

AUGUST 6, 2007

BEST GLOBAL BRANDS

Online Extra: Louis Vuitton's Life of Luxury

Chairman and Chief Executive Yves Carcelle gives insight into LVMH's culture, and how to market the global growth of a prestige brand

How does a brand that is synonymous with luxury—and exclusivity—grow, while retaining its cachet? It's a question that occupies the powers that be at LVMH Moët Hennessy Louis Vuitton ([LVMH](#)), which saw total sales for 2006 increase nearly 10% from the previous year, to \$20 billion. First-half revenue earnings for the group, announced July 26, were €7.4 billion (about \$10.2 billion), a growth of 12%.

The jewel in LVMH's crown remains its Louis Vuitton label, for the second straight year weighing in at No. 17 on the *BusinessWeek*/Interbrand list of Best Global Brands. Known for its iconic monogrammed handbags and other leather goods, the brand is an enduring status symbol around the world. But that's not to say the challenges aren't there: The threat from counterfeiting is serious, as are the potential problems of brand dilution as it moves into offering new product lines.

Yves Carcelle, chairman and chief executive officer of Louis Vuitton, chatted by e-mail with *BusinessWeek*'s [Reena Jana](#) and explained how the company plans to expand into regions with growing numbers of wealthy customers—such as India and China—and how its branding and marketing strategies are evolving in Japan, where the brand has long been popular. Carcelle also discussed how the brand stays fresh and creative by collaborating with artists, hip museums, and other cultural organizations. An edited transcript follows.

How will the Louis Vuitton brand grow in China and India? What are the challenges of marketing to consumers in those countries?

When we opened in China in 1992, people asked, "Why have you come here? We don't understand luxury." My answer was, "No, you are sophisticated. And one day soon you'll be the biggest superpower."

Louis Vuitton has pursued a consistent approach to developing the market, never compromising in the face of difficult operational obstacles, and, as always, controlling every aspect of the business. This unique approach has powered Louis Vuitton to its current position as the most successful luxury brand in China. In May, we opened our first store in Shenyang, our most northern store to date. We just opened a new store in Nanjing. Soon we will have a third store in Beijing and we will open a new store in Tianjin, China's fastest-growing city, before the end of 2007. Today, the mainland Chinese are Louis Vuitton's third-largest customer segment in the world.

In India, we will soon open our third store, which will be the second in Delhi. India has phenomenal potential and the growth has been exceptional. In fact, the volume of business in India is proportionally larger than when we started in China. However, the market for luxury products remains marginal. It is true that we are witnessing the rapid emergence of an upper middle class, but only a limited number of households can afford high-end aspirational products.

What about in Japan, where you already have a strong consumer base? How has the marketing strategy evolved there?

Japanese luxury customers are demanding and have an eye for detail. French quality and *savoir faire* resonate very powerfully with them. They respect traditions while remaining future-facing. I believe these are important values that we share. It inspires us to progress [and] to continually improve. We want to offer a unique experience to our customers by allowing them to embrace the entire Louis Vuitton universe in one place. This is the case in our stores.

We now control 54 stores in Japan. New-generation stores have opened their doors in Nagoya, Osaka, Sapporo, Tokyo and other cities, revolutionizing the ceremony that surrounds the sale of a luxury product. Architecture has become an integral part of the brand identity. This is manifest in the Omotesando building designed by Jun Aoki as a stack of trunks. A new era has begun where the in-store experience is almost as important to the customer as the product itself. I think this is a new trend in luxury retail.

How does Louis Vuitton plan on maintaining the brand's prestige as the company begins to offer arguably more affordable products, such as sunglasses?

The fine equilibrium between tradition and innovation reflects the DNA of Louis Vuitton. Products such as the Multicolore Monogram bags, the fruit of a collaboration between [fashion designer] Marc Jacobs and the contemporary artist Takashi Murakami, received a fantastic welcome. But we still make traditional suitcases in the same way as in the 19th century.

We will continue working with this same creativity and respect for quality. As a leader of the sector, the challenge is to continue growing and still preserve the exclusivity and great quality the company has always offered.

Do your marketing plans include the Internet, new media, or other outlets?

Louis Vuitton has always transcended barriers across artistic, technical, and intellectual disciplines. Inaugurated in 2006 on the seventh floor of the Champs-Élysées Maison, the Espace Louis Vuitton is a space of artistic and cultural expression. Opening with [an exhibition by] the artist Vanessa Beecroft, the Espace has also presented the work of contemporary artists and designers, [including] Shigeru Ban, Andrée Putman, and James Turrell. In the future, we will open several Maisons Louis Vuitton, a truly unique concept that allies shopping, luxury, leisure, art, and culture.

Last year, Bernard Arnault (LVMH Moët Hennessy Louis Vuitton's executive chairman and CEO) announced the creation of the Fondation Louis Vuitton pour la Création. This is a long-term initiative, its vocation is universal, and in no way commercial. This foundation will mobilize the considerable resources of Louis Vuitton to promote creative expression in close consultation with the French state and the Paris city authorities.

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