Louis Vuitton's Expansion Strategy in Chinese Marketing -- Fashion & Leather Goods

Shixiong Li¹, *, Yao Lu², Ruyi Zhao³, Yanxin Wang⁴, Senyu Qi⁵

¹Holmes School, Qingdao, China
²Ningbo Xiaoshi High School, Ningbo, China
³Northwood Schoool, Hefei, China
⁴Cambridge International Department of Ningbo Zhenhai middle school, Ningbo, China
⁵Jiangsu Yancheng Middle School, Yancheng, China

*195803886@qq.com

Abstract. In this paper we will talk about the LVMH Company and how Louis Vuitton use marketing strategies to increase their profit in China. All information that we collect are from online survey and social listening, providing powerful evidence about competitive advantages and disadvantages. Also, in this paper we will talk about how LV using marketing skills to reduce their lost during the COVID-19 epidemic. and we also give LVMH some advice about how they can do during the big events like corona virus.

Keywords: Louis Vuitton, Pandemic (Corona Virus), Strategies, Designs.

1. Introduction

Nowadays more and more people are focusing on fashion, and LVMH is a huge fashion company that cannot be ignore. Good fashion company combines with excellent marketing skills, so as an established French fashion house since 1854, Louis Vuitton's marketing skills are worth learning. LV did a really good job on updating their customers’ experience. They also play an important role in the fashion and even financial circles, we can see from these two pictures bellows, most of the people believe that LV is only below Hermes, which says the its position in the whole fashion industry.

It must be said that LVMH group has explained to us what a world-class super large company is. Whether it is from the operation and sales of the brand or the calm handling when encountering pandemic, these marketing skills from small to large are worthy of our reference.

In order to better understand the development and achievements of LV in the Chinese market, we have done a market survey of the LV brand, mainly about the customers, competitive advantages and strategy.

2. Marketing Strategy

2.1 Segmentation

Louis Vuitton uses a mix of geographic, demographic and psychographic segmentation strategies. According to the Louis Vuitton official website suggests, it is one of the world's top luxury brands. Their price of products is expensive and always be sold in first-tier city.

<table>
<thead>
<tr>
<th>Geographic</th>
<th>city size</th>
</tr>
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<tbody>
<tr>
<td>Demographic</td>
<td>income, social class</td>
</tr>
<tr>
<td>Psychographic</td>
<td>lifestyle</td>
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</tbody>
</table>
2.2 Targeting

Middle and upper classes people pursuing fashionable and elegant lifestyle.

2.3 Segment Attractive

Segmented customers have huge buying power. These customers mainly are fashion-conscious teenagers and wealthy people. According to the national official statistics, per capital gross domestic product in first-tier city like Beijing, Shanghai, and other cities exceed 20000 dollars in 2019. People who live in first-tier city have higher salary and buying power to buy luxury products. For instance, many teenagers living in rich family always buy Louis Vuitton individual customized clothes to follow latest trend and pursuit the fashion, many high-ranking companies administers and rich people buy exquisite bags of Louis Vuitton to show their identity and meet their psychological satisfaction. In addition, [1] According to the research in Guangdong University of Foreign Studies, Louis Vuitton brand marketing research in China, we can find that people mainly buy Louis Vuitton products through purchasing agent and cross-border-e-commerce and overseas websites.

![Table 2. The per capita GDP of Beijing and Shanghai people in 2019](image)

<table>
<thead>
<tr>
<th>Gross regional production (100million yuan) in 2019</th>
<th>35371.3</th>
<th>38155.3</th>
</tr>
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<tbody>
<tr>
<td>Per capita Growth Domestic Product (10 thousand yuan) in 2019</td>
<td>16.4</td>
<td>15.7</td>
</tr>
<tr>
<td>Per capita GDP in 2019 (10 thousand dollars)</td>
<td>2.4</td>
<td>2.3</td>
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2.4 Competitive Advantages

brand image& style& Appreciation Space

Compared with their competitors, Louis Vuitton creates gorgeous products for the aristocracy and upper classes, which directly states that the quality of their products is terrific, and their brand are influential that show customer's identity and status. In addition, the reason why many people are willing to buy Louis Vuitton products are also the appreciation of products. According to the data, we found that the value of product is going up. [5]
2.5 Segment Compatible with Core Competency, Brand Image, and Goals

Louis Vuitton's brand image is the art of travel. It represents the spirit of personality and charm, its personality is reflected in this history of 100 years, its letter combination pattern and its noble, elegant temperament. This brand image in line with the current pursuit of fashionable people's direction and accord with wealthy people pursuing modest luxury and comfortable life. Compared with its competitor, Louis Vuitton's products are more fashionable and publish many activities to encourage workers to innovate. For instance, in 2014, Louis Vuitton launched the LVMH prize for young designers (Figure 2). Thus, we can find that compared with other area in LVMH, fashion & leather profit proportion is the largest (Figure 3). [6]
2.6 Positioning

Production position: Louis Vuitton provides exquisite products with customers.
Consumer position: Customers could show their status and meet their psychological satisfaction through Louis Vuitton's exquisite products.

Company position: emphasize their products benefits and combine public relation campaigns with the Chinese culture, which can maintain their value and attract more customers.

2.7 Market Research

Online survey and social listening are the two main methods used in this research. Until August 10th, we collected 136 questionnaires. Among the 136 potential or actual customers, about 48.33% of them are between 18 and 30 years old and 32.5% of them are between 0 and 18 years old. In China,
high-end consumer groups, especially the mass high-end consumer groups, are gradually showing a trend of getting younger[9]. And anyway, most people earn between 0 and 300000 (about 54.63% of the customers earn between 0 and 100000 and 23.15% of customers earn between 100000 and 300000).

3. The Main Results of Market Research

According to the data collected from August 5th to August 10th, the results can be summarized as the following:

3.1 Channels of Understanding the Brand

In order to better understand consumers' attitudes towards LV, we first investigated the channels through which people around us understand LV. Studies have shown that the main channels for people to understand LV are information on the Internet and some advertisements they see in normal times. In the information age, the Internet is undoubtedly the best way for consumers and product companies to get acquainted with each other. The so-called luxury goods giant’s LV has also realized the importance of network communication and consumption to the company.

3.2 Three Competitive Advantages

Through our investigation, it is obvious that the characteristics of LV products that attract consumers the most are quality and style, brand image and product appreciation space. [3]
Based on the survey, we get the result that about 60.92% customers think that the appreciation space is the competitive advantage of LV and 29.88% of customers believe that the quality and style of clothes enhance the competitiveness of the clothes of LV. The result shows the importance of the design and brand value, which may be the breakthrough of LV to promote sales and increase profits in the case of depression.

3.3 Quality and Style

Since we want to analyze the expansion of LV in the Chinese market, we must understand the current situation and characteristics of the Chinese luxury goods market. For Asia-Pacific regions such as China, the age of luxury consumers is relatively around 30-50, which should be relatively lower than the consumers in Europe and America. This has something to do with China being a developing country. The people in China generally became rich later, and they didn’t have that deep understanding of European and American luxury brand, so they will focus on product design and quality more.

3.4 Brand Image

What is indisputable is that for the marketing of luxury goods, building up a brand’s image and expanding its influence is the top priority. The reason why luxury goods are more expensive than ordinary products is precisely because they sell the uniqueness behind the brand. And deep cultural precipitation. When a luxury brand has made its own reputation in the market, the value of the products linked to it will rise due to the influence of its brand.

In the 1850s, Louis Vuitton started his business as the maker of French court royal bags, and his noble image was highly sought after by court nobles. In the era when there was no mass media, it developed rapidly with the help of word-of-mouth communication among members of the royal family.[10]

For 150 years, for example, the Louis Vuitton brand has been advocating the "travel philosophy" of exquisiteness, quality and comfort as the starting basis for design. On the basis of adhering to the original concept, Louis Vuitton has also insisted on continuous innovation, Keepall Handbags have subverted the concept of people's handbags in the past, and the soft canvas makes people love it. Louis Vuitton (Louis Vuitton) spread throughout Europe as the most exquisite symbol of travel goods.[2]
3.5 Appreciation Space

On the other hand, our research shows that the reason why many people are willing to buy LV is also the appreciation of the product. Jewelry, bags, etc. are all luxury goods with a certain appreciation, and these products will be relatively more favored by consumers. This is related to the value of the product itself.

For LV, its products have always maintained a certain frequency of price increases, which can also encourage people to purchase, because the value of the products will gradually increase after consumers buy the products, so that consumers will be satisfied with profits, thus willing to buy more products.

3.6 Competitive Disadvantage

Based on the survey about the competitive disadvantages of clothes of LV, we get the result that about 60.92% of the customers think that the price of the clothes of LV is so high. Due to the target consumer groups and market positioning of LVMH company, it is unrealistic for LV to reduce the price of clothes. But even so, LV can still make appropriate and reasonable improvement on this result, broaden the product matrix, and boldly carry out the assumption.
Our survey also designed a question: How would you suggest LV adjust its marketing strategy to help maintain its brand image or even improve its own brand image in a market depression/unstable situation (such as COVID-19/economic crisis)? This is a multiple-choice question. From the respondents’ answers, it can be seen that one of the options chosen by 49% of people is appropriate price reduction promotion, and there is another option that 45% of people choose, that is, LV should improve their own To improve product quality and appearance, 38.3% of people think that advertising is also a good way for LV to increase their profits when the market is depressed.

4.1 The Limitations of Survey

In most cases, a very small survey base usually has flaws and defects in its data reliability. The online survey conducted in this research also has limitations.

4.2 Limitation in Age and Income Group

As most of the respondents are young people, their income is generally low enough to pursue luxury brands. Therefore, the survey data will be relatively inaccurate and limited.

4.3 Limitation in Number of Samples

The number of samples involved in this survey is less than 150 people, and the people participating in the survey are all in the same region. Compared with a large number of luxury consumers, the sample of 150 people is not representative of.

4.4 Market Tactics

From the results of the questionnaire survey, when the interviewee is asked how LV adjusts its marketing strategy to help maintain its brand image or even improve its own brand image in a depressed or unstable market (such as COVID-19/economic crisis), nearly 50% of people think that LV can lower relative prices and engage in some promotional discount activities to stimulate customer consumption. Given the limitations of our survey subjects and the inaccuracy of the results, this is not a suitable method for LV to maintain brand value. Therefore, consumers' understanding of luxury goods and some consumption concepts need to be improved. For other ordinary brands, this method really helps them maintain their income and brand value in a sluggish or unstable market. However, LV is different from ordinary brands. LV positioning is a luxury. If LV lowers commodity prices and engages in some promotional discount activities to stimulate customer consumption, this may help LV maintain income in a short period of time. At the same time, LV brand value will also be greatly reduced. I believe that LV would rather lose money than use this method to maintain income in a depressed or unstable market. Regarding this issue, I have several strategies suitable for LV to maintain or even increase its brand value under these conditions.

4.5 Co-branded Products

The first thing this essay wants to talk about is the co-branded products launched by LV and other brands, such as Supreme, League of Legends and so on. These co-branded products not only increased the popularity of LV, but also captured a large number of new consumers. Supreme is one of the representatives of today's street brands, and LV is also one of the representatives of luxury brands. Brand cooperation in two different fields will undoubtedly cause new trends. So when LV and Supreme joint model was launched, it received a large number of consumers. In addition, the cross-border cooperation between Louis Vuitton and League of Legends is known by the industry as an important milestone in the fashion industry and e-sports events. This also indicates that the boundary between the fashion industry and games and entertainment has become increasingly blurred. This time, the heroes are co-branded with Louis Vuitton. Naz Aletaha, the developer of League of Legends and the head of Riot Games’ global e-sports partners, said: “We are very honored that Louis Vuitton can become our official partner, and through design, let Our most well-known League of Legends e-sports event has been further improved in terms of perception and reputation.” This is the benefit of League of Legends, so what is the purpose of LV and League of Legends cooperation. During the
Covid-19 period, when all the people are at home, teenagers will spend a lot of time playing games, and LOL, as the most popular game among teenagers, will undoubtedly become a recreational thing for teenagers. Most teenagers can't afford LV tens of thousands of dollars of products, but they can still afford a game skin. At this time, LV became the first luxury brand that many teenagers came into contact with, and this joint game skin also became their first luxury. When they grow up and have the ability to buy luxury goods, LV will undoubtedly become their first choice. When the structure of the luxury goods industry and the commercial imagination space are undergoing tremendous changes, what determines the height of the ceiling of Louis Vuitton in the future happens to be the sample size of the main consumer groups.

5. Recycled Materials

The second point is that LV can be improved in terms of product materials. The Covid-19 outbreak has aroused people's thinking about life and hygiene, and at the same time, it also made those consumers more concerned about the brand's social responsibility and sustainability. At the same time, people are even more opposed to fast fashion and products that are not sustainable. This is an opportunity for LV. In this environment, LV can launch new products with recyclable materials, and LV can continue to create classic products with new materials to attract consumers' attention. Part of the high prices of luxury goods is due to their good quality, but most of them are due to brand effects. Many luxury brands clearly state that this product should not be exposed to water in the manuals of luxury products, because luxury brands believe that its consumers do not need to wear the same clothes or shoes for a long time, which also leads to unsustainable development of the product. Therefore, LV should create sustainable classic products in this environment. For example, LV can introduce and promote the concept of recycling of environmentally friendly materials and clothes. This is not only more environmentally friendly, but also more conducive to the building of brand image.

References
