

Louis vuitton becoming successful in the luxury market



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For approximately twenty years, LVMH has played an important role in luxury market since its merge with LV; thereupon, LVMH is known as the world's largest conglomerate of luxury goods under various categories and brands. Its revenue has grown every year- owing 40 percent of their incomes from LV. When the achievement of LV is examined, it is clearly seen that its success does not depend on theory (it follows a unique marketing strategy not utilized by most even its peer luxury brands.). The strategies of LV aim at creating appeal to its target customers and, as a consequence, it leads the customers' purchasing decision. Therefore, the current rise of profitability of Louis Vuitton is not a coincidence. Rather, it results from effective marketing plans. Therefore, this article addresses the history of LVMH and Louis Vuitton, the structure of the 4 P's of Marketing, and the analysis of the key marketing strategies of Louis Vuitton. This project is a part of the pre-session course.

This article focuses on the grand champion of the LVMH kingdom: the Louis Vuitton is a top seller in the top range in luxury brand which produces fashionable high-quality leather goods that inarguably everyone wants to own a piece. Even though the brand is well known, its marketing strategies have not been much disclosed. Firstly, this article will look at the history of LVMH company and the LV story. Then, i will examine the strategy of Louis Vuitton under the framework of the four P's (Product, Price, Place, and Promotion). In addition, the secret principles of its successful strategies, which differ from those of general consumer goods, are evaluated.

The history of LVMH Moët Hennessy - Louis Vuitton

LVMH Moët Hennessy - Louis Vuitton S. A., usually shortened as LVMH, was founded in 1987 owing to merger between Moët Hennessy and Louis Vuitton. Its headquarter is in Paris, France. Bernard Arnault, the president, owns 48% of LVMH. LVMH is well known as the world's largest luxury goods under various categories and brands such as Christian Dior, Fendi and Louis Vuitton. Moreover, LVMH has many types of product, namely, Wines & Spirits, Fashion & Leather goods, Perfumes & Cosmetics, Watches & Jewellery, Selective retailing, and other activities. Therefore, it was a consecutive mixture, encouraged by the affinity of their core businesses, which led to set up of the LVMH group (LVMH, 2010).

The Louis Vuitton story

How Louis Vuitton was originated was an accident. In the early 19th century the train of France needed to change front skin of cushion in the berth of the first class rail. Since the front skin was decomposed and disintegrated, they wanted to change to synthetic fabric, which- at the time- was perceived as a modern material. This new cloth pad manufacturer designed a floral pattern of four lobes in yellow circle and used the letters V L cross, which was from his initials, instead of WL, which was an abbreviation of the word " Wagon Lit" meaning berth. The berth fabric was done and ready for use if the error of V and W did not present a problem. Consequently, the fabric was all rejected. In order to limit the loss, he used it to cover travel trunks. This became the source of the name LV. In 1854, he opened a store to sell his designs (Rawat, 2010).

The Marketing Mix (The 4 P's of Marketing)

In This section, I will consider the market strategies of LVMH that make it is outstanding among top elegant brands.

According to Kotler and Armstrong , a marketing mix composes of four elements which are the parameters that are used to estimate the business situation and to help in the implementation of the right marketing strategies. The objective is to conceive a marketing plan that focuses on the customers (Kotler and Armstrong , 2008).

The four Ps are...(definition)....

Firstly, I will look at Product.... here in this section i will give the details of the 4p's are.

Product - Product and service combination that maximize customers' satisfaction. This does not only limit to the physical product provided but includes the entire of experience.

Appearance

Service

Features

Quality

Installation

Warranty

Product lines

Packaging

Branding

Price - the price of product which includes direct and indirect costs, opportunity costs and service costs which is the amount of money that customers have to pay to obtain the goods.

Objectives

Flexibility

Level over product life cycle

Discounts

Allowances

Place - Channel of distribution: to make the product available to the target customers.

Objectives

Channel type

Market exposure

Kinds of intermediaries

Kinds and locations of stores

Service levels

Managing channels

Promotion - activities that inform the worth of the product and persuade customers to purchase products.

Advertising

Personal selling

Sales promotion

Publicity

Selection

In the next section i will use this strategy to analyze LV marketing strategies.

The analysis of 4 P's: Case study Louis Vuitton

To begin with examining the differences between luxury brands and general consumer goods, it is evident that LV strategies are very interesting because its marketing strategies are different from other products. There are many questions pertaining to its uniqueness such as no price reduction, no premium gift, no outlet shop, no use machinery in the production process, and no advertisement on TV (not until recently). These are special features of LV. The questions above become reasonable to create a distinguishing brand image that lasts over 156 years.

To classify LV techniques in each type of market strategies, the next section will analyze strategies related to the first of the 4Ps “ Product”.

Firstly, i will look at product strategy

PRODUCT

No Second-Line Operations.

In general consumer market, second-line- which aims to respond to mass demands, can be referred to products that have lower cost than main line. In contrast, LV is in the luxury market with high-priced products so ignores consumers who cannot purchase the high-priced items in main line. This could be called arrogant attitude, although, there is logical reason according to the theory “ Product-out or Lord’s business” which means the company would produce the product in limited amount for gains in high-class prestige and privileged position (Kotler and Armstrong , 2008).

No Outlet Shop.

Normal marketing strategy would be to increase sales, to maximize profits, and to distribute the products in every possible channel. LV does not adopt this strategy even, in the short run, it can acquire more profits because this can impair the brand’s prestigious image in the long term. LV cherishes the brand’s tradition of luggage manufacture: every piece is hand-made.

Furthermore, LV has its merchandise produced under the company’s control without giving out licenses. This leads to limited amount of products available to customers and, as a result, the products are sold out and don’t have any products left for bargain sales. Based on this, it could be said that even though there were LV’s outlet shops, there would not be enough

merchandise for sales. Moreover, opening outlet shops can tarnish its image as a luxury brand.

Principle of Special Orders.

The strategy of special order or special product is an attempt to satisfy customers who have self-will (Kotler and Armstrong , 2008). In this regard, LV has a special order service for customers who prefer custom-made products and order-made products. This strategy strengthens LV's brand identity as a class-leading luxury brand.

In this section I will describe LV's techniques related to the second P of the 4Ps strategies

“ Price”

PRICE

No Bargain Sales

The nature of fashion products is tremendously fast-moving and temporary phenomenon. Therefore, no goods can be fashionable forever. As a result, at the end of season, there always are promotionally priced products.

According to Kotler and Armstrong (2008), “ bargain sales” are temporarily priced products below the normal list prices and sometimes even below costs to improve short-run sales, to increase total sales revenue, and to reduce inventories. When looking back at LV history, one can clearly see that not once in 156 years its prices were reduced. “ Why LV never be on sales”, this is a frequently asked question. LV knows the adverse effects of price reduction. For instance, the customers will wait until the brand goes on sale

and lessening the price can potentially harm a brand's value in the eye of customers. Examining this point, one might conclude that LV fixes the price to stimulate demand of customers at once they are interested in the products and prevent them to postpone the purchasing habit.

Sale in Value Sets

Sales in value sets can be called a "Product Bundling" strategy, which is used to sell a set of products in the form of combination of two or more products. This strategy appeals to the need of customers, who prefer the grouped package more than individual items, (Internet centre for management and business administration, Inc., 2010). Therefore, adding free gifts with the products or sales in a set is the same way of giving a price discount. LV does not include such added premiums and also does not join in set sales.

No Pricing in Odd Prices

For example, pricing ending with 99 rather than 00. According to Dibb and Simkin (2004) if a product is an exclusive product, it should not be priced in an odd number. For example, what would customers think if LV was to suddenly cut its prices to end with odd numbers? They might think that quality had been reduced. The brand's pricing policy and its image are usually closely connected. As a result, LV does not adopt pricing in odd numbers. Moreover, most of the other luxury brands follow this same practice.

In this section I will describe LV's techniques related to the third P of the 4Ps strategies "Place"

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PLACE

Stores Located in Prime Areas

LV attempts to find the channels to distribute products in the areas of luxury shopping area. This strategy is employed to maintain its brand's image as an exclusive luxury brand. As a result, customers would feel proud to buy the products and would be willing to pay the premium prices.

Brand Enhancement through Flagship Stores

LV aims to launch a small number of its flagship stores, which are larger than normal in scale, in order to respond to the need of a great number of customers. This strategy helps to identify the brand's identity- more precisely- to improve the brand's perceived value and to induce the customers' interest. At the same time, it would be easier for the company to control the store's operation because of the limit number of the stores.

Flawless Repairs

This is one of the most famous strategies of LV and there are a few brands which employ this strategy. LV gives opportunity to customers to have their damaged products repaired. This method seems to be impossible in the real world because every product uses different materials and for old products, the materials used may be scarce in the market. However, LV has the ability to deal with this problem by producing reserved materials. As a consequence, this can develop the trust and competitive perceived values from customers. This suggests that LV tries to increase brand royalty and to sustain the strength of the brand.

In this section I will describe LV's techniques related to the fourth P of the 4Ps strategies "Promotion"

PROMOTION

No Television Commercials

Generally, almost every business needs to promote itself in some way to reach out to customers. TV advertising can be an effective way of communicating with the customers. Then, what is the reason for LV rejecting to mass advertising? It is impossible to argue against the fact that TV commercials are not suitable to luxury brand due to time limitation. The commercial time of 15-30 seconds cannot communicate all details with the target audience. In addition, advertising on TV could damage the views of customers on brand's reputation. To illustrate the point, if the advertisement of LV is launched after that of another product, which is not as prestigious, the brand identity of LV can be tarnished. Nonetheless, LV accentuates publicity in newspapers and magazines. (Only until recently, LV started to launch its first ever television and cinema commercial exploring the theme "Where will life take you?" which is 90 seconds in length.) Consideration of this point lead one to conclude that LV seems to acquire customers' awareness by using paper publication that can last longer than short period of television advertisement

Having Customers Line up at Stores

Let's imagine a bistro that has a lot of people line up. What do you feel? A commonly held belief might be that this restaurant's food must be delicious.

Therefore, queuing up in front of the store is the one of the strategies that LV employs to appeal to the general public.

Conclusions

In conclusion, Louis Vuitton attempts to distinguish itself from other competitors by properly applying 4Ps market strategies into its business model. It seems that certain techniques are too extreme to implement at first, but with well-round and in-depth vision of LV, it can establish unique brand character that creates high-standard barrier for others to compete. However, it should also be remembered that neither theory nor strategy that can be a perfect combination for business success, so LV needs to continue to develop its market strategies in order to sustain the top-class luxury business.