

APPAREL AND ACCESSORIES

Chanel price increase imminent based on surging consignment sales, says Baghunter

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Illustration of Chanel's 2.55 handbag

By JEN KING

As a response to rumors that Chanel will raise prices in 2016, the consignment market has witnessed a rise in purchases of pre-owned handbags from the French atelier.

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While pre-owned Chanel handbags have always been a popular category for consignors such as Baghunter, there has been an unusual spike in sales that may be connected to the brand's price harmonization strategy in 2015. For avid collectors and investors, Chanel's stable pricing has been welcomed, but experts suggest that the brand may be gearing up to significantly raise prices sometime this year.

"The suspected upcoming Chanel price hike will directly affect the resale market by increasing demand, something which we have already witnessed on Baghunter," said Evelyn Fox, CEO of **Baghunter**. "Consumers will turn to the resale market in search of better value and as an affordable alternative to purchasing a new Chanel bag at a higher price.

"Price harmonization can be beneficial to consumers," she said. "If a bag is sold for half the price in one country as it is in another, entrepreneurial resellers can buy the bag in bulk, charge a slight mark-up and make profit while the consumer also saves money."

The price is right

In March 2015, Chanel announced its plans to align global pricing for its signature handbags. Weeks later on April 8, Chanel created equal pricing for three of its handbags, significantly rising the prices in certain regions and dropping them in others.

Chanel opted to align the pricing for the 11.12, the Boy Bag and the 2.55.

When the strategy went into effect, prices dropped in China, but were raised in European markets. Chanel did not alter its pricing in Brazil due to the country's high export duties. In the United States, United Kingdom, Canada and Japan, the price changes were not significant due to well aligned pricing already in place.



Kristen Stewart for Chanel pre-fall 2016

The harmonization has allowed Chanel to inch closer to ecommerce, has fought against counterfeits and likely has worked to spur Asian consumers to make more purchases within their home markets rather than abroad ([see story](#)).

Prior to Chanel's price harmonization last year, the brand was known for regular price increases. Baghunter found that Chanel's Classic Medium Flap Bag in black lambskin increased by 40 percent in five years from \$2,850 in 2010 to \$4,900 in 2015.

Steep price increases have also occurred in a much smaller window of time for Chanel's signature handbag the Boy Bag. For example, the Small Boy Flap Bag, introduced in 2012, originally went to market for \$2,500 with the medium version retailing for \$3,200. By 2015, the small version increased in price to \$4,300 and the medium to \$4,700, a 40 percent and 30 percent increase, respectively.



Chanel Boy Bag

With new market prices rising year-over-year, consumers have turned to consignment sites such as Baghunter to purchase Chanel handbags. Baghunter in particular has noticed its regular VIP clients having more interest in Chanel's purses as the market braces for more price increases.

While Chanel has not publicly announced its pricing intentions for 2016, Baghunter suggests that now may be the ideal time to purchase a handbag as an investment.

"Historically Chanel bag prices have never dropped and only appreciated in value since 1955," Ms. Fox said. "With this data in mind, any time is a good time to invest in a Chanel bag.

"However, right now is an especially good time as there is a strong suggestion that a price hike is just around the corner," she said.

Investment insights

Handbags have emerged as a sound investment for collectors and lay-consumers as the value of these products are not subjected to the overall market.

For example, the Herms Birkin bag has proved to be a smart investment for affluents' looking to diversify their assets portfolio.

Over the last 35 years, French leather goods brand Herms' iconic Birkin handbag has increased in value by more than 500 percent, according to a recent study by Baghunter.

In Baghunter's study, the online handbag consignment marketplace compared three different types of popular investments: the S&P 500, gold and Herms Birkin Handbags.

During the 35-year period, Baghunter found that Herms Birkin handbags have increased in value year over year. The handbag has offered an average annual value increase of 14.2 percent.

Unlike the S&P 500 and gold, the value of Birkin handbags has never decreased and has steadily and consistently increased. The handbag's peak surge value occurred in 2001 when it increased in value by 25 percent, and the lowest increase was 2.1 percent in 1986 ([see story](#)).

Consumers are also willing to pay six-figures for Birkin handbags. Last month, Boca Raton, FL-based Priv Porter, for instance, completed its most expensive Herms Birkin sale to an anonymous buyer for \$298,000.

At the time of sale, Christie's held the auction house record of \$223,000 for a handbag sold in Hong Kong in June 2015. Unlike sales through Priv Porter, Christie's worked a \$66,000 buyer's premium into the final winning bid for the Herms Birkin.

Unlike many auctioned Birkins, this handbag was in mint condition and was "store fresh," meaning it was still in its original packaging ([see story](#)).

"Both [Chanel and Herms] represent excellent investment opportunities and their handbags have experienced only positive growth in value since release," Ms. Fox said.

"However, certain Herms bags are capped in their yearly production, making them rarer and more collectable," she said. "The demand and price appreciation for these Herms bags correlate to that."

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