

Research on the Impact and Strategy Optimization of COVID-19 on the Development of China's Luxury Industry

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Abstract: COVID-19 makes the economy around the world face a big issue; also, COVID-19 accelerates the development of digital businesses to provide convenience and benefits. More and more stores lose customers, and some close down. People may think about is the luxury brand has been affected by this situation. This paper will focus on what luxury brands face and how they can solve it. This paper uses a survey, comparative, and chart analysis to explain. Nowadays, luxury brands are losing their customers, not having a chance to join the online market, and more and more people cannot hold on to the high price to shop for luxury goods. This paper will provide three resolves to help the luxury brand recover from the hurt, e-commerce, producing a specific app, and giving up some of their customers to protect their brand quality. This research can give some advice to help people change their purchasing behaviors because they must adapt to the environment.

Keywords: China, luxury industry, consumer behavior, strategy optimization, COVID-19

1. Introduction

1.1. Research Background

The coronavirus pandemic changed 2020 beyond recognition. On 23 January 2020, the Chinese city of Wuhan issued a lockdown order in a desperate attempt to stop the virus from spreading to other parts of China [1]. The COVID-19 pandemic has affected the lifestyles and motivations of many people, changing their purchasing behaviors simultaneously. This pandemic has altered people's lives and wreaked havoc on the global economy [2]. During the COVID - 19 period, the global lockdown made people keep social distancing and limited the spread of the COVID-19 pandemic, encouraging customers to reduce offline shopping and purchase more online. Everyone faces income losses, cross-border travel restrictions, and limited transport opportunities that reduce suppliers' production and marketing costs. This situation makes them need to find new suppliers, domestic and overseas. To sum up, the COVID - 19 outbreak accelerated digital business development. There is a new kind of immersed in the digital world consumers have emerged, which is more selective and has more fiscal difficulties [3]. COVID-19 has been an inevitable topic in all aspects of people's lives, and it is a catastrophe for the luxury market because of the recession. How to resolve this crisis and use effective

solutions to meet this challenge seem to be necessary. Given that, China is one of the world's largest and fastest-growing luxury markets, and the sales volume was over 92.7 billion dollars. Hence, China can be a typical example to conduct a study.

1.2. Literature Review

Luxury goods are the things that will connect people's life. They will satisfy people's emotions. Also, luxury goods have their features, for example, excellent quality, scarcity, exorbitant price, profound cultural foundation, and non-essentials [4]. The economic situation in China can explain why people prefer to buy luxury goods. Most Chinese consumers will be the youngest because they can pay for luxury goods, luxury can help them show their personality, and official young people prefer to buy goods to show their social status. Additionally, they could be a major force in easing the downturn in the luxury market during the pandemic. The Chinese market is growing fast and can be the main power of the luxury market, which is the main factor for us to select it as a subject.

Luxury companies faced mounting pressure to become more customer concentric, digital, agile, and sustainable. As they reset short-term targets and adopt new ways of working to cope with Covid-19, companies can still move toward these longer-term goals [5]. Solutions like solidifying in response to the crisis, including making full use of digital shopping and sustainability, can be effective methods to deal with the depression of the luxury market.

1.3. Research Gap

This paper focuses on luxury markets in China. When COVID -19 spreads around the world, the impact is people will not have a chance to buy luxury goods, and online shopping for luxury brands will have some problems. Some scholars analyze the data to determine the most suitable solution for their luxury brands to encounter the changes brought by the virus. Economic is more chances to be the right way to solve this circumstance and enlarge their sales volumes again. However, experts seldom concentrate on which website to which a brand should pay more attention. It is a less popular topic whether they should only focus on their official websites or put them on all major websites. This paper will choose several brands as the model to discuss their advantages and disadvantages. Then, it will create a great scheme for each type of brand.

1.4. Research Framework

First, this paper's introduction will describe the effects that COVID -19 brings. Then, it will talk about how these effects affect the luxury market and how it makes the luxury market face tremendous problems. Also, the introduction describes the Chinese luxury market, who is the customers, and how the customer affects the luxury market.

Secondly, this paper will use two research methods to analyze how China's luxury market recovered after the COVID - 19. The first one is the questionnaire survey. The authors will put a survey on social media for everyone. Then, they will conclude the answer and analysis the useful data. Also, they will look forward to data from recent and before to think about the benefits that will bring to the luxury brand.

Thirdly, this paper will discuss the luxury market have to face some problems that are hard to solve.

Lastly, this paper will give some ideas and suggestions for the luxury brand to go through this hardest period.

2. Method

2.1. Questionnaire Survey

Based on the main topic of this essay, a survey is aimed at having a better understanding and the analyze data around Chinese luxury marketing, and it is toward most of the young people who will be the main customers in the future for luxury marketing. This questionnaire asks about people's viewpoints on luxury development under the COVID-19 situation. Also, this survey provides people's attitudes toward luxury products. However, this survey cannot conclude the whole Chinese market since most of the answers come from young people between eighteen and twenty-five. In this case, the adults' do not be included. Meanwhile, there is a public survey of all customers in China, and this one will show the whole marketing. In this situation, we can compare these two questionnaires to see the different ideas of different groups' opinions about luxury products under the COVID-19 impact.

2.2. Comparative Analysis

This paper will find the data on luxury marketing before, during, and after. Comparing these data shows how COVID-19 affects the whole of luxury marketing and what makes this change. This paper will look at three dimensions: how customers' ideas change, what is brand purposes, and what strategy luxury brand uses to recover from the virus impact.

2.3. Statistical Analysis

This paper also uses some Statistical analysis ability. He collected a large number of charts from questionnaires and charts from online public questionnaires. The Figure/Table shows most people's attitudes toward the epidemic's impact on the development of the luxury industry. You can also use these charts to figure out how to help luxury goods gain more revenue under the pandemic

3. Result

3.1. COVID-19 Makes Physical Stores Lose Customers

In 2019, when COVID-19 began to spread around China, most cities decided they would lock down the city. Also, People are starting to self-isolate and have less and less face-to-face contact in hopes of curbing the spread of the virus [6]. After COVID-19, the luxury brand tries many ways to help them recover and gain money. The offline store gets tremendous hurt from fewer consumers. COVID-19 makes people have less chance to go shopping. When the virus spreads around the city, the city will face lockdown. Then citizens will not have a chance to shop at the department store. After people get used to this situation, they will not have the idea to shop in the department store, so their first choice is shopping online. This is the most common fact in China now, and then the physical stores will lose customers. In this case, the luxury brand has to find a solution to help them to join the market in China. However, most luxury brands do not join any online department store, so their customers must go to the offline store to buy their products. This fact will make customers think about inconveniences and lose their purchase desire.

Profile by online consumption

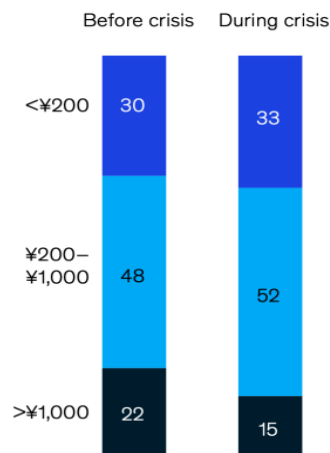


Figure 1: The percentage difference before the crisis and during the crisis.

Figure 1 describes how many people will shop at the luxury brand before and during the coronavirus. It shows that more and more people prefer to use online stores to buy products. This fact forces the luxury brand to consider joining the online department store to provide online servers to its customers.

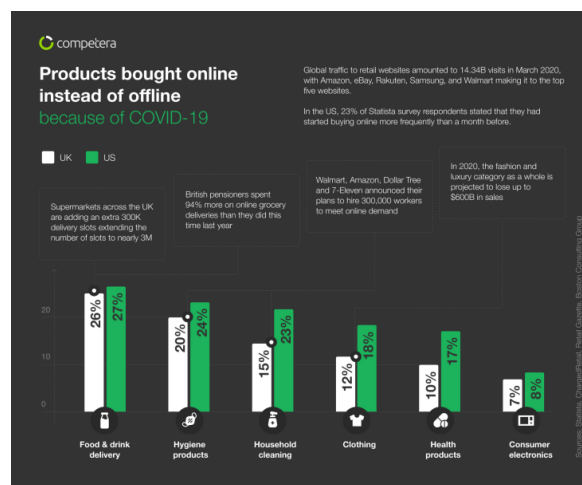


Figure 2: After Covid - 19, people's preferences about the way to shop.

Figure 2 overlooks the whole retail market situation before and after the COVID-19 impact around UK and US. More and more countries use the online market to shop for goods. In this case, the online store will become a big trend for future marketing development. If luxury brands do not follow this trend, they will face that they may lose their position by losing their customers.

After concluding these data, luxury stores must consider this big trend and consider how to solve this issue. If more and more people get used to the online market, the offline store will not have enough customers to support, and the luxury brand will face tremendous hurt. In this case, this paper provides some solutions to help the luxury brand recover from the pandemic.

3.2. Some Luxury Brands Try to Enter the Online Market

Digital marketing can invest in social media to look for a new way of communicating with customers by getting information from social networks, such as advertising on social media and using a short video to tell the brand's story.

The decline of the global economy was affected by covid-19. The global luxury market is expected to be grown from \$309.6 billion in 2021 to \$382.6 billion in 2025, and the compound annual growth rate is 5.4%. The United States, China, and Japan are expected to become the biggest luxury market by \$71.3 billion, \$43.9 billion, and \$30.7 billion, which totals 47% of global luxury sales.



Figure 3: Luxury goods market in billion US\$.

Most of the customers who are affected by the epidemic choose online e-commerce sales. The covid-19 limit the number of times physical stores that consumers begin online shopping more and more with the rapid growth of online sales. Many people have lost their jobs, and online shopping always has some discounts. The industrial and consumer markets are faced with accelerating digitization requirements which make online shopping faster and more convenient. Online consumers become more experienced in increasing awareness and experience [7]. However, some luxury brands do not want to join some of the online markets, they prefer to let their customers go to their websites, but they have to admit that they will not have many customers willing to go to their websites. Nowadays, people prefer to put the products together to compare then decide which one they will buy. Digital marketing takes a sense of comfort and comfort for customers that is more attention than ever in living space. People can get their desired products and simultaneously keep their preference for high-quality goods and services. Overall, the covid-19, which is uncertain and unpredictable, makes customers delay and give up some of their needs.

3.3. Economic Recession Undermines Personal Luxury Purchase Intentions

The rapid spread of the pandemic, beyond human imagination, had lots of negative impacts on the economy and disrupted people's daily economic activities. Luxury goods are, to a large extent, carriers of individual social status and other added value given to consumers. The economic recession, in particular, the collapse of the global supply chain, has increased the production costs of fashion products, and the adverse economic impacts have reduced people's consumption of fashion products [9]. The willingness to purchase fashion and luxury goods still witnessed a significant decline at the beginning of the pandemic.

Luxury goods are not necessities of life, meaning not to be the prior things for the masses. When basic living security is threatened, people's desire to buy expensive things will be greatly reduced. At the same time, many countries and regions have hoarded goods because of the poor circulation and shortage of necessities compared to the past, making local people spend more of their disposable income on purchasing daily necessities. This also makes the remaining income of families insufficient

to support the consumption of luxury goods. Owing to COVID-19, people have already had less disposable money, and those on the fringes of luxury spending groups prefer to buy fewer luxury goods or relatively inexpensive luxuries. For example, there is a famous domino effect called the lipstick effect, which is the theory that when facing an economic crisis, consumers will be more willing to purchase less costly luxury goods.

4. Discussion

4.1. Digital Marketing Online Sales Can Help the Luxury Brand to Recover from the Hurt of the COVID-19

The way to help the luxury brand, the physical stores, recover from the impact of COVID-19 are digital stores, e-commerce, and online sales.

Table 1: How people buy the luxury products.

Choice	Percentage	Ratio
Online shopping	18	30.51%
Official website	13	22.08%
Physical store	20	33.9%
Other ways	8	13.56%
Total	59	

Table 1 shows that after the covid-19, more and more people prefer to shop online to buy luxury products through the online shop markets or the official websites of luxury brands. After analyzing these data, we can see the main trend of the future market should be online shopping.

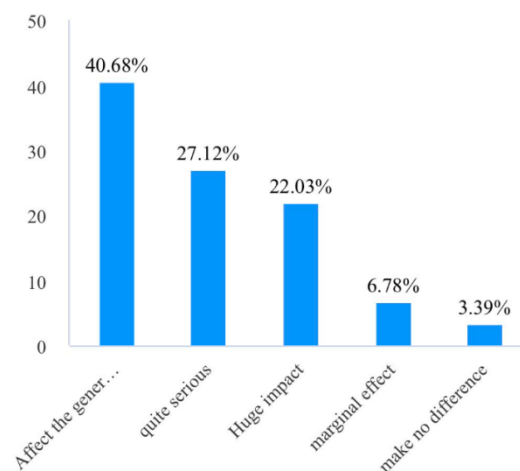


Figure 4: Covid-19 influence on the luxury market.

From Figure 4, most Chinese people think the covid-19 affects the luxury market, but only a small part of them do not believe that. It is obvious people may think the luxury brand will get an effect. This phenomenon cannot leave from the strategy that the Chinese market recovers from COVID-19, which is e-commerce. People have an idea that e-commerce will allow them to buy products at home.

However, the luxury brands do not provide any way about e-commerce. Then, people will not have the idea to buy luxury goods. In this case, the sales volume of luxury brands will decline.

After combining these two pictures, we can conclude that if luxury brands try to recover and gain more customers, they can open the market online.

4.2. Creating an Application for Only the Sale of Luxury Brand

The fashion luxury goods industry now pays more attention to sustainability, such as using non-animal materials to make luxury goods. Also, digital marketing is becoming increasingly popular when people are inconvenienced to go out during the epidemic, such as artificial intelligence (AI), immersive technology (VR/AR), and 3D Printing. These popular technologies are used in luxury brands' digital technology to enhance customers' shopping experience.

If customers have an application to only purchase luxury brands, it will connect with the other online market application of the different luxury brands. This application will make it easy to show every category of products on the same page so that customers can compare them conveniently. In this special period, satisfying customers' needs and supplying high-quality products and services are important for luxury brands. They should find value to provide for customers to gain trust and generate dependence. Customer loyalty and brand value are important to make a luxury brand successful.

4.3. Price Premium Bucked the Trend to Increase Sales Volume in Luxury Markets

Several factors appear to account for the recovery of the luxury industry post- COVID-19, including consumers' increased indulgence in luxury goods and their urgent willingness to engage in luxury experiences [8]. Despite the pandemic's impact on the global economy, many luxury brands select price premiums to expand their sales volume. Taking Chanel and Michelin as examples, Chanel's classic Flap is from 37600 yuan in 2019 to 58600 yuan in 2022, an increase of 55.9%, followed by 2.55 reissue from 42600 yuan to 62700 yuan, an increase of 47.2% in China. As for Michelin-restaurant, we propose customers' willingness to pay a price premium as the outcome of perceived luxurious values at Michelin-starred restaurants. In the process of self-expansion, consumers are likely to invest more time, effort, and resources into the object of their affection and are willing to pay higher prices for the brand [10]. Therefore, maintaining the luxury and upscale brand positioning aligns with people's sentiments. Realizing that truly luxury brands have a remote possibility to make sales campaigns stimulates consumers' desire to acquire luxury goods again. The price premium is a successful strategy because Chinese luxury markets have experienced a rising tendency. The luxury market is bouncing back quickly, driven by China which generates the highest market revenue.

Even though the economic recession exerted an adverse implication on luxury markets, the normalization of the pandemic let people gradually adapt to the uncertainty of life. Time is a cure-all to heal humans' mental conditions.

5. Conclusion

5.1. Key Findings

For the first part, this paper concludes that one of the factors that led the luxury brand to meet the big problem is that most luxury brands only have physical stores. Because the COVID-19, more and more people do not have a chance or do not want to go to the physical store. Therefore, luxury stores will lose some customers. The solution for this is that the luxury brand can open an online store that allows the customers to shop online. Also, they can join the online department to sell their goods. The brand can put advertising and brand stories to let their customers get more information. When digital

technology becomes faster and more convenient, retailers can create an application to gather many luxury brands. Customers are convenient to compare products from different brands. Although the current global economic situation is not optimistic, many luxury brands still choose the premium strategy. However, this strategy has helped most luxury brands extend their market value and scale

5.2. Research Significance

This paper researches luxury marketing during the COVID-19 pandemic that everyone is affected to keep social distancing and try online shopping. Solving this crisis and rising to the occasion is necessary. This research can give some advice to help people change their purchasing behaviors because they must adapt to the environment. At the same time, retailers are facing losing income, cross-border travel restrictions, and limited opportunities for transportation. They will find it challenging to reduce the production and marketing costs. Also, COVID-19 accelerates the development of digital businesses to provide convenience and benefits.

5.3. Limitations

In the first place, this paper failed to master the first-hand data, and the results may be delayed to some extent. Secondly, there is less literature on the development trend and strategy of the luxury industry under the epidemic, so this paper is still lacking in comprehensiveness. Finally, in the collection and subsequent analysis of the sample data, the sample data is not large enough, so there may be deviations from the real situation.

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