



Research on LV's Marketing Strategy Transformation During Covid-19

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ABSTRACT

Under the covid-19, numerous industries and companies have been influenced and the luxury industry is no exception. The whole industry faces a big crisis and it causes a significant loss to many firms, as a result, those companies make some new or changed their marketing strategies to salvage their loss. The same goes for Louis Vuitton, it also faces the crisis brought by the epidemic. Thus, this research paper is used to analyze how the coronal virus affects the luxury industry and how LV change its marketing strategies to attract customers during this period. By the impact of the epidemic, luxury companies lost their revenues and LV also. For recovering the losses and increasing the sales, Louis Vuitton has to deal with covid-19. LV use cause marketing to increase their brand affinity, transfer part of their sales chain online to maintain business, and convey a positive brand image to customers. Eventually, these three strategies were successful and helped recover its losses and boost its sales.

Keywords: Covid-19, marketing strategy, LV, crisis, luxury industry

1. INTRODUCTION

The growth of the luxury industry is based on two determinants which are the increasing capacity of customers and globalization. However, today luxury industry has been struck by a coronal virus that negatively influences these two factors, and thus makes numerous companies lose. According to Bain's research, worldwide luxury goods sales will be down 25 to 30% from a year ago in the first quarter of 2020[1]. A crucial factor that contributed to the pandemic that cause the loss of the luxury industry is the restriction on travel. Numerous consumers will choose to go abroad to other countries to purchase luxury goods because purchasing a brand in its home country provides a sense of authenticity and anticipation. Also, purchasing in local can get a great discounts price which is really attractive. The immediate suspension and postponement of some international flights limits and reduces travel opportunities, preventing people from purchasing abroad. This restriction on traveling shows the decreasing capacity of customers. Moreover, there's an impact on fashion week influences the globalization which also causes the loss of the luxury industry. The quick spread of covid-19 during autumn fashion week led the "big four" designers to cancel, postpone, and alter their shows in Paris, Milan, New York, and London. Because of the severe travel

restrictions, there was an immediate and apparent drop in retailers, reporters, and buyers during fashion week. There are three Chinese designers who were forced to cancel shows during Milan Fashion Week, resulting in the loss of around 1000 Chinese guests and fashion buyers[1]. Another essential cause is the influence on the supply chain. As a result, all of these Italian factories have been temporarily closed, and they will continue to play a significant role in the production of many luxury brands, including LV. In this paper, the research is to discover and investigate what marketing strategies Louis Vuitton changed for dealing with the impact the pandemic brings. Meanwhile, the manner of reference review used in the paper. Reference review is extremely crucial in essay writing since it can show my understanding of the topic the research is writing on and provide the evidence to support and prove my points and opinions. This research is meaningful because it serves as some reference meaning to other companies or firms.

2. HOW DOES CORONAL VIRUS IMPACT LOUIS VUITTON

Covid-19 indeed has a huge impact on the economy and the majority of luxury brands like Louis Vuitton become the victim. One of the important factors influenced by the virus I've been written about is the

restriction on international traveling. Some of the international travelings have been canceled or delayed because of the pandemic which badly affected LV's oversea sales. Fewer customers go abroad or travel for the purpose of purchasing luxury products because of a lower price. Nevertheless, with the coronal virus occurrence, the price of the ticket increased dramatically and that cause fewer people and buyers to choose to go abroad. In the meantime, people's disposable income decrease because they have to spend more income on other living necessity or resources such as masks, food, or other kinds of things, so fewer traveler will choose an international tour.

Another main factor is that the coronal virus forced LV to close its store and stop running it worldwide which cause their sale to plummet. Due to the coronavirus epidemic, Louis Vuitton owner LVMH LVMH.PA reported a 17 percent reduction in comparable sales in the first quarter, as government-imposed lockdowns forced it to close shops and manufacturing locations in important countries[2]. After the coronavirus first appeared in China and then spread to Europe and the United States, Louis Vuitton, like rivals like Gucci-owner Kering PRTP.PA, had to temporarily down stores throughout the world. When asked about the impact of recent Covid-19 lockdowns in China on the company's operations, chief financial officer Jean-Jacques Guiony stated the situation was rapidly changing. "It has recently had some influence

on the business," he added. Even in locations that were not affected by the lockdowns, such as Shanghai and Shenzhen, he added, store traffic was down and people were traveling less. "That will have an influence on us[3] ."

In addition, the supply chain of luxury brands will also be influenced by the pandemic, and thus collapse LV. Because Italy produces 40% of luxury goods and its factories have been forced to close temporarily, this will have an impact on the supply chain [4]. Meanwhile, the closure of the Italy factory will also affect LV since LV has to find another trustable manufacturer to sustain the quality they required in the world by the time the factory stop manufacturing. Furthermore, the manner of transportation has been influenced by covid-19. When it comes to international trade, luxury goods are almost entirely dependent on air freight, and when the airlines went out of business, there was no capacity left. The belly area of most large wide-body airplanes (Airbus 380, Boeing 747) is usually filled of cargo. Meanwhile, high-value commodities, and hence luxury items, are only shipped by air. Thus, coronal virus cause numerous airfreight to shut down worldwide which led LV to lost a lot of orders.

There is a graph from Louis Vuitton's official website that shows the organic change in 2020 revenue versus the same period of 2019

2020 Revenue (Organic change versus same period of 2019)

2020	Wines & Spirits	Fashion & Leather Goods	Perfumes & Cosmetics	Watches & Jewelry	Selective retailing	Other Activities and eliminations	Total
First Quarter	-14%	-10%	-19%	-26%	-26%	-	-17%
Second Quarter	-33%	-37%	-40%	-52%	-38%	-	-38%
Total First Half	-23%	-24%	-29%	-39%	-33%	-	-28%
Third Quarter	-3%	+12%	-16%	-14%	-29%	-	-7%
Nine months	-15%	-11%	-25%	-30%	-31%	-	-21%
Fourth Quarter	-11%	+18%	-15%	-2%	-26%	-	-3%
Total 2020	-14%	-3%	-22%	-23%	-30%	-	-16%

Figure 1. LV's 2020 organic revenue compare to the same period in 2019

From this graph, we can clearly see how covid-19 influence Louis Vuitton and led them lost their revenue. In 2020, LV reported sales of 44.7 billion euros, a decrease of 17%. In comparison to the previous year, organic sales fell by 16%.

3. HOW DOES LV'S NEW MARKETING STRATEGY HELP TO RECOVER SALES

To recover their revenue, LV made three new crucial marketing strategies immediately to deal with the crisis pandemic bring.

3.1 The first strategy LV use

First, Louis Vuitton increases its brand affinity through cause marketing and gain numerous benefits from it. LV stated on January 27 that it has donated \$2.2 million to the Chinese Red Cross Society. In the meantime, on the Chinese social media network Weibo, Louis Vuitton launched a cause marketing campaign called "Love has no fear." Several Chinese celebrities acted as brand ambassadors in films to inspire Wuhan citizens and assist frontline medical staff. In its first week, the campaign subject had 4.2 billion views[5]. It is an efficient way shown in several aspects. The most direct purpose is definitely it can help LV to increase its sales. Consumers are more willing to purchase the company's product if the value firm shared are recognized by them. Meanwhile, since there's an increase on brand affinity, the customer base will grow as well in that the customer who liked the company or their product will use the manner of word of mouth to publicize its product to their family members and friends. The customer base can expand rapidly since word of mouth is more efficient than the normal advertisements people see in their daily life because customers are more trusted by the word their family members or friend said. Hence, the sales and revenue of the company can get increase from a larger group of customer basis. Moreover, brand affinity can facilitate brand loyalty which is also important because when a consumer and a business match values, the client is more inclined to buy from that business frequently.

3.2 The second strategy LV adopt

In addition, another new marketing strategy LV made is to maintain their business by shifting events and sales online. Usually, the reason that traditional luxury brands are reluctant to sell their goods online is that it will reduce or lose the sense of exclusivity. Numerous luxury companies think their clients will lose a sense of luxury feeling if they do not go to their store to purchase products and services provided by their employees. Thus, their customers will lost a connection between them and luxury firms and that's the reason why until now there are still about 40% high-end brands do not sell their products online which is reported by Bloomberg Business.

However, many luxury brands enhancing the digital aspect of their business since covid-19. They are going to sell their goods and services online because of several reasons. Today, customers are more trusted to buy luxury goods online, and also because there are many luxury stores closed since the coronal virus, consumers are more willing to purchase online. Another reason is that online shopping can bring convenience to the clients. Consumers can enjoy the delivery services luxury company provided and you only need to place an order online and wait for it at your home. Moreover, the luxury company can benefit from online selling by expanding their global market. The firm can gain more customers since people worldwide can purchase their products through their website. Besides, more consumers choose online shopping nowadays because it is one of the safest ways since the pandemic. Thus, Louis Vuitton used a WeChat mini-program to establish a Valentine's Day pop-up store that allowed consumers to place purchases online. Customers were able to get unique offline promos from store personnel through QR code. Pre-sale consultations and post-sale customer assistance were shifted online, and the company teamed with SF Express to assure on-time delivery. Despite the epidemic, Louis Vuitton's online sales increased by 50% over the previous Valentine's season[5].

3.3 The third strategy LV made

Last, conveying a timely and positive image to its customers is what LV does as its immediate marketing strategy. "Every paused journey will ultimately restart," Louis Vuitton wrote in a poignant message to Chinese clients on February 7 across Little Red Book, WeChat, and Weibo. "Louis Vuitton wishes you and your loved ones all the best [5] ." The message is in line with the company's image as a seller of high-end luggage. This marketing strategy is effective and helpful in that they convey a positive image to their customers which is extremely significant since they build a good relationship with their customers and target audience. With a correct and positive brand image, it can increase its brand awareness. So, their target audience can think of their brand or products when seeing other kinds of things through brand association. Furthermore, with a strong and good brand image, people can trust the company and be their loyal customers and even increase its customer retention. Therefore, it's easier for a company to launch their new product with a large group of loyal customers since they are willing to try their new product at first[6]. Meanwhile, a positive image can attract new consumers to purchase their product in the group of their target audience. Thus, consumers are still willing to pay for LV's product during the pandemic which contributes to their revenue and help it to have a good resilience to beat the virus.

As a result, LV is even more spectacular in 2021. The company reported \$34 billion in sales, up 56% from the first half of 2020 and 14% from the same period last year. Its net profit hit a new high of \$6.3 billion, which is even more outstanding when compared to past years' comparable periods. "LV has had a fantastic half-year and is reaping the advantages of having continued to develop and invest in its businesses during the epidemic while being in the midst of a worldwide crisis," said Bernard Arnault, the group's chairman and CEO [7].

4. CONCLUSION

In this essay, there are the points about how covid-19 brings a huge negative impact on the luxury industry and how Louis Vuitton recovered its revenue by setting several marketing strategies. The restriction on international traveling, postponing or canceling of fashion week, influence on supply chain because of the temporary closure of Italy factory and compulsory closure of stores offline mainly contribute to the loss of customers and revenue in the luxury industry and Louis Vuitton as well. What LV do is use cause marketing to increase its brand affinity, expand more selling online, and transmit a positive brand image to its customers. Thus, LV showed good resilience to the virus and successfully recover its loss by using these marketing tactics. Nevertheless, these essays still have numerous improvements that should be better next time. Where this paper should improve is finding and citing sources. This paper does not cite the best sources this time, which are important because they will be more reliable and convincing. Another thing that has to improve in the paper is the grammar tense, sentence structure, and vocabulary. Next time, my paper will be improved by doing great in all these things.

ACKNOWLEDGMENTS

I finish this paper with the significant support from some people that I have to sincerely thank to them. First, my essay teacher give a lot of supports in this paper which is really helpful. She brings many opinions and ideas to me to finish this essay. In the meantime, she help me to figure out some problems and mistakes in my paper for improving it. So, without her, I can't really finish it. Another person I want to appreciate is my friend. When I'm struggling with my essay, he also bring some good points to me and helping me with it.

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