

The brand analysis of Chanel

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Abstract: *This report provides an analysis and evaluation of the world's famous luxury brand Chanel, which based on the understanding of brand and brand strategies. The methods of analysis include the information found from articles, journals, books, the perceptions of 10 brand users and non-users by interviewing and own experiences toward this brand. Chanel is a very successful luxury in the world, which may be largely contributed to its founder Ms. CoCo Chanel and its right brand positioning, pricing strategies and channel strategies. Chanel has been labeled as a high-end fashion luxury brand, which is mainly target at the female market for more than hundred years. However, luxury products are confronting a downturn in the worldwide market since the economic crisis. Therefore, there are three practical brand strategies shown in the report, which aims to help Chanel sustain its top status in the luxury market, build a strong relationship with its customers and increase its brand equity.*

Keywords: *Chanel, Brand, Luxury*

1. Introduction

CHANEL is one of the most famous luxury brands in the world. Since it was founded by Coco (Gabrielle) Chanel in 1909, Coco Chanel never stopped her efforts to design a simple and elegant style dress. In 1910, she created the well-known hat named 'Chanel Modes', which helped her to establish the reputation and became popular in Paris. Coco Chanel aimed to lead the world's fashion trend by offering different design of women cloths, associations, jewelries and perfumes in the 20th century. Today, there are many iconic products to well represent the spirit and history, style and design of Chanel, such as the Chanel 2.55 handbag series, Chanel No.5 perfume and the black-white tweed Chanel suit. In 1983, Karl Lagerfeld was appointed as Chanel Fashion Artistic Director (INSIDE CHANEL). In more than 20 years, he uses his creative thinking and sensible eyesight towards fashion to help Chanel sustain the top status in the fashion world.

Although the worldwide economic started to suffer from a serious recession since 2007, it seems the luxury market was not affected badly but still showed a booming image. According to *Forbes*, Chanel was ranked at 82th of the World's Most Powerful Brands, its brand value was \$6.2 billion and brand revenue had achieved \$4.2 billion while the consumer perception rank was 67. Also, Chanel was recognized as one of the world's most powerful luxury brands and the world's most desirable luxury brands. However, luxury brands are confronting difficulties nowadays since globalization brings new technologies and changes the marketing environment all the time.

2. Brand Analysis

To analyze and evaluate how successful a brand is, it is necessary to look at the customers' perceptions towards this brand. Therefore, this report will be based on the data which organized by interviewing 10 brand users and non-users. Here are the words shown in the tag cloud that used to describe Chanel by interviewees when they think about this brand the first moment. Fashionable, elegant, stylish, quality and expensive are most frequently appeared during interviewing. That is to say, these simple words can generate Chanel's brand image by its customers. According to Liu et al, "A brand's image is a key component of brand equity, or brand value". In other words, the brand image of Chanel among the customers has been positioned as a high-end fashion and stylish brand, which provides good design and high quality products with a high price to the consumers and mainly target at female customers. As a result, high quality plus high price can lead to a high value. Surprisingly, this brand image is exactly fit the market position of Chanel. When these good brand images bring more positive customer perception, its brand equity and brand value will be raised at the same time. According to interviewee A, B and H, the reasons for them to choose Chanel are because of the good brand image and high brand reputation it has. In their views, the level of Chanel is higher than other

luxury brands, such as LV and Gucci, but they do not really know much about this brand and cannot tell difference between Chanel products and its rivals in terms of quality and design, such as Dior. In Chanel's latest advertising campaign, it tried to associate this brand with the image of Brad Pitt, a 48-year-old famous actor in Hollywood, who has been regarded as the world's most attractive and sexy men. His endorsement made Chanel No.5, the ladies' iconic perfume more persuasive and increased the brand image of Chanel. There is a good combination between Brad Pitt and Chanel since his image is quiet match with this product.

However, Chanel has been seen as a specific brand only for female but only a few people know that Chanel launched men perfume market in 2010 from this interview. Although this brand revitalization strategy may help Chanel to launch in a new market, it seems it did not work very well and change the consumers' certain image towards this brand. Liu et al also stated that another key component of brand equity is customers' attitudes towards this brand. Brand attitude is another key factor of brand equity, which is about the personal universal evaluation of a brand. So it emphasizes more on consumers' own perception towards this brand than simple regarding a brand image. Similarity, Ko and Megehee stated that, "Affective attitudes are a powerful predictor of behavior because they involve consumers' feelings or emotions. In addition to the social function of self-expression and self-presentation attitudes, consumers choose luxury brands because they provide hedonic rewards and sensory fulfillment". That is to say, positive attitude can affect consumers' purchase intention. For some interviewees who are the users of this brand, they choose Chanel because it is believed that this high class luxury brand can help them to increase social status and make them have more confidence among people. This psychological benefit is argued to be the biggest motivation for consumers to buy luxury products. Therefore, the core brand value of luxury products is the emphasis of social identity.

In addition, from the 10 interviewees, 6 of them are the users of Chanel and the range of products' categories they bought include perfume, cosmetics, associations and cloths. It is believed that owning a Chanel product is every girl's dream, but only about 40% of the users are familiar with all the products of Chanel, love the design and follow the latest seasonal products. However, for the rest of non-users, although they don't know much about Chanel, they still can recognize the logo of this brand and some icon products, such as Chanel No.5 perfume. Also, they all showed their high interests on this brand and stated that they would like to buy Chanel products in the future if they are really found of the design or have enough money. Therefore, these individual attitudes can be seen as 'a reliable predictor of consumers' behavior toward brands'.

On the other hand, one of the images of Chanel is expensive. For these interviewees who don't know much about this brand, they believe that the extremely high price of Chanel cannot be touched and afforded. In fact, not all the Chanel products are that expensive, such as perfume and cosmetics. Hence, this certain image will lead to the loss of potential consumers and make them keep distance from the brand. However, it is argued that setting extremely high price is one of the pricing strategies of luxury brands since it is determined by their market positioning. Luxury market is relative small compared to other markets and it only targets at a small certain group, which is the high class and high income customers. Therefore, in order to differentiate luxury brand to others, setting high price is necessary. Also, high price can help luxury brand to choose customers and protect their high-end brand image since not everyone can afford it. According to Krishnan and Hartline, brand equity is widely defined as "Added value endowed by the brand to the product". As interviewee A said, there should be reasons for Chanel to charge such a high price, it is because of its brand has a high brand equity. Most of the people buying luxury products is just for buying this brand but not the products itself. That is why Fischer et al stated that brands can bring a large amount of economic benefits to firms and help them increase profits by charging higher price since consumers are willing to pay for the branded product with extra money. Chanel also made a good use of distribution strategy. Availability and exclusivity are the principle of Chanel to choose channels since it does not want everyone can get the products easily. So, consumers can buy Chanel products only in some big retailers, such as Selfridge and Debenhams in the UK and the online channel is only for its cosmetics and perfumes.

The unique brand name, design, sign or symbol can be used to differentiate one product from another. From this interview, there is no doubt that the design of Chanel trademark is so successful and it does help customer to recognize and differentiate from other luxury products. Most of the interviewees stated that because of the logo is quiet special, simple and the name of brand at the bottom is very clear, so it is easy for them to remember and recognize. Light demonstrated that if firms can establish brand loyalty successfully, brand would not only be a trademark but also a trust mark, as strong brands can build up a reliable relationship between firms and consumers. Khan also described that brand loyalty is a good index to test brand equity. Chanel has a positive brand image and high

reputation among customer, so it is much easier to establish customers' brand loyalty. Companies can benefit from brand loyalty by gaining more profits in the long-term as brand loyalty is an 'intangible asset' and will bring repeat purchase, loyal customers are less vulnerable when the price is changing from competitors. In the luxury market, a big change of price is rare, it is also not common to see a sales promotion of luxury products, it is not only determined by the position of products but also the large and certain amount of loyal customers they have, which can help them to reduce the marketing costs.

3. Suggested brand strategies

3.1. Telling brand story

Many researches measure brand loyalty from two aspects, namely behavioral and attitudinal. Behavioral loyalty emphasizes the consumers' repurchase behavior while attitudinal focus on consumers' psychological effects. The two approaches (behavioral and attitudinal) are used to tell the difference between spurious loyalty and true brand loyalty. Furthermore, Bloemer and Kasper pointed out "The most important difference between the two concepts is that true brand loyalty is based on brand commitment but spurious brand loyalty is not". As it mentioned before, about 50% of interviewees do not know much about the brand, they want to buy Chanel products because of its reputation and for raising their social status. Only about 40% of them are real interested in understanding the history and design of Chanel. That is to say, luxury products in nowadays are facing the loss of real meaning inside the brands, which they are proud of and try to express to customers. Behavioral loyalty makes consumers buying luxury products but with spurious but attitudinal loyalty will bring true brand loyalty.

From this interview, it can be seen that most of the brand users are spurious loyalty to Chanel, there is a high risk for them to switch brand within time. Therefore, to maintain 'loyal customers' and make them become 'true and real', the first step is to give consumers more brand knowledge and build a strong relationship with them. Telling brand stories is a good way to show what the brand is about and what characters the brand has. "Stories are viewed as more authentic than other forms of information because they mirror how we (and others) communicate thing about ourselves, others, places, events, cultures and experiences". When people want to communicate with lovers, friends, families and partners, stories are widely used. That is to say, telling brand stories can help the brand have a better communication with its customers and shorter the distance between brand and customers. Communicating can enhance the brand authenticity of Chanel and let customers know more about its brand. So, telling a story about the history of Chanel will be a good choice since Chanel has a long and glory history and its founder Coco Chanel is a legendary lady who still has a strong power to affect the world's fashion today. Coco herself can be a good story teller, which means there is a good chance for Chanel to take an advantage of its history and transform it to the advertising campaigns. For example, in the new advertisement, there will be a timeline starts from the year Chanel was founded until recently to show the iconic products of Chanel; mainly using historical events and figures to illustrate the brand; emphasizing on the contribution and achievement Coco made for this brand. Therefore, in the whole advertisement, Coco Chanel should be the key character to connect the whole story. This kind of history stories can also make the brand to be seen as "a part of the social landscape and cultural identity".

3.2. The use of sub-brands

Having brand portfolios is common and widely used by large firms nowadays. According to Uggla, "Sub-brands and endorsed brands permit brands to stretch across products and markets, address conflicting brand strategy needs, conserve brand building resources in part by leveraging existing brand equity, protect brands from being diluted by over-stretching, and signal that an offering is new and different". Chanel as a high-end luxury, although using mass promotion campaigns can increase its profits and sales in a short-term, the brand image and brand value will be hurt in the long-term. Sub-brand can work as a fighter brands to compete with different brands and gain more market shares without worrying lower the level of host brand.

The relationship between Miu Miu and Prada is a good example to show how sub-brand works. Miu Miu came from the Prada fashion house and was founded by Mario Prada's daughter in 1993, which is also a high fashion luxury product but aims to target at younger customers with a lower price compared

to Prada. The use of different name and different design gives a totally different brand image to customers, so most of them do not know about the relationship between Miu Miu and Prada, but it does help Prada to expand the market. Another good example is BMW, from 1 Series to Z4, it merely target the whole range of customer groups. However, in the branded house, all the products use the same brand name, which is different from Miu Miu and Prada. Using one brand name can enhance the brand awareness to customer but the risk is when one sub-brand confronting problems, the whole brand will be affected negatively. So it is better to use 'Miu Miu Model' if Chanel aims to target at the lower level of customer groups. In fact, 'Coco Mademoiselle' is a sub-brand of Chanel, which were created for younger women in 2001 but it only launched in the perfume market. At the same time, Chanel can consider changing its range brand strategy to the source brand strategy, for example, Armani has different products lines such as Giorgio Armani, Armani Collection, Emporio Armani, Armani Jeans, Armani Exchange and Armani Junior.

3.3. Expanding the market to developing countries

According to Zhan and He, "With a rapidly growing economy and an enormous population, China has become one of the most attractive markets for luxury brands in the world". The amount of luxury consumption was accounted for 25% and it has made China become the second biggest luxury consumption country in the world. Although, the world's economy suffered a downturn since 2008, the sales of luxury products in China were not decreased. In China, there is always a long queue in front of luxury stores. Zhan and He also stated that the middle class in China is a 'main engine for luxury businesses', because for this group of consumers, luxury products are used to meet their social needs than experiencing the functional benefits. Therefore, there is huge demand for luxury products in China, especially among the middle-class group.

Many luxury brands have seen the big chance in these markets. For instance, Louis Vuitton uses a high penetration strategy to expand its market in Asia. In 1992, LV opened its first boutique in Beijing. By the end of 2009, the number of boutiques has been increased to 27 in 22 major Chinese cities. There were 25 LV stores in China and 11 outlets while only five in France in 2010. Beijing, Shanghai and Guangzhou are the three biggest 'first-tier' cities of China, which are famous for luxury consumptions. Chanel followed this trend and opened its boutique flagship store in Shanghai in 2009 (Beaton, 25/11/2009), but compared to the intense expansion of LV, Chanel has fell behind. Also, these luxury brands only focus on big cities but did not realize there is a big demand and strong purchase power existing in the medium cities of China. Consumers in these cities do not have chance to buy luxury products. Hence, in the next few decades, Chanel should move its focus from these big cities to the 'second-tier' or 'third-tier' cities in China so that it can capture more market gaps.

4. Summary

To sum up, Chanel is a very successful luxury brand in the world and the perception of customers toward this brand is relative higher than its competitors from some aspects. In other words, the brand strategies Chanel uses dose help it to sustain its high-end brand image and reputation. However, for some customers, the lack of brand knowledge will decrease the brand equity of Chanel and weak their brand loyalty in the long-term. Therefore, to build a strong relationship between the brand and customers, Chanel should invest more in advertising campaigns which can empower the brand by emphasizing on its history and engaging more consumers to the brand. Chanel should also take a reinforcement brand strategy, which aims to protect the source of brand equity and deal with the changing environment. Using a new advertising campaign is an evolution strategy while developing sub-brands is a revolution strategy, but for luxury brands, using a revolution should be very careful.

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