

Analysis on Chanel Group Digital Marketing Strategies

Yifan Liu*

School of Management, The University of Melbourne, Melbourne, Australia

* Corresponding Author Email: yfliu@STUDENT.WUST.EDU.PL

Abstract. The tsunami of digitalization has steadily permeated the luxury industry with the gradual development of Internet technology. First-line luxury brands such as Gucci and Dior have carried out digital innovation. One of the most popular luxury brands among consumers, Chanel, which is famous for avoiding selling its clothes and handbags online, is one of the last digital holdouts in luxury fashion. Although Chanel had to adjust its marketing strategy under the influence of the digital wave, it has always maintained a unique strategic deployment. Therefore, this paper adopts the 4Ps model to analyze the digital marketing strategy of the Chanel Group. It is found that Chanel still prioritizes traditional magazines and other paper media, despite plans to increase spending on digital channels. It is also uncommon to see Chanel's input in some digital channels of promotion, such as screen pop-up windows and web pop-up windows on some social media. Finding the right marketing strategy is essential to resolving the conflict between the demands of youthful consumer groups and the established brand's reputation.

Keywords: Chanel, the 4Ps, digital marketing.

1. Introduction

Digital marketing is a method of connecting brands with potential clients using the internet or other types of digital communication. The benefit of digital marketing is that it may engage with customers in a timely, relevant, and personalized manner, whether by email, social media, or web-based advertising. The communication method of digital marketing is cost-effective, and it also can be through text and multimedia messages of marketing channels to connect brands and consumers. Due to the accessibility of digital channels, digital marketing has become increasingly important. According to statistics, as of January 2023, the number of global Internet and social media users will reach 5.16 billion and 4.76 billion, respectively [1]. Therefore, businesses can use digital marketing strategies to communicate with target consumers through various methods. For example, SMS, email, social media, etc.

Digital marketing has added new functions such as information exchange, online purchasing, electronic money, online advertising and corporate public relations to the marketing mix. Search engine marketing has evolved as an efficient digital marketing technique for brands to raise their brand's visibility in results pages for search engines (SERPs) and boost their brand presence as more consumers prefer to purchase things online. Search engine marketing includes natural search activities such as search engine optimization (SEO) and payment. Its advantage is that using SEM can immediately obtain results, which can be said to be the fastest way to attract traffic to a website.

Unlike most digital advertising, paid advertising is non-intrusive and does not disrupt consumers' search tasks. Content marketing is a key component of search engine optimization, attracting and retaining consumers by creating and sharing relevant articles, videos, podcasts, and other media. As a digital marketing strategy, effective content marketing strategies can enhance the brand's online visibility, increase potential consumers, enhance consumer loyalty, and enhance the brand's authority in specific content [2]. Social media marketing is also one of the strategies of brands' digital marketing. Brands use social media to promote their products, services, and culture. Brands can use social platforms such as Instagram and Facebook to promote or sell products and services, and it also can allow consumers to participate in online discussions to increase brand traffic and awareness.

The value of the global digital marketing market in 2022 is close to 321 billion US dollars. It is expected that the market will grow at a compound annual growth rate of 13.1% from 2023 to 2028, reaching approximately 671.86 billion US dollars by 2028 [3]. The future growth prospects are

expected to be high in the digital marketing market as more and more people consume and create content through digital channels.

Digital marketing sustains the engagement between brands and consumers by delivering unique, exclusive, emotional, and multi-channel experiences. Most brands, including luxury brands, need to use the right technology at the appropriate time to provide consumers with suitable value and experience in order to retain consumers and outperform competitors [4]. Although luxury brands have in-depth research on consumers' psychology, cognition, emotional value and brand attachment, the widespread influx of digitalization has an impact on consumers' behavior and the way consumers interact with brands [4]. Compared to traditional marketing, communication in digital marketing is double-way, with customers raising questions or suggestions about the brand's business, products, and services [5]. Social media sites, chat, and email are all major media for brands to communicate with customers.

Digital consumption has brought about changes in consumer behavior. Consumers usually search for product information before making a final purchase decision, while digital marketing makes product information transparent. Consumers can compare the performance, price, and user experience of products through search engines, social media, and other platforms. Compared to traditional marketing, consumers can better communicate with brands and participate in the customization process of products in the process of digital marketing, changing from passive to active [6].

According to a report by PricewaterhouseCoopers, the luxury market size will reach 36.37 billion US dollars in 2023, and the global luxury market will achieve a compound annual growth rate of 11% from 2022 to 2025 [7]. According to the Bain Luxury Research Report, double-digit growth in the online luxury market in 2022, with brand stores continuing to gain market share [8].

This essay will take Chanel as an example, using the 4Ps model to analyze the change in Chanel's marketing strategy in the digital environment.

2. Company Background

The Chanel Group is a well-known French luxury brand. Fashion stores and accessories, scent cosmetics and skincare, watches and jewelry are among the key offerings. Chanel Group was ranked 34th among the "Top 500 Global Brands" in 2020. In the context of new retail digitalization, Chanel has changed its marketing strategy while adhering to the classics and traditions of brand value and made corresponding digital adjustments to the brand's marketing strategy.

After entering the digital age, Chanel adjusted its marketing strategy E-commerce Chanel has its own development strategy. In 2015, Chanel made comprehensive adjustments to global prices and cooperated with net-a-pot to try online sales for the first time; Then, in 2016, Chanel launched WeChat e-commerce and sold N°5 perfume on the WeChat platform; Next, in 2017 Launched the Rouge Coco Gloss series of lipsticks, and announced that it will not launch online clothing and handbags for the time being; Minority stake in platform Farfetch. In 2019, Chanel's perfumes and cosmetics will enter Tmall Supermarket.

3. The 4Ps Strategy

3.1. Product Strategy

Chanel's products include high fashion, jewelry, handbags, eyewear, cosmetics and more. Chanel's main digital marketing product strategy focuses on cosmetics, glasses, fashion accessories and other products. Chanel's product strategy not only retains the brand's classic elements such as camellia, double C logo and classic black and white packaging design, but also further extends the product line to meet the needs of the new generation of luxury consumers and extend the product life cycle as much as possible. For example, in order to cater to the love of the younger generation of consumers, Chanel N°5 perfume has successively launched the light fragrance, essence, and refreshing fragrance " N°5" suitable for young girls in addition to the classic fragrance. Furthermore, Chanel has also

developed more daily products such as the N°5 series of hand cream, perfume soap, and shower gel, extending the product line while retaining the classic elements of the brand, and further enhancing product value.

Another impact of the digital environment on a brand's product strategy is the facilitation of mass customization, where digital interfaces allow customers to easily select options and configure products to their specifications. Chanel has designed a "selection board" (or selection menu) of various functions and options on the official website and third-party platforms, which can be used by consumers to configure their own products and services. Consumers can choose their preferred product mix, price range and delivery method when purchasing. For example, consumers can choose their favorite product series when purchasing lipstick products on Chanel's official website, or they can freely choose their favorite product combination at specific festivals. Furthermore, consumers can choose two samples of their favorite products and provide personalized information for free when checking out, and Chanel's product packaging is made of recyclable materials to satisfy consumers' concerns about product sustainability.

3.2. Price Strategy

Most of Chanel's products are non-essentials, so they have greater price elasticity. Between different regions, due to the impact of consumer income levels, tariffs, costs and other factors, there is often greater price discrimination. However, online shoppers are more price sensitive than offline shoppers. Compared with offline consumers before buying products, online consumers can fully compare prices between various platforms, and even prices in different regions. Therefore, in 2015, Chanel implemented a price reduction strategy of 20% in the Chinese market, setting off the trend of "global price convergence". Chanel's previous pricing strategy was based on prestige pricing and skimming pricing. In the digital age, Chanel has launched different product portfolios and adopted new pricing methods such as bundled pricing. For example, the product combination price of Chanel's N°5 series of de toilette and soap for consumers is more favorable than buying the two products separately.

On the other hand, with the improvement of mobile payment and third-party payment systems, Chanel provides consumers with different payment methods such as installment payment and down payment in online channels, compared with the previous "money and goods" payment method. While attracting new consumers, it is also in line with the consumption habits of millennials. According to statistics, mobile payments are used by over 2 billion individuals worldwide, and the younger generation in many countries skips the usual process of owning a credit or debit card and uses mobile applications instead [9]. In 2021, the mobile payment transaction volume will reach 1.7 billion US dollars, with an annual growth rate of 27% [9].

3.3. Place Strategy

According to statistics, with the rapid increase in Internet access and adoption worldwide, with more than 5 billion Internet users worldwide, the number of people shopping online is also increasing. Global retail e-commerce sales are predicted to over \$5.7 trillion by 2022, with e-commerce accounting for more than 20% of total worldwide retail sales [10].

Under the influence of the digital environment, the expansion of Chanel's online retail channels mainly has two aspects. One is the e-commerce channel, mainly based on self-built B2C malls and third cooperation platforms such as Tmall and Amazon. On the other hand, Chanel has also developed mobile e-commerce channels, mainly based on the official mobile phone mall and social media. The advantage of this channel is that it can meet the cross-channel purchasing behavior and needs of consumers, allowing consumers to shop anytime and anywhere. It also offers various advantages in dealing with crises such as rapid changes in customer demand, staff resignation or illness, and dealing with consumer queries or complaints [11]. On the other hand, Chanel provides consumers with free or paid delivery services, allowing consumers to pick up the goods as soon as possible after

completing the payment. The 2022 state of shipping report reveals that 62% of shoppers expect their order to arrive within 3 business days when they opt for free shipping [12].

Luxury shoppers have higher expectations for the delivery experience than non-luxury shoppers. Luxury customers are 32% more prefer to expect "rapid delivery" from brands than non-luxury consumers [13]. Luxury shoppers are 80% more likely than non-luxury shoppers to be "frustrated" when same-day delivery of an affordable product is not desirable [13]. Therefore, consumers can also choose to pick up goods at offline stores to save shipping costs and time, and consumers can choose to pick up goods at the physical store closest to them to reduce waiting time.

Furthermore, according to Chanel's 2021 financial report, Chanel will continue to invest in its current and future retail distribution network, including acquiring new retail buildings and opening boutiques to reflect the brand's artistic and cultural expressions [14].

3.4. Promotion Strategy

Chanel also adjusted its promotion strategy. Chanel has a clear plan for the selection of advertising channels and cooperation platforms. Carry out high-end quality control on the promotional content to cover more target customer groups.

In terms of advertising channels, in addition to traditional paper media such as magazines and newspapers, Chanel has also increased advertising on search engines, web pages and social media. According to the 2021 Chanel financial report, the investment in brand support activities in 2021 will reach 1.795 billion US dollars, with a growth rate of 32% [14]. Chanel uses paid advertising, and online presence to attract potential consumers through specific search keywords such as camellia. According to statistics, the number of visitors to Chanel's website is stable at about 8.6 million per month [15]. Chanel also uses clever email marketing tactics, such as: providing subscribers with access to a series of videos about new product launches. Although Chanel is known for shying away from selling its clothing and handbags online. However, this long-established French luxury brand has actively exerted its brand influence to shine on social media, such as Facebook and Youtube, establishing and maintaining a large and active community. In 2022, Chanel will have 2.12 million subscribers on Youtube's official account and more than 24 million fans on Facebook. In terms of content marketing, Chanel cooperates with traffic stars and uses the appeal of fans of traffic stars to attract the younger generation of consumers. For example, in 2020, Chanel invited French actress Marion Cotillard to shoot a brand-new N°5 perfume advertisement. Chanel also uses digital technology to produce brand-related documentaries, music, movies, etc., to tell brand stories, dig deeper into brand value, and maintain a certain social distance while through the depth and breadth of Internet media communication, establishing an emotional connection with the new generation of luxury consumers, and inspiring more consumers to resonate with the brand.

Furthermore, according to Chanel's 2021 financial report, future investment in digital plans is still a key area for Chanel to support customers. Chanel will further improve virtual try-on services, online appointments, and global digital applications to enhance the consumer experience [14]. Continuing to expand its e-commerce capabilities globally, Chanel also continues to expand its cultural engagement in 2021. Developed in partnership with five of the world's leading cultural institutions through the Chanel Cultural Fund, and launched the Chanel Next Prize to reward ten artists who have radically redefined art, ranging from visual arts, dance, music, and theater to games and the metaverse.

4. Conclusion

Although Chanel has made some adjustments to its marketing strategy, brands such as Dior and Gucci are still relatively conservative. As far as publicity strategy is concerned, although Chanel plans to allocate more budget to digital channels, traditional magazines and other paper media are still the focus of Chanel, and in some digital promotion channels such as screen pop-up windows and web pop-up windows on some social media, it is also rare to see Chanel's input. However, the relatively conservative marketing strategy is also to a certain extent that Chanel has avoided the problem of

insufficient growth in the purchasing power of a new generation of consumers brought about by excessive youth and digital marketing. Although Chanel brand designers need to face the ever-expanding mainstream consumers, Chanel still regards the core consumer group as the leader of the brand style and then advances to a broader market. However, with the gradual increase in the purchasing power of the younger generation, Chanel is no longer out of reach for consumers, which is also a manifestation of Chanel's gradual penetration of the market to the low-to-middle consumption level. In conclusion, with the development of Internet technology, digital planning is getting more and more attention from luxury brands. Different from traditional marketing strategies, digital marketing has changed in terms of products, prices, place, promotion strategies, etc. Therefore, in the marketing strategy of Chanel's future digital marketing plan, it is necessary to find suitable marketing to balance the contradiction between the needs of young consumer groups and the traditional image of the brand.

References

- [1] Petrosyan, A. Worldwide digital population 2023. February 2023. Retrieved on March 25, 2023. Retrieve from: <https://www.statista.com/statistics/617136/digital-population-worldwide/>
- [2] Baltes, L. P. Content marketing-the fundamental tool of digital marketing. *Bulletin of the Transilvania University of Brasov. Economic Sciences*, 2015, 8(2), 111-118.
- [3] Expert Market Research (EMR). Global Digital Marketing Market. 2022. Retrieved on March 26, 2023. Retrieve from: <https://www.expertmarketresearch.com/reports/digital-marketing-market>
- [4] Khan, S. A., Al Shamsi, I. R., Ghila, T. H., & Anjam, M. When luxury goes digital: does digital marketing moderate multi-level luxury values and consumer luxury brand-related behavior?. *Cogent Business & Management*, 2022, 9(1), 1-12.
- [5] Kannan, P. K. Digital marketing: A framework, review and research agenda. *International journal of research in marketing*, 2017, 34(1), 22-45.
- [6] Pillai, R., Holla, N., & Srinivas, D. A study on Digital marketing and its impact on Consumer Behavior. *PalArch's Journal of Archaeology of Egypt/Egyptology*, 2021, 18(9), 78-85.
- [7] PwC (2023, February). Mainland China and HK Luxury Market Insights: "Retrieve customer values for growth and sustainability". Retrieved on March 24, 2023. Retrieve from: <https://www.pwccn.com/en/retail-and-consumer/china-hk-luxury-market-insights-feb2023.pdf>
- [8] Bain & Company. Renaissance in Uncertainty: Luxury Builds on Its Rebound. January 2023. Retrieved on March 27, 2023. Retrieve from: https://www.bain.com/globalassets/noindex/2023/bain_digest_renaissance-in-uncertainty-luxury-builds-on-its-rebound.pdf
- [9] Curry, D. Mobile Payments App Revenue and Usage Statistics. January 2023. Retrieved on March 25, 2023. Retrieve from: <https://www.businessofapps.com/data/mobile-payments-app-market/>
- [10] Pasquali, M. E-commerce worldwide. February, 2023. Retrieved on March 25, 2023. Retrieve from: <https://www.statista.com/topics/871/online-shopping/#topicOverview>
- [11] Zhao, Y., Zhao, X., & Liu, Y. Exploring the Impact of Online and Offline Channel Advantages on Brand Relationship Performance: The Mediating Role of Consumer Perceived Value. *Behavioral Sciences*, 2022, 13(1), 16-21.
- [12] Carollo, R. Consumers Want Faster Delivery And They're Willing To Pay For It. August 2021. Retrieved on March 20, 2023. Retrieve from: <https://www.dropoff.com/blog/retail-delivery-consumer-survey-shoptalk-2018/>
- [13] Xdelivery. The State of Shipping Report, 2022: Why Faster Shipping Matters. Retrieved on March 25, 2023. Retrieve from: <https://xdelivery.ai/2022-shipping-report/>
- [14] Chanel Group. CHANEL LIMITED FINANCIAL RESULT. 2021. Retrieved on March 24, 2023. Retrieve from: <https://services.chanel.com/media/files/Press-release-2021-Results-ENG-FINAL.pdf>
- [15] Luxe. The 15 Most Popular Luxury Brands Online. March 2023. Retrieved on March 25, 2023. Retrieve from: <https://luxe.digital/business/digital-luxury-ranking/most-popular-luxury-brands/>