

# ***Analysis of the Impact of Luxury Marketing Methods on Customer Consumption Psychology***

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**Abstract:** Our research object is Hermès, a world-renowned luxury brand, especially its brand strategy, distribution and purchase system, and the psychological characteristics of brand consumers. We use a variety of research methods for analysis, including an in-depth study of Hermès' brand history, product lines, and marketing strategies through literature. Using the 4P marketing theory model of product, price, location and promotion, it makes a comprehensive analysis of Hermes' marketing strategy. Finally, a questionnaire about Hermes consumers was used to conduct detailed data analysis and interpretation. It is found that the success of Hermes is largely due to its unique brand strategy and marketing strategy. Although the distribution system is controversial, for Hermès, its existence is exactly in line with its brand positioning, and it has successfully attracted some wealthy consumers who are willing to pay for luxury experiences.

**Keywords:** Hermes, luxury brand marketing, 4p theory, consumer psychology

## **1. Introduction**

Our research object is the international luxury brand Hermès, and we pay special attention to its unique distribution and purchase system and its role in brand marketing. The research questions we pose focus on how to understand and evaluate the specific contributions of this system to brand identity and market influence, and the effectiveness of this system in maintaining brand distinctiveness and attracting consumers.

Our research method includes two parts: theoretical research and empirical research. In terms of theoretical research, with the help of 4P marketing theory and consumer behavior theory, we comprehensively analyzed Hermès' marketing strategy and the business logic behind it. In terms of empirical research, we have collected a series of consumer opinions and feedback on the Hermès brand and the distribution and purchase system through questionnaires, and extracted key characteristics of consumer psychology and purchasing behavior through data analysis.

The conclusion of our research reveals the importance of the Hermès distribution system and its impact on brand image and market position. We find that although this system has the potential to raise the threshold for consumers to buy, it plays a key role in shaping brand uniqueness, maintaining brand luxury status, and satisfying consumers' needs for uniqueness and social status.

For Hermès, this research will help it to understand and evaluate the effect of its marketing strategy more deeply, especially the impact of the distribution and purchase system on consumer behavior, and provide a reference for its future strategic adjustments. For similar companies, especially those luxury brands that seek differentiation strategies to enhance their brand status, this study also has important reference value. It reveals an effective brand marketing method and how to satisfy consumers through unique sales strategies demand and enhance brand influence.

In theory, our study further explores the relationship between luxury consumer behavior and marketing, especially how sales strategies affect consumer behavior and brand image. Our research not only provides new empirical support for luxury marketing theory, but also provides new perspectives and methods for future research, thus contributing to a more comprehensive and in-depth understanding of the operating mechanism of the luxury market.

## 2. Analysis of Hermes Marketing Strategy

### 2.1. Literature Review

We analyze the whole brand marketing of Hermes through several articles and then try to deduce the market feedback and consumer feedback of Hermes brand marketing.

"THE ROLE OF CONSUMER BEHAVIOR IN BUYING THE LUXURY GOODS" focuses on consumer behavior when purchasing luxury goods. Through a survey of young Indian participants, the study found that consumers' attitudes toward luxury brands have a significant impact on their perceived brand value. Social value is the strongest predictor of their purchase intentions. Brand loyalty, an emotional connection to a brand, is the catalyst that drives them to buy.

According to the study that explores consumers' implicit motivations for purchasing luxury brands, it shows that consumers' value expressive functions are influenced by logo prominence and their social-adjustive functions can be adapted based on brand authenticity [1]. The study found that the two factors, value-expressive function and the social adjustive function, are positively related. In the study, the current ERP results for counterfeit luxury products reveal that the condition without logo display triggered higher N200 amplitude, marginally higher N400 amplitude, and significantly slower LPP amplitude than the logo conspicuous condition. As a large number of consumer neuroscience research have consistently found that N200 is connected to anticipation conflict, the difference between exposed and expected product-related information in consumption decisions is supported. To conclude, when customers are exposed to counterfeit luxury goods, they expect to see a noticeable brand rather than an unobtrusive one. Therefore, creating a solid brand image that resonates and is well-known by the target market will stimulate consumers' purchasing motivation.

The article "Analysis of the Marketing Strategy of Hermes" provides an in-depth analysis of Hermes' marketing strategy. Hermès has shaped its brand image of high quality, scarcity, and uniqueness through specific pricing strategies, product design, and marketing strategies. At the same time, Hermès does not invest a lot of money in product advertising like other luxury brands, but finds a group of "ambassadors" with certain authority and uses their influence to attract the same group of consumers.

"Buying the Hermès Birkin is not an easy feat in itself," as it is costly and rare [2]. Word mouth is Hermès' most potent ally. The bags are a favorite among celebrities, heiresses, and affluent ladies all over the world. The sleek look and unique form have instant recognition value in upscale circles.

While major luxury fashion labels such as Gucci, Louis Vuitton, and Versace are generally perceived as flamboyant, Hermès distinguishes apart as a family-run firm steeped in a legacy of craftsmanship [3]. In terms of scarcity marketing, Hermès masters it. It has a very limited distribution strategy. To achieve scarcity, the event "Podium" is hosted by Hermès. It gathers representatives from around the world to convene to decide which products they will exclusively offer in different local

stores. Thus, each shop has a product that is unique. While the thing may never be seen again, this method drives to people purchase items in the moment rather than waiting. To keep the quality of its products, Hermès maintain the process in-house while other fashion companies may outsource raw materials to third parties. This strategy increases demand for the product by making the supply appear to be limited. But Hermès goes a step further! The brand never says how many of its distinctive bags it produces each year. You cannot be certain that the color, exterior, and interior of a Hermès bag will be exactly what you want or the time it will take for your bag to arrive. Some people wait 8-9 months for their suitcases, while others wait years. The adoption of the policy of premium pricing strategy instills a sense of exclusivity, which is exactly what luxury consumers seek [4]. Thus, it meticulously cultivated its impression of scarcity.

As alleged by Hermès' former CEO Jean-Louis Dumas, its brand philosophy is "We don't have a policy of image, we have a policy of product. The core value of "quality" and "refinement" is strongly embedded in the brand philosophy [5]. According to Hermès, each and every product bearing the brand's name should reflect the artisan's hard work. The CEO Axel Dumas stated that Hermès' main strength is its appreciation of craftsmanship. An artisan must complete a two-year apprenticeship before beginning work on any leather product in the Hermès catalog. Though the production line is slow, the company's scarcity and exclusivity philosophy support it. Hermès' leather goods branch only hires 200 artisans every year. This practice has been carried out by the company's six generations of artisans. Furthermore, all new employees and artisans are carefully selected and go through a three-day in-house training session called "Inside the Orange Box" that chronicles the company's roots back to its founders as well as the history of the growth of each of its product categories [6].

The article "Hermes in Asia: Haute Couture, High Art and The Marketplace" revealed how Hermes integrated art into its market strategy when entering the Asian market, which made Hermes unique among many luxury brands. Hermès not only incorporates artistic elements in architectural design, but also innovates in cultural facilities, providing cutting-edge art exhibitions and unique film screenings to enhance consumer experience. Hermès' sophistication in packaging and branding the scarves also highlights the identity of its art collection, further enhancing its brand image and exclusivity.

## 2.2. Marketing Case Analysis

Hermès is a world-renowned luxury brand. Its brand originated from a harness shop, so it has a very close relationship with equestrianism. The equestrian jumping event held in Paris in March 2022 has far-reaching significance for Hermès brand marketing and can be analyzed as a typical brand marketing case. "4P Theory" is a basic framework of marketing, including four elements of Product, Price, Place and Promotion. We can analyze the brand marketing strategy of Hermès' showjumping in Paris from these four perspectives:

**Product:** Hermès started out in the manufacture of horse gear, and its product line has always maintained equestrian-related products, such as high-end horse gear, equestrian equipment, equestrian-themed silk scarves, ties, etc. By sponsoring equestrian events, Hermès is able to showcase the sophisticated craftsmanship and design of its products, strengthening its image as a luxury brand in the field of equestrian products.

**Price:** The price positioning of Hermès products has always been in the high-end market. Sponsoring the jumping event can show the high value of Hermès to the public, strengthen consumers' perception of the brand's value, and also conform to its luxury positioning.

**Place:** Paris is the center of fashion and the birthplace of Hermès. Holding equestrian events in Paris is undoubtedly creating a high-end, elegant and exquisite scene environment for the brand, providing consumers with an immersive brand experience.

**Promotion:** By sponsoring the jumping event, Hermès can enhance its brand awareness and influence in the public eye. This form of promotional activities can not only attract more attention but also deepen the public's awareness of the close connection between Hermès and equestrianism, thereby strengthening the brand image.

### 2.3. Distribution Purchase System

Hermès' distribution and purchase system is another important part of its brand marketing strategy, and it is also an important way to maintain the scarcity and uniqueness of its products. It is the key analysis object of this research. Hermès maintains tight control over the sale of its products, especially its signature products, the Hermès Birkin and Kelly bags. To purchase these two products, consumers must first become Hermès VIP, and purchase other products in Hermès for a long time, accumulating the amount of consumption before they may be eligible to purchase. Even if these conditions are met, there will be a period of waiting on the store's waiting list. Moreover, the color, size and material of Birkin and Kelly bags cannot be freely chosen by consumers, but assigned by stores.

Below we will conduct a more in-depth analysis of this brand marketing strategy through the data of the questionnaire.

## 3. Survey Data Analysis

### 3.1. Consumer Overview

Male consumers accounted for about 37% of the survey, with 59 people; Female consumers accounted for 63%, with 100 people, and a total of 159 valid questionnaires were collected. The questionnaire collected 66 consumers aged between 18 and 25 years old; The proportion of consumer groups aged 26 to 30, 31 to 40, and 41 to 50 is equivalent, with 26, 27, and 21 people respectively; The minority is over 51 years old and under 18 years old, with a total of 19 people. Among them, the student group accounts for 33%, with a total of 53 people; The majority of the working population, approximately 67%, have an average annual income of around 280000 yuan, and have a certain economic foundation to consume Hermès, which is in line with Hermès' consumption positioning.

### 3.2. Data Analysis

According to consumer feedback, the Hermès brand is most famous for its handbags, and 90% of consumers will think of this product first. About 54% of consumers know the price of a specific style of Hermès handbags, while 72% of consumers cannot accurately estimate the true cost of a Hermès handbag. For Hermes handbags, it takes at least one year from order to production to receipt, 56% of consumers think it is not worth it, but 44% of consumers still think it is worth it.

Most consumers give high praise to the quality of Hermès products, 81% of them think that the product quality is good, but the evaluation of Hermès' customer service quality is more balanced, 73% of consumers think the service quality is high, 27% of consumers think their service quality is average.

Consumers believe that the factors affecting the pricing of luxury handbags mainly include material quality, production labor costs, advertising and promotion, and added value, among which materials, labor costs and added value are equally important. The main reasons why consumers buy luxury handbags include the pursuit of better quality, showing social status, social needs, love and recognition for brands, and vanity.

About 49% of consumers learned about Hermès through family and friends, 45% through advertising, and 65% through social media. Although 44% of consumers are familiar with Hermès' membership distribution system, their views on this system are severely polarized. Half of consumers

believe that this system can increase the purchase threshold and product purchase value, while the other half of consumers believe that this is a Hunger marketing.

Regarding the differentiated treatment of product purchases based on consumption, 45% of consumers accept it, thinking that it can reflect the value of the product, while 55% of consumers oppose it, thinking that bundled marketing is not the right way. Assuming sufficient funds, 42% of consumers are willing to comply with the member distribution system by purchasing a sufficient number of other products to buy the Hermès handbags they want, while 58% of consumers are more willing to choose other brands and buy their favorite Many types of luxuries.

The reasons for choosing whether to buy Hermes mainly include economic factors (82%), product factors (29%), brand factors (31%), and marketing factors (28%). The reasons why consumers become fans of brands mainly include designers (39%), founders (16%), the product itself (67%), the production process behind it (15%), brand culture and value (61%), entertainment influence Force (20%).

#### 4. Consumer Psychological Analysis

Based on the result, Hermes performs well in establishing its customer relationship in satisfying consumers' psychological needs for quality product, social statues display, and brand identity. The majority of consumers pursue the quality, the representation of social status, and the recognition of the brand.

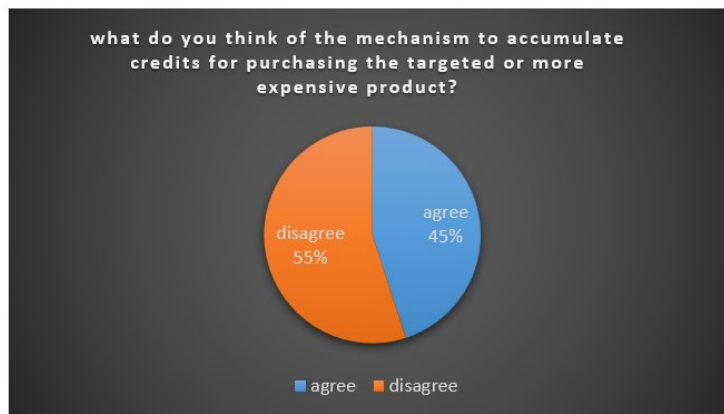


Figure 1: Customer satisfaction survey of Hermès' marketing methods

Being a brand with a long history, its consumers have a high sense of identity with tradition and historical culture. The reputation of Hermes also establishes brand love and status signaling. Based on the data from the questionnaire, participants showed different opinions on whether the Hermes handbags are worth waiting for one or more years. This data distribution was scattered, and only 18.87% of people thought it is worth waiting. Thus, in the era of fast fashion, Hermes targets the niche market with high-end customers. Thus, these group of people has to financial power to continuing accumulate credits in return of the bags that aim to get.

According to the question of "The pattern shows a distribution of 45:55". As shown in Figure 1, almost half of the participants believed that the consumption threshold can enhance the value of the product; whereas the other half think that this form of bundle sales disrupts the normal pattern of luxury consumption. The result can evaluate the consumers psychological motives into two class in relation to their financial power or perception of enhance and maintain face. The delivered message from the brand of Hermes corresponds with positive social image. "The evaluation of self, based on internal and external (to the individual) judgments concerning a person's adherence to moral rules of conduct and position within a given social structure," according to Earley [7]. Customers self-



congruency would link the actual self-image and product image. “Consumers select products and stores that correspond to their self-concept,” by Onkvisit and Shaw [8]. Therefore, their opinions relating to Hermes’ selling mechanism fluctuate based on their own way of perceiving themselves.

At the same time, we can also further confirm the conclusion that only one fifth of people are willing to wait, which is precisely why they pursue a refined life by purchasing luxury goods, based on the results of the survey questionnaire regarding the ownership rate of Hermès handbags. It can also be seen from the reverse that even those customers who purchase Hermès by meeting the distribution purchase system are not willing to wait for a long time.

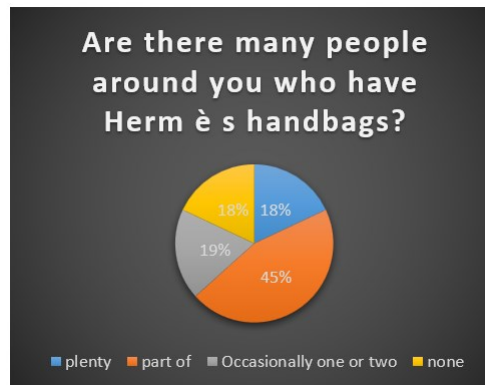


Figure 2: Proportion of Hermès handbags held

At the same time, we can also further confirm the conclusion that only one fifth of people are willing to wait, which is precisely why they pursue a refined life by purchasing luxury goods, based on the results of the survey questionnaire regarding the ownership rate of Hermès handbags from the Figure 2. It can also be seen from the reverse that even those customers who purchase Hermès by meeting the distribution purchase system are not willing to wait for a long time. From this set of data, it can be seen.

Next, we can see that about half of the people are unable to estimate the production cost of an Hermes handbag. Therefore, it can be seen that the majority of consumers who purchase Hermes or consider Hermes handbags as the most high-end luxury goods do not start from the production cost of Hermes as the key point determining their thinking. It can be seen that the sum of people who feel they can estimate the cost to varying degrees is less than 20%. But the total number of people who only know the prices of certain specific styles or have a good understanding of the prices together exceeds 60%, indicating that other factors must be more influencing customers' psychological desire to purchase Hermès.

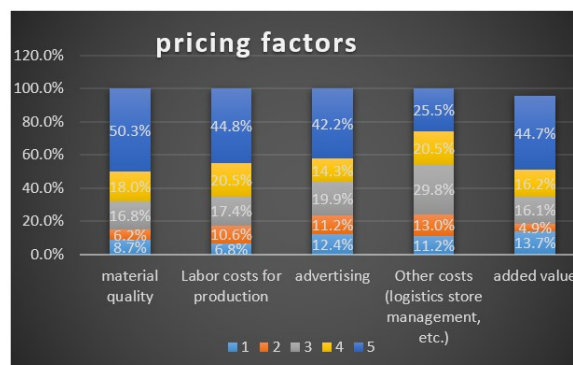


Figure 3: Hermès handbag pricing factors

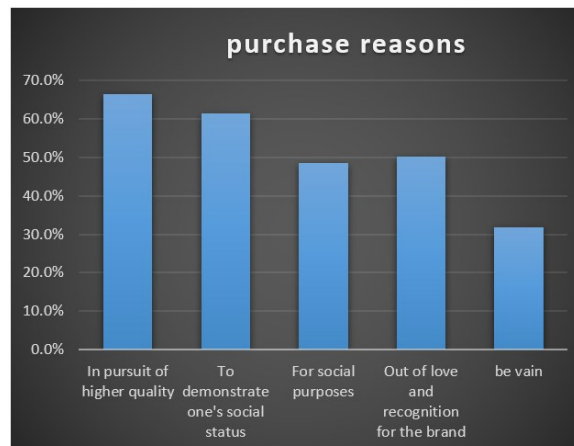


Figure 4: Hermès handbag purchase motivation

We can see some situations from the survey statistics of pricing factors, and we will calculate the determining factors of the respondents on a scale of 1 to 5. 1 to 5 are seen as gradually deepening the degree of influence. As shown in Figure 3, it can be seen that in addition to material quality and labor costs brought about by manufacturing, added value is the reason that most people believe is the most affecting Hermès pricing. At the same time, it can be seen that people can also realize that the cost of publicity is also the reason for Hermès' high pricing. The exploration of added value has also been analyzed and reflected in the following questions.

Based on the previous analysis, it can be seen that we conducted a survey on added value and identified it as the five items that best reflect the added value of luxury goods. It can be seen from the Figure 4 that the proportion of people who pursue the added value of displaying social status brought by Hermès and the proportion of people who seek social interaction account for about half, indicating that the luxury products of Hermès brand have strong social attributes. People who purchase Hermès products are often in a high social circle, and they need to show their identity, status, and wealth. Therefore, they choose luxury brands like Hermès to meet their social needs.

Also, the major of Hermès consumers have an independent spirit and attitude towards life, pushing uniqueness and personalization rate that blindly follows trends. According to the survey, 51% of people choose to purchase Hermès due to their love and recognition of the brand.

As a brand with a long history, Hermès' consumer group has a high sense of identification with tradition and historical culture, and they advocate for an elegant and exquisite lifestyle. Data shows that 31% of consumers choose to purchase Hermès products due to its long history and cultural heritage; 61% of people have become loyal fans of Hermès due to their brand culture and values.

## 5. Conclusion

As you can see, Hermès, as a top luxury brand, has always emphasized its independence over the centuries, which not only validates its stability, but also guarantees its business model of promoting the entrepreneurial spirit. Combining the best materials with the most exquisite craftsmanship, Hermès offers its customers the highest quality products [9]. The brand's audience also maintains a high level of recognition for the quality of Hermès products. The introduction of a membership system for purchasing special models of handbags has not generated negative feedback among the Hermès audience, but has allowed the vast majority of customers to feel the added value of their purchases. So it can be broadly concluded that this membership system is a marketing plan that has more advantages than disadvantages for the Hermès brand. And from the Hermès marketing case, we can conclude that the luxury marketing is more in the direction of hunger marketing, and the increase of added value for consumer psychological satisfaction. From the point of view of consumer psychology,

the feedback from the non-brand audience does not affect the brand audience's recognition of Hermes brand marketing methods [10], but rather the brand audience will demonstrate the pursuit of satisfying the dispensing system and thus think it can show their social value.

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