

MARKETING

Pricing presents challenge, opportunity for luxury brands in 2019

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Consumers are more apt to seek out promotional pricing or discounts. Image credit: Wolford

By SARAH JONES

NEW YORK One of the luxury business' main challenges in 2019 revolves around pricing, as consumers attempt to negotiate or bargain their way to a better deal.

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According to a panel hosted by the Luxury Marketing Council on March 6, brands are working to take back some of the control over pricing, seeking to change consumer behavior and drive non-promotional sales. Education will be key to justifying price points, while added value services and personalization will help to drive loyalty and relationships.

"The idea of price negotiation is definitely something that the whole industry is hearing more of," said Chris Olshan, CEO of **Luxury Marketing Council**, who moderated the panel. "And I think that really goes back to the recession, and when the dirty secret of luxury came out that there is a nice markup.

"Saks did their major discounting, and all of a sudden, everybody assumed that every product we want, we can just wait a few months and get it off-cost," he said. "So I think that's been a really big challenge for luxury marketers."

Perks and personalization

Anna Macsai, general manager of **Wings Air Helicopters**, said that she is tired of being asked why her service is so expensive, even though this frequent question provides an opportunity to educate consumers on what differentiates their charters. As private aviation has become more accessible due to shared flights, consumer expectations on pricing have also evolved, and they are prone to negotiating.

Fashion is one category that has become very discount-driven, but **Wolford** is looking to combat this with the addition of MAP pricing for one of its key bodysuit styles. Brian Lange, CEO for the Americas of the bodywear brand, said that the choice was driven by wanting to show confidence in the product and prevent it from becoming a commodity.

Today, the company only does promotional selling on the garment a couple of times a year with select retail partners.

Jon Stamell, CEO and founder of [Oomiji](#), noted that direct-to-consumer can also help brands boost their margins. Luxury brands can additionally take a page out of Starbucks' playbook and create programs that are pay for privilege, or that enable retailers to hold onto preloaded money, much like the coffee chain's loyalty program.

While retail is battling a promotional environment, real estate is also seeing pricing challenges of its own. According to Sandy Edry, global property specialist at [Keller Williams/The Edry Team](#), the market softened in 2018, but real estate appears to be on an uptick again.

Rather than discounting, luxury companies can instead focus on adding extras to drive business and loyalty.

For instance, Dinyar Wadia, principal at residential architecture firm [Wadia Associates](#), leverages his side passion for landscaping to create complimentary outdoor designs for clients.



Wadia Associates landscaping project in Connecticut. Image credit: Wadia Associates

In 2019, luxury brands are also facing competition from sources outside the business.

Phillip Delvecchio, chief operating officer at [LookStyler](#), noted that luxury brands are not impervious to the Amazon effect. The retailer appears to be going in a brand-agnostic direction, as its smart speakers serve up Amazon-branded products to consumers.

Amid this landscape, it is all the more important for luxury companies to lead with experience.

"People tend to perceive luxury as being a high price point or something fancy, but we see luxury as a state of being," Mr. Delvecchio said. "And it's something that you can have based on that experience.

"It's something that you can't easy to replicate, and it's something that is personal to you," he said. "And so you can experience luxury in many things, whether you're spending thousands of dollars or millions of dollars."

Mr. Edry explained Keller Williams' approach, which includes a concierge membership for prior clients. This enables the brokerage to have an ongoing relationship in the years between consumers' home buying moments.

Along with in-person experiences, luxury brands need to be creating digital presences that are customized and commercial.

Ms. Macsai said that Instagram has actually led to purchases for Wings Air. The helicopter service also has a presence on OTAs, responding to the growing prevalence of online travel booking.

[View this post on Instagram](#)

Beauty shot of our Twin Star somewhere in Massachusetts #helicopter #sunset #airbushelicopters #as355
#luxurytravel #travelinspiration

A post shared by Wings Air Helicopters (@wingsairheli) on Nov 24, 2018 at 8:41am PST

Instagram post from Wings Air

For global travelers, mobile is increasingly the digital tool of choice for planning and browsing purposes. Fifty-two percent of travel related browsing is on mobile, and that number is only slated to increase, according to data from AppLift ([see story](#)).

Wolford's Mr. Lange sees online as the biggest growth area. In addition to a consumer-facing focus, the brand has a business-to-business platform that enables wholesale partners to buy items online.

Seeking sustainability

In addition to pricing and service, consumers are also becoming more demanding about values, particularly when it comes to sustainability.

For home design, this is manifesting in a greater use of solar panels, according to Mr. Wadia.

Mr. Stamell quoted a study on high-end wine buyers who spend at least \$100 on a bottle. For this customer base, sustainability was the top interest.

Meanwhile, Wolford is being more vocal about its longstanding push towards non-toxic dyes.

The brand has a consumer base that spans generations, which have different attitudes towards sustainability. According to Mr. Lange, millennials weigh sustainability when they are making purchase decisions, while boomers tend to think of it more as an added bonus.

Mr. Olshan noted that given identical products, millennials are more apt to go with the sustainable choice.

Consumers' shared desire to incorporate healthfulness and eco-friendliness into their lives is evidenced in the topics they talk about on social media, with subjects such as clean beauty and freeganism rising in popularity this past year.

According to data from the 2019 Topics & Trends Report from Facebook, conversations surrounding sustainable fashion have grown more than three times over in 2018, while detoxification as a term has risen 7.6 times. As marketers prepare to launch campaigns in 2019, Facebook sees these trends as indicators of what will soon reach

popularity ([see story](#)).

"One of the things we're seeing is that consumers luxury or non-luxury are expecting sustainability from every product and service that they are buying," Mr. Stamwell said.

"And sustainability has become a part of and an expectation of a luxury product," he said. "So if you have a business and you haven't integrated some form of sustainability into your business, someone else is doing it and they're going to be outcompeting you."

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