



Forget Millennials, Cash in on Gen Z With Retail Stocks Lululemon Athletica (NASDAQ:LULU) and Aritzia Inc. (TSX:ATZ)

Description

Move over millennials; there are some new kids on the block. And they're ready to take over as the most coveted demographic for retailers and marketers.

Millennials, born between 1980 and 1994, have reigned as the "it" generation for over a decade. But as the oldest millennials turn 40 next year, their appeal to retailers is beginning to fade. Ready to take the crown is Gen Z, those born between 1995 and 2012.

How can investors cash in on Gen Z? By investing in companies that cater to this up-and-coming generation, like high-end retailers **Lululemon Athletica** ([NASDAQ:LULU](#)) and **Aritzia Inc.** ([TSX:ATZ](#)).

Lululemon stock surges on recent earnings

Lululemon stock soared 15% to a record high last week as investors cheered a phenomenal quarter. Long gone are the days of the see-through yoga pants debacle. The company's quarterly sales increased 26% and its profit rose 85% YOY.

Aiming to cash in on the buying habits of Gen Z, the company created a loyalty program that rolled out in Edmonton, Canada last year. The service offers subscribers free shipping, exclusive merchandise and access to curated events inside its stores. According to CEO Calvin McDonald, the pilot program exceeded expectations and Lululemon plans to roll out the program to other markets this year.

McDonald knows a thing or two about successful loyalty programs after his tenure at **Sephora**. The skin care and makeup chain's Beauty Insider program is hugely popular among the store's loyal shoppers, many of whom are Gen Z.

Lululemon is also hoping to cash in on Gen Z male shoppers by expanding its offering in menswear. The company touts [a strong design pipeline](#) and aims to become a major player in men's fashion.

Aritzia uses social media influencers

In November, [I wrote an article about Aritzia](#), the high-end clothing retailer beloved by teen girls. The company's stock is trading near the same value as when the article was published, despite its pullback, along with the broader market, in December.

Aritzia boasts 16 exclusive in-house brands. Each brand is treated as an independent label with its own unique aesthetic. As Aritzia designs and manufactures its own brands, the company can quickly stay on trend with the latest fashions and rapidly deplete inventory as styles change.

The company appeals to Gen Z through its broad reach by social media influencers. This year, the company plans to expand its footprint in the U.S. and continue to enhance its relatively new eCommerce business.

Brand loyalty

Successful companies realize that buying habits are formed early in life. Like the millennials, Gen Z is expected to develop brand loyalty at a young age. In this regard, Lululemon and Aritzia are ahead of the curve.

Both companies are targeting Gen Z by offering products and experiences created exclusively for this generation, which is great timing. This year, the oldest members of Gen Z will graduate and head into the workforce, with their wallets in tow.

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