products, buying behaviour, brand integrity, customer satisfaction

Introduction

A luxury item is not a basic necessity but it is still highly desirable in a society or culture. Luxury items are bought frequently when the income or wealth of a customer rises. Usually, a higher rate of income spike leads to a higher rate of luxury shopping. People who are not rich will naturally avoid luxury goods as they have to fulfil their needs for survival. Luxury goods are usually deemed for show-off and as status symbols. Luxury items have a direct relationship with customers' wealth or income. With the rise in their wealth, their spending power for luxury items increases. The demand for luxury items reduces with the decline in disposable income.

For example, a customer would definitely opt for iPhone and other Apple products if their income level rises as they have additional income to spend on them. In case of recession, which poses adverse effects on the economy and makes people have less income from a mediocre job or lose their job, the demand for luxury items would definitely decline. Some services like housekeepers, 5-star hotels, spa, live-in chefs, etc. also fall under luxury items. These services are directly considered luxury as middle- and low-income groups would definitely not use them.

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On the other hand, necessary goods also witness less demand with the rise in a person's income. It indeed has negative demand elasticity. For example, when the income of a person is low, a cheap, store-bought beverage would see a rise in demand. Its demand would decline when people have more disposable income and they opt for higher-quality, sophisticated cuisines. Similarly, luxury items are also perceived inferior with the rise in income level. For example, a highly rich customer who gets so much wealth that makes him no longer interested in luxury sports cars as they become inferior to him, and he started collecting yachts and charter planes. Some of the common examples of luxury items are lavish penthouse, a yacht, a sports car, accessories like premium watches and jewellery, etc. (Kenton, 2021)

The research interest is growing significantly towards luxury brands (So & Stella, 2012) due to significant luxury market growth (Vigneron & Johnson, 1999). The international market is all set to have a tri-fold rise of €223 billion after over 20 years (Bain & Co., 2014). Luxury brands are witnessing a generation gap in this day and age about demographics of the market. The generations which were born before Gen X are maturing baby boomers. They were born between 1946 and 1964. Their appetites for luxury have been moved to experiences instead of products and they have already achieved lavish lifestyles. Gen Xers are actually their offspring, who have a great resemblance to their favourite brand and they are willing to pay anything to buy their products. According to Strauss & Howe (2007), Gen Xers are the people who were born from 1961 to 1981, and their predecessors, Gen Y (or the Millennials) were born from 1982 to 2005. The Millennials are going to make the highest spending generation and capture market share by 2026 to 2029 (Danziger, 2015). So, marketers and businesses should also target Gen Years (Foulkes, 2016).

Luxury customers are evolving, and so are their expectations and demands. Mostly, a new luxury consumer can be a millennial or Gen Zer. While millennials (aged 23 to 36 years) are already in a well-off position in their careers, Gen Z (aged around 16 to 22 years) are much younger but they are also on the radar of luxury marketers (Buckle, 2019). Born between 1996 and 2012, Gen Z is a coming-of-age group, which is all set to make up the 25% of population in Asia Pacific region like their older counterparts (born from 1982 to 1995). Gen Zers earn and spend enough money as they grow old. Millennials and Gen Zes are young and they have a lot of qualities in common. But they shouldn't be perceived the same. Gen Zers are getting mature during COVID-19 pandemic, but both Millennials and Gen Zers will make around 50% of Asia-Pacific consumer-base by 2025 (Kim et al., 2020).

The thing is both of these generations have evolved in this age. Both are the generations with potential to set the trends in terms of fashion. Both are redefining the value of some services and goods in terms of consumerism and both are building up the future of brand-customer relationship. All these facts make it clear that luxury brands should align their strategies to the needs and aspirations of younger generations (Buckle, 2019).

However, there are reasons Gen X should not be overlooked. They have the biggest spending power as compared to the Millennials and Gen Zers. Some of the common examples are the founders and CEOs of Tesla, Amazon, Google, PayPal, SpaceX, Wikipedia, etc. Around 55% of founders of start-ups are Generation X. This generation is supposed to be a dream of every luxury marketer. They are willing to spend more on luxury goods, leisure travel, be highly educated, health conscious, loyal to the brands they like, and the consumers who are comfortable

with both internet and radio. Boomers are perceived to be the past and millennials as the future of luxury brands. But Gen X is the easy way to fill the gap between their old demographic group and the younger groups.

The generation gap can be filled in their own homes. Gen X care for boomers and their kids are millennials. It gives them power and influence. Generation X are the parents who introduce their kids to luxury brands. Luxury also consists of service, quality, convenience, and trust that Gen X wants from brands. They are completely loyal to the brands who provide better service and who save their time. Even luxury companies have more Generation X as compared to millennials. Hence, marketers should come up with more friendly strategies that can resonate with all the generations. Gen X use TV and newspapers and use social media and shop online. They are intensely and naturally omni-channel, which is the Holy Grail of luxury brands. This study is aimed to understand the buying behaviour of all three generations on luxury products.

Review of Literatures

Yozgat & Ariker (2018) address the changes in shopping behaviours of Gen Z customers. First of all, they discuss whether Gen Z customers are of various types of retailers with various motivations. They also investigate the changes in shopping motivations of Gen Z customers with a shopping companion. It is observed that Gen Z customers visit several types of retailers with various motivations for shopping. When they visit any retail shop alone or with someone, they behave with various motivations. There is a further research path to choose the right strategies for various types of retailers. Sales assistants can also learn approaching Gen Z customers when they visit alone or with someone.

Luxury brands have evolved significantly as compared to legacy titles. They dwell in consumers' minds as identity and self-expression which is often noticed in lifestyle and fashion segments. When creating brand awareness and promotions, celebrity endorsements are very common. This way, **Hemantha (2019)** discusses luxury brands and celebrity endorsements in the buying decision of Gen Z consumers. The author found mixed responses about Gen Z consumption patterns with dramatic changes in technological advances. There has been a moderate change in luxury brands of celebrity endorsements as Gen Zs are more inclined to digital technology and social media.

Kitchen & Proctor (2015) explore the rip tides in marketing communications. They discuss the evolving global environments, before even setting new trends in the market which is underpinned by the explosion of information. Then, consumer typologies are considered in terms of Generation X, Y and Z. They finally explore the importance of these issues in postmodernism. There are many companies still behaving as if their target customers are simply waiting for upcoming adverts through common mediums. In the end, manufacturers, producers, and retailers rely on the hearts, hands, computers, and minds and keyboards of modern consumers and customers.

Králová (2020) analyses the online shopping trends of Gen Z consumers and compares the same with online shopping trends of the entire population. First of all, the study analyses the trends in online shopping of the entire population. Next up, it analyses online shopping trends of Gen Z. The findings suggest that Gen Z customers' choice in services and types of products is a

bit different. In addition, payment methods also vary in the cohorts. In Gen Z consumers, the buying behaviour is supposed to adapt more with evolving technologies like Apple Pay. It is also possible that the opinions of families, friends, experts and other influencers more or less influence the shopping decisions of all generation cohorts.

Stepień & Lima (2016) determine and elaborate the areas of internal diversity/homogeneity of Gen Y consumers in the drivers of appraising value of luxury items and compared the perception of luxury goods value of Gen X and Y cohorts while determining the grounds of perception dissimilarity and uniformity. In addition, there were noticeable country-oriented differences in millennials when determining the drivers of luxury value and local culture's influences permeate the international behavioural patterns of consumption. Despite increasing pauperization of the luxury goods, the image of values and attributes of luxury goods is strongly stuck to the minds of consumers, despite their country and cohort.

Yang & Lau (2015) investigate the disparities in Gen X and Y tourists from China by determining their loyalty in a luxury hotel. The findings suggest that high quality services and rooms are always high on demand for both cohorts. Gen X prefers food quality and convenience, while Gen Y focuses on security. Value partially or completely mediates the relationship between loyalty and quality and satisfaction doesn't encourage loyalty. When it comes to building loyalty, Gen X is more value-specific and Gen Y focuses on both consciousness and value.

Simge (2020) determined the perception of Gen Z customers with moderate and low income in terms of knowledge of luxurious goods, luxury, and motivation for having luxurious goods. The perception of this generation about luxury is split into service, concept, and product. Luxury is perceived as flamboyance, ability to get anything we want, and wealth by females, and brand quality, comfort, and products that are not easy to get by males. The knowledge of participants about luxury brands usually consists of expensive brands like Ferrari, Rolex, Puma, Polo, and Nike. In addition, 54.1% participants plan to own luxury items in future. Comfort, quality, durability, elegance, beauty, self-satisfaction, conspicuous consumption, power of desire, positive feeling, economic wealth, and social status are some of the factors that attract people towards luxury items. Houses, luxurious clothes, travel, jewellery, and cars are some of the luxuries most customers plan to buy.

Luxury market is usually growing in various countries and Indonesia is no exception. There is no lack of second copy of luxury items in the world and the trend of buying luxury goods is at an all-time high. Analysing the effect of purchase intent for luxury items is very important. There are so many counterfeit luxuries fashion items. It is vital to know and analyse for the luxury fashion companies to determine the influencers of purchase intentions for original luxury fashion items. **Candra & Abadi (2018)** analysed some variables like "Personal Value Perceptions", "Functional Value Perceptions" and "Social Value Perceptions" to determine the most influencing intent for buying luxury fashion items. Functional Value Perceptions are the most significant factor for quality, uniqueness, and usability for luxury fashion items.

Research Questions

- Are Gen X and Y the Key Customers for Luxury brands?

- What Makes Gen Zers the Most Attractive Customers for Luxury Brands?

Methodology

On the basis of above research questions, the study will discover the buying behaviour of consumers and their perceptions that vary between Gen X, Y and Z. The difference in upbringing, lifestyle, and buying behaviour among these groups are expected to have major differences between these groups. The study will be focusing on secondary data for research to achieve the conclusion.

Data Analysis

The perceptions of luxury consumers are changing. Their expectations and needs are also at odds with the traditional knowledge of luxury goods. Usually, the new luxury buyer is more or less perceived as someone who is young. Aged 23 to 36, millennials are already at the peak of their careers and are also reaching their age of spending at their best. Aged 16 to 22, Gen Z are the customers who are much younger and are on the radar of the luxury market. Both of these cohorts have been through the digital era. Both of these generations are reimagining the value of some services and goods with some forms of consumerism (Danziger).

Q1. Are Gen X and Y the Key Customers for Luxury brands?

Emerging and high-street luxury brands may like to expand their marketing and advertising budget in order to retain Gen X and Gen Y customers. Millennials and baby busters are the evolving groups who can spend premium prices for the products they like, according to “American Express Business Insights. Attracting Gen X and Gen Y customers can be the biggest opportunity for marketers. Millennials are highly conscious about the brand of the products, despite their lower earnings and age (Fernandez, 2009) and they can deal with higher taste and quality and taste in luxury products (Grotts & Johnson, 2013).

Gen Y customers are more likely to show their high levels of status consumption (Eastman & Liu, 2012), brand value and materialism (Loroz & Helgeson (2013). In addition, this generation cohort also has low dispositional guilt and high self-monitoring levels. In addition, Gen Y customers are also likely to base their decisions on influence and opinions of the public with great consciousness levels (Fernandez, 2009).

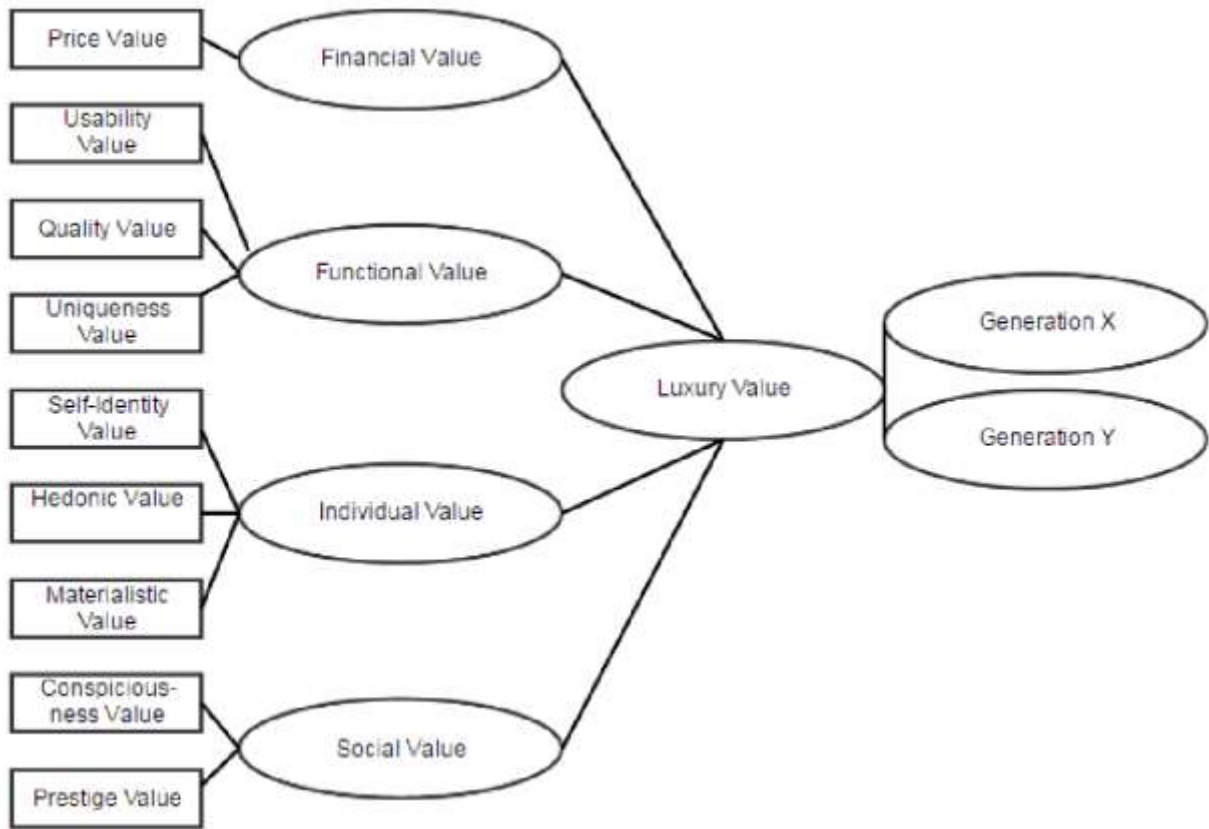


Fig. 1 – Key Luxury Dimensions – A Conceptual Model (Weidmann et al., 2007)

The conceptual model (Fig.1) consists of all the important functional and psychological dimensions which constitute that the luxury value in the customer's mind was lacking. This way, Weidman et al. (2007) came up with a four-sided model to gain further insight towards the luxury value perceptions and customer motives. It describes consumption of luxury products through value perception having functional, financial, and individual dimensions. This way, multi-generational marketing can help very much in meeting diverse needs of customers in a specific generation group.

Multi-generational marketing has two founding principles – (1) products and promotional messages for these segments can show their values to drive customer behaviour and, (2) products should change with stages of life. It is very important to understand multi-generational marketing for developing timeless multi-generational brands, which is going to be one of the leading marketing trends within 25 years to come (Foulkes, 2016).

Q2. What Makes Gen Zers the Most Attractive Customers for Luxury Brands?

A study conducted by Altagamma and Boston Consulting Group (BCG), the two luxury powerhouses, published their sixth yearly survey on over 12000 respondents in top ten countries, including customers in China and the US, the largest markets in the world for luxury brands. The survey taps luxury consumers’ perspectives in around 85% of the international luxury market. The

sample was qualified to have only 'True Luxury' buyers. MD and partner at BCG, Sarah Willersdorf (2019) had it that customers should meet the spending limit to qualify for the survey to have only genuine customers of luxury services and goods. Generational changes are not easy to adapt and Gen Zers will show the trends from the millennials and they will be different. Gen Zers have different values and behaviours. Sustainability influences them more and they are highly active in second-hand luxury markets. Gen Zs are also known for buying high-low and mixing-and-matching.

Gen Z customers are more influenced by social media influencers. A lot of Gen Zers are still at home and influencing the buying decisions of their Gen-Xer parents and boomers. Hence, brands should focus more on the Gen Zers as they are the influencers in the future (Willersdorf, 2019).

Results

Considering the six-year perception of Altagamma/BCG on the luxury segment, we identified some of the transformational trends. These trends have matured well and will always remain a part of the 'true luxury' market, especially in mono-brand stores, omni-channel strategies, customization, shopper tourism, and mix-and-match/high-low flexibility. These trends will keep on increasing demand, including casualwear luxury, influencers' influence on customer decisions, online sales, and social media engagement. Here are some of the most important trends identified by Willersdorf (2019) which can pick up the pace -

- **Collaborations** – Millennials are now looking beyond four walls in luxury shopping and collaborations are the new meaning of luxury. Millennials are seeking innovation in terms of design, apart from different collections reflecting their values and uniqueness. Luxury brands are also noted to create lasting relationships with youth-oriented and modern designers.
- **Second-hand luxury** – Second-hand luxury has become the next big thing in the market. Lower price is not the only factor that attracts customers looking for 'true-luxury' products. They can buy vintage or first time items or limited-edition or sold-out items that they have missed out for the first time. Customers are more inclined to finance new purchases and get their wardrobes filled.
- **Sustainability** – The purchase decisions of modern consumers have moved significantly with their concerns on social responsibility and sustainability. It is obvious that sustainability will raise its value and it will feed secondary-luxury and limited-run markets.

With that said, luxury brands should not overlook next-gen customers as they are the next luxury generation. Luxury brands may also have overlooked millennials several years ago, when they can still become the true luxury customers. It is not easy to adapt with generational changes and it will magnify the trends. Gen Zers have different values and behaviours as they are more into collaborations than sustainability and also have their presence in the second-hand luxury market (Danziger, 2019).

Conclusion

Brands with clear values reflect the pressure on manufacturers of luxury products to keep their CSR credentials low and the changing behaviours and expectations of Gen X, Y and Z customers for luxury spending are making luxury brands to have exclusivity of luxury fashion which is out of their comfort zones. However, they don't have to ditch their core values of luxury for diversifying their businesses to online stores out of their brick-and-mortar outlets. More than half of occasional and regular businesses look for something different and exclusive for making customers more inclined towards luxury spending. There is also a great demand for personalization in almost every generation cohort.

It is obvious that luxury consumption is going to have the same values on average but Gen Xers and Gen Yers still have some of the major differences in buying luxury products. Gen Yers are more likely to focus on what people expect from luxury products and brands and whether a good impression is made from luxury brands. In addition, they also know that only a few people own luxury products. It also suggests that Gen Xers are more inclined on exclusivity when it comes to buying luxury products. All in all, luxury brands are no longer limited to the elite, privileged and the rich. Luxury is getting more common in modern society. The key here is the income and wealth of the buyer.

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