

Analysis of Louis Vuitton's Marketing Strategies in Chinese Luxury Fashion Market

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Abstract: The rapid growth of China's economy has made the country one of the world's most important markets for high-end goods. In the meantime, China's economic growth has slowed since entering the new normal in 2014, and luxury consumers have become more practical. For this reason, many international luxury brands are fretting over how to break into China's opulent consumer market. The LVMH Group owns a number of luxury brands, including the ubiquitous Louis Vuitton. In light of the foregoing, this research examines the Louis Vuitton brand's marketing strategy in China, specifically its product strategy, pricing strategy, promotion strategy, and positioning strategy. Several suggestions are made to enhance Louis Vuitton's marketing strategy in China based on the findings of this study, such as a push to emphasize the brand's commitment to quality. Several suggestions are made in this report to better Louis Vuitton's marketing strategy in China, including expanding efforts to promote the quality-centered brand idea in the Chinese market, adjusting prices on a case-by-case basis, and bolstering the company's online sales channels. The marketing strategy of Louis Vuitton is examined in this article, which provides not only useful information for the company but also useful information for other domestic luxury businesses.

Keywords: China's economic growth, Louis Vuitton, marketing strategy, luxury businesses

1. Introduction

The luxury fashion house Louis Vuitton is owned by the LVMH Group. The de facto significance of the Louis Vuitton brand name is the Frenchman Louis Vuitton, who dressed the French aristocracy and was respected by them for his incredible talents. As early as 1854, he established the Louis Vuitton name with the opening of his own luggage company. 44 years later, his son George created the now-iconic monogrammed canvas with signature Louis Vuitton patterns and floral themes [1-2]. Monogram canvases have been around for quite some time, but that hasn't stopped them from being a hot commodity in the high-end market. In 1987, Louis Vuitton and Moët Hennessy joined forces to form the LVMH Group, which has since expanded into a global luxury goods powerhouse. LVMH's initial focus was on leather goods, but the incorporation of a watch and jewelry company in the 1920s allowed the company to expand into the full fashion industry. LVMH has more than 4,900 stores around the world and made over 500 billion euros in 2019 [3].

This research project analyzes and assesses the Louis Vuitton brand's marketing strategy in China, including the brand's product strategy, pricing strategy, promotion strategy, and positioning strategy. Both a literature review and a case study were utilized in the research for this paper. This article draws

on the literature on the topic at hand to provide a comprehensive understanding of the nature and classification of luxury goods, as well as the current development level of the luxury industry in China [4]. In addition, a theoretical model of luxury consumption motivation and its influencing variables is developed using the grounded theory methodology, which sheds light on the factors that influence luxury purchase decisions among Chinese consumers. To learn more about what makes premium companies tick, we used a case study approach to investigate and analyze Louis Vuitton's M&A evolution over time.

In this paper, we will take a look at Louis Vuitton's marketing strategy, which will serve as a useful benchmark for the company and a learning opportunity for other homegrown luxury brands.

2. The Style of Louis Vuitton

An item's brand style is what sets it apart from similar products and communicates the brand's personality. After 162 years, Louis Vuitton is committed to producing a wide variety of products while staying true to the brand spirit in order to cement its position as a role model in the annals of the world's premium brands. Not only has Louis Vuitton become a symbol of fashion art, but the company's great prestige, rich inventiveness, and acute craftsmanship are also responsible for creating the company's distinctive style, which is characterized by elegance, solemnity, exquisiteness, and flawlessness. Designed by George Vuitton in 1896, the "monogram" is a timeless symbol of Louis Vuitton [5]. Over Louis Vuitton's more than a century in business, the "monogram pattern" has been employed and refined. The e-element can be found on many different bags by this brand. Because of this commitment to innovation, the Louis Vuitton brand has become a timeless icon of the luxury industry.

3. The Quality of Louis Vuitton's Products

As a brand, Louis Vuitton has always put quality first. The goal of this stringent quality control is to make things simpler for the buyer. For the launch of their new "PEGASE LEGERE" bag in 2015, for instance, Louis Vuitton's product testing lab recreated tests under conditions that had been commonly used for the previous decade: Ten years of simulation resulted in 520 simulated flights, or a weekly occurrence on average. A telescoping handle on the suitcase was used repeatedly to raise and lower the bag. When the suitcase was completely stuffed, the traction force applied to the handle reached 100 kg. Over a period of ten years, the bags will cover 240 kilometers of rocky terrain. To test the durability of the suitcase's drum, a mechanical arm was used to drop the bag from 1 meter above the ground 520 times. After the test, the bag showed only minor denting. It has also been reported that a fire broke out in someone's house, destroying most of their clothing, and that the hard Louis Vuitton luggage that was recovered from the bottom of the ocean several years after the Titanic's sinking did not even let a drop of seawater through. The contents of the monogrammed viscose bag were unharmed, though the bag itself was badly burned and twisted in the fire. These stories may be exaggerated, but they do show how highly consumers regard Louis Vuitton products. This is why the Louis Vuitton name has endured for a century.

4. Price Strategy Analysis

Louis Vuitton, unlike many other luxury brands, maintains a consistent retail price for all of its products at all of its locations nationwide and rarely offers discounts. As a substitute, they have been increasing their prices nearly annually to remain competitive in the global market. Louis Vuitton has gained its customers' trust by never offering price breaks. The study found that while Louis Vuitton is more expensive than Gucci and Prada, it is more affordable than Hermes and Chanel. The high prices of luxury brands, as argued by Louis Vuitton, are justified and acceptable. However, Louis Vuitton

argues that products that are either too cheap or discounted frequently cannot be considered luxury. If consumers in the target market understand the emotional and cultural significance of the brand, they will be willing to pay the higher price. To compensate for the widening price disparity across regions caused by the euro's precipitous decline, Chanel increased prices in the eurozone for the first time in early 2015 and decreased prices in China by an average of 20%. After seeing the effects of Chanel's price increases on the global luxury market, a number of competitors have followed suit and raised their prices. On the other hand, LVMH has said that luxury brands shouldn't "chase global prices" and that it will never do what its rivals have done to close the gap in prices around the world. Louis Vuitton's nationwide consistent pricing and non-discount pricing strategy has significantly increased brand loyalty [8]. The increasing prestige of Louis Vuitton boutiques in China is indicative of a general trend toward increased spending by affluent shoppers there.

5. Analysis of Offline Sales Methods

Many well-known luxury brands that sell internationally distribute a large number of licenses to Chinese stores when they first enter the Chinese market. This allows the stores to take advantage of local distribution networks while reducing overhead costs. However, the issue of distribution channel control is becoming more and more apparent, and retailers' inconsistent application of franchise rights can easily harm brand perception and ultimately erode brand value. Consequently, most Chinese high-end brands prefer to set up their own boutiques rather than compete with the country's more well-known retailers. Brand value is the result of an organization's commitment to its brand over time. After breaking into the Chinese market, Louis Vuitton adopted a straightforward and efficient sales channel: direct sales at exclusive stores, with an emphasis on the exclusive store's central role in the distribution chain. Still, great care is taken in the selection of new store openings, and this process can take quite some time. It will be difficult to keep up with the pace of development without compromising the modernization of these businesses. Fast expansion is not necessarily indicative of market success. That each new store is up to international standards is crucial to the development of its name recognition. In the 28 years since it entered the Chinese market, Louis Vuitton has opened 50 stores there. The Louis Vuitton store in Hangzhou follows a general strategy of not oversaturating the channel. Louis Vuitton has found success and expansion opportunities in China's secondary and tertiary cities as well as the country's first tier. [9] So far, Louis Vuitton has primarily located its stores in upscale shopping malls and other commercial hubs, as well as on busy commercial thoroughfares. For instance, the first Louis Vuitton store in Hangzhou is situated in Hangzhou Tower, the city's first large-scale luxury complex and the largest shopping mall in Hangzhou with the most luxury businesses.

6. Online Channel Analysis

Network marketing is a type of marketing that has flourished in the Internet era because of the accessibility and interactivity of digital information and network media. It has become one of the most successful advertising strategies and is rapidly expanding around the world. Companies in the luxury goods industry are increasingly using big data to learn more about their clientele. On July 15th, 2018, Louis Vuitton made public its plans to expand its e-commerce presence in China by opening a digital "flagship store" (such as shown in figure 1).

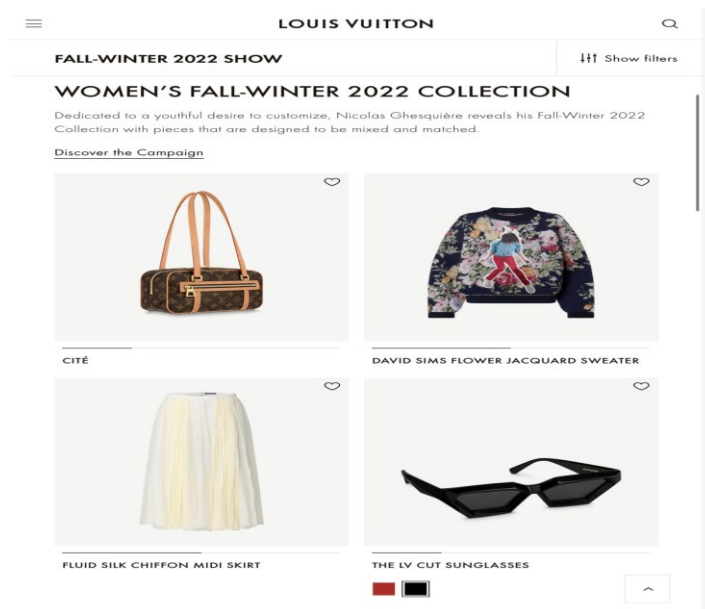


Figure 1: A screenshot of the Louis Vuitton official flagship store web-page [10].

The online marketplace serves consumers in every major city in China and accepts all major online payment systems, including WeChat and Alipay. Concurrently, the e-commerce site will gradually broaden its product offering to include more than just leather goods and accessories but also shoes, ready-to-wear, and luxury jewelry.

7. Louis Vuitton's Social Media and Other Promotional Tools

Louis Vuitton has begun focusing on new media, particularly social media and other low-cost communication channels, to sell its products in response to the increasing purchasing power of young consumers and the widespread availability of the Internet. In October of 2010, Louis Vuitton created an official Weibo account to centralize all marketing messages for the brand. In May of 2019, Louis Vuitton became the first luxury and extravagant brand to join Little Red Book by launching an official account primarily for pushing product information. The fashion house Louis Vuitton made its official debut on the Chinese version of TikTok in August 2020, inviting followers to watch a live stream of the brand's spring/summer 2021 menswear presentation. In China, two of the most widely used social content platforms are TikTok and Little Red Book. If Louis Vuitton wants to maintain its competitive edge in China and win over a new generation of shoppers, it must expand its online distribution channels.

Over the course of its 162 years, the Louis Vuitton brand has focused on narrative marketing, presenting a series of trip stories and progressively establishing the Louis Vuitton brand's travel philosophy: the pursuit of refinement, quality, and comfort makes the "travel" brand a distinct pronoun (such as shown in figure 2). In addition, "travel" was included in the brand's core values. A perfect link between Louis Vuitton's founder and the main line of products launched by Louis Vuitton when he went to Paris alone to start his business is achieved through the theme "Travel," which is positioned strategically. They bonded over a shared interest in travel. Because of this, the idea of travel is embedded into each and every one of Louis Vuitton's signature handbags, luggage, and accessories. Let's use luggage as an example. Some Louis Vuitton luggage has large storage space, some is stylish, and some is lightweight and easy to carry, all of which contribute to the brand's underlying narrative of effortless elegance while on the road.

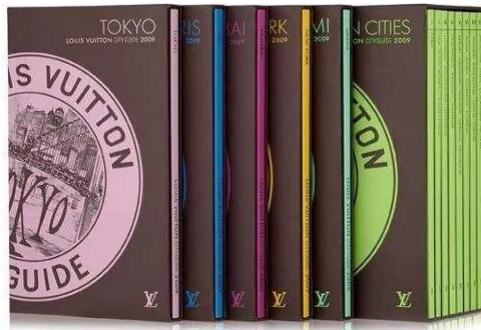


Figure 2: "Louis Vuitton City Guide" series [11].

8. Louis Vuitton Stars and KOL Spread

Louis Vuitton is committed to localized promotion in China, from A-list celebrities to the general public. This is accomplished through multi-level communication. Louis Vuitton has had a long list of celebrity spokespeople, including Madonna, Mikhail Gorbachev, Catherine de Neve, Angelina Jolie, Fan Bingbing, and many more. Beginning in early spring of 2016, Louis Vuitton used the fictional female character Red (from the "Final Fantasy" series) as the face of its "Series 4" advertising campaign. Louis Vuitton's dedication to attracting young customers is demonstrated by the company's use of a video game avatar as a brand ambassador. It was announced on Louis Vuitton's official Weibo account on October 31, 2018 that Chinese celebrity Kris would be the new face of the Louis Vuitton brand internationally [12]. A Chinese person has never before been chosen to represent Louis Vuitton as a spokesman. Brand ambassadors for Louis Vuitton include not only Kris but also Di Liba, Zhu Yilong, Liu Haoran, Ouyang Nana, and many more well-known Chinese celebrities. Clearly, Louis Vuitton has high hopes for the Chinese luxury market.

9. Conclusion

Overall, our investigation into the growth rate and advertising approach of Louis Vuitton in China revealed both opportunities and challenges for the luxury sector in China. Louis Vuitton not only creates a unique brand style founded on product excellence, but also a variety of models aimed at various segments of the market. Buyers' faith in Louis Vuitton has been bolstered by the fact that the brand has never reduced its prices. To bolster China's premium e-commerce sector, Louis Vuitton is carefully developing offline locations while aggressively expanding online sales channels. Louis Vuitton uses local Chinese social media and celebrities and key opinion leaders (KOLs) to promote its products in addition to relying on brand stories centered on travel [13].

Meanwhile, Louis Vuitton is adapting its strategy for marketing in China to the needs of the digital age. As China's middle class expands and the country's global influence grows, so too does its market for high-end consumer goods. Sales in the luxury goods sector around the world are on the rise at the moment, with Chinese consumers making up roughly a third of this sector. As the consumption gap between China and European and American countries gradually narrows, as people's disposable incomes continue to rise, and as people's attitudes toward consumption undergo a sea change, the luxury consumption market in China is poised for explosive growth.

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