

A Study of the Luxury Brand Marketing Strategy and Its Influence on Consumers

Yuyang Wei

Business management with Marketing, University of Birmingham, United Kingdom West-midlands

**Corresponding author. Email: weiyuyang000@gmail.com*

ABSTRACT

The concept of luxury consumer goods has been extended from ancient times until modern times, when industrialization and the progress of social system have made the trade of goods more liberal. Luxury goods have gradually changed from being the exclusive goods of the privileged class to a kind of consumer goods and have been accepted by some consumers. However, luxury goods have never gotten rid of their class and wealth attributes. On the contrary, most of the luxury brands use their luxury characteristics and symbols to package the brand itself to achieve the marketing effect. This paper intends to study and analyze the marketing mix and models of luxury companies in today's society and to consider whether they have an impact on consumers. It is found that the marketing of luxury goods is diverse and complex. It is more of a model to create a trend and to stimulate consumers' desire to buy. Moreover, luxury brands need to discover a larger market and create their own brand images and identities through new technologies and communication media.

Keywords: *Luxuries, Consumer Behavior, Marketing, Luxury Brands, Brand identities, Market research, Market Strategy, Consumers, Analysis, Luxury consumption.*

1. INTRODUCTION

With the development of the economy, the pursuit of material life and the desire to consume have become more stronger than before. As a result, some consumers are no longer satisfied with the function of ordinary commodities, but have chosen to explore the seemingly more sophisticated and design-oriented commodities, thus contributing to the development of the luxury industry. The macro figures show that even though the number of individuals spending on luxury goods decreases in 2020, which is the year of the global pandemic, the market share of luxury goods increases to € 1.14 trillion in 2021, achieving an increase of 13% to 15%, according to a Bain & Company report. And it shows a V-shaped recovery trend [1]. Moreover, among the global markets, China and the United States have shown the best results and growth rates. For example, the global economy was hit hard and showed a downward trend in 2020, however in China, small sales of personal luxury goods grew by 48% year-on-year and reached RMB 346 billion. It is worth noting that luxury goods are usually items that come at an extremely high price and the features of the goods are not very different from other ordinary consumer goods. It seems that the sales and

consumer base of luxury goods are growing year on year, and the popularity of these brands is much higher than that of the more obscure brands. More than anything else, luxury is now becoming a symbol and an icon for the identity and social expression of consumers. And a series of promotions are carried out using the celebrity effect and brand culture. This paper argues, therefore, that the marketing and strategies of luxury brands are inextricably linked to their success. In this paper, the causes and history of luxury goods will be briefly outlined and presented in order to facilitate a better comprehension of the market and consumer relationship. This will be followed by an in-depth analysis on the marketing strategies of luxury brands by using case studies and reports from companies. Finally, this paper explains how these brands take advantage of these marketing techniques or marketing portfolios to achieve their promotional or merchandising objectives. The author will evaluate their strengths and weaknesses to critically explain the impact of marketing practices on consumers and the wider population. This paper provides a clearer understanding about the marketing logic of luxury brands and the psychology of consumers. It also explains why luxury goods have been kept as a non-essential commodity but have maintained their characteristics and popularity.

2. THE SYMBOLIC MEANING OF “LUXURY”

To understand luxury products and their market, the first step is to comprehend what luxury products are, along with their history and genesis, from where their patterns and potential rules can be further determined. Luxury products are commonly defined as "consumer commodities with unique, scarce and rare characteristics that go beyond the needs of people's survival and development", which are also known as non-essential objects. In economic terms, it is a product with the highest value/quality relationship, or it can be understood as an object with the highest intangible and privileged value. Moreover, the concept of “luxury” probably dates back to the ancient era when human civilization was still in its infancy, and royalty or the wealthy took pride in the pursuit and possession of rare objects. Since the formation of human society, elite or governing groups have often used objects with specific attributes and symbols to indirectly show their status to others. This is also evident in archaeology. For example, there is an archaeological site in China, where rare objects from ancient Egypt and Arabia have been found, undoubtedly highlighting the status of the owner of the tomb. Likewise, perfume, which originated in ancient Egypt, was a luxury commodity in the society of the period. In ancient Europe, spices were also regarded as a luxury item, as climate and geography rendered the land unsuitable for cultivating spices including cinnamon, pepper and ginger. The difficulty of transporting them and the greater demand for them led to the fact that they were “scarce”. As a result, during the Middle Ages, spices were extremely precious, and in some cases even more valuable than gold. One of the reasons for the initiation of the Age of Sail is the desire of the royal family for spices. This is also reflected in the Latin, where the word “species” is often used to describe items of special value. Therefore, objects or commercial goods that are inherently rare and possess high quality are often defined as luxury goods. Moreover, the causes of luxury are influenced by human nature and society [2].

Som and Blanckaert mentioned that the germ of consumption arises in the context of a country or region with low incomes. Then as the economy develops, people begins to consume practical items such as televisions and washing machines. In the third period, people will buy luxury items that are symbolic and signify the social class. In the fourth stage, people will integrate luxury into their lifestyle and associate it more with their personal interests and preferences rather than necessarily with social status [3]. Consequently, nowadays, with the continuous upgrading of the consumption, market segmentation and globalization, a luxury brand is a brand or commodity with a unique character that is carefully constructed, packaged, and built up by its historical story and philosophy. It is accompanied by several essential

elements: symbolism, differentiation, innovation, and high-quality. However, it is not solely supported by an extremely high price level [3]. Furthermore, as the economy and culture continue to develop, attitudes towards luxury consumption have changed a lot in modern times. In the traditional Chinese concept, luxury was almost equated with greed and extravagance. However, with the recent liberalization of the ideology and economy, China is potentially to be the world's largest luxury market by 2025, with a share of 25-27% [1]. Moreover, Liberalism (Adam Smith) then indicated a significant preference for trade and luxury goods as drivers of economic growth. It also indicated the fact that luxury goods provide the first real basis for economic theory as a means of wealth generation for all. In addition to this, women's spending power and demand for goods began to increase gradually with the women's suffrage movement of the late 19th and early 20th centuries. Furthermore, with the industrialization, the production capacity of certain luxury goods increased, making it possible for a wider consumption.

3. MARKETING STRATEGIES OF LUXURY BRANDS

Luxury goods might be “ordinary goods for distinguished people” in the past, yet nowadays they are more commonly referred to as “special goods for the general public”. It is not only a commodity with a glamorous appearance, but additionally, it typically has a certain historical background and presents a story to the consumer. The brand also provides an underlying concept and relevance that is in line with the consumer's personal values and personal self-esteem. Some buyers equally value the class nature of the product and its artistic appeal and design among other qualities. Apparently, image maintenance in today's luxury industry seems to be a process that is driven by marketing and synergy. Therefore, marketing strategies and how the brand is being packaged have become increasingly relevant [3].

3.1 Starvation marketing

Generally, the marketing of the luxury sector is not entirely based on the market analysis, as there are relatively few constraints on the market. Therefore, marketing in the luxury sector depends entirely on its creativeness, its innovation and its capacity to seduce the consumer [3]. Brands are also creating a perception that owning luxury is the equivalent of having a "quality of life" and a "prestigious status", where unobtainable virtual concepts are parasitic on tangible objects that can be purchased and acquired. Thus, in this way, brands are increasing consumers' desire to own. According to the survey, many consumers believe that the reasons for the formation and association with the desire for luxury are: seduction, fashion innovation, elite, material scarcity and uniqueness. Usually, the brand will first raise the level of

desire, i.e. only premium business, mainly serving premium consumers. This is followed by raising the threshold of access to goods, i.e. material scarcity of goods, scarcity of distribution channels, scarcity of product quantities, and scarcity of product styles, in order to capture consumers. Usually The department of marketing in a company will analyse and survey the consumer, however marketing in the luxury sector is more about anticipating, advising and persuading than merely meeting the market and filling a demand. This approach to marketing is often specific, complex, and subtle [3]. The strategy of luxury marketing is to understand the current trends of consumer tastes, thus anticipating and creating new ones. At the same time, it is important to fully understand the habits and customs of consumers in multiple regions.

3.2 Brand identity creating

The identification of the brand itself is also particularly essential to the market. For luxury goods, the central identity of the brand is described by the unchanging essence or value of the brand as perceived by the consumer. It is this apparently intangible concept that exists within the brand that creates its own identity of heritage, value and rarity, thus preventing its market share from being captured easily by other brands in the market. This unique identity and character is used to be perceived by consumers and potentially influence their attitudes. Glyn and Alistair explained that contemporary consumers express themselves through the consumption to create a self-identity and a sense of belonging through physical aspects [4]. Hermès, for instance, is one of the world's premier luxury brands. Using its heritage as a foundation, as well as its starvation marketing, bespoke and exclusive product lines, and exquisite craftsmanship, Hermès creates a mysterious, aristocratic, and prestigious identity. The rarity of Hermès leather goods and handbags has also led to an upward trend in prices on the secondary market. The majority of luxury brands are framed by a specific person, a unique product, a region, or a combination of these elements. These elements are related to the brand's own characteristics and assets. For instance, many watch manufacturers favor a company and origin registered in Switzerland, even if the founder is an American or British. Another example is the importance of Coco Chanel to the brand, the flamboyant Aston Martin sports car often seen in James Bond films, and the prestigious perfume and the cosmetics brand produced in France. Consumers are subconsciously influenced by and accept this notion of their own values and positioning from the brand itself, and their associative behavior increases their adhesion to the brand. Louis Vuitton, the leading luxury brand, has created its own spirit as a creative brand without losing its vintage elegance, and emphasizes the spirit of travel inherent in its leather luggage. And through the brand's long history, it creates a luxury, unique experience for consumers with

a strong self-identity. Furthermore, the brand focuses on creating a favorable offline consumer experience, and each flagship shop is meticulously designed and decorated to visually connect with the brand, thus allowing consumers to appreciate the brand's philosophy and its own luxury and fashion attributes. Moreover, luxury brands frequently use a founder or a specific name to represent the identity of the brand. From the opinion of the brands, these names are meaningful and represent the spirit of the brand, as well as presenting and instilling the brand's philosophy, design aesthetics and attitude to the consumer.



Figure 1 Brand identity circle [3].

3.3 Experience marketing

After explaining how brands themselves create their own distinctive identity and ethos to convince consumers, there are also other marketing strategies for luxury brands to promote themselves, namely the use of external forces (e.g. advertising) and the enhancement of the unique customer experience to maintain relationships. The modern consumer needs an experiential marketing that is interactive and creative [4]. The way of enhancing the customer's connection to the brand and increasing engagement will build adhesion to the brand among existing customers and improve the ability to attract a potential customer segment. Experience marketing is a growing trend worldwide. Tangible experiences and engagement are great to persuade customers to pay for expensive items. It is clear that the marketing of luxury brands is often experiential, Glyn and Alistair point to that [4]. Gucci, for case in point, invites customers to experience the latest designs in advance when new products are put on sale each season, and the sales will explain the design concept about the season's clothes. Louis Vuitton offers its customers a personalized service to meet their individual needs and enhance their perceived value, including the value of uniqueness and self-expression. Luxury goods value emotion and

individuality, and they demand a special service and experience during the consumption process. Besides the Louis Vuitton Personalization Service creates unique products tailored to the individual. In addition, Louis Vuitton Moët Hennessy organizes exclusive events and parties for VIPs, highlighting the status of its clients with special treatment.

3.4 Internet marketing

Nowadays, with the development of the modern web and the rejuvenation of consumers, these luxury brands are at the same time developing internet marketing in order to expand their marketing portfolios. Take the example of a Chinese community-based software “Xiaohongshu”, many luxury brands have entered “Xiaohongshu” to open official accounts, including Prada and Louis Vuitton. By sharing new products through soft advertising and bringing them to life, they

subliminally create a desire for the items and inspire consumers to purchase the new product. Consequently, this traditional model of luxury marketing is being challenged by the social environment and internet technology, especially in China. In China, WeChat, Tiktok, Weibo, Xiaohongshu and Taobao have all infiltrated the Chinese marketing path, and luxury brands are no exception. The major brands are signing up Chinese celebrities as fashion endorsers, thus achieving a celebrity effect to attract a youthful consumer base. And notably, the main target group is usually the female consumer. Figure 2 shows that online sales of luxury goods in China have risen by 15% over a six-year period and are generally on an upward trend, albeit down 2% compared to 2020, when the epidemic was severe. And according to Figure 3, the online sales of Gucci also shows a similar trend, rising from 130 in 2014 to 1,341 in 2022, a total of 8 years.

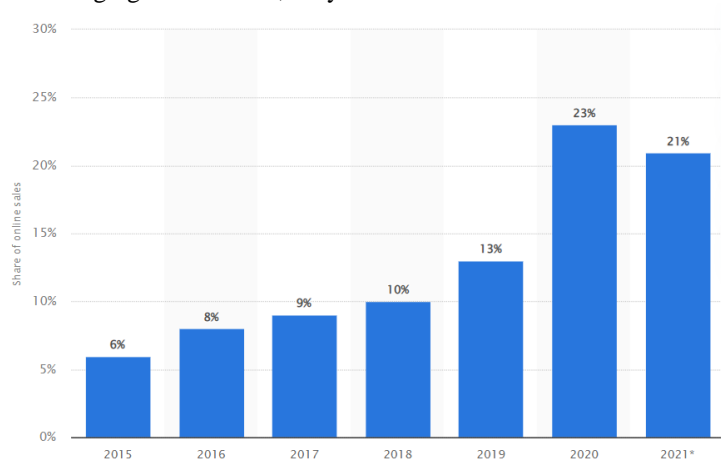


Figure 2 Share of online sales in China's luxury goods market from 2015 to 2021 [5].

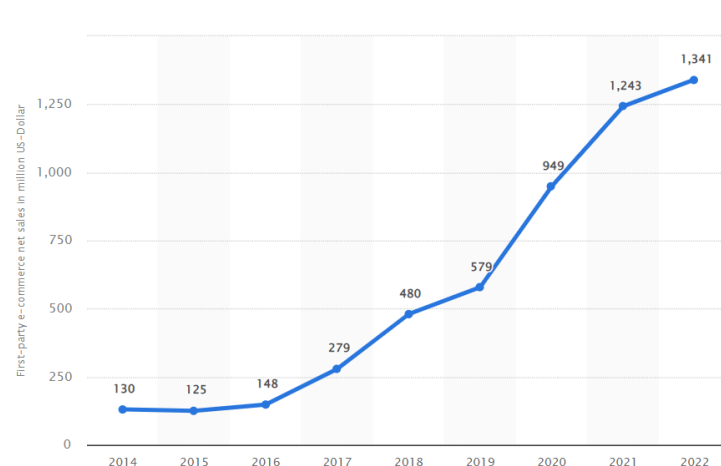


Figure 3 Net e-commerce sales of Gucci.com from 2014 to 2022 [11].

Luxury brands tend to be special compared to the marketing methods and approaches of ordinary brands. It is a completely opposite approach that does not emphasize logic and practicality. Instead, it highlights the spirituality of the product, and suggests and persuades the

inner rationality of the consumer. This complex portfolio may be considered as the antithesis of classic marketing [3]. Moreover, in addition to management, luxury brands need to have a certain creative capacity and the ability to withstand the consequences of mistakes and disruption in

marketing. And the marketing model for luxury goods is more complex than ordinary goods. It is a complex and subtle process that not only requires a full understanding of the habits and tastes of the customer, but also of the

general trends [3]. It is necessary to create various channels as well as invisible brand awareness to relate to customers, and it is necessary to be forward-looking to anticipate and create trends across the market.

Table 1. Revenue by LVMH 2021 [6].

Revenue by business group:

| Euro Millions | 2020 | 2021 | Change 2021/2020 | | Change 2021/2019 |
|-----------------------------------|---------------|---------------|---------------------|---------------|---------------------|
| | | | Reported | Organic* | Organic |
| Wines & Spirits | 4 755 | 5 974 | + 26 % | + 26 % | + 9 % |
| Fashion & Leather Goods | 21 207 | 30 896 | + 46 % | + 47 % | + 42 % |
| Perfumes & Cosmetics | 5 248 | 6 608 | + 26 % | + 27 % | - 1 % |
| Watches & Jewelry | 3 356 | 8 964 | + 167 % | + 40 % | + 7 % |
| Selective Retailing | 10 155 | 11 754 | + 16 % | + 18 % | - 18 % |
| Other activities and eliminations | (70) | 19 | - | - | - |
| Total LVMH | 44 651 | 64 215 | + 44 % | + 36 % | + 14 % |

* with comparable structure and constant exchange rates. The structural impact for the Group compared to 2020 was +10% mainly related to the consolidation of Tiffany & Co. for the first time. The currency effect was -2%.

In terms of figures, it appears that some of the larger luxury groups are meeting their target expectations. With the figures from LVMH group, it seems that the trend is more positive. As can be seen from Table 1, the amount of growth in fashion and leather goods is up 42% compared to 2020.

4. THE IMPACT OF MARKETING STRATEGIES ON CONSUMERS

4.1 The impact on consumers' desire to buy

Marketing often has a social dimension, which is also the case with the marketing of luxury goods. Luxury goods are often marketed by creating various identity markers, as well as creating symbols that represent the tastes of the user and the status and wealth of the class. Marketing often has a social effect, and so does the marketing of luxury goods. These identities and symbols created by luxury brands are also implanted in people's consciousness through advertising, therefore it is possible to stimulate or arouse the desire to buy in groups that do not have the ability to spend, such as young working people who have newly entered the workplace, and students. Hudders and Pandelaere mentioned that as expected, materialism and luxury consumption are positively correlated [7]. This is extremely consistent with the philosophy that luxury brands have instilled in their consumers that owning a specific brands object is a privilege to be part of, or represents, a high-society circle, or to show others their own taste. Functional values refers to quality, while the symbolic value of a luxury brands lies in its ability to indicate to others the consumer's success, wealth and social achievement [8].

4.2 The impact on consumers' happiness

And the consumption of luxury goods may have a connection to consumers' well-being in life. In developing countries, there is a significant relationship between absolute income and subjective well-being. However, in developed countries, this relationship is severely weakened [7]. Luxury consumption may make consumers happier because they believe it provides them with a higher status [9]. This is probably attributable to the notion that the extremely high prices and high quality of luxury goods are interrelated, the luxury brands can create a better product experience and a sense of pleasure for consumers after their consumptions. Thus, with regard to the consumption of luxury goods, the high materialist consumer will probably derive a greater sense of joy from the process than the underlying materialist. Although consumers' emotional well-being is not derived from material things, the majority of consumers' perceived well-being is from the enjoyment and consumption of physical things [7]. Hence, the emergence and consumption of luxury goods may not necessarily have an entirely negative impact. Luxury goods are an alternative for consumers who have some financial means or who want to own high quality goods. Luxury goods can also satisfy some consumers' desire for personalized items. However, Luxury is eroding the power of society, as the endless struggle for wealth and status causes jealousy and contradicts sustainable lifestyles [10].

5. CONCLUSION

After examining luxury goods and analysing their marketing dimensions, it is found that the formation of luxury goods is inevitable and in accordance with the market demand. Luxury goods are often perceived as exclusive and socially hierarchical, with Glyn and Alistair stating that social status is still a major motivation for the consumption of luxury goods in the West today [4]. This is inseparable from the marketing method of luxury goods. First, the marketing of luxury goods does not emphasize the practicality of their products, but imperceptibly implant the intangible concept and spirit of the brand to consumers through the design concept and historical story, thus convincing consumers. Second, luxury brands usually emphasize their uniqueness and social attributes, which are mostly reflected through advertisements or the star effect. Brands also tend to emphasize their luxurious quality and use hunger marketing to stimulate consumers' desire to buy goods. Just like Louis Vuitton's pricing strategy of no discount, the brand presents a luxury quality and the "arrogant" character to consumers in this way. Therefore, high-quality products and exquisite design concepts are important for luxury brands, but intangible brand assets are more important. One of the intangible assets of a brand is its own identity, which can show the brand's taste, concept, social attributes and value. The brand identities can also attract consumers to be associated with their own social identities, tastes and personality models. Such invisible assets can not only improve the stickiness between customers and the brand, but also provide strong competitiveness and exclusivity for the brand itself, and create high-end luxury and historical brand mystery for itself.

Finally, marketing also has an impact on consumers. Although some scholars claim that "Luxury is eroding the power of society", as the endless struggle for wealth and status causes jealousy and contradicts sustainable lifestyles [10]. However, according to the survey, the consumption of luxury goods may be related to materialism to some extent. Some consumers deeply influenced by materialism can feel more cognitive pleasure from consuming or using luxury goods than consumers with low materialism, which is related to the essence of luxury goods. Moreover, in the marketing process of luxury products, the emphasis on the luxury and social attributes of their products may, to some extent, promote the materialism and hedonism of some contemporary young people.

REFERENCES

[1] F. Levato, C. Gault, L. Jaroudi et al., From surging recovery to elegant advance: The evolving future of luxury, Bain&Company, 2021.

- [2] J.N. Kapferer, V. Bastien, *The luxury strategy: Break the rules of marketing to build luxury brands*, Kogan page publishers, 2012.
- [3] S. Ashok, C. Blanckaert, *The Road to Luxury : The Evolution, Markets, and Strategies of Luxury Brand Management*, John Wiley & Sons Incorporated, ProQuest Ebook Central, 2015, from: <https://ebookcentral.proquest.com/lib/bham/detail.action?docID=1895396>.
- [4] G. Atwal, A. Williams, *Luxury brand marketing - the experience is everything!* *Journal of Brand Management*, 16(5-6), 2009, pp. 338-346. DOI: <http://dx.doi.org/10.1057/bm.2008.48>.
- [5] Y. Ma, *Share of online sales in China's luxury goods market from 2015 to 2021*, Statista, 2022, from: <https://www.statista.com/statistics/1194765/china-online-sales-share-of-luxury-market/>.
- [6] *New records for LVMH in 2021, January 27, 2022*, from: <https://r.lvmh-static.com/uploads/2022/01/press-release-2021-lvmh-full-year-results.pdf>.
- [7] L. Hudders, M. Pandelaere, *The Silver Lining of Materialism: The Impact of Luxury Consumption on Subjective Well-Being*, *J Happiness Stud* 13, 2012, pp. 411-437, from: <https://doi.org/10.1007/s10902-011-9271-9>.
- [8] A. O'Cass, H. McEwen, *Exploring consumer status and conspicuous consumption*, *Journal of Consumer Behaviour*, 4(1), 2004, pp. 25-39.
- [9] L. Angeles, *A closer look at the Easterlin paradox*, *Journal of Socio-Economics*, 2010. DOI:10.1016/j.socec.2010.06.017.
- [10] C.I. Berry, *The idea of luxury: A conceptual and historical investigation*, Cambridge: Cambridge University Press, 1994.
- [11] L. Peters, *gucci.com: E-commerce net sales from 2014 to 2022*, Statista, 2021, from: <https://www.statista.com/forecasts/1218321/gucci-revenue-development-ecommercedb>.