

Luxury targeted groups and marketing strategies

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Abstract. It is an urgent problem for luxury enterprises to explore the largest group of luxury consumers, formulate a series of feasible marketing strategies, and Capture and capture the attention of the new generation of luxury consumers. In recent years, China's social stability, rapid economic development, China's rich class is increasing, and their age tends to be younger. They are open-minded and pursue the quality of life. The demand for luxury goods is also increasing. Currently, the global luxury market is undergoing fundamental changes. Familiar with the Chinese domestic market, meeting the expectations of Chinese consumers, and continuously enhancing their competitiveness are the only way for luxury brands to enter the Chinese market and win a place. The purpose of this paper is to study the marketing strategy of Chanel luxury products in China, and to provide a theoretical basis for the study of Chinese luxury marketing.

Keywords: Luxury goods; Targeted population; Marketing strategy.

1. Introduction

Luxury consumption effectively balances the foreign trade surplus and promotes the smooth development of China's foreign trade. China has become an important consumption country in the world. In the luxury market, foreign luxury brands occupy an absolute share, which is a big luxury import country. Nowadays, countries in the world have become closely linked and become a whole, with economic integration. According to their own advantages, countries play various roles in the world economy and participate in the international division of labor. China's increasing demand for luxury goods can effectively balance the foreign trade surplus and promote the prosperity of the world economy. At present, China's luxury market is mainly occupied by international brands, while the share of local luxury brands is small. Therefore, China should vigorously cultivate the luxury market, improve the import and export environment of commodities, balance the trade gap, and promote the smooth development of China's foreign trade.[1]

2. Research methods

This paper will use the method of data analysis, combined with specific case studies, first of all to sort out and summarize the relevant materials, analyze the characteristics of luxury consumers, combined with Chanel brand marketing example, to explore the luxury marketing strategy.

2.1 Literature research method

Literature research method. The first is to collect and consult relevant literature and monographs, and to collect relevant data and written materials on the Internet. Through extensive consultation, fully absorb domestic and foreign investigation and research results and refine them, laying a good theoretical foundation for the thesis.

2.2 Case analysis

Case analysis method. Through listing the marketing strategies of Chanel, a luxury brand, this paper analyzes the current situation, finds problems and puts forward countermeasures.

2.3 Field research method

Field investigation method. This paper mainly uses the statistical data of Internet development to investigate the electronic home pages, offline stores and brand consumers of luxury brands.

3. Consumer oriented groups

3.1 Region

According to the nationality of consumers, from 2015 to 2019, the global consumption scale of luxury goods of Chinese consumers shows an upward trend. In 2020, affected by the epidemic situation, it will decrease to about 590-630 meur. However, forecast data released by Bain shows that Chinese consumers' luxury consumption will recover soon, reaching a maximum of 180 billion euros in 2025. (Figure 1)

Luxury consumption scale of Chinese consumers in 2015-2025 (unit: 100 million euro)

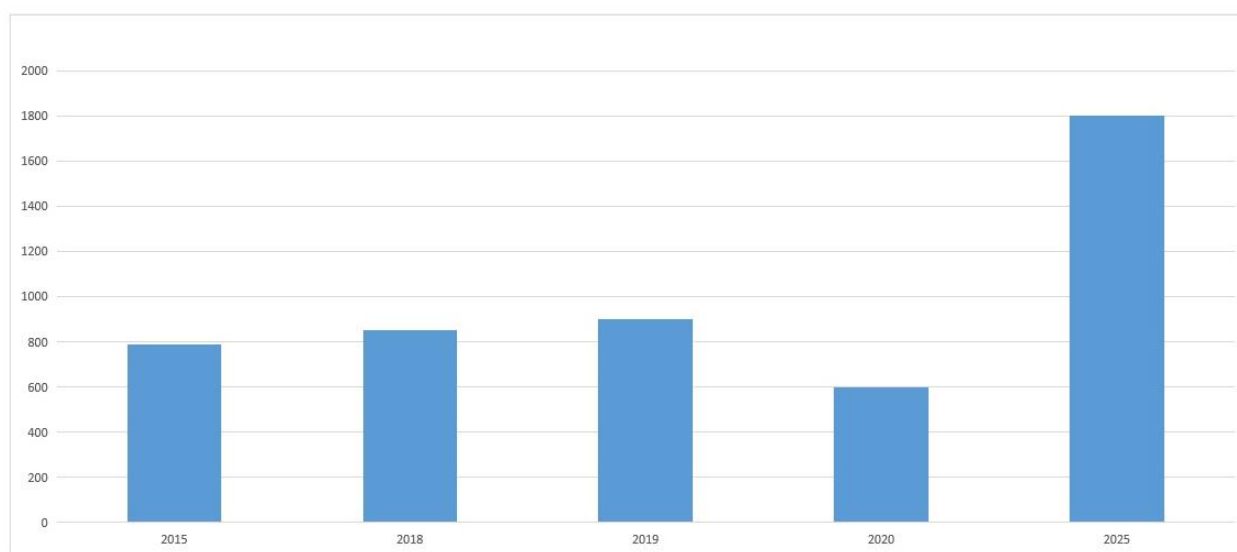


Figure 1. Lluxury consumption scale of Chinese consumers in 2015-2025 (unit: 100 million euro)

From 2025 to 630 billion euro, the total consumption of luxury goods in China is 59-630 billion euro, including the scale of China's luxury consumption and overseas consumption.

Although the global luxury spending of Chinese consumers will decline in 2020, the luxury spending within China will increase significantly. According to Bain survey data, in 2020, Chinese consumers' consumption of luxury goods in China will reach 70% of the total domestic and foreign consumption, and the consumption amount will also exceed 40 billion euros, reaching a new height that has never been seen in history. (Figure 2) However, Bain predicts that as the global new crown pneumonia epidemic situation returns to normal, the proportion will decline in 2025.

Scale of luxury market in China from 2015 to 2020 (unit: RMB 100 million)

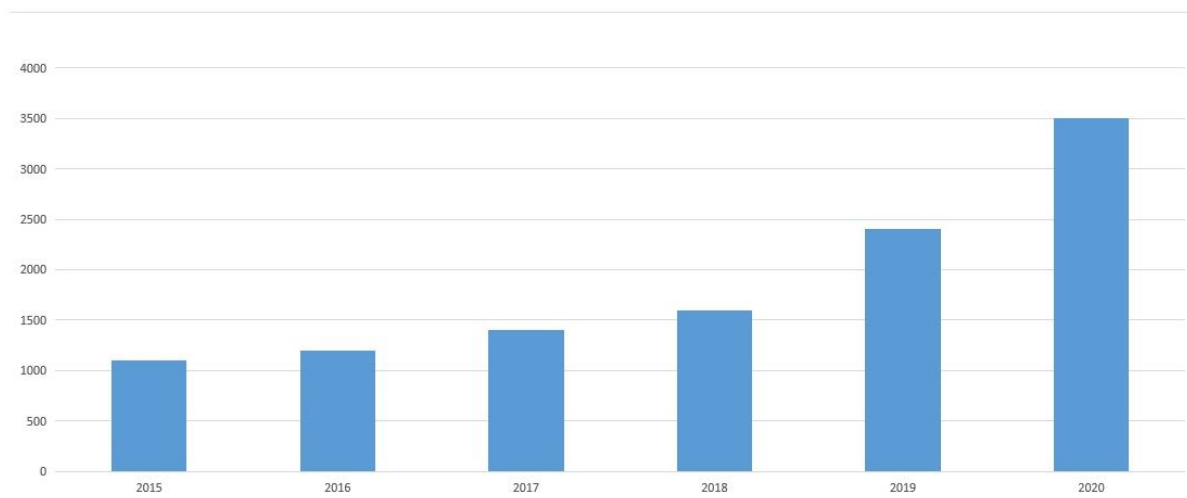


Figure 2. Scale of luxury market in China from 2015 to 2020 (unit: RMB 100 million)

In 2020, the total global luxury consumption will be about 217 billion euro. China's domestic luxury goods consumption will jump to 20.3% of the total global luxury goods consumption, up from 10.6% in 2019. It is estimated that the global luxury consumption will reach about 330-370 billion euro in 2025. (Figure 3) China's domestic market will develop into the world's largest luxury consumer market.[2]

Gglobal luxury consumption and share of luxury market in China from 2019 to 2025
(unit: 100 million euro)

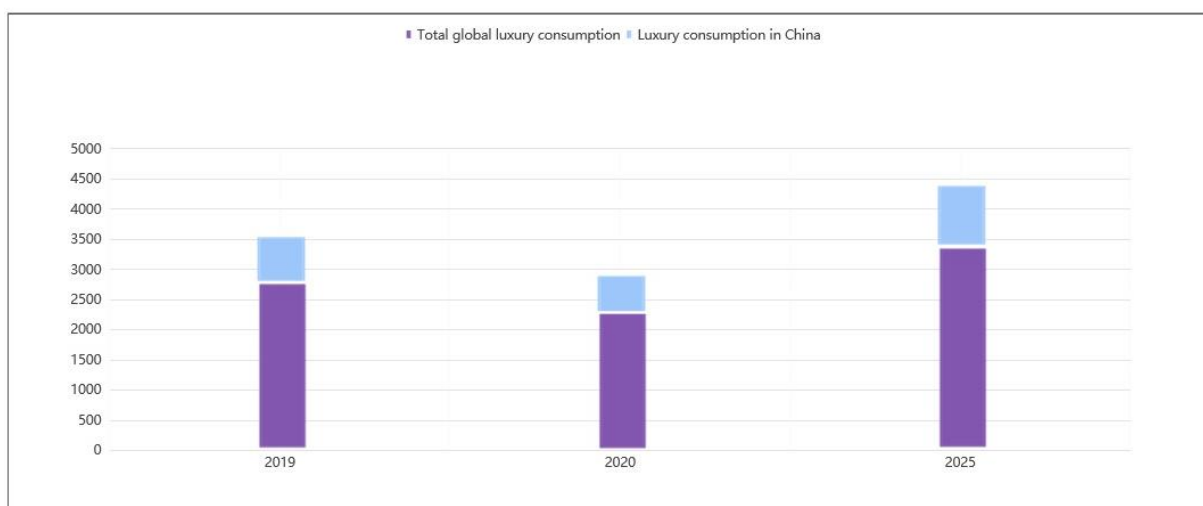


Figure 3. Global luxury consumption and share of luxury market in China from 2019 to 2025 (unit: 100 million euro)

3.2 Age

With the development of Internet technology, the post-90s have more access to information, wider vision, stronger ability to accept new things, and higher requirements for quality of life. With the continuous improvement of the consumption power of the post-90s generation, the mainstream luxury consumer groups have also changed. According to the survey data of bcg2021, among the consumer groups born before 80 years, born in 80-90 years, and those born in 80-90 years, the majority of

luxury consumers have changed the proportion of consumers born in 1990-95 is 7%, 43%, 31% and 19% respectively, and the number of consumers born after 90 has reached half. (Figure 4) According to the two dimensions of consumption amount and age, the consumption growth rate of the post-90s consumers is higher than that of the pre-90s. The annual growth rate of consumers with annual consumption less than 50000 yuan is 37%, and that of consumers with annual consumption of 50000-300000 yuan is 31%. (Figure 5) It is not difficult to see that the post-90s consumers have become the backbone of China's luxury market in terms of number of buyers and purchasing power. They have strong willingness to consume and the consumption amount increases rapidly. With the further improvement of consumption age after 95 and 00, China's luxury market will become more and more young.[3]

China's luxury consumer structure by consumer group in 2021 (unit:%)



Figure 4. China's luxury consumer structure by consumer group in 2021 (unit: %)

China's luxury consumer structure in 2021 (by consumption contribution) (unit:%)



Figure 5. China's luxury consumer structure in 2021 (by consumption contribution) (unit: %)

3.3 Revenue

In Europe and the United States, the main group of luxury consumers is the middle class aged 40-60. In China, people who are accustomed to consuming luxury goods are more than 10 years younger, mostly young people in their 30s, with an average monthly income of between 5,000 yuan and 50,000

yuan. In general, the main groups of luxury consumers in China are people aged 20 to 40 years old, with high income and high education.[4]

3.4 Gender

In the past, China's luxury consumers were divided by gender and were dominated by men. Now, with the continuous improvement of women's economic income, women's purchasing power for luxury goods has replaced the position of male consumers.[5]

3.5 Purchasing channels

From the perspective of global personal luxury goods sales channels, sales are still dominated by single-brand stores, specialty stores and department stores, accounting for 31%, 20% and 18% respectively. Thrift stores and airport stores continued to grow strongly, both by 11%. Among all channels, online sales remain the fastest-growing sales method, with 22% growth in 2019. Globally, online sales account for 75% of total luxury goods sales. (Figure 6) [6]

Global personal luxury online market and its proportion in 2010-2019
(unit: 100 million euro,%)

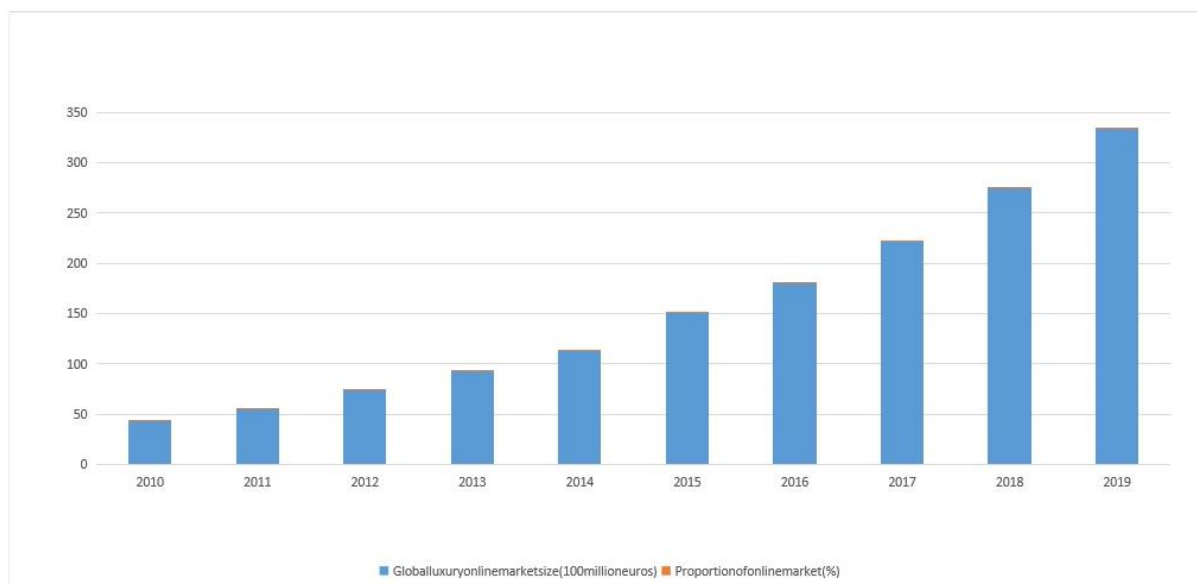


Figure 6. Global personal luxury online market and its proportion in 2010-2019 (unit: 100 million euro, %)

4. Chanel marketing strategy

4.1 Product policy

Chanel's products are loved by many female consumers because of their stylish designs and distinctive features. The main products are: fashionable boutique, glasses, wristwatch and high-grade jewellery, perfume, cosmetics, etc. All products are refined and elegant yet stylish. The unique double C word is used as the symbol of the Chanel brand.[7]

4.2 Price strategy

There are different pricing strategies for Chanel's internal product categories. For example, Haute Couture's pricing in the extreme high-end market is far more than \$100000, but most products are priced between \$1000 and \$50000. According to Van Buren's theory, the demand for luxury goods depends on the sense of wealth given to consumers, not on price. This strategy affects consumer

buying behavior. The price of luxury goods affects the purchasing psychology of consumers, so luxury brands should position the price at a reasonable level to attract consumers.

It is worth mentioning that Chanel readjusted its global pricing in 2015 to encourage the Asian market, especially the Chinese market, to shop at home. For a time, China became the best place to buy Chanel bags, which set off a buying frenzy. Take CF package as an example. After the price adjustment, the price difference of CF package in the global market will not exceed 5%, in which the price in mainland China will be reduced by about 20%, while the price in Europe will be increased by about 20%.

4.3 Sales channels

At the end of December 2009, Chanel opened its flagship store at The Peninsula Hotel on the Bund in Shanghai, China. This is known as the most elegant Chanel boutique in the world so far, covering an area of 500 square meters. Chanel uses the sales model of high-end department store agents in first-tier cities in China to target core clients.

To maintain Chanel's high-end positioning, Chanel has no franchisees in China, but delivered goods to exclusive stores and flagship stores in each city. Currently, Chanel's flagship stores in Shanghai including Shanghai Henglong Plaza and Beijing Xintiandi, there's a full range of Chanel products on sale there. The flagship shop needs special and effective management. The marketing model of opening a flagship store can effectively manage the sales force and save the cost of sales at the same time.

4.4 Successful experience

4.4.1 Price strategy

In particular, the price of Chanel has been adjusted in line with the development trend of the market in China. China is an increasingly mature market. In the past five years, a large part of the growth of Chanel's sales has been completed by Chinese consumers. They are not only spending in China, but also all over the world. This consumption trend has firmly caught the eye of top management at Chanel. Chanel's Pricing reduction is not a price cut in China, but "price harmonization", because when Chinese luxury consumers decide whether to buy luxury goods abroad, they still pay most attention to the price.[8] This move is in order to attract more Chinese consumers who like Chanel, especially those in China, can buy products with similar prices in their stores no matter where they are in the future, so as to give consumers a better shopping experience.

4.4.2 Sales channels

Chanel caters to the upper class, and its shop are often set up in high end areas. Chanel has close to 310 flagship shops all over the world, including 6 in Oceania, 2 in South America, 128 in North America, 94 in Asia, 10 in the Middle East and 70 in Europe. Therefore, the exclusivity of luxury is an important feature. Because the target customer of the product is the affluent high-end people, store location is critical, and the boutique chooses the particularly wealthy area. Other boutiques are located in the famous airport, which is a must for customers most likely to travel. In the business class of some planes, there are also exquisite picture albums to promote Chanel products, so that those frequent business travelers can reward their work and make compensatory consumption. Chanel boutiques have even opened in the lobbies of five-star luxury hotels, catering to their core customers.

5. Existing problems

Although Chanel has a large number of boutique retail stores around the world, Chanel is reluctant to expand its online sales business through shopping sites and the like. Although the Internet is highly developed today, online sales methods have been widely used, Chanel adheres to the offline sales model as before. Brand operators believe that Chanel fans will still choose to go to brick-and-mortar stores to buy bags and clothing. Through face-to-face communication, through the visual display of

goods, choose the goods that suit you, which is the brand management philosophy of Chanel that is truly fashionable. As a result, luxury brands such as Chanel are not getting enough revenue from online sales.

6. Improvement strategy

6.1 Store expansion plan

Judging from the current layout of offline luxury stores in China, it is more feasible and economical to expand in second- and third-tier cities.

6.1.1 Select second- and third-tier cities to expand stores

The attributes of luxury make it loved and consumed by only a few. In second- and third-tier cities, consumers with high spending power are also the target customers of luxury brands. Accordingly, the products provided by such stores are mostly top products, which can moderately reduce the supply of low-end products.

6.1.2 Select cities with far-reaching duty-free zones and free trade zones for expansion

Since there are many purchasing channels for consumers in duty-free zones and free trade zones, their purchasing power is relatively saturated. In areas outside these purchase ranges, you can choose cities with convenient transportation and fast economic development to open specialty stores, and carry out promotional activities in the early stage of establishment.

6.1.3 Online channel development plan

Use the new mode of e-commerce. In recent years, under the background of accelerating informatization and industrialization, the development of domestic e-commerce is booming. With the improvement of infrastructure and other aspects, many traditional industries have made good achievements in the application of e-commerce. The proportion of online shopping market scale increased from 11.3% in 2010 to 27.3%. Service e-commerce has maintained a rapid growth since 2013. In 2017, the transaction volume of local life service o to reached 999.2 billion yuan, with a year-on-year growth of 71%. The scale and growth rate of China's e-commerce economy makes the world sigh. The traditional store marketing mode cannot fully meet people's consumption habits. Consumers want to know product information and choose products according to their own preferences. In luxury marketing, efforts should be made to solve problems such as the inability to adapt to the needs of market development to vigorously develop e-commerce, and the mismatch between the existing marketing system and the online sales management model [9, 10].

7. Conclusion

With the rapid development of China's economy, the contribution of Chinese consumers to luxury sales will undoubtedly promote China's domestic market to become one of the largest luxury consumer markets in the world. Chinese consumers place more value on the cost-effectiveness of products, especially the quality and authenticity of the luxury goods they buy.

For Chinese consumers, price is still the key factor in deciding whether to purchase luxury goods, and they are less tolerant of price gap.

80% of luxury stores are concentrated in first- and second-tier cities in China, but in these cities, only 25% of the population is a regular consumer of luxury goods. The sales layout of luxury brands obviously does not match their product demand. These realities have raised urgent problems for the offline marketing of luxury brands, including the number of platforms, layout and marketing methods that need to be further adjusted. Luxury brands can open new venues in second- and third-tier cities to promote their products, but there is no need to open new boutiques. For example, sophisticated showrooms can be opened in cafes, bars, etc. Additionally, VIP social networks can be established to keep in touch with potential clients virtually.

For a long time, luxury brands abandon the way of online sales, which is a wrong decision in the Chinese market. According to a Kearney report, the Chinese electronic commerce market is one of the largest in the world. In 2015, sales through shopping sites reached \$525 billion, an annual growth rate of 25%. Luxury goods can profit from online aggregation, distribution, and supply optimization, rather than opening brick-and-mortar stores one by one.

The research on the characteristics of Chinese luxury consumers in this paper may be one-sided. The research subjects are relatively fixed in terms of living area, age, occupation, income and other factors. While representing the bulk of the Chinese luxury consumer market, consumers from other age groups and regions are also worth considering.

The consumer group selected for this survey is mainly concentrated in the age group of 25-45. In the future, with the development of society, or the age of consumers in this age group studied in this paper, and the brand marketing strategy innovation, etc., or adjustment of marketing strategies, will lead to new research results.

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