

## Analysis of Luxury Brand Marketing Strategy Under the Background of New Retail

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### Abstract

Considering that the consumption power of Chinese people to buy luxury goods is undoubtedly huge, major luxury brands have paid attention to and focused on the Chinese market recently. With more and more merchants and enterprises using new retail model for selling, these luxury brands are beginning to try new retail models, such as opening online stores on e-commerce platforms. Combined with SWOT theory and the previous analysis, this essay is going to talk about what marketing strategies luxury brands should make under the background of new retail.

### Introduction

In recent years, major luxury brands have paid attention to and focused on the Chinese market. They want to open the Chinese luxury market by opening stores in different cities. According to McKinsey's China Luxury Report 2019 (3), Chinese consumption of luxury goods at home and abroad reached 770 billion yuan in 2018, accounting for one-third of the total global luxury consumption. From 2012 to 2018, China contributed more than half of the growth

in global luxury consumption. McKinsey predicts that this proportion will reach 65% by 2025. The consumption power of Chinese people to buy luxury goods is undoubtedly huge. According to the market situation in China, online shopping has become the mainstream for customers. This is exactly the result of a new retail model being used by more and more merchants and enterprises. They rely on the Internet to sell products by a variety of technical means. With the development of logistic and the coordination of online sales and offline sales, a new sales model forms and gives customers different shopping experience. The sales model of luxury brands is also changing. In addition to traditional sales like opening boutiques, more and more brands are beginning to try new retail models, such as opening online stores on e-commerce platforms. This essay will go to talk about what marketing strategies luxury brands should make under the background of new retail.

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### New Retail

Connecting enterprises and the Internet, new retail is a new sales model that combines sales, commodities and logistics together by using advanced technologies such as the Internet, big data and artificial intelligence. Companies provide online services, offline experience, and modern logistics for in-depth integration. Focusing on consumers, companies with new retail use big data to analyze customers' shopping habits and grasp their needs for rebuilding the sales market. Spending a lot of money on store decoration and expansion, traditional sales just have a single kind of sales model (6). With the development of the Internet, new retail has emerged and promoted the upgrading of the retail industry. The model of combining offline sales and online sales makes progress in selling. With the rapid development of Internet, the disadvantages of traditional retail models have undoubtedly become more and more obvious. Compared with the traditional retail industry, new retail has not only a richer sales model but also overseas warehousing and digital intelligence. Enterprises use online and offline methods to allow consumers to consume in a more convenient, transparent, and reasonable market environment. Talking about the overseas warehousing, it is also one of the important characteristics of new retail. The bulk of goods is sent to warehouses in different regions to realize local sales and local distribution. Last, new retail also has the characteristics of digital intelligence. It refers to use advanced science and technology to connect the Internet with physical stores, so that consumers can have a new consumption experience differing from traditional sales. Because of using technological software, companies can obtain different data in time and then they record and

analyze those data, such as different groups of customer, their preferences, etc. Therefore, during the next serving process, they can provide suggestions that are more in line with customers' ideas to both save customers' time and improve their service quality. Efficiency increases business sales and profits. New retail is essentially the integration of the sharing economy and retail formats. By pushing away the boundaries of online and offline sales channels, multiple consumption scenarios are formed to meet people's popular and differentiated consumption needs. New retail relies on professional platforms and social networks to spread and share, to expand the shared retail information circle and to continuously increase the size of the platform. As the new situation of Internet economy emerges, its development speed exceeds the public's cognitive ability. It will profoundly affect Chinese retail companies and may also become a new growth point for companies.

### Luxury Goods

Luxury Brings Prosperity by Wolfgang Ratzler (4) defines luxury as a luxurious lifestyle by their respective societies. Today, the international concept of luxury is "a consumer product with unique, scarce, and rare characteristics beyond the scope of people's needs for survival and development", also known as non-necessities. Luxury goods cover a wide range, including clothes, furniture, and jewelry, etc. The sociologist Wolfgang defined in the book *Luxury Brings Prosperity* that luxury is a way of life that is regarded as luxurious in whole or in part by their respective societies, mostly determined by-products or services. He defined consuming luxury goods as a way of life (4). Except that, modern luxury goods also give global society more momentum for development and are changing global society in a stronger way than

mass products. Therefore, it is not difficult to conclude that luxury goods are realized through the refined use of resources. They are valuable and their functional value are not achieved by the excessive waste of resources. People can achieve a noble, elegant and exquisite life experience by consuming luxury goods. In recent years, global luxury consumption and trade have maintained steady growth. With the continuous growth of the Chinese economy and the improvement of the consumption level of Chinese people, the consumption of luxury goods by the Chinese people is gradually increasing. 2019 China Luxury Report pointed out that the global luxury goods market in 2019 was about 381.7 billion US dollars, and the global consumption of luxury goods in China reached US\$152.7 billion (5).

## **Analysis Process**

### Advantages

#### Excellent Brand Images

For luxury goods, a good brand image is very important and has always been insisted. "Quality First" is the consistent operating principle. The quality of every link of the production chain is ensured by controlling every step of the production line, such as the selection and processing of material and so on. Along with the cooperation of elites in specific fields, high-quality products are created. In terms of quality, they even closely inspect every finished product to ensure that the quality of the product can withstand the test of consumers and time. Luxury goods are gradually establishing a good brand image in the minds of consumers by virtue of their unique brand style, high-quality products, and high-quality services (2).

#### Exquisite Technical Support

Luxury brands have always adhered to innovative luxury concepts, constantly seeking new production technologies, publishing new designs, strengthening the control of brand product quality, and gradually improving brand corporate culture. For luxury brands, perfect products not only cost money but also need elaborate craftsmanship. Take Chanel as an example. After the production process is completed, each bag is equipped with a unique identification card and a unique number, and then sold to customers. It guarantees high-quality products and creates uniqueness so that consumers will invest in the wave of purchase.

### Organization System

In order to ensure that market operations can achieve the expected goals, luxury brands have not only established a sound organizational structure, but also have clearly positioned market goals and information management systems. Therefore, consumers who own the brand's products can demonstrate their status. As a result, a number of loyal customers have been accumulated. It is worth mentioning that by establishing branches in all parts of the world, luxury brands have a place in the market in all regions, along with the help of a good offline organizational structure. Luxury brands also have the capital to accelerate the development of online marketing, laying a foundation for the integration of online and offline marketing.

### Disadvantages

#### Simple Types of Product

Luxury brands are high-end and unique. This is good but also bad. Because each product requires a lot of time and energy from the designer, there is no way to quickly launch a large number of products, resulting in a single product and lack of diversification. In the new

retail situation, product diversification is important. If companies cannot launch new products on time to meet the needs of customers at different levels, they will easily fall behind in competition from similar companies. Then it will be difficult to meet the needs of consuming market, to expand market, and to collect and satisfy different target consumer groups. It will also be difficult to adapt to the characteristics of the new retail model, which are customer-oriented and customer-oriented. If an enterprise does not have sufficient innovation capabilities, it cannot develop new products on time. And if an enterprise blindly sticks to traditional products, it will fall into development difficulties.

#### Brand Culture Is Not Popularized in Time

As the new retail online and offline advocates a combination of online and offline marketing models, it also determines the sales of brand enterprises, which is closely related to the popularity of its brand and brand culture. Most luxury brands are originated in European countries, and the main consumer groups are still in western countries. In recent years, luxury brands have gradually entered the Chinese market and settled in different shopping malls. For traditional sales in shopping malls, brands of the same type will be concentrated in the same area, invisibly promoting the brand to consumers. However, the new retail model uses online shopping malls, and customers who choose online shopping are targeted and pertinent. If the brand does not have sufficient influence and recognition, it is difficult for customers to directly search for the brand's products online. At the same time, brand culture is also very important to employees. Employees have sufficient knowledge and loyalty to the brand, which has an impact on the loyalty of

consumers. When employees and consumers both understand the brand culture and generate recognition, it will have a greater impact on the brand.

#### Opportunities

##### Expanding Trend of Customer Base

As mentioned above, luxury brands not only create high-quality and high-end products, but also provide careful services. However, the number of customers is limited. In the new retail sales model, the combination of online stores and boutiques is used to expand consumer groups and increase target customers. At the same time, online stores also provide data for brands. Brands can further analyze the preferences of their customer groups and provide data analysis and support for brands, so that brands can be further developed. In order for the new retail model to better serve the brand, it is important for the brand to recognize that customers are important. It is significant to consider to put customers' needs in the first place. Using the online and offline sales model can further increase sales profits, promote the brand, improve brand awareness, and let more consumers know and understand the brand.

##### Market Entry Barriers Have Been Lower

Proper consumption of luxury goods has become the choice for more and more Chinese people, and people's demand of luxury goods is increasing. In recent years, China has also continuously adjusted import tariffs on luxury goods in order to reverse the trade surplus and develop its economy abroad (1). The Chinese government provides a variety of preferential policies for foreign brands to reduce tariffs, which will help brands better enter the Chinese market. Brands can adjust product prices at a more reasonable level to attract more consumers' attention and purchases according

to policies while ensuring brand interests. Because of the widespread use of the new retail model, brands can avoid geographic sales restrictions and are proficient in using online sales models to enable brands to increase sales by prices advantages.

#### Strong Market Demand Growth

With the continuously deepening of China's reform and opening up, the income and consumption power of Chinese people have been qualitatively improved, which has attracted many luxury brands to settle in China. Compared with the economic development trends of other regions, China's economic development is relatively stable. The demand for the luxury goods market is also showing a gradual increase trend, and more and more consumers are beginning to pursue a more refined life, which also reflects that many luxury brands will have a huge consumer market.

#### Threats

##### Adverse Changes in Exchange Rate and Foreign Trade Policy

From 2010 to 2018, China's total foreign exchange reserves have continued to increase, and the Chinese government has also begun to continuously adjust the exchange rate and existing foreign trade policies based on the appreciation of RMB, which greatly tests the ability to formulate and adjust luxury marketing policies.

##### Demographic Characteristics, Adverse Changes in Social Consumption Patterns

Since China has a vast territory, people in different cities have different living and consumption habits, and there are also great differences in culture. At the same time, as the economic level of different cities is different, people's purchasing power is not the same and

there is a gap. For international luxury brands, if they want to settle in the Chinese market, they should not blindly apply the western marketing strategy, but consider China's national conditions and make appropriate plans according to different regions.

#### The Increase in Additional Operating Costs

In order to carry out online marketing, luxury brands not only need to invest in the construction of websites under the management and maintain of specialists, but also need to cooperate with local logistics enterprises. As a result, the price of products will be adjusted. However, for online consumers, when they are shopping, they mainly focus on the price. Therefore, if luxury brands do not reasonably control the cost and result in high product prices, they may not be able to attract online consumers and lose their existing advantages.

#### Uncertainty in the Choice of Online Product Sales Strategy

In online sales, organization will undoubtedly have a great impact on the total sales of luxury goods whether there is a good product. This is because if there is no product different from the physical stores, it will not only affect the sales of physical stores, but also it will be difficult to attract the attention of consumers by the price advantage and may even cause vicious competition. Therefore, in order to avoid this situation in the process of online sales, brand stores can launch a product portfolio and have a discount on the price to attract consumers' attention.

#### The Impact of Counterfeits

As there are many manufacturers of luxury counterfeits in the Chinese market, after the brand launched new products, counterfeits also quickly keep up with the pace. When luxury

brands are selling new products, a large number of counterfeit products are circulating into the market, which interferes with the authentic products. This is undoubtedly a huge blow to luxury brands. Although the government has the policy of banning introducing fake and shoddy products, it is still difficult to control the sale of counterfeit products. Even in 2018, China's sales of counterfeit luxury products exceeded 20 billion US dollars, which is undoubtedly a huge challenge for the future development of luxury brands.

## **Marketing Strategy**

### Brand Positioning Adjustment

Every brand should have its core values, and a unique value proposition can attract the same people and form a strong sense of belonging and identity. According to the new retail theory, in the process of selling brand products, we should not only take the consumer groups as the basis of product design, but also try to transmit the culture contained in the designed products and brands to consumers, so that consumers can fully feel the charm of brand culture and then become loyal customers of the brand. In other words, in the new retail era, brand marketing should be strengthened on the basis of combining the marketing concept with the brand culture, pushing through the old and bringing forth the new and improving the cultural value of the brand, so that consumers can fully feel the difference and recognize the value of the brand. Luxury brands have obvious brand competitiveness, but how to truly achieve the differentiation between different brands needs to be further explored. The purpose of brand positioning is to make the products and image of the enterprise occupy a unique and valuable position in consumers. Combined with the new retail concept, the brand should combine the online

and offline modes and need to fully improve the market positioning of the brand. While showing the differentiation, the brand should occupy a firm position in consumers to make the consumers happy, so that consumers can have a clearer understanding of the brand. In addition, new retail also requires brands to produce and sell products around both fixed consumers and potential consumers in the process of sales. All these are inseparable from the clear market positioning of the brand.

### Product Strategy Optimization

For luxury brands, there are not as many kinds of products as other brands and Hunger Marketing often occurs. From the perspective of new retail, online marketing model does have risks, but the benefits and risks go hand in hand. Luxury brands can try to enrich the product types and make an effective product extension on the existing products, so that they can initially get in touch with consumers on a platform. In view of the fact that luxury consumers always show themselves, luxury brands can distinguish goods into different kinds and increase product series. Luxury brands can distinguish other product series from classic products and increase product series to create advantages. Especially in the context of new retail, they can not only distinguish from traditional retail, but also create unique product advantages. At the same time, luxury brands should provide personalized customized services for consumers, including clothing customization, cosmetics customization, jewelry customization and so on. They should implement the concept of consumer customization and launch different customized services for consumers of different consumption levels, so that consumers can feel at home. With the growing psychological maturity of luxury consumers, consumers are

not only satisfied with the product, but also pay more attention to the experience in the process. In addition to providing high-quality and novel design, luxury products can also launch personalized services such as advanced customization to emphasize the difference between itself and popular brands. No matter on the online official website or in the offline physical stores, they should not stick to one pattern but be different from other competitive brands. Therefore, they can leave an unforgettable deep impression in the mind of consumers, promote the brand from the perspective of consumers and reflect the design style of high-end brands.

#### Enhance the Marketing Media

New retail advocates the marketing mode of combining online and offline, so the promotion media has become an important part of new retail. Whether there is an effective promotion media, it is also an important standard to measure the feasibility and effectiveness of the marketing mode. Under the support of the new retail, luxury brands can use social platforms to effectively communicate with the target consumer groups, transmit the relevant information of product brands to consumers, and give full play to the influence of products. Luxury brands need to be active on the social new media platform, so they can seize the promotion opportunities on the platform and effectively improve the promotion media.

#### Develop Communication Channels

With the development of retail form, fast retail sales have entered a new retail stage of coordinated development of online sales and offline sales. It is worth noting that in the new retail era, retail industry is no longer simply using offline physical sales or online sales. It is indispensable to increase the online advertising and combine different sales channels to

promote and realize all-round marketing for luxury brands after entering the new retail. Because of the special nature of luxury goods, luxury goods in the process of advertising should meet the psychological needs of different consumers in different periods.

#### **Conclusion**

Combined with SWOT theory and the previous analysis, this paper optimizes and designs the marketing strategy of luxury brands, including the adjustment of brand positioning, the optimization of product strategy, the improvement of promotion media and the development of communication channels. In these ways, luxury brands can let customers, smoothly buy the products they want in the process of purchasing, so as to obtain a sense of satisfaction.

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