

HERMES

STRATEGY REPORT

Resilience Across Economic & Sustainability Landscapes

2024

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THE INTERNAL ENVIRONMENT



THE INTERNAL ENVIRONMENT:

Introducing Hermes



Introducing Hermes

Mission

To provide the best quality handcrafted luxury items, combining traditional craftsmanship with innovation to create timeless and exclusive pieces

Core Values

Craftsmanship: Commitment to handcrafted excellence and fine materials.
Exclusivity: Limited production to maintain rarity and desirability.
Innovation: Blending tradition with modern designs and new materials.
Sustainability: Emphasising eco-friendly practices and materials.
Timeliness: Creating products that remain relevant and luxurious over time.

Vision

To remain a symbol of luxury by retaining craftsmanship while responding to new demands, particularly through sustainability and digital expansion.



Introducing Hermes

CORE PRODUCTS



Saddlery to preserve Heritage

Birkin and Kelly bags: Hermes flagship products

Leather Goods & Saddlery



Fine materials including cashmere , silk and leather

Ready-To-Wear & Accessories



Craftsmanship

Watches



Intricate , artistic designs

Silk & Textiles



Perfumes & Beauty



Home & Lifestyle

Introducing Hermes

KEY INFORMATION: THE 'BIRKIN GAME'


POP CULTURE / CULTURE NEWS

Most Expensive Hermès Birkin Bags in the World: The Exotic Skins, Diamond Hardware and More Luxe Details

These Birkins have broken records.

$2.3m



Famous Celebrities such as the Kardashians , Victoria Beckham and Winnie Harlow , wearing Birkins



Hermes strategically manages the distribution of Birkin bags by requiring customers to build an extensive purchase history with the brand in order to be selectively offered a Birkin.

This approach serves multiple strategic purposes: it restricts supply, vets clientele, and elevates the Birkin from a product, to a privilege earned. This reinforces the brands luxury positioning by increasing exclusivity and status.

Introducing Hermes

TIMELINE

1800S FOUNDING AND ORIGINS



1837: Thierry Hermes founds a harness-making workshop, centralising on high quality craftsmanship.

1880s: Charles-Emile Hermes opens a store for made-to-measure harnesses and saddles, building a strong European reputation.

1900S-1920S EXPANSION INTO LEATHER GOODS



Strategic Move: Expands product line beyond equestrian gear to leather bags.

1900: Launch of the Haut à Courroies bag, Hermes'first big foray into fashion accessories.

1920s: Hermès releases its first leather purses, establishing its position in the luxury accessories industry.

1930S LAUNCH OF ICONIC PRODUCTS



1935: The Kelly Bag is introduced.

1937: The Hermès Silk Scarf was launched, diversifying into new luxury categories.

1950S KELLY BAG FAME AND BRAND RECOGNITION



1950s: The Kelly Bag gains global fame, enhancing Hermès' reputation as a symbol of luxury and sophistication.

Strategic Shift: Hermès begins to establish itself as a high-end luxury brand, not just in France but around the world, with a focus on exclusivity and craftsmanship.

1978 JEAN-LOUIS DUMAS LEADS GLOBAL EXPANSION



Leadership Change: Jean-Louis Dumas takes over as CEO, kicking off the strategic move towards global expansion, with flagship stores in New York, Tokyo and London.

Dumas debuts ready-to-wear collections, signalling Hermes' evolution from leather products to a more comprehensive luxury range.

Introducing Hermes

TIMELINE

1980S
THE BIRKIN BAG LAUNCHES



1980s: A collaboration with actress Jane Birkin results in the introduction of the Birkin Bag,.

Strategic Implication: The Birkin bag marks a new era in Hermès' approach to personalised luxury, with limited supply driving uniqueness and generating strong demand.

1990S
GOING PUBLIC AND EXPANDING GLOBALLY



1993: Hermès goes public on the Euronext Paris Stock Exchange, raising funds for international expansion.

Strategic Focus: Despite being public, Hermès is determined to preserve its family-controlled structure and legacy while maintaining tight control over its brand.

2000S
DIGITAL AND CREATIVE INNOVATION



2008: Hermès launches its first online store, marking a significant entry into the digital online arena. The silk knots app was later released in 2013.

2010S
TECH COLLABORATIONS AND SUSTAINABILITY EFFORTS

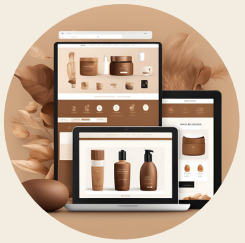


2015: Hermès collaborates with Apple to create the Hermès Apple Watch, which combines high-end fashion with cutting-edge technology, establishing Hermès as a luxury brand that embraces the digital age.

Hermès introduces Petit h, a sustainability-focused line crafted from up-cycled materials..

Strategic Direction: The emphasis moves to maintaining exclusivity while extending appeal to a younger population via internet presence and technology partnerships.

2020S
E-COMMERCE AND ECO-FRIENDLY INNOVATIONS



2020: Hermès strengthens its digital footprint by expanding e-commerce and WeChat presence, catering to Asia's luxury demand.

Sustainability Enhancements: Include mushroom leather and eco-conscious products, maintaining Hermes' commitment to quality and environmental responsibility.

Introducing Hermes

LOCATIONS



Saddle Factory , France



London Flagship

91% of Hermes leather is sourced in Europe.[1]

74% of Hermes goods are made in France.[2]

Hermes has 60 production sites across France, and 12 factories abroad, spread between Switzerland, Italy, the UK, USA, Portugal and Australia.[3]

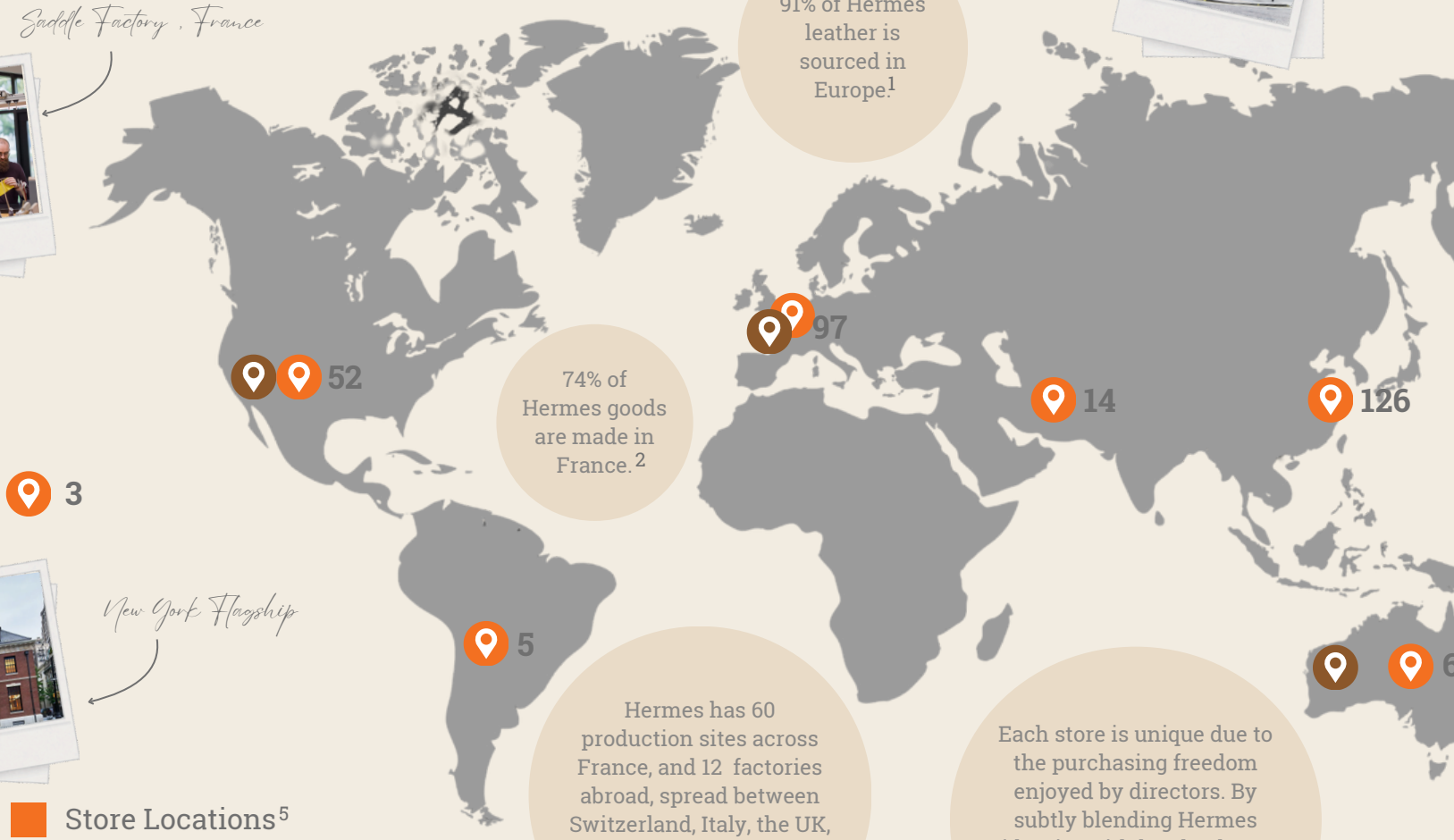
Each store is unique due to the purchasing freedom enjoyed by directors. By subtly blending Hermes identity with local culture, each address offers a bespoke experience to its customers.[4]



New York Flagship



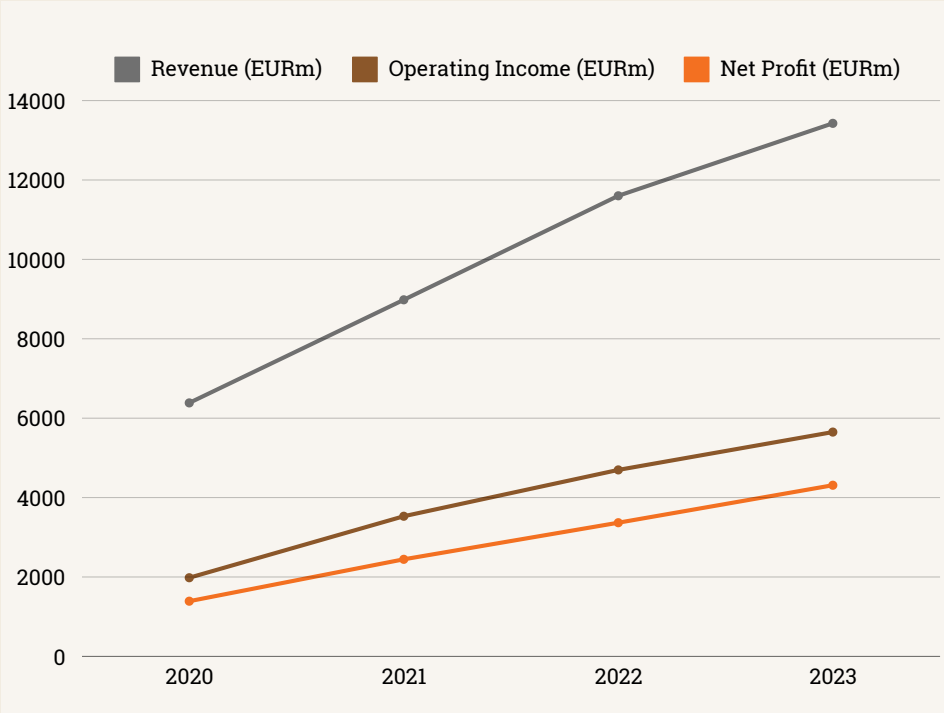
Milan Flagship

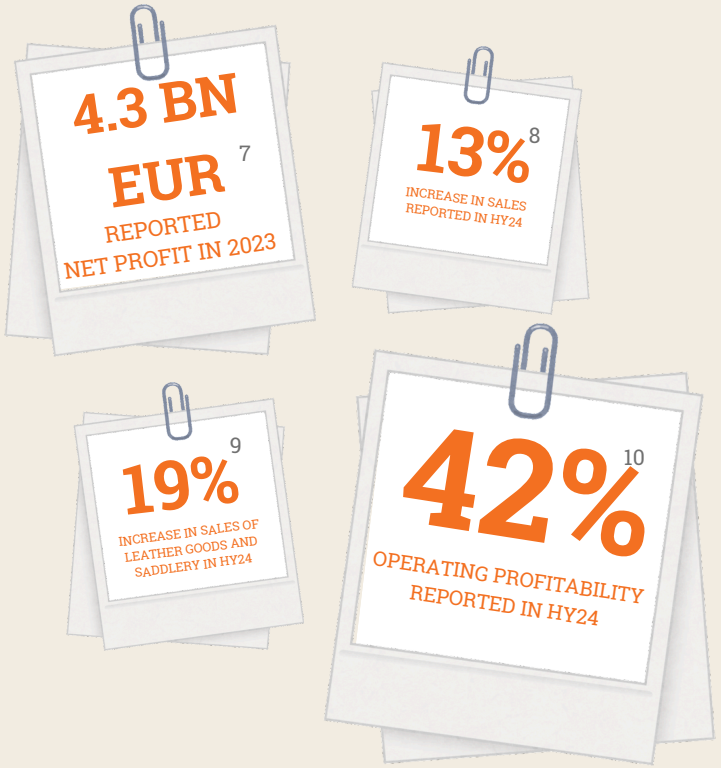


Store Locations[5]

Production Sites

FINANCIAL PERFORMANCE





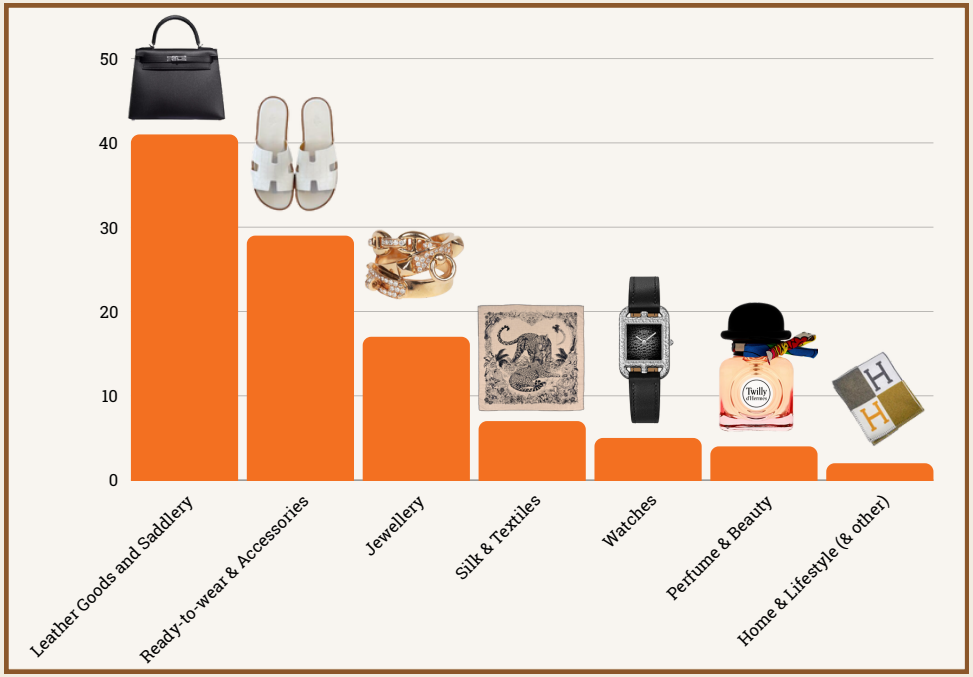
- Hermes showcases financial strength with 15% revenue growth in H1 2024 (constant exchange rates), driven by leather goods, strong profit margins, and a solid net cash position.[6]
- Hermès shares have consistently outperformed the Stoxx Europe 10 luxury index, with its stock price surging over 700% in the past decade and 180% since pre-COVID levels.[11]
- Leading the sector in growth, Hermès achieved a 47.4% revenue increase between 2021 and 2023, outpacing competitors like LVMH (34.1%), Chanel (25.9%), and Kering (10.9%).[12]

THE INTERNAL ENVIRONMENT:

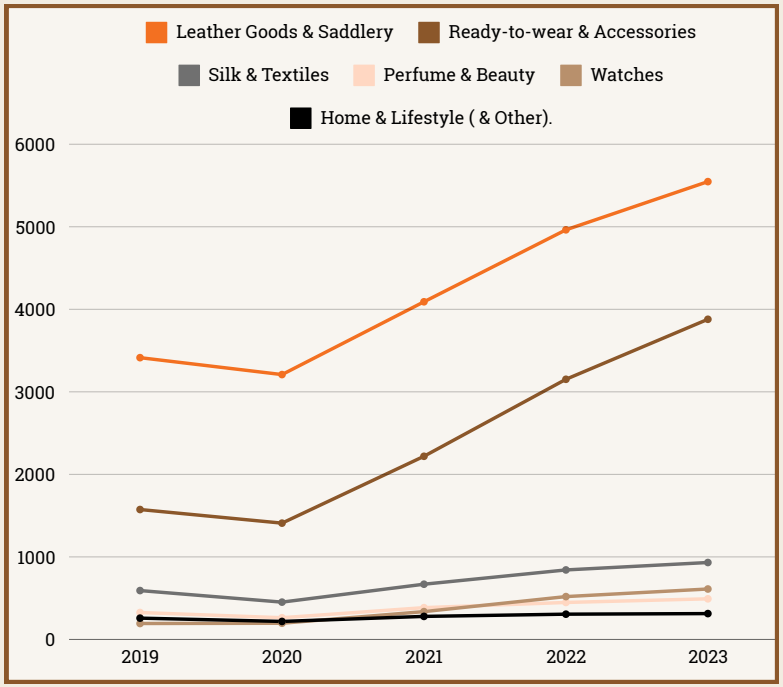
Portfolio Analysis



FINANCIAL PERFORMANCE OF BUSINESS UNITS



% Share of Hermes Revenue 2023 [13]



Year on Year Revenue 2019-2023 [14]

Portfolio Analysis

BCG MATRIX

Hermès should carefully evaluate whether to increase investment in their Perfumes division or gradually phase it out.

Hermès should consider divesting or minimising investment in Watches and Home & Lifestyle unless they serve a strategic purpose.



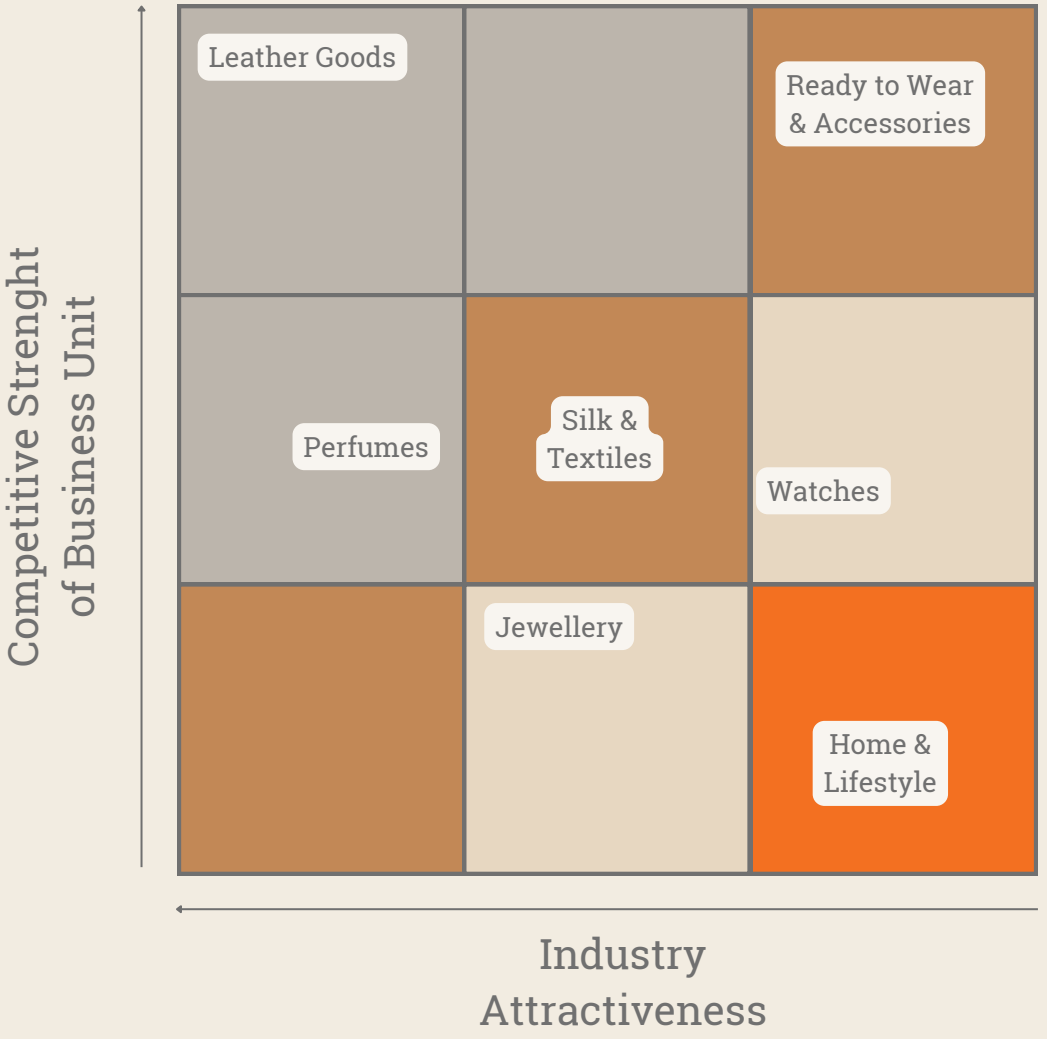
The Fashion and Jewellery divisions should receive substantial investment to maintain their leadership position and capture market growth.

For Hermès, Leather Goods and Silk & Textiles should be maintained efficiently to generate steady revenue that can fund other divisions.

Portfolio Analysis

GE-MCKINSEY MATRIX

- Invest
- Protect
- Harvest
- Divest



Portfolio Analysis

SUMMARY

Leather Goods



Core segment with high profitability.

Largest revenue driver with stable cash flow.

Maintain investment to secure dominance.

Ready-To-Wear & Accessories



High growth unit, vital for expanding Hermes' presence.

Significant revenue contributor (29% market share).

Watches



Niche, less central to Hermes' core identity.

Limit investment and maximise profitability.

Silk & Textiles



Niche, reinforces craftsmanship and luxury status.

Focus on profitability rather than growth.

Perfumes & Beauty



Growth potential.

Limited revenue, considered targeted growth.

Other (Incl. Home & Lifestyle)



Diversifies Hermes' portfolio.

Lacks strategic focus.

Divest or reallocate resources.

SELECTING A BUSINESS UNIT FOR ANALYSIS

This strategy report will focus it's analysis on the **Leather Goods** business unit.

Strategic Rationale

- The Leather Goods unit represents 41% of its €13.4 billion revenue in 2023 (Hermès Annual Report, 2023).[15]
- Analysing this unit aligns with Hermès' goal of maintaining its position as a leader in luxury craftsmanship, while capitalising on market potential and rising global trends.

Market Potential and Growth Prospects

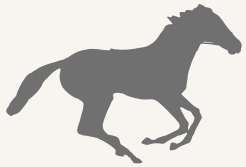
- The global luxury leather goods market is poised for substantial growth, with projections reaching $140.5 billion by 2030 and a compound annual growth rate (CAGR) of 5.4% (Grand View Research, 2024).[16] Hermès is well-positioned to capture a significant share of this expanding market, given its current, dominant position.

Strategic Importance to Hermès

- This unit embodies the craftsmanship and exclusivity that define Hermès, a factor crucial to sustaining the brand's luxury positioning.
- This unit's profitability contributes to Hermès' ability to reinvest in other areas of the business, including innovation, sustainability initiatives, and expansion in digital and physical retail spaces.

THE INTERNAL ENVIRONMENT:

Analysis of the Leather Goods Business Unit



KEY RESOURCES: TANGIBLE

Financial Resources

Revenue & Profits: Consistently achieves strong profitability, supporting reinvestment in product development and marketing.

Investment Capital: Substantial access to credit, funding global expansion while maintaining brand exclusivity.

Market Valuation: High market capitalisation reflects investor confidence and financial stability, helping to secure shareholder support.

Physical Resources

Retail Locations: Over 300 boutiques globally, located in major cities to maximise brand visibility[17]

Production Facilities: 54 workshops where skilled artisans craft products of high craftsmanship standards.[18]

Materials: Hermes sources premium leather from French and European tanneries and unique metal hardware, ensuring top-tier product quality and brand exclusivity.

Inventory: Hermes carefully controls inventory, including iconic items like the Kelly and Birkin bags, driving consumer demand through limited availability.

KEY RESOURCES: INTANGIBLE

Technology

Patents & Trademarks: Hermes holds many design and utility patents and 364 trademarks, protecting brand identity, product uniqueness and exclusivity.[19]

Technical Expertise: Over 2,000 production engineers and craftsmen focus on quality control, production processes and Innovation. [20]

Reputation

Customer Loyalty: Hermes builds loyalty with customers who view the brand as a symbol of luxury and status.

Company Reputation: Hermes emphasises ethical sourcing and high-quality materials, which builds trust with both suppliers and consumers, and ensures a reliable supply chain. Considered the most trusted luxury brand by consumers worldwide.

Product-Price Premium: Scarcity and (perceived) high value enable Hermes to set premium prices, reinforcing its exclusive brand reputation.

Business Unit Analysis

KEY CAPABILITIES



Exclusivity Management

Hermes creates scarcity through limited production and exclusive releases.

Premium pricing for the wealthiest consumers.



Innovative Merchandising

While rooted in tradition, Hermes embraces innovation in product design and customer engagement.

By blending heritage and modernity, Hermes ensures continued relevance.



Product Quality

Hermes's dedication to exceptional craftsmanship provides a competitive edge.

Strict quality control ensures products meet high standards, preserving the brand's reputation.

Business Unit Analysis

KEY RESOURCES: VRINO ANALYSIS

	VALUABLE	RARE	INIMITABLE	NON-SUBSTITUTIONAL	SUPPORTED	COMPETATIVE IMPLICATIONS
Revenue & Profits	✓	✗	✓	✗	✓	Competitive Parity
Investment Capital	✓	✗	✓	✗	✓	Competitive Parity
Market Valuation	✓	✗	✓	✗	✓	Competitive Parity
Retail Locations	✓	✗	✓	✗	✓	Competitive Parity
Production Facilities	✓	✓	✓	✓	✓	Sustained Competitive Advantage
Materials	✓	✓	✓	✗	✓	Temporary Competitive Advantage
Inventory Management	✓	✓	✓	✓	✓	Sustained Competitive Advantage

	VALUABLE	RARE	INIMITABLE	NON-SUBSTITUTIONAL	SUPPORTED	COMPETATIVE IMPLICATIONS
Patents & Trademarks	✓	✓	✓	✓	✓	Sustained Competitive Advantage
Technical & Scientific Employees	✓	✓	✓	✓	✓	Sustained Competitive Advantage
Customer Loyalty	✓	✓	✓	✓	✓	Sustained Competitive Advantage
Reputation	✓	✗	✗	✗	✓	Competitive Parity
Product Price-Premium	✓	✓	✓	✓	✓	Sustained Competitive Advantage
Exclusivity management	✓	✓	✓	✓	✓	Sustained Competitive Advantage
Innovative Merchandising	✓	✗	✓	✗	✓	Temporary Competitive Advantage
Product Quality	✓	✓	✓	✓	✓	Sustained Competitive Advantage

Business Unit Analysis

CORE COMPETENCIES: SUSTAINING COMPETITIVE ADVANTAGE



Quality Craftsmanship

Impact: Attracts customers and justifies premium pricing.

Sustainable Advantage: Customer loyalty, repeat business and stable revenue.



Global Expansion

Impact: Diverse markets with maintained brand integrity.

Sustainable Advantage: Mitigation from economic risks and ensures multiple revenue streams

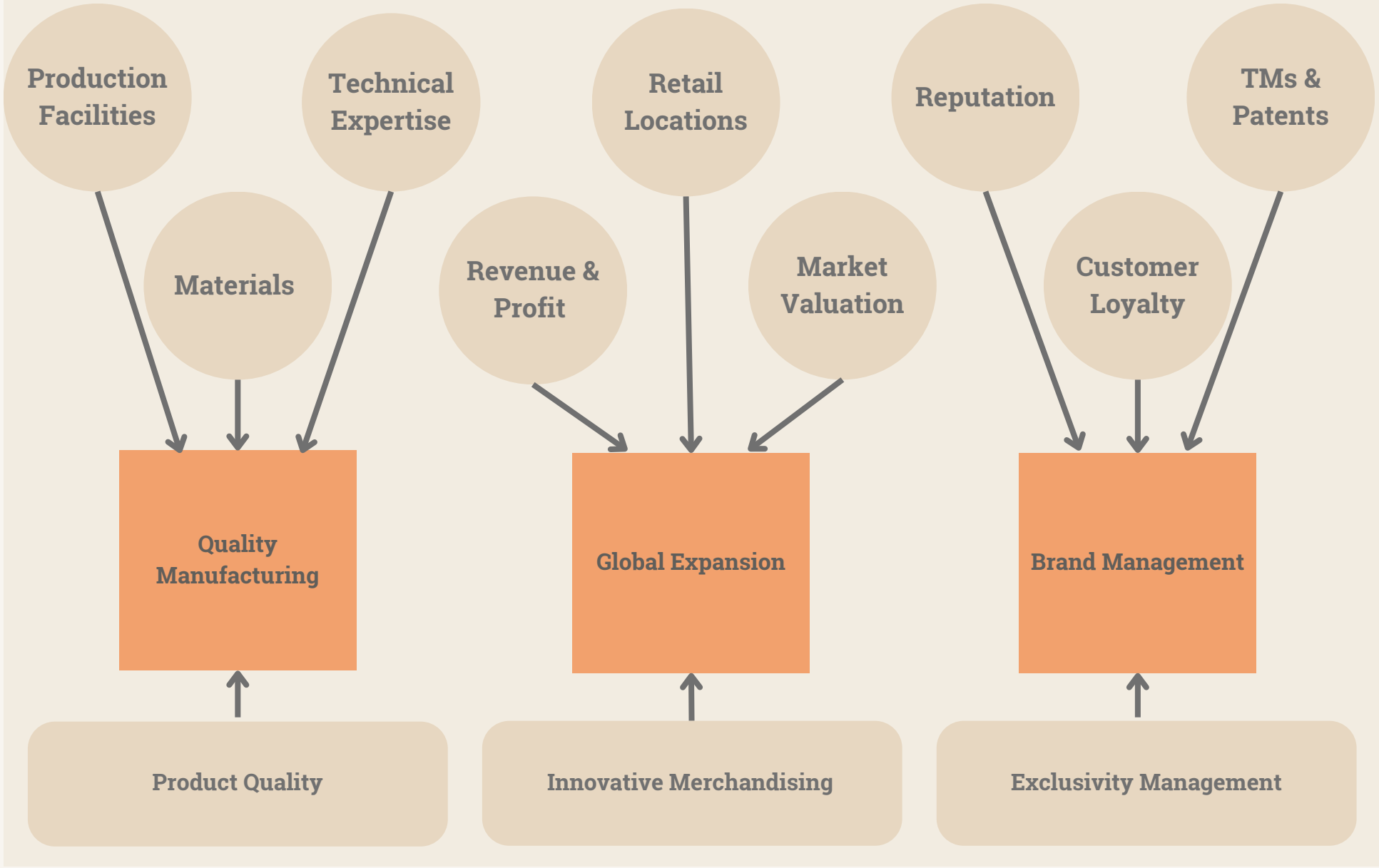
Brand Management

Impact: Maintains a prestigious image through heritage, exclusivity & quality.

Sustainable Advantage: Desirable and differentiated product

Business Unit Analysis

MAPPING RESOURCES, CAPABILITIES & COMPETENCIES



Business Unit Analysis

VALUE CHAIN ANALYSIS

PRIMARY ACTIVITIES

Inbound Logistics

Hermes sources premium leather directly from tanneries in Europe. Materials undergo thorough quality checks before storage near production sites. 85% of suppliers adhere to ethical policies, reinforced by WWF France.[21]

Operations

Hermes manages 80% of its production in-house[22] through 64 facilities (51 in France)[23]. Artisans use traditional methods, taking up to 48 hours per item. Limited production enhances exclusivity.[24]

Outbound Logistics

Hermes operates an exclusive, multi-local distribution network with 294 stores and controlled e-commerce.[25] The strategy maintains exclusivity but increases reliance on the Asia-Pacific market, posing risks.

Marketing & Sales

Hermes blends traditional and digital marketing, highlighting heritage, quality, and exclusivity. Iconic products like the Birkin and Kelly are central, with limited production boosting status but challenging scalability.

Service

Personalised in-store service and after-sale service, including repairs, bolster customer satisfaction, though some note biases in product access.

Firm Infrastructure

Family-owned, fostering quality and craftsmanship. Sustainability is embedded, with water use cut by 62% and carbon emissions by 30%. Hermes leads in corporate transparency, ranking first in the CAC Large 60.[26]

HR Management

Skilled artisans receive ongoing training (76% of the workforce trained in 2022)[27]. The company supports work-life balance, offers bonuses, and provides paid leave and employee share ownership. Women hold 60% of managerial roles, and there is a 6.85% employment rate for people with disabilities. Over 2,400 jobs were created in 2023, boosting the workforce to 22,000.[28]

Technology Development

Integrates traditional craftsmanship with modern eco-friendly innovations, like the E4C2-certified Maroquinerie de Louviers facility. Hermes also invests in R&D for sustainable materials.

Procurement

Direct and ethical sourcing from European tanneries, maintaining long-term supplier relationships (average 19 years)[29]. Evaluates materials to meet the brand's high standards and supports a circular economy with recycled materials.

VALUE

SUPPORT ACTIVITIES

Business Unit Analysis



Strengths

- Distinguished brand reputation.
- Celebrated for craftsmanship and quality materials.
- Strong global presence, especially in the growing Asia-Pacific market.
- Authority over its distribution network, maintaining brand control and exclusivity.

Weaknesses

- High prices and long waitlists may deter potential buyers, limiting scalability.
- Heavy reliance on Asia-Pacific market; economic changes pose revenue risks.
- Challenges with counterfeiting that can harm reputation and exclusivity.

Opportunities

- Expanding e-commerce presence to reach a wider audience and adapt to consumer trends.
- Global expansion in emerging markets like India, Brazil, and parts of Africa.
- Targeting younger consumers (millennials and Gen Z) with tailored products and marketing strategies.

Threats

- Vulnerable supply chain affected by political instability, labor issues, or natural disasters.
- Legal risks from changing trade policies and international regulations.
- Rapid changes in consumer trends could impact sales and brand image.

THE INTERNAL ENVIRONMENT:

Summary of the Leather Goods Unit



1. **Iconic Product Designs**
2. **High Profit Margins**
   Due to Premium Pricing
3. **Brand Prestige**
4. **Consistent Cash Flow**
5. **Customer Loyalty**

1. **Limited scalability**
   Due to reliance on highly skilled craftsmen
2. **High Production Costs**
3. **Niche Market for Luxury Leather Goods**
4. **Reliance on a few Iconic Products**
5. **Low Growth Potential**

Summary of the Leather Goods Unit

SYNERGY DIAGRAM

Central Role of Leather Goods

Leather Goods generates significant revenue and enhances the value of other units by supporting the luxury brand image and their customer service.

Cross-Unit Brand Reinforcement

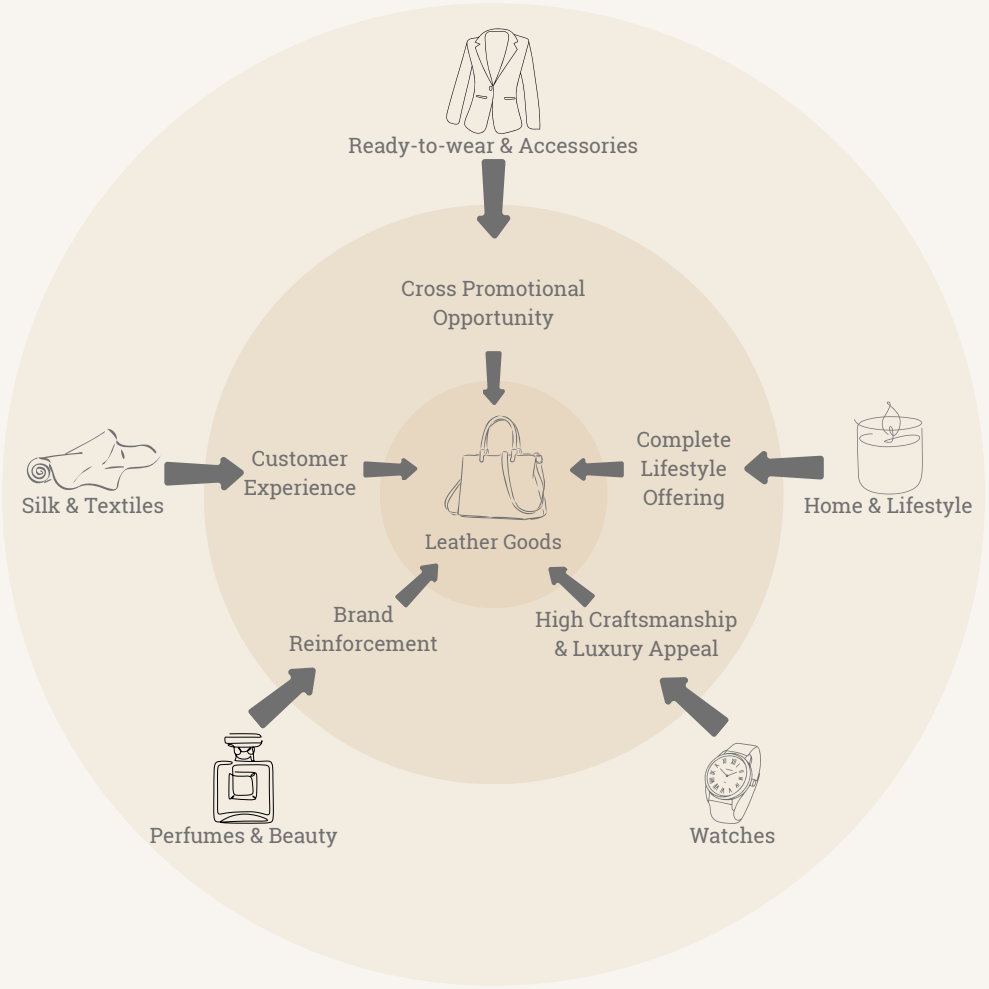
Each synergy contributes to a cohesive lifestyle, ensuring that products across units resonate with the same values of craftsmanship, exclusivity and luxury.

Customer Journey

Leather goods sit at the heart of Hermes' customer journey, often serving as a gateway to other units.

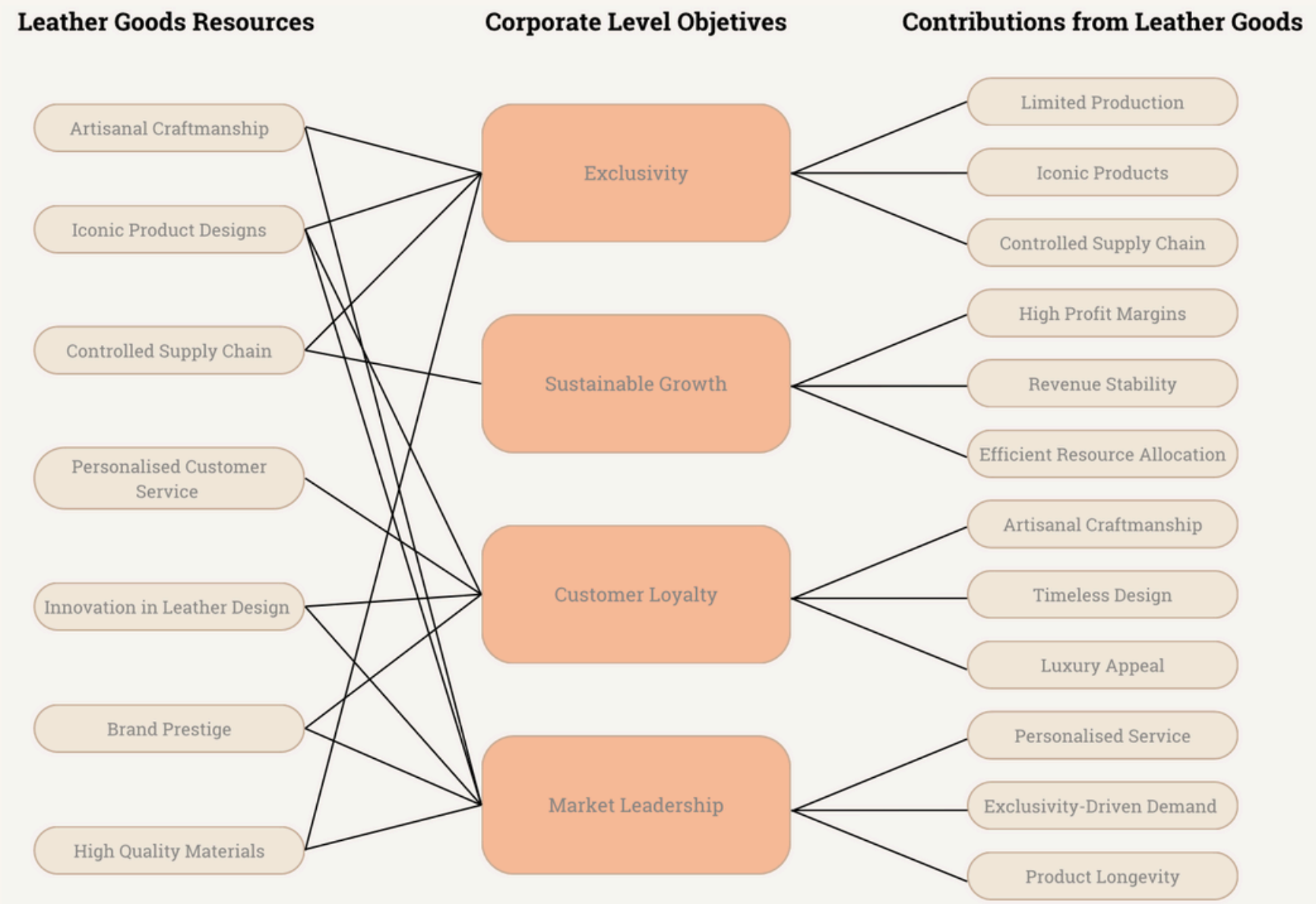
Unexplored Synergies

1) Collaborative product lines, combining leather goods with another unit.
2) Cross-category loyalty programmes that reward purchases across different units



Summary of the Leather Goods Unit

RESOURCES AND CONTRIBUTIONSTO CORPORATE-LEVEL OBJECTIVES



EXTERNAL ENVIRONMENT: INDUSTRY ANALYSIS

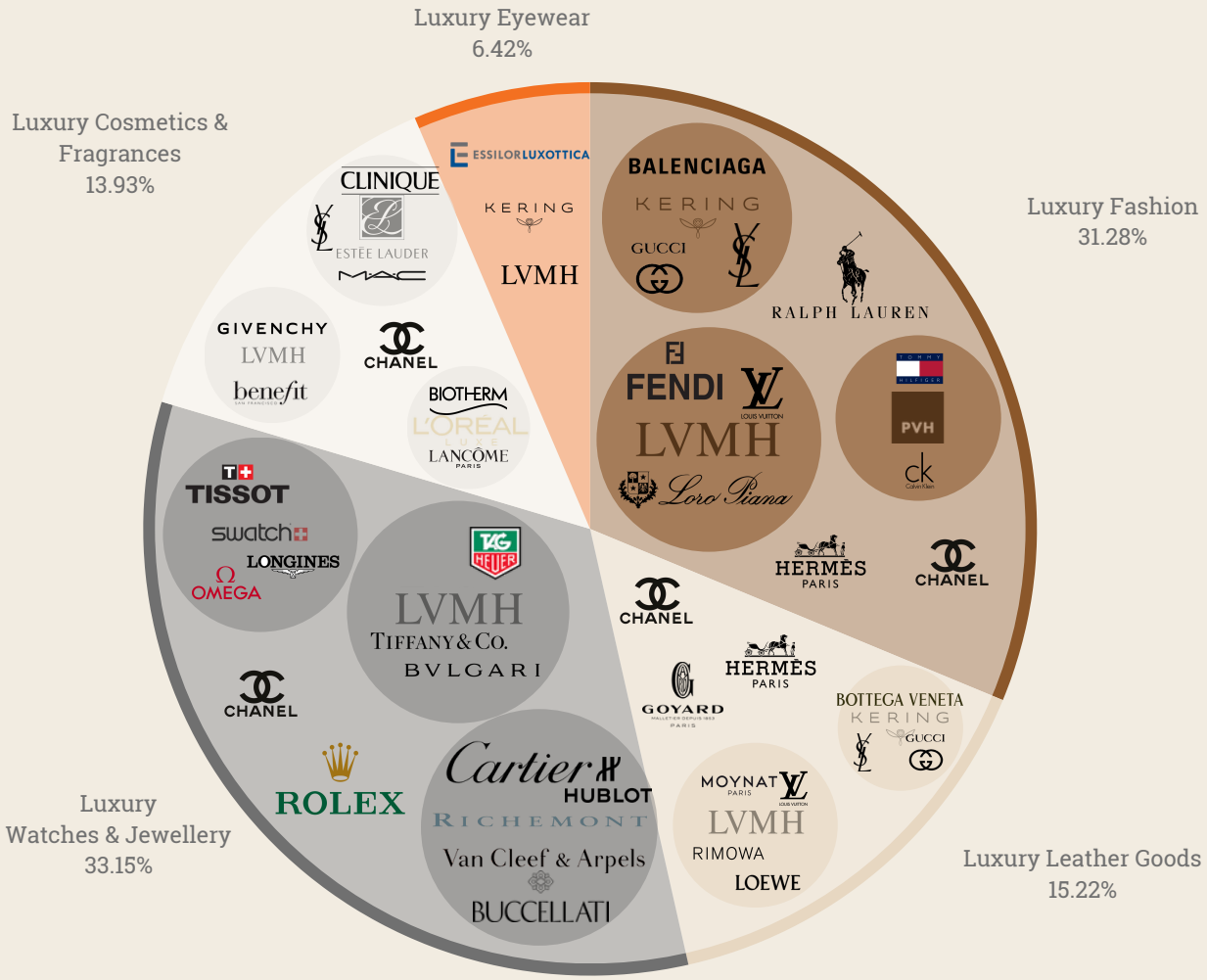


EXTERNAL ENVIRONMENT:

Industry Structure & Dynamics



THE WIDER INDUSTRY: LUXURY GOODS



Market Share by Product, and Key Players[30]

Global Luxury Goods Industry Analysis

Key Players' Total Market Share:[31]

- LVMH: 21%
- Kering: 6%
- Richemont: 6%
- Chanel: 5%
- Hermès: 4%

Product Segment Focus:

- Luxury Leather Goods represents 15.22% of the total luxury goods market.[32]
- Hermès shows particular strength in the Luxury Leather Goods and Luxury Fashion market segments.

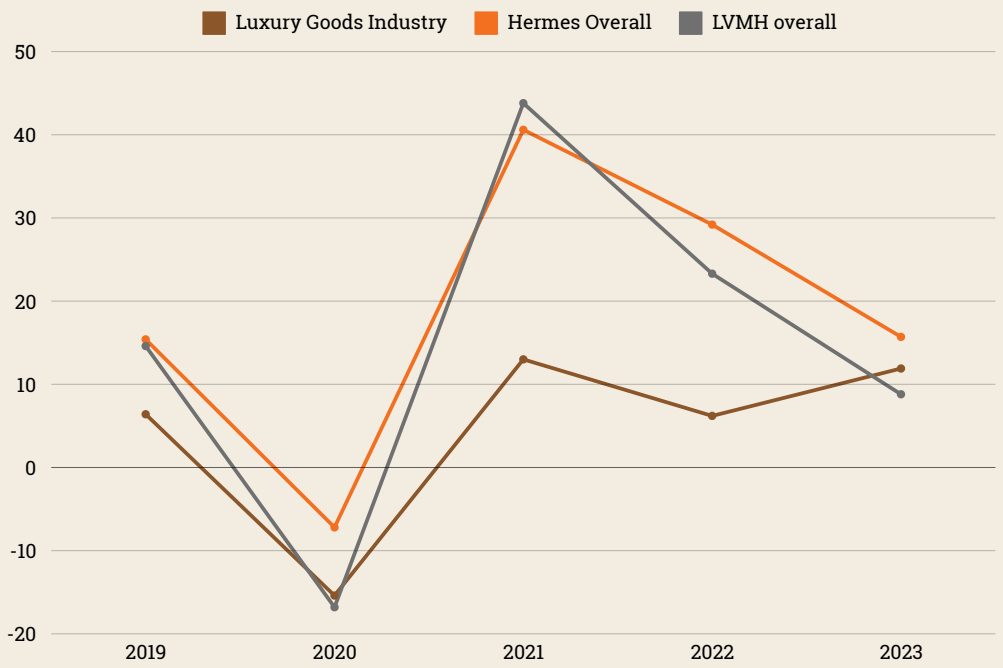
Strategic Implications:

- LVMH's 21% market share makes it the clear industry leader.
- Hermès, despite a smaller overall market share (4%), maintains strong competitive positions in its core segments.

Industry Structure & Dynamics

THE WIDER INDUSTRY: LUXURY GOODS

Year on Year % Revenue Change (2019-2023)[33]



- **Superior Crisis Resilience:** During COVID (2020), Hermès demonstrated strong resilience with only -7% decline vs. LVMH's -17% and industry's -15%.
- **Strong Recovery:** Achieved 41% growth in 2021, closely matching LVMH's market-leading 44%, both significantly outpacing industry average of 13%.
- **Sustained Momentum:** Maintained stronger growth (29%) than LVMH (23%) in 2022, while industry growth moderated to 6%.
- **Current Position: 2023 Hermes remained above both LVMH (9%) and industry average (12%), indicating continued strength.**

Industry Growth

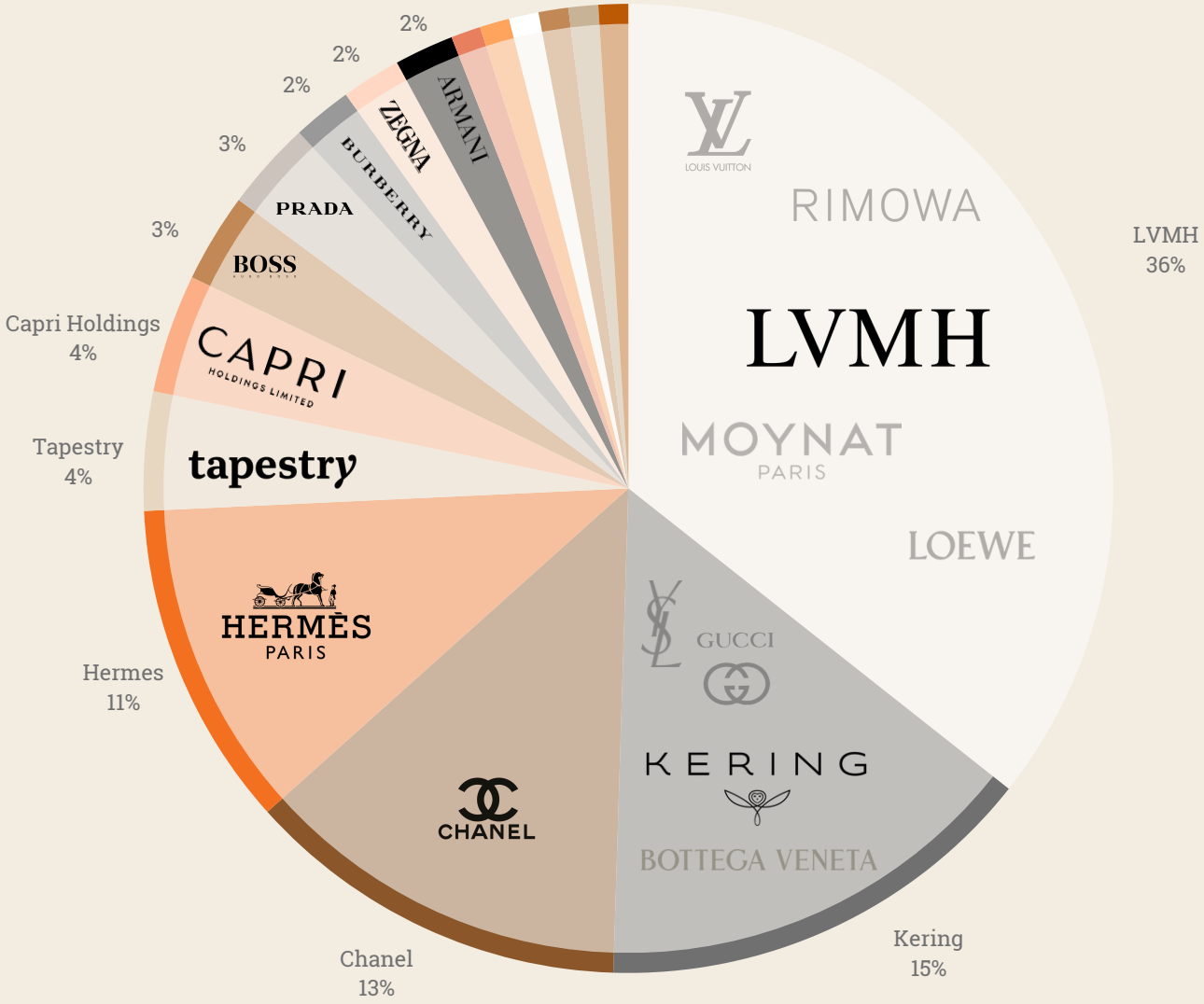
$11.30 BILLION[34]
HERMES TOTAL REVENUE 2024

12.3%[37]
REVENUE GENERATED ONLINE BY 2024

4.04%[36]
EXPECTED INDUSTRY GROWTH (CAGR 2024-2029)

$473.90 BILLION[35]
ANNUAL REVENUE 2024

THE SPECIFIC INDUSTRY: LUXURY LEATHER GOODS



% Market Share[38]

Global Luxury Leather Goods Industry Analysis

Core Products

- Handbags
- Suitcases
- Briefcases
- Small Leather Goods

Key Players' Market Share:

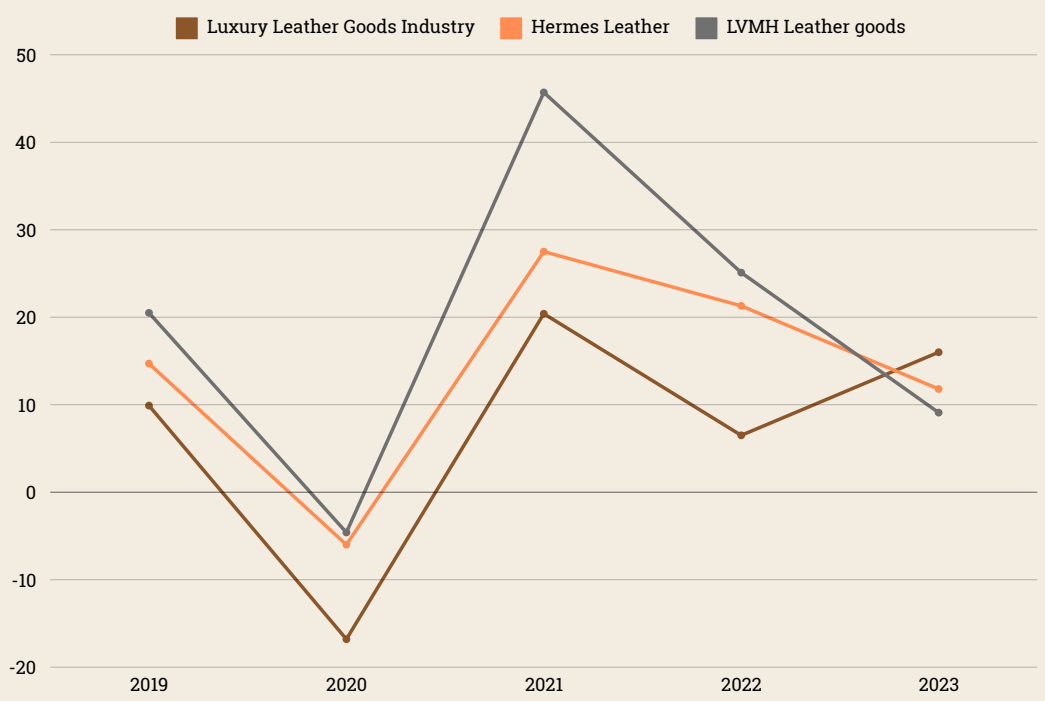
- LVMH: 36%
- Kering: 15%
- Chanel: 13%
- Hermès: 11%

Strategic Implications:

- LVMH's 36% market share makes it the clear industry leader.
- Hermès holds a strong competitive position - 11% market share.

Industry Structure & Dynamics

LUXURY LEATHER GOODS



- **Consistent, Strong Performance:** Hermes outperformed industry average growth from 2019-2022.
- **Superior Crisis Resilience:** During COVID-19, Hermes had only a -6% decline, vs the industry's -17%.
- **Sustained Momentum:** While LVMH showed higher peaks (46% in 2021), Hermès delivered more stable growth in 2022 with 21% growth, tripling the industry average of 7%.
- **Current Position: 2023 both Hermes and LVMH have positive growth, but have fallen below industry average (12%), indicating potential shifts in market dynamics.**[39]

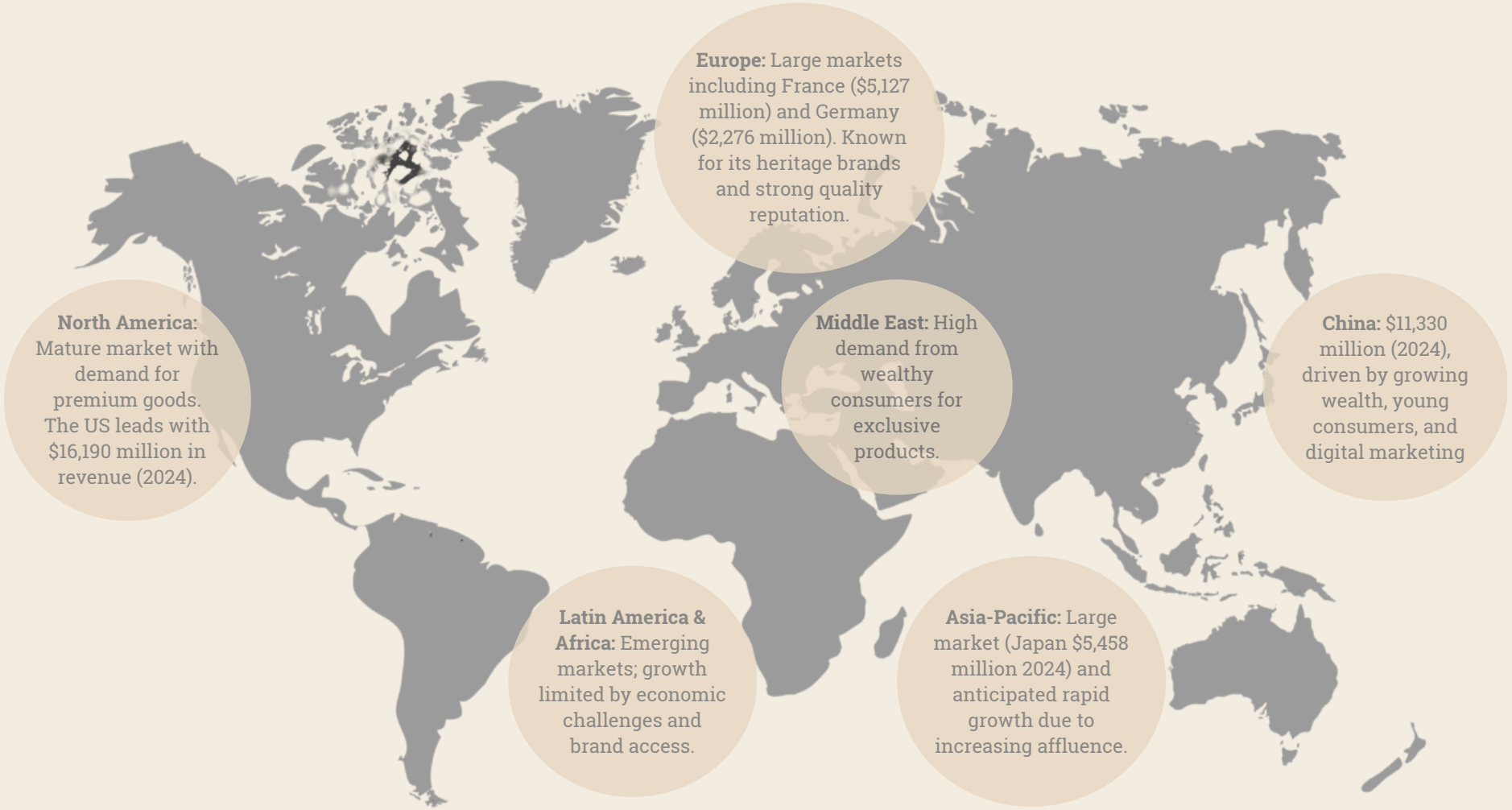
Industry Growth

$6,049.86 MILLION[40]
HERMES TOTAL REVENUE 2024

4.64%[42]
EXPECTED GROWTH (CAGR 2024-2029)

$72.35 BILLION[41]
ANNUAL REVENUE 2024

GEOGRAPHIC SEGMENTS[43]



LUXURY LEATHER GOODS INDUSTRY: MARKET DYNAMICS & TRENDS

Market Dynamics

- Growing demand for ultra-luxury leather goods.
- Increasing competition in high-end segment.
- Rising importance of sustainability.
- Secondary market influence on pricing.

Key Trends

Online Sales Growth: 12.3% of revenue in the Luxury Goods Industry projected to come from eCommerce by end of 2024.[44]

Sustainability and Ethical Practices: Consumers are showing greater interest in sustainable and ethically sourced luxury products.

Technological integration: Increasing tech integration such as AR for virtual try-ons, blockchain for product authenticity, and ecommerce.

Customer Needs

Status Symbol and Exclusivity: Consumers seek items that reflect wealth, status, and individual taste.

Craftsmanship and Quality: Consumers prioritise superior quality, heritage, and craftsmanship over price.

Innovation and Modern Appeal: Consumers who look for products with unique tech integration.

Industry Structure & Dynamics

LUXURY LEATHER GOODS INDUSTRY: MARKET DYNAMICS & TRENDS

HOW COMPETITORS HAVE RESPONDED TO MARKET DYNAMICS & TRENDS

	Increasing Competition	Sustainability & Ethical Practices	Technological Integration
LVMH	Expanded its store network globally, opening around 500 new stores in 2023.[45]	LVMH launched "Life 360", focusing on eco-design and sustainable production. This improved brand perception.	LVMH invested in AR and blockchain for product authentication, particularly for Louis Vuitton, enhancing customer trust in product authenticity.
GUCCI	Gucci (Kering group) is diversifying its product offerings to target Millennials and Gen Z, ensuring competitiveness in a crowded luxury market.	Gucci's "Equilibrium" initiative promotes circular fashion and has achieved carbon neutrality, attracting younger eco-conscious buyers.	Gucci pioneered virtual try-ons through AR and launched NFT collections, enhancing its appeal among tech-savvy luxury consumers.
HERMÈS PARIS	Hermès' production controls and focus on timeless designs help it outperform competitors.	Focuses on long-lasting, sustainably crafted products.	Hermès has been slower to adopt technology compared to competitors.

Industry Structure & Dynamics

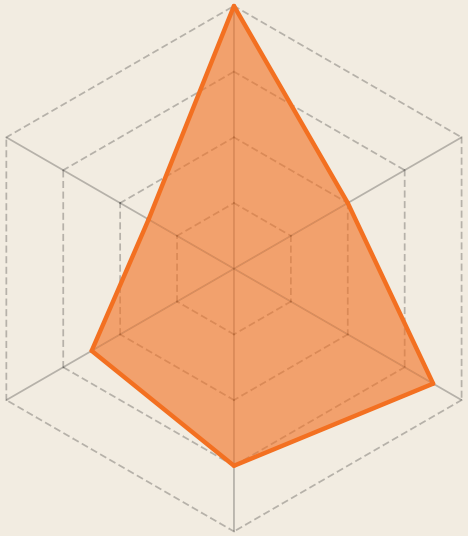
LUXURY LEATHER GOODS: KEY INDUSTRY FORCES

Competitive Rivalry (8/10)

+ Established players already dominating.
+ Brand loyalty and heritage plays a vital role in competition.
+ Product differentiation is dependent on high standards of design, craftsmanship and exclusivity.
+ New entrants with unique value propositions can still pose challenges.

Role of Complements (3/10)

- Accessories and the integration of services increase brand value.
- Collaborations and technology adoption boost demand and strengthen brand engagement.



Threat of New Entrants (4/10)

- Significant investment is needed for brand building, supply chain management, and high-quality materials.
+ Niche players can carve out opportunities by focusing on sustainability, unique craftsmanship or customisation.

Threat of Substitutes (5/10)

+ Competing luxury items
+ Consumer shifts to sustainable/vegan products
- Non-luxury leather goods pose a limited threat without brand prestige.
- Counterfeits affect brand value but aren't true substitutes.

Bargaining Power of Buyers (6/10)

+ High expectations for quality and exclusivity.
- Strong brand loyalty reduces switching, but is balanced by selective consumers.
- Low price sensitivity.

Bargaining Power of Suppliers (7/10)

+ Limited pool of premium-material suppliers.
- Long-term partnerships and vertical integration by major players like Hermes reduce supplier dependency and risk.

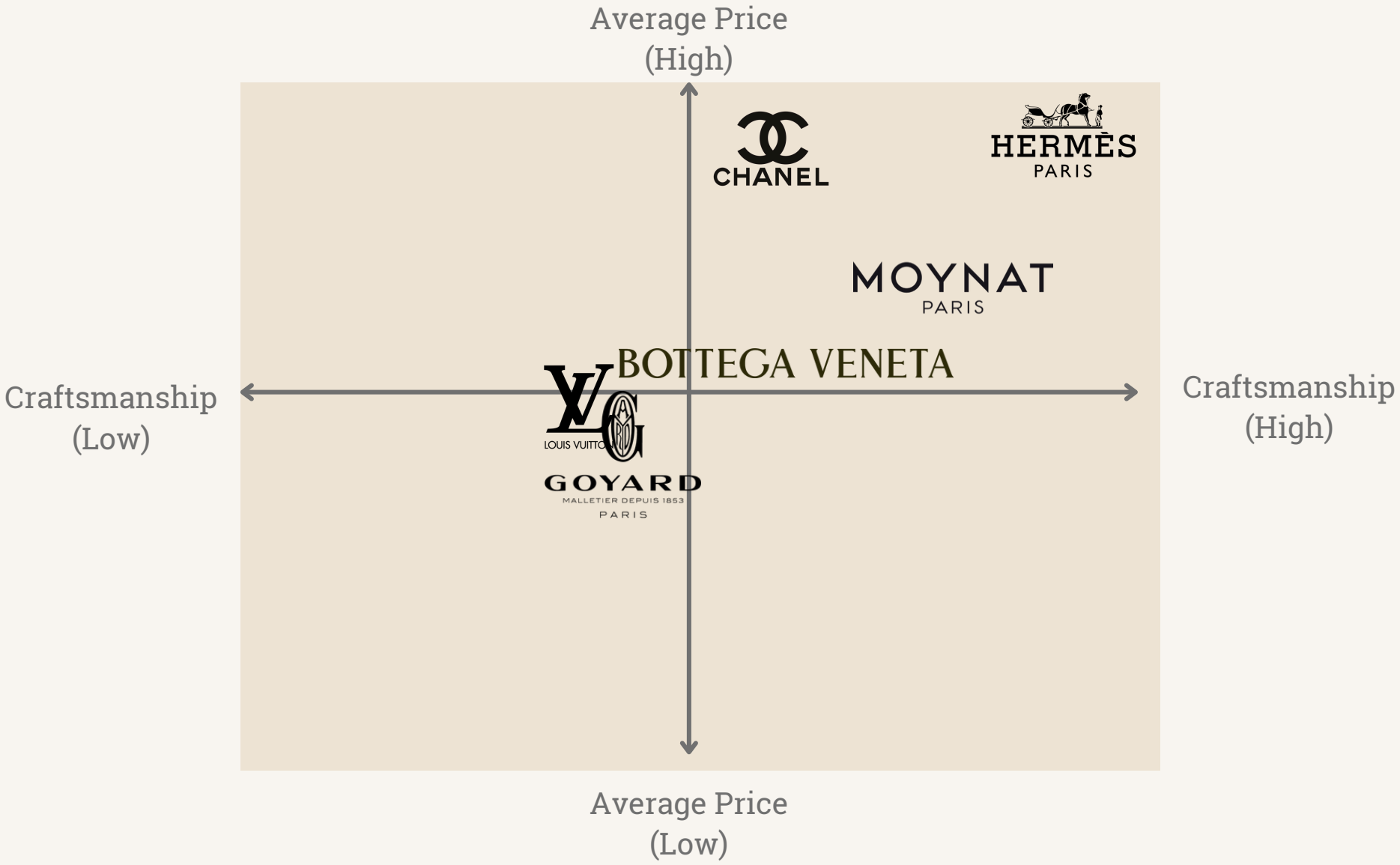
EXTERNAL ENVIRONMENT:

Competitor Analysis



Competitor Analysis

THE COMPETITIVE LANDSCAPE



Competitor Analysis

COMPETITIVE POSITIONING

BRAND	STRENGTHS	WEAKNESSES	STRATEGIC POSITIONING
HERMÈS PARIS	Superior leather quality Iconic bag designs Highest resale value Full production control Heritage craftsmanship Strongest pricing power	Long waitlists Limited production capacity Higher prices limit market size Conservative design evolution Slow digital adoption	Ultra-luxury segment leader Artificial scarcity model Highest price positioning Focus on timeless design
GOYARD MALLETIER DEPUIS 1853 PARIS	Exclusive positioning Heritage appeal Specialised expertise Limited distribution Strong canvas-leather combo	Very narrow product range Limited global presence Limited innovation Poor digital presence Quality inconsistencies	Ultra-exclusive niche Traditional luxury Heritage focus Limited availability
MOYNAT PARIS	Traditional craftsmanship Artisanal production High quality standards Exclusive distribution Heritage status	Low brand awareness Very limited scale Small retail network Limited product range Limited marketing	Ultra-niche luxury Craft-focused Heritage positioning Limited distribution
LOUIS VUITTON	Largest production capacity Global retail network Strong brand recognition Mixed-material expertise Advanced digital capabilities Regular new releases	Mass luxury perception Lower exclusivity Less focus on pure leather Quality variation High inventory levels	Accessible luxury leader Volume-driven model Wide product range Fashion-luxury positioning

Competitor Analysis

COMPETITIVE POSITIONING

BRAND	STRENGTHS	WEAKNESSES	STRATEGIC POSITIONING
CHANEL	Strong brand desirability Classic designs (Classic Flap) High resale value Price positioning close to Hermès Limited availability strategy	Quality inconsistencies Frequent price increases Less leather expertise Dependent on fashion cycles Limited online presence	Ultra-luxury fashion house Scarcity-driven model Fashion-forward approach Premium pricing strategy
BOTTEGA VENETA	Distinctive weaving technique Strong leather expertise Contemporary designs Growing brand momentum Design innovation	Lower price positioning Less heritage appeal Fashion-dependent Variable quality High inventory	Contemporary luxury Design-led approach Fashion-forward Broader accessibility

HERMES Competitive Advantages/Insights

1. Unmatched leather quality and craftsmanship.
2. Strongest pricing power in the segment.
3. Most successful scarcity model.
4. Highest resale value retention.
5. Control over supply chain.
6. Lacks digital presence

Competitor Analysis

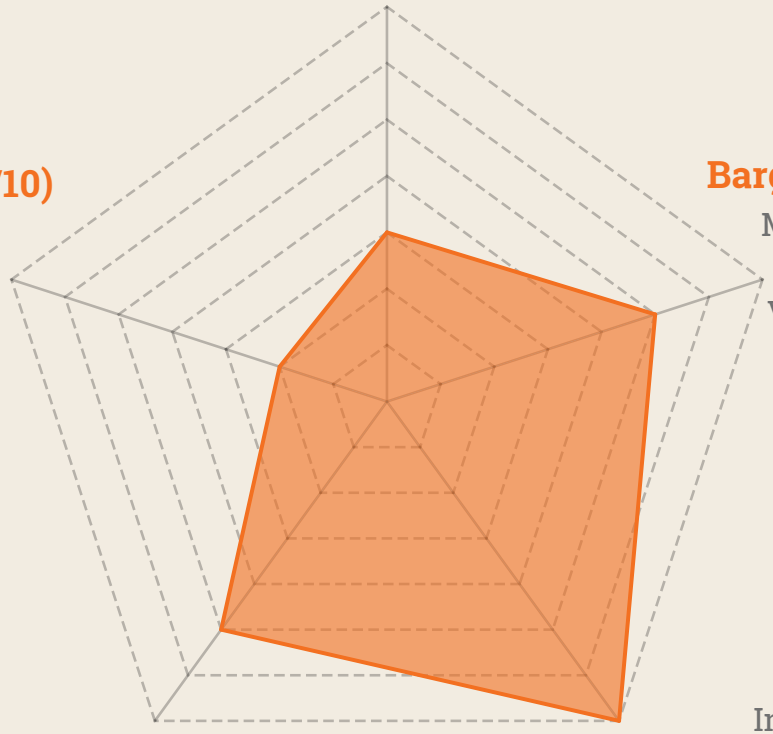
PORTER'S 5 FORCES ANALYSIS

Threat of New Entrants (3/10)

High barriers to entry due to significant investment in branding, distribution networks and quality.
Hermes' strong brand equity deters new competitors.

Bargaining Power of Buyers (2/10)

Low, as Hermes' exclusivity minimizes price sensitivity.
Limited supply creates high demand, reinforcing loyalty.



Bargaining Power of Suppliers (5/10)

Moderate, as Hermes sources rare materials.
Vertical integration helps reduce dependency.

Threat of Substitutes (5/10)

Moderate, with growing interest in sustainable leather alternatives.
Hermes' focus on craftsmanship mitigates this risk.

HERMES' LEATHER GOODS INDUSTRY

Industry Rivalry (7/10)

Intense competition with LVMH and Chanel dominating the luxury sector.
Differentiation through exclusivity and timeless designs gives Hermes an edge.

EXTERNAL ENVIRONMENT:

Industry Key Factors



Industry Success Key Factors

CRAFTSMANSHIP & QUALITY	Superior craftsmanship, durable materials, and precise construction drive customer trust and loyalty, with nearly 60% of luxury consumers citing quality as a key factor.[48]
MARKET POSITIONING & STRATEGIC PRICING	Successful brands focus on affluent clients, using strategic pricing and regional insights to strengthen loyalty and relevance.
CUSTOMER EXPERIENCE	Personalised service, unique store environments, and balanced online engagement are essential for maintaining exclusivity while attracting younger audiences.
AGILITY IN RESPONSE TO EXTERNAL CHALLENGES	Brands must adapt to crises and market fluctuations while maintaining high standards, leveraging flexible operations and supply chain management.
CSR	Consumers prioritise sustainability, making ethical sourcing and sustainable production crucial for brand appeal. More than four-fifths (80%) of consumers say they are willing to pay more for sustainable produced or sourced goods.[46]
EXCLUSIVITY, BRAND IDENTITY & HERITAGE	With 70% of consumers inspired by exclusivity, limited production runs and strong brand heritage enhance mystique, and appeal to customers valuing authenticity and tradition.[47]

Industry Success Key Factors

CRAFTSMANSHIP & QUALITY	Hermès exemplifies superior craftsmanship, with Birkin bags taking 48 hours to create. These bags retain an average resale value of 103%, outpacing Chanel (87%) and Louis Vuitton (82%).[52]
MARKET POSITIONING & STRATEGIC PRICING	Hermès leverages rarity and quality, with Birkin bags starting at $10,000 and limited editions exceeding $200,000,[53] appealing to ultra-wealthy consumers. Competitors such as Chanel and Louis Vuitton rely more on middle-to-high-income consumers, making them vulnerable to economic downturns. Hermès offers localised collections in its 294 stores offer exclusive products tailored to regional preferences, enhancing global appeal.[54]
CUSTOMER EXPERIENCE	Minimalist store layouts, expert staff, and innovative apps (Silk Knots and Tie Breaks) create a distinctive shopping experience, though Hermès lags behind competitors like Gucci in e-commerce presence.
AGILITY IN RESPONSE TO EXTERNAL CHALLENGES	During the 2009 financial crisis, while luxury sales declined by an average of 4%, Hermès saw a 4% revenue increase. Similarly, during the COVID-19 restrictions, when revenues were expected to drop by 25-30%, Hermès' sales remained steady.[49] In regard to supply chain resilience, About 68% of Hermès' raw materials are sourced within France, reducing dependency on complex global supply chains. Competitors with larger inventories and global sourcing face greater vulnerabilities.[50]
CSR	With 85% of suppliers adhering to strict ethical standards,[51] Hermès emphasises sustainable practices, including mycelium-based products, 2050 net-zero targets, and comprehensive repair services with over 200,000 items in 2022,[55] supporting product circularity and longevity. Between 2022 and 2023, Hermès achieved a 9.3% reduction in water consumption, a 4.1% reduction in energy consumption, and increased waste recovery from 41% to 53%.[56]
EXCLUSIVITY, BRAND IDENTITY & HERITAGE	Hermès leverages its saddlery heritage and iconic orange packaging to appeal to consumers seeking tradition and exclusivity. Hermès preserves brand value through handcrafted products, tight retail distribution, and organic scarcity, distinguishing itself from marketing-driven competitors like Gucci.

EXTERNAL ENVIRONMENT:

Industry Lifecycle



Industry Lifecycle

Introduction

Pre-20th Century: Leather was a staple material for clothing, transportation, and tools.

Growth

20th Century: Industrialisation and globalisation accelerated leather production, with rising demand across luxury and mass-market segments.

Maturity

Late 20th Century - Present: Leather remains profitable, but mature economies are seeing low growth as the market is highly saturated.

The market also faces high competition, consolidation among producers, and price pressures due to heightened sensitivity to ethical and environmental issues.

Decline



Industry Lifecycle

SUSTAINABILITY & REGULATION

Environmental Concerns

The leather industry is under scrutiny for its high water use, chemical waste, and carbon emissions. Toxic chemicals like chromium used in tanning are a significant issue for regulators and consumers.

Ethics and Animal Welfare

Increasing awareness of animal welfare, particularly among younger consumers, is driving demand for ethical fashion and alternatives to traditional leather.

Regulatory Changes

Governments, particularly in the EU, aim to address environmental and ethical concerns, potentially raising production costs and limiting market availability for non-compliant companies.

IMPACT ON INDUSTRY LIFECYCLE

Sustainability pressures may hasten decline in markets that don't adapt, while regions prioritising sustainable practices may experience growth by meeting eco-conscious demand.

Industry Lifecycle

INNOVATION

Synthetic Alternatives
Innovations in synthetic and bio-fabricated materials, like mushroom leather and lab-grown options, offer lower environmental impacts and appeal to vegan and cruelty-free markets.

Biodegradable and Recyclable Materials
Biotechnology is creating biodegradable, recyclable alternatives that mimic the feel and durability of leather, addressing environmental concerns without sacrificing quality. Projected to increase from USD 107 million in 2023 to USD 216 million by 2028, at a CAGR of 15.0%.[57]

Digital Manufacturing Advances
Automation, AI, and IoT improve production efficiency, quality control, and waste management, supporting sustainable operations and potentially extending the industry's lifecycle.

IMPACT ON INDUSTRY LIFECYCLE

With rapid technological advances, traditional leather may decline while sustainable and tech-enhanced alternatives drive growth, particularly in progressive markets.

Industry Lifecycle

SHIFTING CUSTOMER PREFERENCES

Eco-Conscious Demand
Millennials and Gen Z are reshaping demand with a focus on sustainability and minimalism, choosing high-quality products, often with sustainable alternatives.

Luxury vs. Mass Market
Leather remains a luxury material with strong demand in developing markets like China and India. In developed markets, luxury consumers increasingly favour eco-friendly options, prompting brands to explore bio-based alternatives.

IMPACT ON INDUSTRY LIFECYCLE

Without addressing sustainability, traditional leather could decline, but brands aligning with eco-conscious values may experience renewed growth.

Industry Lifecycle

GLOBALISATION & MARKET DYNAMICS

Emerging Markets Growth
Asia-Pacific and Latin America are seeing rising demand for leather, particularly luxury goods, while developed markets are nearing saturation.

Reshoring and Localisation
Labour costs and supply chain issues drive companies to reshore production, improving efficiency and competitiveness in some markets.

IMPACT ON INDUSTRY LIFECYCLE

Globalisation supports growth in emerging regions, moderated by regional regulations and sustainability adoption rates; reshoring could boost profitability for established companies.

Industry Lifecycle

SUMMARY

The Optimistic Scenario

Industry-wide sustainable practices and investment in alternatives could renew the sector, extending the lifecycle with eco-conscious offerings.

The Moderate Scenario

Partial sustainability adoption may maintain a maturity stage, with growth in emerging markets but steady decline in developed economies.

The Pessimistic Scenario

Failure to address environmental issues could drive a decline in traditional leather in developed markets, with synthetic alternatives capturing significant market share.

Traditional leather may face gradual decline due to environmental and ethical pressures, but alternatives and sustainable practices offer opportunities. The future will depend on how well companies adapt to shifting demands and regulations.

THE EXTERNAL ENVIRONMENT:

Summary of Strategic Insights



1. Growing demand for luxury leather goods, especially in emerging markets like China and India.

2. Increasing consumer preference for sustainable luxury products, which plays to Hermès' strengths in craftsmanship and supply chain control.

3. Ability to further enhance digital engagement to attract younger consumers without compromising exclusivity.

4. Capitalise on the secondary market for Hermès products, which enhances brand desirability and resale value.

5. Invest in innovative, sustainable leather production technologies to stay ahead of evolving environmental regulations and consumer preferences.

6. Leverage Hermès' agility and resilience during economic downturns to gain market share from competitors.

7. Strengthen relationships with high-net-worth clients in key markets to insulate against fluctuations in tourist demand.

1. Increasing competition from other luxury fashion houses and brands, particularly those with a strong focus on design and innovation.

2. Rising demand for leather alternatives, driven by environmental and ethical concerns, especially among younger consumers.

3. Potential regulatory changes and stricter environmental standards that could increase production costs and limit availability of traditional leather.

4. Vulnerability to global economic and supply chain disruptions that could impact materials sourcing and production.

5. Potential backlash from consumers if unable to effectively address environmental and ethical concerns in its operations.

6. Risks of overreliance on the Birkin and Kelly bag designs, which could limit innovation and make the brand vulnerable to changing consumer preferences.

Summary of Strategic Insights

KEY FACTORS INFLUENCING STRATEGY

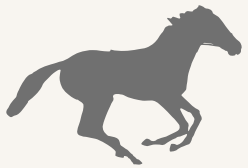
Preserving and Enhancing Brand Exclusivity, Heritage, and Craftsmanship

Adapting to Evolving Consumer Preferences and Sustainability Demands

Balancing Global Expansion and Local Market Strategies



SCENARIO PLANNING



SCENARIO PLANNING:

Setup



Scenario Planning Setup

ESTABLISHING SCOPE

The recommended horizon for Hermès's strategy would span a 10-year period - between now and 2034. This is because:

Speed of Change in the Industry

The luxury industry is historically slow to change due to its emphasis on tradition, quality, and exclusivity.

Investment Timelines and Strategic Cycles

Large-scale changes—such as sustainable material R&D—require multi-year investments. The leather goods industry in particular has lengthy cycles due to the quality requirements of production, necessitating a longer horizon to reap the benefits of these investments.

Technological Advancements

While digital and materials technology in luxury is advancing, a 10 year horizon accommodates the slower adoption rates often seen in luxury sectors.

Regulatory Changes

Given the EU's increasing focus on sustainability and animal welfare regulations, as well as potential regulatory shifts in other regions, a 10 year horizon is practical.

Alignment with Strategic Vision

Hermès's dedication to timeless quality and heritage aligns with a strategy that emphasises gradual, high-quality evolution rather than abrupt shifts. The next decade allows Hermès to solidify its position as a sustainable luxury leader while staying true to its brand essence.

SCENARIO PLANNING:

Factors of Uncertainty



Factors of Uncertainty PESTLE ANALYSIS

POLITICAL

1. Changes in import/export tariffs for leather products.
2. Trade relations and restrictions between the EU and key markets (e.g., US, China).
3. Political stability in countries supplying raw materials.
4. Animal welfare laws affecting leather sourcing.
5. Regulations on transparency and traceability in the supply chain.
6. Tax policies on luxury goods in emerging markets.
7. Changes in labor laws in production regions.
8. Anti-counterfeiting laws and enforcement.

ECONOMIC

9. Global economic stability (recession risk).
10. Currency fluctuations affecting costs and profitability.
11. Income growth and disposable income in emerging markets.
12. Inflation rates impacting material and production costs.
13. Consumer confidence in major luxury markets.
14. Variability in raw material prices (leather, metals, dyes).
15. Cost of adopting sustainable technologies.
16. Wage growth in regions where Hermès produces leather goods.

SOCIAL

17. Changing consumer preferences for sustainability.
18. Demand for transparency in product sourcing and materials.
19. Growth of conscious consumerism and ethical purchasing.
20. Cultural shifts influencing luxury demand in Gen Z and Millennials.
21. Evolving expectations for product personalisation.
22. Attitudes toward animal-based products.
23. Social media influence on brand image and trends.
24. Growing preference for experiential luxury over material goods.

Factors of Uncertainty PESTLE ANALYSIS

TECHNOLOGICAL

25. Advancements in sustainable material alternatives (e.g., lab-grown leather).
26. Blockchain and other traceability tech in supply chains.
27. E-commerce innovations for luxury personalisation.
28. Potential for augmented reality in product visualisation.
29. Adoption of AI in customer service and personalisation.
30. Cybersecurity concerns, especially with customer data.
31. Automation in manufacturing and assembly processes.
32. Digital transformation of physical stores (e.g., hybrid retail spaces.

LEGAL

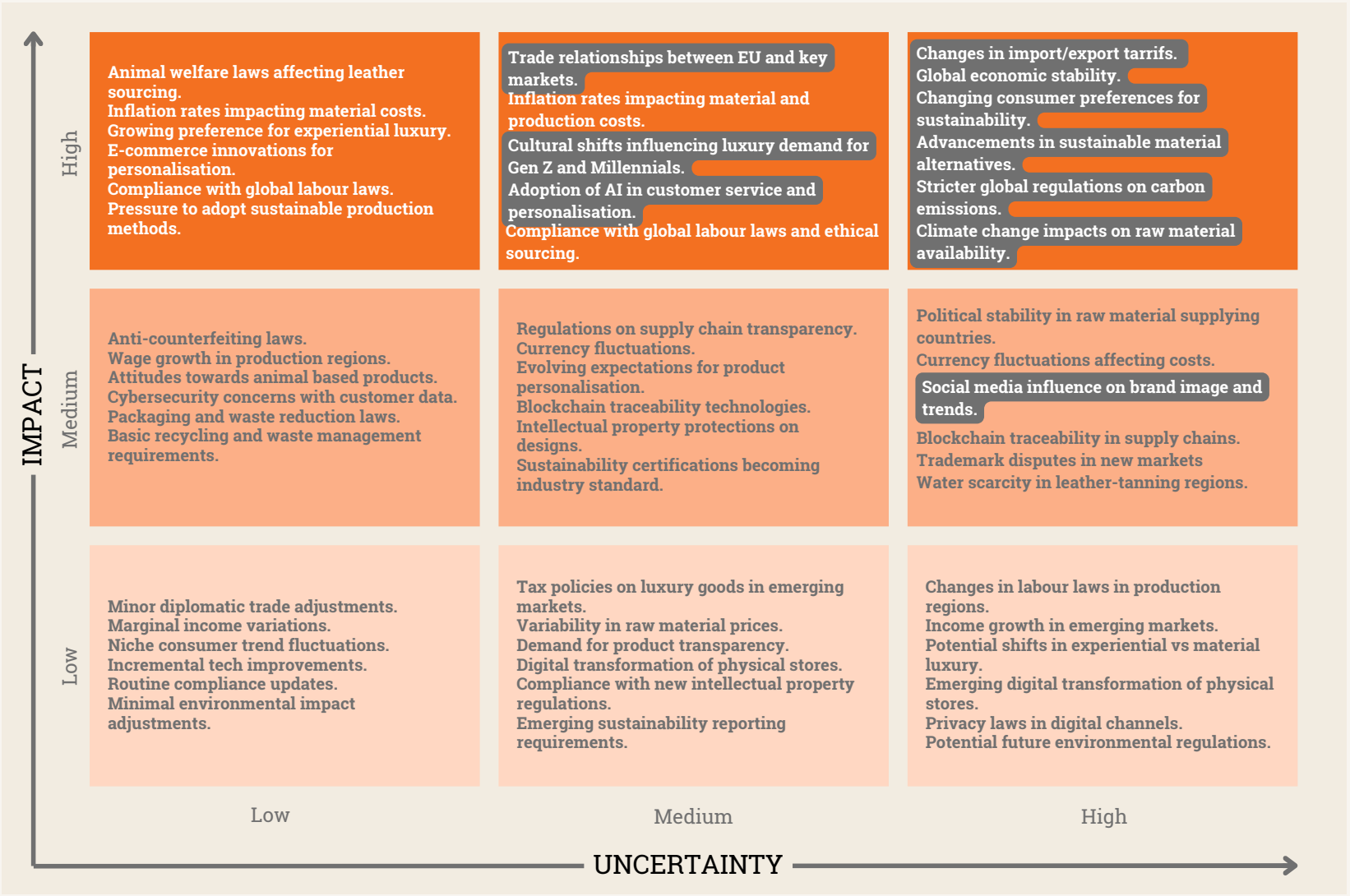
33. Increasing intellectual property protections on designs.
34. Compliance with global labor laws and ethical sourcing regulations.
35. Stricter global regulations on carbon emissions.
36. Anti-counterfeiting laws and enforcement globally.
37. Legal requirements for sustainability disclosures.
38. Privacy laws governing customer data from digital channels.
39. Compliance with packaging and waste reduction laws.
40. Trademark disputes in new or emerging markets.

ENVIRONMENTAL

41. Climate change impacts on raw material availability.
42. Regulatory requirements for carbon neutrality.
43. Customer expectations for sustainable packaging and delivery.
44. Extreme weather events disrupting supply chains.
45. Water scarcity in leather-tanning regions.
46. Pressure to adopt sustainable production methods.
47. Emission reduction targets for manufacturing processes.
48. Sustainability certifications becoming industry-standard.
49. Potential bans on single-use packaging materials.

Factors of Uncertainty

IMPACT-UNCERTAINTY MATRIX

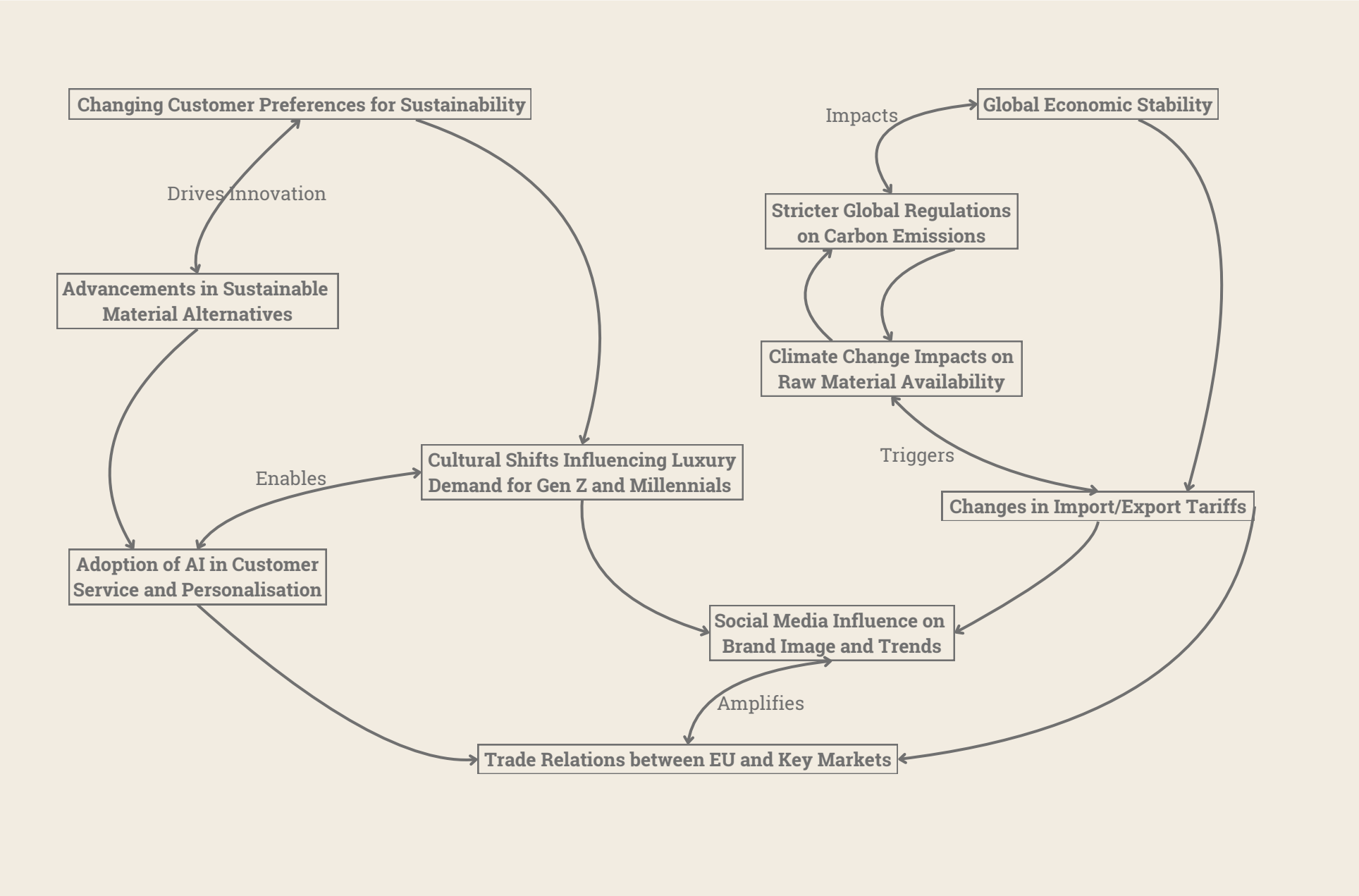


Highlighted are the 10 factors that we think will have the most impact and highest levels of uncertainty.

We will be using **Global Economic Stability** and **Changing Consumer Preferences for Sustainability** as our two factors of uncertainty that will be most critical to Hermes' future strategy.

Factors of Uncertainty

NETWORK OF RELATIONSHIPS



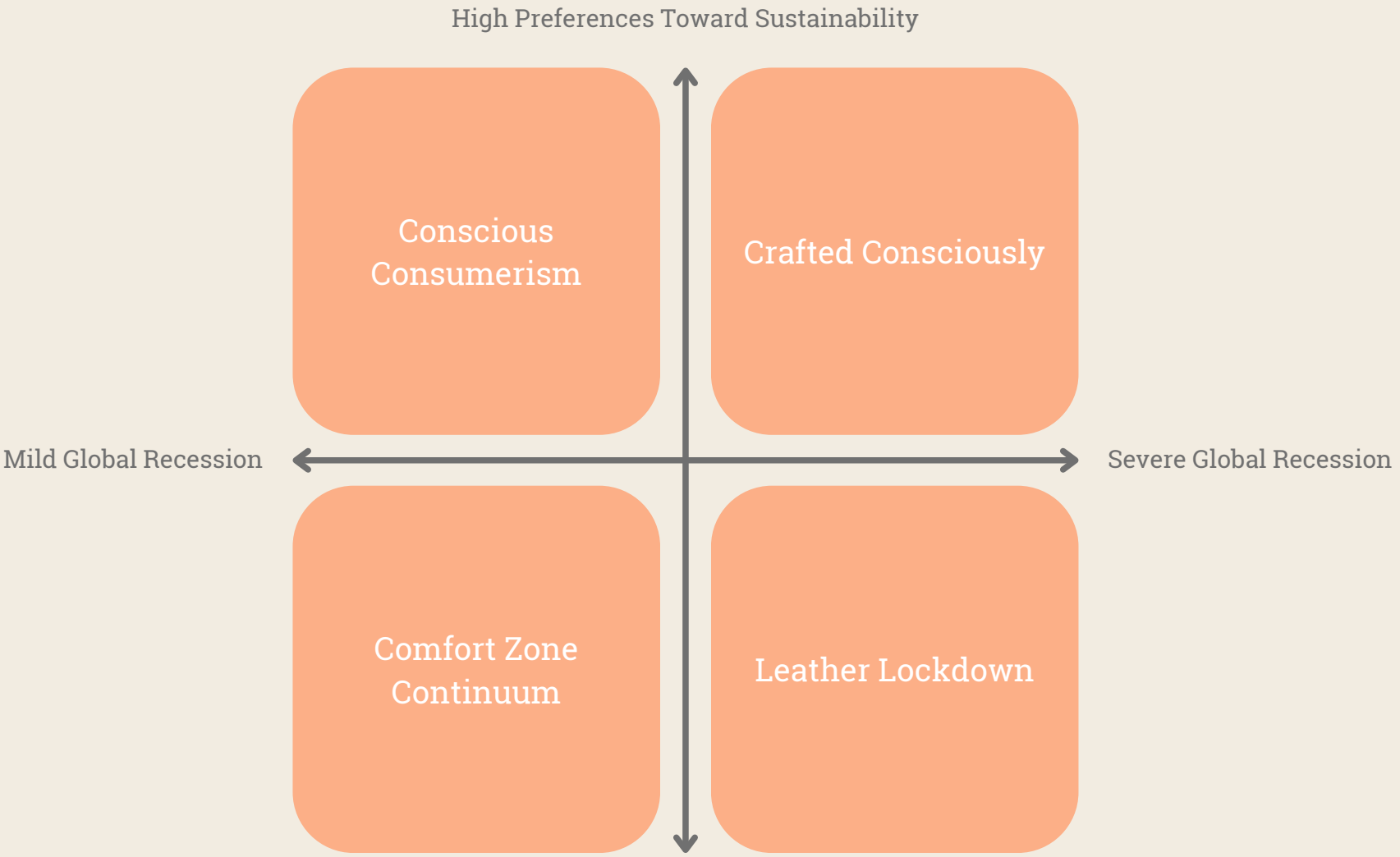
SCENARIO PLANNING:

Scenario Matrix Development



Scenario Matrix Development

RECESSION-SUSTAINABILITY MATRIX



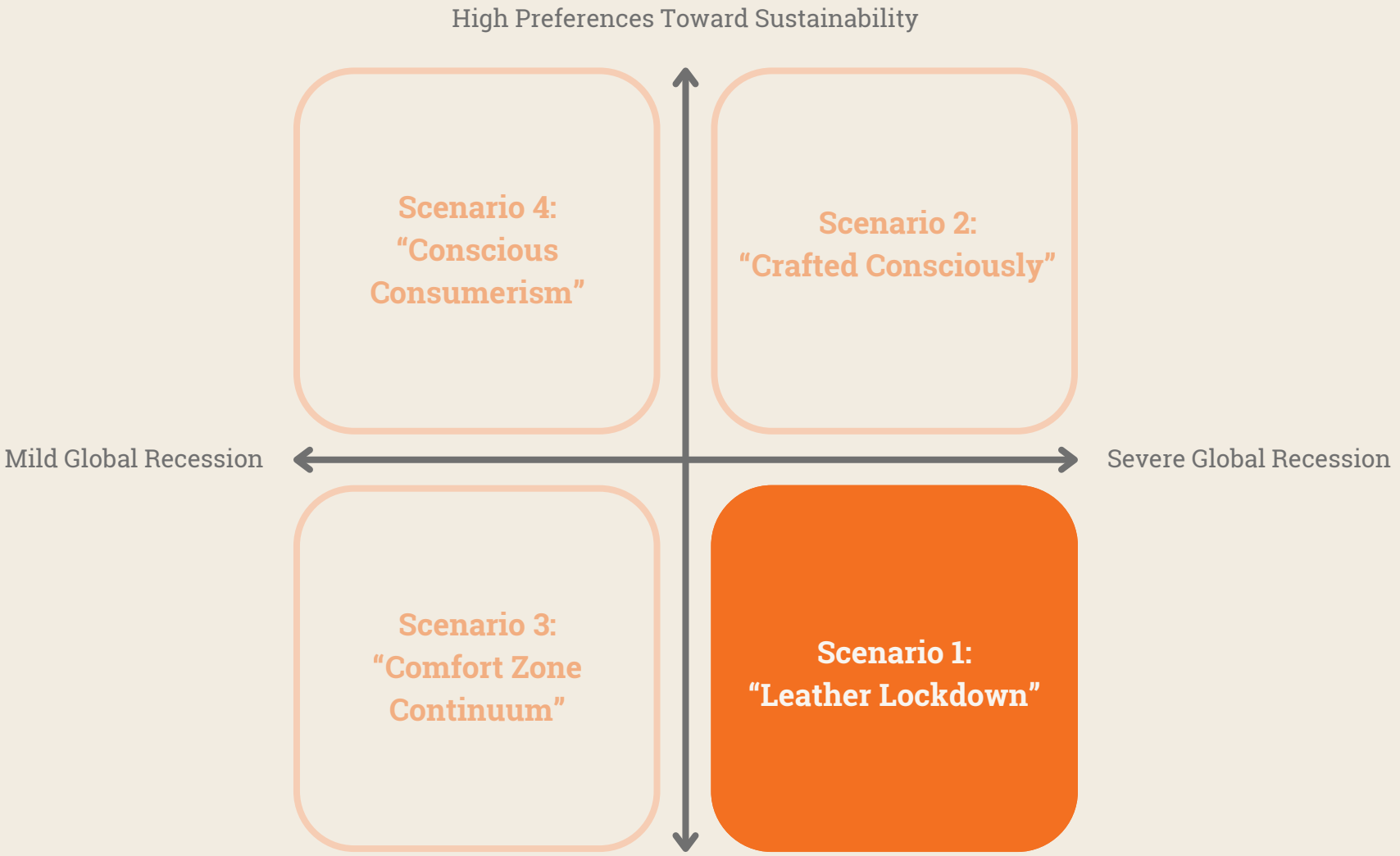
SCENARIO PLANNING:

Scenario Narratives



Scenario Narratives

STRUCTURE OF SCENARIO NARRATIVES



Scenario 1: "Leather Lockdown"

PODCAST NARRATIVE: 'ECONOMIC FRONTLINES'

Episode 223: Leather Lockdown – Survival in the Luxury Industry

[Intro music fades]

HOST (Holly Oscroft):
Welcome to Economic Frontlines, where we dissect industries under strain and explore how they adapt in turbulent times. I'm your host, Holly Oscroft. Today, we focus on luxury leather goods, an industry battling through the severe recession of 2027.

Joining me are Dr. Harry Tait, economic anthropologist, and Shree Lambert, CEO of a high-end leather goods firm, to discuss how luxury brands are navigating shrinking markets, supply chain disruptions, and a retreat from sustainability.

[Cue distant sound of bustling city markets, symbolising economic chaos]

HOST:
Dr. Tait, what defines this moment for luxury markets?

DR. HARRY TAIT:
Holly, we're in what I call a "survival economy." Disposable income is nearly non-existent for most people, and even the affluent are cutting back. Essentials dominate consumer spending, leaving luxury brands grappling with irrelevance for the majority of buyers.

HOST:
And sustainability, which dominated conversations not long ago, seems to have faded. Why is that?

DR. HARRY TAIT:
Sustainability requires investment—whether it's greener materials or circular business models. With revenues plummeting, brands can't afford these long-term strategies. They've shifted their focus to short-term survival.

Scenario 1: "Leather Lockdown"

PODCAST NARRATIVE: ECONOMIC FRONTLINES

HOST:
Shree Lambert, what's your take on this? How has your company adapted to these conditions?

SHREE LAMBERT:
Holly, it's been a challenging road. We've had to strip down our operations and refocus on our core strengths—timeless designs, durable products, and impeccable craftsmanship. But we've also adjusted to changing consumer behaviours. Our resale platform has become a lifeline, and repair services are growing in demand. People want to make what they already own last longer.

HOST:
Repair services and resale—how significant are these shifts?

SHREE LAMBERT:
They're transformative. For instance, we're now offering personalised repair options and expanding partnerships with artisans who specialise in restoring leather. This helps us remain in our customers' lives without pushing new products too aggressively.

HOST:
What about supply chain disruptions?

SHREE LAMBERT:
That's been a nightmare. Geopolitical tensions have strained our access to premium materials. To cope, we've streamlined our collections, focusing on bestsellers rather than experimenting with new designs. Vertical integration, where possible, has been key to maintaining some control over production.

DR. HARRY TAIT:
Yes, Shree makes an important point. Streamlining and repairing are survival strategies, but they also reinforce a brand's resilience. Luxury buyers value a brand's ability to endure economic hardship without losing its identity.

Scenario 1: "Leather Lockdown"

PODCAST NARRATIVE: ECONOMIC FRONTLINES

HOST:
Looking ahead, what does the future hold for luxury leather goods?

SHREE LAMBERT:
The recession has taught us to be lean and adaptable. While sustainability isn't our top priority now, we can't ignore it forever. For now, we're focused on survival, but when stability returns, sustainability will have to reenter the conversation.

[**Outro music fades in**]

HOST:
Thank you, Mr. Lambert and Dr. Tait, for your insights. Luxury is being redefined before our eyes, and resilience is key. Join us next week for more on Economic Frontlines.

Scenario 1: "Leather Lockdown"



SWOT Analysis

Strengths

- **Artisanal Craftsmanship**
- **Resale and Repair Services**
- **Heritage Branding**

Weaknesses

- **Limited Material Access -** Heavy reliance on premium leather
- **Inflexible Pricing Models**
- **Delayed Sustainability Transition** may harm the brand's future competitiveness

Opportunities

- **Expansion of Repair Services, O**ffering premium repair options
- **Resale Market Growth,** Developing authenticated second-hand marketplaces
- **Focus on Core Products**
- **Vertical Integration**

Threats

- **Shrinking Luxury Demand**
- **Supply Chain Disruptions: due to** Geopolitical tensions and protectionist policies
- **Competition from Alternatives**
- **Decline of Brand Loyalty due to** Prolonged economic challenges

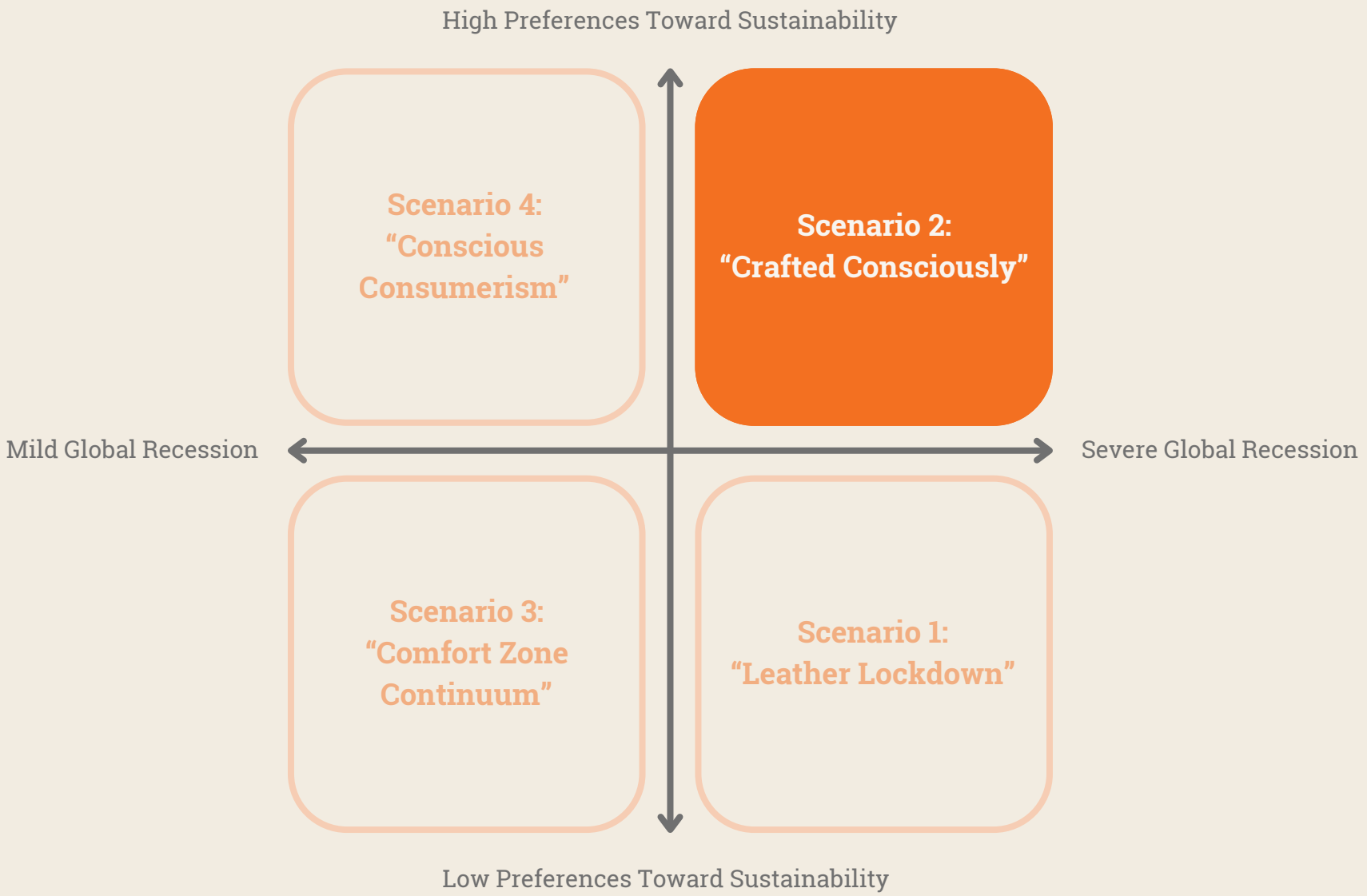
Scenario 1: "Leather Lockdown"

CORE COMPETENCY SHIFT FOR HERMES

From: Aspirational luxury	**To:** Durable, value-driven luxury
From: Seasonal collections	**To:** Streamlined offerings focused on bestsellers
From: Sustainability investment	**To:** Supply chain resilience and operational efficiency

In this era of austerity, Hermès must reinforce its identity as a heritage brand focused on quality, while tactically adapting to meet evolving consumer priorities.

Scenario Narratives



Scenario 2: "Crafted Consciously"

PODCAST NARRATIVE: 'THE RESILIENCE REPORT'

'Episode 307: Survival Economies - How We Reimagined Consumption'

[Intro music fades]

HOST (Bethany Roberts):
Welcome to The Resilience Report. I'm your host, Beth Roberts. Today, we're diving deep into the economic landscape of 2034 - a world transformed by recession and radical sustainability.

GUEST (Dr. Elena Chen, Economic Anthropologist):
What people don't understand is how consumer behaviour has been completely reconstructed. The old model of buy, use, discard? It's extinct.

HOST:
Elena, break that down for our listeners. What does consumption look like now?

DR. CHEN:
Imagine a world where every product has a digital passport. Not just where it was made, but its entire lifecycle - materials sourced, carbon footprint, potential for repair, eventual recycling. Consumers don't just buy products anymore; they invest in circular systems.

HOST:
And this came from the prolonged recession?

DR. CHEN:
Yep. When global GDP contracted 22% and unemployment hit 15.7%, people couldn't afford waste. Repair became a status symbol.

Scenario 2: "Crafted Consciously"

PODCAST NARRATIVE: 'THE RESILIENCE REPORT'

[Sound of data visualisation]

GUEST (Marcus Wong, Tech Entrepreneur):
Our AI platforms now optimise resource allocation at a molecular level. A jacket isn't just a jacket - it's a complex ecosystem of potential reuse, repair, and transformation.

HOST:
Marcus, that sounds almost... utopian?

MARCUS:
It's mostly pragmatic. When resources are scarce, efficiency isn't a choice. It's survival.

DR. CHEN:
Exactly. Community-driven consumption isn't a trend. It's our economic architecture now.

HOST:
We'll be right back after this short break.

Scenario 1: "Leather Lockdown"



Strengths

- Artisanal repair capabilities
- Control over leather sourcing
- Multi-generational customer relationships
- Authenticity credentials

Weaknesses

- High dependence on traditional leather
- Limited alternative material expertise
- Traditional retail infrastructure
- Premium pricing in recessionary context

Opportunities

- Heritage craftsmanship meets sustainability (unique positioning).
- Premium repair services leveraging artisan network.
- Blockchain-verified authenticity and sustainability credentials.
- Ultra-luxury circular economy leadership.

Threats

- Limited sustainable leather supply.
- Premium sustainable alternatives gaining legitimacy.
- Shifting definition of luxury (from ownership to access).
- Reduced market size due to economic conditions.

Scenario 2: "Crafted Consciously"

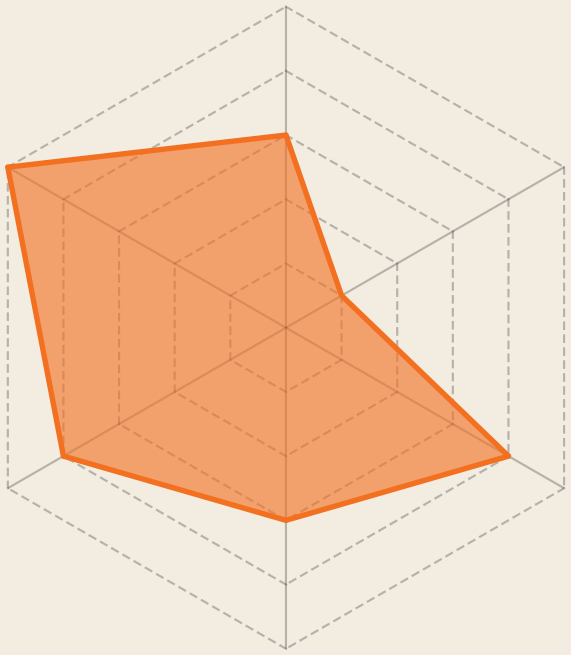
EXTERNAL IMPACT ANALYSIS

Competitive Rivalry (3/5)

Limited players with sustainability credentials.

Regulatory Impact (5/5)

Animal welfare, sustainability requirements



Threat of New Entrants (1/5)

High barriers due to artisanal skill.

Threat of Substitutes (4/5)

Lab-grown Leather, premium sustainable alternatives.

Bargaining Power of Suppliers (4/5)

Limited premium sustainable leather suppliers.

Bargaining Power of Buyers (2/5)

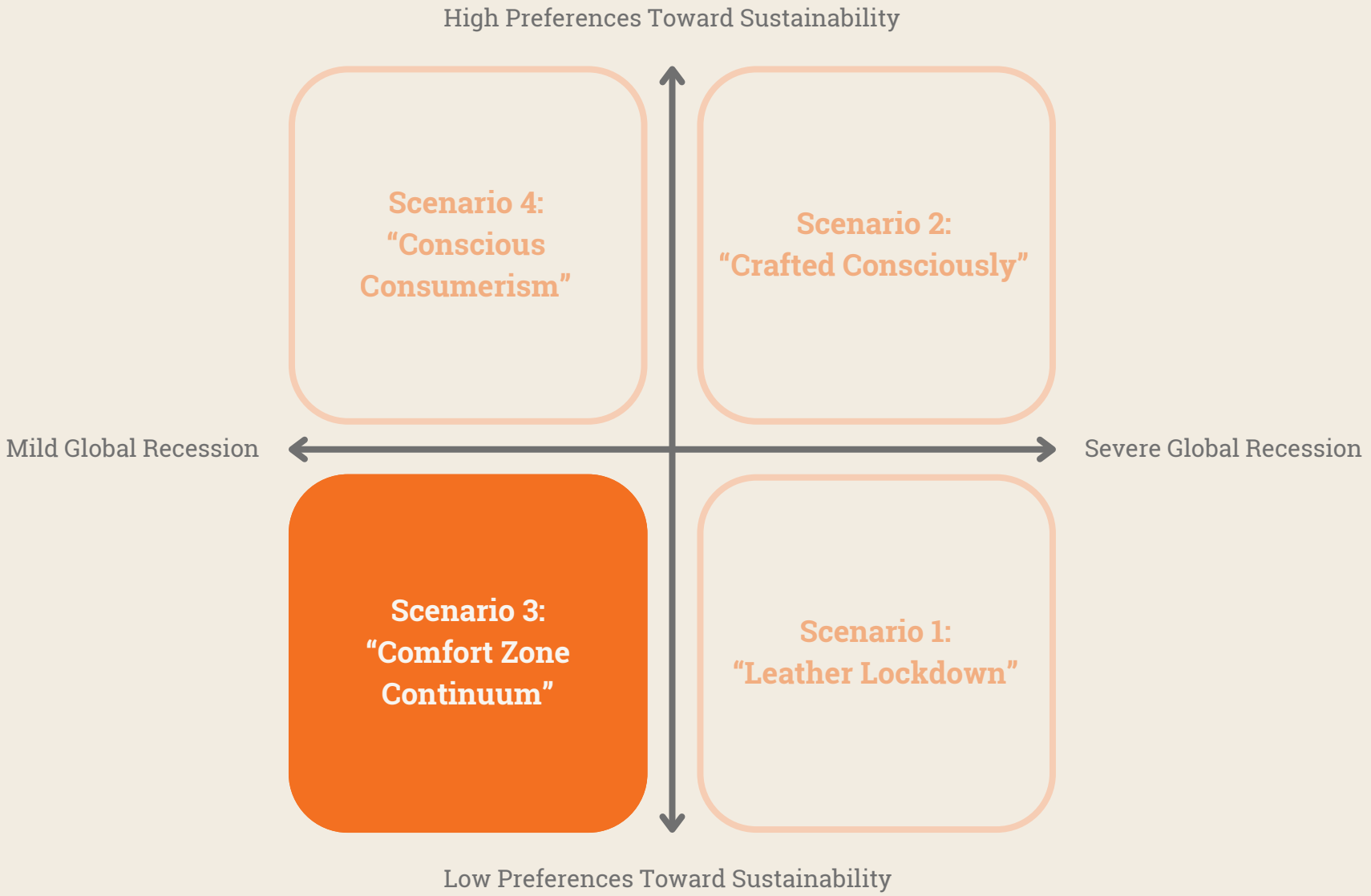
Fewer but more conscious ultra-wealthy consumers

Scenario 2: "Crafted Consciously"

CORE COMPETENCY SHIFT FOR HERMES

From: Exclusive production	**To:** Sustainable luxury lifecycle management
From: Traditional craftsmanship	**To:** Sustainable artisanal innovation
From: Product excellence	**To:** Circular luxury leadership

Scenario Narratives



Scenario 3: "Comfort Zone Continuum"

SOCIAL MEDIA NARRATIVE

BBC NEWS (World)
@BBCNews

Luxury goods remain a steady indulgence for the affluent. With economic stability and little pressure for change, the focus stays on classic elegance.
#LuxuryMarket #BusinessAsUsual

The Economist
@TheEconomist

Incrementalism defines the global economy in 2028. Luxury brands opt for slow and steady strategies, preserving heritage rather than innovating.
#ComfortZoneEconomy

LoveLuxury
@loveluxuryuk

Hermès' new scarf designs dropped today! 💕 Classic patterns, timeless quality—because some things never go out of style.
#LuxuryLoyalty #NoDisruptionHere

Scenario 1: "Leather Lockdown"



SWOT Analysis

Strengths

- **Timeless Appeal**
- **Artisanal Craftsmanship**
- **Brand Heritage:** Long-established trust sustains reputation among legacy buyers.

Weaknesses

- **Stagnation in Innovation:** Lack of urgency could result in missed opportunities
- **Limited Engagement with New Audiences:** Younger, tech-savvy buyers may feel disconnected from the traditional brand model.
- **Sustainability Blind Spots:** Low emphasis on sustainability risks repetitional harm

Opportunities

- **Focus on Classic Offerings:** Steady economic conditions allow brand to maintain core product lines
- **Preservation of Heritage**
- **Stable Demand for Quality:** Predictable spending patterns keep emphasis on timeless, goods over fast-changing trends.

Threats

- **Complacency Risk -** Minimal innovation could erode competitiveness
- **Over-Reliance on Legacy:** Younger luxury buyers may demand more modern engagement
- **Geopolitical or Market Disruptions:** Stability is fragile (e.g., political changes or resource scarcity)
- **Climate Impact on Supply Chain:** Extreme weather events could jeopardise access to raw materials

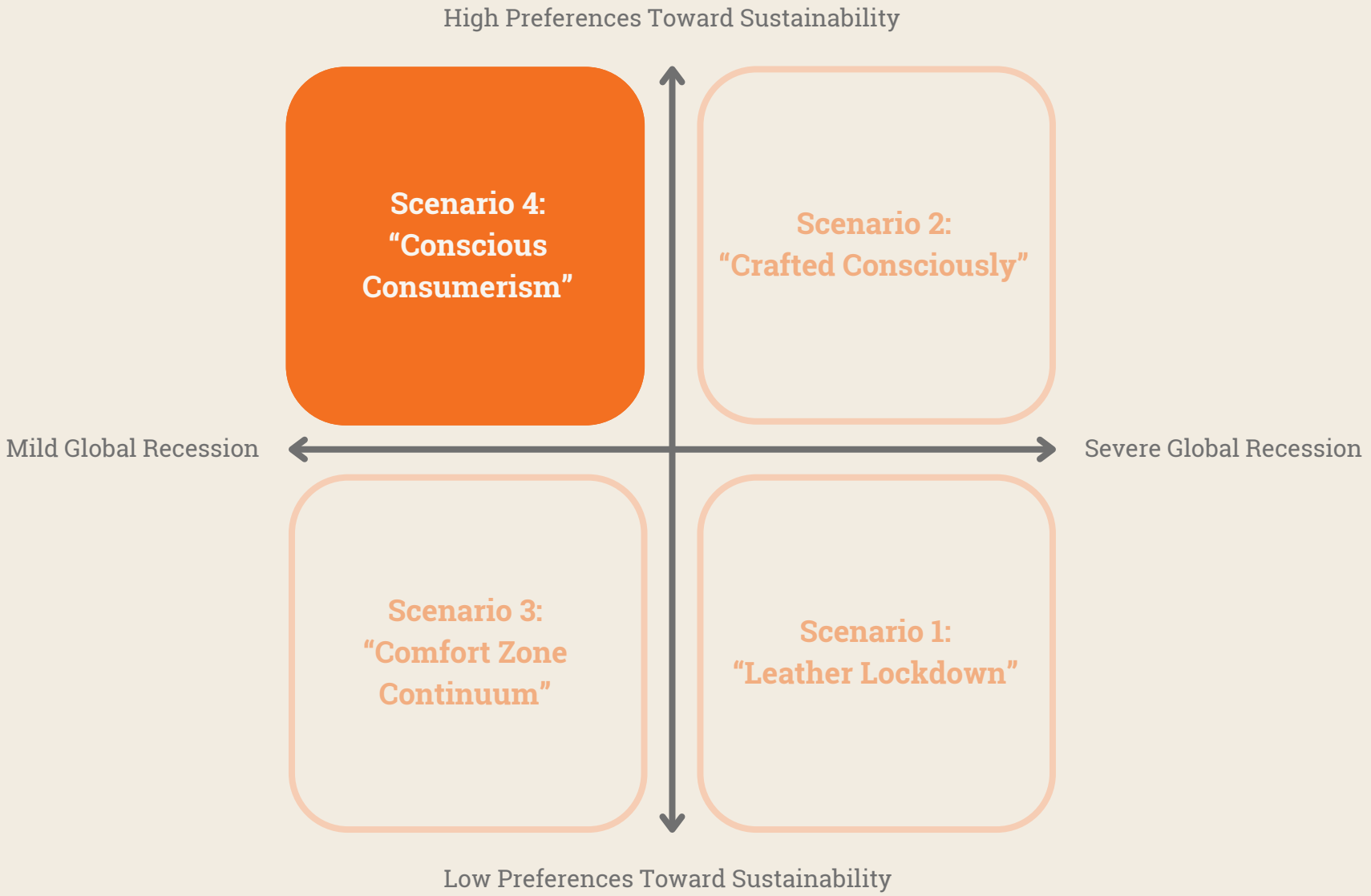
Scenario 3: "Comfort Zone Continuum"

CORE COMPETENCY SHIFT FOR HERMES

From: Aspirational exclusivity	**To:** Preservation of timeless exclusivity
From: Seasonal innovations	**To:** Incremental product refinement
From: Pioneering sustainability	**To:** Gradual acknowledgment of green expectations

In this stable yet conservative landscape, Hermès continues to focus on its hallmark strengths—heritage and craftsmanship—while delaying substantial innovation. This ensures immediate stability but could lead to challenges in maintaining relevance over the long term.

Scenario Narratives



Scenario 4: "Conscious Consumerism"

NEWS HEADLINE NARRATIVE

The Economist

Beyond Growth: How Sustainability Became the Primary Economic Driver

2h Ago

Forbes

Gen Z and Millennials drive 80% of ethical luxury purchases

4h Ago

The Times

Lab grown leather is set to eliminate animal sourced leather by 2040

7h Ago

BBC News

New regulations are cause for elimination of traditional animal sourced leather

2 Days Ago

Scenario 1: "Leather Lockdown"



SWOT Analysis

Strengths

- **Ethical Luxury Resonance:** Premium consumer market deeply values sustainable, traceable craftsmanship
- **Technological Innovation:** Strategic investments in lab-grown leather and blockchain traceability establish industry leadership
- **Market Resilience:** Affluent consumer base ensures consistent demand for high-end products

Weaknesses

- **Regulatory Complexity:** Regulations demand continuous adaptive compliance
- **Supply Chain Constraints:** Challenging procurement of consistently high-quality sustainable materials
- **Transition Economics:** Sustainable practices escalate operational costs, creating barriers

Opportunities

- **Invest in Research and Development:** Allocating resources toward innovation will future-proof operations against inevitable industry changes.
- **Positioning as Ethical Innovators:** Emphasising commitment to sustainability can attract younger, eco-conscious consumers.
- **Circular Economy Initiatives:** Programs like repair, recycling, and resale could position Hermes as a leader in luxury sustainability.

Threats

- **Regulatory Impact on Growth:** Potential regulations could restrict growth opportunities.
- **Economic Volatility:** Currency fluctuations and rising production costs, pose profitability challenges.
- **Regulatory Risks:** Stringent global laws may disrupt operations and increase costs.

Scenario 4: "Conscious Consumerism"

CORE COMPETENCY SHIFT FOR HERMES

From: Targeting Affluent Legacy Buyers	**To:** Expanding Eco-Conscious Demographics
From: Premium Quality Assurance	**To:** Traceable Transparency
From: Incremental Sustainability Initiatives	**To:** Holistic Regenerative Practices

SCENARIO PLANNING:

Preparedness Assessment



Scenario Preparedness Assessment

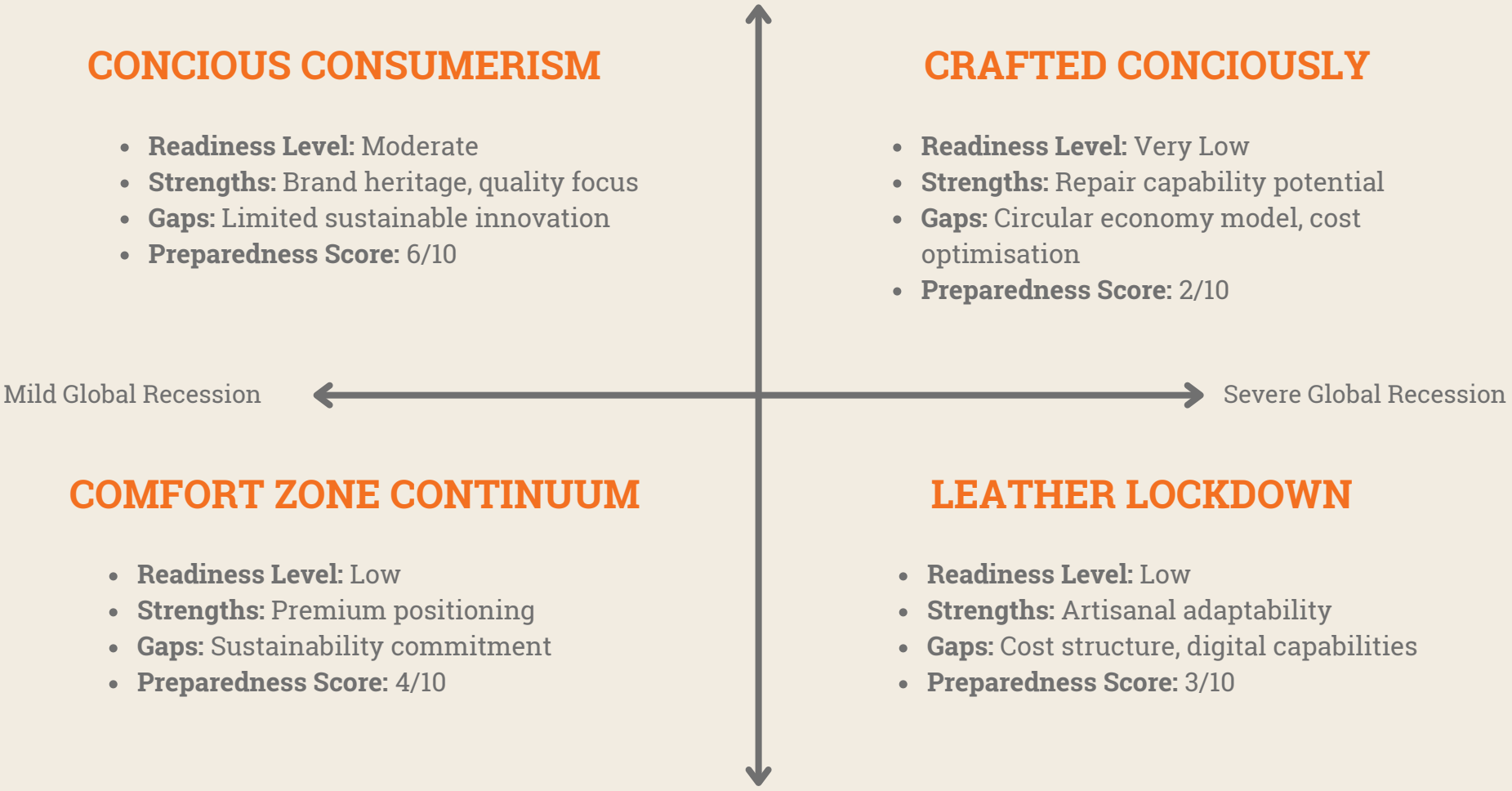
CURRENT STRENGTHS & CRITICAL VULNERABILITIES

- Vertical integration
- Artisanal craftsmanship heritage
- Strong brand reputation
- Quality-focused production
- Premium customer base

- Limited sustainable material expertise
- Traditional production model
- Minimal digital innovation
- Limited circular economy experience
- Dependency on premium leather sourcing
- High-cost production infrastructure

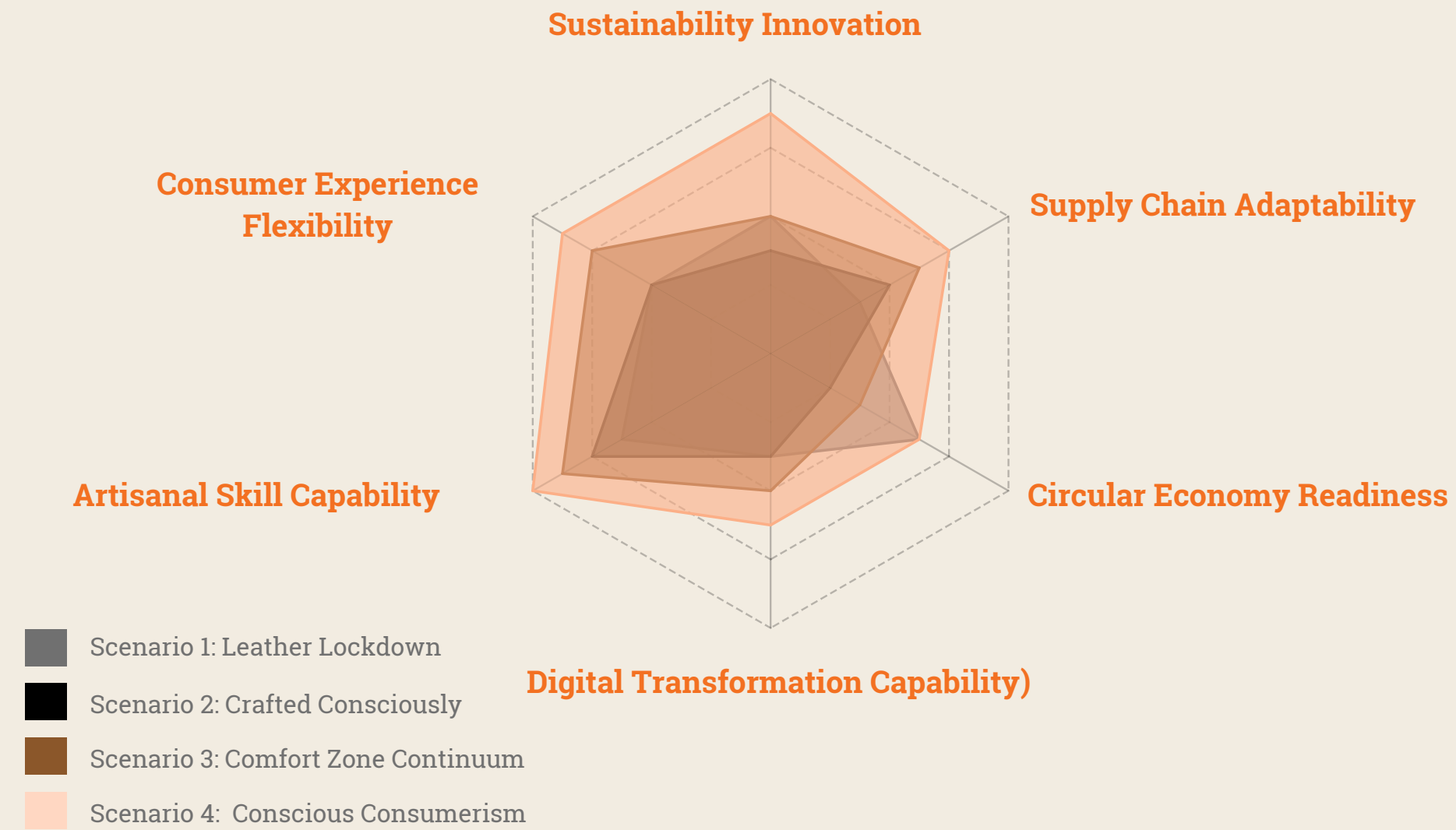
Scenario Preparedness Assessment

SCENARIO PREPAREDNESS SCORING

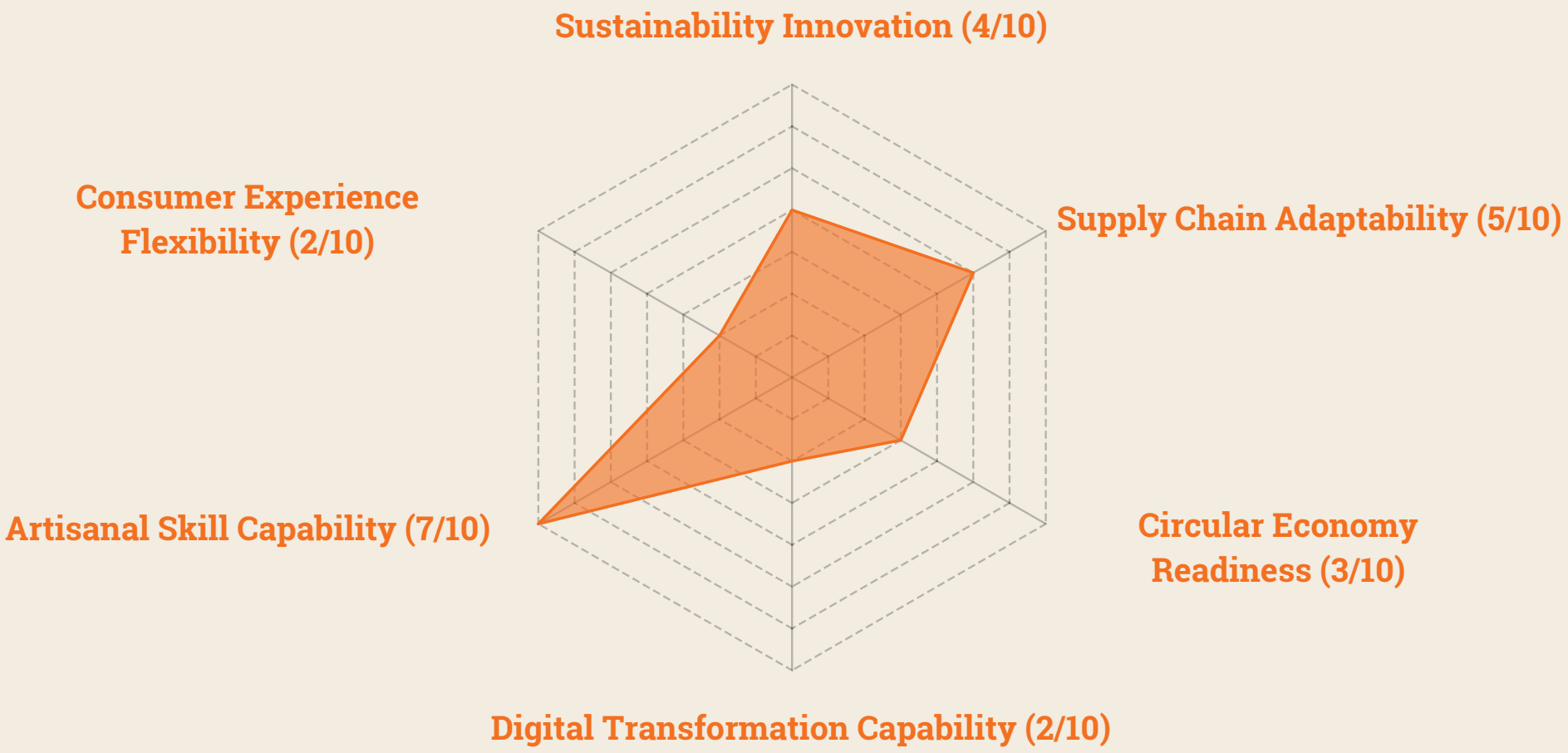


Scenario Preparedness Assessment

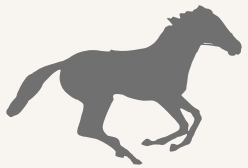
HERMES' OVERALL POSITIONING ACROSS KEY CRITERIA



HERMES' OVERALL POSITIONING ACROSS KEY CRITERIA



STRATEGY DEVELOPMENT



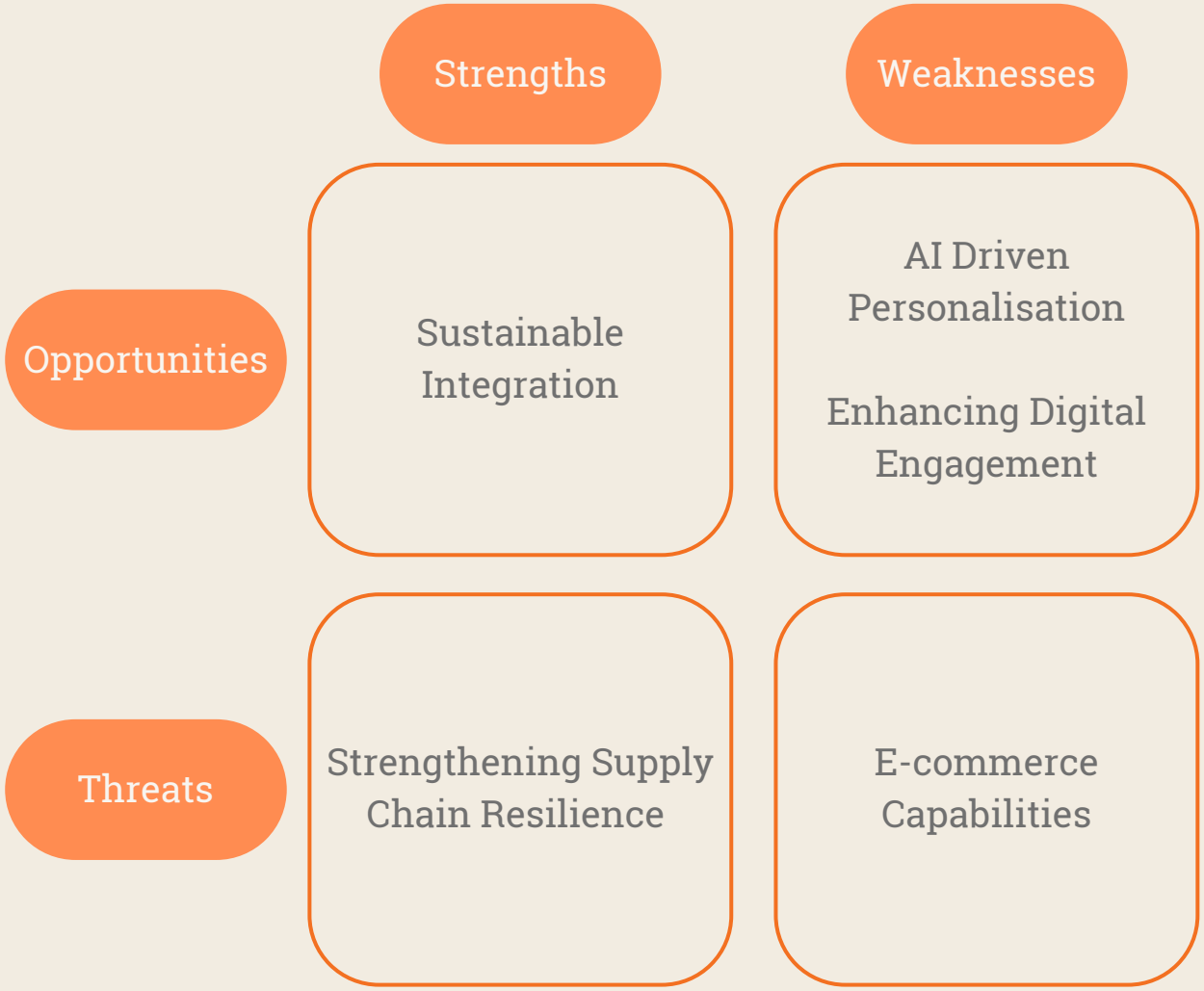
STRATEGY DEVELOPMENT:

Immediate Strategic Actions



Immediate Strategic Actions

PROPOSED IMMEDIATE STRATEGIES



Immediate Strategic Actions

SUSTAINABLE INTEGRATION

1.

Implement Targeted Campaigns

- **Immediate strategic action:** Launch a high-impact sustainability campaign with eco-conscious influencers
- **Quick win:** Run a social media campaign highlighting Hermes' eco-friendly initiatives.

2.

Eco Collection

- **Immediate strategic action:** Research and develop a limited-edition eco collection using sustainable materials.
- **Quick Win:** Introduce a small-scale eco collection for test launch

Immediate Strategic Actions

ENHANCING DIGITAL ENGAGEMENT

1. **AR Features**

- **Immediate strategic action:** Integrate AR features into the app for virtual try-ons and product visualization
- **Quick Win:** Add a simple AR tool for product visualization on the website/app.

2. **Blockchain for Transparency**

- **Immediate strategic action:** Research blockchain for transparent product histories
- **Quick Win:** Launch a pilot project using blockchain for one or two high-demand products

3. **AI-Driven Personalisation**

- **Immediate strategic action:** Use AI for personalised product recommendations on e-commerce
- **Quick Win:** Implement AI-driven product suggestions on the website and email campaigns

Immediate Strategic Actions

STRENGTHENING SUPPLY CHAIN RESILIENCE

1. **Diversify Suppliers:**

- **Immediate Strategic Action:** Onboard additional suppliers and manufacturers to reduce dependence.
- **Quick Win:** Establish backup suppliers for key materials to reduce disruption risks.

2. **Sustainable Bio-Leather Suppliers:**

- **Immediate Strategic Action:** Build relationships with sustainable material suppliers.
- **Quick Win:** Initiate conversations exploring potential partnerships.

Immediate Strategic Actions

E-COMMERCE CAPABILITIES

1. **Mobile E-Commerce**

- **Immediate Strategic Action:** Improve the mobile shopping experience with optimized navigation and checkout.
- **Quick Win:** Launch an app upgrade to improve speed and usability.

2. **International E-commerce**

- **Immediate Strategic Action:** Expand online sales to key international markets with localised content.
- **Quick Win:** Test international shipping in select countries for new collections.

STRATEGY DEVELOPMENT:

Short Term Strategic Plan (0-3 years)



Short Term Strategic Plan (0-3 years)

		Strategic Preparation	Link to Long Term Strategy
1	**Scenario 1 "Leather Lockdown" (High Recession + Low Sustainability)**	Optimise production costs and reduce overheads to maintain profitability through enhancing relationships with tanneries. Develop product lines that cater to budget-conscious consumers without compromising Hermes' luxury standards.	Streamline operations and adjust the business model to sustain revenues and customer loyalty during and post-recession
2	**Scenario 2 "Crafted Consciously" (High Recession + High Sustainability)**	Invest in R&D for sustainable materials to cater to eco conscious consumers. Strengthen marketing campaigns that emphasise Hermes' commitment to sustainability and ethical practices.	Position Hermes as a leader in sustainable luxury, aligning with market recovery and consumer demand for environmentally friendly products.
3	**Scenario 3 "Comfort Zone Continuum" (Low Recession + Low Sustainability)**	Reinforce investment in the quality and exclusivity of traditional luxury items that define the Hermes brand. Maintain strong consumer relationships through both traditional and digital marketing to support brand loyalty such as AR & AI features in-app.	Maintain market position and gradually introduce innovations to keep pace with industry standards without radical changes.
4	**Scenario 4 "Conscious Consumerism" (Low Recession + High Sustainability)**	Brainstorm sustainable production techniques and expand range of eco friendly products. Research technology to enhance product traceability assuring consumers about the sustainability of their purchases.	Prepare Hermes to lead the market with advanced and transparent practices that set new industry standards in sustainability.

STRATEGY DEVELOPMENT:

Medium and Long Term Strategic Plan (3-10 Years)



Medium and Long Term Strategic Plan (3-10 Years)

MEDIUM AND LONG TERM STRATEGIES



Medium and Long Term Strategic Plan (3-10 Years)

EMBRACE CIRCULAR ECONOMY AND SUSTAINABLE INNOVATION

Hermès must embrace a circular economy and sustainable innovation to meet rising consumer demand for transparency and eco-conscious practices.

Classification - Blue Ocean Strategy

Scenario's Addressed

Conscious Consumerism, Crafted Consciously.

Strategy Type: Weakness-Threat (WT) Strategy - Building Strengths for Defensive Strategy.

- Weakness: Limited circular economy experience and sustainable material expertise so far.
- Threats: The global luxury market's shift toward sustainable practices paired with a general decline in the market threatens Hermès.

Medium Term Strategy

- Eco-Certified Collections: Launch sustainability-focused collections with eco-certified materials such as vegetable-tanned leather or bio-leather.
- Marketing Focus: Continue to Highlight Hermès' ethical craftsmanship and heritage in campaigns to attract eco-conscious consumers

Long Term Strategy

- Broaden Lab-Grown Material Use: Expand sustainable materials into wider collections through partnerships and expand eco-collection.
- Global Repair Hubs: Establish global repair hubs for easier access to restoration services.

Medium and Long Term Strategic Plan (3-10 Years)

MEDIUM AND LONG TERM STRATEGIES



Medium and Long Term Strategic Plan (3-10 Years)

STRENGTHEN CORE PRODUCTS AND DURABILITY

Hermès faces increasing economic uncertainty and shifting market dynamics that could impact the demand for luxury goods. Even without recessionary pressures, it is imperative that Hermès innovate and strengthen its core products and maintain quality and durability to stay competitive

Classification - Core Competencies Development

Scenario Addressed

Leather Lockdown, Comfort Zone Continuum

Type: Strength-Threat (ST) Strategy - Defensive Strategy.

- Strength: Hermès' legendary craftsmanship and iconic products, i.e. Birkin & Kelly bags, represent durability, exclusivity, and unmatched quality.
- Threat: Economic slowdowns and evolving consumer priorities threaten the demand for high-end luxury products.

Medium Term Strategy

- Limited-Edition Heritage Reimagining: Release reinterpreted versions of historical Hermès designs with modern aesthetics to appeal to a wider customer base while maintaining brand identity.

Long Term Strategy

- Innovative Materials Research: Expand investment in next-gen durable materials, such as lab-grown leather and eco-textiles to maintain durability while meeting sustainability goals.
- Introduce New Iconic Product Line: Unveil a new flagship handbag line designed to sit alongside the iconic Birkin and Kelly bags.

Medium and Long Term Strategic Plan (3-10 Years)

BUILD RESILIENCE IN THE SUPPLY CHAIN

Geopolitical risks, supply chain disruptions, and the demand for ethical and sustainable procurement threaten consistent production. Hermès must strengthen its supply chain resilience to address these challenges.

Classification - Value Change Innovation

Scenario Addressed
Crafted Consciously, Leather Lockdown.

Type: Strength-Threat (ST) Strategy - Defensive Strategy

- Strength: Despite dependence on premium leather sourcing, Hermès' has established vertical integration and is committed to sustainable, high-quality production.
- Threat: Supply chain disruptions, geopolitical instability, and increasing demand for ethically sourced materials challenges Hermès' ability to maintain high-quality production.

Medium Term Strategy

- Diversify Sourcing: Develop additional relationships with international tanneries and expand sourcing networks to reduce risks from regional disruptions and ensure a more resilient supply chain.

Long Term Strategy

- Enhance Vertical Integration: Evaluate and execute further opportunities for vertical integration, potentially acquiring stakes in key suppliers or establishing joint ventures.
- Smart Technology: Implement technologies like AI and blockchain to improve transparency, traceability, and efficiency across the supply chain.

Medium and Long Term Strategic Plan (3-10 Years)

MEDIUM AND LONG TERM STRATEGIES



Medium and Long Term Strategic Plan (3-10 Years)

ENHANCE DIGITAL ENGAGEMENT & STRATEGIC PARTNERSHIPS

Younger, tech-savvy consumers, particularly Generation Y (ages 25-40), account for 45% of global luxury spending. Hermès must evolve to attract this demographic and stay competitive.[58]

Classification - Redefining Critical Success Factors

Scenario Addressed

All Scenario's but in particular, Comfort Zone Continuum, Leather Lockdown

Type: Weakness-Opportunity (WO) Strategy - Building Strengths for Attacking Strategy

- Weakness: Hermes has a relatively small e-commerce footprint, minimal online engagement, and few partnerships with other companies.
- Opportunity: Engaging digitally, collaborating with exciting companies and leveraging AI-driven personalisation can increase Hermès' visibility and appeal to younger, modern audiences.

Medium Term Strategy

- Further Collaborations: Build on partnerships such as the Hermès-Apple Watch and explore product further collaborations with brands like Tesla, creating luxury accessories, i.e. custom leather interiors.
- Further Develop AR Features in app and start developing blockchain and AI for long term implementation.

Long Term Strategy

- Blockchain for Transparency: Blockchain technology across the leather goods supply chain will ensure product authenticity and ethical sourcing.
- Enhance E-Commerce and Integrate AI-Driven Personalisation: Upgrade Hermès' e-commerce platform to increase accessibility and boost online sales, while AI technology offers a personalised and tailored shopping experience for customers..

Medium and Long Term Strategic Plan (3-10 Years)

MEDIUM AND LONG TERM STRATEGIES



Medium and Long Term Strategic Plan (3-10 Years)

DIVERSIFY & EXPAND GLOBAL REACH

Emerging markets, particularly China, present substantial opportunities for growth. Given the overall decline in the luxury goods market, these markets are vital for sustaining growth.

Classification - Blue Ocean Strategy and Outsourcing

Scenario Addressed
Leather Lockdown

Type: Strength-Opportunity (SO) Strategy - Attacking Strategy

- Strength: Hermes has a strong growth in emerging markets.
- Opportunity: Emerging markets like China exhibit significant demand for luxury goods.

Medium Term Strategy

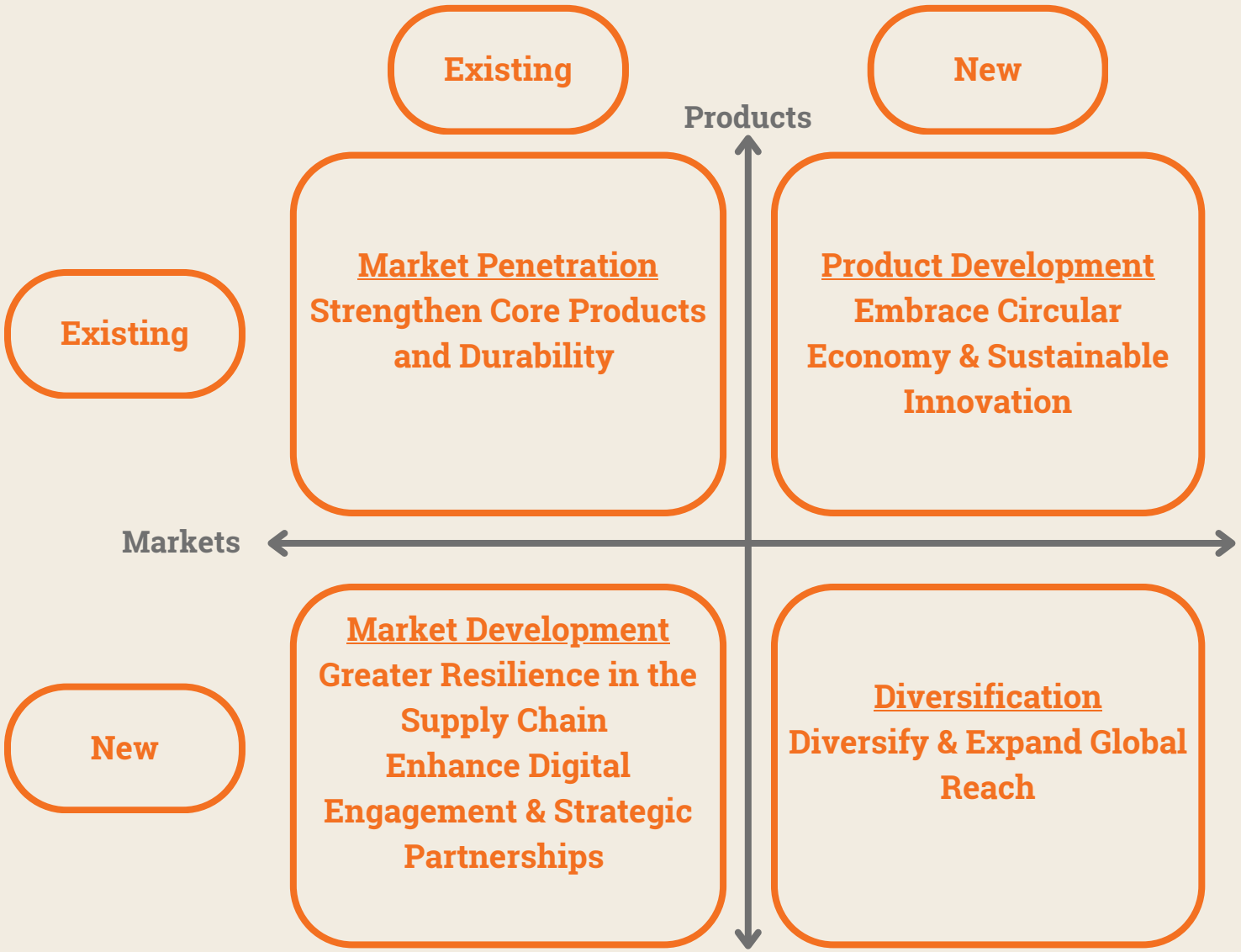
- Multilingual Content: Expand AI capabilities and leverage external international expertise for multilingual content creation to support global marketing efforts.
- Expand operations in emerging markets: Open new stores In emerging markets in China.

Long Term Strategy

- AI-Powered Global Campaigns: Use AI tools to optimize and automate marketing across different regions for more efficient scaling.
- Localized Collections: Launch region-specific products that cater to local tastes and cultures.

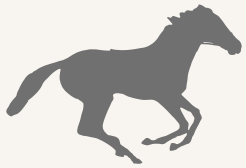
Medium and Long Term Strategic Plan (3-10 Years)

MEDIUM AND LONG TERM STRATEGIES - ALIGNMENT WITH ANSOFF'S MATRIX:



STRATEGY DEVELOPMENT:

Timeline of Strategic Implementation

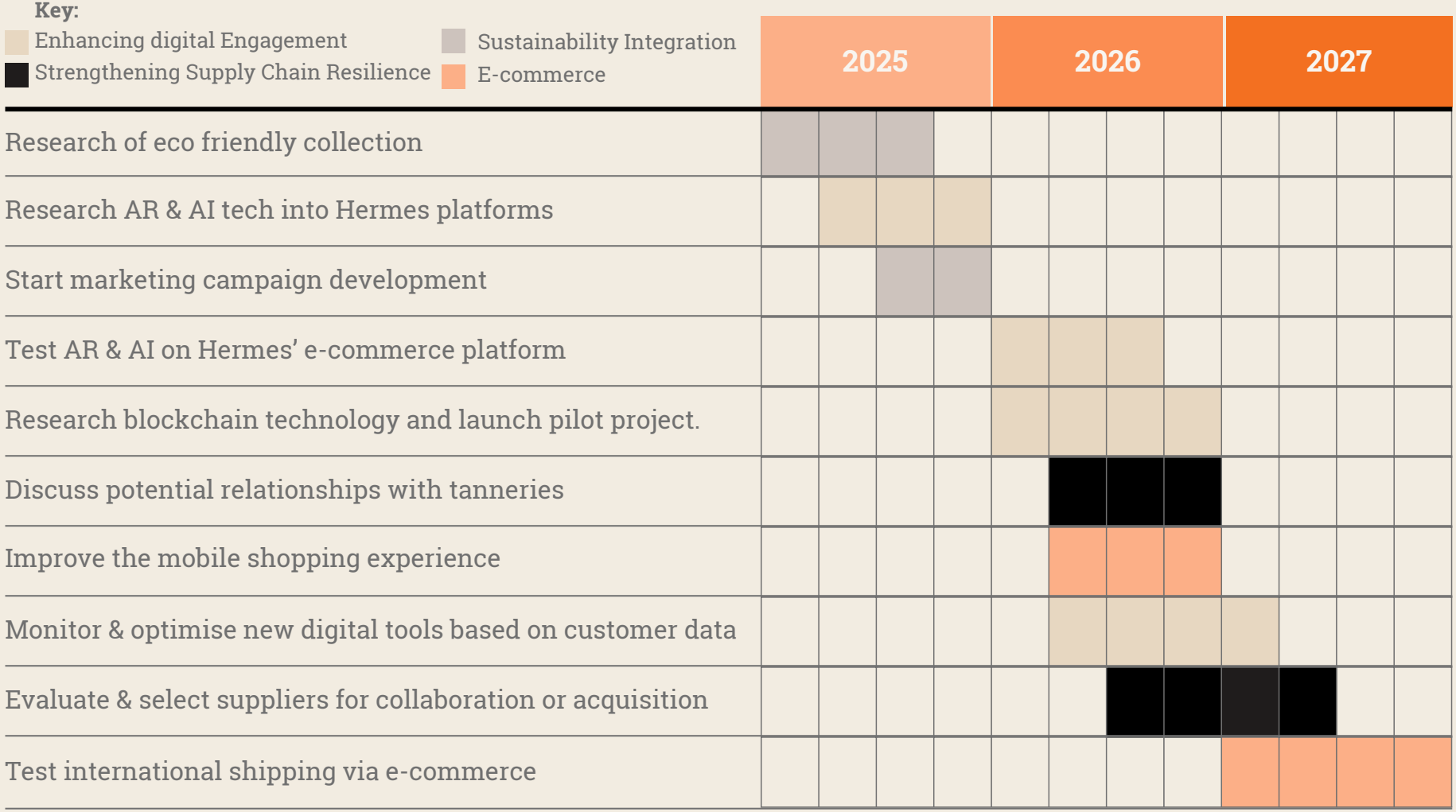


Immediate Strategic Actions & Preparedness Activities

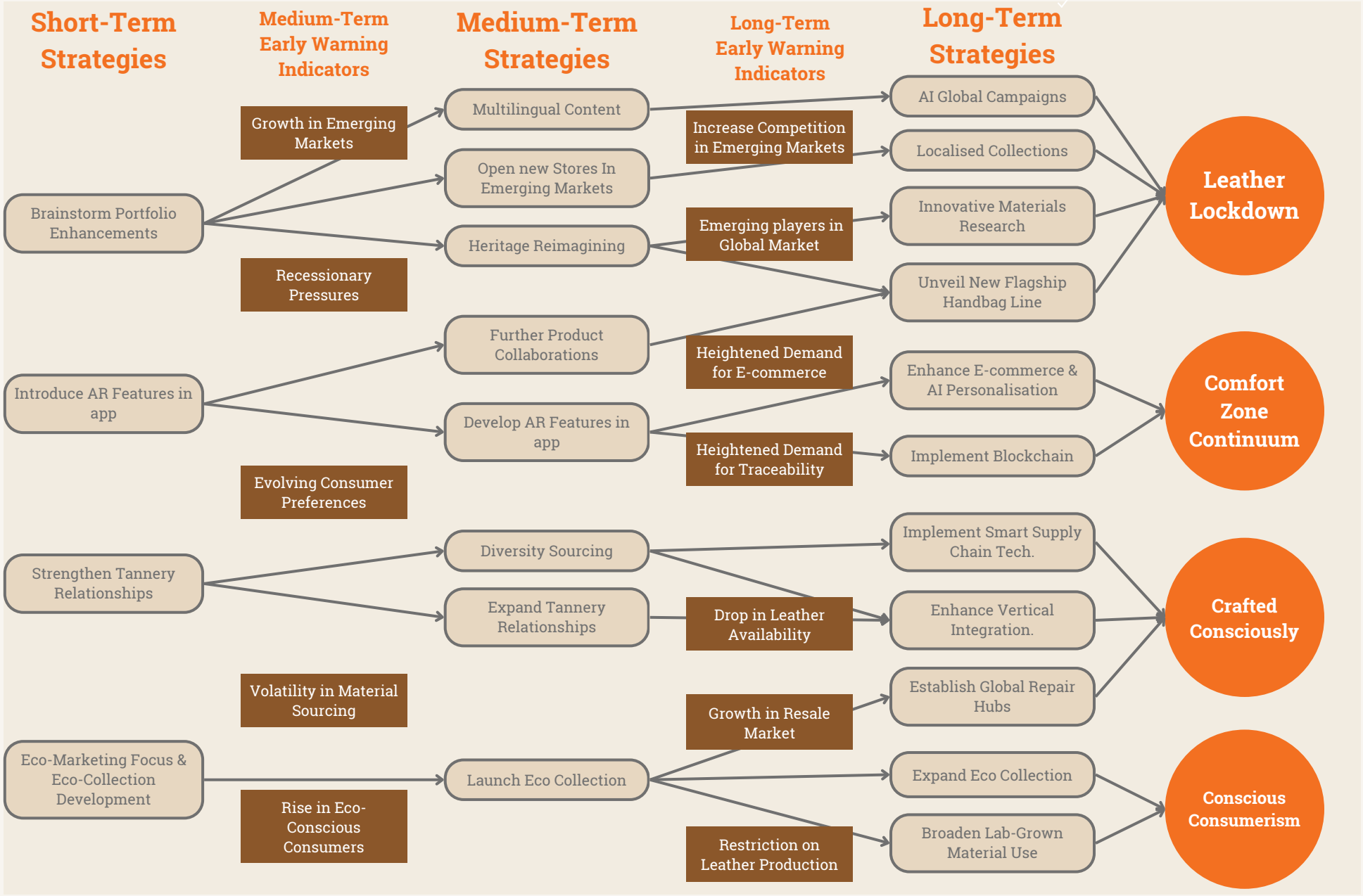
GANTT CHART

Key:

- Enhancing digital Engagement
- Strengthening Supply Chain Resilience
- Sustainability Integration
- E-commerce



Timeline of Strategic Implementation - Strategic Integration Map



Timeline of Strategic Implementation

1

SHORT-TERM (0-3 YEARS)

Sustainability Integration

Actions: Develop limited-edition eco-collections using bio-leather; Invest in R&D for sustainable materials; Strengthen marketing campaigns that emphasise Hermes' commitment to sustainability.

Metrics:

- Eco-collection sales exceeding 5% of target revenue within the first year.
- Reduction of environmental impact metrics (e.g., water and carbon footprints) by 20%.

Trigger Points: ROI exceeding sustainable investment costs or value of consumer feedback during limited pilot phases.

Digital Enhancements

Actions: Launch AR and AI features in the app; Research technologies to enhance traceability of products.

Metrics:

- 20% increase in online user engagement.
- Transparent traceability of 80% of leather goods production.

Trigger Points: Achievement of adoption rates exceeding 10% of active users.

Timeline of Strategic Implementation

2

MEDIUM TERM (3-5 YEARS): CIRCULAR ECONOMY INITIATIVES

Embrace Circular Economy and Sustainable Innovation

Actions: Eco certified collection launch; marketing for Hermes ethical craftsmanship.

Metrics:

- Launch an eco-certified collection achieving 10% of overall product sales within three years.
- Increase brand association with ethical craftsmanship by 15% in global consumer perception surveys.

Thresholds:

- Sales from eco-certified collections <5% after two years.
- Marketing engagement rates (clicks, impressions) <15% for ethical craftsmanship campaigns.

Diversify & Expand Global Reach

Actions: Expand AI capabilities for multilingual content creation; Expand operations in emerging markets.

Metrics:

- Expand operations by opening 5 new stores in emerging Chinese markets.
- Launch multilingual campaigns reaching 20% engagement across targeted regions.

Thresholds:

- Store sales in new regions <10% of initial projections after 18 months.
- AI-generated multilingual content adoption rate below 15% among global teams.

Timeline of Strategic Implementation

2

MEDIUM TERM (3-5 YEARS): CIRCULAR ECONOMY INITIATIVES

Enhance Digital Engagement & Strategic Partnerships

Actions: Explore product collaborations with brands; Further develop AR features in app.

Metrics:

- Secure at least one high-profile collaboration with a tech-luxury brand (e.g., Tesla) within 3 years.
- Achieve 50,000 app users engaging with enhanced AR features annually.

Thresholds:

- Partnership negotiations stalled for >12 months.
- AR user engagement growth <10% year-on-year.

Strengthen Core Products & Durability

Actions: Develop relationships with sustainable bio-leather suppliers; Release reimagined versions of historical Hermes designs.

Metrics:

- Launch reimagined historical designs, contributing to 15% of sales growth in the leather goods category.
- Establish supplier agreements with 3 new international tanneries.

Thresholds:

- Supply delays for reimagined designs exceeding >6 months.
- Dependence on single-region suppliers >40%.

Timeline of Strategic Implementation

MEDIUM TERM (3-5 YEARS): CIRCULAR ECONOMY INITIATIVES

2

Greater Resilience in the Supply Chain

Actions: Develop relationships with international tanneries

Metrics:

- Diversify sourcing to ensure at least 30% of materials come from new suppliers.
- Reduce supply chain disruptions by 20%.

Thresholds:

- Disruptions leading to stockouts exceeding >5% of key product lines.
- Regional dependencies surpassing 50% for critical materials.
- AR user engagement growth <10% year-on-year.

Timeline of Strategic Implementation

3

LONG TERM (5-10 YEARS): RESILIENCE IN SUPPLY CHAINS

Embrace Circular Economy and Sustainable Innovation

Actions: Expand sustainable materials into wider collections; global repair hubs.

Metrics:

- Expand lab-grown materials into 50% of collections.
- Establish global repair hubs in 5 strategic regions.

Thresholds:

- Lab-grown materials adoption <25% in collections after 5 years.
- Repair hub usage rates below 50% of target after the first two years.

Diversify & Expand Global Reach

Actions: AI-Powered Global Campaigns; Launch region-specific products

Metrics:

- Launch AI-powered global campaigns with 30% higher engagement rates compared to traditional campaigns.
- Introduce at least 3 localized collections, generating 20% of sales in respective regions.

Thresholds:

- AI campaign ROI <15% in two consecutive launches.
- Localised collection sales below 10% of regional goals.

Timeline of Strategic Implementation

3

LONG TERM (5-10 YEARS): RESILIENCE IN SUPPLY CHAINS

Enhance Digital Engagement & Strategic Partnerships

Actions: Blockchain for Transparency; Enhance E-Commerce and Integrate AI-Driven Personalisation.

Metrics:

- Implement blockchain across 75% of the leather goods supply chain.
- Achieve 25% year-on-year growth in e-commerce sales through AI-driven personalisation.

Thresholds:

- Blockchain integration delays exceeding 12 months.
- E-commerce sales growth <10% year-on-year.

Strengthen Core Products & Durability

Actions: Expand investment in next-gen durable materials; Unveil a new flagship handbag line.

Metrics:

- Develop and launch at least 2 flagship product lines.
- Introduce innovative materials in 40% of collections.

Thresholds:

- Flagship product sales <20% of projections after one year.
- Innovations fail to meet durability standards in initial testing phases.

Timeline of Strategic Implementation

LONG TERM (5-10 YEARS): RESILIENCE IN SUPPLY CHAINS

3

Greater Resilience in the Supply Chain

Action: Evaluate and execute further opportunities for vertical integration; Implement technologies like AI and blockchain.

Metrics:

- Execute vertical integration for 30% of key suppliers.
- Implement AI and blockchain tech in 80% of supply chain processes.

Thresholds:

- Vertical integration ROI below 10% after 2 years.
- Technology adoption delays >12 months for supply chain projects.

STRATEGY DEVELOPMENT:

Strategic Alignment



Strategic Alignment

	Strengths	Weaknesses
Opportunities	**Diversify & Expand Global Reach** S - Strong growth In emerging markets O - Increasingly high demand In emerging markets	**Enhance Digital Engagement & Strategic Partnerships** W - Limited online engagement & E-commerce O - Digital engagement, collaborations, and AI personalization boost Hermès' appeal to younger audiences.
Threats	**Strengthen Core Products and Durability** S - Legendary craftmanship & durability T - Shifting consumer preferences **Greater Resilience in the Supply Chain** S - Vertical integration & strong local procurement T - Supply chain and geo-political disruptions	**Embrace Circular Economy & Sustainable Innovation** W - Limited circular economy experience & sustainable material expertise T - General decline in global market & growing demand for sustainable practices

Strategic Alignment

Strategic Fit Matrix

	Sustainability	Luxury	Innovation	Customer Engagement	Market Leadership
Sustainability Integration					
Enhancing Digital Engagement					
Strengthening Supply Chain					
AI-Driven Personalisation					
Blockchain for Transparency					

Key:

High: Strong alignment between the strategic initiative and the goal

Medium: Moderate alignment and potential areas for further integration or development

Low: Limited direct impact but could support other aligned goals indirectly

Strategic Alignment

GUIDELINES FOR OUTLINING ROBUST STRATEGIC RECOMMENDATIONS

Link to Strategic Arguments from Different Parts of the Coursework

The strategic recommendations for Hermès are grounded in a comprehensive analysis of the internal and external environments, leveraging insights from the SWOT analysis, resource and capability assessments, and industry trends. These recommendations are designed to enhance Hermès' market positioning and ensure long-term sustainability and growth.

Strategic Alignment



SWOT Analysis

Strengths

- Renowned artisanal craftsmanship and superior product quality.
- Strong brand heritage and global recognition.
- High profitability and robust financial health.
- Exclusive distribution network maintaining brand control and exclusivity.

Weaknesses

- High production costs and limited scalability due to reliance on skilled artisans.
- Heavy dependence on a few iconic products (e.g., Birkin and Kelly bags).
- Slow adoption of digital technologies compared to competitors.

Opportunities

- Growing demand for sustainable and ethically sourced luxury products.
- Expansion in emerging markets such as China and India.
- Increasing consumer interest in digital and personalized shopping experiences.

Threats

- Rising competition from other luxury brands with strong design and innovation focus.
- Potential regulatory changes impacting leather sourcing and production.
- Economic volatility and supply chain disruptions.
- Resources, Capabilities, and Competences



Resources

Extensive global retail network with over 300 boutiques.
High-quality materials sourced from premium suppliers.
Strong financial resources enabling significant investment in innovation and expansion.



Capabilities

Exceptional craftsmanship and quality control.
Effective brand management and marketing strategies.
Robust supply chain management ensuring product exclusivity and quality.



Competences

Ability to blend traditional craftsmanship with modern design and innovation.
Expertise in maintaining brand exclusivity through limited production and selective distribution.
Strong customer loyalty driven by the brand's heritage and quality.

INDUSTRY TRENDS AND COMPETITIVE DYNAMICS

Industry Trends

- Increasing consumer preference for sustainable and ethically produced luxury goods.
- Growth in digital and e-commerce channels for luxury shopping.
- Rising importance of personalized and experiential retail experiences.

Competitive Dynamics

- Intense competition from established luxury brands like LVMH, Chanel, and Gucci.
- Emergence of new entrants focusing on sustainability and innovation.
- Strategic collaborations and partnerships enhancing brand value and market reach.

Macro Trends

- Economic fluctuations impacting consumer spending on luxury goods.
- Regulatory changes focusing on sustainability and ethical sourcing.
- Technological advancements driving digital transformation in retail.

Scenario Drivers

- Global economic stability and consumer confidence.
- Shifts in consumer preferences towards sustainability.
- Technological innovations in materials and retail experiences.

IMPACT ON MARKET POSITIONING

The strategic recommendations aim to strengthen Hermès' market positioning by enhancing its sustainability credentials, expanding its digital presence, and maintaining its reputation for quality and exclusivity. These initiatives will help Hermès capture new market segments and reinforce its leadership in the luxury industry.

STRATEGIC FIT

The proposed strategies align with Hermès' mission to provide high-quality, handcrafted luxury items while embracing innovation and sustainability. They complement the company's existing strategy portfolio by focusing on core strengths and addressing key weaknesses.

Potential Benefits Across Multiple Scenarios

The proposed strategies offer several benefits across different scenarios:

- **Improved brand loyalty and customer satisfaction through sustainable practices.**
- **Increased market share in emerging markets with tailored product offerings.**
- **Enhanced operational efficiency and resilience through supply chain optimization.**

ASSOCIATED RISKS AND MITIGATION

Potential Risks	Mitigation Measures
Dependence on Technology	Diversify Technology Partners
Supply Chain Disruptions	Strengthen Local Supplier Networks
Market Acceptance of Sustainable Products	Market Research to Gauge Customer Response
High Costs of Sustainable Implementation	Phase in Sustainable Practices
Consumer Resistance to AI and Privacy Concerns	Develop Transparent Customer Policies

Competitive Advantage

The strategies will help Hermès sustain and develop its competitive advantage by:

- **Reinforcing its reputation for quality, exclusivity and durability.**
- **Leading the market in sustainable luxury practices.**
- **Leveraging digital technologies to enhance customer experiences and operational efficiency**

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