

COMMERCE

Hermès sets sales record with über-high-end status, product control

February 13, 2013



By ERIN SHEA

French leather goods and scarves maker Hermès set record profits for 2012 with a 22.6 percent increase in revenue from the previous year and maintains its über luxury brand status with help from its coveted bags.

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The most growth was seen in the Asian market where two new stores were added and six were renovated, and the brand's accessories seem to be a big driver of revenue worldwide. Hermès has not changed its strategy of being highly exclusive, which helps it maintain its elite luxury status.

"Hermès' marketing strategy is to be unique and highly exclusive, so that it maintains exclusivity and low supply," said Milton Pedraza, CEO of the [Luxury Institute](#), New York.

"The brand banks on the fact that its products are not readily available and are not worn by everyone," he said.

"[Hermès] is the anti-ubiquity brand and it does it extraordinarily well."

Mr. Pedraza is not affiliated with Hermès, but agreed to comment as an industry expert.

[Hermès](#) did not respond by press deadline.

Above and beyond

This past year, Hermès saw growth worldwide in all of its product categories with a total revenue increase of approximately \$4.66 billion. In 2011, the brand saw an increase of 18.3 percent, or approximately \$3.82 billion.

The most growth was seen in the Asian region, with a 25 percent increase from 2011. This is due to new stores in Taiwan and China and renovations in six stores in the region, per the brand.

Growth was also seen in other areas, including 15 percent in Europe and 14 percent in the Americas.

Overall, accessories and ready-to-wear generated the most revenue for the brand in 2012, with those products increasing 22 percent over their revenue from last year. Other product areas also saw increased revenue.

This success in ready-to-wear and accessories could be from the brand's highly successful Birkin and Kelly handbags.

"The Birkin is symbolic of Hermès' commitment to quality and luxury," said Chris Ramey, president of [Affluent Insights](#), Miami. "The significance of the Birkin is its contribution to the narrative."

Hermès bags have become icons in fashion and coveted by many because of their limited quantity.



Victoria bag

The bags are especially popular in the Chinese market, along with other Hermès products.

"Hermès has been particularly successful in China," Mr. Ramey said. "Unlike other brands, it did not experience the slowdown in the second half."

Maintaining exclusivity

Hermès has managed to be a successful luxury brand for many years due to its strategy of maintaining exclusivity and only being available to elite consumers.

The brand is able to do this by limiting its supply of products, never offering discounts and remaining true to its roots of craftsmanship.

“Hermès is a relatively small company,” Mr. Ramey said. “Their success is not necessarily reflective of the luxury category.

“It is reflective of Hermès’ remaining true to its founding principles including artisanship, measured growth and limited supply,” he said.

Hermès also maintains its status by remaining a brand that is not available on all marketing channels. This works for the brand since its core marketing strategy is exclusivity.

Also, the brand never offers sales and discounts, which keeps it available only to the ultra-affluent consumer pool.

“[Hermès’] exclusivity is its marketing strategy,” Luxury Institute’s Mr. Pedraza said. “They never discount.

“They play the game by not playing the game,” he said.

If ultra-exclusive brands such as Hermès continue the upward trend in profits, the gap between ultra-luxury and affordable-luxury brands could become more prevalent.

“Luxury will continue to segment into those brands that will be uniquely exclusive and never discount to those who will have very high quality products, but are affordable,” Mr. Pedraza said.

Final take

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