Will Kering and Hermes follow Louis Vuitton's lead on prices?

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When Gucci-owner Kering and Hermes report earnings this week, investors will be looking for signs that the big luxury fashion groups are confident that wealthy shoppers are willing to pay higher price tags for designer accessories.

Rival Louis Vuitton, the world's largest luxury label, said on Tuesday it would raise prices globally from Feb. 16 due to higher manufacturing and transport costs - one of the first major luxury brands to do so this year.

Pricing power could emerge as a key driver of revenue growth again in 2022 for the top tier of the fashion and leather goods industry, following a string of price hikes in 2021 and 2020.

Consumers came out of lockdowns eager to spend their cash on luxury fashion and accessories, after months of being stuck at home. Brands are taking advantage of that spending power to make their wares even more costly and exclusive.

Bloggers on China's social media platform Xiaohongshu are forecasting higher prices from Kering profit engine Gucci from as soon as Friday. Gucci's small Marmont shoulder bag, which currently costs 16,500 yuan ($2,602), is seen going up around 3%, while other Gucci accessories could climb 10-15%.

Users of the Xiaohongshu site, known in the industry as Little Red Book, often cite sales associates for the fashion labels and have a track record of correctly predicting price increases but do not always specify their sources.

Kering's Balenciaga already raised prices in early January in China, according to the Xiaohongshu site. The cost of the label's curvy Hourglass handbags in size small and extra-small, for instance, has risen by 3.5-4% to 17,500 yuan and 11,550 yuan respectively.

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Hermes told Reuters it would be likely to address the pricing issue when it reports earnings on Friday, denying analysts' reports that the company had already increased prices last month by 3% to 10%.

Chanel raised the prices of some of its most sought after handbags three times last year, with its small classic handbag now costing around $8,200, or 60% more than in 2019.

"This year is likely to bring a virtuous circle of pricing power and brand desirability," UBS said in a note to clients.

Kering is expected to report organic sales growth of 20% over the fourth quarter, HSBC has forecast, helped by marketing investments generating buzz around Gucci's 100th anniversary - last year.

Sales at Hermes are expected to rise 12% at constant foreign exchange rates over the period, HSBC said.