

# Analysis on the Selling Strategies in the Luxury Good Market

Bowen Yin<sup>1,\*</sup>

<sup>1</sup> Economics Major, University of California, Santa Barbara 93106, United States

\*Corresponding author. Email: wendyy02@icloud.com

## ABSTRACT

At present, luxury goods become more and more popular among different groups of people. In order to attract more consumers, luxury companies came up unique way to show themselves to the whole world to gain more profit. Two well-known ways are Brand identity and Advertisement. This paper will focus on and analyze how luxury companies use brand identity and advertisement to present their specialities and make them stand out in such competitive market.

**Keywords:** Behavioral economy, Strategies, Identity, Advertise, Statistics.

## 1. INTRODUCTION

Luxury, besides representing statues and wealth, has a long and fascinating story. The word first appeared from 1550 to 1070 BC in the artifacts from the Egyptian period of lavishness. After that the luxurious lifestyle occurred during the Italian Renaissance, which was a great period of time for painters, sculptors and architects. Between 1638 to 1715, King Louis XIV of France created a authentic life style. After that, a designer called Charles Frederick Worth (1825~1895) created an idea called haute couture, which pushed the luxury forward to the public. The most excited parts came the next: after holding the first fashion shows in Paris in 1846, Coco Chanel (1883~1971) and Christian Dior (1905~1957) gave birth to modern fashion and ideas. In 1960, Italy broke out it's second luxury revolution. Then, a large numbers of luxury brand, such as Gucci and Louis Vuitton appeared. As a result, up to the present, luxury is no longer a product served only to the wealth, but open for public.

As most consumers acknowledge, luxury goods are not what they expected: the quality is not excellent, the design is no longer fashion, and the prices are become higher and higher; in other words, luxury goods are not worth the price.

However, the real fact is that the consumption of luxury goods in increasing at a continuous rate. According to Statista, the global luxury goods

market is expected to increase from US\$309.6 billion in 2021 to US\$382.6 billions in 2025 at a CAGR of 5.4%. [1]

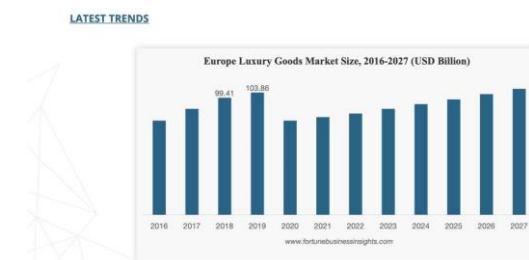


Figure 1 Europe Luxury Goods Market Size, 2016~2027 (USD Billion) [7].

"Figure 1" shows the predicted trend of luxury goods market size in Europe from 2016 to 2027. As the chart show, although the market size had a sharp decline in product demand due to COVID-19 between 2019 and 2020, the overall trend is going up, meaning that more and more consumers enter the market.

This reality presents an opposite result of what most people believe. Why would the purchase of luxury goods increase?

This paper will be based on the analysis of selling strategies in the luxury good market from in the perspective of brand identity and advertisement. The data analysis will presents the relationship between each selling strategies and consumption.

## 2. THE BRAND IDENTITY

Brand identity is a super obvious method or strategy that companies usually used to attract more consumers. In the past, luxury only belonged to limited people with power and wealth; in the present, since there's no limitation to buy and use luxury, people will buy it as a representation to their status and wealth. In addition, the value of luxury contains four sub-values, which are financial value (including price value), functional value (including usability value, quality value and uniqueness value), individual value (self-identity value, hedonic value and materialistic value), and social value (conspicuousness value and prestige value). [2] All these values motivate people, especially young people that need to show off their personality, spending a great amount of money on luxury goods.

To luxury brand, identity shows their unique personalities or characters. In addition, brand identity specifies the brand goal which makes it different from other parallel brands within one market. Take Chanel as an example. The mission of Chanel states that "To be the Ultimate House of Luxury, defining style and creating desire, now and forever." This mission shows that Chanel Company is pretty sensitive about its position in the fashion market. They desire to produce the most innovative goods. The words "Now and Forever" clearly illustrates that the company's objective is not just to maintain the legacy of Chanel, but to stay the best for eternity. The mission also highlights "creating desire". The Chanel company wants consumers to have a desire to own Chanel products because of their brand value, uniqueness, quality, style and luxury. [3] According to the Chanel's brand identity prism, the brand's proposed agenda about the "total look for women" has created a strong brand personality, at the same time, attract a large amount of loyal female consumers. In addition, logo is another identity for luxury. For Chanel brand, the overlapping double "C" stands grounded which has intrigued the consumers in the developed markets. The outcome of such a unique and attractive logo has been the feeling of timeliness for consumers to make more purchases. [4] The brand identity also happens in other brand, such as Dior. The mission for Christian Dior is "more beautiful, but also to make them happy, to help them dream". The logo of Dior represents a simple word mark with the brand name and using a Nicolas Colin font; it is associated with the notions as luxury, glamour, prestige, sophistication and originality.

Price is another way to show brand identity. From Dior's official website, products are divided into nine groups: GIFTS & SERVICES, WOMEN'S FASHION, MEN'S FASHION, FRAGRANCE, MAKEUP, SKINCARE, KIDS & BABY, MAISON, and NEWS & FASHION SHOWS. For the lipstick, most products costs less than \$50, even the limited edition of 999 color (a very famous color of Dior' lipstick) costs only \$40. To most females, \$40 is not a big deal; they can absolutely afford it and buy more than one lipsticks. So, for makeup and skincare, the brand identity for Dior lipstick is all the consumers in the market. But the situation for "WOMEN's FASHION" is different. Lady Bag and Tote Bag are two popular bag types for Dior. Their prices are round \$3200 and \$4000 respectively.[10] Under such price level, most consumers who are loyal fans of Dior lipstick are not able to afford bags. As a result, for Dior Company, their preferred consumers or brand identity is people that are wealthy: these groups of people value the social status or impression luxury goods bring them instead of the product itself. A much upper brand identity is personal tailor. The price cannot be found on official website, but only small portion of the consumer population could afford it. So Dior's brand identity for them would be people that are extremely rich. Even in the same brand, identity classifications are very obvious.

The key factor behind all these special brand identity is marketing. While girls buying luxury goods, they gain strong self-esteem. For example, when female wear Chanel clothes and own bag, they believe that they are the best in the world forever, which matches the mission of Chanel. This also works for Christian Dior. Owning their products create a sense of beauty and brave for people, which help them to achieve dreams. Under such situation, people enjoy the excellent feeling luxury goods bring them and want to preserve the goodness forever. As a result, people's willingness to purchase luxury goods increases, which satisfies the goal of Luxury Company.

## 3. ADVERTISEMENT

Advertisement is another obvious strategy luxury used to make them stand out. When consumers are searching for products, the first thing come to them must the advertisement. In most advertisement made by luxury good, the information is not merely about the goods itself. This fact could be seen according to the evolution of advertisement of Chanel.



Figure 2 Ads of Chanel [5].

Chanel No.5 perfume is a famous product in the luxury market. Started from 1921 when it was first sold, No.5 has become a recognizable perfume in the world. From its creation until 1965, advertisements were simply in black and white with a bottle of NO.5 perfume in highlight. During 1921 to 1965, the most advertising made for NO.5 perfume was in 1954 during an interview with Marilyn Monroe. In this interview, the actress confessed “wearing” only a few drops of Chanel NO.5 for sleeping. As a result of being involved in the interview, Chanel Company gained a huge amount of benefit and consumers. After that, the advertisements on social media appear. In the first ads, NO.5 perfume was displayed in black and white with the portrait of the creator Gabriel “Coco” Chanel, which is the image in “Figure 2” (left image in the first row).

As people could see, this ad remains quite basic, with the evocation of an elegant rich woman being the perfume’s creator and the name of the brand and the bottle down of the page. From consumer’s perspective, as they buy the perfume, they will become the elegant and wealthy woman as Gabriel “Coco” Chanel, which ignites their passion for this perfume and willingness to buy it.

A major change occurred in 1965, when Jacques Helleu entered at the head of Communication department for Chanel. He valued the product itself rather than the human being,

which offer NO.5 a “face” on ad (the image on the right in first row and on the second row). After that came the TV ad. A famous example for Chanel NO.5 perfume would be Nicole Kidman in a very Hollywood style in 2004. In the TV ad, she is playing the role of a famous person trying to escape from the fame and attention, and making an unexpected meeting with a man who appears as a relief for her. In this ad, Nicole Kidman is characterized as an elegant, famous, and successful woman. The notion of dream is really present as well as the symbol of love. After watching this ad, people, especially female, got crazy. They believe that owning such perfume would make them become a elegant, famous, and successful woman as Nicole Kidman in the video. In addition, the symbol of NO.5 perfume also attracts a great amount of lovers and couples to buy it. [5] Up to now, visualization appears. Chanel has LED signage that visually promotes its signature tweed. In New York City, its flagship store lights up in the shape of a perfume bottle at night; Chanel’s London flagship store has a gravity-defying staircase and hand-blown Venetian glass focal point reminiscent of Gabrielle Chanel’s iconic pearls. [6]

In such competitive market, there are varieties of ways of advertising. The “Figure 3” below presents the distribution of advertising spending for luxury goods worldwide in 2017 and 2019. The two columns clearly illustrate that TV and magazines are two major spending in advertisement.

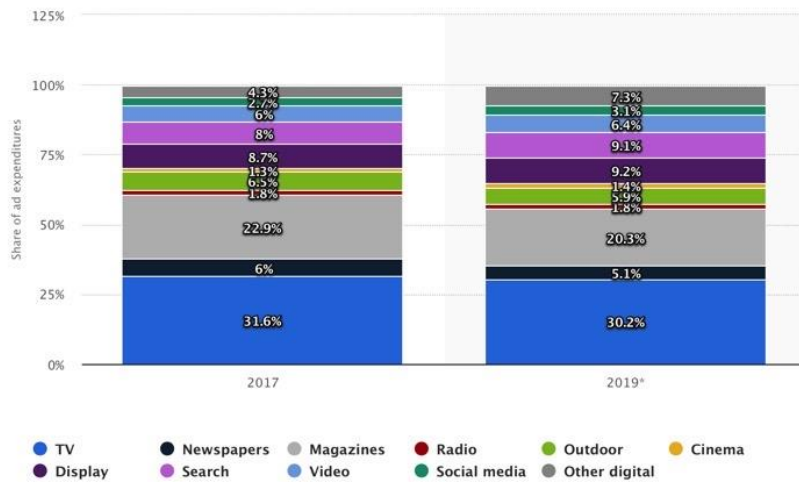


Figure 3 Distribution of Luxury advertising spending worldwide in 2017 and 2019, by medium [8].

Besides advertising methods, expenditure on ads is also an important part. As a famous luxury brand, Gucci’s most recent annual advertising spend is roughly \$567 million, which is an estimated 11% of Gucci’s revenue.[9]

From the history of the evolution of Chanel’s advertisement, both consumer and seller gain benefit. By purchasing luxury good, consumer could get the satisfaction to become the model they desire to be; as the same time, seller could gain money when more and more consumer purchase their goods.

#### 4. CONCLUSION

By analyzing two specific strategies used by Luxury Company in the market field, the author demonstrates and presents the association among brand identity, advertisement and benefits. As in this paper, luxury brand, Chanel and Dior, are chosen as an example. By understanding the identity of Chanel and Dior and learn about the history of the advertisement for Chanel and Dior, audiences could clearly see what luxury brand do to present their product to the public in a unique way.

In the future, luxury goods might become more and more popular among consumers, especially youth. At that time, the brand identity will be more classified and advertisement will be more targeted.

There is also a limitation in this paper. The analysis only focuses on a few representative luxury brands. In order to deeply explore the seeking strategies used by luxury brands, a recommended method will be researching more luxury goods. Interview is another way to learn

about the luxury market; interview people from different family background and record their opinions would provide a further understanding upon this topic. Such studies could create a more accurate result and offer more reasonable conclusion. The author hopes that in the future, such studies could be done.

#### AUTHORS’ CONTRIBUTIONS

This paper is independently completed by Bowen Yin.

#### ACKNOWLEDGMENTS

I would like to extend my sincere appreciation to my teacher, Nathan Novemsky, for providing me with valuable information in the initial ideas for this paper. I would like to thank my parents for offering me unique opinions for the topic of my paper. Lastly, I would also thank my friends for their support.

#### REFERENCES

- [1] Statista, “In-depth Report: Luxury Goods 2021”, August 2021. <https://www.statista.com/study/61582/in-depth-luxury/>
- [2] Nadine Hennigs, “What is the Value of Luxury? A Cross-Cultural Consumer Perspective”, 12 November 2012. <https://onlinelibrary.wiley.com/doi/full/10.1002/mar.20583>
- [3] “Chanel Mission Statement Analysis”, <https://mission-statement.com/chanel/>

- [4] “Chanel’s Brand Identity and Personality”, research Prospect, November 01, 2021. <https://www.researchprospect.com/channels-brand-identity-and-personality/>
- [5] Sylvainbournoux, “Chanel No.5 advertising strategy”, December, 2014. <https://brandstrategymanagement.wordpress.com/2014/11/27/chanel-no-5-advertising-strategy/>
- [6] “Emotional branding speaks to consumers’ heart: the case of fashion brands”, February 06, 2019, <https://fashionandtextiles.springeropen.com/articles/10.1186/s40691-018-0164-y#Sec8>
- [7] “Luxury Goods Market Size, Share & COVID-19 Impact Analysis, By Product Type (Watches & Jewelry, Perfumes & Cosmetics, Clothing, Bags/Purses, and Others), End-user (Women and Men), Distribution Channel (Offline and Online), and Regional Forecast, 2020-2027”, November 11, 2021. <https://www.fortunebusinessinsights.com/luxury-goods-market-103866>
- [8] A. Guttman, “Global luxury ad spend share by medium 2019”, October 17, 2019. <https://www.statista.com/statistics/720574/luxury-ad-spend-share-world-medium/>
- [9] “Gucci, Digital Advertising & Strategy Case Study: G & Co.: Digital Experience Agency & Consulting Firm”, November 11, 2021. <https://www.g-co.agency/post/gucci-advertising-strategy-case-study>
- [10] “DIOR”, <https://www.Dior.com>