

Research on LV Cosmetics Product Line Extension and Luxury Brand Construction

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Abstract: During the Post Covid-19 Era, the luxury brand production category have boomed in two directions, high pricing production & lower pricing production. Western markets have suffered from an economic recession because of the War and the energy tension. Luxury brands how to perform the strategies in different markets to keep the growth and make up the loss from the western markets, minimizing the negative from the mass production. Firstly, this paper talk about the ideological reasons for luxury brand expansion. After that, this paper talks about the economic reasons for luxury brand expansion: why it is so urgent to do the production turn down. Finally, this paper talks about how luxury brands' growth is through product line extensions: "galaxy" mode product line expansion, not the pyramid mode & LV brand growth; Control create product process tightly; Pricing strategy in two directions. This paper defines the principle rarity domain of Luxury brand management. Still, cultural differences exist in Western and Eastern markets, meaning those two markets perceive the rarity principle quite differently. The two paradox discussions in social ideology, the economic perspective from different lands, have managerial implications.

Keywords: LV, cosmetics, product line extension, luxury brand growth

1. Introduction

1.1. Research Background

During the Post Covid-19 Era, the luxury brand production category has been boomed in two directions, high pricing production: Swiss watches, fine jewellery & lower pricing production: cosmetics.

In 2022, High-end luxury products significantly outperformed, and the demand for exclusive production are returning to Pre-Pandemic-levels as wealthy luxury consumers stuck at home during the pandemic, Such as the pricey Rolex, Omega to Audemars Piguet and Patek Philippe to Vacheron Constantin [2] [31]. Sales growing of entry-level jewellery pieces until 2025, Expected By Bain & Company Such as Cartier "clash" collection and Bulgari "Cinemagali" the fine jewellery [1].

The other direction is the lower pricing production line, mainly on the cosmetics collection, the famous lipstick effect. In the gloomy economic era, consumption downgrades pay for the daily consumer goods [3]. Still, they would like to buy the lipstick as hope, pleasure, and enjoy the

“lipstick effect” during the economic gloomy Era. This paper mainly focuses on exploring the cosmetics & perfume collection in LV brand management confronting the higher inflation, the consumption downgrade.

This paper discusses the luxury brand to do the product expansion, which is continuing to win the luxury brand’s global expansion footprint in the long run. The business value is to keep the financial growth while reducing the negative of the turn down, especially targeting the East Asian market. The Luxury brand aims to catch the growing middle-class with high purchasing power at the sizable population, catch the business scale. More important, this paper gives the reader a rational reason from social perspectives.

To explore the negative of the turn down and how to minimize the impact and simultaneously continue new growth in the luxury brand management and fulfil the demand. Give a rational reason why creating the cosmetics production line is urgent.

1.2. Literature Review

In recent years, the harvest of luxury research field: luxury brands has been defined as an means of self-expression for the superiority [4-5]. Deciding to purchase luxury goods was because its exclusive quality of the materials, the craftsmanship, more important is the social satisfaction or the re-creation of customers’ identity [6]. That means: luxury consumption does carry on the social association and social dissociation with exclusive pricing frequently perceived as a self-expression of social status [6]. Thus, the key motivation driving customers to purchase luxury products is to express their superiority, highlighting their self-esteem and recreating their distinctive identity [9].

1.3. Research Gap

1.3.1.A Paradox Embeds the Luxury Brand Growth: Massfication VS Rarity

Luxury growth mainly rely on harvesting their production category to selling to the middle class [6, 8]. Despite the rarity principle remaining the conspicuous factor of the luxury core concept. When a luxury brand keep growing its sales, the great sales will damage its superiority value perceived [7]. Thus, the luxury brand paradox is massfication vs rarity [6]. The mass production of luxury goods might not impact the significant rarity principle of the would-be middle class. But the mass luxury production could impact the luxury consumers perceived exclusivity, after that they will seek other brands to gain superiority value [10-11].

1.3.2.Mature Market: More Sensitive for Higher Penetration & Emerging Market: Less Sensitive, There Is Room to Deepen Higher Level Penetration

Beyond above all study, there are two kinds of social ideologies across different markets. Firstly, Luxury consumers in mature countries act more sensitive to a high level brand penetration, which means luxury growth still needs to be controlled tightly if the brand wants to maintain its desirability status [12]. The finding reflected mature countries’ very elitist vision about luxury: they would like to behave as power-expression whoever knows you, but few can access it [27]. That could say more penetration is less rarity because they will lose superiority in mature countries [13].

On the other hand, emerging countries act differently with mature markets. Luxury brands entered emerging markets at 1990s, more later than they entered mature countries; the luxury penetration in emerging market still has more space to grow before diffusing the boundaries of the upper middle class [7]. Thus, luxury brands could grow penetration rates before damaging the exclusivity within the luxury buyers group in emerging markets.

1.3.3.B Paradox Discussion: The Awareness of the Luxury Brand in European & East Asian Markets is Different; the Rooted Reason Is the “Interdependent” and “Independent” Domain of the Two Markets

Luxury could have various concepts because of the different cultural contexts in different lands [15]. Luxury customers from western and eastern countries have different perceptions about superiority and exclusivity in 1995 [12]. Western luxury buyers think about the superiority was the essential factor of the luxury brand, in contrast, eastern buyers do not think so [16]. But in 2018 the rarity has been defined as key concept to luxury customers in Eastern or Western markets, emerging or mature countries, but cultural differences embedded different lands [7]. In addition, culture differences influences luxury consumption by self-expression perceived luxury exclusivity [17].

China is highly collectivist society and the social effect of conformity differs from Western markets, where individualist is more essential [18]. In Chinese society, the need for conformity is more important than the uniqueness, the domain social relationship is interdependent, the bandwagon effects are prevailing at present [7]. Thus, in China the luxury concept perceived as production with exclusive craftsmanship and let the buyers perceive honour as a symbolic status to express their esteem in their social lives [19].

A cultural perspective analyses how luxury buys perceive luxury concept in western and eastern markets, having a significant managerial implications [17]. According to the above study: the superiority principle has proven valid in different lands, thus a luxury brand might conduct subtle managerial principles to target various markets [7], which means targeting the east Asian market allows using different strategies different from targeting the European market.

1.4. Research Framework

This paper talked about during the Post Covid-19 Era the luxury brand production category boomed in two directions, high pricing production & lower pricing production. Western markets suffered from the highest inflation due to the energy tension. Luxury brands how to perform the strategy in different markets to keep the growth and make up the loss from the western markets.

Firstly, this paper talk about the ideological reason for luxury brand expansion. Define Luxury brands deeply. Later, paradox discussion exists the luxury brand growth: massfication vs Rarity: mature market: more sensitive for higher penetration & emerging market: less sensitive, there is room to deepen higher level penetration. Paradox discussion: the awareness of the luxury brand in European & East Asian markets is different; the rooted reason is the “independent” and “interdependent” domain of the two markets. So, targeting the East Asian market allows using different strategies different from targeting the European market.

Secondly, this paper talks about the economic reasons for luxury brand expansion. The history of luxury brand global expansion, and getting to know the direction of its global footprint: East Asian.

Thirdly, this paper talks about luxury brands’ growth in product line extensions: “galaxy” mode product line expansion, not the pyramid mode & LV brand growth; control create product process tightly; pricing strategy in two directions.

2. Method: Literature Research Method

The research method mainly relies on the secondary, because the literature review could provide multiple external sources to obtain broad insight from secondary research. The fundamental topic of these papers is more subjective; this research is conducted mainly through the interpretative perspective to understand varying social perspectives. To understand the varying definition of luxury rarity principle due to the eastern and western, the different cultural perspectives that would contribute to various business strategies, make the business decision to target eastern and western

markets. Why is it such urgent to do the lowering pricing production: cosmetic production line: the economic factor--to better cope with the economic rescission & brand growth.

Regarding the ontological perspective, there are different interpretations of luxury rarity principle relying on the social environments of eastern and western markets: the interdependent & independent perception, gaining knowledge from in different ways to understand the perceptions of those two markets [20].

Understand how luxury brands go through the economic downtown Era from the historical perspective and the direction of their global expansion footprint. To be true, deeply understanding the customer segmentation of the eastern market. Then let those data support the business strategy and inform their decision-making [21].

3. Result

3.1. Luxury Fashion Global Expansion: New Growth & Growing Economy

The luxury brands was originally from Europe such as Cartier, LV, Bvlgari mainly severed for the Royal group, the customer basement were seldom [22]. After the First and Second Wars, the European countries was hard hit by economic rescission, and the elites in Europe decreased luxury consumption. 1920s Cartier, Gucci, and LV targetted the northern American Market looking for a new customer segmentation: the wealthy offspring. Later, Luxury brands entered Japan since 1970s, the rapid growing economy. Thus, European, Northern American and Japan has become the mature market with stable demand: displaying the market share 15%, 24% & 7% [24]. This is the direction of the luxury brands global expansion: targeting the growing economy, the growing middle class with higher purchasing power for luxury goods, enlarging the customer basement.

LV started enter the Chinese market in 1994, luxury fashion brands have started targeting the emerging markets: the growing economy, growing middle class with sizeable population [25].

As a emerging market China, “the Chinese dream” in everyone’s mind, which means whoever works hard could pay for a high-quality life. The deep reason is that the social class is still fluid, the ordinary people could work hard to enjoy a better life. The rising middle-class who are general higher education at least beyond the college, the university. Those groups’ population is highly demanded of the high-quality product line—especially the femininity group that enjoys self-consumption in China. Another is the 90s and Z-generation; the younger generation is already the target luxury customer group, and their luxury consumption with high demand. At the same time, with high purchasing power from their wealthy parents. From the financial forecast, the Chinese market will be 35% of the luxury goods market in 2025 [24].

More importantly: In 2022, Russia’s invasion of Ukraine has caused the highest inflation, higher prices gasoline, and the general production cost increasing heavily in western countries; which is eroding the spending power of customers. Economic recession underpin because US Federal Reserve has raised interest rates [30-31]. Another reason is that during the Post COVID-19 Era, international travel is losing, the recovery of luxury travel sales in Europe just recovering half percentage of 2019 levels by 2022, to compensate the loss of European luxury Hub [29]. Thus, LV could create the cosmetics & perfume production line: the lower pricing production to meet the growing middle-class group, the femininity self economic trend, the Z-younger generation with the high demand on the luxury consumption, catching the business scale.

3.2. To Cope with the European Economic Recession: Lipstick Effects & New Growth

During economic downtown, the luxury brands have decreased sales heavily from their core production: the Haute Couture, because the luxury buyers reduced luxury consumption and returned to the rational consumption [3]. Luxury brands need to find new growth to sustain their business

and keep growing, they turned down to create the new production line; targeting the new middle-class who bought the accessible pricing products, enlarging the customer basement. Such as Dior 1970 created the first **lipstick collection** at the lowering price to enlarge the customer's basement with bright pleasure, delivering hope for the customers [23]. The great sales from the lipstick collection made up for the loss from the core business: the Haute Couture collection [28]. Then, the lipstick collection has been the new production expansion for luxury brands growth.

4. Discussion

4.1. "Galaxy" Mode Product Line Expansion & LV Brand Growth

The Galaxy mode product line expansion refers to: all category production in the brand are equivalent status of the brand, which is made of different universes, the key is coherent by the creator, minimizing the pyramid mode--"vertical stretching"--damage the exclusive luxury taste [26]. That means is not just harvesting the production but also keep the superiority taste, each category does carry on the equivalent taste of the luxury brands, expressing the brand heritage, storytelling.

Brand extension is always a trading town--harvesting the production by leveraging the prestige of brand name they carry to do the product extension, for example: perfume, sneakers, and skin-care [28]. LV has not created the cosmetic and perfume product collection. It is about production category differentiation strategy within the LVMH group: Firstly, Dior has the full price range product extension within the group, Dior already winning the reputation world wide and the positive financial performance for several years from all category production, such as the Haute Couture, the ready to wear, the cosmetics production. Another, The Guerlain, The Givenchy have delivered the special cosmetics, perfume collection in consumers heart. So that, it has been already formed the production category differential within the LVMH group, the harvest production expression from cross-brand comparison.

From LV brand vertical growth perspective, the LV exclusive brand value, the highly brand ranking, which is accumulated drip and drip, going through the hard times, still "sparkling". More important, The financial success of Louis Vuitton is long-lasting in Chinese market [7]. Thus, LV has the potential opportunity to prestige its luxury brand name--creating the cosmetics & perfume collection.

LV cosmetics production line could stand for the female successors: sexy of the brain, beautiful, leverage. The perfume collection could be father send to his daughter as the gift. Its taste is different with MISS Dior & the beauty of Chanel. Using the flower: Peony, rich and honored.

4.2. Control the Creation Product Process

The experiences came from the Japanese market in the 1980s: the Japanese luxury consumer would like to pay full price for luxury goods made in France or Italy. Japanese consumers have a more strict attitude toward luxury goods, the same with Chinese consumers. Thus, control creates product procession to keep the exclusive quality of the luxury production, and increase the desirability to purchase the products, create the dream for the luxury consumers [7].

4.3. Pricing Strategy

Thus, two directions of pricing strategy: highly pricing and turn down. The pricing strategy is two: one is exclusive high-end production [7], which is not easy to access. Such as, Louis Vuitton the watch collection is significantly more expensive than the similar category production from other brands, creates such collection could live up the brand status [1, 7]. The other is turning down the

price range focusing on the lowering price range production. Looking for the volume, business scale to better leverage the luxury brand name in the long run win.

5. Conclusion

5.1. Key Findings

“Rarity” means the luxury brand embedded the timeless value, which cannot be reproducible or replicated anymore, still with the unique luxury taste, exclusive the craft skills, luxury it does carry on “the irreversibility of time”. Time is always going on, never going back. It is also the principle of rarity.

To be true, the rarity principle is the domain state in the luxury brand management elsewhere. But very elites vision on luxury in Western market with the the independent awareness. The western market is more strict for the less accessibility.

On the other hand, collectivism domains the East Asian market with interdependent social awareness. Deeply, the social class in China is still fluid. The ordinary people who have the Chinese dream could work hard to enjoy a better life. The 0.4 billion middle class in China and the middle-class are growing. These people, who have higher education beyond college, would like a kind of high-quality life with high aesthetic appreciation ability, demanding the exclusive luxury products.

Another, the current environment: to cope with the highest inflation, the downgrade consumer consumption in Western markets--in this way, LV could prestige its luxury brand name, carefully doing the turn down, creating the cosmetics & perfume production--the lower pricing production, to form the full price range product extension in LV brand building, especially targeting the East Asian market: Japan (7% market share), China (35% market share), catching the business scale in the long run, winning during the economic chaos.

5.2. Research Significance

This paper defines the rarity principle domains luxury brands management, but the cultural differences exist in Western and Eastern markets, meaning those two markets perceive the rarity principle quite differently. The western market is more strict for the less accessibility, and the Eastern market think the exclusive quality, the honored effect, the social status more importantly. Thus, the luxury brand could perform different strategies to target different markets to keep the growth, minimizing the negative from mass production. The two paradox discussions in social ideology, the economic perspective from different lands, have managerial implications.

5.3. Limitations

These papers mainly rely on secondary data, focusing on all kinds of academic papers lacking primary data. It does need more time to collect the primary data. Future studies will utilize primary data through the qualitative research method and collect enough data sampling would give better and more accurate results. Using the face-to-face interview could be better to understand participants' awareness deeply, and having a harvest database to do the rational analytic.

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