

Research on Multichannel Marketing of Ostentatious Products Based on Consumption Iteration Theory--Take Hermes as an Example

Jiawei Fang^{1,a,*}

¹ *Hebei University of Economics and Business, Shijiazhuang, China*

a. 1811000504@mail.sit.edu.cn

**corresponding author*

Abstract. The iteration of China's consumer society has stimulated huge potential consumption momentum, and Chinese consumers' consumption focus has shifted from functional product consumption to ostentatious product consumption. With the deepening of economic globalization, international first-tier brands, which have the attribute of showing off, are increasingly entering the daily lives of Chinese consumers. Chinese consumers are regarded as the world's largest luxury consumer group with their strong purchasing power. If international luxury brands want to occupy a larger market share in China, they must conform to the characteristics of the Chinese market and meet the shopping habits of Chinese consumers. Therefore, based on the 4P marketing theory, this article analyzes the marketing background and current situation of the H brand, and conducts a PEST analysis of the H brand. It puts forward feasible suggestions on how to exploit the potential customers' consumption ability and obtain greater market share by taking advantage of the opportunities of sinking market and alternating generations of consumers after entering the Chinese market.

Keywords: ostentatious products, marketing strategies, PEST analysis, consumption iteration

1. Introduction

This section will specifically introduce the research background and purpose of this article, and summarize the research on luxury goods marketing at home and abroad.

1.1. Research Background and Significance

The development of the luxury goods industry marks the great enrichment of human economic and material life. According to sociologists' analysis, luxury consumption is a reflection of a specific social psychology during the transition from a deficient society to a wealthy society [1]. As we can see, with the continuous development of economic globalization, the luxury industry has also accelerated its pace of development and gradually become an important component of the capital market. From 2005 to 2007, the luxury goods industry ushered in a peak period of development, with the global total turnover climbing from 106.6 billion euros to 170 billion euros [2]. The industry has attracted worldwide attention due to its rapid development. And with the development

of international trade, cross-border transactions have shown a blowout growth. Due to the rapid development of China's economy, major international brands regard China as the most promising market. At the same time, China's high net worth population is no longer blindly working hard to accumulate wealth, and now they are more inclined to material enjoyment. Therefore, the transformation of Chinese consumers' consumption concepts has provided a broad market for luxury brands. Zhou Hongmin said in the "China Market Journal" that by 2013, the "Chinese luxury consumer" population had reached 13% of the total population, and was still growing rapidly [3]. China and its huge consumer market have attracted the attention of the world's luxury goods industry. Therefore, this article analyzes how international luxury brands can seize the opportunity of rapid expansion of the Chinese consumer market, increase brand market share, and cultivate brand loyalty among Chinese consumers.

1.2. Literature Review at Home and Abroad

Prior to this, there were countless literature on luxury marketing strategies at home and abroad, but previous research directions tended to be more focused on the localization of foreign brands and the establishment of brand loyalty. There is less research on how to use multichannel marketing to cultivate consumer brand loyalty during the consumption iteration stage and operate a sinking market to gain potential customer base during the rapid development of cities. Next, I will expand on the basis of summarizing previous research conclusions.

Thorstein Bunde vendible explained the concept of "conspicuous consumption" in his book "Leisure Theory". Both ostentatious consumption and "conspicuous leisure" are designed to show wealth or mark social status, and are defined as goods that cost more than their value. Members of the leisure class are often related to business. They are also people engaged in conspicuous consumption. They influence others by expressing their social power and prestige, whether real or perceived [4]. Arch G. Woodside described the core principles of fashion marketing theory from the perspective of economic psychology in his book *Luxury Fashion Theory, Culture and Brand Marketing Strategy*. Related to fashion marketing is the "psychology" in "economic psychology", including the influence of conspicuous consumption and human desire for relative scarcity, that is, human desire is different: in these desires, consumers who are relatively high and very low tend to make significant choices regardless of the price level of goods or services [5]. Therefore, for advanced product design targeted at conspicuous consumers, the different pricing points (decisions) to maximize profitability vary greatly, and scarcity is targeted at customers with high long-term demand for conspicuous consumption and rarity, while product design targeted at conspicuous consumption with low positioning and customer scarcity have very low long-term desire for conspicuous consumption and rarity.

Above all, contemporary marketing research has recognized the symbolic role of luxury goods in consumer life [6]. Consumers are usually willing to pay additional prices for brand awareness and use higher value products to reflect their social status. And hopes to convey social signals and identity characteristics to the outside world through the positioning of the product.

1.3. Research Content and Methods

Based on the consumption iteration theory and 4P theory, combined with the PEST analysis method, this article discusses how luxury brands can use multichannel marketing methods to seize the opportunities of China's transformation to a third consumer society and expand their market holdings when operating the Chinese consumer market. By observing the purchasing behavior of Chinese luxury consumers aged between 25 and 40, this article explores the influencing factors of Chinese consumers' purchasing decisions. In order to obtain guidance for brand marketing strategies,

and then propose more feasible marketing strategies for international luxury brands aimed at Chinese luxury consumers.

2. PEST Analysis of Hermes Brand based on Consumption Iteration

2.1. Development History of Hermes Brand

In 1837, Thierry Hermes opened the first harness store in Madeleine. At the World Trade Fair in 1867, Hermes won a first-class honor award for its exquisite craftsmanship. Subsequently, with the efforts of the Hermes family from generation to generation, the brand developed and grew, with exquisite craftsmanship and aristocratic design style based on the peak of classic clothing brands [7]. In 1997, the Hermes brand entered China and opened its first brand store. The millennium coincides with the rapid economic development of China's megacities, and some economically developed regions have taken the lead in entering the third consumer society. At this time, the Hermes brand, with its high prices and exquisite workmanship, became the most frequently purchased ostentatious product among the wealthy in China.

2.2. Consumption Iteration Theory

In "The Fourth Consumption Era", Japanese sociologist Miura Zhan divided Japanese history after the 20th century into four eras based on consumption characteristics, roughly corresponding to the first four layers of Maslow's demand pyramid. The productivity of the first consumer era is insufficient, and the main purpose of consumption is to meet the basic needs of clothing, food, housing, and transportation; In the second consumer era, production began to surplus, and the purpose of new consumer demand was to facilitate daily life and social interaction, mainly focusing on functionality; In the third consumption era, the production capacity began to be significantly surplus, and private goods to improve the quality of life were highly popular. The purpose of consumption began to shift to highlighting individuality and a sense of superiority. As China and Japan both belong to the Confucian cultural circle, and there are many similarities in the industrial development process [8], this article uses the "consumption iteration" theory to analyze the social and economic environment of the Hermes brand in China.

2.3. Hermes Brand PEST Analysis

With the increasing purchasing power of Chinese consumers, China has increasingly become one of the important markets for the Hermes brand. Due to the cultural differences between China and the West, if Hermes brands want to gain more share in the Chinese market, they need to combine the specific macro environment of China to carry out marketing suitable for Chinese consumers. Therefore, this chapter specifically combines the PEST analysis method to analyze the macro environment faced by Hermes brand.

2.3.1. Policy Environment.

According to the "consumption iteration" theory of Japanese sociologist Miura Shinzo, the advancement of urbanization in China and the construction of new first-tier cities have directly driven the transformation of consumption in rural areas and non first-tier cities from the late stage of the second consumer society to the third consumer society. Therefore, the consumer products of Chinese consumers have shifted from functional products to ostentatious products. Based on such changes in demand, luxury brands have found new growth points in sales in the Chinese market. Since the Chinese government proposed to vigorously develop "new tier one" cities in 2013, the state has given many policy and economic support to 10 new tier one cities. The commercial

potential shown by these 10 cities is building a strong attraction, causing many international brands to settle down and open stores here. The aggregation effect and synergy effect between various brands can further tap into the purchasing potential of consumers, thereby making sales reach new highs.

2.3.2. Economic Environment.

Since 2010, China has become the world's second largest economy, and this qualitative leap has directly driven the growth of luxury consumption in China. The total sales of luxury goods in China exceeded \$36 billion in 2018, occupying the second place in the luxury consumption market. According to the "Blue Book of the 2022 Official Report of the World Luxury Association", the mainstream luxury consumer population in mainland China has reached 16% of the total population, and is still growing at a rate of 25% every year. The report also mentions that the Italian commercial official in China stated that in the past two years, due to the impact of the economic crisis on the European and American markets, the operating performance of Italian luxury goods companies has declined one after another, but 60% of the global sales share of Italian luxury brands has been sold to Chinese consumers [9]. Currently, China has become the largest global buyer of Italian luxury goods brands. Therefore, international top luxury brands, including Hermes, have regarded China as the most promising market.

2.3.3. Social Environment.

Due to the shift in the consumption outlook of the younger generation of consumers, they have shifted from earning money from their parents to accumulating wealth for future generations to focusing on their own enjoyment. Therefore, their consumption concept is a very important growth point to boost the sales of luxury goods. In addition, the prevalence of luxury goods among Chinese luxury consumers is gradually increasing, and more and more Chinese consumers are beginning to pay attention to luxury brands and use brand effects to highlight their social attributes. These factors have driven the luxury buying behavior of Chinese consumers. In the Chinese market, as consumers have changed from generation to generation, young people aged 25-40 have become the main force in purchasing luxury goods. According to the annual report released by the World Luxury Association in 2016, the trend of luxury consumers becoming younger is very significant. In the Chinese luxury consumption market, consumers aged 18 to 34 account for about 45% of the total, while luxury consumers younger than 45 account for up to 75% [10]. The wealthy and young class is gradually becoming the core of Chinese luxury consumption. Therefore, how to reach the hearts of the younger generation of consumers through brand promotion and brand concepts, generate purchasing desire, and ultimately make purchasing decisions is the main issue facing luxury brands at present, and it is also the potential customer base that brands must obtain to increase market share.

2.3.4. Technological Environment.

Due to the rapid development of China's logistics industry and the widespread application of e-commerce. With the growth of a new generation of consumer groups, online shopping channels have become the main channel for young consumers to understand brands and choose products. In addition, thanks to the birth of such fast payment methods as Alipay and WeChat, the most important payment method has changed from bank card to electronic payment that can transcend geographical restrictions, which also provides convenience for Chinese luxury consumers to purchase goods on overseas official websites.

3. Current Situation of Hermes Brand's Marketing Strategy for the Chinese Market

Hermes brand is one of the most popular luxury brands in the Chinese market, and Hermes' marketing strategy for the Chinese market meets the requirements of the 4P theoretical elements to a certain extent.

3.1. Products of Hermes

Hermes products adhere to respect for tradition, and the value of Hermes products lies in their scarcity and diversity, as each product is handmade by artisans. Always be loyal to the spirit of craftsmanship, such as Hermes' silk scarves, which take two years from design to production. Adhere to manual coloring and stitching, so that each piece has its own story.

3.2. Price of Hermes

Hermes' pricing strategy has consistently exceeded the rise in the consumer price index, with its unique exclusiveness and exclusivity, making it possible for only consumers with luxury goods to obtain the value of the product itself and its added social status [10], thereby effectively satisfying consumers' demand for conspicuous consumption.

3.3. Place of Hermes

Hermes is committed to developing a development model of direct store sales. Let consumers have a deeper understanding of Hermes' brand culture and the product itself from three aspects: convenience of purchase, shopping experience, and brand reach, so that consumers can resonate with the brand psychologically and establish brand loyalty.

3.4. Promotion of Hermes

In terms of promotion, Hermes implements a diversified promotion strategy. The brand is committed to satisfying consumers' pursuit of exquisite things without reducing prices.

In summary, Hermes has occupied the Chinese luxury sales market with outstanding brand quality, highly thoughtful pricing strategies, good customer experience, and diversified marketing strategies. At present, Hermes has contributed more than expected sales to 27 stores in China, and after tasting the sweetness of the brand, it is expected to open 2 new stores in Zhejiang Province in 2024. Currently, the policy support for China's development of "new tier 1" cities has strongly promoted the purchasing power of the original tier 2 cities. The development of cities has driven the further transformation of the consumer society, stimulating the purchase demand for a large number of ostentatious products. Therefore, international first-tier brands such as Hermes should focus on emerging megacities, and promote sales through urban agglomeration. In addition, in my opinion, in the context of the generational shift in consumption, vigorously developing online channels and realizing the "online+offline" ecosystem model are also the main driving force for future sales growth.

4. Marketing Strategy Suggestions for the Chinese Market of Hermes Brand

At the time of consumption iteration, for international luxury brands such as Hermes, when formulating marketing strategies for the Chinese market in the future, two key points should be taken into account: vigorously developing the sinking market, and developing online purchasing channels to reach the younger generation of consumers.

4.1. Explore the Purchasing Potential of the Sinking Market

As rural areas and non first tier cities in China are transitioning from a second consumer society to a third consumer society, the Chinese market has once again shown a great demand for ostentatious products. The purchasing power of customers in non tier 1 cities is also increasing. According to statistics, from January to August 2022, luxury brands opened 96 new stores in China. Among them, the number of stores opened in non tier 1 cities is 59, accounting for 61% of the total number of stores opened. In 2022, Hermes only opened the only store in Zhengzhou, one of the non tier 1 cities. Hermes should catch up and occupy an important position in the battle of various luxury brands to seize customer resources that are sinking into the market.

4.2. Make Full Use of Online Channels to Cultivate Brand Loyalty among Young Consumers

Although international top brands often hold shows in fashion capitals of various countries, or invite highly contributing customers to participate in new product launches. However, in order to explore potential customers more widely, it is necessary to use effective methods for customer touch action. For example, at a time when luxury consumers are transitioning to a younger generation, brands can collaborate with social media to tell a good brand story. In real life, consumers' desire to share shopping experiences will greatly increase as the value of the product increases. The target audience of the brand sees the sharing subjects on social media as the same consumers and people they want to become, rather than promoting the brand with a strong commercial atmosphere. Therefore, it is easier to build brand trust among target customers by sharing shopping experiences and conveying brand concepts through the empathy between consumers. In addition, after the brand expands its influence, it should enrich its purchasing channels and form a virtuous cycle of "wanting, having the opportunity to contact, and obtaining". International top brands that want to gain more market share outside their home country must adapt to the buying habits of consumers in other countries. Currently, Chinese consumers, especially the younger generation, are more inclined to shop online through time-saving and labor-saving channels. Therefore, if a brand makes good use of online channels for publicity and opens convenient channels for customers to obtain goods, it is believed that the brand will definitely achieve unexpected market sales.

5. Conclusion

With the changes in consumer demand in China, new development requirements have been put forward for high-end brands such as luxury goods. Capturing the pace of consumer society transformation brought about by China's rapid urbanization is the key to rapidly expanding market share for this category of products. At the same time, growing together with a younger generation of target customers, cultivating brand loyalty, is also one of the most important factors for overseas brands to maintain sustainable development in foreign countries. China's consumer market is vast and profound, and it is at a time of China's economic take-off. Therefore, as long as international luxury brands devote themselves to the Chinese market, they are sure to achieve unexpected returns.

References

- [1] Sujie Wang, Shanhong Qi.: *Consumerism and High Consumption Behavior of Chinese Citizens in Outbound Tourism*. *Travel Journal* 6, 39-44 (2005).
- [2] Zhihu, <https://zhuanlan.zhihu.com/p/551064371>, 2022/8/8.
- [3] Hongmin Zhou.: *Analysis of contemporary consumption characteristics and formation reasons*. *Chinese market journal* 25, 44-47 (2013).
- [4] Thorstein Bunde.: *The Theory of the Leisure Class-An Economic Study of Institutions*. 2nd edn. Wuhan University Press, Wuhan (2014).

- [5] Woodside, A.G., E. Ko.: *Luxury Fashion Theory, Culture, and Brand Marketing Strategy*. Emerald Group Publishing Limited, London (2013).
- [6] Ger, G. , R. W. Belk.: *Cross-cultural differences in materialism*. *Journal of Economic Psychology* 17(1), 55-77(1996).
- [7] Baike.Baidu,<https://baike.baidu.com/item/Hermes/4903817?fr=aladdin>, last accessed 2022/12/09.
- [8] Zhihu, *Looking at History from the Perspective of Consumption Iteration* <https://zhuanlan.zhihu.com/p/550316404>, 2022/8/9.
- [9] Sohu, http://www.sohu.com/a/136748602_369526, 2017/11/24.
- [10] Yuan Yue.: *Research on Chanel's marketing strategy in China*, Shanghai International Studies University (2018).