Research on Chanel's Market Strategy

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Abstract. Chanel, as a famous luxury brand in the world, has gain a wide reputation among the consumer groups. The article analyzes the market strategies of Chanel in depth, the preference of consumers, as well as some of the problems exists. Suggestions and references have put forward in the paper to improve and promote Chanel’s current marketing strategies.

Keywords: Chanel; Market Strategies; Market Segment Brand Analysis.

1. Introduction

Did you know the quote "I only wear N°5 to sleep" by Marilyn Monroe? It became the immortal legend of Chanel and up to now CHANEL N°5 is still the world’s best-selling perfume. What did the brand do to make it so profound? My research paper aims to demonstrate the market strategy that Chanel uses to increase its brand’s position and positive perception in the market and how it finally raises consumers’ awareness. It is important to discuss it today because I discovered through academic research and survey amongst high school that consumers in the modern era rarely understand the brand and what the brand has done to stand at the top of the social ladder. Instead, they follow the flow and use it as a tool to enhance their social status and to show off. This slowly faints the true value of Chanel. Therefore, it is necessary to bring it back. Chanel is an independent luxury brand that differentiates itself from other luxury brands because of its distinctive market strategies in three aspects.

Chanel’s unique personality and perspective toward social media makes it a distinctive luxury brand from others. As social media continues to rise and boom from decades ago to the modern era, a large number of luxury brands found it a good platform to distribute and sell their products and services to consumers all over the world. They offer their products online by establishing their own ecommerce website, even Hermès, a luxury brand company that emphasizes traditional in-store retail expertise, is not exceptional. Other brands are more open, such as Gucci, which started selling its products in December, 2021 on Tmall’s luxury Pavilion, China’s largest-retail platform. Under this general trend, Chanel stands alone in this luxury industry. By deleting all its social media accounts in January, 2021 and ignoring all e-commerce, Chanel differentiates itself from its competitors in this luxury space. “Today, e-commerce is a few clicks and products that are flat on a screen. There’s no experience. No matter how hard we work, no matter how much we look at what we can do, the experience is not at the level of what we want to offer our clients.” (Guilbault, “Inside Chanel's Digital Strategy,” Differentiation in luxury) Bruno Pavlovsky, president of Chanel Fashion and Chanel SAS, told Vogue Business in October. To Chanel, service is much more important than pure e-commerce itself. They believe that “nothing can replace the physical try-on and the sensory benefit,” (Guilbault, “Inside Chanel's Digital Strategy,” Fine lines between on and office) and they are not willing to sacrifice the opportunity for consumers to have a real contact with the physical product even if they acknowledge that digital has a huge attraction. In recent years, Chanel is always testing digital. They have launched Chanel beauty’s first app, Lipscanner, in 2021 which has combined visual recognition, visual try-on technology and ecommerce. Chanel is doing their best to connect consumer experience with the product. Cédric Begon, director of Chanel fragrances and beauty’s Connected Experience Lab said that “One click you like this picture, you upload the photo, second click you see yourself with the lipstick on your face… There’s value in going fast.” (Guilbault, “Inside Chanel's Digital Strategy,” Differentiation in luxury) In this way, Chanel is able to provide upper body experience to consumers that is lively and fun, and thus allow consumers to see if they suit the product.
2. Market Strategy

As Chanel started developing their ecommerce, they also have a good positioning and control over advertising. In order to bring viewers unforgettable visual effects and convey an image of nobility, Chanel has an extremely tight control over the mass media, which must be closely related to its target consumers, such as fashion magazines, high-end hotels, and clubs. They also developed an advertising cycle that makes their advertisements targeted and planned rather than wide coverage like Louis Vitton. The advertisement strategy of BRIC is an example. It is the most advanced series of Chanel make-up, which definitely targets the upper-class customers. Therefore, the advertisement of BRIC is rarely seen on the street or TV. But it appears in magazines and private clubs or first class-cabin, which shows that their products and advertisement are matched. This undoubtedly makes things more efficient and rapid than wasteful advertisement. Moreover, Chanel will also choose Hollywood stars and supermodels to represent their products, because they are people who have big influence. When stars and supermodels are wearing high set clothing and holding Chanel bags in the ceremony, the media will quickly focus on the stars, which benefit both the brand and the stars.

Chanel has good control over different segments of its target consumers through effective market segmentation strategies. They allocate corresponding products to each group of people and for each of them they have clear and accurate planning. The process of market segmentation is divided into three stages: segmenting, targeting, and positioning. Segmenting, the first step, is to group similar consumers who have the same need and buying habits together into segments. As for Chanel, their main consumer groups are those middle and upper class people, because of their high consumption ability. Therefore, they divided consumers into middle lower class, middle upper class and upper class. Targeting, the second step, involves decision making on how many segments they should target. Chanel targets all segments because of their abundant resources. They use a Multi Segment strategy, which is targeting different products and service concepts in each of the multiple market segments. This is a good wide adopted approach to spread risk for the corporation. Positioning, the last step, involves locating distinctive products in each of the segments and consumers must be convinced by the value of the products compared to other brands, which is difficult. For upper class women, Chanel provides private customization or limited edition, because they like to be unique among others. Color makeup and skincare are more inclined to those in the middle lower class, but some of them, such as BRIC, the most advanced series of Chanel makeup, is more inclined to upper middle class. Regular Chanel clothing will be targeted mainly to the middle upper class. They're kind of stuck in the middle, because they are not that wealthy to have private customization or limited editions, but they can afford Chanel’s clothes and bags. Since Chanel’s products are mainly for celebrities, such as stars and supermodels, and royal families, Chanel’s boutiques are rarely distributed around the world in order to match their noble status. The Chanel boutique stores are only available in luxurious store fields and famous areas. For example, only SKP and International Trade stores have sales channels in Beijing, which those smaller cities will miss. They can also be seen at relatively famous airports in big cities like New York, Boston, Amsterdam, Sydney, Tokyo, Los Angeles, Paris, Dubai, and London. However, cosmetics stores are distributed relatively in more places, because cosmetics are targeted to larger groups of consumers. They usually appear in smaller shopping malls in different cities. The distribution of sales channels indicate the different levels of product positioning for different groups of consumers. Chanel has a well-developed market segment strategy by clearly positioning each kind of products to each of the segments and by using the distribution strategy of sale channels to emphasize the level of each segment.

Telling a brand story is another strategy that Chanel uses to showcase its logo and symbol. It is undeniable that about 50% of the interviewees do not really understand the meanings behind the brand. They simply buy luxury to show off or to raise their social status. Only about 40% of them are interested in the history and background of the brand. That is to say, they didn’t build a strong emotional relationship with the consumers and they are losing the inherent meaning that they wanted to show to the audience. For Chanel, to make them ‘real and true’ in order to maintain ‘loyal consumers’, it is necessary for them to give consumers more knowledge about their brand. Telling
3. Conclusion

As Chanel’s ultimate goal is to build a strong luxury brand, it is important for the brand to create perceptions of exclusivity, identify niche segments, and emphasize the symbolic value. Unlike the usual mainstream brand, Chanel blocked the attraction of social media and had a precise control over advertisement. It also produces specific products that target different segments of consumers, making a powerful association with specific kinds of advertisement. Lastly, in order to create a sense of loyalty, credibility, and trust, Chanel emphasizes its symbolic value through storytelling and building a longstanding heritage. The marketing strategies that Chanel uses shows why it stands in such a high position in the luxury industry. And it is essential for audiences to learn about the brand to really build a strong emotional relationship with it.

The contribution of this paper mainly includes the following two points. Firstly, few paper has analyze Chanel’s marketing strategy in the past, while this paper discusses Chanel’s marketing strategy from the perspective of e-commerce, brand, advertising, and provides a meaning reference for related research. Secondly, this paper suggests an important idea that Chanel is exclusive. Only when consumers have enough understand of the brand history and intrinsic value can they establish a deep emotional relationship with Chanel.

References


