

Analysis of Marketing Strategies of Louis Vuitton Based on the Marketing Theory of 4Ps

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Abstract: Increasing economic development and disposable income are transforming China into a middle-class society. As more and more people are able to meet their basic needs (e.g., leisure and employment), they are more inclined to pursue luxury products to fulfill their material needs. Consequently, luxury brands should use effective marketing strategies to attract as many potential consumers as possible to maximize their chances of tapping into this huge market. Therefore, this essay aims to provide insight into luxury brand marketing strategies in China, using the example of Louis Vuitton. The article adopted the 4P marketing model to identify the successful marketing strategies for LV through price, product, promotion, and place, as well as to provide additional advice on the existing strategies. While the research clearly indicates that these marketing strategies are efficient, LV should also take precautions to avoid diverting its target market from high-end consumers, do more research on their ambassador choices, co-brand with more native Chinese designers, and launch more China-exclusive special edition products.

Keywords: the marketing theory of 4Ps, Louis Vuitton, marketing strategies, digital marketing, China's luxury market

1. Introduction

In 2020, China was ranked as the second-largest country in the leading luxury goods market worldwide, with 44 billion euros [1]. Even during the COVID-19 pandemic, between the years 2019 and 2021, the Chinese luxury market almost doubled, indicating the unlimited market potential of the nation [2]. Nevertheless, as the luxury market expands and demand increases, luxury brands' marketing strategies are crucial to their success. Currently, numerous articles analyze the current situation of the Chinese luxury markets, consumer behavior on the market, and marketing strategies employed by producers. As described in the research paper "Analysis of Louis Vuitton's marketing strategies in the Chinese luxury fashion market", the author points out that China is just entering the new normal economy, which presents a unique opportunity for developing China's luxury market [3]. According to Senhuizi Yu's paper on "Marketing strategies for luxury brands in China," she used Chanel and Louis Vuitton as examples to illustrate that the right marketing strategies can enable the brands to achieve long-term development, while the wrong strategies can lead to a permanent downfall for the brands [1]. Because of these, this article will use the 4P marketing theory to analyze the marketing strategies adopted by luxury companies in China, using the case of Louis Vuitton — a leading luxury brand in China — and provide suggestions to improve existing strategies. The article

will first define The Four Ps of Marketing. Next, the article will briefly introduce Louis Vuitton and analyze its current development status in China. The article will then describe the brand's marketing strategy using the 4P model. Lastly, the article will offer recommendations for improving the existing strategies to ensure the brand's long-term success. This study aims to provide other luxury brands with insights into how to develop in China's market, specifically during times of the pandemic, using Louis Vuitton's example.

2. The Marketing Theory of 4Ps and Brief Introduction of Louis Vuitton

The 4P model, introduced by American marketing author Philip Kotler, describes the strategic position of a product in the marketplace and ways to market a product or service to the public. Based on this model, marketing strategies are generally classified into four categories: Product, Price, Place, and Promotion. A marketing strategy can be considered justified if they fall into these four categories, as it will meet market demands and maximize the company's profits [4]. To develop an effective marketing strategy, brands must first consider their products. Marketers should understand what consumers desire and define their products and qualities that will engage them. Price is the amount of money the consumer is willing to pay for a product. In determining a product's price, marketers should consider the real and perceived value of the product to consumers, as well as supply costs, competitors' prices, seasonal discounts, price flexibility, and retail markup [5]. Promotion is the process by which marketers try to communicate with consumers to educate them on their products and organizations and to inform them that they need this product and that it is priced appropriately. The promotional strategies may include advertising, public relations, sales promotion, etc. Place strategy is primarily used to regulate the distribution of products. The questions involved are: what channel the company uses to sell the product, how many products will be sold, how they will be placed, and when they will be sold. Ideally, a good placement strategy should be placing the right quantity of a product at the right places and selling it at the right time.

Louis Vuitton, a subsidiary company of LVMH Moët Hennessy Louis Vuitton (LVMH), is the leading luxury brand worldwide, with a market capitalization of 75730 (in millions in US dollars) in 2020 [1]. The company started by making trunks for travelers and has expanded to a wide range of products such as handbags, clothing, jewelry, watches, and accessories today. Louis Vuitton was the first luxury brand to enter the Chinese market. As of 2022, it had opened 41 boutiques in the country, compared to Chanel's 29 boutiques. However, with more and more people purchasing Louis Vuitton, its products become too popular, and consumers become bored with its designs and begin to prefer other innovative products. Furthermore, with an increasing number of LV knockoffs on the market, the brand lost its mystery, and consumers who pursue "rare is precious" began to abandon the brand. Moreover, the company faced operational challenges in 2012 due to the impact of the European debt crisis and the slowdown in China's economic growth. LV even faced negative revenue growth between 2014 and 2015 [6]. Nevertheless, Louis Vuitton started to improve its performance in 2017 after implementing several innovative strategies. Even during the pandemic in 2021, LVMH's sales in Asia (excluding Japan) increased by 86% compared to the same period last year [7]. Thus, this article will examine how LV has rebounded from a desperate situation and continues to play a significant role in the Chinese luxury market.

3. Analysis of LV's Marketing Strategies

3.1. Product Strategy — Customization

The consumer group for Louis Vuitton products in China comprises people who are, on average, under the age of 40, and these young generations are usually more inclined to pursue innovative and trendy products. To align with their preferences, LV began to launch many fashion products with

increasing frequency. Additionally, to encourage consumers to make a quicker decision, these products are always limited editions, which are only available in limited quantities and cannot be reordered once they have sold out. In 2022, the brand launched the "spring in the city" summer special edition, which featured dreamy candy colors on its classic handbags, and was only available in that summer. As a result of such scarcity, a hungry marketing campaign compelled young consumers to buy right away [1].

In addition, LV offers customization services to provide its customers with an exclusive purchasing experience. Three types of customization are intended to serve different groups of customers. The first type of customization service is designed for LV's super-VIP customers, who spend millions of RMB per year on the brand. These customers will be invited to fashion shows and dinner parties and be given gifts during special holidays. The second type of customization service is usually provided to lower-level VIPs and wealthy individuals. Each time they visit, sales staff prepares desserts and drinks for them and invites them to customize bags by selecting the metal parts, lining materials, and color and type of leather (i.e., crocodile skin). The next customization service has a relatively low threshold and is relatively cheaper, in which the brand offers the general public the opportunity to personalize its leather products.

3.2. Price Strategy

From an economic point of view, the frequent increase in the price of products can help luxury companies catch up with the high inflation rate, compensate for the increase in raw material prices, and maintain the scarcity of their products and brand value [7]. LV maintained a "no discount, no price cut" pricing strategy, even when most brands offered discounts to deal with their merchandise backlog during the pandemic [7]. Instead, the company continuously increased the price of its products to offset its loss. LV's feature products, especially leather goods, have experienced a significant price increase between 2019 and 2022, ranging between 6% and 56%. Pochette accessories, in particular, which are very popular due to their high functionality, have increased six times and by 54% from 11300 RMB to 17400 RMB. Several other popular products, including the Neverfull and the Pochette Felicie, have also seen an increase in price of more than 40%.

3.3. Place Strategy

Over the last few years, Louis Vuitton has adopted an omni-channel strategy that combines online and offline stores. LV adhered to the direct sales model for offline stores, and its entire manufacturing process, including raw material selection, manufacturing, and final sales, takes place through these stores [7]. LV's offline retail stores can be classified into three types: regular retail stores, flagship stores, and pop-up stores. Most of the regular retail stores are located in airports and second- or third-tier cities and are relatively small in scale. While the interior decoration styles of those stores are similar to those of the flagship stores, with orange tones and an elegant and luxurious style with wooden floors, the products offered inside are usually fewer than the variety of those in the flagship stores. Contrary to them, flagship stores are of a larger scale, have multiple levels, and sell a greater variety of goods, including furniture, clothing, bags, shoes, etc. A flagship store is generally located in the most populous part of a large city and can be used to increase brand awareness. It is also an "intangible expression of the luxury brand's identity" [7]. Additionally, LV frequently launched pop-up stores in China, distinguished by decorating styles from flagship and regular stores. Pop-up stores are usually located in the most populous place in a large city and are used as a marketing tool to promote a new collection or conduct market research on the brand's target consumers.

In addition to its official online website, Louis Vuitton also sells its products through WeChat's Mini program. With WeChat being the most widely used social media software in China, LV's online

store available through the platform has attracted great interest. In recognition that Generation Z is known as “digital natives,” the brand frequently restocks its new and popular trainer shoe series, which adheres to their tastes, on mini-program, thus attracting more young consumers. By effectively combining online and offline channels, Louis Vuitton increased its sales by twice as much during Valentine’s Day 2020 as it did last year, when most luxury brands gave up their turnover during the first quarter due to COVID [7].

3.4. Promotion Strategy

Louis Vuitton has adopted three main promotional strategies: co-branding, digital marketing, and celebrity endorsements. In recent years, Louis Vuitton has begun to expand its digital market in response to the growing market of the 1990s, which contributed to approximately 25% of the luxury consumption in China [8]. Generation Z, known as “digital natives,” is highly dependent on the digital world, spending an average of seven to eight hours per day online, according to the US Centers for Disease Control and Prevention [9]. Therefore, as a means of attracting their attention, Louis Vuitton officially registered a Weibo account in 2010 and a Red account in 2019, the two most influential social media platforms in China, and posted exquisite promotional images and videos to demonstrate the value of its products and make the younger population believe that the products were worth the price. Also, in 2020, LV officially entered the Chinese version of Tiktok and invited users to watch the live broadcast of its 2021 spring and summer menswear show to engage more young consumers [3]. Louis Vuitton also adopts co-branding with other brands to expand its brand exposure. It has already conducted almost ten co-branding trials in the last two decades. One of its most well-known collaborations was with Supreme, a street trendy brand, in 2017. The launch of the collection sparked a rush among consumers and attracted thousands of young people. In this manner, LV could penetrate the young market without deviating from the brand’s positioning. Additionally, this collection was set with high prices and limited sales, which enabled the brand to maintain its identity and ensure the scarcity of its products as luxury items [7]. In addition, Louis Vuitton actively engages in celebrity endorsements in China. Most consumers and fans view celebrities as highly trustworthy, believable, persuasive, and likeable, and they subconsciously conclude that celebrities are motivated by genuine affection for the product rather than by endorsement fees [7]. Accordingly, LV transfers from only hiring celebrities for advertisements or single series of cooperation to contracting ambassadors.

4. Future Suggestions on Existing Strategies

Many Louis Vuitton products are low-priced leather goods and key chains, which deviate the brand’s target market from high-end clients. Thus, Louis Vuitton should focus on launching a new, permanent and classical collection featuring high-quality and innovative designs to compete with other high-end brands and attract its target market of high-end clients. The bags and dresses in this collection should be hand-stitched by skilled craftsmen and each label should have a unique number that can be traced back to the craftsman who made the product. To maintain the exclusivity and luxury of the brand, these products should only be available for display in the larger flagship stores and not be promoted by influencers. The collection should also be limited in quantity and only available to brand loyalists and those who appreciate the value of the products. Similar to Hermes, Louis Vuitton may require customers to purchase a certain amount of other products before they can purchase items from the limited edition collection. By focusing on high-quality, innovative designs and maintaining exclusivity, Louis Vuitton can enhance its brand image and gain new customers on the high-end of the market.

Secondly, celebrity endorsement is becoming increasingly popular in China; however, brands must be aware of the risks associated with this marketing strategy. While celebrities often have a large fan

base, they may also have a large number of haters. Taking one of the most famous Chinese celebrities, Xiao Zhan, as an example, there are numerous people who believe he committed misconduct despite the lack of direct evidence. Within 48 hours of Mengniu Corp's announcement of Xiao Zhan as its new ambassador for 2021, its stock price had fallen for two consecutive days, declining nearly 3% in the third day [10]. In addition, there are also brands that are adversely affected by the misconduct of their ambassadors. Since China has cracked down on tax evasion and overhauled the entertainment industry in recent years, many celebrities have been forced out of the industry, and the brands they signed with have had to find new partners. LV also faced a similar situation in 2022, when its head ambassador, Kris Wu, was accused of rape, and the company was compelled to terminate their contract in the end. For this reason, if a brand intends to use celebrity endorsement marketing in China, it is crucial to research the celebrity's private life and how the public perceives them before signing the contracts, regardless of whether or not those celebrities have a large following.

Lastly, in terms of co-branding, brands may collaborate more with native Chinese brands or artists and launch China's limited-edition products during special festivals. While many luxury brands proposed limited edition products for China, especially during the spring festival, these brands only changed the color of existing products into red without presenting any new designs. Consequently, luxury brands may collaborate with more native Chinese artists or brands to produce China's limited editions during the holidays. Since Chinese consumers tend to favor products that exhibit their own ethnic characteristics and are generally willing to support domestic artists or brands, the products generated by collaborations are likely to be in high demand.

5. Conclusion

In conclusion, this study suggests that Louis Vuitton's marketing strategies can be categorized into four sectors based on a 4P analysis. In terms of product strategy, Louis Vuitton launched many trendy and seasonal products with limited editions in order to attract the attention of its young customers. Moreover, it offered three different customization services to meet the needs of different groups of consumers. In addition, LV adopted a "no discount, no price cut" pricing strategy, and increased its price to maintain its scarcity during the pandemic. In terms of its place strategies, it utilizes omni-channel marketing to increase brand awareness as well as attract potential customers. Finally, LV expanded its market through three promotional strategies: co-branding, digital marketing, and celebrity endorsements. Furthermore, this study provides future suggestions for the brand's existing strategies, including launching new exclusive collections to attract more high-end customers, conducting more research before contracting celebrities as its ambassadors, collaborating with more native Chinese brands and artists, as well as releasing more China's limited edition products. However, the financial report for LV is usually included in the report for LVMH, which always analyses the financial performance of Asia as a whole rather than a specific country. Therefore, it is difficult to separate LV's revenue growth from that of other luxury brands. As a result, future research could be conducted once Louis Vuitton publishes its own financial statements to testify to the efficacy of the marketing strategies employed by the company.

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