

LVMH pursued diversification in its strategy because Bernard Arnault believed that he should be controlling the retail channels where his products were sold in order to be successful in his business. The merger between Moët-Hennessy and Louis Vuitton was the best strategy to prevent the companies from becoming takeover targets of large international corporations that were making investments in France. LVMH is currently performing very well because of diversification. The different industries they have entered have been the reason for success. They were the leading champagne producer with a 20.1% market share and 61.4 million bottles sold in 2015. Also in 2015, they were number one in the global cognac market with a 46.5% market share and 76 million bottles sold. Louis Vuitton is the world's leading luxury brand and the foundation of LVMH's fashion and leather goods division. Their fragrances, cosmetics, and skin care brands were among the world's most prestigious and innovative in their formulations. They also produced the best automatic chronograph in its price range. Most of LVMH's segments were very successful.

I do not think it makes sense or is necessary for LVMH to compete in all segments. I think the wine and spirits and perfumes and cosmetics sections are most important for future growth and profitability. They have had the most sales and biggest operating profit gains, and I think by focusing on them the most, LVMH will continue to grow and be number one. I believe the watches and jewelry segment will also provide future growth and profitability. This is because they have had increased revenue but no change in operating profit. If this segment was focused on a little more, I think they would be more successful because it has a lot of potential for continued success. The specialty/selective retailing segment is performing poorly, so I think it would be okay if LVMH discontinued it. The "other" segment has never had an operating profit so I think they should also discontinue this because it is not helping their company in any way.

Corporate diversification is beneficial because by diversifying products and ownership, you improve the risk-return profile. Diversification reduces risk and maximizes return so there will be an increase in sales and revenues. Diversification could also be a problem because if you do not have much experience in a certain industry that you enter, it could end up being a failure if you do not manage it properly.