

The Premium Logic of Hermes: The Theory of the Correlation between Market Segmentation Dimensions and Brand Value

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Abstract

This article aims to deeply analyze the logic behind the high premium of the Hermes brand, and reveal the key factors of its success by exploring the correlation theory between market segmentation dimensions and brand value. First, the basic concept and significance of market segmentation were expounded. Then, a detailed analysis was conducted on Hermes' precise positioning in multiple market segmentation dimensions, including consumer characteristics, consumption behavior, and consumption psychology. Then it discusses how Hermes builds a strong brand value through means such as outstanding product quality, unique brand culture, and scarcity marketing, and further explores the interaction mechanism between market segmentation dimensions and brand value, as well as how this mechanism jointly supports Hermes' high premium.

Keywords: Hermes; Premium logic; Market segmentation dimension; Brand value association.

1. Introduction

In today's highly competitive global luxury goods market, Hermes is undoubtedly a highly representative brand. With its high price, excellent quality and unique brand charm, it has become a symbol of luxury and quality in the minds of many consumers. The prices of Hermes products are often much higher than those of similar products, yet they still manage to attract a large number of loyal consumers, maintaining strong market competitiveness and high profits. There must be complex and profound business logic behind this high premium phenomenon.

Market segmentation is an important foundation for enterprises to formulate marketing strategies. By dividing the market into different segmented groups, enterprises can better understand the needs and preferences of consumers, and thus provide more targeted products and services ^[1]. Brand value, on the other hand, is an intangible asset accumulated by an enterprise during its long-term operation. It reflects consumers' recognition, trust and loyalty to the brand ^[2]. In the luxury goods sector, brand value plays a crucial role in product premium. Therefore, studying the premium logic of Hermes and delving deeply into the correlation theory between market segmentation dimensions and brand value not only helps us understand the secret behind Hermes' success but also provides beneficial inspirations for other brands to achieve brand premium in market competition.

2. Overview of Market Segmentation Theory

2.1 The Concept of Market Segmentation

Market segmentation refers to the process by which an enterprise divides an overall market into several sub-markets with similar demand characteristics based on the differences in consumer demands ^[3]. These sub-markets are called market segments. In these market segments, enterprises can more accurately identify their target customer groups and formulate targeted marketing strategies. For instance, in the cosmetics market, enterprises can segment consumers based on factors such as skin type, age and gender, and provide products suitable for consumers in different segmented markets.

2.2 The Importance of Market Segmentation

Market segmentation holds multiple significant meanings for a company's marketing activities. First of all, it helps enterprises discover market opportunities. Through market segmentation, enterprises can identify unmet or undermet consumer demands, thereby developing new products or services and opening up new market Spaces ^[4]. For instance, with the enhancement of health awareness, some enterprises have discovered consumers' demand for organic food and thus entered the organic food market. Secondly, market segmentation can enhance a company's market competitiveness.

Enterprises can provide products and services that better meet consumers' demands for different market segments, enhance consumers' satisfaction and loyalty, and thus stand out in the fierce market competition ^[5]. In addition, market segmentation is also conducive to enterprises optimizing resource allocation. Enterprises can rationally allocate human, material and financial resources based on the scale, growth potential and profitability of different market segments, improve the efficiency of resource utilization and reduce marketing costs ^[6].

2.3 Dimensions of Market Segmentation

The dimensions of market segmentation are diverse, with common ones including geographical dimension, demographic dimension, psychological dimension and behavioral dimension, etc. ^[7] The geographical dimension is mainly subdivided based on factors such as consumers' geographical location and climatic conditions. For instance, the climate differences in various regions can affect consumers' demands for clothing materials and styles. Demographic dimensions include age, gender, income, occupation, educational attainment, etc. Consumers of different age groups often have different demands and preferences for products. Young people may pay more attention to the fashion and personalization of products, while the elderly place more emphasis on the practicality and comfort of products. The psychological dimension involves consumers' lifestyles, personality traits, values, etc. For instance, consumers who pursue fashion and trends may be more willing to try new products and brands. The behavioral dimension is segmented based on consumers' purchasing behavior, usage frequency, brand loyalty, etc. High-frequency purchasers and low-frequency purchasers may have different responses to the marketing strategies of enterprises. In the luxury goods market, due to the more complex and diverse demands and purchasing behaviors of consumers, enterprises usually need to comprehensively apply multiple segmented dimensions to more accurately position their target customer groups ^[8].

3. Analysis of Hermes' Market Segmentation Dimensions

3.1 Market Segmentation Based on Consumer Characteristics

In terms of age and gender, Hermes products have a wide audience. The core consumer group consists of middle and high-income individuals aged 30 to 60, and in recent years, it has also attracted the younger generation. For young consumers, we have launched a series of fashionable and personalized products, such as limited-edition handbags in collaboration with renowned designers. In terms of gender, there are both classic handbags and silk scarves suitable for women, as well as high-quality leather goods, ties, perfumes and more for men.

In terms of income and occupation, Hermes targets the high-end luxury market. Its target consumers are high-income groups who have stable occupations and high social status, such as corporate executives, financial practitioners, artists, etc. They have strong purchasing power, high requirements for quality and brand, and are willing to pay a high price for high-quality products and unique experiences.

Educational attainment is also an important sub-factor. Hermes consumers generally have a relatively high level of education. They pay attention to the quality of life and cultural connotations, and have a deeper understanding and appreciation of luxury goods. They not only focus on the material value of the products but also attach great importance to the cultural, historical and artistic value of the brand.

3.2 Market Segmentation Based on Consumer Behavior

In terms of purchase frequency, Hermes consumers can be divided into high-frequency and low-frequency buyers. High-frequency buyers are loyal fans with deep affection and high recognition for the brand. They regularly purchase new products and collect style series. Hermes enhances its loyalty through membership systems and exclusive events. Low-frequency buyers tend to purchase on specific occasions or when there is a need, such as important festivals, anniversaries, business events, etc. Hermes attracts them with limited edition products.

In terms of purchasing channels, the development of the Internet has diversified them. Hermes consumers can purchase from both offline stores and online channels. Offline specialty stores offer intuitive product experiences and personalized services, creating a luxurious atmosphere and exclusive treatment. Online channels are convenient and efficient, meeting the need for shopping at any time. Hermes optimizes its online and offline layout and services to offer a seamless shopping experience.

In terms of brand loyalty, Hermes has highly loyal consumers who have a strong sense of identification and belonging to the brand. They not only purchase it themselves for a long time but also recommend it to others. Hermes offers customized services, priority purchase rights and other privileges to such consumers to consolidate their loyalty. At the same time,

Hermes focuses on attracting potential consumers. Through brand promotion and marketing activities, it enhances its popularity and reputation, and encourages them to turn into actual buyers.

3.3 Market Segmentation Based on Consumer Psychology

In terms of pursuing quality and craftsmanship, Hermes is renowned for its outstanding quality and exquisite craftsmanship. Consumers who pursue a high-quality life regard its products as symbols of status and taste, pay attention to materials, craftsmanship and details, and are willing to pay a high price for top quality. Hermes ensures the high quality of its products through strict quality control and exquisite craftsmanship, meeting consumers' ultimate pursuit.

In terms of highlighting one's status and position, luxury goods have this function, and Hermes is particularly prominent. Owning a classic Birkin bag or Kelly bag is regarded as a symbol of success and wealth. Consumers' purchase is not only to meet their usage needs, but also to demonstrate their social status and economic strength. Hermes creates a sense of scarcity and nobility through limited production, high prices and a unique brand culture, strengthening its status as a symbol of identity.

In the era of personalized consumption, consumers pay attention to the uniqueness and personalization of products in pursuit of distinctiveness and individuality. Hermes offers customization services. Consumers can choose materials, colors, sizes and decorations according to their preferences to create unique products. This kind of service increases the added value of the product, makes consumers feel the brand's attention and respect, and enhances satisfaction and loyalty.

4. The Brand Value Construction of Hermes

4.1 Outstanding Product Quality

Product quality is the foundation of brand value. Hermes has reached the ultimate pursuit of product quality. From the selection of raw materials to every step of the production process, Hermes strictly controls every aspect. For instance, Hermes only selects the highest quality leather for its leather products. These leathers undergo strict screening and processing to ensure the best texture and durability. During the production process, Hermes adheres to traditional handcrafting techniques. Each product is meticulously crafted by experienced artisans and undergoes dozens of procedures and strict quality inspections to ensure that every piece meets high-quality standards. This unwavering pursuit of product quality has enabled Hermes products to enjoy an extremely high reputation and popularity in the market, making them a trusted brand among consumers.

4.2 Unique Brand Culture

Brand culture is one of the core competencies of a brand. Hermes has a long history and a unique brand culture. Hermes was founded in 1837 as a horse gear manufacturing workshop. Over time, it has gradually developed into a luxury brand covering multiple fields such as leather goods, silk scarves, clothing and perfumes. Over the course of nearly two centuries of development, Hermes has always adhered to the brand philosophy of "craftsmanship spirit" and "pursuit of excellence", combining traditional craftsmanship with modern design to create a series of products with unique styles and high quality. At the same time, Hermes also attaches great importance to the inheritance and dissemination of its brand culture. By holding brand exhibitions, cultural activities and other means, it enables consumers to have a deep understanding of the brand's history and cultural connotations, and enhances consumers' sense of identity and belonging to the brand.

4.3 Scarcity Marketing

Scarcity is one of the important characteristics of luxury goods. Hermes creates the scarcity of its products through limited production, hunger marketing and other means, thereby increasing the added value and brand value of its products. Many classic products of Hermes, such as the Birkin bag and the Kelly bag, are produced in limited quantities. Only a certain number of products are produced each year, and they need to be allocated based on consumers' purchase records and brand loyalty. This limited production method has led to a shortage of Hermes products. Consumers have to queue up to purchase them, and some even have to buy them at high prices through the second-hand market. In addition, Hermes frequently launches limited edition products and special customization services, further enhancing the scarcity and uniqueness of its products and attracting the pursuit of many consumers.

4.4 High-end Brand Image

Hermes enhances its brand awareness and reputation by meticulously crafting a high-end brand image. Hermes' specialty stores are usually located in bustling areas of major cities around the world. The stores are luxuriously and elegantly

decorated, creating a luxurious and noble shopping atmosphere. Meanwhile, all the employees of Hermes have undergone strict professional training and are capable of providing consumers with high-quality and personalized services, allowing them to feel the brand's dignity and exclusivity. In addition, Hermes also collaborates with high-end fashion magazines, celebrities and other figures to promote and publicize its brand, enhancing its exposure and influence, and further consolidating its image as a high-end luxury brand.

5. The Correlation Mechanism between Market Segmentation Dimensions and Brand Value

5.1 Market Segmentation Dimensions Provide Direction for Brand Value Construction

By segmenting the market, Hermes can gain a deep understanding of the needs and preferences of consumers in different segments, thereby providing a clear direction for the construction of brand value. For instance, in response to consumers' pursuit of quality and craftsmanship, Hermes regards outstanding product quality as one of the core elements of its brand value and continuously invests resources to enhance the quality and manufacturing techniques of its products. In response to consumers' psychological needs to showcase their status and position, Hermes has strengthened its status as a symbol of identity through limited production and the creation of a high-end brand image. At the same time, in response to consumers' pursuit of uniqueness and individuality, Hermes has launched customized services to meet their personalized demands and further enhance the brand's distinctiveness and appeal.

5.2 Brand Value Enhances the Effect of Market Segmentation

Strong brand value can attract more consumers who fit the characteristics of the target market segment, thereby enhancing the effect of market segmentation. Hermes has established a good brand reputation and word-of-mouth in the minds of consumers with its outstanding product quality, unique brand culture and high-end brand image. This makes consumers who pursue high quality, pay attention to the brand's cultural connotation and seek unique personality more willing to choose Hermes products, further consolidating Hermes' position in the target market segment. At the same time, the enhancement of brand value also enables Hermes to better withstand the challenges from competitors and maintain a stable growth in market share.

5.3 Dynamic Interaction between Market Segmentation and Brand Value

There exists a dynamic interactive relationship between market segmentation and brand value. With the changes in the market environment and the continuous upgrading of consumer demands, Hermes needs to constantly adjust its market segmentation strategy to adapt to the new market situation. For instance, as the younger generation of consumers has become a significant force in the luxury goods market, Hermes has attracted the attention of young consumers by launching more fashionable and personalized product lines. At the same time, the construction of brand value also needs to be adjusted and optimized accordingly in response to changes in market segmentation. While maintaining its traditional brand culture, Hermes continuously integrates modern fashion elements to meet young consumers' pursuit of fashion and individuality, thereby achieving a virtuous interaction between market segmentation and brand value.

6. Conclusion

This article conducts an in-depth analysis of Hermes' premium logic and explores the correlation theory between market segmentation dimensions and brand value. Hermes has built a strong brand value through precise market segmentation, catering to the needs and preferences of consumers in different market segments. This includes outstanding product quality, unique brand culture, scarcity marketing, and a high-end brand image. There exists an interaction mechanism between market segmentation dimensions and brand value, jointly supporting Hermes' high premium. The successful experience of Hermes provides important theoretical references and practical lessons for other brands to achieve brand premium in market competition. In the future market competition, enterprises should fully recognize the significance of market segmentation and brand value, continuously optimize market segmentation strategies, and strengthen brand value construction to achieve sustainable brand development and enhance market competitiveness. Meanwhile, as the market environment and consumer demands continue to change, enterprises also need to constantly innovate and adjust to adapt to the new market situation and remain invincible in the fierce market competition.

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