

Analyzing The Strategies on The Success of Hermes Sales

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Abstract. The purpose of the study was to explore why Hermes has the highest sales in the Asia-Pacific region. Using Hermès's sales in Asia Pacific in 2022 and 2023 as a case study, the next part of the analysis will conduct a literature review to delve into the brand's history in the region. An examination of the factors contributing to its success will follow. Finally, the analysis will conclude with recommendations for the current state of the brand and its operations in the Asia Pacific region. Three primary factors contribute to Hermes' success. Firstly, since China is the main market in the Asia-Pacific region, Hermès could focus more on the sense of propriety, such as providing surprises to its Very Important Person and Very Important Client customers at Chinese festivals. Secondly, Hermes' localization strategy prioritizes cultural integration to cater to local consumers' preferences. It also involves organizing exhibitions to promote the brand's philosophy and culture. To further expand the market, Hermes could invite celebrities who align with the brand's values to endorse its products. Lastly, the limited availability of Hermes bags and the distinctive distribution strategy uphold the brand's high-end luxury reputation. In order to expand its market reach, Hermes can become more varied in its designs. This article can assist Hermes in expanding the number of consumers in the Asia-Pacific region from a variety of angles.

Keywords: Hermes; Consumer Viscosity and Brand Loyalty; Market Positioning and Localization Strategy; Innovation.

1. Introduction

The global luxury goods market will be worth 15% less in 2020 due to COVID-19 [1]. While Asia-Pacific saw a 7% decline in sales of the personal luxury goods segment (which includes designer apparel and footwear, luxury eyewear, luxury jewelry, luxury leather goods, luxury watches and clocks, luxury writing instruments, and stationery, as well as ultra-high-end beauty and personal care), sales in the Asia-Pacific region declined by 7% [1]. The global share increased from 32% in 2019 to 42% in 2020, indicating the Asia-Pacific region's growing dominance in the global luxury market [1].

As COVID-19 ends, people's living standards gradually return to normal. In such an economic environment, as people's disposable incomes rise, the luxury market in the Asia-Pacific region is showing a recoverable trend and potential for growth. All major luxury brands are competing to restore the region's status as the largest consumer region in the global luxury market and lessen the impact of the epidemic. In order to attract more young consumers, it has become more and more popular for luxury brands to collaborate with animated characters. For instance, in 2020, both Loewe and Gucci were collaborating with popular Japanese animated characters. Furthermore, due to the growing popularity of online shopping, e-commerce and social media continue to be the primary platforms in Asian markets, along with digital marketing. This approach allows brands to better connect with their target consumers on a personal level, engaging consumers by storytelling, which improves brand awareness and customer engagement and offers many opportunities to grow sales. In this context, Hermes, the most valuable luxury brand in the world, saw a rapid rebound in sales. In 2022 and 2023, Asia-Pacific is Hermès Group's number one market for the second consecutive year.

As the leading brand in the luxury market, Hermes frequently serves as a research topic for academic scholars. Jia and Dan, for instance, utilized the luxury brand "Shang Xia" that Hermes launched in China as a research subject. They examined how other luxury brands failed to integrate with Chinese culture, highlighting the brand's successful interpretation of local Chinese culture, the preparations

Hermès made for the brand, and the lessons this approach has imparted to the luxury industry. Huang and Lin used the Hermes silk scarf as a research object and studied the brand's operation at four levels: selection management, inspiration material management, creation management, and association management [2].

Numerous studies have been conducted on Hermes. It has been established that no previous research has investigated the reasons why the Asia-Pacific region had the highest sales in 2022 and 2023. The increase in disposable income in the Asia-Pacific region and the Hermes marketing strategy have led to Hermès becoming the top market for the Hermès Group in the last two years, with steady sales in the region. Therefore, in order to fill this research gap, this research will introduce the events related to the highest sales of Hermes in 2022 and 2023 at first and then analyze the marketing strategy of Hermes in Asia Pacific and their consumption pattern with the data, arguing from the theoretical point of view. Lastly, provide sound guidance to assist Hermes in broadening its market reach in Asia Pacific and fostering brand loyalty, considering Hermes's present circumstances.

2. Case Description

Hermès, a harness maker, established Hermes in 1837 and opened a workshop on rue Basse-du-Rempart in Paris. In 1880, Charles-Emile Hermes, the son of Thierry Hermès, attracted European royalty by moving his shop to the busiest part of Paris. In the late 1910s, Hermes opened stores in New York and London to position their brand clearly on an international level. In 1951, Robert Dumas succeeded him with clutches, jewelry accessories, silk scarves, Kelly bags, and the classic Chaine d'Ancre bracelet. Hong Kong established Hermes Asia Pacific in 1973, followed by Macau in 2004. The Hermès classic handbag, the Birkin bag, made its debut in 1984. Hermes' development in the Asia-Pacific region began in 1997, when it opened its first store in Beijing. In 2008, Hermes opened a makeup store at Incheon International Airport in Korea. The opening of Shilla Duty Free and AK Duty Free shops significantly increased the visibility of the Hermes brand, prompting the company to open two Hermes boutiques at this airport, thereby elevating it to a major airport status.

In 1996, Hermes entered the mainland China market and opened the first store in Beijing. In September 2010, Hermes launched a brand called "Shang Xia" in China to attract more Chinese consumers; this brand was independent of Hermes major products. The entire product development and production of "Shang Xia." is handled by the Chinese team, headed by Qiong er Jiang. Hermes opened its newest flagship shop (Maison Hermes) in Shanghai in 2014, resembling a house; artisans handcraft all products in this store, creating a museum-like atmosphere that showcases the brand's rich history and culture. Only two shops worldwide, one in Taiwan, sold the Petit H series simultaneously. In 2015, it opened an exhibition in China called "Wanderland."

In 2022, Hermès expanded rapidly in the Asia-Pacific region with the opening of shops in Hong Kong, Macau, and Zhengzhou, Henan Province. In 2023, Hermès opened a Petit H store in Tianjin, China. In 2024, Hermes opened its second store in Chengdu, refurbishing the Korean shop in front of the Shilla Hotel, with an expected December opening. In Japan, the Daimaru Sapporo shop in Hokkaido and the Takashimaya shop in the center of Kyoto opened in October and November, respectively, after renovation and expansion.

By 2024, Hermès will have 34 shops in China, one of the world's largest in Shanghai, 40 in Japan, and three in Malaysia. In 2022, the sales in the Asia-Pacific region were 6,657 million euros, accounting for 57 percent of the total revenue, which increased by 14 percent in the first quarter, 14.7 percent in the second quarter, 47 percent in the third quarter, and 23 percent in the fourth quarter. In 2023, Hermès' total revenue rose 21 percent to €13.4 billion, thanks to double-digit growth in Asia-Pacific. Sales in Asia-Pacific were 7,533 million, accounting for 56 percent of the total, which increased 23 percent in the first quarter to Euro 3.38 billion, 5.5 percent in the second quarter, 20 percent in the third quarter, and 19 percent in the fourth quarter. It became the Hermès Group's top market for both of the previous two years [3].

3. Analysis on Problems

3.1. Effectiveness on Customer Loyalty

China and the rest of the Asia-Pacific region are extremely loyal to the Hermès brand, as evidenced by the high rate of repeat purchases by consumers in these regions. High-net-worth consumers often use Hermes as a symbol of identity and status; for instance, some socialites and celebrities will use Hermes to reflect their richness and elegance. They use Hermès for a variety of occasions, such as daily shopping, vital dinner parties, and walking the red carpet. Many of the super-rich prefer to buy Hermes; most customers of Hermes belong to luxury shoppers. Moreover, some image-conscious customers also purchase Hermes, demonstrating their appreciation for the brand's heritage, history, and unique craftsmanship. For instance, the majority of Hermes' customers are middle-aged and elderly females, drawn to the brand's classic design and styling. For younger consumers, particularly Millennials and Generation Z, Hermès presents a compelling investment option due to its high quality, durability, and value retention. Additionally, their growing interest in fashionable goods serves as a driving force behind their continued purchases.

Cultural, social, and personality factors, in addition to the product itself, influence consumers' purchasing behavior for luxury goods. Peng Hanni's article, which called on the psychological reasons why consumers are still keen on purchasing luxury goods during the economic downturn, proves that consumers' purchasing behavior for luxury goods is driven by the psychology of identity, following the crowd, seeking differentiation, and showing off. During the COVID-19 period, consumers primarily purchase luxury goods due to emotional appeals, self-fulfillment, and the preservation of investment value [4]. Wang Shun's article on the influence of cultural factors on women's motivation to purchase luxury cosmetics confirms that status, face, and herd factors are the main factors influencing consumers' purchasing decisions in Chinese culture [5].

3.2. Effectiveness on Localization Strategy and Cultural Integration

Hermès has adopted a unique market positioning and localization strategy in the Asia-Pacific region, especially in China, such as combining with local culture. Hermès has launched a number of limited-edition products in China to suit Chinese consumers' preferences. This year, Hermès has introduced the limited-edition Year of the Dragon collection, which encompasses silk scarves, accessories, shoes, porcelain, jewelry, belts and bags, furniture, and eight other categories. In 2008, Hermès introduced "ShangXia," a unique brand in China, following a decade of investment. Although the results are not very satisfactory, in 2019, China's sales increased, which can fully illustrate the importance of Hermès to the Chinese market. Market's importance.

In September 2023, Hermès organized Petit H, an exhibition in Beijing, China. Hermès collaborates with senior designers and artisans to create these products from leftover materials from its mainline products, showcasing the brand's commitment to creativity and high quality. In December 2015, Hermès and Chinese artist Mr. Liang Shaoji launched the "Silk Dreams" exhibition at the Maison Hermès in Shanghai, creating a dynamic and static atmosphere. Hermès organized a two-week exhibition, "Once Upon a Silk," at Pacific Place in Hong Kong in June 2007 to celebrate the 70th anniversary of the sale of Hermès silk scarves. It told the story of Hermès' experience with silk scarves over the decades and used the Chinese legend of the Silk Road's origins to show Hermès' silk creations. McConico, the curator, utilized a scene from the legend to demonstrate the enhancements made to Hermès silk scarves and the various themes of the scarves. The exhibition promotes the culture of Hermès silk scarves and provides consumers with a deeper understanding of the scarves' meanings and stories.

4. Suggestion

4.1. Suggestion on Consumer Loyalty

Hermès is a world-renowned luxury brand that positions itself as a symbol of elegance, high quality, and luxury, focusing on serving the high-end segment of the population and adhering to handmade and high-quality craftsmanship. The target consumers are the richest group with high disposable incomes, who appreciate Hermès design and culture. Hermès' allocation system plays a crucial role in fostering brand loyalty, as it requires consumers to spend a specific amount of money before purchasing a bag, thereby increasing their time and opportunities to interact with the brand.

In order to further expand the market and attract more consumers, Hermès could open a boutique dedicated to private customization. For instance, the Gucci Salon in Los Angeles serves as Gucci's private couture shop, renowned as the "ultimate luxury destination," and Brunello Cucinelli also operates a private couture shop. These establishments offer consumers a unique and personalized experience, fostering a deeper understanding of the brand's culture and enhancing consumer interaction. This creates a unique and personalized experience and service for consumers, giving them a deeper understanding of the brand's culture and increasing consumer interaction.

Moreover, in various festivals, Hermès can also enhance the relationship with consumers by providing small gifts to VIP customers; for example, LV will give presents to very important people and very important client customers in the Mid-Autumn Festival and New Year, which can be a good way to enhance consumer viscosity and show the recognition in the Chinese market.

4.2. Suggestion on Localization Strategy and Cultural Integration

The general decline in sales of various brands this year reflects the current challenges facing the Asia-Pacific luxury market; for example, Burberry's sales in the Asia-Pacific region fell 23 percent in the first quarter and 21 percent in China [6]. As Japan's LVMH rise in sales could not fill the sharp decline in Chinese consumers, it led to a 1% decline in total revenue for the LVMH group in the first quarter and a 2% decline in sales of fashion and leather goods [6]. However, Hermès showed a significant increase of 17% in sales in the first quarter of 2024, a phenomenon that was mainly due to the strong demand in China, much more than other competitors [7].

As a result, this essay suggests that Hermès could invite top celebrities from the Asia-Pacific region to endorse. For instance, Korean pop idol Jennie Kim, who is known by many as "Chanel on Earth," has been the face of Chanel beauty since 2017 and will be known as the official global ambassador of Chanel in 2019. Whether in her daily life or at important events, Jennie always wears Chanel clothes or bags and brings a bright effect to people's eyes. She has successfully promoted the concept of Chanel to the world through her own unique sense of fashion and style of dress and has especially brought many customers of the age of Z to Chanel. Thus, Hermès should look for stars of all ages with strong influences who fit the elegant and noble temperament of Hermès at the same time, as well as having an avant-garde sense of fashion.

5. Conclusion

In conclusion, this study highlights Hermès' successful strategy in the Asia-Pacific region, demonstrating how luxury brands can maintain growth amid economic challenges. The region's rising disposable income has fueled the luxury market's recovery, with Hermès leading through high-quality products, unique brand positioning, and effective localization.

Hermès' success stems from its deep understanding of local culture and consumer preferences. The brand has launched limited-edition products and events that integrate regional elements, such as the Year of the Dragon collection, and deepened ties with Chinese culture through its sub-brand Shang Xia. These initiatives have resonated with high-net-worth individuals, strengthening customer loyalty.

Additionally, Hermès has maintained its premium status by emphasizing craftsmanship and exclusive customer experiences, which have supported strong sales growth in the Asia-Pacific region, especially in China. While other luxury brands struggled post-pandemic, Hermès achieved double-digit growth in 2022 and 2023.

To further solidify its position, Hermès could enhance collaborations with local celebrities to attract younger consumers and boost its social media presence. Offering personalized services and VIP experiences would also deepen customer loyalty.

In summary, Hermès' strategy in the Asia-Pacific region combines cultural sensitivity, product exclusivity, and personalized experiences. This approach serves as a model for luxury brands seeking to balance global prestige with local relevance, ensuring sustained success in the evolving luxury market.

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