

## **Executive Summary - Hermes**

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Hermès's market segmentation strategy targets high-income consumers, ranging from traditionally middle-age customers to younger demographics attracted by modern designs. The brand's presence is felt strongly in urban, high-income areas globally, with an emphasis on its European roots. Hermès caters to a segment that values a luxurious lifestyle, heritage, quality, and craftsmanship, with an inclination towards exclusivity and social status. These consumers are motivated by both the brand's tradition and the prestige associated with its products. Psychographic factors such as lifestyle trends, group influences from social classes, and cultural alignments—exemplified by collaborations with artists like Japanese photographer Hiroshi Sugimoto for an entire line of scarves—play a crucial role in shaping Hermès's approach to capturing the needs and motivations of its distinct customer segments.

The brand meticulously positions its brand to have their supporters and enthusiasts identify themselves as a group. The first criterion in identifying as a group is membership. The membership ideology signifies people who can get their hands on these exclusive items and individuals who are invited to these “top secret” galleries. Its share a strong social tie with the common theme of being able to own these products. The type of contact is mostly only face-to-face with one of their highly trained salespeople. Hermes does not utilize social media as a way of contact to clients, making them look hard to reach and exclusive. Hermes also offers Exhibitions as a way to connect with fashion history that you need an invite to. For the attraction aspect, its products cannot be replicated as easily as its competitors. The brand attracts individuals who love real luxury. On the perceptual map, Hermes is positioned as the most exclusive and most expensive luxury brand on the market compared to Louis Vuitton, Chanel, Dior, Coach, etc. Hermes’ positioning and price play a large role in maintaining their positioning.

Hermes prices its products at the highest end of the luxury market, using a premium pricing method. The price reflects the quality and labor made into the products; however, it also showcases the exclusivity of the brand. Logistically, the craftsmanship and quality is one of a kind; nevertheless, Hermes makes high margins with the price. The actual labor and resources of the bag do not cost the whopping \$500,000 Hermes Birkin Himalaya Niloticus price. Customers are willing to pay these prices solely because they value this brand. More “affordable” products range from \$300 - \$5000, but it also sells products like the Birkin Bag which can range from \$10,000 - \$100,000. Due to the exclusivity of the Birkin Bags, Hermes typically only makes 10-100 bags all across the world, explaining the whopping price. Hermes has been extremely consistent with its prices, rarely dropping or having sales/promotions. Hermes maintains consistency throughout their brand which coincides with their pricing. This consistency

reinforces the brand's exclusivity. Although Hermes rarely offers special deals or discounts on its items; however, Hermes occasionally offers a limited edition item to be purchased by any consumer willing to pay that hefty price. Price does not normally affect their target market's buying decision. People of lower income do not usually go out of their way to purchase something outside of their budget like Hermes. Additionally, the price acts as a surrogate indicator of quality. You can also say that owning Hermes products is a surrogate indicator of wealth/class. On average, their competitors' prices are not as high as Hermes. Louis Vuitton ranges from \$2,000-\$50,000 which compared to Hermes (\$5,000- \$500,000) is not even in the same ballpark. Hermes strategically prices their items to maintain their product positioning.

There are many factors and influences that go into the creation of Hermes' products. Focusing on cultural, social, economic, perception, situational and decision process influences. The brand is associated with high luxury and prestige with the goal is to attract consumers who want to be categorized with a social group as such. Economically Hermes is able to create that exclusive bubble with the Birkin bag. It was found that the consumers hold the brand to high values, satisfying those key motives of wanting that specific social group. The physical store draws in consumers of that middle age high income segment with the luxurious store environment and sophistication from the staff. With decision process influences the consumer is able to examine all other influences and recognize that they need this product because of their previous key motives; wanting to be in a prestigious social class. Items are regularly available at Hermes but the Birkin Bag is the ultimate influence for this segment; to build relationships to be in such a great position with the brand that they have the opportunity to purchase such an exclusive bag. Through our customer satisfaction analysis we were able to find that there was five key influencing factors. Product quality, in-store experience, cultural integration, exclusivity and post purchase satisfaction we found that the Net Promoter score (NPS) was 54 with 77% being promoters and 23% detractors. Through the use of NPS we were able to conclude that there is a overall positive sentiment with customers.

Hermes promotes their classic equestrian style on every platform, in every advertisement, and on their website. Horses to them are a symbol of luxury, craftsmanship, and sophistication. This is the message they want to get across to their target market: affluent individuals with a taste for exclusive goods. Like their products, they keep their promotional commercials and social media posts scarce. If a middle-class brand like Urban Outfitters is posting every day, Hermes is posting once every 2 weeks. Scarcity is what draws their consumers in. They like to feel like they are apart of the "Hermes secret society". With their sparse advertising schedule, they succeed at maintaining their prestige brand image, don't risk over-exposure, and keep a sense of exclusivity. Exclusion is their love language. This is shown with top A-list celebrities as their main endorsers. Kim Kardashian can be seen walking around LA with her various types of Birkins, ranging from her giant travel birkin to her mini 500,000 dollar birkin. Hermes chose her as an endorser because of how luxuriously she paints herself to be. Seeing Kim with this bag

makes it look like an unattainable object to the vast majority of the population. To that 1 percent, it is seen as a challenge, they want to have the level of spending power as well.

Hermes employs an exclusive distribution strategy that aligns with its exclusive brand image and high-end positioning. The company strategically chooses to distribute its products through a limited number of select retail partners. This selective approach helps maintain the brand's exclusivity and prestige, as customers perceive Hermes items as rare and limited.

Additionally, Hermes prioritizes craftsmanship and quality throughout its distinction network. The brand exercises control over every aspect of production, from sourcing materials to manufacturing, ensuring exceptional attention to detail and superior product quality. This commitment to excellence extends to Hermes distribution channels, where products are handled and displayed in elegant environments with a focus on luxury and sophistication.

Overall, Hermes' distribution strategy revolves around exclusivity, and quality reinforcing its reputation as a symbol of luxury and refinement in the fashion industry. Where Hermes is sold, Hermes boutiques in luxury shopping districts, Online Sales- Offers a small selection of products available for purchase online, Department Stores (Limited to fragrances, scarves, or accessories, not the full range of Hermes items) - Neiman Marcus, Saks Fifth Avenue, Nordstrom, Harrods (London) .