

APPAREL AND ACCESSORIES

## Chanel's handbag pricing outpaces rising inflation rates

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*Illustration of Chanel's classic flap handbag*

By JEN KING

In the last six years alone, Chanel handbags have increased in value by more than 70 percent, according to a new report by Baghunter.

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The French atelier's pricing strategy appears to not be determined by inflation, but by factors such as increasing profitability and maintaining Chanel's illustrious exclusivity. In its "[Chanel Bag Values](#)" study, Baghunter found that Chanel's Medium Classic Flap handbag, the main subject of the report, has outpaced the rate of inflation since it was introduced in 1955.

"Chanel is very much viewed as an ultra-luxury brand and is positioned at the very top of the luxury industry," said Evelyn Fox, CEO of [Baghunter](#). "This position allows the company to dictate their own pricing structure without the fear of pricing themselves out of the market."

"Over the last two years, price harmonization has impacted the value of Chanel handbags in the secondary market specifically," she said. "Whereas entrepreneurial resellers could once have purchased Chanel bags from one country for half the price of the same bag in another country, charge a slight mark-up, and make profit while the customer also saves money, price harmonization has all but eliminated this practice, increasing the value of Chanel handbags at the same time."

Bag it, tag it

To track the value increase of Chanel handbags, Baghunter looked specifically at the Medium Classic Flap Bag because it is the oldest and most consistently available bag in the brand's offerings.

Chanel introduced the Medium Classic Flap Bag in 1955 with a market retail price of \$220. Decades later in 1990, Chanel sold the handbag, mostly unchanged in design, for \$1,150.

Baghunter found that this was the slowest growth in value of the Medium Classic Flap Bag, with the price hovering around this mark for some time, but never falling or depreciating. Since 1990, the pricing structure of the Medium Classic Flap Bag has continued to rise.



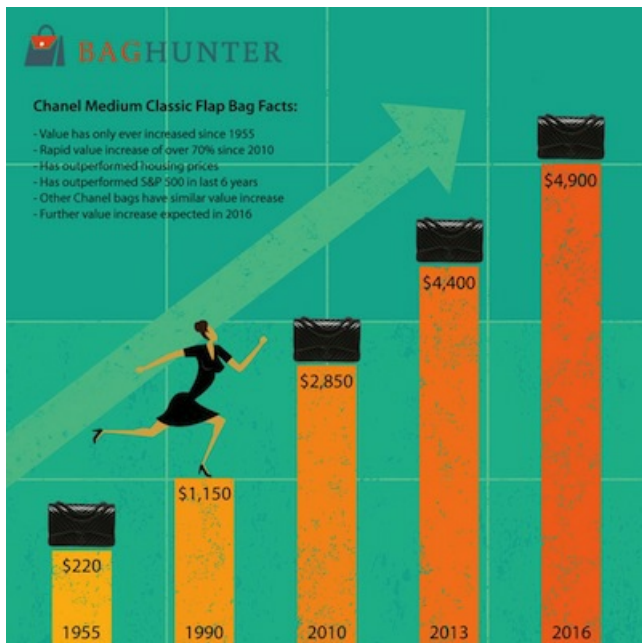
*Chanel handbag illustration*

In 2005 the bag retailed for \$1,650, \$2,850 by 2010 and \$4,400 by 2012. As of May 2016, the Chanel Medium Classic Flap Bag retails for just shy of \$5,000.

The pricing increase between 1955 and 1990 are to be expected, and can be explained by inflation, rising material costs and the cost of labor. But, Chanel's price increases since the early 90s have been determined by other factors.

Baghunter calculated that the rate of inflation between 1955 and 2015 is 3.70 percent per year. If the inflation rate is applied to the 1955 asking price of \$220, the price of a Medium Classic Flap Bag purchased today would be \$1,967.17.

The estimated price, in relation to inflation, comes out to be approximately \$3,000 less than Chanel's current asking price of \$4,900.



*Chanel handbag value chart, courtesy of Baghunter*

This example shows that Chanel's handbags are not affected by inflation. If the brand and its accessories category were impacted, Chanel would have had to account for a number of financial depressions that have occurred since 1955, such as the Energy Crises of the 1970s, the Dotcom Bubble in 2000 and Subprime Mortgage Crisis between 2007 and 2009.

Chanel's pricing tactic is not exclusive to the Medium Classic Flap Bag. Across the category, Chanel handbags have risen in price year-over-year since 2010.

For instance, Chanel's Reissue 2.55 size 226 was sold for \$3,600 in 2010, and five years later the same style retailed for \$6,000. Even the Boy Bag Small, introduced in 2012 for \$2,600, is subject to Chanel's pricing tactic with the handbag selling for \$4,000 last year.

Baghunter suggests that due to Chanel's price harmonization strategy ([see story](#)) the atelier's pricing will continue to increase throughout 2016.

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 ([see story](#)).

#### On-trend opportunities

Chanel clearly prices its handbags by its own rules, paying little mind to increasing costs and general inflation. This has allowed Chanel handbags to perform well against other luxury goods, traditional investments and inflation over the same block of time.

To illustrate this point, Baghunter compared Chanel handbags to other investment opportunities to see how they measure.

In five years, Chanel's Medium Classic Flap Bag increased in value by 71.92 percent. This increase in value outperforms the United States housing market, the S&P 500 and inflation.

During the time period examined, U.S. inflation was 8.7 percent, resulting in the handbag's price increase at a rate of eight times faster than inflation itself. Likewise, housing prices increased by 8.1 percent and the S&P 500 by 13.2 percent.

## RETURN ON INVESTMENT



CHANEL



Price per

### Medium Classic Flap Handbag



## LET'S COMPARE



*Chanel handbag value ROI chart, courtesy of Baghunter*

This is particularly important for investors considering a Chanel handbag, as even vintage, lightly worn bags maintain a high percentage of value on the consignment market.

Similarly, 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 separate 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](#)).

"Both [Chanel and Herms] represent excellent investment opportunities, however, Herms Birkin and Kelly bags are capped in their yearly production," Ms. Fox said.

"This makes them rarer and more collectable with the demand, stature, and price appreciation correlating to this," she said.

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