The Influential Factors on Customer Loyalty Based on Marketing Mix Theory
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Abstract. With the rapid growth of China’s luxury market, many luxury brands have shifted their sales focus to China, in which resulting in many brands taking root in China one after another. The purpose of this report was to explore how Hermes utilized its marketing methods to influence customers’ loyalty. A good marketing strategy can not only bring better benefits to the company but also reflect the influence of a brand in the market to a great extent. And this paper was based on SWOT analysis by adding 4Ps into the model, and it was appropriate to analyze which sectors will affect loyalty more. Based on SWOT analysis, the paper can find that product and price are the biggest factors affecting customer loyalty because product and price are the faces of a brand, and play a very important role. Even though product and price are very important, promotion and location in 4Ps also have little impact on customers. However, if compared with price and product, its impact is less obvious.

Keywords: Product; Price; Customer loyalty; Luxury.

1. Introduction
1.1 Research Background
Nowadays, many brands are emerging in the luxury market, and the Asia-pacific region is the largest luxury market in the world. It can be very challenging to stand out among so many brands. In China, even though some sales declined due to the epidemic, but soon return to the pre-epidemic sales volume in 2021 and continue to increase. According to the investigation, in 2025 China is expected to become the world’s largest luxury market [1]. Because of this, the continuous growth of China’s luxury market means that China will develop in a good economic direction and GDP will also increase, which means that more and more people will buy luxury goods. Therefore, more data can be utilized for reference when choosing the Chinese market to explore. Also at the same time, Chinese people have a unique circle culture for luxury goods, a symbol of personal status, it is like a business card. Based on those reasons, the figure below (Figure 1) shows that Sales in Asia are the highest compared to other regions [2]. So those are the reasons why choose China market as the topic. In addition, Hermes was founded in France in 1837 by Thierry Hermes, Hermes specializes in traditional handicrafts and sells bags, scarves, furniture, and more, always standing on top of luxury.

<table>
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<th>In millions of euros</th>
<th>H1 2021</th>
<th>H1 2020</th>
<th>Published</th>
<th>At constant exchange rates</th>
<th>At constant exchange rates</th>
</tr>
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<td>France</td>
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<td>35%</td>
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<tr>
<td>Europe (excl. France)</td>
<td>522</td>
<td>349</td>
<td>50%</td>
<td>52%</td>
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<tr>
<td>Total Europe</td>
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<td>44%</td>
<td>45%</td>
<td>(8)%</td>
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<tr>
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<td>322</td>
<td>46%</td>
<td>50%</td>
<td>22%</td>
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<td>70%</td>
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<tr>
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<tr>
<td>Americas</td>
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<td>337</td>
<td>98%</td>
<td>115%</td>
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</tr>
<tr>
<td>Other</td>
<td>82</td>
<td>44</td>
<td>86%</td>
<td>87%</td>
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</tr>
<tr>
<td>TOTAL</td>
<td>4,235</td>
<td>2,488</td>
<td>70%</td>
<td>77%</td>
<td>33%</td>
</tr>
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Figure 1. Hermes worldwide sales [2]
1.2 Research Gap

A lot of studies are constantly discussing Herma's marketing methods, technology, and company development. For example, Yasmin introduced many brand positioning maps of luxury goods, and mentioned Hermes Experiment Planning [3]. Many kinds of literature had already analyzed luxury products, such as sales of leather products, The development of jewelry, and luxury cosmetics. Hermes can be seen in many works of literature; it is indispensable in every report on luxury brands. All in all, in the literature, the author has performed a thorough analysis of the history of each brand, product, or, book in the market, but there is another point worth paying attention to and discussing the relationship between the customer and the brand. In other words, how the brand enters the market, and why the customer pays. And why do customers repeatedly go to the same store to buy? Therefore, how brand marketing methods affect customer loyalty is very important. In China, where demand for luxury goods is growing rapidly, the connection between brands and their customers has become even more important. If one cares about the brand story or analyzes the sales volume, it is difficult to understand the whole luxury market. Therefore, this report is in the hope of using customers' purchases to reflect whether people pay for a brand's marketing methods.

1.3 Structure of This Paper

In this paper, the SWOT method and marketing mix theory will be applied to conduct a detailed analysis of Hermes, and which advantages or strategies it applies to build such a high-status brand. And will also focus on how each segment affects consumer consumption, such as why consumers have high loyalty to this brand.

2. Literature Review

2.1 Definition & Development

Borden claims to be the first to utilize the term "marketing mix", and the 4PS theory was proposed in the 20th century Jan.8. Utilize effective combination to create both satisfy market demand and gain greater profits. And each P in 4PS represents 1. Product 2. Promotion 3. price 4. place. Chai Lee Goi mentioned that marketing Mix theory does not consider customer behavior, the most important core is to take the company as the orientation [4]. But Fakeideas also shows that this combination doesn't support the unique elements of service marketing and therefore can't provide the best analysis or planning [5]. With the development of time, the marketing Mix theory has laid a foundation for management and analyzed controllable internal factors of a company through this method. However, the market is constantly improving and the simple 4PS basic theory is not enough for a company to go far and beat strong competitors, so a more in-depth analysis method of 7PS has been developed. The other three PS are People, Process, and Physical Evidence.

Product is the development of the function, it requires the product to have its uniqueness, what is a special point, and what can it's applied. By drawing on the concept of Coloradobiz, when you improve the quality of a product, you increase its efficiency. As a result, increased efficiency leads to customer satisfaction with few or no complaints. When customers are happy with what you offer, it's easy to build loyalty.

Price largely defines the positioning of a product and what kind of people it is provided to, so different price positioning is made. How to price is based on a company's brand strategy, gold content, and reputation. The website mint life claims that a customer might assert a car is in a price range of $20,000. So, when $20,001 is more expensive than the expected price and $19,999 is cheaper than the expected price. The moment customers see the price, their brain decides whether it's cheaper or more expensive than their thought. price promotions can disrupt by a poorly thought-out subconscious process, which leaves loyal customers confused [6].

The place is a very important sector, it determines where your product appears, the company may focus on today's development or online sales, but the consumer and company connection must be
with the distributor. Distributors are those places or people who are responsible for transferring goods from producers to consumers promotion.

Promotion is to apply sales behavior to stimulate consumers to buy, using short-term or long-term means to attract consumers. Buy one, get one free. And so on. Apply advertising, and projections to promote consumers' willingness to buy the company's products. Data from one food category show that heavy deal users are also heavy product users [7]. These consumers buy the products and make a double percentage of their purchases on the deal. And also, there is a significant negative correlation (-.52) between the number of deals and brand loyalty [7]. So as the value of the deal increases, loyalty decreases.

2.2 Important Results

Many issues will affect customer loyalty, but from a product aspect, many researchers based on customer satisfaction and found the relationship between product quality and customer, and shows product will affect customer loyalty, the investigation by Wantara et al. claims that better product quality will enable the customers to maintain a high level of satisfaction, which will encourage customers to keep buying [8]. The second example is from Mustofa concluded that quality service and customer satisfaction are of great significance to loyal customers. From the price aspect, there also have several scholars, such as Wantara and others showed that price suitability may support customer satisfaction after meeting customer expectations, thus encouraging customers to repeat purchases [8]. Other examples from Amiruddin explain that the price has a significant and positive relationship with Customer Loyalty [9], and this can show there is a positive relationship between Price and Customer loyalty. Third, from a place aspect, a common idea is that how a brand places its store will affect customer loyalty, the investigation Bakri1 and others based on statistical test and demonstrates the confidence of place has a positive and significant effect on unique value proposition, and the value proposition has a positive and significant effect on customer loyalty [10]. Last but not least, For the promotion aspect, many reports found that promotion can improve its influence on customers through price promotion or non-price group purchase coupons and coupons. Cash discounts will lead to the reduction of consumer loyalty. But the reason is that cheap prices make consumers doubt the quality of products.

2.3 Summary

In general, these four P's have a great influence on customer loyalty. They have a much greater influence than the brand expects. Small decisions can greatly reveal customer reactions. Khuzaini concluded that product and price are the most important variables affecting loyalty [11]. The direct effect of the product on customer loyalty is greater than the effect of the product on customer loyalty through customer satisfaction [12]. It is necessary to improve the quality of the product by increasing the composition of the product, and the promotion price should be applied in the pricing strategy [12].

3. Method

3.1 Research Design

This paper will exploit the qualitative analysis method to analyze the overall marketing of Hermes, and the specific method is SWOT, to conduct a detailed analysis. This method is applied for analysis because this analysis can see the advantages and disadvantages of the brand more comprehensively and see how it affects customer loyalty from different angles. The great advantage of this method is that it can make a comprehensive analysis of both internal and external aspects of Hermes. Swot is structured, systematic, and easy to operate, which is one of the common methods for analyzing the corporate strategic environment and formulating corporate strategy. However, it has a disadvantage in that it is not precise enough. This method analyzes Hermes' capabilities and compares it with its competitors for Hermes, which has formed a system and has a very large market share. And continue
to develop based on what the enterprise is good at, make up for its shortcomings, seize new opportunities, and minimize risks.

3.2 Hermes

Hermes is a famous French luxury brand founded in 1837. Specializing in lifestyle accessories, leather, home furnishings, jewelry, ready-to-wear, and watches. Since the 1950s, its logo has been a Duke carriage with a horse. Hermes now has its headquarters in Paris, France, and branches around the world. Hermes is quite different from other luxury goods in terms of sales mode. Consumers must allocate goods to a certain amount before they have a chance to buy this product. In the market for luxury goods is many levels, respectively is a top luxury in the light of luxury and luxury, and Hermes is the top luxury, it is not money can buy goods, but also because of its scarcity, customers will pay for it, because this kind of hunger marketing also because of the Hermes is a luxury, it is other brands in the market is quite difficult to shake. In recent years, the sales volume of Hermes is also increasing in China. It's not just the size of China's population. The proportion of the middle class in a country is directly proportional to the proportion of luxury goods sold. And with the economic improvement of the Chinese market, the consumption power increases. More and more people are buying Hermes. This reflects Hermes' status as a luxury brand in China.

3.3 SWOT Analysis

3.3.1 Strength

The biggest advantage of Hermes is its product quality. It attaches importance to the tradition of handwork and has exquisite technology. Even if it applies the same material as other luxury goods, it can show its quality perfectly. Improves Hermes Paris' performance in a competitive market. The leather that makes up the Hermes bags is very precious, each style has its characteristics, and different materials have their difficulties, The Swift style, for example, has a natural gloss but it doesn't hold easily. Hermes overcame these problems and put the best quality products into the hands of customers, which greatly increased customer satisfaction. When customers get higher utility, consumers are more willing to pay for it which improves customer loyalty. And this strategy can enhance the brand image. The sales volume of the first quarter of 2021 can also be seen as the Birkin bag, which is well known to Hermes consumers, accomplished strong growth, mainly due to the continued popularity of core products in the market and the growing demand in the Chinese market [13]. It also shows that the quality of the bag is quite good, and customers are willing to pay for it.

3.3.2 Weakness

Compared with the characteristics of the product and service, the price charged by the enterprise may not be considered reasonable [13]. Through the price of 4PS, can find that when a company charge too high a price and there is a gap between it and consumers' psychological evaluation, consumers' purchase desire is likely to decrease. Due to its high brand value and exquisite workmanship, Hermes sells some goods at a high price, which makes many customers unable to bear it. Also, the high cost will lead to customer loyalty and a lower re-purchase rate. This disadvantage can also be mitigated by increasing the added value of the product or the happiness of the purchase.

3.3.3 Opportunity

Using different promotions, there could be a huge opportunity for Hermes, if Hermes can ensure a strong online presence on different social networking sites, during the social media and e-commerce marketing trend. Hermes sales should be committed to creating a pleasant buying experience for customers, and always strive to perform better and exceed the expectations of customers [12]. Customers who are often satisfied with their shopping experience will make positive statements about the company and recommend its services to friends, partners, or others. Many enterprises, is to rely on constant publicity and development. For Hermes, a big brand with many years of development and high status, such an opportunity can certainly bring more benefits to Hermes. In this case, the acquisition of new customers no longer requires additional costs, but it will increase the profits of the
company [14]. This is because the publicity of customers and media can promote consumers to buy Hermes and because the good experience greatly enhances customers' loyalty to Hermes.

3.3.4 Threaten

As the number of competitors increases, Hermes must expand its scale and vigorously promote its uniqueness to ensure that its sales volume will not be affected. However, the increase in competitors will have a great impact on customer loyalty. Consumers no longer need Hermes, and Hermes can also obtain the same satisfaction as other luxury brands. Demand for Hermes will not be as high as it used to be once the number of interchangeable products increases.

4. Result & Discussion

4.1 Results

Overall, Hermes in the quality of the goods and the image of the brand is the biggest advantage of it, because customers can experience the Hermes felt comfortable to meet, and more have no words to its appearance, and so on, but also because of Hermes positioning, its orientation is high status and have certain ability of affordable. Therefore, every time a customer buys their goods, the added value will be much higher than that of other luxuries. The most obvious disadvantage of Hermes is its price. Because of the scarcity of styles, customers need to reach a certain level before they can buy the goods they want, and sometimes they may not be able to get them. Therefore, in this case, the amount of money spent by customers is much higher than that of other brands. Both advantages and disadvantages affect the loyalty of customers to Hermes to a certain extent. It can be seen from the chart that Chinese people spend quite a lot on luxury goods. Proper adjustment of advantages and disadvantages can bring more benefits to Hermes.

4.2 Discussion

First of all, from the perspective of goods, the quality of Hermes products is the most direct way to reflect customers' loyalty to the brand. Because of its design and material selection, consumers will decide their purchase intention and whether they are willing to repeat purchases in the future. In this regard, Hermes should maximize their advantages to attract consumers. Second, the price disadvantage leads to the decline of customer loyalty to the brand, which improves the purchasing experience or feeling of customers as well as the added value brought by this luxury product. Since this disadvantage is the most fatal influence on customer loyalty, Hermes should seize the marketing in the Internet era to bring more profits and make up for the disadvantages brought by this disadvantage. Finally, due to the fierce competition among luxury brands, Hermes will have more and more competitors than before. Even if no brand can shake Hermes's position in the market in a short time, it is more important to expand the market and make new strategies to capture the loyalty of the original old customers. To prevent the loss of profits. It can be seen from this report that previous researchers have thoroughly studied the marketing methods of the Hermes brand, but the relationship between Hermes and customers, and their loyalty is also quite important.

5. Conclusion

This paper explores Hermes in today's highly competitive luxury market. It will discuss how Hermes' marketing strategy affects customer loyalty and analyze each segment in 4PS through SWOT analysis, and show how it affects loyalty and so on. Finally, from the analysis of various aspects, it can be found that both the product and the position of Hermes can greatly affect customer loyalty. Therefore, reasonable pricing based on the product, and set up in line with the location of some consumer masses, is the best choice.

This report summarizes the analysis of Hermes’s marketing methods by researchers in the past and also analyzes the relationship between customers and brands that few people care about. This analysis
is also helpful for other brands to adjust their marketing methods reasonably according to the situation of their own companies and strive to improve customer loyalty to the brand. However, due to the theory performed in this report, it is unable to fully analyze all aspects of the brand, so it cannot cover other external factors affecting loyalty. In the future, different theories will be applied to solve the problem of incomplete analysis in a more detailed way.

References