

Thriving and Prosperous Oversea Luxury Brands in Asia: With a Case Study of Christian Dior

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Abstract: This article is about how high-end foreign luxury brands entered Asian markets and why they have been successful in Asian areas. The booming in Asian economies enabled these companies to see commercial opportunities; however, there were also considerable challenges to overcome. Most goods and services were provided based on western cultures, while to establish shoppers' approval and trust in the new markets, new designs with eastern culture backgrounds involved should be introduced to consumers. This article will provide analysis of Christian Dior as a particular case study. Besides, situations in China, Japan, and Korean are mainly discussed as typical example markets in Asia

1. Introduction

In today's world, economy is witnessing a rise in the East. More and more Asian countries thrived in the recent decades. China has joined World Trade Organization (WTO) since 11th Dec. 2001, which makes foreign capitals see huge opportunities. From Christian Dior's annual report, the proportion of revenue generated from Asian markets keeps increasing during recent years. Thus, this article will analyze how businesses like Dior is entering and expanding in Asian markets.

2. Method

Before the analysis of marketing approach, we may first take a glance at the overall industry circumstance. In this paper, Five-force analysis is applied to analyze the industry's entire situation. However, for most brands, they do not simply focus on only one industry. Take Christian Dior for instance, the two major sources of revenue are Perfumes and Cosmetics and Fashion and Leather Good and, which are involved in the makeup field and the luxury industry. Thus, analyses for the two industries are discussed separately. Furthermore, for a more detailed analysis for Christian Dior particularly, SWOT will be applied as follow.

2.1 Five-force analysis for cosmetics industry

For the makeup industries, threats from new entrants and substitutes are moderate. Luxury brands commonly have a relatively stable consumer base and well-known reputations. New start-ups can hardly build an acceptable brand like them to gain fair market shares in a short time. With the development of technology, the increase of beauty salons and apparatus provided to consumers means people no longer need to put on and remove their makeups every day. Whereas the prices are commonly even higher, and regular maintenances are required. Thus, it can be inconvenient to the majority of consumers.

To maintain their reputations, these luxury brands always pursue the cutting-edged technology in design and production, while the ingredients are mainly controlled by nine biggest cosmetics ingredients suppliers throughout the world (e.g., BASF, Ashland, Symrise etc.). Thus, the bargaining power of suppliers in this field is considered high.

However, on the other side, the bargaining power of buyers is relatively low cause there is an enormous number of consumers. Finally, the industry rivalry is relatively high for there are thousands

of brands designing and producing with similar concepts, which makes the price competition in this field even fiercer.

2.2 Five-force analysis for Luxury Industry

Generally speaking, the luxury industry mainly shares the similar situation with the makeup industries, but there are also small differences.

To begin with, the cost of starting a new luxury firm is extremely high. Besides, it is hard to convince customers the newly brought up products are worth their prices.

Luxury buyers are often loyal to this field. Surely, luxuries have substitutes in all aspects in life, but commonly most buyers would stick to this field. Compared to the makeups industry, in the luxury field, there are less suppliers and firms, which means the bargaining power of suppliers is moderate.

As for buyer side, different brands have highly differentiated products and their own consumer bases. Besides, if some luxuries are considered as giffen goods, which means the demand increases as the price goes up, consumers will show even more interest in these goods when the prices increase [1]. Their tolerance of price would be even higher.

2.3 SWOT analysis for Christian Dior

Strengths: Dior has a long brand history over half a century starting from 1947. The brand has a strong product diversity and has successfully developed a product line that creates a unique lifestyle for its customers. It has a strong reputation for being the fashion leader for the entire world. One of the largest and most famous luxury firms Louis Vuitton acquired Dior. Dior holds over 80,000 employees throughout the world.

Weaknesses: As a high-end brand, Dior must have disadvantage in prices. Even worse, in certain countries, there is a high tariff that pushes the prices even higher, which creates a great difference between local buyers and consumers in other nations.

Opportunities: As for the opportunities, the online retailing channel could be operated better. Dior can seek for a combination of their traditional product line and the emerging industries in today's world.

Threats: Fake imitations are being produced more and more like the real goods nowadays which creates a great treat. Besides, in some countries, there are restrict government regulations towards foreign brand in importations and taxes.

3. Discussion

3.1 Reasons and opportunities

Since the development of Asian economies in the recent century, oversea brands have seen great opportunities in the east. The ambition pushed them to enter Asian markets. As may be seen in the many Chinese and western museums showing Chinese bronze, ceramics, paintings, and other historical artifacts, China has a considerably longer history of luxury consumption by its upper elite than the western world (Degan, 2009) [2]. According to Xiao Lu (2008), the demand for luxury brands in China is a blend of traditional pursuits of artistic expression and craftsmanship and modernity represented by the western luxury business [3].

What's more, the cost of labor is lower in Asian countries so that oversea brands even build factories and move the manufacturing line to Asian countries. This action further stimulates the development of the operation in Asia.

3.2 Marketing strategies

According to Rovai, in the book *Luxury Branding and Digitalisation, The Case of European Brands in China*, with its new client segments and unique sociocultural norms and values, the Asian markets have shown to have specific needs for luxury fashion businesses, not only in terms of purchasing mode, but also in terms of business operations, including customer communication. When Asian luxury fashion customers need to acquire data and trends in order to make judgments in their

shopping decisions, social media has undoubtedly emerged as one of the most important sources of information [4]. Consumers are becoming savvier, as well as more willing to get more information about luxury businesses and the products they sell, thanks to social media [5]. Besides, social platforms also provide the online selling options. Luxury brands are developing exclusive online channels for Asian consumers [6].

Kapferer (1997) emphasizes that to create a successful luxury rebranding, at least the core brand elements must be kept still to have a proper transition from the existing luxury brand to the revised one [7]. Thus, several new products and services are designed with the view of eastern culture and a combination of the brands' core concepts. It not only inherited the traditional corporation ideas of the brands, but also cater people from different backgrounds at the same time. Even for the same items, special packaging styles are applied.

For example, Japanese customers are believed to be sophisticated and sensitive, and they do not tend to be satisfied, preferring instead to be drawn in by novelty. Hence, a foreign company should differentiate its brand and claim originality among Japanese consumers, yet any product differentiation will almost certainly be duplicated by Japanese competitors almost immediately. For a foreign corporation, the dynamism of the Japanese consumer market might be a key aspect. Female consumers are one of the new opportunities. In Japan, single female consumers, in particular, have become a valuable business sector. Even in the late 1980s, Japan's macroeconomic climate began to support the emerging luxury business. The luxury market in Japan has expanded to a younger age as a result of a commercial boom [8]. Furthermore, many unmarried women live with their parents and have considerable disposable resources to spend on consumer goods such as designer brands and international vacation [9].

The brands never skimp on the marketing expenses. Take Dior for example, they know deep down that with a history of over 5,000 years, celebrating traditional festivals plays an important role in Chinese culture. Thus, culturalized packaging is introduced for the celebration of traditional festivals in China during festivals like Chinese New Year and Chinese Tanabata Festival.

Additionally, to propagandize the products, oversea luxury brands also make use of the performing arts culture in Asian. Star power is utilized for marketing and publicity. For instance, with the development of Korean Wave during the recent decade, a large number of luxury products are used and showed in music videos [10].

These actions could be costly. An average of over 80% of its total operating expenses are covered by marketing and selling in recent years (see Table 1). As a result, the introduction of these products and designs has witnessed remarkable success and makes consumers more hospitable about those brands.

Table 1. Christian Dior's marketing and selling expense

In EUR millions	Year 2018	Year 2019	Year 2020	Average
Total Operating Expenses	21,326	24,286	20,813	22141.67
Marketing & Selling Expense	17,752	20,206	16,790	18249.33
Percentage (%)	83.24%	83.20%	80.67%	82.42%

3.3 Results

As a result for the huge investment in marketing, the revenues have been considerable. For the Christian Dior case in particular, Asian revenues has been showing an increasing pattern and till 2020, 41% of their total revenue was generated from Asian markets. What's more, the number of stores has increased even during the COVID-19 pandemic.

Besides, the negative impact of COVID-19 seemed to be minimized in Asian markets (see Table 2). The Asian revenue declined only by 7.66% from 2019 to 2020, compared to the figure of 28.52% and 15.59% for Europe and the US respectively (Christian Dior Annual Report as of December 2020). This was mainly because Asian countries, especially China, did well in defense against COVID-19. The economic and social situation stays acceptable, which enables the companies oversea to hold even more confidence in Asian markets.

Table 2. Christian Dior's Revenue Fluctuation from 2019 to 2020

In EUR millions	Year 2019	Year 2020	Change (%)
Revenue generated from Asia	20,067	18,530	-7.66%
Revenue generated from Europe	14,928	10,670	-28.52%
Revenue generated from the US	12,613	10,647	-15.59%

4. Conclusions and limitations

4.1 Conclusion

In recent years, the Asian market has become one of the most critical regions for overseas luxury brands. For Christian Dior, over 40% of their revenue was generated in Asian during the year of 2020 (Christian Dior, 2020). This paper focuses on the strategy applied by oversea luxury brands to enter Asian markets. Learning about eastern cultures is an essential part of marketing.

4.2 Limitations and future research opportunities

The above review and discussion about Asian markets mainly focus on China, Japan, and Korea as typical examples in Asia. For other countries, circumstances could be different. Besides, after the strike of COVID-19 pandemic, market situations might slightly be changed.

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