

# ***Research on the Marketing Strategy of LVMH in the Chinese Market under the Background of New Media***

Sixuan Li<sup>1,a,\*</sup>

<sup>1</sup>University At Buffalo, 12 Capen Hall, Buffalo, United States

a. sli223@buffalo.edu

\*corresponding author

**Abstract:** China's new media has developed rapidly in recent years, and society has entered the era of new media. At the same time, China's economic level is developing rapidly, and people's living standards are also greatly improved. The demand for luxury goods is greatly increased. The huge population makes China become the largest consumer of luxury goods. In this context, various luxury brands have different marketing strategies for the China market. As one of the world's largest luxury goods companies, LVMH is bound to change its marketing strategy for China market. In addition to an overview of the topics and trends covered in the relevant literature, this paper mainly discusses the impact of new media on the luxury industry and how the luxury industry should change in the new media environment. For some academics and marketing managers of luxury brands, this paper can provide some theoretical basis and is of great reference for changing marketing strategies.

**Keywords:** luxury, luxury brands, Chinese market, new media, marketing strategy

## **1. Introduction**

### **1.1. Research Background**

Luxury goods refer to consumer goods with characteristics of uniqueness, scarcity, and rareness, also known as non-necessities of life. The concept of luxury goods is continuously extended, changes with the times, and has different representative products in different periods. At the same time, some consider it a symbol of luxury status. Before the 1990s, the luxury goods market was mainly concentrated in Europe and the United States. Around the 1990s, Japan became a major consumer of luxury goods worldwide. Since entering the 21st century, China has become the main consumer market for luxury goods stores. "In the future, many products will develop with a specific Asian target or, at least, an Asian interest" [1]. After entering the new media era, Chinese people's consumption power in the luxury goods market has increased significantly. Through various social media promotions and the blessing of KOL and star effects, people know and buy luxury goods through more channels. The luxury goods target customer group has expanded and is showing a younger trend. With China's rapid economic development and the deep penetration of new media in social life in recent years, people's consumption levels have gradually improved. China's luxury consumer market has also become larger and larger, and it has become an existence that various luxury groups cannot ignore. The "2022 China Luxury Report" shows that in 2022, luxury goods will completely get out of the haze of the epidemic, and the market size will increase by 17% year-on-year to 2,545 billion

yuan. Since 2010, the Chinese are still an important force in global luxury consumption, accounting for as much as 38% today [2].

Moët Hennessy Louis Vuitton, often called LVMH, is a French multinational holding and conglomerate specializing in luxury goods. The company was founded in 1987 by merging the fashion brand Louis Vuitton and champagne maker Moët Hennessy. In the 1980s, with the idea of combining multiple luxury brands into one group, French investor Bernard Arnault founded LVMH with the chief executive of Moët Hennessy, Alain Chevalier, and the president of Louis Vuitton, Henry Racamier. Since then, LVMH has also become a leader in creating integrated brand groups, inspiring other luxury companies to follow. LVMH controls about 60 subsidiaries and manages 75 well-known brands. These brands include Christian Dior, Fendi, Givenchy, Loewe, Celine, Tiffany & Co., and Bulgari, famous luxury brands by consumers worldwide. These subsidiaries are usually managed independently and are organized under six divisions: Fashion Group, Wines and Spirits, Perfumes and Cosmetics, Watches and Jewelry, Selective Distribution, and Other Activities. After over 30 years of development, LVMH has successfully integrated various famous ideal brands into a group. By 2023, the valuation of LVMH Group has reached 500 billion U.S. dollars and has become the most valuable company in Europe [3]. Not only in the European market, but luxury goods of LVMH are also in great demand in the Chinese market. As a leading luxury group, LVMH has gradually formed a mature marketing strategy in China. Analyzing LVMH's marketing strategy in the Chinese market under the influence of new media is of great significance to understanding the entire Chinese luxury market.

## 1.2. Literature Review

In the article "LVMH's Strategy in Asia is a Multi-Pronged Approach", Joseph Low believes luxury goods always have been known to be a status signifier in Asian countries. He found that as people get richer, they buy more luxuries. The influence of social media has made the Dior saddle bag an increasing necessity [4]. In the article "Luxuries for the happy many", Dubois & Laurent also hold an opinion that even if historic associations of luxury focused on rarity and the "happy few" or nobility as purchasers, contemporary sales levels (such the 217 billion Euro in 2013) mostly derive from a significant downward expansion to the "happy many" [5]. Social platforms greatly influence people's consumption mentality in the new media environment. LVMH has successfully entered the Chinese market by grasping the changes in the consumption mentality of customers in different periods and the characteristics of different times. Most scholars mainly study LVMH's traditional worldwide marketing strategy. Few scholars have studied whether LVMH's marketing strategy in China has changed in the context of the prevalence of new media in recent years and what has changed. So, the change of the LVMH marketing strategy under new media and how these strategies influence the Chinese luxury market are what this paper will focus on.

## 2. Case Description

LVMH is a company of 75 distinguished brands in six different industries. Consumers have always considered LVMH one of the world's best luxury companies, with a diverse portfolio of top luxury brands, extensive geographic coverage, and leading operating margins. The luxury sector offers great opportunities to tap into the rising middle class, especially in emerging countries like China.

LVMH is no longer merely a company; instead, it resembles a conglomerate of French-based European luxury goods firms. The foundation of this collection is the cultural gene at the heart of the fidelity European brand, combining them, using top-notch designers and operational teams to optimize and update the extension, working together with the group's superior resources (legal, financial, channel, marketing, human resources, research and development, information resources),

and using brand and cultural distinctiveness to reach consumers. In the face of such a giant, small brands can only hope that, for example, such a collection of products against the risk of complementary features, fewer comparable competitors, and a full range of defense against new invaders. Therefore, LVMH has won the small brand harvester in many economic crises.

Even though LVMH engages in hostile acquisitions, the corporation places a high value on brand freedom and skill in its development. The core designers of its companies are extremely important to the Group. It can be said that LVMH has the industry's strongest team of top luxury designers. Additionally, the continued stability of the design can be ensured by the designer's lengthy employment with the organization (about ten years on average). The designer is the firm's target resource for purchase on the one hand, and on the other, the company also serves as a tool to help the newly acquired company enhance its new image. Even the main office address will continue to be at the same location following the acquisition. The company will keep the original brand family for young brands.

### **3. Analysis of Problem**

#### **3.1. Problem of Combine New Media with Original LVMH Marketing Strategies**

Before the arrival of the new media era, the marketing strategies of LVMH's brands in China were mainly aimed at consumers with strong economic capabilities. They hold fashion shows and exhibitions in Asia to expand brand awareness and through the establishment of offline stores and the opening of jewelry and jewelry stores to create connections with local customers. For mainstream buyers, luxury goods have become unattainable products only worn by celebrities or the upper class. "The era of digitalisation and the development of social networks are radically changing traditional communication paradigms, influencing the way companies communicate and, more importantly, interact with customers" [6]. Since 2016, with the continuous development of the social economy and technology, Chinese social media such as Tiktok, Weibo, AAuto Quicker, and Little Red Book have rapidly spread among the people, making information spread rapidly. The media can achieve globalization across geographical boundaries, and people in different countries can share the same information. Through the promotion of the brand on various social media, the popularity of various luxury brands under LVMH has greatly increased among mainstream customers. All kinds of KOL video works, such as "Share My Life", "Good Things Sharing" and "Unboxing Video" can also stimulate more customers' desire to buy luxury goods. Luxury goods are no longer exclusive to the upper class but have opened up their sinking market. The opening of the digital age also means that the channels for purchasing luxury goods have greatly increased. People in second and third-tier cities without luxury stores can conveniently buy luxury goods online. Therefore, LVMH should conform to the characteristics of large capacity, real-time, and strong interactivity in the new media era, then actively launch brand advertisements on various media platforms. In addition to brand promotional messages applicable globally, LVMH should launch China-limited products based on Chinese characteristics, such as the zodiac and traditional festivals, to show its sincerity and importance to the Chinese market. In this way, the large-scale dissemination through new media is conducive to enhancing the recognition of many customers for luxury brands.

#### **3.2. Problem of Same and Differences in the New Media Environment in China and Abroad**

There is no doubt that new media has similar characteristics in any country, and it has become the main way for people worldwide to obtain information. In China, 49.9% of people obtain information through social media, while in the United States, as many as 60% of people obtain information through social media [7]. A study found that young people today are more inclined to obtain information through short videos. Short video software such as Tiktok and Snapchat are very popular

abroad, and some popular video content is widely circulated in China and abroad. Short videos are a powerful tool for traffic acquisition and a major platform for advertising. It can also have an impact on people's perception and mentality of buying luxury goods. Therefore, a good grasp of the trend of public opinion and publicity on social media and short video platforms will be a particularly important part of LVMH's luxury product marketing in China's new media environment. However, each country has different social cultures and consumption habits, so many differences exist in TV news and social media. These differences are also the challenges that LVMH will face in China. First of all, China's mobile Internet users are close to saturation, and there is still a lot of room for development abroad, which requires LVMH to adjust its marketing strategy in China. Moreover, the development of personalized information in China is far ahead of foreign countries. Each media pays more attention to the push of personalized content through big data analysis. Therefore, LVMH's luxury advertisements in China also need to undergo personalized screening and accurate investment to target customers. Moreover, Chinese customers have been far less dependent on TV media than other countries since the beginning of the new media era. Therefore, LVMH should also consider adjusting the proportion of publicity on TV media and reducing the advertising degree.

### **3.3. Problem of Increasing Challenges Faced by LVMH in the New Media Environment**

There is an inherent concept that luxury is considered a status symbol, so it cannot be completely broken even after decades of development. It will make luxury brands unable to resonate with most mainstream customers. Making luxury brands accepted by wider consumers is one of the biggest challenges LVMH faces. In addition, the increasing competition is also a big challenge faced by LVMH. Due to social media's widespread use and quick growth, more organizations and companies have recently started to investigate its potential marketing possibilities [8]. China's huge luxury consumer group will also attract other competitors in the same category, such as Hermès and Kering Group, who are all eyeing the Chinese market. Another competition comes from the choice of various communication forms. Because the choice of media in the new media environment is too complicated and the market is highly dynamic, each country has its independent business organization. There is still a huge challenge for the luxury industry in the Chinese market, which is the rising national trend. For Generation Z, the main consumer group in China, it has become a major trend to appreciate and recognize local Chinese brands. Danziger also holds the idea that Guochao is more competitive in current China. "The local Chinese designers are more than participants in the guochao zeitgeist, but creators, not outside observers. As such, they are uniquely positioned to create cultural capital for the rising wave of guochao -fueled consumers in ways no Western brand can" [9].

## **4. Suggestions**

### **4.1. Design Products for Meeting Chinese Preferences and Characteristics**

The number of Chinese consumers is huge, and their spending power is increasing yearly. Major luxury brands are innovating marketing strategies to attract consumers' attention. Take Gucci, a subsidiary of Kering Group, as an example. They will launch a series of products themed on the Chinese zodiac to attract Chinese consumers every Chinese New Year. Then Gucci can use the characteristics of new media to promote luxury products with Chinese characteristics on various social media and short video platforms, enhance the brand's national favorability, and improve its competitiveness in the same period. Hunger marketing is also a powerful sales tool for some regionally limited products. Some businesses began with the actual needs of the market, aggressively implemented hunger marketing methods in sales and service, and had positive financial results [9]. For some popular products, you can specify a time-limited and limited sales rule, which can often get higher returns. Brands under LVMH can also cooperate with several influential fashion bloggers to

try on each season's new products in advance before they go on sale, and they will post them on social platforms to build momentum for the new products in advance. This move is conducive to driving the sales of new products, and it is also a common marketing tool now.

#### **4.2. Large-Scale Use of KOL and Celebrity Effects**

The influence of celebrities and internet celebrities on consumers is huge in China. Every star and Internet celebrity has a fan base, and the star's behavior is appealing and guides the fan base. China's e-commerce industry has become very popular in recent years. One of the important reasons is the influence of celebrities and some KOLs. The customer group admires and trusts them, so they will be willing to buy the products they recommend. For example, the Chinese actor Crystal Liu endorsed Louis Vuitton, a brand owned by LVMH. Many fans will think that buying the same style as an idol is expressing support for the idol, which will drive some people's desire to buy Louis Vuitton. From the perspective of KOLs on social platforms, many models of luxury brands lack practical reference value for customers, so asking influential KOLs to share a good try-on experience is very persuasive to consumers.

#### **4.3. Constantly Cater to the Characteristics of the Times**

People's aesthetic level is also changing as the times continue to change. More and more brands are emerging, and cheaper substitutes for luxury products exist. Due to luxury brands' rising ubiquity, the luxury market may struggle despite its continued rise [10-11]. Under such circumstances, luxury brands with a long history should not rest on their laurels but make innovations according to market demand. LVMH needs to recruit designers from different cultures to continuously innovate products based on the cultural characteristics of different countries. At the same time, it is also necessary to retain the brand characteristics and continue the classics. For example, Louis Vuitton's presbyopic pattern has become the brand's classic logo. Research shows that 75% of first-time luxury consumers will choose products with classic patterns to highlight brand characteristics. Secondly, LVMH can choose to co-brand with other brands. Whether cooperating with brands within your own company or other brands across industries, it's definitely a good choice. For example, Maison Margiela has co-branded with the sunglasses brand Gentle Monster, Gucci with the cartoon character Doraemon, and Fendi with the popular Chinese tea brand Hey Tea. These co-brands have brought good responses in their respective markets. This co-branding behavior enhances brand awareness, attracts traffic, and creates topics on various media platforms. The same goal is to increase sales and bring huge profits. This is a win-win behavior for the brands.

### **5. Conclusion**

In summary, this paper argued whether LVMH's marketing strategy for the Chinese luxury market should be changed under the new media environment and discussed how to adjust the marketing strategy. As previously noted, China's economy has grown and its population's living standards have continued to rise, Chinese consumers have started to enter the luxury sector and have established themselves as a force that cannot be disregarded. As a new way of consumption, it has attracted widespread attention from all walks of life. Starting from consumers' needs, how to open China's luxury goods market and formulate effective marketing strategies has become a common research issue for many luxury brands. This paper chooses LVMH as the main research object. It introduces and analyzes the basic information of this company and analyzes its marketing strategy according to the characteristics of LVMH. This paper also gives some significant suggestions for LVMH's marketing strategies based on China's luxury goods market and new media era characteristics. It focuses on the analysis of the similarities and differences between the marketing strategy in the new



media era and the past and expounds on the difficulties and challenges faced by LVMH under this social background. This paper holds the idea that it is necessary to launch products with Chinese characteristics to increase brand recognition in the Chinese market, thereby increasing sales. In addition, LVMH should use Chinese celebrities and KOLs on major social media to promote and create momentum for the brand and products. The viewpoints expounded in this paper have promoted the development of the entire luxury industry and served as a reference for some brands that have just entered or have not yet entered the Chinese luxury market and how to adjust their marketing plans. However, this paper also has some limitations reflected in the relatively small use of primary data. More primary data can be obtained in the future using surveys and interviews. The vigorous development of new media will drive China's luxury goods industry to a better future.

## References

- [1] Chevalier, M., & Lu, P. X. (2010). *Luxury China: Market opportunities and potential*. John Wiley & Sons.
- [2] Zhongyan.com, *Analysis on the Status Quo of Online Luxury Consumption in China in 2023*, 2023.5.1, 2023.7.5, <https://www.chinairn.com/hyzx/20230501/105245998.shtml>
- [3] Reid, J. (2023, April 24). *Luxury goods giant LVMH becomes the first European company to surpass \$500 billion in market value*. CNBC. <https://www.cnbc.com/2023/04/24/lvmh-becomes-the-first-european-company-surpass-500-billion-in-value.html>
- [4] Laurent, Gilles and Dubois, B., (1998), *Luxuries for the Happy Many*, Post-Print, HAL, <https://EconPapers.repec.org/RePEc:hal:journl:hal-00821729>.
- [5] Low, J. (2022, July 1). *LVMH's Strategy in Asia is a Multi-Pronged Approach*. LUXUO. <https://www.luxuo.com/editors-picks/lvmhs-strategy-in-asia-is-a-multi-pronged-approach.html>
- [6] Essamri, A., McKechnie, S., & Winklhofer, H. (2019). *Co-creating corporate brand identity with online brand communities: A managerial perspective*. *Journal of Business Research*, 96, 366–375. <https://doi.org/10.1016/j.jbusres.2018.07.015>
- [7] People's Daily Online, *Six "similarities" and "differences" of Chinese and American new media*, 2016.11.22, 2023.7.13, <http://media.people.com.cn/n1/2016/1122/c40606-28887445.html>
- [8] Zhou, L., & Wang, T. (2014). *Social media: A new vehicle for city marketing in China*. *Cities*, 37, 27-32.
- [9] Danziger, P. N. (2023, January 25). *'Guochao' Trend May Disrupt Western Luxury Brands' Dominance In China*. Forbes. <https://www.forbes.com/sites/pamdanziger/2023/01/25/guochao-trend-may-disrupt--western-luxury-brands-dominance-in-china/?sh=4738a22522f5>
- [10] Falahat M, Knight G, Alon I. *Orientations and capabilities of born global firms from emerging markets*[J]. *International Marketing Review*, 2018, 35(6):936-957.
- [11] Chandon, J. L., Laurent, G., & Valette-Florence, P. (2016). *Pursuing the concept of luxury: Introduction to the JBR Special Issue on "Luxury Marketing from Tradition to Innovation"*. *Journal of Business Research*, 69(1), 299-303.