

Luxury Brand Marketing Strategy - Taking Chanel as An Example

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Abstract. With the end of the epidemic, people's consumption patterns and habits have changed a lot. Against this background, Chanel's sales increased in 2023. There are many studies on Chanel's marketing strategy. However, there are few studies on the reasons behind Chanel's sales growth. The purpose of this article is to investigate the reasons for Chanel's increased sales in 2023 from a marketing strategy perspective. This article utilizes brand extension theory, integrated marketing communication theory, customer relationship management theory, and case analysis to deeply analyze the reasons for Chanel's sales growth. The results suggest that Chanel's sales growth can be attributed to its unique design and innovation, with visual marketing being the key area for improvement. The second reason involves strong marketing and brand promotion, and Chanel must also engage in diversified marketing strategies. The third reason is effective customer relationship management, and Chanel needs to conduct customer segmentation on this basis. This study will provide a reference for other scholars who investigate Chanel's sales and will help Chanel realize higher sales in the future.

Keywords: Chanel; Innovation; Brand Promotion; Customer Relationship Management.

1. Introduction

1.1. Research Background

The epidemic's gradual extinction has significantly improved people's economy and living standards, leading to changes in consumption habits and consumer psychology. In terms of consumption habits, people generally chose to go to physical stores before the epidemic. On the other hand, with the rapid development of the Internet and social media, there are increasingly many online shops. People are more likely to shop online due to their convenience. In terms of consumer psychology, the majority of consumers now prioritize the practicality of products over their previous preference for conspicuous consumption. Luxury brands should implement appropriate strategies to adapt to the current market environment. Moreover, the competition among different brands is cutthroat. Niche brands, for example, have gradually become popular with consumers in recent years. Furthermore, each luxury brand is implementing new marketing strategies to expand market share. Based on the above situation, Chanel, a world-renowned French luxury brand, enjoys deep love from consumers worldwide for its elegant, fashionable products and unique brand image, making a significant impact in most fields. Chanel has experienced significant growth in terms of its performance, with sales reaching US\$19.7 billion, an increase of 16% in 2022 [1].

The marketing strategies of luxury brands have been the subject of numerous academic studies. For instance, He et al. used Dior as an example to study the impact of men's expectations and the relationship between male consumers and luxury brands [2]. Based on the 4Ps model, Wang investigates Hermes' marketing strategy regarding product, price, sales methods, and marketing skills [3]. Furthermore, Liu examines Louis Vuitton's marketing conditions and methods in China, offering recommendations for its marketing and promotion strategies in the luxury goods market [4]. Xu also uses direct and indirect methods to delve into Chanel's marketing cases, indicating Chanel's successful strategies and logic, providing valuable references to other brands, and promoting creativity and the development of marketing theory and practice [5].

1.2. Research Gap

Despite the abundance of articles discussing the marketing strategies of luxury brands, most of them primarily focus on examining the conditions and strategies of other brands. Even if there are cases of Chanel, the reasons behind Chanel's sales growth in 2023 have rarely been investigated directly, which leads to a research gap regarding the subject. This paper aims to address this research gap by examining the factors contributing to Chanel's sales growth, taking into account pertinent strategies. The goal of this research is to learn about Chanel's best-selling strategies and grasp the dynamics and trends of the luxury brand market. Exploring such a subject is very meaningful and valuable; it can help to understand consumers' preferences and consumption habits, which is of great importance to the formulation of accurate marketing strategies. Furthermore, analyzing Chanel's sales growth trends in 2023 and exploring the reasons for its successful marketing can provide sellers with useful marketing techniques in the luxury brand industry, improving the market's competitiveness. The luxury brand economy is an essential part of the overall economy; conducting in-depth research on the Chanel brand is a great way to promote economic development.

1.3. Fill the Gap

In order to fill the above research gap, the first section of the paper is to introduce the specific characteristics of Chanel's successful sales in 2023. According to current phenomenon, the second section is to dig into the main reasons contributing to Chanel's success in 2023 with relevant theoretical knowledge, then analyzing unique marketing strategies in 2023. Finally, based on the given possible reasons, best-selling marketing suggestions are put forward to enlarge Chanel brand image and increase consumers loyalty, this also provides better advice for other luxury brands and accelerates the development of the whole luxury brands industry.

2. Case Description

Chanel is a French brand founded by Gabrielle Chanel in 1913. It has a history of 100 years. Chanel fashion is characterized by the elegant, simple and exquisite style. The founder is great at breaking through tradition. As early as the 1940s, she successfully pushed the "bound" women's clothing to simple and comfortable, which may be the earliest modern casual wear. Clothing, jewelry and accessories, cosmetics, and perfumes are included in the Chanel's products. In 1910, Chanel created the first women's clothing shop in Paris. Because of its unique design philosophy and delicate craftsmanship, Chanel fashion quickly gained recognition from the upper class in Paris. Chanel gradually expanded its scope of business, not only involved in women's clothing design, but also began to design accessories such as hats, handbags and jewelry. In the 1920s, the status of women changed greatly. They began to pursue freedom, independence, and simpler and more comfortable clothing. Gabrielle Chanel's design concept overturned the conventional thinking at that time and brought revolutionary changes to the fashion industry. Chanel introduced the simple and cozy elements of into women's clothing design, which broke the gorgeous women's clothing style in the past. In her designs, numerous straight cuts, neat coats, loose trousers and simple black and white colors can be seen. Furthermore, Chanel also brought sports style to the designs. In 1921, Chanel No.5 was launched as the first kind of perfume. The uniqueness of Chanel No.5 is that it applies a mixture of various spices to break the perfume market dominated by single floral fragrance at that time. The success of Chanel No.5 made the Chanel brand establish its position in the perfume market. In 1954, Gabrielle Chanel returned to the fashion industry and recreated Chanel's headquarters in Paris. Since then, Chanel has gradually become a world-renowned luxury brand. As one of the world's most well-known luxury brands, Chanel has a far-reaching impact on the luxury brand industry. As one of the representatives of French culture, it has become a fashion indicator worldwide. Most celebrities and socialites are keen on wearing Chanel's clothing and accessories, enlarging Chanel's brand image more widely.

Based on the Chanel's financial results of official website, Chanel has significant growth in terms of all product lines, indicating the desirability of Chanel's marketing sales. The report reveals that Chanel's revenues reached \$19.7 billion in 2023, up 16% versus 2022 on a comparable basis, furthermore, its operating profit was \$6.407 billion, up 10.9% from 2022 [1]. The net cash was positive at the end of the year, suggesting Chanel's outstanding performance. In addition, investments in brand development such as customer activities and other activities reached \$2.463 billion, up 20% from 2022 [1]. Capital expenditures reached \$1.227 billion in 2023, accounting for 6.2% of total sales [1]. However, the capital expenditure was at \$668 million in 2022, its free cash flow was \$3.755 billion [1]. The above data reveals that Chanel had excellent sales in 2023.

3. Analysis on Problems

3.1. Reasons on Unique Product Design and Innovation

It is precisely because the Chanel series has its own unique product design and innovation that it realized sales success in 2023. Chanel has always been known for its unique designs and innovations, such as the iconic suit and little black dress. These classic designs not only attract new customers but also maintain the loyalty of old customers. In 2023, Chanel launched several new series, including the Spring/Summer series and the 2023/2024 Early Spring Resort series. The Spring/Summer series is characterized by fashion, elegance, and practicality, showing Chanel's unique understanding of fashion and innovative design. The series includes a variety of clothing, accessories, and shoes; some of the highlights include coats, hairpins, trousers, long necklaces, and Mary Jane shoes. Furthermore, a black and white sporty space sets the scene for the 2023/2024 early spring resort series. Design elements include embroidered swimsuits, short shorts embroidered with rhinestones, 1960s-style suits, casual bathrobes and pajamas, wrap coats and evening dresses, etc. This series shows diverse charm and leads the audience into a colorful, joyful, and elegant world. These products not only show Chanel's design concept of combining classics with modernity but also reflect the brand's keen insight into fashion trends.

Numerous academic studies have also highlighted the significance of unique design and innovation for brands. According to brand extension theory, a corporation can boost its market share and consumer loyalty by introducing new product lines or upgrading existing ones. Brand extension is a marketing strategy in which a firm applies its current name to a new line of products [6]. Because brand extension is a frequent approach to reduce the risk and cost of new product releases, it is critical for brand renewal and expansion [6]. Studies have also shown that brand extension can increase product sales. Nyström uses Red Bull as an example to examine the significance of brand expansion and the relationship between brand extension and customer loyalty. The findings indicate that brand extension can strengthen customer loyalty and brand equity [7].

3.2. Reasons on Strong Marketing and Brand Promotion

The second reason for Chanel's high sales in 2023 is its strong marketing and brand promotion. Chanel continues to increase its brand awareness and influence through diversified marketing strategies such as social media advertising, large-scale brand events, and celebrity endorsements. In 2023, Chanel increased its investment in social media platforms and attracted a large number of young consumers by cooperating with well-known celebrities and Internet celebrities. For example, in 2023, Chanel invited a Chinese actor named Wang Yibo to be its brand ambassador and participated in a series of important events and movie premieres, such as the Beijing premiere of the movie "Hot" and the surprise party at Universal Studios. These collaborations not only demonstrated Chanel's recognition of Wang Yibo's market potential and brand fit, but also, through Wang Yibo's participation, enhanced Chanel's popularity and influence in the Chinese market while deeply integrating the brand's French elegance with modern pop culture.

Integrated Marketing Communication (IMC) theory has demonstrated the importance of brand promotion. IMC theory emphasizes the use of multi-channel and multi-form marketing activities to

increase brand awareness and sales. Some studies have also shown that increasing brand promotion can increase sales. Theodora explores the relationship between IMC and brand equity [8]. Furthermore, Keikha et al. analyze the impacts of IMC on consumer relationships, suggesting that IMC can enhance customer relationships and aid businesses in enhancing their brand image [9]. In addition, Amalia and Syaipudin use Subway fast food restaurants as an example to investigate the theory's importance [10].

3.3. Reasons on Effective Customer Relationship Management

Chanel's efficient client relationship management is the third factor contributing to its high revenues in 2023. Chanel prioritizes the client experience, increasing consumer stickiness and loyalty through membership, personalized services, and high-quality after-sales services. Chanel launched a VIP membership program in 2023 to offer high-end clients special shopping experiences, pre-orders for limited-edition products, and other benefits. The Chanel membership program offers members a number of advantages and services. Chanel members can attend the brand's special events, such as new product trials and VIP dinners. These events give members the opportunity to be among the first to learn about the brand's latest advancements and to try new products firsthand. In addition, Chanel will give each member on their birthday, with the contents varying depending on membership level and area. Gifts include little Chanel products, birthday-exclusive points, and so on. Furthermore, Chanel members can earn points for their purchases, which they can then use to redeem Chanel's beautiful gifts such as perfume test tubes and skin care product samples. These measures not only increase client happiness, but they also encourage repeat purchases.

According to Customer Relationship Management (CRM) theory, efficiently managing and maintaining customer connections can boost customer satisfaction and loyalty, resulting in increased sales. Some research suggests that strengthening CRM might boost a company's sales. Marolt et al., for example, employ specific types of businesses to demonstrate the value of CRM [11].

4. Suggestion

4.1. Suggestion on Visual Marketing

While Chanel's sales can be boosted by distinctive design and innovative approaches, consumers are now placing greater emphasis on the visual aspect of their experience. Unfortunately, Chanel still falls behind in terms of visual marketing. Hence, this essay proposes that in order to enhance its popularity, Chanel should enhance the aesthetic design of its brand to provide consumers with a more gratifying visual experience.

Several research have also validated the significance of visual marketing. Visual marketing is the use of visual methods to promote products or brands. It is both a marketing technique and a visual experience [12]. Zhang and Huang examine the influence of visual marketing on Chinese consumers' propensity to buy fast fashion brands. Their findings demonstrate that visual marketing holds significant value for all types of brands [12]. In addition, Bashirzadeh asserts that visual design is an effective strategy utilized by marketers to attract clients and shape their behavior [13]. Visual design plays a significant role in digital communication, particularly in various marketing contexts such as advertising. Therefore, it is not surprising that it greatly aids in effective communication [13]. Thus, Chanel might entice customers by enhancing the hue or packaging of its merchandise.

4.2. Suggestion on Diversified Channel Promotion

Strong brand marketing can increase Chanel's sales, but Chanel's sales model is single, and its sales channels do not integrate online and offline marketing well. Therefore, this article suggests that Chanel should diversify its sales channels to attract more customers and enhance its brand influence and image. Through diversified sales, enterprises can cover a wider range of consumer groups, thereby expanding the sales market and increasing sales and profits. Furthermore, this method can

reduce an enterprise's sales risk. If a sales channel fails, other sales channels can continue to sell, reducing the risk for enterprises. Furthermore, by comprehensively utilizing the advantages of online and offline channels, enterprises can maximize sales efficiency and increase profit margins.

Some studies also show that Chanel needs to expand its sales channels. For example, Xu investigates Chanel's marketing strategies and concludes that Chanel should diversify its sales channels and integrate online and offline marketing [5]. In addition, Kurdi et al. also investigate the importance of digital marketing and suggest that digital marketing channels can contribute to consumers' buying appetites [14]. Therefore, Chanel should expand its marketing channels to increase brand awareness and publicity.

4.3. Suggestion on Customer Segmentation

Effective customer relationship management can increase sales, but the Chanel brand is still lacking in customer segmentation. This article indicates that if Chanel wants to perform better in the future, it must implement a customer segmentation strategy and provide targeted products, services, and sales strategies according to the needs of different customers.

Customer segmentation, also known as personalized sales, can enhance customer satisfaction and loyalty, thereby leading to an increase in product sales. Some studies also illustrate the importance of customer segmentation. Xu says that the Chanel brand mainly targets high-income groups, while ignoring middle- and low-income groups. In order to increase brand sales, the brand should also redesign its pricing strategy based on customers [5]. Furthermore, Wu et al. have employed two methods to conduct customer segmentation, highlighting the importance of this approach in marketing [15]. Therefore, if Chanel wants to have more customers, it must segment its customers, design different products according to different customers, and implement different sales strategies. Personalized products can increase customer loyalty.

5. Conclusion

This article examines Chanel as the research object in the context of the end of the epidemic, investigates the reasons for its sales growth in 2023, and proposes corresponding suggestions to boost Chanel's sales. There are three reasons for Chanel's sales growth in 2023. The first reason stems from Chanel's unique design and innovation in 2023. Through brand extension, Chanel can increase market share and customer loyalty. The second reason is that Chanel has strong marketing and brand promotion, and expands its popularity and influence by cooperating with celebrities, thereby increasing sales. The third reason is that Chanel increases sales by conducting effective customer relationship management.

However, Chanel still has shortcomings in some aspects. To enhance Chanel's competitiveness, the company must engage in visual marketing, which aims to attract customers by providing superior visual effects to consumers. In addition, Chanel must conduct diversified channel marketing, combining offline and online marketing. Furthermore, Chanel must segment customers and provide products and services based on their needs. Through these measures, Chanel can better meet customer needs and increase brand sales.

This article fills the gap in the reasons for Chanel's sales growth in 2023 and provides a reference for other scholars to explore Chanel's marketing strategy. At the same time, the research results can also help Chanel better understand customer needs and implement better sales strategies. However, this study does have certain limitations. Future research can include more objective data and valuable references to provide a more detailed analysis of Chanel's brand marketing strategy.

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