

APPAREL AND ACCESSORIES

Is Virgil Abloh's Nike x Louis Vuitton sneaker worth \$352,800?

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The auctioning of Nike x Louis Vuitton sneaker for over \$350,000 surprised us all. But such Added Luxury Value is vital. How can labels better estimate it? Image credit: Sotheby's

By [Daniel Langer](#)

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When Sotheby's auction of the late Virgil Abloh's Nike x Louis Vuitton sneaker yielded a sale of **more than \$350,000** (2.2 million RMB), all parties were surprised.

The price points that the auction achieved overall for the shoes that Abloh designed for the spring/summer 2022 collection exceeded expectations by far, not just for the most expensive of the 200 pairs, but for all of them. No one expected the outcome.

The majority of the 200 auction lots surpassed \$100,000 (637,000 RMB) each. Many of them were sold above \$150,000 (955,000 RMB), and none below \$80,000 (510,000 RMB).

The total auction volume was mind-blowing. And let us remind ourselves, we are not talking about the purchase of sports cars, racehorses or a small beach cottage. We are speaking about sneakers.

The shoes were based on Nike's Air Force 1, which Sotheby's auction description depicts as follows: "A cultural symbol in its own right, today the Nike Air Force 1 serves as an objet d'art emblematic of self-generated subcultural provenance."

It was the first basketball shoe with Nike's proprietary Air technology and retails on Nike.com for around \$120 (760 RMB). It is a functional product, worn by millions all over the world for four decades.

How can a shoe like that generate a value of up to \$352,800 (2.2 million RMB) simply by a modification in terms of design and material? Even the use of Louis Vuitton leathers and its exceptional craftsmanship cannot explain the cost: practically any Louis Vuitton bag would have much more material, similar artistry and be sold at significantly lower absolute price points.

Hence, we may be able to explain \$800 (5,000 RMB), or maybe even \$2,800 (18,000 RMB) through the Louis Vuitton modification, but not the remaining \$350,000 (2.2 million RMB).

And this is fascinating. Because it is a clear example that the value of a luxury item is, in general, largely detached from the product itself. I call this the **added luxury value (ALV)**, which is one of the most powerful, yet counterintuitive and, thus, elusive concepts in luxury.

Added luxury value tends to be dramatically higher than any other value component of a luxury product or service, and largely independent of the nature of the product.

Hermès Birkin bags are sometimes able to get into similar value dimensions that otherwise would be more typical for a Ferrari or a Rolls-Royce. And since ALV is not driven by the product itself but more intangible factors, most luxury brands price wrongly and are in many cases not generating the profit they could, often leading to strategic disadvantage.

Even in luxury, a typical pricing approach is a cost-plus pricing model, often calibrated by benchmarking with competitors and target margins. This approach is often completely wrong and leads to significantly underestimating the pricing potential.

If Louis Vuitton had sold the sneakers using this strategy, the price range would have probably been somewhere between \$3,000 and \$15,000 per pair.

Given that we are speaking about a sneaker, this might still have sounded extreme to many observers. What companies often fail to imagine is that sometimes, as the auction shows, the value of an initiative may be dramatically higher: sometimes 10x, sometimes 100x and, in rare cases, 1,000x or even 10,000x of the value that the base product in a category achieves.

How can labels better estimate their ALV? It starts with understanding and accepting that ALV is largely agnostic to the product itself. Rather, it is driven by the story of an initiative and how inspiring, desire-creating, and unique that story is.

In the case of the sneakers, it is an extremely compelling combination: a legendary sneaker is reimagined by the most influential designer of its time who was instrumental in fusing streetwear with luxury and reborn as a Louis Vuitton product. The tragic passing of Abloh made it a never-to-be-repeated initiative: his first and last collaboration of this kind.

This makes this a once-in-a-lifetime story that will never happen again in the same way.

While the power of the story drives ALV, it is in its nature the anticipation of a change in perception by others and oneself.

When we buy into a luxury story, we anticipate that the object or service we invest in changes us. We expect to become more attractive, gain expertise, be more admired, signal a more interesting life, and feel protected in social interactions, among other "hidden" luxury drivers, as my research has uncovered.

In short, a luxury make gives us the anticipation of a significant personal change for the better. This is what drives the value disproportionately. In short, people do not pay for the product. They pay for the combined effects they anticipate it will have.

And the trigger for the signal that changes our perception is the story, not the product itself. If no one had known Abloh, if his passing had not been so sudden and unexpected, and if the collaboration had not been that exclusive and unique, there would have been no story.

Without this, the value of the shoes would probably be similar to other Louis Vuitton sneakers between \$1,000 (6,350 RMB) and \$2,000 (12,700 RMB). The story catapulted it to up to \$350,000 (2.2 million RMB).

The timing also could not have been better.

Gen Z is completely disrupting the luxury industry, bringing new clients into the market. For them, sneakers are what suits, cars and watches were to previous generations. And now the ALV potential of a category can be estimated with the luxury index, a quantitative pricing tool I developed a decade ago that has been used successfully to recalibrate strategic pricing of luxury across categories.

It is time for businesses to reflect: are you generating enough ALV? Is your storytelling authentic and powerful enough? Are you even close to realizing the potential of your pricing approach? And do you have the right strategy to attract the next generation of clients?

These are some of the most pressing questions. Each dollar from additional pricing potential is pure profit. It can dramatically change the future of any brand.

This is an op-ed article that reflects the views of the author and does not necessarily represent the views of Jing Daily.

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