

UWTSD

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Module: Marketing Fundamentals

Essay-

Critical analysis and evaluation of Chanel's marketing

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Student ID: 1904047

Ivanka Nikolova

Lecturer: Tushara Balendran

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Introduction

Marketing deals with the application of ideas, procedures and strategies employed to analyse and predict the consumer requirements and preferences. Marketing contributes towards increasing the sales revenue, profits for the business by providing insights into consumer habits. It is the directive force behind a company selling and buying decisions endeavours.



Marketing methodologies and procedures are more than promotion or advertising for the businesses. They are providing businesses with an assessment scale to obtain quantitative and qualitative data concerning consumer behaviour and demographics.

The purpose and application of an effective marketing strategy are essential for the company, such as Chanel. We have been working on creating a blog and analysing the company marketing mix and implementation plan. Chanel is a luxury brand founded by the designer, visionary, artist Gabrielle "Coco" Chanel in 1910 in the fashion capital Paris. She followed no rules, epitomising the very modern values of freedom, passion and feminine elegance completely changing women's lives forever. Chanel mission statement is:

"Chanel to be the Ultimate House of Luxury, defining style and creating desire, now and forever." (Chanel,2020)

Chanel has always maintained the image of a luxury brand, elegance and royal style. They are targeting a specific group of customers that can be associated with the brand. Furthermore, as a premium range, Chanel customers are above-average earners.

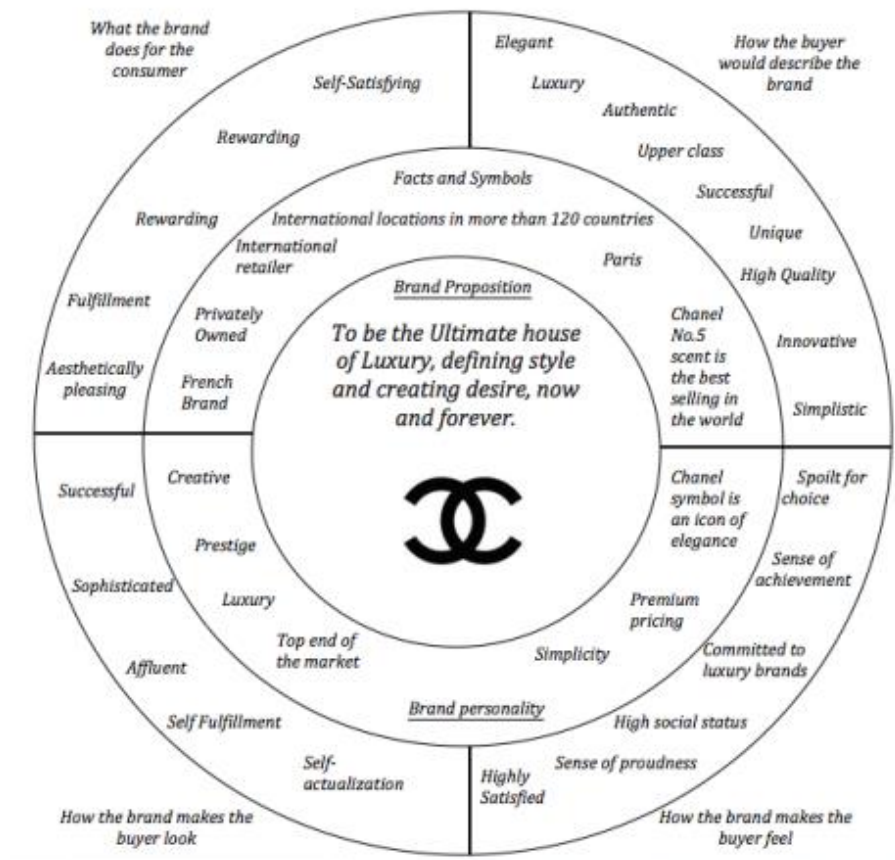


Figure 1: Brand Identity Framework

Also, with the rise of the luxury products available on the market, consumer behaviour has changed, according to (Schiffman , 2010). Some of the luxury brands as such as Chanel have managed to establish a powerful brand presence and loyalty. If we analyse the identity framework by (Baisya, 2013) identity tends to resist change by tying to fixed parameters, namely brand physique, brand personality, culture values, relationship, customer reflection and customer self-image.

Chanel Brand

New Entrance

Chanel is a brand that is a well-established brand with a strong customer base. They are a brand that is easy to recognise, and it makes it very difficult for new companies to enter the luxury market. Chanel is creating a unique range of investing heavily in promoting the range.

Furthermore, it makes the threat high. All government policies and licencing within the industry does not help new entrances due to high requirements. It is making the threat of a new entrance a weak force. In conclusion, Chanel takes advantage of the economies fighting the new entrances through cost advantages, maintaining a strong brand presence through a high budget for marketing and promotion.

Power Suppliers

The number of suppliers is very high and helps Chanel to negotiate about the cost of the raw materials. Chanel has a stronger position as a buyer and weakness the power of the suppliers.

.In conclusion, Chanel can switch suppliers to safe raw materials. Exploring new supplier chains in different geographical location. Developing a close relationship with the supplier will help to increase bargaining power and reduce costs.

Buyers and Power

The general buyer is a price sensitive. The competition on the market is high but the strong brand presence and the unique style of the products helps Chanel to

stand strong on the market. The customers they attract are not that sensitive when come to price. They are intrusted into the value of the product.

Substitute for products

The products that Chanel sells are unique, within the market. Even if the customers can find something different, the prices will remain very high. Due to the buying power of Chanel, they manage to keep the prices affordable for its customers.

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Rivalry in the industry

The number of competitors within the industry where Chanel operates are very few and most also large companies. This makes the rivalry among exciting companies a weaker force. Because they are only a few companies whiting the industry, they will try to engage in competitive actions to become stronger and dominated on the market. This makes the rivalry stronger force within the industry. This is a continually growing industry and likely to continue for many years. A positive growth means competitors are less likely to try to capture the share market from each other. This makes rivalry among exciting companies a weaker force. The fixed cost is high within the industry, and companies are producing to full capacity. This makes the rivalry a stronger force. The products produced within the industry which Chanel operates are highly deferential—reflecting to make the rivalry of new forces weak. If we analyse the high investment involved starting up and the government regulations within the industry, it makes it difficult to exit. Most companies will continue to produce even if that means to reduce profits, which makes the rivalry a stronger force.

In conclusion, Chanel needs to focus on winning new customers, differentiating its products and trying to reduce cost by producing the right amount of products that the markets required. By using the information in five forces, Chanel will be able to understand the different factors affecting the profitability of the industry. A more potent force means a lower profit and a weaker force will boost the company profits. This information will help Chanel with creating a strategic plan to reflect on the current position and profitability.

SWOT

Swot can be used by Chanel to identify the internal Strengths, and Weaknesses followed by the identification f the opportunities and threats that the company is

facing. Chanel is among the leading brand within its industry, and they need to keep its position. SWOT analysis the finance, marketing, operations, human resources, logistics, strategic planning and management system. The main purpose of SWOT is to identify the weaknesses and create a plan to strengthen the market position. One of the strengths of Chanel we can identify is the large size of the company with a strong distribution networking. It is increasing the availability of its products. Chanel has strong communication with its dealers providing additional training to help with the promotion of the products. If we look into the financial position of Chanel is very strong with accumulated profit reserves and assets base. Chanel is investing heavily in training and supporting its employees. They are bringing people to all different backgrounds, creating a professional team highly qualified with diverse ideas and methodology to help to enter the new markets. Chanel's website is very interactive draws a large number of sales and traffic. Chanel has a large number of followers on social media. Chanel is a well-established brand with an extensive range of unique exclusive products. They have managed to maintain quality through the years and create a loyal customer base. The excellent partnership by Chanel with its suppliers, dealers, retailers and other stakeholders will allow it to leverage if need to be in the future.

The weakness of Chanel is the average amounts spend on the research and development of new products is low. The competitors can take an advantage to introduce new competitive products. The time between the production and final sale is long and builds upon inventory, adding unnecessary costs to the business. Most of the property where they are operating are rented, which is increasing the costs on average. The current ratio that shows Chanel's ability to meet its short term financial obligation is lower than the industry average. The employee turnover rates are high, which relies on extra costs for training and development. Chanel has a lower budget for quality control compared to its competitors. Only a few products have a high market share, while most of its range has a low share. They are making the brand vulnerable to external threats. The workload per employee is high, reflecting on the stress levels. Some qualified employees have been leaving Chanel in recent years, which could mean a shortage of right talent for the company in the upcoming years. The decision making is highly centralised, and it leads to reduced innovation.

Opportunities for Chanel

The increase in internet use and smartphones over the world can create an opportunity for Chanel to interact with its customers. The growing number of population with high average household income is an opportunity for Chanel to increase sales and attract new buyers. The inflation rates are low and expected to remain at the same level for a number of years. The fact that customers are

becoming more cautious about the environment can attract new potential buyers avoiding cheap, not long live products. The globalisation of the market can be an opportunity to increase brand awareness and position for Chanel. Apart from opportunities, the Threats for Chanel can be identified in the increasing number of competitors. The political uncertainty around the world can be a threat for the Chanel. The power of the suppliers if it grows can affect the cost of the raw materials.. The exchange rates in different countries can be a threat to Chanel. Furthermore the technological development by competitors within the industry



Segmentation Targeting and Positioning

To develop an effective Marketing Strategy Chanel requires understanding the specific buying behaviours of the consumers. By dividing the market into small homogenous groups, they can narrow the large data to the specific target group. It can be done by exploring the geographical, demographical, behavioural and psychological characteristics of the customers. Chanel is a company that sells luxury products, and they are targeting a particular group of consumers with high disposable income and status. That is the reason they are promoting the products in only high-end magazines and exclusive fashion shows.

Chanel is targeting 18-30 years old working single or working married women. Furthermore, the income range is above £60,000 annual income—charming and elegant personality but looking for excellent adventurous products.

Branding

Chanel is a company with a long history and is a brand that is easily recognised by the consumer. As a company, they have managed to establish an excellent relationship with the customers and have many followers. They are a brand associated with a luxury and royal presence.

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Chanel has developed a marketing mix strategy to achieve its desired sales results within the market. It is continually improving the strategic plan that allows the company to keep its position as a luxury product with a popular brand image.

Product

Chanel is selling their range of products under the one name. The products they sell are very high quality and considered as a premium range. They offer products as such as women clothing, fragrances men and women and beauty.



Price

The pricing strategy that Chanel follows is competitive based because the data on competitors is readily available. The industry where the company sells the products is very competitive and rapidly growing. The set prices for a few products are much higher than the competitors because of the features and the high price to make it. Chanel is currently selling some products as a bundle, and the prices are lower than the individual items. It also uses an optional product pricing strategy for certain products, where accessories are offered with the original purchase. Chanel, it charges a higher price for the products it sells online.

Moreover, the reason is that delivery costs have been included in the price too. If we look into the channel members, retailers and wholesalers buy the products at a lower price and earn through their sales margin. Chanel has fixed prices on the final products.

Place

Chanel sells its products through two market channels. The first is where it sells directly to the customers through its online website. Furthermore, the second is where Chanel sells to wholesalers, who then sell to different retailers in the countries. And then the products are sold to the customers. Chanel is using an intensive marketing strategy to ensure that its products are available in most parts of the world. A substantial amount of online sales are generated through the website with the support of numerous delivery services. It follows an omni-channel distribution system where it has integrated the online and physical stores to allow consumers to access its products efficiently. Chanel has

developed a close relationship with the suppliers to innovate and introduce new and interactive features continually.

Promotions

Chanel is promoting products using various ways. They are promoting using television campaigns, especially during the Christmas promoting the classic fragrances. In recent years Chanel is promoting more on social media, using different platforms as such as Facebook, YouTube, Twitter and Instagram. Chanel is effectively working with bloggers to attract more followers on Instagram. They have invested into a company to help developing the website to increase online sales. Chanel is continuously promoting the products during fashion shows taking place in the major capital cities.

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People

Chanel has a dedicated sales team that plays a vital role in its marketing efforts. They are investing in training people and further development.

Chanel has people working in its customer service department. They will be the first line of contact for the customers. They are well trained to respect the customers and resolve any issues that arise.

They have people working with suppliers to obtain the raw materials for the product. These people play an essential role to maintain the quality of the brand image.

Furthermore, the team of the people working at the retail stores helping customers by finding the products that suit their needs.

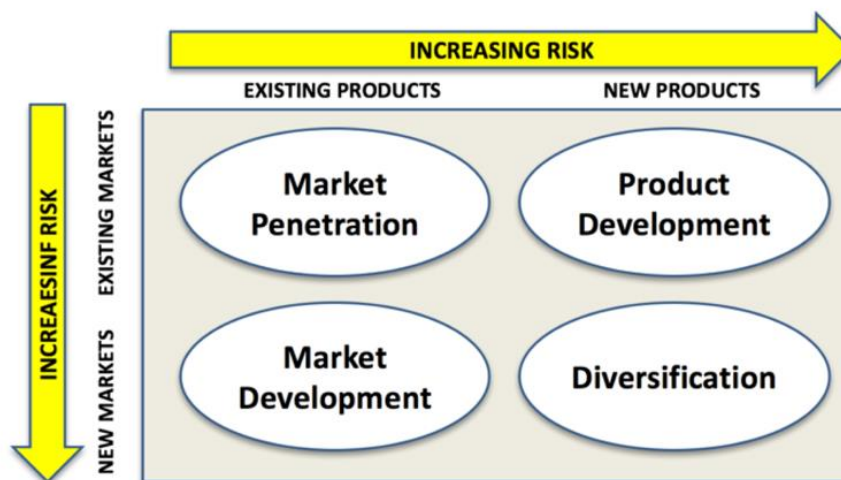
Process

Chanel has a system installed in the retail stores to monitor and notify when the stock levels are running low. This way, the products are always available to customers when they need to purchase. They are actively involved in researching market opportunities and understanding the customer's needs. They are effectively collecting data via online platforms and customer's feedback.

Physical Evidence

Chanel has a unique colour packaging that helps customers to identify the brand in busy retail stores. Also, the website is user-friendly and allows customers to view its products in high-quality images to find the products with a minimum

effort. Chanel is a brand that is very easily reorganised through its unique image.



Chanel strategy involves developing new products or modification of current products. Targeting exciting customers will require comparatively less time and resources. During the last years, due to the increased competition, Chanel had to concentrate on developing new products. Marketing plays a vital role in the current competitive market. Chanel, as a brand, is part of a very rapidly changing market. To maintain the excitement and attract new customers, they have to have a reliable and innovative marketing plan always. Chanel has managed to create a promotional strategy which is heavily supported by million followers on social media and by many celebrities.

Stakeholders

Chanel is a company that is continually developing and training its employees. They have a bonus incentive structure in place for the employees. Chanel has established an excellent relationship with its suppliers. This is one of the strengths of the company with a very positive impact on the costs in general. The company is profitable and with a steady growth keeping the shareholders on a good note. Chanel prices a premium, but the customer's base they created are loyal and keep supporting the brand through the years.

Marketing communication model

Chanel is a luxury brand that dominated the market for a long number of years. They are focusing on women's fashion except few men fragrances and sticks to the promotion of a traditional legacy. Chanel communication is centred on the heritage while emphasizing the forward-thinking in the modern world. They are one of the companies that are still using television advertisement as a way to promote the products. After carefully selected celebrities to represent the brand, Chanel is creating expensive adverts. They are the brand in its industry that dominates social media. Chanel is investing heavily in content writing to engage the followers' attention. This method of communication has proven to be very useful for Chanel.

Chanel is a well-established company with an excellent reputation. They have more strengths and fewer weaknesses. As a company, they may have to invest in updating the website and online shops and making more products available online and using technology more effectively to grow the business and looking into expanding the market into different countries and attracting new customers, helping customers to choose products online while giving them the sensational experience and developing a range for men. To attract a new consumers that can help the company to generate higher profits.

In conclusion, we can determine Chanel as the leader in the luxury brand fashion industry. They will continue to determine and shape the fragrances and beauty industry in the coming years.

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