



Moët Hennessy Louis Vuitton COMPANY ANALYSIS

TEAM LUXURY

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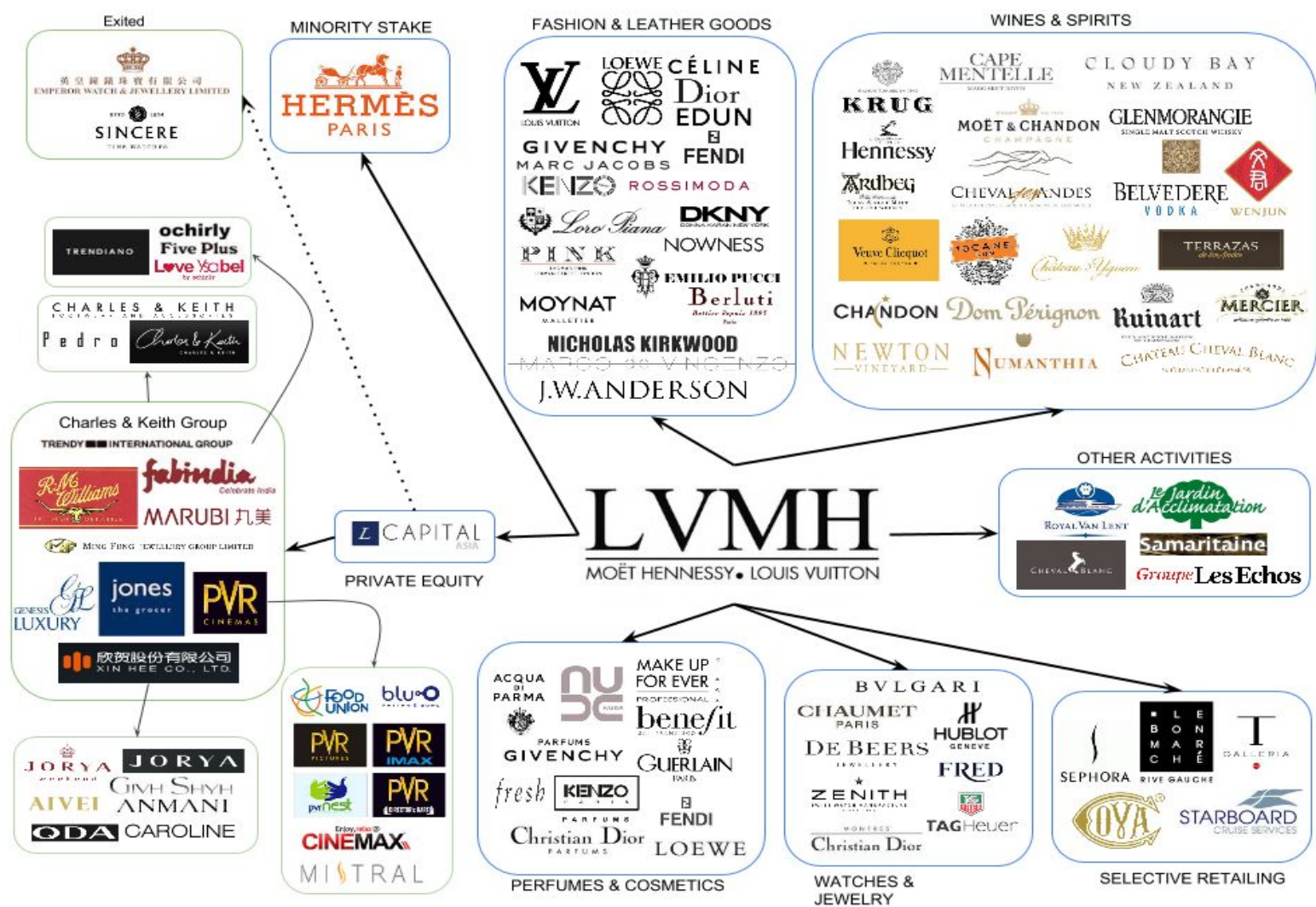
LVMH
MOËT HENNESSY · LOUIS VUITTON

EXECUTIVE SUMMARY

LVMH Moët Hennessy Louis Vuitton is a multinational European luxury goods company. The company's headquarter is in Paris, France with more than 3,800 retail stores around the world by 2015. Its largest market revenue comes from Asia, followed by United States. The company's main key figures include: fashion & leather goods, wines & spirits, perfume & cosmetics, watches & jewelry and selective retailing. Some of LVMH's main retail channels are Sephora, DFS Group, Miami Cruiseline and Le Bon Marché Rive Gauche.

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Porter's Five Forces

LOUIS VUITTON WP

5 COLORS: RED, PURPLE, PINK, GREEN AND BLUE

Threat of Potential Entrants

LOW

- High capital
- Established reputation
- High market size

Buyers' Bargaining Power

MEDIUM

- Distinctive feature
- Loyal customers
- Low switching cost
- Counterfeit items

Suppliers' Bargaining Power

LOW

- LVMH's reputation
- Suppliers' Code of Conduct

Porter's Five Forces

LOUIS VUITTON WP

5 COLORS: RED, PURPLE, PINK, GREEN AND BLUE

Threat of Substitutes

MEDIUM

- Other available luxury brands
- Changing preferences
- Non-leather goods

Industry Rivalry

MEDIUM

- Physical positioning
- Operating in same countries

PESTEL Analysis

Political

- Establishment of Anti-Counterfeit Trade Agreement (ACTA).
- Faces debates with French unions and balance of foreign workers.

Economic

- Higher market in Asia.
- Currency fluctuations depending on global economic situation.
- Exchange rate risk, hedged the risk through contracts.

Sociocultural

- Innovates old design to become modern.
- Relies heavily on brand image and association with wealth and rich lifestyles.

Technological

- Success in online marketing.
- Newer manufacturing machines allow LVMH to have cheaper costs and produce more efficiently.

Environment

- Maintain a high standard of environmental responsibility.
- Implemented environment sustainability reporting system.

Legal

- Have issues mainly with knock off brands trying to imitate the intellectual property (design) of the company.

VRIO Framework

	Valuable?	Rare?	Costly to Imitate?	Organized to capture value?	Competitive Implications
Superior Craftsmanship	Yes	Yes	Yes	Yes	Sustainable competitive advantage because assembling and retaining the right team of craftsman is key
Strong brand image and high brand value	Yes	Yes	Yes	Yes	Sustainable competitive advantage because customers are willing to pay for the prestige
Excellent customer service	Yes	Yes	No	-	Temporary competitive advantage because can be outsourced
Effective production system	Yes	Yes	No	-	Temporary competitive advantage because people can hire experts to create the system
Seasonal adaptation to demand changes	Yes	Yes	No	-	Temporary competitive advantage because only affects the current season

Value Chain

Primary activities:

Operations

- Cost Control through sharing resources.
- Strict control over the quality of their products.

Distribution

- Combined shipping mainly using sea routes.

Marketing and sales

- Maintains total control over the distribution channels.
- Social media advertising.

Service

- Provide premium service post sales.
- Loyalty program to entice customers to conduct repeat business.

Secondary activities:

Firm Infrastructure

- Decentralized system - brands operate relatively independently of each other in order to create their own brand image and encourage creativity.

HR Management:

- Top designers and artists.
- Special training programs for craftsmen to ensure the best quality products.
- Incentives to reduce employee turnover rates and retain talent.

Technology Development:

- Blends technology and handicraft to produce in mass volume of production with the finest quality.

SWOT



Hennessy

LOEWE
MADRID
1846

Strengths:

- Easily recognizable brand
- Superior Craftsmanship
- Strong brand image and high brand value
- Loyal customer base
- Wide geographical presence
- High profit margin
- Good growth strategy - continue to merger and acquisition of other high end brands
- Customizable
- Good customer service

Weaknesses:

- Narrow consumer segment
- Premium prices
- Limited distribution channels
- Mostly female consumers
- Shift in consumer preferences
- Brand dilution
- Increase in fake imitations
- No discount

Opportunities:

- Re-branding
- Continuous innovation
- Potential market in Asia Pacific countries
- Development of social networks and Internet
- Celebrities endorsement
- Exhibition and events
- More acquisitions

Threats:

- Strict competition
- Rising advocacy against using of animal skins
- Currency fluctuations
- Changing trend in each season
- Competitors offer similar designs with lower price
- Increase in fake imitations
- Varied taxes in different countries

Competitive Advantage

- **Tangible:** Large financial capabilities and numerous factories with sophisticated machinery in various locations.
- **Intangible:** Artistic creativity from top talent combined with innovative production process. It also possesses many trademarks and patents.
- **Core Competencies:** It uses effective planning and has strong control over the distribution channels. The brands that are acquired are assessed in detail and are partly preserved.



Competitive Dynamics

The industry structure is an oligopoly where a few large luxury groups dominate the market.

The dominating firms are LVMH, Richemont and Kering. The companies operate in a decentralized manner, where the brands are working independently of each other even under the same company.

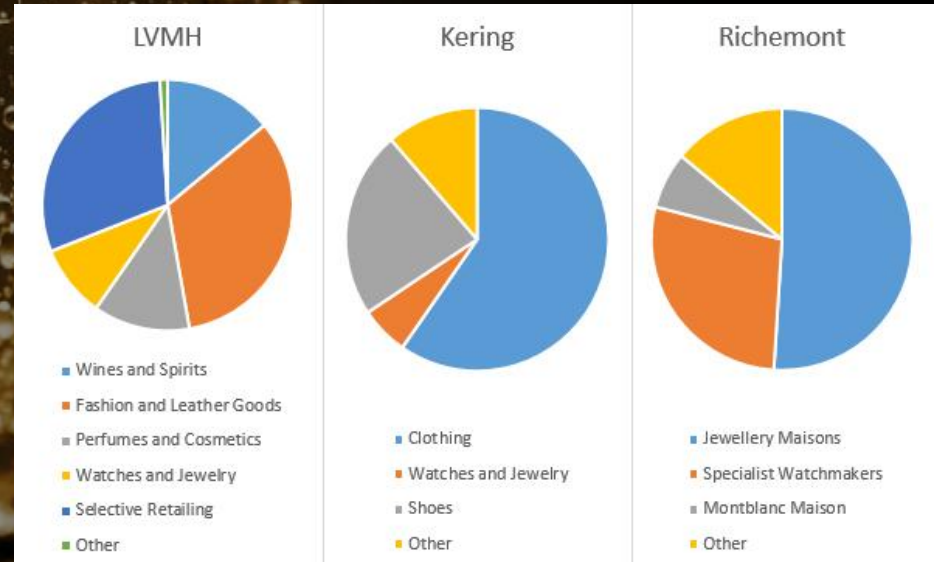
LVMH's position in the market comprises of mainly leather goods and wines and spirits. It is also building up its position in beauty retailing through Sephora and travel retailer DFS.

Kering's focus has shifted into apparel. Their move into lifestyle has diluted some attention away from the luxury market allowing LVMH to gain the upper hand.

LVMH, Kering, Richemont?

Where to Place Your Bets.

Richemont's strength is its oligopoly position in jewellery, and the fact that it owns some of the best high-end watch brands.



Biggest and best

European luxury firms

1

	Selected brands	Main products	Total sales 2013, \$bn
LVMH	Louis Vuitton Moët & Chandon Bulgari Guerlain	Leather goods and fashion Champagne Jewellery Perfumes	36.38
RICHEMONT	Cartier Van Cleef & Arpels Net-A-Porter Piaget	Watches and jewellery Jewellery Online fashion Watches and jewellery	13.29
KERING	Gucci Boucheron Bottega Veneta Yves Saint Laurent	Leather goods and fashion Jewellery Leather goods and fashion Fashion	12.17*
swatch+	Breguet Blancpain Omega Harry Winston	Watches Watches Watches Watches and jewellery	8.50
HERMÈS PARIS		Leather goods, accessories, fashion and jewellery	4.69
PRADA		Leather goods and fashion	4.48†
BURBERRY		Fashion and accessories	3.65‡

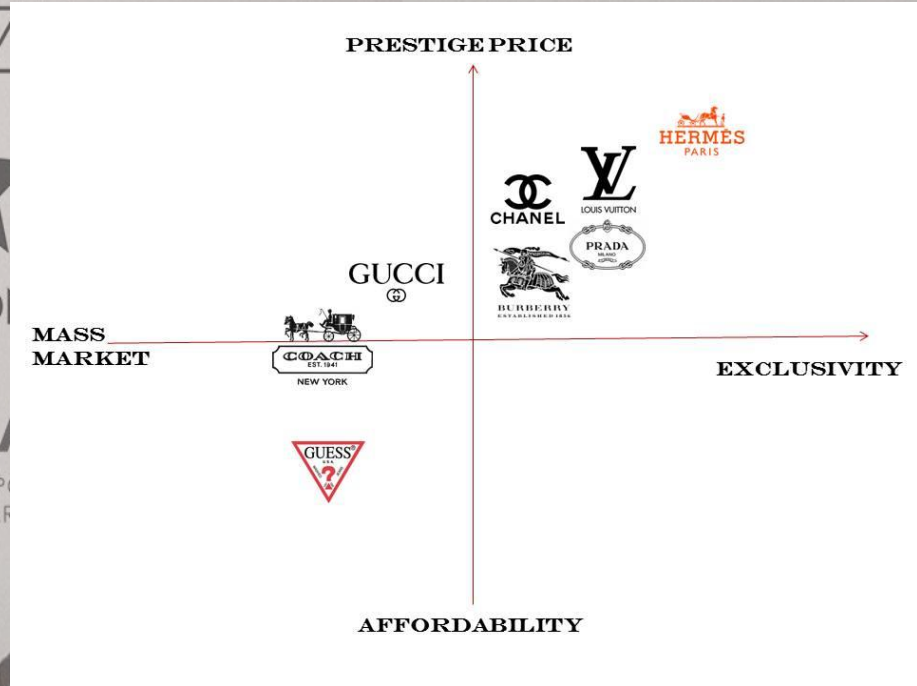
Sources: Company reports; *The Economist*

*67% of sales from luxury †Year to end Jan 2014 ‡Year to end March 2014

**LVMH
Leads the
European
Luxury
Firms;**

**Richemont
and
Kering
Rank
Second
and Third
in Sales**

LVMH



Louis Vuitton positions itself as “high price and classic fashionability”.

THE MARKET WHERE LVMH OPERATES GLOBALIZATION

The company's headquarter is in Paris, France with more than 3,800 retail stores around the world by 2015. Its largest market revenue comes from Asia, followed by United States.

DIVERSIFICATION

LVMH is making acquisitions outside the company's sector. In sector where they don't have the "know-how" and don't match the company Image. The current CEO (Arnault Bernard) is also the major shareholder which makes him easier to make decisions on new acquisitions. LVMH's growth strategy had evolved significantly in the previous 14 years. Between 1997 and 2001, LVMH grew from 24 to 63 brands.

CONSOLIDATION

Louis Vuitton has consolidated its watch operations in Geneva, with an eye for synergy and growth. "By bringing together different disciplines under the same roof, we are hoping to create a kind of alchemy," said by Hamdi Chatti, the director art Louis Vuitton watches. The real gain is in terms of creativity and innovation. By bringing together different disciplines under the same roof, we are hoping to create a kind of alchemy.

Corporate Strategy



**QUALITY, INNOVATION,
MARKETING**

Global Strategy

Market entry methods


Mainly uses Subsidiary method

Acquisitions or Greenfield operations

LVMH focuses highly on diversification, high control over quality and distribution to maintain its competitive advantage



Global Strategy

A close-up photograph of a person's hand holding a brown leather handle of a dark blue Louis Vuitton bag with a gold monogram pattern. The person is wearing a black watch with a blue and white geometric design on the face. The background is blurred, showing what appears to be an airport or travel setting with warm lights.

Integration-Responsiveness Framework Global-standardization

- Through M&A, LVMH achieved economies of scale and learning effects
- Manufacturing costs can fall 70%-90% every time the business doubles its output. (Economist)

Integration-Responsiveness Framework International Strategy

- Created strong branding that transcends cultural barriers
- Same products are sought after in different regions
- Differentiated products
- Customer service

Risks/Opportunities

Both risks and opportunities we believe lie in the same place - China

Risks

Pro local business

Strong state hold companies (50% of economy)

Alibaba biggest distributor of counterfeit goods

客户 D

Opportunities

China's demand for luxury good has and will continue to rise due to the growing middle class

With increasing globalization LVMH faces expropriation of intellectual property in certain markets. In order for LVMH to maintain the image of prestige and exclusivity, it has to work together with local governments to minimize this issue.

PRODUCT INNOVATION

- a. Develop latest cosmetic approaches based on the latest scientific discoveries.

PROCESS INNOVATION

- b. Giving complete freedom to designers by decentralization of the department. Each brand runs itself, headed by its own designers.

**INNOVATION
IN
LVMH**



RECOMMENDATION

Recommendations

Global view:

1. **Expansion:** We believe that LVMH should focus their efforts on clamping down on counterfeiting rather than expansion.
 - a. In 2015 alone, American border officials nabbed LV copies that, had they been genuine, would have been worth \$1.2 billion. This means lost revenue for LVMH.
2. **Counterfeiting:** One of the largest distributors now is Alibaba. LVMH should collaborate with both the government and Alibaba instead of simply suing.
3. **Diversify:** Reduce dependency on LV and bolster other business that are doing well like luxury watches.



Q & A