

# The leading fashion and clothing brand in paris marketing essay



This report is centered on the investigation of Chanel, one of the leading fashion and clothing brand in Paris, France. If an industry has decided to conquer the other market, there are many choices that will be opened. These options may include the cost, risk and the degree of control that the company will encounter. In entering an international business, it is important that the management Chanel should be able to choose a marketing entry strategy and carefully choose the product that the company will market. Since Chanel wants to be known in global market, there are many other strategies to choose from like global, transnational, international and multidomestic strategies. And because of the business status and appealing strategy such as brand and branding of Chanel, the company are becoming known for their global consumer.

Since, fashion has invading people style of living the product that has been chosen to go international market is the fashion cosmetics such as clothes, denims and other beauty cosmetics. Hence, this paper provides a brand and branding strategy for the clothing company. The company is a well-known brand of fashion and clothing-Chanel.

It is now a widely held view that the world economy has entered a much more complex phase where individual national economies have become inextricably linked. In this new world economy, resources and markets have ceased to have the indelible national identity of the past. Restricted resources and markets that were once legally isolated have become much more accessible to enterprises that have acquired a global strategic vision. To the more visionary global enterprises, the world is but a borderless environment with homogeneous consumers who have developed an

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unforgiving taste for the most sophisticated and high-quality products. In response to the needs of these global consumers, the enterprises have developed global products. How such homogenised consumers are served, however, is a question of the strategic orientation of the enterprises and their ability to exploit the ever-evolving global economic environment. With this regard, Chanel, a company in Paris, France engaged in clothing and a leader in fashion business shows significant impact to their consumers in accordance to their brand and branding strategies.

As stated in the company website, Chanel is a Parisian fashion house founded by the late couturier Coco Chanel. Coco Chanel was recognized as one of the most fashionable in the haute couture (Chanel, 2009). Specializing in luxury goods such as ready-to-wear, haute couture, perfumery, handbags, and cosmetics among others, the Chanel brand has become one of the most recognized names in the luxury and haute couture fashion industry (Vernon 1966). As reported in Forbes, the privately held House of Chanel is jointly owned by Gerard Wertheimer and Alain Wertheimer who are the grandsons of the early (1924) Chanel partner Pierre Wertheimer.

From the history of Chanel, a lot of supermodels and celebrities became their spokesmodels. These supermodels and celebrities are not just ordinary, they are considered as high-profile celebrities and supermodels. As seen, Catherine Deneuve became their 1970s Chanel No. 5 spokesmodel, Nicole Kidman in early 2000s, and currently Audrey Tautou as their Chanel No. 5. In addition, the famous Marilyn Monroe became their 1950s Chanel No. 5 spokesmodel pictured spraying herself with a bottle of Chanel No. 5. The picture is definitely the most famous of all Chanel commercials, and <https://assignbuster.com/the-leading-fashion-and-clothing-brand-in-paris-marketing-essay/>

continues to be one of the most popular advertisement photos in the history of marketing and branding, used in countless biographies, and still selling in great number of quantities as an art piece and poster using Marilyn Monroe as the model (Chanel, 2009).

## **Aim and Objectives**

Chanel is considered as one of the world's favourite and preferred designer of apparels and clothing for man and women. In addition, Chanel is also known not only for their fashion but because of the quality of the clothes designed durability and the funkiness of its clothes (Chanel, 2009). In addition, their handbags, shoes and accessories are also creating big sales and positive reactions from consumers. Through the online stores, Chanel provides the US, UK European Market and Asian Market exclusive clothing and even handbag designs. Chanel also offers perfumes and watches. The main aim of this company is to provide luxury goods (haute couture, ready-to-wear, handbags, perfumery, and cosmetics among others) in different countries all over the world. The company has been known because of its strategy of providing fashion designs exclusively for each country's preferences and needs which was positively accepted and loved by consumers. With this, the main aim of this paper is to evaluate the current brand management strategy of Chanel. In addition, this paper also considers the following objectives i. e. to explain the basis on which the brand is to be valued, justify Chanel's brand decisions and demonstrate the role of marketing mix in supporting their development proposals.

## Strategies

Currently, Chanel was glorified in Singapore with great labour and sufficient fabric suppliers and garment manufactories. And for its plan to venture in Vietnam, low cost labour can be possible in competitive value which could cut down Chanel's production cost. Sufficient suppliers could provide Chanel with bargain and various fabrics while manufactories could assure of lead-time. Owing to different figure and weather, Chanel needs to modify the pattern for Asian markets and innovate lightweight and washable clothes for Asian weather.

It cannot be denied that the world is full of competition and it is essential that every individual should have the ability to compete especially those who are assigned to manage people in organisation (Gwee, E. 2002). Perhaps, it can be considered as the greatest challenge in every organisation particularly to international organisations to have members who will contribute to the growth and development of an organisation. Furthermore good management skills are very important in order to achieve the mission and reach the vision of a certain organisation. Every organisation has work to do in the real world and somehow it has responsibility to measure how well that work has been done.

With regards to the Chanel's business strategies and product life cycle (Vernon 1966), there are factors that should be considered. In the same manner, the justifications on the decisions on employing these strategies will also be given. The key success factors affecting the operations of the Chanel business comprising of the political, economic, social, technological and environmental aspects, as well as the state of competition and the <https://assignbuster.com/the-leading-fashion-and-clothing-brand-in-paris-marketing-essay/>

underlying economics within the industry is important because these range of factors would influence the business organisation's decisions and its performance, leading to a better deployment of the firm's resources within its external environment in order to satisfy its long-term goals. For Chanel, a strategy is crucial for their success in Vietnam. With this, the company plans to use the so-called "International Strategy" as core strategy in venturing in Vietnam. The reason of choosing this strategy is that because the pressures to both local responsiveness and cost reduction were low. In this strategy, Chanel would be able to produce value by transferring valuable core competencies to Vietnam. Chanel can also still centralize their product development functions in Singapore but they can also establish manufacturing and marketing functions in Vietnam provided the head office in Singapore exercises tight control over it. And since the company are providing fashion designs exclusively for each country's preferences and needs are positively accepted and loved by Asian consumers, Chanel still limits customization of product offering and market strategy. The following PESTLE analysis shows the applicability of marketing Chanel products in Vietnam.

Political. With regards to the current global financial crisis, there is a global economic slowdown in which not only fashion business but also the overall fashion businesses suffers. Since Chanel is in the process of extending their scope of operations in Vietnam, they are naturally subject to international trade regulations, which make business operations considerably more intricate to perform. Consumer protection also is a major consideration, with the increasing number of consumer-protection laws abound in the Vietnam

market that seeks to look after the right of consumers, most notably in terms of product and service quality.

Economic. Economic growth for the target markets is positive. As reported in International Finance Corporation (IFC) (2009), doing a business in Vietnam is somewhat positive. With this, Vietnam is the targeted markets by Chanel. Actually, this area is good clothing and fashion market in the world, considering that fashion products in this region is rare which makes its market not in saturation stage, thus the clothing and fashion industry itself is shown to have a highly optimistic position in the future of the world economy, with what the increasing number of consumers in which their fashion sense is evolving.

Social. Income distribution among target market of most businesses is uneven, as observed by several experts on the subject (Lipset & Bendix, 1992), although an exclusive focus on the matter would give the impression that countries has done a way better job of maintaining income inequality low, which is directly affected by the industry's business cycle. The primary consumers of the clothing and fashion market in Vietnam are individuals who love clothes and fashion. The main business is involved in the provision of clothing and fashion market and it is much subject to fashion and fads, similar to the mobile communications industry or the clothing industry, in which consumer taste and preferences are relatively not predictable throughout the business cycle.

Technological. In accordance to the development in Chanel in Vietnam, the business process in which they are engaged in is focused on information

technology (IT) platform research, as opposed to product research and development focus of other industries, because most of the industry players' main marketing vehicle is the Internet. Large government spending on IT platform research is observed of the Singapore, while the Vietnam scene is on its way to developing more laws supportive of such research nature. As a result of the focus on IT platform research, very fast technological transfer is characteristic of the industry. Likewise, a very fast rate of technological obsolescence is also an attribute.

Legal. As with any other business industry of the world, there are rules and regulations that restrict or support the facilitation of the business in the clothing and fashion market in the areas where Chanel operates.

Environmental. There are currently no major environmental issues faced by the Chanel in Vietnam, except for the ever-present textile and silk production issue which catch environmentalists' attention due to the fact that some of its raw materials and from the skin of rare animals.

## **Entry Mode Choices**

As stated by Bennett (1998), when a company like Chanel enters a foreign market, it needs to consider carefully all the available options, the costs, the distance, firm experience and size, possible loss of control and the risks involved. Furthermore, the market entry strategies chosen have to relate to the company's overall strategies. The methods for entering overseas markets are Bennett (1998):

Exporting- is the marketing and direct sale of domestically produced goods in another country.

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Join venture- is a collaborative arrangement between unrelated parties which exchange or combine various resources while remaining separate and independent legal entities.

Licensing/Franchising- consents a company in the target market to use the property of the licensor such like trademarks and patents.

Direct investment- is the direct ownership of facilities in the target market.

For Chanel expansion in Vietnam, it was suggested to prefer owned-stores, franchising and joint venture. Chanel might need to face strict restrictions on the location and number of outlets they could open. Therefore, having a local partner will be handy for Chanel to deal with the bureaucracy in Vietnam. Both franchising and joint venture are co-operative entry mode. However, considering macro and micro environment, joint venture will be the most beneficial entry mode for Chanel in Vietnam. Possible advantages of joint venture for Chanel:

Higher return than with franchising

Possibly better relationship with Vietnam's government because of having local partners

Share resources such as distribution system and suppliers.

Reduce personnel expense

## **Market Segmentation**

Here, Chanel will provide its target consumers for its product. Primarily, the context of the market segmentation for this company will be the Psychographics. Psychographics includes social class, lifestyle, and personality variables (Chiagouris & Kahle, 2000). The end result of using these variables is a psychological profile of each market segment. Issues also examined the customers' loyalties, habits and self-concept. Social class describes how individuals want their office automation will meet their comfort and satisfaction, what they consider important about their immediate surroundings, their opinions on various issues, and their interests.

## **Pull Strategy**

Since the company are offering consumer products such as handbags, clothes, fashion accessories, etc., then Chanel should use pull strategy whereas mass media advertising will be used in Vietnam market. In addition, Chanel will be using International Structure for its product structure to maintain the value of product in International market.

## **Pricing Strategy**

The price of each product will depend on the type and raw materials used for the products. However, Chanel will be using Multipoint Pricing in Vietnam whereas Chanel's pricing strategy may affect the rival's pricing strategy in another market. The prices would be in par with those existing Luxury stores in Vietnam, with the business relying on the store ambience and quality of service/products. Using all the available information in this report, the pricing objective of Chanel would be to offer the best-luxury products in Vietnam.

With that in mind, the pricing strategy included the cost of providing luxury products to the customer (electricity costs, labour costs, raw materials cost, etc.). The management team believes that Chanel products have unique and defensible attributes which could support a high price.

## **Organizational Structures**

The company, which is privately owned, strictly controls all design, manufacturing, distribution, and advertising to ensure the highest level of quality (Chanel, 2009). And from this, Chanel may still use the so-called Centralization process as part of their decision making in venturing in Vietnam. Basically, seventy-seven years on the firm remains firmly under private family control. Thus firm is not listed on the stock market (Chanel, 2009). Unlike its competitors Chanel does not license its products.

Chanel's competitive advantage in the textile and fashion industry of Singapore is mainly their admirable portfolio of references (Chanel, 2009). With their years of experience and dominance in the market in providing fashioned textile and silk products, they have gained a long list of loyal clients who have impressive business backgrounds by themselves. This promotes the corporate image of Chanel to potential customers as one of trustworthiness and quality. If such companies in Chanel's references were deeply satisfied with the products and services that Chanel provides, larger chances of attracting possible additional clients in their already long list are sizeable. This portfolio of clients could be Chanel's most effective marketing tool yet. On a more general context, the competitive advantage of Chanel could be pointed at their good record in being able to keep clients satisfied, which is an attribute that not all rivals in the business can boast of. Another <https://assignbuster.com/the-leading-fashion-and-clothing-brand-in-paris-marketing-essay/>

Chanel aspect which can be considered as a core competency is their strategic business planning. Their planning is about setting a direction for the business, a direction to which everybody, executives and employees become committed. It ensures that every part of the company is in harmony, moving towards a clear business purpose that will give Chanel further competitive advantage and improve its performance even more. With the planning of Chanel's business come actions or decisions with high impact, or those decisions that affect the company strategically, rather than those that merely concern its normal operating routine. Most of those decisions concern for instance, changing the business model, focusing on new market sectors, fundamental improvements in customer service, making critical investment decisions or obtaining a better return on research and development expenditure. Such action or decisions affect Chanel's long-term performance and enable it to achieve its competitive advantage.

## **Human Resources**

Aside from the deviation to the traditional belief advocated by most management experts (Mercury Marketing & Communications 2004), people must be recognised as important assets of the organisation and fuels of productivity. A more appropriate IHRM strategy for Chanel is bounded on the recognition of the benefits of diversity. It is suggested that in order to respond on local HR concerns of subsidiaries, Chanel should integrate the idea of diversity in Vietnam on its current HR policies and practices. In a multicultural business setting, the customs, beliefs, and practices of the Vietnam, where the Chanel has set up its business, are significant contributory factors in the development of a stronger corporate culture.

Actually, the company will be using the Geocentric Approach in hiring personnel in Vietnam to avoid the issue of racial discrimination. There are many ways in which Chanel can communicate and promote diversity to a level of advantage within the company's subsidiaries. These are also among the practical justifications of the benefits of suggesting diversity as the enhancing factor of the present IHRM strategy.

Since most employees work in teams, the HR Manager must be able to extend and create contact with other people who have other cultural backgrounds. Scheduled team-building activities may help. Teamwork must be cultivated among members of the team regardless of cultural origin and orientation.

There is a requirement for the upper management to implement other cross-cultural training courses to expatriate managers apart from pure foreign language acquisition and learning. Again, it is recognise that HR Managers and Transcultural Leaders can only meet the challenges of the global business community particularly on the HRM and leadership when they dedicate an amount of concentration on accepting the need to have authentic knowledge in the alternative models of managing other cultures.

Foster communication and employee or human relationship through establishing a friendly working atmosphere. Being friendly helps. A first friendly move or attempt to establish contact, for example a Singaporean Manager toward a Vietnamese Manager or Vietnamese employee, usually lessens and sometimes eliminate cultural barriers.

HR Managers and employees must have prior knowledge of other's culture and orientation. This is to provide managers and employees to have basic background on how or why do these people act in such ways. However, all negative cultural images must be eliminated. Being objective in attitudes and values will support anyone in the understanding of cultural characteristics and differences.

In general, IHRM must serve as the common denominator in understanding employee relations across geographic and cultural borders. On the case of Chanel, relativity in HR policies and practices and diversity and multiculturalism must be understood by all HR Managers particularly those who works outside the boundaries of the mother company. When this happens, the ability of the organisation to perform very well in the industry and niche market it belongs is progressive in pattern.

## **Conclusions**

The above discussion has evaluated the international business strategy of Chanel as an emerging clothing and fashion business in Vietnam. Through this analysis, the company has utilised some marketing concept to be able to be competitive in the business world, specifically, the clothing and cosmetic industry. And since the main mission of the company is to provide apparel, clothing and cosmetics suitable for the current trend, the company should efficiently create a product that would enable the client to buy it and be satisfied about it.

It is recommended that the company should be more innovative in making clothing and fashion that would make them known in the marketing arena,

locally and internationally. To be able to be known worldwide, the company must include in their strategy the acquisition and merges, to properly utilise branding strategy. By acquiring, other famous company within the software field, the company can easily enter the marketing arena in the global competition.

Since Chanel is a new market within the Vietnam, the company should utilised a strategic marketing move, including a strategic planning in order to make the market be know in the marketing environment. The company should make it possible to be connected to their target market thru the use of technological advancement like the e-marketing. Moreover, this marketing entry strategy should considered as effective since the company has included all the factors to be assessed in order to make the business prolong its competitiveness and survive in the threatening place of the market.