



# Marketing Strategies of Luxury Brands in Chinese Market

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## ABSTRACT

Under the dual pressure of the poor macro consumption situation and the "flight" of domestic consumption capacity to overseas, major luxury brands also have a sense of crisis. In order to consolidate the existing consumer groups and attract more new consumers in Chinese market. These valuable brands also began to use a variety of marketing methods. The research theme of this article is how different levels of luxury brands use different marketing strategies. How do these highly targeted strategies affect China's luxury market and the psychology of consumers. The research method is mainly through reading a large number of literature on luxury brands and the analysis of China's luxury market. At the same time, many literatures also contain a lot of data about the number of consumers and sales profits. The analysis shows that different consumer groups have different shopping preferences, which depends on their own characteristics and personality (including family conditions, needs and personal preferences). The reason why different classes of brands use different marketing strategies is also to cater to their targeted consumer groups. The marketing strategy of luxury brands also covers a wide range of aspects, including price rise, hunger marketing, regional division and so on.

**Keywords:** *Marketing Strategies, Luxury Brands, Chinese Luxury Market, Consumer's Psychology, Different Classes of Brands*

## 1. INTRODUCTION

Under the continuous impact of the epidemic on the global economy, major luxury brands also have a sense of crisis. They are very afraid that their profits and sales will decline due to the weakening of the spending power of consumers. Therefore, luxury brands at different levels began to use different marketing strategies to consolidate their position in the market. For example, Hermes, as the first luxury brand, uses hunger marketing to maintain its customer base and constantly attract new customers. By limiting the output of different leather and colors of handbags, it ensures the rarity of each bag and meets the customer's psychology of pursuing uniqueness. These marketing strategies have different effects on consumers' psychology. What this paper wants to discuss is how different levels of brands use marketing strategies to affect consumers' psychology. The research method is to analyze their strategies by reading a large number of literature on luxury brands, and integrate the changes of major brands in sales data. The significance of this study is to

help consumers have a deeper understanding of major luxury brands. Consumers can refer to the final results of this study to help them consume more rationally and ensure that they can buy the most suitable products. Next, this paper will discuss the definition of luxury, how different brand levels are divided, and the current situation of China's luxury market in the literature review. Then the marketing strategies of different brands are discussed in depth. How consumers' psychology is affected by marketing strategies will also be analyzed in detail in the main body.

## 2. LITERATURE REVIEW:

### 2.1. Definition of Luxury Goods

Economics defines luxury goods as goods whose demand growth is higher than income growth. It may cover a wide range, from leather bags, famous brand watches to luxury cars. However, luxury goods are usually considered to be very expensive items that most people can't afford. [1] Some luxury goods are

expensive items that are neither necessary nor practical, such as famous brand luggage, high-end ready-made clothes and high-end cars. This paper mainly discusses famous brand luggage.

## ***2.2. Most luxury goods have the following three characteristics, and the author will take Hermes's bags as an example to analyze:***

### ***2.2.1. Rarity***

Luxury goods are usually characterized by unique raw materials and scarce production, which is also in line with the economic principles of supply and demand. Only when the supply is less than the demand can we ensure that the product price is higher than the cost and its own value and become a high-end product. For example, Hermes uses very rare materials such as ostrich skin and crocodile skin when producing leather bags. Good rare materials are very rare, which ensures the high-end and leading position of Hermes brand.[2]

### ***2.2.2. High price***

The cost of Hermes calfskin packs has always been high, not just on the grounds that the natural substances utilized in the development of cowhide sacks are extremely top of the line, yet in addition as a result of the brand impact of Hermes. It is no misrepresentation to say that the cost of Hermes essential calfskin sack is identical to the pay of common Chinese families for a large portion of a year or even a year. In spite of the fact that its cost is high, purchasers actually need to get it. It is vital to realize that extravagance merchandise incorporate unmistakable worth and theoretical worth. The supposed substantial worth is what we can see and contact, like cowhide, equipment frill, and so forth; Intangible worth is the lovely physical and mental experience brought by these items to buyers. This expects purchasers to address a cost.[3]

### ***2.2.3. Unique process***

Many luxury goods are famous for their traditional or unique crafts, and the technology for producing luxury goods is often unique. Every luxury item is designed by a specific designer, which has the texture, temperament and beauty that ordinary products cannot achieve. For example, Hermes bags are hand sewn by senior workers. Designers also pay great attention to every detail - they not only pay attention to the overall beauty of the bag, but also seriously consider the matching of the color and suture of the bag.

## ***2.3. Current Situation of Chinese Luxury Market***

Although the global luxury market sales of coronavirus disease have been declining from 2019 to 2022, China's luxury market continues to grow and has great potential. In 2020, China's luxury market share has accounted for 45% of the world. Total consumption is nearly \$44 billion.[4] At present, the consumption of luxury goods by Chinese people ranks first in the world. Such strong consumption power has doubled the confidence of many international luxury brands in the Chinese market. Speed up the opening of new stores, expand the market of second and third tier cities and seize market share.

## **3. MARKETING STRATEGY**

### ***3.1. Featured product methodology***

A few issues and interests of clients can be addressed through trade, including three levels: center items, unmistakable items and extra items. Moreover, the whole product refers to the sum of tangible objects and intangible services that can meet some needs and interests of customers through exchange, including three levels: core products, tangible products and additional products.

Core products refer to the basic utility or benefits of the products provided by customers, that is, the use value of the products. For example, for luxury goods, consumers want to buy "high quality and unique design". Tangible products are the form by which core products can be realized, that is, the image of entities and services provided to the market. For example, Hermes's most typical tangible products are the long-term orange product packaging. And, additional products are additional services and added benefits in a complete product, including delivery service, quality assurance, warranty and maintenance, etc. For example, the maintenance of Hermes leather bag is a kind of service as an additional product in Hermes.

Extravagance merchandise are exceptional items among brand items, generally "obvious utilization". Assuming extravagance merchandise administrators obscure the interesting brand picture of their items to address the issues of more individuals and seek after higher deals and benefits, the expansion of the product offering will ultimately weaken their own image and disintegrate the upper hand of the endeavor's underlying items or target clients. Shortage is a vital component in extravagance merchandise. Oversupply prompts market rivalry. It will be fierce, and the item cost will normally go down; If the stock is not exactly the interest, the item cost will be higher than the expense and its own worth, and become a top of the line item; Only when supply is undeniably not as much as request would it be able to

turn into a cutthroat extravagance This is the item technique most frequently utilized by Hermes - to guarantee the shortage of calfskin sack creation from the parts of shading, material, style, etc.[5] If clients need to purchase their cherished cowhide packs, they need not exclusively to become steadfast clients of Hermes - continually consuming in a similar store, yet additionally need to circulate merchandise, that is to say, to purchase a calfskin pack with an all out worth of 70000 yuan, they need to purchase different items with a complete worth of 140000 yuan (in any event) This methodology not just actually guarantees that Hermes' calfskin pack assets are just in the possession of a couple of client gatherings, yet additionally advances the deals of items other than calfskin packs in each store, guaranteeing the presentation of representatives and the interests of the organization.

### **3.2. Brand advertising procedure**

Brand is the driving force for consumers to purchase luxury goods and the survival of luxury goods. Advanced marketing concept and market-oriented operation are the power source of brand development. As a luxury goods operator, they should always pay attention to the changes of customers' needs, fully understand their needs, and spare no effort to convey the brand connotation of products to consumers. Brand development is mainly to provide differentiated products to occupy the market.

First, highlight the appreciation and collection of luxury goods, and strengthen and show your taste and unique vision; Second, the need to highlight personality, show unique personality and guide fashion; The third is to create a luxury concept of being kind to yourself, so as to realize the needs of inner satisfaction, self enjoyment and special experience; Fourth, pay attention to the differences and compatibility of luxury product categories. Operators need to determine the market segments they want to locate, and then develop characteristic luxury products. Real luxury goods manufacturers will be committed to brand building and maintenance, because this is the source of life of luxury goods. They use advanced products and carve fine brands.

The marketing concept and market-oriented operation inject vitality into the development of the brand, not only maintain the existing product style, but also create a new value combination for customers, convey the brand connotation and product value to consumers, and cultivate loyal supporters of the brand. In terms of market positioning, Gucci showed excellent foresight. At present, the main target market of Gucci China is middle and high-level consumers. Psychologically, as long as the demand spirit makes up for some missing consumer groups, these missing consumer groups will be the target groups. Moreover, in

terms of city category, although the total number of first-tier cities in China is the smallest among the total cities in China, the consumption of luxury goods in first-tier cities accounts for about 9% of the total consumption of luxury goods in China [6], and the total consumption is relatively high. China has a large number of second-tier cities and a larger population, but its consumption ratio is similar to first-tier cities. Third- and fourth-tier cities account for the largest proportion of China's total population. As its different consumption concepts and weak purchasing power, luxury consumption is not high. Therefore, the target markets of Chinese luxury goods mainly focus on first and second-tier cities. [6]

Compared with Gucci's extensive store layout and sufficient volume of goods, Hermes has few existing marketing stores in China. Its stores are not so much for sales as for displaying the brand image and the contact station of the brand's old member customers. All Hermes stores will always set up an independent area for the display of their horses to show the inheritance of Hermes brand Although 28 Hermes stores[7] have been set up in first tier cities, such store layout is not to ensure that every consumer can buy their favorite products, but mainly for high-end customer service

And every high-end brand has a fascinating legend. The legendary figures, legendary language and legendary customer satisfaction have attracted the hearts of consumers and created different customer loyalty. Very prominent, such as Chanel, often focuses on the experience, ideas and creativity of Mrs. Scarlett - Chanel, depicting her life experience as a legend. [8] We can see many love stories, design stories, or various points of view on many occasions. Therefore, the real luxury marketing team will be committed to brand construction and maintenance, because this is the source of life of luxury goods. Inject vitality into the development of the brand with advanced marketing concept and market-oriented operation, not only maintain the existing product style, but also create a new value combination for customers, convey the brand connotation and product value to consumers, and cultivate loyal supporters of the brand.

### **3.3. Pricing Strategy**

It is not always easy for consumers to pay dozens of times the price of ordinary products to buy a commodity that is not necessary. To make consumers feel value for money, this value is reflected not only in the product itself, but also in the spirit of the product. Luxury is to provide richer enjoyment than the material itself. When an elegant lady was shopping with her classic chanel bag worth nearly 70000 yuan, she found that another lady was also carrying a chanel bag in her hand. When she looked carefully, it was a Chanel WOC bag with a price of only 20000 yuan. But they shared the pleasure

of using products of the same brand. In an instant, the first lady lost her sense of superiority. The corresponding example is Hermes, which always keeps its pricing strategy of 30% higher than other high-end luxury brand after entering the Chinese mainland market. This not only shows the quality of products, but also attracts consumers' attention.[9] This is why Hermes has always been able to take the lead in luxury brands. Therefore, the price itself is not the sales basis of luxury products, but it is a positioning factor.

### ***3.4. People amicable and purchaser mental methodologies***

By learning from the experience of international dealers and implementing Chinese people-friendly regulations, based on the consumption psychology and consumption attitude of Chinese consumers, advertising in top luxury goods and fashion magazines is the main means to cultivate brand awareness in western countries. In China, the popularity of these magazines is still very limited. Some luxury brands have begun to establish brand awareness through comprehensive methods such as mass media, location and fashion magazines. Among them, it is very important to repeatedly emphasize "origin" to consumers. Origin will become an important reference condition for Chinese consumers to choose luxury brands. In this respect, LV has done very well Whether for old customers who have bought their products for a long time or new customers who buy LV products for the first time, Lv's staff will repeatedly emphasize that the products in the store are produced in France and mailed to China Customers are not only willing to wait for their products to be placed in the store for two or three months, but also very willing to wait for their own products Such information transmission can directly reflect the value of luxury goods, rationalize the expensive price of luxury goods, and ensure the minimum "luxury" attribute, which is also an important luxury cognition of Chinese consumers.

### ***3.5. Public relations multi-channel methodology***

While maintaining their reserved and elegant appearance, luxury brands also hope to become the focus of more multimedia. For example, every year Paris fashion week will always become the most gorgeous stage in the world. The top brands, the most famous models, together with the editors of fashion magazines and fashion critics, gathered to announce the arrival of this year's fashion trend to the world. For example, in the market downturn environment, when realizing that the integration of online and offline will become the general trend of the future market, a number of luxury brands quickly took action to take the factors of mobile Internet into strategic consideration and fully

tap the potential contained therein. It also includes circle level word-of-mouth marketing, which is essentially interpersonal communication marketing in the same circle. It is becoming one of the main marketing means in the high-end market in the future. High end consumer goods target a circle or create a circle to create the common cultural atmosphere and interest taste of the circle, so as to form a sense of belonging and maximize the internal marketing influence of the circle.

For this marketing strategy, the best representative is the spokesperson publicity used by Gucci First of all, gucci hired two of China's hottest male stars in five years - Xiao Zhan and Lu Han - to be responsible for product endorsement, driving fans' hot comments to continuously expose the brand image and a large number of hot IP for continuous publicity. Every time the two spokesmen appear in public, the Gucci brand products used will drive fans to buy madly.[10] Not only that, many consumers will choose to buy the same style because they see the fashion of stars This shows that the public relations team correctly combines the spokesperson and brand attributes, and accurately locates the audience. Because if there is no communication, the brand spirit can not be understood, there is no sales; For luxury goods, brand history and brand spirit are more important than the product itself. Luxury marketing needs to choose a good communication channel and transfer the brand spirit to the target group in a correct way.

## **4. CONCLUSION**

Luxury consumption is different from general consumption. Customers not only consume goods themselves, but also hope to express and convey the symbolic significance and value of goods with the help of consumption behavior. Therefore, at present, the majority of luxury brands pay more attention to the combination of marketing strategies and customers' psychology, take "psychological experience" as the core and experience as the purpose, and formulate luxury marketing strategies based on emotional factors, so as to meet consumers' consumption needs other than luxury goods, so as to ensure the sales volume, profit and reputation of products.

This paper mainly analyzes the marketing strategies commonly used by five major luxury brands, and there are still many very effective strategies that have not been discussed At the same time, these marketing strategies are mainly formulated according to the current market situation during the epidemic. With the change of the epidemic situation in the future, the consumption ability and psychology of Chinese consumers will change to a certain extent. Therefore, these strategies are not always the same.

So, with increasingly more extravagance merchandise entering the public life, the future examination on extravagance customers can be more explicit. We can concentrate on the buyer conduct of top extravagance merchandise and mass extravagance products independently, which is more helpful for comprehend the interest inspiration. Through an enormous example of customers to concentrate on the local distinctions, we can give significant reference to buyer division, market division and showcasing advancement of extravagance promoting.

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