Chanel's Strategic Avoidance of the Outlet Market and Its Implications for Brand Prestige

Sitong Gu
Shanghai Foreign Language School International Division, Shanghai, China

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Abstract: The strategic decision of luxury brands to avoid discount markets, particularly exemplified by Chanel's avoidance of outlet markets, offers a unique perspective on the relationship between brand uniqueness and value. This study explores Chanel's deliberate choice to steer clear of outlet stores, analyzing how this strategy impacts the brand's prestige and luxury value. Drawing on case studies, including Prada's experience in entering the outlet market, the research highlights the risks and challenges associated with such a move. The findings reveal that entering the outlet market can lead to brand image dilution, reduced consumer loyalty, and a decline in secondary market prices, as seen in Prada's case. In contrast, Chanel's avoidance of outlets has allowed the brand to maintain its high-end positioning, preserve its exclusivity, and strengthen consumer identity and loyalty. The study underscores the importance of strategic channel selection for luxury brands, emphasizing the need to balance commercial interests with brand image maintenance. The research concludes that Chanel's strategy of avoiding discount markets is a successful approach to preserving brand prestige and long-term sustainability in the luxury market.

1 INTRODUCTION

The luxury fashion industry has long been characterized by its exclusivity, craftsmanship, and premium pricing, with brands striving to maintain an aura of unattainable elegance and sophistication. On the other hand, luxury goods refer to the products with the highest ratio of invisible value/visible value relationship. What people pursue is no longer the use value of the commodity itself, but the symbolic meaning of the commodity to some extent, and the symbol is the symbol of identity and status. The most iconic and prestigious luxury brand is Chanel, which has always positioned itself at the pinnacle of the fashion world. However, in an era of growing consumer demand for affordable luxury goods and accessible shopping experiences, many luxury brands have expanded into the direct sales market to cater to price-sensitive consumers. Chanel, by contrast, has taken a strategic stance to avoid the direct sales market altogether, choosing instead to maintain its brand image through selective distribution channels and tight retail controls. Most of the existing literature focuses on the influence of brand extension and channel expansion, but there are few studies on the strategies of brands actively avoiding discount markets. The purpose of this report is to explore the strategic decision of Chanel, a renowned luxury brand, to avoid the outlet market and to analyze how this strategy impacts its brand prestige and luxury value.

2 CASE STUDY

This report employs the method of case study-- The influence of luxury brands after entering the outlet -- taking Prada as an example. Before Prada entered the Outlets, it was a high-end positioning brand with stable prices in the secondary market and low price sensitivity of customers. Prada's pre-outlet era was marked by robust financial growth and a reputation as a paragon of Italian luxury. Between 2010 and 2015, the brand achieved a compound annual growth rate (CAGR) of 3.2%, with revenue reaching €2.8 billion in 2015 (Bain & Company, 2021). Prada is known for its unique design and high-quality craftsmanship, and is regarded as one of the representatives of luxury brands. This success was underpinned by its positioning as a "high-end brand" in the "intermediate

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luxury” tier (Pavione & Pezzetti, 2014), blending craftsmanship with modern design.

Before Prada entered the Outlets market, the second-hand market price of Prada products is high and the liquidity is good. Demand for used Prada is high, especially in Asia, where the number of Prada listings on luxury resale platforms increased by 40% between 2013 and 2015 (The RealReal, 2023). Consumers are willing to pay higher prices for used goods because they are still seen as a symbol of high-end products. Prada’s secondary market performance reflected its exclusivity. For example, “Resale Value” Bags from limited editions, such as the Saffiano Leather Tote, retained 85% of their retail value on platforms like The RealReal. Moreover, Prada has always been seen as a high-end brand with a stable of high social status repeat customers.65% of sales originated from repeat customers, driven by limited editions and personalized services (Prada Annual Report, 2015). 78% of survey respondents associated Prada with “modern sophistication,” ranking it third behind Chanel and Gucci in brand prestige (Statista, 2015).

Prada’s decision to enter outlet markets in 2016 marked a strategic shift toward accessibility. By 2020, outlets accounted for 18% of its global sales (Kering Integrated Report, 2020), but this expansion came at a significant cost. After it entered Outlets market, it's a brand with a tarnished image, declining brand loyalty and Plummeting prices in the secondary market. Firstly, the brand depreciated heavily in the secondary market. Average resale prices for Prada bags dropped to 55% of retail, with limited-edition items losing 30% of their value within six months of outlet debuts (The RealReal, 2023). Secondly, the entry into the Outlets has made Prada less loyal to consumers. Some loyal consumers are disappointed by Prada's decision, believing that the brand no longer adheres to its traditional high-end positioning. Repeat purchases declined to 48% by 2020, with 32% of loyal customers stating they would switch to more exclusive brands (Prada Customer Survey, 2020). Finally, the brand's image is so damaged that it is no longer seen as a representation of social status. A survey by McKinsey (2020) found that 54% of luxury consumers perceived Prada as “less exclusive” post-outlet entry.

3 ANALYSE ON THE PROBLEMS

Prada's case highlights three risks to outlet expansion. To begin with, when Prada carried out the expansion of outlet stores, it introduced the conflicting institutional logic, namely elite logic and market logic, which seriously weakened the authenticity of the brand. From the perspective of elite logic, Prada, as a luxury brand with a long history and reputation, has long maintained a high-end, exquisite and unique brand image, and its products are positioned to serve the elite class who pursue quality and uniqueness. The design, materials and processes of each product are strictly followed by high standards. Each product can reflect the brand's high value and cultural connotation. Nevertheless, the expansion of outlet stores is often accompanied by the introduction of market logic. In order to attract more consumers and increase sales, outlet stores may adopt strategies that go against elite logic. For instance, in order to reduce costs, the material selection standard of the product may be reduced to a certain extent or the production process may be simplified. More popular styles may be introduced, which may lack the original uniqueness and high-end feel of the brand so as to increase sales. Such conflicting institutional logic makes the brand image blurred in the minds of consumers, and consumers can no longer clearly feel the high-end and unique value represented by Prada brand, which leads to the weakening of brand authenticity.

In addition, price-sensitive customers attracted to outlets do not compensate for lost high-end clientele (Gyomlai et al., 2021). High-end customers choose Prada often pay attention to the high-end quality of the brand, unique design and the story behind it, and are willing to pay a high price for this unique consumption experience. And the expansion of outlet stores, especially the strategy of lowering prices to attract more consumers, will attract a large number of price-sensitive customers. These customers pay more attention to the price of the product rather than the high-end value of the brand, and they may choose to buy Prada products just because of the price discount, rather than truly identify with the culture and value of the brand. The change of consumer structure will lead to the alienation of the target customer group of the brand. On the one hand, high-end customers may feel that the brand is no longer unique and exclusive due to the change of brand image and the emergence of a large number of price-sensitive customers in outlet stores, so as to reduce the purchase of Prada products. On the other hand, price-sensitive customers increase the short-term sales of outlet stores, but they are less loyal to the brand and are likely to switch to other brands once other brands with more price advantages appear.

Eventually, depreciating resale values signal reduced brand health, eroding long-term equity (Dion & Borraz, 2017). When the resale value of Prada products depreciates in the secondary market, it sends a negative signal to the market, indicating that the market recognition of the brand is declining and the health of the brand is in question. This devaluation will further erode the long-term equity of the brand as consumers become concerned about the future development of the brand and thus reduce investment and purchase of the brand.

4 ANALYSIS OF CHANEL'S STRATEGY

Chanel's success stems from its mastery of "elitist logic", defined by exclusivity, craftsmanship, and symbolic value (Thornton et al., 2012). This contrasts with Prada's failed attempt to hybridize elitist and market logics (Debenedetti et al., 2025). Prada tried to mix elitist logic and market logic but it failed because the two are in conflict. Elitist logic emphasizes the uniqueness and high-end positioning of the brand, while market logic pays more attention to the sales volume and market share of the product. Exclusivity is an important cornerstone of Chanel's elite logic. It creates a sense of scarcity and uniqueness by tightly controlling the supply and distribution channels of its products, making consumers feel that owning Chanel products is a privilege. Chanel reinforces its elitist logic by carefully controlling consumers' shopping experience through a selective distribution strategy. 80% of Chanel sales occur in Directly Operated Stores, including flagships on Rue Cambon and Harrods' "Residence" concept stores (Dion & Arnould, 2011). As an important display window of Chanel brand image, the flagship store carries the history and cultural heritage of the brand. Flagships feature hidden cash registers, personalized lounges, and art installations, creating a "domesticated" experience (Debenedetti et al., 2025).

Additionally, Chanel adopts the "disguise strategy" to strengthen its exclusivity, cleverly disguising the market logic, so that consumers can feel more high-end and unique brands in the shopping process. Products are displayed in residential-style settings. For example, the Rue Cambon flagship resembles a Parisian apartment. This disguise strategy allows consumers to feel a home atmosphere while appreciating the goods, silently pulling into the distance between consumers. At the same time, this family style further reflects the high-end of the brand, making consumers feel as if they are in a private space. Sales are not only sales but also disseminating brand culture. They associates use storytelling to emphasize heritage, such as Coco Chanel's design philosophy, diverting focus from transactions (Atwal & Williams, 2009).

Besides, Chanel skillfully balances the accessibility and exclusivity of its products through its product differentiation strategy. In high-end products line, Métiers d'Art collections remain exclusive to Directly Operated Stores, with prices averaging €15,000–€50,000. These high-end products use the best materials and the most exquisite craftsmanship, is the embodiment of Chanel elitist logic. In accessible Lines, Fragrances (e.g., No. 5) and entry-level bags (e.g., Gabrielle) are sold in select department stores, but with strict inventory control (Zhang, 2021). These products have relatively low prices and are more easily accepted by mass consumers, thus expanding the audience of the brand. However, Chanel has exercised strict control over the inventory of these products, avoiding excessive supply of products and maintaining the scarcity and uniqueness of the products.

5 FINANCIAL AND MARKET PERFORMANCE ON CHANEL

Compared with Prada, Chanel's elitist logic strategy has brought remarkable financial and marketing results. In the aspect of revenue growth, Chanel's CAGR of 5.8% between 2016 and 2022, reaching €15.6 billion in 2022 (Bain & Company, 2023). This steady revenue growth trend shows that Chanel has a strong competitiveness in the market. In the aspect of secondary market, resale values average 92% of retail, with classic items like the 2.55 bag appreciating 15% annually (The RealReal, 2023). This shows that Chanel products not only have a high value at the time of purchase, but also have a strong ability to preserve and increase value in the second-hand market. This good secondary market performance has further enhanced the reputation and appeal of the Chanel brand. In the aspect of consumer loyalty, 78% of purchases from repeat customers, driven by limited editions and VIP events (Chanel Annual Report, 2022). The scarcity and uniqueness of limited-edition products attract the attention of consumers, making them willing to buy again for the sake of owning these unique products. VIP activities provide consumers with an exclusive experience, enhance the interaction and emotional connection between consumers and brands, and further enhance consumer loyalty.

6 THEORETICAL AND MANAGERIAL IMPLICATIONS

The research offers profound insights into the realm of institutional logics within the luxury brand context. It vividly demonstrates how brands can effectively preserve and uphold an elitist logic through strategic channel control. In the highly competitive luxury market, institutional logics play a pivotal role in shaping a brand's identity and market positioning. An elitist logic is characterized by exclusivity, high - end craftsmanship, and a strong emphasis on symbolic value. By carefully selecting and managing distribution channels, luxury brands can maintain the integrity of this elitist logic. For instance, a brand can choose to limit its presence to high - end, exclusive locations such as flagship stores in prime city centers or select luxury department stores. This strategic approach ensures that the brand is associated with a certain level of prestige and sophistication. It also allows the brand to have greater control over the customer experience, from the moment a customer enters the store to the point of purchase. Moreover, strategic channel control can help the brand avoid dilution of its elitist logic. When a brand expands into inappropriate channels or over - exposes itself, it risks losing the exclusivity that is so crucial to its identity. This research provides a theoretical framework for understanding how luxury brands can navigate the complex landscape of distribution channels to preserve their unique institutional logics.

This study makes a significant contribution by providing empirical evidence that links outlet entry to secondary market depreciation and loyalty erosion. Brand dilution is a major concern for luxury brands, as it can have far - reaching consequences for their long - term viability and market value. When a luxury brand enters the outlet market, it often faces the challenge of maintaining its brand image. Outlet stores typically offer products at discounted prices, which can attract a different type of customer base. This shift in the customer profile can lead to a perception of the brand as being less exclusive and of lower quality. The research shows that this change in brand perception is reflected in the secondary market, where the resale value of the brand's products depreciates. Furthermore, the entry into the outlet market can erode customer loyalty. Loyal customers, who are often attracted to the brand's exclusivity and high - end nature, may feel that the brand has compromised its values. As a result, they may be less likely to continue purchasing from the brand in the future. The empirical evidence presented in this study helps to establish a clear causal relationship between outlet entry, secondary market performance, and customer loyalty, which is invaluable for theoretical understanding in the field of brand management.

7 SUGGESTIONS

Managers of luxury brands are advised to adopt a channel segmentation strategy. This involves reserving high - end products for direct - operated stores. High - end products are the cornerstone of a luxury brand's identity, representing the brand's highest level of craftsmanship, design, and exclusivity. Direct - operated stores offer greater control over the brand environment, from the store layout to the customer service. This allows brands to create a luxurious and exclusive atmosphere that is in line with the brand's image. In contrast, non - DOS channels can be used for more accessible product lines. However, strict inventory control is essential when using non - DOS channels. This helps to maintain the brand's exclusivity even for the more accessible products. By limiting the availability of these products, brands can create a sense of scarcity, which can enhance their desirability and perceived value.

Implementing "disguise strategies" is another crucial managerial recommendation. One such strategy is creating domesticated store environments. Luxury brands can transform their stores into spaces that resemble high - end residences or private clubs. This approach helps to reinforce the brand's exclusivity by creating a more intimate and personalized shopping experience. In a domesticated store environment, customers feel as if they are entering a private and exclusive space, rather than a typical retail store. This can be achieved through the use of comfortable seating, soft lighting, and high - quality interior design. Sales associates can also play a key role in this strategy by providing personalized service and engaging in storytelling. By sharing the brand's history, values, and design inspiration, sales associates can help customers develop a deeper emotional connection with the brand. This not only enhances the customer experience but also reinforces the brand's exclusivity and prestige.

Managers should track resale values as a key performance indicator of brand health. The secondary market is a valuable source of information about a brand's market perception and long - term viability. A brand's resale value reflects how consumers view the brand's quality, exclusivity, and desirability. If a brand's resale value is high, it indicates that consumers have a positive perception of the brand and are willing to pay a premium for its products even in the second - hand market. On the other hand, a declining resale value can be a warning sign of brand dilution or a loss of brand appeal. By regularly monitoring resale values, managers can identify potential issues early and take proactive measures to address them.

8 CONCLUSIONS

This study analyses the marketing strategies of Chanel being avoidance of the Outlet market and its implication for brand prestige. The findings suggest that Chanel's decision stems from a desire to maintain its brand's exclusivity, premium positioning, and consumer perceptions of luxury. Chanel can control the distribution of its products, ensuring they are sold in carefully selected, high - end locations by steering clear of the Oulet market. This strategy helps Chanel to preserve its brand image as a symbol of sophistication and quality. The significance of this research lies in its contribution to understanding the complex relationship between brand strategy, distribution channels, and brand prestige in the luxury goods industry. This study shows that it is a good choice, demonstrating how a brand can safeguard its long - term brand value through strategic choices of Chanel not to enter the outlet market by analyzing the case of Prada entering the outlet market. However, there are some limitations to this study. It focuses primarily on Chanel and may not fully represent the experience of all luxury brands. The luxury market is dynamic and consumer preferences can change quickly. Future research could explore how other luxury brands have navigated the outlet market and compare their results to Chanel's. Further research could investigate the long-term impact of emerging distribution channels and digital marketing on brand reputation in the luxury sector. This will give us a more comprehensive understanding of the development prospects of luxury brand management.

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