

The Rejuvenation of Luxury Brands: How to Attract Young Consumers in China?

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Abstract: Research reports show that China has become the largest luxury market in the world. As an emerging group of luxury consumers, Generation Z plays an important role in luxury consumption. Research on the rejuvenation of contemporary luxury brands and strategies to attract the Chinese Generation Z is an important step in brand reform. Studying the consumption psychology and behavior of Chinese Generation Z, especially their attitudes towards luxury consumption, is of profound significance to the rejuvenation process of luxury brands. This paper analyzes the current consumption situation and behavior of Generation Z in China. The author summarizes the effective market expansion and marketing experience of luxury youth marketing through several typical cases of luxury youth marketing, from product design, cross-border cooperation, choice of spokespersons, digital marketing and other aspects. This provides suggestions for other luxury brands to promote rejuvenation, attract more young Chinese consumers and increase market share.

Keywords: Luxury consumption, Generation Z, Brand rejuvenation, Brand marketing, Social media marketing

1. Introduction

In today's rapidly changing social environment, luxury consumption, as an important cultural and economic phenomenon, attracts consumers of all ages. Growing up in the best times, the people of generation Z are becoming an economic promotion force and consumption force that cannot be ignored. According to the report "Decoding Generation Z in 2022" released by Dentsu China, the contribution of Generation Z in the fashion field is increasing year by year, and the consumption scale of the post-90s, post-95s and post-00s trend market accounts for 80%. According to the China Luxury Consumption Behavior Report 2022 released by China Luxury Research Center, whether online or offline, millennials account for the highest proportion of consumers, and millennials are the mainstay of current luxury consumption. In addition, the young generation Z accounts for 24.7% of online consumers. They not only have a strong willingness to buy luxury goods, but also have enough spending power, which has the potential to surpass the millennial generation in online consumption.[1] Winning the favor of Generation Z is crucial for many brands and retailers' post-epidemic plans: according to McKinsey & Company, this consumer group currently accounts for 40% of global consumers. In addition, Bain predicts that by 2035, the consumption of Generation Z will account for 40% of the global personal luxury market.[2] As this group gradually joins the workforce and gains

financial autonomy, once the economy recovers, their consumption rate will further increase. Facing the negative impact of the economic downturn and consumption degradation after COVID-19, it is necessary for luxury brands to attract more young consumers, to understand how to communicate effectively and establish lasting relationships with them to expand their own markets and enhance their brand image, because rejuvenation is the most important thing that luxury brands must pay attention to in their future development.

2. The Current Situation of Luxury Consumption of Generation Z in China

According to the report of Tencent's marketing insight into the digital trend of luxury goods market in China, the luxury goods consumption in China is expected to reach 550 billion in 2023, with a year-on-year growth rate of 15-20%. Customers aged 30 and below account for nearly 50%, which is significantly younger than other countries in the world.[3] The average age of new consumers in the luxury market is obviously younger, and most consumers are less than 30 years old when they first buy luxury goods. With the further online consumption behavior, the penetration rate of online channels in China increased to 46%. Online channel is very important in the stage of consumers' interest, which has an impact on more than 90% shopping decisions.

In today's rapidly changing social environment, luxury consumption, as an important cultural and economic phenomenon, attracts consumers of all ages. As a new consumer group, Generation Z presents unique characteristics and trends in attitudes and behaviors towards the luxury market compared with other age groups.

3. Research on Consumer Behavior of Generation Z in China

3.1. Z Generation in China

Generation Z is gradually becoming the backbone of social development, and the number of online active users has reached 342 million. As a generation growing up in the digital age, Generation Z is more familiar with the use of Internet and mobile technology. According to the data of QuestMobile GROWTH user portrait tag database in June, 2022, the average monthly usage time of Z-generation users' APP is nearly 160 hours, and the average monthly usage time is 7.2 hours per day. The mobile video, mobile social networking and mobile game industries account for the total usage time of Z-generation, accounting for the TOP3 industry.[6] As a digital native youth, Generation Z can now seriously study and plan its own style under the guidance of algorithms and influencers. They no longer rely on their parents or traditional brand marketers to get shopping experience or marketing information. Diversified social media platforms provide them with sufficient commodity information and consumption experience. Compared with previous generations, digital native Z-generation consumers are usually more independent in purchasing decisions and are willing to share their shopping experiences with their families or friends around them. This digital fluency also makes young consumers have a great influence on their families.

Today's youth has markedly different values, behaviors and views compared to generations past. With the prosperity and development of domestic economy and culture and the change of information media forms, Generation Z has a growing environment with richer materials and information and more confident culture, and they are more eager to meet the needs of socialization, respect and self-realization. Advocating individuality and full of self-confidence are the common characteristics of Generation Z, who are willing to try new things and accept new challenges. But in the face of the choice of luxury goods, quality ingenuity, professionalism and classic inheritance are the three brand concepts they value most. Brand history and concept, shopping experience and service are more likely to make Generation-Z have a good impression on the brand. Gen-Z is looking for brands that listen

to consumers' opinions and learn from them, looking for brands that are oriented by real purpose and act according to their values.

3.2. Characteristics of luxury consumption in Z generation

3.2.1. Consumer groups

According to Tencent's insight into the digital trend of luxury goods market in China in 2023, 54% of the Z generation of luxury goods consumption comes from second-tier and below cities, and most of them are light customers who spend less than 50,000 yuan a year.[3]

3.2.2. Consumption purpose

Why you purchase the luxury goods? Self-reward and style display are still the main purposes of luxury consumption, and social value display and gift giving are also important driving factors. According to The Emergence of Chinese Luxury Brands by daxueconsulting, "Younger Millennials and Gen Z are changing the definition of luxury in China, making luxury goods shift from being signals of social status to becoming instruments of self-actualization, self-expression and community-building." [1] Today, young Chinese consumers regard luxury to reward and express themselves in a more elevated and upscale way. Even though luxury goods are likely to be still important in signaling a high-end lifestyle, Gen Z is more eager to share, talk about and discover their luxury experience, thereby building a community of kindred spirits.

3.2.3. Purchase way

Generation Z is addicted to online consumption and is easily influenced by online channels, including official and unofficial channels. Their luxury consumption is more likely to be driven by online channels, and has more diversified online purchase channels, preferring localized and digital content. This is also confirmed by the data value report of luxury goods industry in Kwai in 2023. The number of short videos of luxury goods and the number of short videos played in Kwai continue to increase. In 2022, the number of short videos increased by 142% and the number of short videos played increased by 81%. The live broadcast of luxury goods and the number of participants continued to grow, and the number of luxury content creation continued to rise. Social content platforms, games and short video platforms have become important channels to motivate young people of generation Z to buy luxury goods. They love creative content and activities, and the blessing of local traditional elements and celebrities can enhance their interest in consumption. As far as purchasing channels are concerned, cross-border e-commerce and brand official online channels are the mainstream channels. Because of the true and false problems, they trust authoritative e-commerce more.

3.2.4. Consumption categories and characteristics

As far as consumer goods are concerned, they attach importance to uniqueness and fashion, and prefer shoes, clothes and lifestyle products. [4] In the search term TOP15 of luxury brands in Kwai in 2022, shoes and clothing brands accounted for half, and watch brands ranked second. This fully reflects the growing interest of generation Z in watches, but in the purchase decision, one-third of the respondents from PCG prefer to choose a niche watch brand that is not be recognized. As for the decorative consumption of clothing and jewelry, it depends entirely on its design and consumers' own aesthetic preferences. More and more luxury brands have started to cooperate with local brands and designers in China, and more China elements have been incorporated into their designs, which has become an important means to attract young consumers. In addition, limited by their spending power, they prefer entry-level models, joint models and unique limited models. For the sake of value preservation and

cost performance, the classic model is the first choice. In addition, light luxury is favored by young consumers because of its low consumption threshold. In addition to the social effects of classic brands, their brand loyalty is low, and they are more likely to be driven by fashion or design to choose brands. Another point worthy of attention is that over 36% of Generation Z are opposed to the price increase of luxury goods, while another 28% of Generation Z think that the price increase will not affect consumption, but they hate the price increase, which reflects their rational consumption attitude.[5] It is worth noting that, through PCG's survey, we found that over 60% of the respondents tend to choose to experience a better life when the budget is abundant, and tend to take high-end hotels as the first choice for luxury experience. For contemporary consumers, "luxury goods" not only represent the dazzling array of goods in the window, but also convey a refined and critical lifestyle. In order to satisfy consumers' pursuit and yearning for fashion style and a better life, cross-border High-end hotels and restaurants of luxury brands have become commonplace. However, the cooperation between luxury brands and hotels is moving in a deeper and more delicate direction, showing the brand's personality in a variety of expressions.

4. Rejuvenation of luxury brands

4.1. Tiffany

Following its acquisition by LVMH in 2021, Tiffany, a 185-year-old brand, has launched a series of marketing campaigns aimed at Generation Z. Tiffany first announced the brand's shift in positioning to Gen Z with an advert "Not Your Mother's Tiffany" that ran on the streets of the United States. This was followed by a series of cross-branding collaborations with New York hipster brand Supreme and Swiss watchmaker Patek Philippe, each of which resulted in limited edition co-branded items. In 2022, Tiffany & Co. collaborated with Crypto Punks to launch the first NFT jewelry "NFTiff", a unique gemstone pendant for each holder. In 2023 Tiffany & Co. and Nike launched the "Legendary Pair" collection, a collaboration that created a huge wave of trends. The product was so popular that it was hard to find and was named Shoe of the Year. Tiffany made the smart decision to partner with Nike, one of today's most beloved Gen Z sports brands. This co-branding allows more Gen Z consumers to get to know Tiffany.

Tiffany's brings the movie "Breakfast at Tiffany's" to life. The first "Blue Box Cafe" opened in New York. The store is linked to the fans' admiration for the movie, attracting countless young people to take photos. The store's decoration and offerings are all in Tiffany blue, deepening the color marketing of Tiffany blue. Through the multi-sensory interaction of sight, touch and taste, customers become part of the interpretation of the brand story, so that the brand image is deep in the hearts of consumers, and it is easier to stimulate consumption.

4.2. BVLGARI

BVLGARI is a luxury brand from Italy with a history of 139 years. BVLGARI pays great attention to diversification, and its business has gradually expanded from jewelry and watches at the beginning to bags, perfume and luxury hotels. BVLGARI Shanghai was inaugurated in 2018. The hotel has done the localization of the brand to cater to the needs of the Chinese market. While continuing BVLGARI's signature Italian luxury style, it also retains the characteristics of Shanghai's old-fashioned architecture. The global layout of the BVLGARI Hotel allows consumers to experience the brand's Italian elegance in an immersive way. Meanwhile, in order to attract more young consumers, BVLGARI Hotel has joined online sales platforms commonly used by young people, such as Meituan and Dianping. By inviting media and KOLs to participate in the hotel's activities, it maintains a high level of exposure on social media platforms and gains more Gen Z customers.

BVLGARI attracts Gen Z users through multi-faceted digital marketing. Last year BVLGARI created BVLGARI World, an exclusive virtual world on ZEPETO, Asia's largest meta-universe platform, which will be available from September 1, 2022 for offline and online experiences. In the area of digital marketing, BVLGARI also launched the Octo Finissimo Ultra watch with a QR code engraved on the dial, which can be scanned to access the exclusive digital world. In addition, BVLGARI connected the physical goods with the virtual versions, putting on sale the Emerald Glory necklace and the digital NFT. In July 2023, BVLGARI and China's popular mobile games "Arena Of Valor" cooperated to create customized digital jewelry skins for the game characters, which triggered a great deal of discussion among young consumers on major social media platforms.

4.3. Cartier

When it comes to the rejuvenation strategy of luxury goods, we have to mention Cartier. Although Cartier has a long history, it was one of the first brands to realize the importance of rejuvenation. WeChat is the most widely used app in China, and Cartier was the first luxury brand to open a WeChat boutique. The Wechat Moments ads placed by Cartier are very worthwhile. The ads mostly reach users by clicking, sliding, VR and other interactive forms, and then guide users to click into the WeChat boutique or lead them to offline stores through applet. Cartier is very good at utilizing the WeChat ecosystem to achieve precise placement, attract users and directly increase the sales conversion rate.

In 2023, Cartier held the "Leopard's Shadow" themed exhibition in Guangzhou, jointly held a special exhibition with Hong Kong's Palace Museum, and the Cartier Foundation organized a special exhibition in Shanghai for Raymond Dept. Cartier continues to build bridges of dialogue with China's Generation Z through the medium of culture, conveying the brand's avant-garde "cheetah" spirit. Cartier has also become the first international hard luxury brand to have official accounts on all six Chinese social media platforms (Weibo, WeChat, RED, Tik Tok, Kwai, Bilibili). Cartier's exploration of China's social platforms and its connection with China's young generation has been further deepened.

5. The Future of Luxury - How to Attract Young People Summary

5.1. Innovative product design

Most luxury brands are century-old brands with a long history of development, iconic styles and the most classic products. In order to adapt to the consumption characteristics of Generation Z, luxury brands should constantly update their product design to meet the consumption needs of Generation Z. At the same time, the design language should also be rejuvenated in order to impress consumers. Generation Z is no longer limited by traditional gender concepts, and prefers gender-neutral products, so luxury brands should conform to the trend and design products that are more in line with the aesthetics of Generation Z while maintaining the characteristics of the brand. For example, Cartier's Clash de Cartier series continues the minimalist geometric design of Cartier's signature style from the 1930s, while utilizing rivets, beads and square studs for a more neutral look. At the same time of rejuvenation, luxury brands should not abandon or ignore the original loyal customers, focusing on maintaining the customer's feelings for the brand.

5.2. Cross-border cooperation with young brands

Co-branding cooperation has been an increasingly common marketing method, and luxury brands are more fond of cross-border co-branding, attracting consumers' attention with rare forms of cooperation, such as FENDI x HEYTEA, LV x Manner, Cartier x Sacai and so on. The co-branding activities

between luxury brands and affordable brands have repeatedly been hot out of the circle, and although it is difficult to directly increase the sales volume of luxury brands, co-branding with affordable brands can increase the brand's exposure, bring the brand closer to the distance between the young consumers, and tap more potential consumers [7].

5.3. More popular spokespersons for Generation Z

The spokesperson represents the image of a brand, and when choosing a spokesperson, attention should be paid to the temperament and image to match the brand tone, otherwise it will be counterproductive. Luxury brand rejuvenation should choose to have a young fan base of spokespersons or brand best friends. For example, the world's top flow girl group Black Pink, with a fan base of mostly post-90s and post-00s, the members of the group have multiple top luxury endorsements. One of them, Jisoo, will generate 45% of EMV for Cartier in 2022 alone, which is about \$121 million.

5.4. Trend-setting digital marketing

Relying on China's unique digital ecosystem and rich media touchpoints, the digital layout of luxury brands in the Chinese market has become more comprehensive and diversified. As a generation that grew up with the Internet, Generation Z is more receptive to online channels. Luxury brands should connect online sales and offline experience, broaden offline experience scenes, and comprehensively lay out online sales channels. generation Z loves creative digital activities, and is more likely to be impressed by interesting online live broadcasts and localized advertisements. At the same time, the brand should seize the meta-universe wind to enhance brand communication and influence, so that the brand can better understand the market's demand for digital assets, and lay the foundation for the brand's NFT layout in the first step [8].

5.5. Localized Marketing

China's luxury market is growing rapidly, and luxury brands must seize the Chinese market to expand their market, and localization is the key to the success of luxury brands in China. Common strategies for brands to establish empathy with local Chinese consumers include: integrating traditional Chinese culture and customs, and integrating traditional Chinese elements into product design[9]. For example, Bulgari created an exclusive Valentine's Day music song list in QQ Music, and LV and Tiffany launched a mahjong set.

Letting Chinese consumers see the brand's sincerity in entering China is the starting point for building bridges with Chinese consumers. For example, Cartier released the L'ODYSSÉE DE CARTIER Cartier Style Epic Series short video through the platform of Bilibili. To tell young users the story of Cartier's history of being influenced by oriental aesthetics and creating a series of heirloom masterpieces. The short videos received millions of views as soon as they were launched. Cartier's in-depth fusion of Eastern and Western aesthetics has harvested a large wave of young Chinese consumers.

6. Conclusion

Through the analysis of research reports, research papers and brand cases, we find that the prospect of luxury consumption in China is good, especially the consumption power brought by the young people of Generation Z can not be ignored. Through the exploration of young consumers' luxury consumption demand, we believe that luxury brands should continue to promote brand rejuvenation from five aspects: product design innovation, richer brand cooperation, choosing more powerful

spokespersons and influencers, focusing on online social media marketing and offline digital experience, and paying more attention to brand localization. Of course, the digital society is changing rapidly, so we need to continue to pay attention to the consumption trends of these young people and integrate more novel and fun technologies into product marketing. When product differentiation is no longer the only competitiveness, user experience becomes very important. In addition, because there are many kinds of luxury consumer goods, this paper has not made a specific analysis on the sub-categories, but we find that the experiential consumption of a better life has become a trend in the luxury consumption of young people. Therefore, in the case of limited market share and fierce brand competition, creating a more exquisite luxury experience is a new idea for luxury brands to expand their markets. Future research can make a more detailed study on luxury experience consumption. Finally, if your brand wants to attract more attention from young people in China, please don't ignore those localized things. Young people of Generation Z are more patriotic than you think, and pay more attention to the revival of traditional culture, so brand marketing needs to meet the needs of more localization. We also look forward to more research and exploration of related content in the future to help luxury brands better adapt to localization.

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