Chanel strong in 2021 and upbeat for 2022 as it beats pre-Covid figures

By Sandra Halliday - May 24, 2022

Luxury giant Chanel on Tuesday reported 2021 revenues that surged 49.6% year-on-year to $15.6 billion. That figure was also over 27% higher than in 2019 (or +22.9% on a comparable basis at constant currency), showing that the company has clearly recovered from the pandemic.
Not that all of its regions are back to full strength with revenues in Europe at $4.042 billion. That was up 40.1% compared to 2020 but down almost 11% against 2019.

However, Asia Pacific was up over 53% compared to 2020 at $8.68 billion and also up nearly 49% compared to 2019.

And the Americas surged just under 80% compared to the previous year to reach $3.529 billion with revenues up over 52% compared to two years earlier.

That all resulted in operating profit of $5.461 billion, which was 170.6% higher than 2020 and 57.5% higher than 2019. And profit after tax rose almost 195% to $4.026 billion and was almost 69% higher than 2019.

It's all good news for one of the biggest names in global fashion with the company saying that its results were “driven by strong demand across all product lines from its local client base”.

The figures came as the company invested $1.795 billion in brand support activities, which was up 32%, despite the challenges of organising in-person client events throughout the year.

CFO Philippe Blondiaux said: “Despite the challenging backdrop in 2021, our results highlighted remarkable customer demand particularly from our local client base.

“2022 will be another year of significant investment to support the long-term health of the brand and to deliver our sustainability ambition, whether in our people, continued focus on quality, customer experience, our boutiques, or in our supply chain transformation.”

FASHION STRENGTH

Although the firm’s retail and travel retail businesses were dented by lockdowns and travel bans last year, particularly early on, fashion showed strong results. It was driven by double-digit growth in all product lines. Leather goods and ready-to-wear were “particularly strong, in response to the success of Virginie Viard’s creations and collections”.

And its show schedule got back to some kind of normality. The Cruise collection was presented in a digital format from the Carrières de Lumières, in Les Baux-de-Provence, and was then displayed in Dubai for the first overseas physical show since the outbreak of the pandemic.

Fragrance & beauty “demonstrated strong resilience based on market share gains in key countries, and demand (both in boutiques and online) from local clientele as travel retail remained impacted by restrictions”. 2021 was also a milestone year for Fragrance as the business celebrated the 100th anniversary of Chanel N°5. The success of Bleu and Coco Mademoiselle also boosted fragrance sales while skincare contributed to the growth of the beauty segment.

The group saw double-digit growth in watches and fine jewellery sales across all regions and said “precious jewellery showed outstanding results”.

During the year, the company invested $758 million in capital expenditure and continued to make significant investments in its current and future retail distribution network, including the acquisition of a retail building in San Francisco, and the opening of a boutique in Miami’s Design District.

It has also continued to grow its fragrance and beauty standalone network, particularly in Asia, “to further personalise the customer experience”.

UPBEAT OUTLOOK
As for the future, the company is confident it will deliver another year of solid growth, despite a recent decline in sales in China because of the new lockdowns since March.

Philippe Blondiaux told Reuters that around a third of Chanel’s beauty and perfume stores in China are currently closed, along with five of its 16 fashion and jewellery shops in the country, due to pandemic restrictions.

But he also said that in April, despite a double-digit decline in Chinese revenues, it saw a double-digit increase in global sales, with other Asian countries and the US market both strong.

Blondiaux also told the news agency that the purchase limits on its ultra-luxe quilted Classic Flap handbag could be applied to more products in multiple countries.

Such purchase limits are aimed at preventing bulk buying and resale in some markets.

The company’s strategy comes as it also seeks to ensure prices are uniform across various markets and deals with rampant inflation. The CFO said the company could possibly raise prices again this summer as the euro stays weak.

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