

MARKETING MANAGEMENT

Assessment 1



LOUIS VUITTON

CRITICAL APPRAISAL OF MARKETING STRATEGIES

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1. Introduction

In this study, we will analyse and evaluate the marketing and communication strategies and their elements used by the world leader in the production and marketing of luxury fashion goods and leather goods Louis Vuitton to increase brand awareness. We will also focus on the stages in the customer's journey and analyse the addition of value to the brand. Louis Vuitton is part of the LVMH group and is responsible for about 40% of the group's revenue, which amounts to 50.4 billion dollars. LVMH owns 75 global luxury brands and employs 156,000 people worldwide.

2. Definition of communication

Communication can simply be represented as the transmission of information from source to recipient, as shared meaning.

“The process of establishing a commonness or oneness of thought between a sender and a receiver” (Brassington, Pettit 2006) consider the Wilbur Schramm’s definition from 1954 as fundamental.

3. Communication model

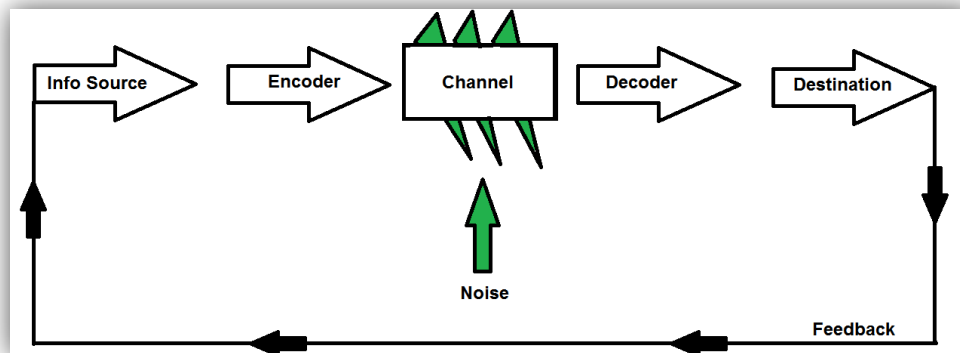


Figure 1 Communication model diagram

At first glance, communication seems to be a simple process, that is an integral part of everyday life. In fact, in addition to the sender, message and recipient, other elements that influence the process are involved in communication. “The fundamental problem of communication is that of reproducing at one point either exactly or approximately a message selected at another point” (Shannon 1948).

Claude Shannon and Warren Weaver develop a macro model that defines the components and stages of an effective communication (Fig.1). It also includes elements of the communication process that the simple sender-receiver model does not take into account.

Sender

The sender could be an organisation or advertising agency sending the message to the targeted recipients.

Encoding

Encoding is the way the message is presented, for example in verbal communication it is the intonation as well as the vocabulary used, in order the message to be understood correctly and achieve the purpose of the communication.

Message

The message is the information that the sender wants to be received and understood by the recipient.

Channel

Communication channel is the means by which the message is transmitted to the recipient. There are different channels that can be used like TV, radio, personal contact, digital media, electronic.

Decoding

Decoding is the way the received message is perceived by the recipient. This is a very important part of the process, as it depends largely on the recipient and it is difficult to predict how a message is interpreted.

Receiver

Receiver is an individual or groups in society to whom the message is addressed.

Feedback

Feedback shows how the recipient responds to the received message. This is an important stage of the communication process, which provides information on whether the objectives of the message have been achieved and whether any changes are needed in the process.

Noise

The noise represents all factors that can affect the communication process. It can distort the meaning of the transmitted message, reduce the effect or even prevent it from reaching the recipient.

The modes of communication used to transmit information can be impersonal (one to many) or interpersonal (one to one). In the impersonal mode, the information flow is sent directly to the recipient, with no feedback (mass communication, newspapers, billboards, etc.). The interpersonal method is based on the classic, direct sender-receiver communication scheme, but feedback is added to it. Nowadays, advanced communication technologies allow to define the impersonal / interpersonal method (many to many).

4. Integrated Marketing Communications (IMC)



Figure 2 Integrated Marketing Communications (Kotler, Armstrong et al. 2019)

According to the AMA (American Marketing Association) the definition of Integrated Marketing Communications is: “A planning process designed to assure that all brand contacts received by a customer or prospect for a product, service or organization are relevant to that person and consistent over time.”

“As defined by the American Association of Advertising Agencies, integrated marketing communications (IMC) is a concept of marketing communications planning that recognises the added value of a comprehensive plan. Such a plan evaluates the strategic roles of a variety of communications disciplines – for example general

advertising, direct response, sales promotion and public relations – and combines these disciplines to provide clarity, consistency and maximum impact through the seamless integration of messages” (Kotler, Philip, Keller et al. 2009).

“Carefully integrating and coordinating the company’s many communications channels to deliver a clear, consistent and compelling message about the organisation and its products” (Kotler, Armstrong et al. 2019).

Although integrated marketing communications is a broad concept and a large number of definitions can be given, what unites them is the idea that all available tools for communication with the client should be integrated into a common strategy to convey a clear and accurate message to the right place and at the right time.

4.1. Stages in an IMC plan

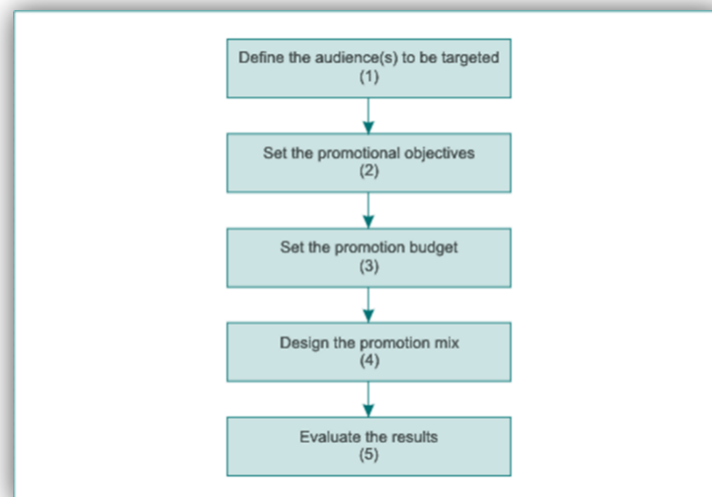


Figure 3 IMC Stages

In order to build a successful and effective strategy, it is necessary to build a plan that includes the following steps (Fig. 3): identify the target audience, set the promotional objectives, set the promotional budget, design the promotional mix and evaluate the results.

- Identifying the target audience

Each marketing message must be targeted at a specific individual, current or potential buyers, a group or the audience as a whole. To whom the message is directed determines the content of the communication, the type, the way, how, when and where it is transmitted. The target audience of LV includes both men and women from 18 to 80 years of age, with core customers in the 30-50 age group. Wealthy, middle aged people belonging to upper social and economic class or young with high disposable income. These are successful people who have control over their lives. “From humble beginnings in the French countryside, Vuitton’s skill, innovation and determination quickly saw his signature trunks coveted by the world’s elite” (HOLBOROW 2012)

- Setting the promotional objectives

Once the customer’s profile is clarified and the target audience is specified, the goals of the promotion can be set. Due to the nature of the luxury goods market, and being a leader in this sector, as well as the fact that the brand is one of the most recognizable in the world, the goals of the promotion are to maintain and improve the competitive advantage and brand image, increase the reputation of the company, increase the brand preference, to extend the brand awareness and knowledge, especially in new markets, to attract the attention of loyal customers to new products (the house launches more than 1300 new products each year and crafts over 500 models in the prototype shop

(<http://www.louisvuitton.cn> 2020)), to stimulate a reaction from the audience and build links between brand and customer.

- The promotional budget

Determining the budget for a promotional campaign is a difficult task. Very often promotional campaigns are conducted within the framework of insufficient funding. It is never clear whether the budget allocated to a campaign is insufficient or too big, so a realistic figure needs to be set. There are several methods companies use to set promotional budgets: affordable method, percentage-of-sales method, competitive parity method, object-and-task method. All methods have their advantages depending on the market conditions and industry where the company operates (Kotler, Phil T., Armstrong et al. 2019). In 2019, LVMH Group generated revenue of 50.4 bn EUR and spent 6.3 bn on advertising (or about 12.5% of revenues), as the share of the segment for fashion and leather goods in the group was 41% (or 22 bn EUR) of revenue globally (Statista 2020).

- The promotional mix

An effective IMC campaign requires careful selection of promotion tools in order to create a promotional mix, which to integrate them and thus multiply the effect of communication. The elements that make up such a mix are advertising, sales promotion, public relations, publicity, personal sales, sponsorship, direct and digital marketing.

“Advertising is any paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor” (Kotler, Armstrong et al. 2019, p. 450). Advertising can reach a huge audience and every corner of the globe and at a relatively low price, especially given the modern development of technology.

In its IMC strategy, Louis Vuitton uses a unique promotional mix, which is closely related and represents the established image of the brand, skilfully weaving the stated values of luxurious life, elite status, prestige, quality workmanship and balances the mystery of tradition with modern and innovative.

The main tool in LV's advertising strategy for many years has been offline advertising. The print media, newspapers and mainly magazines such as Vogue, Elle, Time, specialized editions for golf and travel, as well as outdoor advertising - billboards in key places in the world's megacities. Unlike the standard marketing approach, ads are not targeted specifically at the key customer group, but at a wider audience due to the characteristics of luxury products, where the status of the brand in the eyes of others is an important element of its value. For many years the electronic media has been avoided and the first TV ad of LV only emerged in 2012. For all its advertising campaigns LV employs celebrity endorsement, which plays a key role in the image and reputation of the brand. Sean Connery, Bono, Angelina Jolie, Emma Stone, Andre Agassi are only some of the names that appeared in LV's adverts.

Sales promotion is terra incognita for LV products. It is not possible to find discounted LV product, and if it does exist it is probably a fake one.

Personal sales.

A face-to-face communication with the customer, which provides instant feedback and the opportunity for quick adjustments in the process. An expensive, but powerful tool for shaping customer preferences and beliefs, as well as for building a personal relationship. This is a key element of LV's promotional strategy and an element of the pull promotion strategy, widely adopted by the luxury goods business. Through the direct, exclusive distribution channels that the company uses, LV controls the supply of its products and “pulls” the customers to its nearly 500 stores worldwide.

Public relations and publicity.

PR is another powerful weapon that the company uses. Through various events, such as fashion shows to present the new collections, lavish parties, exhibitions, as well as supporting various charitable causes

that positively affect the company's reputation, such as the restoration of Notre Dame Cathedral, where 200mil EUR have been donated so far (LVMH 2020). PR has the advantage that sometimes can reach audience that avoids advertisement and sales people and it could prove much cheaper and effective than other promotion tools in building the brand awareness and reputation.

Sponsorship

The culture in the company is aimed at protecting the environment, developing programs and sponsorships and certain social causes. "In 2019, LVMH's patronage of programs for young people focused particularly on music. It renewed its support for "Orchestre à l'école", enabling hundreds of children all over France to learn a musical instrument as part of a special educational program. LVMH also once again loaned out the Stradivariuses in its collection" (LVMH 2020).

Online promotion and advertising

Forms of online advertising are increasingly common for LV, although they started these channels not long ago. From the company's website are available for online shopping the products from current collections, as well as some special pre-sales of upcoming collections, for online customers only.

The company is also present in the social media – Facebook, Twitter and Instagram. The number of followers in these social networks is huge. The Facebook account of LV has 23.5 million fans, Twitter followers are 7.6 million and 32 million followers on Instagram (Statista 2020). The recent merger of Tiffany Co. with LVMH will bring 11 million more. This is a huge mass of followers who at a given moment become customers, which comes to show what a big role in the promotional mix can play online communications on social networks.

Since the offering of fragrances with the LV logo has only recently started, a recommendation for new promotions could be the development of a suitable cosmetic line with a modern design, but in harmony with the company's style. Aimed at the youngest fans of the brand and promoted mainly online, through social networks, the website and the mobile application. The nature of the product suggests affordable prices for this age segment. In this way, the youngest 16-20 years old future customers will be introduced to the world of LV and will eventually become loyal customers of the company.

5. Keller's Brand Equity Model (CBBE)

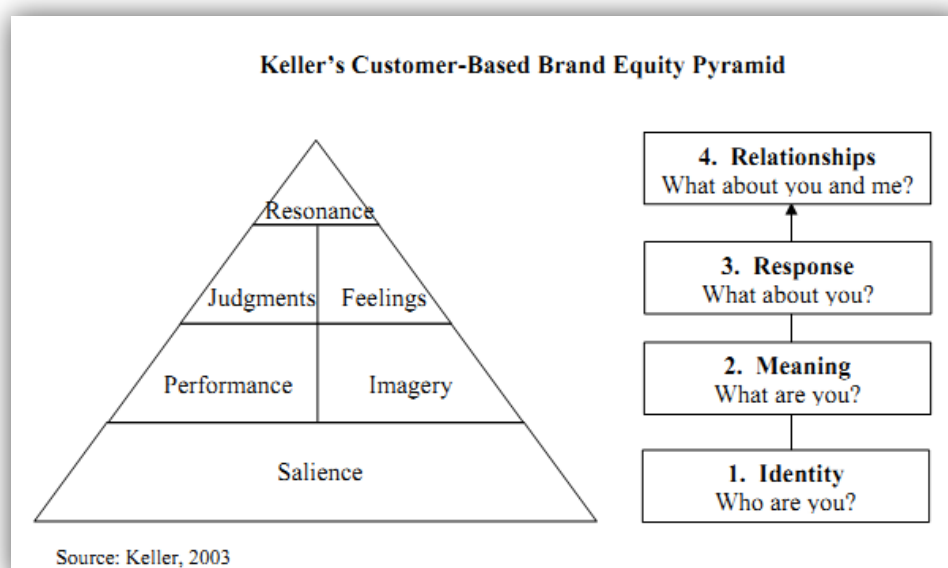


Figure 4 Keller's Brand Equity Model

“A brand is a cluster of functional and emotional values that enables organizations to make a promise about a unique and welcomed experience” (De Chernatony, McDonald et al. 2010)

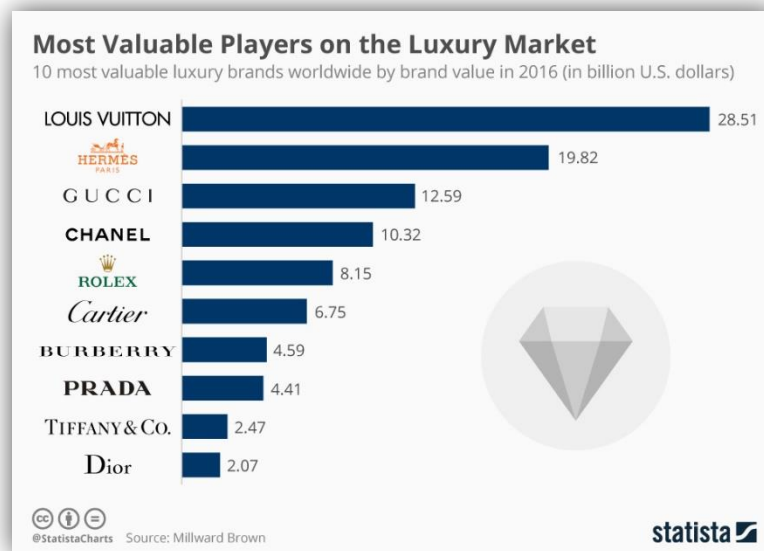


Figure 5 Top 10 most valuable brands worldwide by brand value in 2016 (Statista 2020)

“Brand equity refers to a value premium that a company generates from a product with a recognizable name when compared to a generic equivalent. Companies can create brand equity for their products by making them memorable, easily recognizable, and superior in quality and reliability” (Hayes 2019).

Salience in Keller's equity model. When building a brand, attention must be paid to how it will affect the customer, his emotions, beliefs and how he will perceive and associate it with it. That is why the use of Keller's model is so necessary.

When the brand is recognizable by customers and imposed on the market, this provides an advantage over the competition. When looking at a brand the size of Louis Vuitton, it is easy to say that everyone recognizes its LV logo. It creates a feeling of luxury, stability and success with a clean and simple structure.

In the second stage of the model are placed the production and the image of the brand. In the implementation of the product LV relies on handmade, which raises the price and quality, designers such as Marc Jacobs "Louis Vuitton looks back on 16 inspired years of artistic direction from Marc Jacobs" (Louisvuitton, 2020) create a scale of products and exceptional popularity among buyers. The price of LV products is very high, intended for high-class solvent customers, but this does not exclude the possibility for everyone to want to buy a LV product and touch the luxury created by the company. The imagery of the brand is imposed mostly by the presence of large-scale fashion shows. The vision of Louis Vuitton's photographs is of confident, beautiful and knowledgeable people, and so if the client does not identify with them, then a desire is created to be confident in your path. And if this helps the customer to unlock his self-esteem and success, then buying a product from LV is an investment.

Judgments and Feelings

The third stage focuses on consumer reactions. At this stage comes the assessment of consumers to the brand as quality, relevance and elegance. All products have the LV logo and are of very high quality and craftsmanship and their prices are very high. They create an attitude not of a product but of a work of art, this is observed in bags, shoes, jewellery, furniture, etc. The brand is one of the most counterfeited precisely because of the prices at which it offers its products and is uncompromising towards counterfeiters, even suing

Britney Spears, who uses a counterfeit product in her video. “Luxury goods maker Louis Vuitton has won a lawsuit that alleged a Britney Spears music video violated counterfeiting laws by showcasing a pink Vuitton-upholstered dashboard” (Billboard, 2007).

The resonance of the brand includes brand loyal customers, commitment. At this stage of the pyramid that LV enjoys a good attitude and has many brand loyal customers. It is popularized not only among the already secure audience, but also has many followers and this is provided by social networks where the company has its own platforms “What is Louis Vuitton without the famous luxury trunk? One of its trunks is valued at \$170,000. The trunk has a canvas case and was custom made for the captain of the Australian national cricket team Michael Clarke. It was handcrafted in Paris and features a spacious compartment” (THERICHEST, 2012).

Advantages of CBBE:

The CBBE model makes it possible to establish how marketing communications create customer loyalty and how they affect the value of the brand.

Brands that manage to achieve resonance and affinity with the customer receive valuable benefits in terms of price.

Disadvantages of CBBE:

Not that effective when used in B2B environment, as no emotions play role.

6. Customer journey

The main stages of the customer journey are:

Awareness

With the high quality, design and elegance that LV products create and the high price, it is right for buyers to ask about the type of leather that is used to create them. LV develops leather from canvas, which is a trademark of the Brand, extremely strong and good-looking, but the brand processes its technology and natural leather, mostly calfskin (The Chic Selection, 2019). There are a number of groups and organizations that are supporters of animal protection and the ban on the use of natural materials. An example of this is the protest of People for the Ethical Treatment of Animals group during the London Fashion Week on September 13, 2019 (YouTube, 2019).



Figure 1 The Oscars LV,2020 (LV,2020)

Consideration

At this stage, compare your product or service with others on the market depending on the needs of the buyer. Depending on the design, quality, size and price, the buyer chooses the product. Having full information about the quality, design and prices of the brand to buy this product is an important reason. At this level, the age of the buyer and his financial condition are also important. An event such as the Oscars, for example, is

Decision

At this stage, the buyer has made his research and choice and has decided to make the purchase. With the big investment of LV in January 2020, buying Tiffany & Co for \$ 16.2 billion and uniting its followers in the social networks of the two brands, they will gain possible more buyers ready to make purchasing decisions from LV "Tiffany & Co. have 11.1 million Instagram followers, and Louis Vuitton has over 35 million" (Ghosh, S., 2020).

Retention

The goal of any company is to retain its customers for as long as possible. In the niche market where LV is located and having in mind the presence of the brand on the market for 166 years, we can say that a large part of their clientele is from loyal customers. For the price that customers pay, they receive exceptional quality, design, prestige and the fact of emotional satisfaction should not be ignored.

Advocacy

When the customer is satisfied with the brand, the spread of positive feedback about it or better known as word of mouth begins. For LV this is one of the main channels because it conveys emotion, impression of the product and arouses certain interest.

7. Customer touchpoints

Customer touchpoints are all the places where the customer interacts with the brand or service.



Figure 6 Customer touchpoints

8. The total engagement model



Figure 7 The Total Engagement Model

Brand

The LV mission statement was again stylized and presented in their style 'THE LVMH SPIRIT'. "The LVMH group brings together truly exceptional Houses. Each of them creates products that embody unique savoir-faire, a carefully preserved heritage and a dynamic engagement with modernity. These creations make our Houses ambassadors of a distinctively refined art de vivre"(THE LVMH SPIRIT 2020).

9. Conclusion

Louis Vuitton is a brand with over 160 years of history. During all these years the company has managed to create trends and values, has shaped traditions, but has been an innovator who is a market leader and bearer of innovations.

LV is constantly evolving; it has grown from trunks producer to the current status symbol. Thanks to its unique approach in marketing strategies and communication with customers, it have managed to create a reputation and brand image that is instantly recognizable and desired around the world.

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