

SALES & MARKETING

The Surprising Upside of Expensive Products That Don't Sell

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When dealing with recessions or drastic declines in sales, companies are often tempted to increase profits by cancelling low-performing products from their portfolios. But sales numbers aren't everything, and this isn't always the best way forward. We have identified a counter-intuitive — yet potentially highly-beneficial — alternative: Leveraging high-priced products that don't sell much as a competitive advantage.

There are five key reasons why businesses should consider this strategy.

Reason 1: To increase the sales of other products in the lineup.

Offering a premium option, even if it is out-of-reach for most customers, could help to make the other items offered by the brand appear like a great deal. This shift in perceived value is especially likely to occur if those cheaper alternatives offer relatively little downgrade in terms of quality. For instance, Samsung's flagship phone, the Galaxy S20 Ultra, retails for an eye-popping \$1,600 in its 512GB version. While Samsung knows that this feature-rich version appeals only to a handful of enthusiasts with deep pockets, it nevertheless serves to reinforce the sales of its more popular little brother, the Galaxy S20 phone, which comes off as a bargain in comparison: A very similar user experience for *only* \$1,000.

Reason 2: To communicate expertise.

Offering more-expensive-than-usual options can also serve to communicate expertise or innovation. For instance, generic drug companies (e.g., manufacturers of Digoxin or Doxycycline) tend to carry some ambitiously-priced products in their portfolios. They offer these high-priced drugs to signal their ability to research and develop innovative and advanced treatments. This strategy effectively communicates that the brand can punch above its weight, even if these drugs do not sell much. Likewise, the Swiss watchmaker Vacheron Constantin released what it deemed "the most complicated watch in the world," the one-off reference 57260 with 57 horological complications. This release allowed the brand to showcase its watchmaking skills, even if the majority of its product line is much more modest from a technical standpoint. Another example is the warehouse retailer Costco, which offers a few big-ticket jewelry items, such as a \$600,000 diamond. Carrying these unique products gives Costco legitimacy as a diamond retailer for its more typical offerings, such as engagement rings, earrings, and pendants, which cost a few hundred to a few thousand dollars.

Reason 3: To convey brand prestige.

Carrying high-priced items could also be used to generate or maintain premium brand associations in consumers' minds, which might otherwise be affected by the presence of other affordable products in the portfolio. As a case in point, Apple launched the unapologetically expensive \$699 Mac Pro Wheels Kit, a set of four custom-designed stainless steel and rubber wheels that make it easy to move its computer around. The company released this unique accessory near the time it introduced one of its most affordable phones ever, the mainstream \$399 iPhone SE2 model. This

release helped cement the brand positioning among the premium tech segment, which was at risk of shifting toward a more accessible positioning as Apple continues to release budget-conscious product lines. Similarly, the top-selling American whiskey brand, Jack Daniel's, carries several low-volume premium labels, such as the \$500 Sinatra Century, under the same Jack Daniel's brand umbrella. The brand continues to offer these more marginal product lines despite making the vast majority of its sales from the well-recognized Black Label and other affordable variations. Again, this strategy helps elevate the brand associations beyond the status traditionally associated with its top-selling products.

Reason 4: To get free publicity.

While brands can never accurately predict what news will become viral, one proven formula to generate some attention is to bring to market outrageously expensive products. This way, brands may benefit from the free publicity that comes with media coverage and social media buzz, even if the spotlighted product does not sell. For instance, the release of a \$1.3 million gold and diamond-encrusted vodka bottle by the Russian car brand Russo-Baltique allowed the brand to gain overnight recognition around the world. Similarly, the release of \$30 branded clay bricks by the streetwear fashion brand Supreme was able to generate a considerable amount of free publicity for the brand among the general population — from fashion experts, media, and customers, all trying to figure out why the product existed in the first place.

Reason 5: To gradually move the brand upmarket.

Today's consumers are eager to trade down on price, but getting them to trade up is challenging and complicated. Brands can open the door to a potential repositioning by carrying some high-priced items that will move the range of acceptable price points for the rest of the portfolio.

This way, moving the brand up the price ladder in the future may seem more justified and appropriate. For example, Nike regularly releases some limited series of sneakers, such as the *Back to the Future II*-inspired AIR MAG, whose current aftermarket price is around \$26,000. Inspired by these limited editions calling for huge premiums, consumers are increasingly willing to splurge more money on Nike's regular athletic shoes and sneakers lines. The brand is taking notes, consistently raising its prices in recent years, occupying a more premium position in the marketplace.

If your company is experiencing a dip in revenue, it might be time to get creative with your sales strategy; rolling out a high-priced product could be the answer you're looking for.

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