

The Impact of Marketing Strategy on Luxury Image and Consumer Loyalty: An Example of Hermes' Marketing Activities in China from 2023 to 2024

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Abstract:

As a top luxury brand, Hermes' unique marketing approach in China, including adding and refurbishment physical stores, online marketing and strict control of distribution channels, has helped to build brand image and increase customer loyalty. This study utilizes a mixed research methodology, including a questionnaire survey of 46 Hermes consumers and in-depth interviews with two Hermes consumers, to explore the reasons behind Hermes' unique marketing approach in China since 2023, its significance and its impact on brand image building as well as on consumer loyalty. The results of the survey show that 52.17% of consumers believe that Hermes is high-end. Meanwhile, 78.26% of consumers believe that they will continue to buy Hermes even if its prices are higher than its competitors, which shows that Hermes' unique marketing strategy in China has achieved positive results in building brand image and increasing customer loyalty. The insights provided offer valuable implications for luxury brands operating in competitive markets like China.

Keywords: Hermes, marketing strategy, brand image, loyalty, China.

1. Introduction

In today's digital age, physical stores seem to have lost their original advantage. Some brands have replaced physical stores with the development of online shopping platforms. Especially in China, e-commerce is growing very fast, with live shopping and shopping websites already well established. China has the largest online shopping population in

the world, with 915 million online shopping users as of December 2023, there was an increase of 69.67 million compared to December 2022, accounting for 83.8% of the overall Chinese internet users [1]. However, the way Hermes has developed in China has not fully follow the e-commerce trend in China. Hermes is placing more emphasis on physical stores, strictly controlling distribution channels and adopting digital marketing. These strategies are balanced in China's

digital age and are used to build the brand's image.

Current research on the marketing strategies of luxury brands in China focuses on the shifts in digital marketing approaches that luxury brands have adopted on Chinese social media in recent years and the ways in which luxury goods have increased stickiness among their Chinese customer base, as well as analyses of luxury goods' use of Chinese celebrities' endorsements and thus increased brand reputation, as well as retail and marketing strategies that luxury brands change when they experience difficulties in the Chinese market [2-5].

However, little research has looked at the reasons and rationale behind the opening and refurbishment of Hermes physical stores in selected cities in China from 2023. These gaps include the reasons why physical luxury stores are still necessary in today's digital age and need to be expanded and modernized, as well as how physical luxury stores can enhance luxury brand image and brand loyalty. Moreover, as China is a major e-commerce country, Hermes has only opened a very limited number of online purchasing channels in China, and the reasons behind this and its impact on the brand's image have not been specifically studied. There are some limitations in the existing research on the marketing strategies of luxury brands in China, such as the fact that the strategies studied are not specific to the Chinese market because the brands are practicing the same strategies in other countries. There is also the problem that some studies do not fully explain the reasons and implications behind a particular strategy. Also, some of the studies did not utilize Hermes' official financial reports to analyze the results and thus did not have much real data to support the results. When researching the impact of luxury brands' strategies on Chinese customers, questionnaires and interviews were not utilized to support the research, thus not reflecting the overall extent of the impact.

This study provides a deeper understanding of the unique marketing strategies Hermes has used in China since 2023, such as the addition of new physical stores, the development of Chinese social media marketing and the impact of strict control of distribution channels on Chinese consumers aged 30 to 50 and on branding. The result is a deeper understanding and reflection on brand image building and brand marketing.

Moreover, this study is going to investigate the influences on brand image building and consumer loyalty brought

by Hermes' add and refurbish physical stores, implement digital marketing and conduct strict control of distribution channels in China between 2023 and the first quarter of 2024.

2. Method

2.1 Questionnaire

This study took a quantitative research approach to investigate the responses of Hermes customers to various Hermes strategies. The questions in the questionnaire were designed from several perspectives, they are the impact effect of the strategy adopted by Hermes in China and the consumption preference of Hermes customers. The questionnaire consisted of several questions, including the channels through which customers first learned about Hermes, customers' description of Hermes, what makes Hermes special compared to its competitors, customers' interest in the new Hermes stores that have been opened in China in the past two years, customers' interest in Hermes' online marketing, customers' general purchasing channels, the strategies that have the most influence on customers' decision-making, and the strategies that are of most interest to customers. Hermes product categories that customers are most interested in. The study collected a total of 63 valid questionnaires and the results of the questionnaires showed some clear trends.

2.2 Interview

Based on the responses to the questionnaire, two respondents were selected to be interviewed for this study. The responses of these two respondents in the questionnaire survey are representative and specific, thus allowing for a more in-depth analysis of the study based on the interviews with them. The two interviewees chose to be interviewed focused on purchasing in physical stores and online respectively. Different questions were designed according to their different preferences, for example, for the consumer who prefers to buy Hermes products offline, she was asked the reason why Hermes still sticks to the physical store strategy in China, a country that focuses on e-commerce development. For those who prefer to shop online, she was asked about Hermes' strict control of distribution channels.

3. Results

3.1 Results of Questionnaires

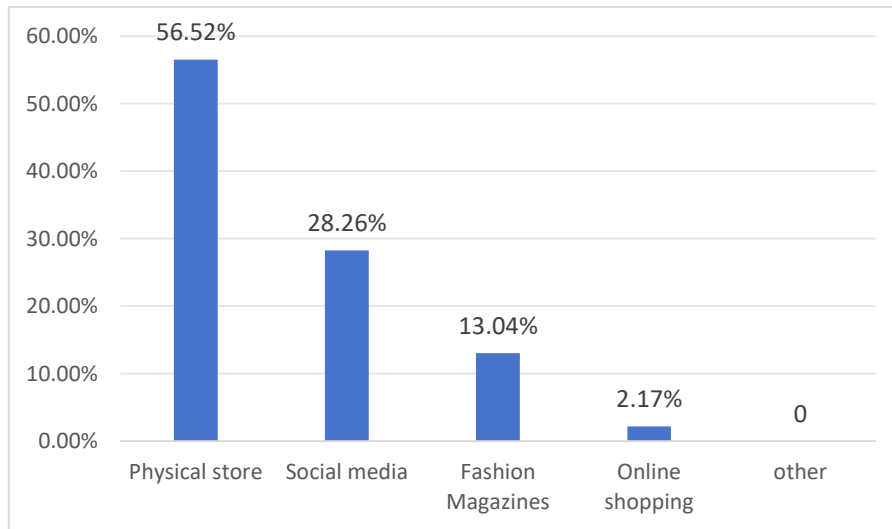


Fig. 1 The way consumers first learned about Hermes

According to figure 1, more than half of consumers (56.52%) learned about Hermes for the first time in a physical store, and a significant portion (28.26%) learned about Hermes for the first time through social media

platforms. The number of consumers who learned about Hermes for the first time through fashion magazines and online shopping platforms is low, at 13.04% and 2.17% respectively.

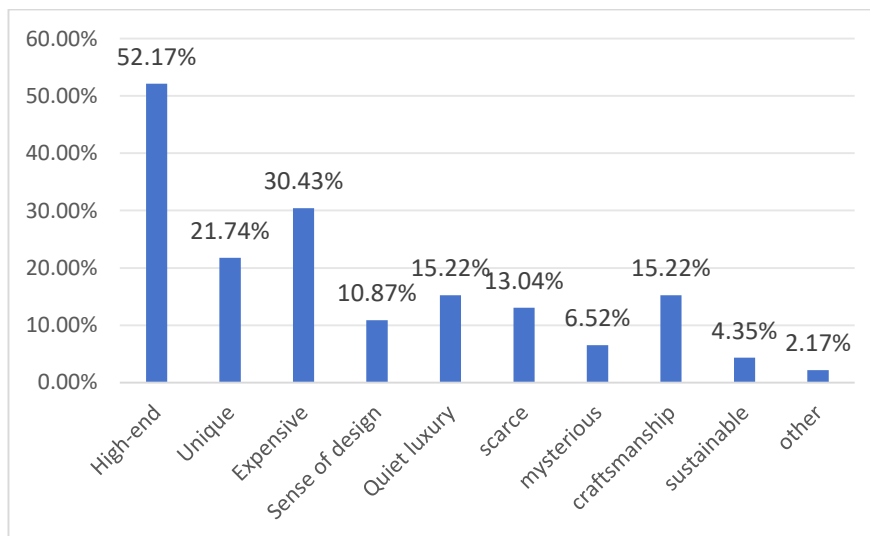


Fig. 2 Words consumers use to describe Hermes

According to figure 2, more than half of the consumers think that Hermes is high-end (52.17%). The next 30.43% of consumers think that Hermes is expensive. Then 21.74% of consumers think that Hermes is unique. 15.22% of all consumers think that Hermes is quiet luxurious and has craftsmanship. More than 10% of consumers

think that Hermes has a sense of design (10.87%) and 13.04% think that Hermes products are scarce. Less than 10% of consumers think that Hermes has a sense of mystery (6.52%), sustainability (4.35%) and other adjectives (2.17%).

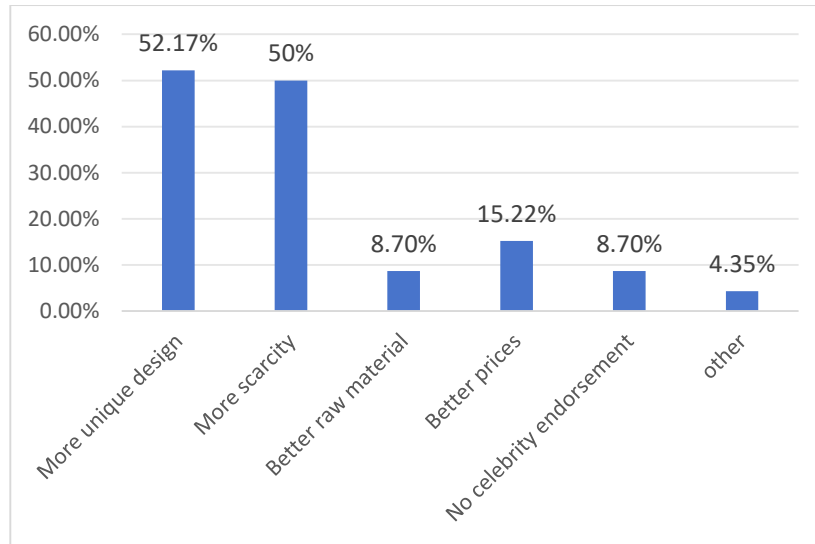


Fig. 3 Hermes' advantages compared to its competitors

According to figure 3, in terms of Hermes' advantages over its competitors, more than half of Hermes consumers believe that Hermes has a more unique design (52.17%), half believe that Hermes is more scarce, more than 10% (15.22%) believe that Hermes' pricing is more advan-

tageous, and fewer than 10% believe that Hermes has higher-quality raw materials (8.70%) and does not have celebrity endorsements (8.70%), and that there are other aspects (4.35%) that are more advantageous

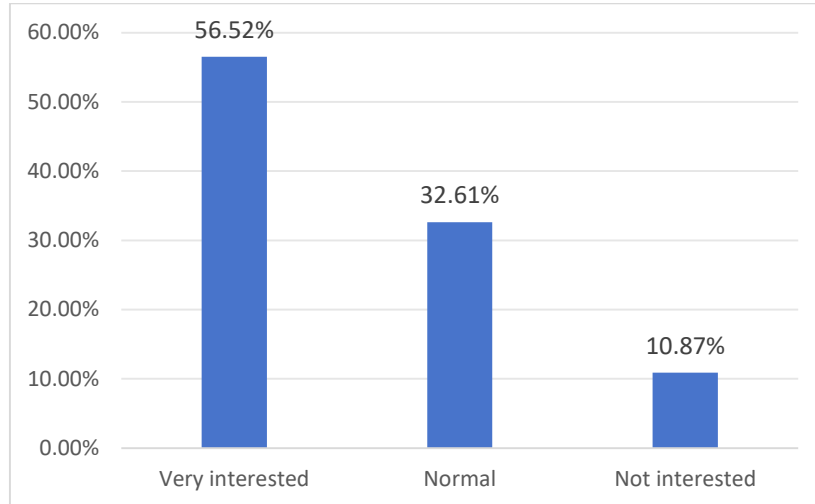


Fig. 4 Consumers' interest in new physical stores in China

According to figure 4, 56.52% of consumers are very interested in the new physical stores opened by Hermes in China in the past two years, 32.61% of Hermes consum-

ers have a general interest in the new physical stores, and 10.87% of consumers are not interested at all in the new physical stores opened by Hermes in China.

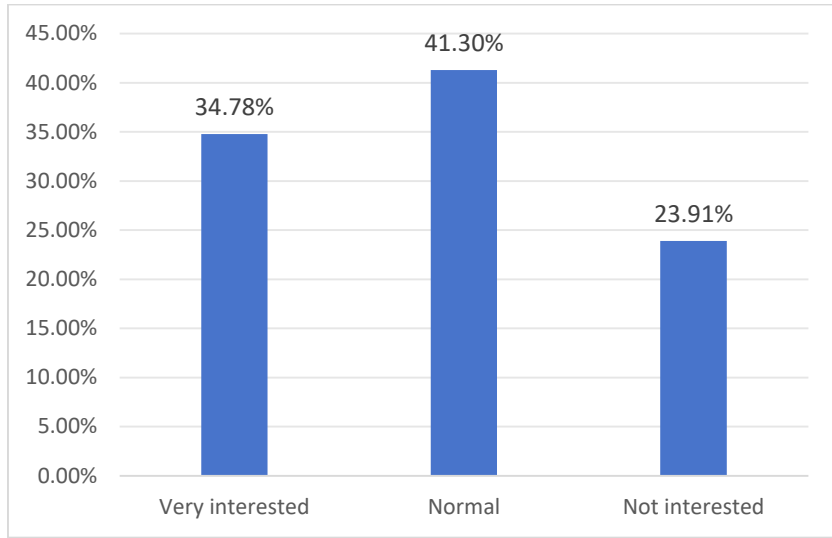


Fig. 5 Consumers' interest in Hermes' online marketing

According to figure 5, 41.30% of Hermes consumers have a general interest in Hermes' online marketing, 34.78% are very interested in Hermes' online marketing activities, and 23.91% are not interested in Hermes' online marketing.

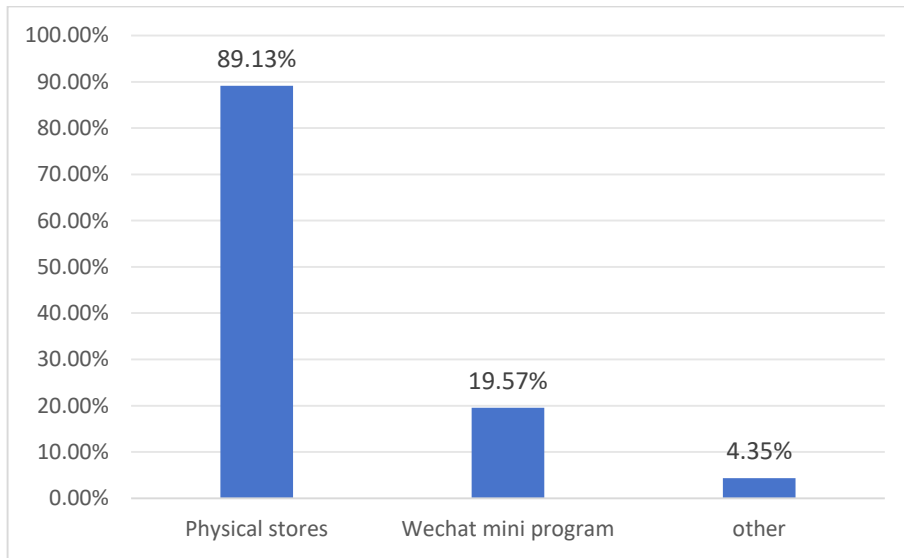


Fig. 6 Ways consumers often take when purchase Hermes' product

According to figure 6 nearly 90% of Hermes consumers (89.13%) regularly shop in physical stores. 19.57% of consumers regularly shop on WeChat mini-programs. 4.35% of consumers regularly shop on other platforms.

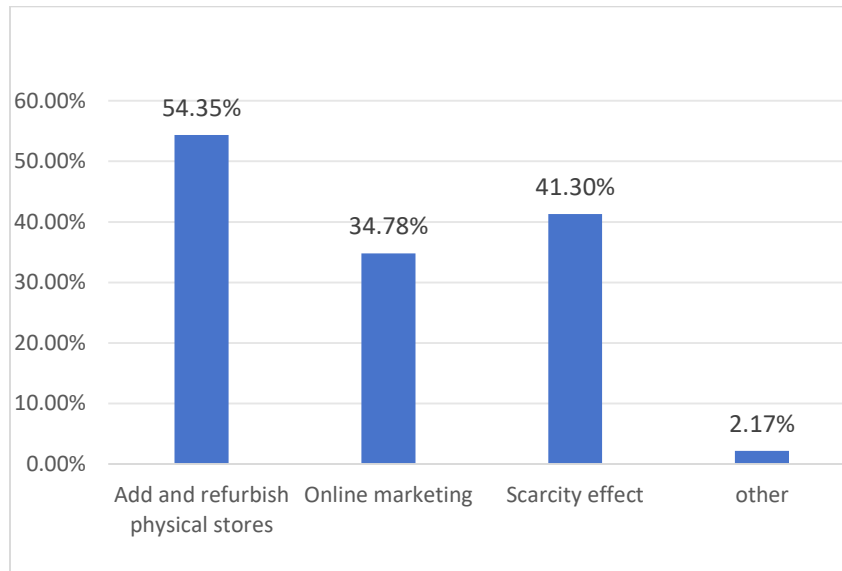


Fig. 7 Strategies that have the greatest impact on consumers' purchasing decisions

According to figure 7, 54.35% of consumers believe that the physical store strategy has the most influence on their purchasing decision 41.30% of consumers say that scarcity marketing has the most influence on their purchasing

decision 34.78% of consumers believe that online marketing has the most influence on their purchasing decision and 2.17% of consumers believe that other strategies have the most influence on their purchasing decision.

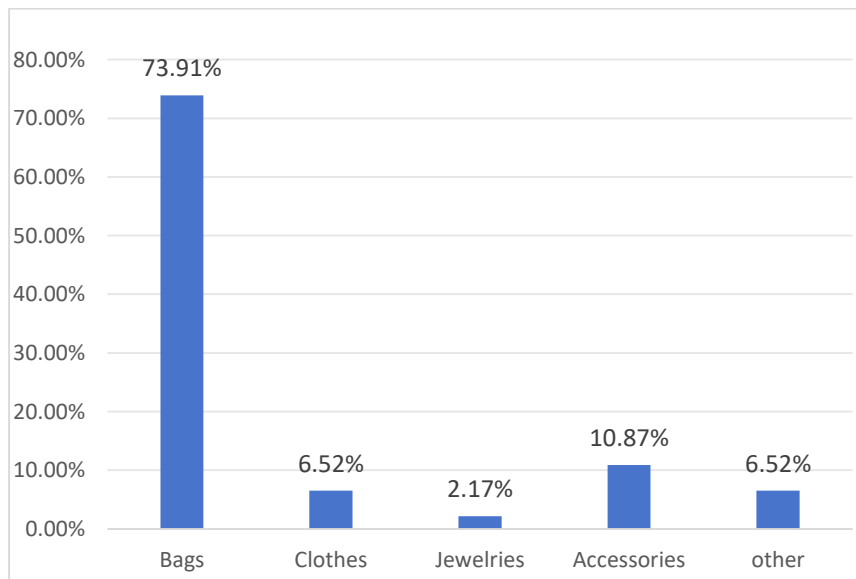


Fig. 8 Hermes' products that consumers most interested in

According to figure 8, 73.91% of consumers are most interested in Hermes bags, about 10% are interested in Hermes accessories, 6.52% are interested in Hermes clothes and other items, and 2.17% are interested in Hermes jewelry.

chase of Hermes when she was attracted by the beautiful decorations while passing by a Hermes physical store and bought her first Hermes necklace in her life, and she has been attached to Hermes ever since. According to the second interviewee, she purchased the Hermes perfume after first learning that Hermes had an online store on WeChat mini-programs through the social media Xiaohongshu.

3.2 Results of Interviews

3.2.1 Motivation to buy Hermes

According to the first interviewee, she made her first pur-

3.2.2 Hermes' brand image

The interviewee stated that some of the Hermes bags

such as the Birkin and Kelly are very hard to come by and therefore she believes that Hermes products have a high degree of scarcity. At the same time, she thinks that Hermes does not follow the trend of focusing on online stores in China, a country where e-commerce is popular, but instead focuses more on physical stores, which reflects Hermes' exclusive image. The second interviewee believe that Hermes has not adopted the same live-streaming sales approach as other brands in China, which reflects the scarcity and exclusivity of Hermes' products and thus increases the symbolic value of the brand.

4. Discussion

4.1 The Physical Store Strategy

Physical stores play a crucial role for luxury brands, enhancing their image and providing them with more loyal customers [6]. All Hermes stores in China are located in the city centers of first-tier cities or cities with rapid economic growth. From 2023, Hermes opened and renovated a total of six new stores in China. They are Beijing SKP Store, Wuxi Henglong Plaza Store, Chengdu SKP Store, Tianjin Wangcheng Store, Beijing Peninsula Hotel Store, Nanjing Deji Plaza Store, where the huge flow of people can provide the brand with greater awareness, while the exquisite decorations of the stores, such as the frontages and display window could represent the brand's unique image [7]. According to the respondent of the first interview, in 2024, Hermes and the artist Song Dong organized an art exhibition called Window in Window in the Hermes store in Shanghai. The artist used old window frames and colored glass to create a large-scale art installation that was as beautiful as a kaleidoscope. Having an art exhibition in a physical store is a great way to show the brand's artistic and exclusive image.

4.2 The Online Marketing Strategy

Hermes' online marketing strategy does a great job of highlighting the exclusive image. According to interviews, Hermes launched new WeChat campaigns during the Chinese New Year in 2024, such as WeChat small program, "Dragon presenting Fubao", and limited WeChat emojis for the Year of the Dragon, as well as the Year of the Dragon Wechat red packet cover. The campaign not only promotes the brand nationwide, but the beautiful design of the images is also a refreshing change for the audience. Unlike other luxury brands, Hermes did not launch any limited edition products during the Chinese New Year period, which demonstrates Hermès' strict control over the quantity and channels of sales, thus reflecting the scarcity and exclusivity of the brand.

4.3 Strict Control of Distribution Channel

Strategy

Hermes not only has a very strict choice in purchasing raw materials, but also has a very strict strategy in controlling distribution channels [8]. First of all, according to the second interview, two of Hermes' most famous bags, the Birkin and Kelly, will only be sold in physical stores and will not be sold online and there is a long wait to purchase both bags. Secondly, Hermes beauty products are only sold in a very limited number of online channels, whereas the makeup of other brands has been involved in live sales on the Internet. Hermes has such a strict channel and attitude towards the sale of products, which can perfectly create the scarcity of the product, and at the same time can show the brand's exclusive image.

4.4 Reason of High Loyalty

4.4.1 Special activity in physical stores

Hermes' physical stores are not just for selling merchandise, they also have a function of organizing events to maintain long-term and stable relationships with customers. According to the respondent to the first interview, Hermes holds small events such as runway shows and DIY in their physical stores. Meanwhile, according to observation at the physical store in Nanjing Deji Plaza, Hermes held a "silk dance" in the store to show off the new silk scarves. In this event there were many dancers with scarves who danced freely and gracefully. Unlike a simple sales pitch, this kind of campaign can present the new product in an artistic form, which can attract customers to the store to appreciate the new product without causing them to be offended by the sales pitch. Since Hermes organizes similar events on regularly, in the long run, customers will regularly visit Hermes' physical stores, which can enhance their loyalty to the brand.

4.4.2 Scarcity effect

Hermes products, especially bags, are famous for their scarcity. By starvation marketing and controlling production, the brand is trying to frustrate customers and create a desire to get what they want. This behaviour of the customer is known in economics as the scarcity effect. The scarcity effect is when people perceive that something is in limited supply or difficult to obtain, their desire and valuation of that item tends to increase [9]. At the same time, Hermes' scarce products often symbolize social status and personal taste, so Hermes' consumers choose to keep buying Hermes' scarce products for the sake of social acceptance. This is also the reason why Hermes' customers' loyalty is very high.

5. Conclusion

In terms of building brand image, Hermes firstly set up

physical stores in China's fast-growing cities or downtowns of first-tier cities with beautiful decorations. Moreover, Hermes implemented an online marketing campaign for special Chinese festivals, using artistic painting styles and a philosophy of not selling products that are limited to the festivals. In addition, Hermes utilizes a strict control of distribution channels, refusing to carry products on live platforms, and selling popular products only in limited channels. Through these three strategies, Hermes has created an image of high-end, exclusivity and scarcity for the brand. In terms of increasing customer loyalty, Hermes' primary target group is the 30 to 50 year old, who usually have a desire for social acceptance and sufficient financial resources to support their needs, thus laying a good foundation for the high loyalty of Hermes' customers. There are two reasons for this high loyalty, the first is that Hermes offers special events in its physical stores, which attracts customers to frequently visit the stores, and the second is that customers are loyal to the brand due to the scarcity effect, which creates an increasing demand for Hermes' products.

This research not only advances academic understanding of marketing strategies in the luxury sector but also provides practical guidance for luxury brands to navigate the complex and dynamic Chinese market. The dual focus on theory and practice makes this study a valuable contribution to the field of marketing and luxury brand management.

Due to time constraints, enough data was not achieved, only 46 questionnaires were collected, the expectation was at least a hundred, but the good thing is that these 46 data have shown a clear trend. Also due to some practical factors, only two people were interviewed, if more people could attend interview, it would have helped more in the discussion part. In the future, the study about the diverse marketing strategies of other top companies in the world, such as Disney and Universal Studios may be carried out and it is believed that there would be much to study and

learn from their marketing strategies.

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