



The Strategy and Competitor Analysis of LVMH

Chi Suen Lai^(✉)

St. Andrews College, Cambridge CB1 2JB, UK
chisuen.lai@standrewscambridge.co.uk

Abstract. This article analyzes the marketing and operating strategy of Moët Hennessy Louis Vuitton (LVMH) and its competitor evaluation. LVMH is currently the biggest luxury brands group in the market. It is worth taking a deep evaluation of how LVMH expanded and its business strategy during these years. The article would provide and evaluate how LVMH is being operated by using SWOT analysis, PESTLE analysis and give a general overview of the business. Firstly, the article gives the background and general knowledge of the business. Secondly, the strategy it uses which would involve the mission and value of LVMH. Next, what competitors LVMH is facing and how could it gain more competitor advantages through the analysis. On top of that, it introduced its competitor's situation and performance. It offers a better comparison between LVMH and other luxury brands. Generally, the analysis reveals LVMH's ability to grow and how it is able to gain a large market share or become one of the world's luxurious brands when there are strong competitors in the luxury market.

Keywords: Strategy · Competitors · Performance · Luxury brands

1 Introduction

LVMH (Moët Hennessy Louis Vuitton SE) is one of the world's top luxury groups. In 1987, Louis Vuitton, the world's leading fashion and leather manufacturer, and Moët Hennessy, the world's leading wine producer, announced the merger to create a large luxury goods production and sales group which belongs to LVMH. It owns 75 distinguished brands in six different sectors, such as Celine, Christian Dior, Fendi, Givenchy, Loewe, Louis Vuitton, and Hennessy etc. LVMH also involves multiple industries including fashion and leather goods, wines and spirits, watches and Jewelry and cosmetics and perfumes etc.

1.1 Background

Louis Vuitton was founded in France in 1854 and 1987 is when the conglomerate was created. It now has over 175,000 employees across the whole world and a revenue of 64,215 million euros in 2021. Among them, fashion, and leather goods account for the largest part of revenue, which is about 48%. The chairman and chief executive officer of LVMH is Bernard Arnault. Its family has held and owns LBMH's shares of about 47.8%

and 60% of its voting stock, which is the largest shareholder of the company. He is the one who created the world's leading luxury products group. He has been the CEO of the business since LVMH was established. LVMH its mission is to advocate and embody a refined art of living. The product it is selling is not just a product itself but a lifestyle. Although it is a way to express life, LVMH aims to have the highest level of quality for each of the 75 groups, not just maintaining it day by day, but also higher standards. From this long-term vision, LVMH has set four shared values to achieve. Be creative and innovative, deliver excellence, cultivate an entrepreneurial spirit, and be committed to positive impact (LVMH).

1.2 Motivation

LVMH plays an important role in luxury groups. It is the world's largest luxury goods group. Due to the position of LVMH in luxury brands, this article would emphasize and use a comprehensive analysis of the marketing strategy and competitors for LVMH groups. Especially the performance of LVMH and how it gains its competitors' advantages in the competitive environment.

1.3 Contribution

Hopefully, this article can offer some implications for luxury brand operation and marketing strategy. In addition, the comparison of LVMH's competitors and how its competitors affect LVMH. Some insight into LVMH's potential performance or competitive environment. Also, give a brief overview to investors who are interested in the luxury brand market. Overall, I hope this article can offer a comprehensive analysis of LVMH, especially its strategy and its performance compared to its competitors.

2 Literature Review

LVMH is one of the world's largest luxury brand groups. It has operated successfully for years and years. There are many articles focusing on LVMH's financial situation and strategies analysis. LVMH is one of the world's largest luxury brand groups. It has operated successfully for years and years. There are many articles focusing on LVMH's financial situation and strategies analysis. Martí Nogué Corominas and Roger Masclans Armengol conduct an analysis on LVMH strategy from different views [2]. They indicate that LVMH is following a diversification strategy with its entire portfolio. The company is aiming to maintain its brand image and the premium quality of all its products. As a result, it could use innovation and generate new technologies to achieve its objectives and projects. In addition, in March 2013, LVMH turned into the 4th most valued company of EURO STOXX 50. It is at about \$130 per share. Since the manager of the group is Bernard Arnault, the value has risen to more than 1000%. During the beginning of the acquisition, sales progressed, and profit increased by 500%, which shows a significant growth of the business. Moreover, CHEN has suggested that the reason for LVMH becoming the leader in the industry is the strategy of merger and acquisition [3]. LVMH itself was established through merger and acquisition, and this is the core logic for the firm. On top of that, LVMH cannot over-expand and produce brands casually. This is one of LVMH's operation strategies as well.

3 The Analysis of LVMH

3.1 Strategy

3.1.1 Operating Model

(1) Decentralized Organization

LVMH operating and structure principles help LVMH to respond to customers' needs better and be autonomous. Decentralized operations ensure the business is closer to its customers and doing effective, rapid, and appropriate strategy or decision making. Moreover, this operating method would also give an incentive or motivation to the employees of LVMH. It encourages them to be more active and shows true entrepreneurial spirit. This approach would improve the employer brand and attract more highly skilled workers to work in LVMH as well.

(2) Organic Growth

The LVMH group has placed organic growth as a priority. It commits significant resources and capital to develop its subsidiaries and brands, which has encouraged the development of the brand and protects creativity. Furthermore, the LVMH group considers its employees as a key-value, which is also an element of organic growth. Hence, it is essential and important to support and encourage their career growth.

(3) Vertical integration

Vertical integration has promoted upstream and downstream excellence and allows control over the link in the value chain through procurement and production facilities to selective retail. This enhances and ensures complete control over LVMH's brand images.

(4) Creating synergies

From the size of LVMH, the group has shared the resources on a scale. It creates synergies whereas respecting the personal or individual identities of the brands. This strategy has brought benefits to each of its brands. These synergies would guarantee the long-run development of the brands and their Maison's.

(5) Sustaining savoir-faire

The LVMH groups have a long-term perception and vision. They pursue their distinctive identities and premium. LVMH and its subsidiaries have developed far-sighted initiatives to pass on savoir-faire. It also ensures that the creative métiers are attractive to Z (age below 25) generations.

(6) Balance across business segments and geographies

It would ensure the LVMH houses have a sustained and balance resources and geographical footprint, it helps the business to have regular growth. This balance means the business would have the ability and power to accept the impact of changing and fluctuating economic factors [4].

3.1.2 SWOT Analysis

Table Credit: Original

Table 1. Strengths, Weaknesses, Opportunities, Threats (SWOT) [5]

Strengths: 1. High level of brand recognition and brand value (14.86 billion U.S. dollars in 2021) 2. Good geographic balance 3. Solid financial structure 4. Only group present in all luxury sectors 5. High level of customer loyalty	Weaknesses: 1. Less invested in jewelry brands versus competitors. 2. Overly expensive produce prices 3. Weaknesses in online sales
Opportunities: 1. Form strategic partnerships with other companies in other industries targeting the same customer base 2. Launch or develop new products and services apply LVMH's competitive advantages. 3. Keep expanding	Threats: 1. Fierce competition 2. The increased popularity of alternative fashion products and services.

3.1.3 PESTLE Analysis

- (1) **Political:** Political factors are one of the key factors for LVMH and have a significant impact on the market environment. During the global situation which is the impact of covid-19, it has influenced the market a lot. Fortunately, LVMH has not been affected too much but it still is. In 2020, revenue will be 44.7 billion euros, a decrease of 17% compared to the year before. Organic revenue has declined 16% compared to 2019. Although the revenue has decreased, LVMH has shown good resilience in 2020. It did not cause an indescribable impact on the groups. In 2021, the sales and revenue for LVMH will have a significant improvement in trends in all its activities. On the other hand, not only economic factors but also the new regulations, rules for business and policy have a deep influence for LVMH. Some governments have intended specific laws to avoid or limit the amount of pollution a business should have. Also using sustainable raw materials. This would actually increase the cost of the business. However, LVMH has a certain strategy to meet the needs of it. In terms of pollution and environmentally friendly, the increase in value added tax (VAT) would also impact LVMH's sales. When the VAT has increased the customer would have less disposable income to spend, which might affect the sales and impacts on customers buying behavior of LVMH [6].
- (2) **Economic:** The covid-19 pandemic situation these days has caused a huge impact on society and industries. The good news is that the global economy starting to recover, give the United Kingdom market as an example, which is shown in Fig. 1. According to the recovery in LVMH's company has been analysis by using SWOT analysis model, as shown in Table 1.

The global economy, households and individuals would have more confidence to spend and purchase products. People's purchasing power parity (PPP) has increased. This provides opportunities and good news for various industries and markets.

LVMH's sales as well. The revenue and net profit for LVMH has increased compared to last year [7].

Figure 1 emphasizes the growth of the monthly GDP for the United Kingdom. It has a significant decrease during August 2020, which is the covid-19 period. It starts to recover from around 2021 to 2022.

- (3) Social factors: Social factors include lots of various things, such as cultural religious norms, demographic population, and social trends of the society. This is enormously related to LVMH's social factors since the company has consist of different backgrounds and the lives of people. Its target consumers are also from all over the world. It is facing global trends and perspectives. LVMH has done the segmentation for different geographical consumers. This helps LVMH meet its customers' needs and preferences from different backgrounds. It also helps wealthy countries such as the UK by keeping or maintaining better positions and boosts the status symbol of the company. LVMH is targeting the customer with high income and the business has built the brand images that are in accordance with social identity theory. Most of the buyers and consumers are not just buying for the product, it is a social status and status symbol, which is the brand value of LVMH.
- (4) Technological factors: Technology factors consist of the advertising online and online selling. Nowadays, based on the growing popularity of social networking sites, all businesses have used these methods as a way to gain more publicity and promotion. LVMH has its own official website, which includes various detailed information about the business. The websites contain the annual reports, business mission, value, and product sales etc. This is not only beneficial to the company itself but also to attract potential consumers and potential investors to the business. LVMH also has use technology to collect and gather information, feedback, and blogs to receive customers' attitude and preferences of the product. There is also a significant growth trend in the E-tailing facilities in the UK market. It shows a distribution channel for LVMH [7].
- (5) Legal factors: The legal or the regulatory parts have impacted LVMH's growth and expansion. As the luxury daily newspaper has announced, due to LVMH wanting to acquire a share in family-owned French leather goods brand Hermès, it fined approximately 10 to 12 billion dollars and this battle is continued [4]. Legal factors have stopped the expansion of LVMH. If not, LVMH can acquire Hermes and increase its market share and market growth in the industries.
- (6) Environmental factors: For the environmental trend, the business of greening has been increasingly popular. Rebecca Smithers has claimed that despite the economic recession, the consumer costs on 'green' goods have grown by approximately a fifth over two years the various firms [7]. LVMH has focused on the environmental elements as well. It has made sustainable development a strategic priority since its founding. This commitment embodies the ethical responsibility of the entire company and the unique social role that groups such as LVMH play in France and around the world. A company that values environmental protection or sustainability for the global society tends to gain more positive brand images and reputation which helps the growth of LVMH [9].

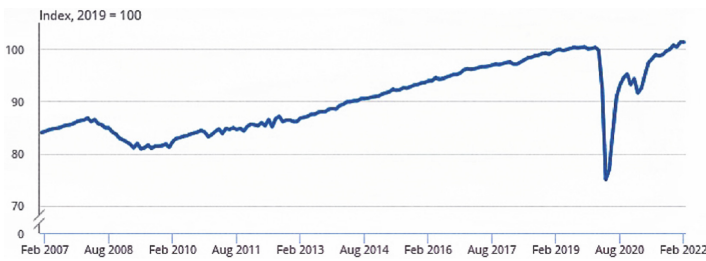


Fig. 1. UK monthly GDP is estimated to have grown by 0.1% in February 2022, and is now 1.5% above its pre-coronavirus pandemic level (February 2020) [8]. Source: Office for National Statistics – GDP monthly estimate

3.2 Diversification

LVMH Group implements a diversified brand strategy, including business diversification and product diversification. Products include champagne and wine, cosmetics and fragrances, fashion leather goods, jewelry and watches, and business areas such as boutique retail and media.

(1) Brand diversification

LVMH Group's brands cover a wide range of fields, and it owns 75 brands, all of which have a long history, wide popularity, and good reputation. LVMH houses have implemented the brand strategy which is 'product diversification'. It integrates a large number of brands' products. For example, fashion, watches, wine, leather goods, etc. As a result, it has made the group with the most abundant categories and created the most diverse product lines in the luxury goods markets. The combination of multi-category products and multi-brands maximizes sales and profits for LVMH.

(2) Distribution diversification

The products in the groups are being sold in various areas, not only the official stores for the brand. It has different channels of distribution, such as DFS Galleria, Samaritaine, Sephora and duty-free shops and shopping malls [10]. DFS Galleria is an outstanding global retail duty-free shop. Its major customers would be international tourists and the products it sells are globally well-known brands. Meanwhile, Sephora, as a global cosmetics retail authority, joined LVMH groups in 1997. It has more than 1,600 stores across the world. The development of the boutique retail business has increased huge profits for the LVMH Group, which achieved a considerable income of 14.791 billion euros in 2019 alone [11].

4 Competitors of LVMH

4.1 Kering

4.1.1 Background of Kering

Kering is a global luxury group. Kering was established in 1963, the group has continually developed and expanded to become one of the top luxury groups in the industry.

Nowadays, Kering is still growing strong today for over two centuries. The group manages the development of a series of renowned houses in fashion, leather goods and jewelry. Kering has 13 distinguished brands, such as Gucci, Saint Laurent, Bottega Veneta, Balenciaga and Alexander McQueen etc. In 1999, with the acquisition of Gucci, the company entered the luxury sector and market. Acquisition of the Yves Saint Laurent brand through the Gucci Group; other significant brands followed soon after, such as Bottega Veneta and Balenciaga [9]. Since Kering owns various well-known brands, it is one of the reasons why we choose it as LVMH's competitor.

4.1.2 Strengths of Kering

Kering group involves various fields and product lines, including leather goods, shoes, ready-to-wear, watches and jewelry etc. Meanwhile, it emphasizes the varied product segmentation in the group. Multi-brand model has also supported by vertical integration. Furthermore, Kering has consistent financial performance across brand houses. Overall, it has generated revenue of 17,645.2 million euros and net profit 3,244.8 million euros in 2021 [12].

4.2 Richemont

4.2.1 Background of Richemont

Richemont was established by Dr Anton Rupert during the 1940s. With significant interests in tobacco, luxury goods investments, spirits and wine, diamond mining and gold, and financial services, which together with the investment in Rothmans International make up the Richemont Group. Richemont produces and sells watches, jewelry, leather goods, clothing, pens, and accessories nowadays. Richemont has 15 subsidiaries, which are Cartier, IWC, Van Cleef & Arpels, and Chloe etc. Compared with LVMH, Richemont Group involves less fields. Richemont Group focuses on jewelry and watches more [13].

4.2.2 Strengths of Richemont

Richemont has a global presence with sales distributed across major markets. It has sales and markets throughout the whole world, Europe, Asia Pacific, Americas Japan and the Middle East and Africa etc. Richemont is one of the world's leading luxury goods groups with prestigious brands. LVMH and Richemont have different perspectives and intentions on the product strategies of their brands. LVMH allows most of its brands to freely extend, it could enter jewelry, fashion, and other fields from one area. As long as the product category it enters is in line with the brand's cultural positioning and segmentation. This approach could maximize the use of brand resources, while meeting the diversified needs of consumers, meanwhile also bringing profits to LVMH. However, the Richemont Group rejected this approach, insisting that the brand focus on its own core business, making it a top brand in this market and area. Therefore, although Richemont does not have as many categories as LVMH, it can become a strong and nonnegligible competitor of LVMH.

5 Conclusion

LVMH's operations and development strategy have brought positive enlargement to the company, making LVMH a leader in the luxury goods market and gaining a high market share. Even in the face of competitors Richemont and Kering, it is not inferior. LVMH is also gradually recovering from the impact of COVID-19. It has performed well this year, but it still needs to pay more attention to the external environment and the movements of its competitors. The competition in various markets has also become more intense, requiring more awareness from managers. On top of that, LVMH's strategy provides the company with a clear direction and room to grow.

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