

BEAUTY

How long can Herms rely on Birkin's allure?

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The Birkin bag maker is diversifying its product categories in an attempt to recruit younger consumers and mitigate its iconic bag's potential decline in the future. Image courtesy of Herms

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Herms is on a roll. First it was its popular "Wanderland" exhibition in Shanghai, then it was the opening of [Herms Fit](#), a pop-up in Chengdu offering free gym classes, and now it is experimenting with "[mushroom](#)" leather, a sustainable alternative to leather. Then there is the classic Birkin Bag.

Over the past three decades, the value of this iconic bag has increased steadily by **14** percent year-over-year, reflecting the [famous phrase](#), "Birkin bags make for a better investment than gold or stock."

Most recently, the heritage house turned to the lucrative cosmetics field, launching an exclusive Herms lipstick collection last year, followed by the release of their [Rose Herms Blush Collection](#) in April 2021.

Given their latest [Q1 earnings report](#), consumers clearly are still very much enamored with the brand, which saw a 44 percent increase year-over-year.

Yet, it was watches, homeware, fine jewelry divisions, their ready-to-wear and accessories that contributed to their impressive growth.

During this period, they nearly doubled their sales. Again, things are looking very good at Herms.

At the [2019](#) shareholders meeting, Axel Dumas, CEO of Herms Group, stated that Herms' goal is to become a comprehensive global luxury goods group.

Therefore, the balanced development of various departments must surely be pleasing. And the proof is in the pudding, as the 184-year-old house outperformed luxury conglomerates [LVMH](#) and [Kering](#) in the first quarter 2021.

Here, *Jing Daily* examines how Herms has retained its relevancy over the years and whether venturing into new categories will continue to affirm its dominance in the market.

Herms does not need celebrities. Does it?

Very few brands can avoid the lure of local KOLs in China, who, for most luxury brands, easily drive vast traffic to a brand's site or official accounts.

From Louis Vuitton to Gucci, companies have countless Chinese ambassadors for each of their product categories. Not so Herms: the luxury house has actively stayed away from celebrity endorsements, and the fact is, they are not needed.

With celebrities and the ultra-wealthy continuing to add their names to long wait lists for iconic products, perhaps the best marketing tactic is, in fact, exclusiveness and scarcity, making bags such as the Birkin the perfect status symbol.

In fact, overexposure often deters ultra-high net worth individuals as this demographic places greater value on quality and are less concerned with displays of wealth.

According to a [Wealth Report](#) by property consultancy Knight Frank, China's UHNW segment increased the most of any country last year (16 percent).

Given this, many luxury companies are overpaying attention to HENRY's rather than UHNW, and in the process, missing a huge opportunity.

Can Herms keep diversifying?

Herms understands how risky it is to bet on a number of hero products. While it is indispensable for brands to create a signature piece, it is never wise to stop creating new ones.

[Diversification](#) is an important strategy for companies to hedge against downturns in specific categories, shifting consumer needs and preferences and wider socio-economic factors.

For years the French maison has been placing efforts beyond its leather and saddlery category. Last year it jumped into the make-up bandwagon releasing a full collection of lipstick and finally this year it has launched its [fragrance flagship store on Tmall](#).

This June, it opened the world's first boutique Herms Shoes that specializes in women's footwear in Japan's Hankyu Department Store.

In fact, it is hard to say how long Herms could rely on the allure of its Birkin bag. However, promoting new products whilst enjoying the current aura of the iconic handbag will help the company to mitigate the bag's potential decline going forward.

Will a new beauty category bring Herms a new consumer?

Herms' leap into cosmetics might well bring new consumers to the company.

The line offers shoppers a lower entry price point, enabling the luxury house to reach a broader audience that wants a touch of the historic brand. However, with that might come the potential loss of prestige.

According to Dao Nguyen, founder of Essenzia, a boutique strategic marketing agency dedicated to fragrance and beauty, it will not hurt the maison's perception too much: "On the contrary, in regard to current economic situation and pressure it may facilitate brand recruitment and penetration with Chinese Gen Z."

Nevertheless, Herms is a "latecomer" to the cosmetics industry.

To date, the market has been divided between four major conglomerates the [Este Lauder Group](#), L'Oral Group, LVMH and [Chanel](#) which account for about 70 percent of global cosmetics sales. Given that, it will not be easy for the company to take market shares from its competitors.

The makeup sector's marketing tactics are far different from leather goods. Lipstick is not considered a status symbol; it is a fast-moving consumer good.

Plus, not leaning on celebrities is a rare path for brands in China, as C-stars' traction is so powerful. Herms' beauty line may struggle to recruit new young spenders.

But "leaning on celebrities is increasingly complex, not to say dangerous," points out Ms. Nguyen, mentioning the recent scandals of [Kris Wu](#) and [Xiao Zhan](#). "What is more relevant for brands is about having a clear vision of who may like you and why. And deep down this doesn't have to do so much about celebrities."

Indeed, Herms Birkin bag remains the maison's best ambassador, though the house needs to continue exploring

other categories until some of them reach the same symbol status. But nothing is permanent: all brands must constantly evolve and innovate to keep up with the era. Herms appears to be doing just that.

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