

## **INSIGHTS INTO LUXURY BRAND MANAGEMENT THROUGH A CASE STUDY OF CHANEL**

Ashwina Parashar

Bennett University

DOI: 10.46609/IJSSER.2022.v07i05.010 URL: <https://doi.org/10.46609/IJSSER.2022.v07i05.010>

Received: 2 February 2022 / Accepted: 10 March 2022 / Published: 30 May 2022

### **ABSTRACT**

This paper covers the journey and nuances relating to the management of Luxury Brands, consumer behaviour and their general trajectory through the specific case study of the luxury brand of Chanel. It explores the market that is occupied by the luxury brands and their general consumer group that invests in these items. It further analyses the impact of COVID, if any, on the sales of these brands and the future dividends that may lie in the region.

**Keywords:** Luxury Brands, Chanel, Journey of Chanel, Marketing Strategies.

### **Introduction**

The luxury industry is large, complex and very competitive, one that has flourished significantly in the past couple of decades. The word 'luxury' means something which goes beyond our basic necessities and involves great expense. A luxury brand is identified by its luxury goods of high importance and authentic value and luxury brand management is about giving customers an experience which sets it apart from other experiences in order to make it memorable. A brand is qualified as a luxury brand based on price, quality, rarity, aesthetics and symbolism. To reach the right target market it is really important to understand the psychology behind luxury consumption. As the term 'luxury' continuously redefines itself, so does the luxury market and, with it, the luxury consumer.

Luxury brands have a fairly set definition of luxury and how to sell it. Modern luxury consumers have disrupted tradition in 2021. The nature of product demand has evolved as a result of the changing trends. COVID-19, on top of it all, has changed people's purchasing habits. Luxury customers are increasingly defined by young culture: GenZ and Millennials, as opposed to

conventional luxury consumers of the 19th century (Westerners, elite, upper-class).

These are well-paid millennials who aren't quite wealthy or termed as HENRY'S (High Earners, Not Rich Yet). Global luxury sales are being driven by Asian consumers. Asian shoppers drive global luxury growth. By 2025, Chinese luxury consumers will account for 50% of global luxury spending. Luxury consumption is also on the rise in the United States, Italy, Japan, and France.

Forward PMX discovered some intriguing demographic findings about luxury consumers:

- Gender split among luxury eCommerce customers is about equal (53.4% female, 46.6% male)
- Majority of visitors to luxury sites have a high level of education as well as a high income.
- HENRYs are said to make between \$100K and \$250K in the United States. HENRYs do not 'feel' wealthy: they are in debt, have little savings, and work full-time. Furthermore, the COVID-19 pandemic has made HENRYs tighten their belts. They currently account for 35% of the market but are predicted to account for 50% by 2025.

A rundown of the current luxury shopper's psychographic profile shows that Luxury purchases are pleasurable, meaning they encourage a satisfying feeling within the consumers. They are frequently spontaneous or made as gifts. Spending a lot of money gives you a lot of power, and getting exclusive, unique, and high-quality things gives you a lot of satisfaction. Luxury firms are reinventing themselves because of massive data and are now able to create exceptional digital customer experiences in a more customised way.

In the last decade, new store openings have been a major driver of luxury sales growth. High-end brands needed to extend their area of planning, especially in China and other developing countries. This is no longer the case. Wealthy Millennials and Generation Z now account for more than 30% of all luxury spending. More importantly, in 2017, these younger generations were responsible for 85 percent of worldwide luxury growth. Luxury consumers are changing, and their purchasing habits and expectations are changing along with them. If brands are to remain relevant, they must evolve alongside their customers. Luxury brands must dedicate the same amount of attention to their online presence as they do to their physical presence.

When compared to the 'traditional' luxury elite's spenders, HENRY's like to be more upfront about their purchases. This means they prefer companies that are more subtle in their luxury. They won't organise costly Gatsby-style parties or buy things with the brand name prominently

displayed, for example (e.g., D&G belts, Louis Vuitton bags). Instead, most modern luxury customers do not wish to flaunt their lavish goods in an era of social equality.

Drinks, clothes, cosmetics, fragrances, watches, jewellery, luggage, and purses are all part of the global luxury goods business, which has been growing for years. Although the literal term 'luxury goods' is unrelated to the quality of the items, they are often thought to be those at the top of the market in terms of both quality and price.

To transform everyday products into status symbols, luxury goods makers focus on brand, aesthetics, quality materials, high craftsmanship, and pricing. Demand for the industry rises and falls in accordance with the gross domestic product (GDP), with demand increasing during periods of economic stability and dropping during periods of economic uncertainty.

With a value of 84 billion euros, the United States has long been the greatest regional market for luxury goods and is expected to be the top personal luxury goods market in 2019. With a brand value of almost 47.2 billion dollars in 2019, Louis Vuitton was the most valuable luxury brand in the world. The overall revenue of the LVMH Group for the upcoming financial year was around 46.83 billion euros.

### **Post-pandemic luxury market**

Despite the pandemic, the Statista Consumer Market Outlook estimates that the revenue of luxury goods worldwide will rise to 309 billion dollars in 2021 and reach a value of over 382 billion dollars by 2025. The United States has the largest regional market revenue for luxury goods, consuming the greatest amount of personal luxury goods in 2020. Asia is expected to witness expenditure growth in the luxury goods market in the coming years. China alone generated a revenue of 39 billion U.S. dollars followed by Japan and South Korea. Broken down by segment, perfume and cosmetics, and fashion are the dominant categories of personal luxury goods. The revenue from the luxury or prestige cosmetics market stood at 22.23 billion U.S. dollars worldwide in 2020 and will rise to 33.83 billion dollars by 2025.

### **Market leaders**

Most of the products sold within the luxury market are done so through mono brand stores, such as Tiffany & Co.'s flagship store, made famous in part by the classic Hollywood film *Breakfast at Tiffany's*. Monobrand stores brought in over 67 billion U.S. dollars in revenue, the most of any channel. LVMH was the luxury company with the highest sales; the conglomerate owns firms such as beverage producer Moët Hennessy and fashion house Louis Vuitton. The brand is

an essential component of the personal luxury goods industry. The Kering Group, which had revenues of approximately 13 billion U.S. dollars in 2020, most of which came from its well-known brand Gucci, is another key player in this sector.

A staple market within the personal luxury goods industry, and a crucial part of any stylish outfit, are accessories. Necklaces and rings are the most popular choices in accessories. The luxury watch sector is predominantly centered around mechanical watches, highly valued for their craftsmanship and prestige.

Apparel manufacturers need a platform to promote products to the target audience. Fashion shows play a vital role in marketing clothes and conveying recent fashion trends. Nothing is constant in fashion. Designs and styles keep changing. Fashion shows help in creating interest among the public to spread awareness about new arrivals in design and style. These shows help to draw public attention. Fashion marketing scrutinises fashion trends, coordinates sales and promotes goods. It is necessary to grant exposure to various trends and styles of clothing. Fashion marketing is likely to notify the public about recent changing trends and about what is in fashion.

Fashion designers forecast trends. They attend trade shows or visit manufacturers to select fabrics and trims. Designers conduct fittings and adjustments on samples of their designs and the end product is marketed to clothing retailers. Fashion designers aim at inspiring the target audience to purchase the products. Through these shows, fashion designers can express their creative skills and talent in designing various types of clothes. The individual talent of designers is exposed and they get an opportunity to promote their creations.

By involving themselves in these shows, retailers can gain various views of different designs and styles of clothes from designer shows. The knowledge gained from these shows helps retailers incorporate ideas into their boutiques. Using the latest fashion software tools, designers can put designs on three dimensional images.

After nearly two years of disruption, the global fashion industry is once again finding its feet. Companies are adapting to new consumer priorities, and digital is providing a nexus for growth. Still, the industry faces significant challenges amid supply-chain disruption, patchy demand, and persistent pressure on the bottom line. With the majority of companies struggling to turn a profit, growth will be a key priority in the year ahead.

In previous years, consumers were willing to purchase merchandise from major fashion labels for the brand name and guaranteed quality. However, today's consumers desire the same latest

fashions, but are not willing to pay the major price tag because they do not hold quality in the same high regard. With this willingness to purchase replicas and items of a lower standard, the chief operators of fashion retail saw an opportunity in the market. In an effort to match customer desires, the concept of 'fast fashion' was born.

Fast fashion was coined in fashion retail to describe the quick turnover of designs that move from the catwalk to current fashion trends and became extremely popular in the early 2000s. Retailers aimed to increase profit by focusing on key elements of the supply chain with an emphasis on increased manufacturing speed at a low price. The concept has changed the industry dynamic with a quick response philosophy that has resulted in increased forecast accuracy because of the shortened time frame and the ability to generate quick turnover of merchandise for major retailers.

With this strategy, clothing collections are built around the latest fashion trends presented at spring and autumn fashion shows in New York, Paris and Milan, providing consumers' high-end style at an affordable price. Although fast fashion has been negatively described as the 'largest disrupter in the retail industry today' it has massively benefited consumers, transforming the market by focusing on simplicity, convenience, accessibility and affordability; also working to provide a positive impact on companies.

### **The benchmark: Zara**

With around 1,600 stores in 58 countries, Zara is a mammoth retailer that has become the benchmark model for fast fashion by selling their own-label clothes in the latest styles, frequently updating their ranges and cutting the time between design and production. The company has become synonymous with this fashion management concept and the process has enabled the Spanish retailer to manufacture around 30,000 units of product annually, 18,000 designs each year and the capacity to produce them within an average of 3 weeks. The decreased time period improves the variety of choice and product availability while simultaneously increasing the number of original customers.

With regard to implementing new fashions, new designs, and new ideas quickly in its stores, Zara is the paramount fast fashion trendsetter. Their financial performance has made many in the fashion retail industry take notice. In 2015, Zara recorded total global sales of \$19.7 billion beating the likes of Gap, Primark and Abercrombie & Fitch as well as surpassing their 2014 sales by 8%.

### **The future of fast fashion**

There is a reason why fast fashion is also known as disposable fashion; the significant amount of waste associated with it. With consumers understanding and accepting the lesser quality of the garments in substitution for lower prices, they are quick to throw away the items and move on to the next trend. Although this is nothing new in the fashion industry as there have always been trends causing a large surplus; with fast fashion however, the amount of pollution has increased at a tremendous rate. So the question remains, how long can fast fashion last?

Retailers such as H&M are focusing on the long term and looking at solutions to reduce their environmental footprint. Although they are one of the main culprits of flooding the world with inexpensive clothing, they often recycle the goods in the countries where they originated. The fabric is reprocessed into different goods such as blankets, insulation, carpet padding and pillow stuffing.

With the fast fashion sector relying on a business plan that encourages mass production at an accelerated rate, there was always going to be collateral damage. There are some indicators that fast fashion is decreasing but as long as corporate social and environmental initiatives are enforced by retailers and high consumer demand remains, fast fashion will continue to be a business model for the foreseeable future.

### **History of the brand: Chanel**

50 years after her death, **Coco Chanel** is still being called one of the most revolutionary stylists of the 1900's. Coco was orphaned young and raised by nuns at the Orphanage in France. She had an unsettled childhood and a rocky start to life. Once out of the orphanage, she had a short career as a singer at a cafe where she also worked.

At 18, Coco, starting her own venture, supported financially by businessman Etienne Balsan, opened a hat-making shop in Paris. She slowly expanded to clothing and opening up other shops around the city. It is with her expansion into clothing that the House of Chanel was born.

Coco focused on simple elegant designs. Though targeted towards women, her clothing included a lot of shades of navy blue and grey, colours considered masculine at the time. All of her nuances made Chanel stand out as a brand, from other designers.

### **Rise in popularity and the iconic products**

The 1920's became very important for the success of The House of Chanel. Coco Chanel became

a true style icon, known for her simple but sophisticated outfits, styled with great accessories. She introduced the *Chanel suit, the little black dress, and of course the perfume Chanel no. 5*. In 1921 Chanel became the first major fashion designer to introduce their own perfume, while also redesigning “normal” perfume packaging. Putting the, still immensely famous, Chanel no. 5 in a beautiful, simple and sleek bottle.

Another revolutionary design, the Chanel suit. Introduced in 1925, the Chanel suit was something that no one had ever seen before, at least not on women. Women in the 1920’s mainly wore corsets and other confining, uncomfortable, garments. While the Chanel suit borrowed elements of men’s wear, and was meant to bring comfort to women’s clothing. The suit consisted of a collarless jacket and a well-fitted skirt. In 1926 Chanel introduced their first little black dress, another design ahead of the time. Black was associated with mourning, yet Chanel showed that it could be used as chic evening wear.

In the 1930’s Chanel expanded to designing clothes for movie stars in Hollywood. Around 1935, she owned five boutiques and employed 4000 workers. But the economic recession and the world war had a negative impact on her business and Chanel was forced to retire. She moved to Switzerland , away from the world of fashion.

### **Return to the fashion world**

After being away from the fashion world for more than a decade, Coco Chanel decided to reopen the couture house in 1954. She was 71 at the time. Critics were unsparing in their reviews, but eventually Coco’s designs won over the world again. She kept the simple and classic look of the 1920’s going, and designed more classic Chanel suits, as well as bell-bottomed pants and other innovations.

Chanel expanded to design handbags and created her iconic handbag in 1955. Chanel had always been about comfortability, her handbag echoed this and came with a longer strap so women could finally be handsfree. A practical bag made for women on the go; and so, the Classic Flap bag was born, being named 2.55 after the year it was designed. Decades later, this bag is probably still one of the most iconic fashion items in the world.

### **The time after Coco**

Gabrielle “Coco” Chanel passed away in 1971, but Chanel definitely lives forever. A series of different designers led Chanel’s couture house before, eventually, Karl Lagerfeld was appointed “artistic director for all Chanel fashion, designer of all haute couture, ready-to-wear and

accessory collections” in 1983. His visions definitely aligned with Coco’s, and Karl assumed his new position with a lot of respect for the traditions that CocoChanel set for the House of Chanel. While keeping the original values and beliefs in mind, he did want to help Chanel grow away from the “boxy suits” of the 50s and into the 80s. He started making small changes to the original designs. Examples are the iconic Chanel suit that he redesigned from denim, punk-style tweed, and bright neon wool. He helped Chanel step forward from the more conservative past.

Additionally, Karl had always been heavily involved in all campaigns and advertisements that ran while he was creative director. He is known to have photographed a lot of the campaigns himself, working with many supermodels, under which Claudia Schiffer, Vanessa Paradis, and Christy Turlington. He is also credited with promoting the branding of the logo of Chanel, making people all over the world recognize the Chanel CC logo.

Chanel kept growing and expanding their collections. For example, in 1987 the first line of Chanel watches, called the Premiere watch, was released. While in 1993 another milestone was reached with the first Chanel Fine Jewelry collection.

### **Chanel currently**

After working at Chanel for over 30 years, Karl Lagerfeld passed away in February 2019. Virginie Viard was announced to be the new creative director, with image director Eric Pfunder working beside her in a supporting role. Virginie Viard worked beside Karl Lagerfeld at Chanel for around 30 years. Starting as an intern in 1987. She has proven to also align with the original values, beliefs and visions of Coco Chanel. Making her the new creative director will definitely turn out to be a great choice. Working from these visions has always granted Chanel with stability, and will make sure the brand never goes out of fashion. Every year we’re still blessed with new iconic items, and we’re certain that this will stay this way in the future. Chanel will stay the simple, yet classy, glamorous, and high-end brand it has always been.

### **Brand value of Chanel worldwide from 2017 to 2021**

In 2021, Chanel’s worldwide brand value amounted to approximately 13.2 billion U.S. dollars, a slight decrease on the previous year likely due to the impact of the pandemic. Worldwide brand value of Chanel had a positive trend in the time period between 2017 and 2020, and recorded the biggest growth in 2019 when it jumped from 5.9 billion U.S. dollars to almost 11.5 billion U.S. dollars.



### **Competitive advantage in the Marketing strategy of Chanel –**

- **Renowned company:** Chanel is one of the trend setter companies in the fashion industry due to its revolutionary designs and timeless modernity it has been able to carry its legacy & heritage for more than 100 years since its inception.
- **Large SKU and strong brand portfolio:** Chanel has large stock keeping units and many sub-brands under particular product categories whether it is fragrance, watches or accessories.
- **Promotion through sponsoring popular fashion shows:** Chanel has been promoting its brand through sponsoring exhibition shows, fashion shows like Paris fashion week and many others.
- **BCG Matrix in the Marketing strategy of Chanel:** The product portfolio of Chanel consists of fragrances, watches, and skin care & makeup accessories. The fragrance and watch product category is Star in the BCG matrix while due to the presence of many renowned companies in the fashion accessories segment these are a question mark in the BCG matrix.
- **Distribution strategy in the Marketing strategy of Chanel:** Chanel distributes its offerings through various channels such as exclusive stores, e-commerce sites, multi-brand stores and high-end super markets so as to make the products available worldwide. Chanel exclusive showrooms are called Chanel Boutique and there are more than 300 Chanel boutiques across the globe.
- **Brand equity in the Marketing strategy of Chanel:** High visibility due its fashion accessories has helped Chanel to become \$ 7.2 billion worth brand with sales \$ 5.2 billion as per the Forbes data may, 2016. In the Forbes list, it has bagged 80 ranks in the list of most valuable brands worldwide.
- **Competitive analysis in the Marketing strategy of Chanel:** The clothing and accessories market is overcrowded with a large number of local, national and international companies who are competing with each other/ private labels and counterfeit products.
- **Market analysis in the Marketing strategy of Chanel:** Various market forces affect the companies in the luxury fashion & accessories segment. Counterfeit products/

copycat brands create negative word of mouth for the brand especially the high-end brands.

- **Customer analysis in the Marketing strategy of Chanel:** Customers of Chanel are women in the age group of 15-40 who have an inclination towards fashionable accessories. Customers of Chanel are from upper middle income and upper-income social groups.

### **Conclusion**

Luxury Brand Management is all about analysing the brand's relationship with the customer and applying the innovation, product design and creativity to attract and retain consumers. Inshort, it is how well you create memorable experiences. Students pursuing a career in Luxury Brand Management often end up becoming professionals in critical decision making around a brand. They are also able to identify the weaker products a lot. This allows the brand to develop a better brand strategy.

With the advent of social media, communication has revolutionised with brands using creative platforms like Facebook, YouTube, Instagram to build strong networks across the world. As per the current trends, the luxury industry has undergone a tremendous change with emerging brands looking for marketing experts.

When we talk about a "Luxury" brand, it is not just consuming a brand but the excellence, story and heritage that comes along with it. Companies aim to offer intangible values and greater meaning to their consumers through quality products and services. As a result, there is an increasing demand for professionals in Luxury Brand Management.

### **References**

1. Seung, A. *The potential of social media for luxury brand management*, InternationalJournal of Quality and Service Sciences, 19th October 2012.
2. Phan, M. & Thomas, R. & Heine, K. *Social Media and Luxury Brand Management: The Case of Burberry*, T & F Online, 19th October 2011.
3. Sugimoto, K. & Nagasawa, S. *Luxury branding: the case of Chanel*, InternationalJournal of Quality and Service Sciences, 18 September 2017.
4. Ni, Y. *The brand analysis of Chanel*, Francis Press, 2021.

5. Shetty, K. & Fitzsimmons, J. R. *The effect of brand personality congruence, brand attachment and brand love on loyalty among HENRY's in the luxury branding sector*, Journal of Fashion Marketing and Management, 22nd March 2021.