

COLUMNS

Luxury brands and retailers must get discounts and promotions right

September 9, 2016

TAKE	WHEN YOU SPEND
\$25 OFF	\$125-\$249.99
\$50 OFF	\$250-\$499.99
\$125 OFF	\$500-\$999.99
\$300 OFF	\$1,000-\$1,999.99
\$600 OFF	\$2,000 OR MORE

on almost all items. INFO/EXCLUSIONS

GET UP TO A \$600 REWARD CARD
on almost everything else.
(That's 120,000 Power Points!)
INFO/EXCLUSIONS

BECOME A LOYALIST—IT'S EASY. IT'S FREE!

Bloomingdale's makes a point about savings

By **Marci Hansen**

Perception is king and, as most luxury retailers know, success is dependent on how a brand is perceived.

When consumers think of luxury, certain terms often come to mind such as exclusive, high quality, special and expensive. All are indicative of an experience that consumers consider themselves lucky or privileged to have.

Because brand integrity is key to any luxury retailer's growth, many often shy away from a practice associated with less-sought-after brands: discounting.

New order

For luxury brands, discounts can often hurt the aspirational brand image that they have worked so hard to cultivate.

The risk of alienating high-end customers who associate promotions with discount brands is not worth the uptick in sales.

I AM BEAUTIFUL
THE BEAUTY EVENT

Free exclusive tote and fall beauty samples with your select \$125 purchase.

SHOP NOW

Just a sample of Neiman Marcus' work

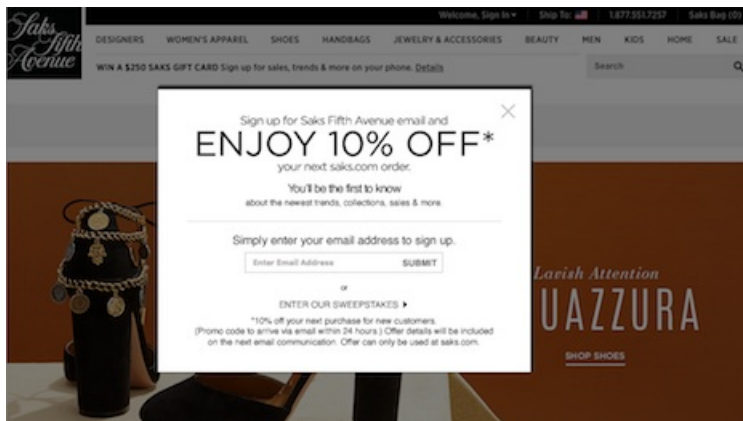
However, as consumers today are trained to wait for price reductions to make purchases, even luxury brands may be feeling the pressure to create shop promotions to meet sales goals and drive revenue.

Recently, the DynamicAction Retail Index: Spring 2016 study found that retailers sold 4 percent less at full price in the first quarter of this year versus the year-ago period. To top it off, promotions of up to 63 percent were applied on

first quarter of this year versus the year-ago period. To top it off, promotions of up to 65 percent were applied on most orders.

Additionally, [Havas Media Group's LuxHub found in a 2015 survey](#) that more than half of those surveyed revealed that they buy luxury goods at a discount rate, many using sites such as eBay.

The discount culture is a trend that luxury brands can no longer afford to ignore.



Email clicks for Saks

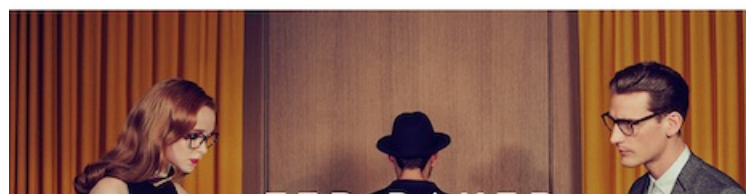
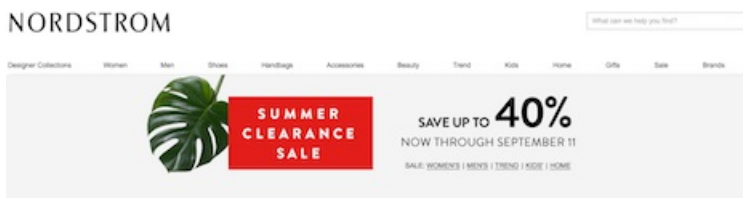
However, with the right approach and smart marketing, luxury brands can create promotions that not only drive customer loyalty and revenue, but also strengthen their brand.

What to avoid

While other retailers may have the ability to offer countless promotions due to less expensive products and higher margins, high-end brands do not have that advantage.

One key tactic to avoid as a luxury brand is frequent discounting.

Not only can you devalue your brand equity, but you can also alienate your loyal customers who have helped you disseminate the desirable brand image you currently have in the market.



Nordstrom sees the back of summer

Frequent, blanket discounts may signal that there is a problem within the organization, demand has lessened, or that your expensive items are not quite the quality they seem to be.

How to do it right

Support a cause. While throwing out discounts to customers on a regular basis can erode luxury brand integrity, supporting a cause and running a complementary, limited-time promotion is a fail-safe way to generate goodwill among your customers, often resulting in increased loyalty and revenue.

Start by looking to partner with a cause that aligns with the organizational mission. Are you a jeweler? Considering partnering with an organization that supports ethically sourced diamonds. Create a campaign to market this partnership, and provide customers with a limited offer on purchases of your products.

This can be an annual program, but should not be repeated too often.

The limited-time promotion coupled with the support of a cause will help enrich lifetime value among customers and elevate your image even further.

Create exclusive offers and rewards. Part of the allure for many when shopping with luxury brands is that that luxury

is not available to everyone.

As consumers, we are hard-wired to want what others cannot have.

If we are part of the exclusive group that is able to afford such items, we feel special and enviable, and those feelings inspire us to want more.

This is why the exclusivity of luxury brands drives consumers to shop with you.

So why not use that same psychology when creating incentives and promotions?

Try offering gifts with a purchase for your most loyal customers, or offering exclusive discounts to customers who have not shopped with you in the past six months.

You can also create VIP shopping experiences for certain, high-value customer segments such as teachers or military members, doing double duty to continue the exclusive value while also driving positive brand image.

Other ways to provide additional value are providing free shipping on all purchases, or even free returns on purchases ordered online.

THE CURRENT discount culture can be challenging for luxury brands trying to improve customer acquisition and increase revenue.

However, by avoiding frequent discounting, and instead employing strategic tactics that provide value to customers, brands can drive profit and customer loyalty for many years to come.



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