

Analysis of the Exclusivity of Hermès Handbags

Xiaolu Li

Australian International School, Singapore, 573910, Singapore

Abstract. During the Covid-19 pandemic, the consumption and essentiality of luxury products have been affected by the economic recession. Hermès Handbags, being the main source of its revenue, did not decline, and even increased. The aim of this paper is to analysis the exclusivity of Hermès handbags as a key factor of its success. Through this analysis, the paper will also explain how Herne's handbags endured the economic shocks. The main determinant market power of demand and supply on its pricing strategy in the luxury industry, and the impact of luxury goods on people's lives will also be analyzed in by this paper. The involvement of luxury goods' status representation, function, and aesthetic has profoundly influenced people's consumption attitude in regard to luxury goods as a financial product for investment. This article will help in establishing what is important in increasing brand position and brand image in the market. Lastly this article will help hemes handbags become more competitive in the developing market economy.

Keywords: Hermès, Luxury brands, Exclusivity.

1. Introduction

Hermès is a high-end brand recognized worldwide. It was established by Thierry Hermès in France in the year 1837. In its initial stage of the brand establishment, Hermès started as a house harness seller. Over the time, the automobile industry gradually replaced the carriage; so, horse harness was losing its market power and position. Hermès diversified into other industries to adapt to this rising market trend, applying their handicraft to the leather baggage business, and gradually building a solid global presence. Hermès' products are divided into 17 new formats. The product line comprises luggage, fully prepared, scent, and ceramics, among other things, making it a one-stop shop for quality and taste.

Exclusivity is defined as the state of being limited to access by creating element of specialness. Among Hermès' diverse product portfolio, the most famous product will be the Handbags because of its high exclusiveness. There are five different types of Hermès' Handbags: Kelly, Birkin, Garden Party, Roulis and Constance. Birkin is the most well-known handbag produced by Hermès. It accounts for almost 15% of the sales of Hermès' Handbags. Currently, the popularity of Hermès Handbags is on rise, even standing out in the similar luxury Women Handbags. This study uses well-structured open-ended questionnaire to collect data. The questionnaires were administered o the employees in Hermes handbag making company. 50 questionnaires were issued to the employees. Out of 50 questionnaires only 42 were returned, representing a response rate of 84 percent.

2. Factors affectiing the exclusivityof hermès handbags

2.1 Craftsmanship

2.1.1 Craftsmanship and its representation of brand history

In this era of pursuing high efficiency, most of the luxury companies rely on industrialization and mechanization in their production processes. However, Hermès persists in the concept of traditional handmade while being innovative. There is immense range of luxury brands world-wide and Hermes manages to secure its long-standing position as the quintessence of magnificence in the world of fashion. This is mainly attributed to its entrenched history of craftsmanship. Every stage of the production is precisely controlled, starting with design, leather cutting, stitching and all the way to coloring. Unlike the soulless machinery, craftsmen will infuse their own thoughts into the production of goods. Craftsmen of Hermès are inspired to focus and enjoy the production process. Every handbag being manufactured represents the soul and spirit of the craftsmen. About 30% of its employees are

craftsmen, which is apparent in how much emphasis the company places on its craftsmanship and the quality of their products. However, every handmade handbag is original and unique. This characteristic helps Hermès make the wonderful handbags that machines can never make. Hermès' exclusivity is achieved by the inheritance of craftsmanship, the persistence, pursuit of details and beauty into the production process. This exclusivity makes the handbag more than just a handbag but also as a product of cultural heritage.

2.1.2 Price Elasticity Analysis

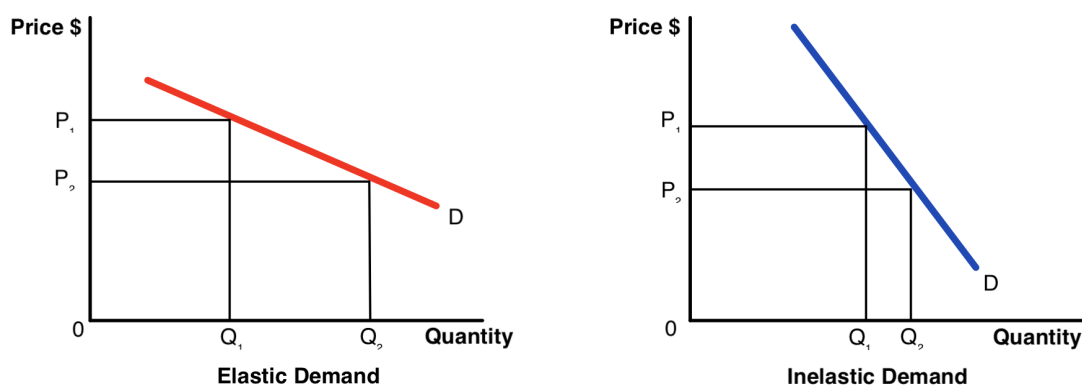


Figure 1. Price elasticity of demand

As shown in figure 1, Hermès Handbags are likely to have a steeper demand curve. An increase in price will not automatically lead to a great fall in the quantity demanded. Therefore, Hermès is incentivized to set high prices. One factor that influences Hermès' price elasticity of demand is the availability of close substitutes to products produced. When there are substitutes that are available to purchase, the demand curve will be more elastic as the price increases. This is represented by a less steep demand curve. There is a wide array of luxury substitutes for Hermès Handbags, such as Gucci, Louis Vuitton and Chanel. However, although close substitutes are available, they are not able to achieve the closeness compared to Hermès Handbags. There is a difference in production process between Hermès and its substitutes. First, Hermès does not rush to produce handbags to maximize the sales. Instead, an average of 14 to 15 labor hours are spent per bag, which equates to 3 to 4 bags being produced per week. Even under pandemic conditions, Hermès never speeded up their production so as to maintain the perfectionism of the quality of their handbag. Besides that, the infinite pursuit of materials makes Hermès outstanding. Most luxury companies outsource their production of goods to external parties; however, Hermès remains adamant to process its own products to ensure top notch quality control. As quality is of paramount importance to the brand, the search for the right raw materials takes them worldwide. For instance, Hermès reportedly purchased crocodile farms in Australia to ensure that they use only the finest skins as the materials for its leather goods.

2.2 Product catalog and brand value

2.2.1 Product Portfolio

Hermès's portfolio satisfies the three sectors of the pyramid of luxury accessibility as shown in figure 2 below. On the accessible luxury stage, Hermès has the perfume series, which allows the attraction of potential customers. On the intermediary luxury stage, there are alternatives like scarves and ready to wear. On the inaccessible luxury, handbags will be representative. In this sector, Hermès is intelligent enough to create a full bag catalog to cater for the tastes and preferences of different customers. Handbags like Picotin Lock have a relatively lower price in the whole handbags collection, which is suitable for young people who want to purchase their first Hermès handbags. On the other hand, the Birkin series will definitely remain for the high-net-worth customers, which caters to a different customers' taste and market segmentation.

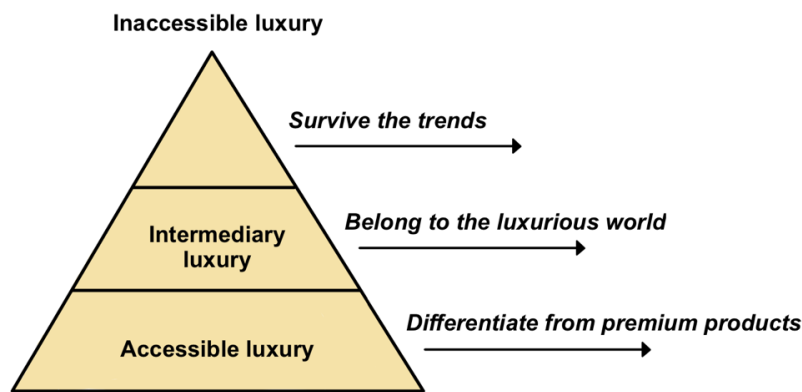


Figure 2. Accessibility of luxury

2.2.2 Constituent Value Dimensions of Luxury Brands

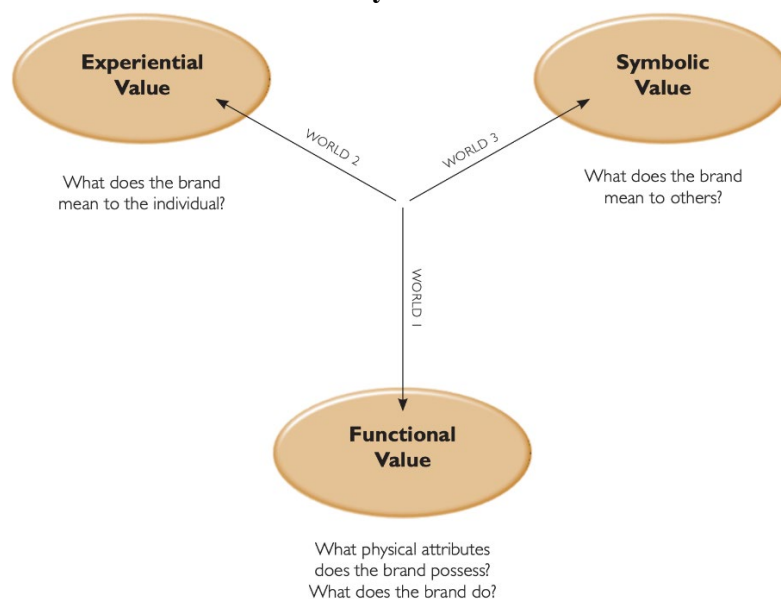


Figure 3. Constituent Value Dimensions of Luxury Brands (Pierre et al. 2009)

Beside the accessibility pyramid, Hermès' Handbag is also synchronized to combine the three-dimension values of luxury as shown in Figure 3. The three scopes include experiential value, symbolic value and functional value. All the dimensions are circumstantial (Pierre et al. 2009). Experiential value will change over time, and the ability to identify and composition of luxury is a susceptibility that develops with time (Pierre et al. 2009). People might think the price of Hermès' Handbag is being set very high; but as long as fashion tastes become more sophisticated, it will be realized it is valuable. However, although experiential value does change, Hermès' Handbag will never be outdated. Hermès is being innovative, but the classic series of the handbags will always be the supreme among all the luxury brands. Hermès' handbags have a profound symbolic meaning, as it is a representation of status. Hermès handbags are a luxury good. Luxury goods, which generally have a high price due to the target market having higher income, as luxury goods target the high-income earners. Therefore, to investigate their attitude towards luxury consumption, especially Hermès, an online questionnaire has been issued to mothers in Singapore international school students as a sample of the target customer segment on March 13, 2022. The research was conducted to investigate the impression of Hermès' brand value, comparison with competitors and how respondents rate the quality of the product. The findings have shown that 80% of the respondents think that having a luxury handbag will improve their image, 93.3% of the respondents have a Hermès handbag and 86.7% of respondents who do not have a Hermès handbag would like to purchase one in the future. This evidence has backed up Hermès' symbolic worth. Hermès's practical importance is

also apparent. Hermès handbags are frequently multifunctional, and certain kinds of Birkin handbags even include many compartments, allowing users to carry bottles. The value of luxury items was mostly based on their usefulness in the nineteenth century; however, this focus has shifted throughout time. Most luxury brands nowadays are tempted to focus too much on one of the three characteristics of luxury and ignore the others. (Pierre et al. 2009). For example, Gucci has developed a deep impression of their modern and fantasy symbolic meaning; however, the quality of the material of handbags has depreciated (Pierre et al. 2009). Hermès pay attention to their symbolic value without ignoring their functional value. They keep using handmade and own factories for production. However, Hermès as a luxury tycoon, have a growing importance in symbolic value. Their handbags are becoming a financial investment product; therefore, it is gradually losing their value as a carrier.

2.2.3. Brand Positioning and Pricing

Hermès has a very clear understanding of their brand positioning (See Figure 4). From Figure 4 below, Hermès has excluded the mass market and customer base, only focusing on customers with high consumption patterns. To achieve this, Hermès has increased the affordability of their products, in order to attract high income consumers. High-income earners are less sensitive to prices and Hermès handbags are therefore less price elastic, which means that Hermès has control to set high prices for its goods. Prestige price has helped Hermès enter the first quadrant successfully by using the rise of exclusivity to generate brand loyalty. The Hermès brand conveys the brand's purpose and cultural connotation through products, thereby enhancing the brand's reputation among customers. The higher the credibility of the brand message, the greater the consumer's preference for the brand (Pierre et al. 2009, page 50). Prestige price is nowadays a representative characteristic of Hermès, the increase in price could connect with their symbolic value, which means a higher status.

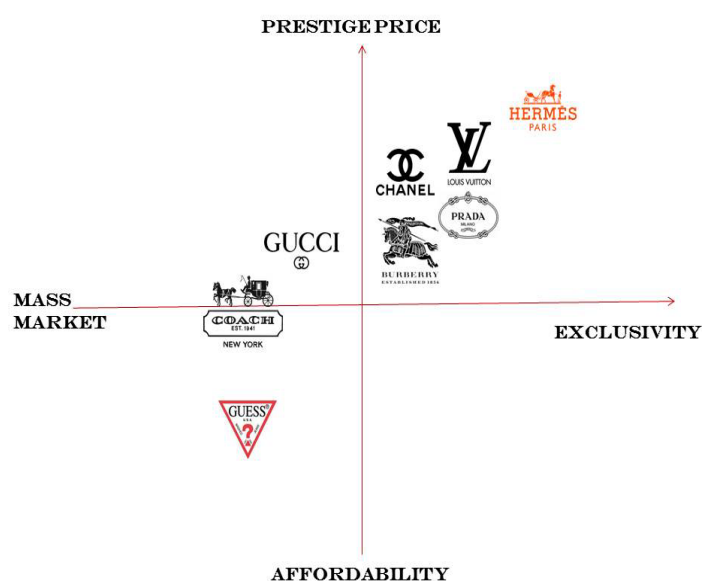


Figure 4. Hermès brand positioning (Muntyan 2014)

2.3 Publicity and rarity

2.3.1 Hermès Promotion Strategy and Publicity

Hermès marketing management makes sure it has a great balance of its exclusivity, accessibility and ephemerality. Unlike other luxury brands, Hermès rarely spends on traditional advertising to promote their goods. According to their brand positioning, the image of unique and luxurious means that it is not necessary for Hermès to do a lot of advertisements in order to realize increased sales (Wang 2020). However, culturally it permeates into the general public by using some movies and books for publicity. In booming developing countries, like China, a television drama *Nothing but Thirty* raised the publicity of Hermès to a greater extent. When the heroine Gu Jia joins the party of the upper-class circle, she finds out that every lady has a Hermès handbag. She is the only one who

brings Chanel handbags instead of Hermès, which is also the factor that she is being excluded. After the party, she immediately asks her friend to buy a Kelly handbag, with this bag, she assimilates into the circle successfully. This phenomenon has delivered the message of Hermès handbag being a stepping stone to success. Besides, in developed countries, a hit show *Sex and City* has mentioned that “When I am trolling around the town with that bag, I will know I’ve made it”. Moreover, in the book *Primates of Park Avenue*, the writer also considers Hermès handbags as a symbol representing ultimate status of a woman. These works have influenced people’s view of Hermès handbags imperceptibly, especially women. This leads to the motivation to purchase a Hermès.

2.3.2 Physical Rarity

Hermès has effectively attained rarity on the production side. The leather materials are all picked based on the notion of high quality, according to craftsmen's examination, especially for the crocodile leather design handbag. Crocodile leather is popular due of its scarcity. Luxury handbags such as Louis Vuitton are common in China, according to one of the market research initiatives. As a result, scarcity is required to pique a customer's interest in purchasing. Scarcity can be used as a sales tactic. In this case, the demand for Hermès handbags is greater than the supply. According to the analysis from the craftsman above, it is time-consuming to produce handbags as it is handmade. Moreover, there are a very limited quantity of handbags distributed. Consumers have to wait for two to three years in order to make a purchase. This could link with the effect of vanity; consumer groups like to buy some limited number of luxury goods. The fewer the luxury goods, the higher the consumption desire, hence this a kind pursuit of unique vanity psychology (Xue and Yin 2019). However, as the supply could not cover the demand, even though the sales will increase, the sales revenue cannot grow rapidly due to lack of production efficiency.

3. Conclusion

Luxury is a developed taste; by the same token Hermès is also developing customers' taste, hence gradually changing people’s consumption habits. This paper analyzes Hermès’ exclusivity from three different perspectives, in order to show why Hermès’s price remains high and becomes greatly sought-after. In conclusion, Hermès has been cleverly applying three factors: craftsmanship, product catalog and brand value, publicity and rarity into the production and selling process, therefore leading to a unique brand image that other luxury brands cannot achieve easily. From this paper we can also conclude that Hermes handbags has used traditional technology in its production and the process has been successful. Hence, there is still much need and importance of using traditional technology in production processes. Traditional technology can also enhance competitiveness in the current global markets.

Acknowledgements

Thanks to the cultural forms of communications such as some movies and novels are used to promote it. A television drama called *Nothing but Thirty* increased the visibility of Hermès in developing countries like China. When Gu Jia joins the upper-class circle's party, she discovers that every lady has a Hermès purse. She is the only one who brings Chanel handbags rather than Hermès, which is another reason for her exclusion. She promptly asks a friend to purchase her a Kelly handbag after the party, and with this bag, she effectively assimilates into the group. The Hermès handbag has become a stepping stone to success as a result of this phenomena. Appraisal to popular sitcom in developed countries, *Sex and City*, has stated, "When I'm trolling around the town with that bag, I'll know I've made it." Furthermore, in the novel *Primates of Park Avenue*, the author views Hermès purses as a symbol of a woman's ultimate status. These works have unconsciously affected women's perceptions of Hermès purses. This fuels the desire to purchase a Hermès.

References

- [1] Berthon, Pierre, Leyland Pitt, Michael Parent, and Jean-Paul Berthon. "Aesthetics and Ephemerality: Observing and Preserving the Luxury Brand." *California Management Review* 52, no. 1 (2009): 45-66. doi:10.1525/cm.2009.52.1.45.
- [2] "LUXURY BRAND POSITIONING." LUXURY BRAND POSITIONING. <http://d-muntyan1215-dc.blogspot.com/2014/03/luxury-brand-positioning.html>.
- [3] Wang, Yihan. "Analysis on the Marketing Strategy of Hermes." *Proceedings of the 2021 International Conference on Enterprise Management and Economic Development (ICEMED 2021) Advances in Economics, Business and Management Research*, 2021. doi:10.2991/aebmr.k.210601.045.
- [4] Xu, Qinnuo. "A Study of the Marketing Strategies of High-End Luxury Brands: The Case of Hermes." *Proceedings of the 2020 2nd International Conference on Economic Management and Cultural Industry (ICEMCI 2020) Advances in Economics, Business and Management Research*, 2020. doi:10.2991/aebmr.k.201128.088.
- [5] Xue Haona, Yin Shimin. An overview of the research on the motives of luxury goods consumption[J]. *Journal of Jishou University (Social Science Edition)*, 2019.