
The unlikely aesthetic premium that millennials are willing to pay for luxury goods

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Millennials have consistently been categorized as averse to owning physical assets such as property and cars. This theory was borne from a multitude of factors. Firstly, millennials (or Generation Y) appear to have diverse values from their predecessors. Studies have shown that millennials prefer to spend their disposable income on travelling, 'food experiences' and technology due to their preferences being more 'experience' driven than ownership driven. Secondly, millennials are more mobile. Millennials consider it impractical to buy a house close to their place of work, when it is highly likely that they will be working in a different city, if not a different country, in five years' time and would rather sign short-term rental agreements. Thirdly, and possibly the most significant factor of all, is that millennials simply cannot afford it. As millennials earn relatively less than Generation X did at their age, and have relatively less disposable income, many millennials live with their parents to save money.

Another driver of the reduced demand in property is the numerous alternative investment opportunities that are now available. Millennials are unwilling to pay a premium to own an asset that requires constant maintenance and upkeep to preserve the asset's value, when other, more accessible investment options exist. Investing in crypto-currencies, trading forex and seeding start-ups have become much more prevalent and are often much more lucrative. Previously obscure investment opportunities are now readily available to anyone willing to take on the additional risk. Growing up with the Internet has also led to the generation embracing new ideas and technologies faster, and this has further amplified the average millennial's risk appetite.

A further consideration is their protracted lifespan. Not only does the fear of another recession loom over millennials' heads, but there is also the real threat that they might outlive their retirement savings. The average life expectancy of a millennial is around 100 years. This means that any money invested needs to generate a return superior to that of historic averages for millennials to be financially comfortable into their old old age.

Contradictory to the decline in demand for property, is the compounding growth experienced in the luxury goods sector. The luxury goods bandwidth has grown both vertically and horizontally. Technological advancement has seen the introduction of smartphones and tablets into the luxury market, with the top smartphone on the market priced at over 15 million US dollars. Generation Y's rapid adaptation to technology has also opened the door for health and fitness products to enter the luxury goods market in the form of watches, rings and necklaces. Similarly, social media sensations have driven the demand for alternative luxury products such as the Snap Inc. Spectacles that launched earlier this year. The luxury goods basket now also includes luxury travel and luxury food.

Each of these luxury products have their own consumer markets that are primarily self-driven through increased social media exposure and interaction. Millennials have on average three to four applications on which to consume social media and communicate with their peers. The vast content available on the various platforms has ensured that millennials use social media for news, events, exercise routines, mental breaks, personal branding, as well as to seek out job vacancies.

A result of the overwhelming surge in social media content and consumption is the passive one-up-man-ship that has become the norm on these platforms.

This has heightened millennials' focus on physical appearances and more broadly, aesthetically pleasing photographs. Applications such as Instagram feed off this by providing numerous filters that enhance the attractiveness of photographs, as well as by hosting a platform on which to share posts. Because popularity or fame can be easily measured through 'likes' and 'followers', millennials are more likely to compare themselves to their peers and, more often than not, find their own lives dissatisfactory. This has spurred on brands marketing their goods and services through sponsoring individuals with significant followings, thereby attracting attention and potential consumers.

There are many categories of social media fame, whether it be body-focused, travel-focused or art-focused, to name a few. However, these categories all attract sponsors and brands in the same manner. Brands gain exposure through their promoters wearing, using or consuming their products in their social media posts. This, coupled with the fact that millennials trust technology and web-based payments more than any other generation, has skyrocketed online luxury goods purchases. The attraction of luxury goods has always been their physical appearance over utility, as well as their ability to exude wealth and success, and this is what many millennials aim to portray through their social media profiles.

The luxury goods market also appears to be more flexible to the ever-changing desires of millennials. Instead of shunning the shift from 'ownership' to 'experience', some luxury goods providers have embraced it. Many car manufacturers have bought into ride hailing or renting ideologies. Millennials don't want to own a sports car for a lifetime, but are not averse to renting it for a short period to fulfil their fantasies. These companies are trying to understand and enable this. Overall, the demand for luxury cars could increase rather than decrease, as more people can afford to rent a luxury motor vehicle in the short-term than could ever afford to buy it.

Possibly, the aversion of home and car ownership is not based on the dislike of physical ties at all, but rather because ownership of these goods does not (yet) result in any form of aesthetic premium. The fact that physical luxury goods are still in high demand supports this theory. It would mean that this market could be recaptured if brands can successfully predict the next social media trend and relate it to their product. As demonstrated by the luxury goods market, once a trend is established, the product's usefulness no longer needs to be proven, as demand can be fueled solely by social media. This is, by and large, the business model of luxury goods. If a brand can convince enough of the right people that ownership of a specific good exudes some form of success, the product will thrive on the general market.

Theoretically, it means that a niche market exists for luxury big-asset-buys that has yet to be filled. However, if the social media giants are on it, this opportunity won't last for very long