ALT/FNDATA ACADEMY · MODULE 3

Consumer and luxury economics

This session uses auction and resale transaction data to teach two of the central metrics in luxury goods economics: pricing power and sell-through.

75 minutes · sandbox.altfndata.com

SESSION AT A GLANCE

What today looks like

- Length: 75 minutes.
- Level: undergraduate marketing and economics majors, or MBA students in a luxury or consumer goods concentration. An introductory microeconomics or consumer behavior course is the only prerequisite; no SQL or coding background is required.
- Access: the no-code sandbox at sandbox.altfndata.com only, using pre-written SQL you supply. No API key is needed and there is no code extension in this module.
- Goal of the session: students leave able to define and compute pricing power and sell-through for a brand, explain why unsold lots belong in the sell-through denominator, and articulate what revealed preference from auction data adds that a stated-preference survey does not.

OBJECTIVES

By the end of class students can

- Define pricing power in the context of auction markets and compute it as a ratio of realized price to pre-sale high estimate.
- Define sell-through (clearance rate) as the share of offered lots that find a buyer, and explain why unsold lots must be counted, not discarded.
- Compare pricing power and sell-through across two or more brands and articulate what each metric captures that the other does not.
- Explain why auction data reflects revealed preference (what buyers actually paid) rather than stated preference (what buyers say they value).
- Identify a limitation of using auction data alone to characterize a brand's overall consumer demand.

AGENDA

How the session runs

- 0 to 15 min: Introduce pricing power and sell-through as concepts, using the Van Cleef and Arpels example (pricing power near 1.36x) as an anchor.
- 15 to 20 min: Sandbox orientation for students who have not used it before.
- 20 to 40 min: Guided demo, compute pricing power for two brands and compare.
- 40 to 55 min: Guided demo, compute sell-through for the same two brands and compare.
- 55 to 70 min: Small-group discussion, students interpret what the two metrics together suggest about each brand's demand.
- 70 to 75 min: Wrap-up and homework assignment.

LIVE DEMO

The in-class walkthrough

- Open sandbox.altfndata.com, sign in, and select the jewelry data table from the SQL editor dropdown.
- Run the pricing power query below for Van Cleef and Arpels and record the resulting ratio.
- Change the designer filter to a second brand (for example, a competitor in the same category) and re-run the query. Record the second ratio and compare.
- Explain in plain terms what a ratio above 1.0 versus below 1.0 means for each brand.
- Switch to the sell-through query and run it for the same first brand. Note that this query requires counting both sold and unsold lots, so the WHERE clause does not filter on status.
- Re-run the sell-through query for the second brand and compare the two clearance rates.

LIVE DEMO

The core query

- Run this in the sandbox SQL editor:

```
SELECT
  designer,
  APPROX_PERCENTILE(usd_price_decimal, 0.5) AS median_realized,
  APPROX_PERCENTILE(sale_estimates_high_usd_price, 0.5) AS median_high_estimate,
  APPROX_PERCENTILE(usd_price_decimal, 0.5) / APPROX_PERCENTILE(sale_estimates_high_usd_price, 0.5) AS pricing
FROM all_jewels_gems_data
WHERE designer LIKE '%Van Cleef%'
  AND status = 'sold'
```

DISCUSS

Questions for the room

- What does it mean economically for a brand's pricing power to sit above 1.0, and what does it suggest about how the auction house is setting its pre-sale estimates?
- Why must unsold lots be included in a sell-through calculation, and what would happen to the metric if they were silently dropped?
- Can a brand have strong pricing power but weak sell-through? What would that combination suggest about its collector base?
- How does revealed preference (what a buyer actually paid at auction) differ from stated preference (what a buyer says they would pay in a survey), and why does that distinction matter for a luxury brand's strategy team?
- What might explain a brand having very different pricing power in one category, such as watches, than in another, such as handbags?

HOMEWORK

This week's assignment

- Each student selects three brands within a single category (all three in watches, or all three in handbags, for consistency) and computes pricing power and sell-through for each using the sandbox SQL editor.
- The deliverable is a two-to-three page brief written as if for a brand strategy team, ranking the three brands by pricing power and by sell-through, explaining any disagreement between the two rankings, and recommending which brand shows the strongest evidence of collector demand.
- The brief must include the exported query results as an appendix and must not draw conclusions from recent quarter-over-quarter price changes, since recent-period record counts are not yet stable enough to read as a trend.
- Grading criteria:
- correct computation of both metrics (30 percent), quality of the comparative ranking and its justification (35 percent), appropriate handling of the sold-versus-unsold distinction (20 percent), and clarity of the written brief (15 percent).

NEXT

Wrapping up

- Restate the one-sentence takeaway before students leave.
- Point to the facilitator guide for discussion guidance and teaching notes.
- Questions or a class API key: info@altfndata.com