

Brand Building Triumphs: Le Labo's Inspiring Market Entry

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Abstract. Due to the impact of the epidemic on the economy, an increasing number of consumers have changed their consumption preferences, and the demand for non-essentials has decreased gradually. Nevertheless, the fragrance market has experienced a substantial increase in sales during this era. Le Labo is considered to be one of the representative brands in the fragrance market. Thus, this research investigated the methods utilized by Le Labo in order to stimulate consumer purchase intent through the implementation of effective marketing strategies. The present study examined the impact of brand identity, co-branding strategy, and brand awareness on consumer purchase intention in the context of new market entry. The results of the analysis revealed significant correlations between these three factors and the likelihood of consumers intending to make a purchase. Subsequently, based on the targeted marketing strategies, this research gave some suggestions, which have led to the formulation of practical recommendations aimed at boosting brand identification and brand awareness.

Keywords: Brand identity, Brand awareness, Co-branding, Purchase intention, Consumer behavior.

1. Introduction

1.1. Research background

Dramatically, the COVID-19 pandemic has had a profound global economic impact, affecting industries and economies of varying magnitude. Lockdowns and restrictions aimed at curbing the virus led to declining output, negative growth rates, and deflationary pressures in some economies, while others faced inflationary risks due to supply chain disruptions [1]. As a result of existing financial limitations, consumers have experienced a change in their spending patterns, prioritizing the acquisition of necessary products and services while reducing their expenditure on non-essential items. On the other hand, the pandemic has had a significant impact on brands, leading to widespread changes in the marketplace across multiple dimensions, including market development, and communication strategies. However, the fragrance industry experienced a significant increase in sales during the pandemic. According to a Business Insider market report, fragrance sales increased by 45% in Q1 2021 compared to the previous year [2]. China has become a fiercely contested market for perfume brands. According to ECHEMI's data resources, the perfume industry in China is set to experience a remarkable 33% growth in 2021, representing the highest rate of growth in the last five years [3]. One of the most representative perfume brands is Le Labo, a high-end cultural niche fragrance brand that had debuted in New York in 2006.

In 2014, the Estée Lauder Group purchased Le Labo. According to Estée Lauder Companies Reports Fiscal 2023 Results, sales of Estée Lauder's fragrance products were \$775 million in the three months before December 31, 2022, indicating a 12% increase in comparable revenue, mostly due to the success of Le Labo [3]. Le Labo has announced its foray into the Chinese market, with the first location opening in Shanghai in June 2023. The Shanghai boutique became the brand's top-performing store in the world in June 2023 after only a one-month opening [4].

1.2. Research Gap

Over the past decades, most of the research in marketing and consumer studies has paid particular attention to perfume and consumer behavior. These studies often explore various aspects related to consumers' preferences and perceptions. Milotic have extensively examined the relationship between scent, memory, and emotional engagement. Research might delve into how different scents evoke

emotions and influence consumers' moods, such as investigating which fragrance characteristics (e.g., floral, fruity, woody) consumers prefer and how these preferences vary across different demographics, such as gender and culture [5]. While others might focus on the importance of visual stimuli in the purchase decision process, Toncar and Fetscherin provided important insights into how visual cues and imagery employed in fragrance ads can, under specific circumstances, influence product expectations [6].

Based on existing market information, it is notable that the Chinese market has witnessed a significant flood of perfume brands, accompanied by a rapid surge in perfume sales. However, it is important to point out that no comprehensive research has been conducted thus far to investigate the underlying reasons behind the remarkable response and purchase intent generated by Le Labo upon its entry into the Chinese market. Therefore, this study aims to evaluate the strategies employed by Le Labo to generate consumer enthusiasm during the initial stages of market introduction. Anticipating consumer preferences in a period characterized by swift technological advancements and product innovation might present challenges. Consequently, marketers are required to possess a comprehensive understanding of the determinants that impact consumer choices regarding certain products. The implementation of a marketing strategy is of utmost importance for the achievement of organizational success. The marketing strategy serves as a strategic blueprint, providing direction for marketing initiatives and ensuring their alignment with the overall business objectives of the organization. The investigation of this market phenomenon holds significant value, and the contributions it has made deserve widespread recognition. The case study of Le Labo highlights the significance of a brand possessing a well-defined and astute marketing strategy, which effectively facilitated its notable triumph in penetrating the Chinese market.

1.3. Fill the gap

In order to analyse brand success upon market entry, this paper utilizes Le Labo as a prime example. Using Le Labo's accessible market data and resources, this paper explores the reasons for the brand's current success through theoretical analysis. Based on these findings, practical recommendations will be presented to ensure its continued advantage in the Chinese market.

2. Case Description

Le Labo's brand philosophy was born out of a desire to break with the norms of commercial perfumes, and the brand has distilled the art of fragrance-making down to the basic elements. Le Labo avoids superfluous emotive messaging to ensure that the experience people have with their fragrances is shaped solely by the scent themselves. Le Labo's fragrances are labeled with a single word and a number, according to the key ingredient and the quantity of notes. Le Labo's vision goes beyond a preference for minimalist images; the overall tonality of the brand image is simple and no-fuss; they only present the creations as they are, for what they are. The makers of Le Labo are empiricists in the truest sense. Le Labo believes that things can only be known through experience, which surpasses the expressive capacity of words and images. Creating soulful creations with care through their craft of slow perfumery is Le Labo's heartbeat.

Beside the class collections, Le Labo launched its City Exclusives collection in 2006 as a way to pay tribute to its favorite cities. Normally, the city-specific scents would only be available for purchase in the area they belonged to. However, once a year during the month of September, all City Exclusive scents will travel around the world and be available at all their labs. In addition to the brand official Instagram, Le Labo also runs a special account @overheardlelabo with 87.3K followers, where Le Labo became a listening set, allowing clients to tell their life stories. The content it publishes comes exclusively from conversations that take place in the store. Le Labo Souls is in charge of the account. The soul refers to the salespeople who directly communicate brand philosophy and beliefs to clients. As people who enjoy music, drawing, writing, dance, etc., they have apron creativity

sensibilities, and Le Labo views their individual spirits as the medium through which they can communicate the brand's principles and ideals to the clients [7].

Le Labo makes its debut in Mainland China with the launch of its WeChat mini-program and the opening of its brick-and-mortar boutique in Xintiandi, Shanghai, in June 2023. Le Labo made a strategic decision not to make its initial presence on third-party platforms like T-mall. Instead, it plans to use WeChat as an exclusive direct-to-consumer hub to engage with clients, establish its brand identity, and cultivate consumer loyalty through its mini-program. The boutique had heavy traffic in its first month of opening. Many of the best-selling perfumes are still out of stock offline, and their only online purchase channel, the WeChat mini program, also shows numerous fragrances sold out. The mini-program set up open-day reservations on May 28–30, and it was fully booked within hours. Furthermore, upon arrival with a reservation to visit, the waiting lines were nearly an hour long.

3. Analysis

3.1. Reasons on Brand Identity

A strong brand identity has a significant impact on consumer behavior. Le Labo is considered a brand with a strong brand identity for several reasons. Le Labo is known for its unique approach to fragrances. They create scents that are often unconventional and challenge the norms of the commercial fragrance industry. This uniqueness sets them apart and makes their brand identity distinctive. Le Labo creates a personalized approach to fragrances on-site when consumers make a purchase, emphasizing authenticity and craftsmanship. Moreover, the brand's stores and packaging materials have an artisanal and industrial aesthetic. This aesthetic reinforces the identity of a brand that appreciates the concept of Wabi-sabi and beauty imperfections.

Srivastava showed that brand identity encompasses the essence of the brand and how consumers perceive it, rather than just visual elements like logos and colors [8]. By conveying a unique history, values, and mission, the brand can create emotional connections and engage consumers on a deeper level. If a brand's identity aligns with the lifestyle and values of its target audience, it can create a stronger connection and increase purchase intentions among consumers who identify with those values [9]. Hwang and Kandampully's study on emotional factors in young consumer-brand relationships has also expanded the understanding that consumers who identify with a brand's distinct qualities are more inclined to advocate for it and encourage brand loyalty [10]. As such, ultimately leading to business growth and success.

3.2. Reasons on Co-branding

Co-branding is a strategic alliance where valuable brand assets are combined and leveraged [11]. Previous research highlights the importance of thoroughly comprehending and selecting a partner based on brand image compatibility and proficiency. Additionally, research suggests that perceived fit plays a crucial role, as consumers are more inclined to positively assess a co-branding initiative if they possess favorable attitudes towards one or both of the partnering brands and perceive congruence in the brands' images and product categories [12].

Based on Le Labo ethics and values, the brand began to build up a brand community in Mainland China in 2019 through hand-picked brand influencers who are loyal clients in the art, culture, creative, and music industries. Le Labo reinforces the brand position by maintaining the relationship with core media and key influencers with its low-key attitude until 2021. Le Labo brought the brand and creation experience to life via small-scale partnerships and a 360-degree exhibition partnership with local cultural brands.

In January 2021, Le Labo collaborated with Shanghai Bar Lotus, a concept bar known for its architectural design. The two soulful brands designed two hand-made cocktails inspired by the most classic perfumes, Le Labo Santal 33 and Le Labo Baie 19. Limited-edition collaboration gift boxes were given to media editors and influencers through successful relationship-building. To continue to bring the creations' experience to life, Le Labo and Bar Lotus hosted an exclusive party and invited

industry experts, including musicians, concept store owners, artists, documentary film producers, culture and creative experts, and qualified lifestyle influencers. This small-scale event has generated a significant buzz in town. In October 2021, Le Labo partnered with Chinese cultural-oriented fashion brand Peng Tai for Shanghai Fashion Week. The unique experience participated in by Le Labo has gathered influencers and fashion media, especially those who came to this fashion show to experience the atmosphere created by Le Labo and leading fashion media such as T Magazine, WWD, and i-D. China has closely followed up on this collaboration. In December 2021, Le Labo collaborated with FNJI, a leading independent Chinese lifestyle furniture brand that blends contemporary design with traditional aesthetics. The collaboration presented a multi-dimensional aesthetic exhibition themed "+Motion," showcasing the two brands' unique understanding of spatial aesthetics. Furthermore, the collaboration has also introduced limitations to the collaboration product. This immersive sensory experience marks Le Labo's first-ever full collections exhibition in Mainland China. Top-tier industry media such as AD, CNT, and Kinkolk have reported the collaboration, and IDEAT has written a special feature about this collaboration.

These collaborations with local brands allow Le Labo to establish a presence before debuting in the Chinese market. Through these engagements, Le Labo efficiently deepened the brand positioning and creation experiences, and all the appearances greatly contributed to the brand awareness among the art, culture, design, and creative industries. Based on a series of experimental studies, their findings indicate that offering limited edition products of limited duration contributes to perceived brand exclusivity, and ensuring both brands have a high perceived fit has a positive impact on enhancing consumers' purchase desire as it is related to brand-image fit, where a higher fit leads to higher evaluations of the brand [13].

3.3. Reasons on Brand Awareness

Le Labo's significant presence on Chinese social media contributed to brand awareness, which ensures that a brand is recognized when consumers encounter it in the market. Consumers utilize brand awareness as a decision heuristic; therefore, it has a big impact on their decision-making process. Consumers' capacity to recognize and recall a brand is referred to as brand awareness [14]. Building brand equity requires establishing brand awareness. Consumers' brand knowledge is related to memory nodes in their thoughts. Brand awareness may be used as a heuristic by consumers to make purchasing decisions since brands that consumers are familiar with are more likely to be evaluated in their set of possibilities [15]. Huang and Sarigöllü investigated the relationship between brand awareness and market outcomes further. According to the study, there is a favorable association between brand awareness and market performance [16].

After 2 years of brand building, the overall brand volume increased 88% from 2019 to 2022, and there was a significant growth with a 488% volume increase on Xiaohongshu/Red compared to 2019 (Xiaohongshu/Red is described as China's Instagram; it is a social media and e-commerce platform). On Xiaohongshu/Red, users can share lifestyle, shopping experiences, and creative content using a variety of formats [17]. As a niche brand without having any official social accounts, e-commerce channels, or purchase channels in Mainland China, Le Labo has successfully managed to generate significant buzz among the industry and mass public.

As a result, Le Labo debuted on WeChat and Xiaohongshu/Red in March 2023, garnering 42K views on its first article announcing the brand's arrival. By August 2023, the WeChat account had published 19 articles with an average of 35K views per piece. The official WeChat account gained 10K followers upon its debut, 30K followers with the opening of the first boutique, and 50K followers by the end of August 2023 after announcing the opening of its second boutique in Taikoo Li, Shanghai, and introducing the City Exclusive collection [18]. In five months, the official Xiaohongshu/Red account gained 47K followers, 30 posts with 50K likes and collects, and a 3.54% interaction rate.

4. Suggestion

4.1. Suggestions on Consistency Strategy

One of the most essential parts of branding strategy is consistency. Maintaining a consistent and coherent image across all touchpoints and interactions with the audience is what brand identity consistency entails. It also indicates a dedication to quality and lays the groundwork for future growth, whether increasing product offerings or entering new markets. Consistency is very important for lifestyle businesses, and authenticity is the cornerstone of lifestyle companies since it directly influences how consumers perceive and connect with the brand's lifestyle image.

This study proposes that it is advisable for Le Labo China to uphold a consistent visual identity that aligns with the headquarters, effectively embodying the lifestyle that Le Labo promotes. This includes the consistent visual mood and strategic utilization of design components that effectively connect with the intended target audience within the worldwide market.

Nowadays, many perfume houses are more focused on the local culture of the marketing they launch. For instance, brands used to launch limited edition perfume collections for Chinese New Year to capitalize on the festive spirit and cultural significance of the holiday. These collections often feature special packaging that reflects the theme of the holiday. Although eye-catching and culturally appropriate packaging can enhance the product's appeal [22, 19], However, brands forget to consider how the festival limited edition can reinforce or enhance the brand's identity. From a visual perspective, the design and packaging of the limited edition should reflect the aesthetics and style associated with the brand and ensure the elements seamlessly integrate with the brand's visual identity.

4.2. Co-branding Activities in Local Market

Co-branding is one of the most powerful strategies for expanding market reach and leveraging brand strengths. When exploring co-branding prospects, it is crucial to identify allies that align with brand values, the target audience, and the value brought through partnership. Co-branding can take various forms, such as promotional co-branding, where brands collaborate on short-term promotional campaigns or events, as well as joint venture co-branding, which involves two brands forming a joint venture to create a new product. This is also a form called cross-industry co-branding, which involves partnering with brands from completely different industries to create innovative and unexpected products or services [20]. This form of collaboration allows brands to generate buzz and appeal to a wider audience. For example, the premier Italian design house Poltrona Frau collaborated with fragrance brand Acqua di Parma to create a limited-edition car diffuser

Le Labo, as a sensory lifestyle brand with a distinct and authentic cultural heritage and an emphasis on craftsmanship to create soulful creations, can emphasize advocates promoting the importance of pursuing quality lifestyles and aesthetics. For the Chinese market, Le Labo could partner with local educational initiatives that elucidate aesthetic principles, such as support for projects focused on public art and community beautification. Aesthetics has a significant impact on our emotions and influences the way we interact and engage with the surrounding world. Aesthetics is linked to our perception of beauty and pleasure. Beautiful surroundings and experiences enhance our quality of life by evoking positive emotions [21]. In addition to that, aesthetics has the ability to influence consumers' purchase intentions, as aesthetics have a positive contribution to a brand's image [22].

4.3. Brand community & word-of-mouth (WOM) on brand awareness

Brand communities and WOM marketing are intertwined aspects of building brand awareness. In today's world, brands can effortlessly facilitate WOM communication. According to a study by Lopez and Sicilia, the WOM strategy increases consumer awareness and intent to adopt the new product [23]. On the other hand, brands that build and nurture a sense of community can create a loyal consumer base that feels a sense of belonging. Successful brand communities create an emotional connection between the brand and its consumers. Brand communities play a mediating role in allowing individuals to express and reinforce their social identity through their shared affiliation with

a brand [24]. This emotional bond goes beyond transactional relationships. When people feel emotionally connected, their interactions with the brand become more meaningful and memorable. Lululemon can greatly exemplify the case of lifestyle brands that have effectively generated influence from the brand community.

Le Labo could continue the strategy of engaging with Chinese consumers through local social media and allow them to share their stories with Le Labo. As mentioned above, involved members of a brand community act as advocates, participating in word-of-mouth marketing that expands brand reach and boosts visibility. Cultivating and maintaining brand communities and promoting positive word-of-mouth can be effective methods for enhancing brand awareness and reputation.

5. Conclusion

Achieving success for a brand is a complex process that depends on various factors and can be assessed in diverse ways. In a highly competitive market, effective promotional tactics highlight the brand's unique selling points and value propositions, setting it apart from others. In the case of Le Labo, this branding perspective study aims to analyze how the brand earned high purchasing intentions upon entry into the Chinese market amidst the COVID-19 epidemic.

Through this comprehensive analysis of Le Labo's marketing efforts, significant influential factors have been identified to enhance purchase intention and strengthen the brand's market presence. The study found that Le Labo boasts a strong brand identity, which is critical as it serves as a fundamental driver of consumer choice. The brand messaging across various marketing channels consistently reflects this identity. This strong brand identity has allowed Le Labo to design exceptional marketing strategies that include building brand awareness and cultivating a brand community through effective co-branding tactics, guiding its successful introduction to a new market.

Furthermore, the case study showcased the effectiveness of local market co-branding as a strategy for business success within and beyond communities, as well as the significance of a well-executed word-of-mouth campaign in increasing consumer awareness. While practical suggestions have been provided, it is important to acknowledge possible constraints. Moreover, it should be noted that not all brand marketing tactics discussed in this paper may be universally applicable, particularly for newly established brands with limited brand influence and consumer bases. Further research is necessary to confirm the findings on various brands across different industries.

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