

To What Extent do Chanel's marketing Strategies Contribute to One's Popularity Around the World

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Abstract. By being one of the industry's most successful and famous luxury brands, Chanel demonstrates the role of market leadership. She provides practical marketing innovations to the industry's overall growth. Chanel not only retains the craftsmanship and design of products as classics for a millennium but also can maintain a stable customer base, follow the trend of new emerging tastes of a further generation, and target existing and new generations. This paper will investigate the taste and preferences of Chanel's key customers, the corresponding strategies of Chanel targeting, and models used to illustrate the competition of Chanel in the industry. More specifically, analysis methods and models, such as 4Ps, celebrity endorsement, and word of mouth, illustrate Chanel's marketing strategies and the fundamental reasons for its success. Also, the SWOT analysis further explores the internal and external advantages and disadvantages of Chanel's overall performance. From 2019 to 2021, the period with the spread of COVID-19, the general trend of Chanel's financial results suggested that the revenue decreased in 2020 due to the severity and effect of COVID-19. In 2021, with the economic recovery from COVID-19, the revenue recovered and exceeded the revenue by 2019 with an increase of 22.9%.

Keywords: Marketing; Chanel; Branding; Word of Mouth; the luxury industry.

1. Introduction

Once a business completes its product portfolio, marketing needs to be incorporated into the selling process since marketing is the process of giving the right product to the right customers through the right place and promotion. Implementing the right marketing strategies is one of the most critical factors of one's success. Therefore, to approach more customers in the right ways, those marketing strategies need to be carefully and effectively utilized by knowing and understanding the needs and wants of customers. The use of marketing creates branding, word of mouth, and all the effects that could make Chanel more attractive and impressive to customers, leading to more purchases and attention from customers.

This paper will focus on the analysis of the marketing strategies used by Chanel that made it to be successful as it is today. The source of information would come from the official website of Chanel, related journals of Chanel, research reports and predictions of customer taste, and the statistic and reports of its competitors. The official website of Chanel could provide background information to this paper, including the core value and history of Chanel. **Brîndușa-Mariana AMĂLĂNCEI** also explores the element that a compelling story might have to attract the customers' attention, such as pleasant character, the effectiveness in catching one's attention, the involvement of one's decision, and physical appeals to customers and how Chanel presents a coherent and consistent brand communication with their customers[1]. **Contagious: Why Things Catch On**, written by Jonah Berger, explores the six elements of the fundamental reasons for one's popularity which can be applied in this paper as a reference to what contributes to the popularity of Chanel[2]. The financial reports of Chanel from 2017 to 2021 are also available on its website, enabling it to analyze the sales trend and the impact of external shocks on Chanel. According to the financial reports of Chanel in 2021, the total revenue was 15.6 billion dollars, representing an increase of 49.6% compared to 2020 and an increase of 22.9% compared to 2019. The most popular products of Chanel can be found in mass media[3]. **Qing Chen** explores and analysis the financial results of Chanel and compares them with its competitors of Chanel, such as Louis Vuitton and Dior, to evaluate the overall performance of Chanel in 2020[4]. Huan **Fang and Yanting Zhang** analyze the need for e-commerce for Chanel

in the future, 4Ps strategies, and factors that led to the success of Chanel with the analysis of differentiators and staging and pacing[5]. **Fang and Li** explore the development and revolution that Chanel underwent from 1910 to 2022. The revolution contributes to the success of Chanel now by continuing to follow the changes in social trends and customers' preferences[6]. **Ning Guo** exemplifies the strategies of Chanel by illustrating the effect of its history, branding, the symbolism of brands, the double C logo of Chanel, and the design of Chanel's products to display how these strategies made Chanel successful and popular[7]. The book, *Business Management* [9], published by Cambridge University Press, indicates the concepts and evaluation of specific marketing strategies included in this paper[8]. In the Journal of **Yadi Wu**, she concludes that the background story of the establishment of Chanel, the practicability of products, the historical context of the liberalization of females, innovation, and the spirit of the continuation and heritage of Chanel caused the success of Chanel's development and continuation[9]. **Jing Zhang** analyzed the existing marketing strategies, such as price skimming pricing strategies, to win a reputation and create exclusivity to customers[10].

The paper will be written in four main parts: a firm description, an analysis of marketing strategies, a SWOT analysis, and a conclusion. The use of business models and tools would be used as the method to explain all the marketing strategies utilized in the paper.

2. Chanel's description and Marketing Strategies

2.1 Firm Description

Chanel is a French fashion house established and initiated by Gabrielle Chanel in 1910. The primary intention for Gabrielle Chanel to show Chanel was to create a visionary allure for modern women through Chanel's products by allowing "a wardrobe freed from constraints and superfluity."

When Gabrielle Chanel firstly established Chanel, the products portfolio were sportswear, cosmetics, and the most famous perfume, Chanel No. 5. Gradually, as Chanel expanded and explored different fields, products such as handbags, accessories, and ready-to-wear were also designed and produced by Chanel, making Chanel has expanded its product portfolio and targeting more customers. With the help of globalization, Chanel started to develop its potential customers without geographical limitations; it penetrated the global market, including Asia, North America, South America, and all the regions around the world, to become a top luxury fashion house with great popularity. Now, there are more than 300 hundred offline stores of Chanel around the globe.

Until now, Chanel only offers offline services to their customers. Even when the overall industry was disturbed and offline stores were forced to shut down during the most severe COVID-19, Chanel maintained the status of not launching an online-shopping route to customers when other brands started to penetrate customers through e-commerce.

From 2019 to 2021, the financial results show that the financial status of Chanel underwent a trough and recovery according to COVID-19. In 2019, the revenue of Chanel was 12.273 billion dollars; compared to 2018, there was an increase of 13.0% under the condition of a fixed value of the currency. The operating profit is 3,496 million dollars, an increase of 16.6% compared to 2018. The status of its balance sheet is positive at the end of the year, confirming Chanel's strong growth and strength in 2019. The finance put into investment is 1700 million dollars to brand support activities, which are activities to deliver the strategies on innovation and creation of Chanel. In 2020, its performance of Chanel was called "resilient." This year's revenue dropped 18% compared to 2019, which is 10.1 billion dollars. This year's operating profit was 2,049 million dollars, a 41.1% drop compared to 2019. The balance sheet remained balanced since, in the second half, the offline stores and trade gradually started to recover. The investment amount was 1360 million dollars, contributing to the brand support activities. In 2021, with the easing policy of COVID-19 worldwide, all the offline stores were back to operating. This year's revenue was a 15.6 billion dollars, representing an increase of 49.6% compared to 2020 and a 22.9% increase compared to 2019. The operating profit was 5461 million dollars, an increase of 170.6% compared to 2019 and a 57.75% increase compared to

2019. The balance sheet remained as cheerful as usual. The investment was 1,795 million dollars in brand support activities.

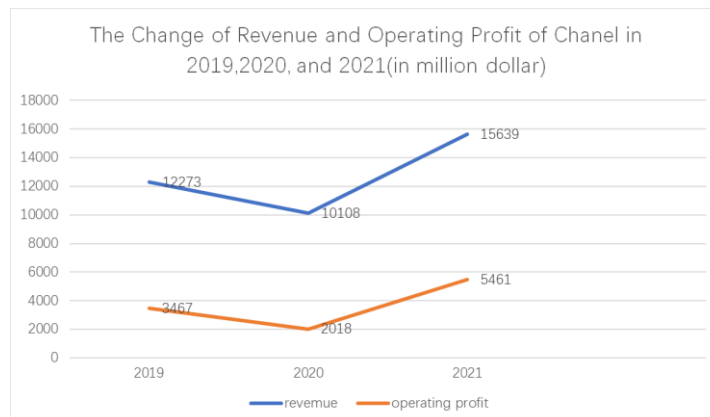


Fig 1. The change in revenue and operating profit of Channel

3. Marketing Strategies

According to the financial results above, Chanel invested a significant amount of finance in brand support activity, including the marketing strategies listed above.

3.1 4Ps

4Ps includes price, promotion, place, and product, which are the most critical element of a business to sell its products. The company needs to sell the right products at the right price with the right way of promotion in the right place to have. These elements are exposed to customers and affect how customers react to the brands and the purchasing decision.

3.1.1 Price

In the luxury fashion house industry, the price of products of Chanel can be considered comparatively higher compared to other luxurious brands, such as Gucci, Saint Lauren, and Prada. It implements price skimming pricing strategies to demonstrate luxury brands' prices. In these years, the price of most popular handbags, such as Classic Flip. The price of Classic Clap rose about 15% in 2021, representing a significant increase in the bag's price. The ready-to-wear of Chanel is also at a higher price than other brands in the industry, which can be both advantage and disadvantage to Chanel since the higher the price is, the more prestige can a Chanel bag bring to the person who owns it. However, the price also impedes some people from buying the bags since they are not affordable.

3.1.2 Promotion

For promotion, Chanel utilizes above-the-line and below-the-line promotion strategies to promote its product through the traditional route, such as commercial advertising, and below-the-line promotion, such as personal selling. Chanel uses a comprehensive plan to encourage, promote, and sustain its popularity of Chanel through massive exposure. The exposure that Chanel has can always remind customers about its existence and remind people about the brand Chanel. Also, good promotion can help Chanel successfully approach more potential customers and increase its popularity and sales.

3.1.3 Product

From 1910 to now, Chanel expanded its product portfolio extensively with more varieties, such as ready-to-wear, perfume, accessories, cosmetics, and many fields related to fashion and daily life. One of the essential products representing Chanel is the perfume Chanel No5. Chanel No.5 is still the most popular perfume around the world since the year it was launched. Over a hundred years, the scent of Chanel No.5 has passed until now. Also, Chanel continues to produce all the classic handbags in

traditional or creative versions with the existing trends by changing the color and texture. These conventional products retain not only the explicit looking but also the spirit and tradition of Chanel. These bags and product symbolizes Chanel and makes Chanel become a legend in the industry.

3.1.4 Place

As mentioned above, the distribution or place of Chanel is limited to offline stores. Chanel refused to offer an online store even during COVID-19 when all the offline stores were locked down. Chanel is implementing B2C distribution, which is business to customers, approaching targeting Chanel to be more critical. The lack of online stores can be positive and negative since online stores can permit sustainable revenue for Chanel. However, it could also harm perceptions, such as the prestige and exclusivity of Chanel to customers.

3.2 Celebrity Endorsement

For Chanel, celebrity can be a common way for Chanel to attract more customers. In the show of Chanel, it would always invite the top star and most renowned celebrities in every field to attend their show. The picture of Chanel would always dominate the top news on social media. Recently, for example, Chanel invited Jennie Kim from the KPOP group, Blackpink to the show, and she sat at the front line with Cardi B and Anna Wintour. In 2019, Chanel announced that Jennie Kim would become the house ambassador of Chanel. Chanel also invited Jennie Kim to shoot two advertisements for accessories and ready-to-wear. She wore the ready-to-wear of Chanel on the front page of the most popular magazines, such as Vogue and Elle. Jennie Kim represents the younger generation that Chanel is trying to target. Jennie Kim is also a superstar worldwide with abundant fans, attracting more people to know Chanel and buying Chanel's products through its collaboration with Jennie Kim.

3.3 Word of Mouth

In the book, *Contagious: Why Things Catch On* [2], concepts such as social currency, story, and the public can be used to illustrate the underlying reasons contributing to the popularity of Chanel. First of all, social currency is the drive that brands provide to customers to make them have the desire to talk about and demonstrate one's identity. The craftsmanship Chanel delivers can be used to show their inner remarkability of Chanel. Also, the perception that Chanel creates of its products can make represent the exclusivity and scarcity of Chanel's products. Storytelling uses the brand's history to attract customers to purchase due to the attraction conveyed from the story that the brand is telling biography of Gabrielle Chanel and uses her story to attract women to have a sense of independence. The public is an element that brands use to attract the crowd by exhibiting the products or brands to the public to have more exposure to attract customers' attention, making them more willing to talk about or notice. The classic double C logo of Chanel can act as an understanding element to make customers see the bag and recognize the products from Chanel, achieving an effect on the public. Considering these elements, word of mouth effect can be demonstrated since these elements make customers willing to talk about Chanel and more likely to purchase the products of Chanel.

4. SWOT Analysis

4.1 Strength

Chanel is one of the pioneers of prêt-a-porter of ready-to-wear clothing, dominating a considerable status and shares in the luxury industry.

The strong branding and word-of-mouth effect enable Chanel to maintain its popularity among the younger generation due to the recognition of classic products, and the double C logo makes the product of Chanel stand out. Chanel has high brand loyalty and affinity from their customers.

The history and perception that Chanel brought to customers, such as the independence of women, can attract more customers with the same perception to buy the products since Chanel creates emotional bonds with those groups.

4.2 Weakness

The high price of Chanel makes it not have the advantage of cost, permitting more people to buy with their financial abilities. The substitute for Chanel can be a lot and the brand switching faced by Chanel is substantial. There are many competitors in the luxury industry, including brands such as Hermes, which cost higher than Chanel, and other brands that cost lesser and are equal to Chanel, such as Gucci.

Chanel has a clear distinction of gender, even though it encourages some males to try its cloth, but for the majority of the male group, Chanel fails to target them. The limits of gender could make Chanel lose many potential customers worldwide since males dominate a higher ratio around the world than females.

Chanel has no online stores, creating a geographical limitation for those eager to buy Chanel products but impeded by location. Also, during COVID-19, online services dominate the place of importance.

4.3 Opportunity

A new route of selling, e-commerce, is left to explore. E-commerce can act as an opportunity for Chanel to gain more potential customers and reach their customers without geographical limitations.

The tie-up of Chanel, forming a collaboration with other leading hotels worldwide, such as The Peninsula, could help Chanel gain more potential customers and expand its approaches to attract customers.

Also, after the recovery from the lockdown of COVID-19, customers would have retaliatory spending, causing Chanel might have the chance to make up for the loss it encountered during the lockdown periods.

4.4 Threat

The saturated luxury industry makes it difficult for Chanel to seek higher market share and power in the industry, which limits its future development and growth.

Competition in the industry is a threat to Chanel since they might use the advantage of price to Chanel, which has products with a relatively higher price. Other businesses would follow this strategy of Chanel and charge lower fees.

The external shock, COVID-19, heavily affected the sales of Chanel in 2020, as the financial result can show. The shutdown of offline stores makes Chanel, especially the part of prêt-a-porter of ready-to-wear clothing and handbag, hard to sell since they are not available on e-commerce as cosmetics do.

Launching e-commerce and online services could help Chanel to explore a new way of distribution and approach to its customers without geographical limitations. E-commerce can also be a way to avoid the heavy impact of COVID-19 since the lockdown severely impacted the profitability of Chanel in 2020, according to the financial results.

5. Conclusion

This paper is written based on the broad view of how the marketing strategies contribute to the long-lasting popularity of Chanel with its good use of 4Ps and marketing strategies to target the right audience by accommodating their taste and preference—also inviting a well-known celebrity to attract more customers and help Chanel to transmit to the next step, targeting the younger generation to sustain the brand, awareness, and popularity. The effect of word of mouth also contributes to the overall popularity of Chanel since Chanel is famous enough that it makes customers discuss and communicate with each other by using the three elements proposed in the prior section. The exclusivity brought by Chanel can also be carried by the position and perception of Chanel to customers. It can be concluded that the popularity of Chanel is not an occasion of specific incidents; it can be famous for over a hundred years because it is persistently following the trend and adjusting

itself to the constantly changing taste and preferences. The identity it brought customers is another point that attracts more people to buy Chanel. Chanel symbolizes one's wealth, elegance, and independence which Gabrielle Chanel is trying to convey through the design of Chanel's products.

However, this paper also carries some limitations. Firstly, the lack of information on Chanel's market share and performance makes it hard to position Chanel in the show industry, causing the failure to use more tools to illustrate and analyze the status of Chanel and its future development. Secondly, Chanel is not a listed company which indicates that information with details such as the operational strategies and internal communication cannot be accessible, posing limits to thoroughly understanding the actual situation of Chanel. Thirdly, information about the taste and preferences of each generation can be hard to find since people have different inclinations depending on where they are located; the difference in culture, religion, identity, and many other factors can all be factors that make it to find a general taste and preference of Chanel's target audience. To solve this, information from more aspects should be known, or the extent of this paper should narrow down. Customers' reports from more regions can be examined through corresponding financial results and other information about specific areas.

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