

Research on Louis Vuitton's Marketing Based on 4P Theory

Xianzhen He ^{1, a, *}

¹ *The Ohio State University, Columbus, Ohio, the United State, 43210*
a. m18518223268@163.com
**corresponding author*

Abstract: The luxury goods market has matured in developed countries, but is only beginning to emerge in developing countries. Developing countries are rich in emerging markets. However, in Africa, South Asia, and other countries, due to factors such as political instability and the COVID-19, the development prospects of emerging markets are still unclear. In contrast, China's luxury emerging markets are relatively stable. With its increasing population and per capita disposable income, China has become the second largest market for luxury consumption after the United States. While China is having a huge impact on the luxury market, local luxury goods are also gradually developing. This paper will research Louis Vuitton's marketing strategy based on the 4P theory, and make suggestions for Chinese local luxury goods companies. Louis Vuitton in China has excellent product quality, clear consumer target groups and pricing, a far-sighted geographical location and effective promotion methods. Louis Vuitton used product strategy, price strategy, positioning strategy and promotion strategy respectively. Local luxury goods producers should copy their marketing methods and improve their areas of expertise and price strategies to gain initial development in the market.

Keywords: Louis Vuitton, Luxury Good, Chinese, Market, 4p Theory

1. Introduction

In 2014, the revenue from the luxury goods market in the United States was 61,220.00 million dollars, and the revenue from the luxury goods market in China was 34,630.00 million dollars. Until 2022, the luxury goods market revenue from the United States is 69,520.00 million dollars, and the luxury goods market revenue from China is 48,910.00 million dollars [1]. It can be seen from the income data of the luxury goods market that in emerging countries, the consumption speed of China's luxury goods market is higher than that of developed countries. Therefore, the luxury market in China has huge profit margins. However, due to the entry of luxury brands from other countries into the market, it is difficult for Chinese local luxury companies to develop, so great profits are enjoyed by foreign luxury brands. Luxury goods are usually very influential. For example, Louis Vuitton's suitcases and checkerboards have been leading the world and never waned. Chinese local luxury goods companies should refer to and learn the marketing strategies of successful brands. Therefore, this paper studies LV's marketing strategy in China in order to provide a reference for Chinese local luxury brands. On this basis, companies can develop and lead the trend in the Chinese market to further gain a more stable foothold in the market.

2. Analysis Based on the 4P Theory

2.1. Production

The characteristics of luxury products are high-quality products and rich historical and cultural heritage. In 1854, Louis Vuitton became famous for its high-quality handmade leather suitcases. At that time, there were imitations. In 1896 Vuitton created the iconic Monogram Canvas (quatrefoils, flowers and LV monogram) that was more difficult to copy, in order to prevent the suitcases from being copied [2]. Louis Vuitton have been protecting and continuing this culture. Up to now, leather travel suitcases can still be seen in Louis Vuitton stores, and their unique LV logo also appears on each product. Louis Vuitton products are still on hand-made, and spend a lot of money and time on fighting counterfeiting. The product of Louis Vuitton are not produced by contemporary cheap assembly lines, which makes every Louis Vuitton product unique and difficult copy. Usually, when consumers buy luxury goods, the value of whether the product is worthy of them is higher than the concept of whether the product is good or not. Louis Vuitton's careful selection of materials, top-level design and hand-made products make consumers more trust and love the quality of this brand's products, thinking that Louis Vuitton's products are more worthy of themselves. In other words, consumers think that Louis Vuitton's products are the real luxury goods, giving consumers "self-actualization needs". Therefore, high-end production and unique design have attracted consumers who pursue high quality for Louis Vuitton. The spending power of these consumers is higher than that of ordinary people, which also helped establish a stable and good customer base for Louis Vuitton.

2.2. Price

Luxury has a kind of exclusivity. Louis Vuitton's most famous products are leather bags, which cost around \$3,000 each. Compared with clothing, the price will be slightly cheaper, and the price range is about 700 dollars and above. Even the most inconspicuous accessories starts at \$400. If one of the products encounters a limited or co-branded product, it will even cost tens of thousands of dollars. It is no exaggeration to say that the price of this luxury may have a lower limit but never an upper limit. Historically, luxury goods represented the aristocratic class, but today they represent a symbol of upper-class status. In order to distinguish between those who consume luxury goods and those who consume normal products, the price of luxury goods is much higher than that of normal products. Like other luxury goods, Louis Vuitton's target consumer group has always been a small number of affluent people. Due to its high material and labor costs, as well its exquisite workmanship and comprehensive services and channels in the market, the brand's perceived value is so high that consumers feel that they are getting great value despite the high price [3]. Even in times of recession, luxury goods prices don't need to adjust drastically, because the target consumer group is the wealthy group. For the wealthy, the adjustment in the price of luxury products will not significantly change the quantity of demand. Revenues in the luxury market have not been affected significantly by the recession and may grow. During the COVID-19 period, LVMH Moët Hennessy Louis Vuitton, the world's leading high-quality products group, recorded revenue of €36.7 billion in the first half of 2022, up 28% compared to the same period in 2021. Organic revenue growth was 21%. All business groups achieved double-digit organic revenue growth over the period [6]. The customers that Louis Vuitton's expensive pricing targets are wealthy people. With the introduction of these wealthy people, more high-value customers will enter the market, so Louis Vuitton's high price can attract high-value customers thereby generating high profit margins.

2.3. Place

After determining the target consumer group, the products and services should meet the customer needs of the target market in an appropriate quantity and geographical distribution, which is the distribution strategy. Louis Vuitton has nearly 460 chain stores in 63 countries around the world. The right distribution strategy will help companies expand sales and achieve their business goals.

Louis Vuitton's distribution strategies fall into three parts. Products are sold exclusively through Louis Vuitton stores and its official website. The company does not license others to sell its products [4]. Louis Vuitton has continued to adopt exclusive sales. Exclusive sales prevent middlemen and licensing issues, so luxury brands can earn higher profits without increasing costs. Exclusive sales also ensure direct contact between Louis Vuitton and customers, which allows them to provide consumers with the most direct and professional sales services, and can provide individual consumers with higher attention and personalized service, which ultimately strengthens the public's image of the company's products.

In the sphere of cosmetics and fragrances, Louis Vuitton ventures into selective retail. Its beauty products are available in Sephora stores, which is another brand owned by LVMH. This gives LV a safe space to enter selective retail; otherwise, it does not license any third party to sell its products [4]. Louis Vuitton has also developed travel retail, opening stores in famous airports around the world, attracting a large number of consumers around the world and enhancing the brand's reputation internationally. Some famous Louis Vuitton flagship stores are located in Champs Elysees, Paris, France; New Bond Street, London, United Kingdom; Marina Bay Sands, Singapore; Soho, New York, USA and so on. These flagship stores are located in the prosperous and developed economic areas of different countries, and are located in their central areas, such as department stores, landmark buildings and so on. Not only are these locations high-traffic which helps them attract more customers, but Louis Vuitton is also able to use its reputation to create a high-end corporate image for its business.

2.4. Promotion

In order for luxury products to reflect their upper-class social status, it is necessary for the target consumer groups to maintain their sense of superiority. The sense of superiority can be manifested through the scarcity and high popularity of luxury goods. Louis Vuitton regards a small number of affluent people as the target consumers of luxury brands. Under the interaction of scarcity and high visibility, there is a huge contrast in the number of people who actually own and know the brand. This will attract more non-upper-class consumers, as these groups strive to gain social value and recognition and to demonstrate their social identity. Louis Vuitton achieves high popularity through various promotional strategies such as celebrity endorsements, fashion shows, social media and more.

Currently, LV's Twitter account has 9.3 million followers, and its Instagram following has surpassed 17 million. It's highly active on social media and regularly publishes content to keep its audience engaged [5]. In today's Internet age, the audience of social media is extremely wide, which allows Louis Vuitton to quickly attract consumers and establish a brand image. Louis Vuitton cooperates with celebrities who are popular in the era. When the celebrities have good social influence and feedback, Louis Vuitton establishes the credibility of the brand. Celebrities can bring the brand into different circles, which makes Louis Vuitton known to more affluent people. Through social media outreach, celebrities have also brought Louis Vuitton to more suitors.

A fashion show is Louis Vuitton's most iconic and ancient promotion strategy. The fashion show not only clearly shows the theme of new products but also invites many well-known figures. The cooperation and interaction of many well-known figures attract more attention and influence, whether it is for the brand image or the target group, has an excellent effect. For example, in the summer of

2022 Louis Vuitton fashion show, Kendrick Lamar appeared and did a cappella performance at the fashion shows. The video of the cappella performance has become popular on TikTok. In today's era of short videos, people all over the world have learned about this LV summer fashion show. When Louis Vuitton gained enough popularity, it used hunger marketing to release limited-edition products. By controlling the psychology of consumers, it encourages more consumers to buy its products.

3. Recommendation

At present, there are many luxury goods in China, such as tea, rosewood, liquor and so on. Some brands have been acquired by foreign luxury groups, such as Shang Xia, Wenjun Wine, etc. These luxury brands are not well known. According to the above research on Louis Vuitton's marketing strategy based on the 4P theory, this paper thinks Chinese luxury brands can learn from its advantages. In terms of products, we must ensure the high quality of products and high-quality services. Local Chinese luxury brands must identify and adhere to their target consumer groups in order to offer reasonable prices and develop a stable route in luxury and light luxury choices. Local luxury channels in China still have to start with exclusive sales, and can set up exclusive stores and an official website. Because this can ensure the high quality and high service of the product, and help to establish the brand's image. Promotion is the most important point here, because the most serious problem with local luxury goods in China is that the visibility is too low. This can be promoted through celebrity endorsements and social media, although these two methods are not aimed at the upper class, but at a wide range of consumers. Especially on social media, with the development of short videos, big influencers can help to evaluate and publicize, but they must not be sold on third-party platforms and the introduction of middlemen. Because the emergence of third parties will make supervision less strict. For luxury goods that have not yet established a foothold, once there is a problem with the product, its future development will be very difficult. When the market for a single product is mature, the product line can be expanded relatively easily, and some relatively cheap small products can be co-branded with popular contemporary products to sell, such as games, TV shows, etc. Under the interaction of the huge difference in price positioning, the popularity of the product and the target consumer groups that the masses think the product faces, non-upper-class consumers will make purchases in order to reflect their own value.

4. Conclusion

This paper uses the 4p theory to analyze the above-mentioned success of Louis Vuitton's marketing strategy. It can be developed during the research process, and most luxury goods in the world are products with a long history and a reputation. Louis Vuitton is one of success stories thanks to its leather bags and its 200-year history. There is still a lot of room for research in this study, and there are many challenges facing Louis Vuitton in terms of marketing. However, Chinese luxury companies should learn from Louis Vuitton's marketing strategies. First of all, Chinese local luxury goods pay attention to the quality of their own products, create high-end boutiques that belong to their own corporate culture, and let the unique luxury goods in all aspects help open up the market and prevent counterfeiting. Secondly, Chinese luxury goods need to be well positioned for consumers. This is not just as simple as the rich, but requires more detailed positioning. Chinese consumers are willing to pay more for products like Louis Vuitton because they have a good reputation overseas, but local Chinese luxury companies should consider whether Chinese consumers are willing to pay a premium if they want to grow. This paper suggests that light luxury products can be positioned first. In terms of geographical location, you can choose developed first-tier cities, new first-tier cities and some second-tier cities in China. With the development of social platforms today, many places have become Internet celebrity locations because of "Internet celebrities", so local Chinese luxury goods

companies can locate their stores in these fast-growing and well-known locations. In terms of marketing strategies, China's Internet has developed well recently, and local Chinese luxury goods companies can use social platforms and webcasts to increase awareness and traffic. After gaining a little popularity, local Chinese luxury companies can broadcast live broadcasts on their official websites to further improve the effect of their products and attract customers.

References

- [1] Statista, 2022, *Luxury Goods - Worldwide*, <https://www.statista.com/outlook/cmo/luxury-goods/worldwide#revenue>
- [2] Travel France Online, *Louis Vuitton store Champs-Elysees – Flagship store*, <https://www.travelfranceonline.com/louis-vuitton-store-champs-elysees-basic-facts/>
- [3] avada, 2022, *Louis Vuitton Advertising Strategy: Why is Louis Vuitton so popular?*, <https://blog.avada.io/resources/louis-vuitton-advertising.html>
- [4] Harsh Mishra, 2021, *Distribution channels of Louis Vuitton: norms and regulations*, <https://blog.ipleaders.in/distribution-channels-louis-vuitton-norms-regulations/>
- [5] Zarqoon Amin, 2022, *Louis Vuitton's 15 Marketing & Business Strategies To Learn From*, <https://squeeze-growth.com/louis-vuitton-marketing-and-business-strategies/>
- [6] LVMH, 2022, *Growth continues at the same pace*, <https://www.lvmh.com/news-documents/press-releases/excellent-first-half-for-lvmh-26072022-2/>