Hermes Birkin Luxury Handbag: Is it worth investing?

This research paper aims to answer whether Hermes Birkin handbag is worth investing in terms of benefit return to investors."Hermes Birkin Handbag" has always been recognized for its luxury high fashion with high price and quality. Many people have claimed that Birkin is worth investing. This paper will first explore the roots of the handbag luxury market, Hermes history, and Birkin handbag history. The economic theory will be applied for explanation of pricing strategy. The return to investors comes into two types: cash benefit and using benefit. Due to many constraints, this paper focuses only on cash benefits return and new-condition handbags. This paper uses appreciation rate calculation together with trend analysis to determine the possible return to investors, using 7- year period data from 2011 to 2017. For the first case, assuming that investors buy the handbags from the first market and resell it in the secondary market, the result of appreciation rate analysis and real interest rate calculation shows the positive value. For the second case, assuming that investors buy and sell the handbags in the secondary market, the appreciation rate analysis is mixed with both positive and negative values. The information of valuable assets; stock, gold, and land properties are used for comparison in order to ensure the investment.

To summarize, the Birkin handbag is worth investing and also provides the return in terms of both cash and benefit of using. When comparing the return of Birkin with those gold, stock, and land property, Birkin still gives conspicuous results among them. However, it comes with the condition that the investors have to buy the Birkin handbag from the first market, and resell it in the secondary market in order to gain the huge potential return. Furthermore, to gain the possible highest profit, the investors have to trade it within a one-year holding period. The investors can get the potential return immediately after purchase.

Comments

- **Difficulty of getting Hermes Birkin bag**: The author did not collect all of the investment on the Birkin bag. This is because investors need to wait for the bag and also need to buy some stuff before getting Hermas Birginbag. On top of that, the investor needs to make friends and spend a lot of money with the sales association to impress them into calling you.
- Hard to find the **exact price** for the Birkin bag in the primary market as the shop disclosed the price.
- The investor needs to keep it **clean or in perfect condition** especially if investors want to sell it So, it is a risk that the author did not include.
- **Selling this investment can be challenging:** to prove the authenticity of the Birkin bag which means investors need to have kept all your paperwork intact.
- A reputable store of reselling a handbag service will **charge investors a fee** for the resell anywhere from 5% to 10% of the sales price of your Birkin.
- The return from investing in Birkin bags stands out among those other investments, possibly because this paper study only in the short-term investment. Investment in gold, stock and land property can be categorized as long-term investment that gives a high return to the investors if they hold it for a long period of time.