Department of Economics & Business

Chair of Introduction to Business Economics

Millennials and the luxury industry

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ACADEMIC YEAR 2018/2019
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INTRODUCTION

Since historical events shape the way people see the world and individuals, living the same events in the same time frame, share values and behaviours. Firms have to understand those in order to segment and target their offer in the best possible way.

This thesis focuses on the largest soon-to-enter-the-market cohort, *the Millennial Generation*, whose population will number 73 million in 2019 (PewResearchCenter, 2018) and on what has influenced their consumption behaviour of luxury fashion goods.

The discussion starts from the steps of the marketing process that move from the understanding of the customers to the creation of value for them. (Kotler et al., 2010).

Thereafter, there is a small focus on the traditional *product-driven* and on the new *people-driven* concepts behind market segmentation (Plummer, 1974) and how the new technologies may help marketers in gaining a better knowledge of the segments. (Wedel & Kamakura, 2000). The different segments shall be *measurable, accessible, substantial, differentiable and actionable* and the major ones are *geographic, demographic, psychographic and behavioural*. The first chapter ends with the methods for market segmentation that may be classified into two broad categories: *a-priori* (Green, 1977) and *post-hoc* (Wind, 1978).

The second chapter analyses the Six American Generations: *the GI Generation* (born 1901 – 1924), *the Silent Generation* (born 1925 – 1942), *the Boom Generation* (born 1943 – 1960), *Generation X* (born 1961 – 1981), *the Millennial Generation* (born 1982 – 2005), *the Homeland Generation* (born 2005 – 2025); and their “archetypes” in order to deeply understand the make up of each generations and which events shaped their values and beliefs. (Howe and Strauss, 2007). In the end, there is a focus on Millennials data such as their education level, indebtedness and their relationship with technology.

Then, the analysis moves on the consumption pattern during the 2008 crisis and on the rise of a new consumer, *the ground consumer*, after the “American dream” has ended. During the crisis period, the view on luxury consumption has changed from *showy consumption* to *inconspicuous consumption*, leading to more critic and attentive luxury purchases. (Silverstein, 2006). Moreover, *the Millennial consumer* is deeper studied as phenomenon of interest since the crisis is going to deeply affect his spending choices. (Carù, 2009).

Hence, the fourth chapter covers the examination of the *luxury industry* and the characteristics of its products: *price, quality, exclusivity* and *brand image*. (Chevalier & Gutsatz, 2013) After the identification of the 6 pillars of the communication mix, the study switch on a new kind on consumer who wants to get in touch with the firm, becoming a *prosumer*. This relationship is maintained through the web and the luxury
firms need to make use of this tool, even if it may mean losing their individuality and exclusivity. Thus, the usage of social media come up with a trade-off for those industries: *luxury exclusivity* or *populism*. The chapter ends with omnichannel approach successfully implemented by some firms.

The theoretical framework is coupled with a practical case study: *Gucci*. After a small insight on the Kering holding and the story of the firm, the social media marketing strategy in analyse. The company, at the beginning, was not very successful, but after Alessandro di Michele, the new creative director, has been appointed, the profit rapidly rose (Doupnik, 2017), showing how a proper social media management helps companies in capturing the *unpredictable millennial generation*.

**CHAPTER 1**

**Marketing**

**1.1 Marketing process**

Kotler et al. (2010) argue that the marketing process is made up by five fundamentals steps: understanding the marketplace and consumers’ needs and want, designing a consumer-driven marketing strategy, building a homogeneous marketing program that provides higher value, boosting fruitful relationships and generating customers’ satisfaction, seizing value from customers and creating profits and customers’ equity. The first four steps create value for customers, whereas the final step captures value from them. Fig 1.1 summarizes the model.

Fig 1.1: Marketing process. Fonte: Kotler et al. (2010)

As fig 1.1 shows, the first step requires the knowledge of the environment that can be gained through five core concepts:
1. Needs, wants and demand

“Human need are states of felt deprivation” (Kotler et al., 2010). They concern physical, social and individual needs such as food, warmth, clothes, affection, belonging, self-expression, etc.. These are inherent to human nature. Once shaped by culture and individual personality, needs become wants. Then those turn into demand thanks to the buying power. With respect to their wants and resources, customers try to maximize their benefit and satisfaction. Marketing companies exploit all possible customers’ data in order to understand all those needs, wants and demand.

2. Market offerings (products, services, and experiences)

Market offerings, a mix of product, services, information and experience, satisfy consumers’ needs and wants.

3. Value and satisfaction

A given need may be satisfied by different products. In order to discern among those, customers create expectations based on the value and on the satisfaction of different market offerings and act accordingly. If the experience satisfies them, they will buy again and share their positive feeling with others; otherwise, they will switch to competitors and disregard the product in front of others. Thus, it is important to set the right level of expectations. “Customer value and customer satisfaction are key building blocks for developing and managing customer relationships.” (Kotler et al., 2010)

4. Exchanges and relationships

Exchange means obtaining something through giving something else in return. Marketing promotes desirable exchange relationships with a specific audience so as to construct strong relationships through a higher costumer value.

5. Markets

Potential buyers of a product or a service form a market. “Marketing means managing markets to bring about profitable customer relationships” (Kotler et al., 2010). Seller must analyse buyers and shape the product/service to their needs through activities such as consumer research, product development, communication, distribution, pricing, and service.

Once managers have a complete understanding of the marketplace, they can finally implement a customer-driven strategy. To do so, marketing managers decide whom to serve and how to do that. About the whom, market has to be divided in segments (market segmentation) of customers and then one of those is targeted (target marketing). It is impossible to target all the costumers because there exists the risk of not serving anyone well. Instead, with respect to the how, the company decides the
way it will differentiate and position itself in the marketplace. Given the values or benefit promised, the brand builds its value proposition. It represents the core of brands and what differentiates them one from the other.

Marketing strategies are designed according to five alternative concepts:

1. **Production**
   It states that available and high affordable products are preferred by consumers. Thus, improving production and distribution efficiency is important for managers.

2. **Product**
   It states that products with higher qualities, performance and features are preferred by consumers. Thus, product improvements are important.

3. **Selling**
   It states that the company will not sell enough unless a large-scale selling or a sufficient promotion effort is employed.

4. **Marketing**
   It states that knowing needs and wants of the target market helps addressing them better than competitors.

5. **Societal marketing**
   It states that the pure marketing concept fails to notice the trade-off between short-run satisfaction and long-run welfare.

Next, marketers develop the marketing program whose aim is to build the relationship with customers and to deliver the right value. It includes the marketing mix of the company and its major tools are the 4 Ps:

1. **Product**
   It is described as “a need-satisfying market offering” (Kotler et al., 2010)

2. **Price**
   It is “the charge for the offering” (Kotler et al., 2010)

3. **Place**
   It represents the “where” the offering will be made available

4. **Promotion**
   It describes how to communicate the customers about the offering

The fourth step, perhaps the most important one, requires the building of profitable customer relationships. Customer relationship management is described narrowly as “a customer data management activity” (Kotler et al., 2010), while a broader definition defines it as “the overall process of building and maintaining profitable
customer relationships by delivering superior customer value and satisfaction” (Kotler et al., 2010). Here, there are two key factors that need to be considered:

1. **Customer value**
   It represents the value of benefits and cost of a brand market offering in relation to competitors. It is also called the customer-perceived value due to the fact that consumers base their decisions on the subjective perception of value.

2. **Customer satisfaction**
   It is based on the performance of the product relative to the expectations. Performances need to be matched with expectations for a customer to be satisfied and to become loyal to the brand. In the end, the value, captured by brands, returns in the form of current and future sales, market share and profits. Higher customer value means higher loyalty in the long-run.

1.2 Concept behind segmentation

Historically, the first type of market segmentation was the geographic one because manufacturers across the U.S. had to limit their supply to only some areas, given the small amount they were able to invest. As more brands grew larger and nation-wide, demographic segmentation arose. In recent years, after the “heavy half” theory (Twedt, 1964), stating that in most product categories one-half of the consumers usage accounts for the 80% of the consumption, has become well-known, volume segmentation has grown popular (Haley, 1968).

Instead, there have always existed two different types of market segmentation approaches (Plummer, 1974): “product” oriented and “people” oriented. The first approach analyses the product features through the consumers for gaining a better understanding of the market and the categories under which this analysis falls are product benefits, product usage occasions, value, ingredients or taste, perceived attributes, and advertising appeals; whereas, the second one measures people segments relating them to the product or service and is commonly based on demographics, social class, stage in life cycle, product usage, innovativeness, and psychological characteristics.

“Market segmentation consists of viewing a heterogeneous market (one characterized by divergent demand) as a number of smaller homogeneous markets in response to differing product preferences among important market segments. It is attributable to the desires of consumers or users for more precise satisfaction of their varying want” (Smith, 1956).
As previously stated, market segments are born from the different wants of customers, rather than their characteristics. This preview led to Dickson and Ginter (1987) idea, according to which segmentation based on customer demand results in homogeneous groups of consumers that react equally to the same marketing mix. This shows how “people” oriented segmentation works.

Moreover, Frank (1967) showed that demographic variables are not optimal basis for market segmentation because they are poor predictors of behaviour.

New challenges and opportunities are brought upon by changes in the market environment. Information technologies permit marketers to access a wider range of information about customers’ actual behaviour. Thus, it is possible for marketers to focus on smaller segments with micro marketing and direct market approaches (Wedel & Kamakura, 2000).

1.3 Criteria of market segmentation

Kotler et al. (2010) argues that consumers are too different in needs and wants. Thus, this led companies to move from mass marketing to target marketing. Implementing a market-driven strategy requests 4 steps: market segmentation, market targeting, differentiation and positioning.

Although there exists a certain degree of freedom, some general guidelines are followed when market segmentation occurs. Market segments are supposed to be:

1. **Measurable**: size, purchasing power and profiles are identifiable
2. **Accessible**: market segments are reachable and servable
3. **Substantial**: market segments are large and profitable
4. **Differentiable**: segments do not react in the same way to different marketing mix
5. **Actionable**: programs can be shaped successfully to manage different segments

Now, it is time to evaluate those segments and decide which ones are better to be served. In the process of evaluation, three factors are analysed:

1. **Segment size and growth** which is a relative concept because some companies may lack the resources necessary to serve a certain large segment. However, they may have enough to serve smaller, but more profitable, ones.
2. **Segment structural attractiveness** that is evaluated relatively to other causes such as already existing competitors, substitute products, power of buyers and suppliers.
3. **Company objectives and resources**

After the evaluation, the company decides a target market which is composed by “a set of buyers who share common needs or characteristics that the company decides to serve” (Kotler, 2010). There exist different levels of target marketing:

1. **Undifferentiated market**

   The company decides to target the whole market with one offer, focusing on what the different segments share, rather than on what they differ. The brand produces a marketing offer suitable for the largest number of buyers. However, as seen before, creating such a mix may be difficult for marketers.

2. **Micromarketing**

   The firm tailors the product/service to serve specific customers or locations. “Rather than seeing a customer in every individual, micromarketers see the individual in every customer.” (Kotler, 2010)

3. **Differentiated (or concentrated) marketing**

   The company decides to target different market segment with different marketing offers for each. In any case, this type of business increases the costs because different units of different products are created. Whereas, the concentrated marketing target smaller segments (or niches) of a large market. Larger segments thrill various competitors, while niches only a few. This helps firms with a small number of resources because those segments are usually overlooked by larger companies.

Before targeting a segment, the company chooses a value proposition that summarizes the value created for the segment and the position the product occupies in the segment. “A product’s position is the complex set of perceptions, impressions, and feelings that consumers have for the product compared with competing products.” (Kotler, 2010)

As said before, there is no unique way to segment a market. Different variables need to be considered for gaining a complete understanding of the market structure through the best one or through a mix of the better ones. The major segmentation basis of the market are:

- Geographic segmentation defined by different geographical divisions based on nations, regions, states, counties, cities, or even neighbourhoods. Companies decide where to operate and how to tailor products and services for the customer’s needs and wants in that area.
- Demographic segmentation delineated by tags such as age, gender, family size, family life cycle, income, occupation, education, religion, race, generation, and nationality.
- Psychographic segmentation described by labels such as social class, lifestyle or personality characteristics.
- Behavioural segmentation characterized by knowledge, attitudes, uses, or responses to a product.

The most useful variables are listed in the table 1.2.

<table>
<thead>
<tr>
<th>Geographic variables</th>
<th>North America, Canada, Western Europe, Middle East, Pacific Rim, China, India, Brazil</th>
</tr>
</thead>
<tbody>
<tr>
<td>World region or country</td>
<td>Pacific, Mountain, West North Central, West South Central, East North Central, East South Central, South Atlantic, Middle Atlantic, New England</td>
</tr>
<tr>
<td>Country region</td>
<td>Under 5,000; 5,000–20,000; 20,000–50,000; 50,000–100,000; 100,000–250,000; 250,000–500,000; 500,000–1,000,000; 1,000,000–4,000,000; over 4,000,000</td>
</tr>
<tr>
<td>City or metro size</td>
<td>Urban, suburban, exurban, rural</td>
</tr>
<tr>
<td>Climate</td>
<td>Northern, southern</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Demographic variables</th>
<th>Under 6, 6–11, 12–19, 20–34, 35–49, 50–64, 65 and over</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>Male, female</td>
</tr>
<tr>
<td>Gender</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Family size</td>
</tr>
<tr>
<td>-------------------------</td>
<td>----------------------</td>
</tr>
<tr>
<td><strong>Family size</strong></td>
<td>1–2, 3–4, 5 or more</td>
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<td></td>
<td></td>
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<tr>
<td><strong>Family life cycle</strong></td>
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<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Income</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Occupation</strong></td>
<td></td>
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<tr>
<td><strong>Education</strong></td>
<td></td>
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<tr>
<td><strong>Religion</strong></td>
<td></td>
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<tr>
<td><strong>Race</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Generation</strong></td>
<td></td>
</tr>
<tr>
<td>Nationality</td>
<td>North American, South American, British, French, German, Russian, Japanese</td>
</tr>
<tr>
<td>---------------------------------</td>
<td>--------------------------------------------------------------------------</td>
</tr>
<tr>
<td><strong>Psychographic variables</strong></td>
<td></td>
</tr>
<tr>
<td>Social class</td>
<td>Lower lowers, upper lowers, working class, middle class, upper middles, lower uppers, upper uppers</td>
</tr>
<tr>
<td>Personality</td>
<td>Compulsive, outgoing, authoritarian, ambitious</td>
</tr>
<tr>
<td>Lifestyle</td>
<td>Achievers, strivers, survivors</td>
</tr>
<tr>
<td><strong>Behavioural variables</strong></td>
<td></td>
</tr>
<tr>
<td>Occasions</td>
<td>Regular occasion; special occasion; holiday; seasonal</td>
</tr>
<tr>
<td>Benefits</td>
<td>Quality, service, economy, convenience, speed</td>
</tr>
<tr>
<td>User status</td>
<td>Nonuser, ex-user, potential user, first-time user, regular user</td>
</tr>
<tr>
<td>User rates</td>
<td>Light user, medium user, heavy user</td>
</tr>
<tr>
<td>Loyalty status</td>
<td>None, medium, strong, absolute</td>
</tr>
<tr>
<td>Readiness stage</td>
<td>Unaware, aware, informed, interested, desirous, intending to buy</td>
</tr>
<tr>
<td>Attitude toward product</td>
<td>Enthusiastic, positive, indifferent, negative, hostile</td>
</tr>
</tbody>
</table>

Fig 1.2: List of major variables to segment the market. Fonte: Kotler et al. (2010)
1.4 Methods for market segmentation

Various methods are being used for segmentation and they can be fundamentally classified into two categories: a-priori (Green, 1977) and post-hoc (Wind, 1978).

The first one determines the segment in advance, the second classifies them after the data analyses. There exist also methods that are a mixture of both categories.

According to Kamakura et al. (2000), segmentation approaches can be classified even based on the statistical method used: either descriptive or predictive. Fig 1.3 summarizes them.

<table>
<thead>
<tr>
<th></th>
<th>A-PRIORI</th>
<th>POST-HOC</th>
</tr>
</thead>
<tbody>
<tr>
<td>DESCRIPTIVE</td>
<td>• Contingency tables</td>
<td>• Clustering methods</td>
</tr>
<tr>
<td></td>
<td>• Log-linear models</td>
<td>• Nonoverlapping</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Overlapping</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Fuzzy techniques</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• ANN</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Mixture models</td>
</tr>
<tr>
<td>PREDICTIVE</td>
<td>• Cross-tabulation</td>
<td>• AID</td>
</tr>
<tr>
<td></td>
<td>• Regression</td>
<td>• Cart</td>
</tr>
<tr>
<td></td>
<td>• Logit and discriminant analysis</td>
<td>• Clusterwise regression</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• ANN</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Mixture models</td>
</tr>
</tbody>
</table>

Fig 1.3: Classification of methods used for segmentation. Fonte: Kamakura et al. (2010)

A-priori predictive approaches describe first a-priori descriptive segment according to some criteria, then use predictive models to define the relationship between segment members and a set of independent variables.

Post-hoc predictive approaches establish consumer segment according to a dependent variable and a set of predictors.
CHAPTER 2

Millennials

2.1 Six American generations

“This is what constitutes a generation: It is shaped by events or circumstances according to which phase of life its members occupy at the time. As each generation ages into the next phase—from youth to young adulthood to midlife to elderhood—its attitudes and behaviours mature, producing new currents in the public mood.” (Howe and Strauss, 2007)

Events make people who they are and how those shape them is related to how old they are. Societies are made up by the generations that co-live at the same time. There are six of them existing in America today:

1. **The GI Generation**: born 1901-1924, they possessed the “good kid” reputation under the protection of their Progressive-era parents. They gained the highest increase in school achievements, became the first Miss-Americas and American athletes and contributed to the post-war “affluent society”. Their mind was more smitten to civic life, actions and behaviours than values and beliefs. Once they grew into “senior citizens”, they retained little influence over them.

2. **The Silent Generation**: born 1925-1942, they matured as “as the seen-but-not-heard Little Rascals and Shirley Temples of the Great Depression and World War II” (Howe and Strauss, 2007) and were considered “rebels without a cause”. They accepted their parents’ culture ‘till the 1960s, then ceased under Bob Dylan’s lead. This generation members are renowned for being civil-rights activists, rock and rollers, anti-war leaders, feminists, public-interest lawyers, mentors for young troublemakers, mothers and fathers during the divorce outbreak. In the end, they regard as important discussions, inclusions and processes, but do not act. Their late-in-life pay-outs are better than those of any previous and subsequent generation.

3. **The Boom Generation**: boom 1943-1960, they are described as “feed-on-demand Dr. Spock babies.” (Howe and Strauss, 2007) and are the sum of the post-war optimism, Tomorrowland rationalism and “a father knows best” family order. Despite their strong community sense, the parents raised them as people who wouldn’t follow a charismatic dictator. Once of age, they refused their parents’ secular approach and focused on the inner-self. Their criticism struck the notions of a melting pot, the full-time mom, the suburbs and big auto at home, and the troops and domino theory. Their
youth registered an increase in drug abuse, sexual risk and crimes rates, to which corresponded a decrease in academic achievement. The main events in their life are represented by Vietnam War protests, the Summer of Love, the Democratic convention in Chicago, Woodstock, and Kent State. They became yuppie individualists and women also challenged the glass ceiling. In the role of parents, they fostered individual relationships with their children. Economic wealth declined during this period.

4. **Generation X**: born 1961-1981, they were influenced both by failing schools and marriages and by the decreasing importance of children’s welfare in political agendas. Supported as well by the sexual revolution, the increase in divorce and the R-rated culture, this increased their suspicion on institutions such as family. The absence of childcare made them experience latchkey childhood. A realistic mood was created by MTV, hip hop and an interest in military and business careers. Young people took greater risk. As a consequence, crime rates and teen pregnancy increased. They married later in life and tried to construct stronger families than those they had lived in. The title of greatest entrepreneurial generation in U.S. history is retained by them because of the preference of free agency over corporate loyalty. Of all generation, this one has the largest share of immigrants. They left no blueprints in civic life due to the belief that volunteering is more efficient that voting or changing laws.

5. **The Millennial Generation**: They were born between 1982-2005. The consciousness revolution, started after the increase in divorce rates and abortion, prompted hands-off lifestyle and babies regarded as precious. Child abuse and safety were considered important topics during the 1980s so much that in 1990s adult issues were developed regarding their effects on children. With them, there has been a decrease in risky behaviour. In the workplace, they have been moving toward large institutions and government agencies, in search of teamwork, protection against risk, and solid work–life balance. Their lifestyle prefers a more classical and conventional fashion, given by a focus on upbeat messages, big brands, revivals of oldies and remakes. The strong relationships with their families live on.

6. **The Homeland Generation**: born roughly 2005-2025, they are the new America children. Gen X are highly protective, but most of those babies are Millennials’ children. The exact birth date can not be set because it is still too early.
Since people change as they age, it is possible to predict how a generation mutate by looking at previous generations that were shaped under similar circumstances, called “age locations”. The makeup of a generation is particularly influenced by the event happening when it is coming to age. Those events are of four kind: during or after a period of national crisis; during or after a period of cultural renewal or awakening; and they correspond to as much labels (or archetypes): prophet, nomad, hero and artist. Generation belonging to the same archetypes shares similar approaches to values, family, risk and civic engagement. As archetypes grow older, they show similar and characteristic transitions.

The first archetype “Prophet” is usually born after a war or a crisis, in a period of rejuvenated public life and search of a new societal order. The children belonging to this archetype are pampered and they bloom as ascetic reformer of a spiritual awakening, cultivating principles while evolving as moralistic midlifers and driving another historical crisis as wise elders. Their distinctive features are the coming-of-age passion and the principled elder stewardship. Their inheritance is made up by vision, values and religion.

The “Nomad” archetype is usually born at the same time of a cultural revival, social ideals and spiritual program, while the established institutional order is fought by young ones. Under-protected as children, they become alienated young adults of a post-awakening world, practical midlife commander during a crisis and post-crisis elders. Their peculiar factors are the period of hellraising as youngsters and get-it-done approach to leadership as midlifers. Liberty, survival and honour are part of their inheritance.

The “Hero” archetype develops after a spiritual awakening, amid a time of individual pragmatism, self-reliance, laissez-faire, and national (or sectional or ethnic) chauvinism. Protected as children, they mature as courageous workers of a crisis, conceited midlifers and powerful leaders thrilled by another spiritual awakening. They are remembered because of their coming-of-age successes and hubristic achievements. Their inheritance is based upon community, affluence and technology.

The last archetype, “Artist”, is born during a great crisis. This period is characterized by dangers, public agreement, aggressive institutions and personal sacrifice. Overprotected as children, they become sensitive members of a post-crisis world, inconclusive leaders amid a spiritual awakening and empathic post-awakening seniors. Distinctive features are the quiet adulthood and malleable, consensus-building leadership. Variety, skill and due process are their inheritance.
“Generations are among the most powerful forces in history. Tracking their march through time lends order—and even a measure of predictability—to long-term trends.” (Howe and Strauss, 2007).

Generations are influenced by events. However, the cycle of archetypes shows that also events are influenced by people, because each generation reacts to the excess of the previous one. Each mind-set and behaviour can be traced. The Generational diagonal (Fig 2.1) serves this purpose.

Fig 2.1: The Generational Diagonal. Fonte: Howe and Strauss (2007)

2.2 Millennials

Millennials are also known as:

1. “Generation Y”: especially used by marketers regarding them as a generation X² (Howe and Strauss, 2009)
2. “Generation DotCom”, projecting on them “the current mood of self-oriented commercialism” (Howe and Strauss, 2009)
3. “Echo Boomers”, since they are Boomers’ children (Howe and Strauss, 2009)
4. “MTV Generation”, because MTV heavily influenced them (Pauling, 2008)
5. “Millennials”, this generation’s favourite tag because it shows their newness (Howe and Strauss, 2009)

Howe and Strauss (2009) define this group as a “found generation” because they birthdates belong to a period of birth-rate reversal with respect to the Gen-X child era and overreached the Boomer-era peak. According to the U.S Census Bureau, they are expected to surpass Boomers in 2019 as they are about 73 million and Boomers will decline 72 million. Besides, this generation will keep increasing thanks to immigrants. Fig 2.2 shows this trend. In the next 20 years, Millennials will bear heavier student loans and housing costs. Changes is the globalized labor market and in jobs without benefits and securities will jolt this sheltered generation.

Fig 2.2: Projections of U.S. population. Fonte: PewResearchCenter (2018)

According to other researches, made by the PewResearchCenter (2010), Millennials are more educated and less prone to be working. About 39% of them attend college, high school or trade school. Almost half of them is aiming at a graduate or professional school degree. However, this hinders the wealth accumulation. About 37% of households, led by young adults, are affected by student debts. The highest portion on record with a median of $13000. Analysis of the newest Survey of Consumer Finances shows that college-educated adult households without student debt have a seven-time worth value ($64700) with respect to those with it ($8700). The gap exists also between young adults without a bachelor’s degree: those without student debt hold a nine-times worth wealth than those with it ($10900 vs. $1200). This holds even if those groups have identical incomes per household in each group. However, since the total indebtedness of student with debt ($137010) is twice as much as households without debt ($73250), households of debtors are accumulating less wealth even for other factors
such as mortgage debt. In less-educated households the gap is more than ten times wide among student debtor and student with no debt ($28,300 vs. $2,500).

Regarding employment, 46% of Millennial men and 35% of women are employed. The gap in percentage is similar to the 13-point existing gender gap (53% of men and 40% of women). They do not work as much full time as Gen-Xers and Boomers (41% vs. 65% vs. 54%). Instead, the youngest ones are twice as likely to work part-time (24% vs. 10% vs. 13%). The Recession has modified the working experience of these generation because some had to settle for part-time jobs instead of full-time ones, others delayed their entry in the job market and still other had to wait longer for a job. The proportion of full-time employment fell from 50% in 2006 to 46% in 2010, whereas an increase of 3% was seen in part-time employees and in full-time students. Jobless ones between 18 and 29 increased by 4%.

55% of 18 to 29 years old say that “they are watching their spending “very closely” these days” (PewResearchCentre). One reason of their vulnerability is the fact that they are less likely to be shielded by health insurance (61% vs. 73% of Gen-Xers, 83% of Baby Boomers, 95% of Silent Generation). Moreover, 36% of Millennials depend on their family to get by.

2.3 Millennials and technology

24% of Millennials think that what makes their generation unique is the usage of technology. Fig. 2.3 shows the reasons why Millennials think of themselves as unique.

Fig. 2.3: “What makes your generation unique?” Fonte: PewResearchCentre (2010)

In the last years, there has been an increase in internet usage and mobile phones and Millennials are the most excited users. They regard those technologies not only as a source of information and entertainment, but also as supports to their social lives. The usage of internet accounts for 90% of Millennials. 74% of them agree that technology has made life easier and 56% that it helps managing time more efficiently. A majority (54%) affirms that this makes people closer. Moreover, this generation is more likely to hold a social network profile (75% vs. 50% of Gen Xers, 30% of Boomers, 6% of Silent). Among those, the 81% of 18-yo-24 year olds have an account, whereas only 66% of 25-to-29 year old keep one.
CHAPTER 3

2008 crisis overview

3.1 Consumption patterns and crisis

Before the crisis showed up its effects, Cristina Marrone (2008) on the “Corriere della Sera” reports a survey carried out by Eurispes, which outlines a worrisome consumer identikit: 66.6% of Italian women prefers buying garments either during sales period or at yard sales or at outlet stores. Moreover, it is easy to change brand if another one seems cheaper, despite even the pressing advertising (63.3%). More generally, 58.1% of women think of a worsened economic stance, especially the younger ones.

After the crisis broke out, consumption has increasingly been reduced both in terms of volumes and item value: consumer has begun always more persistently to reduce desires and to look for low cost items. (Carù et al., 2011) As Piero Bianco (2008) notices, according to a survey led by Nextplora, the 48% of Italians turned the limited means in lifestyle, thus, making “cool” the purchase of low-cost items. (Carù et al., 2011).

From the US, a research, undertaken by Blinkoff et al. (2008), says that the “American dream” ended up and the whole world has to withstand the consequences. The theory states that, after a five-steps process, a new consumer, the so-called <<ground consumer>>, will be born. The steps are the following:

1. The first step, called << Awareness, goodbye Homo Economicus>>, sketches consumers as confused and doubtful, but also able to balance needs and wants. Thus, the main focus shifts from the quantity to the quality of the products, because consumers are now interested on the long-run benefits of those few products.

2. At the second step, the consumers ask themselves of they got to that point since their life is not a loan.

3. Consumers shift from the “me” economy to a “we” economy. While the “me” economy focuses on improving the quality of life through consumption, the “we” economy cares about the exchange of something pleasant, that is not necessarily money.

4. Users balance the rational, emotional and social components, focusing more on experiences, relationships and collective acts, following the
slogan: <<trim the fat, not the fun>>. In fact, the balance of the said components results in the small luxuries.

5. This last step is called <<To Implement: to trigger new experiences>>. Here new consumption patterns arise since consumers know how to better manage their purchasing power. It is still possible to realize the “American Dream”, but not through consumption.

Finally, in 2009, the crisis and the recession are officially recognised and those already affect the consumers that paid more attention to their purchases. Many families and individuals faced economic hardships. As consequence, also those who felt safe turned to less flashy, less wasteful and more conscious consumption pattern because, due to the risk of impoverishment of entire social groups, some behaviours were seen as tacky.

In fact, during this last period the luxury consumption pattern has slowly changed: from “showy consumption” made up by always increasing prices and bigger logos, it has moved toward the so-called “new normality” where the consumer is less willing to spend high amount of money and luxury has become a synonym of “inconspicuous consumption”. However, this is not the so predicted “end of the luxury”, but rather the mix of high-end and low-cost goods. Consumers are just more critic and attentive to pay the right price with respect to the received value. Thus, they are still willing to spend for choices which are psychologically and socially seen as relevant. (Silverstein, 2006). This change is due to the increase of consumers’ education: thanks to the Net customers can have immediate access to a huge quantity of information about the goods and about the firms producing them. Thus, they are becoming more competent, demanding and selective (Fabris, 2003).

3.2 Millennial consumer

The analysis above needs a little clarification on a phenomenon of interest: “The Millennial consumer”.

Historians, economists and psychologists agree on the fact that this period is going to shape the values and the attitude of the Y Generation, in the same way the Great Depression influenced those born in the Thirties.

In 2009, 60% of the Millennials thought they were facing an unfair condition, and this is shaping their own <<American Dream>>. This new version says that happiness is detached from material things, thus those believing in it do not require to hold material
things as much as their parents did, but they value freedom and independence more. A simple life has become a cool lifestyle: Millennials are seen as more socially responsible, more environmental-friendly and more demanding as consumers.

However, another research suggests that the economic uncertainty may strengthen the materialism.

Thus, the possible evolutions are not clear. (Carù, 2009)

Some certainties more are on the consumption side: the purchase process is based on a strong informational base and they can process a large volume of online data due to not having ever lived without a computer. This is also a drawback because their media environment is saturated, resulting in a strong resistance to the traditional marketing methods. In any case, some broad guideline can be traced:

- Searching the consumers on the Net and on the social media where they interact
- Be straight with them
- Using the interactive function on the website in order to stimulate the consumer experience.
- Making the products easily accessible and purchasable.
- Integrating the search with comparable information.
- Giving the chance of personalization.
CHAPTER 4

Luxury industry

4.1 Definition of luxury

Although luxury brands are very recognizable, there is still some perplexity on the ideas of luxury and luxury brands. “The problem with the word “luxury” is that it is at once a concept (a category), a subjective impression and a polemical term, often subjected to moral criticism” (Kapferer, 2008) and this misconception troubles market researchers who want to quantify their customers’ feeling to luxury. (Kapferer, 2008).

Going back to the etymology may help in better understanding the concept behind the word “luxury”. The origin of the word can be traced back to Latin and its meaning is “lux”, making clear the typical characteristics of luxury items: luxury glitters. Given that those items must be seen and recognized by oneself and others, luxury brands show all of their brand signature. They need to be contemplated from afar. Luxury defines beauty; it is art applied to functional items”. (Kapferer, 2008). Luxury items are used as references for the fashions of a given time, conveying their own culture and way of life and becoming models of good taste.

In this sense, on a more symbolical level, light represents life and fertility, linking the concept of luxury with the ideas of creation and inspiration. Most of the luxury institutions founders are creative geniuses, whose inspiration captured the attention of the ruling classes and elite.

Acquiring the ownership of those items requires the monetary capacity and the ability to appreciate artistic value of the object, that is a dimension behind mere practicality. “Luxury items provide extra pleasure and flatter all senses at once” (Kapferer, 2008).

Sociology and history help us to understand. Luxury as appanage of the elite is changing and perpetuating the signs of the former aristocracy. Coats of arms and blazons have disappeared, they have been substituted by brand signs! Only a few luxury symbols exist and those represents the past privileges of past aristocracy.

Despite this, over the past 30 years the notion of luxury has evolved: from a restricted elite of “happy few” to a more democratic idea of luxury, accessible to some not affluent by seldom consumers of luxury (Dubois, Czellar and Laurent 2005).

Usually, luxury firms propose a lifestyle more than only a bundle of goods. Thus, intangible features are more important than tangible ones and the value of those goods
depends on the symbolic, emotive and cultural characteristics assigned by consumers. (Rullani, 2004)

However, the tangible features shall not be forgotten because it is “a critical competence” in value creation. (Micelli, 2011)

Here is a review of the luxury goods most important features:

- **Price**
  Its principal characteristics is their relative price for sure. Their value is given by their expensiveness (Ng, 1987). However, Dubois and Czellar (2002) argue that expensive good are not always luxury goods. Thus, high prices are a necessary, but not sufficient condition (Castelli, 2013).

- **Quality**
  The value, defining luxury products, is given by the quality of the product (Castelli, 2013). According to Kapferer (2001), this is given by a mix of 2 elements: showcase of quality and specialized distribution channels. Chevalier & Gutsatz (2013) add a third element: a refined packaging.

- **Exclusivity**
  Chevalier & Gutsatz (2013) suggests that luxury items are supposed to be uncommon and difficult to acquire. Furthermore, the usage of those is supposed to let the buyer have the feeling that he distinguishes himself by the rest thorough the display of refinement and exceptional taste. Moreover, Kapferer (2001) says that exclusivity and rarity add prestige to the brand.

- **Brand image**
  Besides outstanding quality and traditional skills, a strong brand image has to be correlated with luxury items (Quelch, 1987). It has to be unique and different, but widely-known to consumers with recognizable features (Chevalier & Gutsatz, 2013).

Indeed, the mix of these four traits justifies the high price tag because customers are satisfied also on an emotional level through the unforgettable experience (Chevalier & Gutsatz, 2013).

**4.2 Communication mix**

Given the centrality of the brand image, the importance of the communication among the elements of the marketing mix is not surprising since it holds the role of “brand voice” (Kotler at al., 2015). Managing the communication mix means to identify its pillars: advertisement, direct marketing, sales promotion, events, PR and personal sales.
Advertisement is a non-personal way of promotion performed by an easily recognizable party. Either publishing on a fashion magazine or on a billboard, or airing a TV spot gives the chance of reaching a large number of potential consumers through low expenses per head. It is not surprising also that the usage of sounds, colours and images is the most used method in order to emphasize the characteristics of the product and to deliver the brand image. (Kotler, 2015)

Direct marketing requires keeping in touch with the consumers through phones and e-mails. Even thought this tool is still not widely-used, it is possible to foresee a usage spread thanks to chances offered by the development of apps such as Whatsapp in order to interact with the consumers. (Cappellari, 2018)

Sales promotion are all those initiatives such as coupons, contests and other offers aimed at encouraging the purchases. However, those are less used in the luxury industry because the availability of the product at a minor cost may pull away the clients who spend the most. (Achille, 2015).

Events are always gathering a stronger role in the luxury communication mix. Those entail activities not directly aimed at selling the products, but allowing the users to interact with the brand which gains visibility through shared values. For instances, the “Hugo Boss Prize” awards the best contemporary art pieces in partnership with the Guggenheim Foundation. (Kotler, 2015) One important category of events is the “guerrilla marketing” that requires engaging and striking acts granting word-of-mouth. However, this tool has to be handed carefully because it is not necessary to obtain visibility by all means if this clashes with the brand image. (Cova et al., 2012)

PR (or public relations) are all those programs aimed at firm promotion through management of press relations. (Cappellari, 2018)

Last, but not least, personal sales are also on of the pillar of the communication mix and entails all those face-to-face interactions with the clients in order to either sell something or to give information about the firm or the products. (Cappellari, 2018)

Even though balancing the different elements of the communication mix is important, firms shall not forget that, in the digital era, consumers requires to become the main characters of the communication strategy. They do not want to experience passively standard messages, but to be actively engaged upon the chatter of the brands. (Bettiol, 2015)

4.3 The new consumer

In the digital era, the approach of the customer to the purchase has changed: the web raises her awareness and influences her choices and opinions. Moreover, customers have the chances both to get in touch, to exchange and confront ideas, being proactive.
Thus, the biggest change is represented by the user itself that is not only consumer, but also producer, becoming a “prosumer” because she both is able to produce and to enjoy contents. Given the media fragmentation, today it is difficult to analyse the consumers’ behaviour, consequently, using only a channel is no more possible, but the mix of different channel is needed to gain the same impact luxury firms held in the past, even if conceptually different.

The Net is the main tool used to gain information and knowledge over products and services, influencing also choices. Its introduction permitted not only knowledge democratisation, but also a social side to technology. Over the web, users create, build, exchange contents, share opinion and experience, freeing themselves from the tag of being only consumers and being engaged in contents co-creation. This is the main reason behind the birth of the “prosumer”. (Da Venezia, 2016)

4.4 Luxury industry and the digital era

At the beginning, luxury industries were cautious towards the digital revolution. Its entry was a bit more examined and less instantaneous because the concept of accessibility behind the digital instrument is completely antithetical and may appear as a loss of those elements such as style, individuality and inaccessibility on which the luxury brand base their brand image. Instead, now it has been noticed that, thanks to the web, those companies carry out the same activities with the same characteristics, reaching also a wider range of consumers. However, in a foggy environment, brands approached the Net, paying great attention and creating exclusive contents in order to find the right balance between “luxury exclusivity” and “populism”.

The digital luxury marketing has to consider four value:

- **Uniqueness**
  The product is unique. Hence, all the channels containing it must keep this feeling of uniqueness.

- **Impact**
  Emotional, visual and sensorial impact is the brand “first moment of true” and has to be looked after

- **Quality**
  The concept of quality, starting with the product, has to be moved also onto the context, onto the formats, onto the text, onto the technology and onto any other side of the digital communication.

- **Position**
  Coverage and crowding are values needed to select channels and formats.
Today every brand is required to find its own digital dimension, since the new generations, such as the Millennials, look for the brands online and brands have to address these expectations since these segments are also their future consumers. (Da Venezia, 2016)

4.5 Omnichannel

In the last few years, the Net has had the highest growth rate among all the distribution channels, changing also view of this channel. At the beginning, brands exploited both brick & mortar and online shop, leaving the management of the two channels independent one of the other. The main reason behind this so-called “multichannel approach” was the fact that, even thought the younger clients preferred the online shops, the older ones still kept buying at the brick & mortar one. Afterwards, the edges started fading and clients used both channels, not only alternatively, but also during the same purchase. Also, the so-said ROPO (Research Online, Purchase Offline), the custom of looking for information only before purchasing the item physically or of exploiting the store as a showroom, before purchasing online, spread among the customers. Given this, independent management of distribution channels does not really make sense. It would be wiser to mix them so that the purchase experience becomes smooth and seamless, according to an approach called “seamless omnichannel experience”. (Cappellari, 2018) This approach is also required by the clients: 3 over 4 want to reach the brand through different channels (in China even 9 over 10).

Thus, the purchasing moment has become digital, exactly when the consumer looks for reviews online. This new decision-making stage is called the “Zero Moment of Truth”, preceding the “Moment of Truth”, that is the instant at which the purchaser has the item physically in front of her. (Da Venezia, 2016).
CHAPTER 5

Gucci

5.1 Kering holding

Kering holding, together with LVHM and Richemont, is one of the biggest players in the luxury industry. It was founded in 1963, in France, by François Pinault, father of the current CEO, François-Henri Pinault, with the name of Pinault group. At the very beginning, the firm was specialized in the trade of timber and building materials. François-Henri, after having graduated in economics at the HEC university of Paris, started working within the company and, in 1990, three years later, he acquired the CFAO, enterprise specialized in electrical equipment. The following year, he spread his influence over the retail industry thanks to the acquisition of Conforama. In 1994, there were the merger with La Redoute, after which the group changed its name in Pinault-Printemps-Redoute (PPR), and later on, the acquisition of Fnac, French brand specialized in music, books and consumer electronics. In 1995, the first web site is launched, in advance with respect to the marketplace, and in 1999, Gucci is acquired and thanks to this, also Yves Saint Laurent, YSL Beauté and Sergio Rossi became part of the group. François-Henri Pinault takes complete control over the enterprise in 2005. His first step was the acquisition of Puma whose return was pretty good, and of Volcom, specialized in skater clothes and sunglasses. After the purchase of Bottega Veneta, Balenciaga, Alexander McQueen e Stella McCartney, the holding became international: if in 2008, 55% of the revenues were from the French market, today the 95% comes from the foreign market. Another important act was, in 2011, the foundation of “PPR Home”, whose aim is the coordination of environmental and social friendly initiatives such as python sustainable farms, used by some brands like Gucci, whose bags and shoes are made up by python skin. The brand name changed again to “Kering” in 2013: the word “ker” means home in the Breton language (Pinault is from Rennes, which is in the French Brittany) and the word Kering has the ring of “caring”. (Matzeu, 2015)

In 2018, the group reached an increase in revenues by 26,3% with respect to the previous year. Instead, it doubled the net profit at 3,7 million (+198,1%). This result is because of Gucci, which increased its income by 33,4% (+39,5% on a comparable basis). Moreover, he brand recorded an annual income growth of 36,9%, even though it has slowed down. This growth was documented in all regions, product categories and segments. Sales in shops increased by 38,3% and online by 70,1%.
During this year, Kering also sold Stella McCartney, Volcom and Christopher Kane (acquired in 2013). (D’Ascenzo, 2019)

5.2 Heritage and modernity

Guccio Gucci was born in Florence in 1881 and still young, moved to London with his whole family. Once there, he worked as lift operator at the Savoy Hotel where he got the chance both to meet the English nobility, attending the place, and to draw inspiration from their style and elegance for his leather products, in particular the luggages caught his interest.

In 1921, once back in Italy, he opened a hand-made leather goods shop and displayed his great capability of mixing the English-style teachings and the Tuscan craftsmanship, going on to revolutionise the industry with a wide range of high-quality goods.

Since many clients were horse-racing lovers, the maison got inspiration also from the equestrian world with its stirrups, bits, saddles and other harnesses. This led, in 1932, to the creation of the first loafer shoe with a gilded snaffle, along with an astonishing assortment of luggage ties, shoes and handbags, showed off by celebrities, and to the choice of its recognizable icons: the double ring with a stick and the green-red-green strip similar to the saddles bellyband.
The first logo, chosen in 1929, was the designer’s initial, which was left in 1934 and changed in an errand boy with a luggage and a travel bag, as a keepsake of the English experience.

In 1953, the maison opened the first store oversea, starting point of the American expansion and of the international success, and was struck by the founder’s death. Guccio Gucci’s heirs were his four children: Aldo, Vasco, Ugo and Rodolfo.

The logo was changed once again in 1955 with a knight in an armour holding, as well, both a luggage and a travel bag, inside a coat of arms, representing both the heritage of Florence Renaissance saddlers and the modernity of the brand. Inside the shield, along the knight, it is possible to find both a rose and a helm, symbols of the family’s refinement and entrepreneurial spirit. Then, the sans serif font “Gucci” was added in 1958, with the characteristic big spaces between the letters.
In 1960, Aldo Gucci drew the “double G” symbol, clear reference to the founder’s initials. Since then, it has been proposed in different shapes, also becoming the official trademark only in 1992. From 1998, it has been followed by a serif font “Gucci”, through which the firm presents itself to the world as distinctive expression of the “Made in Italy”.

During the ’70, the brand reached the total expansion: pret-à-porter collections on which the double G is printed, the Eastern expansion with shops in Tokyo and Beijing, more refined craftsmanship and more luxurious materials due to Aldo Gucci’s idea, according to which the price, even if high, is easily forgotten in case of a long-lasting high quality.

Gucci became a corporation in 1982, controlled by Maurizio, Rodolfo’s son, that owned the 50% of the shares, and was acquired, in 1987, by Investocorp, that in the ‘90s took the whole control. After some shocks, in 1994, the firm was able to conquer again the world, thanks to Tom Ford’s appointment as creative director and the new brand image he chose, developed around the concepts of vanity and luxury.

In 1998, the CEO, Domenico De Sole, made the firm go public, whereas, the following year, the control was taken by PPR (now Kering). Despite the international view of the firm, Gucci has never lost its Italian roots of which it is a proud representative in
front of the world that appreciates the mix between its ability of renewal and loyalty to its heritage. This concept is clear in Alessandro Michele, the last appointed art director’s work: a mix between heritage and modernity. The inspiration from the past does not stop the creative director from telling new stories. (Mead, 2016) In fact, he immediately changed the brand’s style, appealing in particular the Millennials, though the renewal of the look, image, products and collections. Moreover, he bet on the e-commerce which increased sales by 81%, without decreasing the ones in the stores which raised by 51%. (Benewitz, 2017)

5.3 Social media marketing

Even though brands such as Gucci have always been surrounded by this exclusivity mark, they were forced to adjust themselves to the technological revolution that brought the democratisation of the industry. In 2015, Gucci’s sales were disappointing and the main reason behind was the flop of the Net and the social medias, resulting in a perceived image of bad taste and, thus, considered irrelevant. (Ong, 2017) After 2015 and Alessandro Michele’s appointment as creative director, the brand moved towards an extreme and romantic design through curious, subversive and iconic geek chic collections. Since then, Gucci changed rapidly and increased its profit by 30% in 2016, being awarded as first luxury brand in 2017 (Doupnik, 2017).

<table>
<thead>
<tr>
<th>Rank</th>
<th>Brand</th>
<th>Earned Media Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Gucci</td>
<td>$61,798,514</td>
</tr>
<tr>
<td>2.</td>
<td>Chanel</td>
<td>$46,082,425</td>
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<tr>
<td>3.</td>
<td>Dior</td>
<td>$42,288,157</td>
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<tr>
<td>4.</td>
<td>Saint Laurent</td>
<td>$33,483,712</td>
</tr>
<tr>
<td>5.</td>
<td>Dolce &amp; Gabbana</td>
<td>$28,277,158</td>
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<tr>
<td>6.</td>
<td>Marc Jacobs</td>
<td>$27,277,580</td>
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<tr>
<td>7.</td>
<td>Versace</td>
<td>$24,057,986</td>
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<tr>
<td>8.</td>
<td>Louis Vuitton</td>
<td>$23,863,135</td>
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<tr>
<td>9.</td>
<td>Givenchy</td>
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<tr>
<td>10.</td>
<td>Valentino</td>
<td>$18,553,666</td>
</tr>
</tbody>
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Fig. 5.6: February 2017 Top 10 Luxury Brands. Fonte: wwd.com

Robert Triefus (2018), Executive President, illustrates how Gucci engages its costumers on social media. The two principles guiding the brand’s social strategy are authenticity and inclusivity, which are also the core of Alessandro Michele’s philosophy and collections. Shortly, it means viewing the social platforms as “open doors to the world”. Thus, every campaign, every fashion show and every content
follow this vision. Alessandro Michele strongly believes that fashion is the expression of individuals’ oneself and this drives the social media strategy. According to Michele, the willingness of express themselves is the key point of a social change that the fashion system is bound to capture. The need of loyalty and exclusive experiences are making the fashion designer a medium between the brand and the “heavy spending clients” community. (Monteleone, 2017)

The digital communication is the key of this always faster and stronger relationship. Michele noticed this and Gucci was able to develop and integrate the e-commerce, the social media, the digital marketing and the mobile applications in an extraordinary way. Thus, now the bond between the Maison and the consumers is total and the result shows the big impact a strategy like this may have in the future of the brand. (Ochoa, 2017)

The Maison exploits the visual nature of the new platforms, through the creation and upload of new contents on a regular basis. Those are, for instances, the catwalk “backstage” or the live streams on Facebook regarding the fashion shows. (Ong, 2017)

Other examples of this strategy are the following hashtags (Cambridge English Dictionary (2019): “the symbol # on a phone or computer keyboard used on social media for describing the general subject of a Tweet or other post):

- #GucciGram through which Alessandro Michele challenged the artists on the social networks to reuse three Gucci’s iconic patterns
- #24HourAce through which some artists had the brand’s Snapchat account handed over for 24 hours in order to shoot a colourful and creative mini-video about the Ace sneakers

The brand’s greatest engagement is derived from its original contents, in particular on Instagram thanks to the consistent and authentic storytelling. Another important point in Gucci’s success today the is the coherence and the convergence of themes across different platforms, that is achieved thanks to only one creative director that delivers a unique vision. (Triefus, 2018)

Thus, it is clear why Gucci, despite being strongly linked to its heritage, is able to keep the user absorbed inside the brand reality, softening the border between offline and online. (D’Antonio, 2015).

### 5.4 Gucci and the Millennials

Gucci caught up the critical factors of success, shaping an industry where the consumer is more knowledgeable, and it is difficult to make it loyal given the many options available on the marketplace, in particular regarding the “unpredictable millennial generation”, known for its “fast moving preferences”. (Monteleone, 2017)
While other luxury brands failed in catching the Millennials’ attention, Gucci has transformed itself in a brand for the new generation of consumer, whose account for nearly the 50% of its sales. (Primo, 2018) Alessandro Michele knows best what this cohort wants, including brilliant, eclectic, endearing and well-performing-on-Instagram styles. The brand benefits from the 90’ revival which requires the usage of logos. Another reason of popularity among the teens is that they often look at the celebrities such as Lil Pump and Harry Styles wearing brands, and this leads to the desire of emulating them. To this regard, Jayneoni Moore, stylist of VIPs, declared: <<When teenagers see the superstars with haute couture clothes, probably they think: “I need to save enough to buy a Gucci’s belt, although I will wear it on my Target jeans”>>. (Tyler, 2018)

![Gucci’s bag and logo](image)

**Fig. 5.7:** Gucci’s bag and logo. Fonte: Tyler, 2018

The child psychologist, Allen Kanner, thinks that when the fans see celebrities coming from a humble background, wearing Gucci, they feel like the brand is going to help them in getting through their individual circumstances and in making them reach the success. Having a certain product becomes delusion of becoming part of the stardom world. (Tyler, 2018)
After the crisis had showed its effect, the purchasing power has reduced, and the consumption pattern has changed. This led to the rise of a new consumer, the *ground consumer*, who does not realize anymore the “American dream” through consumption.

In any case, once the recession was over, luxury purchase has become more conspicuous despite the fact that people were still willing to spend on those items, given their quality and craftsmanship.

The most affected by the crisis were the *Millennials*. They emerge as the most indebted cohort so far and the least economically stable. Another clear characteristic is their relationship with the technology and social media usage that makes them also the most informed consumers so far. They may be considered the real *prosumers*, since they are resistant to traditional marketing methods and need to be taken care through the interaction on social medias and, more in general, through the web. An omnichannel approach also may be helpful for reaching this segment.

However, being readily available for everyone may bring the luxury brands to lose their exclusivity status, making them more accessible. The solution to this trade-off adopted by the firms consist in creating exclusive content, being able to balance the *luxury exclusivity* and the *populism*. This step is important in order to reach the Millennials since those look for the brands online.

This approach was adopted successfully by Gucci, whose principles are authenticity and inclusivity. The brand is able to create great engagement on the social media, delivering a unique vision across all the platforms. Another key point in the brand success is the creation on well-performing-on-Instagram styles that greatly captures the attention of this always-online cohort.
The following questions were asked to Marco Bizzarri, CEO of Gucci.

1. **What has made you believe in Alessandro Di Michele?**

   He was chosen because I saw an exploding talent in him, which overreached my expectations, but he was also chosen because he was someone a normal person with good values.

2. **Are millennials your principal customer segment?**

   They are an increasingly important customer segment since 50% of profits are generated by them, who were completely unknown till a couple of years ago.

3. **Was it difficult to capture their loyalty given their tag as “the unpredictable generation”?**

   Alessandro and I never discussed a particular age group or consumer segment. We only put some values into play through a direct storytelling towards the audience, and then saw the brand lift up.

4. **What, in your opinion, does attract the young customers towards your brand?**

   It is the way Gucci tries to converse with young people through the social media, encouraging them to foster their personal style.

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