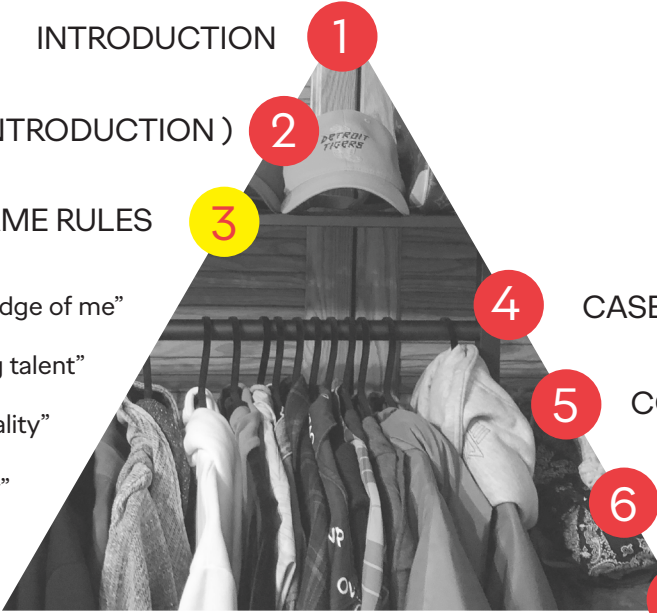


A black and white close-up portrait of a woman with dark hair, looking directly at the camera. She is wearing a white blazer. A red rectangular box is overlaid on the lower half of the image, containing white text.

# **MAKING LUXURY BRANDS MATTER**

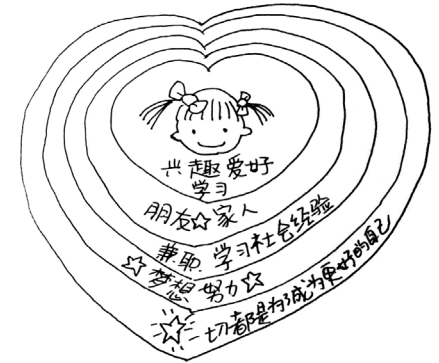
TO THE NEW GENERATION OF  
CHINESE MIDDLE-CLASS CONSUMERS

**Ogilvy**



INTRODUCTION	1
SIX CORE VALUES (A BRIEF INTRODUCTION)	2
CHANGE THE GAME RULES	3
<ul style="list-style-type: none"> <li>from “a badge of status” to “a badge of me”</li> <li>from “showing money” to “showing talent”</li> <li>from “unapologetic mentality” to “companion mentality”</li> <li>from “scarcity” to “virtual rarity”</li> <li>from “a lifetime achievement” to “a lifetime recruitment”</li> <li>from “offline” to “omnichannel customer experience”</li> </ul>	4 CASE STUDIES 5 CONCLUSIONS 6 METHODOLOGIES 7 ABOUT OGILVY

## “Everything I do right now is to become a better me.”



This is how Li Xuran, a 19-year-old college student in Taiyuan, Shanxi province, describes the purpose of her life right now. Using a picture to illustrate her current life, Xuran draws five rings. In the center is herself and her hobbies, passions, and studies. The second ring includes her friends and family. The third ring, her part-time job and experience gained outside of school. The fourth ring includes her dream and the efforts to get there. Finally, all of these, as illustrated in the fifth ring, are together all aimed at her goal to “become a better me.”



This view of life is not uncommon for China’s post-90s youth.

Born between 1990 and 1999, making up 12% of China’s population, or about 174 million people<sup>1</sup>, this generation is at the age when they are forging an identity and image for themselves. While it is natural for young people at this age to aspire for a better future, there is a difference between this generation and previous generations: the growing focus on “me” and “self.”

## This trend is even more pronounced in the luxury market.

Compared with their parents' generation, who grew up in China's Cultural Revolution era, post-90s grew up in a more open and wealthier China, with digital accessibility as a given. As the single child in the family, they were raised with more resources and care. They are very used to life-long learning and self-improvement, a capability not only gained from school, but also empowered by technology and a tolerant society.

All of these factors make "becoming a better me" possible.

China's young consumers have a greater appetite for buying and consuming. According to estimates, the total share of consumption by 18 to 30-year olds will grow from 45% in 2016 to 53% in 2020<sup>2</sup>. That means that among all the consumption in China, about half will be consumed by 18 to 30-year-olds.

In 1978, Pierre Cardin was the first luxury brand to enter China. As the one and only luxury brand at that time, Pierre Cardin, which was affordable by only a small elite group, was recognized by Chinese consumers as a symbol of status and success.

After forty years, China's GDP has grown 224 times and average household income has grown 150 times<sup>3</sup>. The center of the world's luxury goods market has moved to China.

In the next 6-7 years, 70% of luxury growth will come from China. Chinese luxury consumers will account for 40% of global luxury purchases by value (162 billion Euros or 1.266 trillion Chinese Yuan) in 2024, from 32% in 2017<sup>4</sup>. Two-thirds (68%) of luxury consumers are between age 18-30, e.g. post-90s. They will be the main force of luxury consumption.





If post-90s' aspiration is to “become a better me”, luxury brands play an important role in helping them realize this goal.

## Luxury goods essentially serve as a badge of “a better me.”

So how can we make luxury brands matter to this generation?

We hope to gain a holistic understanding of this new generation, especially their values, attitudes, and behaviors. This report is based on secondary and qualitative research we conducted between July 2018 to October 2018. We adopted a framework to analyze these young consumers' values -- “Me, We, and the World.” We believe that the value of “me” is shaped by the characteristics of the individual (ME), the social, political, and

economic environment that the generation as a whole grew up in (WE), and the external changing world (WORLD). We have aimed to get an understanding of the core values of this new generation of consumers and how these core values are reflected in the value they see in brands. Finally, we aim to explore the implications and opportunities for specific industries over the next 5-10 years. This report will focus on the implications for the luxury goods category.



## From our research, we found that “becoming a better self” includes many dimensions.



We identified six core values that this new generation of middle-class consumers share across different city tiers, genders, and household incomes. They all center around “how to become a better me.”

For this generation, “becoming a better me” means to be meaningfully different (Proud to be Me), to have a high-quality image (Beauty is Power), to be an interesting person (Talent is Everything), to have a companion (Lonely has a Cure), to do what you like and support what you believe (Passion is Worth it), and to progress along your desired path through hard work (My Future is My Own).

Brands make themselves more relevant to this group when they satisfy one or more of these values. Of course, the what-to-dos are different for each industry. For some industries, such as luxury, it is a natural fit to help post-90s become a better self through forging a unique identity and image.

## SIX CORE VALUES

1 PROUD TO BE ME



2 BEAUTY IS POWER



3 TALENT IS EVERYTHING



4 LONELY HAS A CURE



6 MY FUTURE IS MY OWN



5 PASSION IS WORTH IT







## Making luxury brands matter: Context



As we mentioned before, the growth of the world's luxury market is increasingly driven by Chinese consumers, especially post-90s consumers. From our research, we came across several interesting findings that indicate a need for a change in how brands operate in this category, driven by changes in consumer knowledge and perceptions, behavior, and external environment (e.g. the role of technology).

1

Consumer knowledge and perception about brands. When asked to write down the luxury brands they know, no matter what category these brands belong to, a post-90s consumer from a third-tier city wrote down 30 brands, on an unaided basis, across cosmetics, cars, handbags, and watches. This is the knowledge that post-90s consumers have about luxury brands. Think about their parents' generation, the first generation of luxury consumers in China. How many luxury brands could they have recalled in their 20s? Probably no more than 3.

2

Consumer knowledge and perception of the luxury category as a whole. The mental availability of luxury brands is not the only index to demonstrate the difference between the two generations. Here is another: the definition of luxury goods. For their parents' generation, luxury is defined simply as "something for rich people," for post-90s, luxury is seen as "relevant to me," "more than basic needs," "satisfying social, professional, or emotional self-fulfillment needs (e.g. a better self), but at the same time remains "not easy to get."

3

Consumer journey. Let's look at the physical touchpoints that post-90s could possibly encounter during the purchase journey. Almost all of our respondents had bought one or more luxury items abroad. Some of them bought products through WeChat mini-programs. According to a BCG study, there are a potential 62 different touchpoints post-90s consumers could encounter during today's purchase journey. How many touchpoints were there for their parents 30 years ago?

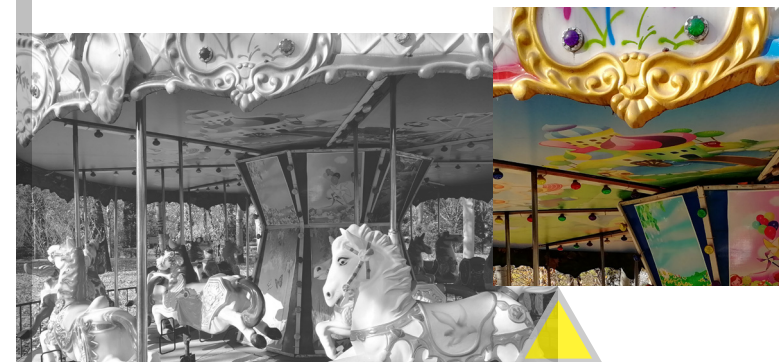
4

Let's look at the external environment. Compared with their parents, post-90s' vision is more global, their taste is more personalized, and their media usage is totally online.

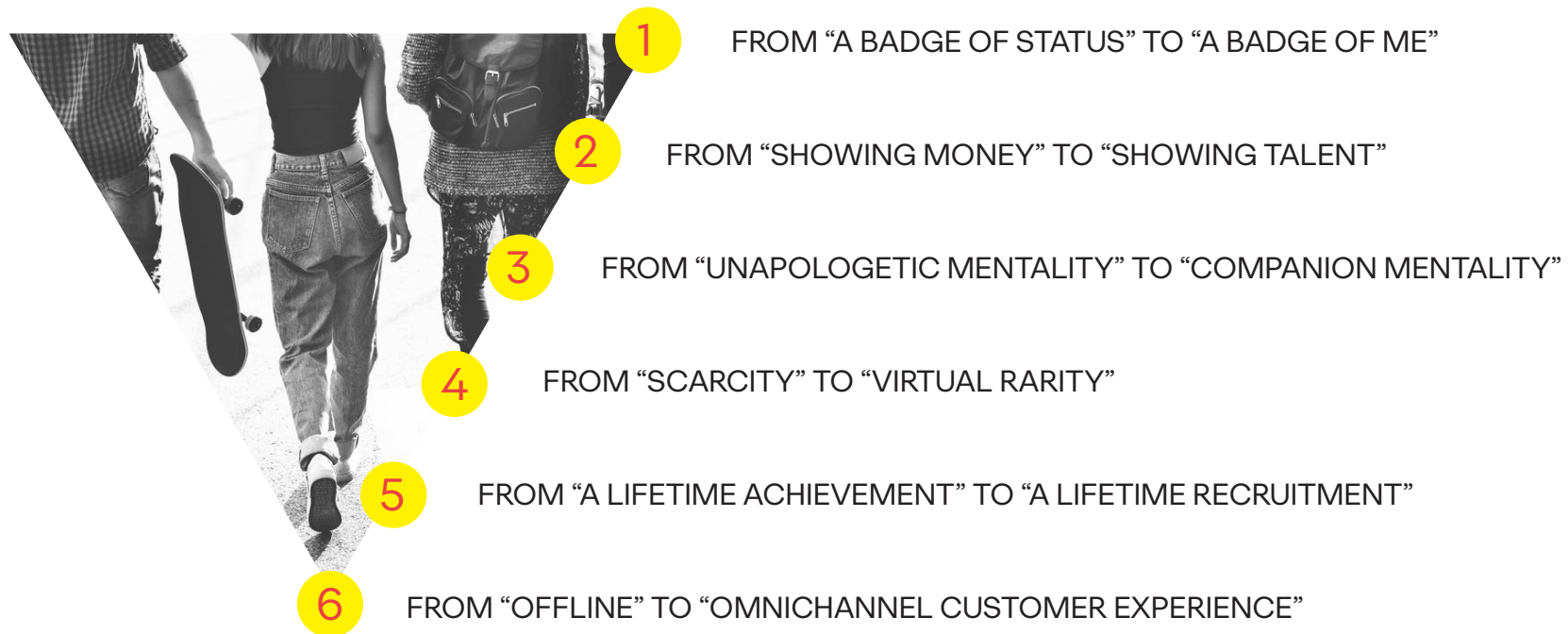
This is why we think the game rules of this category need to be changed for luxury brands to stay relevant to Chinese post-90s consumers.

Currently in China, two-thirds of luxury goods sales revenues come from 18 to 30-year-olds. If a luxury brand does not make itself relevant to this new generation of consumers now, it will become even more difficult to do so in the future. The growth of luxury goods among those under-35-year-olds are as twice as those 35+.

How to make luxury brands matter to this generation? From the values we identified previously, we found six shifts that luxury brands can make in order to stay relevant to this new generation of middle class consumers.



## Making Luxury Brands Matter: Changing the Rules of the Game



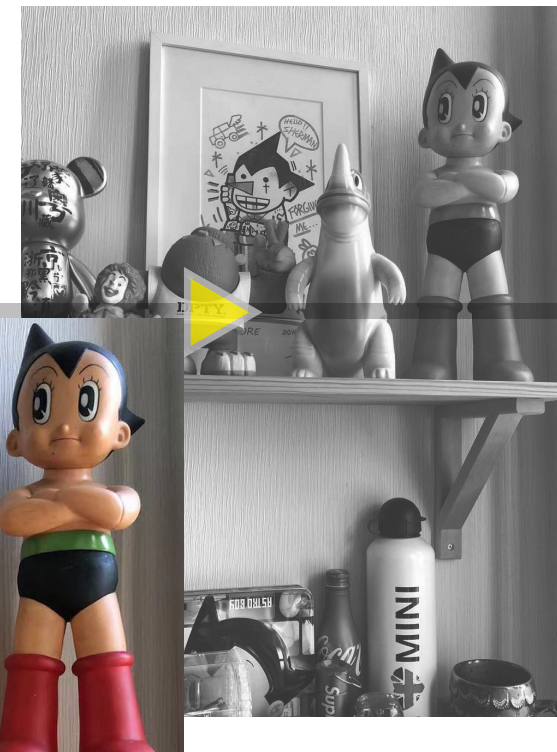


## 1 FROM “A BADGE OF STATUS” TO “A BADGE OF ME”

For Song Ci, a 28-year-old girl in Beijing, owning luxury brands does not mean much unless the brands match and enhance her personal style. “I want to be unique and different,” said Ci. “Valentino matches my style better than Chanel because I have an athletic personal style.”

### THE OLD GAME RULE

For their parents’ generation, luxury brands served as “a badge of status.” A few classic products served as universally-recognized status symbols.





## THE OLD GAME RULE

However, for this generation, if post-90s' aspiration is to "become a better me", luxury brands serve as "a badge of me." The brand/product they own represents their unique taste and experience. Luxury brands are very important in shaping this unique, personal image. When it comes to purchasing luxury goods, 64% said they will not be influenced by others and will "make my own decision<sup>5</sup>."

*"As I start making money and life is getting better, I want to have a high-quality life. This means that I am very particular in choosing what to wear, because this communicates who I am. I like luxury brands because they were built through years of perfection and craftsmanship, which are becoming more rare in today's world."*

—quote from our interviews



Independent thinking is highly valued by this generation. Uniqueness is likewise highly valued. Post-90s like to make their own decisions and won't "go with the crowd." They like to follow their heart and don't care what others think about them. They like everything real and authentic. Truthful flaws are better than faked Broader Personal Experience.

*"I don't want to follow my parents' path. I want to have my own life."*

*"When I shop for cars, I want to buy a different brand that can represent me."*

*"I am different from other people ...."*

*"I really don't care how other people think about me ..."*

-- quotes from our interviews

In the past 20 years, China has changed dramatically, and society has become more open and tolerant of differences. Post-90s possess a strong mind: I am born to be different. According to a Mintel research report, personal experiences, family, and passion/beliefs are the top three factors that have shaped the individual differences of this generation.

**VALUE**  
PROUD TO BE ME

### Broader Personal Experience

Post-90s travel a lot and read a lot, much more than their parents' generation did at the same age. For example, 96% of post-90s travel at least once a year<sup>6</sup>. Six out of ten youth in Shanghai claimed that they had traveled abroad<sup>7</sup>.

### Proud to be Chinese

Post-90s grew up in an age when China had double-digit growth and rising global influence and reputation. They are much more proud to be Chinese and for many of them, Chinese brands are as good as or even better than foreign brands in some categories.

### More diverse passions & interests

Their hobbies and interests are very different, ranging from traditional music and movies to animation, video games, photography, hiking, scuba diving ... no matter how different one's hobby is or how niche their tastes may be, people are ok with it.



VALUE  
PROUD TO BE ME



*"In my spare time, I like to assemble cars ... I want to have a car of my own."*

*"I went scuba diving in the Philippines during the holidays. Having this interest makes me feel special and different."*

— quotes from our interviews

### More inclusion and social acceptance

The popular TV show “新相亲时代”, a match-making reality show that has parents and relatives joining to help in making the decisions, is a window to observe how the value of uniqueness been amplified and how families are embracing and tolerating individual differences.

## REFLECTION ON CULTURE



### The growing popularity of the “YOLO” mentality

Post-90s believe “You only live once.” They see themselves as the center of the universe and they don’t compromise. Most of them have multiple identities/positions.

### The popularity of talent shows, especially street dance shows

In the summer of 2018, two street dance talent shows, “Hot-Blood Dance Crew” and “Street Dance of China,” debuted on Qiyi and Youku, the accumulated viewership for both of these two shows reached over 3 billion. “Hot-Blood Dance Crew” gained more than 100 million viewers just 40 minutes after its debut. Most of the viewers were post-90s.

### The popularity of Supreme

In 2018, Supreme permeated into lower tier cities and reached small-town youth, thanks to China’s most popular short-video platform TikTok, where “Supreme” became a popular tag word.

## IMPLICATIONS FOR LUXURY BRANDS

### THE NEW GAME RULE

Brands need to have an attitude. The product portfolio needs to reflect a variety of consumer tastes and styles.

Personalization or customization works. About 80% of young consumers would like to pay more for customized luxury goods because this makes them feel unique and special<sup>8</sup>. A branded in-house designer is very important to help gain the minds and hearts of this generation.



TALENT IS EVERYTHING

## 2 FROM “SHOWING MONEY” TO “SHOWING TALENT”

Here is how 28-year-old Yao Ziwang spoke about her jewelry collection: “I bought this Bvlgari necklace from a trip to Paris. This little pin was from a trip to Mexico. And this ring was from Australia ... I bought this handbag because I know the designer, who became famous at the 2017 Spring fashion show in Paris ...”What does Ziwang’s jewelry show us about her? Her travel experiences. Her knowledge about fashion. And her unique taste ...

### THE OLD GAME RULE

Twenty or thirty years ago, when someone wore a luxury brand, what did that communicate to other people? It showed they had money. Maybe it showed a sense of pride and being different.





## THE OLD GAME RULE

But today's young people don't like the feeling of being perceived as "rich." They want to be perceived as "an interesting person" and "a talented person." They care more about the total package, with an emphasis on the "inside" of the person. For them, status is less about material items or financial status, and more about having a wealth of experience or knowledge.

*"If a person only wears luxury brands, I won't be impressed. It is more important for me whether he is an interesting person and whether he knows why he is wearing these luxury brands. People around me all think like this. Sometimes we will distance ourselves from somebody who wears brands from head to toe, but has nothing interesting inside."*

—quote from our interviews

## VALUE

### TALENT IS EVERYTHING

The value that is related with this is "Talent is Everything."

If "Good Looking" (or "Beauty is Power") is a point of entry for this generation, then talent will be the differentiator. Talent is highly valued. Talent, by broader definition, means the inner person, rather than the outside of the person.

This generation prefers celebrities who are not only good looking, but also talented and interesting. Growing up in a connected and informed world, they can easily tell whether a person is talented or not, whether a product "has the stuff" or not. Once their unique talent is recognized, a seemingly-ordinary person could become a superstar overnight. This can be seen in the case of Mao Buyi, which we will explore later.

Without a doubt, if the post-90s can only choose one thing between looks and talent, they will choose the latter.

*"I like to make friends with people who are both interesting and talented. I also want to be an interesting person."*

—quote from our interviews



## REFLECTION ON CULTURE



### The popularity of 毛不易

In 2017, Mao Buyi, a former male nurse and a self-made singer and composer, participated in the star-making TV show “明日之子” (Tomorrow’s Superstar) and won the final national championship with more than 14 million followers. During the show, he debuted 14 original songs including the most popular one in China- “消 愁” (Don’t Worry), which achieved 10 million plays online within 24 hours of its release and more than 100 million plays in the first week. He gained popularity through his songs’ unique ability to resonate with post-90s emotionally. It is his talent and his in-depth understanding of this generation that drove his popularity.

### The popularity of Li Dan and Roast

Li Dan, the founder and producer of popular show “Roast,” is not good-looking by normal standards. But he has gained tens of millions of fans due to his talent – his humorous and witty insults directed at fellow celebrities on his show.



## IMPLICATIONS FOR LUXURY BRANDS

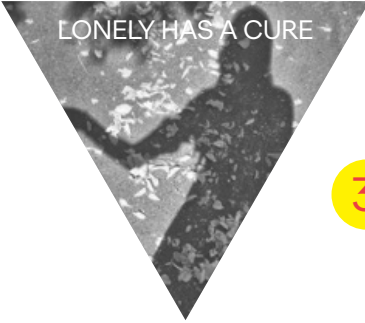
### THE NEW GAME RULE

Help them show talent. Help them , display their intellectual and experiential achievements.

Young Chinese consumers prefer to exhibit their affluence in a subtle way<sup>9</sup>, as the post-90s rediscover the traditional Chinese value of modesty. In marketing communications, luxury brands should focus more on how their products can help young consumers display their knowledge or showcase a unique experience,

such as world travel, rather than showing what an extravagant life they live. According to a survey by Kantar Future, young people report seeing connoisseurs and experts as successful and deserving of respect.

LONELY HAS A CURE



### 3 FROM “UNAPOLOGETIC MENTALITY” TO “COMPANION MENTALITY”

One young woman we spoke to, who was just starting out in her career, wanted to buy a gift for her mom’s birthday. For the first time, she entered a luxury brand’s flagship store in Beijing.

*“The sales rep did not even talk to me because I dressed very casually and did not look like a person who would really wear this brand .... I don’t care about how they treat me. I would still buy the gift for my mom, but I won’t like this brand myself and won’t consider this is a brand for me.”*

—quote from our interviews

#### THE OLD GAME RULE

Luxury brands, unlike brands from most other categories, do not ask the consumer for permission. They live by the mentality that the House knows best, and the consumer can either participate in the brand’s lifestyle or move along. This unapologetic mentality is almost always clear in the luxury brand’s communication tone, a tone of not looking for approval.

However, this mentality needs to be changed for the new generation of consumers.

*“I don’t like to go to the brand flagship store. I feel that is for my parents and not for me. The ‘formalness’ of the atmosphere makes me want to escape ...”*

—quote from our interviews



## VALUE

### LONELY HAS A CURE

They are companion seekers.

As the only child in the family, with most growing up in their own bedroom, this new generation of consumers has grown up lonely. Entering adulthood, they are stressed by family responsibilities ...

“不敢穷， 不敢远嫁， 因为父母只有我”  
(I can't afford to be poor or to marry someone far away, because my parents only have me.)

—quote from a Zhihu user

For this group, the “need for companionship” and the “need for belonging” are especially strong. This is why they spend a long time on social media, like to play online social games with a virtual team, or enjoy animation. According to a recent Mintel report, about one third of Chinese online game players play games for “meeting more friends”<sup>10</sup>.



*“As the only child in the family, I grew up with animation. They are my companions from childhood until now. I also like to play “吃鸡”. From this game, I feel a sense of companionship and teamwork, which can cure my loneliness while I am at home alone.”*

*“After graduating from college, I rented an apartment with two other girls. Even though my parents live in the same city, I prefer to live with my girlfriends. I always felt lonely when I was a little, as I had no siblings growing up with me. Now, the three of us live together and spend our free time together. I am very happy and really enjoy the company.”*

*“I have a bunch of friends who hang out together after work, almost every day. Otherwise, I feel there is nothing to do and am lonely at home.”*

—quotes from our interviews



## REFLECTION ON CULTURE

### The popularity of the videogame “绝地求生” (PlayerUnknown's Battlegrounds)

Post-90s use this game as a way of socializing and to show off their gaming skills by letting people watch through a function inside the game.

### The popularity of owning a pet

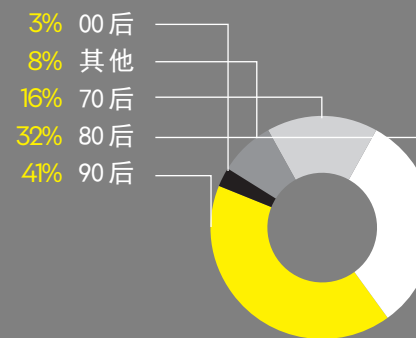
About one-third of post-90s pet owners think of their pets as a “friend”, about 50% consider their pet as filling the role of a “child” or “relative”<sup>11</sup>.



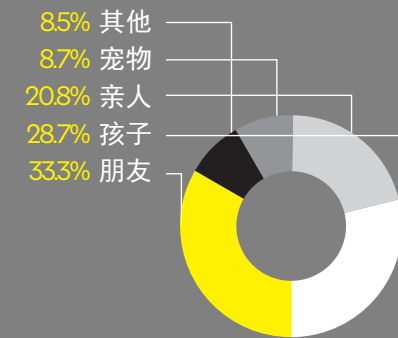
### The popularity of livestreaming

Online livestreaming is very popular among post-90s. There are about 400,000 online livestreaming hosts in China and most of them (>60%) are post-90s. Livestreaming has become an important way for post-90s

### \* 养宠人群年龄占比 (% owning pets among different age groups)



### \* 宠物在家庭中的角色担当 (Role of Pets in the family)



Source: 速途研究院: 2018Q1 中国宠物行业研究报告

to interact with each other. They watch the daily lives of their peers, listen to people singing, observe how to put on make-up, or just escape the feeling of loneliness<sup>12</sup>.

### The popularity of ACGN

Many of them grew up with animation and consider their favorite cartoons to be a childhood companion.

## IMPLICATIONS FOR LUXURY BRANDS

### THE NEW GAME RULE

This loneliness needs to be cured. Brands must adopt a companion mentality when serving this group of consumers.

Only warmth can do this. A cold, distant, unapologetic mentality will only hurt the brand.

The way that worked for their parents will not work for them. Luxury brands should think holistically about how they interact with post-90s, including how to call their sales representatives, how to present their products, what sales channels to use, or what image the brands want to build in their minds.

The first impression is very important in building a lifelong relationship. At such a moment, only warmth can win the heart. For the new generation, this first impression is also a window to opening a new and different life.



PASSION IS WORTH IT



## 4 FROM “SCARCITY” TO “VIRTUAL RARITY”

When asked to define luxury products, one 20-year-old college student in Taiyuan said:

*“Nike AJ shoes. Why do I want to own them? Because everybody in my circle is talking about them, but not so many people really own them. I will definitely buy them if made available to me, because this will make my friends and others jealous. I like this feeling and it gives people something to talk about.”*

This may be different from the industry definition, but this is how some post-90s define luxury ...

*“Luxury products? For me, it’s the Dyson hair dryer.”*

*“A luxury brand for me is something memorable. For example, something I buy for our anniversary.”*

*“I collect limited editions of lipsticks and designer jewelry, for me, these are luxury items.”*

*“I don’t spend much money on clothes, but I do spend a lot of money on traveling. Every time I travel to a new place, I stay at luxury hotel and eat the best food. I want to have a memorable luxury experience.”*

— quotes from our interviews



## THE OLD GAME RULE

Luxury brands need to be either very expensive or difficult to obtain. Scarcity creates value.

This needs to be changed for the new generation. While scarcity is still an important component for luxury goods, True scarcity will limit growth. Rather than creating scarcity, brands should aim for creating a kind of “virtual rarity” .... This generation wants to own something nobody else owns, whether it is a product or a memory.

*“Some products are only available in branded stores outside of China. Those are the things I really want to buy. I ask daigou [proxy shoppers] to buy it for me. Some daigou do livestreams on social media so everyone can see the new product. I make a purchase decision while seeing the livestream. The daigou will purchase it for me right there on the spot and engrave my name on the handbag ...”*

*—quotes from our interviews*



## VALUE

PASSION IS WORTH IT



### Post-90s are serious hobbyists.

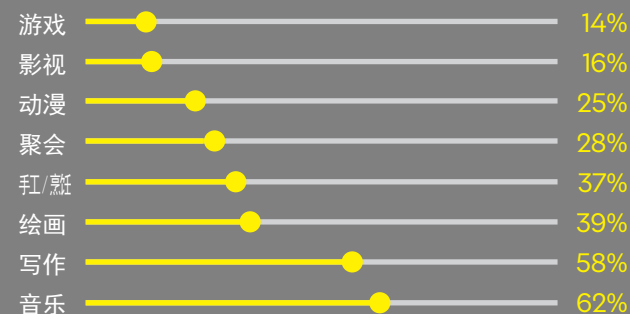
They are willing to spend money to cultivate their interests or specialize in some areas, such as gaming, music, animation, sports, technology, or anything that can further develop their talent or enhance their experience. For example, they are willing to spend a fair amount of money to buy a doll, collect lipstick, travel abroad, or go scuba diving. Interest has become the central part of their life. According to a research, 60% have spent money on games, 34% on books, and 35% on music<sup>13</sup>.

They are also willing to spend money and time to support their favorite celebrities. More than 60% of post-90s would like to spend money for their idols' sake, for no reason other than wanting their idol to be successful.

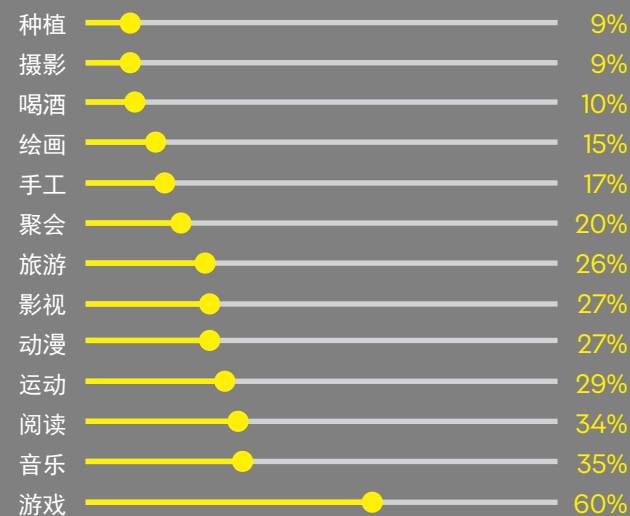
*"I never cook, but I bought a wok because my favorite singer is the wok's spokesperson."*

—quote from our interview

### \* 你的兴趣是什么? (What is your hobby?)



### \* 你为哪些兴趣花过钱? (What have you been spending money on?)



Source: 城市画报 X 腾讯《腾讯 95 后兴趣报告》



## REFLECTION ON CULTURE

Social media becomes the source, the trigger, and the enhancer of their interests and passion points.

Many of post-90s' interests are triggered or enhanced by social media, especially WeChat Moments posted by their friends. They have very high willingness to pay for the products related to their interest, even if that means they have to trade other life necessities or work overtime to make adequate money. For example, they will personally travel to Japan to buy a 1400 RMB model of their favorite animation character using the money

saved from eating instant noodles every day for several months.

### The power of the fan economy

For post-95 fans, 60% of them will give “likes” and initiate topics on social media in support of their idols<sup>14</sup>. More than half of fans will buy products to support their idol . Not surprisingly, fans raised 41.6 million RMB within 11 days during the star-making TV reality show 《创造 101》 (Produce 101<sup>15</sup>).

RANKING OF AGREEMENT:

“THIS SAYS A LOT ABOUT MY PERSONAL IDENTITY”



1	The music I listen to	6	The clothes I wear	11	The food I eat
2	My hobbies	7	My social media posts	12	The community I live in
3	My circle of friends	8	The sites I visit online	13	The restaurants I eat at
4	My home	9	The technology I own	14	The car I drive
5	The causes I support	10	The shows I watch on TV	15	The retailers I buy from

Source: Kantar Consulting Global Youth Strategic Briefing 2018

## IMPLICATIONS FOR LUXURY BRANDS

Connect with their passions and create “virtual rarity” rather than scarcity. “Virtual Rarity:” the feeling of privilege and of exclusivity (Groth & McDaniel, 1993).<sup>27</sup> One way to create virtual rarity is regularly launching limited edition or collections that are related to post-90s’ different hobbies, interests, or passion points. Personalization or customization can create virtual rarity as well as communication and memory.



Lipstick has been a prime example of the potential of this approach. Lancôme has launched limited editions of lipstick colors and encouraged girls to collect them and show off their collections on social media.

YSL marketed their personalized lipstick products during Chinese Valentine’s Day through social media. The “likes” of their social campaign were 280% of the industry average and the comments were 8 times the industry average<sup>16</sup>. Chanel also created virtual rarity by connecting to one of this generation’s passion points: gaming. Chanel opened “Coco game centers” in Shanghai and Chengdu in the summer of 2018 to promote its new product Rouge Coco gloss.

The centers featured traditional and simple arcade games with patterns changed to Chanel’s products.

Hermes opened a pop-up store “Silk Mix” in Beijing in Nov 2018. This pop-up store successfully connected vinyl music lovers with Hermes’ silk scarfs and other silk-based accessories.

Italian menswear luxury brand Ermenegildo Zegna launched My Cesare in January 2019, a personalized sneaker, providing up to 100+ color and material combination possibilities, from upper leather to initial tags, that resonate with the new generation consumers.



## 5 FROM “A LIFETIME ACHIEVEMENT” TO “A LIFETIME RECRUITMENT”

When asked to draw a graph of their life, in different dimensions, and then plot where luxury goods fall on the map, our young respondents put luxury goods in the areas of “distinctive,” “future,” “dream,” “hardworking,” “achievement,” “reward,” “high quality life,” and “success.” They see luxury brands as inspirational and a positive reward for their hard work and achievement.

### THE OLD GAME RULE

Luxury brands are part of the dream. A consumer believes they will only be able to buy a handbag when they make X amount of money. Owning this brand demonstrates a lifetime achievement.

However, this approach needs to be changed for the new generation. According to a Mintel study, emotions associated with luxury brands are less about superiority, and more about self-improvement and satisfaction<sup>17</sup>. Brands

need to start recruiting buyers at an early age, build a lifetime relationship with them over time, offering a variety of products and categories at each life stage as a reward for their self-improvement.

*“I buy a (branded) watch every time I make a deal and I buy a new (branded) wallet every year.”*

—quote from our interviews



## VALUE

### MY FUTURE IS MY OWN

With fierce competition and stress coming from all angles, this new generation develops a sense of satisfaction through ordinary, everyday life. They accept the difficulties of life as a given. However, most of them still believe that they will get on their desired path through hard work and perseverance.

*“I am a post-90 hair stylist. I am young but very professional. I want to be the best in my industry. In today’s world, I know how to get there.”*

*“I have three sources of pressure in life, one from parents, one from school, one from my peers ... but I am still optimistic that I will overcome the obstacles and live the life I want.”*

*“I am in a major I don’t like, but I will work to gain more experience in a field that I like. I want to change my major and do what I want to do.”*

— quotes from our interviews

### WHAT CONTRIBUTES TO SUCCESS



Today, Chinese still put more emphasis on who you are, instead of what you have done. However, post-90s think “hard-working” (66%) contributes more to success than “family background” (47%) and money (49%)<sup>18</sup>.

Source: 浩腾媒体《未来中国》

## REFLECTION ON CULTURE

### The popularity of learning-related apps/tools

Learning-related apps are very popular among post-90s. Many like to spend money to learn English or acquire a new skill in order to be more competitive in their careers. A little less than half of college students have the habit of reading/learning through mobile apps<sup>19</sup>. Post-90s have become the largest value contributor to mobile audio learning & sharing platform Himalaya.

### Willingness to take action versus being an observer

They are not satisfied with being an observer or follower. They want to be an insider. They want to take action. For example, fans today play a more important role than being mere followers, they organize events, raise money for their idols, and even fight to defend their idols<sup>20</sup>.

### Willingness to take risks

The popularity of entrepreneurship is growing among this generation. For example, Kuaikan World, an animation content creation mobile app, was created by a post-90s entrepreneur. This app gained 130 million users within three years since its inception. Statistics show that 62% of post-90s would like to choose a job based on their passion and interest, no matter the size or stability of the company<sup>21</sup>.





## IMPLICATIONS FOR LUXURY BRANDS

Since most of them do not dream of earning 100 million RMB, can we give them something that they can reach with some effort, so they won't feel success is so far away? Can luxury brands help enhance their belief that they will get on their desired path through hard work and perseverance?

*"My first luxury item was a Gucci handbag. Ever since I bought that handbag, my life totally changed to a new level. I started to have a high standard for things I choose to buy and use at home."*

—quote from our interviews

---

### THE NEW GAME RULE

#### Lifetime recruitment

More than half of young consumers already feel that accessible luxury makes them feel satisfied and more than half of them have bought luxury products for either "self-indulgence" or "to please my partner."<sup>22</sup> Luxury brands should provide a wide range of accessible or entry-level products to recruit young people, to satisfy their need for self-indulgence (a reward for their hard work) or for celebration of a relationship.

We see the industry trend as going towards a staged portfolio management model, just as the auto industry did, across different subcategories, from entry level (cosmetics, perfume, or T-shirts), to classic (handbags), to ultimate premium (clothes and jewelry). Brands should aim to build

a lifetime relationship with young people, recruiting them from earlier on and providing them with different products/experiences that they can always reach with some effort at different life stages.

Among all the luxury products that young Chinese purchased, 37% are cosmetics<sup>23</sup>. In addition to the lipstick mentioned earlier, another successful entry-level product is perfume. According to Chanel financial reports, one of the main growth drivers for its 2017 USD 9.62 billion revenue, was the sales of new perfume Gabrielle, priced at RMB 899 yuan<sup>24</sup>. Gucci has also noticed the importance of having a popular beauty product line to recruit young consumers.

## 6 FROM “OFFLINE” TO “OMNICHANNEL CUSTOMER EXPERIENCE”

“My WeChat Moments are a mini-Taobao,” said Song Ci, referring to posts by daigou, a personal shopper or agent who purchases products from overseas markets, “that’s where I will get a lot info on new products from luxury brands.” However, this mini-Taobao only brings product/brand awareness. According to Ci, she seldom uses daigou to buy expensive products. “I would fly to Hong Kong to purchase it myself in the stores there.”

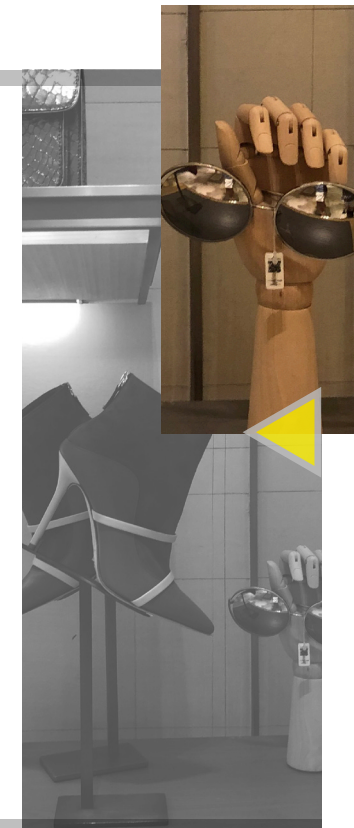
### THE OLD GAME RULE

The consumer journey is very simple. An individual has heard about a particular branded handbag for a long time and goes to the branded store to buy it when they have enough money.

Today, the customer journey of luxury goods purchase for Chinese consumers is very sophisticated. There are many touchpoints at each step of the purchasing process. For example, according to a BCG study on luxury goods, at the discovery phase, there are 15 consumer touchpoints<sup>26</sup>. In the research phase;

12 touchpoints. Purchase phase; 12 touchpoints. Post-purchase; 11 touchpoints. If we calculate the total possible purchase paths, there are 85,000 different combinations.

Moreover, not all touchpoints are created equal. Consumers have different levels of trust across these different touchpoints (for example, different purchase channels), depending on the products they are trying to buy. This adds another layer of sophistication to the customer journey.



## THE NEW GAME RULE

Omnichannel customer experience. Customer relationship management (CRM) is not a new concept for the luxury industry. However, 2018 was a year of accelerated growth for CRM, especially the application of social commerce in luxury goods marketing. Social media is the most influential form of media among all possible influencers of luxury goods purchase. It is very effective in helping create “virtual rarity.”



Also, as a social CRM tool, the popularity of WeChat mini-programs has made social commerce possible. On Chinese Valentine's Day 2018, many luxury brands, such as Burberry, Dior and YSL, launched limited editions through their brand's own mini-programs on WeChat. Here, these brands successfully combined “social” and “shopping.”

Currently, offline stores are still the preferred channel, with 85% of Chinese consumers choosing this channel to purchase luxury items<sup>26</sup>. Of the 85% who purchased from offline stores, two-thirds of them did online research prior to the purchase. Social media and KOLs are the key influencers for their purchase decision. Right now, the “social” part is primarily online and “shopping” part happens offline -- ROPO (Research Online and Purchase Offline) is the dominant shopping method for luxury goods, with 58% of consumers choosing to do so. Of the 58% ROPO consumers, four

out of ten made the purchase in offline stores outside of China.<sup>26</sup>

Over the next few years, we expect to see more growth coming from online channels and more “social” and “shopping” happening together, online.

The post-90s will be the driving force for this change. According to a joint study by Alibaba and Ogilvy, six out of ten people who purchased luxury goods from Alibaba are post-90s.<sup>28</sup> Alibaba is also a major destination for luxury cosmetics and an entry point into the category for young women today.

Luxury brands play an important role in facilitating trust and providing guidance to consumers across sophisticated online-offline customer journey. Leverage the opportunities to make the brands matter.

## Case Study: Ermenegildo Zegna

### Zegna's Challenge

Ermenegildo Zegna, the world-renowned luxury menswear brand and world leader in men's suits, was one of the first luxury menswear brands to arrive in China, making its appearance in 1991. This first mover advantage resulted in not only building a strong awareness for Zegna in China, but also created a brand image that was strongly associated with suits, resulting in tremendous success for the brand as Chinese consumers connected the image of suits with success.

As fashion trends began moving towards "casualization," Zegna responded in 2006 with a fleet of Zegna Sports and Zegna stores. More recently, with the rise of Chinese

millennials' spending power and their favored fashion trends that veer towards subcultures, such as streetwear, Zegna needed to build relevancy with this new consumer segment. At the same time, the brand needed to adjust its image to encapsulate a broader and more relevant appeal to young Chinese consumers.

### Strategy

After an in-depth study, Zegna decided to shift their focus in 2012 to Zegna XXX. This collection reflected the "couture" epitome of the brand while also representing a bolder, more expressive representation of the house. In 2018 this shift was further amplified, and the collection was redesigned to include a broader array of product categories at more accessible price points. Aiming to be true to their brand DNA, Zegna XXX was introduced in Spring Summer 19, a collection it described as "tailoring meets streetwear," an interpretation of what Italian style means in streetwear today, marked by Zegna's signature craftsmanship and heritage. Zegna worked with Ogilvy on a comprehensive social media & CRM campaign inspired by the new game rules outlined in this paper. A new global XXX advertising campaign featuring William Chan and Sehun Oh was launched in Autumn Winter 2018.



## Solutions

### 1 Build a two-way conversation with post-90s

Given the fact that Chinese millennials have grown up in an environment where there are standard answers to everything in life (exam-oriented education, etc.), Chinese post-90s were called on to re-think their own life decisions and participate in the conversation (e.g. “the other me”). Without paid media support, 200,000+ posts were generated by consumers on Weibo, all sharing “the other me.”

### 2 Capture and capitalize on consumer advocacy

Zegna then introduced its XXX sneakers to consumers, indicating that the “XXX” design on the upper part of the shoes represented the spirit of “there are no standardized answers” – as long as the life path is chosen by the individual and it is meaningful to her/him, such choices should be respected. The brand successfully captured huge awareness generated by the conversation around the products.

### 3 Transform the “bespoke product experience” to a total “bespoke consumer experience”

Zegna redesigned the customer journey to be more efficient and effective. The brand created profiles for every customer, connecting omni-channel touchpoints to ensure single-customer-view end-to-end data tracking. Zegna stayed ahead of the game<sup>29</sup> by leveraging data-driven insights across the whole customer journey, driving

purchase conversion by offering targeted products to them on social media, considering where they are, who they are, what they like, and how they purchase.



## Results

Zegna’s consumer engagement with millennials improved significantly after implementing the new strategy. When thinking about the Zegna brand, the XXX series quickly came to young consumers’ minds. They saw the brand as young and trendy, while still holding steadfast to the core values of a luxury brand.

From this success, Zegna has continued its journey, finding new ways to engage in dialogue with Chinese millennials.



## Conclusions:

When we began our research, we had some doubts as to whether there was indeed a significant luxury market among post-90s consumers. After all, they are still in their 20s, their spending ability was likely to be limited and their reasons to own luxury items could likely be quite superficial.

However, after visiting their homes, checking out their closets, and hearing their stories, we were convinced that there is indeed a market for luxury brands.

For the new generation of Chinese consumers, a luxury brand is a symbol of a quality life, a symbol of a refusal to compromise, of being one's unique self. It is a companion, a demonstration of their talent and experience, a symbol of their desire for a better self and a better life...It is a Badge of Me.

Their understanding and knowledge of luxury brands are more sophisticated and deeper than their parents' generation. Overall, we see they are growing into the new generation of luxury consumers. Luxury goods are only a reflection of their growing needs and wants for a high-quality life.

We talked about changing the game rules for luxury brand marketing. However, this question must be asked in every category: how can we stay relevant to this generation? How can we make our brands matter to them?



**The power of the brand is still significant in the luxury category. In the end, consumers still trust brands most, more than anything else.**

## SUMMARY: SIX CORE VALUES

- 1 **PROUD TO BE ME**  
Independent thinking and uniqueness are highly valued by this generation.
- 2 **BEAUTY IS POWER**  
Being good-looking may not be the only requirement, but it is a key point of entry for this generation.
- 3 **TALENT IS EVERYTHING**  
If being good-looking is a point of entry, then having talent is the differentiator. This generation cares more about whether a person is interesting or not, as well as caring about their integrity.
- 4 **LONELY HAS A CURE**  
They are companion seekers. As the only child in the family, the “need for accompany” and the “need for belonging” are especially strong.
- 5 **PASSION IS WORTH IT**  
They are serious hobbyists. They are willing to spend money to cultivate their interests or on anything that can further develop their talent or enhance their experience.
- 6 **MY FUTURE IS MY OWN**  
This new generation has developed a sense of satisfaction in ordinary daily life. However, they still believe that they will get on their desired path through hard work and perseverance.

## IMPLICATIONS FOR LUXURY BRANDS

- From “a badge of status” to “a badge of me” – Have an attitude. Help them forge a unique identify and image.
- From “showing money” to “showing talent” – Help them show talent, displaying their intellectual and experiential achievements.
- From “unapologetic mentality” to “companion mentality” – Adopt a companion mentality when serving this group.
- From “scarcity” to “virtual rarity” – Passion, interests, and friends are a key part of their personal identity. Connect with them here and create virtual rarity rather than scarcity.
- From “a lifetime achievement” to “a lifetime recruitment” – Be part of their journey. Be part of their success. Serve as a reward for their hard work.
- From “offline” to “omnichannel customer experience” – Brands play an important role in facilitating trust across the customer journey. Leverage the opportunities to do so.

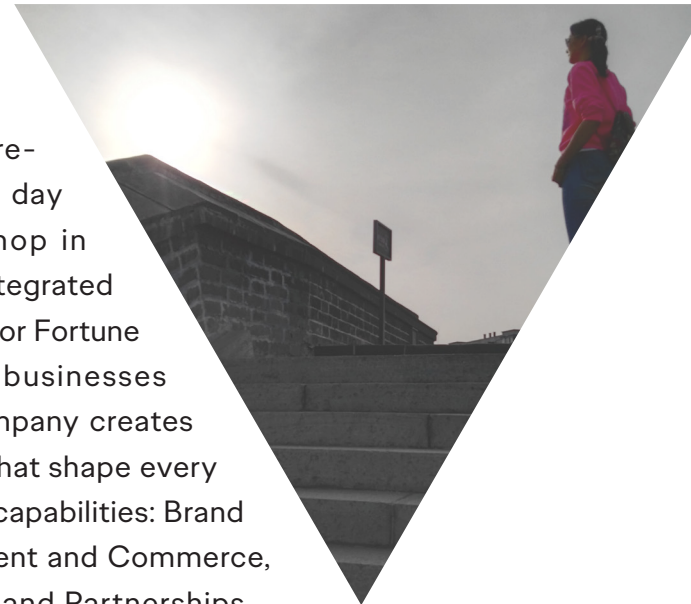




This report is based on research conducted between July 2018 and Dec 2018. Qualitative research included focus groups, one-on-one telephone interviews, in-home visits and store visits in Beijing, Xi'an, Taiyuan, Wuhan, Chengdu, and Shenzhen. Respondents included white collar professionals, performing artists, college students, nurses, engineers, TV hosts, entrepreneurs, sales representatives, a subway train driver, airport traffic controller, Airbnb host, freelancer, and overseas Chinese students, just to name a few. What they share in common is that they all belong to the new generation of China's middle-class consumers born between 1990 and 1999, representing different household incomes and screening criteria.

## Ogilvy

Ogilvy has been producing iconic, culture-changing marketing campaigns since the day its founder David Ogilvy opened up shop in 1948. Today, Ogilvy is an award-winning integrated creative network that makes brands matter for Fortune Global 500 companies as well as local businesses across 131 offices in 83 countries. The company creates experiences, design and communications that shape every aspect of a brand's needs through six core capabilities: Brand Strategy, Advertising, Customer Engagement and Commerce, PR and Influence, Digital Transformation, and Partnerships.



**Report Authors:**

Annie Hou  
Vice President, Strategy  
Beijing

Mickey Chak  
Chief Strategy Officer  
Greater China

**Business Contact:**

[nb.cn@ogilvy.com](mailto:nb.cn@ogilvy.com)



The authors would like to thank Veronica Guo, Michael Evans, Rui Wang, Joy Tang, Elias Si, Aaron Zhao, Leah Wan, Helena Qian, Bob Wang, Pires Guo, Tracy Wang, Janet Tsai, Olivia Plotnick, and Silvia Zhang, for their wonderful contributions to this report.



## REFERENCES

- 1 National Bureau of Statistics of China
- 2 BCG Chinese Consumer Study 2016
- 3 National Bureau of Statistics of China
- 4 BCG 中国奢侈品市场消费者数字行为洞察报告
- 5 2017 Bain Luxury Consumer Research
- 6 Ctrip User Insights
- 7 Shanghai Social Science Academy research 2018
- 8 Deloitte Luxury Report
- 9 Mintel “Consumer attitude towards luxury, China, May 2017”
- 10 2019 Mintel China and North Asia Consumer Trends
- 11 速途研究院：2018Q1 中国宠物行业研究报告
- 12 对外经贸大学《中国网络直播态势调查》
- 13 城市画报 X 腾讯《腾讯 95 后兴趣报告》
- 14 《2016 年中国粉丝追星及生活方式白皮书》
- 15 摩点网
- 16 腾讯营销 We+《YSL 小程序推“高定爱礼”，超高转化完爆七夕营销》
- 17 Mintel “Consumer attitude towards luxury, China, May 2017”
- 18 浩腾媒体《未来中国》
- 19 浙江大学《中国在校大学生阅读现状调查》
- 20 新浪微博数据中心艾瑞咨询《2016 中国粉丝追星及生活方式白皮书》
- 21 智联招聘《90 后职业肖像报告》
- 22 Mintel “Consumer attitude towards luxury, China, May 2017”
- 23 第一财经商业数据中心——天猫 2017 年新零售时代奢侈品消费趋势报告
- 24 Chanel financial report 2017.
- 25 Mintel “Consumer attitude towards luxury, China, May 2017”
- 26 BCG 中国奢侈品市场消费者数字行为洞察报告
- 27 Abundant rarity: The key to luxury growth. Jean-Noel Kapferer. Kelly School of Business. 2012
- 28 2019 Alibaba and Ogilvy research findings.
- 29 L2 Digital IQ 2018





**WE MAKE BRANDS MATTER**

Ogilvy