

LVMH's Diversification Strategy in Luxury Goods

Case Questions & Issues

1. LVMH's Past and Current Corporate Diversification Strategy

- a. Identify & characterize LVMH's diversification strategy.
- b. What are the 'star' brands – and how do they contribute to LVMH's corporate advantage and strategy?
- c. What are LVMH's key business segments – and briefly describe the business strategies that LVMH is using in each of these.
- d. Is there a common strategic approach used in managing LVMH's portfolio of businesses? Identify any key business synergies.

2. LVMH's Portfolio of Businesses

- a. What is the 'Industry Attractiveness' for EACH of the original and acquired businesses (need to do for each key business & industry)?
- b. What is the relative 'Competitive Strength' position of EACH?
- c. What are the 'Business Fit' & Synergies of each of those businesses?
- d. Which of the LVMH businesses have a good 'strategic fit' with the other businesses or contribute to LVMH's common competencies?
- e. Use the 9-cell attractiveness/strength matrix to summarize, visualize, and support your assessment.

3. Impact of Diversification Strategy on LVMH's 'Shareholder Value'

- a. What are the financial characteristics and relative performance of each of LVMH's six major business segments?
- b. Which businesses might be considered cash hogs ... cash cows?
- c. Which businesses should LVMH milk, invest in, divest? Why?
- d. How successful was LVMH's financial performance overall and by business segment in 1999-2001?
- e. Has the diversification strategy increased or destroyed shareholder value? Should shareholders be pleased?
- f. Use your 9-cell attractiveness/strength matrix from #2, Porter's '3 Tests', and LVMH's key financial ratios to determine.

4. Recommendations to Improve 'Shareholder Value'

- a. Which segments/businesses destroyed rather than created shareholder value for LVMH shareholders? Why?
- b. What are the 'Lessons Learned'?