

Marketing: chanel and zara essay sample

[Business](#), [Marketing](#)



Nowadays, Zara and Chanel are known worldwide as two successful brands. The former is a mass clothing retailer whose production takes only weeks whereas the latter is perceived as one of the most established retailers in haute couture, specialising in luxury goods whose production takes months. Zara has more than 800 stores worldwide, in sharp contrast to Chanel which has about 160 boutiques (wikipedia).

Coco Chanel founded her brand 106 years ago while Amancio Ortega created the Zara label 35 years ago (www.misslopezplane.wordpress.com). At first glance these two companies seem alien in their market outlooks, however in many aspects, such as pricing, quality, and market strategy they are competitors. This is an unexpected outcome and one that will be investigated in this report.

The distinct similarities coupled with the obvious differences between these two brands make them useful and relevant for a comparative analysis. Thus, these brands are the focus of this investigation into the importance of market research and consumer segmentation in identifying and defining target groups and the application of basic marketing principles to ensure customer needs are met.

2. The Marketing mix of the stores investigated

The marketing mix is focused on 4 elements – product, price, place, and promotion – used by business in marketing products or services (Daniels et al., 2007).

2. 1. Product and price: What are they selling and for how much Zara and Chanel have always been perceived as two strong brands which offer

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clothing to men and women . The former also offers a children’s wear and a Home department. The latter has developed a strength “ maroquinerie” (bags, purses etc) and a jewellery offering.

Zara occupies an unusual niche in that it targets and appeals to a mid-market segment in its different operating territories. However, it also appeals to high and low end customer who enjoy the fashionable and easy to wear orientation of the clothing offering while being able to afford this product also. Thus, it is similar to Selfridges and other providers in this respect. Customers who frequent, and can afford, Coco Chanel will not feel embarrassment in shopping in Zara despite the much cheaper and mass produced product that is available there.

The design approach of Zara has become well known and is innovative. It adopts a “ co-creation” approach in that the business appropriates the trends that are fashion trends that are emergent in urban centres and reports these back to its design department . In turn, this department completed designs that reflect these trends and then this product is marketed and sold. Thus, Zara is also fashionable in that it reflects prevailing trends in clothing and is usually first to market with this fashion because of its short supply chain. This creates competitive advantage as well as driving strong brand development. Furthermore, cleverly Zara have created the perception of product moving quickly through its stores and this creates urgency on the part of customers to buy an item.

Chanel’s products are driven by purer design motivations. Thus, Chanel reflects the interests of the fashion purist and the quality of its designs mean

that the market is generally very positive as the product offers craftsmanship, exclusivity, and aspiration. This drives the brand development of the business. Because of the time and inputs used in Chanel products, the cost base is significantly higher than the mass and out-sourced production of Zara and, as a consequence, the price of Chanel products is much higher.

Where the two brands differ is in the nature of the demand they appeal to. They are not direct competitors but they do compete in a number of areas particularly as Zara's products appeal to the wealthy as much as to lower economic groups. In many senses Zara meets the cliché, "when 'haute couture' meets fast fashion'."

Waiting lists for certain item, such as the Chanel number 5 perfume, reinforces the exclusivity of the product and the phenomena of the 'waiting list' is now almost as much a marketing tool as a practical constraint. Moreover, Chanel produces everything in-house and so production corresponds to exceptionally high standards. With Chanel their "haute couture" products are only available in one shop in Paris on Rue Cambon(www. chanel. com). This exclusivity reinforces the brand image.

Price:£800, 00 Price:£39, 99

2. 2. Place – "The shops make the brand"

In marketing, the location of the stores is one of the most important factors in attracting customers. That is why Chanel and Zara's marketing teams do their best to open shops in particular areas.

Chanel has a presence in prestigious locations in the best known cities in the world such as New York, London, Paris, Tokyo and so forth. In London it is located on Sloane Street. Their direct competitors are located nearby such as Dior or Gucci. However, and unusually, this is not a weakness but instead it helps reinforce the brands of these businesses and there is significant customer overlap.

Zara's stores are located in the main commercial and popular areas of cities across Europe, America, and Asia. Thus, the stores are easily accessible by the mid-market segment referred to earlier. Their shops have to be visible, spacious and provide easy access so that they can establish a strong link with the customer base.

2. 3. Promotion

According to Bruno Remaury, “ Fashion is a factory which produces desire” (Tungate, 2009: p).

Thus, by cleverly and apt promotion, it is possible to create desire and want among a large customer segment, and eventually translate this into a purchasing action.

High end brands such as Chanel do not have a marketing department. The designer, Karl Lagerfeld, helped by the artistic director, is responsible of the image of Chanel. They have access to a significant budget for promoting the brand and with this they recruited, for example, the director Baz Luhrmann and the actress Nicole Kidman to film an advertisement in order to relaunch the number 5 perfume. The cost of this was Euro 26m.

By introducing a new fragrance every ten years with a strong and innovative promotion, Chanel is able to set a standard in the industry and nurture exclusivity and a powerful brand image.

By contrast, Zara has the “ most unusual strategy...its policy of zero advertising; the company preferred to invest a percentage of revenues in opening new stores instead” (. business word magazine) Moreover, Zara’s logo does not tell the public what Zara is about. Thus, Zara relies on the strength of its product, word of mouth, and subtle promotional activities to drive the brand image. Its shop windows are an important means of communication in that they change the content regularly and so constantly present newness and novelty to their customer base. Thus, in how they promote their product, the two brands are quite different.

3. SWOT analysis

3. 1. SWOT analysis for Coco Chanel

Table 1 sets out the relative strengths, weaknesses, opportunities, and threats of Coco Chanel. There are significantly more strengths than weaknesses and with the emergence of new economies and growing wealth in these countries the demand for this product will continue to be significant.

Table 1 – SWOT analysis for Coco Chanel|

Strengths| Weaknesses| Opportunities| Threats|

Product range| High Prices| Expand business in emerging markets even more rapidly| Counterfeits| 1. Haute couture luxury goods| | | |

2. Perfume| | | |

3. Jewelry| | | |

4. Watches| | |

5. Beauty products| | |

6. Eyeglasses| | |

Quality of raw materials| Limited Production| Art exhibitions and events around the brand in China and other emerging markets| The competition within new markets and emerging designers and brands| 1. Tweed fabric| | |

2. Decorative chain| | |

3. Embroidery| | |

4. Buttons| | |

Quality of craftsmanship – cut, lining etc| High fashion is not always comfortable, shoes are well know to be ‘ awful’| Possibly develop the brand “ Karl” by Karl Lagerfeld more as it is affordable to many more people| Global recession| | | |

Promotion – the Camelia logo, strong advertising etc| The accessories are extremely expensive and the quality is not always consistent| | | | |

Lead designer is Karl Lagerfeld – well known, talented, creates a lot of attention for the brand| | |

3. 2. SWOT analysis – Zara

Table 2 sets out the relative strengths, weaknesses, opportunities, and threats of Zara. Again there are significantly more strengths than weaknesses and with the emergence of new economies and growing wealth in these countries the demand for this product will continue to be significant

Table 2: – SWOT analysis for Zara|

Strength| Weakness| Opportunities| Threats|

Accessible fashion and an effective cost strategy| Zara works much better in ‘ fashion countries’ such as UK, Italy, France, and Japan.| Enlarge their range by creating cosmetics, underwear and swim suits.| Many local and global competitors (H&M, Top Shop etc)| Diverse product range| | Organize events around the brand such as fashion shows.| | 1. Women, men and children’s wear| | |

2. Home| | |

3. Perfume| | |

4. Accesories| | |

5. Eyeglasses| | |

Home Production, 50% of their products are made in Spain or in Portugal|

Cultural difficulties in countries like USA and Germany| Create ‘ Inditex’ shops, with all the brands in a store.| | | | |

Fast delivery of new products, good design and trendy| Only one factory for the production and distribution – thus, in case of strikes, natural disaster etc Zara would have trouble| India and other emerging countries are an obvious source of potential growth| | Part of a huge group Inditex which includes Massimo Dutti, Bershka etc| Price base is euro and this can lead to exchange rate problems especially in the current market| Copy Top Shop or H&M by employing either well known designers or new designers| | Online market| | |

4. Research methods

Primary and secondary data research methods were adopted in this study. The primary data collection method involved a short survey of individuals coming out of the Zara store on a weekday around 5pm on Oxford Street. The main outcome was how surprisingly heterogeneous the customers were.

No primary research was conducted on Coco Chanel but instead there was a reliance of secondary data which is fully detailed under the bibliography. The interview questions are set out in appendix 1 to this report.

5. Market segmentation – Interpretation of the interviews

Table 3 – Summary of the interview results

Profiles	Age	Occupation	Origin	Income	How much do they spend in Zara/month
Customer 1	49 years old	Journalist	London	35, 000 /year	£50
Customer 2	26 years old	Student	India	600 /month	£100
Customer 3	71 years old	Nurse	Outside London	12, 000 /year	£0
Customer 4	25 years old	Chiropractor	London	28, 000 /year	£150
Customer 5	38 years old	Personal trainer	Iranian	30, 000 /year	£200
Customer 6	20 years old	Student	Preston, England	1, 000/month	£50-£60
Customer 7	29 years old	Public relations	London	1million/year	£50
Customer 8	32 years old	Service	Bangladesh	25, 000/year	£500
Customer 9	50 years old	Senior Banker	Paris, France	100, 000/year	£300
Customer 10	17 years old	High school	Italy	400/month	£50

5. 1. Statistical analysis

Averages based on the above but excluding customer 7 (earnings level distorts the results): – Age: 36. 4 years old

Income: £28, 222/year, which corresponds to £2, 352/month

Spend at Zara: £155. 55/month which corresponds to 6. 6% of their income/month

Thus, in terms of the market segments, there is a variety of demographics attracted to the Zara brand but the mid-market segment is the dominant one.

5. 2. Qualitative analysis

* 10 people interviewed : 6 thought that the quality was good, 3 ok, and 1 excellent – “ I bought pants in Zara 10 years ago and I still wear them” (customer 8) * They all agreed that the customer service was alright but that sometimes they were too slow – “ I waited 10 minutes in front of the fitting room last Saturday” (customer 3) * Most of them concluded that the brand corresponded to their style and that the increase of the VAT will not affect their shopping habits.

5. 3. Pen portrait

Name:

6. Conclusion

This paper provided an investigation into the importance of market research and consumer segmentation in identifying and defining target groups and

the application of basic marketing principles to ensure customer needs are met.

In doing so the centrality of the marketing mix (4Ps) to the success of both businesses was set out. Furthermore, the SWOT analysis of both businesses should the inherent strengths in the core competencies and branding of businesses as well as the opportunities open to them and how these opportunities can be exploited through promotional activity.

Market research was shown to be essential to the success of the offering of Zara and hence its association with modernity and fashionability. Both businesses know their customer based well and are able to deliver product to market at prices that match their customer expectations.

Thus, the over-riding conclusions are 1) that market research, particularly for Zara, is essential in consumer segmentation which, in turn, leads to good identification and definition of target groups and 2) the application of basic marketing principles such as SWOT have an equally important role to meet in ensuring customer needs are met.

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Appendix 1: – The interview questions were as follows

1. How old are you and what is your occupation?
2. Sex: female – male
3. Where are you from: Home if yes where – Europe / International?
4. What is your income?
5. How much do you spend in Zara per month?
6. How often do you go to Zara?
7. What do you think of the quality?
8. What do you think of the Customer service?
9. Have you ever shopped on Zara’s website? If yes what did you think?
10. Is it your first time in this store?
11. Do you think there are enough choices?
12. Do you think the brand corresponds to your style? If not, is it too Young or too old?
13. Is the increase of the VAT affects your habits of shopping?
14. Where else do you shop?
15. How would you describe your style? (Trendy, classic)
16. What magazine do you read?
17. Where do you go in Holidays?
18. Do you have something to add? A comment?

Appendix 2: Who’s who ?