

Evaluation of louis vuitton in hong kong market



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Due to LV is the international company with a large geographic network, in this report it only analyzes and evaluates the company in Hong Kong market. Louis Vuitton Malletier (LV) was founded in 1854 at France by Louis Vuitton. LV is one of the leading international fashion houses which characterized on luxury goods, ready-to-wear, shoes, watches, jewelry, accessories, sunglasses and books. There are 9, 671 people work at LV in 85 different job categories. LV has 14 production and development units and 300 stores in 44 countries around the world. LV became a subsidiary of LVMH (Moët Hennessy - Louis Vuitton S. A.) in 1987. (LVMH 2010)

The company had a simple philosophy - " Tradition Modernity". LV is the traditional company with a long proud history. At the same time LV needs its products be innovative, modern and creative. This lies behind the LV brand message ' Enriching know-how with continual innovation. Perpetuating tradition with vision...' It is not just benefit for the customers but also refers to its professionals' skills that retain the time-honored values and savoir-faire of true artisans. (LV 2010)

A further example of the way LV to link with the world is their ' créatifparnature' program. Environmental protection is one of the hot topic discuss at everywhere. Based on LV fixed " 4R rule" - Renew, Recycle, Reduce and Review, their luxury products must be committed to environmental responsibility. LV uses renewable energy sources to save electricity and water at the shops in Spain. Also, the company creates men handbags use eco-design and all of the products package in ' green' (useless of plastics). (LV 2010a)

Customer-Based Brand Equity Model (CBBE)

LV CBBE pyramid (See Figure 1) is strong in left and right-hand sizes. It is also strong from the bottom to the top. LV is enjoying the highest brand awareness as well as the strong loyalty and high repeat purchase rate. LV has success focused on the luxury product market and its image can associate with customers. (Keller 2008 pp. 61)

For the foundation level of CBBE Pyramid, LV has created a high awareness level on Saliency part. Based on the company choosing brand elements (see Figure 10) and leveraging secondary associations to build brand equity (see Figure 11), the brand awareness is created in customer minds. There are 20% of people will buy LV products when money was no object (see Figure 8). Compare with the other luxury brand, LV is the fourth brand that people will think on purchase. It is high depth of brand awareness, the customers are easy to recall and recognize on those luxury brand. The graph of figure 7 shows that there are only 7% of the people will buy the product. It seems that people are not really depends on the purchase and usage situation, breadth of brand awareness. LV has created a high awareness in this stage, while more depth than breadth of brand awareness.

After the salience level, Performance and Imagery can be built. Mr. Sampson Lee (2006), president of G-CEM, invented and put Emotion Curve into applications. (CT 2007) In figure 3, he used five LV sub-processes, they are 'store outlook and interior decoration', 'product', 'price', 'service', and 'feeling of prestige.' The result shows that LV creates a positive and luxurious image through advertising, public relations and celebrity. For the store outlook and interior decoration, product and prestige feeling, customer

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thinks LV creates its brand values. But for the price and service, customers may think as a pain point. Because of the salesladies in LV shops, no matter the customer is wear as a rich person or celebrity, usually ignore them. The price is also settled highly. (CT 2007)

For the imagery part, according to a Millward Brown 2010 study, LV is the world's most valuable luxury brand. (Millward 2010) It is the successful luxury brand with grand history. Because of LV is a luxury brand, the buyers must be in high income level and high status at the society.

At the third stage, Judgment is based on the brand attitude. In figure 4, customers may divide into 3 stages of customer process cycle, prospecting, buying and consuming. LV has done the best job on those advertising, public relations, celebrity events, retail stores and products, while website and call center are relatively weak, since Hong Kong market have no online shopping and the call centre service are very poor. Although there are two items are failed, LV can provide the best bag in the world with maximum quality and continual design and innovative. (CT 2007) As the Feeling of the luxury, it means that the product users are in high status. It likes a dream and become more successful when using those luxuries.

The final level of CBBE Pyramid, the graph (see figure 5) recognizes that all those communication tools are relatively high without website and call centre. It means that customers feel very positive of the brand and it creates a foundation of the brand loyalty. Based on those figure 3, 4 and 5, it is created the strong left and right hand size, the bottom to top of the CBBE model and final customers repeat purchase. (CT 2007)

Marketing Mix Theory

Product

According to a Millward Brown 2010 study, LV is the world's 29th most valuable brand and is estimated to be worth \$19.8 billion. (Millward 2010)

One of the company famous label is LV monogram. LV is using line extension from luxury trunks and leather goods to ready-to-wear, shoes, watches, jewellery, accessories, sunglasses, and books. (LV 2010b; LV 2010c)

To maintain LV's high level of product quality, LV goods have not changed its manufacture style since 19th century, especially the luggage is still made by hand. (Martin 1995 pp. 750) Each LV suitcase is tested and make sure can withstand wear and tear. The suitcase is " put in a torture machine, where it is opened and closed five times per minute for three weeks. And that is not all - It is thrown, shaken, and crushed." LV stands out from their competitors and focus on its product quality. (Paul 2002) Titanic sank in 1912, a year when LV bags were every bit as high reputation as now. While no one knows exactly how much LV luggage went down with the ship, but it's clear that LV luggage still intact after the accident. (LVA 2010)

The company's philosophy supports the ' Art de Vivre' principle which means the ' The Art of Travel' in English explanation. This states that the products are long standing and unique in the world. This also a part of ' Tradition Modernity' message - walk through the time journey from history to now. LV design different product in different time period. For the Industrial Revolution in Europe at 19th century, LV provides many kinds of suitcase to satisfy '

unique taste' customers. In the early 20th century, LV design travel wardrobe, hat boxes, car trunk and tool box. It is more make use of the products rather than focus on the product design. (LV 2010d) For now, LV continue to provide and design many other accessories and bags for men and women. Some of the products are focused on its value and some of these are focused on the function. For example the Louis Vuitton City Guide 2011, LV keeps on developing its goods for travel use. It means the company can meet different consumer needs everywhere. (LV 2010e)

Price

LV is used a luxury pricing strategy, which means high markups, limited availability, and few if any markdowns. (Keller 2008 pp. 208-209) According to the table of Louis Vuitton and Gucci Handbags at c. €500 (see Figure 2), the lowest price of LV handbag is €256. (Bernstein 2009) It is difficult for the lower income level people to buy LV products when the company set a high price for the products.

Place

For controlling the company quality and its image, LV sells its product only through a global network of company-owned store. As Bernard Arnault, the chairman and CEO of LVMH, said before, " If you control your factory, you control your quality; if you control your distribution, you control your image." It is necessary that provide a luxury image through the shop design and the distribution channel. (Keller 2008 pp. 208-209) To meet the target customer, the products must sell in LV stores. LV expands its stores with the focus on distinctive building designs related to location. It can reach the public

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through its special shop design. Also, there are only 300 stores in 44 countries. (LV2010) It can easy to control over the selling process and build the customers relationship by the retails outlets.

Promotion

LV is very careful by choosing the advertising campaign. The company commonly uses print ads in magazine and billboards. These help to exposure its brand to the public and establish the brand loyalty for repeat purchase.

LV chooses Steffi Graf and Andre Agassi at 2007 to promote their brand to public in print ads and using video for World Cup which invited Maradona, Pele and Zidane at online campaign. (Kate 2008; McEleny 2010)

Except print ads and video, LV also takes the commercial broadcasts in television (90 seconds) “ Where will life take you?” This is the first LV commercial advertising and translated into 13 different languages. The advertisement brings out the core value of LV. It is about the people lifestyle and their behavior of living. (AMMN 2008) Again, this aligns with ‘ The Art of Travel’ message.

For maintaining an upscale image of luxury brand, LV usually sponsors some major events with luxury cachet in the world.

Porter’s Generic Strategies

Based on Porter’s Generic Strategies, to achieve and maintain the competitive advantages, there are four generic competitive strategies can be chosen. (QuickMBA 2010) LV, targets entire market and uses competency

uniqueness, chooses differentiation strategy to outperform its competition. The primary point on this strategy lies in creating customer loyalty.

For the luxury brand, it is not just a manufacturer provides goods but also makes ' intangible into tangible'. LV provides after sales service for maintenance its brand products. It can enhance the service quality and perceived as being unique. (LV2010)

Firm performance is the other important criteria that can differentiate LV and its competitors. There are placed an employees training to keep them to provide high quality service to each customer. It is necessary that control luxury brand quality through service and product (LV 2010)

Since LV only has few stores in worldwide, it eases to deliver a consistent service quality. Since LV only made its product in France and Spain, it can limit the risk on production process as well as to control quality. Those activities can develop a more trusting relationship with customers. (LV2010)

Based on LV using differentiation strategy, it can easy to create the loyalty and differentiate itself in the competitive market.

Summary

To concluded, LV makes use of marketing mix to communicate the brand message to their customer. This allowed them to create strong brand image and keep fit at those market change. This is a good example on how marketing mix can help to increase brand equity.

Also, it is success on differentiate with the competitors. Because of the competitive market, the firms need to more flexible to avoid challenge.

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Based on those model and theory, LV is success in the market and become one of the strong brands in worldwide.