

MARKETING

## The luxury trap: Why it is a mistake to define luxury by price

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*Almost all high-priced products get called "luxury" these days, but prices don't define which brands get considered luxury brands only extreme value can do that. Image credit: Shutterstock*

By [Daniel Langer](#)

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[Alexandre Arnault](#), CEO of German luggage brand [Rimowa](#) and the son of [LVMH](#) founder [Bernard Arnault](#), stated in a series of recent interviews that he prefers not to use the term "luxury" as it is too connected to price. I believe this is true, and the word is often used far too loosely.

Today, companies slap a high price tag on almost any type of product as a way to label it "luxury." Yet this strategy almost always fails.

At a recent conference on luxury beauty, one speaker showcased a luxury brand she launched about two years ago.

When I asked what made the brand "luxury," she replied that the packaging looks luxurious, the ingredients are amazing, and the formula performed extremely well. And, she added, the price is high.

In short: Packaging, function and price were the attributes that made a brand luxurious to her.

This is what I call the luxury trap. It is a fatal mistake many brands make.

Defining a luxury label by its functional aspects and high prices cannot replace the value a brand creates.

Thus, when people ask me about the best way to create a luxury brand, I talk to them about extreme value creation.

Luxury brands have to create an extreme amount of value for their consumers.

Design, packaging and function are undoubtedly important features. However, they are not what drive **added luxury value (ALV)**, and ALV is the precondition that is needed before someone will even consider buying a luxury brand.

Brands must define extreme value creation first. Only then can they determine their prices. When **pricing** comes first, and the value proposition is unclear, brands will fail in the long run.

Even in sophisticated product categories such as high-end mechanical watches or **hypercars**, high-tech products are not extreme value drivers.

A great brand story, followed by a consistently excellent execution of that story across all customer touch points, drives value.

I often see brands try to mask a weak brand story by throwing money at celebrities or influencers in their advertising. But amplifying a weak story with multiple communication outlets does not make it stronger, it only makes things worse. Budgets are wasted, poor consumer connections are created, and the brand fails anyway.

Instead, brands need to develop a much more critical view of themselves. They should start by asking questions: Who are we? Why are we doing what we're doing? What do we do differently than any other brand? Why/how are we creating value for consumers? What is our value creation model? It is surprising how few brands can answer these questions.

Once those gaps are identified, brands can truthfully develop their brand story. It must be insight-driven, relevant, authentic and differentiating. And these cannot be faked.

"Authentic" means being completely real. Ninety-five percent authentic is not enough.

Consumers, especially **Gen Zers**, identify weaknesses immediately and will walk away from inauthentic brands.

In a time of so much digital noise, **brand storytelling** is much more important than ever before.

The next step is to validate the story across the entire customer journey. This includes product attributes including quality and craftsmanship, but those are not enough.

All online and offline touch points need to be mapped and optimized. If luxury does not create memories, it is not creating value.

In other words: If a brand does not manage the brand story and the customer journey, it cannot create consumer value, never mind extreme value.

Only when these steps are taken can a brand start thinking about pricing. The price needs to be the result of the ALV a brand generates, measured through luxury pricing tools.

Now you can understand why a "beautiful package and high price" is not luxury per se.

To succeed, managers must change their perspectives and think more about value than price. That means taking a different, more holistic approach by putting consumer value creation at the center of all their activities.

A decade ago, brands could get away with not being precise in execution as the world was less digital and the competition was not as sophisticated. But in today's world, brands need to understand why luxury is more than just expensive.

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