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Luxury Unfiltered: The true cost of cutting luxury prices

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By Daniel Langer

About half of my projects are about pricing.

Whether a luxury brand approaches me to launch a product in a new category that they are not yet familiar with. Whether they want to validate their current pricing strategy.

Or whether they want to significantly increase their profitability through premiumization.

The importance of pricing

Pricing is a significant lever of revenue and profitability growth. To me, each pricing project is a treat because pricing, in its purest form, is a reflection of value.

This involves deep psychology. Hence, when I work with premium, prestige and luxury brands on pricing, it is fundamentally about how these brands can boost creating value.

When I founded quit, the market response was profound. From Wall Street Journal to South China Morning Post, The Economist or Forbes, practically every major publication in the world approached me because they felt that luxury was neglected, both from an academic perspective and from a hands-on business perspective.

The most neglected part? How to price and, importantly, how not to price.

One of my first media interviews was about how promotions are the "easy growth trap," the fastest way to destroy a luxury brand. Yet, especially when times are tough, many brands reduce prices and promote, just to find themselves in even deeper trouble afterward.

Especially in luxury, pricing is not just about a number. It is, fundamentally, a reflection of the value that a brand provides to its clients.

Hence, when I speak with my clients about pricing, I urge them to strategize about extreme value creation first. It is an area where I observe many mistakes.

A typical mistake happens when brands have the objective of premiumize. The focus is often on enhancing product features, for example, with an updated design.

However, what really drives the value is the desirability that a brand creates through its storytelling and the client experience. Hence, many brands focus on the wrong area and then pay a high price, so to speak, for their price increases.

Burberry's recent failure to establish higher price ranges is a perfect example: Too much focus on product but no client-centric brand storytelling. The result - revenue decline and profit warnings.

Sometimes, brands who have an amazing brand story decide not to tell it anymore and, by doing so, destroy significant value; take Gucci as an example.

Gucci was one of the most admired and fastest-growing brands in the world. In fact, I often used Gucci as a case study during my luxury masterclasses of best-in-class brand storytelling.

However, recently, Gucci made a dramatic strategic mistake. The brand wanted clients to see them as more premium and refocused under creative director Sabato de Sarno on product.

In other words, Gucci was dreaming of being Herms or Dior. The problem is that Gucci is Gucci, not Herms.

If I want to buy Herms, I will easily find it. But when I bought Gucci in the past I bought into their brand story of inspiring to live your life on your own terms, bold and unapologetically.

It was a brand that promoted the idea of freedom of self-expression. During the brand's "reset," the brand story got completely lost.

The result is that Gucci is double-digit negative quarter after quarter. People buy into the brand story, not just into the product.

If there is no story, there is no value.

Fundamental mistakes

The power of a brand is about the message it sends and the value it communicates.

In other words, it is about the narrative it builds from a client's perspective. Client-centricity is key here.

Yet, too many brands still talk about "we have the highest quality," etc. This inside-out perspective provides zero value and will leave a brand lost in the sea of sameness.

Wrong storytelling kills the ability to price. Pricing is also a very important signal.

As stated before, it is, fundamentally, a reflection of value. And by discounting, you tell the world that what you do has no, or reduced, value.

The psychological implications are profound: when brands engage in promotions and discounting, they clearly send a message that their products are not worth their original price, thereby undermining the very essence of their brand promise.

This is a fundamental mistake. I will never forget something that happened to me. For many years, I dreamed of buying one particular watch of what was then for me a luxury watch brand.

At some point, I decided to buy the watch, only to find out three years later that the brand significantly reduced the price of the watch. When I confronted the salesperson, he told me that the brand had become too expensive in the U.S. market and that clients were not buying as much as the brand wanted, so they decided to do a price correction.

For me, this felt like cheating. I trusted the brand.

I dreamed for many years of that particular model. In other words, I bought into their story only to discover that the brand did not believe in their own narrative.

The result is that I still have the watch, but I never wear it anymore. To me, it lost its value because of a broken promise.

I never bought any other watch of that brand. This is what happens when brands discount or promote.

Discounting creates a fundamental breach of trust for clients who buy into the brand promise while attracting people who look for "deals." Promotions disrupt the perception of exclusivity.

The luxury client is not buying a product based on functionality alone but is purchasing a piece of a lifestyle, a badge of identity and an emotional experience.

This is why I called promotions "the easy growth trap." They sound easy and promising at first glance because selling at a lower price typically increases volumes.

However, the psychological damage it creates is irreversible. Price promoting your brand is the fastest and most secure way to destroy brand equity.

A key principle in luxury is that perceived value is far more important than actual value. The minute a brand offers a discount, it sends a signal that the original price was inflated or unjustified.

This devalues not just the discounted items but the entire brand portfolio. This is why even isolated discounts are so damaging to brands in the long run.

I do not know any example of a luxury brand that is successful in the long run while promoting or discounting.

The most successful brands like Louis Vuitton or Herms have rigorously refused to engage in any promotions. These brands understand that the strength of luxury is rooted in its scarcity and the belief that the product is worth every penny, if not more.

Their strategy is the opposite: they focus relentlessly on brand equity building and superior brand experiences. This then is translated into regular price increases.

This ensures that the perceived value of their offerings remains sky-high, regardless of economic conditions.

Recently, some luxury brands have gone beyond promotions and corrected their prices downward in response to market pressures. This is, similar to temporary price reductions an almost unforgivable mistake.

Any lowering of price signals to the market that it has misjudged its value proposition. It creates extreme confusion among clients about what the brand stands for and what its products are truly worth.

Pricing should never be about following market trends. It should be about defining the market.

Brands that correct prices downward to meet short-term goals or clear inventory fail to see the bigger picture: luxury is a long game, and the moment a brand appears to become volatile in its pricing confidence, it loses credibility. Price adjustments shatter the aspirational quality that drives luxury consumption, and recovering from such a misstep can take years if not decades.

Pricing is one of the most powerful levers a luxury brand has at its disposal. A well-calibrated pricing strategy communicates exclusivity, quality and desirability. More importantly, it reinforces the emotional connection that luxury consumers have with a brand.

Promotions, on the other hand, dilute these messages. A luxury brand that discounts is effectively telling its customers that they overpaid the first time or that the product is no longer desirable.

This is a near-fatal blow to brand equity. Once a consumer believes that a luxury product can be obtained at a lower price, the aspirational value of the brand is diminished.

Building brand equity

In today's hypercompetitive and rapidly changing luxury landscape, brands must resist the temptation to discount, no matter how much pressure it has to boost short-term sales.

Luxury is about creating a perception of value beyond the actual product. Price is not just a reflection of cost but a key part of the storytelling and value creation process.

The moment a luxury brand succumbs to the mid or short-term gains of promotions or price corrections, it initiates unraveling years of carefully cultivated brand equity. In luxury, pricing is a narrative, too. And once that narrative is broken, it can be incredibly difficult to restore.

This indicates that brands must adopt a pricing strategy rooted in long-term value creation and customer perception, not short-term market trends. Promotions are so dangerous because they destroy the very foundation upon which luxury brands are built: trust, desire, and exclusivity.

The cost of discounting is far greater than the revenue it might generate. It is a cost paid in brand equity, consumer trust and, ultimately, in the future of the brand.

Luxury Unfiltered *is a weekly column by Daniel Langer. He is the CEO of quit, a global luxury strategy and brand activation firm. He is recognized as a global top-five luxury key opinion leader. He serves as an executive professor of luxury strategy and pricing at Pepperdine University in Malibu and as a professor of luxury at New York University, New York. Mr. Langer has authored best-selling books on luxury management in English and Chinese, and is a respected global keynote speaker.*

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