

Practical Community in Business Model

LOUIS VUITTON MOËT HENNESSY CASE

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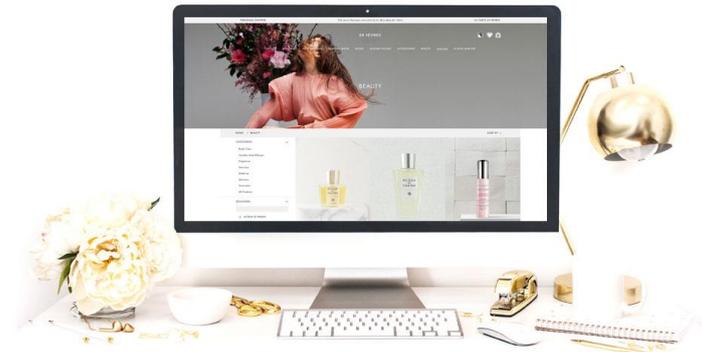
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This case was prepared by Karina Coleta under supervision of Professor Fabian Salum, both professors at Fundação Dom Cabral. It is intended to be used as a reference for discussion in classroom, rather than as a picture of how effective or ineffective a given administrative situation may be handled.

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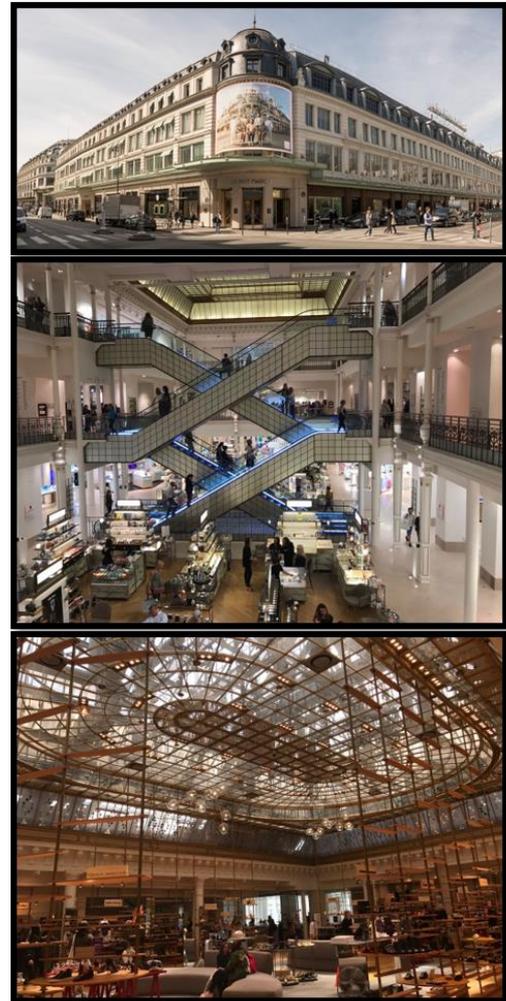
24 Sèvres' website - Source: beautygoesdigital.com

24 Sèvres: the charm of a new consumption experience as offered by the LVMH Group

Led by CEO Bernard Arnault, the LVMH Group holds seventy renowned brands of luxury products. The brands are named *Maisons* (namely houses, in French) and are separated into five segments: wines, fashion and leather accessories, perfumes and cosmetics, jewellery and watches, and retail stores carrying selected products. Among the luxury products sold at the *Maisons* are Dom Pérignon champagnes, Marc Jacobs' bags and accessories, Christian Dior perfumes and TAG Heuer watches.

One of the retail stores acquired by the LVMH Group in 1984, is the monumental *Le Bon Marché*, visited by fifteen thousand clients every day. Opened in 1852, it is the world's first department store ever. It is located in the *Sixième Quartier*, a wealthy area of the city of Paris, at *Rue de Sèvres 24*. French entrepreneur Aristide Boucicaut and his wife Marguerite created the store. Its proposal reflects the nineteenth century French disposition to launch new enterprises. Boucicaut introduced innovations to transaction processes such as the possibility of home delivery, purchase via catalogues and the substitution of products. In addition, he introduced entertainment for children and reading rooms for husbands inside *Le Bon Marché's* facilities.

The architecture of the shop, with its huge glass-and-iron areas designed to impress our senses, now combines rooms for the sale of luxury articles with art exhibitions.



Le Bon Marché: Rue de Sèvres 24, Paris.

Source: (1) Google Images (2 and 3) Fabian Salum personal archive

The selection of pieces displayed and sold at *Le Bon Marché* reflects the Parisian way of living. The LVMH Group now wants to reproduce and extend the reach of said *art de vivre* by means of an online channel. This intention is already clear in the name chosen for

the new platform (website and application): 24 Sèvres.



French lesson: how to pronounce 24 sèvres

The idea was launched in June 2017, but it is certainly not the first LVMH's e-commerce initiative. In the year 2000, the eLuxury website was created to conduct multiple-brand sales. It ceased operations, however, in 2009. According to the Group, the website was discontinued not because of financial troubles but to be restructured as a shopwindow or electronic magazine displaying luxury products. The restructuring ended up not happening and eLuxury was revamped and relaunched in 2010 as a video channel, being renamed *nowness.com*, whose shareholder control was acquired by Modern Dazed in 2017.

But how would the virtual boutique 24 Sèvres be different from the first experience? What is the strategy now? LVMH Group's CDO (Chief Digital Officer) Ian Rogers explains that the difference lies in two aspects: moment and perspective. eLuxury's failure showed that technology should not be adopted too early, since, with regard to the network, it does not matter whether you are a late entrant or not. As for the second aspect, he says: "don't think of it as an LVMH e-commerce project, but rather as our attempt to internationalise *Le Bon Marché* using the Internet".

Accordingly, Bernard Arnault points out 24 Sèvres' focus on the experience consumers live over its online channel: "our local and international clients are highly sophisticated and are always in search of creativity and innovation. Launching 24 Sèvres, we started to offer a really differentiated online experience, since the operation was conceived based on the unique expertise we gained operating *Le Bon Marché*, in Paris". This is how the brand is positioned

in the competitive luxury market from which, according to survey conducted by Deloitte, France leads in sales numbers. The same survey by Deloitte published the ranking of the one hundred world's largest luxury retail stores. For the third consecutive year, the LVMH Group holds the first place.

LVMH				
2016	2016	2016	2016	2014-16
Sales (US\$ m)	Revenue (US\$ m)	Sales Growth (US\$ m)	Net Profit Margin	Adjusted Annu Growth Rate
23,447	41,593	5.0%	11.6%	10%

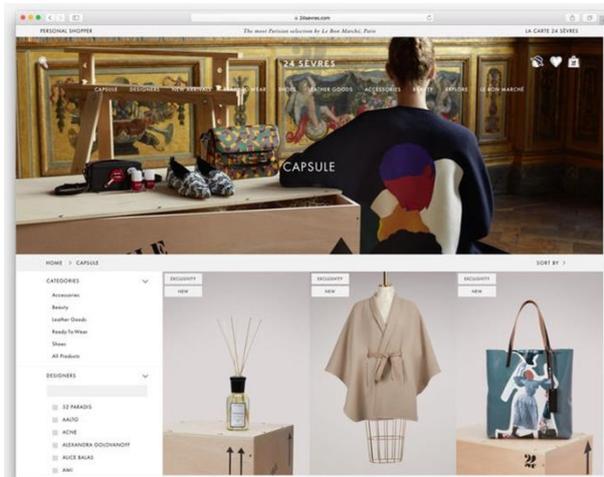
Source: Deloitte Report Data – *Global Power of Luxury Goods 2018*

24 Sèvres' business model is aligned with the pillars of the LVMH *Model*, but retains the peculiarities of a new consumption experience.

As for the management, the model reproduces the "decentralised organisation", which empowers the brands that constitute the group. On the platform, each brand has its own personalised space, including brands of other luxury designers – either renowned or new entrants – that do not belong to the LVMH Group. For some of them, 24 Sèvres means both *debut* and exclusiveness with respect to e-commerce as in the case of Celine's fashion, which entered the platform in 2018. As state by Rogers, the objective is to keep "a model of independent stores, similar to that of the physical stores".

The resources involved in this kind of business model include not only the investment of thousand of Euros, but also the expertise and the legacy of the group's *Maisons*. Thus, the model is aligned with the "creation of synergies" pillar, with all brands benefiting from their combined strength. In addition, human resources are also of fundamental importance. Some people believe that the potential for success is tied to the education and competencies of Ian Rogers himself, a former Apple Music director hired by LVMH, in 2015. Besides, a team of personal shoppers, specialised in the Parisian style, supports the platform and guides the users' purchase experiences.

The selected management model, combined with marketing positioning and the resources available, constitutes the value offered by the platform. The objective is to prevent consumers from being flooded by an avalanche of products. It is very important that consumers perceive the care and the innovation applied to the selection of the products displayed (so far aimed at women). The **visual experience** is also important, and each product is displayed in such a way as to highlight its charm and singularity, just like in physical stores.



Display of products in the website
Source: 24sevres.com

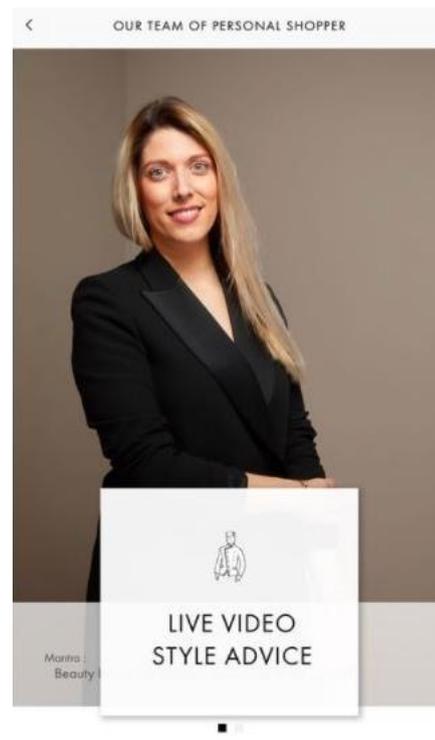
The space, dedicated to the daily Parisian look, the emerging designers and the cult fashion, is intended to promote a sense of exclusiveness, and the platform acts as a point of reference in style and new tendencies. For the LVMH Group, the focus is on the unique and attractive character of the products, in other words, in the quality of the offer, not in quantities.

The platform's ambiance reproduces that of a *Le Bon Marché* store, with its stylised drawings and a central watch indicating the time in Paris. The goal is to recreate the visual mastery and the **curatorship** that have always wondered offline customers.



Drawing of *Le Bon Marché* showing time in Paris
Source: 24sevres.com

Users may count on a three-day delivery service, and may return articles or send them back for substitution either by post or in any store of the article's brand. In addition, the client may rely on personalised guidance provided by an stylist via live video, chatbot or electronic mail, to prevent the purchase experience from becoming too solitary and unilateral. The chance of having access to this kind of human relationship is considered a differential offered by the platform.



Jennifer: one of the personal shoppers of the website and apps
Source: 24sevres.com

In fact, advice from specialists is so important to 24 Sèvres that, when celebrating its first anniversary, the platform conducted an essay where fashion hints were given by actress Leïla Bekhti. The French celebrity emphasised the peculiarity of the charm offered by the platform: "for me, the Parisian style is

practical, it is fully anti-look. We are unique women, who have their own style. And this is exactly what we should develop; we don't have to copy tendencies, we have to find our own". This is the niche 24 Sèvres expects to serve; a public interested in the Parisian women from twenty-eight to forty-five years of age who, apparently without much effort, manages to be elegant.

What is the value of this business model's choices up to now? In terms of competitive advantages, despite the **reputation** of the LVMH Group and *Le Bon Marché's cultural appeal*, the marked online presence of older competitors such as farfetch, net-a-porter and matchesfashion.com cannot be neglected.

In spite of betting on the combination of physical and virtual experiences, of the personalised style and of the offer of content on tendencies, data prepared by the digital marketing intelligence service SimilarWeb indicate that, in February 2018, the number of visitors to 24 Sèvres totalled about one hundred and fifty thousand people. A certainly modest number when compared to the 6.67 million visitors to FarFetch, to the 2.5 million visitors to Net-a-Porter and to the 1.15 million visitors to MatchesFashion.

Number of visitors to the website in February 2018	
24 SÈVRES	150 THOUSAND
MATCHESFASHION	1.15 MILLION
NETAPORTER	2.5 MILLION
FARFETCH	6.67 MILLION

Source: Data provided by Similar Web

Considering the fact that the platform was launched in June 2017, the results of the proposal of 24 Sèvres as a platform focused on the Parisian life style remain to be seen.

According to the 2017 Report issued by LVMH on the retail *Maisons*, the platform occupies a prominent position. This segment – which includes *Le Bon Marché* – accounts for 13,311 million euros in revenues. This is the second largest revenue second

only to the fashion and accessories segment, whose revenues totalled 15,472 million euros.

However, after its first year of operation, the platform's executive officer admits that most of 24 Sèvres revenue comes from international sales. "We never imagined to deliver in up to fifty countries each week", he says, surprised by the repercussion the assigns to the social media.



Source: 24sevres.com

This means that there is potential for a future generation of value that should not be neglected. The Boston Consulting Group (BCG) estimates a twelve per cent growth in the online sale of luxury products until 2020. The client participating in this market wants more than a selection of items fitted for traditional consumption, he wants to have an innovative style experience. According to BCG, "consumers who buy both online and in physical stores usually spend fifty per cent more than those who buy exclusively offline".

Technology, reputation, curatorship, niche, visual experience and cultural appeal are unique elements that of 24 Sèvres' value proposition. Are they sufficient for longevity?

If not, maybe it will face the same fate of eLuxury. If yes, there is a disruptive potential in the ability of the platform to capture and respond to the specific interests of the users, converting them not only in enthusiasts of the proposed style, but also in buyers and even buyers propensive to visit a physical store. Disruptive to the traditional *modus operandi* of the LVMH Group, namely that of feeding growth through the acquisition of European luxury brands.



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