

Luxury Brand Marketing Strategy - Taking Chanel as an Example

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Abstract. As consumers pursue quality and personalization, brand marketing strategies play a decisive role in the development of enterprises. In today's fiercely competitive business environment, it is particularly important to study marketing cases for the Chanel brand. However, there is currently relatively little in-depth analysis of the specific strategies and effects of Chanel brand marketing, and there is a research gap. This study will combine direct and indirect methods to deeply analyze Chanel's marketing methods, including advertising, product positioning, channel selection, etc. Through comparative research and case analysis, reveal the key factors for its success. Research has found that Chanel has successfully shaped a high-end and elegant brand image through precise market positioning, unique creative design, and multi-channel marketing strategies. Its unique brand story and cultural connotations have also attracted many loyal fans. In short, the success of Chanel brand marketing lies in its meticulous market positioning, innovative and diverse marketing strategies, and deeply rooted brand culture. This comprehensive approach ensures that Chanel maintains its position as a leading luxury brand in the global market while still being attractive to consumers. By understanding and analyzing Chanel's marketing practices, companies can gain valuable insights on how to effectively position and promote their own brands in today's fiercely competitive market.

Keywords: Market, price, product, strategy, marketing.

1. Introduction

In the context of globalization and rapid economic development, brand marketing has become the key for enterprises to win market competitive advantages. Especially in the luxury goods industry, major brands are investing a lot of resources in marketing strategies to compete for market share and stand out. In the post-epidemic era, according to Bain and Company, the luxury goods market contracted by 23% in 2020, with a global market value of around one trillion euros, approximately the same as the luxury goods market in 2015 [1]. According to Deloitte's Global Powers of Luxury Goods 2021, Chanel is ranked sixth, with Chanel Limited's market capitalization at US\$10,108 million. Compared to 2018, before the epidemic era, Chanel Limited's market capitalization fell by approximately US\$ 1 billion from US\$11.12 billion. As a world-renowned luxury brand, Chanel's unique marketing strategy has always been a focus of research in the industry. The importance of brand marketing is not only reflected in shaping the corporate image and reputation but also directly related to the survival and development of the enterprise. In the luxury goods industry, the importance of brand marketing is particularly prominent. The luxury goods market is highly competitive, and brand marketing is not only a means of conveying brand information but also an important way to showcase brand strength and demonstrate brand status. Luxury brands need to showcase their unique value and noble quality to consumers through carefully planned marketing strategies, to attract the attention of high-end consumers. This study will deeply analyze the marketing case of the Chanel brand, and comprehensively review its development process and current situation using literature research and case analysis methods. The analysis of Chanel's brand positioning, product design, communication strategies, and channel management will be emphasized to unveil the inherent logic and external manifestations of its brand marketing. Regarding research methods, the sequential approach of posing questions, analyzing issues, and resolving them will be adhered to. Initially, the research questions and hypotheses will be clarified through a comprehensive literature review and field investigation. Subsequently, techniques like case analysis and in-depth interviews will be

employed to gather and analyze data. Ultimately, based on the research findings, targeted suggestions and strategies will be formulated, serving as a reference for other brands. In essence, brand marketing holds significant importance for business success, particularly in the highly competitive luxury goods industry. As a representative of luxury brands, Chanel's successful marketing strategy and brand culture have provided people with valuable experience. This study will delve into Chanel brand marketing cases, reveal their successful strategies and logic, provide valuable references for other brands, and promote innovation and development in brand marketing theory and practice.

2. Chanel Introduction

Chanel is a French fashion house established and initiated by Gabrielle Chanel in 1910. The primary intention for Gabrielle was to create a visionary allure for modern women through Chanel's products by allowing "a wardrobe freed from constraints and superfluity." Chanel is renowned for its timeless design, iconic suits, and small black dresses. In addition, Chanel specializes in women's clothing, luxury goods, and accessories. Chanel replaced structured tight-fitting bras with more practical clothing, completely changing haute couture and clothing. Unlike the pursuit of beauty that binds women to achievement, haute couture creates more comfortable clothing for women to showcase their freedom. Even today, women still love Chanel clothes very much which is now worth \$3 trillion and contributes 2% of the world's GDP [2].

2.1. Chanel Financial Statement

According to from the financial results 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 financial position is very sound and can maintain 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].

3. Analysis of Chanel's Marketing Strategies

Chanel's luxury brand concept is built around elegance and timelessness. This brand concept directly contributes to the brand marketing of Chanel's products [5].

3.1. Product

Chanel items are the only ones a fashion house product with a consistent market share [6]. From 1910 to the present, Chanel has expanded its product portfolio with more varieties, such as ready to wear, perfume, accessories, cosmetics, and many fields related to fashion and daily life. Among them, Chanel N°5 perfume, as a classic of the brand, has won the favor of global consumers with its unique fragrance and lasting fragrance. The bottle design of N°5 perfume is simple and elegant, which not only reflects the elegant style of Chanel, but also highlights the unique personality of the brand. Another classic product, the Chanel 2.55 black gold handbag, is an excellent choice for showcasing women's elegant charm with its high-quality leather material, exquisite metal chains, and unique double C logo. In the field of skin care, Camellia series skin care products are highly praised for their excellent moisturizing and anti-aging effects, which can improve skin texture and enhance skin gloss. Chanel has been committed to handmade sewing for a century, cultivating specialized luggage craftsmen and clothing tailors with traditional craftsmanship. The handmade method with brand

patents insists that each product has a certain processing time, and Chanel insists that only products that have undergone the necessary processing time can ensure product quality.

3.2. Price

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 [7]. In the luxury goods industry, Chanel has maintained relatively high product prices due to its excellent quality and unique design philosophy. Taking the highly anticipated classic flip bags and other classic styles as examples, these designs not only represent the essence of the brand, but also the darling of the fashion industry. However, in recent years, with the rise in raw material costs and the increase in brand value, the prices of these classic styles have also increased. Some handbags even retail for over \$10000, which undoubtedly further highlights Chanel's high-end positioning. Chanel's ready-made clothing prices are also higher than other brands in the industry, which brings both advantages and challenges for Chanel. From an advantageous perspective, higher prices are often associated with higher quality and more unique designs, making Chanel bags a symbol of status that can bring prestige and status to those who own them.

However, excessively high prices have also become a factor that hinders some people from purchasing Chanel products. For some consumers, they may not be able to purchase these desired bags due to budget constraints or insufficient purchasing power. This undoubtedly limits the market expansion and potential consumer base of the Chanel brand. Therefore, Chanel needs to weigh the pros and cons in its pricing strategy, maintaining the brand's high-end positioning and product uniqueness, while also considering consumer purchasing power and market demand. Only by finding this balance can Chanel maintain its leading position in the fierce market competition and achieve sustainable development.

3.3. Promotion

Chanel spent over a billion dollars in advertising and promotion during 2020-21. It cut the total marketing budget by 23% from a \$1.77 bill in mid-2019 to a \$1.36 bill in mid-2020 to account for the 18% discount in revenue reported during this period [8].

Despite cutting these budgets, Chanel remains committed to promoting its products through high-end fashion magazines, targeting a mature customer base. Watches, perfume and cosmetics are particularly popular advertising categories for Chanel because they bring considerable revenue to the brand. It is worth noting that Chanel sells its products globally, but it only operates approximately 310 active boutiques worldwide. This limited retail presence, coupled with the limited number of products released each year, creates a sense of exclusivity. Recently, Chanel introduced a quota system that limits the number of products customers can purchase each year. Although this strategy may reduce customer traffic and pose challenges for online shoppers, it enhances the brand's exclusivity and perceived value [9]. By creating a sense of scarcity and providing a unique shopping experience, Chanel has successfully raised the price of its products while maintaining strong demand. This is evident in the sales of Chanel handbags, and even a significant price increase has not dampened consumer enthusiasm. For example, last year, the price of Chanel's iconic flip handbag increased several times within a year, but demand remained strong. Despite the challenges posed by the pandemic and its distribution strategy, Chanel has managed to maintain its position as a leading luxury brand. Its focus is on creating unique and exclusive brand experiences, coupled with its strategic marketing efforts, enabling it to continue to thrive in the fiercely competitive luxury goods market.

3.4. Place

Chanel's distribution or location is limited to offline stores. During the coronavirus pandemic, all physical stores were blocked and Chanel refused to open an online store. Chanel is an outstanding brand with a century long history, with stores located in prime locations in major cities around the

world, providing customers with an immersive shopping experience in each store. In China, Chanel has opened 29 stores and is deeply loved by consumers. However, the sudden outbreak of the epidemic forced these stores to temporarily close, and sales also experienced an unprecedented decline. To address this challenge, the brand had to adjust its strategy and stabilize its annual sales by increasing the price of individual products. But this decision also brought certain side effects, leading to some customer loss. With the continuous development of the market, new marketing methods such as new media have emerged like mushrooms after rain, bringing new challenges and opportunities to brands. As a traditional luxury brand, if Chanel cannot keep up with the times and increase brand exposure, it may soon be forgotten by the market and replaced by other brands. At present, the interaction between Chanel and consumers is not close enough, relying too much on traditional offline stores. In this era of informatization and digitization, brands need to build more comprehensive and multifunctional communication channels, engage in frequent interaction and contact with consumers, and enable brand information to be effectively disseminated through various channels. However, due to the characteristics of the brand itself and the impact of external emergencies, Chanel is facing the problem of traffic loss and weakened influence. To address this dilemma, brands need to seek new strategies and methods, strengthen their connections with consumers, increase brand exposure, and ensure that they maintain a leading position in the fierce market competition.

4. Chanel's Strong Integration of Online and Offline

Chanel's strong integration of online and offline is one of its important marketing strategies. As a high-end brand, Chanel's strengthening of online and offline integration is one of its important marketing strategies in the digital age. With the risk of digital media, Chanel has also shifted its attention to it, and Chanel's advertising is as simple and effective as under Gabrielle Bonheur Chanel; at the same time, offline physical stores provide a realistic touch and try on experience, allowing customers to personally experience the texture and comfort of the product. It is worth noting that the traditional boutique is Chanel's best distribution outlet as it provides the rich customer experience [10]. In addition, combined with AR or VR technology, Chanel can also provide consumers with an immersive online shopping experience, allowing them to preview the product display and shopping environment of offline physical stores online. In terms of marketing activities, Chanel can synchronize online and offline, such as limited time discounts, new product releases, etc., and widely spread through online platforms to attract more consumers to participate. Offline physical stores can set up dedicated activity areas to hold themed parties, fashion shows, and other events, providing consumers with a unique shopping experience, thereby enhancing their brand awareness and loyalty. Finally, in terms of data sharing and operational optimization, Chanel can collect and analyze consumer data, including purchase records, browsing behavior, etc., through the integration of online and offline methods, to more accurately understand consumer needs and preferences. Based on these data, Chanel can develop more precise marketing strategies, optimize product design and production processes, and improve sales conversion rates and customer satisfaction. In summary, strengthening Chanel's online and offline integration strategy requires starting from multiple aspects such as product display and experience, customer service and interaction, marketing activities, and data sharing and operational optimization. Through the implementation of these measures, Chanel can better meet the needs of consumers, enhance brand value and influence, and maintain a leading position in the fierce market competition.

5. Conclusion

Firstly, from the research results, Chanel has successfully shaped a high-end and elegant brand image in its product strategy with excellent creative design and quality control, attracting many loyal fans. In terms of pricing strategy, Chanel maintains a high price point, effectively ensuring the brand's sense of luxury and profit level. However, this has also led to some potential consumers being

hindered by price barriers, limiting the brand's market expansion. In terms of channel strategy, Chanel has expanded its brand influence through global layout and online expansion. In terms of promotional strategies, Chanel is relatively conservative and has not fully utilized promotional methods to increase sales and consumer stickiness. Based on the above research results, the Chanel brand has exposed certain limitations in its marketing strategy while maintaining its high-end image. To further enhance brand influence and market competitiveness, Chanel needs to consider adjusting its pricing strategy moderately while maintaining product innovation and quality to meet a wider range of market demands. In addition, Chanel needs to strengthen online and offline integration. Through the implementation of these measures, Chanel can better meet consumer needs, enhance brand value and influence, and maintain a leading position in fierce market competition. This study fills some gaps in Chanel brand marketing strategy research and provides valuable references for relevant enterprises and scholars. Meanwhile, the research results are beneficial for Chanel brand to better understand market demand and competitive trends, optimize marketing strategies, and achieve sustainable development. However, there are also certain shortcomings in this study, such as the limitations of data samples and the singularity of research methods. Future research can further expand data sources and research methods to provide a more comprehensive and in-depth analysis of the marketing strategies of the Chanel brand.

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