

Exploration on Marketing Strategy of Foreign Luxury Brand in China

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Abstract—Since the rise of China's economy, China has become the main consumer of the luxury market, and showing a rising trend, the major luxury enterprises are also fully entering the Chinese consumer market. With the rise of "new retail" model in China and the improvement of the consumption ability of millennials, luxury enterprises are bound to make adjustments in their marketing strategies in the face of such a new market environment as China. This paper first defines the definition of luxury goods, through the analysis of the current situation of the development of luxury enterprises after entering China, summarizes the two main problems faced by enterprises: the aging of brands themselves and the single retail channel, and combined with the development strategies of some luxury brands in China, from the perspective of the development strategy of some luxury brands in China, this paper summarizes the two main problems that luxury enterprises are facing. A road suitable for the development of luxury enterprises in China has been found out, and China has been in a blank state in the luxury sector, and it also provides a realistic basis for the establishment and development of luxury brands in China.

Index Terms—Luxury markets, brand aging, digitization, marketing strategy.

I. FOREWORD

Before 2003, China did not form a real luxury market. With the rapid development of China's economy and the improvement of residents' income level, luxury goods began to enter people's lives, and gradually widely accepted and sought after. Since then, China's luxury goods market has been booming. When the economies of all over the world are in trouble, China's luxury goods industry is booming, so the major luxury companies are making every effort to enter the Chinese luxury consumer market. Due to cultural, racial and belief differences, even luxury enterprises, which have been developing for a hundred years, are constantly exploring their development path in the face of a new Chinese consumer market. First of all, this paper defines the definition of luxury goods, through the analysis of the current situation of the development of luxury enterprises after entering China, summarizes the two main problems faced by enterprises: the aging of brands themselves and the single retail channel, and analyzes the development strategies of luxury brands in China, in order to explore a suitable road for the development of luxury goods enterprises in China, in addition, China has never had any international influence on luxury brands. It is almost blank in the field of luxury goods, and also provides a reference for the establishment and development of luxury

brands in China.

II. DEFINITION OF LUXURY GOODS AND SITUATION ANALYSIS

A. Definition of Luxury Goods

The definition of luxury goods in a broad sense is determined by different social nature, social structure, social and cultural connotation and economic base [1]. From the economic point of view, luxury goods refer to the product whose value and quality ratio reaches the highest, that is, the sum of price and value contained in this kind of commodity, which is much higher than the quality it provides. From the point of view of marketing, luxury goods refer to the products with the highest ratio of intangible value to tangible value [1].

Luxury fashion brands are defined as "the combination of exclusiveness, premium price, image, and status that makes it a reason other than function." people differentiate luxury fashion brands into brands with the following characteristics: global recognition, core competitiveness, high quality and innovation, strong advertising, perfect in-store display and excellent customer service [2].

In a narrow sense, the definition of luxury goods is determined by the nature of different industries, industry standards, brand cultural connotation and the content and form of commodities.

The emergence of luxury goods serves the elite who is at the top of the social class. Now, due to the progress of society and the weakening of class concept, the definition of luxury goods is different from before. Luxury goods can serve anyone who consumes it. This paper studies the current development of luxury goods industry in China.

B. The Current Situation of the Development of the Luxury in the Chinese Market

Altgamma expects growth in mid-term luxury purchases by 2025 to be driven by positive fundamentals, and there may be some possible bumps. there will be a different market in 2025: more chinese buying behavior, e-commerce throughout every purchase, reshaping the future store footprint integration, young markets disrupting the growth path, cultures and subcultures taking over consumer trends, and markets following market one and different profit brands agile [3].

Sales of personal luxury goods in China reached 20 billion euros (142 billion yuan) in 2017, up 20 percent from a year earlier, leading the way in major regions of the world. Of the total consumer goods market of 262 billion euros in the global personal luxury market, consumers from China are

expected to contribute about 83.5 billion euros (650 billion yuan) billion, up 13 percent from the same period last year, accounting for 32 percent of the world's total, the highest proportion in all countries and regions, as shown in Fig. 1, 2 [4].

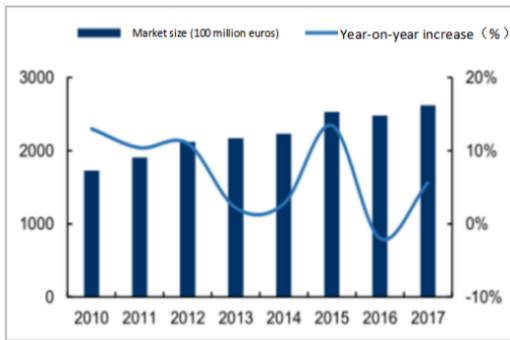


Fig. 1. Global personal luxury goods market size and year-on-year growth rate (100 million euros,%).

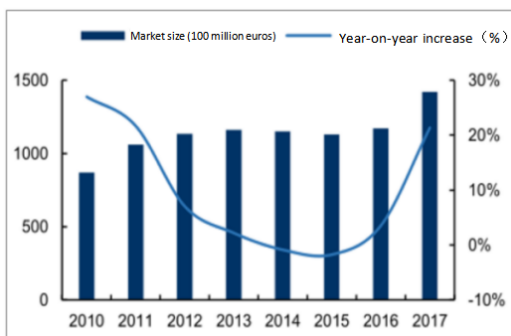


Fig. 2. China's personal luxury market size and year-on-year growth rate (100 million euros,%).

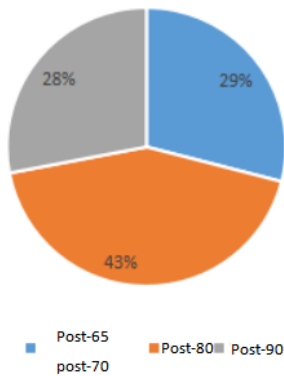


Fig. 3. The total number of luxury consumers at all ages accounts for the proportion.

A new generation of middle class in China is emerging as the biggest driver of luxury consumption. Young people become the main consumers of luxury goods. China is in a developing market, and young people are full of success stories. They have the economic power to consume luxury goods, and some young people who are not financially able to consume luxury goods are also consuming luxury goods in order to realize their luxury dreams. As shown in Fig. 1 and 2 [4], McKinsey data analysis in 2018. Young people become the main consumer of luxury goods, and the younger generation of consumers are gradually beginning to form their own mature concept of luxury consumption showing a more rational pursuit. According to the survey, as shown in Fig. 3 and 4, 68 percent of the post-90s admitted that they

first considered brands when buying luxury goods, compared with 94 percent in the "post-65" and "post-70" countries. This shows that younger consumers are not blindly pursuing brands. We see that the younger generation will also pay attention to design, fabric and production technology.

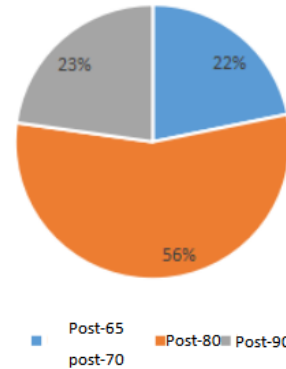


Fig. 4. Luxury goods consumption as a percentage of the total at all ages.

TABLE I: PERCEPTION OF PRODUCT DIFFERENCE IN CHINESE SPORTS CLOTHING MARKET

type	characteristic	example
Single brand website	Brand official website	gucci.com
Single brand website	The department store built its own website, which provides online shopping.	niemanmarcus.com
Collective ecommerce	Comprehensive, in addition to fashion, there are many other categories	Amazon、Tmall、Net-a-Porter
Flash purchase discount network	Luxury goods platform based on the purpose of clearing goods	MEI.COM、Vipshop
Platform ecommerce	Only help brands open stores online, light inventory mode of fashion ecommerce	Farfetch
Technical ecommerce	Don't sell or buy goods, with new business models to connect brands and consumers.	Rent the Runway、Stich Six

Source: public collation of information

In recent years, the global online sales of luxury goods have developed rapidly, and the e-commerce of luxury goods has become the development trend of the industry. At present, Temple Bank Network, Fifth Avenue, Xiu net, Shangping Network and other vertical luxury e-commerce rely on capital financing to take root in the Chinese luxury market [5], but have not achieved strong development. Take the leading luxury vertical ecommerce temple bank as an example, which provides consumers with an integrated online and offline omni-channel luxury purchase platform, including temple website, mobile phone applications and offline experience centers. Online platform provides consumers with convenient product selection, order and payment service; The Offline Experience Center provides consumers with premium customer and member services and experience. From the perspective of channel performance, online is still the main sales channel of the whole platform of the temple library, and the proportion of it rises year by year. From the view of the overall luxury retail performance of China, traditional sales channels are still mainstream, but the share is

decreasing. The great changes in the past few decades have led to the intergenerational consumption groups to develop a different way of consumption from the previous generation. For a younger generation of consumers, the digital system in the luxury shopping path is already common, making the "contact" between them and the luxury goods more complex and more diverse. Although physical retail is still the first choice for China's new mode of purchase, the power of social media is not allowed to be small, which will further promote the lower-line experience of the luxury brand through-line, and realize seamless docking to meet the new generation of consumption demand. As shown in Table I, the existing on-line sales channel for luxury goods line in China.

III. THE DRIVING FACTORS OF THE DEVELOPMENT OF THE LUXURY ENTERPRISES IN CHINA

The development of luxury goods in the Chinese market has not been smooth sailing, although China has become one of the main markets of luxury consumption, however, the data are not as optimistic as they appear. According to Bain Research report, about 78% of their Chinese luxury consumption occurs overseas, so the retail of luxury goods in the Chinese market is not optimistic, at the same time, luxury goods enterprises are still facing the spread of counterfeit goods affecting the brand image. Single sales channel, luxury quality requirements and after-sales service can not keep up with and other issues. This paper mainly aims at the aging of brand image and the slow development of digital sales channels faced by luxury enterprises. A probe into the development strategy of enterprises in China.

A. Brand Aging Problem

Luxury has a long and charming history, and most luxury brands have a century-old history. Due to the long-term characteristics of luxury goods, maintain its mystery, brand spirit remains unchanged for a long time, and has not been in line with the situation to make changes, the phenomenon of brand aging begins to appear, and the difficulties of brand aging has once become an insurmountable obstacle on the national brand development road. See Table II for some luxury brand creation years.

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Aging brands are so well known that consumers are bound to think of certain types of products, but when they buy them, they don't take them into account. Because consumers have already affixed "outdated" and "outdated" labels to aging brands, aging brands make consumers afraid to avoid it. Aging brands are not only difficult to win over new customers, but also lose many old customers, which may never recover and become the declining brand of Xishan in the twilight. In his works, David Aaker puts forward the

theory of brand graveyard. The graveyard theory holds that the brand in the graveyard is a brand with high cognition and low reappearance, resulting in the fatal result that customers have heard of the brand, but it is difficult to think of the brand when they buy it. It is very difficult to break the pattern of the graveyard, because the efforts made will be limited by high awareness. Once the impression of brand aging is formed in the hearts of consumers, it is difficult to reverse it. The high popularity of aging brands has just become an obstacle to their development. If we can not make a fruitful breakthrough in marketing efforts, few people will further understand that they have A familiar brand.

TABLE II: TABLE OF YEARS FOR THE CREATION OF SOME LUXURY GOODS

ranking	brand	country	Year of creation
1	Cartier	France	1847
2	LV	France	1854
3	Burberry	Britain	1856
4	Prada	Italy	1913
5	Chanel	France	1914
6	Hermes	France	1920
7	Gucci	Italy	1923
8	Fendi	Italy	1925
9	Ferragamo	Italy	1927
10	Christian Dior	France	1946

B. Digital Sales Channel Development Is Slow

Many luxury brands are hesitant in online sales and marketing. Luxury sales and numbers have always been a paradox, but also a trend forward. Mainly due to the particularity of luxury brand products, as well as the huge capital operation system of luxury goods groups, and luxury enterprises pay more attention to long-term development strategy because of their long history of development, so compared with other industries, the digital transformation of luxury goods industry is too slow. However, with the change of consumption habits and the reversal of technological innovation in the past two years, the rapid development of information technology and communication technology has provided consumers with more product choices, understanding the ways of products and lower cost exchange expenses, especially online goods. As our technology and consumer mentality develop year after year, luxury retailers need to keep up with digital trends. Luxury enterprises can no longer use a single thinking to look at the expansion of channels.

However, most luxury enterprises now realize that the efficiency-oriented digital environment can give people a full immersive experience and can better feel the unique charm of luxury goods. Typical luxury consumers travel online and offline, such as seeking the advice of bloggers or peers on social media, then going to the store to spend, and finally sharing the results online. Therefore, the development of luxury digital trend is irresistible. So far, some of the sales techniques in ecommerce and stores are considered to be the most common digital attempts to digitize luxury goods. In general, luxury goods enterprises are engaged in digital sales channels. Single and not bold enough to try, and the process is slow.

IV. STRATEGIES AND SUGGESTIONS FOR LUXURY GOODS ENTERPRISES TO ENTER THE CHINESE MARKET

Luxury goods is a high barrier industry, at present, China has undoubtedly become the most eager market for luxury brands. The strong performance of China's luxury market has become the main source of the luxury industry in recent years. In addition, McKinsey recommends that luxury brands lead the group strategy with the principle of "Chinese consumers first". Based on the aging brand encountered by luxury goods enterprises when they enter China, the younger consumer groups and the slow development of digital sales channels in the whole industry [6], combined with the corresponding countermeasures made by luxury goods enterprises for the Chinese market, this paper puts forward the entry of luxury goods industry into the Chinese market. It is suggested that enterprises should always correct their position in the process of their own development, first of all, in order to avoid blind expansion, to maintain the scarcity of enterprise brands, and then to extend the positioning in the process of enterprise development; moreover, the marketing strategy of enterprises should be considered from the perspective of "new retail".

A. Product and Brand Individualization Is a New Way to Win the Future

1) Create popular goods

Young consumers are not loyal to the brand itself, but love the popular goods in the brand. They will not buy all kinds of products of the same brand, but will choose multiple brands, buy the most popular and identifiable products of each brand, to show their differences. Buying luxury goods is more and more like buying cosmetics, and the most attractive to consumers is brand star products. Therefore, brands should adopt a "always online" strategy, such as speeding up the release of new products, supplemented by viral transmission, and cooperating with catchy nicknames and creative promotional activities. Brands should be good at using a variety of different elements to tell stories. Consider introducing limited edition products and organizing brand events in order to create an atmosphere of enjoyment and create opportunities to interact with consumers as much as possible.

2) Brand cross-border cooperation

Cross-border cooperation is a common marketing method for modern enterprises [7]. "Cross-border" represents the integration of a new attitude towards life and an aesthetic way. The biggest benefit of cross-border cooperation for the brand is to let the original unrelated elements permeate and integrate with each other, thus giving the brand a three-dimensional sense and depth.

Cross-border co-operation among brands is also known as competency complementary joint brands. The ability complementary brand union is at the highest level, refers to two strong can complement each other to produce the new type of goods, not only refers to the simple addition of parts and components, but each partner puts their own core technology and competitive power into this commodity. Elemental component brand consortium requires junior partners to contribute a specific separable element to the product of the senior partner, and the ability complementary

brand consortium involves a range of elements that may be tangible or intangible [8].

LV and Supreme's joint model. In July 2017, LV worked with Supreme, which has long been popular with young people. The New York trendy brand collides with French luxury goods. The joint launch of the new model in the LV store limited sale, triggered a rush to buy. LV and Supreme are both leading brands in their respective fields, one of the world's top luxury brands and the other popular with young people. Supreme can help LV break into the young market, and LV can help Supreme raise brand awareness, complementing each other. Louis Vuitton and Supreme rely on the influence of the two brands on the target customers, once the release of various trendsetters, stars scramble to buy, for both sides to obtain significant benefits, to both sides of the brand performance growth has made a great contribution. The joint success helped LVMH generate about \$23 billion in revenue in the first half of 2017, up 15 percent from the same period in 2016, up 12 percent from a year earlier and making a 23 percent increase in profits. Luxury goods are not a business that sells antiques and classics. A luxury brand is a cultural symbol that motivates the perfect supreme The pursuit and creation of the level.

B. The Expansion of Luxury e-Commerce Channels

Luxury retail is usually associated with physical stores. However, due to the change of market pattern, e-commerce plays a more important role in luxury sales. The biggest driver of this change is consumers: millennials and 90 account for 30 per cent of the e-commerce market, making them the most visible audience for businesses.

With changes in the field of e-commerce, millennials and 901 are adapting to new technologies available online. So, to make e-commerce brand stand out and get in touch with these audiences, they need to adapt to it as new retail technology develops. For luxury enterprises, it is important to keep up with the development of e-commerce luxury goods. In particular, luxury retailers need to keep up with digital trends as our technology and consumer attitudes grow year after year. Burberry is a good example. On their website, there is a section dedicated to displaying their fashion shows, making it a permanent event arrangement. Thanks to the success of brands such as Louis Vuitton and Rolex, the luxury market is slowly catching up with the more mainstream markets with its ability to tell wonderful stories online. Unlike middle and low-end brands, this shift to e-commerce does not mean that luxury brand physical stores will be closed. Consumers in the high-end market still value personalized in-store shopping experiences, so e-commerce is used as a complement to physical stores rather than as a substitute.

In general, digital trends show an exciting market change that embrace a changing digital era [9]. Expand traditional customer relationships that offer only one-to-one services to a few to provide such services to the majority.

C. Suggestions on the Development and Marketing Strategy of Luxury Goods Enterprises

1) Ensure brand scarcity

Luxury goods are defined as "a kind of consumer goods with unique, scarce and rare characteristics that go beyond

the needs of people's survival and development." Scarcity is the most prominent and important point of luxury goods, and if excessive generalization loses its scarcity, it will no longer be luxury goods. Limited sales is a common marketing strategy for luxury goods, which makes consumers feel the unique nature of the goods they buy. LV continues to carry out limited sales with other brands, especially the products jointly with the trendy brand supreme is even more difficult to obtain, ensuring its scarcity.

2) Brand positioning extension

In order to enter the young market and minimize the impact on the brand image, LV chose to carry out joint marketing with the major brands, which can temporarily get rid of the brand shackles of luxury goods and extend away from the brand positioning. As a luxury LV is impossible to take the trendy line, easy to change into a young style is not in line with its consistent brand image, and Chao brand joint name has become the most appropriate choice. The benefits of the joint venture.

Using Science and Technology to improve individualized Shopping experience

In the luxury market, technology is driving a shift to online personalization. Traditionally, personalized services are provided to individual shoppers in physical stores. However, the recent development of artificial intelligence (AI) and augmented reality (AR) has brought great benefits to luxury brands. Artificial intelligence has been used to improve customer experience and meet their expectations. When consumers make purchase decisions, they begin to rely on the advice of their equipment [10].

Artificial intelligence is improving in providing more personalized recommendations, improving their overall experience by predicting what shoppers may buy. Ai gives developers the opportunity to create tools and software that allow e-commerce brands to link marketing channels and CRM software (customer relationship management) to promotions on the site. Chat robots are also driven by artificial intelligence, they are more advanced, can provide a richer, fully automated interactive experience, and importantly, it is extensible. Luxury brands Est é Lauder and LVHM have recently used chat robots to push sellers Face has been successful, so more luxury brands will pay attention to this in the future and follow suit. Augmented reality (AR) is another technology worthy of attention. It was developed after virtual reality (VR) as a better means to enter many markets.

V. CONCLUDING REMARKS

With the rapid development of Chinese economy, the marketing strategy of luxury enterprises in China must also be changed. At the same time, the post-90s generation has become the main consumer force, the overall structure of luxury consumer goods has also changed, consumer demand has also been more personalized and diversified. This paper first defines the definition of luxury, and explains the present situation of the development of luxury enterprises in China, and then analyzes the strategy of the development of luxury brands in China in order to explore a suitable way for the

development of luxury enterprises in China, combined with the fact that Chinese luxury enterprises are facing the problem of aging luxury brands in the past hundred years and the main problems of slow digitization process.

At the same time, with the arrival of the new retail marketing model in China, luxury enterprises can not simply rely on the spirit of selling brands, quality and traditional luxury retail model, as in the past. At the same time, luxury enterprises must formulate correct marketing strategies, always take consumers as the center, integrate the whole industry with the information of the times and technology, and is also the process of creating and upgrading the industry business model. Moreover, Chinese consumers do not like these foreign brands just export their products here.

The entry of luxury goods into the Chinese market is a matter of degree of adaptation, and the size of the market requires this adaptation. Respect for this ancient civilization, praise for this country with a long history and cultural heritage, as well as the satisfaction of the current consumer needs, have put forward some requirements for the integration and adaptation of these western luxury brands. China has been in a blank state in the field of luxury goods. It is expected that our local brands can build and develop global luxury brands belonging to our country and have Chinese characteristics with the help of the marketing strategy of foreign brands in our country and the national conditions of our country, so as to transfer the Chinese cultural industry to the world.

CONFLICT OF INTEREST

The authors declare no conflict of interest".

AUTHOR CONTRIBUTIONS

According to Professor Chenggang Li's project, GE Lu further puts forward the research direction of the paper by looking up the literature, and completes the paper under the guidance of Professor Chenggang Li.; all authors had approved the final version.

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she used the professional knowledge of undergraduate studies to broaden my management knowledge in the fashion field.



Chenggang Li is vice dean, professor, post doctoral, Business School of BIFT, major in management and economics, including network economy, e-commerce, network marketing, management innovation.. Published academic papers and works on network economy, e-commerce and management innovation in a number of journals. At the same time, Professor Li Chenggang is the author of the paper and the person in charge of the project to support the publication of the paper.