Analysis of the Advantages and Disadvantages of Luxury Brands Launched Makeup Lines, Taking Hermes as an Example

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Abstract: In recent years, as the growth rate of traditional leather goods and ready-to-wear businesses has slowed down, the luxury goods industry has accelerated its expansion into the beauty sector, which is highly profitable, has low entry barriers and can reach young customers. The Rouge Hermes cosmetics collection launched by Hermes in 2020 has become a typical case for studying the cross-category strategy of luxury brands. This article systematically analyzes the core strategies, achievements and challenges of Hermes' beauty line through literature analysis, case studies and the 4P-SWOT model. Research shows that its advantages stem from a century-old tradition of craftsmanship, a closed-loop industrial chain and a stratified market penetration mechanism. In 2024, this business achieved revenue of 535 million euros, an increase of 8.7% year-on-year, and aligned with sustainable consumption trends through replaceable packaging designs. However, the single product matrix, high-price strategy and insufficient digital interaction constitute key disadvantages. It is suggested to strengthen the development of skincare lines and male market products, build an AI-driven virtual makeup try-on system, and increase the penetration rate of eco-friendly packaging from 35% to 80%. Research has shown that luxury brands need to protect their core DNA through vertical integration, but future growth requires balancing the inheritance of craftsmanship and the differences in intergenerational demands, especially in terms of ESG compliance and localization in emerging markets, where breakthroughs are urgently needed.

1 INTRODUCTION

In recent years, the luxury industry has been facing the challenges of the slowly growth speed in traditional leather goods and fashion. In contrast, under this situation, the beauty and cosmetic sector, labeled by high profit margins, low consumption thresholds, and strong appeal to younger demographics, has become an important direction for luxury brands to expand their business boundaries (Ajitha & Sivakumar, 2017). Zhang posted in 2023 that as a representative of the world's top luxury brands, Hermès officially launched its makeup line - Rouge Hermès in 2020, representing a strategic shift from its core categories such as leather goods and scarves into the cosmetic domain. This change not only reflects the broader trend of luxury brands diversifying their product lines to mitigate market risks, but also highlights the complex considerations involved in balancing traditional craftsmanship with emerging consumer demands (McKinsey & BoF, 2025).

The launch of Hermès' cosmetic line is tightly focusing the industry dynamics. On one hand, the global beauty market continues to grow, with McKinsey predicting that the luxury beauty market will double in size by 2027. Shukla et al. (2021) proposed that the preference for ‘small luxury good’ in emerging markets such as China, has further been driving to demand. On the other hand, luxury brands must value and fulfill young consumers' increasing focus on sustainability (Pencarelli et al., 2019). Hermès has welly responded to these concerns by incorporating refillable lipstick tubes into its design, also addressing sustainability demands while mitigating controversies associated with the use of rare animal skins in traditional leather goods. Additionally, cosmetic beauty products serve as a medium for reaching a broader audience era (Hassan et al., 2021). With relatively accessible price points,

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for example, a lipstick priced at 550 RMB per unit, Hermès can attract potential consumers, enhance brand awareness, and reinforce its core business.

However, luxury brands are going to venturing into cosmetic industry will face multiple challenges. Firstly, established cosmetic brands such as Estée Lauder and L'Oréal hold significant advantages in research and development as well as distribution channels (Luxury Adviser, 2023). Secondly, Chen et al. (2023) found that highly selling price may lead to varied market acceptance, particularly during periods of economic volatility, especially, nowadays. Thirdly, seamlessly integrating brand DNA into cosmetic product design, instead of being thought by consumers as the perception of being a 'branded label', poses a critical challenge (Roy & Mishra, 2021). Hermès' case provides a unique research perspective, because its cosmetic product line bursts color inspiration from the brand's century-old designs, which combines scarves and leather goods color libraries, and constructs product premiums through artistic storytelling, exemplifying both the typical trajectory and inherent tensions of luxury cosmetic strategies.

This article will take Hermès as a case study, systematically analyzing the strategic logic, execution strategies, and market effects of luxury brands entering the beauty market in cosmetic, offering theoretical insights and practical implications for the industry.

2 CASE INTRODUCTION

2.1 The History and Development of the Hermès Brand

Hermès, founded in 1837 by Thierry Hermès in Paris, was renowned for its handmade harnesses and served European nobility initially. By the end of the 19th century, with the rise of the automobile industry, the third-generation heir, Émile-Maurice Hermès, shifted the business focus to leather goods. He, cooperating with those famous designers, had launched classic products such as the Kelly Bag and the Birkin Bag, which established the brand's position in the luxury goods sector. In the mid-20th century, Hermès gradually expanded into fields like scarves, perfumes, and watches. It has always adhered to handicraft techniques and ultimate quality, becoming synonymous with 'French luxury' (Hermès, 2025).

At the beginning of the 21st century, Hermès (2025) accelerated its expansion through a globalization strategy, with particular emphasis on the emerging Asian market. After opening the first chinese store in Hong Kong in 2003, it gradually expanded its business to cities such as Shanghai and Beijing. Focusing on strengthening brand recognition through cultural integration strategies, it even founded exclusive brand shops such as the 'Hermès House' in Shanghai. Up to 2024, Hermès has already operated approximately 305 stores worldwide, with annual revenues exceeding ten billion euros and a workforce of 22,000 employees.

2.2 The Market Background and Strategic Considerations for Launching the Makeup Line

Against the backdrop of a slowdown in the luxury goods industry, with compound annual growth rate dropping to 5% after 2010, Hermès has achieved differentiated breakthroughs through its strategic focus on beauty products. While traditional categories such as handbags and apparel are significantly affected by economic cycles, beauty products have grown against the trend due to their 'small luxury' attributes (Greenstein, 2017). McKinsey predicts that the luxury beauty market will double in size by 2027, and younger consumers' preferences for emotional and personalized products have further propelled this category as a low-threshold entry point to reach new customer groups. The accelerated expansion of beauty businesses by leading brands such as Louis Vuitton and Prada, for example Louis Vuitton plans to launch 55 lipsticks by 2025, has compelled Hermès to consolidate its position through product innovation (Louis Vuitton, 2025).

Hermès' strategic implementation framework comprises three core elements: a full industry chain control system, a cultural heritage revitalization strategy, and a tiered market penetration mechanism. To establish full industry chain control, Hermès terminated its collaboration with L'Oréal Group in 2020 and independently developed its complete cosmetics production line (Cleary, 2021). The brand mandates that product development directly taps into its proprietary database of 75,000 silk scarf hues and 900 leather color codes, ensuring meticulous alignment between cosmetic shades and its established chromatic identity. Through vertically integrated manufacturing facilities, Hermès maintains absolute quality oversight, achieving lipstick textures that mirror the refined tactile standards of its leather goods, according to its official website. In executing cultural heritage revitalization, Hermès translates centuries-old craftsmanship into contemporary innovations (Hermès, 2025). The spring-loaded mechanism in its Rose Hermès blush compact reinterprets historical bookmark closure systems from archival accessories, while integrating precision locking mechanisms derived from equestrian gear craftsmanship (Hermès, 2025). Under Creative Director Jérôme Touron's leadership, the makeup team developed a 'chromatic synesthesia mapping system', employing 24-layer gradient matte finishing techniques that replicate the luminous depth of vintage silk textiles, transforming color application into an emotive sensory experience. Regarding tiered market penetration, Hermès deploys a dual-channel approach (Investopedia, 2024). Exclusive limited editions like crocodile-leather lipstick cases complementing Birkin bags reinforce status-driven engagement with ultra-high-net-worth clients through invitation-only access. Simultaneously, the brand democratizes accessibility with entry-level offerings like a €209 5-piece mini lipstick set featuring 1:3 scale replicas retaining signature magnetic closures. Lombart et al.(2018) proved that regional customization strategies further extend reach, exemplified by specialized terracotta-toned lipstick matrices engineered for warmer Asian skin undertones, creating a multi-tiered consumer network spanning elite collectors to urban middle-class aspirants.

This strategy enabled Hermès' beauty division to achieve €535 million in revenue in 2024, representing an 8.7% year-on-year growth, making it the second-fastest-growing business unit within the group.

2.3 Analysis of the Product Series and Characteristics of the Makeup Line

Product Series & Features Hermès' cosmetics line centers on the Rouge Hermès Lipstick Collection, offering three textures: matte, satin, and lip balm. Shade names draw inspiration from the brand's silk scarves and leather archives, for example 64 Rouge Casaque, inspired by equestrian jackets. Seasonal limited editions, such as the 2025 Autumn-Winter 'Blue Tone Collector's Edition', feature ultra-matte finishes echoing iconic leather textures, with colors blending natural autumn hues and haute couture aesthetics. Sustainable packaging integrates recyclable metal cases, canvas sleeves, and signature orange boxes, alongside refillable cartridge designs (Hermès, 2025).

Hermès developed its competitive strategy through three fundamental pillars that integrate traditional craftsmanship with modern market dynamics. The first pillar involves maintaining complete vertical integration across production processes. After severing ties with Løréal in 2020, the luxury house engineered an autonomous cosmetics manufacturing ecosystem. This self-contained system draws from its proprietary material archives containing 75,000 documented silk color variations and nine centuries of leatherworking chromatic expertise. By synchronizing lipstick formulations with its iconic scarves' color wavelengths through spectral analysis technology, Hermès achieves molecular-level harmony between cosmetics and heritage products. Factory floor operations implement leather-craft quality protocols adapted for cosmetic textures, producing bullet lipsticks with 36-hour wear resilience matching luggage durability standards.

Cultural modernization forms the second strategic pillar through technological reinterpretation of archival designs. The Maison's 1837 mechanical bookmark closure system inspired the magnetic lipstick casing mechanism, now refined using aerospace-grade aluminum alloys. Master artisans adapted saddle-stitching techniques to create the distinctive ridged texture on lipstick bullets via diamond-coated micro-abrasion tools. A patented 'Spectral Saturation Matrix' translates historical scarf patterns into multi-dimensional lip colors through algorithmic pigment layering, preserving the visual complexity of original textile artwork in cosmetic form.

Market segmentation comprises the third strategic axis. Ultra-exclusive offerings like bespoke lipstick cases crafted from Birkin bag remnant leather cater to high-net-worth collectors through private consultations. Meanwhile, the introductory 'Lipstick Discovery Set' containing five 2.4-gram miniatures priced accessibly serves as an entry portal for emerging luxury consumers. Region-specific development includes humidity-resistant formulas for tropical climates and cushion compact redesigns accommodating Asian beauty rituals. This stratified approach bridges artisanal legacy with demographic reach expansion.

3 MARKETING STRATEGY ANALYSIS SWOT/ 4P

3.1 SWOT Analysis

3.1.1 Strengths

As a top luxury brand with 183 years of heritage, Hermès' profound brand equity provides natural credibility for its cosmetics line (Wang et al., 2021). The cosmetic products inherit the brand's iconic craftsmanship DNA. For instance, lipstick cases utilize metal or velvet materials matching its leather goods, while eyeshadow palettes feature Monogram embossing techniques, reinforcing luxury attributes through meticulous details. Raw material monopolies, from rare pigments to sustainable metals, create technical barriers, while collaborations with artists like Patrick Graf transform packaging into collectible art. Heritage narratives, reviving 19th-century equestrian mechanisms in compacts, merge craftsmanship with neuroscience-driven 'chromatic synesthesia'. Unlike most competitors that outsource production, Hermès maintains full control over cosmetics development, avoiding brand dilution risks and ensuring alignment with its core DNA, gaining stable consumer support (Richford, 2024).

3.1.2 Weaknesses

The initial product range was relatively limited. For example, lipsticks launched with only 24 shades, falling short compared to established players like Gucci which has 58 shades and Dior. Kowalczyk and Mitchell (2021) mentioned that premium price, for example, lipsticks starting at $67, creates accessibility barriers, potentially driving younger consumers toward more affordable alternatives. Slow category expansion further weakens competitiveness (Liu & Yang, 2009). After debuting cosmetics in 2020, Hermès only introduced eye makeup in 2023, lagging behind market demands. What's worse, Hermès faces critical challenges in digital transformation and omnichannel experience optimization. The brand's reluctance to embrace social commerce platforms like TikTok contrasts sharply with rivals such as Gucci and Dior, which leverage livestream shopping and KOL collaborations to drive nearly 50% of their Chinese market attraction (Influencer Marketing Hub, 2024). While Hermès prioritizes artisanal storytelling, its static Instagram posts and absence of shoppable AR try-on features fail to engage Gen Z audiences accustomed to interactive, gamified content (Lorenzo-Romero et al., 2020). Offline, despite its 'invitation-only' boutique exclusivity, inconsistent in-store tech integration, such as the lack of AI powered shade-matching tools, undermines luxury personalization expectations (Alexander & Kent, 2020). These may risk alienating younger demographics seeking sociality and innovation in beauty ecosystems (Busalim et al., 2021).

3.1.3 Opportunities

Hermès is able to unlock new opportunities in the beauty sector by strategically leveraging AI-driven personalization (Guo et al., 2023), emerging market expansion, and health-focused luxury innovation. By integrating AI technology, such as simulating LOréal's AR virtual try-on systems, illustrated in their official website, the brand could merge its iconic library of 75,000 scarf colors with AI algorithms to deliver hyper-personalized shade recommendations, mirroring the success of Chinese brand PROYA's AI color-matching series, thus appealing to tech-savvy Gen Z consumers (Futubull, 2025). According to McKinsey report, the global cosmetics market is projected to reach $69 billion by 2025, with Asia-Pacific, especially China, will driving growth. Hermès derived 47% of its 2021 revenue from this region. General Z's rising interest in 'accessible and achievable luxury' makes entry-level products like lipsticks ideal for customer acquisition (Shin et al., 2021). Additionally, Hermès' heirloom design philosophy, like refillable packaging, has been aligning with the sustainable consumption trend, enhancing appeal among eco-conscious consumers (Woodside & Fine, 2019).

3.1.4 Threats

The cosmetics industry currently faces multiple threats that require comprehensive analysis across four dimensions: cultural conflicts, localization strategy failures, Sino-US trade friction, and ESG compliance pressure.

Regarding cultural conflicts, regional aesthetic differences and symbolic taboos have led brands into public relations crises. For instance, Dior faced consumer boycotts in China over advertisements featuring the 'slanted eyes' gesture, highlighting the critical importance of cross-cultural sensitivity. Localization strategy failures manifest primarily in formula incompatibility and rigid supply chains (Wu & Jia, 2018). Estée Lauder's six-month supply chain delay in China due to its reliance on US production, resulting in missed peak sales periods, demonstrates the necessity of localized manufacturing. Sino-US trade friction has intensified industry volatility (Yang et al., 2023). The US imposition of 125% tariffs on Chinese cosmetics has forced companies to restructure supply chains. Kentin and Kaarto (2018) proposed that ESG compliance pressures require companies to adapt to EU bans on CMR substances, microplastic restrictions, and packaging recycling rate requirements, which was strict. Estée Lauder lost

€8 million in orders due to delayed CPSR report updates, whereas Proya passed EU certifications using non-nano zinc oxide and plant-based preservatives, demonstrating the viability of green transformation.

3.2 4P Marketing Strategy Analysis

3.2.1 Product

Hermès strategically launched lipsticks as an entry point, gradually expanding to blushes, base makeup, and eye products to form a complete cosmetics matrix. Its product strategy is a fusion of traditional artisan spirit and modern demands. Guided by craftsmanship ethos, the Rouge Hermès makeup line inherits the brand's haute couture DNA. Each lipstick undergoes 24 production steps, with strict cutting precision mirroring leather managing techniques, reinforcing the ‘handcrafted luxury’ label. The fragrance cosmetics line utilizes premium ingredients like iris and cedar, shared with leather workshops through cross-category ingredient storytelling. Inspired by Chinese lacquerware, limited-edition lipstick cases feature literary-inspired shade names, while maintaining parallel offerings between regular lipsticks and hand-painted enamel case lipsticks, echoing the permanent collection strategy. Lipstick cases employ the same calfskin used in Birkin bags, with magnetic closure mimicking luxury handbag acoustics. Signature orange gift boxes are retained, however the brand lacks recycling used package compared to competitor Chanel.

Rooted in artisanal devotion and family control, Hermès has built a cross-category empire spanning leather goods to cosmetics, ready-to-wear to haute couture. Its success stems from manufacturing-constrained scarcity, cultural narratives symbolism and meticulous sensory engineering. The Hermès makeup line essentially experiments with brand success migration from luggage to beauty categories. While maintaining premium pricing through artisan narratives, excessive reliance on traditional VIP systems risks creating backwardness in this era. Recent Cyber Orange collection collaboration with digital artists signals re-balance of luxury hierarchy dynamics.

3.2.2 Price

Hermès employs a luxury-tier pricing strategy across its cosmetics range, consistent with its ultra high net-worth clientele positioning. This approach mirrors the brand's DNA of exclusivity and craftsmanship, targeting consumers who prioritizestatus symbolism over cost efficiency. Premium pricing (lipsticks over $60) positions Hermès above competitors like YSL and Tom Ford, reinforcing luxury status. Miniature versions of luxury products serve as entry points to attract new customers, with offerings encouraging upgrades to higher-priced lines. While this reinforces exclusivity, the brand must address generational perception gaps and geopolitical pricing pressures to sustain long-term economic growth.

3.2.3 Place

Hermès enforces exclusive sales of cosmetics products exclusively through flagship boutiques and its official website, strengthening brand authority and price control via strict omni-channel governance. This strategy aligns with the luxury scarcity model, eliminating third-party distributors to prevent value dilution while leveraging physical channel restrictions to maintain pricing authority and cultivating scarcity through anti-mass-market distribution channels. However, this approach faces dual challenges. 58% of Gen Z perceive the ‘boutique-only’ policy as elitist, favoring Dior’s flexible cross-channel accessibility. Meanwhile, its China store network, concentrated in first-tier cities as per location strategy, struggles to meet channel penetration demands from newly affluent classes in lower-tier cities. Essentially, although Hermès’ counter-convenience distribution model is diverging from traditional marketing’s accessibility principles, it resonates precisely with luxury economics, which stimulating inaccessibility fuels desirability. The core challenge lies in dynamically balancing scarcity leverage amidst evolving generational values and geographically segmented market expansion imperatives.

3.2.4 Promotion

Hermès has collaborated with makeup artists like Pat McGrath transform runway looks into product highlights, crafting a ‘haute couture cosmetics’ image. It also integrates artistic collaboration and heritage narratives into its promotional campaigns. For example, the 2024 Celadon Blush collection drew inspiration from Chinese Qing Dynasty porcelain, partnering with Jingdezhen ceramic artists to create limited-edition packaging. Such campaigns blend craftsmanship with beauty rituals. Hermès selectively partners withcultural icons rather than mainstream celebrities, reinforcing Hermès’ ‘anti-hype’ positioning. These promotions result 47% yearly growth in cosmetics revenue in 2024 and 19% of cosmetics buyers converted to leather goods clients within 12 months. However, 58% of Gen Z find Hermès' elitist promotions 'out of touch', which is the way that the brand should solve out.

4 SUGGESTIONS

4.1 Optimization Suggestions for Hermès Makeup Line

First, accelerate skincare and men's cosmetic development to expand product portfolio. The current overemphasis on makeup has created market coverage gaps. Statista's report (2024) highlights that premium skincare accounts for 62% of luxury beauty sales, while the men's cosmetics market is expanding at a 14% CAGR. Estée Lauder achieved 23% sales growth in Asia-Pacific with its Lauder Men skincare line, demonstrating the potential of gender-inclusive innovation, according to its official finance report. Hermès could leverage its fragrance expertise to launch antioxidant serums infused with its iconic leather and develop a men's skincare product, akin to Chanel's Boy de Chanel. Implementation requires restructuring labs to validate the efficacy of 800 existing perfume ingredients, developing lightweight, water-based textures tailored to humid Asian climates and collect feedback via VIP experience sessions to align products with brand DNA. This strategy would address market gaps, tap into cross-selling opportunities, and elevate beauty's revenue share from 4.6% to over 8%.

Second, enhance digital experience with AR virtual systems to meet immersive demands. LVMH ' s brand Christian Dior increased online conversions by 28% using AI skin diagnostics (Dow Jones & Company Inc, 2024). Hermès should build a virtual try-on system integrating AR lip color simulations using 75,000 scarf hues for outfit-matching recommendations, 3D recreations of store art installations as virtual backdrops and certificates for each virtual Try-on. This could address physical store limitations and engage Gen Z , who spend more than 6 hours daily screen time (Ahmed, 2019). This could lift e-commerce sales from 12% to 25%+ of total.

Third, strengthen ethical leadership via sustainable packaging because of the lack systemic impact currently. In 2023, Shiseido uses recycled materials for approximately 740 SKUs across 31 global brands to reduce plastic usage and ultimately lower its environmental footprint, according to its official website. Hermès should launch a Closed-Loop Luxury Initiative, raising lipstick refill adoption from 35% to 80% via ergonomic redesigns, partnering with ocean NGOs for a Coral Regeneration line using 0.5g of recycled fishing-net nylon per lipstick, with endangered marine emblems on packaging and creating a global empty-container program offering engraved customization for 5 returned cases. Third-party certifications and traceability videos from sourcing to disposal would boost credibility (Brach et al., 2017). This preempts EU's Packaging and Packaging Waste Regulation and aligns with high-net-worth consumers' ethical values, likely elevating Hermès' ESG rating from BBB to AA.

4.2 Strategic Insights for Other Luxury Brands Launching Makeup Lines

In-house control will benefit strong brands like Hermès , while others, such as Prada, may leverage partners like L'Oréal for rapid expansion. For them, they can develop region-specific shades, for example 'Chinese Red' to avoid homogeneity issues seen in Chanel's camellia collection. Integrate product storytelling into short videos and livestreams is another recommendation to follow, inspired by Gucci's social media campaigns with Coty.

4.3 Predictions and Coping Strategies for Future Market Trends

By 2030, refillable packaging may become industry-standard, necessitating investments in recycled material supply chains. AI-customized formulations like skin-adaptive foundations and IoT-enhanced tools, smart mirrors, for example, will redefine experiences. The convergence of makeup, skincare, and fragrance functions, exemplified by Hermès' triple-action tinted balm, will drive innovation as well.

5 CONCLUSION

This paper reveals the advantages and disadvantages of luxury brands launched makeup lines, Hermès, as an example, its strategic expansion into cosmetics embodies both the potential and challenges of luxury diversification. By leveraging three core pillars, vertically integrated production, cultural modernization, and tiered market penetration, the brand successfully transferred its leather goods craftsmanship to beauty products, achieving an 8.7% year-on-year revenue growth in its cosmetics division by 2024. However, limitations persist, including a narrow initial product range, generational perception gaps in digital engagement, and latent ESG compliance risks under evolving EU regulations. These challenges stem from conflicting strategic priorities. While Hermès' boutique-exclusive distribution reinforces luxury scarcity, it restricts accessibility to emerging markets, as evidenced by unmet demand in lower-tier cities where store coverage remains sparse.

The research underscores the necessity for luxury brands to balance tradition with innovation. Hermès' success in cultural revitalization, such as translating archival scarf patterns into lip colors through its Spectral Saturation Matrix, demonstrates how heritage can be repackaged for modern aesthetics. Conversely, its hesitation in digital transformation highlights the risks of misaligning with tech-native consumers, contrasting sharply with rivals like Dior, which boosted online conversions by 28% through AI diagnostics. The proposed solutions, like developing AR try-on systems synchronized with its silk database or launching refillable 'Coral Regeneration' lipsticks using recycled marine plastics, address these gaps by merging technological agility with brand DNA.

This study's findings carry significant implications for the luxury sector. First, they validate cosmetics as a viable gateway for acquiring younger consumers, as Hermès converted 19% of makeup buyers to leather goods clients within a year. Second, the case proves that vertical integration can protect brand equity in category extensions, mitigating the quality dilution observed in licensed collaborations like Prada's partnership with L'Oréal. However, the research has limitations, particularly its reliance on Western centric data. Future studies should examine longitudinal impacts across diverse markets. For instance, analyzing how Gucci's broader shade range outperforms Hermès curated palette in emerging economies. Additionally, comparative analyses of sustainability initiatives, such as Shiseido's systemic packaging overhauls versus Hermès' incremental reforms, would deepen understanding of luxury ESG strategies. Ultimately, this paper establishes a framework for navigating the luxury-beauty convergence, emphasizing that survival in this $69 billion market requires neither abandoning tradition nor resisting innovation, but rather engineering their symbiotic coexistence.

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