

# Lymh case study

Education



The key question in this case is can LVMH continue to successfully manage its different brands while making sure they are all profitable. I like the focus that the company puts on its “star brands”. Focusing on the brands that continue to grow and bring in profits will help the company stay profitable. While focusing on the star brands is a good strategy it is far from all that LVMH needs to do to be a successful conglomerate. It appears that in the fashion world human resources are the most valuable asset that a company can have, and LVMH needs to do a much better job treasuring these assets.

The conglomerate damages its image and its profitability by mistreating its creative talent. The conglomerate’s image is damaged because key creative personnel, which in a sense are the face of the different brands, leave and publicize why they left which tarnishes the conglomerate’s image thus making it harder to attract the best talent in the market. The conglomerate’s profitability is jeopardized because they lose the designers that make the products that make the companies profitable.

LVMH could strengthen their relationships with the smaller companies by creating incentive programs that not only compensate based on volume of sales but incentive programs that compensate based on sales growth and maintained profitability. With this new incentive program the company would have more opportunity to recognize the Michael Kors of the company. LVMH should focus more on economies of scope. In some cases like advertising it appears the conglomerate uses its size and power to reduce the cost to the individual companies; however I feel that the conglomerate could do much more to reduce costs and increase profits for the firms.

They could be using their negotiating power to force suppliers into lower prices. They should encourage the individual companies to work together and provide ideas for each other this way they can strengthen relationships among the companies and create a more unified feel for the conglomerate. Finally LVMH should make sure that they are avoiding managerialism. They need to make sure the companies that are acquired are actually valuable to the conglomerate as a whole and that they are not cannibalizing profits from one or more of the current companies.