

The Communication Strategy of Luxury Brands in China and the Benefit and Threats in Chinese Market to Improve in Localization-Taking Louis Vuitton as an Example

Chenxi Li*

Suzhou Foreign Language School, 215000 Suzhou, China

*Corresponding author: egoodwin52118@student.napavalley.edu

Abstract. China's economy is growing rapidly. The consumption of luxury goods has ushered in a new era. Chinese market used thirty years' of change and discovery to accomplish the task that western countries finished in one century. Many luxury brands have pressed the accelerator button in the layout of the Chinese market. The occur of many luxury brands gives Chinese market unprecedented vitality and change the pattern of the world luxury market. From another perspective, the popularity of luxury goods in China is inseparable from the communication strategy of luxury brands in China. LVMH as a typical representative of luxury brands, it shows dignity to Chinese consumers through a variety of communication methods to present a noble and luxurious but friendly brand image, this successful communication strategy has set an example for Chinese luxury brands to follow and learn from. This paper conducts a comprehensive and profound analysis and research on Louis Vuitton's marketing methods in China, its advantages and disadvantages in the market, and how to improve them, so as to further provide useful experience for luxury brands in the Chinese market.

Keywords: Louis Vuitton; LVMH; luxury goods; sale promotion; localization.

1. Introduction

According to doctor Gervaise Corbergh and doctor Piet Hein Coebergh, the start of LVMH is because of the industrial revolution [1]. Because of the rapid development of vehicle, people wanted to travel. Vuitton as a carpenter used this chance to open a store in Paris in 1854. He wanted to let the passenger on the upper floor feel more comfortable. This soon attracted people in upper class to make luggages for them. For instance Empress Eugenie ordered suitcases to travel to the opening of the Suez Canal festival. When Pasha of Egypt saw Empress Eugenie's luggage, he immediately ordered his own luggage and some fruit boxes from Vuitton. More statesmen followed: the king of Spain, the Tsar of Russia, and the maharaja of India. Commissioned by the latter, Vuitton created a luxurious tea box containing a silver vial for water [1]. A few years later, Vuitton has a group of fans. In 1946, affected by the economic depression after World War II, Louis Vuitton began to invest in other areas besides bags and opened more than 400 stores around the world. In 1987, Louis Vuitton and Moet Hennessy (Moet Hennessy Hennessy) merged to form the world's luxury goods Group LVMH (Moet Hennessy Louis Vuitton, LVMH Group) [2].

In 1992, LVMH officially entered Chinese market in Beijing [3]. Since now, Louis Vuitton has had over 40 offline stores in China. To localize, LVMH uses some communication strategies to attract Chinese customers' attention and induce them to purchase. Here are brand positioning, selling online, live selling, limited edition and coordinated edition.

2. Promotion Tactic

2.1. Brand Positioning

The price of the products of Louis Vuitton is high. Combining with the history and development of Louis Vuitton, people consider that owning products of LV is a represent of rich. This attracts many rich people and who want to be rich in China. To attract people to buy their products, Louis

Vuitton corporate with UNICEF and PEOPLE FOR WILDLIFE. Louis Vuitton uses certified raw materials, decrease the use of plastic and other behaviors to achieve sustainable development.

2.2. Advertising

The way Louis Vuitton handles sponsored advertising is similar to how other premium businesses do it. However, it places greater emphasis on publicity (PR via mass media) than the normal brand does, whereby companies and their goods are covered by publications like magazines and newspapers [4]. For instance, several fashion publications put together significant special stories before one of Louis Vuitton's large-scale stores opened, and the grand inauguration party was heavily covered [3]. The reader should take into account that everything was set up to play out this way on purpose.

Louis Vuitton also uses limiting advertisements to prevent consumers from buying counterfeit products. There have been times when Louis Vuitton has publicized and called attention to the items that it does not handle. In November 1978, at the same time as the fake Hermes necktie scandal, there were also reports of Louis Vuitton necktie imitators starting to emerge on the market. Since neckties were not something Louis Vuitton handled at the time, the company went on the attack against the appearance of these enigmatic items by explicitly removing advertising that stated, "Louis Vuitton does not make neckties".

LV uses celebrity endorsement to spread their products as celebrities have features like fashionable, knowledgeable which suits for LV's brand positioning and brand concept. They invite celebrities from different nations. In china, they will choose famous Chinese celebrities to do endorsement. Moreover, Louis Vuitton often invites Chinese celebrities to take part in fashion week or other brand activities. This will increase LV's brand recognition and implicit assets. For instance, Crystal Liu is one of the spokesperson of LV [4]. Her global cognition increased a lot through a film called Hua Mulan. As a result, Crystal spread a style of the females' gentleness and heroic and these also correspond to the brand features of LV. In addition, using Chinese celebrities decreases the distance between Chinese consumers and Louis Vuitton and let consumers know that the brand attaches importance to Chinese market and Chinese consumers.

To localize, the advertisement of Louis Vuitton in China uses factors of China, for instance, some typical ancient Chinese agriculture, China red to attract Chinese consumers attention [5].

As the development of social media and short videos in China, Louis Vuitton opened up an account in TickTock, Sina Weibo and other social media to publish articles or videos to spread its brand and products. Moreover, Louis Vuitton pays some famous bloggers to evangelize its products. For example, the relevant responsible person of Louis Vuitton asks the blogger to share a list about goods she recently purchased which are recommendable. The list includes some products of Louis Vuitton. LV also will use this way to advertise its new products.

2.3. Selling Online and Live Selling

Taobao and Jingdong are the main platforms for Chinese consumers to shop online for luxury goods. Using these two platforms, consumers do not have to go to offline shops. This is very convenient for especially for the consumers which there is no offline shop nearby. In addition, consumers can see most of the products in online platforms. These can also help them to find a products which they want to buy so it takes shorter time for them to stay at offline shop and choose which one to buy. This will increase the customer turn-over and help Louis Vuitton earn more profit from more consumers.

Accept for these two online platforms, Louis Vuitton has its own official website in China. This website can also use Alipay or other modes of payment which Chinese consumers like to use. In the official website, the latest advertisements for different types of products such as bags and perfume can be seen in the first page. The website has the search function. All of the products of Louis Vuitton can be seen from the official website. There are also classification of different goods. From Figure 1, it can be seen that the first line of the catalogue is the latest cooperative series. What is more, the website also has the function that helps consumers to choose gifts for different people. The next line

is the products that just published. Products are classified by two ways: the first way is classifying goods with different kinds of commodity; the other way is classifying products through for males and females. The detail of commodity can be seen clearly. For example, clicking on the bag, there are different types of bags such as Capucines, Twist and Coussin. Entering the Coussin, there is a brief introduction of this kind of bags and a general model picture. Clicking on a specific bag, the model pictures, price, and the article number. It can also help consumers to find offline shops which are in stock. Additionally, the details such as the size, materials, and the moral can be seen. If customers choose to buy products online, Louis Vuitton will choose the best delivery company in China and consumers can get their products at least in one day.

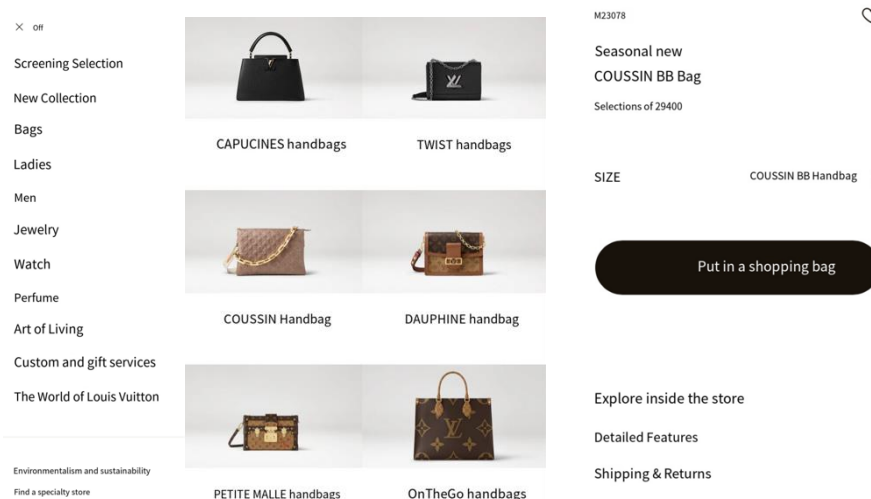


Fig. 1 Classification and details of products of LVMH-pictures from LVMH's Chinese official website

As the development of short videos, many applications such as TickTock and Taobao can do live selling. The advantage of live selling for consumers is that the price in live is always lower than buying offline. The benefit for the firm is obvious: more customers so earns more. However, large luxury brands like Louis Vuitton will not do live selling through its own account. Live selling is always done by buyers. They buy Louis Vuitton in duty-free market or somewhere has lower price. Buyers can promote selling in China.

2.4. Limited and Coordinated Edition

LVMH supports selective marketing [6]. This is a marketing strategy that is particularly effective for selling expensive goods with little production output. Louis vuitton will publish limited edition in special festivals such as Valentine's Day. Limited edition often is adding some ornaments on classical edition or adding special colors to attract consumers to buy. The first stage is to increase the brand's added value. The second phase is selective distribution, which involves sending luxury goods to areas where consumers are looking for them. According to this technique, numerous boutiques should be placed in a market region after taking that location into consideration [6]. As the total number produced is limited, Louis Vuitton will use advertisement-recommending-to raise the recognition. More and more people want to buy it but the number dose not change. this will cause an increase in price to earn more.

Louis Vuitton also corporate with other famous luxury brands or famous painters such as Yayoi Kusama to publish some creative products and raise recognition.

3. Strengths

3.1. Price

Although some buyers can buy the same products for different prices, Louis Vuitton never discounts. The reason for buyers can buy a lower price is because the tariff, not discount. As far as LV is concerned, the price cannot be low as a luxury brand. This lets the high-end positioning luxury brands to imply the consumers that their products are fantastic and worth buying.

Unlike some luxury brands like Hermes, all the products of Louis Vuitton can be bought if the customer buys products in LV for the first time. Except for the high price and limited number of goods, there is no barrier to buy products in Louis Vuitton. This let consumers which are not that rich be able to purchase the products and feel that the brand also welcome them.

Table 1. The price of bags of Louis vuitton, Chanel, Gucci and Hermes in US dollar

	Louis Vuitton	Chanel	Gucci	Hermes
bags (USD)	2600-4000	around 5480	1372-3410	4000-25384

From Table 1, it can be seen that compared to most luxury brand, the price of Louis Vuitton is lower. As a result, Louis Vuitton has the price advantage over its competitors theoretically.

3.2. Quality of Its Products

Louis Vuitton pays much attention to the quality of its products. Louis Vuitton used to do an experiment. The bag was dropped from half a meter to see its, expose in ultraviolet to see whether the feather would fade, and test the duration of zipper for 5000 times to make sure that their products can be used for a long time and very worthy [7].

To compare the quality, it is better to see whether the products can hold the value or not. For Louis Vuitton, it has a long history and strong social recognition. For instance, the classic edition of the bag of Louis Vuitton-dark orange and yellow which is the colors of lather with a lot of logo-is known universally in China.

3.3. Attitude and Welfare to Customers

Louis Vuitton has a good attitude towards Chinese customers. Louis Vuitton introduced advanced and personalized service into China. Like many luxury brands, the service is only for its VIP. For VIP, services like stamping are all free. For normal customers, Louis Vuitton offers the fixing service in one year and the washing service.

However, Louis Vuitton do not accounts and seldom appears at the airport duty-free store, so the welfare is fewer than other luxury brands.

4. Weaknesses and Threats

4.1. Chinese Customers's Flavor Change

In China, the main age of the customer group of Louis Vuitton is from 25 to 50. The style of its classic editions are more suitable for people who need to carry them for work. The young prefer products for decoration to for critical use. As the flavor changes and the young pursue the diversity and fashion of products, they are fascinated by some younger luxury brands such as Balenciaga which are belong to street fashion brands [8]. As a result, Louis Vuitton is not noticed by young people.

4.2. High Cost

It is known that LVMH does not do mass production and the products of Louis Vuitton are mostly made by hand. As a result, the cost of production is high.

Except for the production cost, the operation cost is also high. In China, the offline shop of LVMH should open at the large shopping malls containing many luxury brands in the downtown. This cause a higher cost. Moreover, the manufacture of LVMH is in France. It needs a very high cost to convey the products from France to China safely.

4.3. Fake Products

The consumption of fake products has increased dramatically in China. Because of the high price of Louis Vuitton, many Chinese will buy fake products produced by China local hawker. As many fake products can have not a big difference of the real Louis Vuitton, Chinese customers tend to buy fake products. Although counterfeit products does not affect some groups of people such as the rich to buy real products, LVMH still loses many customers. These fake items decrease the market share of Louis Vuitton and challenge the brand integrity.

4.4. Economic Downturn

The increase in the consumption of fake products also owes to the poor state of the economy in China. There may be cyclical unemployment or cut in salaries during coronavirus. Because of the price elasticity of luxury goods, they are influenced by economic fluctuations strongly [9].

5. Improvements

5.1. Solving the Problem of Fake Products

As for counterfeit products, Louis Vuitton has done something to prevent them. Fake Louis Vuitton bags? Unforgivable! According to this idea, in terms of warning notices being sent to businesses, it is well known that a warning notice was given to the significant Internet-related company Rakuten in April 2000 [7]. Even today, businesses from all over surely get pale when they receive a warning notice for using a "mock monogram" that incorporates the company logo, flowers, and stars along with the letters L and V in a dark brown hue without authorization (LV cannot grant license for this).

However, just warning is not enough. The legal system should be allied with Louis Vuitton! This is to draw attention to the fact that Louis Vuitton should develop more really unique lines that are hard to copy before registering the trademarks and designs. It wouldn't be an exaggeration to claim that Louis Vuitton travel bags' design, especially their organization, has changed to ward off replicas.

5.2. Cost Reduction

LVMH has the ability to hold the majority of stake in the Italian leather factory [10]. LVMH should realize that if they have access to unique materials, production techniques and capacity, their costs and lead times will be reduced. Some brands may even be forced into forced M&A activity to avoid supply chain disruptions due to the macroeconomic environment.

It is not a proper way to do outsourcing. Although it reduces the cost of production because they use cheap labor and they do not need to pay for the rent for the factory, the quality of the products will plunge. This will cause a decrease in consumption and a dramatical increase in counterfeit products.

Moreover, to reduce the cost of transportation, LVMH can build a factory in China to manufacture the products. It is very proper to do this because the Chinese market is very large. LVMH has a lot of customers in China. As a result, the cost of transportation could be reduced. However, the cost of building a new factory needs to be considered.

5.3. Design Modern Products with Own Features

As young people in China start to prefer different features a little from that of LVMH, Louis Vuitton could do some change. Louis Vuitton could design more types of bags which are less formal. This can satisfy the needs of young customers who do not work or do not like the business style.

6. Conclusion

Since the outbreak of the COVID-19, the Chinese market, which has taken the lead in recovering, has become the world's largest and fastest growing luxury consumer market. It has become the consensus of the entire global luxury brands to further understand the market and the needs of local consumers. Louis Vuitton accurately predicted this situation in advance. In recent years, it has repeatedly made big moves in the Chinese market and clearly released its attention to the Chinese market. Since Louis Vuitton entered the Chinese market, the veteran luxury brand with a history of 160 years has always taken a positive attitude to face the rapidly changing market. It successively laid out social media such as WeChat, Weibo, and Ticktock to achieve a true sense of the local communication matrix. However, there are still many things that LVMH should improve to gain a foothold in the future Chinese market. The cost of doing sale promotion is a problem. Although LVMH is an old and all-known luxury brand, it also needs to keep up with the times and make slight changes on the basis of brand characteristics. From these, it is highly recommendable for some luxury brands which have not entered the Chinese market to mimic the steps of localization.

References

- [1] Pinder D. The UK airport luxury brand store: The lure of luxury in a transitory environment. Diss. University of Southampton, 2023.
- [2] Yang Jingrui. Analysis on the inheritance and development of Louis Vuitton brand DNA. *Western Leather*, 2019, 41(15): 55-57.
- [3] Lu Xingxing. Research on story marketing strategy of luxury brand Louis Vuitton. Central China Normal University, MA Thesis, 2017.
- [4] Junning Gao. Research on localization communication strategy of luxury brand LouisVuitton. Hei Longjiang University, 2023.
- [5] He Hongxia. Research on Louis Vuitton's marketing strategy in China. University of International Business and Economics, MA Thesis, 2007.
- [6] Nagasawa, Shin'ya. Luxury brand strategy of Louis Vuitton-details of marketing principles. *Waseda Business and Economic Studies*, 2009, 45: 21-40.
- [7] He Hongxia. Research on Louis Vuitton's marketing strategy in China. University of International Business and Economics, 2007.
- [8] Kai Xiong. Research on brand alliance strategy innovation based on the big data analysis of consumers' attitude take Louis Vuitton and supreme as an example. *E3S Web of Conferences*, EDP Sciences, 2021, 235.
- [9] Zhang Wenye. LVMH's proposals based on SWOT analysis. *Advances in Economics and Management Research*, 2023, 4(1): 281-281.
- [10] Justine C. Analyse SWOT-Louis Vuitton. *Publications Études & Analyses*, 2020.