Marketing Principles of Louis Vuitton
— The Strongest Brand Strategy —
by
Shin’ya Nagasawa*

Abstract: By systematically breaking down the strategy of the single Louis Vuitton luxury brand into the four Ps (Product, Price, Place, and Promotion), our aim in this paper is to extract the rules or principles of its brand marketing that differ from that of general consumer goods. In other words, the object is to distill the rules and principles of success strategies for luxury brands as well as to derive a business model for success. Showing that the current rise of Louis Vuitton is not a coincidence but rather something achieved through strategy will surely be of interest to firms struggling with lack of brand power or those looking to boost brand power.

1. Introduction

Headed up by the Louis Vuitton (hereinafter referred to as “Louis Vuitton”) fashion label, the colorful array of over 50 brands managed by LVMH Moët Hennessy. Louis Vuitton S.A. (hereinafter referred to as “LVMH”) includes Christian Dior, Givenchy, Celine, Fendi, Donna Karan, Loewe, jeweler Chaumet, Fred, watchmaker Zenith, Tag Heuer, alcoholic beverage maker Moët & Chandon, and the premium champagne Don Perignon, as well as DFS and Le Bon Marché—the world’s first department store. The management and history of the company’s development were elucidated in the author’s previous book (Nagasawa 2002).

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The previous book also had another theme: considering the nature of luxury brands as distinct from commodity markets.

Consumers like brand items, while researchers like brand theory. Although scholars also use the word “brand” to refer to the likes of Coca-Cola and McDonald’s, there is a vast gulf between these brands and the luxury brands we explored in the previous book. In researchers’ brand management theories, one rarely finds mention of representative luxury brands like Louis Vuitton or Dior, or of LVMH.

Based on this awareness, we carefully scrutinized the ecology of the unique LVMH firm, considering the nature of the brand as distinct from commodity markets, although small in scale.

This time let us focus on the grand champion of the LVMH empire: the Louis Vuitton brand. By systematically breaking down the strategy of the single Louis Vuitton luxury brand into the four Ps (Product, Price, Place, and Promotion), our aim in this book (Nagasawa 2007) is to extract the rules or principles of its brand marketing that differ from that of general consumer goods. In other words, the object is to distill the rules and principles of success strategies for luxury brands as well as to derive a business model for success. Showing that the current rise of Louis Vuitton is not a coincidence but rather something achieved through strategy will surely be of interest to firms struggling with lack of brand power or those looking to boost brand power.

2. An Overwhelming Presence in the Japanese Luxury Market

Based on data published in Luxury Import Brand Market in Japan 2008 (Yano Research Institute Ltd. 2008), Louis Vuitton held the top spot for net sales of single brands for FY2007 with sales of around 165.0 billion yen—approximately 2.7 times that of third-place Hermès, about 3.1 times fourth-place Tiffany and around 2.5 times Coach, which had rapidly advanced to second. Moreover, in per-store sales for major luxury brands, Louis Vuitton raked in approximately 3.0 billion yen—three to more than ten times that of its main competitors—demonstrating Louis Vuitton’s tremendous presence in numbers alone (refer to Kojima Fashion Marketing Inc., SPAC REPORT).

Accordingly, the current brand boom in Japan can even be called a Louis Vuitton boom, with Louis Vuitton continuing to dominate in both image and actual performance.

3. Set of Principles for PRODUCT

Let us first turn our attention to the first of the four Ps of marketing: Product.
General marketing seeks "adequate product quality." Quality control entails so-called "fitness for use" and "conformance to requirement," and excess quality can be "undesirable" because it raises costs. For a handbag, this means that things fit in it and it is easy to carry. A 500 yen or 1,000 yen tote bag is suitable for these functions in terms of cost performance (Yen Value). However, a Louis Vuitton handbag offers a "product of distinguished quality" and "attention to detail," as well as "one with a story behind it." Furthermore, while general marketing places importance on "relative quality," for Louis Vuitton the concept seems to be "absolute quality," which prompts consumers to insist on "Louis Vuitton or nothing," rendering comparisons of Louis Vuitton bags with competing products meaningless. Many of the principles for products originated with the particular preferences and policies of the House of Louis Vuitton, as well as the creativities of Mark Jacobs, the artistic director of Louis Vuitton since 1997, and have been shared and carried on by the business corporation.

Louis Vuitton observes the following 18 Principles for Products:

PRODUCT 1: Principle to Eliminate Counterfeiting – Part 1: Enlightenment Campaigns
PRODUCT 2: Principle to Eliminate Counterfeiting – Part 2: Distribution of Warning Notices
PRODUCT 3: Principle to Eliminate Counterfeiting – Part 3: Registration of Trademarks and Designs
PRODUCT 4: Principle to Eliminate Counterfeiting – Part 4: Activities through the Union Des Fabricants
PRODUCT 7: Principle of Momoe Yamaguchi-Style Retirement
PRODUCT 10: Principle Prohibiting Licensing
PRODUCT 11: Principle Prohibiting Unfavorable Comparisons Designed to Support Other Brands
PRODUCT 12: Principle Prohibiting Entry-Level Branding
PRODUCT 13: Principle Prohibiting Misalignment of the L and V Monogram
4. Set of Principles for PRICE

Next we consider Price (pricing). General marketing demands "low prices." This is achieved by reducing costs and off-shoring production to China and elsewhere. Louis Vuitton handbags, on the other hand, are priced high. Such high prices are unnecessary for merely stowing and carrying things. In essence, the Louis Vuitton difference is value, not price—this being absolute value, not relative value. Many of the principles for Price were innovations that came about after Kyojiro Hata became president of Louis Vuitton Japan and that subsequently went global.

Louis Vuitton observes the following 8 Principles for Price (pricing):

PRICE 1: Principle Prohibiting Exorbitant Pricing
PRICE 2: Principle of Proper Pricing
PRICE 3: Principle Prohibiting Bargain Sales
PRICE 4: Principle Prohibiting Sale in Value Sets
PRICE 5: Principle Prohibiting Surprise Price Changes
PRICE 6: Principle of Philosophy that "Louis Vuitton Products are Money"
PRICE 7: Principle Prohibiting Pricing in Odds Prices
PRICE 8: Principle of Prestige Pricing

5. Set of Principles for PLACE

Let us now look at Place (distribution), the third of the four Ps. General marketing seeks to create "broad distribution channels," opening more stores or selling through non-department store outlets, such as mail order and volume retailers. On the other hand, Louis Vuitton bags are only offered through limited distribution channels. One might go as far as to say Louis Vuitton innovated a method of selling that amounts to "controlling Place" and "not using channels that cannot be controlled." As in the case of Price, many of the principles for Place were innovations that came about after Kyojiro Hata became president of Louis Vuitton Japan and that subsequently went global.

Louis Vuitton observes the following 11 Principles for Place (distribution):
In September 2002, Louis Vuitton opened its first integrated building including its largest flagship store (Louis Vuitton Omotesando) in the world. Information about Louis Vuitton is frequently disseminated from this building in Omotesando—arguably the fashion center of Japan. Jun Aoki, who designed the Nagoya Sakae and Matsuya Ginza stores, was chosen in a competition to design this third building for the company. The design concept was to "randomly pile up traditional Louis Vuitton trunks."


PLACE 1: Principle of Proper Sales Routes
PLACE 2: Principle of Business Practice Reform
PLACE 3: Principle of Store Establishment in Prime Locations (see Photo 1)
PLACE 4: Principle of Brand Enhancement through Flagship Stores
PLACE 5: Principle of Flagship Store Setup
PLACE 6: Principle of Flawless Repairs
The idea of Louis Vuitton's entry into prêt-à-porter articles—decided by Bernard Arnault, the president of LVMH—is to spark rethinking of the brand through clothing, cycling back into basic sales of the handbags.

6. Set of Principles for PROMOTION

In our systematic analysis of the four Ps of Louis Vuitton marketing into principles that summarize its strategy, we finally turn now to Promotion. General marketing looks to “mass advertising” in its efforts to sell at high volume. Television commercials typify that approach. Louis Vuitton, however, does not advertise on television. While Louis Vuitton does advertise in newspapers and magazines, these consist mainly of image ads rather than “aggressive” sales ads, and more focus is given to publicity (being taken in the media). The age of the House of Louis Vuitton cannot be said to have been rabid about promotion, meaning that most of the principles for promotion likely originated with the luxury brand strategy of the holding company LVMH. However, such principles as the Principle of Extravagant Parties can be said to have been given special emphasis in Japan.

Louis Vuitton observes the following 9 Principles for Promotion:

PROMOTION 1: Principle Prohibiting Television Commercials
PROMOTION 2: Principle of Emphasis on Publicity
PROMOTION 3: Principle of Brand Muse (the Danjuro Ichikawa Principle)
PROMOTION 4: Principle of Enchantment with Legend
PROMOTION 5: Principle of Having Customers Lined up at Stores
PROMOTION 6: Principle of Extravagant Parties
PROMOTION 7: Principle of the Excuse of Supply Shortages
PROMOTION 8: Principle of Pledging Allegiance
PROMOTION 9: Principle of Limiting Advertisements to Those that are Newsworthy

7. Set of Principles for BRAND

Now that we have systematically analyzed the four Ps of Louis Vuitton marketing into principles that summarize its strategy, let us consider those principles that resist classification into one of the four Ps or that lie somewhat outside their scope. Rather than calling them “other principles” that do not fit under the four Ps, we can in fact say that these principles are the core of the Louis Vuitton brand, transcending the four Ps. We shall also compare Louis Vuitton with Hermès to further engrave the characteristics of Louis Vuitton in the reader’s mind.

Louis Vuitton observes the following 11 Principles for Brand (branding):

BRAND 1: Principle of Toyota Production System
BRAND 2: Principle Prohibiting Mechanization
BRAND 3: Principle of Artisan Emphasis
BRAND 4: Principle of Pairing Designers and Artisans
8. Concluding Remarks

The latest publication (Nagasawa 2007) is a kind of sequel to the previous book (Nagasawa 2002). The previous book sold 16,000 copies and was one of the Aoyama Book Center’s 10 Best Paperbacks in January 2003. In addition, Chinese version had also been released in Taiwan.

The release of the previous book led to requests for the author to contribute articles to such publications as FujiSankei Business i. and Weekly Economist, as well as to appearances on Mairichi Broadcasting System (MBS)’s Kobe ni Kyodai Burandoten (Giant Brand Store in Kobe), J-WAVE’s Sekai no Suupaa Burando no Himitsu (Secrets of the Global Super-Brands—aired in November 2002), and TOKYO FM’s Ano Burando no Himitsu (Secrets of Famous Brands—aired in February 2003). The author was also invited to speak at the Japan Marketing Association and other academic societies.

Particularly interesting in the mass media interviews was the comment that “Japan is influencing Louis Vuitton.” Everyone appreciates the fondness of the Japanese—especially young women—for Louis Vuitton, and commentary stating such is common. However, besides just acknowledging the popularity of Louis Vuitton, there is hardly any mention of the influence of the Japanese market and business in Japan on Louis Vuitton, or of the interplay between the two. Specifically, of the following four points:

1. Japan is the main arena of the luxury brand business, Louis Vuitton is its victor, sales in Japan—which accounts for a large portion of the market—and sales to Japanese even outside Japan are the bread and butter of the holding company LVMH and supply the capital for its M&A activities;

2. Japan is given special treatment in the adoption of the cherry blossom and then the cherry designs of collaborative designer Takashi Murakami;
(3) The methods employed by Kyojiro Hata as former president of Louis Vuitton Japan in controlling pricing and distribution are being applied in the global Louis Vuitton business model; and

(4) The measures against counterfeiting in Japan and the rest of Asia are extremely important aspects of the intellectual property strategy.

It has been purported that the L and V monogram (overlapping letters) and the damier (checkerboard design) originated from a Japanese family crest, and we often hear theories that Japanese especially prefer it because of its hereditary Japanese influences. However, this is not acknowledged officially by Louis Vuitton, so the author has avoided bringing up such principles as a “Principle of Japanism.”

However, such manner of interplay between Louis Vuitton and Japan was only lightly touched upon in the previous book.

In this book, we examine the unknown marketing strategies of the Louis Vuitton company, analyzing the heretofore unmentioned interplay between Louis Vuitton and Japan in an attempt to shed light on how Japan views Louis Vuitton and how Louis Vuitton views Japan.

With the current worldwide brand boom, there are many management books published on the subject of branding, dealing with such names as Coca-Cola, McDonald’s, and Sony. However, while considered branding, this is really just another word for mass marketing. Moreover, these publications espouse brand expansion theory and other notions that can drive brand images into the ground. In France and Japan, this phenomenon is typified by the expansion of famous fashion brands into licensing for everything from bath towels to toilet slippers. In opposition to this is Louis Vuitton’s Principle Prohibiting Licensing. In this way, there is much to learn from Louis Vuitton’s going almost totally against the grain of conventional marketing theory and brand theory.

This paper is aimed to be an executive summary of the latest publication, which breaks this marketing strategy down into the four Ps and each of the viewpoints on branding, attempting to distill the rules or principles of brand marketing, as distinct from those for general consumer goods.

In conclusion, as Table 1 shows, the principles of Louis Vuitton (i.e. typical luxury brand marketing) are quite different from those and almost opposite to those of general marketing (i.e. conventional marketing or mass marketing).
Table 1 Comparison between the principles of general marketing and those of Louis Vuitton

<table>
<thead>
<tr>
<th>Module</th>
<th>Principle of general marketing</th>
<th>Principle of Louis Vuitton</th>
<th>With which do the Principle of Louis Vuitton</th>
</tr>
</thead>
<tbody>
<tr>
<td>PRODUCT</td>
<td>Adequate quality (conformative quality, excess quality can be undesirable); Function and benefit; fitness for use, Conformance to requirement; Relative quality</td>
<td>Distinguished quality (attention to detail, product with a story behind it); Kansei quality (Customer Experience); Absolute quality, which prompts consumers to insist on &quot;Louis Vuitton or nothing&quot;</td>
<td>The particular preferences and policies of the House of Louis Vuitton + artistic direction by Mark Jacobs</td>
</tr>
<tr>
<td>PRICE</td>
<td>Low price; Relative value</td>
<td>High price (Proper Price); Absolute value</td>
<td>Kyojiro Hata, former president of Louis Vuitton Japan</td>
</tr>
<tr>
<td>PLACE</td>
<td>Broad distribution channels (opening more stores or selling through non-department store outlets, such as mail order and volume retailers)</td>
<td>Only offered through limited distribution channels (&quot;controlling Place&quot; and &quot;not using channels that cannot be controlled&quot;)</td>
<td>Kyojiro Hata, former president of Louis Vuitton Japan</td>
</tr>
<tr>
<td>PROMOTION</td>
<td>&quot;Mass advertising&quot; such as television commercials, newspapers and magazines for &quot;aggressive&quot; sales ads</td>
<td>No advertising on television; Advertising in newspapers and magazines, these consist mainly of image ads; More focus is given to publicity (being taken in the media).</td>
<td>The luxury brand strategy of the holding company LVMH for most of the principles; However, such principles as the Principle of Extravagant Parties can be said to have been given special emphasis in Japan</td>
</tr>
<tr>
<td>BRAND</td>
<td>Ordinal branding theory such as brand equity and brand ranking, the Umbrella Effect and the Leverage Effect</td>
<td>Quite opposite to ordinal branding theory</td>
<td>Bernard Arnault, CEO of LVMH; the House of Louis Vuitton; + Artistic direction by Mark Jacobs, artistic director of Louis Vuitton</td>
</tr>
</tbody>
</table>

I would be delighted if the latest publication were to be of use to business people in their work and development.

The latest publication has sold 14,000 copies up to the present and a Korean translation is to be released in Korea and a translation in Thai language is also to be released in Thailand.

Note for reference that the author analyzes Hermès, with its longer history than Louis Vuitton, and the venerable Japanese brand Toraya in another books (Nagasawa 2006, Nagasawa and Someya 2007).
References


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Yano Research Institute Ltd. ed. (2008), Luxury Import Brand Market in Japan 2008, Yano Research Institute Ltd. (in Japanese)

Appendix: Newspaper and Journal Book Reviews

1. Nihon Keizai Shimbun, “Reading” column, September 9, 2007
The Principles of Louis Vuitton
   By Nagasawa, Shin’ya (ed.)
   Gigantic and posh—has the Louis Vuitton brand managed to achieve both of these seemingly contradictory attributes? The authors analyze the marketing strategies for high-class brands, as distinct from those for general consumer goods, through the eyes of an outside observer. The authors and editors conclude that Louis Vuitton goes against the
grain of conventional brand theory and marketing theory, such as by choosing not to release merchandise to compete with hit products from other companies. It’s unfortunate that some of the writing and analysis is extremely rough, perhaps because it was penned by several contributors.

(Toyo Keizai Shinposha, 1,700 yen)

2. Asahi Shimbun, “Reading” column, September 23, 2007
The Principles of Louis Vuitton (with photo)
By Nagasawa, Shin’ya (ed.)
Analyzing the Keys to Brand Success
Brand theory is in its prime. Louis Vuitton exists here as a model of brand success, maintaining a posh image while permeating the consciousness of the masses, and netting the massive sales required to support the capital of a holding company famous for its M&A.

The authors and editors attribute the brand’s success to a strategy of “going almost totally against the grain of conventional marketing theory and brand theory,” breaking the strategy down into the four Ps. They extract 57 principles, from the Principles to Eliminate Counterfeiting to the Principle of Respecting History. For instance, the Principle of Momoc Yamaguchi-Style Retirement entails discontinuing merchandise while it is still popular and selling well. Other principles include the Principle Prohibiting Unfavorable Comparisons Designed to Support Other Brands and the Danjuro Ichikawa Principle, in which the authors’ attention to readability shines through. However, it is hard to find the focus of some passages that try to please everyone through a mixture of conjecture and hearsay.

Conversely, an interesting point is the juxtaposition of the disparate principles of venerable European shops and the Japanese market that rises from such principles. The principles referred to in the book stem from the pricing and distribution control practiced in Japan by Kyojiro Hata from when he took over at the president of Louis Vuitton Japan in 1981. This methodology was later absorbed into the global Louis Vuitton business model and grown into a system generating massive profits. In the end, the principles are rationalizations after the fact. It comes down to the ideas that inspired these principles.
(Toyo Keizai Shinposha, 1,785 yen)

By Yumi Kiyono (Journalist)

The Principles of Louis Vuitton (with photo)
Nagasawa, Shin’ya (ed.)
Toyo Keizai Shinposha
1,700 yen, tax excluded
ISBN978-4-492-50171-9

The Elaborate Strategy of a Popular Brand

Even among high-class fashion brands, Louis Vuitton enjoys overwhelming support among Japanese women. However, what is not so well known that the holding company for the brand is the giant brand conglomerate LVMH or the kind of strategy that backs it. Over 50 global brands fall under the company’s umbrella, including Dior, Fendi, watchmaker Zenith, and alcoholic beverage maker Moët. The group’s net sales reached nearly 2.45 trillion yen in 2006.

The authors, who are well-versed in brand strategy and new business development, systematically explore everything from the company’s manufacturing system to its sales strategies. “While researchers like to discuss brand theory, there is a vast gulf between everyday items cheaply available—such as Coca-Cola or McDonald’s products—and those of luxury brands like Louis Vuitton,” they say, giving the marketing principles and success model becoming of a high-class brand, as distinct from the models suitable for general consumer goods.

For example, in the Set of Principles for Price, the authors distill such rules as the Principle Prohibiting Bargain Sales, the Principle Prohibiting Sale in Value Sets, and the Principle Prohibiting Pricing in Odd-Number Prices, elucidating the daring and elaborate calculations that underpin them.


The Principles of Louis Vuitton (with photo)
By Nagasawa, Shin’ya (ed.)
Strong in Both Tradition and Trends

Everyone and their dog talks about the brand Louis Vuitton, which so popular it’s almost satirical. Although the lines of Japanese tourists at the flagship store in Paris have predictably disappeared with the recent strength of the Euro, the Louis Vuitton shops in Japan remain popular. This book analyzes the corporate efforts and strategy that have maintained Louis Vuitton’s popularity.
While the authors make their case by dividing the management strategy into the five themes of Product, Price, Place, Promotion, and Brand, the interesting part is where they talk about eliminating counterfeiting. The fact that checkerboard damier was the world’s first trademark’s ground pattern, and that even that didn’t stop the counterfeiting, or that the damier was sealed for 100 years when the monogram that is the current face of Louis Vuitton was announced, or that the company famously defends its legends to the very last, such as by repairing any item, no matter how old—the company’s pride in the efforts it makes shows through.

Particularly interesting is the point that the brand’s popularity is supported by a combination of technique and craftsmanship. Technique is the traditional work of the artisan, while craftsmanship is the in artistic sense of the team of top collaborative designers that includes Marc Jacobs. They claim that the traditional standard items with the occasional infusion of new products incorporating trends are the reason for the brand’s vitality and enduring popularity. Many of the brands that have gone out of favor have relied only on tradition or have been reckless in licensing. Turning it around, we can say that the Louis Vuitton strategy rests firmly on tradition backed by technique.

Looking at the advertising photograph with former president Gorbachev that was in the news a while ago, one really feels how Louis Vuitton stands unrivaled in terms of keen sensibility and the adventurous spirit to implement it. This is also based on the quality maintenance of its technical capabilities. Thinking that way, I began to wonder if the Japanese technology gained through acquisition wouldn’t also find different life. Although many of the points touched on will doubtless be vaguely familiar to female fashion aficionados, the well-organized re-analysis of these ideas explains not only the posture of top brands but the very survival methods of companies.

(By Hitomi Hagio, critic)
(Toyo Keizai Shinposha, 1,785 yen)