

Remarkable Resilience of Chanel: Study on Brand Performance and Strategies during the COVID-19 Pandemic

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Abstract. The luxury market has experienced a significant downturn during the COVID-19 pandemic and the ensuing lockdown period. This article delves into Chanel's strategies, including pricing strategy, marketing strategy, and brand positioning, that allowed the brand to thrive during this unique period and maintain its leadership position in the fashion industry. Additionally, the drawbacks of Chanel's limited embrace of e-commerce are discussed, along with possible improvements of expanding its digital presence, increasing sustainability efforts, and focusing on exceptional customer service to drive future growth. Through a comprehensive analysis of brand strategies, this study offers valuable managerial insights and practical recommendations for companies in the luxury goods industry, contributing to a deeper understanding of Chanel's unwavering position and aiding businesses in navigating present and future challenges.

Keywords: Chanel; COVID-19 pandemic; luxury brand; brand positioning; digital transformation.

1. Introduction

The luxury industry has been significantly affected by the ongoing pandemic, leading to declines in sales for key players like LVMH, which experienced a 36 percent drop compared to the previous quarter (Monteton, 2023). Different sectors within the industry were impacted to varying degrees, with the watches and jewelry market shrinking by 25 percent, followed by a 20 percent reduction in the apparel and accessories sector (Sabanoglu, 2022). These effects can be attributed to lockdown measures and travel restrictions, particularly affecting the luxury travel and experiences category. Additionally, disruptions in the supply chain, especially in Italy, where a significant portion of luxury goods production occurs, have further compounded the industry's challenges (Achille & Zipser, 2020).

Chanel, a renowned fashion and beauty brand, was established in 1909 by Gabrielle Coco Chanel in the elegant city of Paris, France. Over the years, it has evolved into one of the foremost symbols of luxury and sophistication in the global fashion industry. Despite its prominent status, the company faced a substantial setback in 2020, with a 17% decline in revenue attributed to the impacts of the pandemic (Chanel, 2022). However, as lockdown measures gradually eased, Chanel experienced a rapid resurgence in sales, demonstrating remarkable growth in both 2021 and 2022. The brand's sales swiftly rebounded, reaching an impressive milestone of \$15.64 billion (Chanel, 2022). Chanel's remarkable recovery from the challenges posed by the pandemic can be viewed as a resounding success. Despite being heavily reliant on in-store and travel purchases, which were significantly affected by lockdowns and travel restrictions, Chanel not only survived but thrived during this exceptional period. Within just one year after the outbreak and the lifting of lockdown measures in many countries, Chanel achieved its highest revenue ever, experiencing an astounding 55% growth in sales. The strategies and brand positioning employed by Chanel during this time hold valuable insights for other luxury brands to study and learn from. This prompts the question: How did Chanel swiftly recover from the pandemic, attaining new heights?

This research article aims to delve into Chanel's performance during the COVID-19 period, examining its pricing strategies, marketing strategies, and brand positioning in detail. Through a comprehensive assessment of Chanel's brand, we will explore how the company has not only maintained but also solidified its position as a leading luxury brand in the fiercely competitive fashion industry. Through the identification and analysis of its strengths and areas for improvement, this study endeavors to provide valuable insights to both researchers and industry practitioners, enabling companies to successfully navigate through extraordinary circumstances.

2. Literature Review

2.1 Chanel's performance in historical emergencies

Chanel is often regarded as a timeless, timeless classic. It is not only a major brand in the fashion industry, Chanel Style has also become a symbol of the elegant and fashionable taste of women in the social scene. But the Chanel brand's journey has not been smooth. In 1914, Chanel founder Coco Chanel opened 2 fashion stores in Paris, and the far-reaching fashion brand Chanel was officially born. Chanel's unique and avant-garde innovative design made women in the 20s abandon stereotypes and give women freedom of movement. The awakening of women gradually became the spirit of Chanel's brand. But after the founder's death, the brand was darkened by her departure. 12 years after the founder's death, Karl Lagerfeld took over, he compared Chanel to a sleeping and snoring beauty, perfectly distilled the essence of Coco Chanel's elegance, improved the proportions to retain loyal customers and added a youthful element, reinvented the Chanel double C logo, camellia with appropriate exaggeration... After Carl took over, Chanel also became one of the most profitable luxury brands in the world. On February 19, 2019, a generation of legendary Karl Lagerfeld passed away suddenly, compared to FENDI's immersion of pain and consternation, Chanel announced the successor of creative director Virginie Viard, a colleague who worked with Karl for more than thirty years, which calmed the hearts of the outside world, showing Chanel's execution and public relations ability (Zheng Chaohui, 2019). The previous year, the Chanel brand had suffered a "perfume pollution" crisis. Some Chanel perfumes have reportedly been found to have pollution problems in overseas markets. Chanel quickly implemented crisis public relations measures (Pulaige, 2018). First, he quickly and publicly apologized, saying in his apology letter that he deeply regretted the incident and admitted that there were problems. At the same time, Chanel said it would take steps to ensure that such problems do not occur again, including recalling some products and destroying the defective products. Second, introduce compensatory measures, including gifts, coupons, etc., to appease consumers. Third, strengthen brand publicity and convey brand safety and quality awareness to consumers through various channels, which makes consumers pay more attention to and trust the brand. Chanel's crisis public relations measures were very successful, not only solved the crisis in time, but also made consumers more trusted and concerned about the brand, and also laid a solid foundation for the long-term development of the brand (Song Lin, 2019). It is also a reminder to other luxury brands of the importance of taking proactive PR measures in a timely manner in the face of a crisis. It can be seen that Chanel's success is indispensable to the flexible handling of emergency emergencies by its public relations team, which not only eliminates adverse effects, but also maintains the corporate image and reputation (Zhang Hao, 2020). Chanel in the COVID-19 pandemic emergencies, also still has a complete strategic plan.

2.2 Financial analysis

Chanel has a long history of producing fashionable women clothes and wear that will liberate women of their time socially, physically, and even psychologically. The company has developed and became one of the most valuable and expensive women luxury brands across the globe. With an impressive network of 310 boutique stores worldwide (Apperly, 2021), Chanel has solidified its position as a pinnacle of style and elegance.

Table1. Revenue of Chanel worldwide from 2016 to 2022

Year	Revenue (in billion \$)	Percentage Changed
2016	\$8.63	/
2017	\$9.62	+11.47%
2018	\$11.10	+15.38%
2019	\$12.27	+10.54%
2020	\$10.10	-17.68%
2021	\$15.64	+54.85%

2022	\$17.22	+10.10%
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Source: Prepared by author based on Financial Statements of Chanel from 2016 to 2022.

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As table 1 has shown, Chanel has exhibited a positive growth trend leading up to the pre-COVID period of 2019. Analyzing the sales revenue data from 2016 to 2019 reveals a consistent upward trajectory. In 2016, Chanel recorded sales revenue of \$8.63 billion (Chanel, 2018), which experienced significant growth, reaching \$12.27 billion in 2019 (Chanel, 2020). The brand's remarkable expansion during this period can be attributed, in part, to its rich legacy and storied history. However, the onset of the COVID-19 pandemic had a profound impact on Chanel's sales revenue. The stringent lockdown regulations imposed by authorities worldwide greatly restricted in-store shopping, resulting in a substantial decline in sales. In 2020, Chanel's sales revenue dipped to \$10.10 billion (Chanel, 2021), reflecting the challenging circumstances imposed by the pandemic. With the gradual easing of lockdown measures in 2021, a resurgence in sales revenue was witnessed for Chanel. As restrictions were lifted, the brand experienced a notable rebound, with sales revenue soaring to an impressive \$15.64 billion (Chanel, 2022). This remarkable recovery continued in 2022, as sales revenue further surged to reach a new pinnacle of \$17.22 billion (Chanel, 2023), with expectations of continued growth in 2023.

These fluctuations in sales revenue underline the significant impact of external factors, particularly the regulatory measures and shifts in consumer behavior influenced by the COVID-19 pandemic. However, Chanel not only weathered the storm but also thrived. Just one year later, in 2021, the brand experienced a remarkable growth of approximately 55% in sales. Even amidst an economic downturn, consumers' purchasing power and passion remained strong, reaching new heights. This data highlights the resilience of Chanel as it successfully navigated through the turbulent period, demonstrating its adaptability and ability to capitalize on market reopening. This research essay explores Chanel's strategies during the COVID-19 period, including its pricing strategy, marketing strategy, and brand positioning, to provide insights into the brand's success in overcoming industry challenges.

3. Chanel's Resilient Strategies during the COVID-19 Period

3.1 Pricing Strategy

During the COVID-19 period, Chanel demonstrated resilience in maintaining its high pricing strategy, despite the prevailing challenges faced by the luxury sector. A notable example of this strategy is evident in the significant price increase of the iconic Chanel Classic Medium Flap bag, which now retails at \$10,200, marking a 16% surge from its earlier price of \$8,800 this year (Kagan, 2023). While the pandemic had a considerable impact on the luxury market, resulting in a decline in Chanel's revenue in 2020, the brand remained steadfast in its value-based pricing strategy approach and opted against price reductions. Instead, Chanel chose to continue raise prices to offset the mounting costs associated with materials and labor. The rationale behind Chanel's unwavering commitment to its pricing strategy lies in its status as a renowned luxury fashion brand, synonymous with exclusivity and quality. By maintaining high prices, Chanel sustains its allure as a premier luxury brand, catering to affluent consumers who appreciate and are willing to pay a premium for top-tier products. Moreover, the increase in prices further enhances the sense of exclusivity and scarcity associated with Chanel's offerings, elevating their perceived value in the eyes of discerning customers. Notably, the price hikes implemented by Chanel had little to no detrimental effect on sales. Despite the economic challenges posed by the pandemic, the brand witnessed a resurgence in sales, particularly in 2021, as markets began to recover. This outcome underscores the effectiveness of Chanel's pricing strategy in maintaining demand and sustaining its strong market position. Ultimately, Chanel's decision to maintain high prices during the COVID-19 period was driven by a strategic blend of preserving its luxury brand image, appealing to affluent consumers, and capitalizing on the allure of exclusivity. By weathering the challenges brought by the pandemic without compromising on

pricing, Chanel reaffirmed its status as a leading luxury fashion brand, paving the way for continued success in a highly competitive industry.

3.2 Marketing Strategy

Chanel's marketing strategies during the pandemic period have been bolstered by the brand's substantial financial resources. Despite experiencing a decline in sales, Chanel made a significant investment of \$1.1 billion during the Covid period (Chitrakorn, 2021), which was strategically divided into two key areas. The initial phase of Chanel's investment focused on digital transformation and enhancing the brand's online presence. Chanel launched a new online app that revolutionized the way it engaged with its clientele. This app introduced innovative client-facing tools, including concierge shopping services and a platform that connected existing clients with fashion advisors (Chitrakorn, 2021). By embracing these digital solutions, Chanel effectively adapted to the challenges posed by the pandemic, ensuring seamless communication and personalized experiences for its valued customers. This investment played a crucial role in transforming Chanel's digital capabilities and establishing strong connections with its audience. In addition to digital initiatives, Chanel also shifted its marketing focus towards digital media platforms. The brand launched a series of highly successful digital campaigns, notably the captivating "Inside Chanel" series (Roberta, 2021). Through the medium of video content, this series intricately narrated the rich history and heritage of the brand, captivating viewers and fostering a deeper emotional connection. Furthermore, Chanel effectively utilized popular social media platforms like Instagram to promote its products, engage with its audience, and showcase its latest collections. By harnessing the power of digital media, Chanel extended its reach, connected with a broader audience, and maintained a strong brand presence throughout the pandemic.

Chanel's subsequent phase of investment involved a deliberate focus on enhancing its physical stores and expanding its geographical presence. The objective was to elevate the in-store experience for customers once the constraints of the lockdown measures were lifted. Notably, Chanel strategically acquired new locations in prominent cities such as London and Beverly Hills, while also establishing a state-of-the-art manufacturing hub in Paris (Chitrakorn, 2021). The significance of in-store experiences cannot be understated in Chanel's overall marketing strategies. Given the absence of online purchasing options, offline buying remains the primary means for customers to engage with the brand. Thus, Chanel's emphasis on providing luxurious in-store experiences aligns seamlessly with the company's core values and customer expectations. Even during the challenging period of the pandemic-induced lockdown, Chanel persevered in delivering services that exemplified its commitment to excellence. The investments made in new locations were carefully chosen to ensure they complemented the luxurious experiences Chanel sought to offer its discerning clientele. By prioritizing these investments, Chanel solidified its dedication to providing exceptional in-store experiences, thereby reinforcing the brand's ethos of luxury and exclusivity.

Overall, Chanel's substantial investment during the pandemic period enabled the brand to navigate the challenging landscape with resilience and innovation. By prioritizing digital transformation, launching engaging digital campaigns, and investing in store upgrades and acquisitions, Chanel successfully maintained its connection with customers, both online and offline. These strategic efforts ensure that Chanel remains at the forefront of the fashion industry, continually captivating audiences and upholding its esteemed reputation as a luxury brand.

3.3 Brand Positioning and Value Strategy

Amidst the ongoing pandemic and the resulting surge in digital transformation within the luxury fashion industry, Chanel has remained reserved in embracing e-commerce as a sales platform. While numerous luxury brands have pivoted towards online sales to offset the impact of store closures, Bruno Pavlovsky, the president of Chanel Fashion, has expressed consideration regarding the brand's opening into e-commerce (Regaudie, 2022). Pavlovsky believes that online shopping lacks the personalized experience that Chanel is renowned for providing in its physical stores (Regaudie, 2022).

In his words, "There's no experience. No matter how hard we work, no matter how much we look at what we can do, the experience is not at the level of what we want to offer our clients."

For Chanel, the in-store experience holds immense significance, and the brand is unwilling to compromise on this aspect by fully embracing e-commerce. The retail spaces of high-end luxury brands are meticulously designed to exude exclusivity and opulence, catering to a specific clientele seeking an elevated shopping experience. Moreover, these exclusive in-store experiences not only provide customers with emotional value but also a profound sense of fulfillment and alignment with their personal identity when engaging with luxury brands (Page, 2023). The cultivation of identity is vital for customers when making luxury purchases, as it serves as one of the reasons why they are willing to pay a premium for these products. In the realm of luxury brands, customer shopping experiences extend beyond only product acquisition; they seek to immerse themselves in the opulent ambiance and lavish encounters that accompany these brands. Each Chanel establishment is meticulously crafted to create an environment that reflects the company's values, bolstering its brand image and captivating customers in search of a luxurious atmosphere. While the reluctance to expand into e-commerce may seem counterintuitive in an era of increasing online sales, Chanel appears to view it as a tradeoff between boosting sales and upholding the exceptional shopping experiences the brand is renowned for. The emphasis placed on the physical store environment reflects Chanel's commitment to delivering a personalized, immersive, and luxurious experience that cannot be replicated in the digital realm (NSS Staff, 2021).

4. Chanel's Future Development Strategies

After a thorough examination of Chanel's current position and performance, the brand has achieved remarkable success and demonstrated resilience in the face of the challenges posed by the COVID-19 pandemic in the luxury market. Nonetheless, to ensure continued growth in the future, Chanel should give priority to three key strategies.

First and foremost, it is crucial for Chanel to expand its digital presence by investing in e-commerce platforms and leveraging social media to engage with younger consumers. While it is understandable that Chanel has been hesitant to embrace e-commerce due to concerns about brand positioning, it is essential to acknowledge that the luxury fashion industry's digital landscape is continuously evolving, and consumer behavior is shifting towards online channels. Chanel may need to carefully evaluate the long-term viability of solely relying on in-store experiences and consider finding innovative ways to blend their signature personal touch with digital initiatives. By finding a balance between maintaining its brand image and embracing online shopping trends, Chanel can tap into new opportunities and cater to the needs of a broader customer base.

Secondly, with increasing consumer awareness and demand for sustainability, Chanel should enhance its efforts in this area. This can be achieved by incorporating eco-friendly materials into its products, partnering with second-hand luxury companies to reduce waste in production, and implementing sustainable practices throughout its supply chain. By prioritizing sustainability, Chanel can not only appeal to environmentally conscious consumers but also demonstrate its commitment to responsible business practices.

Lastly, Chanel should focus on delivering exceptional customer service to justify its premium pricing. Based on Chanel's value-based pricing strategy, it is inevitable that the brand will continue to raise its prices over the next few. To justify its price premium while also increasing sales, Chanel needs to focus on attracting and retaining high-value customers by creating a perception that their products are worth the investment. To achieve this goal, Chanel should continue its marketing efforts by creating campaigns that highlight the rich history and heritage of the brand. Additionally, Chanel should maintain its exceptional in-store experiences and VIP services to provide a luxurious shopping experience.

5. Conclusion

In conclusion, Chanel must remain innovative and adaptable in response to changing consumer preferences and market trends while upholding its unwavering commitment to quality and exclusivity. By embracing digital channels, prioritizing sustainability, and enhancing customer service, Chanel can continue to lead the luxury fashion industry and sustain its position as a renowned brand.

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