

# **CHAPTER I**

## **INTRODUCTION**

Hermès is a French luxury goods manufacturer founded in 1837. It is known for its craftsmanship and exclusivity. It concentrates in leather goods, lifestyle accessories, home furnishings, perfumery, jewellery, watches and ready to wear. The firm is very attached to its traditional business model and rejects mass production, assembly lines, and mechanisation.

According to Forbes (2020), it is the 32nd most valuable brand with a brand valuation of \$21.6 B. It has 311 stores in 45 countries. Due to the purchasing freedom enjoyed by its director, each store subtly combines the house's identity with local culture (Hermès, 2021)

In 1837, the business started when Thierry Hermès, the founder of Hermès, began to open a workshop as a harness-maker. It was known with its high quality which then led Hermes to win several awards for their technical achievement. Today, Hermès is known for their famous Kelly and Birkin bag. Kelly bag was the start of the success story of the house which named after Grace Kelly in honour of the princess in 1956.

By 2021, Hermès has 7 key sectors namely leather goods & saddlery, ready-to-wear and accessories, silk and textiles, other Hermès sectors, perfumes, watches, and other products. In 2020, Hermès introduced their latest creation in beauty lines. For their first collection, they focused on lip products which name

Rouge Hermès. With 24 colours available, it was launched in a selection of Hermès stores and personalised spaces in 35 countries (Hermès, 2020).

This essay will discuss two major discussions. The first part will focus on addressing two issues. First is a comparative analysis on Hermès' competitive position in the market. The aim is to look how Hermès gains competitive advantage by using Porter's 5 forces. The second section will focus on examining the considerations that Hermès must look carefully at in presenting beneficial social impacts through its CSR program. The second part will cover a theoretical tool needed for the company to enhance their business. The final part of this essay will be the conclusion of the analysis that was made.

