

APPAREL AND ACCESSORIES

Louis Vuitton or Herms: Which brand wins in the battle for authenticity?

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Louis Vuitton's Bionic series continues with the dynamic new Wings and Leaves designs. Image credit: Louis Vuitton

By **Pamela N. Danziger**

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Today we live in an age of authenticity. Authentic brands, authentic communications and authentic relationships with consumers are demanded.

An overwhelming 86 percent of consumers say brand authenticity is important when deciding which brands to support, according to a study conducted by **Stackla**.

These findings were validated by another global study by **Cohn & Wolfe**.

In that survey of 15,000 respondents, 91 percent of global consumers said they would reward a brand for its authenticity via "purchase, investment, endorsement or similar action." Of this 91 percent, more than 60 percent will either "purchase or express increased purchase interest" in a brand they perceive to be authentic.

Nowhere in business are the authenticity stakes higher than in the luxury market, where consumers' trust in heritage, craftsmanship and quality is rewarded by their willingness to pay a premium for the privilege of ownership.

In the current economy, where huge multinational conglomerates such as LVMH, with a fixation on the bottom line and quarterly growth and profits dominates, luxury brands are threatened by being too omni-present and ubiquitous.

When a luxury brand is seen and available everywhere, its luxury value its authenticity as true luxury becomes diluted.

Forbes.com contributor **Walter Loeb** presents an excellent overview of the delicate balance LVMH faces maintaining exclusivity and increasing accessibility.

Authenticity is the ultimate challenge for luxury brands

"Authenticity is considered the challenge for the luxury segment of our time," write Patricia Anna Hitzler and Gnter Miller-Stewens of the University of St. Gallen, Switzerland, in a study entitled "**The Strategic Role of Authenticity in the Luxury Business**."

In this study, the authors define the primary drivers of luxury brand authenticity to be craftsmanship, scarcity of supply, unique aesthetics and link to origin.

Further, Ms. Hitzler and Mr. Miller-Stewens advise that profits must take a back seat to more lasting values and ideals for a truly authentic luxury brand status to be earned:

"Meaningfulness and long-term orientation are guiding principles, which an organization that wishes to be perceived as authentic should pay special attention to. This may include motives, such as preserving jobs or fostering historical and cultural heritage.

"Striving for profit, the experts underscore, is, of course, vital for the survival of an organization. Nevertheless, the targeted realization of profits is not solely decisive for fulfilled and lasting satisfaction.

"One expert signaled: There must be something else apart from the world of figures.' This something else' is the higher aim, a mission that should be part of the identity of a luxury organization, which, along with its values, gives the enterprise a framework in which it should operate."

With this perspective in mind, I studied two of the world's most highly regarded luxury brands, Louis Vuitton and Hermès, to see how they stacked up in authenticity.

At first blush Louis Vuitton ranks high on the Cohn & Wolfe [Global Authentic Brand 100 list](#), rated No. 65. Hermès, by contrast, is a no show on that list.

But appearances can be deceiving, as in my view Hermès stands head and shoulders above Louis Vuitton in authentic luxury. Here is why:

Authentic luxury whispers, it does not shout

Overall, LVMH is far more heavily invested in marketing and selling expenses than Hermès.

In 2017, 38.4 percent of the corporation's overall revenue of 42.6 billion was allocated to marketing and selling expenses.

By comparison, Hermès devoted 29.8 percent of its 5.5 billion revenues to selling, marketing and administrative expenses.

However, these figures are not a strictly apples-to-apples comparison as LVMH includes 70 individual brands versus Hermès' one.

[Forbes' list of the world's most valuable brands](#) drills down to specifics.

Louis Vuitton (the brand), ranked No. 15 overall and valued at \$33.6 billion, is reported to generate \$12.9 billion in sales and invests \$5.4 billion 42.9 percent of sales on company advertising. If that is not shouting, I do not know what is. (Note: LVMH does not report revenues of its individual brands.)

By contrast Hermès spends a reported 5 percent of sales (\$298 million of \$6 billion in revenues) on advertising. Subtly and quiet elegance is Hermès' approach to advertising, not wide exposure such as Louis Vuitton.

Authentic luxury is not for everyone, but for that special someone

Yes, Louis Vuitton's logo monogram canvas has a heritage that spans more than a century, being first introduced in 1896. But today, despite the high price commanded for its canvas totes, Louis Vuitton and those LV bags may be the world's biggest perpetrator of logo pollution.

Everywhere you go, an LV bag is lurking. Ubiquity stands in complete opposition to the code of conduct of an authentic luxury brand.

Hermès does the opposite of Louis Vuitton's in-your-face branding. Its style is distinctive and immediately recognizable to the cognoscenti, though in our celebrity-obsessed culture, the Hermès brand has become more widely recognized.

And while celebrities may proudly wear Hermès who else can really afford it? they own the brand, but are not owned by the brand.

[Victoria Beckham](#) is said to have an Hermès handbag collection worth more than \$2 million.

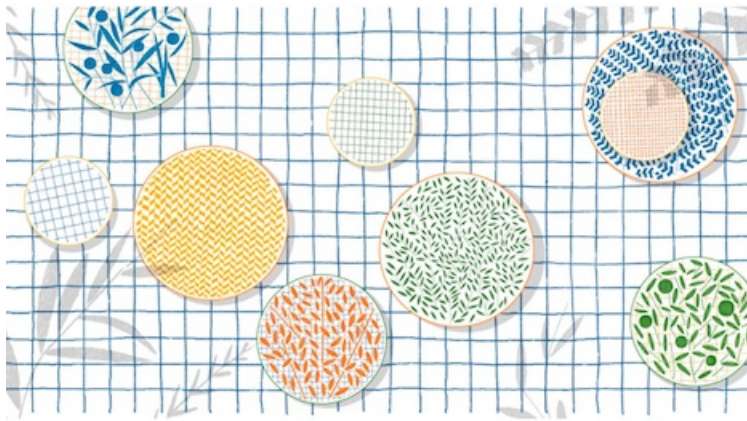
While Hermès rejects celebrity endorsements as a marketing strategy, Louis Vuitton fully embraces it.

For example, Angelina Jolie was paid some \$8.5 million to represent the brand in a single ad campaign in 2011. This reputedly was one of the highest endorsement deals ever for one advertising campaign.

In this Louis Vuitton breaks another cardinal rule of luxury brand marketing, as described by Vincent Bastien and Jean-Nol Kapferer in a chapter in 2013's *Luxury Marketing: A Challenge for Theory and Practice*:

"Celebrities are to be used with caution in the luxury strategy, if the brand wants to build its pricing power, distinction, style and sustained appeal. They are not used as selling agents, for new customers to buy the product through an imitation model," they advise.

Herms does it right, using true brand purchasers to give authentic testimony of the brand's extraordinary value.



Herms' collection of china. Image credit: Herms

Authentic luxury is elusive, not readily accessible

Exclusivity through carefully controlled distribution of a luxury brand collection is another hallmark of authentic luxury.

Just like an authentic luxury brand cannot be heavily promoted or designed to appeal to everybody, part of the mystery and magic of a luxury brand is being elusive, rare and hard to get.

Louis Vuitton operates some 460 branded boutiques. Herms is not far behind with just over 300 boutiques worldwide, but that is where the similarities end.

Louis Vuitton is also widely distributed across the globe in numerous luxury department stores, such as Neiman Marcus, Saks, Bloomingdale's, Nordstrom and Barneys, while only a limited range of Herms' perfume, tableware and gifts are present in the same locations.

Louis Vuitton is not what anyone would call inaccessible, quite the contrary. Las Vegas, for example, has nine locations where Louis Vuitton products can be bought.

By contrast, Herms strictly limits production and places to purchase its core product ranges.

Plus, Herms maintains a waiting list for people who want to purchase a Birkin, one of its classic bags that often requires a wait of two or more years.

Herms strictly limits production and distribution of its products, with the explicit intention not to meet consumer demand, but to enhance it.

Louis Vuitton, on the other hand, responds to the pressures of its stockholders to drive growth. That requires more products distributed in more places.

For authentic luxury, the deeper you dig, the more authentic it becomes

Authentic luxury is at the core of the Herms brand and what it stands for. Louis Vuitton, while it keeps up appearances, does not measure up.

For example, the *Business of Korea* reported this year that Louis Vuitton shoes are produced in a factory in Romania, then shipped to Italy where the soles are attached. That is so it can affix a "Made in Italy" tag on each one.

This is strictly legal, though not authentically kosher, because the European Union rules specify that the country of origin can be claimed where final production is carried out, not where the majority of the product is actually made.

The title of an authentic luxury brand must be earned, not self-proclaimed

To be an authentic luxury brand, the designation must be earned (Hermes) not just a title claimed (Louis Vuitton).

In the final analysis, Louis Vuitton is heavy on marketing, but light on authenticity. Hermes is the opposite.

The fact that Louis Vuitton can continue to drive sales and growth as it has is all to its credit, with its most recent **first-half 2018 results** boasting 25 percent revenue growth in the its fashion and leather goods categories where Louis Vuitton is classified.

But as Abraham Lincoln said, "You can fool some of the people all of the time, and all of the people some of the time, but you cannot fool all of the people all of the time."

TO DATE, LOUIS VUITTON has done a great job of maintaining aggressive growth through expert marketing and management, but it is playing fast and loose with its authenticity.

This may be the Achilles' heel of the brand that will trip it up eventually.

The truly wealthy customers want the real deal authentic luxury brands not poseurs or pretenders.



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