

Student Presentations: Luxury Handbags

Madison Mone

April 29, 2015

Summary by Giancarlos Deleon

Luxury fashion brands venture into handbag production because it is an easy way to increase their revenue. In contrast with apparel, handbags are universal, meaning they do not require sizing to the body. Handbags are defined by pricing, branding, quality, exclusivity and perceived value. Two categories exist within luxury handbags: old luxury and new luxury. New luxury is produced in higher volumes and is more readily available to the public. Hermès handbags are categorized as old luxury handbags. Hermès handbags, like the Kelly and the Birkin, signal membership in an elite class of successful people. The Veblen effect, bandwagon effect, and the snob effect each explain this perception of value in relation to luxury. The Veblen effect is directly related to pricing. It is a phenomenon in which the demand is proportional to its high price, which is an apparent contradiction of the law of demand. Despite their extremely high prices, the demand for the Birkin and Kelly handbags does not decline. The luxury demand curve for handbags is reinforced by exclusivity and quality. Hermès is selective about whom they sell these coveted bags to. Previously, there was a special waiting list just to purchase a Birkin bag. The hand production of a Birkin bag takes an average of forty-eight hours with expensive materials that affirm the perceived quality associated with the Hermès Birkin Bag.