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Hermès US CEO: Brand will remain family-owned for next 20 years

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By TRICIA CARR

DANA POINT, CA – The CEO of luxury powerhouse Hermès of Paris Inc. said at the American Express Publishing Luxury Summit 2013 that the brand’s feud with LVMH Moët Hennessy Louis Vuitton has only empowered its seven-generation family to keep hold of more than 50 percent of their shares.

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During the “Pedigree, Heritage and Craftsmanship: What We Can Learn from Hermès” session, the Hermès U.S. CEO had a candid conversation with Richard David Story, editor in chief of [Departures](#) and editorial director of Black Ink, about the brand’s unparalleled success and family values. Hermès’ strategy will never be to cut short the time it takes to produce an item – such as 20 hours to make a Birkin bag – but to deliver an authentic message to savvy consumers.

“In the fast Internet age that we live in, luxury clients cannot be fooled,” said Robert Chavez, president/CEO of [Hermès of Paris Inc.](#) “If you are trying to deliver a message to them, it has to be authentic or they will not buy or believe in it.

“Our clients believe in Hermès’ authenticity,” he said. “That’s what keeps our clients coming back again and again, but it also is bringing people into the house, and to the craftsmanship, in a world that moves so fast.”

The big house

Mr. Story questioned Mr. Chavez on Hermès' rival LVMH, to which the label's CEO responded by crediting its strong family values.

Hermès recently fended off LVMH by filing complaints against the conglomerate after it quietly acquired a 22.6 percent stake in the brand ([see story](#)).

There are currently close to 200 family members behind Hermès spanning seven generations. The family is unified and has locked up more than 50 percent of its shares so that ownership is guaranteed for the next 20 years.

“With all that has happened, it has done nothing more but to bring the family closer,” Mr. Chavez said.



Mr. Story and Mr. Chavez

The discussion went on to explore what makes Hermès the sought-after brand that it is today.

Though some may be led to believe that the brand's strategy is to limit supply, the reality is that Hermès is committed to quality and craftsmanship. It will not sacrifice these values to give in to the demand for its products.

“We won't make any changes in how we create our products,” Mr. Chavez said. “That's what's creating the wait for our products.”

Mr. Story went on to review Hermès' record profits for 2012 – a 22.6 percent increase in revenue or \$4.66 billion ([see story](#)).

The label sticks to its “razor-focused” strategy that combines its family values and brand authenticity.

“Six generations later and that commitment is still there – the commitment to the family and to the traits that made Hermès 176 years ago,” Mr. Chavez said.

Another key part of the label's branding strategy is to keep tabs on counterfeiters.

Hermès is aggressive in going after the source, which is often Europe or Asia. Europe produces the better replicas, per the CEO.

"We take down about 25 Web sites a day, but the next day there are 25 more," Mr. Chavez said. "We continue to fight it as much as possible."



Mr. Story and Mr. Chavez

Class participation

Mr. Chavez often observes the Hermès retail environment so he can remain in tune with the brand at that level.

The CEO told the Luxury Summit audience over dinner that there were instances when he would answer a store's phone and surprise sales associates from another store who were calling with a product inquiry.

Mr. Chavez also noted that store employees are not allowed to tell his identity, so when customers ask for a supervisor, Mr. Chavez finds the floor manager.

All joking aside, there is much to learn at Hermès stores.

"Selling on the floor is really invaluable," Mr. Chavez said. "You learn so much when you're on the selling floor.

"You learn about the products, you learn about your staff, you learn what's on the floor, about your clients, what they're looking for, what they want and what they're frustrated about," he said. "And you learn to be in the business and understand the business, be a part of your team and understand what they go through every day."

Final Take

Tricia Carr, associate reporter on Luxury Daily, New York