

LVMH's proposals based on SWOT analysis

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Abstract. LVMH Group, a renowned luxury company, represents the global luxury industry. This article uses SWOT analysis to discuss the LVMH Group's strengths, weaknesses, opportunities, and threats. On this basis, it examines the potential issues associated with this corporation's growth. This paper concludes with recommendations and a future vision, which will serve as references for luxury-related businesses.

Keywords: LVMH; SWOT; Development Suggestions; 10 year change.

1. Introduction

LVMH is a French holding company and the world's most prominent luxury goods conglomerate. It is the parent company of approximately seventy-five subsidiaries, each managing a handful of prestigious brands. According to its corporate website, the mission of the LVMH group is to "represent the world's most refined qualities of Western "Art de Vivre" LVMH must remain synonymous with elegance and creativity.

Global operations of LVMH are thriving, and annual profits have increased. In addition, their brands are globally admired and have an exceptional premium image. They currently have a portfolio of over 75 prestigious brands, with a projected 2021 revenue of 64,2 billion euros and a global retail network of over 5,500 stores.

Ten years is a period during which a great deal of change is possible; people and businesses will continue to face various obstacles. Consequently, a company must be robust enough to confront and resolve all problems. Sadly, the market is cruel; only some companies can survive 10 years. In my humble opinion, LVMH will be the only company that survives ten years from now and beyond. My analysis is detailed below.

The potential contributions of this paper include the following two aspects: Initially, LVMH needs to be more frequently noticed in prior analyses of luxury goods companies. As a research framework, this paper employs SWOT analysis to discuss the LVMH group's strengths, weaknesses, opportunities, and threats. It is an excellent addition to related studies. Second, this paper provides fresh perspectives. Although LVMH may still be experiencing some disadvantages and difficulties in the development process, the outlook for the next ten years is generally favorable.

2. SWOT Analysis of LVMH

2.1 Strengths

1. Strong brand awareness
2. Broad product portfolio
3. Strict quality control
4. Multi-brand strategy
5. Celebrity endorsement and star marketing

As a leading French conglomerate in the luxury goods sector, LVMH enjoys a high level of brand recognition. Its brand recognition in the luxury market is unparalleled. Vuitton is the most profitable luxury brand in the world because of its unwavering commitment to quality. The general public lauded LVMH's incredibly diverse brand portfolio and superior quality. Its brand portfolio consists of approximately 60 companies that sell products like leather, jewelry, clothing, perfumes, and alcohol.

LVMH's revenue stream is geographically diverse, with significant contributions from France, Europe, Asia, Japan, and the United States. Additionally, LVMH maintains stringent quality control and rarely outsources manufacturing and procurement to maintain its premium brand positioning and superior quality.

2.2 Weaknesses

1. High-cost structure, poor price elasticity, and inefficient production
2. Expensive price
3. Less investment in jewelry brands compared to the competition

Despite the fact that some LVMH brands are costly, their operating costs are also exceptionally high. In addition, the group's income may be affected by the exorbitant prices of its luxury goods and its very low manufacturing efficiency. Moreover, compared to its two primary competitors, Kering and Richemont, LVMH has significantly fewer investments in fine jewelry and watches.

2.3 Opportunities

1. A large luxury goods market and favorable developments in emerging markets
2. Brand Collaboration
3. The global increase in men's interest in fashion

In order to plan for the future, LVMH must be aware of emerging markets such as the BRIC countries. In recent years, the purchasing power of emerging nations has increased. China, for instance, is now the largest market for Hennessy cognac and the second-largest market for Louis Vuitton.

Consequently, LVMH should prioritize expanding its investments in emerging markets with high growth rates. Moreover, as a result of its vastly diverse brand portfolio, LVMH is capable of achieving enormous synergies, such as combining watch brands' expertise. Moreover, the retail market for luxury men's apparel may be one of the most lucrative in the future, and LVMH should concentrate on Men's luxury items in order to seize the lead when this market becomes active.

2.4 Threats

1. The global financial crisis
2. Expand the market for counterfeit goods
3. Intense industry competition

Luxury goods are highly susceptible to economic fluctuations, and LVMH's business heavily depends on the economic status of its customers. Consequently, the global financial crisis would have a substantial impact on the anticipated sales of the LVMH group. Another factor to consider is the spread of counterfeit products. In recent years, counterfeiting has increased dramatically, and these counterfeit items weaken market share and threaten the brand integrity of the LVMH group.

3. The revenue comparison of LVMH, Kering, and Richemont from 2019 to 2021

Regarding LVMH's global revenue from 2019 to 2021. Before the pandemic, in 2019, the total revenue was 53,670,000,000 euros. It dropped drastically to 44,651 million euros before reaching a new high of 64,215 million euros. The outcome demonstrates LVMH's prompt response to recent force majeure events, such as the pandemic and Russian-Ukrainian War. They make new plans and make timely adjustments so that in 2021 they earned even more than in 2019.

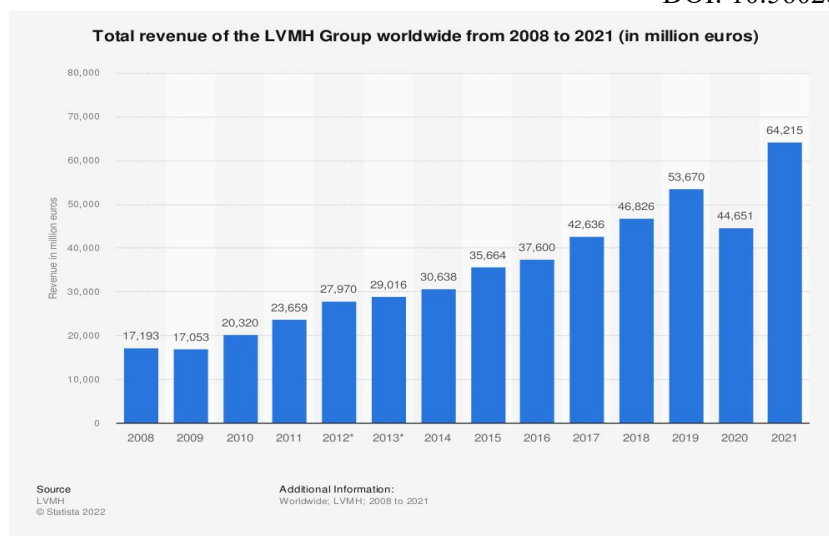


Fig 1: Total revenue of the LVMH Group worldwide from 2008 to 2021

Regarding the worldwide revenue of the Kering group in 2019-2021. The revenue of Kering decreased from 15,883.5 million euros in 2019 to 13,100.2 million euros in 2020. The following year, it rose to 17,645.2 million euros. Comparing the data for 2019 and 2021, we can see that Kering also performs well under pressure; while Kering's revenue is not as high as LVMH's, it is still among the best in the industry.

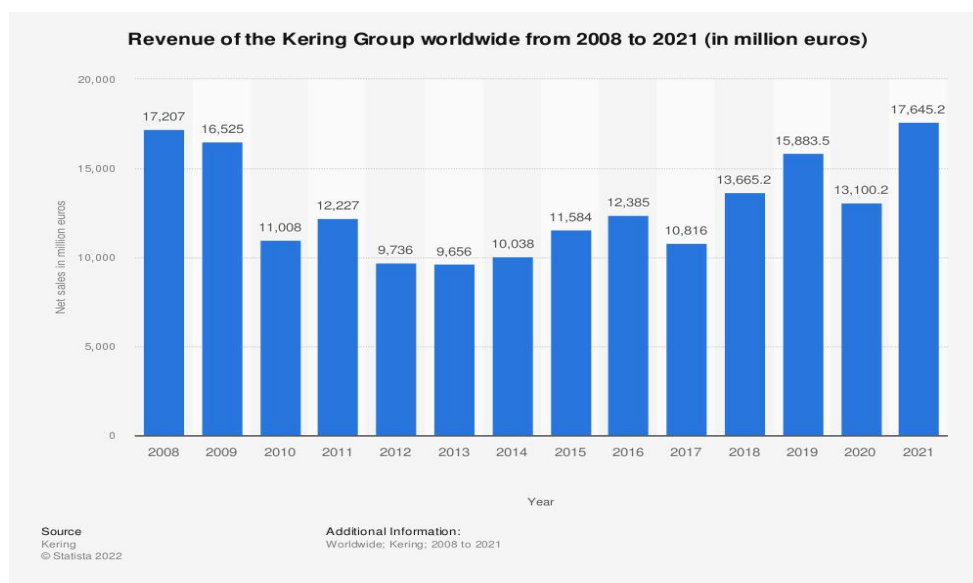


Fig 2: Revenue of the Kering Group worldwide from 2008 to 2021

The reason why Richemont's revenue and net income trends diverge from those of LVMH and Kering Group. During the pandemic, most industries in all walks of life are presumably losing value, and only items of real value, such as hard circulating currencies such as gold, silver, etc., are increasing in value. During the turbulent period, the value of hard luxury items such as diamonds, fine jewelry, etc. will remain stable or even rise.

Richemont's most valuable possessions are fine jewelry and timepieces. In uncertain times when everything is depreciating, people need peace of mind, and only fine jewelry can provide it. In the aftermath of the pandemic, therefore, a large number of properties that could retain their value were purchased.

When the epidemic improved in 2021, people desired to buy consumables to alleviate the previous two years' stress. Profitability steadily returned to the organizations. Then in 2022, this year, the Russian-Ukrainian War broke out, demonstrating jewelry's superior value once again.

Compagnie Financière Richemont SA (CFRUY) ☆ Follow
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Income Statement Currency in EUR. All numbers in thousands Expand All

Breakdown	TTM	3/30/2022	3/30/2021	3/30/2020	3/30/2019
> Total Revenue	21,070,000	19,181,000	13,144,000	14,238,000	13,989,000
Cost of Revenue	7,636,000	7,154,000	5,283,000	5,627,000	5,344,000
Gross Profit	13,434,000	12,027,000	7,861,000	8,611,000	8,645,000
> Operating Expense	9,514,000	8,662,000	6,385,000	7,095,000	6,704,000
Operating Income	3,920,000	3,365,000	1,476,000	1,516,000	1,941,000
> Net Non Operating Interest Inc...	60,000	-120,000	-132,000	-84,000	-53,000
Pretax Income	3,337,000	2,577,000	1,515,000	1,198,000	3,168,000
Tax Provision	656,000	498,000	226,000	267,000	381,000

Fig 3: Richemont income statement from 2019 to 2022

4. Conclusion and suggestions

From 2019 to 2022, all businesses will face unforeseen challenges, such as epidemics or the Russian-Ukrainian conflict, based on a comprehensive analysis of all relevant factors. Nevertheless, as demonstrated by the comparison of data presented previously, LVMH has been robust, has continued to develop, and has a high-stress resistance. This is why I decided to write my paper on LVMH. Moreover, in my opinion, LVMH will not only be exciting for the next ten years but will also maintain its industry-leading position for many years after that.

Comparing the SWOT as mentioned above analysis to the two competitors reveals that LVMH is still underrepresented in the demanding luxury goods industry. LVMH's acquisition of Tiffany has added a significant new player to the jewelry industry, but it is still insufficient. LVMH could invest more resources in hard currency and hard luxury in the future. Let LVMH continue to be the first choice for chaotic or urgent situations.

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