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Balenciaga Case Study

Introduction

The Balenciaga brand is an internationally acclaimed luxury fashion house with headquarters in Paris, France. The company specializes in the design, production, and sale of a wide cross section of fashion items including handbags, footwear and accessories. Despite its global acclaim, the company began from humble beginnings, albeit through a unique approach to designing fashion. The brand was originally established as a Spanish brand in 1917 by a Spanish couturier, Cristobal Balenciaga in Basque, Spain, before relocating to France. Even in its humble beginnings, the brand differentiated itself from other fashion houses thereby setting itself on a path towards global domination (Walker, 2006). The bold decision of relocating to the fashion capital of Paris in 1937 marked a turning point for the company. The continued growth of the company over the years is attributed to the focus on unique and innovative designs. Its brand identity has stood out among other brands, thus cementing the sustainability and longevity of the company across generations.

The brand story at Balenciaga is structured through the foundational work of Cristobal Balenciaga. The successive designs by the company have been anchored around the visionary work and the dynamic approach to fashion. The commitment to the original and founding ideals in fashion have been sustained within the company and culminating into its unique brand personality. Indeed, the company's brand is marked by a consistent commitment to quality, exclusivity, and innovation, all of which have pushed the company to become a leading luxury fashion brand across the world. This essay outlines the brand performance and the problems faced by the Balenciaga brand over the years. The current position of the company will be

examined through a consideration of its revenue and brand controversies. The essay will also undertake a SWOT analysis and luxury market analysis to determine its performance. Finally, the report will suggest recommendations for Balenciaga to implement regarding the product, price, place, and promotion.

Brand Performance and Problems

The brand has maintained a steady performance in recent years owing to its positive brand reputation and innovative strategies. According to Cabigiosu & Cabigiosu (2020), the brand is a known entity with an awareness level of 60% among luxury fashion owners across the world. While the popularity score is relatively lower, it still performs exceedingly well with about 15% of United States luxury fashion owners having a piece of its products. Its popularity is also largely concentrated among younger generations including Gen Z and millennials. In 2021, the brand attained the first position in the list of the world's hottest brands as compiled by Lyst, a global fashion shopping platform (Maher, 2021). In contrast, the brand has not maintained significant levels of success in appealing to older generations such as Generation X and Baby Boomers. Despite the general trend of continued growth, the company has faced multiple controversies and challenges that have jeopardized its performance in the recent past.

The company has maintained a steady revenue over the last few decades owing to a positive brand image and reputation. In 2021, the brand, operating under the larger Kering group, recorded a turnover of 1.189 billion euros compared to 826 million in the previous year (Statista, 2024). The revenue in 2021 marked a significant growth rate of 44% and a return to the high levels of operating income recorded in 2019 at 326 million euros. The high performance in 2021 marked a record net income for the company at 222 million euros compared to 66 million euros

in 2020. The accelerated growth in the luxury fashion brand is also manifested through its increase in its sales in France over the same period. Indeed, the sales revenue in France increased from 44 million euros in 2020 to a figure of 55 million euros in 2021. The high rate of growth in the initial period of this decade signifies a strong performance in the aftermath of the COVID-19 pandemic.

10 Despite the strong performance in recent years, Balenciaga has recorded a decline in revenue over the last two years. This trend is consistent across all the brands operating under the larger Kering Group, including Gucci, Brioni, Alexander McQueen and Saint Laurent. According to Hasbi et al. (2023), the brand of Balenciaga experienced a 9% decline in revenue across 2023 with wholesale revenue declining at 29%. The same trend has been observed in 2024 with the brand experiencing a 15% decline in revenue in the third quarter. While the leather goods lines at Balenciaga recorded significantly good performances, the brand performed poorly overall with a 10% decline in sales from directly operated retail networks. Over the nine month period, the brand recorded a decline of comparable sales revenue from \$3.1 billion to \$2.9 billion between 2023 and 2024. The decline in revenue for the brand is partly attributed to its failure to recover from its controversies in advertising campaigns and design controversies.

The period between 2022 and 2023 was marked by multiple controversies that threatened to bring the Balenciaga brand to its knees. In one of the controversies, Balenciaga run ads which appeared to glorify child abuse by photographing child models holding BDSM teddy bears. This ad created widespread controversy over the brand's value systems and its stand on child abuse (Gargoles & Amba, 2023). In another ad, the brand was left in an awkward position after A Balenciaga x adidas bag was put on top of a pile of papers, one of which was a page from the US Supreme Court ruling on child pornography conviction. The dual ads evoked serious outrage

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3 among consumers and the general public based on the perceived support of child abuse and sex trafficking of underage girls. Ultimately, the controversy from the ads led to widespread calls for people to denounce the brand based on its perceived support for pedophilia in its adverts.

SWOT Analysis

The strengths of the Balenciaga brand are attributed to its strong brand identity and reputation. The brand's reputation for developing avant-garde and high end fashion items has propelled the brand to market leadership in the luxury fashion segment. Its popular products including the Hourglass bags have amassed significant following across the globe. Similarly, the brand benefits from the focus on innovative products and designs in the fashion industry. The brand is renowned for its commitment to going over conventional norm to include controversial and bold fashion products. The approach has enhanced the brand's capacity for global domination and standing out against its competitors in the same industry. According to Li (2023), the company has consistently engaged in strategies aimed at provoking the industry through creative and innovative approaches to fashion. The strategic partnerships initiated by the brand with renowned figures and celebrities has also enhanced the visibility of its products across diverse segments. Still, the brand has shown consistent commitment to reduction of carbon footprint and the use of ethical sourcing. Its involvement in sustainability initiatives and the implementation of sound practices across its supply chain has endeared it to eco-conscious customers.

Despite the strengths associated with the brand, it has its fair share of weaknesses. In particular, its high pricing strategy has the potential of limiting its accessibility and visibility cross different customer segments. The positioning of the Balenciaga brand is largely limited to

high income customers within the Gen Z and Millennial demographics. Although the exclusivity of its pricing strategy affirms its luxury image, it sacrifices the prospects of success through loss of mass market appeal (Xu, 2024). The company is also challenged by a chain of controversies and brand image challenges in the recent past. The negative portrayal of the brand through provocative campaigns and insensitive adverts has elicited widespread public backlash and condemnation. The controversies have threatened the sustainability of the brand and unveiled concerns regarding its alignment with societal expectations. The restriction to the niche market of avant-garde styles may exclude other customers in other segments in the luxury fashion industry.

Table 1: SWOT Analysis for Balenciaga Brand

<p>Strengths</p> <ul style="list-style-type: none"> ❖ Strong brand image and reputation ❖ Focus on innovative product design ❖ Strategic partnerships ❖ Sustainability programs 	<p>Weaknesses</p> <ul style="list-style-type: none"> ❖ High pricing strategy ❖ Negative reputation from controversies ❖ Overreliance on niche market
<p>Opportunities</p> <ul style="list-style-type: none"> ❖ Expansion to emerging markets ❖ The expanding digital and ecommerce market ❖ Sustainable fashion and ethical sourcing 	<p>Threats</p> <ul style="list-style-type: none"> ❖ Intense Competition ❖ Economic Downturns

The current position and market potential imparts significant opportunities to the brand. The Balenciaga brand has infinite opportunities to tap into the emerging market and leverage the growth in other customer segments. The economic prospects from Asia and the Middle East provides opportunities for expansion of its luxury fashion products and the introduction of new

segments (Kihombo et al., 2021). The presence of digital technology and vibrant platforms can facilitate the company's mass appeal. Besides, the company can leverage the continued growth of digital and ecommerce functions to reach a wider consumer market. The shift to online platforms in ecommerce has revolutionized the retail market and providing opportunities for significant growth. The company's strong presence across popular social media platforms can facilitate its appeal towards younger consumers. The new wave of environmental enthusiasts has also propelled the opportunities in sustainable fashion and ethical sourcing. The company can secure its growth by tapping into the growing demand for sustainable fashion through the use of recycling and ethical sourcing of raw materials.

The company's sustainability is also threatened by the growing competition and the ease of entry in the industry. Indeed, the company experiences considerable competition from diverse luxury brands in the fashion industry including Louis Vuitton and Prada. With the growth of these and many other new brands, Balenciaga cannot boast of being the only innovative and creative brand. The emergence of the digital space as an enabler of ecommerce has also made it difficult for brands such as Balenciaga to maintain their competitive edge over other brands. The uncertainties occasioned by global events such as the Russia Ukraine war has also threatened the sustainability of the brand. According to Ariyanti & Rinarika (2024), the luxury fashion market is highly dependent on economic performance and a rising level of disposable income. The success of the brand is therefore threatened by impending and looming economic downturns associated with uncertainties of war.

Luxury Market Analysis and market Trends

6 The luxury fashion market has portrayed positive signs of continued growth into the future. Indeed, the market has gone through significant growth in the recent past in response to a thriving global economy. According to Statista (2024), the luxury fashion market is projected to grow at an annual rate of 10.10% in the five year period leading up to 2029. The increased in disposable income in emerging markets such as Asia and Middle East has elicited greater appetite for luxury products across new segments and demographics. Based on the increasingly growing levels of income, the number of users of luxury products is expected to grow to a peak of 586.6 million representing a penetration of 8% in 2029 (Statista, 2024). The growth in the global market is largely attributed to the digital transformation and the vibrancy of the ecommerce retailing segment. The growth of social media access coupled with technological advancements has also brought about a new demand for immersive shopping experiences among consumers.

7 The luxury market is also defined through a focus on sustainability fashion and ethical sourcing in production processes. Consumers are increasingly associating with products made from sustainable processes such as the incorporation of eco-friendly raw materials. This shift has increased the demand for transparency about an organization's carbon footprint and contribution to sustainability (Busalim et al., 2022). The market is also increasingly switching towards experiential luxury through promotion of personalized experiences and cultural experiences for customers. This trend is likely to go into the future through the incorporation of bespoke services and private shopping appointments that are suited to the schedule of diverse clients. 8 The growth of the second hand luxury market is also likely to continue in the future, driven by increased sustainability consciousness and awareness. The prospects of resale platform in driving the sale

of luxury products is expected to increase in the future as more customers move away from the traditional luxury retail model.

Marketing Strategies: 4P Suggestions

Product: The Balenciaga brand should focus on product line diversification to tap into the diverse consumer segments. The brand should leverage its positive reputation and image to expand into the accessories and beauty product segments. As part of product improvements, the brand should pursue strategic collaborations with artists and designers to develop limited edition products. The use of partnerships can help in tapping into new segments that appeal to the followers of the specific artists and celebrities (Liu, 2022). The realignment of its products to focus on sustainability is also an effective strategy for achieving competitiveness. In this regard, the brand should heavily incline towards the use of recycled and ecofriendly materials as well as incorporating sustainable production processes. The product can also be improved through the use of technology for innovation in the areas of wearable tech and smart fashion products.

Price: The brand should consider maintaining its current pricing strategy as a form of differentiation. Indeed, Balenciaga can benefit from the adoption and maintenance of a premium pricing model as it helps in setting its products apart from its competitors. Through a high pricing strategy, the company can reinforce its luxury brand positioning in the market (Dhaliwal et al., 2020). The need to tap into new customer segments can also be fulfilled through the use of a tiered pricing strategy. In turn, the company can maintain high prices on established and exclusive high end products while offering an entry level price for new products.

Place: The brand should also exploit a variation of its distribution strategy to maintain its competitiveness and sustainability. The incorporation of flagship stores is necessary especially

within key global cities and fashion towns. In meeting the growing demand for its luxury products, the company should leverage the power of ecommerce retailing. This approach is particularly important in emerging markets through the provision of positive shopping experiences and personalized recommendations of products for customers (Ariyanti & Rinarika, 2024). Balenciaga should also consider incorporating temporary popup shops in targeted towns to help create greater visibility for its products.

Promotion: The Balenciaga brand can leverage the powers of digital marketing through social media and influencer marketing to run viral campaigns. Through strategic partnerships with celebrities and influencers, the brand can reach a wider cross section of luxury fashion customers (Liu, 2022). The brand can also create immersive experiences for its customers through reliance on popup activations and events. The company should further promote its products through active and structured management of its brand image and reputation. This outcome can be attained through consistent generation of positive media coverage and user generated content to drive engagements.

Conclusion

The Balenciaga brand has maintained a commitment towards unique and innovative fashion designs. It is marked by a consistent commitment to quality, exclusivity, and innovation, all of which have pushed the company to become a leading luxury fashion brand across the world. Despite the general trend of continued growth, the company has faced multiple controversies and challenges that have jeopardized its performance in the recent past. The controversy from its ads has led to widespread calls for people to denounce the brand based on its perceived support for pedophilia in its adverts. The SWOT analysis reveals significant

opportunities for growth including a readily available market in the emerging regions and the prospects of a growing digital market. The growing popularity of sustainable fashion and ethical sourcing further provides opportunities for the brand to attain global domination. Through continued innovation around the areas of product, price, place and promotion, the brand can sustain its competitiveness in the luxury market.

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