



The Hermès store in Lisbon turns heads. With no marketing or merchandising department to push them, the brand's store managers have the freedom to display and stock the products they want. CREDIT: ARSENIE KRASNEVSKY / SHUTTERSTOCK

In a keynote presentation that he gave at the 2017 Business of Luxury Summit in Lisbon in May, Hermès chief executive, Axel Dumas, offered a robust reaffirmation of his company's commitment to making its much-desired bags from high-quality leather, and to making them in France.

Material witness

It probably seemed like a good idea at the time, but Harvard Business School might regret the occasion on which it invited former student Axel Dumas back to speak to students, presenting him as an example of business genius. When asked what the secret was to creating long waiting lists of eager buyers for the products of the company he now runs, Hermès, Mr Dumas said he didn't know.

The Harvard hard core wanted to know the thinking behind this marketing miracle, but he told them there wasn't any and pointed out that Hermès doesn't have a marketing department and doesn't want one. "Perhaps if we were more intelligent than we are we would engineer scarcity deliberately to keep prices high," he says.

The company's revenues for 2016 reached €5.2 billion but the chief

executive says that he recalls days not so long ago when Hermès was "a small company" that was happy with "any sale we could get". The tale surrounding the launch of the famous Birkin bag in 1984 (resulting from a chance meeting on a business flight between then chief executive Jean-Louis Dumas, uncle of the current boss, and actress Jane Birkin, who carried her worldly goods around in a beach bag because she couldn't find a

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Values from the past

While new ideas are important, the chief executive says that he also feels connected to the pre-historic times when people used the first needles to make the first bags out of animal skins. "We are part of that tradition," he says. "We took all our craftspeople in Paris to see an exhibition of prehistoric artifacts at the National Archaeological Museum in Saint-Germain-en-Laye and there were needles on display that were made 50,000 years ago. We all agreed that the needles we use today to make our bags are practically unchanged, and that means the same desire of mankind to create something, to craft something, was there then. It was the same with buttons from 4,000 years ago. You can see design detail in those ancient buttons and that means that, even then, detail was important. People looked around them, saw beauty and transformed things. This also is creativity."

The world around us is changing all the time and there is no reason why luxury leathergoods companies should be immune from the consequences. Concerns at Hermès and others in the industry about securing sufficient quantities of high-quality leather are far from new. Axel Dumas recounts the



Axel Dumas says obtaining sufficient volumes of leather of high enough quality will be a big challenge for Hermès in the future. He says the "industrialisation of agriculture" is already making it difficult. CREDIT: FINANCIAL TIMES / BUSINESS OF LUXURY

challenge his forebears faced when Russian leather became scarce and then disappeared from the international market. In the nineteenth century, Russian leather was in high demand, but after the revolution in 1917, for obvious reasons, it became difficult to source decent volumes of material of the same quality as before (this was one of the reasons for Émile-Maurice Hermès's trip to the US). At Hermès, appreciation of nineteenth-century Russian leather lived on and when, in the 1970s, divers found a consignment of Russian leather in the hold of the shipwrecked brigantine Metta Catharina, the company snapped up some of this material up (once it was restored) and used it to make an exclusive collection of products. The ship sank off the coast of Cornwall in 1786*.

Desires of tomorrow

Inspiration can come from many facets of life, Axel Dumas believes, but not from a marketing department. He thinks the purpose of luxury leathergoods brands is not to fulfil their customers' needs, at least not in the conventional sense. It's more about "creating the desires of tomorrow", and creativity and intuition are what matter in achieving that. "If you rely only on what you can study, you will always arrive a little

bit late," he says. "That's why, sometimes, I feel that I am selling time, which means the time it took us to make the product, perhaps 16 hours of stitching for one bag, and also the time that the customer will live with the product. The product will age and be repaired if needed. All this time will create an emotional bond between the client and the product and I think it's very important for luxury brands to work collectively on this aspect." He says he loves it when a young woman brings a Kelly bag that once belonged to her grandmother, for example, into an Hermès workshop for repair.

Time may be money, but if that's true it must mean that money is also time. This, too, is something that Axel Dumas thinks about. He describes finance as "a great tool", and it is certainly one that has helped Hermès maintain its independence (very useful if a rival decides to buy up shares in your company without your knowing about it, as LVMH did to Hermès between 2001 and 2014). "But I can assure you that no decision we take is based solely on finance," he continues. "I really believe that if we do our job well, it will translate into good results eventually."

Creative freedom

Although Hermès has no marketing



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Around 85% of Hermès products are made in France, including leather and finished leathergoods. The company has a stake in tanneries in Italy and the US and uses them as sources of exotic leather. However, the bulk of the leather that the company absorbs from internal suppliers comes from France. Its tanneries there are the Tannerie d'Annonay and Tanneries du

250 new artisans per year

He explains that some of the people who work in leathergoods manufacturing roles for his company have parents and grandparents who also carried out this work for Hermès. The average age of the artisans who work in its leathergoods factories is 38 and its current strategy is to hire 250 new craftspeople each year. There is a great deal of interest in France at the moment in artisan skills and many more than 250 people apply for these positions each year, but the number has to be limited, because an experienced person has to work with each of the new artisans for their initial training and this takes about a year. It takes two years in

Of the 307 Hermès stores around the world, there are now more in Asia (123) than in Europe (115). This catches the eye because, it was only in 1978 that the company moved into international markets, and only did so after intense internal debate. More than 30% of 2016 revenues came from Asia and almost as much (14% of the total) came from Japan as from France (15%). Hermès likes new countries, but will look after its more established markets, too, in its attempt to establish a balanced business in our world of uncertainty, the chief executive says. It also wants to keep pushing all of its product categories: ready-to-wear, silk and textiles, perfume, watches, jewellery and footwear are all important. The leathersgoods and saddlery division however is Hermès high-flyer, accounting for 50% of group revenues and posting 14% year-on-year growth in 2016.

Axel Dumas says that when he started in the business, silk accounted for 55% of revenues while leather contributed only 9%. “I don’t know where we’ll be in another 20 years or so,” he says, “and I know it is my duty to keep investing in the shoe department, in ready-to-wear, in jewellery and so on. But I can say we are very glad we invested and continue to invest in our craftsmanship in leather.” 🍷

**A Metta Catharina Exhibition runs until 29 September 2017 at Mount Edgcumbe House, Cornwall, UK.*