



Business Strategy and Market Attempt of Luxury Brands in the Post-epidemic Era – A Case Study of LVMH’s Leather Goods

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Abstract. The luxury goods industry has been one of the hardest-hit sectors during the COVID-19 pandemic. Using LVMH as a sample, this article examines the sales of luxury goods during the epidemic and the luxury goods group’s sales strategy in the post-epidemic era. The article takes fashion and leather products as the entry point and analyzes the financial results of lvmh with a timeline from 2019 to 2022. Primarily, it examines the opportunities and challenges facing lvmh’s fashion and leather products during the epidemic. It also points out the development flaws of the luxury brand’s market strategy in the post-epidemic era and how the brand’s market strategy can change for a better future how to better capture the market. Finally, the article takes lvmh’s fashion and leather products division as an example to study the application of on-line marketing strategy can be used for luxury brands to come out on top in the market in the post-epidemic era .

Keywords: LVMH · Business strategy · Luxury brands

1 Introduction

According to Maslow’s hierarchy of needs theory, human needs are physiological needs, security needs, social needs, respect needs, and self-actualization needs [1]. In the age of cash, most human beings no longer need to struggle for survival on the food and clothing line. When the basic physiological needs are satisfied, human beings devote themselves to social needs and respect needs. Therefore, luxury goods were born as one of the tools for humankind to show their wealth status. However, most of the luxury goods are easily influenced by the current situation, raw materials, market trends, manufacturing plants and consumer demands. This is very well reflected during the Covid-19 period. The epidemic led to a global blockade that hit luxury goods hard. The luxury brands had to come up with different tricks to get through this difficult time. With the end of the epidemic, the luxury market was once again active. But this three-year hiatus has intensified the market competition in the face of the upcoming retaliatory consumption of luxury groups is full of expectations, and as the industry leader LVMH is following the market trend in the first line of this competition. The article uses a case study approach to analyze the financial performance of lvmh’s fashion and leather goods division over the

past three years, as well as news of lvmh's cross-sector collaborations and co-branding in recent years. It also discusses lvmh's marketing strategy and the opportunities and challenges it will face in the future based on this. The article is divided into four parts: the origins of LVMH, the development issues arising from the global health crisis, the ongoing marketing strategy in the post-popular era, and the future development strategy to recover and maintain its market position.

2 Background Information

2.1 LVMH and Its Department of Fashion and Leather Goods

Louis Vuitton Moët Hennessy, or LVMH, was founded in 1987 by Bernard Arnault [2]. The Group was formed by the merger of Louis Vuitton and Moët Hennessy, employing around 196,000 people and owning nearly 60 brands, making it the most prominent luxury goods group in the world today [2]. The Group's main businesses include the following five areas: Wines & Spirits, Fashion & Leather Goods, Perfumes & Cosmetics, Watches & Jewelry, and Selective Retailing—79.2 billion euros, with operating profit up 22% to 21.1 billion euros [3]. Fashion & Leather Goods, with 38.7 billion in sales revenue, holds the top spot in the Group's sales [3]. Last March, LVMH president Arnaud surpassed Musk to become the world's richest man, which is also the first time the luxury brand's CEO became the world's richest man [4]. In the traditional concept of the world's richest people are generally born in the field of finance, banking, industry, technology, etc. Luxury industry are simply not taken into account. Therefore, the success of Arnault is very significant for the whole luxury industry. It also proved once again the potential of luxury goods and the direction of the market today. Lvmh has 14 brands in the fashion and leather goods business, including clothing, fashion accessories, luggage, leather goods, and home furnishings. One of the most well-known and stable sales is the Group's top brand, Louis Vuitton. In 2022, Louis Vuitton's total sales exceeded 20 billion euros for the first time [5].

2.2 Specific Sales of Fashion and Leather Goods

In 2020, the Fashion and Leather Products Division posted a profit from recurring operations of 7,188 million euros, down 2% compared to the previous financial year [6]. However, thanks to the Group's innovation in market decisions, its control of costs, and its prudent choice in investments, the Group maintained a certain percentage of profitability. The Group's financial results show that the operating margin of fashion and leather products as a percentage of revenue increased by 0.9 percentage points to 33.9% [7]. And from the second half of the year, especially from the q4 quarter, the Group slowly recovered from the impact of the epidemic. By 2021, the Fashion and Leather Products division posted a recurring operating profit of 12,842 million euros, up 79% compared to the fiscal year ending December 31, 2020 [8]. This was made possible by a shift in the company's marketing strategy. A large number of customers have opted to buy online. In addition, the Group has introduced an in-home service policy for its sales staff to stabilize the VIP customer base. The in-home service policy was a perfect fit for

the uniqueness and scarcity of the luxury brand, providing a personalized experience for customers and boosting the Group's reputation. Growing sales during the epidemic also made the fashion and leather goods division one of the Group's sales pillars. The operating margin of this business as a percentage of revenue increased by eight percentage points to 41.6% at the end of 2021 [9]. Despite the geopolitical and economic situation, 2022 was a year of record sales. 2022, the last year in which most countries and regions were affected by the epidemic, saw significant growth in all the Group's businesses and revenues, as well as an increase in global market share. The Fashion and Leather Goods division posted a profit from recurring operations of €15,709 million, up 22% from the previous fiscal year [3]. In particular, Louis Vuitton and Christian Dior are the mainstays of sales in fashion and leather goods. They both improved their recurring business profits despite the closure of some of their less profitable stores in certain regions, particularly in China. At the same time, the Group's global market share continued to grow, with record revenues and earnings.

3 Development Issues as a Result of the Global Health Crisis

3.1 Decline in Objective Physical Consumption Due to the Epidemic

Although the Group's financial results show a relatively stable increase in revenue during the epidemic, this does not mean that the epidemic did not take a toll on the Group's sales. Sales in China, the region most affected by the epidemic, showed a sharp drop right at the beginning of the epidemic. This has had a serious impact on the world luxury market. In addition, the epidemic brought riots in various countries, which affected the luxury industry [10]. Many luxury stores experienced vandalism, theft, looting, etc., all of which exacerbated the sales failure of luxury brands.

3.2 Decrease in Goods Turnover Capacity and Increase in Inventory Ratio

Each product will have a statistical record of the stock period, representing how long it has experienced sales from the time it was launched to the present. Generally, the prime sales period for consumer goods is within 60 days, as most of the apparel industry puts out new products on a quarterly basis. Then due to the pre-epidemic blow, massive work stoppage, shutdown, etc., the cargo period for new goods will naturally be much longer. And for luxury goods, the concept of seasonal is fundamental. International merchandise means fewer sales. After all, customers always like to chase more fashionable and new goods. However at the same time, many luxury brands do not have the concept of promotion. This results in products that do not sell can only be returned to the warehouse or destroyed. As a result, the longer lead time leads to a decrease in the turnover of goods, resulting in higher operating costs. Many workshops simply announced a shutdown in order to save costs. Although the Group's financial results show a relatively stable growth in revenue during the epidemic, this does not mean that the epidemic did not bring losses to the Group's sales. With the outbreak of the epidemic, the brick-and-mortar stores of the major luxury brands were closed, and the global tourism industry was also experiencing a cold winter. The Champs-Élysées, which used to be full of Chinese tourists, has also become a cold doorway.

3.3 The Decline of Luxury Consumption Intention and the Change of Consumption Form

The epidemic is causing a change in the way people buy luxury goods. Consumers are increasingly eager for new things, which has prompted many brands to start a frenzy of co-branding LVMH is no exception. But this over-marketing has also put the market in a vicious circle. The over-marketing of brands has made luxury more “ubiquitous” than ever in today’s market. This makes luxury products lose their uniqueness. Consumers wonder if their purchases have become “the mass”. This is particularly detrimental to luxury consumption and can lead to user fatigue. But to attract new customers, brands cannot relax or stop marketing. So for luxury brands, this is a relatively serious development problem that they will have to face in the next three to five years. In addition, the epidemic closure also led to the shutdown of production and work. For a lot of people, there was a significant salary reduction. This also caused many customers to give up on continuing to buy luxury goods. In addition, people stayed at home for a long time during the control period, and even if they bought some products, delivery to their homes was a problem. Moreover, during the period of the epidemic, people could not meet with each other, and customers lost the opportunity to show their status with luxury goods. Many customers’ consumption fields also gradually began to change.

3.4 Online Publicity and Purchasing Method

In the post-epidemic era, luxury groups as large as LVMH also had to shift their marketing strategies for the epidemic. From 2020 more sales and efforts were shifted online. However, as countries lifted their embargoes during the epidemic, LVMH shifted its marketing strategy to a parallel online and offline approach. The Group’s sales will continue to grow from 2020 to 2022. The Group started to expand its digital services to reorganize its relationship with customers. In China, brands such as LV, Dior, and Loewe have opened WeChat mini-programs one after another [11]. This is to meet the desire of customers to browse and purchase the latest products of each brand on demand without leaving home. In addition, the Group opened a Taobao store for its brands and started to reap the dividends of the Internet era [12]. During the epidemic, the Group cooperated with Alibaba several times. Web celebrities were invited to carry the Group’s products online. This marketing approach transformed the Group’s previously unattainable image into a more local and approachable one and to a certain extent, secured the Group’s clientele. To let customers better understand the Group’s new products, LVMH planned several “cloud shows” for its brands; for example, Dior Autumn/Winter 2020 ready-to-wear release show chose the online “cloud live” interactive method [12]. Once a customer sees a product, he or she can place an order via live streaming or through the WeChat app. In addition, for VIPs, the brand will also have a person to connect with; sales staff can directly deliver the season’s new products to the VIP’s home for their selection and with a professional model show.

3.5 Offline Customer Backtracking Attempt

The global epidemic showed a recovery in 2022, as did the luxury market. LVMH began an orderly resumption of operations in its offline stores. To better stimulate customer

spending and better capture customer preferences, LVMH held several offline fashion shows in 2022. This move is considered a signal that LVMH is officially recovering from the epidemic. In the meantime, the Group is also building momentum for its brands by co-branding with famous artists and opening exhibitions and flash stores. On October 17, 2022, Louis Vuitton unveiled plans to open its first restaurant in China [13]. The restaurant is in Tai Gu Li Mall in Chengdu. News of the restaurant's opening has attracted the attention of many Chinese consumers online. There are reports that the restaurant is already fully booked, with a waiting list of about six months. Another focus of LVMH's offline campaign is on the brand's craftsmanship. LVMH's workshops have made special promotional videos to be shown in each store. To show customers the exquisite skills of the workshops and thus enhance the brand's prestige and value. Also, in 2022, LVMH reopened the historic Christian Dior store at 30 Avenue Montaigne [14]. The opening of the old store, one of the symbols of Dior, represents a new chapter in the brand's journey through the gloom.

4 Future Development Strategy to Retrieve and Maintain the Market Position

As countries recover from the blockade of the epidemic, the market has begun to rebound, especially in 2022. The Group is no exception to this trend, as brands are eager to take advantage of this opportunity to make a fortune. To take advantage of the rebound in the market, the Group launched several co-branded products in 2021 and 2022. The first is the collaboration between LV and Yayoi Kusama launched earlier this year [15]. The co-branding was to commemorate the 10th anniversary of the collaboration with Japanese artist Yayoi Kusama. Considering Yayoi Kusama's age is nearly 94 years old or this collaboration may become LV's last collaboration with him, so LV has put a lot of effort into the publicity campaign. This time it chose to use street marketing methods to place a large number of huge posters, sculptures, or installations in places like Tokyo and Paris. These installations include Yayoi Kusama's masterpieces from all eras. In addition, LV also made a huge inflatable figure of Yayoi Kusama painting on the Champs Elysees in France, lying on the upper floors of its stores. Yayoi Kusama's collaborative video teaser released on Ins received 1.2 million "likes," which is a testament to the enduring popularity of Yayoi Kusama's artwork and also ensures big sales and high resale of the new series.

4.1 Loewe x Howl's Moving Castle and Chinese Monochrome Glaze Collection

The same Group's fashion brand, Loewe, took over from Louis Vuitton and launched a joint fashion product with Studio Ghibli in February this year [16]. LOEWE's style has always been one of intellectual elegance and sophistication. The main products are combined with the beauty of classical art and modern popular design style. This joint name with Jeepley added a lot of cute elements to the brand. At the same time, it also greatly lowers the age of Loewe, pulling it from the mature crowd to the young ones. Mr. Miyazaki's works are almost accompanied by the growth of the entire millennial

generation. This collaboration is a great temptation for consumers to bring their childhood dreams into reality. This is also a guarantee for the sales of the joint. In addition to this, in 2022, Loewe released a Chinese Monochrome collection inspired by Chinese porcelain, which caused a significant response on the internet at the time [17]. Previously, the Chinese elements of the major luxury brands were only the Chinese zodiac or Chinese New Year lanterns, which are the Chinese style in the eyes of Westerners. This time Loewe's new collection is the first time to make a product that can truly reflect the elegant side of Chinese colors. This also made the series burst onto the internet when it was launched last year. Social media search volume skyrocketed hot search hung for a long time. This to now Loewe's Chinese Monochrome collection is considered to be the perfect respect for Chinese culture once. Chinese customers are no longer satisfied with the random piling of Chinese elements on their products. They want these luxury brands to understand Chinese culture deeply and eliminate stereotypes about making products with Chinese beauty. Only such products can capture the hearts of Chinese customers.

4.2 Metaverse Concept

Although the president of LVMH, Mr. Arnaud, once said that metaverse and virtual goods are not satisfied LVMH's brand image and brand spirit, nowadays more and more luxury brands are involved in the metaverse and virtual goods LVMH has to re-examine its decision. The concept of metaverse originated in the 1992 science fiction novel "Snow Crash" [18]. Meta-universe refers to the digital living space constructed by humans using digital technology, mapped by the natural world or beyond the real world, a virtual world that can interact with the real world with a new type of social system [19]. The benefits of entering the metaverse for the Group are diverse. First of all, the metaverse is a very new concept for consumers, which greatly drives their curiosity. While consumer awareness is still being nurtured, the Group can market the metaverse and continue to write a new brand story with it. This is why the Group announced its first virtual ambassador in the metaverse last June [20]. Secondly, using the concept of the metaverse, the Group can launch various marketing mechanisms or forms of marketing. This includes but is not limited to product launches, concerts, exhibitions, large promotions, sports events, and a host of other social scenarios where the increased exposure of the brand will attract many potential customers, especially the younger generation, to buy real-life products.

5 Conclusion

The analysis of luxury brands' sales in the article shows that the wounds brought by the epidemic to the luxury market are healing, and customers' retaliatory spending has pushed the prices of luxury goods to a new peak. However, the problem also arises. Consumers are looking for goods that can satisfy their physical needs as well as their spiritual and cultural needs. Only such products will be able to capture a place in the market in the future. To develop such products, case studies alone are insufficient. Researchers need to combine data to conduct field research or return visits to the brand's VIP customers. Many factors influence customers, and even customers in the same country have different expectations and understanding of luxury products depending on their location. And

as the age of customers are getting younger and younger, how to catch their hearts is also a topic that cannot be ignored. To remain competitive in the future, luxury brands must understand customers deeply and create products that meet their diverse needs.

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