Luxury Brand Value Response Based on Secondary Market Signals

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Abstract: Traditional luxury pricing theory, centered on the Veblen effect, views price as a unidirectional declaration of brand value, with the second-hand market understood merely as a passive outcome of this declarative process. However, with the continuous expansion of the second-hand luxury market and the increasing trend of luxury financialization, signals from the secondary market have begun to inform primary market pricing decisions-a phenomenon that existing theories struggle to explain. This paper constructs a two-dimensional analytical framework of "value anchoring and brand tier," selecting three representative brands-Hermès, Gucci, and Coach-as case studies. Combining brand panel data from 2019 to 2025, it examines the influence mechanism of second-hand market value retention rates on brand value change and its heterogeneous performance across different brand tiers. The research yields three main findings: First, second-hand market value retention rates have a significant predictive effect on brand value change, with industry reports indicating that 47% of consumers have incorporated resale value into their purchasing decisions. Second, brand tier moderates the aforementioned mechanism: the top-tier brand Hermès, with a 138% value retention rate, maintains pricing insensitivity; the high-end brand Gucci exhibits bidirectional pressure characterized by a "cold primary market, hot secondary market" dynamic; and the accessible luxury brand Coach responds to 20%-50% fluctuations in value retention rates with flexible discounting. Third, brand barriers-specifically the degree of scarcity, narrative depth, and customer loyalty-are core mediating variables explaining these differences. Based on these findings, this paper proposes the concept of a "pricing power threshold," extending luxury brand value research from a static, unidirectional value declaration model to a dynamic, bidirectional value dialogue model, offering a new theoretical perspective for understanding the interaction mechanism between brand tiers and secondary market signals.

Keywords: Luxury Brand Value; Second-Hand Market; Value Retention Rate; Brand Tier; Brand Value Response

1. Introduction

Over the past two years, the luxury market has undergone significant structural adjustments. Tracking data from Bain & Company shows that the global luxury consumer base shrank from 400 million in 2022 to 350 million by the end of 2024, a loss of approximately 50 million customers over two years, representing an attrition rate of 12.5% [1]. This shift reflects a deep-seated change in consumption logic: the new generation of consumers no longer solely pursues conspicuous symbols but pays more attention to product practicality, cost-effectiveness, and liquidity, exhibiting a distinct long-term value orientation.

In contrast to the contraction in the primary market, the second-hand luxury market demonstrates robust growth momentum. A joint report by Boston Consulting Group and Vestiaire Collective indicates that the current global second-hand luxury market size has exceeded $210-220 billion and is expected to climb further to $320-360 billion by 2030, growing at an annual rate three times that of the primary market [2]. The RealReal's annual report corroborates this trend, revealing that 47% of consumers actively consider an item's future resale potential before purchasing new products [3].

These changes pose substantial challenges to traditional pricing theory. The Veblen effect's depiction of "higher price, higher demand" appears inadequate when confronted with secondary market transactions often several times the official price. Hermès Kelly Mini II

sells for 282% above its original retail price, and the Birkin Sellier commands a 183% premium [4]-these phenomena compel us to rethink: when the secondary market can so significantly re-anchor product value, how should brands respond to these signals? Should, and to what extent, should new product pricing reference secondary market performance? These questions pertain both to the expansion of pricing theory and the strategic choices in brand practice.

Existing research provides a valuable foundation for answering these questions. In the field of second-hand luxury, scholars have progressively moved from early discussions of market existence to in-depth explorations of micro-level aspects such as consumer participation motives [5], price formation mechanisms [6], and the correlation between primary and secondary markets [7]. Yan et al. [8], in a two-period monopoly model published in *Omega*, theoretically revealed the potential enhancing effects of second-hand transactions on markets for conspicuous goods. Li et al. [9], in their study published in *Industrial Engineering Journal*, explore the optimal strategies for brands facing intrusion by second-hand dealers. However, existing research primarily focuses on the formation and operation of the second-hand market. There remains a lack of systematic theoretical explanation and empirical testing regarding how secondary market performance, through the core link of pricing strategy, exerts a feedback effect on the primary market.

Based on the aforementioned research gap, this paper establishes three research objectives: First, to reveal the influence mechanism of second-hand market value retention rate signals on brand value change. Second, to differentiate the heterogeneous responses of brands across different tiers within this mechanism. Third, to attempt to construct a theoretical framework for luxury brand value response that integrates the secondary market perspective. The paper is structured as follows: Section 2 reviews the relevant theoretical foundations and literature. Section 3 presents the theoretical framework and research hypotheses. Section 4 introduces the research design. Section 5 conducts case analysis and theoretical extension. Section 6 presents the empirical results. Section 7 provides discussion. Section 8 offers conclusions and future research directions.

2. Theoretical Foundation and Literature Review

2.1 Luxury Pricing Theory: From Veblen Effect to Dynamic Pricing

Luxury pricing research has long been grounded in Veblen's (1899) theory of conspicuous consumption [10]. The core insight of the Veblen effect lies in revealing the non-monotonic relationship between price and demand: when a commodity is endowed with status symbol significance, a price increase may instead stimulate stronger purchasing desire. This theory provides a classic explanatory framework for understanding luxury goods' high-price strategies-brands artificially create exclusivity by setting high prices, thereby catering to consumers' pursuit of scarcity and status signals.

Subsequent research has deepened along this trajectory. Leibenstein (1950) distinguished between the "snob effect" and the "bandwagon effect," revealing the tension consumers face between the pursuit of uniqueness and belonging [11]. The "dream formula" proposed by Dubois and Paternault (1995) pointed out that luxury value stems from a delicate balance between accessibility and desirability-excessive accessibility dilutes the dream, while excessive scarcity inhibits sales [12]. Kapferer and Bastien (2009) systematically elaborated on the "anti-marketing laws" of luxury strategy, emphasizing that luxury goods should "raise prices to raise the bar" rather than "lower prices to expand the market" [13].

However, these theories share a core premise: pricing power resides solely with the brand, and price is a unidirectional declaration of brand value. From this perspective, the second-hand market is merely a natural spillover after brand value is established, a residue of the realized "dream." This assumption is being fundamentally questioned today as the trend of luxury financialization becomes increasingly prominent.

The rise of dynamic pricing research offers possibilities for overcoming these limitations. Furukawa et al. [14] studied the online pricing of luxury fashion products, finding differentiated discount strategies across categories: 67.4% of dresses were discounted, and substantially so, while 69.1% of handbags were sold at full price. This finding suggests that luxury pricing is not monolithic but allows for category-level dynamic adjustments, providing a new analytical

perspective for understanding the interactive relationship between primary and secondary markets.

2.2 Research on the Second-Hand Luxury Market

Academic attention to the second-hand luxury market began with observations of the "pre-loved" consumption phenomenon. Turunen and Leipämaa-Leskinen [5], through qualitative research, found that consumers' motives for purchasing second-hand luxury extend far beyond pure price drivers, intertwining multiple dimensions such as identity construction, sustainable consumption, and nostalgic sentiment. Turunen and Pöyry [15] further identified a decision-making pattern of "shopping with the resale value in mind," indicating that some consumers already consider second-hand value retention before purchase.

Regarding price formation mechanisms, empirical research by Japanese scholars on the high-end watch market found that new product pricing is closely related to the brand's craftsmanship technology and proportion of precious metals used, while second-hand prices depend more on factors such as the proportion of complex functions, years since discontinuation, and the degree of brand scarcity [6]. Li and Li [16] introduced sentiment analysis, finding that public sentiment significantly impacts second-hand luxury prices, with Granger causality tests further validating the causal relationship between value retention rate changes and sentiment scores.

2.3 Interaction Mechanisms Between Primary and Secondary Markets

Yan et al. [8], in their two-period monopoly model published in *Omega*, theoretically revealed the potential enhancing effects of second-hand transactions on markets for conspicuous goods. The study found that the existence of a second-hand market stimulates a "trendsetter-follower effect": snobbish consumers tend to purchase in the first period and resell in the second-hand market, while conformist consumers tend to purchase from the second-hand market in the second period. This division of labor among consumers does not erode brand profits; instead, under specific conditions, it achieves a "triple win" for consumers, the brand, and society. A key contribution of the study is revealing how social externalities reshape the impact mechanism of the second-hand market-the value enhancement effect is amplified, while the cannibalization effect is suppressed.

Li et al. [9], in their study published in *Industrial Engineering Journal*, approach from the perspective of brand strategy, constructing a game model incorporating consumers' conspicuous consumption behavior to explore three typical strategies for brand owners facing intrusion by second-hand dealers: resistance, competition, and brand authorization. The research found that brand owners consistently benefit from consumers' status-seeking conspicuous behavior. When second-hand dealers enter the market with authentic products of the same quality, it either harms brand image, dilutes brand value, or damages brand owner profits due to the strong substitutability of second-hand products. Brand authorization, as a coordinating tool, can effectively enhance channel efficiency, achieving a "win-win" for brand owners and second-hand dealers.

2.4 Behavioral Economics Perspective: Applicability of Anchoring Effect

Tversky and Kahneman's [17] research on the anchoring effect provides an important behavioral foundation for understanding how secondary signals influence pricing decisions. The anchoring effect reveals that when making judgments under uncertainty, individuals unconsciously assign disproportionately high weight to initially encountered information, making it a reference point for subsequent judgments. In the luxury pricing context, second-hand market value retention rates may play a dual anchoring role:

From an informational anchoring perspective, when consumers face uncertain product value, second-hand prices provide an objective reference for "true value" [18]. For non-professional consumers, the collective transaction outcomes of the second-hand market are more persuasive than the brand's unilateral claims.

From a normative anchoring perspective, second-hand prices gradually become internalized as the price consumers feel "should" be. When new product prices significantly deviate from the reference point formed by the second-hand market, consumers perceive the pricing as "unreasonable," subsequently affecting purchase decisions. This perspective

helps explain why secondary signals can permeate brand pricing decisions-if brands fail to respond to the value anchor formed in consumers' minds, they risk decreased market acceptance.

2.5 Research Gap and Positioning of This Paper

Synthesizing the above literature review, three interrelated research gaps can be identified:

First, asymmetry in causal direction. While existing research acknowledges the correlation between primary and secondary markets, most still default to a "primary → secondary" causal direction, with insufficient exploration of the reverse causal chain.

Second, neglect of moderating mechanisms. Different brand tiers may exhibit significant differences in sensitivity to secondary signals, but existing studies rarely incorporate brand tier as a moderating variable into the analytical framework.

Third, weak micro-foundations. Existing theoretical models are mostly based on macro-logical deductions, with a relative lack of in-depth analysis of consumer-level anchoring mechanisms.

Based on the above identification, this paper positions its research question as follows: taking the anchoring effect from behavioral economics as the micro-foundation, using the second-hand market value retention rate as the core explanatory variable, and introducing brand tier as a moderating variable, to systematically investigate the influence mechanism of secondary market signals on luxury brand value response.

3. Theoretical Framework and Research Hypotheses

3.1 Definition of Core Concepts

Second-hand Market Value Retention Rate refers to the ratio of a luxury good's transaction price in the second-hand market to its contemporaneous official new product price. A value retention rate above 100% indicates that the product trades at a premium, while a rate below 100% indicates a discount. This indicator is influenced by multiple factors, including brand reputation, product scarcity, style classicism, and condition integrity.

Brand Tier refers to a luxury brand's position within the market stratification structure. Referring to the "soft luxury pyramid" classification proposed by Bernstein analyst Luca Solca, this study divides luxury brands into three tiers: Top-tier Luxury (e.g., Hermès, Chanel, Dior), High-end Luxury (e.g., Louis Vuitton, Gucci, Celine, Balenciaga, Prada, Bottega Veneta), and Accessible Luxury (e.g., Coach, Ralph Lauren, Michael Kors) [19].

Dynamic Pricing refers to the behavioral pattern of brands adjusting prices based on market signals. Unlike traditional annual fixed price adjustments, dynamic pricing emphasizes the brand's proactive response to and strategic utilization of market feedback.

3.2 Value Anchoring Hypothesis

Based on anchoring effect theory [17], this paper proposes the value anchoring hypothesis. The core logic of this hypothesis comprises three progressive levels:

First, the objectivity of signals and information content. Brand official pricing contains subjective strategic components that may deviate from the product's intrinsic value. In contrast, second-hand market prices are equilibrium outcomes formed through the interaction of numerous independent traders, providing consumers with an objective reference for the long-term value of brand equity [18]. For potential new product consumers, the second-hand value retention rate can serve as an effective signal for judging "true value."

Second, the self-fulfilling mechanism of expectations. When consumers generally expect a brand's products to have high value retention rates, they become more willing to purchase at official prices-because the anticipated future resale proceeds effectively lower the current cost of purchase. This expectation, in turn, reinforces the brand's high value retention rate, forming a positive cycle. When setting new product prices, brands must incorporate this expectation mechanism into their considerations; otherwise, deviating from market expectations may lead to a loss of consumer trust.

Third, the assetization of pricing logic. As luxury goods are increasingly viewed by consumers as investable asset classes rather than pure consumer goods [20], products' resale value gradually becomes a core variable in purchasing decisions. Brands that ignore this logic risk consumers voting with their feet.

Based on the above logic, this study proposes the core hypothesis:

H1: Second-hand market value retention rate has a significant positive predictive effect on luxury brand value change. That is, the higher the previous period's value retention rate, the greater the brand value appreciation in the current period.

3.3 Pricing Power Threshold Hypothesis

The intensity of the value anchoring mechanism may systematically vary across different brand tiers. This paper introduces the concept of the "pricing power threshold" to characterize the extent to which a brand's pricing decisions depend on external market signals.

The pricing power threshold refers to the degree to which a brand can disregard external market signals in its pricing decisions. Its level depends on four core dimensions:

Degree of Scarcity: The greater the gap between production capacity and demand, the more the brand can price independently of the market. Hermès deliberately maintains production capacity below demand, granting it the power to allocate purchase eligibility.

Narrative Depth: The deeper the cultural accumulation of the brand story, the more willing consumers are to pay a premium for the narrative, and the lower their sensitivity to secondary signals.

Customer Loyalty: The lower the price sensitivity of core customers, the greater the brand's pricing autonomy. For top-tier brands, core customers often view purchases as rituals of identity confirmation rather than mere consumption acts.

Product Classicness: Classic designs that transcend trends possess greater pricing resilience than fashion-forward items chasing trends.

Different brand tiers exhibit systematic differences across these dimensions. For top-tier luxury brands like Hermès, the pricing power threshold is extremely high. Hermès' Birkin bags consistently trade at prices far exceeding official retail in the second-hand market (Rebag reports a 138% value retention rate [4]), yet the brand has not substantially raised prices to "catch up" with second-hand prices-on the contrary, it deliberately maintains the gap between official and second-hand prices to preserve scarcity and the ritual of queueing. The pricing strategy of top-tier brands is more based on internal considerations (craftsmanship heritage, brand narrative, production constraints) rather than passive responses to external market signals.

For high-end luxury brands like Gucci, the pricing power threshold lies in the middle ground. When specific Gucci styles consistently trade at a discount in the second-hand market (Gucci's revenue fell by 23% in 2024 **[21]**), this constitutes a market challenge to the brand's pricing rationality. If the brand continues to raise prices significantly, it may further exacerbate second-hand discounts, creating a vicious cycle of "price increase → expanded second-hand discount → brand value dilution." Therefore, high-end brands must closely monitor secondary signals, seeking a balance between maintaining brand image and adapting to market expectations.

For accessible luxury brands like Coach, the pricing power threshold is lowest. Consumers choosing Coach often incorporate rational considerations of "cost-effectiveness." If a particular product's value retention rate is significantly lower than that of competitors, consumers will directly vote with their feet, forcing the brand to adjust its pricing strategy (e.g., during the 618 shopping festival, Coach partnered with Vip.com to offer limited-time discounts as low as 1.6% of the original price [22]).

Based on the above analysis, this study proposes the moderating effect hypothesis:

H2: Brand tier significantly and negatively moderates the impact of second-hand value retention rate on brand value change. That is, the lower the brand tier (accessible), the stronger the predictive effect of the value retention rate; the higher the brand tier (top-tier), the weaker the predictive effect.

4. Research Design

4.1 Methodological Choice

This study adopts an embedded multiple-case study design [23]. The case study method is suitable for exploring "how" and "why" types of research questions, particularly adept at revealing the mechanistic logic behind complex phenomena. The multiple-case design enhances the external validity of conclusions through replication logic, while embedded analysis (conducting longitudinal examinations within each case) ensures fine-grained characterization of dynamic processes.

The reasons for choosing an embedded multiple-case study design are threefold: First,

the research aims to reveal the mechanistic path through which secondary signals influence brand value change, not merely to verify correlational relationships; case studies are conducive to opening the "black box." Second, the responses of different brand tiers to secondary signals may exhibit qualitative differences; multiple-case comparison helps capture this heterogeneity. Third, the research spans nearly a decade of development; longitudinal examination effectively portrays the temporal characteristics of dynamic evolution.

4.2 Case Selection

Based on the principle of stratified sampling by brand tier, this study selects three representative brands as research cases:

Hermès-A benchmark for top-tier luxury. With a brand history exceeding 180 years, Hermès maintains unshakable scarcity through exquisite craftsmanship, strict production capacity control, and a unique system of tied purchasing. Its Birkin and Kelly bags consistently command high premiums in the second-hand market, making it an ideal sample for testing the pricing insensitivity hypothesis for top-tier brands.

Gucci-A representative of high-end luxury. As the core brand of Kering Group, Gucci has experienced a complete cycle from revival to adjustment over the past decade. In 2024, Gucci's revenue was €7.65 billion, a year-on-year decrease of 23% [21]. Concurrently, Gucci partnered with the second-hand platform The RealReal to launch a brand-certified vintage Gucci section [8], making it a typical case for examining how high-end brands actively utilize secondary signals.

Coach-A typical accessible luxury brand. Coach positions itself as "accessible luxury," possessing a broad middle-class consumer base. From January to March 2025, Coach's sales grew by 15% year-on-year, making it one of the best-performing large brands in the industry **[24]**. Its flexible pricing strategy and rapid response to market signals provide an ideal sample for examining the pricing constraints faced by accessible brands.

4.3 Data Sources

Second-hand Market Data: The RealReal "2025 Resale Report" [3], Rebag "2025 Clair Report" [4], Vestiaire Collective and Boston Consulting Group joint report [2].

Brand Pricing Data: Brand financial reports, Bernstein analyst reports, The Fashion Law and other industry media reports [19], CNBC and other financial media [24].

Industry Reports: Bain & Company luxury research reports [1], Boston Consulting Group (BCG) luxury reports [2], Deloitte "Global Powers of Luxury Goods."

Brand Value Data: Mainly sourced from Brand Finance "Luxury & Premium 50" annual reports [25] and Interbrand "Best Global Brands" annual reports [26](2020-2025), with some missing values supplemented through linear interpolation.

4.4 Variable Measurement

Dependent Variable: Brand Value Change Rate (ΔBrandValue)

This paper takes brand value change rate as the core dependent variable. The brand value change rate is sourced from Brand Finance/Interbrand reports, reflecting comprehensive changes in the brand's overall pricing power and market performance. It serves as an effective proxy for measuring a brand's responsiveness to market signals.

Core Explanatory Variable: Value Retention Rate (Retention)

Referring to the definition methodology in the Rebag report [4], the brand value retention rate is calculated as:

$$\text{Retention}_{it} = \frac{1}{N}\sum_{j=1}^{N}\left(\frac{\text{Second-hand Price}_{ijt}}{\text{Official Price}_{ijt}} \times 100\%\right) \quad (1)$$

Where "i" denotes the brand, "t" denotes the year, "j" denotes the style, and N is the number of styles counted for the brand in that year. A value retention rate above 100% indicates that the product trades at a premium in the second-hand market, while a rate below 100% indicates a discount.

Moderating Variable: Brand Tier (Level)

Based on the "soft luxury pyramid" classification proposed by Bernstein analyst Luca Solca **[19]**, the sample brands are divided into three tiers:

Top-tier Luxury (Level=1): Hermès, Chanel

High-end Luxury (Level=2): Louis Vuitton, Gucci

Accessible Luxury (Level=3): Coach

Control Variables:

Year Fixed Effects (λ_t): Control for common time trends such as macroeconomic fluctuations and consumer confidence.

4.5 Model Specification

To test H1 (the positive predictive effect of

value retention rate on brand value change), a two-way fixed effects panel model is established:

$$\Delta BrandValue_{it}=\alpha+\beta_1 Retention_{i,t-1}+\mu_i+\lambda_t+\varepsilon_{it} \quad (2)$$

$$\Delta BrandValue_{it}=\alpha+\beta_1 Retention_{i,t-1}+\beta_2\left(Retention_{i,t-1}\times Level_i\right)+\mu_i+\lambda_t+\varepsilon_{it} \quad (3)$$

Where μ_i represents brand fixed effects and λ_t represents time fixed effects. $\beta_1 > 0$ is expected. To test H2 (the moderating effect of brand tier), an interaction term is introduced:

$\beta_2 < 0$ is expected, meaning the higher the brand tier, the weaker the impact of the value retention rate. Grouped regression (estimating equation (2) separately for Level=1, 2, 3) is also used as a robustness check.

5. Case Analysis and Theoretical Extension

5.1 Hermès: Pricing Insensitivity of Top-Tier Brands

For top-tier luxury brands like Hermès, the pricing power threshold is extremely high. Hermès' Birkin and Kelly bags consistently trade at significant premiums in the second-hand market (Rebag reports a 138% value retention rate [4]), yet the brand has not substantially raised prices to "catch up" with second-hand prices. On the contrary, it deliberately maintains the gap between official and second-hand prices to preserve scarcity and the ritual of queueing. The pricing strategy of top-tier brands is more based on internal considerations-craftsmanship heritage, brand narrative, production constraints-rather than passive responses to external market signals. This finding aligns with the theoretical expectation of H2: for Level=1 brands, the impact of secondary signals on pricing decisions is weak.

5.2 Gucci: Bidirectional Interaction of High-End Brands

Although Gucci's specific value retention rate is not publicly disclosed, based on rankings in the Vestiaire Collective value retention list, the industry generally estimates it to be around 75% [see note in Table 1]. Gucci's pricing strategy exhibits clear interactive characteristics with secondary signals. On one hand, Gucci has proactively embraced the second-hand market, partnering with The RealReal to launch a brand-certified vintage section [8], actively utilizing the second-hand market to obtain consumer preference data. On the other hand, performance pressure-Gucci's revenue fell by 23% year-on-year in 2024 [21]-forces it to closely monitor market signals.

The "trendsetter-follower effect" proposed by Yan et al. [8] and the brand authorization theory of Li et al. [9] provide theoretical explanations for this strategic shift: the existence of the second-hand market promotes a division of labor between snobbish and conformist consumers, social externalities amplify the value enhancement effect, and brand authorization can achieve a "win-win" for the brand and second-hand dealers. The Gucci case suggests that the pricing power threshold for high-end brands lies in the middle ground-they can neither completely ignore secondary signals like top-tier brands nor be entirely constrained by the market like accessible brands, thus exhibiting a bidirectional interactive characteristic.

5.3 Coach: Market Constraints on Accessible Brands

Compared to the former two, Coach's pricing strategy is more strongly constrained by second-hand market signals. As an accessible luxury brand, its core customer base is highly price-sensitive; when a particular product experiences significant discounts in the second-hand market, new product sales are often directly affected.

In the first quarter of 2025, Coach's sales grew by 15% year-on-year, making it one of the best-performing large brands in the industry [24]. However, its value retention rate simultaneously fluctuates within the 20%-50% range [22]. This contrast forces the brand to adopt more flexible pricing strategies-for example, during the 618 shopping festival, it partnered with Vip.com to offer limited-time discounts as low as 1.6% of the original price, with the original nearly 10,000 yuan City Mini Tote bag priced at just 1,223 yuan during the promotion [22].

Euromonitor's head of luxury, Fflur Roberts, observed that "consumers are questioning the true value behind the price" [24]. The RealReal report shows that 47% of consumers have incorporated resale potential into their pre-purchase evaluation framework [3], meaning that market constraints on brands are moving from the periphery to the center. The Coach case illustrates that when brand barriers are relatively weak, the second-hand market is no longer a passive reflection of value but a market reality that pricing strategies must directly address.

5.4 Mechanism Induction and Theoretical Extension

The comparison of the three cases reveals the differential mechanisms of sensitivity to secondary signals across brand tiers, which can be summarized through the three-dimensional composition of the pricing power threshold: degree of scarcity, narrative depth, and customer loyalty. Top-tier brands (Hermès) score high on all three dimensions, resulting in a high pricing power threshold; high-end brands (Gucci) score medium on all three, resulting in a medium pricing power threshold; accessible brands (Coach) score low on all three, resulting in a low pricing power threshold.

Table 1. Comparison of Pricing and Second-hand Market Characteristics Across Three Brands

Dimension	Hermès	Gucci	Coach
Brand Tier	Top-tier	High-end	Accessible
Value Retention Rate	138% **[4]**	Approx. 75%"	20%-50% **[22]**
Recent Performance	Steady growth	Revenue down 23% in 2024 [21]	Q1 2025 growth 15% **[24]**
Pricing Strategy	Stable, moderate increases	Dynamic adjustment, under pressure	Flexible discounts, active promotion
Second-hand Market Interaction	Passive value confirmation	Active collaboration (The RealReal) **[8]**	Passive response under market constraints
Sensitivity to Secondary Signals	Low	Medium	High

*Note: Gucci's specific value retention rate is not disclosed; estimated at approximately 75% based on rankings in the Vestiaire Collective value retention list.

The case study reveals the differential mechanisms of sensitivity to secondary signals across brand tiers, but it cannot precisely estimate the magnitude of this influence, nor can it control for brand fixed effects and macroeconomic fluctuations. Therefore, the following section further employs panel data regression to quantitatively test H1 and H2, aiming to verify the generalizability of the case study findings.

6. Empirical Analysis Results

6.1 Descriptive Statistics

Table 2 reports the descriptive statistics of the main variables. The effective sample size is 30. The mean value retention rate (Retention) is 79.37%, with a standard deviation of 23.79, a minimum of 37.5%, and a maximum of 138%, indicating significant differences in value retention rates across brands and years. The mean brand value change rate (ΔBrandValue) is 10.96%, with substantial fluctuation (standard deviation 18.78), covering a wide range from -30.7% to 58%. The mean brand tier (Level) is 1.8, with the sample covering all three tiers.

Table 2. Descriptive Statistics of Main Variables

Variable	Mean	Std. Dev.	Min	Max	Observations
ΔBrandValue (%)	10.96	18.78	-30.7	58	30
Retention (%)	79.37	23.79	37.5	138	30
Level	1.8	0.76	1	3	30

Note: The effective sample size is 30; out of 35 original data points, the regression analysis uses 30 valid observations due to missing brand value change data for some years. Data are sourced from Brand Finance "Luxury & Premium 50 2025" [25] and Interbrand "Best Global Brands 2025" [26].

6.2 Correlation Analysis

The correlation coefficient matrix of the main variables is shown in Table 3. Preliminary observation reveals a positive association between the value retention rate and brand value change, and a negative correlation between brand tier and value retention rate, consistent with theoretical expectations.

Table 3. Correlation Coefficient Matrix

Variable	Retention	ΔBrandValue	Level
Retention	1.000		
ΔBrandValue	0.302	1.000	
Level	-0.835"""	-0.244	1.000

Note: *** p<0.01, ** p<0.05, " p<0.1

6.3 Regression Results

To test H1 and H2, a two-way fixed effects model is used to estimate equations (2) and (3). The results are presented in Table 4. Model (1) is the full sample baseline regression, model (2)

includes the interaction term, and models (3)-(5) are grouped regressions.

Table 4. Impact of Value Retention Rate on Brand Value Change

Variable	(1) Full Sample	(2) Interaction Term	(3) Top-tier Brands	(4) High-end Brands	(5) Accessible Brands
L.Retention	1.335* (0.736)	8.646** (3.467)	2.109*** (0.081)	1.693*** (0.110)	-3.513 (-)
L.Retention×Level		-3.256** (2.839)			
Constant	-120.190 (0.844)	-274.697*** (4.685)	-203.141*** (25.981)	-149.880*** (15.383)	153.750 (-)
Observations	25	25	10	10	5
R^2	0.516	0.700	0.876	0.873	1.000
adj. R^2	0.389	0.600	0.721	0.715	.

Note: Standard errors in parentheses. * p<0.1, ** p<0.05, *** p<0.01.

Interpretation of Results: Table 4 presents the regression results of the value retention rate on brand value change. From the estimation results of model (1), the coefficient of the lagged value retention rate is 1.335, significant at the 10% level. This indicates that the value retention rate has a positive predictive power for brand value change, providing preliminary verification for H1.

Model (2) introduces the interaction term between the value retention rate and brand tier based on the baseline regression. The coefficient of this interaction term is -3.256, significant at the 5% level. This result suggests that brand tier negatively moderates the effect of the value retention rate-as brand tier increases, the marginal impact of the value retention rate on brand value change exhibits a decreasing trend, a finding consistent with the theoretical expectation of H2.

Grouped regressions in models (3) to (5) further reveal heterogeneity across different brand tiers. For top-tier brands (Hermès, Chanel), the coefficient of the value retention rate is 2.109, significant at the 1% level; for high-end brands (Louis Vuitton, Gucci), the coefficient is 1.693, also significant at the 1% level; for accessible brands (Coach), the coefficient is -3.513, but due to the small sample size for this group (only 5 observations), this coefficient does not pass the significance test.

It is worth noting that the coefficient for top-tier brands (2.109) is larger than that for high-end brands (1.693). This ordering of coefficients differs somewhat from the negative moderation pattern expected by H2. That is, top-tier brands appear to exhibit a stronger response intensity to secondary signals than high-end brands, which does not completely align with the initial theoretical conception. Possible reasons for this result will be discussed further below.[1]

[1]Due to the accessible brand group having only 5 observations, it cannot meet the sample size requirements for Seemingly Unrelated Estimation (suest) tests. Although the grouped regression shows the coefficient for top-tier brands is larger than for high-end brands, contrary to the expected direction, this gradient difference itself still indicates the presence of a moderating effect of brand tier. Its specific form of action awaits further testing with larger samples.

6.4 Robustness Checks

To ensure the reliability of the conclusions, this paper conducts robustness checks from several different perspectives.

First, considering that the calculation method of the value retention rate may affect the results, we attempt to use a style transaction volume-weighted average value retention rate to replace the original simple average value retention rate and re-estimate the core models. The results show that the coefficient signs and significance levels of the main variables do not change substantially.

Second, considering that the COVID-19 pandemic in 2020 may have had a special impact on the luxury market, we exclude observations from that year and re-run the regression analysis. The results show that the direction and significance of the core explanatory variable's coefficient remain stable, indicating that the baseline results are not driven by extreme years.

Furthermore, we conduct a placebo test: regressing the current period's brand value change on the future period's value retention rate. The results show that this coefficient is not significant, which to some extent rules out the possibility of reverse causality.

Synthesizing the above test results, it can be considered that the core conclusions of this

paper have good robustness.

6.5 Case Mechanisms and Quantitative Evidence

Comparing the observations from the case study with the results of the regression analysis provides multi-faceted support for the theoretical framework of this paper.

For the top-tier brand Hermès, the case study found that its pricing insensitivity primarily stems from the triple barriers constructed by scarcity, narrative, and customer management. However, the regression results show that the coefficient for top-tier brands is significantly positive at the 1% level (β=2.109). This means that, at the brand value level, secondary signals are not completely devoid of explanatory power-a possible explanation is that although Hermès does not directly adjust official prices based on second-hand premiums, there is still an association between its regular price increase strategy and the continuous enhancement of brand value, and the second-hand value retention rate captures this accumulation of brand value.

The situation for the high-end brand Gucci is more consistent with the case description. The case shows Gucci under bidirectional pressure from a "cold primary market, hot secondary market," with its pricing power threshold at a medium level. In the regression, the coefficient for the high-end brand group is significantly positive at the 1% level (1.693). This quantitative result corroborates the "moderate sensitivity" observed in the case-Gucci can neither be completely insensitive like top-tier brands nor be entirely constrained by the market like accessible brands.

The situation for the accessible brand Coach is more specific. The case indicates that market constraints force it to adopt flexible pricing strategies. However, due to only 5 observations for Coach in the sample, the regression coefficient (-3.513) does not pass the significance test. This limitation prevents us from quantitatively verifying the actual effect for accessible brands, pending further testing in subsequent research with more data.

Regarding the overall moderating effect, the coefficient of L.Retention × Level in the interaction term model (Table 4, Model 2) is significantly negative, providing direct evidence for the negative moderation of the value retention rate's impact by brand tier. This result echoes the gradient of pricing power thresholds summarized in the case study-low for top-tier, medium for high-end, high for accessible-and provides an empirical foundation for the value dialogue model proposed in this paper.

7. Discussion

7.1 Theoretical Contribution: Proposing the Value Dialogue Model

The theoretical contribution of this study is mainly reflected in two aspects. First, we attempt to construct a two-dimensional analytical framework of "value anchoring and brand tier," aiming to shift luxury brand value research from the traditional unidirectional declaration model towards a more interactive analytical paradigm.

In the traditional Veblenian framework, pricing power is viewed as a power exercised unilaterally by the brand. Brands establish value through advertising narratives, scarcity management, and channel control, while consumers passively accept this setting. From this perspective, the second-hand market is merely a residue after brand value spills over, lacking the theoretical status to feed back into primary market pricing.

However, recent research offers different observational angles. The theoretical model by Yan et al. **[8]** shows that the existence of a second-hand market reshapes consumers' strategic behavior and feeds back into brand profits through the "trendsetter-follower effect." The study by Li et al. **[9]** points out that brands can actively manage the second-hand market through strategies such as authorization, achieving a "win-win" with second-hand dealers. Furthermore, The RealReal report revealing that 47% of consumers incorporate resale potential into purchasing decisions **[3]** also corroborates the existence of this reverse influence mechanism at the behavioral level.

Building upon the aforementioned research, this paper introduces brand tier as a moderating variable, attempting to reveal the differences in responses to secondary signals across different brand tiers. The implicit theoretical implication of this perspective shift is that pricing power is no longer completely vested in the brand but is dispersed throughout the market network-every second-hand trader participates in the re-anchoring of brand value. It can be said that luxury brand value is transitioning from a brand's "monologue" to a "dialogue" with the market, from static positioning to dynamic

adjustment.

From the empirical results, the findings of this paper provide preliminary quantitative support for the above discussion. H1 is verified (β=1.335, p<0.1), and the interaction term model is significantly negative (β=-3.256, p<0.05), which basically aligns with theoretical expectations. It is worth noting that the coefficient gradient shown by the grouped regression (top-tier > high-end) exhibits some tension with the sensitivity ranking observed in the cases (top-tier low, high-end medium, accessible high). This discrepancy may arise from the proxy variable used-brand value change rate may incorporate factors beyond pricing decisions, and top-tier brands' consistent price increase strategies might be captured by this metric. Nevertheless, the interaction term model supports the existence of the moderating effect. This means that the "value dialogue model" has, at least directionally, gained some empirical basis, although its specific form of action requires further exploration.

7.2 Theoretical Connotation of the "Pricing Power Threshold"

The concept of the "pricing power threshold" proposed in this study provides an analytical tool for understanding the differences in pricing behavior across brand tiers. Based on case mechanisms and empirical evidence, a measurement framework for the pricing power threshold can be constructed:

Table 5. Pricing Power Threshold Measurement Framework

Dimension	Measurement Indicator	Hermès	Gucci	Coach
Scarcity	Demand/Capacity Ratio	Extremely High	Medium	Low
Narrative Depth	Brand History (years)	180+	100+	80+
Customer Loyalty	Core Customer Loyalty	Extremely High (tied purchase system)	Medium	Low (price-sensitive)
Product Classicness	Classic Style Value Retention Rate	138% **[4]**	Approx. 75%"	20%-50% **[22]**
Pricing Power Threshold	**Comprehensive Judgment**	**High**	**Medium**	**Low**

*Note: Classic style value retention rate for Gucci is estimated based on industry rankings.

This conceptual framework helps explain the stratification phenomenon in the luxury market: why Hermès can maintain a 138% value retention rate without significantly adjusting prices, why Coach must respond to market changes through discount strategies, and why Gucci chooses to collaborate with second-hand platforms rather than resist them **[8]**. It also suggests to brand managers that pricing power is not an eternal endowment but a strategic asset requiring continuous maintenance. High-end brands can gradually enhance their pricing power threshold and reduce passive responses to short-term market fluctuations by strengthening classic product lines, cultivating core customer groups, and deepening brand narratives.

7.3 Managerial Implications

This study offers some reference points for brands, second-hand platforms, and consumers.

For brands, a relatively direct implication concerns how to view the second-hand market. For a long time, many brands have tended to regard the second-hand market as a "gray area" requiring vigilance or even resistance, worrying that it might erode new product sales. However, as evidenced by Gucci's collaboration with The RealReal **[8]**, the second-hand market can actually become an actively utilized field for value anchoring. By partnering with second-hand platforms, brands can, on one hand, obtain authentic data on consumer preferences and, on the other hand, guide the direction of second-hand transactions to a certain extent. Of course, different brand tiers may need to adopt different strategies: top-tier brands might continue to maintain pricing autonomy, focusing on strengthening their scarcity and narrative barriers; high-end brands need to closely track secondary signals, seeking an appropriate balance between maintaining brand image and adapting to market expectations; for accessible brands, maintaining pricing flexibility and responding nimbly to market changes may be a more realistic choice.

For second-hand platforms, establishing data cooperation with brands is a direction worth exploring. Platforms could attempt to develop customized data services for brands, gradually transitioning from mere transaction intermediaries to industry infrastructure. The RealReal's annual report, which systematically

releases brand value retention data **[3]**, exemplifies the extension of platform value.

For consumers, this study may help establish a more rational decision-making framework for consumption. Against the backdrop of luxury goods gradually acquiring financial attributes, purchasing decisions are no longer merely consumption acts but also, to some extent, quasi-investment behaviors. Rebag's report noting Hermès' 92% appreciation over the past decade and the Kelly Mini II's 282% premium **[4]** provides a reference dimension for consumers. Paying attention to value retention rates can at least help consumers avoid paying excessive premiums for short-term trends.

8. Conclusion

This paper takes "luxury brand value response based on secondary market signals" as its research question, selecting three representative brands-Hermès, Gucci, and Coach-for case studies, and conducts empirical analysis based on panel data from 2019-2025. The main conclusions are as follows:

First, the second-hand market value retention rate has a significant positive predictive effect on brand value change. At the theoretical level, Yan et al.'s **[8]**model has already revealed that the second-hand market can feed back into brand profits through the "trendsetter-follower effect," and Li et al.'s **[9]** research indicates that brand authorization can achieve a win-win situation. Consumer behavior data also supports this-47% of consumers consider resale value before purchasing new products **[3]**. The empirical results of this paper show that the coefficient of the lagged value retention rate is 1.335 ($p<0.1$), meaning that the second-hand market has indeed become a market reality that brands must face in brand value management.

Second, brand tier has a significant moderating effect on the impact of secondary signals, although the specific direction of moderation deviates somewhat from the initial theoretical expectation. The interaction term model ($\beta=-3.256$, $p<0.05$) supports the judgment of negative moderation by tier, but the grouped regression shows that the coefficient for top-tier brands (2.109) is larger than that for high-end brands (1.693), while accessible brands fail the significance test due to limited sample size. This result suggests that the response intensity of top-tier brands to secondary signals may not be as weak as imagined, possibly even higher than that of high-end brands. Therefore, H2 can only be said to be partially supported, and its specific form of action requires testing with larger samples.

Third, based on the above findings, this paper attempts to propose a shift in theoretical perspective: transitioning luxury brand value research from the traditional, unidirectional "value declaration model" to a more interactive "value dialogue model." The "pricing power threshold" concept proposed in this paper can provide an analytical tool for understanding the differences in brand value response across brand tiers. From the empirical results, the sensitivity of high-end brands to secondary signals may indeed be higher than that of top-tier brands, but the situation for accessible brands remains unclear due to sample limitations, requiring more data for in-depth exploration in the future.

Against the backdrop of increasing luxury financialization and market transparency, how to transform second-hand market signals into opportunities for brand asset enhancement is becoming a noteworthy issue. This paper provides only a preliminary exploration. Subsequent research can advance in several directions: first, expanding the sample scope to include more brands and years, especially testing the actual effect for accessible brands; second, obtaining primary data on new product price adjustment amplitudes to directly test the impact of value retention rates on brand value change; third, conducting cross-cultural comparisons to explore how differences in consumer resale awareness across markets such as China, Japan, and the United States affect brand value response mechanisms.

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