Lvmh: strategic integration

Business, Management

LVMH: Strategic Integration Carl Icahn should not spin off because as a conglomerate of different companies, LVMH has been making significant growthsin sales and profitability over years. Spinning off is a matter of huge concern for the shareholders because it is not easy for the smaller and medium-sized companies to branch out and establish their independent identity in the market with a retail presence without ending up overextending themselves. Shareholders currently are associated with LVMH which operates as a conglomerate of luxury goods-making companies. Spinning off will reduce the value of shares of the shareholders as many of them would lose association with LVMH. It is acquisitions through which LVMH has been able to protrude into new sectors and create a diverse line of products. Its diversity and mass is what makes LVMH stand out from the rest. Its current state makes LVMH the undisputed leader in the industry as well as the only large conglomerate. Spinning off will reduce the company in size, lessen its diversity, and bring others at par with it as it will no longer be the only large conglomerate. In a typical 100 per cent spin-off, all shares of the brand get spun off. This results in distribution of all its shares to the shareholders of the parent brand by way of a dividend. If this happens, shareholders will be fully separated from LVMH in a single transaction. To sum it up, spinning off will deprive LVMH of its strategic importance and edge over its competitors.