

Analysis of Chanel Marketing Strategies in the World Luxury Fashion Market

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Abstract: The luxury market is a unique fashion market that provides more than necessary products to satisfy people in the wealthiest class. Chanel is a French luxury fashion brand that was founded in 1910 in Paris by Coco Chanel. This paper uses 4Ps marketing theories to analyze the reasons for Chanel's outstanding marketing performance worldwide, especially in China. The conclusion shows that Chanel keeps its unique personality to attract more demands from young people and also insists on the consumer base of wealthy people.

Keywords: marketing strategies, 4 Ps, luxury market, Chanel

1. Introduction

In its root sense, luxury comes from the Latin word "Luxus", which means an overly rich, extravagant way of life or a desire to satisfy more than the necessary needs. Luxury has long been synonymous with high fashion, a model essentially based on tailoring. The designers of luxury are those of the wealthiest class aesthetic tradition. They designed each piece of clothing tailored for the aristocracy to be unique, representing a celebration of the power and prestige of the aristocracy. As times progressed, however, this tradition of fashion and approach to tailoring began to change [1]. For example, in the 1920s, designer Coco Chanel revolutionized the look of traditional clothing design, preaching a more modern and dynamic approach to fashion. In addition, Chanel revolutionized the style of the suit, making it comfortable and practical.

In contrast to the traditional wealthy consumers from the 19th century, such as landowners and business people, who are the leading luxury group, many consumers of luxury today are young people - Generation Z and Millennials. Investopedia has coined the term HENRY to describe them, meaning "High Earners, Not Rich Yet", who are driving the growth of luxury globally.

By 2025, Chinese luxury consumers will reportedly account for 50% of global luxury spending. On the other hand, luxury spending in the United States, Japan, France, and Italy has also rebounded significantly [2]. This shows that Chinese consumers have always dominated the luxury market, which stimulates more and more luxury products designed with Chinese elements, such as launching "Asia Only", "Tanabata Only", and "520 limited" products to attract Chinese consumers. The report also shows that Chanel, Louis Vuitton, Dior, Gucci, and Hermes are the most popular among women, while for men, Louis Vuitton, Rolex, Chanel, Armani, and Gucci are the most popular [2].

As the world's top luxury brand, Chanel has been one of the most preferred luxury brands by Chinese consumers. This paper presents a comprehensive analysis of Chanel's marketing strategy through the 4Ps theory to reveal the reasons for its outstanding marketing performance.

2. Theory

In this research, the 4Ps of marketing will be mainly used. The 4Ps were first formally introduced by E. Jerome McCarthy in 1960. McKinsey simplified the concept into the four "P"—product, place, price, and promotion. The 4Ps can help marketers design programs appropriate to their times' dynamic social and political realities and target markets. The 4Ps are often referred to as the marketing mix. Included in these "P" s" are a series of factors to consider when marketing the product, such as the location of the store, pricing strategies, brand awareness in the world, consumer demand for the brand and product, strengths and weaknesses compared to competitors, and suggestions for how the production company can interact with customers.

3. Overview of Chanel Company

3.1. Chanel Introduction

Founded in 1910 in Paris by Coco Chanel, Chanel is a French luxury fashion brand known worldwide for its timeless designs, iconic suits, and little black dresses. In addition, Chanel specializes in women's ready-to-wear, luxury goods, and accessories. Chanel revolutionized haute couture and garments by replacing structured, corseted silhouettes with more practical garments. Instead of striving for beauty that binds women to their achievements, couture made clothes that were more comfortable for women to show their freedom. To this day, women are still very fond of Chanel clothes.

3.2. Chanel Financial Statement

According to Figure 1 from the financial result of Chanel, financial results for 2021 were driven by solid demand from the local customer base for all product lines, highlighting the desirability of Chanel's creations. Total revenues for 2021 were \$15.6 billion, up 49.6% compared to 2020 and up 22.9% to 2019. Operating profit of \$5,461 million, up 170.6% compared to 2020 and 57.5% compared to 2019. a positive net cash balance at the end of 2021, reflecting Chanel's strong performance and financial discipline and the free cash flow of \$4,540 million in 2021[3]. Chanel's huge finances are also, as Philippe (2019), Chanel's Chief Financial Officer, said, "This financial statement shows that our financial position is very sound and we can maintain our position as a private, independent company for centuries to come.", meaning that Chanel can still maintain its independent position in the fashion world under the pressure of being annexed by Kering and LVMH [4].

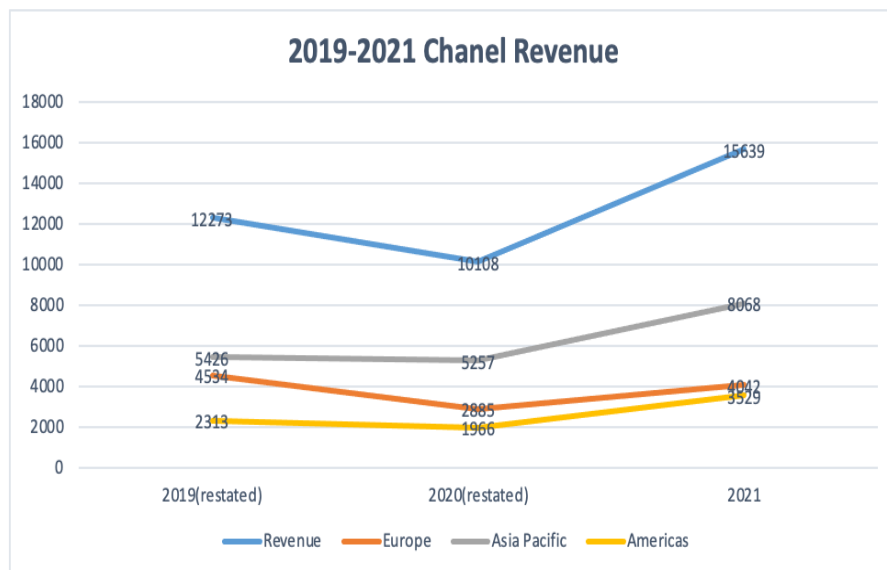


Figure 1: Chanel revenue.

4. Analysis of Chanel's Marketing Strategies

4.1. Product

Chanel is one of the world's leading luxury fashion brands catering to an elite clientele, and it offers a wide range of fashion products as a high-end luxury brand. Chanel's products are mainly aimed at women's clothing, accessories, shoes and bags, and makeup, but it also has a range of colognes and fragrances for men.

4.1.1.Chanel's Unique Design

The first product advantage is that Coco Chanel has constructed brand recognition with her unique designs and has given Chanel so many distinctive products, such as the classic "little black dress", the tweed jacket, and numerous iconic representations such as CHANEL N°5 perfume. None of these products can be considered separately from the brand, meaning that Chanel has converted its products into its most iconic symbols. Furthermore, unlike luxury products such as Louis Vuitton, which constantly introduces novelties in new seasons, Chanel releases new collections that still stick to the most popular bag models and follow the brand's traditional designs, such as the Chanel 19 and Chanel Leboy. This has helped Chanel cement long-term customer loyalty.

4.1.2.Chanel's Excellent Quality

In addition to the persistence in product design, Chanel's product quality has always been highly guaranteed. Chanel does not carry out mass production, only launching limited edition products, especially fashion clothing and fine jewelry. Chanel Haute Couture is equal to the highest level of modern fashion. The Chanel workshop first makes an exclusive mannequin for the customer, then designs and makes the clothes based on the mannequin. After completing the first draft, Chanel will take the sample clothes and specifically fly to the customer's city to help the customer try it on, then continue adjusting according to the actual situation. At least three months later, exclusive to the customer's name and a number of the world's unique Chanel Haute Couture will come into the customer's hands. The most conspicuous thing is that the few remaining high-fashion brands all have machine-made parts, but only Chanel's Haute Coutures are all made from start to finish in a high-

class handicraft workshop in Paris. Also, any supplier of delicate fabrics will prioritize Chanel for their traditional fabrics, and Chanel will buy out the rights to use such fabrics to build their unique branded products. It also perfectly matches the psychology of high-fashion customers seeking unique quality and attracts more consumers through exquisite but rare products.

4.2. Place

The locations of Chanel stores are chosen in high-end luxury malls catering to the high aristocracy or in the terminals of international airports, as this is where most potential customers travel. To cater to its target clientele, Chanel even opens boutiques in the lobbies of some five-star luxury hotels, such as the Bellagio in Las Vegas, where Chanel boutiques have been opened in the commercial streets of the hotel, where spending has become the most significant pastime for tourists in a paper-drenched urban atmosphere. The research from the MBA Skool Team (2022) showed that "The Chanel boutiques are located around the world including cities like New York, Boston, Amsterdam, São Paulo, Sydney, Hamburg, Cannes, Miami, Bangkok, Geneva, Tokyo, Saint Tropez, Moscow, Los Angeles, Paris, Dubai and London- which is the biggest in the world. It has around 300 Chanel boutiques, out of which 120 are in North America, 90 in Asia, and 70 in Europe. In addition, its fragrance and skincare counters are available across high-end luxury malls [5]."

As the world's largest consumer of luxury goods, Chinese consumers are highly valued by Chanel. Chanel seized the opportunity to enter the Chinese market in the 1990s, a critical period for the booming Chinese economy, and today has opened more than a dozen Chanel stores in first-tier cities such as Beijing and Shanghai. In this critical era of rapid economic growth, the needs of Chinese consumers began to change, and more wealthy people turned their attention to the luxury market. In 1999, Chanel opened their first store in Beijing on the Wangfu Peninsula. Until now, Chanel has over fifteen stores in China, which is growing with the demand of Chinese luxury consumers [6]. Most Chanel stores are located in first-tier cities or traveling cities' most luxury shopping centers since this can match the shopping malls where Chinese target customers are often found.

From Chanel's place strategy, we can see that Chanel has a clear plan for the brand's market positioning, and its presence in high-end malls also allows them to maximize its chances of attracting target customers. Chanel also provides customers with a unique brand experience in its stores. Consumers have a different experience when buying luxury goods than they usually do. Chanel's offline stores offer one-on-one service, elegant and bright store design, and attentive sales staff that make Chanel stand out from its competitors. Many online celebrities post photos of themselves in Chanel stores on social media platforms, which invariably promotes Chanel.

4.3. Price

4.3.1. Worldwide Chanel Pricing Strategy

All worldwide Chanel products' prices follow a premium pricing strategy since Chanel's pricing has consistently met the fashion needs of upper-class aristocrats and satisfied the human appetite for beautiful things. Because of the high quality and rarity of the raw materials used in Chanel products, the elegance of the products, and willing payment from the wealthy target group, it still makes everyone line up in stores to buy, even with its exorbitant pricing. Upper-middle-class people are also willing to pay for Chanel products because Chanel products can improve their social status. In order to attract different wealthy levels of consumers, Chanel has various pricing strategies. For example, Haute Couture is priced at the very high end, from \$50,000 to \$100,000 or even higher than \$400,000 a piece, attracting many wealthy people. Also, most everyday clothes, shoes, and bags for the upper middle class are between \$1,000 and \$50,000.

Chanel has raised its costs four times in one year since its big hit. According to CBN Data, the price of the 2.55 medium mouth cap bag has increased by more than 65% in just two and a half years. Chanel's price increases reflect a brand's popularity and reinforce its exclusivity. More specifically, Chanel's constant price increases can boost the brand's sales. In addition, because the price continues to rise, it captures the psychology of consumers who are worried about the price going up again, attracting many consumers who are still hesitant to buy now.

4.3.2. Particular Pricing Strategy in the Chinese Market

Surprisingly, Chanel has a unique pricing strategy in China - lowering the price of its products in China since 2015[6]. As the second largest market for luxury consumption, Chinese consumers have responded positively to this unique pricing strategy. Since it is unusual for luxury brands to lower prices in China, most brands tend to raise their goods' prices to make them more exclusive. This pricing strategy has reinforced Chanel's good brand image in China and attracted more potential customers.

Although the price in China is lower, Chanel still insists on the strategies of raising its price at the same time around the whole world, including China. The price increase will make Chanel unaffordable to more middle- and upper-class people, so when the resistance to obtaining Chanel becomes greater, consumers' desire to buy will also increase, even if purchasing Chanel's goods is a small short-term goal to motivate money. This is an important reason to explain that even with a high premium and price increase pricing strategy, Chanel still tops the 2021 survey of Chinese high-net-worth consumers as their favorite luxury brand.

4.4. Promotion

4.4.1. Chanel Basic Promotion

Chanel has invested in promotion in a variety of ways. Firstly, Chanel will place advertisements for its products in high-end fashion magazines such as Vogue and Elle to attract a high-end customer base. Among those advertisements, watches, perfumes, and makeup are the most popular since they can bring Chanel the most significant revenue. A \$42 Chanel lipstick is more likely to attract more consumers than a Chanel bag which costs \$6,000 or more.

Secondly, Chanel also uses elegant store layouts and creative mannequins to display goods in the windows of boutiques to attract customers, even making some Chanel stores become places where many people take pictures. Then, Chanel also hired supermodels and Hollywood actors to model for their brand and invited them to wear or carry Chanel products on the red carpet. Chanel used the fame of models or celebrities to get much promotion and let people enjoy Chanel fashion on famous social occasions.

Moreover, Chanel's biannual new release shows attract much attention from the media and fashion industry, allowing its new release products to get many clicks and views on social media. Chanel also shows perfectly illustrates its elegant and premium brand positioning. For example, for the Spring/Summer 2019 show, the theme of the launching products was beach resort style. Chanel set up the Grand Palais in Paris as a beautiful and serene golden beach. Throughout the show, models wearing Chanel's new season clothing and barefoot walking across the beach. The whole show creates the scene of a cozy beach holiday for the aristocratic ladies of high society, and it is also one of the marketing strategies that Chanel wants to present in front of the public. When people start to imagine this perfect scenario, they will also have higher psychological expectations of Chanel's garments products, which is conducive to improving the perceived value of the Chanel brand itself.

Finally, with the development of data, Chanel has also expanded its marketing channels to social media. With 23.6 million followers on Facebook and 52.65 million followers on Instagram, Chanel

has the most followers of others luxury brands' social accounts. This large fan base has effectively helped Chanel promote their new merchandise and multiple product lines on social media, such as fragrances and beauty [7].

4.4.2. Chanel Promotion in the Chinese Market

Chanel's promotional tools in China are also very targeted. As a first point, Chanel appointed celebrities known in China, such as Jennie of Blackpink and supermodel Liu Wen, as ambassadors for Asia. Specifically, Jennie has over 11.3 million followers, and her posts about Chanel products have had a significant impact on China's youth, where star-studded culture is prevalent, raising brand awareness among the younger generation and driving sales from a large number of fans.

Furthermore, Chanel launched exciting offline events to attract customers, such as the brand expo in Beijing in 2011, the electro party about the new watch launch in Chengdu, and the "Sense Chanel" fragrance exhibition in Shanghai in 2021. The primary purpose of these events was to gather mass attention to promote the brand's various product lines and let people know that Chanel has products for the middle class in addition to its expensive fashion [6].

Lastly, Chanel has created an official Chinese website for Chinese policy reasons to help Chinese people know more about the brand. In 2019, Chanel officially reached an agreement with Tmall to sell some cosmetics and toiletries on its website. Despite the rapid development of online shopping in China, Chanel insists that customers come to its offline stores to buy clothes, shoes, and bags to ensure the brand's quality. Due to Chanel's digital strategy, Chinese luxury consumers are not only buying Chanel beauty and perfume but also buying Haute Couture clothes now.

5. Conclusion

Luxury goods are nowadays more and more favored by contemporary people, especially the young group, and the luxury goods market shows an increasingly prosperous economic phenomenon. Even though there are many luxury brands, such as Louis Vuitton, Gucci, and Dior, Chanel's product range is still prevalent in most of the fashion market, from clothing, leather goods, watches, jewelry, and shoes to fragrances, skincare, and beauty. This paper analyzes its marketing strategy in detail through the 4P theory. Chanel's high-end products are combined with a careful selection of boutique locations in the world's major cities and various promotions covering social media platforms, data markets, and global advertising campaigns to achieve Chanel's brilliant status today. Chanel maintains a conservative and cautious approach to traditional luxury on many levels. For example, Chanel has always protected its traditional classic designs but added different elements to each season's new collection. Particularly in Chanel's core ready-to-wear and handbag business, Chanel has also tried to adhere to the traditional definition of luxury by building a differentiated brand strategy, which is, selling one-of-a-kind products to satisfy the desires of the wealthy beyond their actual needs. As mentioned in the previous discussion of Chanel's pricing strategy, unlike other luxury goods that have been replenished to meet consumer demand, Chanel has been accelerating the frequency of price increases to maintain the scarcity of its core products to ensure product quality, stimulate consumers' desire to buy, and meet the demands of the highest tier of the pyramid, price-insensitive high net worth consumers "Unique". Even though Chanel has premium pricing strategies, it still cannot resist the increasing demand of consumers. Besides the top-of-the-line Haute Couture collection, Chanel's other products are attracting the attention of young working people, reflecting Chanel's success in capturing the market of young consumers once again. In the future, we will consider comparing and analyzing the marketing strategies of Chanel and other companies to improve the knowledge of the whole industry market.

Author's Contributions

In the whole process, the author researches, organizes, writes, revises to complete this article.

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