


 A photograph of Bernard Arnault, CEO of LVMH, walking on a red carpet. He is wearing a dark suit and tie, looking towards the camera. In the foreground, a woman is wearing a bright red dress. The background is filled with a crowd of people, some holding cameras.

arnault's playground

It's the more, the merrier, when the LVMH mastermind goes label-shopping. By Baey Shi Chen

His is a name synonymous with luxury. Hailed as “most influential tastemaker”, Bernard Arnault is the CEO/Chairman of LVMH (LVMH Moët Hennessy), the group behind labels like Louis Vuitton, Dior, Fendi, Céline, Givenchy, Sephora, and most recently, Bulgari, Moynat and Charles & Keith.

And if the French billionaire has his way, he'd soon be adding to his portfolio luxury stalwart Hermès. His acquisition of 20 per cent stake led the Hermès family to cry foul, who have so far successfully prevented the takeover by creating a holding to control more than 50 per cent of the company.

Both an engineer and a classical pianist

by training, Arnault helped run his family's construction and property business after graduating from École Polytechnique. After a short stint in US in the early Eighties, he returned to France and took over ailing textile firm, Boussac, which owned Dior. He eventually gained control of the LVMH enterprise and turned it into a multi-label empire.

“I am quite competitive. I want to stay ahead and increase our advance,” says the 61-year-old, also Europe's richest man according to *Forbes* magazine.

STRENGTH IN NUMBERS

Arnault's self-described “brash American

approach” has helped him successfully expand his stable of prestige brands. Not that he was the only one at it – long-time rival PPR owns Gucci, Yves Saint Laurent and Balenciaga, while Richemont oversees Chloé and Cartier.

One brand that welcomed the mighty conglomerate is home-grown footwear retailer Charles & Keith. In March, it sold a 20 per cent stake to L Capital Asia, the private equity arm of LVMH. Such companies look forward to significant boosts in resources, such as funding and knowledge transfer.

Charles & Keith, which has six stores in Shanghai and plans to open 100 in China over the next five years, wants to tap on LVMH's strong connections with landlords there. Its

chief financial officer Dicky Koh, shares: “They can put us at the negotiating table and say that we have all these brands under our portfolio, including Charles & Keith.”

Some family businesses have willingly succumbed too. Bulgari sold 51 per cent of its stake to LVMH for €1.84 billion (\$3.35 billion) in March. “We found in Bernard Arnault and the group he has built all the elements that are required to guarantee the long term future of Bulgari: the ability to gather into one powerful organisation different brands that can grow and develop while preserving both their identity and originality; a culture completely identical to ours,” state Paolo and Nicola Bulgari, chairman and vice chairman respectively at the Italian luxury house.

SELLING POINTS

Arnault’s strategy goes beyond singling out names with global potential. Through clever marketing – think highly polished celebrity-studded advertising campaigns and lavish fashion shows – he transformed labels such as LV and Dior into highly profitable luxury labels.

His modus operandi revolves around crafting a distinct identity for each brand and tagging a star designer with the personality and sensibility to express it. Louis Vuitton under Marc Jacobs, Karl Lagerfeld at Fendi, Phoebe Philo for Céline, and until recently, John Galliano for Dior – these remain fashion’s most talked-about partnerships.

For instance, Jacobs (his namesake and

diffusion lines are also owned by LVMH), resurrected what had become a staid name by the Nineties. “In so many ways, I’ve always felt like this little boy trying to please a father,” says the New York native, who introduced LV’s first ready-to-wear collection in 1997.

Much as Arnault delegates the daily tasks to his trusted aides (son Antoine headed the Louis Vuitton communications team until he moved to Berluti), he is notoriously obsessed with finer points.



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Apart from hectic travelling schedules, he personally sieves through every collection pre-presentation and inspects boutiques. “Sometimes, he adjusts a bag on a store shelf by five centimetres,” quips Antoine.

Indeed, in the words of Sidney Toledano, president and CEO of Christian Dior, “They say God is in the detail. Here, the boss is in the detail.”

Collaborations with artists like Stephen Sprouse and Takashi Murakami produced hip arm candy for the younger crowd. Meanwhile, celebrities such as Jennifer Lopez, Scarlett Johansson and Madonna were roped in to add buzz to its ad campaigns.

Efforts to expand geographical reach, LV’s in particular, also saw boutiques spring up in emerging consumer-driven economies of China, India and the Middle East.

And if figures are anything to go by, the formula certainly works. LVMH reported that its sales rose 17 percent in the first quarter of 2011, which beat analysts’ estimates. The fashion and leather goods division accounted for 17 per cent increase, spearheaded by double-digit organic revenue growth at LV.

CORPORATE SUSTAINABILITY

Arnault’s brisk buying spree has sparked off concerns about the threat of fashion communism. In 2009, he acquired 49 per cent of Edun, the brain-child of rock star Bono and his wife Ali Hewson, which he reportedly aims to turn into the “Stella McCartney of LVMH”. More recently, his eye also fell onto Laura and Kate Mulleavy’s Rodarte.

Not that the indie brand, which rakes in US\$2 million (\$2.5 million) annually, is in dire need. Plus, Rodarte, known for its left-of-center sensibility, aren’t likely to eschew creative for commercial goals. So even if Arnault is keen to work with the American siblings, he must prepare to concede his fixation for control.

Already, he is facing fierce resistance from Hermès, whose 200-member clan banded together for a pointed statement “to preserve the culture of Hermès”. The brassy, glossy success Arnault has engineered for his brands goes against the discreet luxury the brand embodies, they argued. Although Arnault insisted that he would not wrestle for control, Hermès family patriarch Bertrand Puech, 75, who referred to him as “a wolf in cashmere”, clearly believed otherwise.

Will the luxury kingpin complete his domination of the fashion world? Watch this space.



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