Reimagining the Luxury Department Store: Investigating the Millennial Luxury Consumer and
the Luxury Department Store from a Systems Perspective

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Retailing has demonstrated significant change over the past 50 years, most notably observed in a power shift from manufacturers, to retailers, and more recently consumers (McCormick, Cartwright, Perry, Barnes, Lynch, & Ball, 2014). These changes have been largely in response to emerging consumer and technology trends, and have created disruptions throughout the fashion retailing industry. These disruptions include digitization across the value chain, acceleration of industry pace, brands experimenting with direct-to-consumer offerings, brick and mortar traffic decline, and proliferation of business and consumer data (Amed & Berg, 2017). While these disruptions have stimulated a comprehensive change in retailing processes as a whole, there has also been a simultaneous observed shift in consumer behavior. The most dramatic change in consumer shopping behavior lies within the Millennials (born 1980-2000), recognized as the largest and most influential generational cohort to date (Garton & Fromm, 2013). Millennial consumers are motivated by social shopping, personal gratification, and unique products, and expect experiences, personalization, and integrated technology from the retailers they patronize (Garton & Fromm, 2013). Currently, there are 80 million Millennials in the US. The Millennial cohort spends an estimated $600 billion each year on retail purchases. This amount is projected to grow to $1.4 trillion by 2020, reflecting 30 percent of total retail sales. Thus, Millennials will have major purchasing power and impact on the economy, making them a highly important customer segment for retailers (Donnelly & Scaff, 2013).

While emerging consumer and technology trends have been positive for online retailers (e.g. the Amazon effect), discounters, and fast-fashion retailers, other retail formats have been significantly challenged. Department stores, for example, have struggled to maintain relevancy in a changing environment, leading to store closures and downsizing (Townsend, Surane, Orr, & Cannon, 2017). Past practices encouraged retailers to hold large store portfolios, and growth was achieved through the expansion of selling space. While major department stores have experienced downturns and condensation, luxury department stores have also had their share of woes. Luxury department stores, such as Neiman Marcus and Saks Fifth Avenue, have experienced revenue declines in their full-line brick and mortar stores. Marzilli and Harris (2017) suggest potential contributors to this decline include limited customer and transaction growth, growing competition, and growth of omni-channel strategies. The authors also suggest that a new model for the luxury department store is needed, but no research has yet proposed a prototype.

Consumers have generally demonstrated an increasing desire for luxury products and services (Fourrier, 2017). Specifically, demand for luxury products in the US is up 16 points since 2015. Further, Millennial consumers also have an increased desire for luxury items and are buying these items at a much younger age. This cohort is brand conscience and willing to invest in luxury products (Grotts & Johnson, 2012). Academic researchers conclude that Millennial

consumers possess high levels of materialism, are self-monitoring (Loroz & Helgeson, 2013), focused on status consumption (Eastman & Lui, 2012), and demonstrate public self-consciousness (Fernandez, 2009). These conclusions about Millennials reflect findings associated with luxury consumers overall. According to Hennigs, Wiedmann, Klarmann, & Behrens (2012), luxury consumers are motivated by financial, functional, personal, and social dimensions. Motives for consumers to buy luxury include the need for uniqueness, need for conformity, and need for communicating one's own identity (Hennigs, Wiedmann, Klarmann, & Behrens 2012). However, Millennial consumers tend to have a negative attitude towards luxury department stores (Marzilli & Harris, 2017), despite their expressed preferences for luxury goods sold by these retailers. Therefore, identifying new sources of competitive advantage is critical for the luxury department store's sustainability. Creating differentiation and attainment of target consumer groups like Millennials are key strategic suggestions for luxury department store retailers (Lewis & Hawksley, 1990). Currently, no literature addresses Millennial luxury consumers, their connection with the disruptions in the retailing industry, and particularly with the luxury department store. Therefore, the authors propose a model to investigate the Millennial luxury consumer and the luxury department store from a systems theory perspective.
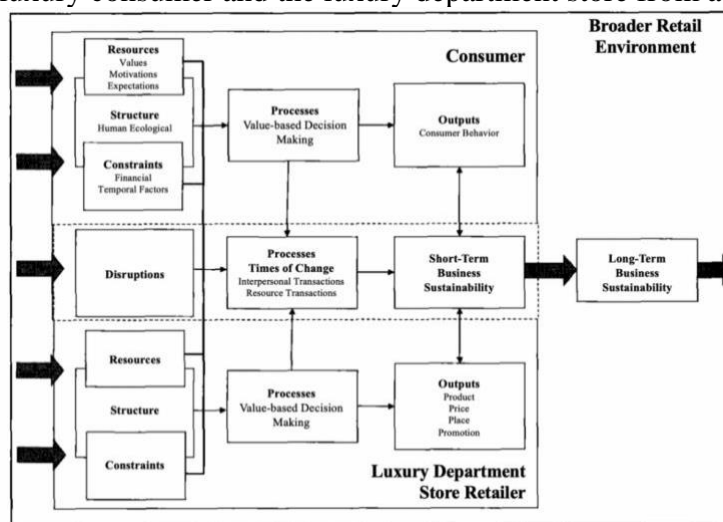

Figure 1. Conceptual model.

According to von Bertalanffy (1968), general systems theory addresses transdisciplinary organizations and views systems and sub-systems as a set of interrelated and interdependent parts. Further, the theory explains that everything within a system, and its small sub-systems, should work together for successful system outputs. The authors utilize a modified version of general systems theory to focus on the interactions and interdependence of Millennial luxury consumers and the luxury department store retailer. By viewing both of these entities as systems, general systems theory will allow for identification of information valuable to the long-term sustainability of the luxury department store retailer (Figure 1). Particularly, the model will emphasis the inputs, processes, and outputs of each system, and how these elements interact to attain long-term business sustainability. Bubolz, Eicher, Evers, and Sontag (1980) drew from systems theory to present a human ecological framework. The human ecosystem involves the individual (i.e., Millennial consumers), human behavioral environment (i.e., shopping experience), human constructed environment (i.e., luxury retail stores), and the natural environment (i.e., broader industry and market environment). In this study, we similarly employ systems theory to provide a means for conceptualization of the Millennial luxury consumer and

their interactions with the luxury department store in the context of the changing retail environment.

The next step will be to test the proposed model. First, a thorough review of luxury department store case studies and qualitative interviews will determine the variables within the model. Second, the model will be tested quantitatively with a survey of consumers and industry executives. The conceptual model has both industry and academic implications. This model will be used to understand the dynamic Millennial consumer, the fashion retailing industry, and specifically the luxury department store, from a holistic systems perspective. Findings from this study will provide valuable information on Millennial consumers whose spending power is set to rise. This information is also valuable to the luxury department store retailer as it will provide support for strategic adaptations to ensure consumer attainment and business sustainability.

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