

# The Impact of Scarcity Marketing Models on Consumer Behavior in the Luxury Industry - The Case of Hermes

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**Abstract.** With the continuous development of China's economic level, major luxury brands have entered the Chinese market one after another. People's rising living standards and more disposable income provide a strong impetus for the development of the luxury goods industry. At the same time, the luxury industry is also facing the challenges of market expansion and balancing product scarcity. The study analyzes the impact of scarcity marketing on consumers and puts forward feasible suggestions through the combination of scarcity marketing theory and Maslow's demand theory. On the base of a comprehensive analysis of the existing literature, the study summarizes and analyzes the advantages and disadvantages of scarcity marketing in the luxury goods industry. This study demonstrates the successful application of scarcity marketing by combining the case of Hermes. Hermès created the scarcity and uniqueness of products through limited sales, high pricing, and distribution system, which stimulated consumers' desire to buy and product sales. However, this also brings some negative effects including queuing, hype, limiting market size, intensifying market competition, and damaging brand reputation. Therefore, this study puts forward a number of feasible suggestions including formulating diversified pricing strategies, providing differentiated products and services, and strengthening brand social responsibility.

**Keywords:** Luxury Marketing, Scarcity Marketing, Luxury Brands.

## 1. Introduction

The history of the luxury goods industry in China can be traced back to the 1970's. OMEGA, a luxury watch brand, was the first luxury brand to enter the Chinese market in 1976. In the 1990s, major luxury brands such as Cartier, Burberry, and Chanel entered China [1]. As China's economy and living standards improve, the purchasing power of Chinese consumers has increased dramatically. Today, China has become one of the most important luxury markets in the world, attracting the attention of many luxury brands. As China's economy continues to grow and urbanization accelerates, more and more consumers are looking for ways to improve their quality of life and show off their status, and the demand for luxury goods grows accordingly, with the Chinese market continuing to do well in the future [2]. Market expansion is the eternal quest of marketing, and shareholders of luxury companies pursue performance growth and increase of profitability. However, the competition for luxury brands in the Chinese market is becoming more intense. In such a competitive market environment, luxury brands not only need to face challenges from domestic and international competitors, but also need to respond to the ever-changing consumer needs and market environment. Therefore, luxury brands have to face a variety of problems, including how to expand their markets and proliferate their products, and how to strike a balance between maintaining the scarcity of their products as perceived by consumers and proliferating their products. All these challenges put luxury marketing in a dilemma.

Current studies have explored the supply and demand situation, scarcity marketing theories and its impact on the luxury market. Among them, scarcity marketing strategies are widely used, aiming at creating a situation where demand exceeds supply, thus increasing the preciousness and attractiveness of products. In terms of the positive impact of scarcity marketing on consumers, Gao Wenfeng et al. concluded that scarcity marketing creates a purchasing environment in which demand exceeds supply in terms of price, product, and sales strategy, stimulates consumers' purchasing desire, and satisfies a variety of consumer needs, including social needs, respect needs, and self-fulfillment needs [3]. However, the study also stated that scarcity marketing has brought some negative effects that need to

be solved. Huang et al. believed that scarcity marketing brings some negative impacts such as limiting the market size, disrupting the market order, and affecting consumers' word-of-mouth and purchasing behavior [4].

This study uses literature analysis to combine Maslow's hierarchy of needs theory with the concept of scarcity marketing, integrating consumer behavior and marketing theory. By exploring the effects of scarcity and uniqueness on consumers' psychological motivation and purchase decisions, it enriches the understanding of the mechanisms behind consumer behavior.

Hermès, as one of the typical representatives of the luxury industry, is known for its unique brand image, high-priced positioning and scarcity. Hermès' scarcity marketing strategy is widely used in the luxury industry, aiming to create a situation where demand exceeds supply, thus increasing the preciousness and attractiveness of the product. On the one hand, this paper can provide valuable insights and suggestions for other luxury brands by delving into the strengths and weaknesses of Hermès' use of scarcity marketing strategy. On the other hand, this study contributes to the empirical literature in the luxury goods industry by providing an example of theoretical application in the field of marketing and a solution to an industry problem.

## 2. Description of Hermès

Hermès is a French luxury brand founded in 1837 by Thierry Hermès. It began as a workshop specializing in the production of harnesses and saddlery. Over time, Hermès gradually expanded the business, and his 4th-generation heirs developed new areas such as perfumery in addition to leather goods [5]. By the 1960s, Hermès had enriched his fashion, accessories and perfume offerings. From a purely handmade workshop, it had evolved into a multinational company that made fine and rare products. With attention to craftsmanship and detail in all its products and the use of premium materials, it applies its superior craftsmanship and designer creativity to leather goods, accessories, fashion and fragrances.

Scarcity marketing is a marketing strategy that emphasizes the scarcity of products and services to create a sense of uniqueness and urgency, which stimulates consumers' desire and demand for purchasing and prompts them to make purchasing decisions. Hermès' scarcity marketing is mainly realized through its price, product, promotion and sales strategy. In terms of pricing strategy, Hermès adopts the high pricing strategy and conducts periodic price increases. In terms of product strategy, the scarcity and uniqueness of products are ensured through the strategy of limited production. The quality and details of the products are guaranteed through traditional craftsmanship and handmade. At the same time, the limited production capacity compared to assembly line products creates product scarcity. In the perspective of promotion and publicity of brand value, it conveys the brand concept of noble life, elegance and refinement [6]. In the aspect of sales strategy, the company uses the subterfuge system of allotment to reach the effect of scarcity marketing and limited marketing. This means that when consumers buy limited edition bags or other products, they have to buy other accessories of the same value or double the value in order to qualify for purchase [7].

## 3. Marketing Strategy Analysis

### 3.1. Product Strategy

Hermès' product strategy of using limited, handmade production makes the supply of products smaller than the demand. This imbalance between supply and demand ensures or creates scarcity of Hermès products [8]. For example, Hermès' Birkin and Kelly, two extremely popular products, are released in limited quantities each year, resulting in a situation where supply exceeds demand. This scarcity design triggers consumers' enthusiasm to buy and satisfies their need for socialization and respect for unique and scarce products. In the luxury market, owning certain scarce products makes consumers feel special and unique. Consumers buy these products not only for their own satisfaction, but also to show their status and taste in social occasions. For example, owning a Hermès Birkin or

Kelly handbag becomes a social symbol that can show owners' high taste and status in social interaction, increasing their sense of identity and belonging in social relationships.

At the same time, scarcity also satisfies the consumer's need for respect. Consumption of luxury goods is a way of demonstrating personal success and wealth. Thus, owning scarce high-end luxury goods becomes a symbol, and consumers demonstrate their financial strength and success by purchasing these products. Scarcity makes consumers feel that buying luxury goods is a way to show off and demonstrate their self-worth, satisfying their need for respect and social recognition. Adherence to the principles of handmade and high-end service guarantees the quality of products and services. Excellent brand image and service quality will make the brand image spread gradually in a favorable direction. Compared with similar industrialized assembly line luxury brands, consumers are more likely to buy products that are rich in substance and craftsmanship.

### 3.2. Price Strategy

Hermès uses high pricing strategy to ensure the scarcity of the brand's products and services. The imbalance between the supply and demand of Hermès' products coupled with Hermès' luxury brand positioning determines to a certain extent Hermès' high pricing strategy [9]. At the same time, the high pricing strategy also enables Hermès to focus its customer positioning on a small number of high-income people, ensuring the rarity of customers. According to the theory of perceived value theory, high priced products coupled with luxury high-end positioning satisfy consumers' need for respect and social recognition, and therefore they are willing to pay a higher price for them. In this way, Hermès further strengthens the luxury and unique value of its products by associating price with scarcity.

### 3.3. Sales Strategy

Hermès' sales strategy utilizes a combination of allotment systems and limited-edition sales, whereby consumers are required to purchase additional other products at the time of sale in order to obtain the desired limited-edition model. Meanwhile, Hermès often uses limited editions to launch specific styles or collections. The supply of these products on the market is very limited and far below consumer demand. Through the two strategies of allotment system and limited sale, Hermès effectively creates a purchasing environment in which demand exceeds supply and stimulates consumers' desire to buy its products. Consumers are willing to accept the conditions of allocation or buy as early as possible in order to obtain the scarce products, which increases the snapping up effect of the products. This scarcity strategy not only enhances the brand's brand value and attractiveness, but also makes consumers have a higher sense of recognition and loyalty to the product [9]. On the one hand, the profits generated by the best-selling products are limited, and the way of purchasing with other products is conducive to the maximization of the brand's profits. On the other hand, the allocation system and the limited number of products on sale lengthens the waiting time for consumers. This sales strategy provides more opportunities for customers to understand and deepen the brand culture. It fosters customer loyalty. At the psychological level, this sales approach makes consumers realize that only a few people can obtain these products, and these people pursue individuality and self-realization. These consumers believe that owning Hermès products reflects their individuality and taste, thus satisfying their need for self-actualization. This increases the brand's uniqueness and scarcity, further stimulating the desire to purchase.

However, scarcity marketing models like limited edition and allocation systems tend to have some disadvantages. On the one hand, these strategies can lead to queuing and speculation among consumers. When a highly anticipated product is released in limited quantities, consumers often rush to secure their purchases, resulting in long queues and even chaotic situations. Moreover, the scarcity created by these marketing tactics can fuel speculation, with individuals purchasing products solely for the purpose of reselling them at higher prices. This creates a secondary market where the product is sold at inflated prices, often excluding genuine consumers who may not be able to afford the inflated prices. Furthermore, scarcity marketing can create a false sense of urgency, pressuring

consumers to make impulse purchases without fully considering the value or necessity of the product. In addition, market speculation may also cause consumers to be skeptical of the brand, believing that its marketing tactics are overblown or inauthentic [10]. Some of the consumer dissatisfaction and negative press brought about in this way have negatively impacted brand reputation.

On the other hand, limited supply and restrictive measures limit the size of the market. Supply does not meet demand, preventing many potential consumers from obtaining the products they need. Hermes' allocation system may also result in secondary sales of products and the emergence of a gray market. Some consumers may have to purchase additional items in order to qualify for a purchase that they may not really need or want. This exacerbates the result of imbalanced market rules for luxury brands. This limits the brand's market reach and may miss some potential consumers. Some of the target customers, as a result, will be lost to other competitive brands.

In addition, this marketing strategy has led to increased competition in the market, stimulating other brands to imitate it. This may lead to the emergence of more brands adopting scarcity marketing strategies in the market, and consumers are faced with more choices, as well as a decrease in the uniqueness and rarity of the brand. This not only disrupts the market order to some extent. It also exacerbates the sense of inequality in society and raises questions and criticisms about the luxury industry as a whole.

#### 4. Recommendations

Based on the above analysis of Hermes' marketing strategies, there are some valuable recommendations to further improve its marketing strategies.

First, in response to the problems arising from scarcity marketing, luxury brands should adopt diversified pricing strategies to balance the unfairness caused by scarcity marketing, for example, introducing tiered pricing models based on customer loyalty or exclusivity. By offering lower prices or exclusive privileges to loyal customers or members of exclusive programs, luxury brands can cultivate a sense of inclusivity and reward customer loyalty while still maintaining the aura of exclusivity that scarcity marketing brings [11]. In addition, brands should be truthful and transparent, avoiding false advertising and exaggerated marketing practices. To maintain consumer trust and loyalty, brands must prioritize honesty and transparency in their advertising. This means avoiding false claims, exaggerated marketing practices, and misleading information. Consumers value brands that are upfront and truthful about their products or services. By providing accurate information, brands establish credibility and build long-term relationships with their customers.

Second, brands emphasize core values and uniqueness through differentiation and innovation, and continue to differentiate themselves through brand innovation and differentiation to continuously lead market trends. Through developing greater differentiation to highlight the brand's core values and uniqueness, luxury brands can make consumers recognize the brand's unique appeal and value. For instance, luxury brands can invest in innovative marketing strategies, such as experiential marketing campaigns or collaborations with renowned artists, to create a distinct brand identity [12]. These initiatives not only capture consumers' attention but also allow them to connect with the brand on a deeper level. Furthermore, by continuously pushing the boundaries of creativity and design, luxury brands can stay ahead of market trends and maintain their position as leaders in the industry. For instance, brands can introduce cutting-edge technology or sustainable practices into their products, showcasing their commitment to innovation and social responsibility.

Third, luxury brands should continue to explore innovative marketing strategies that utilize digital technology, social media and online-offline integration to engage with consumers. In today's digital era, where consumers are increasingly connected and engaged online, luxury brands have a unique opportunity to leverage innovative marketing strategies. By embracing digital technology, social media platforms, and seamless online-offline integration, luxury brands can effectively engage with their target audience [12]. These strategies not only enhance brand visibility but also provide a personalized and immersive experience for consumers. With the ever-evolving digital landscape, it is

imperative for luxury brands to stay ahead of the curve and continuously adapt their marketing strategies to remain relevant and capture the attention of discerning consumers.

Finally, in their marketing content, luxury brands should reinforce social responsibility. Through charity and environmental protection, luxury brands can increase social recognition and give back to society. Specifically, they can actively participate in social welfare activities and provide help and support to the disadvantaged. For example, they can donate a portion of their income to charitable organizations to support projects in the fields of education, medical care and environmental protection. Through such public welfare behaviors, the brand can establish a good social image and gain recognition and praise from consumers and the society. On this base, this can increase the attractiveness of the brand, attract more consumers' attention and recognition, and achieve sustainable development.

## 5. Conclusion

By analyzing the case of Hermes' scarcity marketing, it can be found that scarcity marketing is to create a buying environment where demand exceeds supply by restricting price, product, channel, sales and other factors, which stimulates consumer's desire to buy and satisfies a variety of consumer needs, including social needs, respect needs, and self-fulfillment needs. This demonstrates and deepens the brand values and brand positioning to reach the ultimate goal of purchase. The favorable impact of scarcity marketing on consumer behavior in the luxury industry is explained and demonstrated through Maslow's Needs Theory, Marketing Mix Theory and Supply and Demand Theory.

The significance of this study lies in the theoretical construction of scarcity marketing in the case of Hermes. On the one hand, it highlights the universal and typical value of scarcity marketing for the luxury market. This case study illustrates the successful application of scarcity marketing. On the other hand, for the problems appearing in the Hermes case, practical approach strategies and improvement suggestions can be proposed according to the actual situation. This provides practical guidance for companies to use scarcity marketing in their marketing strategies to help them better meet consumer needs and enhance market competitiveness. Although this illustrates the potential for success of scarcity marketing strategies, the problems associated with this marketing model require the luxury companies to focus on and address the inequalities and social concerns of scarcity marketing.

The limitation of this study is the uniqueness of the case. Although Hermes is a famous and representative brand in the luxury industry, other luxury brands may adopt different marketing strategies and market positioning, so the results of the study may not be universally applicable. Secondly this study mainly relies on literature analysis and theoretical reasoning and lacks empirical data support. At the same time, the study did not conduct large-scale questionnaire surveys or field interviews to gain an in-depth understanding of consumers' purchasing behaviors and psychological motivations from their perspectives.

Future research could use questionnaire surveys to gain a deeper understanding of consumers' purchasing motives, preferences and attitudes, and explore their perceptions of and reactions to scarcity marketing strategies, coupled with the use of big data technology and data analysis methods. Future research should further explore the applicability of scarcity marketing strategies to other luxury brands and different market environments, as well as how to balance economic interests and social responsibilities in scarcity marketing to promote the development of sustainable luxury consumption.

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