

# Lvmh marketing case assignment

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Since its creation LIVE has made changes to its structure and in 1997 LIVE started creating business branches round the different mtiers of the Group by combining apparently disparate businesses and synergies between the sectors. By changing its corporate structure LIVE greatly improved its sales and profit, which strengthened LIVE ‘ dominance in the world luxury goods industry relative to its large competitors.

LIVE has successfully conquered European and US markets, and is determined to capture the growing Asian market: the size of whose population and the income of whose middleman’s are synonymous with a market share that LIVE intends to capture. After a brief analysis of the luxury-goods industry and its segmentation, we will present he company. After that we will expound the LIVE strategic integration: how LIVE could optimize its corporate structure and thereby satisfy its constant desire to generate profit?

At the end of our presentation we will suggest our recommendations on strategic sectors and we will explain why LIVE has to focus on Asian market to guarantee its future growth? I) LIVE and its Environment A. The Luxury Market and its Segmentation 1) Analysis of the luxury market: B?? The Luxury-goods Industry B?? 0 The luxury-goods industry has known four different phases since the 19th century: – The elitist industry (19th to mid-20th century) emerged during the Industrial Revolution when major entrepreneurs created exceptional products, reflecting the elitist lifestyle of that time.

As business grew more and more important, the reputation for exceptional quality evolved in well-established brands. The customer base became broader as the elites of the world became larger and more diverse. – The Demagnification of Luxury (sass and sass): The expansion of product offer, growth of the distribution network, a boom in travel, the introduction of affordable products and the greater exposure of luxury brands drove the demagnification of luxury. Industry Consolidation and the Luxury Bubble (sass): The prosperity of the US economy, the exuberance in the financial markets and the consolidation of the South East Asian and Japanese markets boosted cash flows. The need to maintain high returns on investments and the accumulation of liquidity contributed to the industry's consolidation. 3 - The end of Exuberance (2001 to 2003): The exuberance of the sass shaped the cost cutting entered the vocabulary of industry leaders. Synergies and economies of scale had to be implemented.

What is the definition of a luxury brand? First of all, a luxury good must be of excellent quality, resulting from years of craftsmanship and improvements: it has to be perfect to deserve its reputation and to justify high prices.

Secondly, the brand aura allows the brand to be credible thanks to years of experience, tradition, heritage in order to build a strong reputation and create legitimacy. Thirdly a luxury good must be desirable, with a strong aesthetic appeal, modern and traditional at the same time.

Desirability depends on high price, which is synonymous with high volume of sales. It also depends on scarcity, which attracts consumers. 0 Some figures:

According to Bear, Stearns and Co. , in 2003 worldwide spending on luxury products totaled \$88 billion, and in the following four years sales of luxury

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products were expected to rise by 3% to 5%. Shares in luxury companies had a rising tendency. Around the world, prosperity was on the rise: the World Wealth Report 2004 reported that 7, 7 million people worldwide had financial assets of more than \$1 million in 2003.

This same year the wealth of Millionaires worldwide reached \$28, 8 trillions, and this figure is estimated to grow in the future. ) Segmentation 0 By class: We can divide the luxury-goods industry into two classes: 10 Rich population: Luxury-goods companies were established to satisfy rich customers. 20 Middle-class population: During the period of the Luxury Market's demagnification a middleman's population emerged, a population whose behavior shows an increasing request for luxury goods. By business areas Watches, Jewelry, fashion and leather goods, selective retailing, perfumes, cosmetics (wines and spirits in the case of LIVE). 4 0 Geographic segmentation: The luxury-goods industry has a tradition of international development. Europe: the modern luxury-goods industry has its origins in Europe. 0 America: since the beginning, luxury-goods companies have opened store branches in the US, after which they strongly expanded. 0 Asia: At the time of the demagnification of luxury ( sass and sass), the South East Asian market of luxury goods exploded, and we saw the consolidation of the Japanese market.

In 2003, buyers in Asia accounted for 30% to 40% of sales of all luxury clothing, handbags and watches, and their ranks were expected to grow as China's economy expanded and Japan's economy affirmed itself. B. Elvis's Presentation ) General Presentation LIVE was created in 1987 in Paris through the merger of Louis Button and Meet Hennessey. Since its merger, <https://assignbuster.com/lvmh-marketing-case-assignment/>

LIVE stood out as a leader in the luxury goods industry. During a period of 15 years, LIVE created exceptional value and accumulated the and CEO since 1988. This success can be attributed to him.

In 1997, LIVE decided to group brands under five different sectors: Wines and Spirits, Perfumes and Cosmetics, Fashion and Leather Goods, Watch and Jewelry, Selective retailing. This new structure would allow for the full exploitation of economics of scale and back-office costs reduction. Despite facing the toughest environment (the depressed financial markets, the slowdown in the world economy, the impact of 9/11 on worldwide tourism and Asian economy, SARS...), the company delivered strong results for 2003, reporting a thirty percent increase in net income in 2003.

The company has a dominant position in champagne, cognac, fashion and leather goods and selective retailing. Among the star brand we have notably Louis Vuitton, Donna Karan, Tag Heuer... 5 2) The Geographic Position in Sales: C. Elvis's Analysis We need to do first an internal and external analysis of the company to understand what can be done to improve LIVE's growth profits and sales during the next few years. Then we have to focus on the different sectors. Both analysis will enable us to know what are the success requirements for LIVE. 1) company SWOT Strengths Internal Factors : 0 Organization 0 Internal factors: 0 Offerings Strong corporate image Louis Vuitton, the biggest luxury brand in the world Most valuable portfolio of luxury brands in the world High end products Selective retailing network (1500 retail stores in about 60 countries) Online retail shop Strong arrainging power There are different cultures within the organization Vertical and horizontal integration Weaknesses 0 0 0 Less visibility on star brands <https://assignbuster.com/lvmh-marketing-case-assignment/>

Weakness of the watches and Jewelry branched Weakness of the fashion branch The cost of goods sold is still high which lead to a less important gross margin compare to the competitors” one. 0 Management Team independence Talented managers Information sharing between the different branches Corporate knowledge 0 Marketing and communication strategy Great capacity to promote brands and communicate product innovation 0 Financial

Growing market shares Access to capital for smaller brands 12 billion euros of net sales in 2003 (with a net income of 2 billion) Reduction in administrative costs 7 Opportunities 0 Consumer trends 0 0 Economic 0 0 0 0 0 Development in Asia Growing Asian market Rising income of the middle class China mass of nouveau richer 0 Economic Threats 0 0 0 0 Dependence to the currency exchange rates Risk of new tariffs in Asia Dependence to political uncertainties Dependence to social issues Changing tastes Counterfeit products Commercial relationship Recovering tourism sector 0 Consumer trends Hard agitator of store leases A global icon Declining trade barriers Changes in communication, information, transportation of technologies (can greatly influenced the global reach of the group) 0 Internal analysis comments: 0 The most important strength of LIVE is its valuable portfolio of luxury brands. Consumers don” t buy only a product but also: - The image - The values promoted by the brand 0 LIVE has a long history which is associated with tradition. LIVE means: - Reliability - Quality - Style - Innovation and authenticity 0 In the consumer minds it also represents the image of a mythical France. Among its portfolio Louis Button symbolizes the Jewel of LIVE. Indeed it is the engine of LIVE with 22%

of its sales. It provides huge cash flows. 0 The major weakness is the variable costs.

The cost of goods sold is still high which lead to a less important gross of its sales  $((\text{gross margin}/\text{net sales}) \times 100)$  while its competitors recorded 66% or 68%. That shows that synergies are not at their optimal level. 8 0 External analysis comments: 0 LIVE” s market is global. LIVE have to position itself into the Asian market especially in China and in India. 0 In fact China and India re emergent countries which have a very high potential. China shows a growing sophistication in lifestyle need and will play a pivotal role in the future of brands. There are million of millionaire in Asia and their estimated average annual increase represents 7. 4%. The counterfeit problem is the major concern of LIVE. The challenge will be to protect its brands. 2) SOOT per sector 0 Wines and Spirits: Strengths 0 Performance: 0 0 most prestigious brands worldwide leader of alcoholic beverages: held 40%of the cognac market held 20% to 25% of the overall champagne market nominated the premium champagne segment (Meet Chanson, fauve clique, doom pepperoni, Chateau d” Yeses) 0 Constraint origins: Weaknesses: 0 Champagne and cognac have to be produced and bottled in specific regions of France Champagne and Cognac houses need to maintain a constant flavor achieved by combining wines of different years and viticulture areas.