

# *Study the Cultural Value and Marketing Strategy of Luxury Brands*

## *-Taking Chanel as an Example*

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**Abstract:** "Fashion changes, but style endures." - Coco Chanel. Chanel is an extraordinary luxury brand with a rich history. Throughout its evolution, the brand has exhibited traits of uniqueness, inclusivity, and human touch, resulting in the creation of iconic products that embody the brand's culture and allure. This article delves into Chanel's diverse product lines and provides illustrative analyses of select products to illuminate their significance. Notably, the N5 series serves as a prime exemplar. Moreover, this paper adopts a customer-centric approach to delineate the consumer demographics that resonate with Chanel's offerings, aiming to fathom their underlying desires and preferences. The analysis delves beyond the surface to uncover the profound needs and desires of the customers, fostering a deeper connection between the brand and its clientele. Furthermore, a comprehensive evaluation of Chanel's online and offline marketing strategies is undertaken, uncovering both strengths and weaknesses. By identifying the areas that require enhancement, this research aims to provide actionable solutions to fortify the brand's marketing endeavors. In this context, the strategies can be optimized to adapt to the challenges posed by the global epidemic scenario. In light of the prevailing global circumstances, these insights and strategic recommendations are poised to empower Chanel to navigate the ever-evolving luxury market effectively. By embracing its heritage while adapting to contemporary dynamics, Chanel can reinforce its position as a symbol of enduring style, resonating with both existing and new generations of fashion enthusiasts.

**Keywords:** Chanel, luxury brand, marketing strategy, digital power

## 1. Introduction

Like the unpredictability of today's society, economy and technology, the luxury market is also a dynamic business sector. With the continuous improvement of material means of production and the gradual enrichment of people's spiritual pursuit, consumers' demands for luxury goods are no longer just highlighting the single attribute of financial resources and social status but have shifted to paying for brand concepts history and stories. Luxury fashion brands require a different approach to management and marketing [1]. Management and marketing paradigms have evolved towards prioritizing customer-centric value over product-centric value, particularly in the realm of enhancing

brand customer experiences. This shift is underscored by the escalating demand for high-end fashion. [2]. Globalization and the Internet created a demand for new managerial tactics in the market [3].

New terms for definite 'luxury' are regularly invented by managers and marketing people: true luxury, masstige, premium, ultra-premium, Populuxe, casual luxury, and accessible luxury..... More and more words get people more confused. With the emergence of more and more definitions, people's concept of luxury is becoming more and more vague. Therefore, what is the true luxury [4]? What are the reasons for these brands to be able to occupy a place in the current market?

Taking Chanel as an example, this article follows the history and cultural values of the brand in order to analyze its brand positioning and marketing strategies in a global economy.

This article also provides directions for future research. This study will be based on the theoretical framework of overview research through case study, comparative analysis and textual analysis methods to reach the final research purpose. This paper will start from Part 1: Chanel's brand history and brand storytelling to understand how the brand, as a century-old luxury brand, develops its own brand values and labels. Part 2: The paper will analyze how Chanel's marketing strategy has been developed from the early days of the brand to the present to gain support (market share) in the international market, focusing on the brand's main product lines; Part 3: Case study part: Chanel N5, make a conclusion of the marketing strategy and focus.

## 2. Brand Description and Background of Chanel

### 2.1. Overview of Chanel

Chanel stands as a prominent global luxury conglomerate, uniting the facets of conception, development, production, and global distribution. Founded by the visionary Gabrielle Chanel at the dawn of the previous century, Chanel offers an extensive array of opulent creations spanning Ready-to-Wear apparel, Leather Goods, Fashion Accessories, Fragrances, Makeup, Skincare, Jewelry, and Timepieces. Chanel's reputation is equally celebrated for its Haute Couture collections, which grace the runways of Paris biannually, and for its acquisition of a plethora of specialized artisans collectively recognized as the "Métiers d'Art." Chanel's unwavering commitment to the pinnacle of artistry and unparalleled luxury remains unwavering.

Chanel made a record-breaking of sales in year 2022. Compared to the Chanel 2019 market, all products achieve a double-digit growth in all categories. Chanel is now on the list of Forbes's "World's Most Valuable Brands" (2020), with its brand value of \$12.8 Billion and a brand revenue of \$ 13.7Billion [5].

The revenue for the year was \$17.2 billion, which was a 17% growth compared to 2021 on a comparable basis with constant currency. Chanel's strong performance and financial health led to a positive net cash balance at the end of the year. At the same time, it can be seen from the official financial data that the investment in brand support activities is 2.052 billion US dollars, an increase of 14.3% over 2021, The year's activities include customer events, capital expenditures of \$668 million, or 3.9% of sales, and a free cash flow of \$3.534 billion. In 2022, Chanel achieved double-digit sales growth in all categories, and sales in all markets were ahead of 2019, reaching a new record high.

### 2.2. The History of Chanel

Chanel's historical journey embodies the brand's genuineness, with a blend of victories and adversities contributing diverse dimensions of authenticity [6]. Chanel serves as an exemplary case study, illustrating how a brand can emerge from adversity to ultimately achieve triumph. As of 2020, Chanel proudly secures its position on Forbes' prestigious "World's Most Valuable Brands" list, boasting a brand valuation of \$12.8 billion and brand earnings totaling \$13.7 billion. [5].

The history of the Chanel brand is intrinsically intertwined with the life narrative of its founder, Coco Chanel, making it akin to a biographical account of her remarkable journey. Born into humble circumstances in 1883, Coco Chanel's upbringing in a convent imparted a sense of simplicity and purity that profoundly influenced her future design philosophy [7]. The inception of Chanel's historical trajectory occurred in 1909 when she inaugurated a Parisian millinery boutique, marking the initial step towards her brand's establishment. A pivotal moment transpired twelve years later when Chanel solidified its status as an authentic brand with the iconic creation of Chanel No. 5 perfume in 1921. This momentous introduction catapulted Chanel into the international arena, yet the perfume's origins were intricately woven into the fabric of Coco Chanel's own childhood experiences. [7].

Even through World War II, she still wanted Chanel to be the first fashion house to be able to create perfume as an innovator." Chanel No. 5 is the world's best-selling perfume" [8]. Marilyn Monroe answered the question "What perfume do you wear before bed?" The question was answered with the phrase "just a few drops of No. 5" [8], after which the perfume became more and more well-known and gradually became an icon and a dream for thousands of women.

### 2.3. Brand Value and Brand Equity

By applying high-quality materials, timeless design and iconic status, Chanel dominates one of the most significant positions of luxury. Luxury fashion brands have a variety of ways to provide value to their target customers. The unique factor that creates brand awareness and a relationship in the first place which is the brand logo and the brand name. [9] [10]. Especially luxury brands provide symbolic value [11], through their name and logo, these two main factors can create a unique brand image. Luxury brands possess a competitive edge due to their highly recognizable brand image and brand equity [12].

Chanel is considered as one of the most recognizable luxury brands in China luxury marketing [13]. In most of the shopping malls selling top luxury goods, Chanel stores can completely occupy the central position of the first floor of the shopping mall, even the facade window of the street shop. It can be seen that Chanel's status in China is relatively excellent, and consumers will continue to deepen their cognition of brand value under the influence of such brand influence.

### 2.4. Brand Identify

The double C logo: The iconic double C emblem, discreetly concealed within Chanel's clothing fasteners or integrated into the leather components of its buckles, stands as a discernible hallmark. This emblematic symbol, characterized by the overlapping of Coco Chanel's initials in the form of double Cs, evokes a fervent sense of allegiance among Chanel enthusiasts, engendering a passionate devotion to the brand's ethos.

Rhombus check pattern: The rhombic check motif, harkening back to the burgeoning acclaim of Chanel's initial leather merchandise, has seamlessly permeated the fabric of subsequent Chanel attire and leather goods. This three-dimensional diamond plaid pattern has organically evolved into a quintessential hallmark of the brand. Moreover, its integration extended to the realm of timepieces, notably within the "matelassé" series, wherein even the k-gold and stainless-steel straps were meticulously crafted to embody the intricate three-dimensional diamond motif.

The Coco Chanel Camellia Flower is something we all know about, from jewelry, pins, textile design, and more. Chanel's house is perfectly exemplified by this symmetric and iconic motif, which has understated elegance and timeless appeal. In addition to the double C logo, Camellia is another symbol of Chanel.

There are many colors of camellias, but white is the most frequently repeated color chez Coco. Chanel's house is still in the process of reinterpreting the camellia today. Since the 1920s, the flower has been produced in almost every Chanel collection and is made from various materials such as enamel, diamonds, rubies, and more. It's a timeless emblem of the French Maison.

The Black Dress: The timing of Mademoiselle Chanel's release of her little black dress in 1926 was chosen quite perfectly, as the stormy changes that World War I brought to European society created the opportunity for the little black dress. After it was released, it was called the Ford Dress, the best-selling American car.

### **3. Marketing Strategy of Chanel**

#### **3.1. Target Customer Groups**

Consumers clicking on 'chanel.com' consisted of 36.01% male and 63.99% female. The largest age group of visitors is people who between 25 and 34 years old, accounting for 34.39% of the total visitors. The price of a single Chanel product is generally between \$10,000 and \$100,000, and all boutiques do not support instalment payments, which often requires consumers to have a generous income. These people tend to be in the upper-middle or upper-income groups of society. According to research, Chanel's target consumers are 35+ years old, with a monthly salary of \$5,000+ USD.

Chanel's consumer group tends to target adults with a certain economic strength, especially female groups, who tend to pay attention to their own image, like to wear high-quality clothing and accessories, and like to experience the unique feeling brought by high-end luxury goods. In addition, Chanel's consumer group also includes some male consumers with certain economic strengths. These consumers usually focus on quality and style and like to add more taste to their lives. They usually buy Chanel's leather goods, shoes and perfumes.

#### **3.2. Offline Marketing: The Fashion Show and Artistic Collaborations**

Chanel proactively engages in artistic partnerships and runway presentations as a means to showcase its latest collections and pioneering innovations. This strategic involvement serves a dual purpose of not only spotlighting the brand's creative endeavors but also fostering the cross-pollination of cultural and conceptual ideas across diverse industries. Noteworthy instances encompass Chanel's collaborative ventures with photographers, musicians, filmmakers, and architects, resulting in the creation of unique masterpieces that draw inspiration from the brand's rich heritage and forward-looking vision.

Chanel's collaborations enable them to reach new audiences outside of the fashion industry. At the same time, these collaborations also provide a platform for both sides to demonstrate their professional skills and jointly push the limits. By cooperate with pioneers in other fields, Chanel has positioned itself as a forward-thinking brand committed to innovation and cultural exchange.

Chanel employs its fashion presentations as immersive spectacles meticulously crafted to enrapture and ignite the imagination of its audience. Through the live broadcasting of these events and the dissemination of exclusive behind-the-scenes insights, the brand aims to stoke the fervor and aspiration of consumers towards its latest collections. Furthermore, Chanel frequently integrates interactive components into its runway exhibitions, which may involve the inclusion of prominent celebrities or influencers within the show or the orchestration of engaging experiential interactions to captivate and involve guests.

In short, the use of artistic collaborations and fashion shows is a powerful marketing tool towards to Chanel, The Chanel story can be brought to a wider audience through the development of collaborations, reach out to various communities and spark conversations about the definition of modern luxury. Chanel has always been committed to providing its customers with quality, high-end

service experiences and products, which is why Chanel has a large and passionate following that eagerly looks forward to each new chapter in the Chanel fashion and content story.

### **3.3. Online Marketing: The Target Audience of Chanel and the Use of Social Media**

Apart from the conventional purchase of Chanel products within department stores, Chanel has recently introduced a complimentary virtual lip scanner application. This innovative application empowers users to choose a color from their immediate environment, search for a corresponding shade within the Chanel inventory, and experiment with it in a virtual setting. This strategic initiative forms just one facet of Chanel's multifaceted approach to connect with its burgeoning Gen Z customer demographic, who are increasingly asserting their independence in the consumer landscape.

Link the product to an emotion or experience: In the luxury brand market, products are no longer equated solely to utility when it comes to a good differentiation strategy. Individuals also looking for more than just an emotion, people begin to pay more attention on experience and sensation.

Another key factor in why Chanel's marketing strategy is so successful is that they use storytelling to attract customers and make them want to know about the Chanel universe and want to be a part of it. In the past few years, Chanel has been utilizing a powerful tool to enhance its visibility while minimizing the risk of overexposure, which could understate their reputation and the exclusivity of the brand, and that weapon is social media. At the same time, on the official website, Chanel also attaches great importance to the interaction with viewers (buyers) through different concept videos to show its brand charm.

In addition, the way they promote their products ensures they correspond to the right target audience. Because no matter in which field, when you want to buy a certain product, you will search for the corresponding app or website so as to achieve your purpose. You wouldn't go to a supermarket and ask a salesperson where to buy tickets to a museum. In that sense, Chanel is doing the right thing - for example, placing ads in high-end fashion magazines such as Vogue, Elle, Marie Claire, and Harper's Bazaar [5].

### **3.4. Marketing Strategy for Chanel Handbag**

Chanel is well-known for its iconic handbags, including the 2.55 flap bag and the Boy bag. Because of the timeless design and durable value, Chanel are fanatically sought after by many Chanel enthusiasts.

The value of this product embodies the brand's keywords 'Elegance, Exclusivity, and Timeless Appeal'. Its classic, beautiful and iconic design is the first thing that many consumers consider when buying a Chanel handbag for the first time. At the same time, Chanel in the selection of materials, craft production and other aspects of the restrictions to avoid the quantitative effect of mass production to bring the brand to form a hand scale phenomenon, unique, rare, and other characteristics to create their own brand labels, the formation of their own culture, to create the value of Chanel's labels, so as to be based on the ever-changing luxury goods market, the formation of their own stable customer groups. This is the reason why many consumers support and trust Chanel. This is also one of the important reasons why many consumers support, trust, and buy the brand.

### **3.5. Marketing Strategy for Chanel Fragrance and Jewelry**

Chanel explicitly recognizes the exceptional performance of its perfume and watch divisions. Unlike the marketing strategy employed for Chanel's clothing and handbag lines, the primary focus for increasing the visibility of Chanel accessories lies in strengthening their online presence. Leveraging digital engagement and harnessing the power of social media, Chanel has potent tools at its disposal in its marketing toolkit. These tools allow the brand to expand its reach beyond the traditional realms

of print media and television advertising. Chanel consistently shares posts that provide insights into their most recent collections, upcoming events, and behind-the-scenes glimpses into their creative design processes. Through their content, they meticulously highlight the outstanding quality and craftsmanship of each piece, with the overarching goal of inspiring and enlightening their audience.

#### 4. Case Study: The Marketing Power of Chanel N.5

Chanel's iconic fragrance, No. 5, serves as a potent and strategic marketing asset within the Chanel brand's expansive universe. Introduced to the world in 1921, this fragrance swiftly became synonymous with notions of sophistication, refinement, and femininity. Although precise sales figures are not publicly disclosed, in the United Kingdom alone, an estimated 1.92 million women embraced this fragrance in 2019. Notably, it contributes substantially, accounting for one-third of the brand's annual revenue, which amounted to \$12.27 billion.

The enduring and remarkable success of Chanel No. 5 is underpinned by several pivotal elements:

**Iconic Packaging:** The Chanel No. 5 perfume is encased within a distinctively designed rectangular bottle featuring beveled edges and a minimalist label bearing the iconic "C" insignia. In stark contrast to the ornate packaging typical in the beauty industry, this minimalist style has evolved into an instantly recognizable emblem, symbolizing quality and refinement.

**Endorsement by Iconic Figures:** Chanel No. 5 has graced the skin of numerous iconic women throughout history, including luminaries such as Marilyn Monroe, Nicole Kidman, and Audrey Tautou. This association with such celebrated individuals enhances the allure and distinctiveness of the fragrance, generating heightened interest and bolstering sales.

**Limited Edition Collaborations:** Chanel strategically unveils special editions of Chanel No. 5, often tied to holidays or significant events. Collaborations with renowned figures like Karl Lagerfeld or artist Jeff Koons spark excitement among devoted enthusiasts, compelling them to engage in collection endeavors.

**Emotional Resonance with Consumers:** The wearing of Chanel No. 5 invokes sentiments of confidence and sophistication within individuals. Women align this fragrance with self-realization and the embodiment of Coco Chanel's enduring spirit. This emotional attachment fosters a profound bond between the wearer and the brand, cultivating customer loyalty and recurring purchases.

**Global Prestige:** Chanel No. 5 holds an exalted status as a luxury fragrance and ranks among the world's top-selling perfumes. Its recognition as an emblematic symbol of opulence and grace renders it the preferred choice for discerning consumers seeking to elevate their daily experiences.

#### 5. Conclusion

Nowadays, luxury fashion brands are trying to attract the younger generation, Chanel is no exception, by the increasing number of advertisements and the selection of platforms to work with. Generation Y has witnessed the growth of young people in the sales of the luxury market. Consequently, a new product, which mainly targets younger generations, will be described as a suggestion. Chanel's marketing strategy in terms of brand awareness has been very successful over the years, but Chanel still needs to find its own way to solidifying its position in the fast-changing global economic marketing, to make sure Chanel can compete with other top luxury brands like Louis Vuitton, etc. At the same time, Chanel should focus on its own iconic product research, such as the lipstick line in cosmetic, Chanel can develop iconic products that are appealing to the younger generation.

The study predominantly relies on secondary data sources. Subsequent research endeavors will encompass surveys aimed at prognosticating Chanel's forthcoming strategic endeavors and related facets. This approach is envisioned to facilitate a more exhaustive and all-encompassing analytical framework.

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