

Digital Transformation in the Luxury Industry: Louis Vuitton's Strategic Response and Innovation

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Abstract. The study seeks to examine the ways in which luxury businesses, including Louis Vuitton, enhanced their marketing methods in response to the difficulties posed by the pandemic. This paper aims to analyze the influence of these techniques on brand recognition, consumer involvement, and sales effectiveness across several stages of the epidemic. During these time periods, this paper also witnesses the transition from traditional in-person shopping to online shopping, as well as the use of advanced digital technologies like Virtual Reality (VR), Augmented Reality (AR), and Artificial Intelligence (AI) in marketing strategies. This research has revealed that digital transformation plays a crucial role in preserving market position and fostering client loyalty. This article proposes recommendations for LV's future trajectory in light of its current condition, which entail increasing expenditures in technology and revising its initial digitalization approach. Enhanced integration of nascent technologies can propel the organization to greater heights, ensuring it remains inventive and adaptable, better satisfying the demands of consumers, the market, and the current era.

Keywords: Digital Marketing, Luxury Brands, Louis Vuitton, COVID-19.

1. Introduction

The global outbreak of the COVID-19 pandemic in early 2020 presented unique challenges across various sectors, significantly impacting the luxury goods industry. The COVID-19 pandemic interrupted the steady growth of the luxury sector starting in 2020. LVMH, as the world's largest luxury goods company, saw a sharp decline in revenue and net profit in 2020, with revenue lower than in 2019 and 2021 and net profit only half of that in 2019 and one-third of that in 2021 [1]. Luxury brands are traditionally dependent on physical retail and underline their exclusive high-end status through in-store experiences [2]. In the pandemic, however, most parts of the world experienced stringent lockdowns, travel restrictions, and forced closures of all non-essential businesses, including luxury retail outlets. This has massively disrupted traditional sales channels, which made it imperative for luxury brands to urgently reorient themselves toward the new consumer profiles.

During this period, consumer behavior also changed markedly. People were forced to buy their consumer goods online more than before, even for some luxury goods typically bought in-store. [3]. This necessitated that luxury brands hasten their digital transformation with the introduction of new technologies and strategies to keep their brand front while engaging customers in a primarily online environment. Hence, digital marketing took shape to become an integral part of the overall strategy for luxury brands as they fought to stay connected with consumers in innovative ways, despite the constraints imposed by the pandemic. With this development, the role of digital marketing has gained prominence in the luxury sector. Luxury brands like Louis Vuitton, Chanel, Gucci, and other similar high-end fashion houses now employ advanced technologies such as virtual reality, augmented reality, and artificial intelligence to create immersive online shopping experiences that mirror the exclusivity and personalization traditionally offered in their boutiques. [4]. Luxury brands today cannot avoid social media; they use it to maintain high visibility, interact with consumers, and generate sales through dedicated campaigns and relationships with influencers [5].

Previous research often focused on general consumer goods, paying less attention to the distinctive features of luxury brands, such as their emphasis on exclusivity, heritage, and bespoke customer experiences [2]. Moreover, while some studies have explored the application of digital tools in luxury



marketing, a comprehensive analysis of how these tools help maintain brand prestige and foster consumer loyalty during periods of disruption is lacking [3]. Also, Zhang et al. 2020 delved into the critical importance of social media marketing to increase consumer engagement within the luxury context—that is, firm-customer and customer-customer interactions established on platforms such as Instagram, WeChat, and Little Red Book [5]. Lee and Watkins investigated the use of VR and AR to enhance the luxury brand experience in online shopping [4]. Meanwhile, Chen and Lamberti conducted research on the potential of AI-driven personalization in luxury brand marketing, highlighting its potential to create highly customized consumer experiences [6]. However, these studies do not describe enough of the general effect of digital marketing within the broader strategy of luxury brands during a global crisis.

The 2020 pandemic brought lockdowns and restrictions, including store closures and international movement, which greatly contributed to this transition. The changes challenged the traditional retail model luxury brands such as LV had come to rely on over decades; accordingly, they were forced to rapidly adapt and innovate or risk losing market share and customer relationships. Brands must manage the transition to online shopping, maintain their distinctiveness in a digital setting, and satisfy changing consumer demands. This study seeks to address these gaps by exploring research questions on how luxury brands like Louis Vuitton are adapting their digital marketing strategies to the challenges of the COVID-19 pandemic. The motivation behind this study is to fill the existing gap in the literature by providing insights into the digital adaptation of luxury brands in times of crisis. The findings will not only contribute to academic understanding but also offer practical implications for luxury marketers. This study aims to analyze Louis Vuitton's digital marketing efforts during the pandemic and evaluate the outcomes, thereby offering guidance on maintaining market position and customer loyalty in a post-pandemic world.

To address the research questions outlined above, this paper will begin by analyzing the digital marketing strategies employed by Louis Vuitton during the pandemic, focusing on the challenges the brand faced, such as the shift from traditional to digital sales channels, changes in consumer behavior, and the necessity of adopting digital marketing to maintain brand relevance and prestige. This research will explore the impact of these strategies on Louis Vuitton's brand awareness, consumer loyalty, and sales, utilizing relevant theories and data to provide a comprehensive understanding of the effects of social media, virtual and augmented reality, and AI-driven personalization on the brand. Finally, based on the findings from this analysis, the paper will offer recommendations on how Louis Vuitton can continue to leverage digital marketing post-pandemic to further enhance brand visibility, deepen consumer engagement, and improve sales performance, while also exploring potential future trends in digital marketing that could help the brand sustain and grow its market position.

2. Case Description

Established in 1854, Louis Vuitton is one of the most recognized luxury brands globally, valued for quality and classic style. As one of LVMH's key brands, LV continues to be at the top of the global ranking of the most valuable luxury brands, providing high-quality leather goods, ready-to-wear fashion, shoes, watches, jewelry, and accessories associated with exclusivity and sophistication [7].

In 2020, COVID-19 triggered an economic crisis that required LV to swiftly adjust to the evolving consumer behavior landscape. The first and most critical step LV took was to rapidly expand its e-commerce capabilities. Before the epidemic, LV's online presence was more of a complement to its extensive network of brick-and-mortar stores. The original official website primarily functioned as a digital catalog with limited interactive features, primarily listing products, marking store locations, and providing brand-related information. As the epidemic continues to spread and reduces traffic to stores that have partially closed, LV realized the urgent need to update its official website into a more comprehensive digital flagship store, enabling customers to replicate the luxury in-store experience. To accomplish this, LV has gone through a variety of rapid and radical enhancements within its e-commerce platform. The brand redesigned the site from scratch with an emphasis on an immersive,

luxurious digital shopping environment, as well as reorganization for enhanced navigation that would help customers better look through a variety of product offerings. High-resolution pictures with views of the product at 360 degrees allow a customer to get an item's inspection in such a way that it is being touched, and one can zoom into or even rotate handbags in the sewing and materials to get a feel of the product's quality.

In addition, LV has integrated excellent search and filter options in its pages, through which the user can search for products according to a material, color, or collection requirement, just like a personal shopping advisor. Customers accustomed to LV's customized service in its physical stores may find this feature beneficial. Furthermore, the check-out has been improved so that the purchase action is seamless, with different payment options, such as digital wallets, integrated to cater to a global customer base. Another significant improvement is tailored product recommendations powered by AI. Now, based on customer data, the platform can recommend products based on the user's search history and previous purchases. For example, if a customer previously purchased a monogrammed leather wallet, suggestions could be made for matching items such as belts or shoes that are from the same collection. This type of personalization aims to recreate the custom service experience that customers would get in person.

3. Case Analysis

3.1. Social Media Impact on Brand Awareness and Visibility

Along with its e-commerce boom, LV has significantly upped its social media presence. Recognizing that social media could replace missing in-store interactions, LV has used platforms such as Instagram and WeChat mini-programs to create virtual experiences by live-streaming fashion shows on Xiaohongshu, pre-releasing some collections, and even conducting Q&As with designers and influencers. In 2020, Louis Vuitton hosted a live-streaming event on its official Xiaohongshu account showing the summer 2020 collection, with fashion blogger Cheng Xiaoyue and brand ambassador Chloe Chung as hosts [7].

Following its debut in Shanghai, LV displayed their 2024 early autumn women's collection on the Xiaohongshu platform via a live stream in April 2024. The live broadcast extended the post-show peek, which was previously solely available to VIPs, to social media, making LV the first luxury brand to live stream a post-show preview on Xiaohongshu. To make the live broadcast more interactive and entertaining, LV asked brand ambassadors Zhong Chuxi, Liu Yiyun, Wang Quyue, and other artists and fashion KOLs to contribute design thoughts and dressing suggestions. The live broadcast audience surpassed 470,000, smashing the previous record for luxury brand live broadcasts on Little Red Book. The intelligent use of digital media has significantly increased the Louis Vuitton brand's exposure. During the COVID-19 outbreak, the firm used its vast reach and interaction on Instagram, WeChat, and Xiaohongshu to maintain a strong relationship with its clients despite substantial interruptions in physical shopping. This digital connection was especially effective in the Chinese market, where the livestream on Xiaohongshu drew over 470,000 views, setting a record for luxury brand engagement on the site. All of these digital tactics have proven to be highly effective, as indicated by the financial performance of LVMH, Louis Vuitton's parent company, which recorded a significant increase in revenue to €79.184 billion for 2022 compared to €64.215 billion in 2021 [7]. This highlights the need for using digital technologies to preserve brand relevance and boost sales in challenging market situations.

Schivinski and Dabrowski once demonstrated through structural equation modeling that user- and brand-generated content on social media significantly enhances brand awareness, which directly impacts high levels of consumer engagement [8]. Additionally, Godey demonstrated through a quantitative analysis of luxury brand consumers that active engagement on platforms like Instagram significantly boosts brand visibility and purchase intentions, particularly in markets with high digital penetration [9].

3.2. Personalized Digital Experiences and Customer Loyalty

LV focuses on tailored digital messaging to stay in touch with customers. LV uses AI-powered techniques to personalize marketing messages and product suggestions for each consumer. AI-powered systems customize these tailored emails and product suggestions for each customer. Clients receive emails and advertisements based on their previous interactions. For example, if a consumer has seen the new LV shoe line, they may receive an email with new sizes in stock or may inquire about matching accessories for the purchased shoes. All of this personalizes the purchasing experience and increases client loyalty, resulting in repeat purchases even if in-person shopping is limited.

In addition to increasing exposure, Louis Vuitton's efforts in targeted digital experiences through AI-powered marketing tools have resulted in a significant boost in client retention despite the epidemic. Despite the online move, the company has been able to maintain strong client engagement by using artificial intelligence to personalize product suggestions and shopping experiences. Indeed, such a tailored strategy has been beneficial, with the LVMH gross margin rising from €43.860 billion in 2021 to €54.196 billion in 2022. Such evidence leads us to believe that the company's targeted marketing activities not only increased repeat buy behavior but also enhanced customer connections, which can sustain loyalty in a largely digital shopping environment [7].

The positive effects of these personalized communication tactics on the consumer's loyalty have been previously well-documented, while they have been hyped up to bear on customer retention during market disturbances. For example, Roggeveen and Sethuraman found out that in research involving retail technologies, AI-led personalization greatly enhances customer satisfaction and loyalty, leading to higher repeat purchase rates [10]. Moreover, Grewal indicates that customizing digital interactions presents itself as an important activity to keep the customers engaged and often reveals sustained interest in terms of luxury market expectations [11].

3.3. Digital Transformation and Market Position

To further enhance the online shopping experience, LV has incorporated VR and augmented reality (AR) tools. This technology bridges the current gap between the physical and digital worlds, leaving any shopper with an intensive shopping experience that does not only feel like one but also looks like a luxury in-store visit. For example, LV's AR feature allows customers to virtually 'try on' products like handbags and shoes with their smartphones. Customers only have to point their phone camera at their hands or feet to see how a certain product would turn out in real life.

Moreover, Louis Vuitton's overall digital initiatives, which include the incorporation of VR and AR technologies and heightened attention to its e-commerce operations, have significantly contributed to maintaining and enhancing its market standing, even during this crisis period. The combination of a flawless omnichannel shopping experience—that is, online and offline activities of customers complementing one another—is a fantastic stride for the brand. LVMH's operating profit, which increased to 21.001 billion Euros in 2022 from 17.155 billion in 2021, demonstrates that the effective use of VR and AR enabled customers to feel and experience the products around them. Despite physical shopping restrictions, Louis Vuitton's luxury remained accessible. Consequently, this strategic digital shift saved and reinforced the brand's leadership position in the global luxury market during an unprecedented global crisis [8].

Hilken, in their study on the strategic potential of AR, found out that immersive technologies such as VR and AR powerfully strengthen the experience of online services—which is a crucial means of maintaining brand loyalty and consumer engagement [12]. Moreover, Pantano's research on retail innovation indicated the adoption of VR in a retail environment leads to changes in the consumer perception of the brand, which then raises the level of satisfaction and willingness to purchase [13].

4. Suggestion

4.1. Leveraging Interactive Social Media Campaigns

In this highly competitive digital landscape, Louis Vuitton should further dig into interactive social media campaigns and user-generated content (UGC) to create brand awareness and increase consumer engagement. By providing even more possibilities for interaction with the brand in contests and challenges and sharing user content, Louis Vuitton will remain outstandingly visible and set up a deep emotional link with the consumers.

Evidence from digital marketing has shown that UGC-based strategies have a strong impact on brand metrics. For example, Chae and Ko analyzed the impact of UGC on brand awareness and found out that UGC has a big influence on reinforcing consumer engagement in the brand and increasing its visibility [14]. Their study revealed that luxury brands engaging and reposting UGC through social media experienced a 25% rise in brand recall and a 40% rise in online mentions, whereas companies that specifically engaged users in the process of content creation saw a 30% rise in positive sentiment towards the brand, which is critical for maintaining brand equity in a competitive market [14].

Besides the traditional digital marketing tactics, Louis Vuitton can learn from brands like Burberry and put into practice some innovative campaigns on their social media channels. Burberry's "Holiday Campaign" captivated consumers with its captivating images and engaging storytelling. It had interactive elements, too—like an online advent calendar that forced curious customers to peruse the brand. In 2024, Burberry demonstrated a similarly unique digital experience with the introduction of mobile games like "B Bounce" and "RatBerry," which allow fans to play an interactive game that tags users when they reach new features, helping to showcase loyalty. By working with such initiatives, Louis Vuitton could establish stronger emotional bonds by integrating a broader image of interaction and maintaining high visibility on social networks [15].

4.2. Expanding AI-Driven Personalization

To further enhance customer loyalty, Louis Vuitton should focus on expanding its AI-driven personalized recommendation systems across all digital platforms. This will allow the brand to provide a more customized shopping experience, making consumers feel recognized and appreciated, which in turn increases the chances of repeat purchases and builds long-term loyalty.

Research highlights the significant benefits of AI-driven personalization in the customer experience, supporting the effectiveness of such an approach. For instance, Davenport studied the impact of AI on customer experience and found that brands using AI-driven personalization saw a 20% increase in repeat purchases and a 15% improvement in customer retention [16]. The study also found that 80% of consumers are more likely to do business with a company if it offers personalized experiences, underscoring the importance of AI in driving customer loyalty [16]. Sephora's integration of AI tools has reshaped customer interaction by providing personalized product recommendations and virtual try-ons [17]. The strategic use of AI-driven solutions not only expanded Sephora's customer base but also significantly increased brand loyalty and sales, making it a pioneer in beauty retail [17].

4.3. Developing VR and AR Capabilities

Louis Vuitton should continue to invest in the development and integration of VR and AR technologies, particularly within its e-commerce platforms, to create more immersive and engaging shopping experiences. This investment will help the brand meet the growing demand for high-quality online shopping experiences and reinforce its position as a leader in the luxury market.

This approach's potential benefits are well-supported by research. For example, Poushneh and Vasquez-Parraga found that AR can increase customer satisfaction by 30% and purchase intention by 25% [18]. Additionally, the study found that brands implementing AR saw a 40% reduction in product returns, as customers were better able to visualize and select the right products [18].

Gucci incorporated AR technology into its digital strategy, integrated AR features into its digital initiative, and launched its "Gucci Virtual Sneakers" project, allowing users to wear sneakers through its app. This not only provided customers with an interactive engagement, but it also added an ennobling experience for them to make more in-app downloads, thereby increasing online sales. Furthermore, AR usage does not only emphasize customer engagement; it also reduces product returns because customers can better visualize whatever they want to purchase from a particular brand [19].

5. Conclusion

In summary, this study examines the critical role of digital transformation in the luxury industry, with a particular emphasis on Louis Vuitton's strategic realignment during the pandemic. Pandemics present unparalleled challenges, including shop closures, travel restrictions, and major shifts in consumer behavior, which make it imperative for brands such as Louis Vuitton to adapt quickly. The traditional luxury market heavily depends on the in-store experience to establish exclusivity and personalization, necessitating the adoption of digital tools and platforms to engage consumers and uphold brand reputation. The boon of modern technologies like VR, AR, and AI is a crucial contributor to a harmonious convergence between the physical space and the digital world. Louis Vuitton has decided to rethink its e-commerce strategy and increase their presence on social media, as they want customers to connect with them more compellingly.

Using data to drive product suggestions and targeted marketing campaigns will not only improve the online shopping process but also keep Louis Vuitton competitive in an increasingly digital world. These results reveal the importance of adopting digital methods in luxury brand marketing, most notably during moments like crises. In an ever-changing industry landscape, luxury brands must adapt by leveraging technology and innovative tactics in order to continue evolving alongside the consumer. As it progresses, these immersive technologies and AI will continue to expand their role, offering luxury brands unprecedented opportunities to deliver customized experiences.

By analyzing Louis Vuitton's successful digital transformation, this paper provides valuable insights into the wider implications for the luxury industry. Brands that can effectively balance digital innovation with traditional values such as uniqueness and craftsmanship are most likely to thrive in a post-pandemic world. The lessons learned during this period will be crucial to the future of luxury retail, which is likely to continue to make digital transformation a core element of its strategy.

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