National Cultural Differences in The Marketing of Luxury Goods:

A comparison of China, France, UAE, and the US

Introduction:

The luxury industry saw its sales jumping up 30% between 2010 and 2011. While the whole world is struck by an economic crisis, the turnover and the profits were never so high. The increase in the number of millionaires is noteworthy: 3.3 million Asians have just reached this status. The success of luxury goods is largely due to a lifestyle invented in Europe that has existed for more than a half-millennium. The immense majority of actors operate more prominently on the Old Continent: France and Italy dominate in fashion and accessories, Switzerland in timepiece making, Italy and the Netherlands in yachting, and Germany in luxury cars. The purpose of this study is to prove how the Hofstede’s dimensions are relevant for the marketing of luxury goods.

According to Patrice Piquard (November 2011), there are more rich people than ever. The number of millionaires declined in 2008, but in 2010 and 2011 increased by 26%, to reach 10.9 million today. Their global fortune amounts to 43,000 billion dollars, a figure which was never so high. Thanks to these elites the luxury industry can prosper. According to Knight Frank, (November 2011), we find the largest number of rich people in North America, Europe, Asia and the Middle-East. Therefore, it is important to investigate how national
culture affects consumer behaviors in luxury goods purchases in order to launch a marketing strategy.

Geert Hofstede (1973) has developed a cultural dimensions model that measure work related values in different countries. In this paper I will compare Hofstede’s cultural dimensions for The United States, France, China and the United Arab Emirates using five indexes: Uncertainty Avoidance, Individualism, Power Distance, Masculinity and Long Term Orientation to explain their relevance to the marketing of luxury goods.

Countries with high Uncertainty Avoidance scores create beliefs and institutions that safeguard their high need of security. According to Marieke de Mooij and Geert Hofstede (2011), high Uncertainty Avoidance societies have a need for purity when they buy something, so they can find this purity and excellence in the high quality of luxury goods. I will link the uncertainty avoidance to the use of internet by the consumers.

Individualism is the cultural dimension that measures to what extent people look after themselves and their immediate family members only. According to Marieke de Mooij and Geert Hofstede (2011), individualistic cultures’ identities are based on “the social system to which they belong, and preserving harmony and avoiding loss of face are important”. Individualism is related to luxury goods consumption by keeping up appearances to a well-known brand, which signals that the consumer has a higher social class. I will link Individualism to the design of the stores and the website.
High **Power Distance** societies are more centralized with tall, hierarchal organization structure featuring a high proportion of supervisors who give orders at the lower levels. According to Marieke de Mooij and Geert Hofstede (2011), in large power distance cultures, “one’s social status must be clear so that others can show proper respect”. In fact, when people buy luxury brands, it is to be well recognized in the society and to show their social status. I will link Power Distance to the high prices strategies used by the luxury brands and the use of stars to promote the brand.

A high **Masculine** society places greater value on success, money, and material possessions. According to Marieke de Mooij and Geert Hofstede (2011), Masculine societies are very focused on performance and achievement; these qualities are highly valued and have to be demonstrated, therefore, high end products are important to show one's success. I will link Masculinity to the club memberships used by the luxury brands.

**Long Term Orientation** index helps to determine if a society has more of a short-term or long-term point of view. According to Marieke de Mooij and Geert Hofstede (2011), short-term societies are more focused on the pursuit of happiness, which means they are willing to pay a large amount of money in order to be happy. I will link Long Term Orientation to the value of the bags and the promotions strategies.

These cultural barriers prevent the utilization of similar marketing strategies. In their study Marieke de Mooij and Geert Hofstede (2011) review the cultural relationships with the self, personality, and attitude; but none of the articles I found focus on how national culture affects consumer behaviors in the purchases of luxury goods.
Literature Review:

An understanding of the consumers’ behavior for luxury goods is very important. The reasons for why consumers buy high-end products and their beliefs and perceptions involving luxury is presented in a study by Klaus-Peter Wiedmann, Nadine Hennings and Astrid Siebels (2007). This article outlines a luxury value model that determines why the customer purchases a product. This value model is composed of four dimensions: financial (price value), functional (quality, uniqueness, usability, reliability and durability), individual (materialism, hedonic, self-identity) and social (conspicuousness value or prestige value).

According to this study we can develop different consumer’s consumption segments. To some of them the social dimensions of the brand can be very important if the brand shows wealth, power and status. It refers to Hofstede’s Power Distance dimension. To others, luxury brands can serve as a financial investment. It refers to Hofstede’s Uncertainty Avoidance dimension. Another segment can be defined by hedonistic and materialistic motives that express their individual self. It refers to Hofstede’s Individualism dimension.

This information will be really helpful to find out how the marketing strategies are built in our four countries.

A study about the country of origin effect regarding the consumer’s decision to purchase a luxury product is detailed by Gaetano Aiello (2010), who affirms that consumers from different cultures have different perceptions of what constitutes a luxury product and also use different criteria in their decision process. According to this study we can see that the “made in” concept is really important in the consumer’s purchasing process; in fact, he will associate the brands with the values that represent the country of origin (ex: France with prestige and Germany with workmanship). Regarding these results, we will be able to
associate the different values of the luxury products and the cultural dimensions of Geert Hofstede.

The study about the sacred rituals of luxury brands by Delphine Dion (2008) shows the way luxury brands use the codes of the sacred to institutionalize an almost religious experience. More importantly, this article focuses on the sacralization processes of the luxury stores. “Based on an emergent and iterative research design, it analyses the way luxury brands use myths and rituals to create in-store sacred experiences. Four processes were identified: the sacralization of the brand creation places, the duplication of the sacred stores, the exploitation of the myths of a place and the mythification of profane places”. This study will help us to better understand the brand’s distribution strategy and how the shops are set up. It will allow us to associate different sacred values to Hofstede’s cultural dimensions.

A review of the brand strategy of Louis Vuitton by Shin’ya Nagasawa (2002) presents the rules that build the company’s success through the four Ps (Product, Price, Place and Promotion). It shows us how the company tries to distinguish itself from those that focus on general consumer goods. It will help us to better understand which cultural dimensions are referred to Louis Vuitton and how the company tries to communicate through these values to increase its number of sales.
Methodology:

This paper will build upon research and analysis focusing on the marketing strategy of Louis Vuitton in four countries: The United-States, France, China and the United Arab Emirates. There is extensive research on consumer behavior from a cross cultural point of view, but also about the way luxury brands use the sacred in their marketing strategies. Data for this thesis are available from various articles in French and English. Statistics and information on the luxury market will be utilized in conjunction with a case study about Louis Vuitton to illustrate how Hofstede’s dimensions are relevant for the marketing of luxury goods.

All of Hofstede’s indexes were chosen: Individualism, Uncertainty Avoidance, Power Distance, Masculinity and Long Term Orientation. According to these indexes, the price strategies, the stores’ design, the use of Internet, the advertising strategies, and the club memberships across four countries (France, China, United States and United Arab Emirates) for Louis Vuitton will be compared. These comparisons will be done through a qualitative approach based on articles, websites analyses, and prices analyses.

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<thead>
<tr>
<th></th>
<th>Uncertainty Avoidance</th>
<th>Individualism</th>
<th>Power Distance</th>
<th>Masculinity</th>
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<td>France</td>
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<td>UAE</td>
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<td>90</td>
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This table shows us a quick cultural comparison between France, United States, China and the UAE. We can observe many differences between the consumers and the way business is carried out in these countries.

Regarding the Uncertainty Avoidance dimension, we can see that France (86) and UAE (80) have very high rates whereas the United States (46) and China (40) have low rates. Countries with high uncertainty avoidance scores are less likely to use internet to market
luxury goods. My first hypothesis is that France and UAE would not use internet because of their high uncertainty avoidance whereas China and the USA would use it.

A study from the Benchmark Group (2009) shows that luxury websites possess regular visitors because 66% go to it at least twice a month, 40% at least once a week and 10% several times a day. The reasons for which the Internet users go on the websites are to answer a need of information, find an online shop, a list of physical stores or still information about the history and the current events of the house company. The loyalty of the Internet users also insinuates that they are registered on the newsletters of their favorite brands.

The reason why the French people are not willing to purchase expensive goods on the Internet is also explained in this study which reveals the main barriers in the purchase of online luxury items are the impossibility to try and to touch the product, the prices which remain high and the preference for physical points of sale. High uncertainty cultures need to avoid risks, so they prefer to inspect the product, to touch it and make sure that the product corresponds to their standards. Moreover, on the Louis Vuitton website (www.louisvuitton.com) we can notice there is no Arabic translated page. The Arabic culture has a low tolerance for uncertainty and prefers to avoid ambiguous situations where the risk is too high. It is also a high context culture who communicates by symbols and non-verbal cues; the colors, the shapes, the stars used to promote a product, the clothes have a meaning. In this culture, people may not feel fully in control and are therefore possibly less willing to make decisions with some element of the unknown like purchasing on a website. They need to examine all the details on the product or the symbols linked to it for example.
According to McKinsey (2010), 35% of the consumers of luxury items in China are influenced by the digital. The Chinese online luxury market has augmented to 68.8% in 2010. It represented 6.36 billion Yuan; and in 2011 it would be estimated at 10.73 billion Yuan. It would represent 1.38% of the total of the distribution of the luxury in China.

On the French and American pages all the products can be purchased online, whereas on the Chinese page the products are only available in stores and the prices are not specified. This is due to the fact that piracy problem is a serious issue in China.

Regarding the Individualism dimension, we can see that France (71) and the USA (91) have high rates whereas the UAE (25) and China (20) have low rates. Therefore my second hypothesis is that France and the USA would have more original stores whereas China and UAE would have sober store design. According to Marieke de Mooji and Geert Hofstede (2010) in the sales process individualistic cultures need to be persuaded by the brand whereas the collectivist cultures need to build a relationship and trust between parties. On the Louis Vuitton Website, the French and American pages would show more uniqueness with the articles, the products shown, the colors etc. whereas the Chinese page would show
more trustworthiness with celebrities, articles about Louis Vuitton as a well-known brand etc.

In China the number of stores is very large, 39 in all the country. Louis Vuitton is not only present in large and rich cities but also in medium size cities. Some of the locations are: Beijing, Changchun, Changsa, Chengdu, Dalian, Chongqiung, Guangzhou.

Most of these stores are in malls and have a design very simple. They are very similar, the stores’ fronts are in black and white and nothing differentiates them.

- Louis Vuitton in Changsha (photo from Louis Vuitton website)
- Louis Vuitton in Beijing (photo from Louis Vuitton Website)

- Louis Vuitton in Shanghai (photo from Louis Vuitton Website)

- Louis Vuitton in Xian Zhong Da (photo from Louis Vuitton Website)
In the UAE the store are at the number of 4 and situated in large and rich areas: Abu Dhabi and Dubai.

All these stores are located in malls and like China the design is very sober and the stores’ fronts are in black and white. As the pictures depict the stores have large similarities.

- Louis Vuitton in Abu Dhabi Marina Mall (photo from Louis Vuitton Website)

- Louis Vuitton in Dubai 1 Burjuman Mall (photo from Louis Vuitton Website)
All these characteristics (for China and the UAE) are related to collectivism. In collectivist cultures the interest of the group prevails over the interest of the individual, so if the shops are situated in malls and a large number of stores are available the products will be more accessible to the group of people they are associated with.

The United States have a large number of stores, about 113 in all the country. They are both single stores and in malls. They are located in large and medium cities with high revenues like Las Vegas, New York, San Francisco, Santa Barbara, Saint Louis, Chicago etc.
The American stores are really different from the Chinese and UAE ones because they have a more elaborated design and fit well in the cities’ architecture.

- Louis Vuitton in Las Vegas city Center (photo from Louis Vuitton Website)

- Louis Vuitton in New York City 5th Avenue (photo from Louis Vuitton Website)
In France, most of the 18 stores are single stores or located in luxury malls like Le Printemps in Paris and they are situated in large cities with high revenues: Paris, Bordeaux, Lille, Lyon, Cannes, Deauville etc.

In France the stores are also really different; they have a more elaborated design and fit well in the cities’ architecture. They seem to be more unique, each store has an individual design.
- Louis Vuitton in Courchevel (photo from Louis Vuitton Website)

- Louis Vuitton in Deauville (photo from Louis Vuitton Website)

- Louis Vuitton in Paris Saint Germain des Prés (photo from Louis Vuitton Website)
According to Michael Lynn (2000), people who are seeking uniqueness in consumption have a “desire for scarce products, consumer innovativeness, the preference for unique shopping venues and the desire for customized products”. Individualistic cultures are based on people’s self-image, they want to feel apart, different and special. That is why in France and the USA, the Louis Vuitton stores are not only places where we can find the products but also it is a shopping experience and the architecture is really important to show the uniqueness of the brand and the consumer at the same time.

As we can see on its website, Louis Vuitton is playing on the uniqueness. The brand uses tools and aids such as color-scheme, video clips, slideshows, three dimensional product view, zoom facilities of whole and parts of products, text font, style and size, interactive flash media, full screen mode and graphics. The strong home page creates a high impact and attracts the shopper into the world of luxury. There is a high level of interactivity; the flash animations are also visual tools that enrich the luxury atmosphere. The presentation and the alternate views of the product try to replicate a physical store. The customization of the product is really important to make the consumer feels unique. “My LV” page replaces the role of the offline shop assistant with wish lists and special newsletters.

From Individualism point of view; all these elements are linked to the individualism and the uniqueness of the products. We can find differences on the pages of the selected countries (China, France, USA). The Welcome Page has always the same design. The articles, the colors of the backgrounds and the use of artists are adapted to the country on the other pages. As you can see in the red circles the articles are really different, on the Chinese page articles refer to artists they can identify to whereas on the American or French pages articles are more individualistic and refer to the different look people can choose to wear.
You also can do virtual visits in their shop all around the world. This experience is unique and you feel like shopping in the store.
Regarding the **Power Distance** dimension, China (80) and UAE (90) have high rates whereas France (68) and the United States (40) have low rates. In this third hypothesis China and UAE would have higher prices comparing to the average income of the country whereas France and USA will have low prices according to the average income. This hypothesis will also analyze the use of the celebrities to promote the brand; I expect that stars are more used for China.

First of all I can’t find any prices on Louis Vuitton’s website about Chinese prices, but according to CNN Money (2011) the European prices are 30% cheaper than in China. According to this information, the prices of different items will be compared with the revenues of each country. As I noticed before, The UAE do not have any pages on the LV website, therefore no date will be shown.

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<table>
<thead>
<tr>
<th></th>
<th>Price in $</th>
<th>Average monthly Income in $</th>
<th>% of monthly income</th>
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<tbody>
<tr>
<td>FRANCE</td>
<td></td>
<td></td>
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<tr>
<td>Alma handbag</td>
<td>1042.80</td>
<td>1962</td>
<td>53.14%</td>
</tr>
<tr>
<td>Artsy MM handbag</td>
<td>1399.53</td>
<td>1962</td>
<td>71.33%</td>
</tr>
<tr>
<td>Rossmore PM evening bag</td>
<td>990.23</td>
<td>1962</td>
<td>50.47%</td>
</tr>
<tr>
<td>Pegase 55 luggage</td>
<td>3525.54</td>
<td>1962</td>
<td>179.69%</td>
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<tr>
<td>Sarah Wallet</td>
<td>521</td>
<td>1962</td>
<td>26.55%</td>
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<td>UNITED STATES</td>
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<tr>
<td>Alma handbag</td>
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<tr>
<td>Artsy MM handbag</td>
<td>1610</td>
<td>2313</td>
<td>69.60%</td>
</tr>
<tr>
<td>Rossmore PM evening bag</td>
<td>1140</td>
<td>2313</td>
<td>49.28%</td>
</tr>
<tr>
<td>Pegase 55 luggage</td>
<td>4600</td>
<td>2313</td>
<td>198%</td>
</tr>
<tr>
<td>Sarah Wallet</td>
<td>625</td>
<td>2313</td>
<td>27.02%</td>
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<td>CHINA</td>
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<td>Alma handbag</td>
<td>1355.64</td>
<td>669</td>
<td>202.63%</td>
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<tr>
<td>Artsy MM handbag</td>
<td>1819.38</td>
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<td>271.89%</td>
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<tr>
<td>Rossmore PM evening bag</td>
<td>NOT AVAILABLE ON THE CHINESE MARKET</td>
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<tr>
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<td>685%</td>
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<tr>
<td>Sarah Wallet</td>
<td>677.3</td>
<td>669</td>
<td>101%</td>
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As we can see, the Chinese prices are so much higher to the French or American ones comparing to the average income. It is a really interesting clue from a Power Distance point of view because according to Louis Vuitton’s annual report (2011), China is LV biggest market today although China’s GDP per capita is much lower than US and Japan.

Louis Vuitton products are only bought by very rich people in China or for people who want to show off, whereas in France and the USA, the LV products are more for people with high purchasing power but not necessarily in the “rich” category.
If we look at “Friends of the House” on Louis Vuitton Website we can see the different celebrities used for promoting the brand. We can notice that there are numerous Chinese and Japanese stars like Wong Kar-Wai, Gong Li, Takashi Murakami and also very famous international stars like Cate Blanchett, Natalia Vodianova or Angelina Jolie. This selection of stars shows they are more used to reach the Chinese market, which is much more sensible from a power distance point of view. In fact “belongingness, harmony, and respect for social hierarchy are keys values” in high power distance cultures (Han & Shavitt, 1994; Hofstede, 1980). According to Somdutta Biswas and Mahmood Hussain (2009), advertisements in low-context cultures such as the United States have a hard-sell approach, it means that they need direct clues about the product. On the other hand, advertisements in high-context cultures such as China are more emotional and have more of a soft-sell approach so endorsers may positively influence consumers. In comparison to China, Louis Vuitton does not have any national stars to represent the brand. It is due to the fact that the power distance rate in France is really low.

Regarding the Masculinity dimension, the United States (62) and China (66) have higher rates than France (43) and the UAE (50). Concerning this fourth hypothesis France and UAE would not have a very developed club membership, whereas China and the USA would have an important one.

After looking on Louis Vuitton’s website and other resources, the conclusion is that the club membership is not very well developed. There no membership cards or special services for regular clients. Customers can just create a MyLV account and doing wish list and receive a newsletter with the new products. Louis Vuitton should probably develop a more important club membership to use the masculinity dimension of some countries.
I was not able to find a link between Club Membership and Masculinity, therefore I chose to compare the product lines for men between France (more feminine) and the USA (more masculine). I am expecting that the products won’t be the same or the products name will be very different.

In the category watches on the Louis Vuitton website, the products are the same but the product denomination is really different. For example there is the type “Tambour in Black” for the French page whereas it is the “City Business type” in the USA. Masculine traits include assertiveness, materialism/material success, self-centeredness, power, strength, and individual achievements. As we can this in this example, the USA is a more masculine culture; the name of the watches refers to the power and the success. In the accessories category the number of products displayed is bigger for the USA than for France. The colors are also different, the color are all dark on the US page whereas there more colorful on the French one.

Regarding the Long Term Orientation dimension, France (39) and the USA (29) have a low rate; it means they have a short term orientation. China has a very high rate (118) which means they have a Long Term Orientation. This last hypothesis will focus on the way Louis Vuitton promotes the brand; we expect that the promotion tends to focus on long term value of luxury products in China than in France and the USA.

As we can notice on LV website, the brand is really into the art, the travel experiences and the world cultures. Here I will not speak about the “classic” way of promoting the brand through different media, but from an art point of view. In France there is an “Espace Culturel Louis Vuitton” which is an art gallery situated in their shop on the Champs Elysées in Paris. This place shows different expositions which change about 3 times a year and is opened to the public.
At the opposite, in China the promotion has been more focus on history and time invariant value of products; in fact Louis Vuitton create an exposition “Louis Vuitton Voyages” in the national museum of China in Beijing.

This exposition took place for the 20th anniversary of LV in China. The choice of the museum is not made by chance. Indeed, bags and other objects are compared to pieces of art which will last in time. This is more a Long Term Orientation.
Conclusion and Recommendations

This study examines how national culture affects consumer behavior in the purchase of luxury goods. By comparing China, France, UAE and the US marketing strategies of Louis Vuitton we conclude that national cultural differences affect the marketing of luxury goods.

In fact the Hofstede’s cultural dimensions are linked to variables. Uncertainty Avoidance is linked to the use of internet; in fact countries with high uncertainty avoidance scores are less likely to use internet to market luxury goods.

Individualism is linked to the stores’ design and the design of the website; in fact countries with high individualism scores have more unique stores, with a nice architecture which fits in the city. The website is also designed to show uniqueness and countries with low individualism scores have more articles referring to artists they can identify to whereas countries with high individualism scores have more individualistic articles.

Power distance is linked the prices (compared to the average income) and the use of stars; countries with high power distance scores are more likely to have high prices comparing to the average income of the country and the stars are more used to promote the brand.

Masculinity is linked to the men product lines; countries with high masculinity scores are more likely to use colors or words which refer to assertiveness, materialism/material success, self-centeredness, power, strength, and individual achievements.

Long Term Orientation is linked to the promotion; countries with high long term orientation scores are more likely to promote the products by focusing on long term value of luxury products.
Thanks to this study we can see that companies have to be really careful when they set up global marketing strategies, they have to take into account all these dimensions.

Here is the case of Brasil, where the luxury market is actually booming, this case is also interesting by all of its cultural dimensions particularities.

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<td>UAE</td>
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<tr>
<td>Brazil</td>
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</table>

Brazil has a high uncertainty Avoidance score so it means that customers will be less likely to use internet to shop online or get some information. The Individualism score is low, it means that the stores don’t necessarily need to be well design, and they can also be located in malls. The articles on the website will be more focused on artists or comedians, people that refer to a group. The power distance score is not too low but not too high, it means that the prices would have to be quite high comparing to the average income of the country and the use of stars to promote the brand should be moderate. The masculinity is low, so the men products and words to describe it would not be very masculine and presentation of the product would be more colorful. Brazil is long term oriented; it means that the promotion would be more focused on long term value of luxury products.

Therefor a good analysis of the countries’ dimensions is necessary to set up a strong strategy to go beyond the cultural barriers.
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