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Understanding luxury brand purchases by millennials through application of generational cohort theory

Introduction

Millennials are one of the key forces shaping the luxury market today, and in order to capture value high levels of brand investment are needed, however, millennials are increasingly difficult to characterise and differ vastly from previous generations (Deloitte, 2016). Millennials, or generation Y, represented 36% of luxury sales in 2012 (Jay, 2012) with a view of luxury brands as not a privilege to save up for, but a right (Jackson, 2011; Shea, 2013; Silverstein and Fiske, 2008; Stein and Sanburn, 2013). Understanding millennials is strategically important to marketers (Shea, 2013), particularly concerning luxury sales, where they are engaging in luxury purchasing from a much younger age than previous generations (Jay, 2012), spending around \$300 per purchase (Panteva, 2011).

However, understanding what motivates people to purchase luxury fashion is increasingly complex (Giovannini et al., 2015). Previous research has attempted to further understand luxury consumption by analysing personality (Workman and Lee, 2011), brand consciousness (Grotts and Johnson, 2012; Gurau, 2012; Liao and Wang, 2009), and self-motivation perspectives (Mittal, 2006; Panteva, 2011; Truong, 2010). This study hopes to build on this foundation by concentrating on one of the key target markets within luxury branding today. Therefore, the purpose of this study is to investigate millennials consumption of luxury fashion products through the analysis and application of generational cohort theory. From this perspective, this paper advances the existing theoretical understanding of luxury branding through focusing on one of the key target markets within the luxury fashion market today. The findings from this study will provide practical insights for marketers to consider when engaging with millennials through their luxury brand strategy

Literature Review

- Millennials

Millennials are known by many terms, Echo Boomers, Generation Y, or The Facebook Generation (Dotson and Hyatt, 2005) but are considered as those born after 1981 (Debevec et al, 2013). This cohort of consumers has unprecedented purchasing power, which will continue to grow, with the population of Millennials estimated to hit up to 92 million, further, the cohort is expected to exceed all other consumer groups combined by 2030 (Stanley, 2013; Nelson, 2012). Previous estimates show that half of all spending is a result of purchases made by Millennials (Marketing Breakthroughs Inc, 2008) and are described as the ‘powerhouse’ in the market attracting the attention of many different business groups (Stanley, 2013). Generally, millennials are known to be “confident and self-reliant; technologically savvy and connected; open to change and diversity; closely connected to family and social organisations; service orientated effective at multitasking; and expectant of immediate access to information” (Young and Hinseley, 2012, p.146). However in order to gain further insight into the millennial cohort and understand how to market to this generation, cohort theory will now be applied.

- Generational cohort theory

Generational cohort theory states that different generational cohorts share life experiences which means that they then go onto acquire similar attitudes and beliefs (Meriac et al. 2010). These shared life experiences along with their social context causes each generational cohort to develop different beliefs, expectations and views' regarding their lives and consequently they develop distinct behaviours (Lancaster & Stillman, 2002; Dries et al. 2008). Therefore, these cohorts capture not only differences in age but also differences in values (Schewe & Meredith, 2004), and in attitudes and beliefs (Meriac et al. 2010). This results in generational cohorts developing distinct characteristics as consumers (Kupperschmidt 2000). These cohort effects are lifelong effects (Berkowitz & Schewe, 2011). Thus, it is of high importance that marketers understand these traits accurately, as they will be with the generational cohort throughout their lives.

Subsequently, generational cohort theory (Stauss and Howe, 1991) indicates that different generational cohorts have their unique characteristics and different attitudes toward saving, and spending (Schewe, Geoffrey and Noble, 2000). When marketing to a specific cohort there are three major influential factors to consider; life stage, current conditions, and cohort experiences (Wolberg & Pokrywczynski, 2001).

- Luxury and luxury brand

The concept of luxury is always associated with rarity, premium quality, aesthetics, sensuality, exclusivity, ancestral heritage, personal history, high price and uniqueness (Dubois et al. 2001, 1995; Kapferer 1997). Therefore luxury products allow consumers to meet their functional demands and feel satisfied psychologically, such psychological attributes distinguish the luxury products from the non-luxury goods (Nia and Zaichkowsky, 2000). Further, luxury goods are used to convey social status through a standard of excellence, and prestige (Kapferer, 2001). Indeed, the definition of luxury indicates that luxury brands should have a well-known brand identity, enjoy high brand awareness and retain high customer loyalty (Phau and Prendergas, 2000). The six dimension framework introduces the characteristics of luxury brands as; brand heritage, product quality, credibility and excellence, personality and consumer group support, brand image investment and value-driven emergence (Beverland, 2004). The five dimension framework also indicates the scale of conspicuousness, uniqueness, extended self, hedonism and quality when defining luxury brand (Vigneron and Johnson, 2004).

In order to better understand luxury brand concept and to communicate with the participants within this study, it is important to categorise luxury goods. Luxury goods have been categorised by different product categories within luxury market, which is growing continuously through the year (White, 2007). We are using Okonkwo (2007)'s six-categorise system include lower-priced luxury products, medium-priced luxury products and expensive luxury products (See Figure 1). This system includes the major luxury market category as well as the some new scope for luxury product such as houses and other household goods.

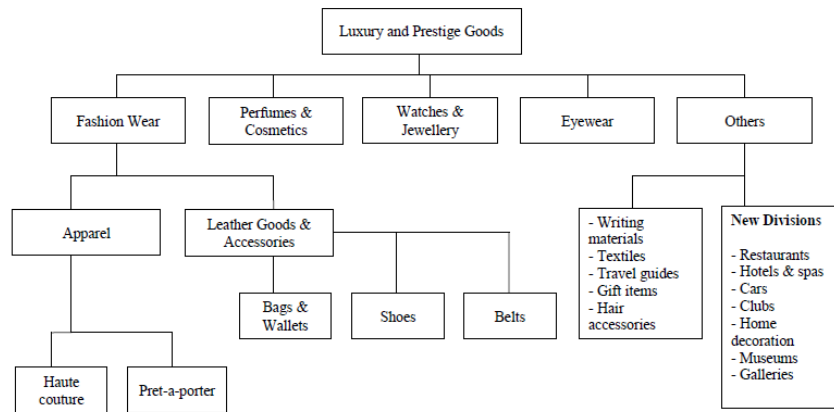


Figure 1. The Major Luxury Fashion Product Divisions (Li, 2014 from Okonkwo, 2007)

It is already understood that millennials are highly brand conscious (Fernandez, 2009) and disposed to spending more money in order to gain higher quality and tasteful luxury products (Grotts and Johnson, 2012; Silverstein and Fiske, 2008). Further, millennials are known to be more materialistic than previous generations (Loro and Helgeson, 2013), interested in status consumption (Eastman and Liu, 2012) and make purchasing decisions based on the opinions of their friends (Fernandez, 2009). However, millennials are less brand loyal than previous generations (Little, 2012) and therefore further research is required into this cohort to understand why they display these traits, particularly in the area of luxury brands where they are a growing and increasingly influential market (Jackson, 2011).

Methodology

The investigation adopted an interpretive, qualitative approach to data collection and made use of a range of multiple sources of evidence through two focus groups and interviews. Respondents comprised a range of millennials both male and female using both a convenience sampling technique and a snowball sampling method to access further relevant respondents (Yin, 2009). The respondents were within the age range of 18-35 at the time of this study per Levy and Weitz's (2001) definition. Semi-structured, in-depth interviews established the primary source of data in this investigation. They were the most relevant method of primary data collection, as this enabled the researchers to collect and interpret a large volume of data, but in a way that is flexible and allows for natural conversation that lead to enriched findings (Easterby-Smith, Thorpe, & Jackson, 2012). An interview guide was used to ensure that relevant information was collected (King, 2004) and the guide was informed by both the findings from within the literature and the key themes that emerged through the focus groups.

Conclusions

To conclude, the present study intends to fill the identified research gap through conceptualisation what motivates millennials to purchase luxury branded products through application of generational cohort theory. In doing so the paper will analyse how millennials life stage, current conditions, and cohort experiences effect the purchasing decisions that they make and their motivations to purchase. The findings from this study will provide practical insights for luxury brand managers when targeting millennial consumers.

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