Marketing Strategies for Luxury Brands in the Chinese Market: Based on the Evolution of Consumer

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Abstract. This paper explores the development and evolution of luxury brand marketing strategies in the Chinese market from 1992 to the present through a diachronic analysis. It divides the development of China's luxury market into four phases: the initial entry period, the golden development period, the localization period, and the global leadership period. This paper explores the evolution of consumer psychology by analyzing consumers' views on luxury goods and the meaning of luxury consumption to consumers in different periods. Based on this, this paper delves into how the marketing strategies of luxury brands in China have changed in response to the changes in consumer psychology, and explores the dual relationship between the marketing strategies of luxury brands and the psychology of consumers from a macro-historical perspective. The paper has found that Chinese traditional culture and Western values have jointly shaped consumer behavior, reflected in the pursuit of social value and individual expression through luxury goods. Luxury brands, on the other hand, continue to inject fresh impetus into their growth in the Chinese market through constant localization, digitalization, and youthful marketing strategies.

Keywords: Luxury brands; marketing strategies; consumer psychology.

1. Introduction

Entering the 21st century, China has become one of the largest luxury markets in the world. Data from Bain & Company’s 2022 China Luxury Report shows that ‘the sales of luxury goods in China reached 956 billion yuan in 2022. China remains the most important force in global luxury consumption. It is expected that by 2025, Chinese consumers will account for 44% of the global luxury market, with a consumption contribution of up to 1 trillion yuan. And with the number of middle- and high-income groups in China is expected to double by 2030, indicating immense potential for growth in Chinese luxury consumption in the long run.

From the end of the 20th century to the present, influenced by macro-environmental factors such as culture, economy, and policies, the consumption psychology and needs of Chinese luxury consumers have been changing constantly, and the marketing strategies and methods of luxury brands in the Chinese market have also had significant changes and development.

In 1992, Louis Vuitton opened its first Chinese exclusive store in Beijing Wangfujing Hotel, becoming one of the first overseas luxury brands to enter the Chinese market. Thus 1992 is also regarded as the first year for luxury brands entering the Chinese market, followed by other overseas luxury brands beginning to tap into the Chinese market. The period of 2004-2012 is considered as the golden development period of the luxury goods Chinese market. With the opening up of the Chinese market and the easing of restrictions on foreign enterprises, luxury brands started to expand their store layout from major cities to second and third-tier cities. In 2013-2019, luxury brands’ development routes and marketing strategies in the Chinese market began to exhibit distinct Chinese characteristics, with operators devoting more attention to the process of brand localization. After 2020, the emergence of the COVID-19 pandemic put the global luxury market into a stagnant development, but the Chinese market achieved strong growth. China has become the center and a crucial engine of the luxury consumer market.

The current development of China's luxury market is characterized by two significant trends: the youthfulness of the consumer group and the differentiation from the global luxury consumer market.
Therefore, it is essential to study the Chinese market separately from the global luxury consumer market.

Most of the current studies on the marketing strategies of luxury brands in the Chinese market tend to focus on single-case analyses of the effects of specific luxury marketing behavior, or analyses of short-term luxury market profiles. However, there is a lack of historical examination based on the long-term evolution of the luxury goods market, as well as an explanation from a macro perspective of the interplay between brand marketing strategies and micro-level consumer behavior.

The purpose of this paper is to explore the evolution of luxury brand marketing strategies in the Chinese market through a diachronic analysis of consumer psychology and needs from the 1990s to the present. Firstly, this paper will use consumer psychology as a thread to summarise and review the methods, strategies, styles, and values of luxury brand marketing over the past thirty-plus years. Secondly, by citing relevant theories and case studies, this paper will investigate what considerations luxury brands have made regarding the current state of contemporary consumers and how they have formulated their marketing strategies. This approach will provide a deeper understanding of the nuances of luxury marketing phenomena and the dual relationship between brand marketing and consumer behavior.

From a practical standpoint, this paper, set against the backdrop of increasing global economic integration and frequent East-West cultural exchanges, aims to provide factually supported strategic insights for the current luxury market. Additionally, it seeks to enable consumers to gain a deeper understanding of the intrinsic motivations and logic behind brands' marketing actions.

2. Literature Review

Currently, there is no universally agreed and specific definition of "luxury goods" in the academic world. However, luxury goods typically possess the following four attributes: first, excellence in craftsmanship; second, a focus on a specific category of goods; third, a rich and profound historical significance; and fourth, a scarcity that makes them difficult to obtain. They are not essential consumer goods for everyday life, but rather products that have emerged to meet certain elevated needs [1].

Generally speaking, the primary purpose of luxury goods consumption is to enhance personal life quality. Looking at the motives for consumption, luxury goods consumption can be divided into social and personal factors. Social factors usually revolve around showing off, gifting, and enhancing status symbols, aiming to improve one's image in the eyes of others; personal factors typically focus on pursuing refined fashion and satisfying emotional needs [2]. A series of studies have also shown that a company's luxury goods advertising communication strategy should match the current state of self-awareness of the consumer to better enhance purchase intention and brand attitude [3]. Therefore, exploring consumer psychology is crucial to understanding luxury goods consumption.

However, the new generation of consumers, as the main force in China's mainland luxury goods market, differs significantly in consumer psychology and behavior from the past. Subjectively, they are rational consumers familiar with Western consumption patterns and influenced by Western values, giving them a unique perspective on luxury brand recognition and consumer behavior [4]. With the rapid changes in global ideological and cultural trends, it is fundamental and crucial for luxury brands to understand the needs of current consumer groups and to keep abreast of changes in consumer psychology to determine their marketing strategies.

Luxury brands possess a higher level of brand autonomy compared to ordinary brands, often featuring more unique and attractive traits of independence [5]. Therefore, unlike many general goods that emphasize price advantages in their promotional strategies, luxury goods need to exhibit a distinctive brand style and set of values in their marketing media. Thus, the formulation of marketing strategies is closely linked to the overall positioning and tone of the luxury brand.

Humans have a psychological tendency to anthropomorphize inanimate objects [6]. When encountering a luxury brand, people can effortlessly attribute human characteristics to the brand,
constructing an image of the brand in their minds as if imagining a tangible person. Based on this psychology, luxury brand operators often use core brand personalities, mascots, and spokespersons to represent the brand image, directly conveying to consumers what kind of fashion they aim to represent. This approach can effectively narrow the distance between luxury brands and consumers, and can even achieve a level of "irrational" loyalty [7].

For luxury brands, brand history and brand spirit are more important than the product itself. Stories are easy to remember, easy to communicate, give more emotion and life to the product, and are a powerful tool to build brand personality [8]. Consumers also tend to choose brands that are consistent with their own concepts of self-construction and self-expression [9]. So it can be said that to explore what kind of route a luxury brand wants to take and what kind of brand image it wants to construct, it is enough to look at what kind of story it tells and what kind of fashion image it presents.

3. Overseas Luxury Brands Knock on the Door of the Chinese Market

From 1992 to 2003, overseas luxury brands began their initial exploration of the Chinese market. In 1992, Louis Vuitton, as one of the first overseas luxury brands to enter the Chinese market, opened its first exclusive store in China at the Beijing Wangfujing Hotel, followed by the entry of numerous other luxury brands into China.

3.1. Consumer Psychology

3.1.1 Lack of awareness of luxury goods

Before the opening of the Chinese market, the long-standing planned economic system and limited material conditions made luxury consumption almost entirely unfamiliar to the Chinese people. Indeed, even before Louis Vuitton entered China, there were very few boutiques in the country. The majority of Chinese people lacked a concept of luxury goods and did not understand the reasons behind their high pricing or the historical connotations of the brands.

3.1.2 Need for symbolic consumption

Following the reform of the socialist market economy system, a group of "nouveaux riches" emerged in China, achieving tremendous success in their careers and wealth. Chinese consumers exhibit an individual consumption behavior orientation of "consistency between action and status," meaning they pay significant attention to the consistency between their consumption behavior and their social status [10]. Under China's secular elitist culture, worldly standards such as wealth and status play a crucial role in judging a person's success. This drives the nouveaux riches not to be content with merely internalizing their success but to seek to externalize it. Symbolic consumption to display personal identity and taste is a need for the "nouveaux riches".

3.1.3 Conflict arising from the traditional culture of thrift and frugality

Thrift and frugality have always been traditional virtues in Chinese culture, leading many Chinese people to hold negative views towards luxury goods, considering extravagance as undesirable. Therefore, Chinese consumers not only need luxury goods to satisfy their desire for display but also prefer to remain low-key, in line with the traditional Chinese culture that values restraint and subtlety. Chinese consumers favor products that strike a balance between ostentation and understatement, embodying a dignified and elegant character.

3.2. Marketing Strategy

3.2.1 Direct display of brand characteristics

Due to consumers' lack of basic awareness of luxury goods, luxury brands aim to quickly establish their brand image in the minds of consumers. To enable Chinese people, who have never encountered luxury brands, to rapidly develop an understanding of them, these brands often adopt simple and direct methods to "make their presence felt." This involves showcasing the brand's logo, classic
products, and representative cultural symbols, straightforwardly reinforcing the brand's fashion style and product craftsmanship in the minds of consumers.

3.2.2 Superficial symbolic expression of Chinese elements

When luxury brands first entered the Chinese market, they sought to quickly establish a friendly rapport with Chinese consumers and bridge the gap between them. As a result, they introduced many products featuring Chinese elements and incorporated these elements straightforwardly into their advertising and marketing. However, these luxury brands' understanding of Chinese elements was rather superficial, leading to a surface-level and symbolic representation of Chinese cultural elements in their designs and marketing. As shown in Table 1, due to a lack of capturing the true cultural needs of Chinese consumers and a limited understanding of Chinese culture, brands like Montblanc and LOUIS VUITTON have employed Chinese cultural symbols, such as those from the Qing Dynasty, simplistically and awkwardly.

Table 1. Representative Luxury Brand Marketing Cases from 1992-2003

<table>
<thead>
<tr>
<th>Time</th>
<th>Brand</th>
<th>Marketing Case</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992</td>
<td>LOUIS VUITTON</td>
<td>Displayed suitcases in the shape of the Eiffel Tower in front of the Hall of Prayer for Good Harvests at the Temple of Heaven, accompanied by models dressed in Manchu attire.</td>
</tr>
<tr>
<td>1998</td>
<td>LOUIS VUITTON</td>
<td>Held the first Louis Vuitton Classic Car Rally in China: Fifty vintage cars set off from Dalian, progressing towards Beijing over five days. Hosted the &quot;Thousand-Mile Horse&quot; exhibition at the Yongshou Palace in the Forbidden City, showcasing over eighty artifacts and paintings related to horses.</td>
</tr>
<tr>
<td>1998</td>
<td>Hermes</td>
<td></td>
</tr>
</tbody>
</table>

4. The Golden Development Period of the Luxury Goods Market in China

The period from 2004 to 2012 was the golden phase of development for overseas luxury brands in the Chinese market. In 2004, the Ministry of Commerce issued the "Measures for the Administration of Foreign Investment in the Commercial Sector". This meant that China had fully opened its retail market to foreign enterprises, allowing foreign-funded enterprises to operate independently in commercial fields such as commission agency, wholesale, retail, and franchising. Additionally, state-owned brands were no longer restricted to establishing chain specialty stores.

4.1. Consumer Psychology

4.1.1 Focus on brand connotations

Chinese consumers have already established a preliminary understanding of luxury brands, so their attention is shifting toward deeper aspects such as corporate stories, brand essence, and artistic appreciation. Their consumption needs are also moving from conspicuous consumption to consumption with intrinsic value. Empirical research has found that during this period, female consumers have stronger personal-oriented motivations and emotional motivations, with their primary consideration being whether the luxury goods align with their internal self-perception [11].

4.1.2 Emphasis on social value

With the development of China's macroeconomic environment, consumerism and hedonism have emerged. "Relational consumption", as a form of social relationship reproduction through physical effort, has become deeply ingrained in the daily social practices of Chinese consumers. This is a representative manifestation of "face consumption". The concept of "face" is not only a significant factor influencing consumer purchasing decisions but also an important factor in post-purchase satisfaction.
4.2. Marketing Strategy

4.2.1 Natural and mature integration of Chinese and western cultures

The application of Chinese cultural elements by luxury brands has evolved from a superficial and symbolic representation to a deeper understanding of cultural connotations. The use of traditional elements and the portrayal of brand image are no longer two separate tendencies but have begun to merge. As shown in Table 2, whether in event organization or product design, the collaboration between Chinese and Western teams has become more mature, and the integration of Chinese and Western cultures is more natural.

4.2.2 Unearthing and communicating the cultural connotations of the brand

Empirical research shows that history and the retention of heritage play a significant positive role in consumers' perception of brand value [12]. Luxury brands are increasingly presenting their brand history and founder stories, which embody the spirit of the brand, through public-facing platforms such as advertising and exhibitions. This enhances the symbolic value of the brand, making its image in the minds of consumers more distinguished. As shown in Table 2, brands like Chanel and Louis Vuitton have begun to convey their deeper brand connotations and founder stories to Chinese consumers through fashion exhibitions, fashion shows, and even short films. Compared to the earlier focus on spreading superficial brand characteristics like logos, this period sees luxury brands attempting to export their values.

<table>
<thead>
<tr>
<th>Time</th>
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<th>Marketing Case</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>Cartier</td>
<td>Held the opening ceremony of the &quot;Cartier Art of Jewellery&quot; exhibition, curated by a Chinese team, at the Shanghai Museum.</td>
</tr>
<tr>
<td>2004</td>
<td>Richemont Group</td>
<td>Hosted the &quot;Miracle of Timepieces&quot; exhibition at the Imperial Ancestral Temple in the Forbidden City, inviting Pu Ren to inscribe.</td>
</tr>
<tr>
<td>2007</td>
<td>Fendi</td>
<td>Presented a fusion of Chinese and Western fashion shows by Mr. Karl Lagerfeld at the Juyongguan section of the Great Wall in Beijing.</td>
</tr>
<tr>
<td>2009</td>
<td>Chanel</td>
<td>Organized the &quot;Paris-Shanghai&quot; show on the banks of the Huangpu River in Shanghai and released the short film &quot;Paris-Shanghai A Fantasy, The Trip Coco Only Made in Her Dreams.&quot;</td>
</tr>
<tr>
<td>2011</td>
<td>LOUIS VUITTON</td>
<td>Held the &quot;LOUIS VUITTON · VOYAGES&quot; exhibition at the National Museum of China, showcasing the brand's classic elements and its travel culture.</td>
</tr>
</tbody>
</table>

5. The Era of "Chinesisation" of Luxury Goods

From 2013 to 2019, the development trajectory of luxury brands in China began to show a significant trend toward localization. The anti-corruption campaign initiated by the central government had a considerable impact on the trend of gifting luxury goods. The continuous growth in sales of luxury goods in the Chinese market during the previous golden decade came to an end.

5.1. Consumer Psychology

5.1.1 Valuing reputation and brand awareness

According to McKinsey's 2017 China Luxury Report, the number one determinant of luxury goods consumption is word-of-mouth recommendations from friends and family, directly influencing 30% of luxury purchases.

Statistics show that top-of-mind brands occupy two-thirds of the consideration list among consumers and account for 93% of actual purchase scenarios. The importance of initial consideration in the purchasing decision process surpasses active evaluation among both affluent and middle-class consumer groups.
5.1.2 Emphasising brand experience

According to the 2018 Weibo Luxury Industry White Paper, nearly half of the post-90s and post-00s generations make purchases from a few favorite brands, indicating that brand loyalty is an important factor influencing shopping decisions. Brand loyalty is significantly influenced by the brand experience [13].

5.2. Marketing Strategy

5.2.1 Revival of classic styles

Classic styles, as highly popular designs that have stood the test of time, often feature the iconic designs of luxury brands and represent high quality and exceptional craftsmanship. Due to the growing consumer focus on recognition and excellence, consumers are beginning to favor classic styles with a retro and meaningful essence over innovative designs. Therefore, as shown in Table 3, many luxury brands, including Louis Vuitton and Gucci, have started to revive classic styles, launching products that incorporate new elements and designs into these classics.

5.2.2 Innovative experience consumption

To establish strong consumer loyalty, brands need to innovate beyond traditional sales models that no longer fit the new era, offering consumers a more diverse range of brand experiences in both type and form. As shown in Table 3, luxury brands like Chanel have begun experimenting with new marketing approaches such as O2O (Online to Offline), incorporating trendy elements favored by younger generations, such as arcade games, pop-up events, and personalized styling customization, into their marketing strategies.

Table 3. Representative Luxury Brand Marketing Cases from 2013-2019

<table>
<thead>
<tr>
<th>Time</th>
<th>Brand</th>
<th>Marketing Case</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>LOUIS VUITTON</td>
<td>Held a Co-exhibition in Beijing’s 798 Art District featuring the Monogram classic series and a collaboration with the streetwear brand Supreme.</td>
</tr>
<tr>
<td>2018</td>
<td>Chanel</td>
<td>Opened the COCO GAME CENTER, a limited-time beauty arcade with a focus on trendy games, in Shanghai.</td>
</tr>
<tr>
<td>2018</td>
<td>LOUIS VUITTON</td>
<td>Collaborated with Mobike, Ctrip, and Dianping to promote the “Flight, Sailing, Travel” exhibition, becoming the first luxury brand to partner with utility apps.</td>
</tr>
<tr>
<td>2019</td>
<td>Gucci</td>
<td>Launched new versions of classic bag models like GG Marmont, Ophidia, and Dionysus, themed around the Year of the Pig.</td>
</tr>
</tbody>
</table>

6. The Unstoppable Chinese Luxury Goods Market

In 2020, as the world entered the COVID-19 pandemic era, the Chinese luxury goods market also entered a new phase. According to Bain & Company’s 2020 China Luxury Market Report, while global luxury goods sales plummeted, the share of sales within China nearly doubled, jumping to 20% in 2020. By 2025, the domestic market in China is expected to become the largest luxury goods market globally.

6.1. Consumer Psychology

6.1.1 Pleasing oneself

According to Tencent Marketing Insight's 2023 China Luxury Market Digital Trends Insight Report, self-satisfaction and pleasure are the primary purchasing drivers for luxury goods consumers, with more young people viewing the purchase of luxury goods as a reward for themselves. According to Bain & Company’s 2020 China Luxury Market Report, the millennial generation accounts for over 70% of the consumption in Tmall's luxury fashion and lifestyle market, while
Generation Z is the fastest-growing consumer group. Luxury brands need to adapt their marketing strategies to cater to an increasingly younger consumer base.

### 6.1.2 Expressing individuality and satisfying aesthetic needs

Generation Z, having grown up in a relatively affluent material environment, tends to establish their self-worth and identity through the practice of consumerism. Therefore, Generation Z embraces consumer symbols, seeking to showcase their individual tastes and lifestyles through consumption [14]. According to Bain & Company's 2020 China Luxury Market Report, compared to other generations, Generation Z places more emphasis on pursuing fashion and shows a greater preference for niche designs and collaborative collections.

### 6.2. Marketing Strategy

#### 6.2.1 Artistic expression in storytelling

To better convey the brand spirit and present the brand tone in the current era of higher and more diverse aesthetic demands, luxury goods need to innovate in their narrative approaches. Compared to the past, where fashion shows were the primary form of presentation, more luxury brands are now leveraging online channels. As shown in Table 4, they are engaging the well-informed consumers of the information age through emerging formats like films, documentaries, digital magazines, and interactive experiences.

#### 6.2.2 Progressive and liberal values

In their advertising, marketing, and event organization, luxury brands are increasingly aligning their language and themes with the current trend of independence and autonomy valued by young people. More luxury brands such as GIADA, shown in Table 4, are focusing on women's issues, advocating for the advancement of women's rights, and shaping their brand as a means for young people, especially women, to please themselves.

<table>
<thead>
<tr>
<th>Time</th>
<th>Brand</th>
<th>Marketing Case</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>Gucci</td>
<td>Collaborated with Disney to launch a Mickey Mouse series of products to celebrate the Chinese Year of the Rat.</td>
</tr>
<tr>
<td>2020</td>
<td>Burberry</td>
<td>Announced a partnership with Tencent's mobile game &quot;Honor of Kings&quot; and subsequently released co-branded game skins.</td>
</tr>
<tr>
<td>2022</td>
<td>GIADA</td>
<td>Held the first GIADA Academy in Beijing, inviting prominent female opinion leaders from various fields as guests to discuss women's issues.</td>
</tr>
<tr>
<td>2022</td>
<td>Valentino</td>
<td>Invited singer Li Ronghao to collaborate on the release of a music short film MV on Qixi, the traditional Chinese Valentine's Day.</td>
</tr>
<tr>
<td>2022</td>
<td>Chanel</td>
<td>Partnered with the FIRST Youth Film Festival to encourage female expression in film.</td>
</tr>
<tr>
<td>2022</td>
<td>LOUIS VUITTON</td>
<td>Released the film short &quot;Mirage&quot; shot in Dunhuang as a prelude to the LV Anaya Men's Fashion Show.</td>
</tr>
</tbody>
</table>

### 7. Conclusion

#### 7.1. Characteristics of the Evolutionary Consumer Psychology

#### 7.1.1 Profound influence of Chinese traditional culture

The influence of Chinese traditional culture, rooted in Confucianism, on luxury consumption behavior is primarily reflected in Chinese consumers' tendency to use luxury goods to demonstrate their economic strength and social status. However, they are also influenced by traditional cultural values such as subtlety, restraint, and thriftiness, leading to a preference for understated luxury with
depth. This is also the cultural root of luxury goods being used in "face consumption" such as gift-giving to display social value, a practice that has been prevalent for a long time.

7.1.2 Significant effect of western cultural values
Contrasting with the traditional Chinese consumption perspective, which focuses on ostentatious value and public significance, Western consumerism places more emphasis on the personal orientation value of luxury goods. With the penetration of Western culture among younger groups, particularly in the consumption behavior of the millennial and Generation Z demographics, there has been a clear trend of pursuing individuality and emphasizing self-expression through consumption.

7.1.3 Deepening national sentiment
With the growing strength of China's national power and cultural influence, the sense of national sentiment among the Chinese people has also been strengthening. "Nationalist" consumers are more inclined to choose domestic brands, which is why marketing strategies like collaborations between luxury and national brands have achieved significant success in China. More consumers are looking forward to seeing Chinese elements in luxury goods design and marketing, as well as a deeper understanding of Chinese culture. The efforts of luxury brands to integrate traditional Chinese culture have been receiving increasingly effective returns.

7.2. Characteristics of Evolutionary Brand Marketing Strategies

7.2.1 Chineseisation
With the enhancement of Chinese cultural influence and consumer power, luxury brands are increasingly striving to please and appeal to Chinese consumers. Their understanding of Chinese culture has gradually deepened from the surface to the essence, and artistic symbols of Chinese style are increasingly appearing in luxury product designs. Today, collaborations with national trend IPs have become an effective means for many luxury brands to invigorate their brand vitality.

7.2.2 Significant effect of western cultural values
The digital marketing strategies of brands have become more sophisticated. Brands are not only increasingly active on social media but also rely more on e-commerce platforms to expand their information and sales channels. At the same time, their online marketing methods have become more diverse, using art forms such as films, music, and documentaries to convey the brand spirit. The O2O (Online to Offline) model has also matured.

7.2.3 Significant effect of western cultural values
With the rise of younger consumers, particularly the millennial and Generation Z demographics, luxury brands have started shifting their marketing style from aloof to approachable. They are incorporating cultural elements more favored by the youth, adopting sales methods that appeal more to younger audiences, discussing social issues of greater concern to them, and promoting lifestyles and values that resonate with the younger generation.

References


