

Analysis of Chanel's Marketing Strategy

Huiming Zhao*

Guangdong Country Garden School, Foshan, China

*Corresponding author: HuimingZhao@STUDENT.KSUA.EDU.KG

Abstract. With the rapid development of China's economy, the living standard and economic level of consumers have improved, and they also have certain material pursuits, and their demand for luxury goods also increases. In recent years, due to the epidemic situation, the sales volume has fluctuated greatly since 2019, and the epidemic situation will improve in 2021, with a bright future. This article takes Chanel as the research object, using 4p marketing theory and swot analysis method to analyze what kind of marketing strategy changes Chanel should make to better respond to market changes in the case of numerous peer competition and many external factors. This article strives to analyze the shortcomings of Chanel's marketing strategy in China and optimize it. Chanel's marketing strategy focuses on meeting the needs of consumers and pursuing sales. However, due to price reasons, Chanel faces a fixed group of consumers and has a large space for market development.

Keywords: Chanel; luxury brands; 4p marketing theory.

1. Introduction

1.1 Background

In this era of rapid development, the improvement of income levels and living standards makes people's consumption and material demand increase continuously. At the same time, consumers are becoming pickier and pickier about the services they should enjoy after consumption. However, many international well-known luxury brands are more in pursuit of sales and profits, ignoring consumers' after-sales services. In this era of consumers leading the market, many luxury brands choose to make changes in price to attract more consumers, but as a luxury brand with a clear market positioning, what changes should be made in marketing strategies to be stable in the luxury market and not forget the original intention? This article will make an analysis and suggestions according to Chanel's marketing strategy and financial situation [1].

This paper mainly uses three research methods, mainly introduced as follows:

Literature search method: search relevant papers on www.chinaknowledge.com and Google Academic with keywords such as "Chanel, marketing strategy, 4p theory" as clues. Through reading a large number of relevant literature, with a certain theoretical basis, refine it, take its essence and paraphrase it with your own understanding [2].

Comparative analysis method: through data analysis with other luxury brands with the same positioning to compare the differences in marketing strategies among major brands, summarize the marketing status and possible problems of Chanel.

The SWOT analysis method is based on the situation analysis under the internal and external competitive environment and conditions. This method finds out the strengths, weaknesses, opportunities, and threats of the research object through investigation, and draws some conclusions based on the analysis of various factors. The conclusions are generally decision-making. S are strengths, W is weaknesses, O are opportunities, and T are threats.

1.2 Objection

This paper takes the luxury brand Chanel as the research object, and deeply studies the influence of the brand's marketing strategy on brand sales.

The first part: Introduction. The research background, research methods, and research framework are analyzed. The second part: analyzes the background and development status of the research object.

The third part: uses the 4p marketing strategy analysis method to analyze Chanel's marketing strategy; By extracting a large amount of data, Chanel and its competitors are analyzed for their financial status. The fourth part: summarize the disadvantages of Chanel's marketing strategy and give reasonable and effective suggestions for change.

2. Basic Descriptions

Chanel is a famous brand with 80 years of history. The founder, Gabrielle Chanel (Coco Chanel), was born in 1883. as a child, she learned needlework skills in a nun's college. In 1910, coco opened a women's hat shop in Paris. With extraordinary sewing skills, they sewed one hat after another with simple and durable styles. In just one year, the business has risen steadily. She moved her shop to the Rue Cambon, it's still Chanel's headquarters now. However, only making hats can never make Coco satisfy. She began to conquer the field of clothing. In 1914, Coco created a brand that has a profound impact on future generations – Chanel [3].

In the 21st century, with rapid economic development and the improvement of living standards, the demand of people for luxury goods is also growing. Chanel, as one of the outstanding luxury products, is popular among the public because of its pursuit of freedom and unique style. However, most women cannot afford the high price, but the major luxury brands have been raising prices without paying attention to the after-sales service of consumers. Various luxury brands have received numerous after-sales complaints, including Chanel [4].

3. Marketing strategy analysis

3.1 4p marketing theory

In 1960, Professor Jerome McCarthy summarized some elements into four categories, namely, Product, Price, Place, and Promotion. In 1967, Philip Kotler further confirmed the marketing mix method with 4Ps as the core [5].

3.1.1 Product

In addition to high quality, the products should also have their own characteristics and be able to attract consumers at once. Chanel tries its best to expand the market on the basis of ensuring a stable consumer group. With the support of these consumers, Chanel does not need to reduce the price of sales. Instead, they just need to maintain their unique style of luxury without losing fashion and elegance and improve the product quality.

3.1.2 Price

Formulate product prices and a complete set of price strategies according to the brand positioning and brand culture. The luxury market is monopolistic and competitive. Although Chanel as one of the leading luxury brands, needs to compete with other major luxury brands in terms of sales volume, Chanel is clear about its product style and concept, controls the price well, and has certain pricing freedom.

3.1.3 Place

In terms of channels, Chanel mainly sells in the form of boutiques. Taking the Chinese Mainland as an example, Chanel's perfume cosmetics and skin care products have distribution points in 36 cities nationwide. This form of sales reflects its unique characteristics, symbolizes its social status, enables customers to experience the service of noble status, and to a large extent maintains the brand value of Chanel, a top high-end old brand.

3.1.4 Promotion

A lot of people narrowly comprehend Promotion as "promotion", this is actually just one side. Promotion should include many marketing activities such as advertising marketing and promoting

sales. Chanel's brand information is mainly disseminated through paper advertising and the Internet. Chanel's brand information generally appears in magazines that introduce various luxury brands, and magazines have become one of the most commonly used paper marketing channels for Chanel. Those who have seen Chanel's advertisements on the Internet can feel the unique brand culture of Chanel and its noble and elegant product style.

3.2 Financial analysis

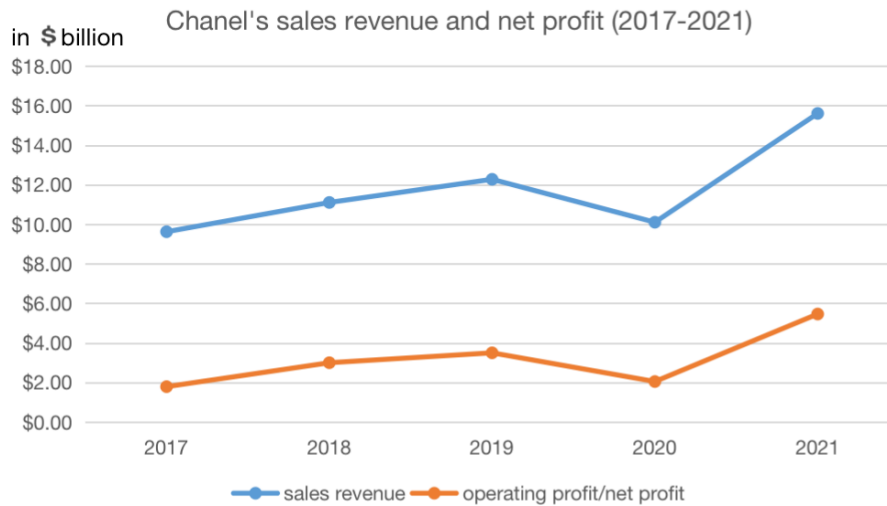


Fig 1. Chanel’s sales revenue and net profit (2017-2021) (Photo credit: Original)

As shown in Fig. 1 from the data extracted from the financial statements from 2017 to 2021, it can be seen that the sales volume of the Chanel brand will be affected by irresistible factors in 2020, and the rising trend of sales volume will fluctuate. In 2020, when the epidemic broke out, the sales volume was US \$10.1 billion, down 18% from US \$12.27 billion in 2019, and the net profit was US \$2.049 billion [6]. In 2021, after the Chanel brand made changes to its marketing strategy in response to the epidemic, the sales volume reached 15.6 billion US dollars, an increase of 49.6% compared with 2020, and the net profit was 5.461 billion US dollars [7].

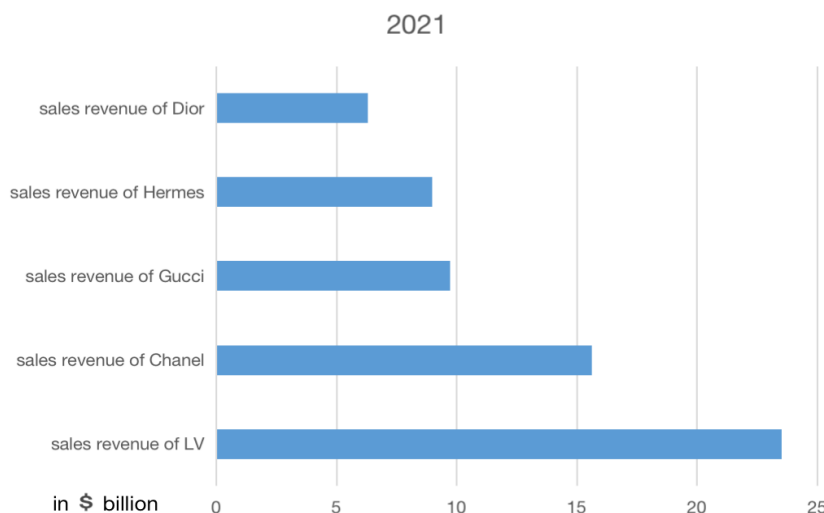


Fig 2. Comparison of sales volume of five luxury brands in 2021 (Photo credit: Original)

As shown in Fig.2 According to the ranking list of luxury sales in 2021, Chanel's biggest competitor is LV. Chanel's sales volume in 2021 is 15.6 billion and LV is 23.5 billion. The unique brand marketing strategy of LV is an important reason for its sales volume leading other luxury brands.

3.3 Marketing analysis

As shown in Figure 3, The marketing strategy of LV is targeted at sales. The products at the top of the pyramid are designed for VIP customers, who can customize various products. The products at the middle end of the pyramid are the core products that represent the brand image and can promote the brand culture. At the bottom of the pyramid is an entry-level product, targeting a very large consumer group, which has opened up the LV market.

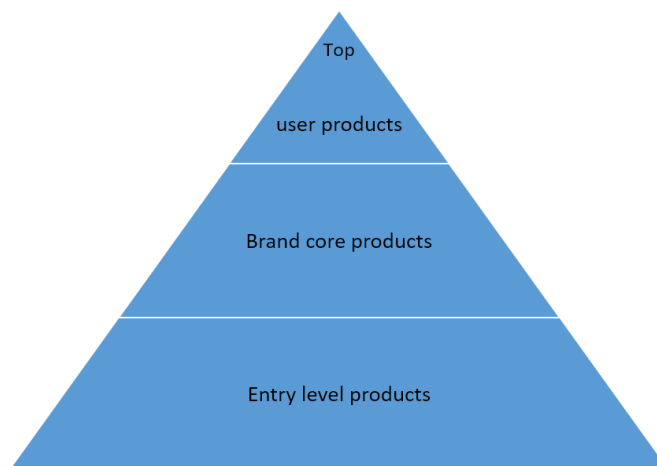


Fig 3. Pyramid Product Analysis Chart (Photo credit: Original)

4. SWOT analysis

Next, this paper will analyze Chanel according to the SWOT method. The SWOT analysis method is based on the situation analysis under the internal and external competitive environment and conditions. This method finds out the strengths, weaknesses, opportunities, and threats of the research object through investigation, and draws some conclusions based on the analysis of various factors. The conclusions are generally decision-making.

S are strengths. Chanel has unique production technology, leading innovation ability and rich marketing experience. Advanced production lines, modern workshop equipment and rich natural resource storage have brought Chanel great tangible asset advantages. The high end of the Chanel brand not only comes from the careful selection of raw materials but also because the bags of the Chanel brand are made by craftsmen with exquisite craftsmanship. Chanel has branches or distributors all over the world and has a leading position in the market and the ability to compete with major brands.

W are weaknesses. Chanel has many advantages, but the Chanel brand has not been known by everyone, it is only known by the two groups who can afford luxury goods and are interested in luxury goods, and the Chanel brand needs to attract many potential consumers. With the vigorous development of the luxury industry, many famous international clothing brands have set foot in the luxury industry, and the leading position of Chanel has been threatened.

O are opportunities. Nowadays, the market trade barrier is lowered and the import and export of luxury goods are relaxed. Therefore, the import tariff of Chanel is lowered, which can better sell products in the domestic market. With the improvement of people's living standards, market demand is also growing rapidly, and Chanel has an extremely broad potential market.

T are threats. Although the tariff is lowered, the exchange rate and foreign trade policy have adverse changes. There are certain differences between the requirements of women in the East and the West for luxury goods. Economic development has also led to differences in consumption levels and consumption patterns. From this point of view, Chanel still needs to work hard so that it can gain a foothold in the Chinese market.

5. Suggestion

5.1 Lack of diversity of products

If luxury brands want to attract consumers, they should not only start with the brand concept and product quality but also with product design and diversity. There are very few new products launched by Chanel every year and they are almost the same as the previous products, which cannot bring consumers a fresh feeling. In this regard, Chanel can introduce more series of products to expand the product range, and the products can also be designed and produced hierarchically. For example, the product design for VIP customers should be different from the product design with the core concept of the brand, and the entry-level products for the masses of consumers should give people the feeling that a hundred flowers bloom [8].

5.2 Price coordination

The reason why luxury goods are called luxury goods is that they are expensive. Although people's economic level has risen, there are still many people who want to consume luxury goods but cannot afford to. Chanel can adjust the price of the product layer facing different consumer groups. The VIP price can be maintained. The expensive price can make consumers feel satisfied. The entry-level products should be appropriately reduced in price, which will attract a batch of new customers [9].

5.3 After-sale service

Not only luxury brands, but also many brands pay less and less attention to after-sales service, communicate with customers not properly, solve customer problems not timely, and have an unfriendly attitude towards customers, leading to many customers' complaints about the brand, which has seriously affected brand sales. Chanel should strengthen the ability of employees to provide after-sales service, and actively and enthusiastically solving problems for customers can increase the customer's good opinion of the brand, so the sales volume will increase [10].

5.4 Distribution channel

Nowadays, countless brands have various sales channels. The exclusive store sales model adopted by luxury brands reflects the high end of the brand. The face-to-face service for the customer also reflects the Chanel brand attaches importance to the customer's sense of experience. However, luxury brands are big brands facing the world, slow expansion of exclusive stores will also affect customer experience. If some customers live in a place where there are no exclusive stores, they will be very inconvenient to consume. This reflects the benefits of the rapid development of network technology. If the online purchase channel is well established, it will undoubtedly be beneficial to both the brand and customers. However, Chanel never cooperates with third-party platforms to sell. Although Chanel is unique as a luxury brand, it also lost a large number of customers. Chanel can strengthen the expansion of exclusive stores in the second and third-tier cities of various countries, or set up more duty-free stores in airports of various countries and provinces. At the same time, the sales force of the brand on the official website can be strengthened [9].

6. Conclusion

Based on the 4p marketing theory and swot analysis, this paper analyzes the marketing strategy of the Chanel brand and gives some reasonable suggestions.

The conclusions of this paper are as follows:

In the face of preferences and brand awareness, consumers are more inclined to maximize their interests, which requires both reasonable price and good quality, high appearance and practicality, and a good after-sales service attitude;

If a brand wants to pursue sales volume, it is inevitable to cater to consumers, but it also needs to have a brand concept and maintain the uniqueness of the brand. Brands should be convenient for

consumers to buy, and they should also design products that give consumers a glimpse to attract customers;

In a word, if a brand wants to do well, marketing strategy is the key. In this era of rapid development of the Internet, brand changes are fast, and there are countless small brands that can not be made. Only by being firm in the original intention to do a good job in products and providing good service to customers can we stand firm in this era of rapid upgrading.

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