

How COVID-19 Is Facilitating the Digital Transformation of Luxury Retailing Industry in China

—Taking Louis Vuitton as an Example

Shuai Peng^{1,a,*}

¹*School of Management, University College London, London, United Kingdom, WC1E 6BT*

a.popopengs@outlook.com

**corresponding author*

Abstract: In recent years, COVID-19 poses an undeniable threat to the world economy. There is an increase in the global unemployment rate, supply chain disruptions, and business failures in several industries, especially in China. Faced with this difficulty, an increasing number of organizations are transforming their platforms from physical stores to e-commerce and online platforms, hence boosting their digitalization penetration. This paper explores how COVID-19 stimulates the digital transformation of the luxury retailing industry in China, using Louis Vuitton as an example. The purpose of this paper is to determine the possible pattern around all luxury retailers to see if digitalization is better and more sustainable for their commercial operations. This paper will employ literature analysis as its methodology. This paper reveals that the digital change surrounding the luxury brand is not solely a result of COVID-19, while COVID-19 does speed this transformation, and that social media platforms also play a significant role in China.

Keywords: COVID-19, Louis Vuitton, digitalization, social media platform, China

1. Introduction

Research on the fashion brand sector is a niche market encompassing all pertinent analyses. According to Google scholar research, there are insufficient sources for presenting the research on the digital transformation of the fashion brand business and COVID-19. The significance of this article stems from the fact that it not only investigates the relationship between the fashion brand sector and COVID-19, but also the impact of social media platforms, with a geographical focus on China. This paper presents Louis Vuitton's marketing strategy before and after COVID-19; investigates how COVID-19 encourages Louis Vuitton to undergo digital transformation; and investigates additional reasons why Louis Vuitton recognizes the significance of digital transformation on its marketing strategy.

This paper will employ literature analysis as its methodology. This paper presents multiple points, which are supported by cited research. This article focuses on the fashion brand sector, using Louis Vuitton as an illustration. As a result, such research can be reproduced but in different brands, such as Gucci and Hermes, which would be useful for other luxury or fashion retailers to enhance their current marketing strategy and inspire them to develop new marketing strategies.

2. Marketing Strategy of Louis Vuitton

2.1. Before COVID-19

Before COVID-19, Louis Vuitton maintained its conventional supermarket advertising channel. In addition, Louis Vuitton has recognized the significance of digitalization and initiated its penetration of the online platform via social media. According to the 2019 China Luxury Report released by McKinsey, the post-80s and post-90s account for 56% and 23% of total luxury consumption in China, respectively. The characteristics of this group's consumption have been profoundly altered by digitization [1]. For instance, socializing and shopping occur simultaneously online. Traditional search-based purchasing has been replaced by shopping based on recommendations. These shifts compel luxury firms to investigate digital innovation in new ways [1].

2.1.1. Social Media Platform Penetration

Louis Vuitton targets additional user groups and attention by combining marketing and publicity techniques with social media platforms. LV strengthened customer contact in 2019 by launching mini-programs and online stores on WeChat and by enhancing the consuming experience of online stores based on customer feedback [2]. LV's growth on social media networks also contributes to brand promotion. Louis Vuitton garnered the attention and support of more than 4.5 million followers by launching official accounts on the Xiaohongshu application and the Weibo website. In 2018, LV touch was introduced and implemented in iMessage to penetrate into consumers' lives [3].

2.1.2. Traditionality

Although the luxury goods sector believes that digital marketing and online sales for luxury products may improve brand awareness, it may diminish the brands' perceived value. As people become habituated to the virtual world, actual experiences become more valuable. Mr. Michael Burke, worldwide CEO of Louis Vuitton, stated that as digitization increased, the importance of the real world grew [1].

In addition to developing digital marketing in the China market, Louis Vuitton has staged several offline exhibitions to communicate brand tales. For example, Louis Vuitton staged the "VOLEZ, VOGUEZ, VOYAGEZ" exhibition in Shanghai from November 2018 to February 2019, the fifth stop on its worldwide tour after Tokyo, Paris, New York City and Seoul from 2015 to 2017. With approximately a thousand exhibits, Louis Vuitton portrayed the brand's history, spirit, and culture, showcasing the evolution of the brand's bag design through various transport modes (yachts, vehicles, aircraft, and trains) and life situations. The 78-day exhibition drew a total of 270,000 people who wanted to experience the culture and spirit of Louis Vuitton up close. It is an efficient method for attracting new followers [1].

In this exhibition, Louis Vuitton also utilised a variety of digital marketing techniques for targeted advertising. For instance, Louis Vuitton cooperated with Mobike, Dianping.com, Ctrip, and other platforms to promote the public attractiveness of this exhibition. In addition, the company linked its WeChat mini programme to the exhibition's promotion, included virtual and augmented reality, and offered sharing, navigation, engagement, and personalised customisation features.

2.1.3. Particular Attention Paid to the Younger Market

Louis Vuitton's latest efforts to connect with millennials and members of Generation Z have been quite profitable. Heritage enterprises in the recent past were solely interested in being associated with affluence and prestige. Nevertheless, contemporary luxury is less elitist and more accessible. Louis

Vuitton has redefined the laws of audience engagement in this burgeoning industry by cooperating with streetwear labels (Supreme), teaming with young influencers (Selena Gomez, Karlie Kloss, and Emma Chamberlain), and developing an online presence that engages with younger customers [4].

2.1.4. More Stringent Regulation of the Distribution System

Moreover, the brand has profited in the long run from Louis Vuitton's prudence with respect to its distribution rights. Excessive growth of a luxury house can be harmful to the overall prestige and worth of the brand in the long term. The perfect example of this is Ralph Lauren. The brand's initial identity and "snooty" appeal in China were significantly watered down as a result of worldwide licencing agreements and aggressive sales techniques [4].

Even while there are more people who may potentially buy the brand's products now than ever before, the beauty of luxury lies in its exclusivity, and no one wants to spend their money on something that's readily available to everyone. Louis Vuitton devotees are aware that the label does not offer discounts or wholesale to chain retailers. Thus, Louis Vuitton is able to keep a tight rein on manufacturing and pricing, ensuring the brand's continued prestige [4].

Louis Vuitton has had broad and unique digital marketing tactics. However, the brand has always stuck to tight e-commerce distribution methods.

Currently, the only official online sales platforms for Louis Vuitton in China are official websites, official WeChat shops, and Mini-Program pop-up stores. Additionally, WeChat boutique purchases are redirected to the main website. Despite the rapid growth of e-commerce in China, Louis Vuitton has never collaborated with leading B2C or vertical luxury e-commerce platforms [4].

To safeguard market price, maintain brand image, and battle counterfeit items, luxury retailers require stringent management and unambiguous distribution network configurations.

2.2. After COVID-19

After the coronavirus epidemic, the fashion brand industry has been threatened by an economic downturn, particularly in China. As a result of the strict policy for controlling the spread of COVID-19, a large number of offline Louis Vuitton stores have closed, which has had a significant impact on the company's revenue [5]. However, several fashion retailers, notably Louis Vuitton, have continued to engage in e-commerce to combat the epidemic's impact [5]. Therefore, evidence indicates that COVID-19 has not had a substantial impact on Louis Vuitton's performance over the past three years. The rise of new online consumption patterns in China's luxury industry has prompted the French luxury goods brand Louis Vuitton (LV) to create online marketing methods. LV's official website has established a high-level service standard that integrates order, delivery, and after-sales care, which has proven to be effective and successful, as seen by the 8 percent of total sales from only nine months between 2018 and 2019 [2]. This new marketing campaign had a significant impact on COVID-19 lockdowns. Being the first market to restore regular operations after COVID-19 damaged the global economy, China raised LV's revenue by more than 65 percent in the second quarter of 2020 [6]. This is largely due to Louis Vuitton's use of digitalization and retention of its traditional marketing approach [7].

2.2.1. Arousing Purchasing Intention

Non-essential goods like luxury goods require not only the technical stimulation of promotional discounts, but also the spiritual and emotional stimulation to create a new resonance with the brand, especially for consumers who restrict in confined environment due to the lockdown policies in China.

In the wake of Lockdown's conclusion, Louis Vuitton has been the pioneer in introducing new marketing initiatives and products in China. These include the promotion of the 520 High Jewelry

collection, the opening of the Louis Vuitton& exhibition in Qingdao, and the Louis Vuitton and Nike "Air Force 1" by Virgil Abloh exhibition installation in Chengdu, Shenzhen, and Hangzhou [8].

Moreover, On May 21, the company will also unveil the "Sneaker Image | Louis Vuitton" mini-app on Wechat, which will allow users to immerse themselves in a live exhibition in the Brooklyn neighbourhood, study the nuances of the collaboration shoes and workmanship, and receive a behind-the-scenes peek at Virgil's designs. The app also has an appointment gateway and will provide information on the shoes' formal release date in the future [8].

In the current retail environment, Louis Vuitton brings the exhibition from across the ocean to China at the same time, with a dual-channel promotion of offline installations and online immersive digital experiences, demonstrating its commitment to Chinese consumers and keen insight into youth sneaker culture.

2.2.2. Cooperate Social Responsibility

As the disease intensified, there was once a shortage of vegetables in Shanghai. Some luxury merchants in Shanghai acquired fresh produce and other goods, wrapped them in exquisite packaging, and even affixed greeting cards with warm wishes to the clients' doors. Among these renowned luxury brands are LV Louis Vuitton, Cartier, and others. In addition to fresh fruits and vegetables, they delivered traditional local cuisines and delicate snacks, such as crispy beef ribs with sutra, supple fava beans with scallion and oil, stewed bamboo shoots, vegetable-wrapped large meatball, and Yangzhou fried rice. Due to the exceptional period, it is necessary to demonstrate brand care, maintain customer relationships, and provide care packages to VIP consumers. As a result, the cared-for clients will be impressed and appreciative, and their brand loyalty will grow [9].

3. How COVID-19 Incentives Louis Vuitton to Penetrate Digitalization

In order to study further how COVID-19 encourages Louis Vuitton to undergo digital transformation, this paper proposes that COVID-19 acts as a stimulant, whereas digital transformation is a major trend caused mostly by the growing use of social media platforms.

Beginning in 2020 with the implementation of COVID-19, Chinese customers will be required to convert their shopping habits from store visits to online platforms. So many individuals began to order online, to explore the brand's product information online, and to engage in the brand's online interactive games. Last year, many fashion media and fashionistas, including Louis Vuitton, began to watch the shows online as opposed to going to Paris, Milan, or Tokyo and sitting in the front row [10].

On the one hand, it is obvious to believe that COVID-19 is a catastrophe for humanity, but on the other, it has given new life to certain companies and sectors. Consequently, since COVID-19 occurred in 2020, luxury brand e-commerce has become an industry standard. All of the main luxury groups' brands have made every attempt to begin connecting with consumers online. In this process, customers find the online experiences offered by the luxury brand industry to be fascinating and informative. The rituals and tailored experiences of the major companies appear to be of equal importance to the services provided by our offline physical stores and exhibitions [10].

In reality, customer views regarding e-commerce in China shifted before to COVID-19. In China, the demand of online retail is higher than the physical retail, particularly in the luxury goods sector [11]. JD.com, one of China's largest online retailers, launched Toplife, a premium e-commerce platform, in the fall of 2017. According to Business of Fashion, Toplife enables premium businesses to control and modify all parts of their store on the site[12].Therefore, the luxury retail industry is undergoing a transformation, as brands are beginning to see the benefits that e-commerce may provide, as well as the possible risk to their sales development if they do not expand into the e-

commerce sector. Using e-commerce platforms such as Toplife, which professes to take a tough stance on IP infringement, marketers may offer a premium purchasing experience that is easily customizable and manageable. Even in established economies, the emergence of millennial luxury consumers has raised demand for online availability of premium products[11]. This is undoubtedly attributable in part to the customer desire for the luxury market to mirror the trends of non-luxury retail firms, many of whom are pioneering the digitization of retail and embracing the opportunities it presents. LVMH, the parent company of Louis Vuitton, has developed its own e-commerce website, 24 Sevres, which promises to provide consumers with a unique and customised purchasing experience across all LVMH brands[11].

In short, the digitization of luxury brands has already begun before COVID-19. Nevertheless, the luxury brand business has been pushed by the COVID-19 to adapt its marketing approach and has hastened the industry's digital transition.

4. The Reason Why Louis Vuitton Getting Digitalization on Its Marketing Strategy

Based on the previous argument, COVID-19 encourages the digital transformation of the fashion brand industry, including Louis Vuitton, based on prior reasoning. However, there are additional considerations that encourage Louis Vuitton to adopt a digital marketing approach.

In terms of the development history of the luxury industry in China over the past few decades, the period between the introduction of foreign brands and the period between 2014 and 2015, when social media was not fully popular and traffic was not golden, may be considered the 1.0 era.

During this time, brands were all "me-centered" and marketing communication followed the traditional top-down linear thinking of the luxury industry. Chinese consumers, as passive receivers of messages, had limited opportunities to communicate directly with fashion houses. Customers were loyal, consumption noise was low, customers followed brands, and brands ran offline. The Chinese consumer has few direct communication opportunities with fashion houses, despite their high customer loyalty and minimal consumer noise [13].

The marketing communication model has fully entered the 2.0 era, as the purchasing power of luxury products in China has increased tremendously since 2015, and the contact between companies and consumers has been more direct due to the continual advancement of digital technology.

During this period, customer preferences began to diversify, brands' exclusive and superior attitude began to shift, brands opened multiple channels to connect with customers, brands embraced local social media and e-commerce platforms, and used Chinese celebrities and KOLs as spokespeople and promotional windows to convey brand concepts to consumers and influence their preferences and behaviours. In this dynamic process of transformation, local consumers are fighting with companies for a stronger voice [13].

The 3.0 age is propelled by the pandemic and China's cultural confidence and creative awakening. Customers and brands engage in discussion and co-creation in the 3.0 era. In this day, interaction is the most crucial factor, and the views and feelings of Chinese customers regarding every word and action of businesses will become more significant than before.

In addition, people expect brands to create creative experiences that are unique and innovative. In light of this, the entire process of localised creative interpretation and re-export of brand content in the local market is becoming increasingly crucial - this is where luxury brands will be tested the most, as fashion is one of the industries with the strictest standards and controls over creative output; however, this is also where luxury brands will continue to win over Chinese consumers in the future. However, this is also the key for luxury companies to continue to attract Chinese consumers in the future [13].

5. Conclusion

In conclusion, this study presents a comprehensive review to evaluate how Louis Vuitton is undergoing a digital transition and its involvement in COVID-19. According to research, the digital revolution of the fashion brand business has been relentless and is gaining worldwide popularity, not only because of COVID-19, but also because of social networking platforms. This article is limited in that it solely focuses on Louis Vuitton; however, additional research can be conducted within the fashion brand business on other brands, such as Hermes, Gucci, Burberry, etc. In addition, the geographical scope of this work is limited to China; additional regions must be examined. In conclusion, Louis Vuitton should continue its research of digital marketing in the Chinese market to strike a balance between heritage and innovation and to attract young consumers in this difficult and promising sector.

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