

# Marketing Strategy and Operation Mode of Luxury Goods Lead to Brand Premium

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**Abstract.** The primary purpose of this paper is to identify the role of marketing strategies and the operation modes of luxury products that contribute to brand premium. The scope of the paper provides insight into the marketing strategies employed by leading companies that target a wider consumer base to increase influence through sales. The paper focuses on the vital promotion models used in China as the market for premium goods. The paper explores various market marketing models and their respective histories utilized. Data is obtained from online sources and peer-reviewed materials that offer information on the types of luxury goods. The paper offers a history of the marketing tools and methods, a SWOT analysis, and a PEST analysis that are effectively utilized to analyze the prevailing marketing conditions. The paper offers alternative companies' brands that utilize the marketing methods and the rate of growth provided by these markets.

**Keywords:** Brand premium; luxury products; marketing methods.

## 1. Introduction

The luxury goods industry's marketing strategy and operational model are extremely important to build a premium brand and a strong brand image. Developing an exclusive and premium brand image through numerous marketing channels, including advertising, brand events, and product placement, is a crucial component of this strategy [1]. A proper branding and marketing strategy distinguish the brand from others, less expensive goods, and gives consumers a sense of luxury and exclusivity. In addition to marketing, luxury goods' premium image is also influenced by how they are offered. For instance, the fact that many luxury goods are offered through high-end department stores or boutiques rather than mass-market merchants contributes to the perception that these goods are unique and special.

The trend of economic development in China contains a growing middle class with rising disposable income, which has led to a growing market for luxury goods and has had a significant impact on the development of the luxury goods business. At the same time, technological advancements and the growth of e-commerce have made it simpler for customers to access premium goods and for luxury firms to reach a larger audience.

These elements have contributed to the premium of luxury goods progressively becoming widespread. The demand for luxury goods is steadily expanding, and consumers are becoming more and more willing to spend more for high-end, exclusive products. Brands that can articulate their premium value offer and differentiate themselves from competing items will do well in this cutthroat and expanding industry.

## 2. Methodology

### 2.1 Current Marketing methods

Depending on the brand and its target market, many marketing methods are employed in the luxury goods sector. Among the most popular tactics are follows.

In terms of personalization, to help customers feel special and unique, several luxury firms provide customized or customizable products. With this strategy, brands can give every customer a special experience. In terms of heritage and craftsmanship, a crucial component of luxury marketing is highlighting the history and traditions that underlie the brand and the high caliber of craftsmanship

that goes into making the products. This highlights the brand's authenticity and aids in creating an emotional bond with the client. In terms of collaborations and Limited-Edition Releases: Creating limited edition collections or collaborating with other premium companies can assist in accentuating exclusivity and boosting demand for the product. In terms of influencer marketing, many luxury firms rely on influencer marketing to reach their target demographic and present their products in a relatable and aspirational light. In terms of advertising that Promotes a Lifestyle, luxury firms frequently employ advertising to promote a lifestyle rather than just the product itself. The approach highlights the brand's principles and aesthetics while fostering an emotional connection with the customer. In terms of experiential marketing, providing customers with distinctive and memorable experiences can help luxury firms develop customer loyalty and leave a lasting impression. In the luxury goods sector, experiential marketing examples include pop-up shops, events, and brand activations. In terms of online and digital marketing, to reach a larger audience and interact with customers in fresh and creative ways, luxury firms have embraced online and digital marketing more and more recently [1]. Digital marketing is critical in contemporary luxury marketing, from social media campaigns to e-commerce platforms.

## **2.2 Development History of Luxury Products Branding.**

Luxury companies like Cartier, Louis Vuitton, and Gucci became market leaders in the early 20th century by forging a distinctive brand identity, providing superior goods, and cultivating an air of exclusivity and prestige. In the 1950s and 1960s, new marketing tactics, including celebrity endorsements, targeted advertising, and product placement in well-liked films and television programs, marked a significant advancement in the concept of luxury branding.

Luxury branding underwent a significant transition in the 1980s and 1990s as e-commerce and globalization enabled luxury brands to reach a larger audience and broaden their worldwide reach [1]. Luxury businesses are evolving and adapting to shifting consumer preferences and market situations by utilizing new technologies like social media and big data to reach new audiences and provide more individualized marketing experiences.

## **2.3 Similarities and Differences in Marketing models.**

In that they strongly emphasize developing a brand's image and fostering a sense of exclusivity and luxury, marketing strategies for high-end luxury goods in China are comparable to those used in other regions of the world. But there are also some significant distinctions in the marketing strategies used for high-end luxury goods in China, which are affected by the nation's distinctive cultural and economic characteristics [2].

### **2.3.1. Similarities**

Building a strong and good brand image is essential for luxury product marketers in China since it contributes to the brand's exclusivity and status.

**Exclusivity:** A key component of China's marketing strategy for high-end luxury goods is fostering a perception of exclusivity. Exclusivity is accomplished by providing a select set of customers with limited edition releases, VIP events, and other unique experiences.

**High-end retail locations:** Typically, premium luxury goods are offered at high-end retail locations intended to exude luxury and exclusivity. High-End retail locations comprise high-end shopping centers, brand-name retailers, and upmarket boutiques.

### **2.3.2. Differences**

Online marketing has become more important as e-commerce in China has expanded, especially for high-end luxury goods. Brands use digital platforms like social media and e-commerce sites to reach a larger audience and raise brand awareness.

**Influencer marketing:** Popular social media influencers have partnered with numerous firms to promote their products in China, where influencer marketing is a key component of the marketing strategy for high-end luxury goods.

Customer experience: In China's marketing strategy for high-end luxury goods, the customer experience is given a lot of weight, with brands emphasizing immersive and customized consumer experiences.

### 3. SWOT Analysis

An effective method for assessing a market or industry's strengths, weaknesses, opportunities, and threats is the SWOT analysis. Let's do a SWOT analysis of the Chinese luxury goods market to determine the major factors influencing its promotional strategies and operational framework.

#### 3.1 Strengths

Increasingly wealthy middle class: As China's middle class expands, there is a vast potential market for luxury products. Luxury brands are becoming increasingly well-known and well-established in China, helping to increase the demand for luxury goods. Strong cultural appreciation: Luxury products are highly valued by Chinese consumers, who perceive them as status and success symbols.

#### 3.2 Weaknesses

Products that aren't authentic: The availability of knockoffs on the market can tarnish luxury firms' reputations and undermine consumer confidence. Taxes and restrictions: The Chinese government has put in place taxes and regulations on luxury items that may impact the cost and accessibility of these products.

#### 3.3 Opportunities

Growing online market: China's internet market for luxury products is expanding quickly, giving businesses new ways to connect with consumers. Expansion into Tier 2 and Tier 3 Cities: Luxury brands can do so due to the rising demand for luxury goods in China's smaller cities.

#### 3.4 Threats

Economic slowdown: Consumer expenditure on luxury items may be adversely affected by a slowdown in the Chinese economy. Competition from local brands: As domestic Chinese luxury brands grow in popularity and visibility, established global luxury brands may find it difficult to compete.

#### 3.5 Several brands support these statistics

This section will select Louis Vuitton and Gucci as the main analysis cases to analyze the situation of consumers in luxury consumption. In terms of Louis Vuitton: Louis Vuitton has a significant market share and brand recognition in China. With sales increasing by almost 20% in 2020, Louis Vuitton was the best-performing luxury brand in China [3].

In terms of Gucci: With sales increasing by more than 15% in 2020, Gucci has also done well in the Chinese market. Gucci has made a significant push into the Chinese online market, using tools like T-mall to connect with customers.

Compared to other luxury brands, Chanel entered the Chinese market more slowly, but it has since experienced rapid sales growth. Chinese customers like Chanel's reputation for excellence and exclusivity, which is strong.

A rising middle class, improved brand recognition, and a strong cultural appreciation for luxury goods are the main drivers of the luxury goods business in China. The government's rules and taxes and the existence of counterfeit goods present difficulties for the business. A probable economic slowdown and competition from local brands pose challenges to brands, but there are opportunities for them to grow in the online market and enter smaller locations.

## 4. PEST Analysis

One of the world's markets with the quickest growth is the luxury goods sector in China. The sector has expanded considerably due to the growing middle-class population and rising disposable income. This PEST research will assess the crucial elements of the marketing approaches and operational frameworks used by China's luxury goods sector. The political, economic, social, and technological variables will serve as the foundation for the investigation [4].

### 4.1 Political aspects

The Chinese government significantly impacts the luxury product market (Nicoletti et al., 2019). The government controls the import of expensive goods and levies substantial tariffs on them. Furthermore, the government has implemented policies to stop the growth of corruption, which has impacted luxury goods sales by strictly enforcing gift-giving restrictions.

### 4.2 Economic variables

China has the greatest middle-class population in the world, which has fueled the expansion of the luxury goods sector. Consumers can now buy luxury products thanks to the rising disposable income of the middle class (Nicoletti et al., 2019). Additionally, as e-commerce has developed in China, it has become simpler for customers to buy luxury products online, accelerating the industry's expansion.

### 4.3 Social influences

The rising trend of luxury consumption can be linked to the rising appeal of luxury items in China. Luxury consumption has increased in China due to the expanding middle class and rising disposable income [5]. As consumers become more aware of luxury items, their expectations have increased, necessitating an emphasis on quality and innovation from businesses.

### 4.4 Technical aspects

The development of technology has facilitated consumers' access to information about and online purchases of luxury products. It has become simpler for people to buy luxury products from anywhere in the world because of the expansion of e-commerce in China. Moreover, technology has made it possible for businesses to connect with customers through social media, further spurring the expansion of China's luxury goods sector.

### 4.5 Analysis of various companies' products

This section will select Chanel and Gucci as the main analysis cases to analyze the situation of consumers in luxury consumption. Louis Vuitton: Louis Vuitton has made a name for itself in China as a premier luxury brand. The company has become one of China's most well-known luxury brands by successfully positioning itself as a representation of luxury and elegance. The brand has a significant presence in China through its retail locations and online shopping venues.

In terms of Chanel: Chanel is a well-known luxury brand in China with a solid track record of excellence and innovation. Due to its emphasis on quality and innovation, the brand has become a luxury product leader. Chanel has a significant presence in China through its retail locations and online shopping sites.

In terms of Gucci: Thanks to its distinctive designs and cutting-edge merchandise, Gucci has emerged as one of China's most well-liked luxury labels. One of the most well-known luxury brands in China, the company has a solid reputation for quality and creativity. Gucci has a significant presence in China through its physical stores and online shopping venues.

## 5. Marketing Strategies of Luxury Brands in China

### 5.1 Major Luxury Brands Present in China

In terms of Louis Vuitton: Louis Vuitton appeals to affluent Chinese consumers who value its timeless appeal by leveraging its legacy and workmanship [5]. The company has constructed flagship stores in significant Chinese cities and used social media sites like WeChat and Weibo to connect with younger generations.

In terms of Chanel: Chanel caters to affluent Chinese women looking for superior quality and design. The company collaborates with regional influencers and celebrities to market its goods and has launched several flagship stores around the nation [6].

Gucci: Gucci focuses on younger Chinese consumers who prefer daring and distinctive designs. The company has embraced digital marketing and is well-represented on e-commerce sites like JD.com and T-mall.

### 5.2 Summary of Experience for Future New Brands

**Emphasize Unique Design and Quality:** New brands should emphasize providing distinctive designs and high-quality materials to appeal to the premium market [7]. **Utilize Digital Marketing:** Digital marketing is essential for expanding your audience and raising your brand's visibility. New brands should heavily utilize both e-commerce websites and social media platforms. **Collaborate with Local Influencers and Celebrities:** New brands should work with local influencers and celebrities to market their products to appeal to younger generations [8]. **Invest in Brick-and-Mortar Stores:** Attracting the luxury market and establishing brand credibility requires a significant presence in brick-and-mortar stores [9, 10].

## 6. Conclusion

Brand premiums for firms can be a double-edged sword. On the one hand, they can create a powerful and favorable perception of the brand, foster more consumer loyalty, and boost sales and profits. However, developing a premium brand image may be expensive and difficult because it calls for reliable and high-quality product offers, successful marketing, and the appropriate price strategy. Brand premiums may result in price sensitivity and customer reluctance, particularly during economic downturns. Therefore, companies must carefully balance the benefits and drawbacks of brand premiums before deciding how to best use them to achieve their objectives. Based on this, this paper focuses on the brand spillover analysis of the marketing strategies and operation models of typical enterprises in the Chinese luxury industry, and focuses on the promotion models of these brands in the Chinese market by selecting Louis Vuitton, Chanel and Gucci as the analysis cases. At the same time, this paper uses the research method of combining SWOT and PEST to study the brand spillovers brought by brand marketing. This study has important practical significance for the development of luxury goods market. At the same time, there are still some deficiencies in this paper. For example, in case analysis, this paper only selected Louis Vuitton, Chanel and Gucci for market analysis, and the coverage is still not comprehensive. At the same time, the research method is mainly based on theory and simple data analysis, and does not use econometric models for empirical testing. In the future, when data and information are available, this paper will conduct in-depth research in this field to enrich the research results.

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