

# *Analysis of Marketing Strategy Based on Consumer Psychology*

## *- A Case Study of Louis Vuitton*

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**Abstract:** In 2022, Louis Vuitton's sales surpassed the historic €20 billion mark and were well ahead of the sales of other competing luxury brands that year. Moreover, compared to the first half of 2022 results, sales in the first half of 2023 continue to rise. Based on this, by analyzing the marketing strategy of Louis Vuitton, this paper can conclude that cooperation with celebrities, co-branding with other industries and deep localization are the three main marketing methods of the brand. In addition, by combining 4Ps marketing theory, the advantages and disadvantages of the company's marketing strategy are analyzed from different perspectives, so as to better understand LVMH's business model and development direction. This essay aims to discuss how exactly these marketing strategies are used to ensure Louis Vuitton's success.

**Keywords:** Louis Vuitton, Consumer Psychology, Marketing Strategy

## 1. Introduction

Fashion is a lifestyle that is relevant to all consumers. Therefore, many luxury brands such as Chanel, Louis Vuitton, Dior, Prada, etc. are well-known. However, after the blow of the Covid-19 epidemic to the development of all industries, the sales of many luxury brands have decreased. However, in 2022, Louis Vuitton's sales historically surpassed €20 billion. Comparing the financial statements of several brands, it is possible to derive the performance of several major luxury brands in 2022: Chanel generated sales of about 17.2 billion euros [1], Hermès generated sales of about 11.6 billion euros [2], and Gucci generated sales of about 10.4 billion euros [3]. From a commercial perspective only, Louis Vuitton is already the most successful luxury brand in the industry. In the luxury industry, where every brand launches roughly the same number of new products each year, it is worth exploring the marketing methods used by Louis Vuitton to keep its sales well ahead of its competitors.

## 2. Analysis of LVMH's Development

LVMH Moët Hennessy Louis Vuitton, the world's leading luxury label group with 75 premium brands, generated approximately €79.2 billion in revenue in 2022. According to the official financial statements of the LVMH Group, the aggregate profit of the LVMH Group in 2021 was approximately €64.2 billion. The total revenue in 2022 was upgraded by approximately 23% compared to 2021. In

particular, the Fashion & Leather Goods division's overall profit amounted to €30.896 billion in 2021, while the division's profit amounted to €38.648 billion in 2022, an increase of 25%, which exceeds the group's average growth rate in profit amount. Analyzing the data for the year 2022, it is concluded that the Fashion and Leather Goods division occupied 48.8% of the profit revenue that the entire group had consumed. The financial report also highlighted that in 2022, Louis Vuitton revenue surpassed 20 billion euros, for the first time [4]. The Fashion and Leather Goods division of the LVMH Group encompasses fourteen luxury brands including prestigious labels such as Louis Vuitton, Christian Dior, Celine, and Fendi. Based on the data available in the financial report, it can be calculated that in 2022, Louis Vuitton's annual profits accounted for at least 51.7% of the Fashion and Leather Goods division and 25.3% of the group's profits. It can be inferred that Louis Vuitton is the most profitable brand in this market-leading luxury group. In addition, according to LVMH's new financial results for the first half of 2023 on July 25, 2023, the revenue generated by the Fashion and Leather Goods department had risen for 17% compared to the same time last year [5].

### 3. Analysis of Marketing Strategies

Louis Vuitton has achieved rapid growth over the past two to three years and has attained considerable growth in sales. Upon reviewing various literature and data, it can be concluded that Louis Vuitton uses the following marketing methods to ensure its success.

#### 3.1. Cooperation With Celebrities

In its 2023 financial results, Louis Vuitton made special mention of the effect of collaborations with several celebrities. Quoted from the financial results, “an exciting new chapter began with the arrival of Pharrell Williams, a visionary artist spanning multiple creative universes, as Creative Director of Menswear”. The first fashion show he hosted garnered 1.1 billion views, setting a new world record in the history of fashion shows. This is attributed to Pharrell Williams’ fame as a musician, as well as his strong entertainment industry connections—he invited influential celebrities such as Beyonce, Jay-Z, and Rihanna [6]. Campaigns done with celebrities such as Zendaya, Jackson Wang, and Gisele Bundchen were also especially noted. The three are actors, K-pop stars, and supermodels, but what they all have in common is that they are all significant social media influencers - their Instagram followers are 185 million, 33.1 million, and 22 million. Louis Vuitton could very well use their influence to increase brand exposure. The brand also featured Spanish singer Rosalia singing at the fashion show. This was a creative way to boost the exposure of the fashion show and thus bring more attention to Louis Vuitton's new products. In terms of the choice of choosing celebrities to collaborate with, Louis Vuitton has always stayed on trend. Their campaign partner shifted from “starring 20th-century titans like Mikhail S. Gorbachev and Francis Ford Coppola” to featuring Gen Z celebrities. Therefore, it can be emphasized that Louis Vuitton has worked extensively with various celebrities, leveraging their influence to bring more consumers' attention to the brand's new products and campaigns, enhancing the effectiveness of its communication, as well as cultivating potential consumers and attracting people who do not follow fashion but do follow the celebrities who have collaborated with the brand.

#### 3.2. Co-branding

Co-branding of brands and different intellectual properties can extend the brand audience to more customer groups and constantly attract more potential customers. For instance, LVMH cited the positive impact of the Louis Vuitton partnership in its consecutive 2022 and 2023 financial results. As mentioned in both the 2022 and 2023 financial results, the brand’s collaboration with Japanese artist Yayoi Kusama “illustrated the brand’s link to the art world”. Collaborating with a globally

recognized artist such as Yayoi Kusama can further enrich the content of the brand, integrating fashion business and art [6]. Louis Vuitton also enlisted supermodel Gisele Bündchen, who had gained attention again due to her divorce and comeback, to shoot the campaign for the collaboration. Furthermore, Louis Vuitton placed large-scale Yayoi Kusama-related art installations in several offline stores worldwide to attract consumers' attention. Louis Vuitton's second example of brand linkage was the campaign featuring Lionel Messi and Cristiano Ronaldo during the Qatar World Cup. The campaign featured Messi and Ronaldo competing in a game of chess on a classic Louis Vuitton checkerboard case and a caption "Victory is a State of Mind". It's also worth noting that Cristiano Ronaldo and Lionel Messi are respectively the people with the most followers on the social media platform Instagram. They have 1.095 billion followers on Instagram in total. In the meantime, the FIFA World Cup is one of the most popular and commercially viable sporting events. Louis Vuitton has also been a sponsor of the World Cup for various years. For many consecutive World Cups, the FIFA World Cup Trophy has been brought out in a Louis Vuitton case. Therefore, this advertisement was namely a good co-branding idea and a very effective celebrity promotion. The LVMH group will also continue to associate itself with different sporting events: they became one of the main sponsors of the 2024 Paris Olympics. Compared with celebrity endorsement, linkage with other industries can expand the potential consumer base more quickly. Combining the celebrity effect with co-branding is particularly effective.

### 3.3. Localization of Marketing

A brand seeking to increase its influence in the context of globalization will need to be represented in the markets of more countries. Therefore, the localization for marketing and familiarization with the preferences and habits of consumers in that market is necessary to increase the campaign's effect. Examples include endorsing local celebrities and launching limited edition products with a certain frequency that are related to the cultural characteristics of a certain country. The following is a case analysis of Louis Vuitton's marketing attempts in the Chinese market. Over the years, Louis Vuitton has been on several Chinese social media platforms such as Weibo and WeChat. The brand has also launched an online service, as e-commerce is well-developed in China. Louis Vuitton "opened self-operated e-commerces in 12 cities in China" and launched a "WeChat Mini-Program Pop Up Store" [7]. Louis Vuitton has also been running offline fashion shows in China for multiple years. One of the more notable features was the Spring and Summer 2021 menswear show, which was held offline while being streamed live online. It allowed more people to see the models on stage showing off the new products and the celebrities wearing the outfits off stage. In 2022, Louis Vuitton launched another menswear show in Beidaihe, Hebei Province, a reputable and famous vacation resort in China. This distinguished them from brands that hold fashion shows in traditionally big cities like Beijing and Shanghai, seizing more attention. The deeper significance of hosting a fashion show at a vacation site is one of the brand's connotations of Louis Vuitton's spirit of travel. After the show, Louis Vuitton also contacted many Chinese artists to organize a series of cultural activities altogether, such as opening a time-limited Louis Vuitton co-branded bookstore. Notably, the brand posted an advertisement of a Chinese star Liu Yaowen watching the show. The post was reposted for more than a million times. The brand has also established a restaurant in Chengdu, China, to give consumers a greater experience of the brand. The above is Louis Vuitton's attempt to localize its marketing in the Chinese market. Every seemingly ordinary move is an attempt to bring the foreign brand closer to local consumers.

### **3.4. Analysis Based On the 4P Theory**

#### **3.4.1. Overview of the 4P Theory**

The four Ps are four core factors of marketing a particular product. The four Ps refer to product, price, place, and promotion. Companies should incorporate these elements to maximize profits.

#### **3.4.2. Application of the 4P Theory in the Luxury Industry**

For luxury products, the design, craftsmanship, product packaging, and brand connotations are characteristics that can set luxury items apart from mass consumer goods. Customers believe that luxury brands are of higher quality than ordinary consumer goods and are willing to pay luxury brands in order to fulfill their needs and desires. Due to luxury's relatively higher prices, the urge for ostentation is strongly satisfied by the exclusivity of extravagant luxury items, which allows consumers to sense a feeling of perceived class uplift for luxury consumers. While concurrently satiating their needs for conspicuous consumerism, certain "light luxury brands" with affordable prices may tempt buyers from a different socioeconomic background to enjoy the fulfillment of consuming luxury goods. As for the notion of "place", luxury consumers may be able to gain insight into the brand personality, cultural values, and more aspects of the chosen brand through the retail location, the advertising format, and the level of service of the retail, leading to psychological enjoyment and increased brand loyalty. Finally, marketing tactics for sales may help current and potential customers buy their desired product at an expense that is relatively favorable when luxury firms are marketing their goods. As a result, it meets their clients' aspirations for financial and mental fulfillment [8].

#### **3.4.3. Application of the Product Strategy**

The merchandise that LV offers are categorized to accommodate customers from all socioeconomic backgrounds, ranging from the top-tier, most cutting-edge products to the mass-market, lower-cost products from the manufacturing lines. It is known as the "diamond model" to grade items. This significantly lowers the consumer barrier to entry for brands. Production lines for clothing, fashionable jewelry, watches, and even glasses, fragrances, and cosmetics may all be categorized as distinct sorts of products. By segmenting customer groups at various levels and types of consumers, Louis Vuitton's diamond model approach has maximized the impact of its product line and strengthened the coherence of its brand. The brand's high-end, mid-range, and low-end consumer products have been completely satisfied by the diamond model layouts [9,10].

#### **3.4.4. Application of the Price Strategy**

The prices of Louis Vuitton items remain constant across the nation, they are never discounted, and there are no outlet locations like many other premium companies. Rather, they nearly annually increase prices to correspond with the worldwide market. Despite the fact that this may initially seem as though it's somewhat detrimental, Louis Vuitton has won the trust of its clients by upholding a never-discounted price strategy. According to the LVMH Group, products that are inexpensive or that receive regular reductions are not considered to be luxury goods despite their high costs [11,12]. By understanding the brand's history and its spiritual significance, the targeted buyers may tolerate the high costs. In 2015, when faced with the crisis of the devaluation of the euro, in order to minimize price differences between countries, with a fluctuation of roughly 20%, Chanel raised prices in the eurozone while for the first-time lowering prices in China. Chanel's price adjustment affects the entire luxury market. Many brands adjusted the price of their products one after another. However, Louis

Vuitton has chosen to maintain its prices rather than follow its competitors. In actuality, the non-discount price strategy and countrywide unified pricing of Louis Vuitton have considerably increased the brand's client loyalty.

### **3.4.5. Application of the Place Strategy**

Take the Chinese luxury market as an example, the distribution of a large number of operating licenses to Chinese shops is a practice of huge luxury brands that entered the Chinese market in order to benefit from local sales channels and save operational expenses. The arbitrary interpretation of the operating license right, however, has the potential to harm the brand's reputation and, in the long run, lower its worth. The majority of luxury brands in China choose to do this by opening their own stores and concentrating on the big retailers. As a result, Louis Vuitton has come up with a response to offline sales. Making a decision continues to require time because there are still many candidates for new business openings. If this rate of expansion is too rapid, the refurbishment of those stores will be hampered. Undoubtedly, rapid growth is not an accurate indication of the brand's performance in the market. The core of the brand's development is ensuring that every new store opened conforms with international regulations. After years of presence in the Chinese market, Louis Vuitton has also actively expanded its online sales channels in the face of the current Internet era. It can refer to section 3.3 that mentions about Louis Vuitton's e-commerce service opened in the Chinese market, which is in line with the national conditions of the Chinese market sales model [13,14]. Online marketing is one of the most successful marketing strategies today because it makes use of the Internet as a transmission medium while also utilizing the interactive nature of digital information and network media to help achieve marketing objectives.

### **3.4.6. Application of the Promotion Strategy**

Regarding promotion and marketing, Louis Vuitton's strategy has always evolved with the times, making promotions that fit the characteristics, moods, and trends of the times. The three marketing methods mentioned above, which are cooperation with celebrities, co-branding, and localization of marketing, are Louis Vuitton's main marketing techniques for 2022. These are typical examples of application of the promotion strategy in luxury marketing. This and three other factors, which are products, prices, and places, had all contributed to Louis Vuitton's great commercial success last year [15].

## **4. Conclusion**

Louis Vuitton's success has brought people to speak of Louis Vuitton not just in terms of their design and history, but in terms of their all-encompassing commercial impact. There is no doubt that Louis Vuitton is already one of the most commercially successful luxury brands in the world in terms of leading figures. In this age of the Internet, luxury brands should learn from Louis Vuitton in terms of marketing: embrace the influence of celebrities on a wide and large scale; launch high-quality brand co-branding on a frequent basis and carry out in-depth and dedicated localized marketing campaigns when entering foreign markets. Meanwhile, the brand also continues to utilize a combination of classic marketing theories such as the 4Ps theory. However, many brands have not been able to utilize these methods so effectively, which is why Louis Vuitton is the one that was the first to surpass 20 billion euros in sales and become one of the most commercially successful brands in the world, not the other brands.

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