

# ***Research on the Marketing Strategies of Luxury Bag Brands in the Chinese Market***

**Zihan Chen<sup>1,a,\*</sup>**

*<sup>1</sup>University of Bristol Business School, University of Bristol, Bristol, BS8 1QU, United Kingdom  
a. ho20243@bristol.ac.uk*

*\*corresponding author*

**Abstract:** In recent years China's luxury industry has been developing rapidly, and the market for luxury bag consumption is gradually maturing. The marketing strategy of luxury brands in the Chinese market is relevant to the development status and prospects of the brand and the industry. This paper provides an overview of the current situation of the Chinese luxury market. It analyses luxury brands' marketing strategies in the bag category from four perspectives: product strategy, pricing strategy, promotional strategy, and placing strategy. The study identifies brand marketing problems within the Chinese market, including unregulated marketing practices, failed localisation, and ineffective consumer targeting. Based on these issues, the paper provides suggestions for luxury bag brands to strengthen internal management and localisation, as well as to increase the use of technology in order to keep up with the times and meet the diverse needs of consumers. Analysing the marketing strategies of luxury bag brands in the Chinese market can provide a reference for the industry and promote its development.

**Keywords:** marketing strategies, luxury brands, Chinese market

## **1. Introduction**

### **1.1. Research Background**

With the rapid development of China's economy and the rising income levels, consumers' purchasing power and attitudes have shifted significantly. Consumers are increasingly demanding in brand, quality, and design, indicating a trend of "consumption upgrading". In the last decade, China has become one of the largest luxury markets in the world, contributing to the growth of the overall luxury market as Chinese luxury consumption continues to rise [1]. Although the Chinese luxury market declined by 10% year-on-year in 2022 due to the impact of the Covid-19 pandemic, growth is primed to recover in 2023 [2]. Such figures reflect the strong purchasing power of Chinese consumers for luxury goods and the Chinese luxury market's strong value and potential. Multinational luxury companies are expanding their international operations and strategically entering and occupying foreign markets. Product chain and product lifecycle concerns are also prompting brands to look to overseas markets for their additional production capacity in order to win the marketplace - with the Chinese market becoming the primary option. In addition, Chinese luxury consumers have distinct buying habits and preferences which lead to the rising disparities between the Chinese and global luxury markets. Therefore, it is crucial to fully understand the characteristics of the Chinese luxury

market and systematically study the marketing strategies and models of luxury brands. A deeper understanding of the differences in the Chinese luxury market can contribute to brands' gradual success. This can also provide a reference value for the industry and promote the healthy development of brands and businesses.

## 1.2. Literature Review

A study of the luxury industry cannot be separated from examining both luxury goods and luxury brands. However, as luxury is a rather subjective concept, defining or measuring luxury goods and brands is still subjective [3]. According to scholars, luxury can be understood as a non-necessity that exceeds people's needs for survival and development and usually has characteristics such as uniqueness and scarcity [4]. As the communication carrier of luxury products, the brand has a deeper structure and characteristics. Therefore, there is no widely accepted or exclusive definition of luxury brands in academic fields. For example, as the term 'luxury' represents uniqueness and unaffordability, luxury brands bring together what people desire, but only a few consumers can afford [5]. Vigneron and Johnson argued that luxury brands are the highest prestige brands. From a utility perspective, Nueno and Quelch stated that a luxury brand is a brand with low functional utility included in its price and high situational utility, whose main role is to provide consumers with an intangible utility such as cultural and psychological [6]. Luxury brands can thus be summarised here simply as socially recognised top brands with a high price, quality, and craftsmanship, embedded with a certain history or culture and providing consumers with a large amount of intangible utility such as psychological value. In addition, luxury brands promote luxury through their own prestige on the one hand and serve luxury on the other. In everyday life, luxury brands often employ a range of advertising and PR campaigns to create their brand image and provide their customers with a quality service that results in a unique and satisfying personal experience for the consumer. It is clear that over the centuries, both luxury brands and the entire luxury industry have matured and acquired a certain level of experience.

Most scholars have analysed the luxury goods industry primarily in its entirety without systematically or academically classifying the industry in detail. In fact, luxury brands are diverse and cover numerous sectors, ranging from consumables such as clothing, accessories, and fine wine to transportation such as cars and yachts. By segmenting the Chinese luxury market by industry, traditional categories such as bags, apparel, jewellery, and cosmetics continue to make up the majority of the market. In particular, bags have long been one of China's most significant consumer products for luxury goods due to their great value retention and marketability. However, this distinctive feature has rarely been explored and studied by scholars. Therefore, analysing the causes of the market dominance of luxury goods in the bag category and the luxury brands' marketing strategies can further explore the industry from the market segmentation perspective and enhance the academic discussion based on this area.

## 1.3. Research Framework

Firstly, this article will provide an overview and analysis of the luxury market in China, which is dominated by bags. Secondly, the paper will summarise the current marketing models and strategies the major luxury bag brands adopt and analyse their strengths and weaknesses. Finally, based on the marketing gaps analysed, the paper will make suggestions for brand marketing in the context of the current situation in the Chinese luxury market.

## 2. Case Description

In the current Chinese luxury market, LVMH and Kering occupy the first and second share of the Chinese market, respectively, among the fashion brands, mainly bags and apparel. Multinational mainstream luxury brands continue to be the main targets of Chinese luxury consumption. The expansion of the Chinese luxury market and the success of luxury brands in China can be broadly summarised by three factors. Firstly, for multinational luxury companies operating in China, political stability and an economic environment with huge market potential are the primary considerations. Since China's economy continues to grow, an increasing number of people are entering the middle class and have more disposable income to spend on luxury products. With such an economic backdrop, luxury brands tend to promote their brands in areas of economic growth - metropolitan cities such as Beijing and Shanghai are preferred. Secondly, cultural inclusiveness promotes rapid consumer acceptance of brands. Educational attainment has enabled consumers to view luxury consumption more objectively and rationally. The social and cultural climate has also embraced multinational brands' foreign history and culture. With the opening up of China's economy and the globalisation of the market, consumers' values and ways of thinking have also changed, and owning luxury goods has gradually become a means to show their identities and self-esteem. Thirdly, some luxury brands themselves have a certain degree of reputation. These luxury brands have high popularity and reputation in the Chinese market, and many consumers buy luxury goods because of the quality and design style of these brands.

Of the first two factors, the Chinese market environment provides the basis for the entry of a large number of brands as an external factor. However, in the face of strong competition in the market, how brands build their prestige, reputation, or competitiveness requires internal brand management and business strategies - brand marketing plays an important role.

Chinese consumers' psychology considers bag luxury products to be largely different from, for example, clothing and footwear products. According to Yang, leather goods and bags provide practical value and high added value [7]. On the one hand, these added values satisfy consumers' psychological needs. On the other hand, they are better than other consumables, such as clothing and shoes, in terms of value (e.g., value retention, marketability). Therefore, for the bag category of luxury goods, brands need to promote themselves by combining the product's characteristics with the brand's unique style. But how to adapt to the Chinese market, meet the psychology of Chinese consumers, and comply with their habits needs to be understood through market research and other means. Unchanging or inflexible marketing approaches can lead to the failure of a brand in the Chinese market.

## 3. Analysis of Problem

### 3.1. Analysis of Current Marketing Strategies

#### 3.1.1. Product Strategies

Luxury goods are generally of high quality and craftsmanship. Luxury bags often take the form of using artisanal techniques and using precious materials to reflect their value. In addition to the product itself, the packaging of luxury bags is exquisite and elaborate. This exquisite packaging not only attracts consumers but also make consumers believe that the product is worthwhile.

The history and culture of the brand itself is also part of the product strategy utilised. The unique cultural connotation can satisfy part of consumers' pursuit. For example, British luxury brands remind consumers of 'royalty' and 'nobility'. The brand culture reflected in the product can further attract consumers and serve as a unique selling point.

In addition, luxury bags often directly reflect brand awareness and value through eye-catching logos and classic pattern design. In China, many consumers favour eye-catching logos for luxury products. For example, LV repeatedly operates the classic pattern on the bag to show its uniqueness; Dior and other brands have made the antique pattern popular again.

### 3.1.2. Pricing Strategies

The scarcity of the product often determines the price positioning of luxury goods. The scarcity of products in the bag category is particularly prominent in luxury goods. Luxury bags are generally priced high, while some remain a global rarity with significant price differences. One of the most classic examples is some of the Hermes bags: rare materials coupled with global scarcity make the bags easily priced higher than millions of RMB, making it a collection-level bag and pursuit for many consumers. In addition to the high pricing of the product itself, many additional values also invariably raise the product's value. There is a mechanism operating in some of China's bag and luxury goods industry: if a consumer wants to buy a certain hot product, they need to spend a certain amount of money in the shop before having the opportunity to buy the desired product. The essence of this mechanism is the bundling approach, whereby two products are bundled and sold together. In terms of pricing strategy, this approach inadvertently raises the value of a product, with the consumer paying far more than the product's value. This directly increases shop sales on the one hand and enhances the product's scarcity, preciousness and rarity.

### 3.1.3. Promotional Strategies

There are countless promotional strategies, and one of the most rapidly growing is digital marketing. The digital marketing of luxury brands is mainly represented by social media marketing. Brands use online platforms to share information and promote their products, build brand image, attract social media users, and increase sales. Many luxury brands have already moved into Chinese social media platforms, including Douyin, Weibo, Xiaohongshu, etc., and have accumulated a certain number of followers.

Reference groups aim to market consumption and shape consumer behaviour through some people [8]. The celebrity effect is very influential in China: Chinese celebrities often have a huge number of followers - many of them can easily reach tens of millions of followers. As a result, the most common way for luxury brands in the Chinese market is to use famous individuals or groups as endorsers or in advertising campaigns. This has a value-expressive influence - as fans admire the characteristics of the celebrity who uses the brand's products, they also purchase the brand to enhance their own image or for other psychological satisfaction [9]. Yu and Hu show that luxury advertisements using Chinese endorsers are more likely to generate social media interactions than the use of international celebrities [10]. In conjunction with the use of social media, incorporating the product into everyday wear can also lead to imitation by many consumers, thus increasing product sales.

Word-of-mouth marketing is especially indispensable for luxury brands, as positive consumer-reported experiences increase the brand's relevance among its target group and customers' desire for the brand [1]. Therefore, brands ensure a positive user experience and brand reputation by continuously improving their service levels.

PR is also highly important for luxury companies in foreign markets. The aim is to increase the attractiveness and approachability of the brand through PR marketing activities and practices. PR strategies for luxury brands are often combined with other aspects mentioned above, such as celebrity effects and the use of social media. Most luxury brands now have their own PR teams or work with PR agencies for better cross-cultural communication.

### **3.1.4.Placing Strategies**

Luxury sales channels are now fully utilised both offline and online. Traditional brick-and-mortar sales still play a dominant role in China. There are also many online sales channels, such as the brand's official website and other online shopping platforms. Moreover, some brands have begun commercial activities in the meta-universe. Moreover, some brands have already begun commercial activities in the meta-universe, such as co-branding their products with games and expanding their online and virtual channels. Similar marketing models and sales channels for luxury brands that innovate through the power of technology are expected to continue to grow.

## **3.2. Problems Affecting Current Marketing Strategies**

### **3.2.1.Unregulated Marketing Practices**

When luxury brands cannot monitor their business practices effectively, many unscrupulous practices can be developed, affecting the brand's credibility. On the online side, as the e-commerce market is not the main area for luxury goods, many e-commerce platforms mostly play the tail goods processing role, contrary to the original intention of luxury sales [11]. On the offline side, brands can't guarantee the level of service in each shop. Some consumers have reported unprofessional behaviour of salespersons and negative service attitudes. Such negative consumer experiences spread on social media can lead to a drop in the brand's reputation. Unregulated practices, such as bundled sales mentioned in the previous section, may also cause consumers to question the brand's business practices.

### **3.2.2.Failed Localisation**

Although luxury brands have been aware of localising their products by incorporating Chinese culture into their products, many still fail to promote their products due to ineffective localisation, mainly due to aesthetic differences and cultural understanding. As culture is a complex concept, it is difficult for Western luxury brands to understand it deeply without serious research on Chinese culture, leading to the fact that the localisation elements embodied in the products remain shallow, one-sided, and even involve stereotypes. Furthermore, most luxury brands have widely selected Chinese celebrities to endorse their products while ignoring the controversies surrounding the celebrities themselves. Celebrities engaging in illegal actions will not only degrade the brand's reputation but will most likely cause related costs.

### **3.2.3.Ineffective Consumer Targeting**

When luxury brands ignore the importance of consumer targeting and positioning, they lose competitiveness or even gradually face elimination in the market. Some brands have been considered outdated and boring due to neglecting consumer characteristics and needs. Therefore, determining effective consumer targeting through market research and other means is an important step for luxury brands to gain a foothold in the Chinese market.

## **4. Suggestion**

### **4.1. Localisation of Consumer Targeting**

Luxury brands should formulate reasonable marketing strategies based on different consumer groups in China to encourage consumers' purchase intention. Currently, China's luxury goods sales market displays a younger trend, and female consumers account for many bag-type luxury goods purchasers



[12]. According to Zhang and Su, the consumption concepts of young groups are more rational, free, and individualistic. Their consumption of luxury goods also displays diverse characteristics, such as focusing on self-reward, sustainable consumption, and a tendency to accept virtual creativity to satisfy the self-consumption experience [13]. Luxury businesses should pay attention to the needs and behaviours of young consumers and communicate and interact with them through online and offline multi-channels and multi-methods to enhance the brand's popularity and influence. At the same time, brands should also focus on cultivating young consumers' brand awareness and loyalty and meeting their diversified and personalised needs through product, marketing, and service innovation. To ensure a stable group of female consumers, brands should also explore more male consumers. Only by taking into account the characteristics and actual needs of consumers can brands enhance the positive experience of consumers.

#### **4.2. Localisation of Product and Advertising**

By targeting Chinese consumers and understanding their characteristics, luxury companies should provide more products and services that meet the tastes and preferences of Chinese consumers to strengthen the affinity of the brands. In terms of products, luxury enterprises should broaden the definition and scope of luxury goods, focusing on the traditional and emerging luxury fields. At the same time, they should also broaden their perception and evaluation of luxury, focusing not only on single dimensions such as price, quality, and fame but also on multiple dimensions such as sense of design, creativity, and uniqueness. Brands can use street trends or other elements to combine with luxury bags or to innovate the practicality and decorative features of bags, thereby improving uniqueness and personalised service. It is worth noting that consumer preference for brands using Chinese elements is also increasing yearly, including elements that express Chinese tradition, aesthetics, and design. Advertising and marketing can be strengthened both online and offline: from the online perspective, social media marketing can be strengthened by signing up with idol celebrities to shoot video adverts; from the offline perspective, young consumers' interest can be aroused by opening pop-up shops and exhibitions.

#### **4.3. Strengthening Internal Management**

Luxury brands should pay attention to standardizing their business operations in the Chinese market, which requires strengthening the enterprise's internal management capacity. They can improve the working ability of their staff through standardised staff training, and at the same time pay attention to the shaping of working attitude and service level. Luxury enterprises should enhance their awareness and ability of sustainable development, focusing on their profit, growth, social responsibility, and influence. They should rectify and deal with irregular business behaviours in a timely manner to ensure the regulated operation and healthy development of the brand in the Chinese market. Simultaneously, brands can use sustainable development as a competitive advantage and differentiation strategy to enhance their image and value through environmental protection, social responsibility, and corporate governance.

#### **4.4. Increasing the Adoption of Technology**

Increasing the use of technology is an effective way for luxury brands to keep up with the times and strengthen their competitiveness. Luxury brands' use of technology can be broadly characterised at the design and operational levels [14]. At present, many brands have already used technology in product design, such as 3D printing, LED, laser cutting technology, and so on. These applications firstly reinforce the products' uniqueness, generating considerable attention for the brands. Meanwhile, this also provides more possibilities for the future development of luxury products.

Brands can make it more straightforward for consumers to get a full view of a luxury bag by providing a 3D display on their website. Brands can also integrate online and offline interactions through Omnichannel (e.g., by adding digital displays in physical shops) to increase customer value and improve the digital experience and physical presence. However, the exact application of technology and operating model should be decided and adjusted according to the company's own situation; otherwise, the inappropriate application may result in costs higher than the benefits brought, leading to losses, and so on. Besides, using Internet technology can be a key point to promote the products in an innovative form based on the existing ones. Such approaches align with the development of the times and meet the characteristics of consumers and the needs of the Chinese luxury market.

## 5. Conclusion

Currently, luxury bag brands have more mature marketing strategies and experiences in the Chinese market, which can be seen through product, pricing, promotional, and placing strategies. Most of these strategies are based on the scarcity, high quality, and high price of luxury bags. Luxury brands are increasingly adopting technology, with online use, such as social media being the dominant digital marketing strategy. Ineffective localisation and unregulated business practices due to lack of supervision are the main problems. In terms of product design, marketing, and consumer targeting, brands cannot fully integrate into the market and meet consumers' needs without adequate market research and understanding of the characteristics of Chinese luxury consumers. Therefore, brands can improve their marketing strategies and enhance their competitiveness by improving their internal management, localising their products, advertising and consumer targeting, and increasing technology use.

By systematically summarising existing marketing strategies, this paper provides an overview of the current marketing status of luxury bag brands in China, allowing for better identification and resolution of existing problems in this industry's marketing. Suppose both domestic and foreign luxury brands can strengthen their operations and marketing strategies. In that case, they can improve their brand development to some extent while driving the benign development of the bag luxury industry in China.

This study still has some limitations. It only provides a brief summary of the popular marketing practices and strategies used by the mainstream leading luxury brands without covering all the marketing strategies in the industry. Moreover, this study lacks the use of primary data and mainly uses secondary data. In the future, the study can strengthen the acquisition of primary data through surveys and other means and summarise and analyse the marketing strategies of China's luxury market in a more detailed and complete manner in order to make the research data more accurate and representative.

## References

- [1] Kim, A. J. and Ko, E. (2012) Do Social Media Marketing Activities Enhance Consumer Equity? An Empirical Study of Luxury Fashion Brand. *Journal of Business Research*, 65(10), 1480-1486. Retrieved from <https://doi.org/10.1016/j.jbusres.2011.10.014>
- [2] Lannes, B. and Xing, W. (2023) Setting a New Pace for Personal Luxury Growth in China. Retrieved from <https://www.bain.com/insights/setting-a-new-pace-for-personal-luxury-growth-in-china/>
- [3] Godey, B., Pederzoli, D., Aiello, G., Donvito, R., Chan, P., Oh, H., Singh, R., Skorobogatikh, I. I., Tsuchiya, J. and Weitz, B. (2012) Brand and Country-of-Origin Effect on Consumers' Decision to Purchase Luxury Products. *Journal of Business Research*, 65(10), 1461-1470. Retrieved from <https://doi.org/10.1016/j.jbusres.2011.10.012>
- [4] Ji, Q. (2007) The Research of China's Luxury Goods Marketing. Retrieved from [https://kns.cnki.net/kcms2/article/abstract?v=4BIQ2pta\\_ERrv1b4pCC5H6jiK0IVfq3SrO3Vo1nlG-p5Jh1GWyN8T8-tZAQeNrQsJWrj\\_XOe1OI31KiVdr8-Jziw7dYx\\_GWnE2\\_QfiTUpf2srVFPYs7xoAFuvSoZMNAX&uniplatform=NZKPT&language=CHS](https://kns.cnki.net/kcms2/article/abstract?v=4BIQ2pta_ERrv1b4pCC5H6jiK0IVfq3SrO3Vo1nlG-p5Jh1GWyN8T8-tZAQeNrQsJWrj_XOe1OI31KiVdr8-Jziw7dYx_GWnE2_QfiTUpf2srVFPYs7xoAFuvSoZMNAX&uniplatform=NZKPT&language=CHS)

- [5] Kapferer, J. (1997) *Managing Luxury Brands*. *Journal of Brand Management*, 4(4), 251-260.
- [6] Nueno, J. L. and Quelch, J. A. (1998) *The Mass Marketing of Luxury*. *Business Horizons*, 41(6), 61-68. Retrieved from [https://doi.org/10.1016/S0007-6813\(98\)90023-4](https://doi.org/10.1016/S0007-6813(98)90023-4)
- [7] Yang, S. (2023) *Marketing Strategy of Luxury Leather Goods Based on Consumer Psychology*. *China Leather*, 52(2), 123-125. Retrieved from <https://doi.org/10.13536/j.cnki.issn1001-6813.2023-002-026>
- [8] Szmigin, I. and Piacentini, M. (2022) *Consumer Behaviour*. 3rd edn. Oxford: Oxford University Press
- [9] Park, C. W. and Lessig, V. P. (1977) *Students and Housewives: Differences in Susceptibility to Reference Group Influence*. *Journal of Consumer Research*, 4(2), 102-110. Retrieved from <https://www.jstor.org/stable/2488716>
- [10] Yu, S. and Hu, Y. (2020) *When Luxury Brands Meet China: The Effect of Localized Celebrity Endorsements in Social Media Marketing*. *Journal of Retailing and Consumer Services*. Retrieved from <https://doi.org/10.1016/j.jretconser.2019.102010>
- [11] Zhang, Y. (2020) *Analysis of the Development Status and Prospects of China's Luxury Clothing Brands*. *Liaoning Tussah Silk*, 173(3), 55-56.
- [12] Huang, Y. (2020) *A Study of Cross-Cultural Communication of Luxury Brands*. Retrieved from [https://kns.cnki.net/kcms2/article/abstract?v=6rsav1Ief6DBiAlSBrDpCUL8vEcq1F6pliKrt9cMrr0oaaFHk45GgorfGkPv2EmuxM8hvL9SWHPOi82wK6Svxu6xVvrYLi1HWkXjbOBDwwcM9vn8xT-dIEC6\\_nOtrqjVqDQKoLi5nO4=&uniplatform=NZKPT&language=CHS](https://kns.cnki.net/kcms2/article/abstract?v=6rsav1Ief6DBiAlSBrDpCUL8vEcq1F6pliKrt9cMrr0oaaFHk45GgorfGkPv2EmuxM8hvL9SWHPOi82wK6Svxu6xVvrYLi1HWkXjbOBDwwcM9vn8xT-dIEC6_nOtrqjVqDQKoLi5nO4=&uniplatform=NZKPT&language=CHS)
- [13] Zhang, Y. and Su, T. (2022) *Analysis of Luxury Consumption Behaviour of Generation Z*. *Global Brand Insight*, 16, 22-26.
- [14] Huang, Y. and Zhai, J. (2018) *Analysing the Application and Relationship Between Technology and Luxury Design*. *West Leather*, 40(7), 76.