

On the Feasibility of Live Commerce for Luxury Brands in China

A Case Study of Louis Vuitton's First Livestreaming Event on Little Red Book

Qinxin Li

qli26@sva.edu

School of Visual Arts, Apt 1805, 2922 northern blvd, Long Island city, New York, 11101, The United States

Abstract. China, possessing a considerable population of individuals belonging to Generation Z, occupies a prominent position in influencing the worldwide luxury market. According to recent research findings, Generation Z accounts for 25% of China's overall population. The influence of this expanding generational cohort is shaping the future of luxury marketing and consumption patterns, prompting luxury companies to reassess their strategy. The digital environment significantly contributes to this paradigm shift, as evidenced by the fact that digital channels exert a substantial influence on more than 95% of purchase choices in China, irrespective of whether the ultimate transaction takes place online or at a brick-and-mortar establishment. As a result, digital platforms have emerged as the predominant domain in which consumer preferences are established and where brands must either thrive or confront obstacles. This study examines the instance of Louis Vuitton's first livestreaming event on Little Red Book, emphasizing the challenges encountered during the event as an illustration of luxury brand adjustment in the era of digitalization. The difficulties faced by Louis Vuitton highlight the need of adeptly utilizing digital technologies while maneuvering through the intricacies of the Chinese market.

Keywords: Generation Z, Live Commerce, Luxury Business.

1 Introduction

1.1 In China: The Rise of Live Commerce & The Dilemma of Luxury Brands

The luxury market in China has a significant level of competitiveness. The changing global economic cycle and the progressive proliferation of luxury goods have posed substantial obstacles to the business models and channel tactics employed by these businesses. Based on the findings of Vogue Business and Barclays Research [1], the luxury brands that garnered the highest consumer demand among Chinese buyers during the second quarter of 2023 were Chanel, Dior, Gucci, Louis Vuitton, Balenciaga, Hermes, Cartier, Tiffany, and Ralph Lauren. All of which hold high brand values among Chinese consumers. The concept of brand value in the context of luxury products pertains to the brand's standing and worth within the market, alongside the distinctive aspects and qualities that are linked to the brand. The assessment of a luxury product's brand value often encompasses the level of customer brand recognition, loy-

ality, and the premium that consumers are ready to pay for its offerings. Therefore, increasing brand value is of utmost importance for luxury business.

Meanwhile, the ongoing proliferation of digital engagement and electronic commerce is exerting an enormous effect, generating more demand, facilitating the discovery of novel insights, and cultivating a competitive environment. In light of this, luxury brands are actively seeking novel approaches to consumer interaction, while e-tailers are investigating strategies to establish productive collaborations with brands, aiming to engage customers, enhance market penetration, and provide additional value amidst the evolving technological environment. The digitalization of global brands has been expedited by recent and persistent outbreaks, driven by the desire to tap into China's thriving luxury sector. This has led market leaders like Prada, Dior, and Louis Vuitton to establish a presence in China's digital landscape, encompassing platforms such as Weibo, WeChat, and Little Red Book. The objective is to leverage the potential of Generation Z, a highly profitable demographic that predominantly utilizes these platforms.

China is widely recognized as the nation harboring the biggest population of Generation Z, a demographic cohort including those born between the mid-1990s and early 2010s. According to the findings of the research, it is evident that Generation Z presently constitutes a significant portion, specifically 25%, of the overall population. This figure surpasses the corresponding 24% representation of Generation Y, commonly referred to as millennials, who were born between the years 1980 and 1994 [2]. The youthful consumer demographic is a distinct and significant consumer group that should not be overlooked, as it has emerged as the primary customer base for the current generation. [3] The burgeoning influence of the emerging youthful consumer demographic is undergoing rapid development and is poised to become a significant driver of middle-class consumption in the future. Consequently, their distinctive consumption perspectives have compelled established luxury conglomerates to reassess their marketing strategies. The proliferation of goods and gimmicks in the marketing arena has prompted luxury brands to explore the utilization of digital marketing strategies to differentiate themselves, capture consumer attention, and stimulate consumer willingness to make purchases. This has emerged as a novel approach in brand marketing.

Currently, over 95% of purchase choices are instigated by digital means, regardless of whether the ultimate purchase occurs online or in a physical retail store. Consequently, the digital domain has come to serve as the platform where consumer preferences are shaped and where brands determine their success or failure [4]. Luxury businesses are effectively utilizing the potential of live streaming by incorporating it into their social media platforms. For a video to effectively engage a broader audience, it is imperative that it possesses the quality of being easily shareable on various social media platforms. Hence, it is imperative for luxury brands to establish several accounts in China, with each account strategically targeting distinct channels. In China, the use of live streaming extends beyond the provision of immediate content, enabling retailers and marketers to engage with their customers in real-time interactions [5]. This function presents an opportunity for marketers specializing in live streaming within the luxury and fashion industry. Accordingly, the utilization of live streaming platforms can effectively alleviate sales constraints for luxury companies and enhance their brand equity inside the Chinese market.

2 Background Analysis

2.1 The Comparisons of Different Live Commerce Platforms

The selection of a platform holds major significance in the context of luxury live streaming. TikTok, Taobao, and Little Red Book are three prominent live streaming sites that have gained substantial exposure and viewership in China's digital social and e-commerce realm. There are notable distinctions between these entities with regard to their user demographics, the nature of their material, and their underlying economic strategies.

To begin with, TikTok can be described as a social media platform that facilitates the sharing of short videos. The primary characteristics of users typically encompass creativity, entertainment, and a state of relaxation. The demographic composition of platform users spans a wide range of age groups, including those as young as 3-4 years old to those aged 80 and above. Nevertheless, the primary demographic that is particularly drawn to this phenomenon consists of those belonging to the younger generation, specifically millennials and young adults. Based on the TikTok e-commerce release dated 13 July 2023, the primary target audience for excellent live streaming rooms consists of four distinct groups: the senior middle class, emerging white-collar employees, exquisite mothers, and Generation Z individuals [6].

Secondly, Taobao serves as China's foremost e-commerce site, facilitating online shopping activities on an enormous scale. The platform provides an extensive range of products encompassing nearly all areas. According to the data provided by Taobao.com, as of May 31, 2023, the number of users engaged in live streaming on the Taobao platform reached 460 million, representing approximately 44.9% of the total Internet user population [7]. And the gender distribution is approximately equal between males and women. The user base of Taobao live streaming spans across many age groups, with a notable concentration among individuals born in the post-80s and post-90s. Taobao live streaming attracts a diverse range of user demographics, including young individuals residing in rural towns and professionals from second and third-tier cities. The purchase of women's apparel remains the prevailing choice among Taobao live streaming shoppers, as well as among other demographic groups. Male consumers exhibit a preference for categories such as 3C digital, major appliances, home decoration, automotive, sports, and outdoor activities.

Nonetheless, The Little Red Book is a social e-commerce platform that primarily appeals to a demographic consisting of young female consumers. The platform covers a variety of topics like fashion, beauty, health, and lifestyle, with members typically seeking guidance on product recommendations and seeking inspiration for their daily lives. The Little Red Book exhibits a notable demographic composition, mostly comprising individuals from the post-1990s and post-1995 generations, who constitute a substantial portion of its readership [8]. And the present user base of the platform consists of 60 percent individuals residing in China's first and second-tier cities. These customers possess considerable purchasing power, exhibit a high level of consumption quality, and have a willingness to allocate financial resources towards their preferred goods and services. Furthermore, it has the potential to expedite the process of revitalizing a brand. Regarding its structure, the live streaming on the Little Red Book mostly serves as a marketing tool. Distinguishing itself from other platforms, this platform offers a distinctive amalgamation of live streaming, specifically "interactive live streaming + com-

mercing live streaming”, wherein the level of participation surpasses that of conventional approach.

After a comparative analysis of the three platforms, it can be concluded that Little Red Book has the highest level of suitability for luxury live streaming. First, there is a congruence between the target audience of live streaming and the consumer base of luxury items. The user population of the Little Red Book platform comprises a significant number of young customers with considerable purchasing power, making it an ideal target demographic for luxury companies. The younger demographic exhibits a greater inclination towards experimenting with novel luxury brands, and Little Red Book serves as a platform that facilitates their exploration and acquisition of premium products. Furthermore, the platform and user base of the Little Red Book place a strong focus on lifestyle and taste, aligning closely with the positioning strategies employed by luxury goods brands. Luxury involves not just material goods, but also serves as a representation of a particular way of life. The Little Red Book platform offers users an avenue to exhibit and exchange this lifestyle. Additionally, Little Red Book has forged strategic alliances with numerous prestigious premium businesses. For instance, renowned luxury fashion brands such as Balenciaga, Louis Vuitton, and Christian Dior, among others. This phenomenon presents an increased range of possibilities for the utilization of luxury live streaming as a means to endorse and market various companies and items [9].

2.2 Luxury Brands & Live Commerce

Millennials aged between 20-30 years old are the most rapidly expanding segment of premium buyers within China’s luxury fashion market. And the increasing consumer groups in China are exerting influence on the digitalization of luxury fashion consumption in the country, as they exhibit distinct behaviors and values. Young Chinese luxury buyers are currently engaging in several methods of acquiring new luxury items as a means to attain social recognition and establish their identities. The digitally proficient young Chinese luxury customers mainly depend on internet applications to engage with “luxury” and make informed purchasing decisions [10].

Video platforms are actively seeking to attract a larger user base from lower-tier cities in order to grow their reach. Similarly, luxury companies are keen on increasing their market presence in these places. With the saturation of the market in large cities in China, there is a notable inclination among consumers in lower tier cities to engage in increased expenditure on luxury products. Nevertheless, it is worth noting that luxury companies predominantly establish their physical stores in first-tier cities within China. Hence, the utilization of digital media not only enables luxury businesses to leverage the already substantial user base on these platforms, but also affords certain consumers residing in lower-tier cities the chance to access premium items. These consumers have the belief that luxury is associated with a realm apart from their own, to which they do not own membership. This notion encompasses multiple facets. Individuals experience a sense of discomfort while visiting high-end retail establishments, as they see themselves to be in a state of concealment when utilizing luxury goods, and harbor a belief that their knowledge on luxury is limited. Therefore, the convergence of luxury brands and digital media, especially live streaming, also serves to mitigate the perceived “distance” between consumers and the luxury industry [11].

2.3 Louis Vuitton's Purpose for Setting Up a Livestreaming

Based on the first-half 2023 financial results of LVMH Group, it is evident that the fashion and leather goods divisions of Louis Vuitton and Dior experienced a substantial spike in revenues, amounting to €21.162 billion, reflecting a 20% increase. Additionally, the operating profit of these divisions witnessed a 14% rise, reaching €8.562 billion, resulting in an operating margin of 40.5%. Furthermore, the fragrance and cosmetics division observed a year-on-year growth of 16%, while the watches and jewellery division experienced a 14% increase. Moreover, boutique retailing displayed a noteworthy 25% year-on-year expansion. The revenues of Louis Vuitton and Dior had a growth of 21%, surpassing the anticipated increase of 20% by a little margin [12]. Therefore, there are two primary motivations behind the implementation of live streaming by luxury firms. One approach is to alleviate sales pressure and address the repercussions of the epidemic on brick-and-mortar establishments. One additional objective, yet more importantly, is to investigate the declining market, which is progressively attracting a younger demographic, with the aim of expanding the scope of the target audience.

3 Case Study

3.1 Louis Vuitton's First Livestreaming Event on Little Red Book

Louis Vuitton launched its first commercial live streaming event on a prominent Chinese internet platform on 26 March 2020, so becoming the pioneering luxury brand to engage in such an endeavor on the Little Red Book platform. Though the venue exhibited a cost-effective nature, as its backdrop, production style, and lighting arrangement closely resembled those commonly found in Taobao rooms that specialize in selling rapid clothes at significant mark-downs. Louis Vuitton made a strategic decision to select renowned actress Zhong Chuxi and highly influential fashion blogger Cheng Xiaoyue, who boasts a substantial following on the popular social media platform Little Red Book, as the hosts for their live streaming. Together, they orchestrated a presentation featuring models adorned in the Louis Vuitton Spring/Summer 2020 collection, while also providing valuable insights on the art of combining and coordinating fashion pieces for consumers.

The streaming session, which lasted for one hour, garnered a viewership of 15,000 individuals and generated an engagement value of 6,259,000 individuals [13]. In contrast to conventional live streaming platforms, the host of this particular live stream refrained from immediately disclosing the prices of individual items. Instead, the customer care representatives provided the pertinent product information and corresponding prices within the comment section while elucidating the features of each item. Furthermore, Louis Vuitton implemented a dedicated question and answer session throughout the live streaming event, aiming to foster communication with consumers and underscore the interactive aspect of the live stream. However, the primary objective of live streaming is to finally streamline the process for trading items. The initial intention of the company was to incorporate a hyperlink within the live streaming session, enabling users of Little Red Book to conveniently access the official website. This would allow them to seamlessly transition from viewing the product presentation to making direct purchases. However, because of technical limitations, the live streaming is unable to provide a direct link to the brand's official website. Consequently, during the live streaming, the brand encourages consumers to make purchases by calling the customer service hotline or accessing

the official website or WeChat small program. This arrangement has resulted in an inconvenience throughout the entire purchasing process.

4 Discussion

4.1 The Failure of Louis Vuitton's First Livestreaming Event on Little Red Book

First, Louis Vuitton's purpose for this live streaming was unclear, which directly leads to the absence of adequate preparation. In fact, the inability to fulfill the elevated standards set by Chinese viewers in the context of luxury live streaming have the potential to adversely impact brand reputations. Based on preliminary investigations conducted within the business, it appears that a prevalent issue faced by Western luxury goods pertains to inadequate readiness for live-streaming events. The live streaming launch of Louis Vuitton on Little Red Book attracted a considerable number of comments expressing a perception of inferior quality due to the choice of venue and the arrangement of the event. Thus, the attainment of successful live-streaming necessitates the presence of a meticulously adorned setting and the employment of a proficient host. An instance of successful sales-driven live streaming occurred when Bottega Veneta, a brand of the Kering Group, collaborated with renowned broadcaster Austin Li. Within a span of 10 seconds, a remarkable 230 units of Mini Pouch bags were sold, each priced at \$1,910. In that case, Austin Li places less attention on the price of the product and instead highlights the importance for high-end businesses to underscore the experiential or distinctive qualities of the product, such as its limited-edition status [14].

4.2 The Collaboration between Luxury Brands and Live Commerce

Discount coupons and countdown offers are frequently employed strategies in live streams to stimulate consumer purchases. However, these methods are incongruous with the sophisticated image cultivated by luxury businesses [15]. Moreover, it is worth noting that luxury consumers actively pursue enhanced value in their luxury acquisitions, often by considering factors such as brand heritage and cultural significance. Thus, it is important to acknowledge that such content may not be well-suited for live streaming platforms. In recent times, luxury companies like Dior have made efforts to convey the essence of opulence in the realm of digital media. This endeavor involves sharing snippets of their brand advertisements and fashion shows on popular platforms like TikTok. Nevertheless, these endeavors have encountered difficulties in capturing the attention of viewers, as seen by the limited viewership of the videos and the scarcity of actual transactions. Luxury companies have established their reputations based on the principles of exclusivity and grandeur. Engaging in mass-market, real-time commerce campaigns has the potential to harm the brand image and diminish the perceived distinctiveness of the products.

Hence, for a luxury live streaming to be deemed successful, it is imperative that the following characteristics are met concurrently. The concept of density of distribution channels refers to the quantifiable count of distribution channels operating at the same level, functioning as sales outlets within a specific geographical region, with the aim of attaining diverse outcomes for the brand.

- **Mega Streamer:** Mega-streamers has a larger following and a greater potential consumer base in comparison to other tiers of streaming. Consequently, their capacities driven by market forces exhibit more strength. Moreover, as proficient channel members, they possess a greater capacity to exert influence on consumers, hence enhancing the sales performance of luxury products in the realm of live streaming commerce and eliciting impulsive purchasing tendencies.
- **Macro Streamer:** The presence of numerous Macro-streamers, characterized by a substantial rise in viewer engagement and a considerable following, has the potential to boost consumer product awareness and foster a perception of heightened authenticity.
- **Micro Streamer:** Micro-streamers exhibit stronger interpersonal and emotional connections with their followers, hence increasing brand recognition and customer engagement through the dissemination of product information pertaining to the fashion sector on social media platforms [16].

Furthermore, the incorporation of individualized personalization in real-time commerce should be considered. Luxury brands distinguish themselves by emphasizing meticulousness, ranging from the provision of highly individualized service to the tailored characteristics of premium goods. For instance, in May 2020, Gucci introduced Gucci Live, a novel remote video shopping service that facilitates personalized one-on-one video consultations between consumers and sales staff situated in Florence, Italy. Customers have the ability to engage in virtual product browsing and go across virtual aisles. Additionally, they can utilize the live stream feature to interact with salespeople and proceed with placing purchases [17].

5 Conclusion

The Live commercial platform presents a significant opportunity for luxury companies, owing to the vast consumption potential exhibited by the Chinese market. Nevertheless, it is crucial to acknowledge that the absence of preparation and the inability to satisfy the elevated standards set by Chinese viewers in the realm of luxury live streaming can have detrimental effects on a brand's standing. Hence, it is imperative for luxury brands to strategically select diverse platforms tailored to specific target audiences, adopt varying levels of distribution channels, and integrate personalized services in order to attain favorable outcomes in live commerce.

References

- [1] Vogue Business & Barclays (2023) Q2 sees the Chinese luxury market perform beyond Q1 expectations. [online] <https://www.voguebusiness.com/companies/q2-sees-the-chinese-luxury-market-perform-beyond-q1-expectations-barclays> [last access: 06/11/2023].
- [2] Zhou, J. et al (2020) China's Gen Z are coming of age: Here's what marketers need to know. [online] <https://www.mckinsey.com/cn/our-insights/our-insights/chinas-gen-z-are-coming-of-age-heres-what-marketers-need-to-know> [last access: 06/11/2023].
- [3] Boston Consulting Group (2022) Generational Change of Chinese Consumers. [online] <https://media-publications.bcg.com/CCI-report-Chinese-Consumers-of-the-Future-Generation-Shifts-Mar-2023-CHN.pdf> [last access: 06/11/2023].

- [4] Langer, D. (2021) The 5 Best Luxury Strategies for China in 2022. [online] <https://jingdaily.com/luxury-brand-extreme-value-strategies-2022/> [last access: 06/11/2023].
- [5] Fashion China Agency (2022) Live Streaming in China: Guide for Fashion and Luxury Brand [online] <https://fashionchinaagency.com/live-streaming-in-china-guide-for-fashion-and-luxury-brand/> [last access: 06/11/2023].
- [6] Sina News (2023) TikTok E-Commerce Releases Support Policy For Quality Live Streaming To Help Content Creators Grow Their Business. [online] <https://news.sina.cn/sx/2023-07-13/detail-imzaprut6028495.d.html> [last access: 06/11/2023].
- [7] iResearch (2022) Taobao Live Annual New Consumer Trend Report. [online] https://pdf.dfcfw.com/pdf/H3_AP202207181576267255_1.pdf?1658163843000.pdf [last access: 06/11/2023]
- [8] Lead Leo (2021) RED Brand Research Report. [online] https://pdf.dfcfw.com/pdf/H3_AP202107091502683993_1.pdf?1625826011000.pdf [last access: 06/11/2023].
- [9] Sina News (2022) CuriosityChina Exclusively Interprets Little Red Book Inspired Marketing's Latest Luxury User Insights Report. [online] <https://news.sina.cn/sx/2022-11-16/detail-imqqsmp6407640.d.html> [last access: 06/11/2023].
- [10] Serena Rovai (2018) Digitalisation, luxury fashion and “Chineseness”: The influence of the Chinese context for luxury brands and the online luxury consumers experience, *Journal of Global Fashion Marketing*, 9:2, 116-128, DOI: 10.1080/20932685.2018.1435294.
- [11] Ying Wang, Shaojing Sun & Yiping Song (2011) Chinese Luxury Consumers: Motivation, Attitude and Behavior, *Journal of Promotion Management*, 17:3, 345-359, DOI: 10.1080/10496491.2011.596122.
- [12] Fashion Network (2023) LVMH Reports: LV, Dior and other fashion and leather goods divisions hit 10 billion euros in sales in Q2. [online] <https://cn.fashionnetwork.com/news/lvmh-cai-bao--lv-he-dior-deng-shi-zhuang-pi-ju-bu-men-di-er-ji-xiao-shou-po-100-yi-ou-yuan,1540176.html> [last access: 06/11/2023].
- [13] Luxury Watcher (2020) Louis Vuitton's first live show on Little Red Book. [online] <https://www.luxurywatcher.com/zh-Hans/article/28315> [last access: 06/11/2023].
- [14] Zheng, R. (2020) How To Build An ‘IT’ bag in China With Mr. Bags. [online] <https://jingdaily.com/how-to-build-an-it-bag-in-china-with-mr-bags/> [last access: 06/11/2023].
- [15] Na, Q. (2022) Can luxury brands find a bedfellow in China's livestreaming? [online] <https://daoinsights.com/opinions/can-luxury-brands-find-a-bedfellow-in-chinas-livestreaming/> [last access: 06/11/2023].
- [16] Li, G., Tang, P., & Feng, J. (2023). How streamer channels influence luxury brand sales in live streaming commerce: an empirical study. *Asia Pacific Journal of Marketing and Logistics* [online] <https://www.emerald.com/insight/content/doi/10.1108/APJML-01-2023-0096/full/html> [last access: 06/11/2023].
- [17] Li, G., Cao, Y., Lu, B., Yu, Y., & Liu, H. (2023). Luxury brands' live streaming sales: the roles of streamer identity and level strategy. *International Journal of Advertising*, 1-22. [online] <https://www.tandfonline.com/doi/abs/10.1080/02650487.2023.2215075> [last access: 06/11/2023].