

Q&A: Luxury's Teen Sweet Spot

Those \$700 high top sneakers? Believe it or not, they were designed for teenagers, one of the fastest growing demos in the luxury goods market. So, how are high-end retailers like Christian Louboutin and Burberry converting teens into luxury consumers?



Brigitte Segura has been a fashion and design consultant/brand strategist since 2005. Currently, she consults with brands on their marketing and social media channels, providing direction and guidance on building platforms, sustaining engagement, and growing followers. With a 10 year design background, Ms. Segura's design understanding and business sensibility helps translate design with sound business, fusing investors' and creatives' ideas into a marketable brand.

Segura is the founder and editor-in-chief of Fashion Daily Mag (fashiondailymag.com). Previously, she was fashion director at OCEAN Style Magazine, and has contributed to Ocean Splash, InStyle The Look, and other publications including FashionLedge (fashionledge.com). As a Consulting Director she implements strategy directly for companies in Designer, Contemporary, and Juniors categories. Past clients include Jones New York, Calvin Klein, Chico's, Zara, Z. Cavarrici, JORDACHE group, UNIONBAY, Wet Seal, Charlotte Russe, Rampage, Alloy and Girlfriends.

How significant is the teen segment for luxury retailers?

In figures taken from the end of 2011, teens represent a multi-billion dollar business opportunity, with around \$2,000 a year spent by 12 to 14 year olds, and \$4,000 by 15 to 17 year olds, on average. The total number of teens in the U.S. is 25.6 million. Total annual teen income in the U.S. is \$91.1 billion. The total U.S. teen spending for products bought by and for teens is about \$208 billion. It's hard to track exactly how much of that is on luxury items, but I would estimate that more than half of the spending is on luxury items.

The reason that specific luxury spending by teens is hard to track is because there are some items which aren't technically luxury, but have a designer price point, like designer jeans. When I ask teens about their luxury spending, they don't include jeans and makeup, they think of other clothes and shoes. Jeans priced at \$188 are just considered normal to them.

There are also some interesting teen shopping habits. The percent of teens that place online orders is 26%, which is a lot. The percentage of teens who would choose a new pair of shoes over fifty new MP3 downloads is 75%. They want their shoes. The percentage of teens who would choose a new pair of jeans

over concert tickets is 63%. The percentage of girls who bought ten or more items in the past six months is 41% and then the ones who bought five to nine items of clothing is 21%.

Even though it's a recession, about 75% of teenagers are still getting the same or more spending money than they did the year before. If the parents are in a recession, they're cutting back on something else, but they're not cutting back on giving everything to their children. I would say that teen spending is even greater than what is admitted, but that parents are scared to admit exactly how much they spend on their teens.

What signs are there that luxury retailers consider teens to be a significant market segment?

It's evident by the type of items that designers are selling. Companies are taking the time to design things that would appeal specifically to teens. For example, Christian Louboutin sells high-end high tops for \$700 and they sell out. That's what the kids at school are wearing. It's almost impossible to think an average adult would wear that. Who would wear that besides a teenager or a fashion-obsessed person?

Wedges are another interesting case. Jimmy Choo always does heels, but they

started producing wedges recently, which are slightly cheaper. Parents like heels because they're dressier, but almost all teenagers have platforms or wedges. They may not buy them all at the high-end level, but when it's priced at \$500, it's accessible.

Kate Spade has also done very well with brightly colored merchandise. They have a coin bag for \$46 made in the shape of an animal that looks like a teenager's product. In Marc by Marc Jacobs, you can impulse shop and walk away with a small \$20 or \$5 item. You get a piece of the brand with a kitschy little thing, like a whistle made out of plastic for \$5. A parent wouldn't want that.

Cosmetics and fragrance are another way for teens to have a piece of luxury. There's a \$26 nail polish from Chanel, and it trends very high with teenagers. Technically, they are buying luxury because they're opting to purchase that instead of a \$3 nail polish at a Duane Reade drugstore.

What is the sweet spot in luxury pricing for teens?

I've noticed brands trying to have this magic price point of easy access in the midrange between \$188 and \$228, up to \$400. Another area where luxury brands can do this and be

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successful is in shoes. A flip flop can sell for \$100. Then there is this craze of ballerina flats; they're in the \$200 range. The easiest thing to get is the accessories, the shoes, makeup and a t-shirt. They can always buy a designer t-shirt from \$58 to \$200 and be on a luxury level.

One brand that really is the most interesting and one to watch is Burberry. Their popularity and the teenage interest in this brand is unbelievable, and they have very little under \$400. Their small items, Wellingtons and tiny bags start around \$300 to \$400. Once again, that \$400 number is a magic number. At Burberry, a good average, not too fancy bag is a little over \$1,000, but they go up to \$4,000. If you want to wear that brand at a modest level where, let's say you're not the coolest kid but you want to have something prestigious, you can go for that \$1,000 bag.

What are the biggest influences of a teen's luxury purchase decisions?

It's always something social: school and peers that make them cooler. I don't think that's changed. Also, you'd be surprised how models are great influencers. I'd say they are in competition with actors. Teens care less about actors and more about wanting to look like a model. They don't think it's good enough to try to look like an actor because they're too real, whereas models are style icons. Models are people they aspire to be as pretty as, and they have photos teens can relate to, made more popular with street style shots, backstage pictures, which are then made popular by bloggers all over the world.

Fifty-three percent of teenagers have said that their friends and their peers are the most important reason for them to make these choices. Magazine ads are at about 68%, almost 60% said the company website, and consumer reviews are 36%. Interestingly, celebrities are only 33%. Parents, adults, come down to 25%, and bloggers 14%. They're starting to pay attention to some bloggers, but celebrities aren't as important as you might think.

These kids know high fashion at a very young age. They know what they want and

they are online exploring the information. If luxury brands don't act like teens are stupid and try not to water their offerings down for them, they will continue to build brand loyalty. That brand loyalty is long term, as they are starting young. It is also nice for the luxury people because, as teens don't want a watered down message, they don't have to change anything, just offer a bigger assortment.

What are luxury brands doing to successfully reach teens?

They are using social media, but I wouldn't say their marketing is specifically targeted to just teens. There is definitely a correlation in brand popularity with the 'most searched' on social media.

For their most recent Fall/Winter 2012 show, Burberry had an artist, Rae Morris, make a song especially for the show. The artist is 19, and the show was live-streamed directly on the site and through Facebook. It was heavily promoted through social media. They offered a way to purchase the runway collection immediately and exclusively for one week. Actions like this indicate that Burberry is thinking about teens.

Burberry may not be a household name for all teens in the U.S., but they have a larger reach in that market globally. They have over 11.9 million followers on Facebook. They are an easy example when talking about teen luxury marketing efforts because it looks like they have made the most obvious efforts to make their brand social media accessible. Other brands are doing the same kinds of things, but perhaps not investing as much money into the technology aspect.

How do teens view Zara's luxury interpretations relative to the luxury brands?

Zara is not as cheap as other fast fashion retailers like H&M. It's beautifully merchandised, but there's no popularity or buzz to it. It really appeals to an older customer; it's a little sophisticated for a teen.

In Europe, Zara has a whole section for teens. But in the U.S., it's hard to get a teenager to be interested in the store when it's all white in the

front. It lacks what many teen departments use to gain attention like loud music and dark lighting. I don't think Zara is targeting teens in the U.S. If teens are going to buy the cheaper thing, they'd rather go to Charlotte Russe, Wet Seal, or Forever 21, which is trendier.

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Fashion and Beauty Director,
Fashion Daily Mag