

# ***SWOT Analysis of Balenciaga: Evaluating Competitive Advantages, Market Challenges, and Crisis Management in the Luxury Industry***

**Yaxuan Wang<sup>1,a,\*</sup>**

<sup>1</sup>*Rosedale Global High School, Tianjin, China*

*a. wangli@ldy.edu.rs*

*\*corresponding author*

**Abstract:** The luxury industry is a highly competitive field that has become a part of people's lives. The development of luxury industry is one of the key research topics today. The research topic of this paper focuses on the luxury brand Balenciaga. The research method of this paper is SWOT analysis to explore Balenciaga's core competitive advantages, market challenges, development opportunities and existential threats. The significance of this study is to understand how Balenciaga develops and stands out in the fierce competition in the luxury market. This study introduces the brand history and market position of Balenciaga. In the analysis of the problem, the competitive advantages of Balenciaga are studied, such as the combination of design innovation and tradition. In addition, there are challenges, such as the damage of communication crisis to the brand. However, this paper examines opportunities for Balenciaga's development, such as the use of digital strategies. But there are threats, such as Balenciaga's highly controversial advertising, which has brought a crisis to the brand's reputation. The conclusion shows that these strategies are of great significance to the market management of the luxury industry and are of great value in academic research.

**Keywords:** Balenciaga, Luxury Industry, SWOT Analysis, Competitive Advantage, Crisis Management.

## **1. Introduction**

The subject of this paper is Balenciaga in the luxury industry. It is a brand with a long history and wide recognition, so its ranking and performance in the market are important. Balenciaga is not only highly innovative in its design style, but also in its combination with tradition. With the development of digital platforms, brands are increasing their visibility on a global scale, but at the same time they face threats such as rising consumer expectations. The reason for studying Balenciaga in this article is to analyze the reasons for its success and the challenges it faces in the highly competitive luxury market. By testing consumer reactions and discussing Balenciaga's brand strategy and market positioning, we will show how Balenciaga uses its design innovations to achieve market differentiation and maintain its position in the global luxury market. This study can provide valuable materials for future career development.

## 2. Literature Review

Cabigiosu argues that the use of digital strategies is important for luxury brands to maintain a competitive edge and meet the needs of millennial consumers [1]. This article highlights the importance of combining tradition with artistic collaboration and digital innovation to generate brand resonance. Alexandre et al. studied the transformation of consumer behavior in the post-COVID-19 era and the impact of digital transformation strategies of luxury brands. This article concludes that integrating digital technologies is important for luxury brands to adapt to changing consumer expectations and market positioning [2]. Catalan analyzes the impact of advertising disputes on the reputation of luxury brands. Their findings highlight the significant risks associated with controversial advertising campaigns, such as the need for Balenciaga to carefully manage its brand communication strategy so as not to damage its reputation [3]. Amba et al. conducted a case study on crisis communication strategies in the luxury industry, mainly discussing Balenciaga. Their research emphasizes the importance of rapid online communication and transparent crisis management in mitigating reputational damage [4].

Most scholars have mainly studied the digital transformation of luxury brands and changes in consumer behavior in the post-pandemic era. Cabigiosu, for example, highlighted the importance of digital strategy in luxury brands and analyzed how the combination of tradition with artistic collaboration and digital innovation resonates with brands [1]. Some scholars examine the digital transformation strategies of luxury brands in the post-pandemic era and summarize the relevance of integrating digital technologies to adapt to changing consumer expectations. Few scholars have studied the specific coping strategies of luxury brands in the face of advertising disputes and communication crises and their impact on brand reputation [5]. For example, Chen analyzes the impact of advertising controversy on luxury brand reputation but lacks in-depth exploration of strategy [6]. In addition, Zeng's study discusses strategies for crisis communication but does not provide a detailed analysis of how brands re-establish trust after the crisis is over [7]. Therefore, this article will examine this shortcoming, focusing on Balenciaga's solutions to advertising controversies and crises and their long-term impact on brand reputation.

First, this paper will discuss the content of luxury brands in digital transformation and consumer behavior changes after the epidemic through literature review and point out the shortcomings of the research. Secondly, this study will introduce Balenciaga's brand history and market position in detail and analyze its unique features in terms of design innovation, brand strategy and market positioning. Thirdly, this study analyzes Balenciaga's coping methods in the face of advertising disputes and crises through the method of case studies, and discusses its crisis management strategies and experience in restoring brand reputation. Finally, this study summarizes the suggestions on how luxury brands can enhance their brand reputation through effective crisis management and communication strategies in the digital age, so as to contribute to the development of the luxury market in the future.

Through these steps, the purpose of this study is to study the research gaps in the response of luxury brands to advertising controversies and crises, and to provide valuable information for future career development.

## 3. Analysis

With the development of the digital age, Balenciaga has become more and more well-known. The brand's presence on social media has also increased, attracting a large number of loyal fans. In addition, Balenciaga also cooperates with several well-known artists, combined with innovative ideas, in the luxury industry is a leading position [8]. However, Balenciaga also has some challenges. In recent years, Balenciaga has been the subject of a number of advertising campaigns and public crises. In November 2022, Balenciaga released a clothing AD showing children in the AD holding teddy

bears tied up in gear. The advertisement caused a public outcry. Many people argue that the AD promotes bad information, especially about children. The advert was said to be a metaphor for child sexual abuse. Discussions with hashtags like #burnbalenciaga and #cancelbalenciaga quickly racked up more than 300 million views on social media. So, the crisis has had a huge impact on Balenciaga's reputation [9]. Faced with this challenge, Balenciaga has adopted a series of countermeasures. Balenciaga was quick to speak out, explaining the original intent and apologizing, while promising to carefully manage the brand's communications strategy in the future. Despite these measures, the brand's reputation has been severely damaged. The crisis shows how quickly stories about luxury brands can spread on social media, so it also illustrates the pressures brands face in the digital age and the complexity of crisis management.

Overall, Balenciaga's case illustrates the difficulties and opportunities luxury brands face in their digital transformation. On the one hand, digitalization provides a broader platform for brands to showcase their characteristics and interact with consumers. On the other hand, every move by a luxury brand on a digital platform can cause a crisis of public discussion. Therefore, how to effectively manage brand image and crisis strategies in the digital age has become an issue that luxury brands must pay attention to.

#### **4. Influencing Factors**

There are several factors identified in the Balenciaga as the influencing factors.

##### **4.1. Digital Platforms**

The widespread use of digital platforms has a great impact on the reputation of luxury brands. Balenciaga's use of social media to promote the brand is an attempt to raise awareness. But at the same time, the platform also brings more public pressure. The uncontrolled and rapid spread of social media means that any brand's actions are likely to cause public discussion in a short time. Balenciaga's advertising crisis, which provoked a strong public reaction, is a case in point [10].

Digital platforms have two sides, brands are like transparent objects on these platforms, and every move is closely watched by the public. Any wrong behavior of the brand on the digital platform can cause a crisis and have a bad impact on the brand's reputation.

##### **4.2. Cultural Sensitivity and Public Perception**

Cultural sensitivity and public perception also play a role in brand image. Balenciaga's advertising crisis reflects the brand's lack of understanding in terms of cultural sensitivity. The content in the advertisement was considered to promote bad information and aroused public discussion. The phenomenon suggests that luxury brands should pay more attention to a variety of cultures and public feelings, without causing unnecessary controversies [11].

In the context of different cultures, brands need to have a deeper understanding of the cultural differences and sensitivities of different regions. In the process of designing works and producing advertisements, brands need to avoid touching cultural forbidden areas or causing cultural conflicts.

#### **5. Crisis Management Strategies**

Crisis management strategy is one of the important factors affecting brand image. Balenciaga has taken a number of steps in the face of the advertising crisis, such as publicly explaining the content and apologizing. However, these measures did not completely appease the public, who then spread their opinions and expressed doubts on online platforms. The speed at which a brand reacts and the

way it solves problems in crisis management affect the brand's attitude towards the public and its status in their hearts.

Effective management strategies require not only rapid response, but also a sincere attitude to mediate with the public. Brands need to quickly identify problems when they occur, take steps to address them, and make them public. Only in this way can the brand and the public trust be restored in the crisis and the reputational impact be reduced [12].

### **5.1. Insufficient Digital Strategy**

Balenciaga's advertising crisis exposed the brand's inadequacies in the implementation of a digital strategy. Although the brand is recognized on the digital platform, the digital strategy is obviously insufficient to solve the problem in the face of crisis. Brands need to pay more attention to the detection of public opinion and early warning of crises on digital platforms and find problems faster to solve.

In addition, brands need to be rigorous in the content they publish on digital platforms. Brands need to have a review process to test and ensure that the content they publish is in line with what the public wants to avoid unnecessary publicity.

### **5.2. Lacking Cultural Sensitivity**

Balenciaga's advertising crisis illustrates the brand's lack of cultural sensitivity. In the luxury market, brands need to pay more attention to multicultural and social public feelings and avoid public opinion. Brands need to pay more attention to and understand different cultures and avoid touching cultural taboos when designing products and making advertisements [13].

In the context of different cultures, brands need to build diverse teams to ensure that the needs and sensitivities of different cultures are fully considered when setting product and communication markets. This plays an important role in maintaining the image of the brand.

### **5.3. Ineffective Crisis Management**

Balenciaga's advertising crisis shows the brand's lack of crisis management. Although the brand has taken measures, it has completely failed to appease the public's emotions and has not been fully recognized by the public. The response speed and the way of dealing with problems of brand management in crisis directly influence the public's attitude and reputation towards the brand.

Effective management requires not only rapid response, but also sincere communication with the public and their understanding. When emergencies occur, the brand needs to quickly identify the problem, find the problem, take a series of measures, and express apologies to the public in a timely manner. Only in this way can the brand and the public trust be restored in the crisis and the reputational impact be reduced [14].

All in all, the analysis of the Balenciaga crisis advertising case illustrates the multiple challenges luxury brands face in the process of digital transformation. A brand's every move is transparent in the digital platform, and the public will quickly discover its grievances. Brands need to strengthen the implementation of digital strategies, enhance cultural sensitivity, value cultural diversity, and win crisis management strategies to stay ahead of the competitive luxury market.

## **6. Discussion**

Balenciaga's handling of the advertising-induced crisis has exposed shortcomings in the implementation of its digital strategy, particularly in managing its digital platforms. To better cope with similar issues that may occur in the future, brands need to work harder on digital crisis

management. First, the brand should introduce a tool that can quickly detect public opinion and analyze public sentiment, so that potential problems or negative emotions can be detected in time, so that early measures can be taken to avoid further escalation of the crisis. Second, brands need to develop a standard template for dealing with issues, so that when unexpected situations arise on digital platforms, they can react quickly, demonstrate the brand's sincerity, and win the public's understanding. In addition, brands should strengthen internal management, especially the regular training and assessment of employees responsible for digital platform operations and crisis management, to ensure that they can quickly and professionally respond to emergencies. Finally, the brand should actively interact with consumers and media reporters to establish a good relationship of trust, which can reduce misunderstandings and unnecessary problems.

In addition, the advertising crisis also exposed Balenciaga's shortcomings in cultural sensitivity, indicating that the brand lacks sufficient understanding and attention in the face of diverse cultures. This disregard for cultural differences caused widespread public criticism and exacerbated the crisis. Therefore, the promotion of cultural sensitivity has become an important task for the brand. To this end, Balenciaga should develop training in cultural intelligence and sensitivity to help employees better understand and respect different cultures. Brands can organize simple training activities to make employees realize the importance of multiculturalism and learn how to respect and accommodate people from different cultural backgrounds at work. Before releasing a new advertisement or brand message, the brand should also conduct group discussions and market research and listen to the opinions of different cultural groups to ensure that the advertising content can be accepted and recognized by them. In addition, when formulating advertising strategies, brands should also fully consider the local culture and values, such as adjusting the language and content of advertisements according to the local cultural background, so that it is closer to the cultural habits and preferences of the local public [15].

Finally, the crisis has also exposed the inadequacy of crisis management at Balenciaga. When dealing with the advertising crisis, the brand failed to appease the public effectively, showing the lack of crisis response ability. To improve the effectiveness of crisis management, brands need to take a variety of measures to enhance their response capabilities. First, Balenciaga should set up a special crisis management team, which should be composed of experienced and rapid response professionals, specializing in crisis follow-up and handling, to ensure that when a crisis occurs, it can respond quickly and reduce the negative impact of the crisis. At the same time, brands need to focus on transparent and responsible communication methods. In the event of a crisis, brands should promptly admit mistakes, clearly state the problem, and propose solutions to win the trust of the public. In addition, brands should actively engage with key players such as consumers, media and community leaders to demonstrate their commitment and ability to solve problems through interactions with them. Finally, after the end of each crisis, the brand should conduct a comprehensive summary and evaluation, find out the shortcomings in the response process, and timely revise the crisis management strategy to prevent similar incidents from happening again.

## 7. Conclusion

Through SWOT analysis, this paper deeply discusses Balenciaga's core competitive advantages, market challenges, development opportunities and potential threats, and puts forward a series of targeted suggestions, including strengthening the implementation of digital strategy, improving cultural sensitivity and strengthening crisis management. These strategies are important for market management in the luxury industry and provide valuable reference information for future career development. In the highly competitive luxury market, Balenciaga can only maintain its leading position in the market through continuous innovation, enhanced cultural sensitivity and effective crisis management. Through these measures, the brand will not only be better positioned to meet



future challenges but will also further consolidate its pre-eminent position in the global luxury industry.

## References

- [1] Cabigiosu, A., & Cabigiosu, A. (2020). *A Comparative Analysis: Gucci, Saint Laurent, Balenciaga and Bottega Veneta. Digitalization in the Luxury Fashion Industry: Strategic Branding for Millennial Consumers*, 203-236.
- [2] Catalan, M. (2022). *More on the Balenciaga Case*. *Rev. Eletronica Direito Sociedade*, 10, 11
- [3] Miller, L. E., & Victoria and Albert Museum (Londres, Royaume-Uni). (2017). *Balenciaga: Shaping Fashion*. V & A Publishing.
- [4] Piancatelli, C., Carbonare, P. M. D., & Cuadrado-García, M. (2020). *Balenciaga: The Master of Haute Couture. The Artification of Luxury Fashion Brands: Synergies, Contaminations, and Hybridizations*, 141-162.
- [5] Li, Y. (2023). *Comparison of Marketing Methods and Strategies of Luxury Brands-Take Balenciaga and Louis Vuitton as Examples*. In *3rd International Conference on Economic Development and Business Culture (ICEDBC 2023)* (pp. 245-251). Atlantis Press.
- [6] Chen, X. (2022). *Research on the Advertising Strategies in Luxury Marketing. Highlights in Business, Economics and Management*, 4, 41-48.
- [7] Zeng, Q. (2022). *Analysis of the trend of brand leather goods consumption and design*. *Leather Science and Engineering*, 32(6), 84-89.
- [8] Xu, M., & Nuangjamnong, C. (2022). *Determinant Factors Influence the Purchase Intention through Balenciaga Handbags in the Luxury Product in China*. *International Research E-Journal on Business and Economics*, 7(1), 30-43.
- [9] Afrasiyab, J. T. G., & Saleh, S. G. (2024). *The role of marketing as a determining factor in the production and sale of fashion apparel*. *Scientific Collection «InterConf+»*, (45 (201)), 555-560.
- [10] Gárgoles, P., & Ambás, G. (2023). *The Power of Consumers on Social Media: A Case Study of Balenciaga's Crisis Communication*. In *International Conference on Fashion communication: between tradition and future digital developments* (pp. 3-13). Cham: Springer Nature Switzerland.
- [11] Brownstein, E. (2024). *The Art of Crisis Communication in the Fashion Industry: An Examination of Controversies and Responses by Leading Companies*.
- [12] Miranda, R. (2023). *Challenges and opportunities of branding after Covid-19*. *Social Brand Management in a Post Covid-19 Era*, 39-49.
- [13] Balda, A. (2014). *Simplification as the norm: a common ground for Chanel and Balenciaga*. *Datatèxtil*, (30), 60-66.
- [14] Rangel, C., & López, B. (2022). *Digital transformation in luxury brands: Challenges in an uncertain world*. In *Sustainable International Business Models in a Digitally Transforming World* (pp. 222-239). Routledge.
- [15] Kniazeva, M., Aiello, G., Dasmi, C., Mazzoli, V., Nechaeva, O., & Syed, F. U. (2024). *Why fashion brands enter the metaverse: Exploring the motivations of fast fashion and luxury fashion brands*. *Journal of Global Fashion Marketing*, 15(1), 62-89.