Proceedings of ICEMGD 2025 Symposium: Innovating in Management and Economic Development
DOI: 10.54254/2754-1169/2025.LH25419

Gucci's Sales Boost Strategies in China: Coping with Current Unfavorable Situation

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Abstract. In recent years, Gucci has experienced a significant decline in performance within the Chinese luxury market - a market that accounts for approximately 25% of global luxury consumption. While competitors such as Louis Vuitton and Chanel have expanded their market share, Gucci's revenue dropped continuously, with both retail and wholesale segments underperforming. This paper seeks to analyze the strategic and marketing deficiencies that have contributed to this stagnation and proposes actionable strategies to boost its sales. Drawing on secondary research from company reports, market analyses, and strategic frameworks such as the Ansoff Matrix and the Marketing Mix, this study identifies three primary problems: ambiguous brand positioning, lack of product innovation, and deteriorating value perception. In response, the paper recommends that Gucci redevelop its existing product lines to better align with the preferences of Chinese Gen Z consumers. Additionally, strategies involving tiered pricing, localized storytelling, digital channel optimization, and market-specific experiential retail are proposed to restore Gucci's brand identity and boost sales. These recommendations aim to position Gucci for long-term recovery and renewed growth in the increasingly competitive Chinese luxury landscape.

Keywords: Marketing, luxury branding, Chinese consumer behavior

1. Introduction

Founded in Italy, in 1921, Gucci is one of the world's leading luxury brands. Gucci is part of the global luxury group Kering, which manages renowned Houses in fashion, leather goods, jewelry, and eyewear [1]. Gucci's products are expensive and aimed toward relatively high-income consumer segments. The business has had poor financial results, and its worldwide revenue has been declining for years [2]. Its poor performance is mostly attributable to its negative position in China, a market that accounts for about 25% of global consumption of luxury products [3]. This study looks into the underlying reasons behind Gucci's poor financial results in China and offers potential marketing strategy suggestions to help the company succeed in this fiercely competitive premium market.

The situation is alarming for Gucci since it is losing its market share while its competitors, such as Louis Vuitton, Dior, and Channel, are gaining more in the same market. The research will include not only a comprehensive analysis of Gucci's current situation and the Chinese market, but also the marketing strategies that will help Gucci endure over the long run in the very competitive Chinese luxury market.

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The research question was addressed by examining the effect of the macro environment on Gucci's performance in the Chinese luxury market. Findingsrowth opportunities were then identified, and the findings were applied to provide specific marketing strategies in a marketing mix format. This study relied exclusively on secondary sources, including company annual reports, government publications, reports from consulting companies, and some academic journals. High-quality and credible data were selected from such varied sources to ensure validity.

The paper aims to identify the root causes of Gucci's declining popularity in China, analyze shifts in consumer behavior and competitive dynamics, and finally propose tailored marketing strategies that align with local expectations.

2. Research background

China will become one of the world's leading luxury goods markets by 2030, with mainland consumers rising to 35% to 40% of global consumption and the mainland market to 24% to 26% [3]. This growth is primarily driven by younger consumers, particularly Generation Z (born after 1996). Their preferences lean toward authenticity, digital engagement, and brand values such as sustainability and inclusivity [4]. Bain & Company, a global consulting company, recently released the 2024 China Luxury Goods Market Report, which shows that although VICs (very important clients), who make a substantial contribution to luxury expenditure, are still strong, their tastes are shifting toward more quiet luxury goods [5]. Additionally, population mobility is bringing vitality to second- and third-tier cities (T2/3), boosting their purchasing power and increasing both their average consumption price and consumption volume [5]. This creates a new battleground for the luxury corporations looking to outperform their competitors. In the longer term, the market is anticipated to rebound moderately, propelled by China's growing middle class and strong economic fundamentals. As a result, luxury brands worldwide still flock to China in hopes of capturing more market share. However, Gucci has been facing challenges in the Chinese market recently. According to the 2024 financial report published by Kering Group, Gucci's annual revenue dropped by 23% to €7.7 billion, with both retail (-21%) and wholesale (-28%) sales declining sharply on a comparable basis [6]. While the performance of new Leather Goods lines as well as iconic Gucci lines – such as the Jackie handbag – is highly encouraging, overall brand performance fell short of expectations [6]. This failure maybe partly due to macroeconomic recessions, as the Chinese personal luxury market declined by 18% - 20% in 2024, driven by low consumer confidence [5].

However, some brands even grow during this period. When its rivals are experiencing the opposite circumstance in the market, Gucci's failure becomes even more concerning: Chanel's brand value surged more than 45% to $37.9 billion, while Louis Vuitton, part of the LVMH group, posted a modest 2.1% increase to $32.9 billion [7]. This suggests that Gucci's setbacks are not solely due to external market conditions, but internal strategic issues.

3. Problem analysis

One of the most critical issues Gucci currently facing is the loss of a clear and compelling brand image. In the luxury industry, intangible elements such as logos, visual style, iconic products, and even celebrity gossip can together shape a brand's identity. For many luxury brands, including Gucci's competitors, this identity is distinct - Miu Miu is associated with "rich girls," Hermès with refined social elites, and Balenciaga with fashion leaders. In contrast, Gucci now suffers from an ambiguous brand image that fails to resonate with core target audiences, especially in China.

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This lack of clarity is further illustrated by Gucci's relative market positioning. Gucci is positioned closer to mass-market brands like Coach, with relatively high prices but lacking the exclusivity and prestige of competitors such as Louis Vuitton, Chanel, and Hermès [8]. This disconnect makes Gucci vulnerable to both downward pricing pressure and diminished desirability, particularly among status-conscious Chinese consumers who associate luxury with rarity, heritage, and symbolic value. The perception of being "expensive but not exclusive enough" has undermined Gucci's ability to retain premium appeal in China's fast-evolving market. Additionally, Gucci's pricing strategy currently suffers from inconsistency between brand communication and actual practice. On its official website, Gucci states that it does not offer any sales, including Black Friday or private sales [1]. However, in reality, Gucci products are widely available at reduced prices in outlet stores. This contradiction not only undermines brand credibility but also erodes consumer perception of exclusivity and long-term value. In the context of luxury consumption, materialism and the desire for conspicuous status display remain key psychological drivers. As a result, consumers become less willing to purchase Gucci products, as the brand no longer effectively signals social status [9].

Another key issue is the brand's prolonged lack of standout products. Gucci has not released a highly recognizable item in at least five years. The brand's last widely acknowledged blockbuster product, the Horsebit 1955 series, rose to popularity around 2019. Since then, Gucci has failed to launch similar products. In contrast, other luxury brands have achieved great marketing effect thanks to those standout products. For example, Burberry's classic check scarf achieved widespread popularity during the 2024 Chinese New Year, while Fendi's FF logo scarf became a hit around 2022 among young consumers. These examples show that products can drive brand heat if they are culturally timed, visually distinctive, and emotionally resonant. For Gucci, the absence of such products has left a noticeable gap in brand visibility. For Gucci, the prolonged lack of iconic products has significantly weakened its brand visibility and consumer excitement. This stagnation in innovation suggests systemic product development shortcomings, as evidenced by downward trends in both sales volume and profitability over recent years.

A further issue is its inability to provide consumers with a sense of long-term value and security, which are increasingly important in current uncertain luxury landscape. The new wave of luxury consumers, especially in the post-pandemic, economically cautious era, are more concerned with the practicality, durability, and investment value of high-end products [10]. Gucci's brand, however, has struggled to meet this shift in expectations. The brand's value perception has weakened due to frequent discounting and increased presence in outlet malls. This has significantly diminished its resale value. The inability to inspire trust in long-term value erodes Gucci's desirability.

4. Suggestions

4.1. Examining new possibilities

Ansoff Matrix is a strategic framework designed to suggest growth strategies based on product and market dimensions [11]. It outlines four strategic options for business expansion: Market Penetration, Product Development, Market Development, and Diversification [11]. This model is relevant to Gucci as it can help identify potential growth paths to enhance the brand's competitiveness and boost sales in the luxury market. Nevertheless, the distinction between "new" and "existing" markets or products can be ambiguous, introducing a degree of subjectivity into the analysis.

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4.2. Expanding into new market segments

Currently, Gucci does not have clear groups of targeting customers. This makes the marketing strategies of Gucci less specific and effective. Gucci's growth potential is somewhat limited because it lacks clear lines among its target clientele. Gucci would therefore be wise to conduct deeper exploratio into new market niches in order to take advantage of potential future chances. Gucci should prioritize strategic expansion into new generational segments, particularly Gen Z. As this generation group is expected to account for one-third of global luxury spending, with growth rates nearly three times faster than older generations [5]. These consumers value authenticity, digital engagement, and cultural relevance - areas where Gucci must innovate to maintain competitiveness.

4.3. Developing new product

Given the declining appeal of Gucci’s last major hit, it must immediately take actions. Rather than launching entirely new products, which requires high financial and time costs, Gucci should focus on redeveloping its existing iconic lines, particularly the Horsebit 1955 series, which has entered the decline stage of its product life cycle. Despite its fading popularity, the series still holds strong brand recognition. Furthermore, more focus should be placed on Gen Z's preferences and expectations, as they are mostly responsible for the development in sales in China's luxury sector. In order to better connect with younger consumers and increase market share and sales of its product lines, Gucci would profit from using more imaginative, youth-oriented designs that suit their tastes.

4.4. Diversification-oriented marketing strategies

Overall, as growth opportunities exist in both new markets and new products, it would be beneficial for Gucci to adopt a diversification strategy to capitalize on the rising influence of Chinese Gen Z consumers and the recent launch of its Horsebit 1955 collection. Implementing a marketing mix approach can offer a more detailed framework to guide this diversification. The marketing mix refers to a combination of tools businesses use to achieve their marketing goals within a target market, primarily focusing on the four elements: Product, Promotion, Place, and Price [12]. Product-related marketing techniques might aid Gucci in expanding its Horsebit 1955 series, while promotion, location, and pricing strategies could encourage Gucci to engage with the Chinese Gen Z market.

4.4.1. Product

First, Gucci needs to adjust its product portfolio to better reflect the rise of "quiet luxury" and increasing demand for cultural relevance. The era of flashy logos and bold visual maximalism is giving way to a more minimalist aesthetic that emphasizes quality, craftsmanship, and subtlety [13]. Moreover, considering that leather goods make up the largest revenue share (50%), Gucci should primarily focus on improving that [14]. At the same time, the brand should deepen its cultural integration by launching China-exclusive collections. To further appeal to Z-generation values, Gucci should launch collections that integrate elements of Chinese heritage (e.g., ink painting aesthetics), released in limited quantities. Offering personalization options, such as monogramming and color selection, will also align with the Gen Z demand for exclusive luxury.

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4.4.2. Place

Gucci's decline in brand prestige in the Chinese market can be partially attributed to overexposure through undifferentiated retail channels, particularly outlet stores offering frequent and steep discounts. This has diluted the brand's luxury image and eroded consumer perception of exclusivity. Given that luxury consumption still heavily relies on in-store environments, enhancing the retail experience is essential to increasing customer loyalty and brand stickiness. Thus, to restore its premium positioning, Gucci must update its physical stores not merely as sales points, but as immersive brand spaces delivering high-quality, personalized experiences. Stores should cater to younger consumers' preferences by incorporating elements such as interactive workshops and one-on-one personal shopping services. Meanwhile, Gucci must strengthen its digital ecosystem by prioritizing platforms such as Tmall Luxury Pavilion and WeChat Mini Programs, which are widely used by younger luxury buyers and offer greater control over brand presentation and customer interaction. Importantly, these channels will not dilute Gucci's value perception because online accessibility of luxury goods does not affect consumer perceived scarcity and, hence, does not dilute brand desirability [15].

4.4.3. Promotion

To address its declining sales in China, Gucci must reconstruct its promotional strategy to engage Generation Z consumers through localized marketing. Chinese Generation Z consumers favor brands that reflect authenticity, sustainability, and high cultural relevancy, and are highly influenced by platforms like WeChat, Douyin, and Xiaohongshu [16]. While Gucci currently has promotional activities, including short video, advertising, and collaborations with influencers in these platforms, the current content - often delivered in English and disconnected from local narratives - fails to resonate. The brand should prioritize Mandarin-language campaigns with local influencers, focusing on narratives that highlight craftsmanship, sustainability, and cultural relevancy.

Moreover, Gucci can promote the development of the luxury second-hand market through its own platform or through third-party platforms, buying and selling second-hand luxury goods, emphasizing its commitment to environmental protection and authenticity. This can give consumers signs of the product values of Gucci are guaranteed. By improving the brand's resale value perception, a key factor deterring purchase, Gucci is expected to boost consumers' confidence and therefore also sales [17]. More importantly, China's second-hand luxury market is highly promising, and the younger characteristics of China's second-hand luxury market are also very obvious [3]. Therefore, Gucci's active participation in this market not only aligns with the evolving consumer values, but also provides a strategic opportunity to boost sales.

4.4.4. Price

To restore pricing integrity and reinforce its premium positioning, Gucci must reduce its dependence on heavy discounting through outlet channels. While outlets can serve as a means to offload inventory, their long-term presence as a mainstream sales channel damages brand identity. Instead, Gucci should implement a tiered pricing strategy that distinguishes between core luxury collections, limited-edition releases, and accessible entry-level products. This allows the brand to broaden its reach without compromising its prestige. In addition, the brand should explore value-based pricing, where perceived craftsmanship, scarcity, and cultural relevance justify premium pricing. Reinforcing this perception through transparent storytelling and resale value promotion can strengthen price acceptance, particularly among Gen Z consumers who are increasingly cautious about investment-worthiness in luxury purchases [17].

5. Conclusion

Gucci's declining performance in the Chinese luxury market is a result of several interrelated factors: the erosion of a distinct brand image, a lack of iconic and timely product innovations, weak customer segmentation, and a pricing strategy that contradicts its premium positioning. While external pressures such as economic slowdown and shifting consumer behavior have played a role, Gucci's most pressing challenges are internal and strategic in nature. To reverse this severe situation, Gucci must first redefine its target market by focusing on Generation Z - an increasingly dominant consumer group in the Chinese luxury space. It should redevelop and reposition key product lines like the Horsebit 1955 to reflect younger consumers' preferences for casual, fashionable, and culturally relevant designs. Simultaneously, Gucci must enhance its retail strategy by reducing discount exposure and strengthening flagship and online platforms that support exclusive, immersive, and personalized brand experiences. Furthermore, promotional efforts should emphasize localized relevancy, sustainability, and resale value - factors that modern luxury consumers equate with trust and investment value. Lastly, a value-based, tiered pricing strategy can help Gucci appeal to a broader consumer base without undermining its brand equity. By implementing these strategies, Gucci can rebuild consumer trust and ultimately position itself for sustainable growth in China's luxury market.

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