

ESG INSIGHTS

HERMÈS: BEHIND THE SEAMS



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Pictured: 24, Rue du Faubourg Saint-Honoré, the Hermès flagship store in Paris. Source: [Hermès website](#)

Investors devote much attention to a company’s tangible assets, such as inventory, equipment, machinery, buildings and more. Yet, human capital, including employee knowledge, skills and experience, is typically undervalued. From our experience, strategy matters, but people make the difference. Just look at Hermès, where human capital isn’t just an asset—it’s the quiet force behind its long-term success.

24, RUE DU FAUBOURG SAINT-HONORÉ

In the heart of Paris, near the Louvre and the Tuileries Gardens, lies Rue Saint-Honoré, a street lined by upscale fashion boutiques and luxury hotels. At the intersection of Rue Royale, the street becomes the prestigious Rue du Faubourg Saint-Honoré: home to ambassadors, government officials and the Élysée Palace—the residence of the French President. Overlooking the neighbourhood, a rooftop statue of a man on horseback stands tall, flanked by two orange flags. Just behind him, in bold black lettering, the words "Hermès Sellier" marks a legacy of craftsmanship.

For 145 years, this address—24, Rue du Faubourg Saint-Honoré—has served as the flagship store of the French leather goods company **Hermès**. Once home to the company’s workshops, where artisans honed their craft, the building remained a creation hub until 1992, when production moved to Pantin, a Parisian suburb.¹ Since its founding as an equestrian harness-maker in 1837, Hermès has championed the handcrafted excellence of its goods. From saddles to silk scarves, ties and bags, the company’s range has grown over nearly two centuries—but in our view, its commitment to quality remains unchanged.

At Comgest, we acknowledge that determining the value of a company is not a straightforward process. Investors typically begin by conducting a traditional financial analysis, examining a company’s balance sheet and tangible assets. As long-term active managers, we also believe that intangible assets—like human capital—can play a critical role in helping us identify companies capable of delivering sustained returns.

¹ ["Six Generations of Artisans."](#) Hermès. Accessed 27-Jan-2025.

Hermès has leveraged its highly skilled artisans to establish a formidable competitive advantage and achieve long-term growth over decades. While products can be copied, the expertise, training and skills of Hermès’s artisans make each piece one of a kind. From our perspective, Hermès demonstrates that human capital expenditure (Human CapEx)—the process of investing in employees through training, reward structures and benefits—can strengthen organisational resiliency and drive long-term growth.

HANDCRAFTED WITH PRECISION, ONE STITCH AT A TIME

Upon entering any one of Hermès’s 52 workshops across France—known as *ateliers*—the silence is immediately striking.² The company, which now employs around 7,300 artisans across France, has kept a human-centric approach to its production process. Absent are the humming of conveyor belts, clicking of sewing machines or the buzzing of automated tools. At any given *atelier*, between 250 and 300 artisans sit at shared tables, weaving and stitching bags that will sell for anywhere between €7,000 and €30,000 depending on the model.³ The company’s iconic Birkin

and Kelly bags—named after actresses Jane Birkin and Grace Kelly—are made by a single artisan and can take around 16 to 18 hours from start to finish.⁴ After spending years—sometimes decades—creating bags, artisans at Hermès are usually able to produce different models from memory.

These artisans undergo years of rigorous training to master the techniques that have long distinguished the quality of Hermès’s products. One of the most notable design features of the company’s leather products is saddle stitching—or *coudre*—which cannot be replicated by a machine as it requires criss-crossing needles simultaneously through the same seam.⁵ From our perspective, this patient, handsewn process adds to the uniqueness of the company’s products.



Pictured: The “saddle stitch” remains one of Hermès’s most recognisable design features. Source: [Hermès website](#)

Unlike many businesses today devoting their attention to artificial intelligence, Hermès remains dedicated to its handcrafted heritage. The company has maintained a steadfast focus on building, recruiting and retaining a workforce of highly skilled craftspeople, especially as the demand for its leather products has grown between 6%-7% in recent years (as seen in *figure 1*).⁶ Our research estimates that to support this growth, the company will need an additional 3,000 artisans by 2027.⁷

Figure 1. Hermès’s leather revenue

	2019	2020	2021	2022	2023	2024
Total revenue (€bn)	6.8	6.4	8.9	11.6	13.4	15.2
Leather revenue (€bn)	3.4	3.2	4.1	4.9	5.5	6.4
Leather sales (% of total revenue)	50%	50%	46%	43%	41%	43%

Source: Comgest/[Hermès Universal Registration Document and Annual Financial Report](#).

² [“A House of Artisans and Human Values.”](#) Hermès. Accessed 27-Jan-2025.

³ Klasa, Adrienne. [“Wanted: People Who Can Learn to Make €22,000 Handbags.”](#) *Financial Times*, 7-Apr-2023.

⁴ Comgest analyst research notes 3-Sept-2024.

⁵ “Coudre, one of Hermès know-how.” Hermès. Accessed 27-Jan-2025.

⁶ Spencer, Mimosa, and Silvia Aloisi. [“Production Caps Curb Growth at Luxury Handbag Maker Hermes.”](#) Reuters, 18-Feb-2022.

⁷ Comgest analyst research notes 3-Sept-2024.

Over the past forty years, the rise of fast fashion and technology has resulted in declining rates of qualified artisans and craftspeople.⁸ In France, as older generations of artisans are preparing to retire, the luxury industry is facing a labour shortage. In 2022, the Boston Consulting Group and the Comité Colbert, a business association of French luxury brands, estimated that 85% of fashion houses face recruitment challenges.⁹

TRAINING THE NEXT GENERATION OF ARTISANS

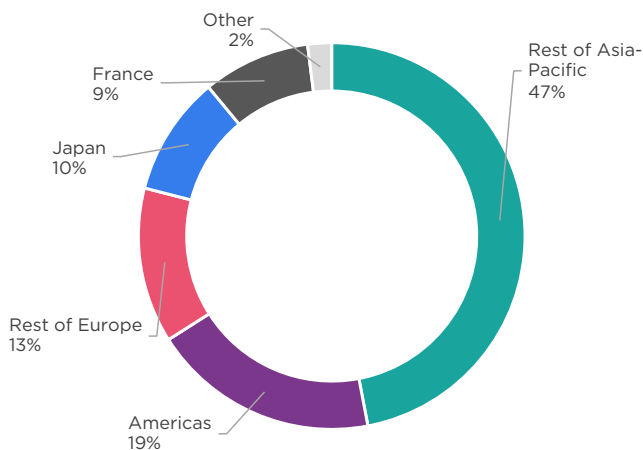
To address this growing shortage, Hermès has accelerated new leather workshop openings across eleven different regions in France, aiming to build the next generation of artisans through apprenticeships (as shown in figure 2).

Figure 2. Investing in workshops and employees

	2019	2020	2021	2022	2023
New leather workshop(s)	1	0	2	0	2
Employee cost (per person, €k)	50,399	50,723	50,071	57,350	56,760
Employee cost (% of revenue)	11%	13%	10%	10%	9%
Exceptional bonus (€k)	1,000	1,500	1,250	3,000	4,000
% of turnover (voluntary)	N/A	N/A	4.44%	4.46%	3.61%

Source: Comgest/Hermès Universal Registration Document and Annual Financial Report.

Figure 3. Revenue share of Hermès worldwide in 2023 by geographical region



Source: Hermes/Statista 2024

While France only contributes 9% to Hermès's global revenue (see figure 3), the company makes all its leather goods within the country. In 2025, the company will open its 24th leather workshop in L'Isle-d'Espagnac, located in the Nouvelle-Aquitaine region of Southwest France.¹⁰ Every year, Hermès trains around 600 new graduates at its proprietary training schools.¹¹ In 2021, the company launched the École Hermès, which provides training courses accredited by the French Ministry of Education, to train students in cutting, stitching and other sewing techniques.¹² The company's nine know-how (*savoir-faire*) workshops are strategically located in rural locations around France where there are generally fewer alternative job opportunities.¹² Whereas in previous generations Hermès recruited young people between the ages of 16 and 18, the company has since expanded its recruiting efforts to individuals with prior work experience looking for career or lifestyle changes.¹³

⁸ Satow, Julie. "In a World of Fast Fashion, They Take Pride in Taking Their Time." *The New York Times*, 25-Jul-2024.

⁹ "Luxury Outlook 2022: Advancing as a responsible pioneer Rarity, sustainability, exclusivity, new experiences, and new territories." Boston Consulting Group and Comité Colbert, June 2022.

¹⁰ "Hermès Continues to Invest in Its Production Capacity and Announces the Creation of Two Leather Goods Workshops with 500 Jobs, by 2026." Hermès, 15-Mar-2022.

¹¹ Comgest analyst research notes 3-Sept-2024.

¹² "L'École Hermès Des Savoir-Faire." Hermès. Accessed 27-Jan-2025.

¹³ Klasa, Adrienne. "Wanted: people who can learn to make €22,000 handbags." *Financial Times*, 7-Apr-2023.

As long-term investors, we seek to include companies like Hermès in our portfolios because they pursue growth, but not at the expense of quality. Despite a shrinking supply of artisans, the company has doubled down on attracting new talent through its specialised training programs. Based on our experience, Human CapEx functions over a longer time horizon than traditional forms of capital expenditure. While buying a new office is listed on a company’s financial report, investments aimed at attracting new employees through training or educational programmes are rarely included. As investors in the company since September 2014, we have developed a deep understanding of the company’s competitive advantages. Among these is the Hermès handsewn craftsmanship that ensures each product is one of a kind.

LOYALTY THROUGH STRATEGIC REWARDS

As part of our investment research, we evaluate employee compensation, benefits, and career advancement opportunities to determine if a company aligns with our quality growth criteria. From our experience, companies that rapidly expand often face high employee turnover and frequent hiring and firing cycles. We believe that such turnover is detrimental to long-term growth, as it prevents the establishment of a stable and lasting corporate culture. Comgest prefers to invest in companies, like Hermès, that invest in their employees and have low staff turnover. Over the years, Hermès has steadily increased its employees and craftspeople (as seen in *figure 4*). We believe that investments in Human CapEx can create generations of skilled employees and save costs by fostering in-house talent.

Figure 4. Artisans—the heartbeat of Hermès

	2019	2020	2021	2022	2023
Total number of employees	15,417	16,600	17,595	19,686	22,040
Total number of craftspeople	5,200	5,617	6,200	6,900	7,300
% of craftspeople in Hermès' workforce	34%	34%	35%	35%	33%

Source: Comgest/[Hermès Universal Registration Document and Annual Financial Report](#).

Hermès’s commitment to building a loyal and qualified workforce is heavily rooted in the company’s culture. The company pays above minimum wage in all locations and provides several non-financial benefits, such as parenthood protections, health and life insurance, as well as retirement and disability plans that cover 90% of its employees, with a target to provide these benefits universally by 2026.¹⁴ In recent years, Hermès has increased the number of bonuses provided to employees and has increased annual wages between 8%-9% since 2019.¹⁵ Around 80% of the company’s employees are also part of a profit-sharing scheme, which gives them a stake in the company’s long-term performance.¹⁴ As a result of these expenditures, Hermès has one of the lowest voluntary employee turnover rates in the luxury industry (less than 5% in 2023), with 30% of all employees having worked at the company for over a decade.¹⁶

¹⁴ [“Hermès 2023 Vigilance Plan.”](#) Hermès. Accessed 27-Jan-2025.

¹⁵ Garnier, Juliette. [“Hermès Grants €4,000 Bonus to All Employees.”](#) *Le Monde*, 17-Feb-2023.

¹⁶ [“2023 Universal Registration Document Including the Annual Financial Report.”](#) Hermès, 26-Mar-2024.

Given the global shortage of artisans, we consider retaining skilled workers as key to Hermès’s long-term business strategy. These seasoned employees not only craft the coveted Birkin and Kelly bags to the highest quality, but they also pass down their specialised knowledge to mentor the next generation of artisans. For example, Hermès’s signature saddle stitch and other craftsmanship techniques can only be learned through hands-on practice. To keep their skills sharp, employees train three days a week, with the goal to increase it to five days in the future. All of this ensures that the company’s competitive edge—its *quality*—endures.

CULTURE THAT INSPIRES FROM THE TOP



Pictured: Hermès store and workshop at 24, Rue du Faubourg Saint-Honoré in 1880. Source: [Hermès website](#)

Despite its prestigious location among Paris’ powerbrokers, Hermès remains deeply rooted in its humble origins as an equestrian harness and saddle maker. The company’s commitment to craftsmanship is exemplified by Pierre-Alexis Dumas, a sixth-generation Hermès family member who today is a member of the company’s Executive Committee. As a young boy, Dumas learned the saddle stitch from Hermès artisans in the upstairs workshops of 24, Rue du Faubourg St.-Honoré.¹⁷

As the company’s current Artistic Executive Vice-President, Dumas now makes pivotal decisions related to the company’s product design and creative direction.¹⁷ Our experience suggests that a founding family can anchor a company as a source of stability and cultural values. At Hermès, the founding family’s personal understanding and respect for the company’s artisanal heritage demonstrates their dedication to the company’s long-term vision. Based on our research, we believe the family recognises Human CapEx as being key to developing and retaining top talent, as well as to preserving the craftsmanship that has been the company’s competitive edge for almost two centuries.

CONCLUSION

As long-term, quality growth investors, we believe that it’s essential to consider both a company’s financial and non-financial aspects. Since Comgest’s inception four decades ago, we have integrated extra-financial research into our investment process, helping us build comprehensive analyses of our portfolio companies. For investors like us, culture plays a role in a company’s long-term trajectory. This culture is shaped by the people behind the brand, which is why we see Human CapEx as key to fostering employee loyalty, innovation and productivity. By investing in people and culture, we believe that companies are better positioned to weather challenging times and achieve sustainable earnings growth over the decades ahead. Behind its venerable seams, Hermès’ continued commitment to craftsmanship, culture, and human capital weaves together the company’s legacy of timeless quality, helping ensure the brand’s enduring success, stitch by stitch.

¹⁷ Alfonsi, Sharyn. “[Take a look inside Hermès with artistic director Pierre-Alexis Dumas.](#)” CBS News, 15-Dec-2024.

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Petra Daroczi joined Comgest in 2021 and is an ESG Analyst and Portfolio Manager responsible for ESG coverage of Europe.

She meets and engages with company management alongside the firm's investment Analysts and prepares in-depth ESG reports. Prior to Comgest, Petra joined Aberdeen Standard Investments in 2019 as an ESG Investment Analyst, responsible for integrating ESG assessment in fixed income research and leading the engagements in the APAC region. She previously worked for Thomson Reuters in their Singapore office as an Account Director and ESG Ambassador, and before that held diverse roles such as Field Sales Associate, Consultant and ESG & Asset Management Specialist in their London office.

Petra graduated with a Bachelor's degree in Business Studies from Cass Business School (UK) and a Master's degree in European Business from the ESCP Business School (France). She is also a CFA® charterholder and holds various ESG-related certifications including, "Climate Change: Financial risks and opportunities" (Imperial College Business School, UK), "Sustainability and Climate Risk" (Global Association of Risk Professionals) and "Basics of Organizational GHG Accounting" (Greenhouse Gas Management Institute)

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