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

Anqi Xu¹, Yuxin Xie², Jinlan Su³, Chuning Xiao⁴

¹Faculty of Management and Economics, Dalian University of Technology, Dalian 116024, China;
²School of Economics, Shanghai University, Shanghai 200444, China;
³College of Economics and Trade, Hunan University of Technology and Business, Changsha, Hunan 410205, China;
⁴College of William and Mary, Williamsburg, Virginia 23187, America.

Abstract

With the rapid development of economy, China has become one of the world’s largest luxury goods markets. At the same time, since China entered the new economic normal in 2014, economic growth has gradually slowed down, and luxury consumers have become more rational. Therefore, how to get a share of the Chinese luxury goods market is a concern for many luxury brands in the world. Louis Vuitton is a well-known brand that belongs to LVMH’s fashion and leather goods sector. In the background mentioned above, this paper analyzes and studies the marketing strategy of Louis Vuitton brand in China based on the classic 4P theory of marketing. Louis Vuitton's marketing strategy in the Chinese market, including product strategy, price strategy, promotion strategy, place strategy, has its own unique model and characteristics. At the product level, Louis Vuitton has not only created a unique brand style on the basis of great devotion to product quality, but also formed an ingenious diamond model for different levels of Chinese consumers. At the price level, Louis Vuitton uses a never-discounted price strategy to make consumers further trust this luxury brand. At the place level, Louis Vuitton is cautiously expanding offline stores and actively expanding sales channels online to develop China’s luxury e-commerce market. At the promotion level, Louis Vuitton itself not only has a travel-themed brand story as its foundation, but also actively integrates into Chinese local social media and conducts brand marketing through celebrities and KOLs. This paper also puts forward suggestions for the optimization of Louis Vuitton's marketing strategy in China, such as in the Chinese market, increase the promotion of the quality-centric brand concept, flexibly adjust the prices of different products, improve online sales channels, etc. In the transforming Chinese luxury goods market, the research on how companies adjust brand marketing is a topic worthy of discussion. This paper studies the marketing strategy of Louis Vuitton, which not only has certain reference value for itself, but also has certain enlightenment for other local luxury brands in China.

Keywords

Louis Vuitton; Luxury Goods Market; 4P Theory; Marketing Strategy.

1. Introduction

China’s steadily growing capital production and its continuously rising disposable income has been promoting the accumulation of wealth of rich group, indicating the arrival of the era of luxury good industry in China. With such background, we think it is impendent to study this
area of business, to be more precise, fashion luxury industry from a perspective of marketing, and to use the methods of case analysis and literature research to study the famous company Louis Vuitton’s history and current place in Chinese market, and then classify the moderating effects of groups on different aspects of luxury goods marketing strategies.

Due to the particularity of its products, the luxury goods industry can be classified as a specific yell which is composed of top products in various industries. The vague definition of luxury goods causes the uncertainty of the definition of the luxury goods industry, but the luxury goods industry market has different characteristics of ordinary goods market.

Louis Vuitton is one of the most famous and classic luxury brands not only in Chinese Market but also in the global market. It also takes up a huge part of luxury business in China. For the sake of simplicity and efficiency in our research process, we decided to focus on one major brand in Chinese luxury market, to get detailed marketing statistical trends and results. Since the core idea of luxury fashion design are similar, which is to enhance the quality of people’s wearing, without the complication of different brand’s competition activities, we could represent a general rate of change of the market by analyzing this major brand.

More specifically, the following research questions need to be addressed:

a) What is Chinese luxury market's current status as a whole?
b) What's Louis Vuitton’s place in Chinese luxury market?
c) How did Louis Vuitton achieve its current status?
d) What could Louis Vuitton do to expand in Chinese luxury market?

2. Research Method

The research methods of this article include literature research and case research

Literature research: According to the research topic, this article obtains information through investigating literature, so as to fully and correctly understand the definition and classification of luxury goods and the current developing stage of luxury industry in China. In addition, through grounded theory, we will dig out representative Chinese consumers' luxury consumption motivation influencing factors, and construct a theoretical model of luxury consumption motivation and its influencing factors.

Case research: In order to have a better understanding of characteristics of luxury good companies, we used case study method to investigate and analyze the history of M&A development of the Louis Vuitton Company.

3. Literature Review

With the rapid evolvement of Chinese consumers of luxury fashion goods, different luxury brands have adapted their marketing strategies in order to satisfy Chinese customers’ needs. Firstly, the taste of Chinese consumers for the design of luxury goods has changed in the last few years. Chinese consumers now prefer luxury goods with more understated and discreet hints instead of conspicuous logos[1] In 2013, to cater to this need, Louis Vuitton created a bag with no logo on it. Secondly, since the main driving force of Chinese luxury market have now become young people who are between 18 and 30, and young generation in China are more inclined to digital media to get information about luxury brands[2] the channel in which luxury brands promote and sell their products has gradually changed into online. Dolce&Gabbana, Versace have now maintained their customer relation through a digital approach, while Michael Kors has invested strongly online to better attract consumers [3]. In 2014, Burberry has collaborated with WeChat to engage its Chinese consume base. Thirdly, it has been demonstrated that local celebrity endorsements can trigger more social media interaction and has a positive
impact on consumer's purchase intention[4][5], so lots of luxury brands choose to collaborate with local celebrities to make their brands better-known among consumers. Emporio Armani has designated the famous Chinese idol Jackson Yee as its global ambassador, while Prada has collaborated with Chinese singer Cai Xukun. Luxury brands also carefully planned corporations with local bloggers to make a connection with Chinese consumers.[6] Furthermore, luxury flagship store remain an important strategic tool for luxury brands. [7] Flagship stores can not only serve as the best location for showcasing the brand's heritage and holding PR events, but also its distinctive store design and high service quality can make it stand out from competition.[8]

4. Analysis and Results

4.1. China's luxury market development status

4.1.1. Analysis of the current Economic situation in China

In May 2014, China introduced the concept of the "new normal" of the economy, which essentially means that China's economy has entered a new operating cycle, manifested as a downward economic downturn measured by growth rate. In 2016, the L-shaped bottom was formed and then dropped again in 2017. [9]

4.1.2. Characteristics of China's new normal economy

China's new normal economy has the following basic characteristics:

4.1.2.1. Economic growth has slowed down

The most striking feature of China's new normal is the speed-cut in economic increase (see chart 1 and figure2). Since China joined the WTO at the end of 2001, its gross domestic product (GDP) has maintained a dramatically increase rate of more than 9%, and the average increase rate from 2002 to 2011 rose to 10.67%. Nevertheless, since the GDP increase rate descended below 8% in 2012, China's economic increase rate has illustrated a declining trend, and hit a low of 6.4% in 2019. With the onset of COVID-19 at the end of 2019, China has recorded negative growth for the first time.

4.1.2.2 Structural optimization and adjustment

China's structural adjustment under the new normal can be divided into three aspects: first, the demand structure should be improved to decrease the share of investment in economic growth; Second, accelerate the transformation of industrial structure from industry to service industry; Third, it's significant to reform the supply and demand structure, especially on the supply side.

<table>
<thead>
<tr>
<th>year</th>
<th>GDP in the first quarter</th>
<th>GDP in the second quarter</th>
<th>GDP in the third quarter</th>
<th>GDP in the fourth quarter</th>
<th>GDP throughout the year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>20650430</td>
<td>6.8</td>
<td>25110000</td>
<td>3.2</td>
<td>25200870</td>
</tr>
<tr>
<td>2019</td>
<td>21806280</td>
<td>6.4</td>
<td>24257380</td>
<td>6.2</td>
<td>25200870</td>
</tr>
<tr>
<td>2018</td>
<td>20203570</td>
<td>6.9</td>
<td>22362220</td>
<td>6.9</td>
<td>233447430</td>
</tr>
<tr>
<td>2017</td>
<td>18186770</td>
<td>7.0</td>
<td>20195030</td>
<td>7.0</td>
<td>21278930</td>
</tr>
<tr>
<td>2016</td>
<td>16241000</td>
<td>6.9</td>
<td>18140820</td>
<td>6.8</td>
<td>19101060</td>
</tr>
<tr>
<td>2015</td>
<td>15113790</td>
<td>7.1</td>
<td>16854970</td>
<td>7.1</td>
<td>17659770</td>
</tr>
</tbody>
</table>

4.1.2.3 Transformation of growth impetus

The surge in productivity levels has been a primary cause for China's dramatical economic increase more than the past three decades. With the development of economy, however, slower productivity increase is inevitable. Hence, innovation is the crux to improve productivity, and
only through continuous innovation can we come true medium- and long-term sustainable economic development under the new normal. To sum up, the new normal of China's economic manipulation is to change from high-speed increase to medium-high-speed increase, from extensive growth that attaches equal importance to scale and speed to intensive growth that attaches equal importance to quality and efficiency. It is a process of transformation from "quantity" of economic growth to "quality" of economic structure. [10]

Figure 1: China's GDP growth rate from 2015 to 2019

4.1.3. Development and Review of China's luxury market
China's luxury goods market started in 2000. From 2006 to 2012, the annual growth rate of China's luxury goods consumption attained 20%, and in 2012, the increase rate of China's luxury goods industry attained 35%. In terms of the 2012 Chinese Luxury Market Research Report illustrated by consulting firm Bain & Company in December 2012, the Chinese have turned into the largest luxury consumer group in the world, at the same time, the total amount spent on luxury goods attained 306 billion yuan. By 2014, Chinese consumers spent on luxury goods around the world about $106 billion, an increase of 4 percent year-on-year, and they accounted for 46 percent of luxury market around the world. In 2015, the luxury goods market in the Chinese mainland saw a descend of about 2%. However, with the regulation of global price difference, the government's measures to bring luxury goods consumption back into the mainland and incorporate it into the GDP, and the increase of digital marketing, the market growth picked up again. In 2017, Chinese consumers saw strong growth in luxury goods consumption globally again. [11]

4.1.4. Luxury market consumer groups
China's luxury goods market is the world's largest luxury goods market, the primary consumer groups are the affluent group, and the amount of this consumer group is increasing at a relatively fast rate. Meanwhile, the consumer group is becoming younger and younger, with millennials (consumers aged between 20 and 34) becoming the mainstream of consumption. The average age of Chinese luxury consumers has fallen from 35 to 25, according to the World Luxury Association.

4.1.5. The impact of the new normal economy on China's luxury goods market
The new normal of China's economy is bound to sustain quite a long time. We must catch the basic features of the new normal. This paper analyzes and discusses the new position and variation of the driving mechanism and influencing factors of superfluous consumption in China, and then studies them. The study of China's luxury market and policy choices under the new normal provides beneficial information for improving the development of local luxury brands.
4.1.5.1 The impact of the economic slowdown on China’s luxury goods market is clear
As can be seen from the combined figures 2 and 3, since 2016, when the GDP of China growth descended below 7% for the first time, the GDP of China growth has declined for five years in a row (2016-2020). Nevertheless as the bottom of China’s L-shaped economic tendency has largely taken shape, the mainland luxury market has started to rebound, recording 4 per cent market growth in 2016.

4.1.5.2 The promotion of demand construction speeds up the development of China’s luxury goods market
As can be seen from the combined figures 2 and 4, the total consumption of luxury goods of Chinese consumers still maintained rapid growth even during the period of continuous decline of China’s GDP growth (2016-2020), and was only significantly reduced in 2020 under the influence of COVID-19. This shows that under the new normal of the economic condition, the ability of Chinese to expend luxury goods has not descended, but on the contrary, they show great positivity to buy luxury commodities. With the promotion of domestic expense structure under the new normal, the luxury expense demand of Chinese people will be further promoted, which will surely develop the domestic luxury market.
4.1.6. **It can offer new increase points for economic development.**

The momentum of growth will provide opportunities for the development of China's luxury goods market.

The increasingly complex economic environment in China urgently requires to look for new economic increase drivers, which offers opportunities for the improvement of the domestic luxury commodities market. On the one hand, China itself has the largest luxury customer group in the world, and its luxury consumption power and demand are still growing at a rapid speed. On the other hand, China is in an unfavorable status in the luxury market, and it desperately needs to promote the competitiveness of native luxury brands. It can be seen that the new normal of economy will not lead to a slump in the luxury commodities market, but is a golden opportunity for the improvement of China’s luxury commodities market. Through in-depth discussion and research on the driving mechanism and influence factors of luxury consumption in our country, the luxury goods industry in China in the new situation and create new knowledge development stage, provide a reference for Chinese native luxury brand development, Suggestions for luxury goods policy choice in China, has a very important theoretical and practical significance.

4.2. **Introduction of Louis Vuitton**

Louis Vuitton is a well-known brand that belongs to LVMH’s fashion and leather goods sector. The brand name Louis Vuitton is in fact the name of its creator- the French man Louis Vuitton who once offered French aristocrats bunking services and was appreciated by them for his remarkable skill. In 1854, he opened his own luggage shop which was named after him, and therefore the brand Louis Vuitton was founded. After forty four years, his son George designed the famous Monogram Canvas, on which the classic LV mark and flower pattern was printed. Although the Monogram Canvas was created a long time ago, it still remain popular in today’s luxury goods market. Louis Vuitton merged with Moët Hennessy in 1987, leading to the establishment of LVMH group, which now has grown into a multinational luxury goods corporation that takes a leading position in luxury industry across the world [12]. Initially, LVMH mainly focused on the production of leather goods, but with the establishment of watches and jewelry house, it became a comprehensive fashion brand. LVMH now has over 4,900 stores around the world and generates over 50,000 million Euros revenue in 2019. To demonstrate LVMH’s leading position in global luxury industry, we compared the revenue and operating profits of LVMH with two top luxury goods companies— Compagnie Financière Richemont SA and Kering SA.

![Figure 4: Revenue and Profits of Luxury Companies](image-url)
The columns stand for revenue (in EUR millions) of each company while the lines refer to the operating profits (in EUR millions). From the graph above, we can summarize that either from the perspective of revenue or of operating profits, LVMH has generated much more than the other two luxury companies. What’s more, not only LVMH’s profits have been growing at a steady rate, but also LVMH’s stock perform well in the capital market. Although the stock price had been influenced by external factors such as the trade war between the US and China, the share price of LVMH reached €41,420, a new record high toward the end of the year.

![Figure 5: Comparison Between the LVMH Share Price and the CAC 40 Index](image)

Although LVMH has many involved in many business sectors, it mainly focus on fashion and leather goods. For one thing, LVMH started its business by selling leather bags, and therefore it has accumulated lots of experience in designing, producing and selling leather goods. For another, both LVMH’s acquisition with famous fashion company Christian Dior Couture and the high-end luggage manufacturer Rimowa can illustrate the company’s focus on fashion and leather goods. Furthermore, the profits generated by fashion and leather goods has always made up over 40% of the company’s total operating profits.

![Figure 6: Profits Percentage of Different Sectors in LVMH](image)
As the core brand of LVMH’s fashion and leather goods sector, Louis Vuitton has delivered exceptional performance over these 2019. Both the “Louis Vuitton X” exhibition held in Los Angeles and its collaboration in e-sports with the League of Legends World Championship have propelled Louis Vuitton to contribute a lot to LVMH’s revenue growth. In 2019, Louis Vuitton has beaten other competitors in the market and ranks 1st in terms of brand value. In Forbes 2020 Global Brand Value Top 100 Ranking List, Louis Vuitton ranks 9th with the brand value of over US$ 47.2 billion, with Hermès only ranking 32nd and Chanel ranking 52nd.

Louis Vuitton, which once focused only on production of leather goods, now has expanded its business into clothes, accessories, shoes, watches and jewelry. Louis Vuitton’s pursuit in the quality of its leather goods lines and innovative design of its new releases have made it successful in the global luxury industry.

![Brand Value of Top 10 Luxury Brands in 2019](source: data.iimmedia.cn)

**Figure.7 Brand Value of Top 10 Luxury Brands in 2019 (in million U.S. dollars)[14]**

### 4.3. PEST analysis of China’s environment for Louis Vuitton

#### 4.3.1. Political

The stability of political and legal factors determines the long-term stable development of enterprises.

**Quality control:** Due to the growing market of luxury fashion industry in China, the regulations is largely maintained by Chinese government. It is very important to ensure the material and safety standards of Louis Vuitton’s certain products like jewelries and cosmetic products so that it could stay active under the current law system.

**Tax policy implications:** China’s consumption tax on luxury goods is the biggest factor affecting the luxury industry, and the government transfers taxes collected from the rich to the poor. Support for domestic brands. The Ministry of Commerce vigorously advocates and implements the brand strategy, which plays a positive role in China’s self-owned luxury brands.

**Anti-corruption:** Since Xi came to power in 2012, Chinese government has been devoted to beat down corruption to a more severe extent. He proposed a series of anti-corruption campaign and the public agreed that it was among the most effective and influential movement[15]. Most of government -funded luxury gifting are banned; also Chinese government workers are not allowed to purchase luxury goods in a certain value. Since Chinese officials, at this point, are sensitive about their consumption in order to avoid any problematic spending that might put
them in censoring procedure, even get executed. Attention was the last thing they wanted. This series of campaigns greatly affected luxury buying powers in China. Some five-star hotels had to step down and cut their services to cope with the market by leveling down to four-star hotels, since government employees would not choose to stay there if it was considered extravagant spending. At the same time, a large number of Chinese government officials were starting to transfer their personal funds to foreign country so that it is difficult to trace.

Intellectual property protection awareness and the enactment of relevant laws. The strength and effectiveness of brand rights protection will directly affect the development of the country’s luxury industry

### 4.3.2. Economical

Buying power: China’s economy has grown rapidly and a new normal has emerged since Deng’s reform of re-opening to foreign trade policy in 1979, China has become one of the world’s fastest-growing economy bodies, with real annual gross domestic product (GDP) growth averaging 9.5% through 2018. If we also account for China’s different income and lower living expenses using purchasing power parity (PPP), China’s GDP exceeded that of United States and ranked top one in the world.[16]

Slowing Down: Though China’s GDP had been increasingly in a fast rate, it’s also cooling down to a steady rate of 6% each year since 2016. The luxury market was effected by a slow down of economic growth, having a decline of 2% starting the year of 2015. This affected the industry as a whole but some company still found a way to thrive. Professional researchers in LVMH still hold hope for the prospect of Chinese market in the future.

Due to the impact of the COVID-19 virus, the economy in the first half of the 20 years was in a state of negative growth, and the demand for luxury goods in China dropped significantly.

The economic integration of the world has brought about the transformation of people’s economic life style, especially the young generation with rich material life. Meanwhile, western consumption concepts are also influencing them.

### 4.3.3. Social

Population: China is the most populated country in the world, reaching 1.394 billion population in 2019[17]. China is potentially offering a huge market to develop fashion business.

Urbanize: With more than 60% of its population living in urban area and increasing, Chinese people are getting more socially active and therefore would need a better wardrobe to show their characteristic. With urban area expanding, more people are going to need to work in office and thus need to dress neatly to express their respect to colleagues and boss, showing enthusiastic in working.

Tourism: China has experienced a dramatic increase in outbound travel during the passed decade, including to other parts of Asia as well as Europe and United States. This change could cause a huge difference in people’s buying pattern, shifting more of their spending habits to during traveling and oversea, therefore contributing to consuming foreign luxury brands.

Public values: With the continuous promotion of consumption concepts by the media, the public’s pursuit of material life is constantly improving, the conservative consumption concept is abandoned by the young people, and people’s desire for luxury goods is also gradually increasing.

Social education system and public cultural quality: The degree of perfection of social education directly determines the moral quality and professional quality of the population, and also directly affects the speed and quality of social and economic development.

### 4.3.4. Technological

E-commerce: Mega scale online shopping companies like Alibaba had gained their reputation for huge amount of purchase throughout the country even the world. With China’s commercial
transportation getting more developed, it is easy for luxury brands to sell their products online in Chinese e-commerce platform and ship it to any city within 3 days with ground. This established a basic ground for luxury industry to expand online.

Young consumers mostly seek a seamless personalized shopping experience everywhere. This kind of change is creating demand for interactive technologies. The most frequently applied technologies that could be used for enhancing shopping experience is AI (artificial intelligence) and AR (augmented reality). With such tools, luxury goods sellers are able to offer tailored immersive shopping experience, spread enhanced product values and strengthen the connection with more customers. Similarly, advanced online social tools that was built in other business area and was to serve different purpose like the Internet of things are also affecting luxury selling in some way.

A.I. shopping advice from luxury brands is often perceived as reliable, leading to a big increase in consumer engagement. Buyers are gradually forced to rely more on their interaction with online shopping terminals than on subjective taste when making decisions due to the growing usage of artificial intelligence as a part of service.

At present, the number of personal luxury brands using augmented reality apps is relatively small and mostly focused on beauty. Because of the complex cost of building revolutionary industry around relatively simplifies usage and the return of such techniques does not cover the cost of research input, the luxury industry has not been able to use AI and augmented reality at the pace expected by the market. Still, large luxury brand management parties should be aware that the shifting retail market is gradually affecting the buying behavior of more powerful consumers and as a result promoting the occurrence of small, independent brands.

4.4. Analysis of Louis Vuitton’s marketing strategies in China

4.4.1. Overview of 4P theory and its application in the field of luxury goods

The 4P theory first appeared in the United States in the 1960s, when the marketing mix theory was also introduced. In 1953, Neil Borden coined the term "marketing mix" in the opening speech of the American Marketing Association, and pointed out that the two elements "marketing variables" and "marketing elements" have the ability to influence market demand. In order to seek a certain market response, companies should effectively combine these elements to meet market demand, so as to maximize profits. In 1960, McCarthy summarized the basic marketing elements in his book into four classic categories: Product, Price, Place, Promotion, or 4Ps. In 1967, Phillip Kotler further confirmed the 4Ps-centric marketing mix method in his well-known book "Marketing management: analysis, planning and control".

4.4.2. Application of 4P theory in the field of luxury goods

The 4P theory model is very applicable in the field of luxury goods and is used by many scholars to study the marketing strategies of luxury brands. [18] discussed the close fit between the four elements of product, price, channel, and promotion in the 4P theory and consumption behavior in the luxury market in his research. By using the 4P theory, luxury market companies can effectively divide consumers into different groups, figure out consumer behavior characteristics, and put forward more targeted marketing strategies.

Product: Attributes such as design, workmanship, packaging, and brand added value can distinguish luxury goods from mass consumer goods. Consumers hope that the attributes of luxury goods that can be distinguished from mass consumer goods meet their quality pursuits.

Price: The exclusivity of lavish luxury goods enables consumers who own them to acquire the unique value and the promotion of its additional social class, thereby greatly satisfying owners' demand for ostentation. At the same time, some relatively affordable "light luxury brands" can attract another type of people with lower income to enjoy the self-satisfaction of the luxury goods, and also meet their conspicuous consumption needs.
Place: The location of sales, the form of sales (such as direct sales), and the quality of sales services can enable luxury consumers to feel the personality, culture, and other elements of the selected brand, and generate psychological enjoyment, thus building brand loyalty.

Promotion: Wise sales promotion strategies may simultaneously allow old and new customers to buy their favorite one at relatively favorable prices. In turn, it meets consumers’ spiritual and material needs for self-reward.

4.4.2.1 Product Strategy Analysis

In the development of the Louis Vuitton brand, it is far beyond the design and research of travel bags, it has constantly developed new products and carried out a series of extensions. By now, Louis Vuitton has owned fashion handbags, fashionable dress, travel goods, small leather goods, fashionable accessories, high-level clothing, footwear series, jewelry watches, writing materials, and even launched personalized customization services. All the above products and services have made Louis Vuitton brand products favored by a large number of fans thus becoming an distinct brand in today’s luxury goods market.

a) The diamond model of Louis Vuitton products

In order to cater to consumers of all walks of life, LV has classified the products it provides, from the most advanced top products to the production line products that are cheap and friendly to the people. This grading model is called the "diamond model" (Figure 9.), because it has a thin tip and is composed of rare or even unique products. They are all handmade and expensive works of art. It gradually expanded in terms of customers and communication, and gradually reduced the number of entry-level products. Products can be divided into different types, including garment production lines, fashion jewelry, watches, and even glasses, perfumes, and cosmetics.

![Figure 8: LV diamond model](image)

Louis Vuitton’s diamond model strategy has subdivided consumer groups at different levels and consumers with different characteristics, giving full play to the influence of the product portfolio and strengthening the brand cohesion of Louis Vuitton. The entry-level, core and top-level strategic layouts have fully filled the low-end, mid-end and high-end consumption levels of China’s luxury consumption levels.

b) The style of Louis Vuitton brand

Brand style is a product brand is different from other brand characteristics, is an order to demonstrate the unique characteristics of the brand spirit. Over 162 years of brand development, Louis Vuitton devoted to making a variety of products, adhering to the brand spirit, and making itself a model in the history of world luxury brands. Its prestigious quality,
rich creativity and observant craftsmanship have made Louis Vuitton a symbol of fashion art, and also shaped its brand's unique style of elegance, solemnity, refinement and perfection. "Monogram pattern" is a typical logo of Louis Vuitton, designed by George Vuitton in 1896. Throughout the history of Louis Vuitton for over a century, it can be detected that the "Monogram pattern" has always been used and innovated. This element appears in many handbags of the brand. (see Table 1). For this reason, the style of the brand has been continuously enriched and updated, making the Louis Vuitton brand a classic representative in the history of luxury brands.

<table>
<thead>
<tr>
<th>Monogram series</th>
<th>Innovation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Neverfull handbag</td>
<td>Durable, large capacity</td>
</tr>
<tr>
<td>New Neverfull handbag</td>
<td>Added a detachable zipper handbag for more convenient use</td>
</tr>
<tr>
<td>Speedy handbag</td>
<td>The zipper bag is equipped with a key and a padlock, which greatly improves safety</td>
</tr>
<tr>
<td>The new Speedy handbag</td>
<td>New shoulder strap design</td>
</tr>
<tr>
<td>ALMA handbag</td>
<td>Full and elegant structure</td>
</tr>
<tr>
<td>W handbag</td>
<td>Boldly use geometric elements, using calfskin and Monogram classic canvas stitching design</td>
</tr>
<tr>
<td>NOE handbag</td>
<td>Introduced a buckle shoulder strap design, which can freely adjust the length; the drawstring design of the bag mouth becomes a unique decoration</td>
</tr>
<tr>
<td>Lockit handbag</td>
<td>Versatile appearance, exquisite lock design</td>
</tr>
<tr>
<td>Tivoli handbag</td>
<td>There are guard nails on the bottom and golden brass fittings</td>
</tr>
<tr>
<td>Totally handbag</td>
<td>Two additional external test pockets are added, which greatly improves the practicability and safety</td>
</tr>
<tr>
<td>EVA handbag</td>
<td>3 ways to carry, more practical</td>
</tr>
</tbody>
</table>

c) Quality polishing of Louis Vuitton products
Louis Vuitton has always focused on product quality. Strict quality test is to let consumers buy at ease. For example, in a suitcase "PEGASE LEGERE" launched in 2015, the Louis Vuitton product testing laboratory simulates the test under the condition of regular use in 10 years: it simulates 520 trips in 10 years, that is, the average probability of one trip per week, Use the telescopic handle of the suitcase to continuously raise and lower; lift the suitcase when it is full, and the suitcase is filled with 100 kg of items, and the traction force reaches 100 kg, which is used to test the tolerance of the handle; The suitcase is rolled on an uneven surface, and the rolling distance reaches 240km in 10 years. It is used to test the wear of the bottom roller of the suitcase: use a robotic arm to drop the suitcase from 1 meter above the ground, and simulate 520 times. After traveling, the box showed only slight deformation after the experiment. [20]
There are even rumors that a few years after the Titanic sank on the seabed, a Louis Vuitton hard suitcase salvaged from the seabed did not seep into half a drop of seawater; there are also rumors that a fire in someone's home caused most of the clothes to be burned. Only Monogram Glace bag, its outside is blackened and deformed by the fire, but the contents inside remained undamaged. Although these stories are a little bit exaggerated, they actually reflect consumers’ recognition of the quality of Louis Vuitton products, which is why the Louis Vuitton brand has become a century-old classic.

4.4.2.2 Analysis of price strategy
Unlike many other luxury brands, Louis Vuitton’s products are priced uniformly throughout the country, and they never sell at a discount, nor do they have any outlet stores. Instead, they raise prices almost every year based on the global market. Although on the surface it seems a little
unfavorable, Louis Vuitton has won its consumers trust through its never-discounted price strategy.

According to survey data, the average price of Louis Vuitton products is lower than its competing brands Hermes and Chanel, the same as Dior and Modiejia, and higher than Gucci and Prada. Louis Vuitton thinks that the high prices of luxury brands are reasonable and acceptable, and cheap products or products that take discounts throughout the year can’t be defined as luxury goods. Targeted customers can accept the high prices by knowing the history and the spiritual meaning of the brand.

In early 2015, due to the sharp drop in the euro, in order to narrow the price difference between countries around the world, Chanel increased prices in the euro area and cut prices in China for the first time, fluctuating about 20%. The global luxury goods industry was affected by the price adjustment of Chanel, and some brands were also affected, adjusting prices one after another. However, LVMH Group announced that it is not a wise move for luxury brands to pursue global prices, and will never follow competitors’ measures to flatten global price differences.

It is Louis Vuitton's national unified pricing and non-discount price strategy that greatly improve the brand's customer loyalty. In the future, as the Chinese luxury goods market matures, luxury consumers will trust local Louis Vuitton stores and purchase products more. Overseas purchasing agents will not be the first choice of LV customer groups.

4.4.2.3 Channel Strategy Analysis
a) Analysis of offline channels

When big luxury brands came into the Chinese market, in order to take good advantage of local sales channels and reduce operating costs, they tend to distribute a large number of operating licenses to Chinese retailers. However, the control problems of distribution channels have gradually exposed and retailers The arbitrary interpretation of the right of operating license can easily lead to damage to the brand image and ultimately wear down the brand value. Therefore, establishing their own stores and focusing on the main stores is the choice of most luxury brands in China. When all is said and done, brand value is the final result of long-term brand investment.

However, after entering the Chinese market, Louis Vuitton's sales channels are simple and effective, that is, store direct sales, and always put emphasis on the main channel status of specialty stores. (See Figure 8.) New store opening is still strictly selected, and the decision-making cycle for new store opening is relatively long. If the expansion speed is too fast, the upgrade of these stores will be affected. Rapid expansion is definitely not a measure of market performance. It is the core of its brand expansion to ensure that every store opened meets global standards.
In the 28 years since Louis Vuitton entered China, a total of 50 stores have been opened. On the whole, the channel strategy of the Louis Vuitton store in Nanjing is to keep the channel in an unsaturated state. Louis Vuitton not only opened stores in China's first-tier cities, but also saw the great potential of second- and third-tier cities and achieved success. At present, Louis Vuitton has selected its stores in high-end commercial complexes or shopping centers, as well as prosperous commercial streets. Taking Nanjing as an example, the Louis Vuitton Nanjing store is located in the most prosperous Xinjiekou business district in Nanjing, where Deji Plaza is also the most advanced shopping center in Nanjing. [20]

b) Online Channel Analysis

In the Internet era, a marketing method that uses the Internet as a transmission carrier and uses the interactivity of digital information and network media to assist in the realization of marketing goals, that is, network marketing is spreading globally and becoming one of the most effective marketing methods. At the same time, the O2O and C2B models have also revolutionized the luxury retail model. More and more luxury companies are using big data to analyze customers.

In order to develop China's e-commerce market, Louis Vuitton officially announced the launch of an online flagship store in China on July 15, 2018 (see Figure 9.). This online platform covers all Chinese cities and supports multiple mainstream payment methods such as WeChat and Alipay. At the same time, this online buying platform will gradually expand the product brands sold from leather goods and accessories to more product lines such as shoes, ready-to-wear and high-end jewelry.

Figure 10 A screenshot of the Louis Vuitton official flagship store webpage[21]

4.4.2.4 Analysis of Promotion Strategy

Due to the particularity of luxury goods, their communication channels are also distinct from ordinary ones. Under normal circumstances, according to the Brand Life Cycle Theory, a brand often go through four development stages: the introduction period, the awareness period, the well-known period, and the decline period (see Figure 13.).

In 1992, Louis Vuitton entered China. At that moment, the Chinese luxury goods market was almost zero and the brand was in the introduction period. Brand stories were widely disseminated through traditional media. Although the cost was high, it turned out to be very effective in the Chinese market. Louis Vuitton further promoted the brand to enter the awareness period through the public relations activities of classic cars in 1998. This event demonstrated Louis Vuitton's achievements in the production of travel bags over the years, and
greatly accelerated the spread of travel culture. After 28 years of branding in China, it is now in the well-known stage and is also a transitional period of the Chinese luxury goods market.[22] Currently, the knowledge of luxury goods for customers is gradually rational, and the components of showing off decrease, and they pay more attention to the quality of products. Therefore, in such a transitional period, brands should pay attention to the dissemination of content, put more effort in the promotion of brand value, maintain the brand image, and make consumers truly understand its brand stories.

4.4.3. Louis Vuitton’s social media communication

Confronted with the development of network technology and the high purchasing potential of younger consumers, Louis Vuitton has also begun to focus on new media to promote its products, mainly social media and other low-cost communication methods.

In October 2010, Louis Vuitton registered an official Weibo to synchronize brand promotion information. In May 2019, Louis Vuitton officially entered Xiaohongshu to open an official account, mainly used to push product information, and it became the first luxury brand to log on to Xiaohongshu. In August 2020, Louis Vuitton announced its official entry into Douyin and invited users to watch the live broadcast of its 2021 spring and summer menswear show (see Figure 14.). Douyin and Xiaohongshu are both very influential content-based social platforms in China. It can be seen that for Louis Vuitton, expanding online distribution channels is an important measure for it to continuously improve its competitiveness in China and attract young consumers.

Figure 11 Brand life cycle curve

Figure 12 Louis Vuitton’s Douyin and Xiaohongshu accounts[23]
Take Weibo marketing as an example. As of September 1, 2020, Louis Vuitton has officially released 3,230 Weibo with 4.35 million followers. Compared with competing brands Chanel’s 3.5 million, Dior’s 3.65 million and Hermes’s 450,000, the number of fans is much ahead. It can be seen that Weibo marketing is a very important Chinese marketing channel for Louis Vuitton.

4.4.4. Louis Vuitton’s brand story spread

In the course of 162 years of development, the Louis Vuitton brand pays attention to the use of storytelling for marketing, narrating a series of stories about travel, and gradually shaping the travel philosophy of the Louis Vuitton brand—the pursuit of refinement, quality, and comfort. Making "travel" a unique pronoun of the brand. Brand DNA—"Travel" also came into being. The positioning of the theme "travel" cleverly combines the history and products of the Louis Vuitton brand, and realizes the perfect connection between the founder Louis Vuitton and the major series of products launched by Louis Vuitton when he went to Paris alone in the early days to start his business. A good connection was found between them—"travel".

Therefore, Louis Vuitton makes the theme of travel run through all its classic products. Take luggage as an example. Some of the travel luggage under the brand have huge capacity, some are elegant and some are easy to carry, and the travel stories behind the Louis Vuitton brand are easy to travel and elegant travel.[24]

Since 1998, Louis Vuitton has launched a tour guide about the city every year, the "Louis Vuitton City Guide" series (see Figure 15.), which is made into an exquisite booklet for sale. The "City Guide" series separates each city into a book. Through the use of original text and beautiful photos, it can lead travelers who have never been to this city to explore new cities on the one hand, and on the other hand, lead travelers who have visited to explore new cities. A new perspective re-examines the city once stopped. The "City Guide" series has shaped the travel story of the Louis Vuitton brand’s pursuit of travel convenience and service for travel, and demonstrated the inheritance and continuation of the Louis Vuitton brand’s advocating refinement, comfort, and brand travel philosophy.

In 2015, Louis Vuitton digitized the paper version of "Louis Vuitton City Guide" and launched an exclusive app. In the same year, it launched 7 Chinese versions of Beijing, Shanghai, London, New York, Tokyo, Rome and Paris. Online guide, download unit price is about 68 yuan. This is also a major move taken by the Louis Vuitton brand to adapt to the digital age and the Chinese market.

![Figure 13 "Louis Vuitton City Guide" series](image)

4.4.5. Louis Vuitton’s star and KOL spread

From celebrities to KOLs, Louis Vuitton is committed to multi-layer communication, efficiently reaching different types of consumers, and completing localized promotion in China.
In the history of the Louis Vuitton brand, many international celebrities have served as the ambassador of the Louis Vuitton brand, such as Madonna, Gorbachev, Kesselin Deneuve, Angelina Jolie, Fan Bingbing, Gong Li and Wait. In the "Series 4" advertisement in the early spring of 2016, the Louis Vuitton brand chose the virtual character Thunder (a female character in the "Final Fantasy" series of games) as its brand spokesperson. The appointment of a game character as a brand spokesperson reflects Louis Vuitton’s emphasis on satisfying young customers. On October 31, 2018, Louis Vuitton announced on its official Weibo that Chinese star Wu Yifan has become its global brand spokesperson. This is the first time that a Chinese has been elected as the brand spokesperson of Louis Vuitton. In addition to Wu Yifan, Louis Vuitton also invited many popular Chinese celebrities as brand friends, including Di Lieba, Zhu Yilong, Liu Haoran, Ouyang Nana, Zhong Chuxi, etc. It can be seen that Louis Vuitton is very optimistic about the consumption potential of China's luxury goods market.

In addition to asking celebrities for publicity, in December 2018, Louis Vuitton tried to cooperate with fashion KOLs for the first time in China. Fashion blogger gogoboi’s WeChat official account and Weibo simultaneously issued a link request "to steal LV’s box with me"-the H5 interactive mini game of gogoboi and luxury LV was officially launched (see Figure 16.). The whole game process runs through the three themes of "navigation", "flight" and "travel". Not only can the box be "stolen" at the scene, readers can also actively choose the game plot they want to see. The game is highly interactive and the content is lively and interesting. In just two days of launch, the coverage rate has reached more than 40 million people, and the relevant content has been read more than 7.5 million people. More than 300,000 phone-users joined in this interesting link interaction, and more than thousands of people signed up to participate in the offline event held on January 8, 2019. By cooperating with KOL, Louis Vuitton has the courage to break its stereotype of "high cold" and make itself better integrate into China's young consumer groups.

![Figure 14 Louis Vuitton Interactive Mini Game Promotional Poster[26]](image)

### 5. Conclusions and Recommendations

In summary, through our research on the development status and marketing strategies of Louis Vuitton in China, we can find that the luxury goods industry faces both opportunities and challenges in China. At the same time, Louis Vuitton’s marketing strategies in China are constantly adapting to the digital age. Changes and the preferences of local consumers.

The growing development of China's luxury consumption market is closely related to the social background and global market development. At present, the global luxury consumption market sales growth continues to accelerate, and Chinese consumers account for about one-third of the global luxury market. With the gradual narrowing of the consumption gap between China and
developed countries in Europe and The United States, the growing middle class, the continuous growth of people's consumption income, and the fundamental change of consumption concept, the scale and consumption level of Chinese luxury consumers are constantly improving, and the development potential of the luxury consumption market is huge.

5.1. Adjust the import tariff rate of luxury goods in China to solve the phenomenon of consumption spillover

The spillover phenomenon of luxury consumption in China is extremely harmful. To change this situation, the government needs to create good conditions in China so that consumers' evil will be transferred to domestic shopping. Compared to the rest of the world, China charges a very high tax rate on luxury goods. The comprehensive tax rate on imports reaches 25%~30%, and some goods even reach more than 50%. In this regard, the government should appropriately change the tax policy, reduce the import tariff of luxury goods and the range of other taxes, and establish duty-free shops to balance the price difference at home and abroad and guide people to consume at home.

5.2. Develop the local luxury goods industry and change the pattern of foreign luxury goods monopolizing the Chinese consumer market

China's local luxury brands are still in the primary stage of development, and their scale and brand awareness are far from those of international brands. Therefore, actively developing the local luxury goods industry and attracting the purchasing power of the huge domestic luxury consumers to domestic goods will undoubtedly play an important role in expanding domestic demand and promoting China's economic development. Make full use of the traditional civilization of the Chinese nation, invent luxury brands with The characteristics of the Chinese nation, and strengthen technical innovation.

5.3. Improve luxury brand management measures and strengthen legal supervision

The development of China's luxury market is still in the primary stage, and the management measures for luxury brands have not formed a unified standard, and the legal supervision of luxury brands is not enough. In China's luxury goods market, there are still a large number of counterfeit and shoddy products that illegally use well-known brand trademarks, which seriously undermines consumers' buying enthusiasm and confidence in the domestic luxury goods market. Therefore, the government should establish a specialized agency for luxury management as soon as possible, strengthen the legal supervision of luxury goods, and provide consumers and local luxury goods enterprises with a healthy and orderly luxury market.

5.4. Correct consumption concept

China's luxury consumption has not developed for a long time, and people's consumption psychology is narrow, their cognition of luxury is in a relatively simple level, and there are many irrational behaviors. Part of young people to buy stuff they with their spending power is not consistent, blind comparison flaunt wealth, this kind of phenomenon is not consistent with what economized society supervision, and to the consumer himself and his family have a very adverse effect of life, this is we do not advocate, need to improve, through guiding the government should be aimed at this case, the use of television media such as newspaper publicity a correct concept of consumption, to correct people's consumption concept.

5.5. Marketing strategy

In respect of Louis Vuitton's marketing strategy, Louis Vuitton needs to work on four dimensions. At the product level, on the one hand, the company should continue to adhere to and strengthen the unique style of the brand and maintain the brand loyalty of regular
customers. On the other hand, it should increase the promotion of the brand’s product concept of quality as the core, and win more consumers in the Chinese market. At the price level, while maintaining high prices, Louis Vuitton needs to flexibly adjust pricing for different series of products in the Chinese market to attract more Chinese consumers. It can refer to the competitor Chanel, who re-adjusted global pricing in 2015 to encourage Asian, especially Chinese consumers to shop locally, which triggered a rush for Chinese consumers. At the place level, Louis Vuitton has a relatively mature offline channel model, so it can cover multiple levels of consumers in China. However, Louis Vuitton’s online channels are not yet complete. The brand should expand its consumption channels to China’s mainstream e-commerce platforms based on the existing flagship stores, so as to obtain more traffic monetization. At the promotion level, Louis Vuitton should fully grasp the brand story promotion centered on "travel", broaden the communication channels, and establish the brand image of Louis Vuitton in the hearts of Chinese consumers. In particular, Louis Vuitton should make full use of social platforms such as Weibo and Xiaohongshu, and at the same time leverage on celebrities and KOLs to enable potential young consumer groups to truly understand its brand connotation.

China’s luxury goods market is in a transitional stage, and major international brands are constantly adjusting their strategies here, and Louis Vuitton is no exception. Louis Vuitton needs to fully realize the importance of marketing strategy in the ever-changing Chinese market, and create distinctive brand connotation and culture, so as to clarify its position and occupy the Chinese luxury market.

References


[23] Louis Vuitton, (2020), https://www.xiaohongshu.com/user/profile/5b40d11de8ac2b0d7d1b9520?xhsshare=CopyLink&appuid=5b987beefc027700018e624e&apptime=1601725466

