

RETAIL

## Combat discount-driven retail with exclusivity, perks

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Luxury brands' online storefronts compete with promotional pricing on multi-brand retailers. Image credit: Farfetch

By SARAH JONES

NEW YORK – In the competitive online retail environment where price tends to be the determining factor of where a consumer shops, luxury brands are faced with a discount dilemma as they look to drive sales without damaging their positioning.

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According to a keynote presentation from a Perrin Paris executive at Luxury FirstLook 2019 on Jan. 16, while brands that operate primarily in bricks-and-mortar have significant control over their pricing, labels that sell online face fierce competition from wholesalers for consumers' business. As the sales seasons grow longer, luxury brands need to find creative ways to engage shoppers and spur full-price conversions.

"In general, a luxury brand in a digital space has two major frenemies," said Olga Pancenko, chief operating officer at [Perrin Paris](#).

"On one side you have digital native companies that pretty much set the tone for everything that is happening in the digital world today," she said. "And on the other side you have the multi-brand e-tailers that are pretty much in charge of the pace of the calendar of a full price versus discount price selling season, which is very complicated."

*Luxury Daily produced Luxury FirstLook 2019: Digital Acceleration*

### Discount debate

The very multi-brand retailers that luxury brands sell to have become their competition in ecommerce.

Typically, these retailers will seek out new customers with discount offers. Per Ms. Pancenko, luxury brands have the option to battle these retailers with their own reductions for first-time purchases.

However, this customer acquisition method is often not one that leads to a client that will buy at full-price.

As an alternative, brands can seek to offer more to the shopper with perks. For instance, they can offer a complimentary coffee table book about the brand history or free overnight delivery.

Rather than using discount ads on social media platforms, Perrin Paris has also done client acquisition marketing

through partnerships. A recent alliance gifted *Robb Report* subscribers with a merchandise credit to the brand, framing what was in essence a discount as a gift instead.



*Perrin Paris has found ways to drive full-price sales. Image credit: Perrin Paris*

Luxury brands also need to be mindful that their online shopping experience is at least as good as that of the multi-brand e-tailers that are selling their products. This includes a seamless ecommerce site as well as services such as fast delivery and easy returns.

Getting a shopper in the digital door means one more customer that a brand can then market to. But using data wisely is what can truly make the difference in driving full-ticket sales.

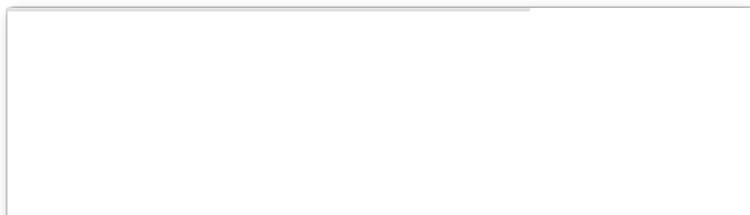
Ms. Pancenko shared examples of how Perrin Paris has engaged with those in its database successfully. This often goes beyond sending a blast to an entire email list.

For instance, the brand sent a survey to shoppers asking for their input on a customization feature it was developing. Those who responded were given a gift certificate, and Perrin Paris saw these shoppers convert immediately.

This also helped to strengthen the relationship between Perrin Paris and these individuals, allowing them to be a part of the process.

Another tactic is to message consumers with abandoned carts, reminding them to return to finish an order they were already contemplating.

Brands can also promote sales through a brand Web site rather than through wholesale channels by offering exclusives. These not only encourage shoppers to buy directly, but the newness helps to capture consumer attention on social media.



[View this post on Instagram](#)

ALL TIED UP #fridaymood #limitededition #perrinparis18  
#corset @misterpearlofficial

A post shared by PERRIN PARIS (@perrinparis) on Nov 2, 2018...

### *Instagram post from Perrin Paris*

According to Ms. Pancenko, brands that have wholesale distribution need to participate in the end of season sales. However, how these sales are structured can make a difference.

Perrin Paris has developed a schedule that drives both promotional and full-price sales at the same time.

The brand first opens its sales up exclusively to those who have already made a full-price purchase with the brand, framing it as a VIP offer. This means that new clientele who are just discovering the brand are paying full price.

As the next season merchandise comes in about a month later, the existing clientele then begins to buy this merchandise. Meanwhile, the previous season collection is now discounted to all consumers, allowing newer shoppers to buy at a discount.

### Deal seekers

Despite some deep pockets, global luxury shoppers are evenly split in their purchasing habits, with a YouGov report finding that half only buy luxury items at a discount.

While the discount-oriented luxury shoppers tend to be a bit older, they are demographically very similar to those who will buy luxury at full price. However, many in the discount-oriented group may still be adjusting to their financial situations, since 45 percent have acquired their wealth within the last five years ([see story](#)).

Discounting is on the rise in the luxury sector, as retailers strive to make up for slowed spending by cutting prices. The annual post-holiday sales are currently on, promising price cuts of up to 80 percent ([see story](#)).

"It's tough out there and we're fighting for every single customer today," Ms. Pancenko said.

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