

LUXURY MEMO

## LVMH – Luxury Memo special report

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LVMH controls 70 brands across numerous product categories. Image credit: LVMH

By JEN KING

French luxury goods conglomerate Mot Hennessy Louis Vuitton's spirit and governance is propelled by innovative momentum that keeps the group at the forefront of industry change.

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The family-owned group was founded by Bernard Arnault, who in 1987 successfully merged fashion house Louis Vuitton and spirits brand Mot Hennessy, after a prior 1971 deal made the Champagne and cognac makers a single entity. In the years leading up to LVMH's formation, Mr. Arnault, then CEO of luxury goods company Financiere Agache, acquired textile maker Boussac, the owner of atelier Christian Dior and retailer Le Bon March, which set the "shared advantages" business model rolling.

"LVMH's core competence is its CEO and chairman Bernard Arnault," said Ashok Som, professor of global strategy and chair of the management department at the [ESSEC Business School](#), Paris. "It seems completely counterintuitive that a single person can be the strength of such a large, diversified multi-brand conglomerate.

"Mr. Arnault has proved in the last 37 years that he is capable of managing the multi-brand conglomerate by growing it profitably and consistently over time, with his three axis: focusing his management attention on the star brands, [the] notion of constrained freedom for both the creative directors and the managers, and consistently selecting and managing the right match between the creative, right-brain and the left-brain managers over time," he said.

"If we do a historical analysis for the last 37 years, most of the top management has been with him mostly since the beginning, or at least more than 15 years during the growth phase. And so are the designers – Marc Jacobs, John Galliano until recently. The logic of this magic to make the creative director work consistently and persistently with the managers, I think, is the key strength of LVMH."

Mr. Som is not affiliated with LVMH, but agreed to comment as an industry expert. [LVMH](#) was reached for comment, but was unable to participate directly.

### Shared advantages

LVMH currently includes 70 brands, 25 of which are defined as legacy houses, in fashion and leather goods, perfumes and cosmetics, watches and jewelry, selective retail, wines and spirits and those that represent a "certain art de vivre," such as news and content media, arts and culture and hospitality.

In addition to the LVMH flagship brands, Christian Dior and Le Bon Marché, the group includes industry cornerstones such as fashion houses Fendi and Givenchy, perfumer Guerlain and jeweler Bulgari.

In the 30 years since its founding, LVMH has strategically acquired brands that maintain a certain profile, hold future financial optimism and bolster the group's position on the world stage.

Most recently, LVMH announced it will give Christian Dior's holding company \$7.06 billion for the shares of the company it does not already possess, becoming Dior's sole owner. Before the offer, the Christian Dior holding group oversaw 100 percent of Christian Dior Couture along with LVMH, in which the holding company had a 41 percent stake ([see story](#)).



*LVMH executive chairman and CEO Bernard Arnault. Image credit: LVMH*

Though LVMH's Dior deal is its most significant and largest merger and acquisition to date, the conglomerate also invests in smaller luxury houses.

Earlier this year, the group acquired a majority stake in fragrance brand Maison Francis Kurkdjian ([see story](#)) and, in 2016, luggage maker Rimowa sold a majority stake in its company to LVMH ([see story](#)).

"LVMH has always been the big dog, the leader in the acquisitions and growth," said Greg Furman, founder/chairman of [The Luxury Marketing Council](#), New York. "In that sense, the Arnaults, both father and son, have really set the pace for any of the other holding companies.

"I think they have been very wise in acquisitions and, occasionally, when a particular brand did not work out in the acquisitions, but more often than not, in acquiring and growth," he said. "I also believe that from the standpoint of protecting the brand, and having a deep and abiding understanding of the power of brand, the integrity of brand, the importance of maintaining that to the point of being super scrupulous, [LVMH] leads the pack in that, too.

"They have succeeded in hiring great people, thoroughbreds, with deep experience and acquiring people, that prove that when they do acquire, meaning top management, it is people who prove they can take it to a whole other level."

Each brand under the LVMH banner, large or small, leverages savoir-faire and keeps focus on heritage preservation while maintaining modernity.

Financially this has led to strong performance by LVMH as a whole. For the first quarter of 2017, for example, revenue was up 15 percent.

All of LVMH's categories saw a sales bump of at least 14 percent over 2016's figures, when Europe was still reeling from the 2015 Paris terror attacks and sales took a hit ([see story](#)).



*Fashion and leather goods is a driver of LVMH's performance. Image credit: LVMH*

According to the conglomerate, LVMH's spirit is guided by Mr. Arnault's business model, "which is based on a long-term vision, [that] values the heritage of [its] houses and stimulates creativity and excellence. [The model is a] driving force for the group's success and the guarantee of its future."

To bring this spirit to each brand, LVMH stated it is committed to actively serving public interest by investing in resources and skills. LVMH believes that doing so over the long term will create tangible benefits for the community.

The old guards' take on the future

Strategically, LVMH acknowledges that the luxury ecosystem is not often considered cutting edge due to its traditional handcraft foundation. But, by implementing modern tactics and investing in innovation, old-guard luxury can spearhead future advancements and become a turnkey for change.

At the group level, LVMH invests in modernity and innovation through the lens of education, arts and culture, environmental mindfulness, philanthropy and, increasingly, technology.

LVMH's commitments have secured the conglomerate among the top rankings of most-attractive employers in France.

When asked which companies they would most like to work for, students at French business and management schools placed LVMH at the top of their lists.

The April 2017 Universum survey polled more than 40,000 students on their career objectives, including what employers they felt most suited their goals.

LVMH has topped Universum's annual survey for 12 consecutive years ([see story](#)).

Educational outreach has been paramount in introducing the LVMH spirit to future talent. Sourcing talent is an ongoing sector challenge as traditional crafts are not attractive to youth entering the workforce ([see story](#)).



*Careers in leather working, for example, are no longer attractive paths. Image credit: LVMH*

LVMH has ongoing educational ventures with a number of institutions including France's cole Suprieure des Sciences conomiques et Commerciales (ESSEC) and cole Centrale Paris as well as London's Central Saint Martins. Endeavors focus on business-minded professional training, creative talent and sustainability through course workshops, mentorships and hands-on collaborations.

In response to the artisanal workforce drought, for instance, LVMH launched L'Institut des Mtiers D'Excellence (IEM). The program supports young talent as they develop their crafts to ensure that the skills of the trade are safeguarded for future generations.

Students enrolled in the LVMH IEM vocational program receive accredited degrees through paired apprenticeships at LVMH maisons ([see story](#)).

LVMH's latest educational arsenal addition is with London design school Central Saint Martins.

The "Sustainability & Innovation in Luxury: Fostering Creativity" program tackles sustainable solutions through collaborative projects between Central Saint Martins students, alumni and LVMH employees. This combination of industry professionals and those just starting out in the field is expected to spark new ideas and conversations ([see story](#)).

#### *Central Saint Martin x LVMH retrospective film*

Also, LVMH hosts an annual fashion prize to identify, mentor and support emerging design talent. Now in its fourth year, the LVMH Prize is given to a designer under the age of 41 who has sold at least two ready-to-wear collections.

In addition to the monetary aid of a cash grant of 300,000 euros, the winner receives a 12-month mentorship by an LVMH team on business development subjects such as marketing, intellectual property and production ([see story](#)).

LVMH also demonstrates its savoir-faire to the public through in-depth educational programming.

As a group, LVMH organizes the annual Les Journes Particulieres, an event that gives consumers an exclusive opportunity to view the inner workings of more than 40 maisons. The 2016 edition, for example, included open door access to Christian Dior's salons on Paris' Avenue Montaigne and Guerlain's production site in Chartres, France ([see story](#)).

Furthering the Les Journes Particulieres concept, LVMH will soon open a physical space that upholds its dedication to craftsmanship and creativity.



*Rendering of the La Maison LVMH. Image credit: LVMH*

In 2020, the conglomerate will unveil the La Maison LVMH/Arts Talents Patrimoine complex, a cultural hub in Paris that will house performances, exhibitions and workshops ([see story](#)).

#### Greener good

Consumers' growing interest in behind-the-scenes transparency has streamlined LVMH's environmental and sustainability objectives as well.

According to a joint report by Positive Luxury and the Luxury Institute, companies who practice eco-friendly openness are attractive entities for existing shareholders and potential investors alike ([see story](#)).

As a publicly held company, LVMH often shares its green business practices using a top-down tactic.

Aside from its annual sustainability report, offered to the public on its Web site and produced for shareholders, LVMH leverages social media to let consumers in on what the brand is up to regarding environmental responsibility.



*LVMH strives to be eco-friendly. Image credits: LVMH, Emiliano Ponzi/ARR*

Communicating these practices not only establishes consumer engagement but also fosters a sense of brand loyalty and generates trust in LVMH.

In 2015, ahead of the COP21 Climate Change Conference in Paris, LVMH launched its Internal Carbon Fund aimed at reducing the impact its operations have on the planet.

The \$5.8 million initiative places monetary value on the greenhouse gas emissions produced through LVMH's activities. The figure is then reinvested in innovations to lower the amount of carbon released into the environment.

LVMH's goal is to create a virtuous cycle that will create ecological progress across its portfolio.

#### *LVMH internal carbon fund: a 1-minute tour*

Also, green mobility and delivery practices have been a group focus for more than two decades.

LVMH operates electric, zero-emission and natural gas-fueled automobiles, delivery trucks and, in the case of its spirit brands, tractors. Additionally, LVMH perfumers reduce shipment emissions by using maritime transportation rather than airplanes ([see story](#)).

Sustainable packaging, reducing supply chain waste and cost as well as the footprint of individual brand boutiques, down to the light fixtures, are also considered under LVMH's environmental policies.

As with many of the conglomerate's forward-thinking practices, LVMH's sustainability accomplishments have been dictated by the dedication, knowledge and talent of its employees.

During the 2017 Green Week May 29 to June 2, LVMH underscored its sustainable commitments by sharing how it encourages all employees to "drive the ecological transition."

Organized by the European Commission, the annual Green Week conference examines ecological causes. This year's theme looked at "Greener Jobs for a Greener Environment."

The theme gave LVMH an opportunity to demonstrate how its sustainability policies and practices come to fruition by highlighting its network of nearly 60 environmental managers working under the company's Group Environmental Department.



*LVMH employs nearly 60 environmental managers to meet its sustainability goals. Image credit: LVMH*

LVMH's environmental managers come from a variety of backgrounds ranging from agriculture and finance to communications and packaging specialists. Each environmental manager shares an expertise on environmental issues and is committed to advancing the LVMH Initiatives For the Environment (LIFE) program.

To share these ideas, best practices and gain insights from one another, LVMH's environmental department hosts regular meetings to enhance its collective effectiveness ([see story](#)).

**An artful approach**

Aside from working to cultivate young talent, protect traditional craftsmanship and champion environmentally sound business practices, LVMH is also an advocate for arts and culture.

The luxury sector, due to roots in quality, handcraft and tradition, supports numerous campaigns, exhibitions and programs to share craftsmanship and historic and contemporary art with consumers.

Embracing the concept that luxury should be modern-day Medicis, LVMH inaugurated its art museum Fondation Louis Vuitton in 2014.

Located within Paris' Jardin d'Acclimation, Fondation Louis Vuitton was designed by architect Frank Gehry and has since emerged as a symbol of French culture.



*LVMH opened Fondation Louis Vuitton in 2014. Image credits: LVMH, Iwan Baan*

As a physical manifestation of the conglomerate's top-down commitment to the arts, Fondation Louis Vuitton is host

to multidisciplinary programming.

In Fondation Louis Vuitton's opening year, the museum saw 1.2 million visitors, significantly higher than the targeted 700,000 guests. A quarter of its visitors were under the age of 26 ([see story](#)).

Notable happenings at Fondation Louis Vuitton since 2014 have included a charity concert where U.S. rapper Kanye West performed, a radio series centered on contemporary poetry and an artistic takeover that saw the 12 "sails" of the building and its 3,600 glass tiles filled in with color ([see story](#)).



*"Observatory of Light," a 2016 installation by Daniel Buren at Fondation Louis Vuitton. Image credits: LVMH, Philippe Guignard, Air Images*

An upcoming exhibition will bring New York's Museum of Modern Art to Fondation Louis Vuitton. Opening Oct. 11, "Etre Moderne: Le MoMA Paris" will recount the New York museum's history of modern and contemporary art curation in Paris for the first time ([see story](#)).

Taking its support of the arts one step further, LVMH has implemented technology to enhance visitors' experiences at Fondation Louis Vuitton.

The museum elevates guests' on-site experiences through the adult-facing Fondation Louis Vuitton mobile application and ArchiMoi, an app adapted for children visiting alongside their parents ([see story](#)).

Moving toward tech

Despite luxury's initial reluctance to embrace technology, digital advancements such as applications, ecommerce, mobile and social channels hold immense potential for business and marketing.

LVMH has embraced innovations through in-store placement at the brand level, such as virtual reality headsets at Dior or beauty retailer Sephora's interactive displays, but as a group it opts for a larger brush approach to cull emerging technology.

Being that technology is not its primary business, LVMH has made an effort to be present at events such as Paris' Viva Technology showcase where it hosts the Luxury Lab.



*Virtual reality at LVMH's Luxury Lab during Viva Technology in 2016. Image credit: LVMH*

For the 2017 Viva Technology June 15-17, LVMH will award a startup with the first-ever LVMH Innovation Award. Following its Fashion Prize model, the award is meant to open doors for startups, allowing the winner to break into the luxury industry through meetings with LVMH houses and other potential collaborators ([see story](#)).

LVMH's most disruptive move on the technology front is its recent multi-brand ecommerce entrance.

Prior to the launch of 24 Svres and Clos19, LVMH left ecommerce up to its individual brands to structure their platforms as they deem fit.

Now, LVMH controls its own multi-brand platforms similar to online retailers and traditional department stores, in a model that echoes its existing bricks-and-mortar retailing arm.

"As research from major Amazon merchants shows, the synergy between cross-channel marketing and running alongside the consumer throughout the path to purchase creates a hockey stick model of optimization," said Evan Tennant, ecommerce sales manager at [AdTaxi](#), New York.

"Taking a piece out of the puzzle can create a barrier along the journey," he said. "Whether a new conglomerate marketplace serves a research engine or is a force to drive revenue, the synergy is energy worth harnessing for any major retailer."

"Transparency also goes a long way with today's consumers. If they had a predisposition to any of the conglomerated brands prior, chances are, by landing on a brand or category they initially sought and seeing affiliation, it would increase trust and reputation over tarnishing it."

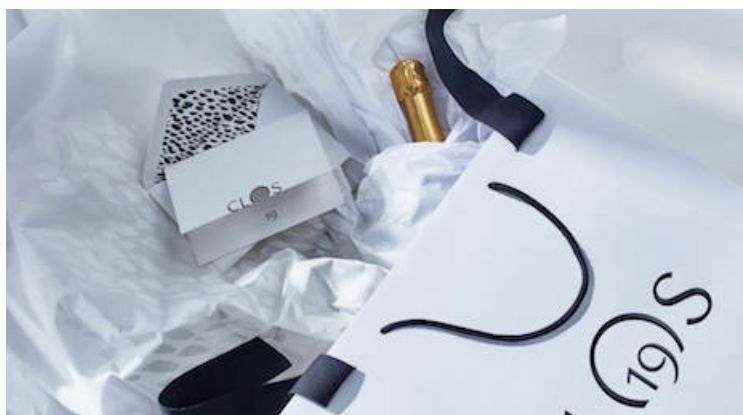
For fashion and cosmetics, the conglomerate has launched the 24 Svres ecommerce platform, a venture inspired by Le Bon Marché.



*LVMH launched its 24 Svres ecommerce site June 6. Image credit: 24 Svres*

Consumers using 24 Svres' iOS app have access to stylists in Paris via video conference and 24 Svres also provides help via a Facebook messenger bot ([see story](#)).

Similarly, Clos19 offers Mot Hennessy's spirits brands for purchase and acts as a booking site for experiential packages such as tasting dinners and over-the-top travel ([see story](#)).



*Clos19 will sell LVMH-owned Champagnes, wines and spirits. Image credit: Clos19*

Above all else, the launch of 24 Svres and Clos19 will enable LVMH to capture additional market share now that an increasing portion of luxury sales are coming from online channels.

Essentially, even if a consumer purchases from 24 Svres rather than Louis Vuitton's direct ecommerce, LVMH's bottom line will remain more or less untouched.



As with all of LVMH's innovations, the result is only as fruitful as the team behind the venture.

For example, the company has made recent strategic digital hires exemplifying the continuous need for innovation ([see story](#)).

"What is interesting to note is that with the diversified brand portfolio, LVMH can continuously play the portfolio approach in its business trade-up, trade down, extend the brand, reconfigure the portfolio, take advantage of both geographic and product diversification in scale and scope better than its competitors," ESSEC Business School's Mr. Som said. "But there are two issues to it.

"First, is the management efficiency logic," he said. "With the hand-picked, trustworthy top-management team that Mr. Arnault has chosen, he has been able to manage his business consistently over a period of 30-plus years due to his incredible right- and left-brain approach. Second, he gave his children important positions in the group."

LVMH houses by category:

Wines and spirits:

Ardbeg; Belvedere; Bodega Numanthia; Cape Mentelle; Chandon; Chteau Cheval Blanc; Chteau d'Yquem; Cheval des Andes; Clos des Lambrays; Clos 19; Cloudy Bay; Dom Prignon; Glenmorangie; Hennessy; Krug; Mercier; Mot & Chandon; Newton Vineyard; Ruinart; Terrazas de los Andes; and Veuve Clicquot

Fashion and leather goods:

Berluti; Cline; Christian Dior; Edun; Emilio Pucci; Fendi; Givenchy; Kenzo; Loewe; Loro Piana; Louis Vuitton; Marc Jacobs; Moynat; Nicholas Kirkwood; Rimowa; and Thomas Pink

Perfumes and cosmetics:

Acqua di Parma; Benefit Cosmetics; Fresh; Givenchy Parfums; Guerlain; Kenzo Parfums; Maison Francis Kurkdjian; Make Up For Ever; Parfums Christian Dior; and Perfumes Loewe

Watches and jewelry:

Bulgari; Chaumet; Fred; Hublot; Tag Heuer; and Zenith

Selective retail:

24 Svres; DFS; La Grande Epicerie de Paris; Le Bon Marché Rive Gauche; Sephora; and Starboard Cruise Services

Other:

Cheval Blanc; Connaissance des Arts; Cova; Investir; Jardin d'Acclimatation; La Samaritaine; Les Echos; Nowness; Radio Classique; and Royal Van Lent

Best-practice tips from LVMH

- Ashok Som, ESSEC Business School
  - "LVMH's best practices are its way of managing people under a high-stress environment. Its best practice one way is both to foster creativity in the group, create desire for all its brands and while at it together build in strong management practices across its portfolio of businesses. Smaller luxury companies can learn how to nurture a brand to its full potential by recruiting the right people, make them give their best on a long-term horizon and create desire that is timeless and modern. Moreover, they need to learn how to create brands and make them prosper which is also about taking risks and having a long-term vision."
- Greg Furman, The Luxury Marketing Council
  - "I think some [groups] are leading LVMH. There is a shared culture of respect for culture and creativity. I think all the conglomerates are very protective of their brands. I don't think there is a big learning there. I don't know if they could learn from LVMH from a mergers-and-acquisition standpoint, because they have different cultures and perspectives, but what they can learn [from LVMH] is reinforcing quality."
- Evan Tennant, AdTaxi
  - "The impact on luxury ecommerce retailers who curate a collection for their consumers' tastes will not only serve the new LVMH marketplace, they will benefit one another. Prospecting amongst the shared group and filling leaky holes in the brands' stories will provide curated retailers a new avenue of locating potential customers and for LVMH letting these specialty shops showroom their products before wanting to dive deeper will only increase sales and visibility. Buy an accessory from Farfetch and then look to

expand the collection at the LVMH family store."

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