

## **Christian Dior - A Case Study in the Economics of Passion**

*"Whatever you do – whether for work or pleasure – do it with passion! Live with passion," -  
Christian Dior*

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### **The Story**

A young boy, an artist at heart, began his career by selling sketches on the street for extra pocket money. As he grew up, he graduated to managing a small gallery, a gift from his father, where he made his living trading art. When the Great Depression hit in 1929, his life completely changed. The collapse of his father's business and the death of his mother forced him to close his gallery and take on the work he could find through the 1930s until the beginning of the Second World War. He sold hat designs before going on to work with fashion designer Robert Piguet as a hat designer until he enlisted for military service in 1940. On his return in 1942, he went to work for couturier Lucien Long, where he and Pierre Balmain were the primary designers. For the financial and creative preservation of the fashion industry, many French ateliers, Luien Long included, dressed the spouses of Nazi officers. Finally, on December 16, 1946, he created one of the world's most successful, fast-growing fashion houses: Christian Dior. Dior was birthed with what would come to be known as "The New Look."

### **An Experience**

You walk through Champs-Elysee, the shopping capital of Paris, to enter the Christian Dior boutique, settled beside 'Le Galerie Dior', the museum showing the history of the house in the very building that held its first boutique- the queue extending far past the neighbouring store. You notice the quiet bustle in the store, looking around at the garments that globally define "fashion." Before you know it, you're in a large fitting room, in a whirlwind of beautiful dresses, bags and shoes, living the dream of Christian Dior, who lived to dress a 'Dior woman' from head to toe.

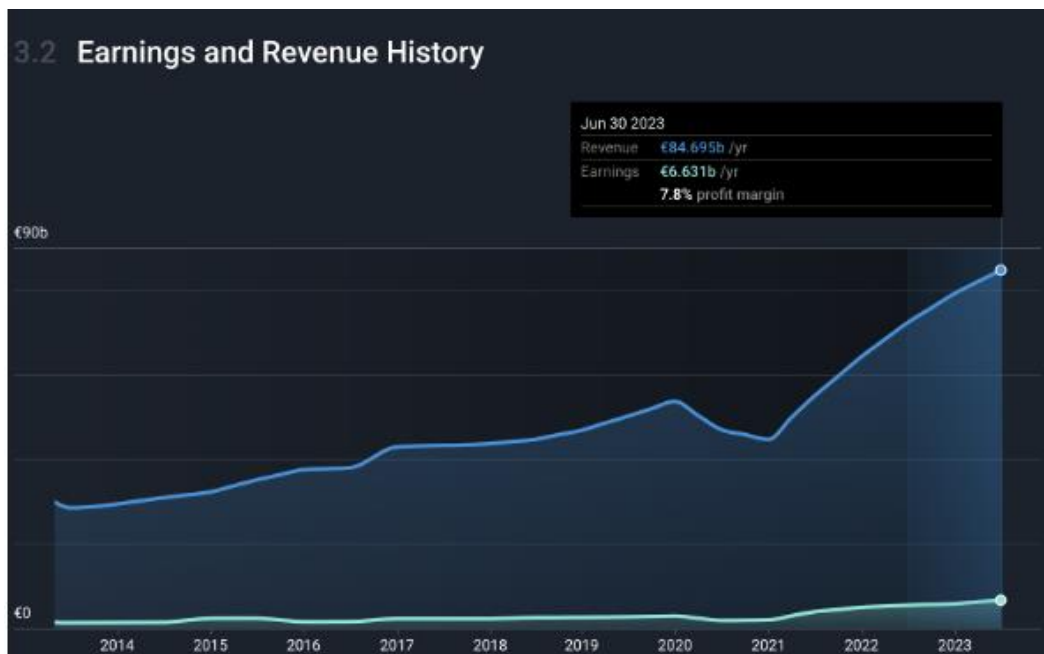
### What Makes It Work?

245 stores in over 60 countries that have been through hundreds of debuted collections now raise \$7 Billion. How does Christian Dior create such a compelling atmosphere, ensuring that each of the thousands of people who enter the stores have their own unique, unforgettable experience? How do they ensure that the vast majority of people leave the store with the white shopping bag and gold star hanging off the handle? I'm fascinated by the business of fashion, the creativity that goes behind creating a product so compelling it triples the house's revenue in solely four years. In the summer of 2023, I had the incredible opportunity to intern in the design studio at Christian Dior, learning and observing what was behind creating their excellent product and what they do that works. How the creation and marketing of these specific garments cause such a significant economic impact, and their most prominent causes of success.

### Graphs of Dior's Revenue History:

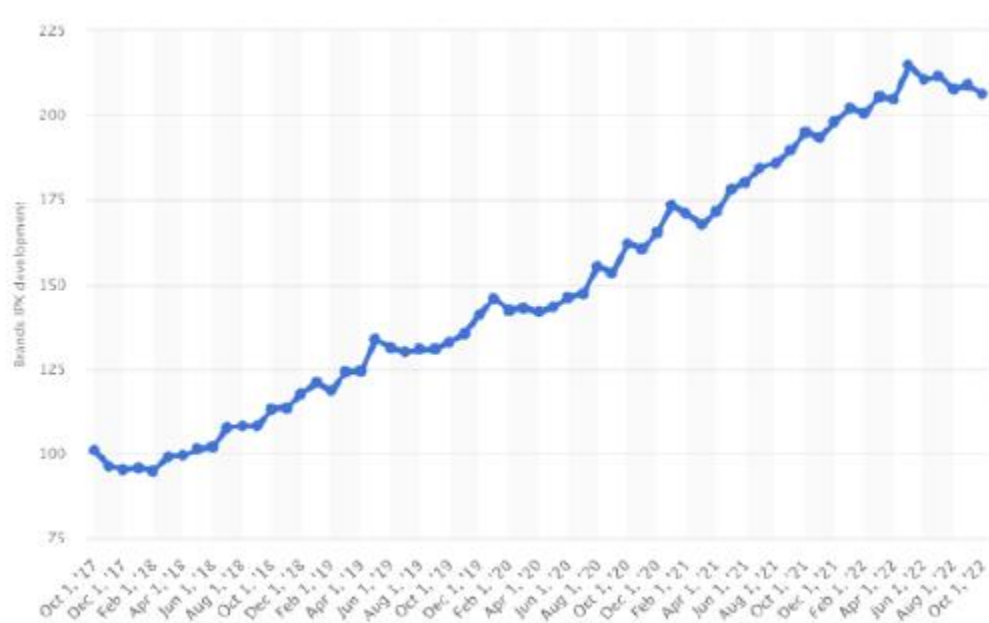
The below graphs from Simply Wall Street and Statista indicate Christian Dior's consistent, exponential revenue growth over the last 10 years (graph 1) and the last 5 years (graph 2). This provides evidence of its working growth strategy, proving that they contribute something to learn from.

Graph 1:



<https://simplywall.st/stocks/at/consumer-durables/vie-cdi/christian-dior-shares/information>

Graph 2:



<https://www.statista.com/statistics/1202596/christian-dior-brand-development-worldwide/>

### Brand Identity- What Makes Dior Special?

Studying the history and ethos of Dior's philosophy and methodology provides a glimpse into the thought behind certain crucial decisions the brand has made, resulting in its considerable growth-essentially, what makes Dior unique. The primary is innovation. Since the 2016 appointment of Creative Director Maria Grazia Chiuri, Dior has faced exponential revenue growth from \$2.1 billion to over \$7 billion. Chiuri achieves a blend of modernisation, cultural relevance and Dior legacies through innovation and creativity, relating to a wide audience range, expanding reach, and thus, revenue.

The secondary is self-investment. Shortly after a year of the house's launch, Dior went international, opening its second-ever flagship store, but in New York City. Expansion at this rate was risky and utterly unheard of. Today, they continue to invest in themselves through their flagship stores, their history, such as the Gallerie Dior and Dior Heritage, and their consumer experiences.

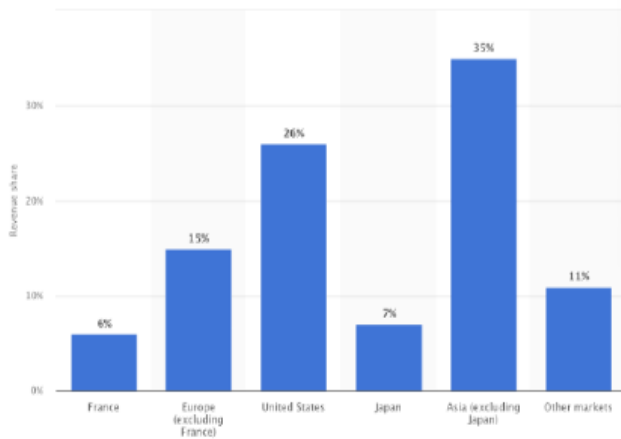
These investments resulted in significant returns through high sales, customer loyalty, and story-building for the brand, which increased sales and a reputable image for the house. The brand's story Dior also invests in spectacular runway shows, hosting over eight shows annually worldwide. In the competitive fashion industry, it is vital to make a statement. The statement of

garments and runway shows dictates the fashion direction for the decade and grabs the consumer's attention. Their model is captivating, creates a diverse and exciting product, and widens the Dior market worldwide, diversifying their audience and reducing the reliance on Europe and China without compromising on the original sales, thereby causing massive increases.

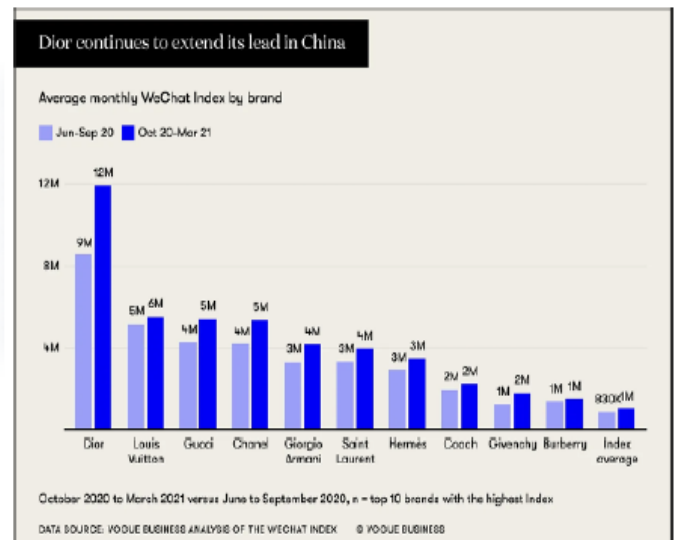
**Worldwide sales distribution of Dior:**

The below graphs indicate Dior's worldwide sales distribution, graph 1 shows its overall distribution with its highest purchasing countries, evidencing their effectiveness on product diversification and distribution across the world to suit each country's needs. Graph two shows a brand popularity comparison between Dior and certain other top sellers in China, showing how Dior has capitalised the Chinese market.

Graph 1:



Graph 2:

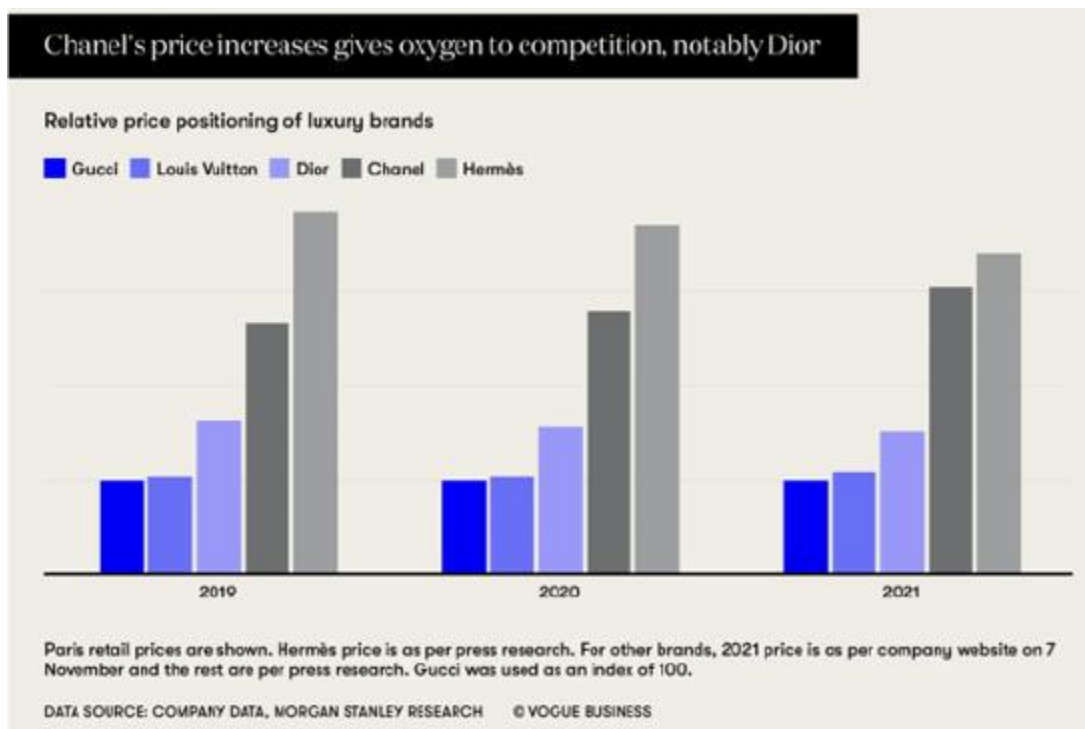


[statista.com/statistics/763626/christian-dior-revenue-share-by-geographic-region-of-delivery/](https://www.statista.com/statistics/763626/christian-dior-revenue-share-by-geographic-region-of-delivery/)

Another crucial aspect that separated Dior from other houses was its marketing through the COVID-19 pandemic. Sales throughout the world were heavily hit, and most brands cut back on marketing to cut costs; however, Dior continued to push marketing through the pandemic, engaging moments that allowed for a massive comeback following the pandemic and were responsible for some of the brand's rapid growth in the last four years. In the summer of 2020, the house commissioned a short film for its haute couture collection. They were able to form a strong online presence, the future of purchase evidenced by a calculation by Luxe Digital estimating that 33% of global luxury sales will occur online by 2023.

***Impact of the pandemic on luxury brands:***

The below graph provides evidence of Dior's success during the pandemic, showing that is the only brand to maintain consistent sales and even growth between 2019 and 2021. This is indicated by their steadiness in pricing, even being able to increase their prices in 2021, while other brands struggled to maintain sales during the pandemic, particularly Hermes and Chanel allowing Dior to move forward.



<https://www.voguebusiness.com/companies/can-diors-meteoric-rise-continue-in-2022>

**Personal Observations**

The summer spent observing and learning at Christian Dior allowed me to see further into some of the brand's characteristics that have enabled it to grow to where it is today. Having done considerable research about the house and its values, I identified some growth factors; however, through my internship, I could see their thought process first-hand. I observed many strategies implemented that could serve as a base for any upcoming fashion house. For instance, Dior is constantly modernising itself. In a fast-moving world, it is essential to keep up with the constant rotation and diversification of the market; Dior capitalises on their classic pieces but with new details to fit the theme of the current collection, ensuring that both the traditional and modern aspects are achieved, and thereby satisfying all aspects of their audience, those looking for

timeless classics and those looking for the latest collection. Dior's audience and customer base are essential, and they prioritise widening their audience while capitalising on their current base and premium sales experiences. Each collection includes some of the best-selling classics, such as the Lady Dior or the Saddle Bag, but reformed based on the themes of the newer collections in the form of prints, craft or art. This allows both the classic and modernist lovers to be entranced by the collection.

Working at the Design Studio and the Dior Academy, where they train sales associates and create the story and marketing of a collection, allowed me to see how significant of an impact the story behind a piece creates. Consumers enjoy purchasing a garment with meaning or a story behind it as it creates the illusion of greater utility. At the Dior Academy, how a story forms the basis of a Dior collection. Each Dior collection has a unique story representing cultures, art, craft and impactful world issues such as feminism- one of Dior's highest selling styles is a simple white t-shirt with the text "we should all be feminists." The story adds customer engagement, cultural relevance, memorability and context while acting as a unique selling point (USP).

The Dior Academy also taught me about modernising marketing and employee motivation. The Academy creates the story for the marketing of each collection and trains the sales associates to ensure that each person walks out of the store having made a purchase. They create apps, websites and games about the brand, the collection and the story to inspire the salespeople to be entranced by the story themselves, which is contagious to any customer. Each sales associate goes through a two-year in-depth training program that teaches them about silhouettes, styling, characteristics, techniques and more. I constantly heard conversations about widening the Dior Audience and different ways in which the garments could be styled and marketed, showing me how the brand continually grows and evolves to create the best possible collections, thereby continually increasing their sales.

### **The Three Basic Economic Questions By Dior**

#### ***What to produce***

The esteemed design team at Dior, led by the talented creative director Maria Grazia Chiuri, consistently produces six collections and hosts eight runway shows annually. This includes two haute couture collections, a cruise show, and two encore shows in various countries. Achieving this level of output requires a blend of innovative thinking and a well-structured process that not only yields aesthetically pleasing collections but also ensures they are marketable and narratively rich.

A pivotal aspect of Dior's design approach addresses one of the fundamental economic questions. The initial step in crafting each collection involves selecting a theme or muse that

aligns with the intended narrative. Historical examples include the iconic Miss Dior perfume, inspired by Christian Dior's sister, Catherine, a gardening enthusiast, and the renowned Lady Dior bag, which pays homage to Princess Diana.

Innovation and design are central to Dior's creation process. The team is committed to unveiling unique, desirable products that honour the brand's legacy and embody the house's voice while introducing something novel and captivating. Trend analysis is integral to addressing the primary economic question of determining the goods likely to attract consumers. Dior boasts a dedicated team for analysing and predicting fashion trends, influencing specific aspects of each collection.

In essence, Dior masterfully weaves together narratives, trends, cultural influences, craftsmanship, and impact to unveil products that captivate and resonate with consumers globally. Each collection is a harmonious blend of the house's legacy, innovative design, and contemporary appeal, ensuring Dior's enduring prominence in the fashion landscape.

### ***How to produce***

Having to produce so many collections for so many retail outlets requires Dior to have a very sound production process. Their production cycle for each collection begins with a fashion show held for different retail partners and flagship stores. Each retailer places their orders for pieces in the collection based on their own consumer and market analysis, and their understanding of what will sell best in their area. Dior consolidates these pre-orders and sends them to the supply chain, while executing the process with an astute awareness of patterns, trends, styling and house styles and silhouettes that must remain constant but innovated.

### ***For whom to produce***

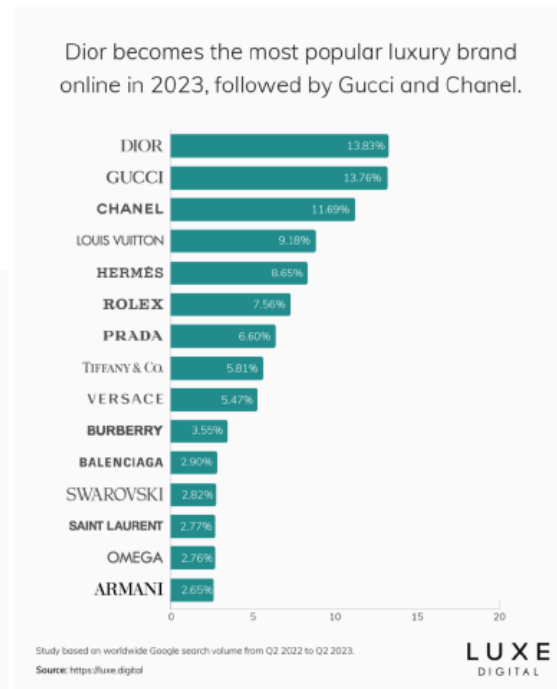
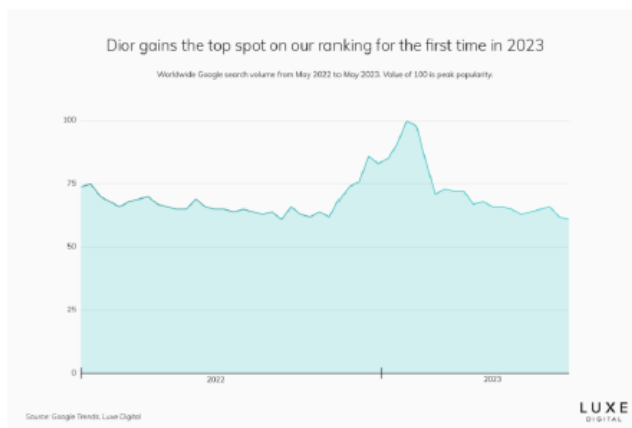
Dior positions its brand to be aspirational and exclusive but not elitist. The exclusivity allows a brand producing such high-priced goods would generally cater to a very niche market, however, Dior works to constantly widen their audience while optimising on the consumption of their current customer base. The aspirational positioning allows Dior to price its products high while catering to a wider audience, their high-valued goods target the niche market of wealthy customers, but because their aspirational rather than elitist and entirely exclusive, purchasing their products becomes a kind of consumer goal. While the vast majority of consumers may not be able to afford a Dior bag or dress, they are able to buy aspirational but more affordable products, from the Dior beauty line or Dior accessories. While still highly priced as compared to beauty competitors, the Dior brand value allows consumers to believe that the Dior beauty has greater utility and therefore pay the premium, for both quality based on reputation, and brand value of simply having the name "Dior" on a beauty product. Dior is also constantly widening their audience through partnerships with various artists to serve social impact, for example,

Mickalene Thomas or Ukrainian artist Olesya Trofymenko, which increases their appeal to a wider audience. Their Dior-around-the-world program also allows them to make ties with various countries and cultures, thereby increasing their sales in that region.

### Consumer Behavior and Dior

Consumer behaviour is an essential aspect of the success of a product, the response of the consumers must be analysed to decide the quantities of which to produce a product. Consumer response dictates the demand, and for a brand like Dior whose strategy is to keep supply slightly below the quantity of demand, analysing demand is essential. Dior’s Creative Director Maria Grazia Chuiri receives a daily sales report along with a daily and monthly sales target, including consumer analysis of behaviour, and their response to products. Dior’s diligence on consumer patterns (monitoring number of store visitors, number of sales conversions, and most successful products), allows for improved merchandising, customer service and management. Their understanding of the behaviour of their consumers also allows them to push and pull products accordingly, enabling them to cross their set targets. According to an analysis by Luxe Digital, Dior grew from the 7th most popular luxury brand (2019) to first place in 2023.

### Luxury brand ranking



<https://luxe.digital/business/digital-luxury-ranking/most-popular-luxury-brands/>



The above graphs indicate brand rankings of luxury brands, putting Christian Dior at the top of the list as of 2023, evidencing its recent growth and success.

Dior's deep understanding and analysis of the behaviour of their consumers is not the only reason for its success with consumers. Christian Dior has had a history spanning over seventy-five years, crafting a reputable, luxury product that consumers are proud to be associated with. Dior merchandise also has incredible attention to detail, and ties to craft and culture. This allows consumers to believe that because of the high quality and the incredible story behind a product, they are getting increased utility and are willing to pay a premium price, while still achieving consumer satisfaction. Dior values its customers very highly, and shows it through their investments in customer experiences. Through the Dior-around-the-world program, Dior organises unique cultural experiences for their VIP customers, allowing them to gauge the story behind the creation of the cultural collection. For the Dior Fall '23 Show in Mumbai, Dior flew in celebrity guests and customers who were able to experience the concept behind the collection through interactions with the Indian artisans who crafted the collection and a walk-through in the Chanakya Factories, where the craft was created.

Dior's marketing and positioning is one of the most considerable aspects of the brand that set it apart, and have a significantly large budget that allows them to work with carefully selected celebrities and house ambassadors, host impactful and influential fashion shows, and invest in concepts like Le Gallerie Dior and Dior Heritage.

## **Conclusion**

The Economics of Passion of Christian Dior serves as an example, a learning tool that can be emulated and understood by growing brands. While their story and historic legacy is unique, it is a blueprint of the house that has been built over 76 years and 7 creative directors and continues to grow and accelerate due to a variety of factors and strategies.

From the absolute beginning of each collection, Dior prioritises innovation and design, aiming to produce unique and desirable products that honour the brand's legacy, and catering to trends studied and determined by a dedicated team. This pushes forward a Dior explores allocative efficiency through strategic Investment in Consumer Understanding. Their focus on analysing consumer behaviour by closely monitoring the number of store visitors, sales conversions, and the success of specific products, allows them to align production quantities with actual consumer demand, ensuring that resources are allocated efficiently to meet market preferences. Additionally, their emphasis on creating unique and narrative-rich collections creating stories of each one, representing cultures, art, and impactful issues, enables the brand to align production with consumer preferences. This approach ensures that products are not only aesthetically

pleasing but also resonate with consumers, enhancing allocative efficiency by producing goods that are in demand. Dior's approach to widening its audience through collaborations with artists, cultural experiences for VIP customers, and the Dior-around-the-world program shows allocative efficiency. Dior strategically allocates resources to reach and engage a broader consumer base, optimising their market presence and ensuring that production aligns with the evolving preferences of a wider audience.

Dior demonstrates their technical growth through their quick adaptation to online presence, and strategies during the pandemic. They distinguished themselves by maintaining an aggressive marketing strategy when many other brands cut back due to global economic challenges. This decision, highlighted by initiatives like commissioning a short film for its haute couture collection in the summer of 2020, proved pivotal for Dior, contributing to a significant comeback and rapid growth in the subsequent four years.

Dior recognizes the crucial role of consumer behaviour in product success and employs a meticulous approach to analysing consumer response, including daily reports and targets monitored by Creative Director Maria Grazia Chuiari. This diligence allows Dior to adjust product strategies, optimise merchandising, and exceed sales targets, complemented by a rich brand history, attention to detail, and a connection to craft and culture, fostering consumer pride and willingness to pay a premium. Additionally, Dior's commitment to customer value is evident through investments in unique cultural experiences, like the Dior-around-the-world program, reinforcing a strong bond with VIP customers through immersive interactions with the brand's heritage and craftsmanship.

Therefore, Christian Dior is the ideal model and case study. I believe that organisations, both upcoming and existent, can use this model as a case study to reckon with, thus likely resulting in growth and development. Additionally, Christian Dior serves as an excellent study to be taught and understood in the professions of fashion, marketing and business management as it provides an example for innovation, storytelling and marketing, and management factors like allocative efficiency and adaptability and consumer behaviour.

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