

Research on Hermès Beauty Line and Marketing Strategy

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Abstract: Hermès launched a new beauty product line in 2020. Compared with well-established companies such as Chanel and Dior, which have been in the market for an extended period, Hermès entered the beauty market relatively late. Although numerous commercial studies on Hermès exist, most of them primarily focus on the Hermès company itself or its traditional product line, with insufficient attention given to the new beauty line. This paper aims to explore the marketing strategies applicable to Hermès' beauty line by utilizing the 4P framework, Porter's Five Forces Model, and SWOT analysis. A comparative examination of Chanel's beauty line market strategy reveals that Hermès could benefit from emphasizing its brand history and traditions while simultaneously leveraging digital innovation in its marketing approach. The findings of this paper will not only help Hermès to adjust its market strategy in a timely manner but also provide valuable insights for other similar brands to enter the beauty market.

Keywords: Hermès, Beauty Line, Luxury brands, Marketing strategy.

1. Introduction

In respond to the inexhaustible needs and business expansion needs, an increasing number of luxury brands represented by Chanel and Louis Vuitton began to expand into different product markets. Notably, Hermes lunched its skincare and makeup lines in the Spring of 2020. Founded by Thierry Hermès on June 15, 1837, in Paris, Hermès is a renowned French luxury design house that specializes in leather goods, lifestyle accessories, perfumes, jewelry, and watches.[1] Compared with other brands such as Chanel, who entered the beauty market in the year of 1924, Hermes entered the luxury beauty market relatively late. Hermes entered the cosmetics industry with Rouge, a selection of lipsticks in 2020, and has progressively expanded its range of beauty products to include nail polish, blush and perfume.[2] This paper mainly employs 4P strategy and SWOT analysis as research methods to study and analyse the marketing strategies of Hermes beauty line and skincare line. Marketing strategy analysis is a common situation that has a considerable impact on the sales, survival, and success of Hermes cosmetics. As the level of competition in the luxury beauty market increases, one of the biggest challenges Hermes faces is managing its marketing strategies. From a theoretical perspective, this paper aspires to enhance Hermès' marketing focus and strategies, facilitating an increase in market share and leading the advancement of the cosmetics and skincare sector. From a practical standpoint, this paper critically evaluates Hermès' marketing strategies, enabling the brand to achieve clearer customer segmentation, refined pricing strategies, and a more nuanced understanding of market demands. These enhancements will ultimately help Hermès better meet

customer needs, foster a positive brand image, and enhance customer satisfaction, thereby increasing customer loyalty and expanding market share.

2. Analyzation of Hermès' Marketing Strategy

Hermès is a French luxury design house specializing in leather goods, lifestyle accessories, perfumery, jewelry and watches. The company launched its first beauty product, a lipstick, in 2020. By 2022, Hermès' beauty and perfume sales soared by 15%.[3] In 2023, the Hermès Group developed new beauty products and expanded product categories, with revenue from perfumes and beauty products reaching 492 million euros that year. [4] According to Hermès' financial report data, in the first quarter of 2024, sales of the Hermès Group's perfume and beauty department increased to 130 million euros, with a growth rate of 4.3%. In order to analyse the specific marketing situation of Hermès beauty line, this paper will utilize the 4P framework and Porter's Five Forces Model, culminating in a SWOT analysis.

2.1. Current Marketing Strategy: The 4Ps Framework

2.1.1. Price

Pricing strategy encompasses the diverse pricing strategies of a company based on different market positioning. Companies base their pricing on brand strategy and brand positioning to determine what they charge for their products and services. Hermès uses a differential pricing approach by charging \$50 for a regular lipstick and \$70 for a limited shade. Offering different price options means Hermès can target at a wider range of customers as it allows customers of different levels of consumption to buy their products. [6] This strategic pricing provides Hermès a competitive edge in the market.

2.1.2. Product

A product is an item that can be offered to a market to satisfy the desire or need of a customer. Hermès has invested heavily in the product development and packaging design stage[6]. For instance, their lipsticks are handcrafted by artisans, utilizing high-quality hardware, showcasing meticulous workmanship. Additionally, the unique formula and brush head design makes their mascara have an excellent use effect. Hermès also extended its product range by launching eye makeup products, which offers customers a wider range of choices. These high product quality and product diversity allows Hermès to better survive and thrive in the market, as they can be used as a unique selling point and has attracted a greater number of customers from their rival firms, and therefore gaining a competitive advantage and higher market share.

2.1.3. Promotion

Promotion encompasses a series of marketing behaviors such as brand publicity (advertising), public relations, and sales promotion aimed at informing or persuading target audiences of the relative merits of a product or service. Hermès used Key Opinion Leader to promote their new products. For example, Hermès provides a full range of products like lipstick to well-known bloggers, YouTubers and influencers and let them make color trial videos to gain exposure and heat the topic before launching into the market. Additionally, Hermès has adopted pilot marketing by making Rouge Hermès available in Hermès boutiques in 35 countries, including the United States and Singapore. The implementation of Hunger Marketing methods has attracted many customers worldwide to the stores, and also led to an increase in sales of other products in the boutiques.[7]

2.1.4. Place

Place pertains to the distribution of goods or services from producer to consumer, signifying the channel through which a consumer or user purchases or acquires a product or service. Hermès uses both online and offline distributions, establishing direct channels that establish contact with Hermès and the customers. Customers can easily purchase desired products from Hermès either on shopping websites or in boutiques. For instance, Hermès lipsticks are available for purchase online, while individuals seeking to try products can find them in nearby boutiques located in 35 countries and regions globally.

2.2. Opportunities and Challenges in Current Marketing Strategy

After using 4P Strategy to analyze the current marketing strategy of Hermès beauty line, this paper will further use Porter's Five Forces Model and SWOT model to analyze the opportunities and challenges of the current marketing strategy.

According to Porter's Five Forces Model, from the intensity of the competitive landscape, Hermès is now threaten by various companies offering comparable beauty products at lower price points, along with those that entered the cosmetics market earlier, such as Dior and Chanel. Consequently, the luxury beauty market exhibits a high level of competition. Furthermore, the bargaining power of suppliers is relatively low, as Hermès is a mature and well-established company with an extensive network of suppliers. However, given the variability in raw material quality, Hermès may try to avoid replacing suppliers. Additionally, the entry and exit costs for buyers are low, enabling them to switch to any other rival firms of Hermès who sell similar products at similar prices easily. Hermès also encounters competition from substitute products that provide similar functions at lower price points. The barriers to entry into the cosmetics market are moderate, allowing new companies to enter relatively easily, although they face fierce competition from established brands.



Figure 1: SWOT Analysis of Hermès Beauty Line

In figure1, the current opportunities of Hermes beauty line can be analyzed in terms of internal factors "Strengths" and the external factors "Opportunities".

Strengths: In terms of strengths, Hermès has product diversity, strong technical advantages and strong brand recognition. Hermès provides products for both female and male, which shows their product diversification strategy. In addition, Hermès has formed its own unique competitive advantage by relying on its own special technology, such as unique shell design and lipstick case leather. According to Inter-brand, a global brand evaluation company, Hermès ranks 28th among the world's best brands in 2020 with a brand valuation of \$18 billion. Hermès' scarcity strategy has facilitated a focus on product development, contributing to its positive brand reputation and awareness accrued over its more than 180 years of existence [8].

Opportunities: From the opportunities perspective, Hermès enjoys favorable external conditions due to the growing market of beauty products, the weak bargaining power of suppliers, and the challenges faced by new entrants. The demand for beauty products has surged as consumers increasingly seek high-quality offerings, and the competitive landscape remains dominated by established companies like Chanel and Hermès, making it challenging for new entrants to capture significant market share.

Weaknesses: In terms of weaknesses, Hermès' relatively high pricing strategy limits its target customer base. Furthermore, its brand awareness within the beauty segment remains lower compared to its renowned handbag line. The late entry into the beauty market has contributed to diminished consumer recognition of Hermès' products, including lipsticks. Additionally, the limited marketing channels have resulted in the loss of potential customers and a subsequent decline in sales revenue for Hermès' beauty line.

Threats: The threats facing Hermès compartmentalization offering similar function products at lower prices, the intense competition in the cosmetic market and the strong bargaining power of buyers can all pose a threat to Hermès. As customers are more likely to be attracted by cheaper products, the number of rival firms and substitutes of Hermès is increasing and customers can easily switch to buy another firm's beauty products.

3. Case Studies and Lessons Learned

3.1. Case Analysis of Chanel

Both Hermès and Chanel are positioned in the high-end luxury fashion market, setting premium prices that reflect their brand prestige and quality. The lowest retail price for both Hermès and Chanel is nearly \$5,000. The selling prices for Hermès' Kelly bags and Chanel's Jumbo Flap bags are priced at several thousand dollars or even tens of thousands of dollars, and the prices increase each year. Not only are the bags and accessories sold at similar prices, but the selling prices for beauty products are also similar. For example, the retail prices for their lipsticks are both about 67 dollars. In terms of the specific customer segments targeted, both these two brands are targeting at those middle-aged, well-educated professionals between 20-60 years old with high incomes.

Chanel reported nearly \$20 billion in sales in 2023, reflecting a 16% increase from the previous year's revenue of \$19.7 billion. Established in 1924, the Société des Parfums CHANEL focuses on producing and selling perfumes and cosmetics, amassing over \$40.84 billion in total revenue. This is achieved by selling three major products: fragrances, skincare and color cosmetics. According to Business of Fashion, an estimated one-third of Chanel's business is beauty, with global e-commerce sales of fragrances and beauty products growing 50% year-on-year from 2017 to 2018. [9] This financial performance was driven by strong customer demand worldwide and successful marketing strategies adopted by Chanel, which have greatly contributed to its enduring success and iconic status.[10] Additionally, it is also essential for a business to be aware of changing social trends during the product design process. In the current context of people paying special attention to the environment and sustainable development, Chanel has fully utilized its corporate social responsibility

and carried out eco-friendly procurement, attracting customers with the same values. For example, Chanel launched a project to protect natural resources and traditional knowledge at the press conference of its new skincare products, and then put this special content on the website to raise public awareness. Chanel also uses sustainable product packaging to fulfill its corporate social responsibility. This good brand reputation and brand image is conducive to enhancing customer trust and user stickiness, which is not only beneficial to the development of the product line it promotes, but also to the sales of other products under the company.[11]

3.2. Lessons Learned from Chanel's Beauty Line

Chanel and Hermès have similar marketing strategies for their beauty lines, such as product limitation and product diversification strategies. Both brands developed a unique selling point by using limited editions and exclusivity to attract and retain customers. They also abound their product range by offering a wide variety of beauty products, from skincare to makeup, nail polish and perfume. In addition to Hermès' existing strategy, Chanel's beauty line also has some unique marketing strategies, which are worth learning and reference by Hermès. For example, Chanel emphasized its rich history and timeless elegance in marketing, frequently highlighting their brand's iconic heritage C logo and two main color black and white during the designing and marketing process. [10] Hermès could enhance its marketing approach by investing in brand storytelling and establishing a timeless brand positioning, potentially utilizing its recognizable orange box—embossed with the iconic horse and groom stamp—for packaging its lipsticks and blush products to reinforce brand recognition and customer impressions.

However, Chanel's marketing strategy does have limitations which Hermès should avoid or improve upon. Despite advancements in technologies such as Augmented Reality and Artificial Intelligence, which present significant opportunities for enhancing customer satisfaction and establishing a competitive edge, Chanel has been somewhat slow to embrace digital marketing and e-commerce innovations [12]. In contrast, Hermès could try to take the advantage of the development of technology and develop a online color test program, which would enable customers to find which lipstick shade match them the most without going to the offline boutiques, thereby broadening its customer base.

4. Conclusion

Overall, according to the SWOT analysis, Five Forces analysis and 4P analysis, we found that Hermès beauty line has both advantages and disadvantages in its marketing strategy. The use of price differentiation strategy, high product quality and well established reputation serve as pivotal factors contributing to Hermès beauty lines' success, providing Hermès competitive advantages. Conversely, the high level of competition and the increasing number of rivals pose threats to Hermès, while elevated pricing and limited promotional channels negatively impact its market presence.

This paper's exploration of Chanel's beauty line, which targets a similar customer demographic and product positioning as Hermès, reveals that both brands share comparable marketing strategies focused on creating unique selling points and enhancing product diversity, offering valuable insights for Hermès in strengthening its timeless fashion brand image. Nonetheless, Chanel's marketing approach also reveals shortcomings, particularly in not fully leveraging advanced technology's potential. Therefore, Hermès beauty line should not only analyze the development direction based on its own strengths and weaknesses, but also draw lessons from Chanel's beauty line marketing strategy. On the one hand, Hermès' beauty line should focus on the integration with modern technology in the future, exploring new promotional channels, and incorporating digital innovations to attract and retain customers, thereby securing a competitive advantage. On the other hand, Hermès Beauty also needs

to emphasize tradition and invest more energy in brand history and brand storytelling which will help strengthen consumers' good impression of the brand and help Hermès Beauty foster customer loyalty, positioning Hermès Beauty favorably within the fiercely competitive luxury industry.

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