

# The Effectiveness of an Apology in Balenciaga Emergency

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**Keywords:** Apology effect, Consumers' psychology, Companies' apology.

**Abstract.** An enterprise's future depends on its consumers' attitudes. When companies make mistakes, under most circumstances, they will make an apology. They hope to keep their business by apologizing. For this reason, grasping the relationship or rule of apology and economical circle from consumers will be helpful for enterprises to develop to a higher level. In this article, the financial situations of Balenciaga in 2017 and 2018 will be analyzed to find out the association of consumers' psychology and the effect of companies' apology.

## 1. Introduction

In recent years, global luxuries grow with a vengeance. Luxuries cannot be separated from people's daily life. People live on these luxuries, and on the other hand, luxuries depend on their consumers. Against the backdrop, the brand image is extremely important. To survive in a competitive market, a brand largely depends on the support of consumers. Unreasonable behaviors will lead to brand failures, such as Prada, D&G, and Balenciaga. When it occurs, an effective recovery is of great significance. This article will focus mostly on an apology in a brand recovery and Balenciaga sets a good example.

## 2. The Current Situation of Luxuries Industry

Recently, the fashion industry receives more attention in China than ever before. Developing with freedom, it is accepted by more and more people. Different from the past, people are more willing to spend a huge amount of money on clothes or some newest products. Gradually, it is unusual if a person does not have one. It seems that whenever you want to buy clothes, the first choice is always the luxury brands. Now, China is at the top of the global luxury consuming market. In the last few years, Louis Vuitton, Balenciaga, Gucci, and other brands almost extend their business to every corner of our daily life. If you visit Hong Kong, you will see people queuing in front of each store no matter it is Chanel or Hermes. Everyone in the street grabs at least one shopping bag. Brands effect becomes much more popular in the modern world. People are willing to spend thousands of dollars on a handbag because of its brand. China is developing so rapidly that the fixed social status does not fit the personal financial situation. Although people with more money want to improve their social status, they lack confidence. In other words, people in China nowadays have ambivalent feelings. They are lowly self-respected but controlled by showing-off consumer psychology. Showing-off psychology means consumers showing off their financial level in an exaggerated and wasteful way.[1] Luxuries can satisfy their self-respect and improve social status. Status can be enhanced through currency or products with specific prices and brands. The capacity for consuming has become an important signature of status. Capable of paying more money suggests a high social status.[2] Due to that, the Chinese are interested in attractive and high-profile luxuries to enhance their self-confidence. Furthermore, the younger generation in China is always spoiled. They have become the main consumers of these luxury brands. About 58% of the main consumers are teenagers from 18 to 30 years old in China. (BCG& Tencent) [3] Purchasing luxuries means more than the luxury itself. It is natural for teenagers to compete with each other with a better financial background. Then the Veblen Effect plays its role here. Consumers are more willing to pay for products at a higher price. The more

expensive the products are, the more people are willing to pay for. [4] Besides, teenagers want to be considered maturely independent though they are actually not. As a result, they are persuaded to squander on luxuries to prove that they are successful. Teenagers will have a sense of identifying and a sense of belonging.[5] Many luxury companies tend to attract younger customers with its vibrant style. This situation becomes a key part of the reborn process. Among these brands, Balenciaga is the representative. However, when Balenciaga was striving for a new stage, an emergency occurred.

### 3. The Review of the Whole Event

In early 2018, many Chinese consumers were waiting in line to buy Balenciaga products in France. Suddenly, five French cut in line. An old Chinese lady argued with them, but they beat her son instead. Balenciaga staffs stopped Chinese people, but the French who did not obey the rule bought shoes at last. That was obviously an unfair treatment to Chinese people. When people at home learned about this event, an “Against Balenciaga” action started. As it became more and more serious, Balenciaga made an official apology.

Now let’s analyze the whole situation before and after this emergency of Balenciaga. In 2017, the shoes, Balenciaga Triple S, became the most prevalent products in the sneaker market and even the whole fashion world. The well-known professional fashion website Highsnobiety cooperating with sneaker selling online store Stock post some data. Triple S was the champion of the luxury shoe market, taking fifty-two percent of the total selling amount. The more interesting is that another shoe pattern from Balenciaga, Speed Trainer took third place. We can see that it was not attractive in 2017 except Balenciaga. [6]



Fig.1. Most popular luxury sneakers in 2017

Analyzing the financial document from 2018 Kering Company, we can see an interesting phenomenon. Instead of being pushed back, Balenciaga grew up faster and became increasingly important. “Sales generated in stores directly operated by the Other Houses soared 43.6% on a comparable basis, with double-digit growth in all key regions. This impressive outcome was fueled by stellar efforts made by Balenciaga and Alexander McQueen. Sales generated through the wholesale network rose 23.6% year-on-year on a comparable basis.” [7] In the past, as a part of the Other Houses, Balenciaga was never mentioned. However, with the excellent market performance and the enthusiasm from Asian people, especially Chinese, Balenciaga produced the continuing exceptional momentum. “All of the major Asia-Pacific markets were very dynamic during the year and the region’s overall growth came to 43.8%, with the majority of the Other Houses reporting double-digit sales rises.” [8] Compared with the situation in 2017, Balenciaga achieved even higher progress after the scandal in early 2018.

Why could Balenciaga achieve a better selling environment under many negative influences? Did their official apologies play their roles in this situation? In the next part, the main focus will be on the analysis of Balenciaga apology.

#### 4. The Analysis of Balenciaga Apology

An apology is an expression of regret and a desire to make the situation better. By making an apology, a company tries to rebuild its brand and society status so that consumers could be able to trust and pay for it again. However, a public apology is different from the apologies in our daily life. When a company is making an apology, it admits its mistakes which will weaken a company's capacity, meaning the quality of this company will fall. It would probably affect the selling and economical condition. On the other hand, the strategy of making an apology is also significant. The original meaning of an apology is to present their regret to customers. Facing these consumers who do not trust the companies, an effective apology plays its role. The acceptance of apologies will influence a brand's marketing conditions.

##### 4.1 Time

The first important factor is time. On April 25, 2018, Balenciaga's unfair event occurred. Then on April 26, the manager of the Balenciaga store posted an announcement on the official Instagram account. However, it was not an apology but more of an explanation, irritating more and more people.



Fig.2. The announcement of the manager of the Balenciaga store in 2018

One day later, as the videos about it spread widely, Chinese people kept expressing their disappointment on several Balenciaga official accounts, and Balenciaga took action. On late April 26, Balenciaga made official announcement again to express their regret. Once more, this announcement did not satisfy Chinese people who thought it was lack of sincerity. People pointed out that this announcement shirked their responsibilities and was not out of their true heart. At this time, Chinese consumers started a new round of questioning towards Balenciaga, even Gucci which belongs to the same company with Balenciaga.

##### STATEMENT

The house of Balenciaga regrets the incident that took place yesterday morning at a department store in Paris while customers were waiting to enter its corner shop. The security staff acted immediately to restore the calm. Balenciaga sincerely apologizes to the customers who were present and reaffirms its strong commitment to respect equally all its customers.

Fig.3. The second statement of Balenciaga in 2018

After two days, on April 28, Balenciaga made a new announcement on this emergency again. This time, Balenciaga illustrated its attitude and the following action it would take. In just two days, Balenciaga made an official announcement and two apologies, putting an end to this event.

The House of Balenciaga is firmly committed to the values of equality and diversity, and stands strongly against any kind of discrimination. As such, the House takes the incident that happened on Wednesday April 25th at its corner shop in a Paris department store very seriously.

Working in active collaboration with the department store, Balenciaga is investigating the matter thoroughly and taking steps to prevent similar reoccurrences.

First, given the seriousness of the incident, Balenciaga has decided to temporarily suspend the management staff present during the event pending the results of this investigation. Balenciaga will take any necessary measures after the investigation is concluded.

Secondly, in order to offer to its customers a shopping experience aligned with the House's values, Balenciaga will implement a new standard operation procedure. The House will introduce a new system for product launches and reinforce procedures for security staff, seeking to improve the experience of all clients and limit waiting time.

Balenciaga sincerely apologizes to all Chinese customers and all other customers present at that time. The House is endeavouring to reach customers impacted by the incident in order to individually apologize.

Balenciaga reiterates its utmost respect for each and every customer, and demonstrates its strong commitment to providing the highest service.

Fig.4. The final statement of Balenciaga in 2018

## 4.2 Attitude

In the second part, we will focus on the attitude of apologies. The reason why Balenciaga made three announcements was the attitude. The attitude represented whether the Balenciaga announcement respected the truth and how Balenciaga reviewed it, which would affect the customers' attitude significantly. In the first announcement, Balenciaga did not mention what happened exactly. It described the argument between two consumers in detail but left the fact that the Chinese consumers were beaten unmentioned. They hid the real cause of the event. What worsens the situation most was that they were sorry for the disruption of the selling situation. As for Chinese consumers who received unfair treatments, they did not even say a word. The following action was missing as well. It is natural that people will not accept this extremely perfunctory announcement. To make amendments, Balenciaga posts the second announcement on Weibo, a popular social media in China. Even though this announcement was more official, its content still lacked the factors consumers were seeking. It justified that the fight was caused by queuing instead of unfair treatment. The act of hurting Chinese consumers was described as security-keeping. The improvement and the follow-up survey were still not mentioned. Although Balenciaga indicated it would deal with equally, most Chinese were not satisfied. This announcement was described as "shirking responsibilities and pursuing profits."

At last, Balenciaga faced this emergency seriously. It was the first time that Balenciaga admitted this event was associated with discrimination. According to Balenciaga, they would take four steps. The first was to carry out surveys about the event, the second was to suspend the corresponding staffs, the third was to make a new work standard, and the last one was to apologize to Chinese consumers involved. The last announcement saved Balenciaga. It represented the brand's attitude, equal principles and contained the following improving measures that consumers sought.

## 4.3 The Comprehensive Analysis

In this event, Balenciaga took actions in a short time. They issued three announcements in just two days, and two of them were made within 24 hours. The improved announcements also revealed the Balenciaga's attitude. Timeliness and sincerity was the significant factor that Balenciaga could regain consumers' trust and make a higher profit in 2018. When consumers found what they receive an

apology announcement, the wall between consumers and brands could be destroyed. If the brand fulfilled what it promised, consumers would be willing to trust this company again. There are also some disadvantages to the last apology. They didn't reveal the results of their survey though they promised. Furthermore, the identities of corresponding staffs were not mentioned as well. Who were they? Were they the security guards or staffs? Why was this apology just posted on Instagram for only 24 hours? The new working standard also lacks details. It was hard for consumers to trust completely. It explains why there were still some controversial questions about Balenciaga. But compared with former apologies, the last one was able to satisfy most people.

When facing some negative news, most companies decided to ignore them in the past. They will improve their performance without announcing to the public. However, with the development of new media, people can express their feelings and comment straightly. The aggressive ideas are easy to be spread, and the contents will be beyond the company's control. A company could not ignore that, and they must make responses. Consumers want to see the companies fulfill their promises after issuing a textual apology. People concern more about the attitudes and future amendments. If a company can express their feeling sincerely, clarify the events and demonstrate the real problems, no one would abandon it. In addition, to achieve the best recovery situation, the timeliness is also important. A company must apologize in time before the event develops beyond its control. When major events and directions can still be controlled, a proper announcement can play a key role to push the whole events. For example, if Balenciaga could post a serious apology at first and clarify the factors discussed above, it will have a better development sooner.

## **5. Conclusion**

Luxuries have become a necessity in people's daily life now. After analyzing the main reasons that luxuries are so popular in China, it is noticeable that the current period is essential for luxury industries. However, it is a time when brands associate with people, and it is impossible for a company not to make mistakes. How can a company recover themselves effectively? By analyzing the emergency of Balenciaga in 2018, we find out that apology plays an important role in the whole event. Balenciaga even achieved a better selling condition after this emergency. It made an apology in time and posted three announcements in 48 hours. In a short time, they could control the directions of comments again. In other words, they have a say again. Furthermore, the sincerity of an apology is also crucial. Balenciaga altered their apologies as the change of consumers' comments. A good apology must include the truth, the detailed improvement, the reaction of harms which have already existed and the feeling of regression and sorrow. When a company can make an effective apology in time, it can even earn more consumers than before.

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