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Cavalleri v. Hermés and Illegal Tying

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CAVALLERI V. HERMÈS AND ILLEGAL TYING

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Abstract: This paper offers a joint economic and legal analysis of the California class action lawsuit, *Cavalleri v. Hermès International* (2025). In this case, plaintiff Tina Cavalleri alleges that luxury retailer Hermès International uses tying practices, illegal under US law, to coerce consumers to purchase unwanted accessory products (tied product), to access its iconic Birkin handbag (tying product). This paper utilizes a mixed-methods analysis to prove that Hermès’ tying practices are legal and reflective of consumers’ exclusivity preferences. Qualitatively, this paper considers the allegations within the context of economist Thorstein Veblen’s Theory of Conspicuous Consumption, which suggests that consumers purchase luxury goods both as costly signals of wealth or social status and as a means of emulating the consumption patterns of “social elites.” Quantitatively, this paper uses a cost-based modeling of bundling and tying, based on a model developed by economists David Evans and Michael Salinger, the support the notion that Hermès’s tying practices are both profit-maximizing and driven by transactional efficiencies, rather than anticompetitive foreclosure. Finally, the paper applies both Veblen’s theory and the cost-based findings to prior legal precedent for assessing tying practices *per se*. It finds that *Cavalleri v. Hermès International* (2025) fails the three-part test for *per se* tying. Recent legal precedent, such as *Broad. Music v. Columbia Broad* (1979), *Ohio v. American Express* (2018), and *Brantley v. NBC Universal* (2012) also suggests that legal tying practices can promote competition, a small group of ties are illegal *per se*, and judicial disapproval of tying arrangements has diminished over time. Therefore, under theoretical, economic, and legal analyses, the paper concludes that Hermès’ tying practices are not illegal *per se*, but rather reflect consumers’ preferences for exclusivity.

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I. Introduction

Hermès is a global luxury fashion house, widely known for its famous Birkin and Kelly bags. These handbags are uniquely characterized by their consistently high demand, low supply, price, and exclusivity. In fact, a standard leather or exotic Birkin takes hours to craft and may sell anywhere between \$10,000 to over \$100,000.² Naturally, as an esteemed and highly sought-after brand, Hermès reserves the Birkin and Kelly bags for its highest-value and most loyal consumers. It does so by tying the purchase of the Birkin to other leather goods and accessories. On March 19, 2024, Tina Cavalleri and Mark Glinoga filed a potential class action suit in the Northern District of California against Hermès, alleging that its tying practices violate the Sherman Antitrust Act and California Cartwright Act.³ The plaintiffs claim that tying allows Hermès to exploit its market power to coerce consumers into purchasing ancillary products, artificially inflate Birkin prices, and unfairly select consumers “deemed worthy” based on a sufficient “purchase profile.”⁴

On September 17, 2025, a judge dismissed the lawsuit, finding that Hermès’s practices are not anticompetitive and that plaintiffs failed to prove the presence of “a relevant tying market, market power in the relevant market [to coerce consumers into purchasing the tied products], and injury to competition in a tied product market.”⁵ Although the case was dismissed, the opinion leaned largely on a legal analysis. Given the economic nature of tying, it is beneficial to examine the costs of tying to answer the question: does Hermès violate antitrust laws when it requires consumers to purchase a certain amount of ancillary goods before buying a Birkin?

² *Cavalleri et al. v. Hermès International*, Case No. 3:24-cv-01707-JD, U.S. District Court for the Northern District of California (September 17, 2025).; Vanessa Wat, “What Influences an Hermès Birkin Bag Price,” *Sotheby’s*, December 11, 2025, <https://www.sothebys.com/en/articles/what-influences-an-Hermès-birkin-bag-price>.

³ Anna P. Hayes and Jennifer Lada, “It’s Not a Bag, It’s a Birkin: Class Action Targets Hermès with Antitrust, Unfair Trade Claims,” *Holland & Knight*, March 25, 2024, [hklaw.com/en/insights/publications/2024/03/its-not-a-bag-its-a-birkin-class-action-targets-Hermès-with-antitrust](https://www.hklaw.com/en/insights/publications/2024/03/its-not-a-bag-its-a-birkin-class-action-targets-Hermès-with-antitrust).

⁴ *Cavalleri et al. v. Hermès Int’l*, No. 3:24-cv-01707-JD (N.D. Cal. 2025).

⁵ *Ibid.*

When analyzed through the lens of the luxury goods market, the tied-product market, and a cost-based model of competitive tying, Hermés’s practices do not violate antitrust laws, but reflect consumer preferences for exclusivity in the luxury goods market.

II. Legal Background

Hermés is a luxury fashion designer, known for its famous, trademarked Birkin and Kelly bags.⁶ In particular, the Birkin is difficult and expensive to produce because it is handcrafted and uses the finest materials. These factors, combined with the bag’s growing popularity, make the sought-after good “a symbol of rarefied wealth” according to the complaint.⁷ Due to its esteemed nature, Hermés’s business model functions to select the most dedicated clientele with a significant purchase history to buy its Birkin. To ensure that this remains the case, Hermés developed its Sales Associate Incentive Program, which prohibits sales associates from earning commission on Birkin sales and asks employees to use the bag “to [allegedly] coerce consumers to purchase ancillary products,” for which they earn 3% commission.⁸ In other words, the program prevents sales associates from overselling the Birkin in a way that diminishes the bag’s value while boosting the associate’s commission pay. Thus, the tying product—the Birkin—serves as leverage that associates can use to encourage consumers to spend more at Hermés.

In a 2025 class action lawsuit, *Cavalleri v. Hermés*, Plaintiff Tina Cavalleri spent thousands of dollars and claimed to have been “coerced” into purchasing ancillary products to gain access to the Birkin.⁹ After buying one Birkin, Hermés associates denied her the sale of a

⁶ Ibid.

⁷ Ibid.

⁸ Ibid.

⁹ Ibid.

second until she bought more products, prompting her to sue. Cavalleri represents a class of U.S. residents and a subclass of California residents who were “coerced” into buying ancillary products tied to the Birkin.¹⁰ She alleges that this coercion enabled Hermés to exercise substantial market power, which thus compelled it to increase prices and profits related to Birkin sales in a manner that violated antitrust legislation.

Cavalleri alleges that Hermés engaged in unlawful tying practices under the Sherman Antitrust Law and California Cartwright Act, as well as injury to competition in violation of California’s Unfair Competition Law.¹¹ Under this allegation, the tying product is the Birkin, while tied products are ancillary Hermés products, including leather goods, accessories, and jewelry.¹² Cavalleri’s stance implies that nearly all consumers want specifically the Birkin as an esteemed status symbol and thus are coerced into buying unwanted accessories in order to obtain it. Although any consumer can purchase it, Hermés forces purchasers to buy its other products first. This is a way for Hermés to sell the Birkin to consumers who value it the most, retaining the Birkin’s exclusivity.

Briefly, the Sherman Antitrust Law prohibits businesses from forming or conspiring to form a monopoly.¹³ The California Cartwright Act prohibits illegal tying arrangements where the consumer is coerced into purchasing a separate tied product.¹⁴ In practice, these regulations require plaintiffs to prove that the company exercises “sufficient economic power in the tying market” to harm competition in the tied market.¹⁵ Moreover, the Unfair Competition Law prohibits any unlawful or unfair business act as well as misleading or deceptive advertising that

¹⁰ Ibid.

¹¹ Hayes and Lada, “It’s Not a Bag, It’s a Birkin.”

¹² Ibid.

¹³ Sherman Act, 15 U.S.C. §§ 1–2 (1890).

¹⁴ California Cartwright Act § 16720 and 16727.

¹⁵ Hayes and Lada, “It’s Not a Bag, It’s a Birkin.”

injures competition.¹⁶ Altogether, this case may represent growing antitrust scrutiny among middle-class consumers and impending changes to luxury sales strategies.

The court evaluates anticompetitive practices *per se*, meaning that they are so inherently damaging to the market that no further justification is needed.¹⁷ In other words, *per se* legality is a matter of black and white; plaintiffs must prove pure injury to competition, not the further negative effects associated with the injury, and defendants are not entitled to justification.¹⁸

On September 17, 2025, California District Judge James Donato ruled that Hermès did not engage in illegal tying *per se* and that Cavalleri “bank[ed] on the theory that all tying claims are a *per se* violation. . . so they need not allege much in the way of facts.”¹⁹ Plaintiffs did not supply enough evidence to prove (1) a tying market (Birkins); (2) significant economic power within that tying market; and (3) competitive harm in the tied product market (accessories). Given this standard, it is easier to prove competitive harms in the tying market because the associated tied products include a wide array of luxury goods: “scarves and shawls, ready to wear clothing, footwear, watches, jewelry, fragrances, accessories, [home goods].”²⁰ In this sense, it would be easier to prove sufficient market power and harm in one market of elite luxury handbags rather than several accessory markets.

III. The Luxury Goods Market

¹⁶ Cal. Bus. & Prof. Code § 17200; CACI No. 3421.

¹⁷ Bona Law, “Antitrust Standards of Review: The Per Se, Rule of Reason, and Quick Look Tests,” *Bona Law*, August 10, 2018, <https://www.bonalaw.com/insights/legal-resources/antitrust-standards-of-review-the-per-se-rule-of-reason-and-quick-look-tests>.

¹⁸ *Per se* standard is the typical standard for analyzing antitrust violations in the United States. Practices that meet the standard have no legitimate justification and a significant anticompetitive effect; therefore, *per se* antitrust violations can be considered unlawful without further analyzing reasonableness, economic impact, or other factors, See U.S. Department of Justice, “Antitrust Resource Manual: Attorney General’s Policy Statement,” *Antitrust Division*, <https://www.justice.gov/archives/jm/antitrust-resource-manual-1-attorney-generals-policy-statement>.

¹⁹ *Cavalleri et al. v. Hermès Int’l*, No. 3:24-cv-01707-JD (N.D. Cal. 2025).

²⁰ *Ibid*.

In economics, a luxury good is one where demand increases more than proportionally as income rises. As consumers become wealthier, they tend to spend more on luxury. Economists characterize the luxury goods market as high in income elasticity of demand, sensitive to business cycle patterns, and responsive to consumer spending trends.²¹ Additionally, consumers often exhibit high intertemporal elasticity of substitution and patience when purchasing luxury goods.²² That is, they are willing to postpone luxury consumption for necessity consumption in the short-run.

Since the 19th century, luxury consumption has increasingly grown outside of affluent spheres due to a post-industrial rise of the middle class, globalization shaping trend cycles, and real household income rising in the US.²³ Moreover, in the past decade, growth in the luxury goods market has accelerated faster than aggregate consumption, as industry profits tripled since 2019 (see Figure 1).²⁴ This growth represents a changing consumer class, where luxury is no longer seen as limited to affluent households.²⁵ Instead, Zimmer suggests luxury today takes on a “competitive quality” where “people see others’ conspicuous consumption and then try to ‘keep up with the Joneses’ by engaging in conspicuous consumption of their own.”²⁶ Notable economist Thorstein Veblen describes this push to mimic wealthy consumption choices as “pecuniary emulation.”²⁷

²¹ Kimberly Caserta, *Luxury Good Demand* (BA thesis, Morrissey College of Arts and Sciences, Boston College, 2008).

²² Shinsuke Ikeda, “Luxury and Wealth Accumulation,” ISER Discussion Paper no. 0528, (Institute of Social and Economic Research, Osaka University, 2001).

²³ Scott Zimmer, “Veblen’s Theory of Conspicuous Consumption,” *EBSCO Research Starters*, last modified February 2017, <https://www.ebsco.com/research-starters/political-science/veblens-theory-conspicuous-consumption>

²⁴ Anita Balchandani et al., “The State of Luxury: How to Navigate a Slowdown,” *McKinsey & Company*, January 13, 2025, <https://www.mckinsey.com/industries/retail/our-insights/the-state-of-luxury-how-to-navigate-a-slowdown>.

²⁵ Amrita Dhaliwal, Devinder Pal Singh, and Justin Paul, “The Consumer Behavior of Luxury Goods: A Review and Research Agenda,” *Journal of Strategic Marketing* 33, no. 1 (2020): 1–27, <https://doi.org/10.1080/0965254X.2020.1758198>.

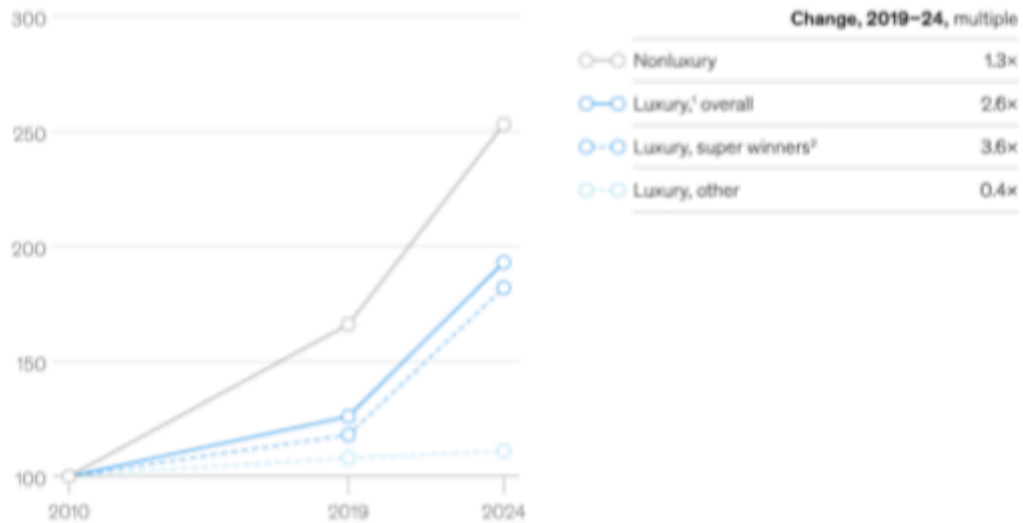
²⁶ Zimmer, “Veblen’s Theory of Conspicuous Consumption.”

²⁷ Thorstein Veblen, *The Theory of the Leisure Class* (New York: Macmillan, 1899).

Figure 1: Growth in the Luxury Goods Market Between 2019-2024

The luxury industry's economic profit nearly tripled from 2019 to 2024.

Change in economic profit, index (total industry 2010 = 100)



Note: Total industry includes luxury and nonluxury for the following categories: apparel, footwear, leather goods, jewellery, and watches. 2024 data based on H1 actuals and H2 analyst consensus.
¹Includes affordable luxury.
²Top players based on 2023 economic profit.
Source: McKinsey Global Fashion Index in The State of Fashion 2025

In *Theory of the Leisure Class*, Veblen develops his Theory of Conspicuous Consumption, which suggests that outward-facing desires, such as reputation, differentiation, and social validation, drive luxury consumption to convey conformity to social status, norms, or values.²⁸ Moreover, society is willing to accept this behavior as long as conspicuous consumers are socially conforming, but not boastful about this level of materialism themselves.²⁹ This shows how social norms drive consumer behavior, and consumers derive confidence and identity from consumption choices.³⁰ When a consumer buys a Birkin, they self-differentiate from other luxury and non-luxury shoppers by using the highest outward sign of wealth and status. This status differentiation stems from a “Veblen effect” or snob effect, where higher prices create

²⁸ Dhaliwal et al., “The Consumer Behavior of Luxury Goods,” 1-27; Veblen, *The Theory of the Leisure Class*.

²⁹ Veblen, *The Theory of the Leisure Class*, 120.

³⁰ Ibid.

higher demand.³¹ That is, consumers who heavily value exclusivity, materialism, or status get larger “Veblen effects” and greater increases in utility for consuming luxury goods.³²

For the individual consumer, conspicuous consumption can be a costly signal of wealth or status.³³ Under costly signaling, expensive luxury goods make a credible signal because poorer consumers cannot afford to send the signal.³⁴ In line with costly signaling, Nelissen and Meijers find a “brand premium” where people tend to treat a person wearing luxury brands more favorably. This suggests luxury consumption is socially profitable because “displays of luxury qualify as a costly signaling trait.”³⁵ Both costly signaling and pecuniary emulation mean that other consumers will copy luxury consumption patterns to keep up with the trends associated with wealth and status. In *Cavalleri*, ancillary purchases act as a credible and recognizable signal that distinguishes luxury (“socially elite”) from non-luxury consumers.

For luxury retailers, scarcity and exclusivity drive the value of luxury goods.³⁶ Nueno and Quelch outline luxury goods as characteristically possessing a premium handcrafted quality, bearing a recognizable design associated with the owners’ vision or country of origin, and having a global reputation, limited distribution, and premium pricing.³⁷ More specifically, the

³¹ Ibid.; Scott Zimmer, “Veblen’s Theory of Conspicuous Consumption.”; Appendix A, See Andrew Loo, “Veblen Goods,” *Corporate Finance Institute*, accessed December 2025, <https://corporatefinanceinstitute.com/resources/economics/veblen-goods/>.

³² Caserta, *Luxury Good Demand*.

³³ R. M. A. Nelissen and P. S. Meijers, “Social Benefits of Luxury Brands as Costly Signals of Wealth and Status,” *Evolution and Human Behavior* 32, no. 5 (2011): 343–55, <https://doi.org/10.1016/j.evolhumbehav.2010.12.002>.

³⁴ Jose Luis Nueno and John A. Quelch, “The Mass Marketing of Luxury,” *Business Horizons* 41, no. 6 (December 1998): 61–68, [https://doi.org/10.1016/S0007-6813\(98\)90023-4](https://doi.org/10.1016/S0007-6813(98)90023-4).

³⁵ Nelissen and Meijers, “Social Benefits of Luxury Brands as Costly Signals of Wealth and Status.”; Veblen, *The Theory of the Leisure Class*; Zimmer, “Veblen’s Theory of Conspicuous Consumption.”

³⁶ Nueno and Quelch, “The Mass Marketing of Luxury.”

³⁷ Ibid.; Several characteristics commonly associated with luxury brands, such as Hermés, include: “Consistent delivery of premium quality across all products in the line, from the most to the least expensive; a heritage of craftsmanship, often stemming from the original designer (Tiffany’s, for example, is 160 years old); a recognizable style or design (the savvy consumer does not need to look at the label to know the brand); a limited production run of any item to ensure exclusivity and possibly to generate a customer waiting list; a marketing program that supports, through limited distribution and premium pricing, a market position that combines emotional appeal with product excellence; a global reputation (the brand’s world-class excellence is universally recognized); association with a country of origin that has an especially strong reputation as a source of excellence in the relevant product category; an element of uniqueness to each product (the imperfections in each hand-blown Waterford crystal vase

researchers found that luxury brand price markups range from 160% to 320% across 10 to 35 product models.³⁸

In the context of “Veblen effects,” retailers can damage a product’s exclusive image by setting the price too low.³⁹ This suggests that tying can be an efficient way to maintain exclusivity and consumer loyalty. For Hermés, the high quality, distinctive silhouette, limited quantity, branding premium, and cost savings associated with the Birkin justify its high prices and tying practices as a luxury retailer.⁴⁰ Nonetheless, reserving the Birkin for the “most worthy” consumers could be problematic because it strictly benefits the wealthiest consumers.

IV. The Tying-Tied Product Market

Tying occurs when a firm sells one good (the tying product) only when a consumer purchases its other products (the tied, ancillary, or accessory product).⁴¹ Typically, products are complementary, and arrangements can be either contractual, legally bound by contracts, or technological, connected by virtue of the product.⁴² In the Hermés case, ties to the Birkin are complementary and technological because there is no option to purchase the bag alone.

The Sherman Antitrust Act and Clayton Act prohibit forming or conspiring to form a monopoly and anticompetitive tying practices in markets.⁴³ Additionally, the California Cartwright Act forbids coercing consumers into buying another unwanted product.⁴⁴ These laws

provide, ironically the assurance of exclusivity); an ability to time design shifts when the category is fashion-intensive; and the personality and values of its creator.”

³⁸ Ibid.

³⁹ Laurie Simon Bagwell and B. Douglas Bernheim, “Veblen Effects in a Theory of Conspicuous Consumption,” *The American Economic Review* 86, no. 3 (1996): 349, <http://www.jstor.org/stable/2118201>.

⁴⁰ Nueno and Quelch, “The Mass Marketing of Luxury.”

⁴¹ David S. Evans and Michael Salinger, “Why Do Firms Bundle and Tie? Evidence from Competitive Markets and Implications for Tying Law,” *Yale Journal on Regulation* 22, no. 1 (2005).

⁴² Erik Hovenkamp and Herbert Hovenkamp, “Tying Arrangements and Antitrust Harm,” *Arizona Law Review* 52 (2010): 925, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1443284.

⁴³ U.S. Department of Justice, Antitrust Division, “The Antitrust Laws (Antitrust Laws and You),” accessed December 2025, <https://www.justice.gov/atr/antitrust-laws-and-you>.

⁴⁴ Cal. Bus. & Prof. Code § 17200; CACI No. 3421.

suggest that tying can be coercive, restrict consumer choice, and limit competition. As the Department of Justice puts it, “if an illegal tying arrangement is in place, a seller can use its strong market power on a popular product to force customers to buy a second, lesser product.”⁴⁵

Under fair, legal, and competitive practices, tying can be an efficient and competitive allocation method that drives goods to consumers with the highest willingness to pay. Tying in competitive markets can be efficient because it reduces costs or improves the quality of goods.⁴⁶ Moreover, “The great majority of ties are beneficial or at least benign, measured by welfare standard[s].”⁴⁷ Current antitrust laws are limited in the fact that they too broadly define anticompetitive harm and do not consider potential welfare gains. These broad definitions have yielded several judicial challenges in which the courts have narrowed and refined the definition of illegal antitrust and tying practices *per se*.

Since 1914, several court cases have refined and redefined antitrust laws. In 1917, *Motion Picture Patents v. Universal Film* made all anticompetitive tying illegal under patent law standards.⁴⁸ In 1947, *International Salt Co. v. U.S.* established the *per se* standard for evaluating practices, which the courts use in most tying cases today.⁴⁹ In 1984, *Jefferson Parish v. Hyde* found that a hospital’s exclusive contract with one anesthesia group constituted legal tying because the anesthesia company did not have significant market power in the operating room to force consumers to buy unwanted amounts of anesthesia.⁵⁰

IVa. Estimated Production Costs and Consumer Expenditures for a Birkin

Hermés’s public financial records were analyzed to estimate the production costs,

⁴⁵ U.S. Department of Justice, “The Antitrust Laws.”

⁴⁶ Evans and Salinger, “Why Do Firms Bundle and Tie?”

⁴⁷ Hovenkamp and Hovenkamp, “Tying Arrangements and Antitrust Harm.”

⁴⁸ *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U.S. 502, 516 (1917).

⁴⁹ *International Salt Co. v. United States*, 332 U.S. 392 (1947).

⁵⁰ *Jefferson Parish Hospital District No. 2 v. Hyde*, 466 U.S. 2 (1984).

consumption expenditures, and impact of tying associated with the Birkin bag (see Appendix D).⁵¹ Tables 2 and 3 employed secondary financial analyses to estimate the “minimum plausible threshold” for a standard, leather, 25-inch Birkin to be produced and sold to an ordinary upper middle-class consumer (such as Cavalleri). This standard maintains simplicity and reflects the consumers represented in *Cavalleri*, who demand the Birkin for its status but have little preference for the rarity of leather texture, color, or skew.⁵²

Table 2 shows the estimated total consumer expenditures associated with buying a Birkin. Sotheby’s, a second-hand luxury retailer, suggests the minimum retail price for a standard Birkin 25 varies by exclusivity level, and the minimum plausible spending on ancillary products is 1:1.⁵³ Under this assumption, expenditures for the Birkin and total required ancillary products are equal. Additionally, the expected resale price is estimated to be 2.4 times the original sale price, suggesting that a Birkin is a profitable investment for prospective resellers, collectors, or second-hand retailers (see Appendix E).

Table 2: *Expected Consumer Expenditures for a Birkin 25*

Scenario	Birkin 25 Expenditure	Ancillary Expenditures	Total Spending (Birkin + Ancillary)	Expected Resale Price (2.4x)
A: Leather	\$12,300	\$12,300	\$24,600	\$29,520
B: Exotic	\$50,000	\$50,000	\$100,000	\$120,000
C: Collector	\$100,000	\$100,000	\$200,000	\$240,000

Table 3 shows the estimated costs associated with producing a Birkin. When it comes to production costs, financial analyses indicate that, under Hermés’s current tying conditions, fixed

⁵¹ Hermés International, “Outstanding Sales and Results in 2023,” press release, February 9, 2024.
⁵² Vanessa Wat, “Hermés Raises the Birkin Bag Price: What You Need to Know,” *Sotheby’s*, September 23, 2025, <https://www.sothebys.com/en/articles/Hermés-raises-the-birkin-bag-price-what-you-need-to-know>
⁵³ Jasmine Li, “How to Get a Birkin Bag, According to an Hermés Insider,” *Fortune*, April 2, 2024, <https://fortune.com/2024/04/02/birkin-insider-tips-buying-disciple-brand/>.

costs are \$800 and the marginal-cost-to-price ratio is approximately 0.15.⁵⁴ This is consistent with economists’ findings that ratios below 0.25 indicate strong tying potential.⁵⁵ These estimated costs are also consistent with the typical characteristics of luxury goods that Nueno and Quelch outlined. In short, Birkin production costs are a fraction of the estimated retail price, reflecting the high quality, brand premium, or limited distribution of luxury goods; these characteristics alone do not prove anticompetitive foreclosure.⁵⁶ Furthermore, small fixed costs and a marginal-cost-to-price ratio below 0.25 suggest that tying may be driven by transactional efficiencies, rather than anticompetitive foreclosure.

Table 3: Expected Production Costs for a Birkin 25

Scenario	Marginal Costs (15% retail price)	Fixed Cost	Total Costs
A: Leather	\$1,845	\$800	\$2,645
B: Exotic	\$7,500	\$800	\$8,300
C: Collector	\$15,000	\$800	\$15,800

⁵⁴ Jacqui Palumbo, “The Hermés Birkin Bag: Everything You Need to Know about the World’s Most Coveted Tote,” *CNN*, July 18, 2023, <https://www.cnn.com/style/Hermés-birkin-bag-origins-cost>; Brooke Unger, “The Secret Economics of the Birkin Bag,” *1843 (The Economist)*, July 28, 2016,

<https://www.economist.com/1843/2016/07/28/the-secret-economics-of-the-birkin-bag>; Hermés International, “Outstanding Sales and Results in 2023.”; Wat, “Hermés Raises the Birkin Bag Price.”; Wat, “What Influences an Hermés Birkin Bag Price.”; Vanessa Wat, “Complete Guide to Buying a Birkin Bag,” *Sotheby’s*, October 21, 2025, <https://www.sothebys.com/en/articles/complete-guide-to-buying-a-birkin-bag>; Under the “minimum plausible threshold” standard, the table reflects a 1:1 spending ratio to “qualify” to purchase a Birkin, See Li, “How to Get a Birkin Bag, According to an Hermés Insider.”

⁵⁵ Adrien Auclert et al., “New Pricing Models, Same Old Phillips Curves?” *The Quarterly Journal of Economics* 139, no. 1 (2024): 121–86, <https://doi.org/10.1093/qje/qjad041>.

⁵⁶ Unger, “The Secret Economics of the Birkin Bag.”; Daysia Tolentino, “Can You Really Buy a Birkin Direct From a Chinese Factory?” *GQ*, April 22, 2025,

<https://www.gq.com/story/chinese-tiktok-manufacturers-luxury-goods-explainer>; Palumbo, “The Hermés Birkin Bag: Everything You Need to Know about the World’s Most Coveted Tote.”; Hermés International, “Outstanding Sales and Results in 2023.”; Because Hermés does not publish the exact costs of producing its Birkin bags, secondary source analysis was used to estimate the production costs. In one report, CNN looked at Hermés’s public financial records to estimate marginal production costs at approximately 15% to 20% of retail prices. In another case, Chinese manufacturers claim a \$38,000 Birkin bag costs \$1,400 each to produce. In another instance, The Economist finds that a basic, standard leather Birkin costs \$800 to produce. This model uses the 15% marker under the “minimum plausible threshold” standard. See Unger, “The Secret Economics of the Birkin Bag.”; Tolentino, “Can You Really Buy a Birkin Direct From a Chinese Factory?”; Palumbo, “The Hermés Birkin Bag: Everything You Need to Know about the World’s Most Coveted Tote.”

IVb. A Cost-Based Model of Competitive Bundling and Tying

Two common economic explanations for tying—price discrimination and foreclosure of competition—are limited to firms with market power using ties to reduce competition.⁵⁷

Empirical studies and legal cases conclude that tying practices can also be competitive and socially efficient.⁵⁸ To understand competitive tying, economists Evans and Salinger analyzed heterogeneous consumer preferences and marginal cost-savings in a cost-based model of tying, which can be used to evaluate Hermés’s practices in light of exclusivity preferences and the growing luxury market (see Appendix A).⁵⁹

Evans and Salinger define tying as a special case of bundling in which consumers cannot get the tying product without first buying tied products.⁶⁰ Although this reduces consumer choice, competitive tying leads to efficiencies such as cost savings, quality improvements, or supplementing demand in the tied-product market.⁶¹ Thus, Hermés would reduce costs and consumers would get higher-quality products. Table 4 illustrates Hermés’s product offerings under “No Tying” and “Bundle + 2 Tying,” which is a bundle with ancillary products available separately (see Appendix B). Table 5 combines cost savings and expenditure figures to estimate that the profit for a standard leather Birkin 25 is higher under tying than no tying conditions.

⁵⁷ Evans and Salinger, “Why Do Firms Bundle and Tie?”

⁵⁸ Hovenkamp and Hovenkamp, “Tying Arrangements and Antitrust Harm.”

⁵⁹ Evans and Salinger, “Why Do Firms Bundle and Tie?”

⁶⁰ Evans and Salinger, “Why Do Firms Bundle and Tie?”

⁶¹ Nueno and Quelch, “The Mass Marketing of Luxury.”

Table 5: Hermes Estimated Profit Under Tying

	Revenue	Cost	Profit
No Tying	\$24,600	\$4,490	\$20,110
Bundle + 2 Tying	\$24,600	\$3,000	\$21,600

Combining estimations of expenditures, costs, and demand with the cost-based models findings about marginal cost-savings reveals that Hermés’s tying practices are competitive, arising from luxury goods demand and consumer exclusivity preferences, rather than foreclosure of competition. Given high demand for the Birkin, the “Bundle + 2” tying strategy allows Hermés to maximize profit, preserve exclusivity, increase demand for accessories (rather than using coercion), and reduce marginal costs from otherwise marketing the Birkin separately.⁶² Thus, Hermés operates in a differentiated, competitive market for elite luxury products.

V. Applying Findings to a Legal Framework

A cost-based model suggests that Hermés’s tying practices are exclusivity-driven, competitive, and legal *per se*, establishing: (1) a relevant tying market, (2) insufficient market power, and (3) no competitive harm.⁶³

Under the first requirement, *Cavalleri* did not recognize a relevant tying market because the allegations were merely conclusionary.⁶⁴ Moreover, the two reports plaintiffs cited simply outlined the standard market for luxury goods and consumer preferences for exclusivity. The cost-based analysis shows, however, that the purchase of a Birkin, conditioned on the purchase of ancillary products, confirms a relevant tying market.

⁶² Evans and Salinger, “Why Do Firms Bundle and Tie?”

⁶³ *Cavalleri et al.*, Case No. 3:24-cv-01707-JD.

⁶⁴ *Ibid.*

Under the second requirement, Hermés has a significant share in the market for elite luxury handbags, but not sufficient power or control over the tying market to coerce consumers into buying accessories. Although the company’s handbags constitute a 60% to 75% market share, market dominance does not equate to anticompetitive or coercive conduct, as “mere showing of substantial or even dominant market share alone cannot establish market power sufficient to carry out a predatory scheme.”⁶⁵

Cavalleri suggested the Sales Associate Incentive Program made associates leverage the Birkin to coerce consumers into buying unwanted ancillary products. Under a broad legal precedent, *Epic Games v. Apple* (2023) suggests that an “[illegal] tying arrangement affects a not insubstantial volume of commerce in the tied product market.”⁶⁶ Thus, if leverage qualifies as market power, then the over \$12,300 spent on ancillary products counts as a significant volume of commerce tied to the Birkin bag. Despite this, leverage arguments are quite ambiguous given that “a tie cannot create a second ‘monopoly’ in the tied product unless the latter has no untied uses.”⁶⁷ In other words, the Birkin must be rendered useless when untied to yield competitive harm in the accessory market. This is untrue in the Hermés case, as consumers primarily desire the Birkin. Instead, ancillary products may act as a mechanism to determine the “most worthy” consumers based on a high willingness to pay and a large “purchase profile.”⁶⁸

Under the third requirement, Hermés’s lack of power in the tying market is enough to conclude competitive tying practices. As Judge Donato writes, “Hermés [may] reserve the Birkin bag for its highest-paying customers, but that in itself is not an antitrust violation.”⁶⁹ Nueno and

⁶⁵ *Rebel Oil Co., Inc. v. Atlantic Richfield Co.*, 51 F.3d 1421, 1439 (9th Cir. 1995); *Cavalleri et al.*, Case No. 3:24-cv-01707-JD.

⁶⁶ *Epic Games, Inc. v. Apple, Inc.*, 67 F.4th 946, 996–97 (9th Cir. 2023).

⁶⁷ Hovenkamp and Hovenkamp, “Tying Arrangements and Antitrust Harm.”

⁶⁸ *Cavalleri et al.*, Case No. 3:24-cv-01707-JD.

⁶⁹ *Ibid.*

Quelch similarly claim that luxury goods are intentionally “designed for an exclusive market.”⁷⁰

Hermes’s market dominance reflects its ability to appeal to consumer preferences for exclusivity and status and the nature of this exclusive market.⁷¹ Under “pecuniary emulation,” the Birkin buyers act out of social interest, rather than being coerced, to signal their wealth. Furthermore, exclusivity allows Hermés to profitably distinguish itself from competitors whose business models reflect similar exclusivity-driven practices: Chanel’s Classic Flap Bag, Dior’s Saddle Bag, or Fendi’s Baguette bag.⁷²

Along with the three-part *per se* analysis, recent legal and economic analyses have substantially shifted and softened their view of tying practices. In fact, “[courts’] strong disapproval of tying arrangements has substantially diminished.”⁷³ For instance, *Broad. Music v. Columbia Broad* (1979) found that “consequences of labeling market conduct as illegal *per se* may be substantial...only after considerable experience with certain business relationships [should] courts classify them as *per se* violations.”⁷⁴ In other words, courts must establish consistent, harmful consequences of illegal tying practices. Nevertheless, this level of harm is rare. *Ohio v. American Express* (2018) concluded that “[a] small group of restraints are unreasonable *per se* because they always or almost always tend to restrict competition.”⁷⁵ Further, *Brantley v. NBC Universal* (2012) adds that “tying arrangements may promote rather than injure competition.”⁷⁶

From an economic view, increased tying occurs in some competition markets.⁷⁷ In fact,

⁷⁰ Nueno and Quelch, “The Mass Marketing of Luxury.”

⁷¹ Thorstein Veblen, *The Theory of the Leisure Class*; R. M. A. Nelissen and P. S. Meijers, “Social Benefits of Luxury Brands as Costly Signals of Wealth and Status,” *Evolution and Human Behavior* 32, no. 5 (2011): 343–55, <https://doi.org/10.1016/j.evolhumbehav.2010.12.002>.

⁷² Nueno and Quelch, “The Mass Marketing of Luxury.”

⁷³ *Illinois Tool Works, Inc. v. Independent Ink, Inc.*, 547 U.S. 28, 35 (2006).

⁷⁴ *Broad. Music, Inc. v. Columbia Broad. Sys. Inc.*, 441 U.S. 1, 9 (1979).

⁷⁵ *Ohio v. Am. Express Co.*, 585 U.S. 529, 540 (2018).

⁷⁶ *Brantley v. NBC Universal Inc.*, 675 F.3d 1192, 1200 (9th Cir. 2012).

⁷⁷ Evans and Salinger, “Why Do Firms Bundle and Tie?”

tying can competitively leverage otherwise unrealized consumer surplus to expand demand for the tying product, thus increasing output and strengthening welfare and competition.⁷⁸

Hovenkamp and Hovenkamp find examples where non-foreclosing and non-coercive ties may increase social welfare and surplus relative to the outcome under separate product pricing (see Appendix E).⁷⁹

VI. Preferences for Exclusivity & Wasteful Spending

While Hermes’s tying practices are legal and accurately reflect consumers’ preferences for exclusivity, several ethical concerns arise from conspicuous consumption. First, selecting the “most worthy” consumers widens the gap between willingness and ability to pay. Second, as Veblen argues, conspicuous consumption is entirely wasteful, socially driven spending. These concerns are best assessed under utilitarian ethics—a form of consequentialism used to assess an action’s morality. In short, the most ethical choice is that one that produces the greatest social benefit for the greatest number of people. Utilitarianism is a sound ethical framework because (1) it is most commonly employed in business and economic settings; and (2) it accounts for costs and benefits to all members of society, including corporate interests.⁸⁰ Utilitarian ethics can be modeled as the aggregate of utilities across various actors to give the net effect on society.

$$\text{Net Social Welfare} = U1 + U2 + U3 + U4 \dots + Un$$

The first ethical concern is that Hermés uses ancillary products to unfairly select the “most worthy” consumers. For Hermes, the Birkin’s high quality, limited quantity, and exclusive image justify high prices and ties to ancillary products. Additionally, under utilitarianism, the

⁷⁸ Jay Pil Choi, Doh-Shin Jeon, and Michael D. Whinston, “Tying with Network Effects,” *MIT Economics Working Paper*, (April 3, 2024).

⁷⁹ Hovenkamp and Hovenkamp, “Tying Arrangements and Antitrust Harm.”

⁸⁰ Ethics Unwrapped, “Utilitarianism,” McCombs School of Business, The University of Texas at Austin, accessed December 2025, <https://ethicsunwrapped.utexas.edu/glossary/utilitarianism>.

Birkin's premier "artisan quality" means that luxury consumers benefit from higher quality products ($U1 > 0$), artisans benefit from higher wages for more intensive labor ($U2 > 0$), and Hermés benefits by charging higher prices and tying products to remain profitable ($U3 > 0$).

Nueno and Quelch indicate that luxury goods by nature are "designed for an exclusive market," which benefits those who can afford luxury goods while neither harming nor benefiting those who cannot.⁸¹ For Hermes, tying is a way to retain this exclusive market. Although individuals may want to buy a Birkin, they are not excluded from the market, harmed by others' luxury consumption, or unable to survive without a Birkin ($U4 = 0$). In this sense, the market for luxury goods is just like any efficient allocation mechanism operating under scarcity, but with added exclusivity preferences. Thus, utilitarianism concludes that Hermés's selection of consumers is a morally optional act because Net Social Welfare is at least zero, depending on how each utility is weighted.

The second ethical concern is that luxury consumption, despite being a preference, is wasteful, unnecessary, and harms one's quality of life. As mentioned, a motive behind luxury consumption is what Veblen calls "pecuniary emulation," where consumers use luxury to exude adherence to a status or social norms.⁸² In this way, luxury goods act as a costly signal to one's social status, where affluent consumers gain access to high society ($U1 > 0$) while lower-class consumers do not gain or lose anything ($U2 = 0$).⁸³

Although the Net Social Welfare is positive, Veblen suggests that conspicuous consumption is an inherently wasteful and socially constructed phenomenon. In *The Theory of the Leisure Class*, Veblen writes:

⁸¹ Nueno and Quelch, "The Mass Marketing of Luxury."

⁸² Veblen, *The Theory of the Leisure Class*.

⁸³ The utilitarian analysis is only looking at the direct effects of luxury consumption on upper-class and lower-class consumers. It does not account for the potential indirect or secondary effects of luxury consumption, such as changes in social behavior, political values, or living situation.

“Many items of customary expenditure prove on analysis to be almost purely wasteful, and they are therefore honorific only, but after they have once been incorporated into the scale of decent consumption, and so have become an integral part of one’s scheme of life, it is quite as hard to give up these as it is to give up many items that conduce directly to one’s physical comfort, or even that may be necessary to life and health.”⁸⁴

That is, Veblen believes that conspicuous consumption is wasteful because it involves using time, money, labor, and resources on goods that no one has a need for. Rather, its entire value is contingent upon social beliefs about luxury and the status associated with it. Soon, these products may even become customary for living as though it were a necessity. Socially, the “competitive quality”—which can manifest as “pecuniary emulation”—can create significant rifts and hostility in relationships. Psychologically, luxury can force consumers into a so-called “rat race” of working harder, longer hours to sustain this unnecessary luxury consumption. Humans can become indebted to status, sacrificing well-being in pursuit of social status.

Under utilitarianism, luxury consumption is morally optional because it increases utility for buyers at no direct cost to others, and relatively small indirect social and psychological costs. Opting not to consume may be “kinder” to society’s psychological well-being, but not obligatory. Although conspicuous consumption is ethical, what Veblen is trying to point out is whether or not this is fulfilling and meaningful to life, or merely an artificial, trivial social hierarchy.

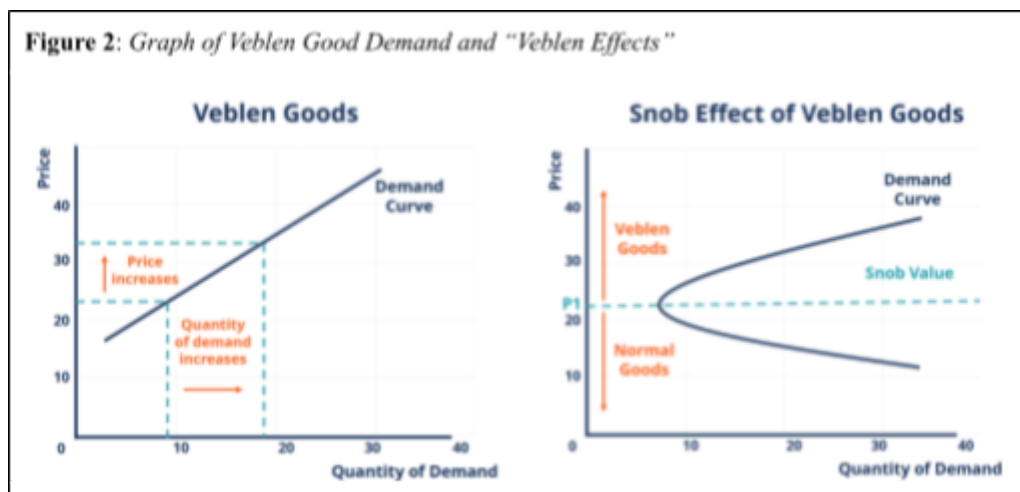
VII. Conclusion

⁸⁴ Veblen, *The Theory of the Leisure Class*, 86.

When analyzed through the lens of the luxury goods market, the tied product market, and a cost-based analysis of tying, Hermés's practices do not violate antitrust laws; instead, they reflect consumer preferences for exclusivity and the nature of luxury demand. Judge Donato's legal rationale in the *Cavalleri v. Hermés* supports this conclusion. An economic cost-based analysis shows that competitive tying allows Hermés to remain exclusive, in-demand, and profitable. A legal analysis concludes that Hermés intentionally reserves the Birkin for consumers who value it the most, reflecting a naturally exclusive luxury goods market rather than coercion. A utilitarian ethical analysis suggests that luxury consumption is morally optional because it benefits consumers, with minimal, indirect, and hard-to-measure psychological impacts on society. Overall, the three analyses indicate that Hermés's lack of market power and anticompetitive harm make its tying practices legal and (optionally) moral.

Appendix A

*Veblen Goods and Effects*⁸⁵



While the law of demand is a *ceteris paribus* statement, holding everything constant except price and quantity, luxury goods are unique in that they have a positive relationship between price and quantity, along with a highly negative network externality. The positive relation between price and quantity suggests that Veblen goods are inconsistent with the expected circumstances under the law of demand.

⁸⁵ Andrew Loo, “Veblen Goods,” *Corporate Finance Institute*, accessed December 2025, <https://corporatefinanceinstitute.com/resources/economics/veblen-goods/>; Veblen, *The Theory of the Leisure Class*.

Appendix B

*Cost-Based Model of Bundling and Tying*⁸⁶

Appendix B applies the cost-based model of bundling and tying developed by economists David Evans and Michael Salinger to assess Hermés’s tying practices in the luxury goods market.⁸⁷ The paper looks at the marginal cost savings associated with tying to determine whether Hermés’s conduct reflects anticompetitive, illegal tying or competitive, legal tying based on consumer preferences, cost savings, and luxury demand. As seen in Table 4, this paper focuses on “No Tying,” which is what *would occur* without tying, and “Bundle + 2,” a mixed strategy, that best reflects *what does occur* under tying, in which the bundle is offered along with the tied product sold separately. “Bundle + 2 Tying” mechanism was taken from Evan and Salinger’s cost-based model because it most accurately represents Hermés’s situation in which consumers can purchase either ancillary products alone or the bundle with ancillary products and the Birkin, but never the Birkin alone.

Table 4: *Hermes Product Availability Under Difference Bundling Scenarios*

	Good 1 Only	Good 2 Only	Goods 1 & 2
No Tying	Yes	Yes	No
Bundle + 2 Tying	No	Yes	Yes

Good 1 is the tying product, focusing on a standard leather Birkin 25. Good 2 is the tied product, or Hermés accessories. Goods 1 & 2 are the tied bundle. The model sets the marginal cost of producing the Birkin, ancillary products, and the tied bundle as ch , ca , cb and fixed costs as F . Based on findings in Table 1, $F = 800$ and $ch = ca = 1,845$ which reflects the estimated

⁸⁶ Evans and Salinger, “Why Do Firms Bundle and Tie?”

⁸⁷ Ibid.

15% marginal-cost-to-price ratio and 1:1 ancillary spending ratio, for the “minimum plausible threshold” consumer.

Evans and Salinger note that under competitive tying, firms benefit from marginal cost savings (cb), which is estimated as $cb = 3,000$ in the Hermés case for simplicity and alignment with the “minimum plausible threshold.”⁸⁸

$$cb = c1 + c2 - \text{cost saving}$$

$$cb = 1,845 + 1,845 + 800 - 1,490$$

$$cb = 3,000$$

Finally, the estimates from the cost-based model combined with secondary analyses about production costs and consumption expenditures can be used to estimate Hermés’s profitability for a standard, leather Birkin 25 under no tying and tying conditions (see Table 5). Revenue inputs come from expenditure estimates, while cost inputs come from estimated total costs and cost savings in the cost-based model.⁸⁹ The findings in the model suggest that profit under no tying is approximately \$20,110 while profits under tying are approximately \$22,645. These findings indicate that the marginal cost savings associated with tying are significant as they can make production more efficient and Hermes more profitable in the elite luxury goods market.⁹⁰

No Tying for Scenario A:

$$\pi = [(CEh + CEa) - (ch + ca + F)]$$

$$\pi = [(12,300) + (12,300) - (1,845 + 1,845 + 800)]$$

$$\pi = [24,600 - 4,490]$$

⁸⁸ Ibid.

⁸⁹ Ibid.

⁹⁰ Ibid.

$$\pi = \$20,110$$

Bundle + 2 Tying for Scenario A:

$$\pi = [(CEh + CEa) - cb]$$

$$\pi = [(12,300) + (12,300) - (3,000)]$$

$$\pi = [24,600 - 3,000]$$

$$\pi = \$21,600$$

Table 5: Hermes Estimated Profit Under Tying

	Revenue	Cost	Profit
No Tying	\$24,600	\$4,490	\$20,110
Bundle + 2 Tying	\$24,600	\$3,000	\$21,600

Appendix C

Birkin Pricing Characteristics and History⁹¹

Birkin Bag Pricing Key Takeaways		Birkin 25 Price History				
Sales	Sotheby's has sold nearly \$100 million in Birkin bags since 2021.	Year	USD	Change	Euro	Change
Highlight	underscoring their global demand and status as the ultimate symbol of collectible luxury.	2016	\$8,400	0.0%	€5,900	0.0%
Condition	Store fresh or pristine Birkins command the highest prices; visible wear can reduce value by 30%+.	2019	\$9,850	+4.8%	€6,800	+11.9%
Size	Smaller sizes like Birkin 25 are most in-demand and often pricier than larger sizes like 35 or 40.	2020	\$9,850	0.0%	€6,800	-3.0%
Material	Leather Birkins are most common; exotic skins (like crocodile) fetch much higher prices.	2021	\$9,850	0.0%	€6,800	0.0%
Color	Neutrals and pastels drive the highest demand; bright colors typically sell for less.	2022	\$10,100	+2.5%	€7,400	+8.8%
Age	Newer bags with recent date stamps are more valuable; older bags often sell at lower prices.	2023	\$10,400	+3.0%	€8,050	+8.8%
Style	Limited editions like the Faubourg or Picnic often peak early stabilize after 12 months.	2024	\$11,400	+9.6%	€8,800	+5.8%
Price Range	Leather Birkins range from \$10,000 to \$35,000+; exotic Birkins can reach \$250,000+.	2025	\$12,100	+6.1%	€8,950	+4.3%
Collector Appeal	Scarcity, craftsmanship, and exclusivity drive demand.	May 2025 (U.S. Only)	\$12,700	+5.0%	--	--
Provenance	Bags linked to notable owners—such as Jane Birkin's original prototype, which sold for \$20.1M in July 2025—can achieve record-breaking premiums at auction.	<p><small>BIRKIN 25 PRICE TABLE</small></p> <p>The smallest Birkin bag, the Birkin 25 has increased to \$12,700 for a Togo leather bag at Hermès boutiques in the United States, following a second US-only price increase in May 2025 due to newly imposed tariffs. While the price of the Birkin 25 remained flat from 2019 to 2021, it increased in 2019 from \$8,400 in 2016. The price for Birkin 25 in Togo leather in Europe is now €8,950, up from €5,900 in 2016. While the price increase in Euro was less than the increase in the U.S., it is still cheaper to buy a Birkin 25 in Europe versus the United States. While some brands try to normalize prices globally Hermès does not follow this practice.</p>				

Hermès Birkin Bag Price Increase 2025 Key Takeaways

Birkin Bag Price Increase U.S. prices rose **4.4% to 6.4%** in May 2025 due to new tariffs; in 2025 Europe saw smaller 4.3% hikes.

Factors Driving Price Increases **Tariffs, limited production, brand prestige, currency fluctuations.**

Birkin 25 Price 2025 **\$12,700 (U.S.)** vs. €8,950 (Europe)

Birkin 30 Price 2025 **\$13,900 (U.S.)** vs. €9,800 (Europe)

Secondary Market **Secondary prices average ~2.4x retail**; may rise gradually

Impact following tariff-driven retail increases.

Collector Appeal High demand persists due to **exclusivity, craftsmanship, and rarity.**

Sotheby's, an international luxury retailer, offers a comprehensive analysis of the factors that influence the price of a Birkin bag. Vanessa Wat, Deputy Director and Head of Sales at Sotheby's, explains how condition, size, material, color, age, style, and collector's appeal all

⁹¹ Wat, "What Influences an Hermès Birkin Bag Price.," Wat, "Complete Guide to Buying a Birkin Bag."

impact the pricing of Birkin bags.

Appendix D

Hermés Consolidated Financial Statements⁹²

CONSOLIDATED BALANCE SHEET

ASSETS

<i>In millions of euros</i>	31/12/2023	31/12/2022
Goodwill	72	-
Intangible assets	225	213
Right-of-use assets	1,716	1,582
Property, plant and equipment	2,340	2,007
Investment property	7	8
Financial assets	1,141	1,109
Investments in associates	200	54
Loans and deposits	70	65
Deferred tax assets	631	555
Other non-current assets	37	39
Non-current assets	6,438	5,630
Inventories and work-in-progress	2,414	1,779
Trade and other receivables	431	383
Current tax receivables	51	19
Other current assets	300	263
Financial derivatives	188	160
Cash and cash equivalents	10,625	9,225
Current assets	14,008	11,828
TOTAL ASSETS	20,447	17,459

LIABILITIES

<i>In millions of euros</i>	31/12/2023	31/12/2022
Share capital	54	54
Share premium	50	50
Treasury shares	(698)	(674)
Reserves	10,744	8,795
Foreign currency adjustments	189	303
Revaluation adjustments	553	546
Net income attributable to owners of the parent	4,311	3,367
Equity attributable to owners of the parent	15,201	12,440
Non-controlling interests	2	16
Equity	15,203	12,457
Borrowings and financial liabilities due in more than one year	50	35
Lease liabilities due in more than one year	1,720	1,629
Non-current provisions	31	30
Post-employment and other employee benefit obligations due in more than one year	151	181
Deferred tax liabilities	2	20
Other non-current liabilities	106	103
Non-current liabilities	2,060	1,998
Borrowings and financial liabilities due in less than one year	1	2
Lease liabilities due in less than one year	289	268
Current provisions	134	133
Post-employment and other employee benefit obligations due in less than one year	16	15
Trade and other payables	880	777
Financial derivatives	45	74
Current tax liabilities	586	496
Other current liabilities	1,233	1,239
Current liabilities	3,183	3,004
TOTAL EQUITY AND LIABILITIES	20,447	17,459

⁹² Hermés International, “Outstanding Sales and Results in 2023.”

CONSOLIDATED INCOME STATEMENT		
<i>In millions of euros</i>	2023	2022
Revenue	13,427	11,602
Cost of sales	(3,720)	(3,389)
Gross margin	9,708	8,213
Sales and administrative expenses	(3,169)	(2,680)
Other income and expenses	(889)	(836)
Recurring operating income	5,650	4,697
Other non-recurring income and expenses	-	-
Operating income	5,650	4,697
Net financial income	190	(62)
Net income before tax	5,840	4,635
Income tax	(1,623)	(1,305)
Net income from associates	105	50
CONSOLIDATED NET INCOME	4,322	3,380
Non-controlling interests	(12)	(13)
NET INCOME ATTRIBUTABLE TO OWNERS OF THE PARENT	4,311	3,367
Basic earnings per share <i>(in euros)</i>	41.19	32.20
Diluted earnings per share <i>(in euros)</i>	41.12	32.09

While Hermés does not publicly disclose the exact cost or price data for the Birkin, these broader public financial statements were useful to understand the firm's general sources of revenue and costs.

Appendix E

*Non-coercive and Non-foreclosing Ties Improving Social Welfare*⁹³

Table 2
Willingness to Pay

	Alpha	Beta
Customer 1	10	5
Customer 2	3	11

In this case, the optimal strategy for the dominant firm is to package the two products together at a price of 14 and sell both products to both customers. The seller's surplus is 28. Customer 1's surplus is 1; Customer 2's surplus is 0.

Now suppose that tying and bundled discounting are forbidden, which means that the seller must set a price for Alpha and Beta individually. One choice would be for the seller to set a price of 10 for Alpha and 11 for Beta. In that case only Customer 1 would purchase Alpha and only Customer 2 would purchase Beta. So the seller's surplus would be 21; and the customers' surplus would be 0.

Alternatively, the seller could charge a price of 3 for Alpha and 5 for Beta. In this case, both customers would purchase both products. The seller's surplus would be 16. Customer 1 would have a consumer surplus of 7 and Customer 2 would have a consumer surplus of 6. Total consumer surplus would be 13.

⁹³Hovenkamp and Hovenkamp, "Tying Arrangements and Antitrust Harm."