

COLUMNS

Luxury brands and the secondary market: Why marketing is everything

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By **Lorre White**

Certain luxury items such as designer fashion, cosmetics, perfumes and skincare, although in the luxury sector, have predominantly aspirational consumers because of the lower price-point.

Consumers can save up to buy a purse, a suit, sunglasses or shoes, but they cannot save up to buy a \$60 million dollar jet, yacht. Lower-price-point luxury brands rely on the aspirational consumer for 80 percent of their sales.

In these lower-priced luxury categories, quality luxury marketing makes all the difference, much more so than the quality of the product. This, it seems, is magnified and seen with great clarity in the secondary market.

Like everyone else, I have to purge the closets regularly and, unlike most years, I decided to try using consignment shops.

Usually I am of the mindset that time is money, and I wind up just bundling up my unwanted items and donating them.

As getting my donated items to the charities often become problematic, leaving boxes of stuff waiting in closets for months, accompanied by the fact that I often have never worn designer products, I have been repeatedly encouraged to try using a consignment shop.

These shops will often pickup from you on a timelier basis if you have designer brands. So this year I did.

It was a fascinating lesson in luxury marketing.

Heeling process

A consignment shop will sell your items for a piece of the sale. All differ slightly, but the one I used had the following percentage of sales: Items under \$500 they took 50 percent, items less than \$1,000 but more than \$500 they took 40 percent of the sale, and designer items they priced above \$1,000 they took 25 percent.

On certain brands that they deemed very likely to sell, the shops would offer a direct buyout at a lower price than what it would consign at, but you did not have to wait for the item to sell faster and easier, in other words.

Time is the most valuable commodity for the top end of the luxury sector where dollars are in abundance. Most of these purchasers really do not care about the retained value in the secondary market.

However, with 80 percent of designer sales being from the aspirational demographics, the retained value in the secondary market is important to them.

When interviewing several owners of the top consignment shops in the area, I learned about which items retained

upon interviewing several owners of the top consignment shops in the area, I learned about which items retained greater value. It was based on the mass-market's perception of the brand.

For example, any pair of Giuseppe Zanotti shoes or boots was less valuable than a pair of Christian Louboutins. The real luxury sector knows that these brands are on equal footing, but the aspirational market those buying from consignment shops are not familiar with the Zanotti brand.

I think that this is an excellent example of two top-quality brands where one has practiced excellent luxury market strategy and the other has not. However, with LVMH buying 30 percent of Zanotti in 2014, this will be changing.

In fact, the consignment shop owners were willing to offer a buyout option on high-end designer items with only secondary or mass-market recognition. You make less money doing an outright sale because the shop takes the risk of the item not selling, but you have the benefit of receiving the money on the spot rather than waiting for the item to sell.

The shop offered to buy worn Louboutins and would only consign so no risk to them new, never-worn Zanottis of greater retail value.

The same was true with men's suits.

With the often-considered superior brand of Brioni, they would only consign. But the better-known-by-the-masses, Armani, the shop purchased outright.

This was fascinating to me as a luxury marketing expert about how the perceived value by the non-primary purchaser changed the value of an item.

Not only was this true among brands of equal real status by educated and experienced luxury consumers, but brands that clearly sell for less at full price actually received more value than their superior brand counterparts that did not have any mass recognition.

The consignment shops preferred Burberry and Coach over far superior brands such as Zanotti and Brioni, The reason is simply that some brands have better marketing.

There is, of course, the argument that from a luxury brand perspective, that it is better to not be known.

Maid for madame

Every time a non-primary purchaser wears a luxury brand, it reduces that brand's value.

Let me explain.

Take a very wealthy woman who only wears Chanel suits at \$10,000 each, buys 10 new suits each year, and either sells on consignment or donates to charity her old suits.

Now her maid shows up to work every day in a Chanel suit that she got for free to \$100. How long do you think the primary purchaser is going to continue to buy Chanel suits at \$10,000?

Every time a non-primary purchaser is seen wearing Chanel's brand, it reduces its prestige and thus its brand value. The secondary market for designer fashion is actually harmful to the brand.

As a consumer, when you walk out of the shop with better-marketed brands, you retain more the retail value of the product. This value is not in the quality of the product, but entirely based on the quality of the marketing. This was also true in housewares consignment shops.

For example, more mass-recognized brand products such as Tiffany crystal had a high buyout offer than brands such as Baccarat, known to be of superior quality to the real luxury consumer.

The better-marketed brands maintain the value in the secondary market, which allows them to sell their used items at a better price to afford to repurchase new.

HERE IS A list of women's clothing and accessories brands that have maintained an elite brand image to consumers of the mass market:

Balenciaga, Burberry, Celine, Chanel, Chloe, Christian Dior, Christian Louboutin, David Yurman, Dolce & Gabbana, Fendi, Givenchy, Gucci, Hermes, Jimmy Choo, Judith Leiber, Louis Vuitton, Missoni, Miu Miu, Prada, Tiffany, Tory Burch, Valentino, Versace and Saint Laurent.

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