

RETAIL

Is LVMH's digital transformation working?

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Digital is key to LVMH's retail future as consumer behavior evolves from store shopping to ecommerce, mobile and social. Image credit: Luxury Society, Louis Vuitton

By **Limei Hoang**

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In 2015, when **LVMH** appointed Ian Rogers as its new chief digital officer, it said his role was to take its maisons to the next level and explore new opportunities for the group in the digital sphere, signaling that world's largest luxury conglomerate was finally addressing how it should adapt its business to the changing behavior of its customers.

At a time when online sales are expected to account for a quarter of the global market value of personal luxury goods by 2025, according to a study by management consulting firm **Bain and Company**, LVMH's ambition to lead in the digital luxury space appears to be a step in the right direction particularly as it, along with many other luxury players in the industry, was previously hesitant to embrace the opportunity in online and e-commerce.

"The luxury industry overall was very slow to pick up on the digital space," said Fflur Roberts, head of luxury goods at market research provider **Euromonitor International**.

"It's really only now that luxury brands are, in some cases, leading the way in terms of digital, not just digital retail but the whole digital experience," she said. "We have seen a complete role reversal, which is really very interesting."

Playing catch-up

Indeed, since Mr. Rogers' appointment, there has been no shortage of digital initiatives launched at LVMH over the past four years, all designed to help LVMH accelerate its digital offering, from the launch of its multi-brand fashion ecommerce site **24 Sèvres** in 2017 to its accelerator program, La Maisons des Startups LVMH at Station F last year, all clear signs that the group has spared no expense in attempting to propel itself ahead of its competitors.

LVMH also participates in Viva Technology, where it showcases the LVMH Luxury Lab, and has set up a Retail Lab an internal organization aimed at helping its brands develop innovative solutions in the digital and retail fields.

On a brand level, the group has been experimenting with augmented reality at its Sephora stores, using artificial intelligence to help customers create bespoke tasting experiences at Mot Hennessy, as well as creating bespoke experiences at Bulgari through its Dream Machine, where clients and visitors can try on jewelry through its Virtual Try-On technology and biometric scanning, all of which indicate that a wider transformation within the group is underway.



Bulgari's Dream Machine. Image credit: Bulgari

"We are not even starting to see the real potential of LVMH and their digital strategy," said Robert Burke, chairman/CEO of consulting firm **Robert Burke Associates**.

"They are probably, as always, very well researched and we are going to see (that) they are already going to be miles ahead of other brands, groups or conglomerates," he said. "We are just starting to kind of just see it, and the best is yet to come."

"The fact that they are so integrated with start-up companies and have been for quite some time and have dedicated a highly regarded executive from Apple years ago, to head this up, shows commitment," he added.

But to what end are these projects having an effect on its brands and their digital offerings?

Pay-off

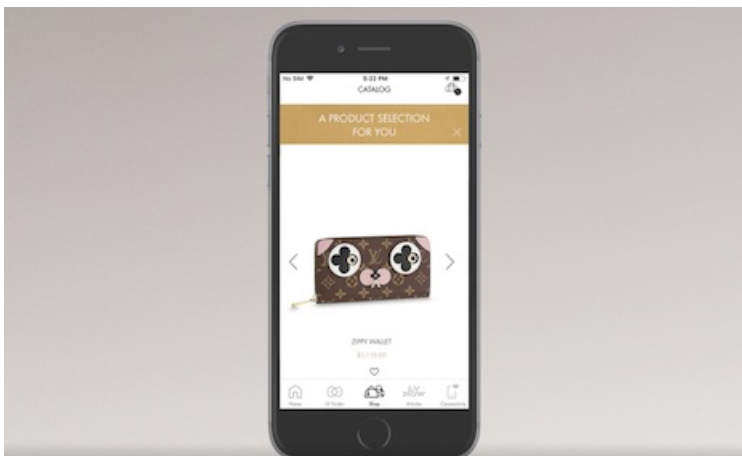
In its most recent annual report, LVMH said all of its brands were accelerating the implementation of their online sales platforms and stepping up their digital content initiatives.

"Excellence in retailing is key, requiring expertise and attentiveness from beauty consultants, as well as innovation at points of sale," LVMH said in its report. "Our brands are actively incorporating digital tools to enhance the customer experience and attract new consumers."

"Over the last few years our market has become highly fragmented," it said. "Customer journeys and purchasing habits have become more complex."

"Now, in addition to magazines and other traditional media, our customers especially young people use a range of digital options to stay informed, communicate with friends and shop. Brand awareness and customer engagement are built on these many different touch points."

The company said that in 2019, it will again "demonstrate its strong focus on innovation. Further progress will be made on many existing projects as well as a number of new launches. The growing use of digital technologies in our business activities will also enrich the customer experience that we offer, both online and in our physical stores."



Louis Vuitton app. Image credit: Louis Vuitton

For LVMH, it is more about the customer experience, explained Ms. Roberts.

"For them, it's really all about the customer experience, personalization and customer services," she said. "Because, ultimately, at the end of the day, that's what luxury retailing is about. It's all down to the service that you get."

LVMH were always involved [in digital] from a basic ecommerce stand point, Mr. Burke said.

"But from 2015 onwards, they really went heavily into well beyond just a simple transactional ecommerce model into much more in-depth and creative, innovative ways to use technologies for their brands," he said.

"Brands are all about experience," he said. "And how do you bring that experience to a wider audience and certainly how do you bring it to a younger audience? That has been their motivation and looks like they are accomplishing it."

Possible roadblocks

But while the company hopes to lead the way in digital by stepping its content initiatives and enhancing its online sales platforms, change may not come so easily for the world's largest luxury conglomerate that has to manage 75 different brands spanning fashion, spirits and hospitality within its portfolio.

The difficulty for LVMH lies in its complexity as a group, explained an unnamed source who had previously worked for the luxury group.

"LVMH is not one company. It's a combination of different maisons and each of those maisons have their different governance, have their different policies, have their different organizational structure."

"There were definitely conversations around [digital change]. And it has to happen, right? You have a chief digital officer. It has to happen as that is his whole mandate," the source added. "(But) any form of transformation is a long and painful thing And that is when old behaviors start to creep in."

Mr. Burke believes the company is still in the earlier stages of its transformation.

"My thoughts are that it is still in test mode," Mr. Burke said.

"For many of the brands, how they are going to implement these [changes] in the day-to-day business will be seen," he said. "But it's wise for them to experience and test it as opposed to trying to make any radical switches."

It is a view that Ms. Roberts shares.

"Obviously they are not investing huge amounts of money, but it is a way for them, at a relatively affordable level, to see what is working and get feedback from potential customers," Ms. Roberts said.

"I think that is another thing that lots of brands have struggled with, is knowing what is going to work and what isn't going to work," she said.

"Whatever they do, I think LVMH will always be sensitive to each individual brand and to be successful, they can't just apply the same model for each brand that they have because they are all so individual.

"Every brand has to be dealt with on an individual basis and considered on an individual basis and again, going back to the issue of being true to that brand and the heritage of that brand, every model will be different for each brand, depending on the story that that brand tells, but also the customer or the demographic that they might be trying to target."

Limei Hoang is an editor at [Luxury Society](#), based in Geneva, Switzerland.

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