

A Study of the Marketing Strategies of High-End Luxury Brands: The Case of Hermes

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ABSTRACT

As the standard of living of technology continues to improve, our consumption level also grows and the luxury market is growing in China. People's lives have also entered the information age. The luxury goods market is aimed at part of the group, in which the consumption needs and consumption motives are also different. This paper aims to study the marketing strategy of high-end luxury brands through the case of Hermès, which, as a top French luxury brand, has been adapting to the changing times, constantly changing its business practices to follow the trends and trends of the times, and combining brand culture and business philosophy to serve high net worth customers. In brand management, Hermes also has its own marketing strategy to improve the amount of marketing and enhance their brand value and image. The rapid development of the digital industry in recent years has also widened the road for Hermes' sales. Based on the research results of this article, the author also puts forward very valuable suggestions from the perspectives of the government, luxury enterprises and luxury consumers.

Keywords: *Luxury brands, Marketing strategy, High-end, Hermes*

1. INTRODUCTION

1.1 Background of the study

Luxury goods have started to adopt information technology to enhance the value of their products for consumers, and brand culture, brand quality, brand aesthetics and customer loyalty are the core strategies of the company. Luxury goods consumption can better drive the national economy, promote social development, and is also promoting the development and innovation of enterprises. Luxury brands produce different products and different marketing methods to make profits through different consumers' different needs. Luxury brands are also growing rapidly in the Chinese market, such as Hermes, Louis Vuitton, Chanel, etc.

Luxury goods are products that people pursue material and self-pleasure, although they are only for some consumers and are not essential for people's life. However, the culture and history, quality and service, marketing strategy and so on exist in the luxury brand all play an important role in the operation of the brand.

1.2 Research Significance

The diversification of business ecology is to adapt to the requirements of different consumption levels, consumption

structure and consumption psychology. In the era of information technology with the entry of more and more international luxury goods, the Chinese market is growing stronger and stronger. With the increasing consumption level, urban shopping malls are indispensable, and the development of a certain number of luxury business should adapt to the requirements of different consumption levels, consumption structure and consumption psychology. How to attract and maintain consumers is the most important thing in the marketing of luxury goods. This paper studies the business philosophy of high-end luxury Hermes and proposes some valuable and meaningful luxury goods marketing strategies.

2. LITERATURE REVIEW

2.1 The concept of luxury

With the continuous improvement of the economic living standard, luxury consumption also enters into people's perspective. The word "luxury" originated from the Latin word "luxus", which originally means extraordinary fertility or creativity, and was later transplanted from the French word "luxe", which means abundance and creativity. Affluence, refinement, sophistication. Luxury goods are substances that are exchanged for high consumption. "Luxury is mainly a kind of consumption

behavior to pursue the quality of material or service, which can be manifested as certain behavior or goods. The definition of luxury goods is: firstly, the cost of production is relatively high, secondly, the price is high, you can get spiritual enjoyment through high consumption, thirdly, it is a non-essential item in daily life. [1] fourthly, luxury goods have the characteristics of scarcity and preciousness, fifthly, the value of luxury products mainly consists of the value of the item itself and the additional value of the brand. The scarcity and preciousness of the goods lead to a very small group of consumers. Feng Xiurong and Wang Bin [2], the brand value of the luxury goods is greater than the commodity value, it is the commodity produced under certain economic and social development. The quality and price of luxury goods are higher than those of similar products, and it is the product with higher intangible value and tangible value. [3] However, luxury goods are not the basic necessities of life, but rather the psychological needs of consumers.[4] In Zhu Mingxia and Zhou Yun [5], the buyers of luxury goods have a specific psychological expectation for the value of the goods they buy, and the pleasure they get from this psychological expectation is much higher than the use value of the goods. Luxury goods also have certain culture, history and connotation. The connotation and culture of the luxury goods are the result of centuries of precipitation, which cannot be replaced by the usual FMCG brands, and the essence of the connotation must lead the contemporary trend, which will not be easily eliminated and replaced. Li Jiangtao [6] Luxury is not exactly the same definition for different social classes, and the degree of luxury is different for different levels of consumption.

2.2 The supply chain and production of luxury goods

The supply chains of luxury goods companies all have certain characteristics, and the supply chain model takes a globally consistent approach. Wang Haige [7] Large luxury goods companies have a certain stability in their supply chains, and the direction and mode of information can change within a reasonable range. Each brand in the fashion industry has its own position to determine the market demand before production and processing. However, the information of luxury fashion enterprises also has a certain decentralized nature, with different directions of information flow. [8] But there is also a general situation in the fashion industry: the long cycle of arrival, inventory management, and no reasonable standard of management. The luxury industry is different from the FMCG brands, it will carry out some mass production or handmade, which leads to a long production cycle leading to a long arrival time, from manufacturing to importing to placing orders. This also leads to low volume and high demand for luxury goods. Many consumers will turn to overseas markets to make purchases to shorten the arrival cycle. As China's economic level increases, the Chinese market is also popular with many luxury brands. Brands will adopt inventory

management and stock up on goods in China in order to satisfy Chinese consumers and expand the Chinese market. However, there is also the existence of back-ordered goods, where no standard management leads to unequal actual demand and sales, insufficient domestic supply of hot items, and the inability to transfer back to foreign countries for back-ordered goods. The luxury clothing industry is unique in terms of supply chain management. The cost minimization and inventory elimination pursued by other industries are no longer applicable here, and the ability to deliver products to consumers in a timely and accurate manner is what luxury clothing companies are seeking.

Luxury brands are very strict with the quality requirements of the products, and require every link in the supply chain to be extreme, from the product materials to the final packaging of the finished products, all show the brand's exquisite. Therefore, the supply chain of luxury goods is different from other commodities, they pursue the ultimate service, materials and aesthetics. They need to use good design to infiltrate the innovative products, make their own brand characteristics of the product, in order to be based on the psychology of consumers, the product will also be designed according to consumer preferences, contemporary trends. With the continuous development of supply chain operations and management, [9] the core factors that influence the type of consumer products or services, have changed considerably. From the original supply orientation, which was based on the manufacturer, to the current demand orientation, which is based on the consumer.

2.3 Demand for luxury goods and consumer motivations

Xue Haona, Yin Shih-Min [10] The motives of luxury consumption include socially oriented motives and individual oriented motives and integration, cultural value differences, and differences in consumer groups. Socially oriented motive its part of the consumer group is more willing to buy high price goods, which is considered as a status symbol. The second is the effect of vanity, consumer groups like to buy some limited commodities, the smaller the number of luxury commodities, the greater the consumption demand, a kind of pursuit of unique vanity psychology. Thirdly, the crowd psychology, some groups like to follow the crowd in the social, individuals take to buy luxury goods in order to keep up with the group, thinking impact leads to the formation of crowd psychology. Among the individual-oriented motives, one of them is the group to purchase luxury goods for pleasure, and the second one is the psychology of identification with the standard of luxury goods and the quality of luxury goods. Yu Yan [11] Thirdly, consumers have inherent aesthetic and consumption concepts, and purchase luxury goods not only to show off their wealth and reveal their status, but

also to preserve the value of the goods. Ding Min [12] As China's economy is improving and the Chinese market is maturing and expanding, luxury goods are also being enjoyed by more and more Chinese people, and the Chinese market, with its unique spending power, has also become a consumer market that major luxury brands want to seize. The development of the luxury industry can boost consumption and promote the common progress of all aspects of society. The luxury consumption Chinese market is becoming more and more popular, which is a manifestation of the increasing living standard of the national economy, and the market of luxury goods in China shows a great demand. [13] As Chinese consumers become more mature and rational in their consumption, the role of individual-oriented motives is likely to continue to strengthen. However, the influential role of socially oriented motives still cannot be neglected, which is very much related to the stage of the Chinese consumer market and Chinese traditional thinking. Zhang Huangqiang [14] Luxury price fluctuations exert a strong influence on consumers' purchase motives, especially since luxury goods, as a symbol of wealth, bring wealth benefits to consumers and attract them to purchase luxury goods.

3. CASE STUDY OF HERMES

3.1 Hermès brand creation and origins

Hermès logo is a carriage pattern, is a symbol and symbol of the long history of Hermes saddlery. In the 19th century, Hermès opened a saddlery in Paris, France, where horses were mostly used for transportation. The saddlery made a variety of exquisite accessories that can be seen on carriages in the streets of Paris, and the high-quality saddlery made by the workshop was very popular among the local aristocracy with its exquisite skills.

In 1879, the Hermès family expanded the business, allowing Hermès to expand throughout Europe, laying the foundation for Hermès to become a representative of luxury goods, from 1951, Hermès responded to the development of the times by launching more products, in 1956, the famous Hollywood actress Garce Kelly took the Hermès Kelly bag with her on public occasions, the American magazine captured and used it as a bag for the first time. Cover, Hermès leather bag sensation. At the same time, Hermès grew to become a symbol of status and the quintessential luxury consumer, rapidly growing around the world.

Today, the Hermès Group is still headquartered in Paris, France, but its stores are located around the world. After more than 180 years of development, Hermès, the brand that started with harness manufacturing, still retains its place in the fashion industry, and with its brand culture and core values, it still maintains a prestigious position in the luxury world.

The following is a summary of Hermes' recent key financial data, financial metrics and revenue components of its principal activities.

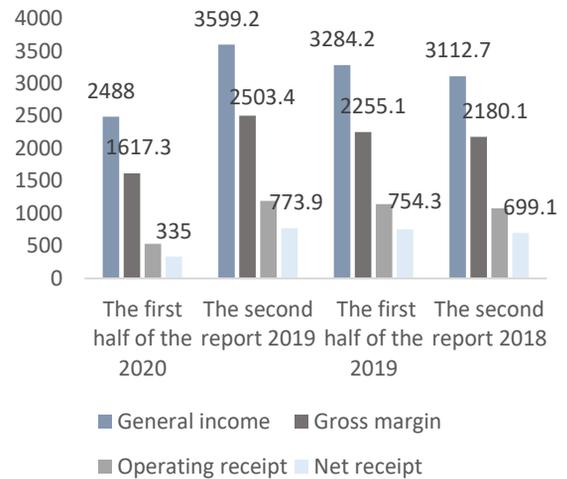


Figure 1: Hermes Income Statement

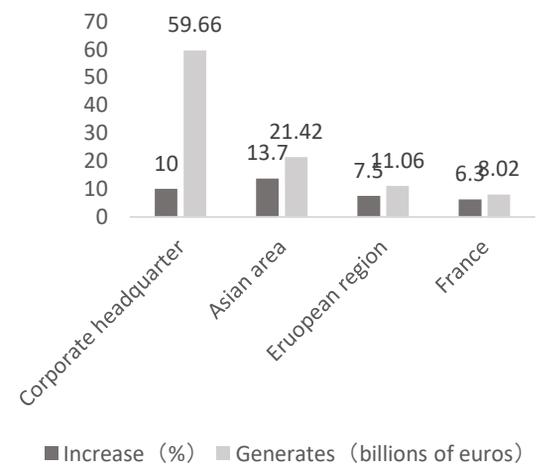


Figure 2: 2018 Hermes Marketing Revenue

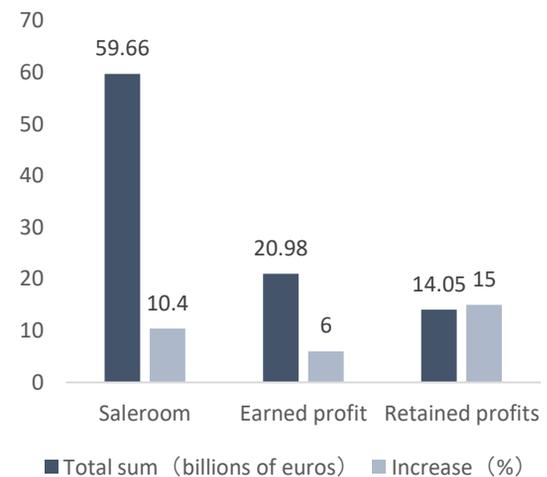


Figure 3: 2018 Hermes Core Financial Data

3.2 Hermes' business philosophy

From the harness shop that made accessories for horse-drawn carriages to the changes in transportation after the industrial revolution, Hermès has adapted to the changing trends and tides by changing the way it operates. For a long time, Hermès has remained true to the business philosophy of its founders, using the spirit of innovation and brand culture within the system to open up new territories from trend to innovation.

Hermès is an international company loyal to traditional craftsmanship and in constant pursuit of innovation. For generations, Hermès has pursued the brand culture and insisted on handmade customization, and despite the constant innovation, every step in the workmanship is strictly controlled from design, color matching, plate making and coloring. Time and money invested in artisans to maintain their quality. The visual displays in Hermès' stores are also handcrafted and customized from the original factory, in line with the brand's tenets. It subliminally shares the brand philosophy with consumers, communicates brand values and arouses the desire to shop.

On the basis of independent operation and prevention of malicious takeover, Hermès clearly defines the brand's customer positioning, serves cutting-edge customers, reduces marketing operations, and invests in quality and consumer service. This not only enhances the value of the brand itself, but also establishes the brand image. Precise service target groups, cultivate customer loyalty, not blindly waste publicity and marketing. Hermès also uses hunger marketing to enhance the brand image, supply and demand to stimulate consumers' desire to buy and consolidate its cutting-edge image. Serving consumers with attention to detail, the scarcity of Hermès products allows consumers to purchase products with a high degree of exclusivity.

3.3 Changes in Hermes' business philosophy

In the 1920s, Hermès expanded its range of products to include handbags, scarves, belts and jewellery, and in the 1960s, perfume, suits and shoes, etc. From 1979 onwards, the brand gradually expanded its range of products. products, there are currently seventeen products. Hermès is also gradually using the means of hunger marketing to improve their brand height, will be in short supply to increase customers' desire to buy. With the development of technology, Hermès has also joined the ranks of e-commerce, selling and promoting through the Internet, changing the traditional way of buying and selling in stores.

3.4 Hermes' brand values and its sales practices

3.4.1 Brand status

A brand is more than just a name, it is a customer's perception and experience of its products. Hermès is at the

top of the luxury chain, with a solid and loyal customer base. Hermès is at the top of the luxury chain, so that other brands cannot replace its position in the luxury world. Hermès products will not only satisfy consumers on the material level, using the most advanced materials, but also on the spiritual level. Hermès is in an irreplaceable position, which also means that its brand culture and popularity are well known to consumers.

3.4.2 Brand positioning

Hermès is very clear about the positioning of the brand, abandoning most of the masses of customers to serve the principle of high net worth customers. The pricing of the product determines the positioning of the brand, which distinguishes Hermès from other luxury brands, excluding the low-asset people and attracting high-net-worth customers. The traditional advertising costs are reduced, and funds are invested in serving high net worth customers, cultivating loyal customer stickiness and increasing customer reliance on the brand. The Hermès brand conveys the brand's purpose and cultural connotation through its products, increasing the brand's reputation with customers. The higher the credibility of the brand message, the greater the consumers' preference for the brand.

3.4.3 Marketing Strategy

Hermès brand has a long history and a high reputation. The brand has style and design, high quality and unique craftsmanship for its products. Each luxury brand determines the brand's pricing strategy based on positioning and market segmentation. Hermès in marketing will use a limited number of hunger marketing, to create an atmosphere of shortage of supply to increase the desire of customers to buy. This marketing method has also become one of the reasons for the high price of Hermès and the need for brand management. Through hunger marketing, Hermès in recent years for limited products also carried out a series of marketing strategies such as distribution, not only to strengthen the atmosphere of demand exceeds supply, but also in effect to increase turnover and raise the brand image. Secondly, Hermès has always maintained its core business of customization services to maintain high quality customers and also enhance customer adhesion. The customization process gives the customer the highest level of service and enjoyment, and the customer himself decides the details of the product, including Hermès invites VIP customers to participate in parties, the Paris Races and so on. At the same time, Hermès has always maintained its brand strategy, careful expansion, over the years to maintain a single-digit store growth rate, and even appropriate adjustments to some countries and regions of the store to ensure visibility of high-end groups. Secondly, Hermès in sales are through official

direct sales. Hermes does not have any authorized third-party purchase methods, also echoes the image of Hermes esteemed.

3.5 Hermès and the mainland Chinese market

In 1997, Hermès entered the Chinese market with the opening of its first store in Wangfujing, Beijing. Hermès officially began to expand in the Chinese market, gradually expanding to second-tier cities in order to further compete for Chinese consumers. In recent years, the Chinese luxury consumer market has exploded, and luxury brands are taking notice of the large market in China. According to statistics, Chinese consumers contribute a third of the total sales of luxury goods worldwide.

Hermès also began to increase brand building, to increase the Chinese elements to attract Chinese customers, to arouse the traditional cultural resonance with consumers. Secondly, Hermès began to support charitable causes, charitable foundations and other activities to enhance the brand image in the eyes of Chinese consumers and to raise the brand's expectations of corporate social responsibility.

3.6 Changes in Hermes' distribution channels

Hermès focuses on the spread of brand culture, often organizes traditional exhibitions to attract customers, so as to convey the brand's values to customers and show customers the attitude of Hermès to traditional craftsmanship. Secondly, Hermès also attaches great importance to the art of the window, the Hermès window is also one of its brand sales channels, Hermès in 1927, the creation of the window design, but also the design of the window as a street culture. Through the story and background of the window design, the customer can understand the meaning of Hermès and appreciate the products of Hermès. As window design evolved, Hermès gradually expanded, inviting artists from around the world to collaborate with the brand's theme each season, symbolically conveying the innovative uniqueness of Hermès' long history.

The rapid development of the digital industry also provides a new channel for luxury sales, Hermès through WeChat app to develop user experience interaction, the emergence of new media to facilitate the rapid dissemination of information in the digital age, the digital interactive experience has brought good market response, but also more able to attract new customers.

4. CONCLUSIONS AND RECOMMENDATIONS

4.1 Findings

Hermes started as a harness manufacturer, which is still enduring after a hundred years, which is inseparable from its brand culture and business philosophy. As a top French luxury brand, Hermès has been adapting to the changes of the times and constantly changing its business methods to follow the trends and tides of the times. For a long time, Hermès has been adhering to the founder's business philosophy, the traditional handicraft products to the utmost. Hermès has a clear brand positioning, combining brand culture and business philosophy to serve high net worth customers. In brand management, Hermes also has its own marketing strategy to improve the amount of marketing and enhance their brand value and image. The rapid development of the digital industry in recent years has also broadened the road for Hermes sales.

4.2 Recommendations based on research findings

The government is advised to establish a reasonable range of taxation. The luxury goods market is very inclusive and can be purchased by people from any class. However, the main force of Chinese luxury consumption is the middle class and above, and the level of consumption tax has little influence on them. Buying luxury goods is not only for material enjoyment, but also for psychological satisfaction. For the ordinary grassroots, the level of consumption tax can limit their purchasing power. Therefore, it is suggested that the government should tax the different levels of luxury goods, so as to give full play to the regulating effect of consumption tax.

As the symbol of the cutting-edge of the luxury goods, it is suggested that the enterprise should pay attention to the brand culture and brand image while increasing the brand building, and it is suggested that the luxury goods enterprises should take corresponding social responsibility, such as charity funding, public welfare activities, cultural relics restoration and so on. Performing social responsibility in an appropriate way can enhance the good brand image and help to improve consumers' purchase intention. The Chinese luxury goods market has been growing rapidly in recent years, and companies can understand the local social culture and environment of Chinese consumers. Putting luxury goods aside, many emerging independent designers have brought fashion items from national brands to Fashion Week in recent years, which shows that more and more Chinese culture has been accepted by consumers since the era of rapid change and that Chinese culture is becoming more and more recognized in the international

community. Digging deeper and designing products that meet the needs of Chinese consumers will give companies a very strong advantage in the Chinese market. In the digital era, communication through the Internet is a major marketing channel. Enterprises should also pay more attention to the cultural connotation of the brand, and pay more attention to the value of the brand itself, so as to deepen the brand culture into the hearts of consumers. Consumers are advised to be rational and mature for luxury consumption. Nowadays, with the continuous growth of China's luxury market, the young generation has gradually become the main group in the luxury market, but don't blindly follow the luxury consumption. Luxury itself is a work of art, which has a strong artistry. Through the products, consumers can appreciate the design, understand the brand culture and experience the exquisite handcrafted works of art.

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