



How Hermès Penetrated the Elite Clientele?

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ABSTRACT

Hermès is one of the world's most luxurious and high-end brands that owes its success to its proper marketing strategy. Hermès has maintained its high-end status by the workmanship of its products and the limited target sales group with smart pricing. The brand has achieved the purpose of proving its status in the upper class of society, even though its expensive, it is very sought after by the upper class. Hermès does little to advertise its products yet is able to maintain a steady flow of sales which successfully helped it in saving money on publicity.

Keywords: Hermès, elite, bags, luxury brand, marketing, investment

I. INTRODUCTION

Hermès is a famous French luxury brand that was established in France in 1837, it started as a seller of fine horse harnesses. In 1900, Hermès launched its first travel bag, which was followed by a series of high-quality stitched leather riding accessories that gained popularity. That was followed by a series of iconic Hermès items such as its handbags and scarves.

Hermès as a family business has been passed down and developed through several generations of its family and eventually became one of the most popular and largest luxury brands in the world.

II. HERMÈS

Hermès is a French high fashion house that was established in 1837 by Thierry Hermès. It is known for its quality craftsmanship and use of luxury materials, as well as its iconic handbags, such as the Birkin bag. Quality products start with quality materials and Hermès has no shortage of either. Indeed, Hermès sources materials from all over the world in order to offer customers the absolute finest leather and animal skins available.

2.1 Product

Hermès' main product is handbag and its products use a very precious raw material – leather. For most of Hermès' goods, leather is an essential part. The two most sought-after Hermès handbags are Parkin bag and Kelly bag.

An artisan makes up to 3-4 bags per week and each bag is made by the artisan after a long period of careful sewing. The entire Hermès production is limited to no more than 15 bags per month and this long production determines its rarity and also greatly affects its price.

2.2 Pricing

Nowadays, Hermès and its products are more synonymous with status, which symbolizes a person's level of consumption and social status. The main reason for the high status of Hermès is not the design, materials or production, but more the impact the brand has on people.

Hermès as a luxury brand has adopted a premium pricing strategy which creates an aura of luxury, exclusivity or higher quality by inflating the price.

- Higher prices mean higher quality
- Raising customer curiosity
- Enhancing rarity
- No discounts
- Haute couture and high price can meet the exclusivity psychology of consumers
- Satisfy the exclusivity psychology of luxury goods buyers

III. ELITENESS

Hermès International is a French luxury goods brand that manufactures leather goods, fashion accessories, home decor, jewellery, timepieces, and ready-to-wear. In the world of luxury, Hermès is regarded as an iconic brand. Hermès holds a strong position in the fiercely competitive and unforgiving world of luxury thanks to a blend of historic heritage, exquisite craftsmanship, attention to detail, and high standards of quality and competence across the entire manufacturing process.



Hermès was ranked number 28 among the Best Global Brands 2020 by international brand valuation company Interbrand. Louis Vuitton, which is rated 17th and has a brand valuation of USD 31.7 billion, is behind it with USD 18.0 billion. Designers are given a theme to create their products and designs every year. “In the pursuit of dreams” was the theme for 2019. Also, the company’s creative pillar heavily relies on collaborations with designers, particularly in the home furnishings sector. The goal is for both the designer and the company to gain from one another’s creative partnerships and reputations. Hermès does not view celebrity endorsements as a strategy for establishing brands which is a practice that is quite common in the LVMH brand stables. Hermès consciously avoids this type of marketing. A genuine endorsement of the brand may be found in the fact that only A-list celebrities and the extremely wealthy can afford and have access to their most expensive and exclusive products.

3.1 Exclusivity - THE HERMÈS BAGS

These bags are exclusive, meaning they are only available to a small group of people who have the right connections and can afford to spend so much on a bag. Celebrities have been known to get their Birkins by having the right connections, which allows them to skirt by the hurdles that others have to overcome. Let me explain you why people want to but this bag. You can’t buy these bags Hermès bags at a regular Hermès store, unless you’re a regular customer who spent around \$50,000(dollars) buying other things. Bags are in really high demand, so Hermès thought you kind of have to earn an opportunity to buy them. If you’re lucky and you’re offered a chance to buy this bag at an Hermès store, this bag retails for around \$11,300(Hermès Kelly bag). The minute you walk out of the store, it gains at least \$10,000 in value. So for example, the bag costs \$21,700 depending on the colour, it could gain even more in value. The sale of this bag varies from its colour, model and size. Some of these bags are extremely rare and made from high quality crocodile skin and are enhanced with gold chains and finishes. One such bag is THE HIMALYAN BIRKIN : AN HOMAGE TO MAJESTY, The Himalaya Birkin comes both with and without diamonds. The Diamond Himalaya is known for being the most expensive handbag ever sold at auction. In 2022, Sotheby’s sold a Diamond Himalaya Birkin 30 for over \$450,000 USD. The Birkin’s estimated retail price was \$300,000 USD, but the rarity of the Hermès bag drives the price. It is constructed out of Niloticus crocodile skin coloured in white and grey ombre. The unique colouring of the Hermès bag is intended to

evoke the white-capped peaks of the Himalayan Mountains. This colouring pairs perfectly with 18-karat white gold hardware, which is itself studded with white diamonds. The cadena lock comprises 68.4 grams of 18-karat white gold and is studded with 40 white round brilliant diamonds, totaling 1.64 carats. On the bag, three different structural elements of the Birkin—the Touret, the Pontets, and the Plaques de Sanglons—feature more than 200 diamonds for a total of 8.2 carats. These precious materials enhance the exquisite colouring of the crocodile. Celebrated for their artistry, Himalaya Birkins are a rare find for collectors and are in high demand with or without diamonds. Himalaya Birkins generally sell at higher prices in the secondary market than other crocodile Birkin bags depending on the condition and age of the bag. In 2021, the Himalaya Birkin 25 was the most sought after size and sold for over \$300,000 at Sotheby’s.

Some say that any typical Hermès bag is better investment than stocks. Currently Hermès crocodile bag are made using two different species of crocodile. Each type Hermès crocodile had a unique set of features. The most highly-valued Hermès crocodile is Porosus and is sourced from Australia.

3.2 Work Culture

Hermès has made “patience” a core value and component of their strategy to produce goods of the highest calibre.

A three-day in-house training course called “Inside the Orange Box” that covers the company’s history back to its founders and the development of each of its product categories is required of all newly hired staff and artisans, who are carefully chosen. The goal of this training is to instill a sense of belonging, involvement, and identification with the company’s culture, philosophy, and values in every Hermès employee. This will show the company’s commitment to the calibre of its brand and legacy.

3.3 Sales

Hermès has entity stores all over the world in 45 countries, with a total of 331 stores. Its main markets are Asia Pacific, Europe, Japan and the United States which has greatly contributed for it to become the world’s largest luxury jewelry brand. Hermès promotes its brand through the establishment of its stores worldwide.

Hermès has also heavily invested in building its online sales platform. Hermès’ online sales are not a replacement for offline stores but rather another major sales platform. Its digital offering is complementary to the core business which has been the reason for the continuous success and



rise in sales. Hermès was able to develop its online sales channel as a stand-alone because it realized the importance of the online platform early on and actively developed it.

3.4 Promotion

Unlike other luxury brands, Hermès does not spend a lot of money on advertising their products. They do not have any brand ambassadors to promote their products for further marketing purposes. The way Hermès is promoted is also influenced to a large extent by the positioning of its products. Hermès is a unique, rare, luxury image, and because of this quality, Hermès does not need the same sales volume as other brands. Hermès target groups are the wealthy at the top of society. For example, Hermès' two most famous collections, Kelly and Birkin, were brought to attention and fame by the use of two celebrities, Grace Kelly and Jane Platinum respectively. This way of marketing is not only less expensive but also brings proof of rarity and preciousness to the target group, and can be very targeted to achieve the promotion purpose for the target group.

3.5 COMPETITION

According to several luxury brand comparison sources Hermès biggest competition in luxury brand is Gucci. These days, Gucci is a financial success and iconic brand among the fashion fans of the world. It's statistically one of the very highly known brands on the planet and it operates with a particular business model that drives exclusivity and demand like no other.

This model includes some fairly drastic measures, such as the regular destruction of any unsold products, to drive up scarcity.

While Hermès began its life in saddlery and horse riding equipment, Gucci got started with bags and luggage, which make up a lot of their offerings today. As the years wore on, Gucci started to experiment with gloves, belts, wallets, and a plethora of other accessories.

Today, it's essentially a one stop shop for all things fashion, including clothing, shoes, and jewelry. While they keep their prices high, they're not so staggering that the average shopper couldn't eventually afford them.

3.6 Gucci vs. Hermès: Battle Of The Brands

As we've already explained, Hermès ranks some levels higher than Gucci on the scale of luxury. While Gucci can be considered somewhat accessible,

Hermès is thought of as 'super premium', and a brand that many won't ever be able to regularly afford.

To offer a comparison, we can look at something as simple as a backpack, a product that both companies eagerly offer. On Gucci's website we can find a leather backpack, emblazoned with the Gucci motif and branding, for around two and a half thousand dollars.

Now, that might seem like a huge amount of money, but it's a drop in the bucket where Hermès is concerned. If you explore Hermès's website, you can find backpacks that are priced at more than eight thousand dollars apiece.

However, these backpacks, for the most part, are completely plain leather; no real design, no emblem, motif, or branding. It's one of the bizarre aspects of fashion where people are paying through the nose for the *name* rather than the product itself.

Hermès' website portrays these prices with intense regularity. You'll see shoes with thousand-dollar values, six thousand dollar belts, and forty thousand dollar bracelets.

While Gucci's prices are a little more believable and realistic, they are still quite high for the average shopper. Although, you'll find it much easier to find and own Gucci products than you would Hermès' merchandise.

3.7 Drivers For The Market

Hermès is a brand that has maintained a consistent and symmetrical marketing strategy throughout the years. This strategy focuses on retaining the brand's identity as a symbol of luxury and class while ensuring that its products cater to changing consumer tastes and trends. One of the key elements of Hermès' marketing strategy is the brand's positioning. Hermès is known for its classic and timeless designs that are synonymous with luxury, sophistication, and exclusivity. This positioning has been maintained by the brand through its products, advertising campaigns, and collaborations. Its target audience is also an instrumental factor in its marketing design. The brand targets high-net-worth individuals who appreciate the fine quality, exclusivity, and sophisticated craftsmanship of luxury goods. This target audience is reached via a range of marketing channels, including digital and print media, events and collaborations. Hermès also heavily hinges on social media to showcase its products, brand story, and collaborations. The use of influencer partnerships and collaborations with other brands is also a key component of Hermès' marketing strategy. Hermès has collaborated with high-end brands such as Apple, and the brands have created a limited-edition Apple watch for Hermès customers



The Hermès marketing strategy is cohesive, consistent, and focused on maintaining the brand's identity as a symbol of luxury and elegance while also ensuring that its products remain relevant to changing consumer tastes and trends. The brand's target audience, use of social media, and collaborations have played a significant role in the success of its marketing efforts.

3.8 Hermès Sales: China, US

PARIS, Feb 17 (Reuters) - Birkin bagmaker Hermès said that wealthy Chinese clients snapped up its products in the fourth quarter even as the rest of the luxury sector took a hit from rising COVID infections, helping it beat sales and margin forecasts. Hermès also saw strong demand from Chinese clients across products during the Lunar New Year, Executive Chairman Axel Dumas said on Friday, adding that the company was looking at 2023 with confidence. Brisk business in the United States, where the company opened a sprawling store on Madison Avenue in New York in September, also helped lift sales.

European luxury brands have benefited from a strong, post-pandemic rebound as shoppers drew on savings during lockdowns to treat themselves to designer label fashion.

But while much of the industry took a hit in China as COVID infections rose at the end of last year, Dumas said Hermès "continued to see strong desirability in China". "We saw things going very strongly in China with double-digit growth ... including in the fourth quarter," he said. He did not give a detailed figure.

Globally, sales for the three months to end-December rose by 22.9% to 2.99 billion euros (\$3.2 billion), outpacing analyst expectations for 17% growth at constant rates, according to a Visible Alpha consensus.

Annual recurring operating profitability reached a record 40.5%, up from 39.3% in 2021, the company said.

"Hermès has ploughed through the COVID-19 related issues in 4Q22, and produced a very solid beat to consensus," Bernstein analyst Luca Solca said.

DIVIDEND PROPOSAL

In the United States, sales jumped 40.8%, marking a contrast with some rivals that experienced weaker sales there as business shifted to Europe, with travelling Americans taking advantage of the strong dollar.

Hermès said it would propose a dividend of 13 euros per share at its next general meeting on April 20 and would hand out a 4,000 euro bonus to all its employees this year.

The shares were down around 1% in early morning trade. They are up more than 20% year to date.

"The stock has been very strong YTD (year to date), and expectations were high into today, but still the operational outperformance should warrant further gains this morning," J.P. Morgan analysts wrote in a note.

The company cited rising labour costs as the reason behind its recent price hikes of around 7%, implemented in January, after price hikes of around 4% in 2022.

Luxury brands such as Chanel and LVMH's Louis Vuitton have raised prices over the past several years, maintaining the exclusivity of their brands, while Hermès had made more slight adjustments.

UBS estimates Louis Vuitton raised prices by 9.6% in 2020 and 3.7% in 2022, compared to Hermès' hikes of 1% and 2.1% those years.

Hermès said it has created 4,300 jobs, including 2,900 in France, over the past three years, and planned more hiring this year.

(\$1 = 0.9399 euros)

IV. DISCUSSION

Nowadays, Hermès and its products are more synonymous with status, which symbolizes a person's level of consumption and social status. The main reason for the high status of Hermès is not the design, materials or production, but more the impact the brand has on people. Hermès as a luxury brand has adopted a premium pricing strategy which creates an aura of luxury, exclusivity or higher quality by inflating the price. Hermès' online sales are not a replacement for offline stores but rather another major sales platform. Unlike other luxury brands, Hermès does not spend a lot of money on advertising their products.

V. CONCLUSION

Hermès is one of the world's most luxurious and high end brands who owes its success to its proper marketing strategy. Hermès has maintained its high-end status by the workmanship of its products and the limited target sales group with smart pricing. The pricing determines the audience of Hermès and matches well with the exclusivity of consumers. Hermès does not have a lot of publicity which saves a lot of money and does not affect the marketing as their target groups are the most wealthiest of society.

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