

2016

Birkin Demand: A Sage & Stylish Investment

Brittanny Newsom
brittanny.newsom@sia.edu

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Brittanny Newsom

December 19, 2016

Word Count: 8,100

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Chapter 1: What Is A Birkin?

1.1 History

Hermès is a French high-fashion luxury goods manufacturer established in 1837. They specialize in leather and lifestyle accessories. Hermès is perhaps best known for selling the Birkin bag, a handmade leather tote sold as a personal accessory. Launched in 1983, the Birkin emerged from an exchange between former Hermès chief executive Jean-Louis Dumas and famous British actress and style icon Jane Birkin.¹ The pair were seated next to each other on a flight from Paris back to London. Birkin had placed her flimsy straw carryall in the overhead compartment of her seat, and the contents of her bag spilled out onto the floor. Dumas, appalled to see her toting all of her belongings in such a flimsy bag and motivated by Jane's struggles, invited her to come to the Hermès atelier and work with him to design a handcrafted bag sturdy enough to hold all of her belongings. This bag was to exude superb quality, space, elegance and style that many women would clamor for. There was little question on the name of their new creation - "the Birkin" - and the rest is handbag history. The Birkin has become known as the world's most expensive and exclusive handbag. The bag has evolved since its initial release and the market for it has grown even more so. This article looks to analyze the Birkin bag, its evolution since inception and the market which has adjusted and grown over the years which look to maintain its superiority to other bags.

¹ "Hermès Birkin Bag | Hermès, Official Website," Shop Hermès Online Boutique: Silk, Women, Men, Leather, Jewelry, Watches & Fragrances, <http://usa.hermes.com/birkin/us>. (accessed October 29, 2016)



Jane Birkin pictured with her namesake bag²

² Viollet, Roger, and Mike Daines. *Getty Images*. n.d.
<http://www.vogue.com/870080/jane-birkins-birkin-buy-it-now>.

1.2 Design

The Birkin bag has been around for over 30 years, and since its inception, the design has not changed. More recently, Hermès has created and sold many different sizes, hardwares, types of leather and colors which all can impact the Birkin's price. They all have the same structure, regardless of these amenities. Each bag is made with two leather handles, a flap closure with two belted straps and a center turn lock that holds a padlock. The Birkin is secured by closing the flaps over the buckle loops, wrapping the buckle draw straps and then closing the lock on the front hardware. The keys are enclosed in a leather key holder known as a clochette, which is French for "small bell."

Sizes for the Birkin range from 25cm, 30cm, 35cm, 40cm to the largest 45cm. The metallic hardware on a Birkin bag usually has one of two finishes: palladium finish or gold plated. However, there are also many rare finishes applied to custom bags and unique designs which can include 24K plated gold, ruthenium and burnished. There are also select options like guilloche - a diamond cut pattern palladium. Precious metals and diamonds on the hardware entered the picture around seven years ago.³ The high quality of these metals resists tarnishing which should help the bag to maintain its appearance for as long as possible. There are studs on the bag designed to protect the leather from damaging when the bag encounters harmful surfaces. The finish on the studs usually matches the finish on the buckle hardware, keys, and lock. Birkin bags also come in several different types of calf leather and exotic skins. The most popular of these leathers is the calf leather Togo: a natural bull calf leather with a pebble finish and a

³ "BBC - Culture - The Birkin Bag: Fashion's Ultimate Status Symbol," BBC - Homepage, <http://www.bbc.com/culture/story/20150116-the-ultimate-status-symbol>. (accessed December 1, 2016)

scratch resistant grain. The next is Taurillon Clemence: a softer and thicker natural bull calf leather with a more matte appearance. And lastly, Epsom leather: a lightweight and sturdy leather which holds its shape well but is not as resistant. The interior lining of the bag is typically made of goatskin, the color of the interior matching the exterior. There are several exotic skin options including Niloticus crocodile, Porosus crocodile, alligator, and ostrich. These skins are extraordinary, expensive, beautiful and typically considered a collector's item. The price scale ranges from basic leather to crocodile versions; which will be discussed in more depth in a later chapter. Lastly, Hermès is renowned for their fabulous coloration due to the sophistication of their tanners. Each season, new shades are introduced with some enticing and bewildering names, to name a few: Malachite, Bamboo, Ultraviolet and Flamingo Pink. They also feature traditional colors such as Black, Etoupe, Gray, Gold, Blue Jean, Brown and the signature Hermès Orange. Hermès VIP clients are also rarely able to design their own Birkin; these bags are known as "Horseshoes," after the horseshoe stamp engraved on the bag to denote special orders.



⁴The Hermès Birkin comes in variety of different colors and leathers

1.3 Craftsmanship & Quality

Part of the explanation for the Birkin's exorbitant price is the exquisite craftsmanship. To understand the bag's expensive price point and exclusivity, one must understand how the bag is made. Birkin bags are carefully handcrafted. The creation process for each bag can take over eighteen hours. That number can double if working on a Birkin accessorized with diamonds. The artisans who craft these bags are carefully screened and require years of high-quality experience even before being considered for the job. "Hermès has a reputation of hiring mostly artisans who have graduated from the École Grégoire Ferrandi; a school that specializes in working with luxurious leathers."⁵ It also typically takes about two years to train an Hermès craftsman, with each one supervised by an existing craftsman.

Preparing the leather is the first step towards crafting the bag. The leather is examined for any defects - an animal skin may have mosquito bites or wounds that must be repaired before the skin's tanning. Leathers are obtained from different tanners in France, resulting in various smells and textures. The stitching of the bag is also very precise. The bag is held together using a wooden clamp, while the artisan applies each individual stitch on the bag. The linen that is used during the stitching process is waterproof and has a beeswax coating for rot prevention. Most Birkin bags are created with same color threads, but some rare bags have white threads even if the bag is not white. "More than 90% of the bag is hand stitched because it allows more freedom

⁴ *Invaluable*, n.d.<http://www.invaluable.com/blog/insider-tips-for-spotting-investment-worthy-handbags/>.

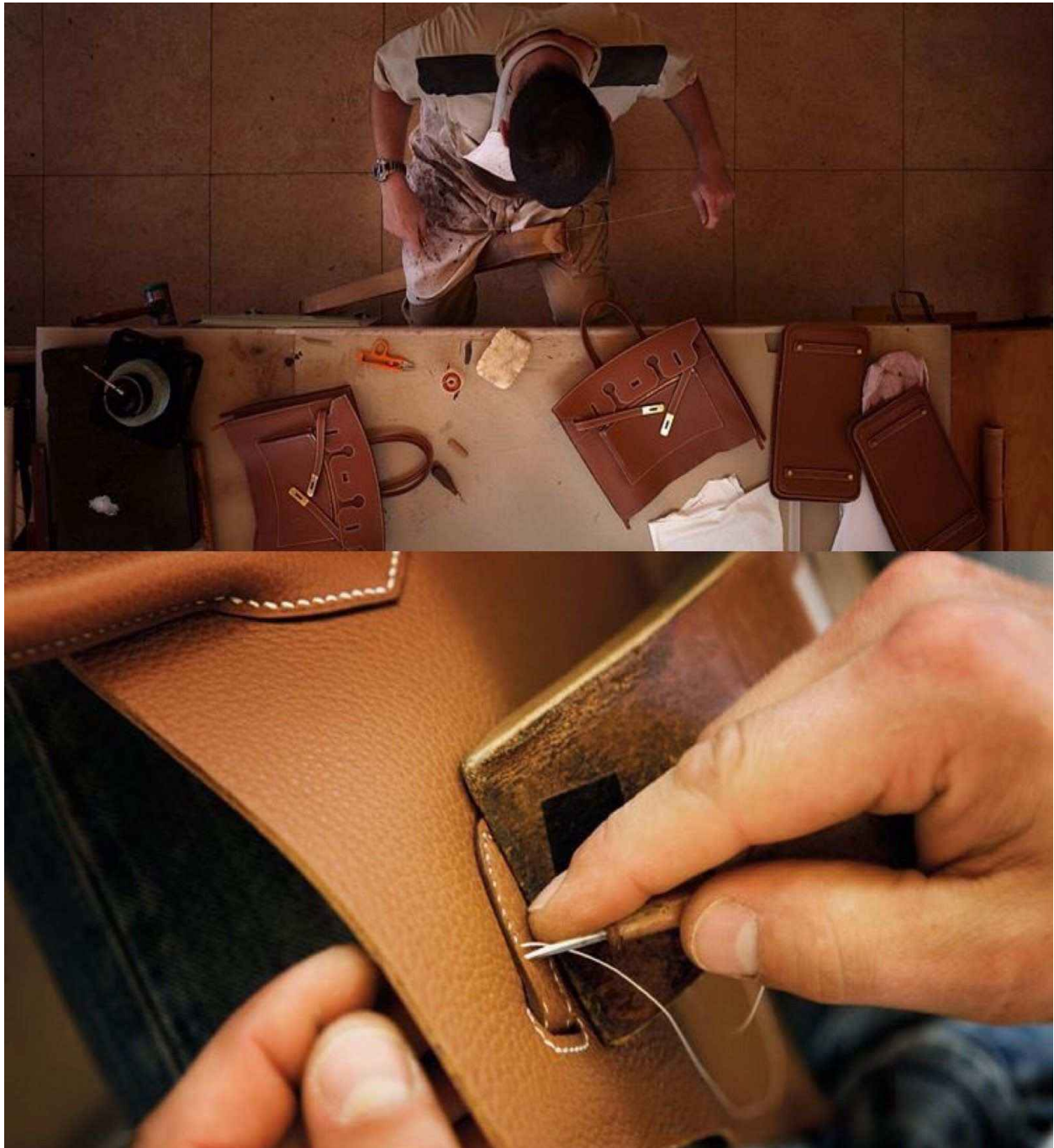
⁵ How Hermes Birkin and Kelly Bags are Made | Baghunter, <https://baghunter.com/blogs/news/how-hermes-birkin-kelly-bags-are-made> (accessed December 1, 2016).

to shape the bag and makes it more resilient.”⁶ That’s when the hardware process begins. Unlike other bags, the hardware is attached using the unique Hermès process called “pearling” rather than by using screws. Artisans put a “small nail through a corner hole on the back of the clasp, the leather and the front clasp, take an awl with a concave tip and tap the bit of nail with a hammer gently in a circle until it is round like a tiny pearl.”⁷ This process ensures that the pearls will hold the two pieces of metal together forever. The bag is then turned right side out and ironed into shape.

Once the hardware has been added, a clear plastic film is placed over it in order to prevent the metal from getting scratched or damaged. Once a Birkin is complete, the inspection process is thorough. A workshop inspector will go over every small detail of the bag in order to ensure that it meets Hermès’s standards. If the bag passes the inspection, it gets stamped. Every bag bears the mark of the artisan who has made the bag. If any bag contains any imperfections, they are usually destroyed. Hermès maintains its prices based on their production costs, which are necessarily high. Hermès also justifies the cost of the Birkin bag, compared to other bags, based on the meticulous craftsmanship and scarcity. The craftsmanship and quality are what allows the Birkin to lead the industry in quality, demand, and price. Hermès’s standards enable the Birkin to maintain market demand and social interest.

⁶“10 Steps You Can Take to Authenticate Any Chanel Bag | Baghunter,” Baghunter: Rare & Exclusive Designer Handbags, <https://baghunter.com/blogs/insights/how-to-authenticate-a-chanel-bag>. (accessed December 10, 2016)

⁷ Hermes WSJ Article September 2011 (2)
<https://www.coursehero.com/file/14783354/Hermes-WSJ-Article-September-2011-2> (accessed December 2, 2016).



The realization of a single Birkin can take over 18 hours of a single craftsman's work. Each bag is made exclusively

by hand.⁸

Chapter 2: How To Buy A Birkin

2.1 Demand & Exclusivity

Given the craftsmanship and the amount of hours required to create each bag, the production of a Birkin is entirely dependent on the number of adequately trained artisans in the company at any given time. As a result, each Hermès boutique is given a limited supply. The Hermès boutiques get deliveries on a sporadic basis, so inventory never builds up on shelves. Hermès does not report how many Birkins are sold each year, or what percentage of leather sales is attributable to the line. Secrecy and success seem to be quite correlated when it comes to the Birkin. Hermès also does not market the Birkin through traditional print or advertising. Instead, the company relies solely on the bag's perceived exclusivity and prestige, allowing want-to-be customers to produce their own marketing.⁹ "The only thing Hermès wants you know about the bag's availability is that you probably can't get one."¹⁰ Thus, there are only a handful of people to receive a Birkin directly from Hermès each year. The people who receive priority treatment are celebrities and valued clients of Hermès who have made several high-value purchases from the company over an extended period of time.

Buying a Birkin bag is not as simple as going into an Hermès boutique, making a purchase and walking out the door. Demand for the bag has grown exponentially since its

⁸ Hermes.

<http://www.straitstimes.com/lifestyle/fashion/hermes-commitment-to-craftsmanship-keeps-business-growing>.

⁹ How the Birkin Bag Keeps its Cool - The BigCommerce Blog,

<https://www.bigcommerce.com/blog/birkin-bag-exclusivity/> (accessed December 7, 2016)

¹⁰"How the Legendary Birkin Bag Remains Dominant - Bloomberg," Bloomberg.com,

<https://www.bloomberg.com/news/articles/2015-06-10/how-the-legendary-birkin-bag-remains-dominant>. (accessed December 2, 2016)

inception. Associates first prioritize the customers with “relationships,” the remaining bags then open up to a wait list.¹¹ However, this wait list can be as long as six years - or even closed for new participants. According to the the 2009 memoir, *Bringing Home the Birkin: My Life in Hot Pursuit of the World's Most Coveted Handbag*, personal shopper Michael Tonello’s says, “think of it like almost being interviewed, you have to have a purchase history at the store just to get started, then they meet with you, assess how serious you are about spending, and then you go on their list.”¹² Given this restriction, there is no guarantee that prospective clients receive the exact bag they want. Typically, each customer is restricted to buying no more than two bags per year. Hermès normally does not ask for your desired color or size; it’s dependent upon what is available. This type of marketing is very smart for Hermès because even if demand drops, sales will not. It also creates a surplus demand for the Birkin, which then overflows into demand for other Hermès products. This strategy helps the firm’s business selling consolation prizes such as wallets, belts, perfume, scarves, etc.. J.N. Kapferer of the Inseec Luxury Institute in Paris observes that the wait induces “impatient buyers to switch to other products of the brand, to calm their hunger until the much-awaited object of desire is achieved.”¹³

So, what do you do if you’re an average woman wanting to invest in a Birkin?

Essentially, the only option is to use a trusted re-selling service through auction or a resale retailer that does not discriminate based on income or purchase history. Statistically, “for 99% of women and investors, the secondary market is the only way to get your hands on one of these

¹¹ "How the Legendary Birkin Bag Remains Dominant - Bloomberg," Bloomberg.com, <https://www.bloomberg.com/news/articles/2015-06-10/how-the-legendary-birkin-bag-remains-dominant>. (accessed December 2, 2016)

¹² How the Birkin Bag Keeps its Cool - The BigCommerce Blog, <https://www.bigcommerce.com/blog/birkin-bag-exclusivity/> (accessed November 15, 2016).

¹³ Demand curve | 1843, <https://www.1843magazine.com/style/demand-curve> (accessed November 15, 2016).

bags.”¹⁴ The Birkin has operated on this system for quite some time, and the exclusivity of the bag brings a large draw to this market. Auction houses and resale retail services have emerged as an avenue for those who wish to buy the Birkin, without having a long-standing relationship with one of the associates.



Hermès Boutique Photo Credit: TungCheung / Shutterstock.com¹⁵

¹⁴ "Hermes Investment Guide | Baghunter," Baghunter: Rare & Exclusive Designer Handbags, <https://baghunter.com/pages/investment-guide>. (accessed December 2, 2016).

¹⁵ Tung Chueng, "Hermès Boutique," <http://shutterstock.com>.

2.1 The Secondhand Market

If you have the money and want to skip the waitlist there is the option of the secondhand market. This option has created an entirely new market for the Birkin bag. The secondhand market has grown dramatically and has made a new industry for both auction houses and resale retail stores. The investment capabilities have also been transformed because of the secondhand market, which we will discuss in a later chapter. Collectors and outside buyers are now able to turn to each other to swap and purchase the Birkin bags they want. The leading auction houses that resell Birkin bags are Christie's Auction House, Bonhams and online auction houses such as Heritage Auctions and Paddle8. It is also important to acknowledge reputable secondhand resale retail companies such as LXR&CO, The Real Real and BagHunter, where they sell and source used bags and buy them from collectors and the aforementioned auction houses.

The biggest supplier of the Birkin, and the most successful is Christie's Auction House. With their record-breaking sales, Christie's has solidified itself as the leader in the secondhand market, by considerable margins. Both their 2015 and recent 2016 Hong Kong auctions have set several world records that include a \$222,000 Fuchsia diamond-studded Birkin, and a Himalayan diamond-studded Birkin for most expensive handbag ever which sold at \$300,168. These sales were both reputable and important to the market which has enabled it to grow. According to Jeff Rabin, principal, and co-founder of art advisory firm Artvest Partners LLC. "Christie's is working to expand their brand; this is good because luxury fashion seems to be a natural extension of art, which is the ultimate luxury item."¹⁶ Meanwhile, not far behind, Heritage Auctions in 2011, sold a Red Crocodile Birkin for \$203,500. Heritage Auctions launched its

¹⁶ Handbags at Dawn: Why Auction Houses Are Targeting Luxury ..., <https://www.businessoffashion.com/articles/intelligence/handbags-at-dawn-why-auc> (accessed November 11, 2016).

luxury accessories business back in 2010, which has since "grown by more than 50 percent a year."¹⁷ Through the use of auction houses, handbags have dominated the luxury accessories category. In addition, the handbag category is dominated, overwhelmingly, by one brand: Hermès. "Hermès makes up about "90% of Heritage's luxury accessory category's business."¹⁸ It is noteworthy to add that many other brands sell on the secondary market, such as Chanel, Louis Vuitton, Balenciaga, and Gucci. However, the Hermès Birkin is the most successful bag performer on the market today. According to Matthew Rubinger, the Hong Kong-based international director of handbags and accessories for Christie's Asia, "Chanel has always done well in the secondary market, and we also sell Gucci and Balenciaga, but Hermès clearly is the leader".¹⁹

Christie's holds live auctions in international salerooms, including Hong Kong, New York, and Paris. These highly anticipated sales are preceded by elegant exhibitions and sale catalogs. These auction sales have become the culmination of extensive sourcing from collectors, to bring the most interested clients the most sought-after Birkin bags. Both Christie's and Bonhams have privateer sales, allowing Specialists to represent clients to buy and sell handbags at any point. This channel accounts for a more traditional purchase process where women, who are not considered priority clients, could find a Birkin. However, with new technologies in the art

¹⁷ "Handbags at Dawn: Why Auction Houses Are Targeting Luxury Fashion | Intelligence | BoF," The Business of Fashion.

<https://www.businessoffashion.com/articles/intelligence/handbags-at-dawn-why-auction-houses-are-targeting-luxury-fashion>. (accessed December 6, 2016)

¹⁸ "Handbags at Dawn: Why Auction Houses Are Targeting Luxury Fashion | Intelligence | BoF," The Business of Fashion.

<https://www.businessoffashion.com/articles/intelligence/handbags-at-dawn-why-auction-houses-are-targeting-luxury-fashion>. (accessed December 6, 2016)

¹⁹ Who Would Pay \$300,000 for a Handbag? - The New York Times, <http://www.nytimes.com/2016/06/05/fashion/hermes-birkin-most-expensive-bag-ever-> (accessed December 10, 2016).

and luxury world, other vendors have established themselves as options for the Birkin in the secondary market. Online auctioneer Paddle8, which just recently raised \$34 million, began hawking pre-owned luxury bags in 2015 and has recently started to host monthly auctions.²⁰ Paddle8 has auctions that are held online with affordable starting bids. These online sales have also attracted interest from clients who are new to buying the bags, making this an important sales channel for expanding global clientele.

While the Birkin market has thrived for a considerable time, the only people that could buy the bags were celebrities of those who had excellent working relationships with the associates. With new and emerging technologies, there have been evolutions in the market, which have allowed a lot more participants. As Caitlin Donovan, Handbag Specialist at Christie's New York has said "it's the only female-centric collecting category in the auction world. I think historically even jewelry, which was bought by women, was purchased by men for women. We finally have a category where women can be buying and collecting and selling and enjoying something that is collectible and valuable. It's one of the exciting parts of the category. It's nice to see the breakdown in sales and realize how many bidders there were in our auction. It's really unheard of in the auction world."²¹ The secondhand market has indeed helped the investment value of these bags develop resale opportunities.

²⁰ "10 Steps You Can Take to Authenticate Any Chanel Bag | Baghunter," Baghunter: Rare & Exclusive Designer Handbags, <https://baghunter.com/blogs/insights/how-to-authenticate-a-chanel-bag>. (accessed December 7, 2016)

²¹ Meet Christie's Handbag Specialist, an Actual Job - Racked, <http://www.racked.com/2016/5/30/11744940/handbag-specialist-christie-auction-bir> (accessed December 11, 2016).



A Christie's luxury accessories auction | Source: Christie's Images Ltd. Via Bloomberg²²

²² Christie's Images Ltd, *Bloomberg*, n.d. <https://www.bloomberg.com/news/articles/2015-06-01/hermes-birkin-handbag-sells-for-record-223-000-in-hong-kong>.

2.3 Clientele

As second-hand market sales have grown, interest from first-time buyers has also increased. This shows the Birkin bag is an important sales channel for an expanding global luxury product market. Such growth has propelled the Birkin to near legendary status in a very demanding market. According to BagHunter, "Birkin bags have climbed in value by 500% over the past 35 years, and an increase expected to double over the next 10 years."²³ Statistics show that the largest group of buyers, collectors, and sellers of the Birkin demographically are from the United States, Europe, and Asia. Early in the year, there has been some talk that the world romance with Birkin has faded as early economic reports were dismal. One periodical noted, Hermès has confirmed its September projection for underlying sales growth to be below 8%.²⁴ "However, this is seen as an anomaly. True to form, the French luxury group reported third-quarter sales that beat analysts' forecasts, driven by a 16.3% gain in its key leather goods division and an improvement in Asia. These numbers signal that the luxury sector's shaken off the earlier malaise.

More important, Hermès said that its sales growth was "balanced" throughout the world although it reported a 17% increase in demand from Asia.²⁵ The company said that in particular, the Chinese market has continued to "display great vitality". Despite continuing EU-wide economic problems, European sales were also robust, increasing by 14% outside France and

²³ Hermes Birkin Values Research Study | Baghunter." Baghunter: Rare & Exclusive Designer Handbags. Accessed December 11, 2016. <https://baghunter.com/pages/hermes-birkin-values-research-study>

²⁴ Accessed December 2, 2016, <http://www.advisorinsight.com/SP/msa/reports.pdf?reportURL=/globalEQ/EUR/ESR-FR0000052292.PDF>.

²⁵ "Hermes Profits Boosted by Global Luxury Goods Demand," BBC News, accessed December 1, 2016, <http://www.bbc.com/news/business-23894955>.

13% in the company's home country.²⁶ So, it is evident that the broader marketplace and growing demand for the product continue to surge. With the footprint of the brand now extending and maturing in new parts of the world, particularly in China, Hermès might use this as a bifurcation point and attempt to manipulate the esprit of the market by returning to less handbag production. But, the financial world is enamored and clamors. The evidence? The shares trade on a forward price-earnings ratio of 33 times, a significant premium to the Bloomberg Intelligence luxury peer group's ratio of about 18 times. That implies Hermès, if it can do what it has done the past will continue to flourish. While a reduction in production may be bad news for those on the waiting list for a Birkin bag, it is something of an ace in the hole to preserve value if sales falter. Supply and demand are obviously apparent. Where is the newer growth in this market? In a recent study, Christie's noted that "60% of Birkin clients are from the United States and 30% from the Middle East and Asia."²⁷ According to Matthew Rubinger, the Hong Kong-based director of handbags and accessories for Christie's in Asia, "Asia's affluent customers are quickly fueling demand."²⁸ His job focuses on sourcing handbags for his growing clientele after assessing the condition of bags. It is a rewarding but daunting business and demands good connections in many parts of the world. His bags are especially popular with high-end clients in Hong Kong, such as investment banker Emily Chan who owns more than fifty. These were purchased as a VIP Client of Rubinger from the various elite Hermes boutiques

²⁶ "Hermes Profits Boosted by Global Luxury Goods Demand," BBC News, accessed December 1, 2016, <http://www.bbc.com/news/business-23894955>.

²⁷ "Who Would Pay \$300,000 for a Handbag? - The New York Times," The New York Times - Breaking News, World News & Multimedia, accessed December 1, 2016,

²⁸ "Who Would Pay \$300,000 for a Handbag? - The New York Times," The New York Times - Breaking News, World News & Multimedia, accessed December 1, 2016, http://www.nytimes.com/2016/06/05/fashion/hermes-birkin-most-expensive-bag-ever-sold.html?_r=0.

in Tokyo, Hong Kong, and Paris, as well via auction from a vast secondary market. Chan says that "Birkin bags are like currency: you can cash them out at any time."²⁹ From research, it is known that "Asian clients prefer the size 30 cm, while European clients prefer the 35cm Birkin bag."³⁰ There are always immutables and the Hermès International SCA never seems to go out of style. The Birkin is an iconic dynamo, with revenues growing and the demand increasing faster. In an unstable world, it is a solid rock.



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²⁹ "Who Would Pay \$300,000 for a Handbag? - The New York Times," The New York Times - Breaking News, World News & Multimedia, accessed December 1, 2016, http://www.nytimes.com/2016/06/05/fashion/hermes-birkin-most-expensive-bag-ever-sold.html?_r=0.

³⁰ "Who Would Pay \$300,000 for a Handbag? - The New York Times," The New York Times - Breaking News, World News & Multimedia, accessed December 1, 2016, http://www.nytimes.com/2016/06/05/fashion/hermes-birkin-most-expensive-bag-ever-sold.html?_r=0.

³¹ "Investing in a Birkin Bag? You'll Get Better Returns Than With Gold," Newsweek, accessed November 27, 2016, <http://www.newsweek.com/birkin-bag-worth-more-gold-sp-500-415740>.

Chapter 3: Why The Birkin Is A Safe Investment

3.1 Investment Factors

With the intricacies of the market and demand for the Birkin, many may wonder about the investment prospects, including the historical performance. To answer this question, we can separate this into two distinct avenues of analysis. There is the argument for the iconic and timeless nature of the bag and then the argument for its financial return. First, based on popular culture and social media, Birkin bags do not go out of style. Since the bag was first designed after the fashion icon Jane Birkin, it has become the epitome of elegance, sophistication, and class. Jane Birkin is known as a style icon and legendary figure, and it helps that the Birkin was named after her. As Hermès officially dominates as leader of the resale chain with collector's items that could be any fashionista's safest investment. Second, status; a Birkin is the ultimate status symbol, given that it is challenging to obtain and incredibly expensive - simply put, the perception is that the person who wears the bag is someone special. The type of person who has the discretionary income to spend thousands of dollars on a bag.

Third, scarcity; as stated before, thanks to the slow manufacturing time and difficult-to-source materials, only a limited number are made per year. With such excellent, lasting quality, comes attractive heirloom appeal. When you own a Birkin bag, you have a product in huge demand and with limited supply. A particularly clever tactic that causes even greater salivation among the image-obsessed and grasping.³² Fourth, quality; the craftsmanship and quality of these bags are exquisite. Hermès remains family-owned and independent. That

³² Hermes Birkin bags: Women explain the quest for ... - Fortune,
<http://fortune.com/2015/06/22/hermes-birkin-bags-quest/> (accessed December 9, 2016).

enables Hermès the flexibility to maintain its traditional craftsmanship and employ many skilled artisans. These are respected artisans who do work that other leather companies frequently farm out to more cost-effective factories that lack the craftsmen with such skills, training, and history.

³³ That particular level of craftsmanship contributes to many of the other points on this list. Fifth: longevity. The bags are repairable for life, and given their quality, may likely be passed down as an heirloom. No bag made by human hands will ever be without flaws, but Hermès has standards and practices for its manufacturing process that are more rigorous than others in the industry.³⁴

The stitching is tight, the leather is essentially blemish-free, and the hardware is not tarnishable. As one's bag wears, it can always be sent to Hermès' "bag spa," where company employees restore it to as close to new as is possible.³⁵ Birkin bags bought both from Hermès' boutique and on the secondhand market can enjoy the spa treatment. This service also contributes to the quality of the product. If you make an investment, but the customer service is mediocre, the purchase could diminish over time. Thus, the service and repairs options allow the investment to provide a longer and higher return than a similar product without similar assurances. Therefore, high demand, low supply, premium quality, and nonstop hype have elevated the Birkin to cult fashion status and elevated it into a safe investment category. Whether buying a Birkin as an accessory, to investing in the assurance of social standing, or seeking financial return, buying a Birkin is as solid an investment as there is. In sum, the Hermès Birkin

³³ Cheap Luxury Designer Handbags, Dresses, Shoes, Jewelry .., <http://www.newsbags.online/page/4> (accessed December 11, 2016).

³⁴ 10 Reasons Hermès Bags are Totally Worth the Money, <http://www.purseblog.com/hermes/10-reasons-hermes-bags-totally-worth-money/> (accessed November 11, 2016).

³⁵ Dear celebrities, please stop destroying your Birkin bags, <http://nypost.com/2014/07/24/dear-celebrities-please-stop-destroying-your-birkin> (accessed December 11, 2016).

bag is a status symbol produced by a well-known, high-end company, where customer service and craftsmanship are at a premium.



Hermès Birkin Bags Mehdi Fedouach/AFP/Getty Images³⁶

³⁶ Mehdi Fedouac, *AFP/Getty Images*,
n.d.http://www.slate.com/blogs/quora/2016/02/08/should_i_invest_in_birkin_bags_instead_of_stocks.html.

3.2 Investment Pricing Factors

Pricing factors for the Birkin are a huge piece of investing in these bags. Several factors make determining Birkin prices tricky. The first is the price variations that occur year to year at the discretion of Hermès. “They know they have a valuable product and generally increase the prices by between 5% and 10% annually for a new bag.”³⁷ The bag’s price can vary among Hermès’s extended leather options, color, size and that's before you start looking at exotic skins, custom hardware, and other personal touches which can bring the price upwards. Pricing for a Birkin can range from around \$7,000 and can go as high as \$300,000. As many collectors venture into the market for value when purchasing a Birkin, one of the most important consideration when looking at a Birkin is the condition. “If a bag is in good condition it can fetch up to or more than 80% of what the previous owner invested, a bag in excellent condition up to or more than 100%, and if a bag in pristine condition up to or more than 120% of what the previous owner invested.”³⁸ When investing in a Birkin, it's also wise to consider the length of the investment. For instance, if you are planning to hold on to the bag over a long period of time, or if you are planning on wearing or holding on to the bag, neutral colors are more advisable such as black, gold, brown or gray. These classic colors will never go out of style, and the bag will maintain its value. “Most people want something they can live in – that they can wear with jeans, with a suit, or carry on an airplane. So the most practical choice is a neutral”.³⁹ However, one of the traits, which make Birkin handbags unique, is the variety of colors available, which

³⁷ Hermes Investment Guide | Baghunter, <https://baghunter.com/pages/investment-guide> (accessed November 15, 2016).

³⁸ Hermes Investment Guide | Baghunter, <https://baghunter.com/pages/investment-guide> (accessed November 15, 2016).

³⁹ How To Buy Your First Herm?s Birkin - Forbes, <http://www.forbes.com/sites/deborahljacobs/2013/09/19/how-to-buy-your-first-herm> (accessed November 15, 2016).

are introduced every season, many of which are specific and exclusive to Hermès. New colors have shown to be more popular in the immediate resale market for collectors as a short-term investment. These would include vivid colors such as bright red, blue or orange, which is Hermès signature company color. Most importantly, it is imperative to know your leathers when purchasing a Birkin bag. Each leather has its uniqueness, and each leather requires different levels of maintenance. Some of the standard leathers such as Togo, Clemence and Epsom are textured to protect them from scratches and tear. Rare and exotic skin Birkins are more valuable on the resale market due to the difficulty Hermès has in obtaining them. These skins include crocodile, alligator, lizard, snake, and ostrich. Crocodile, for example, is one of the most expensive leathers because Hermès has to obey strict ethical standards. The skin also takes decades to reach maturity, making it very rare.⁴⁰ In June 2016, Christie's Hong Kong sold a 30 cm Himalayan Birkin, with white gold hardware set with 245-F color diamonds weighing close to ten karats for \$300,168. This particular sale was expensive because the bag was in pristine condition, and aside from it being crocodile, it was white which is the hardest color to achieve with crocodile skin, as you have to remove all of its natural pigment. Bought in 2008 by the seller, the Himalayan bag had a presale estimate of \$190,000 and was billed as the "most valuable handbag in the world".⁴¹ If you buy a pristine Birkin at auction, you pay a 25% buyer's premium over what you would pay at an Hermès shop.⁴² However, the unique thing about

⁴⁰ Hermes Investment Guide | Baghunter, <https://baghunter.com/pages/investment-guide> (accessed November 15, 2016).

⁴¹ Who Would Pay \$300,000 for a Handbag? - The New York Times, <http://www.nytimes.com/2016/06/05/fashion/hermes-birkin-most-expensive-bag-ever-> (accessed November 15, 2016).

⁴² How To Buy Your First Hermès Birkin - Forbes, <http://www.forbes.com/sites/deborahljacobs/2013/09/19/how-to-buy-your-first-herm> (accessed November 11, 2016).

purchasing a Birkin bag as an investment is that it is one of the only luxury items on the market that appreciates in value. Nevertheless, as the existence of a thriving secondary market suggests, Hermès could charge far more than it does for a Birkin. Instead of rationing by price, standard market practice, Hermès rations by queue. You cannot walk into an Hermès boutique and expect to walk out with a violet ostrich 30cm bag with palladium hardware, or indeed a Birkin of any description.⁴³



Himalayan Birkin handbag by Hermès created a buyers frenzy at a Christie's Hong Kong Auction ⁴⁴

⁴³ Demand curve | 1843, <https://www.1843magazine.com/style/demand-curve> (accessed December 1, 2016).

⁴⁴ Lam Yik Fei, *New York Times*, n.d.<http://www.nytimes.com/2016/06/05/fashion/hermes-birkin-most-expensive-bag-ever-sold.html>.

3.3 Comparison With Other Investments

Investing money in physical objects with the intent of having an increase in value is an ancient human endeavor. However, investments in the modern world have become very complex. There are so many ways now for people to accumulate wealth. There are equities, bonds, real estate, metals and precious stones that are used as investments. In the modern world jewelry, art, and items of clothing have even become popular market venues. In this way, handbags, as an investment has become popular. With so many options, it is surprising to find that they are among the best. In the world of fashion, there is an order of worth determined by the brand of the maker. Hermès is one of the icons, and the Hermès Birkin bag is one of best examples of a brilliant investment.

How do these supposed luxury items measure up in this complex world of investing? According to recent data found in a study by BagHunter, a popular online exchange and online marketplace for buying and selling handbags, investors would do be prudent to strongly consider the handbag. Gold and the stock market are of course traditional choices among traders, but both have been on a roller coaster. It demonstrates the risk involved when investing in the either of these. The S&P 500, reflective of the overall return characteristics of this form of equity, and gold, which is thought to retain some value through time, are inconsistent from year to year. "Between 1980 and 2015, the S&P 500 returned a nominal average of 11.66%, which equates to a real return average of 8.65%."⁴⁵ However, the S&P 500 annual returns peaked during this

⁴⁵ "Hermes Birkin Values Research Study | Baghunter." Baghunter: Rare & Exclusive Designer Handbags. <https://baghunter.com/pages/hermes-birkin-values-research-study>. Accessed December 1, 2016.

period in 1995 at 37.20% and reached an average low of -36.55% in 2008.⁴⁶ An investor who sold their stocks in the S&P 500 when it was at its peak would have enjoyed a healthy return but would have been devastated by the market crash of 2008. During the same time, "gold offered an average annual return of 1.9% equating to a real return average of -1.5%."⁴⁷ But these averages do not reflect variation in the price of gold during this period. It traded in the range of \$200 in the 1990's but reached a peak in 2011. If one had held gold through all of this, there would have been a significant return. However, if one had waited till 2012, the value was down by 50-60%.⁴⁸ At best these markets can be seen as bipolar in nature, and unstable at times. So, the question is what about the Birkin bag? When the study looked at the historical data going back to the Birkin inception in the 1980's, and with adjustments made for current economic fluctuations, the results were astounding. Although the Birkin bag is seemingly novel to some and commands substantial investment, the data reflects the fact that since the bags introduction this item has never decreased in value. Even in these times of global financial uncertainty, the luxury goods industry, and specifically, the Hermès Birkin bag has certainly enjoyed sustained prosperity. This is evidenced by the fact that in 2015, despite ominous warning signs for many of the traditional venues, records tumbled. The second most expensive bag was sold at auction, a pink crocodile skin Birkin featuring diamond-encrusted hardware that went for \$222,000.⁴⁹ Then earlier this year in 2016, a diamond-encrusted Himalayan Birkin bag was sold for thousands more. The

⁴⁶ "Hermes Birkin Values Research Study | Baghunter." Baghunter: Rare & Exclusive Designer Handbags. <https://baghunter.com/pages/hermes-birkin-values-research-study>. Accessed December 1, 2016.

⁴⁷ "Hermes Birkin Values Research Study | Baghunter." Baghunter: Rare & Exclusive Designer Handbags. <https://baghunter.com/pages/hermes-birkin-values-research-study>. Accessed December 1, 2016.

⁴⁸ "Hermes Birkin Values Research Study | Baghunter." Baghunter: Rare & Exclusive Designer Handbags. <https://baghunter.com/pages/hermes-birkin-values-research-study>. Accessed December 1, 2016.

⁴⁹ "Diamond Hermes Handbag Sells for over \$300K .com," CNN, accessed December 1, 2016, <http://www.cnn.com/2016/05/30/luxury/diamond-encrusted-hermes-birkin-christies-auction-record/>.

study goes on to say that if there is a choice "the annual return on a Birkin is 14.2%, compared to the S&P average of 8.7% a year and gold at -1.5% per annum."⁵⁰ Why would this be true? Like any object, it is the rarity of the product and its unique craftsmanship that are obvious reasons for this, and considering the volatility and uncertainty that shadows our world, it is remarkable that one of the few markets remaining unaffected turns out to be that of a luxury good. The Birkin is the best example of this and is why it has been labeled "the safest and least volatile investment" one can find. To emphasize this, the study concludes by suggesting that the price of a Birkin will double within the next ten years. In sum, in regards to financial or market risk, the Birkin bag is one of the most attractive options in the world.

Selected Investment Averages, Highs & Lows 1980 - 2015⁵¹

Investment Type	Average Annual Returns 1980 - 2015	Highest Annual Returns in this Period	Lowest Annual Returns in this Period
S&P 500	11.66% nominal; 8.65% real	37.20%	-36.55%
Gold	1.9%	14.3%	-7.9%
Hermès Birkin Bags	14.2%	25%	2.1%

⁵⁰ "Hermes Birkin Values Research Study | Baghunter." Baghunter: Rare & Exclusive Designer Handbags. <https://baghunter.com/pages/hermes-birkin-values>.(accessed December 1, 2016).

⁵¹ "Hermes Birkin Values Research Study | Baghunter." Baghunter: Rare & Exclusive Designer Handbags. <https://baghunter.com/pages/hermes-birkin-values-research-study>.(accessed December 1, 2016).

3.4 Fake vs. Real

The sudden increase in popularity of the Hermès Birkin bag has unfortunately led the market to become inundated with replicas. According to BagHunter, “recent studies indicate that up to 90% of all Hermès Birkin bags sold online aren’t the genuine article.”⁵² The price of a real Birkin reflects today’s market value and is a true valuation for a genuine product. For this reason, it is becoming harder to spot the difference between the two. It should come as no surprise that counterfeiters target brands such as Hermès, due to their large demand, high prices, and popularity. In 2012, “Hermès won a judgment and \$100 million in damages against 34 websites selling fake copies of its goods. The counterfeits ran the gamut, but a glance at some of the websites’ urls - HermesBirkin-Bags.org, or HermesBags-OutletStore.com - make clear the focus of the trade.”⁵³

Many fake Birkin bags are made with such quality that it can be difficult to spot the difference unless you know what you are looking for and many sites will publish pictures of Birkin bags but end up sending a fake. One telltale sign of a fraudulent bag is the stitching; every Hermès bag is hand stitched, on an authentic Birkin, the sew lines should look and feel flawless. There should not be any stitches out of place or have crooked seams. The hardware is also a major indicator. Authentic hardware on Birkin bags is always either plated gold or palladium,

⁵² "Spot The Difference Between Real and Fake Hermès Bags | Baghunter," Baghunter: Rare & Exclusive Designer Handbags, <https://baghunter.com/blogs/insights/how-to-spot-a-fake-hermes-bag>. (accessed December 12, 2016)

⁵³ "Moneybags: is the Frock-market the New Stock-market?," The Independent, <http://www.independent.co.uk/life-style/fashion/moneybags-a7032511.html>. (accessed December 15, 2016)

which are both precious metals. The hardware features a small marking that indicates it is a precious metal and should feel heavy. The use of precious metals on Hermès bags also means that the hardware should not tarnish. This goes hand in hand with the weight of the lock, keys and other pieces of hardware on the Birkin. Third, the handles are crucial. Fake Birkin bags can sometimes have misshapen or rounded handles. Any indication otherwise should denote a fake. The Birkin should be neat and pronounced without any slouching or bulge in places when standing. There should also be two stamps featured – one is the Hermès logo located on the front center of the exterior, and the other is on the back of the flap which indicates the year it was made, material and the craftsman ID stamp. The logo is a stamp on the bag that reads “Hermès Paris Made in France”.⁵⁴ This logo is featured in a delicate and neat font that should not be affected by the texture of the leather. On many fake Hermès bags, the logo could possibly look irregular, big or blocky. The logo on the bag should be properly centered without being uneven or crooked. Also, authenticity cards; this is something that should raise a red flag immediately. Hermès does not issue an authenticity card. They never have and most likely never will. Many fake Birkin bags come with orange plastic credit cards that say “Hermès” on them.

Lastly, regarding price, there are many fake Birkin bags on the market, which are priced very high and are of excellent quality. When demand is virtually inelastic, there is no incentive to sell below market value. It is wise to take a suspect bag to Hermès or use a trusted authentication service. If you have purchased a Birkin and you are unsure about its authenticity, take it to an Hermès boutique and try to have it repaired. If it is fake, Hermès will refuse the repair and you

⁵⁴ Spot The Difference Between Real and Fake
<https://baghunter.com/blogs/insights/how-to-spot-a-fake-hermes-bag> (accessed December 9, 2016).

will know immediately. Thus, when one sees a bag below market value, you can be sure that it is not the genuine quality. When buying a Birkin, the quality is the primary determinant to check for authenticity. The Birkin is an expensive purchase and investment, but with the price comes the quality. With many fake bags within the secondhand market, Hermès continues to lead the industry in quality and authenticity that bring clients back every year.



Fake Birkin bags are cheap because they are mass produced so the stitching will always be bad to average. A real Birkin is handmade by an artisan.⁵⁵



Chapter 4: How The Birkin Remains Dominant

4.1 The Media

There is a key to how the Birkin remains dominant in the market: the media. Hermès does not report how many Birkins are sold each year, but, with the ebb and shift of a volatile handbag market, there is always constant demand. The Birkin, with the help of the wealthy and famous, actors, and public figures in general, benefits enormously from media exposure. This helps keep it on a special pedestal. The shadow marketing, limited supply, high prices, and exclusivity are all frequently suggested in such media venues. This is not only via direct advertising but also in as a result of the reputations and fame of those who buy them. By association, it promotes an aura of subtle elegance and profound, understated wealth even though an owner does not have celebrity status.

It is the bag itself that assures real separation from the crowd. From the Kardashians to Martha Stewart, there have been many news stories, social media posts, and pictures taken by the paparazzi showing major personalities with a Birkin on their arm. One may wonder, how impactful is the media in the marketing strategy of the Birkin? Free publicity is the best and easiest kind of marketing available. Money can't buy the word-of-mouth that becomes viral within a tightly controlled distribution system. For instance, along with the dozens of written accounts reporting this, the iconic Birkin became forever known as the ultimate status symbol when it was used as a plot point in an episode of *Sex and the City* in 2001.⁵⁶ The episode was dedicated to Samantha Jones's attempt to skip the six-year waiting list for a Birkin bag. "After

⁵⁶ Fashion History Lesson: The Iconic Hermès Birkin, <https://now.ruelala.com/fashion-history-lesson-the-iconic-hermes-birkin/> (accessed December 1, 2016).

the episode aired, the Birkin's actual waiting list tripled in length, which is a real testament to the cultural impact of the show and the bag."⁵⁷ In 2005, the bag became even more widely-known when *Gilmore Girls* featured a storyline involving Rory Gilmore's boyfriend, Logan, bequeathing her with the expensive handbag. The 2008 Wes Anderson classic, *The Royal Tenenbaums* exhibited Gwyneth Paltrow playing the eccentric Margot Tenenbaum; she was famously known for her brown Togo Birkin bag, which accentuated her impeccable taste. These examples demonstrate the subliminal effect of the media's attention and the resultant demand of non-celebrities a recurrent attempt to mimic the style if not the substance. It has become a part of the quest for social status. Given this iconic status, an important question arises. What would the market for Birkin bags without the media, press, and their influence?

Simply stated, it appears that the bag's success hinges on this prestigious perception. A Birkin, terribly difficult to get is therefore highly coveted. In our global economy, that's all the brand needs to pack the infinite waiting list. It is fashion's version of Darwinism. We always want what we can't have, so we will do whatever we can to get it.⁵⁸ For instance, Victoria Beckham, the posh clothing designer, and wife of David Beckham reportedly owns about 100 Birkins, collectively valued at \$2 million. It includes a pink Ostrich leather Birkin worth \$150,000. Despite the fact that she has introduced her own line of handbags, she's been spotted by the paparazzi wearing a Birkin bag. Kris Jenner also has a massive Birkin collection that she flaunts via social media and the willing participation of paparazzi. Her collection includes an

⁵⁷ AishaGate: The Expensive Story Behind Aisha Buhari's N40 .., <http://www.thetrentonline.com/aisha-hermes-story/> (accessed December 1, 2016).

⁵⁸ Why Is The Birkin Bag So Popular? The Mystique Comes Down To 5, <https://www.bustle.com/articles/89582-why-is-the-birkin-bag-so-popular-the-mysti> (accessed December 1, 2016).

Electric Blue 35cm which is supposedly worth \$19,000.⁵⁹ Actress Katie Holmes has gained attention for a bold red Birkin, while Julianne Moore has been seen wearing a hunter green 40cm with gold hardware. Julia Roberts and Eva Longoria all have even been seen with the bag. Even B-listed personalities such as reality star, Nicole Richie, with a black Birkin workout bag, is famously noted as frequently asking the paparazzi, “Did you get my bag?”. The Birkin has looked extra-special on the arms of models, Alessandra Ambrosio and Kate Moss. Singers such as Jennifer Lopez and Courtney Love ironically show off their Birkins, and even world leaders such as Princess Mary of Denmark, with her black crocodile Birkin worth \$44,500, is aware of its meaning and status. With this level of celebrity interest and the presence of social media, it is clear that the cornerstone of the Birkin bag success hinges on a continued perception of prestige. Reputation is everything. The brand can construct the bag, but demand for it is magnified again and again through the media and celebrities that reinforce the exclusivity. Thus, in the case of the Birkin, the company may not pay celebrities to show off their product, but Hermès benefits from the unprecedented exposure in all forms of media.

⁵⁹ Kim Kardashian West, Victoria Beckham, and Pharrell ..., <http://www.vogue.com/6230693/birkin-celebrity-style-kim-kardashian-west-victoria> (accessed December 1, 2016).



4.2 The Defaced Birkin

As the Birkin has become exceedingly popular with celebrities, there has been a recent trend where wealthy and famous owners deface the Birkin. Some call it sacrilege, and others call it customization. However, a sub-culture has formed, and there is a definite group of celebrities to “personalize” them. This unique process might seem shocking with such valued object. One recent interview with an anonymous artist suggested, “Now it’s not just a bag – it’s a work of art.”⁶¹ But what is the value of that Birkin now? Amazingly, it seems to increase the value. The prediction is that Hermès itself could start to follow suit, customizing their pieces for VIP clients who want individual style in addition to status and who deem it a collectible item with such a gesture. The message seems to be that of a status symbol, for all it costs, never surpasses personal style, and it is this that creates a priceless commodity. If a Birkin is purchased to silently speak to a person’s wealth and social status, defacing one is the explicit effort to shout it in a unique voice.⁶²

No longer is it enough to be able to afford a handbag worth thousands; they now have to be disposable or defaced in some unique way. For example in 2010, Lady Gaga wrote in black marker pen 'I love Little Monsters' on her white Birkin. Referring to “Little Monsters” as her fans. Her reasoning was "the most classic and iconic bag on the planet, but my fans don’t relate to it because it represents something they don’t have. So how do I create and make it into

⁶⁰ <http://www.runwayribbons.com/hermes-birkin-my-dream-bag/>.

⁶¹ "Bringing Home Hermes' Birkin Bag: How Michael Tonello Spent \$1.6 Million On Them And Made A Fortune" The Huffington Post, http://www.huffingtonpost.com/jesse-kornbluth/birkin-bag-hermes-book-tonello_b_810712.html.(accessed December 1, 2016)

⁶² Dear celebrities, please stop destroying your Birkin bags ..., <http://nypost.com/2014/07/24/dear-celebrities-please-stop-destroying-your-birkin> (accessed December 1, 2016).

something that they will love and adore, and turn it into a performance-art piece in itself?"⁶³ Kim Kardashian has followed suit, as she used one of her Birkin's, a Christmas gift from her husband Kanye West, a canvas by contemporary artist George Condo. Of course, this generated plenty of media frenzy. According to Condo, that was his ultimate goal. In an interview with W magazine, he shared: "The whole point was to take an icon of consumerism and change it, which is like blasphemy. 'You can't do this!' Its intent is to short circuit the perception of what is sacred or untouchable. But of course, it is the mind of the beholder that is important. If I had just done it and put it in my closet, it wouldn't mean a thing, but when you stick that bag in the hands of Kim Kardashian, well, then you create a whole different atmosphere. It's about context."⁶⁴

Any young fame-seeker worth his Twitter followers knows that if something works once, it'll probably work again. With that in mind, erstwhile Birkin destroyer and photographer Tyler Shields has been known to rip into \$100,000 Birkin bags with a chainsaw while lighting it on fire.⁶⁵ All of this creates chaos with his lofty and arty thoughts on consumerism via photos of an Hermès handbag while defiled in various ways. Understandably, many people found this photoshoot to be rather insensitive or downright offensive. In July, the fashion-monger Rita Ora debuted a Birkin covered with graffiti by artist Al-baseer Holly. Behind generic paint drips and symbols is the rhetorical "what you looking at?" sprayed in neon lettering.⁶⁶ For the answer to

⁶³ Dear celebrities, please stop destroying your Birkin bags ..., <http://nypost.com/2014/07/24/dear-celebrities-please-stop-destroying-your-birkin> (accessed December 1, 2016).

⁶⁴ "George Condo's Altered States," W Magazine, <http://www.wmagazine.com/story/george-condo-headspace> (accessed December 1, 2016).

⁶⁵ "Photographer Tyler Shields Feeds \$100,000 Crocodile Birkin Bag To Alligator" The Huffington Post, http://www.huffingtonpost.com/2014/05/15/alligator-bites-birkin-bag_n_5332923.html. (accessed December 1, 2016)

⁶⁶ Dear celebrities, please stop destroying your Birkin bags ..., <http://nypost.com/2014/07/24/dear-celebrities-please-stop-destroying-your-birkin> (accessed December 1, 2016).

that, there are many. However, in all of them, the Birkin is the subject, and it reinforces its place in the minds of a broad range of potential handbag consumers.



⁶⁷ Tyler Shields, , http://www.huffingtonpost.com/2014/05/15/alligator-bites-birkin-bag_n_5332923.html.

Chapter 5: Conclusion

In conclusion, the Birkin is the most dynamic bag in the market today. It is seen collectively by the entire fashion world as the a "holy grail". Driven by an inclusive market and segmentation, the demand and supply of the bag are actually above the normal market forces that ebb and flow under the influence general public. It stands above the others because of its iconic reputation. However, it is also an attractive business investment. This attracts an odd, but wealthy mixture within the buyer's market. Whether buying a Birkin as an accessory, purchasing it as a prudent long term investment, or pursuing ownership for the social status it reflects. Above all else it is a unique commodity that consistently retains value. With consistent media attention, celebrity demand, chronic exposure, and a traditional supply structure that limits the product, the Birkin is situated in one of the most elegant examples of a successful market force. From celebrities who deface the bag, because they can, to the waiting lists of the rich and not as famous, the Birkin is unique. Such a status is well earned as the qualities of gifted craftsmanship and unrivaled customer service substantiate the fashion reputation and insure that its status will be maintained for generations to come. It appears that the Birkin bag has an incredible story, and it is seemingly just at the beginning.

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