

# THE MARKETING STRATEGIES BEHIND HERMÈS

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**Summary.** *Hermès International is an iconic French manufacturer of luxury goods. The Hermès Birkin tote has become a status symbol of modern times. Another Hermès bag became a worldwide sensation after being seen on actress Grace Kelly of Monaco multiple times. The marketing mix model of Hermès is a predetermined mixture of the 4Ps, that leads to market success. Its revenue and cash flow patterns have been increasing steadily. Hermès does not invest heavily in publicizing their products and has no brand ambassadors to promote them. The Hermès Marketing Plan employs four well-known marketing methods. Clients are expected to have a long sales history with the brand. The brand has a large client relations department, with professionally educated sales associates. Its audience is determined by its costly pricing, which corresponds to the exclusivity mindset of consumers.*

**Keywords:** *Kelly, Birkin, luxury, prestige, marketing*

## Introduction

*Hermès International*, usually known as *Hermès of Paris* or *Hermès*, is a French manufacturer of luxury goods. In numerous valuation and studies released by reputable consultancies, it has continuously been regarded as the most valuable luxury brand in the world. The brand is considered iconic in the world of luxury.

Hermès has a position of excellence in the fiercely competitive and cutthroat world of luxury thanks to a combination of historic legacy, exquisite craftsmanship, attention to detail, and high standards of quality and professionalism across the whole manufacturing process.

According to former CEO Jean-Louis Dumas, "We don't have an image strategy, we have a product policy" is the best way to capture the essence of the brand.

Thierry Hermès started the brand in 1837. Once a high-end carriage leather goods manufacturer catering to noblemen, the company expanded throughout the 20<sup>th</sup> century to make handbags, scarves, couture, tableware, and perfumes. The slogan has been the same since then: *Que l'utile soit beau* (Let the useful be beautiful).

## The Birkin

In 1983, Jane Birkin, a fashion star and actress, was attempting to put her suitcase into the overhead compartment of a flight when the contents of her bag began to pour over. That's when Hermès CEO Jean Louis Dumas, who happened to be nearby, took note. Birkin claimed that it was difficult for her to find a practical leather bag she liked, and thus the Hermès Birkin tote was born. Only, instead of being just another attractive bag with useful benefits, it became and continues to be 'the' status symbol of modern times.

Purchasing the Hermès Birkin is not an easy task. First, depending on the type of leather used and the rarity of the model, prices range from \$11,000 to \$380,000<sup>[7]</sup>. In addition, there is a six-year waiting list to acquire the bag.

Once you've somehow acquired one, the challenges become more interesting. Not simply purchased, but acquired, Hermès Birkins are one of the few fashion goods that almost always sell for more than their original price, sometimes up to ten times the original price. Some also believe it is a better investment than gold [7].

### **The Kelly**

The Hermès *Sac à Dépêches* bag became a worldwide sensation after being seen on Princess Grace Kelly of Monaco multiple times. Kelly frequently used the bigger version of the purse to conceal her pregnancy from the media. Hermès soon renamed the bag. *The Kelly*, like *The Birkin*, is hard to come by and obtain.

So, what made a leather tote the ultimate status symbol?

Though it wasn't always easy going, Hermès now earns \$6.8 billion in revenue per year. Even in its marketing, the company takes pride in its tradition and does not succumb to trends.

In the world of luxury, there are 'anti-laws'. Everything that has proven effective in fashion marketing becomes irrelevant at this point. One does not buy a \$12,000 bag for the sake of quality. A buyer, who is solely seeking for a high-quality bag, will pay \$300 for one. The remaining \$11,700 is for prestige, position, and, most crucially, brand value.

Hermès has built a €36 billion empire with effective marketing. Not only that, but the brand has buyers staying up late at night to acquire their items [7].

### **The 4P's of Hermès**

The marketing mix, sometimes known as the 4Ps: Product, Price, Place, and Promotion, is a predefined framework that helps decision-makers determine the best way to achieve marketing and advertising goals.

Thus, we will look at Hermès' marketing mix plan.

#### **1. Product**

Hermès' primary product is the handbag which is made from a very valuable raw material - leather. This is an integral part of most Hermès products.

The product strategy is that they solely provide things to the world's highest classes, their target recipient. Hermès sells high-quality goods in specialized fields. It has maintained its distinct standard since the company's beginnings.

Hermès items are made entirely by hand, with a laborious production method that determines their rarity.

#### **2. Price**

Hermès' pricing has selected its target audience and displays its product positioning. Hermès handbags have gone through the roof and the people they are intended for are high society, yet their bags are coveted by people from all walks of life. In fact, compared to other premium brands, Hermès bag design is not ideal for people under 30 years old.

As a luxury brand, Hermès has chosen a premium price strategy. By artificially increasing the cost, this pricing approach gives an aura of exclusivity and superior quality.

- Greater costs indicate higher quality<sup>[4]</sup>

Products are typically priced based on cost and in a way that ensures sales and profits. As a result, when pricing is high, the worth of the thing itself is also high.

- Increasing customer interest<sup>[4]</sup>

When a product is priced significantly higher than a comparable product, adjusting the cost piques buyers' interest and stimulates them to purchase the goods.

- No discounts<sup>[4]</sup>

Hermès, unlike other brands, does not offer discounts regardless of the occasion or situation.

- Satisfy the exclusivity mindset of buyers of luxury products<sup>[4]</sup>

Customers acquire luxury goods for a variety of reasons, including the desire for exclusivity. Haute couture and exorbitant prices appeal to buyers' need for exclusivity.

Fig. 2 depicts Hermès' revenue and cash flow patterns from 2007 to 2017 and demonstrates that all sales and cash flows are increasing steadily<sup>[4]</sup>.

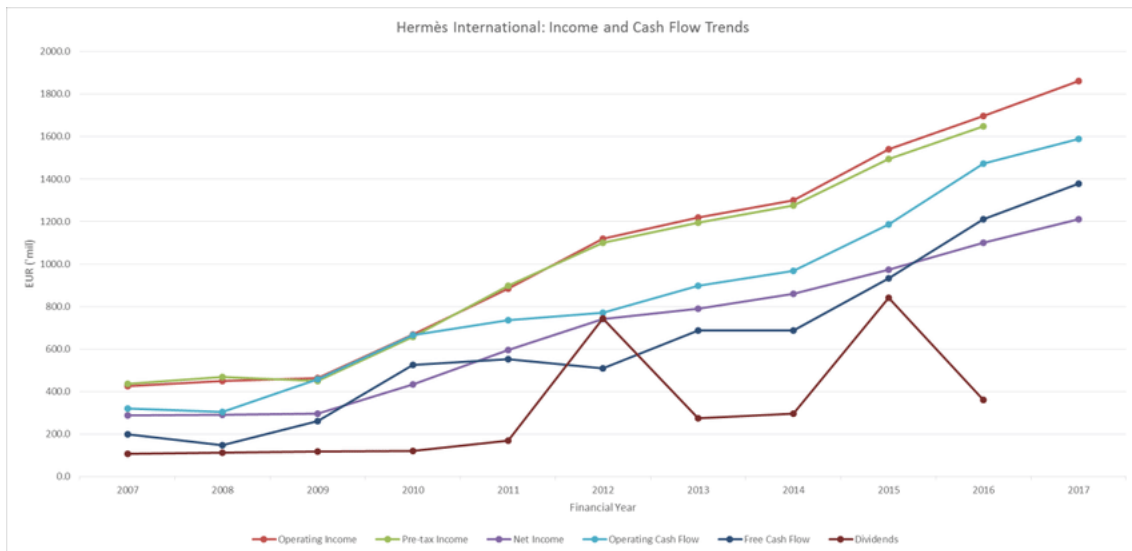


Figure 1. Hermès International: Income and Cash Flow Trends [4]

### 3. Place

The brand sells its products using an omnichannel distribution strategy. It is prevalent in around 45 important countries around the world. It has also expanded its e-commerce platform for selling its products. These platforms, which are already present in 28 countries, are constantly growing [9].



Figure 2. Global distribution map of Hermès stores [4]

### 4. Promotion

The most important aspect of Hermès marketing is that unlike other luxury brands, Hermès does not invest much in advertising its products. They have no brand ambassadors to promote their items.

#### Marketing Strategies

The Hermès Marketing Plan employs four well-known marketing methods in new and interesting ways:

##### 1. Word of mouth [7]

Having a Hermès purse is a key to belonging in upper society, a form of legacy currency.

Hermès has insured that it would never require advertisements for the bags by combining investment in client interactions and establishing heirloom potential.

Word of mouth is, in fact, Hermès' most potent ally. The bags are a favorite among celebrities, heiresses, and affluent ladies all over the world. The sleek look and unique form have instant recognition value in upscale circles.

It is a fact that if someone in your family already has a Birkin or Kelly, you're more likely to be able to buy one from the store.

## **2. *Scarcity Marketing: A 6-year waiting list [7]***

As mentioned above, you may not always be able to obtain the bag of your choice. This is due to the scarcity of each model. We can't discuss excellent luxury marketing without mentioning this topic. By making the supply appear limited, the method promotes demand for the product. But Hermès goes a step farther; the brand never says how many of its distinctive bags it produces each year.

You cannot be certain that the color, exterior, and interior of a Hermès bag will be exactly what you want, or the time it will take for your item to arrive. Some people wait 8-9 months for their bags, while others wait years [7].

There are, of course, standard models. Even those, however, are only available if you have a history with the brand as Hermès has meticulously cultivated its impression of scarcity.

## **3. *Quality and Brand Fit trump quantity in influencer marketing [7]***

Hermès' two renowned bags, were named after real-life influencers. Although Hermès was among the first to do so, this is now normal practice for luxury businesses.

It is worth mentioning that Hermès' muses weren't necessarily megastars. If it had to name what is now known as the Kelly after the most famous actress of the time, it would have chosen Marilyn Monroe. Yet this would have been an obvious error [7].

Jane Birkin was well-known in Europe for her elegant French flair, films, and music. Yet, she was relatively unknown to the general public at the time. Nonetheless, she was the best choice. Hermès muses are in line with the brand because of the stories associated with these women - a simple, but frequently neglected concept.

## **4. *Relationship Marketing: Making the customer sell to Hermès instead [7]***

When you enter a Hermès store, the company evaluates whether you are deserving of the bag of your choice. Almost typically, clients are required to have a long sales history with the brand. Nonetheless, this does not imply that it does not value its clients. Hermès has a large client relations department, with professionally educated sales associates whose main purpose is to create long-term connections with consumers.

Most customers have long-standing ties with their SAs. Hermès really wants its customers to know and appreciate the company's history, which is also one of the most significant attributes they look for in a customer.

## **Conclusions**

Hermès is one of the oldest and most recognized brands, with a global franchise dating back more than 150 years.

Hermès' audience is determined by its costly pricing, which corresponds nicely with the exclusivity mindset of consumers. The active development of internet channels boosts product sales, while the widespread dispersion of storefronts provides consumers with a deeper understanding of the products. Hermès' lack of exposure also saves them a lot of money and has no effect on Hermès item marketing.

The fact that it is considered as the most innovative of all luxury fashion houses attests to the company's dedication to create and promote ultra-luxury products that are distinct, have a strong sense of appeal, and bear a distinct mark of great craftsmanship on a continuous basis.

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