

LOUIS VUITTON NEW PRODUCT LINE:

THE HOLLYWOOD SERIES

Jennifer Jung

Advisor: Richard Linowes

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“Brand building in the luxury business is trickier than in, say, the cereal business. You need to create desire for things that no one really needs.”

-Bernard Arnault, LVMH Group Chairman

EXECUTIVE SUMMARY

The Louis Vuitton Moët Hennessy Group (LVMH) has enjoyed years of continual financial growth and success due to the unique strategy of differentiation and quality control the company's management has practiced. In the 1990's the company, however, began to be seen as the old luxury brand that was still prestigious, but more for “mom's style”. In order to battle this brand image, Chairman Bernard Arnault implemented drastic changes to the design department and brought in new faces such as Marc Jacobs to create fresh looks for the company. The Louis Vuitton brand was the bread and butter for the company and was responsible for over 60 percent of the company's profit. Jacobs took the company in a completely new direction and his new bags, the multicolored Murakami collection, were an instant hit, pulling in over \$300 million in sales. Since then, Louis Vuitton has been searching for newer and fresher designs that are desired by not only the older generation, but all, to enjoy.

That is why LVMH group introduces a new line of luxury goods to the Louis Vuitton brand. This plan proposes that LVMH should release a line of leather goods called the Hollywood series. Each leather good would be produced with an inspiration from a specific celebrity and the product would be named after that celebrity. LVMH has a history of

successfully using celebrities in advertisement campaigns to promote various seasons for Louis Vuitton. The company holds a competitive edge in the industry being the top leader in luxury goods as well as being a brand that celebrities want to be associated with. However, the company must be careful in selection of the celebrity representative because choosing a figure that does not complement the overall brand could be detrimental to the product line and the LVMH group. Thorough marketing research should be done to select the best representatives for the Louis Vuitton brand who will complement the product as well as have lasting appeal with the company's consumers and media. If this is done, then the product will be heightened and more desirable and the awareness of the new product will be magnified in the media.

Distribution of the product line should be strictly controlled. This line should first be released on a limited edition basis in Asia, and the largest stores in the west including Paris, New York City, and Los Angeles. A limited amount should be considered to be made available for online purchases. Company research shows that Japan and the rest of Asia makes up 45% of the luxury goods revenue for Louis Vuitton. Also, Asia shows a strong and consistent demand for Western styles and goods as well as Western celebrities' presence which shows the product line has a high probability of doing well in Asia over any other region worldwide. Creating a limited amount of leather goods created not only creates more demand for them which drives up prices, but also allows the company to release a new line of Hollywood leather goods each year without holding a large inventory of the past season's goods. Celebrity placement is currently extremely strong and could be very profitable if the company would take advantage of this influence by releasing the Hollywood series of leather goods for Louis Vuitton.

COMPANY HISTORY

Louis Vuitton, originally a woodworker, began his fashion career packing dresses for French Empress Eugenie in the mid 1800's. Soon after, Vuitton opened his first store in 1854, introducing a variety of high fashion trunks for wealthy clientele. His invention of the flat-topped trunks, which were more easily stacked than the domed trunks of the time, grounded his reputation as being the best of his field.¹ Vuitton's continued success laid in his ability to adapt his products to the rapidly changing modes of travel that emerged during the late 19th century. He designed lighter suitcases for faster travel as well as the first wardrobe trunks for sleeping cars. Vuitton stayed competitive in the luxury sector by using by manufacturing trunks using high quality materials and finishings making the products far superior to others in the market.

In 1885, Vuitton branched out of France and opened a store in London which was managed by his son, Georges Vuitton. The company continued its international expansion by showing in the Chicago Exposition of 1893 and distributing products to New York and Philadelphia. Georges also invented the iconic tumbler lock as well as the LV logo which was an instant upon its introduction. Within a few years, Louis Vuitton's distribution launched completely into the international markets with distributions to Boston, Chicago, San Francisco, Nice, Buenos Aires, Bangkok, Brussels, and Montreal in the early 20th century.²

The company established itself in the luxury sector soon after World War I by accruing a list of some of the most reputable and fashionable people of the era, including Coco Chanel, the president of the French Republic, Mary Pickford, and Charles Lindbergh. The company

¹ "LVMH Company Profile". Hoover's. <http://www.answers.com/library/Hoover'sProfiles-cid-11364214>; April 12, 2008.

² Ibid

underwent many changes structurally by forming distinct organizational sectors such as commercial management, financial administration, and production management. Issues such as counterfeiting was also recognized and countered by the company in the mid 1900's. For example, in order to deal with the large influx of imitation LV bags in Asia, the company opened a store in Tokyo in order to make products more accessible to consumers to dissuade them from buying fakes. The products were also continuously reinvented as they became more durable and even waterproof to adapt to more frequent airplane and car travel.

CHANGES IN LEADERSHIP

Henry Racamier married into the Louis Vuitton family and took over the company in 1977. Under Racamier's guidance, the brand transformed being an "esoteric status symbol to a designer must-have".³ Over the next ten years, company earnings increased dramatically from \$20 million to \$2.5 billion. It was then that the Louis Vuitton company also began its growth through acquisitions of other companies such as Givenchy and the champagne company Veuve Clicquot. However, it was not until 1987 that Racamier led the company into the infamous merger with Moët-Hennessy. At the time, Moët-Hennessy was in a financial struggle to keep from being taken over as the company had not been able to realize gains from a \$11.7 million investment in research and development in various cosmetic endeavors. As for Louis Vuitton, the merger was an opportunity for the company to become a more prominent presence in the luxury sector. Thus in the June of that year, the two companies entered into a \$4 billion merger

³ LVMH achieves record results in 2007-New growth objective for 2008". *Business Wire* 2008. Feb. 02, 2008; Internet: <<http://www.pr-inside.com/lvmh-achieves-record-results-in-r424265.htm>>, April 15, 2008.

and became the Louis Vuitton Moët-Hennessy Group (LVMH). Although the merger was agreeable in that both companies respected the other's own management and subsidiaries, Moët-Hennessy was nearly three times the size of Louis Vuitton and so Alain Chevalier, Moët-Hennessy's chief executive officer, became chairperson of LVMH and Racamier became executive vice-president. This caused friction to arise between the two officials and Racamier became convinced that Chevalier and Moët-Hennessy would attempt to absorb Louis Vuitton's operations. Also, Racamier and the Vuitton families ownership over the company became diluted upon the merger going from 60% ownership over Louis Vuitton to a mere 17% ownership over the LVMH Group. This caused more tension between the Vuittons and Chevalier.

A NEW ERA WITH BERNARD ARNAULT

Hoping to strengthen his position in the company, Racamier invited Bernard Arnault to buy shares in LVMH to take part of the ownership. At the time, Arnault was a wealthy property developer and financial engineer who was not a part of the luxury-goods industry. However, Arnault decided to take advantage of the opportunity presented to him by Racamier acquired more shares of LVMH than Racamier expected. Instead of complementing Racamier's position in the company, Arnault raised enough capital with the help of Lazard Freres, a French investment bank, and the British liquor company Guinness Plc. to acquire 45 percent of the LVMH stock, giving him a dominating controlling interest in LVMH. With Arnault's sudden takeover, Chevalier stepped down from his position and aided Arnault establish himself as the

company's new leader over Racamier with the support of the Moët and Hennessy families.⁴ After 18 months of legal battles, the courts ruled in favor of Arnault and Racamier was forced to step down as well. Arnault then began transforming the LVMH from the inside out, replacing many of the top executives with his own team of leaders. He also worked towards bringing together all of the fragmented areas of the LVMH group to create one cohesive company.

With the company finally integrated, Arnault focused his attention on expansion. The early 1990's marked a new era for LVMH as Arnault began acquiring various different luxury brands to add to the LVMH group. More than \$3 billion dollars were spent in 1996-1997 alone on acquisitions. One of the largest acquisitions at the time was of the majority interest in the Duty Free Store's (DFS) stock of 61 percent. This included the 180 of the specialty retailer's stores in Asia which DFS's main market. Arnault acquired DFS not only for its presence in the high-end retail sector but to control and expand more channels of distribution for the company's products. Another large addition to the group was of Sephora in 1997, a French perfume and beauty product retailer, for \$267 million.⁵ Multiple fashion houses were also acquired during the 1990's. Most of these brands were those that were recognized as the top in the fashion industry such as Celine, Christian Lacroix, and even Fendi. Arnault also nurtured other LVMH groups such as the Liquor and Spirits group by purchasing the winery Chateau d'Yquem and the Jewelry and Watches Group through Ebel, Chaumet, and TAG Heuer.

Acquisitions continued into the new millennium as LVMH bought Emilio Pucci and Donna Karan International and new distribution channels through the addition of Miami Cruiseline Services and the auction house L'Etude Tajan.

⁴ "LVMH Company Profile". Hoover's. <http://www.answers.com/library/Hoover'sProfiles-cid-11364214>; April 12, 2008.

⁵ Ibid

LVMH FINANCIAL SUCCESS

Today, the LVMH Group is a powerhouse in the luxury brands industry, pulling in companywide revenues of over \$24 billion in 2007 alone. Over the years, LVMH has been able to report strong earnings and growth, undeterred by economic downturns. Arnault's leadership was tested in 1997 when the Asian economic crisis exploded across the region that brings in the highest percentage of LVMH's revenues. With the crisis spreading throughout Japan, South Korea, and China, many expected LVMH fall into a financial slump in the following year. The impact of the financial situation in Asia appear to affect the company as LVMH's stock price slid 38% in the summer of 1998 and the company reported a decrease in net income of FFr 3.45 billion, down from the FFr of 4.87 billion from the previous year. However, Arnault had faith in the future of the company, stating that "1998 was a year of consolidation and restructuring, aimed at laying strong foundations for resumed growth in 1999".⁶ This was proven true in the following year as the company rebounded enormously by reporting a 16% increase in sales of 3.59 billion Euros in the first half of 1999.⁷ Stock prices also rose approximately 77 percent that summer. Although Asian economies struggled throughout 1998, LVMH showed no signs of slowing down as the company continued to expand through acquisitions of numerous luxury brands including Le Bon marche and Marie-Jeanne Godard, a distributor of cosmetics in France. That same year, LVMH also entered into a bidding war for Gucci against rival holding company Pinault Printemps Redoute SA.

⁶ "LVMH Company Profile". *Hoover's*. <http://www.answers.com/library/Hoover'sProfiles-cid-11364214>; April 12, 2008.

⁷ *Ibid*

The company's unwavering growth was observed again in the past year of 2007. As the subprime mortgage crisis suddenly unfolded, many companies were forced to report losses due to write-downs of financial assets. However, LVMH made news by reporting record earnings of 14 percent overall organic growth in all groups. The Fashion and Leather Goods group did extraordinarily well, reporting an organic growth of 14 percent. Net profits for the year rose 8 percent as well, to 2.025 billion Euros. LVMH's growth has continued into 2008 as the company made headlines by reporting another 12 percent increase in first quarter sales as compared to the first quarter in the prior year.⁸ This generated revenues of 4.002 billion Euros and brought overall sales increase to 5 percent for the period.⁹

KEY POSITIONING OF LVMH

Arnault has managed to place LVMH into a comfortable position in retail industry by making it the leader of the luxury-brand sector. As economists consider the possibility of recession, many on Wall Street forecast troubled times for retailers. This is especially true for those brands that have positioned itself as "affordable luxury" labels such as Coach and Tiffany. As Pat Conroy, head of Deloitte & Touche's consumer products sector stated, "Being in the middle is not a good place to be. You get assaulted from everywhere."¹⁰ This is apparent as many companies' earnings are showing signs of major declines. Stock prices for the middle luxury companies are showing signs of slowdown and it has been reported that "shares have sagged most at companies that have reached for middle-class customers who aspire to ritzier

⁸ "LVMH sees tangible rise in 2008 earnings, Q1 up". *Reuters*. April 15, 2008; Internet, < <http://in.reuters.com/article/rbssConsumerGoodsAndRetailNews/idINWEB174220080415> >, April 18, 2008.

⁹ Ibid

¹⁰ "Extreme Retailing". *Fortune*, March 31, 2008; Vol 157, 6.pp. 14.

goods”¹¹ Companies such as Coach are now attempting to position itself in the same sector as LVMH, stating the company would turn “40 of its nearly 300 stores into a more upscale format that would offer higher-end bags” in order to survive in the slowing economy. LVMH, however, has had no problems adapting to the changes in the economy and that may be due to the extra insulation it has being an ultra luxury brand. It seems that in times of economic distress, the consumers that frequent LVMH are not affected thereby keeping sales revenue high for the company. It is not to say that the company’s revenues are completely unaffected by economic downturns. Although the company has been reporting profits, if not for the current state of the weakened dollar, the company’s revenues would be much higher.¹² Nonetheless, the company’s financial history shows that Arnault has strongly position LVMH to be profitable in good and bad economies thus making its growth and expansion continuous over the years.

CREATIVITY AND NEW PRODUCTS

Another component adding to LVMH’s success is the constant release of new product lines each season. Since its introduction into the market in 1892, the LV monogram has been the bread and butter of the Louis Vuitton brand. It has been, still is, and seemingly will always be the most popular item amongst all other lines released by Louis Vuitton. The brand, itself, reportedly brings in 25 percent of LVMH’s revenues and 60 percent of the company’s operating

¹¹ Pressman, Aaron. “Low Expectations for the High End”. *BusinessWeek*. May 5, 2008. Pp. 63.

¹² Guyon, Janet. “The Magic Touch.” *Fortune*. September 6, 2004; Internet, <
http://money.cnn.com/magazines/fortune/fortune_archive/2004/09/06/380345/index.htm>, March 3, 2008.

profits.¹³ Arnault has strategically created the brand's strength through integrating a strategy of distinctly defining the brand identity by "mining the brand's history and finding the right designer to express it".¹⁴ However, having such a large concentration of the overall company's revenue coming from one sector can be dangerous. Thus, the company must ensure that the Louis Vuitton brand stays profitable by continually introducing new products that will be coveted by consumers each season. Over the last decade, Louis Vuitton has branched out into various creative outlets to bring to market, fresh designs for new product lines. The most popular line of all was created by, then up and coming designer, Marc Jacobs. Jacobs was approached by Arnault who asked the designer to help give the Louis Vuitton label more of a creative flair. In a joint effort with a Japanese artist, Takashi Murakami, Jacobs released the multicolored Murakami handbag which "alone drove over \$300 million in sales"¹⁵ for the company. Since Jacobs joined the design team, the Louis Vuitton brand has become revitalized and is now one that is coveted by a younger audience.

PROPOSAL

In order to maintain the Louis Vuitton brand as a fresh and creative to attract more consumers, the company should release a line of limited edition goods called the Hollywood series. This line would consist of products that are inspired by and named after celebrities that best represent the Louis Vuitton brand. The line would be limited edition in order to create more

¹³ Guyon, Janet. "The Magic Touch." *Fortune*. September 6, 2004; Internet, <http://money.cnn.com/magazines/fortune/fortune_archive/2004/09/06/380345/index.htm>, March 3, 2008.

¹⁴ Ibid

¹⁵ Som, Ashok. "Personal touch that built an empire of style and luxury". Essec Business School; Paris, France; 2004. pp. 5.

demand and allow the items to be priced higher. Making them limited also allows the company to retire the current line and introduce a new batch of products inspired by a new group of celebrities. This line would create its own buzz before its release and the usage of celebrities would create more awareness in the advertising campaigns. LVMH is no stranger to using celebrities in ad campaigns. In the past, Louis Vuitton has worked with many famous figures such as Uma Thurman, Scarlett Johansson, Kate Moss, and Gisele Bundchen to launch new season's products. With celebrity placement and advertisement's growing influences on consumers' spending habits, this line would have strong market appeal to all consumers.

Distribution of this line in stores worldwide should also be strategically controlled. The largest volume of the Hollywood series should be available in stores that would have the most demand for the products. These stores should be those in Asia, namely Japan, China, and South Korea, as well as the larger Louis Vuitton stores located in Paris, New York City, and Los Angeles. A growing interest in Asian consumers of American and European celebrities as well as western luxury goods implicate that the Hollywood Series would be most profitable in those areas. Also, Louis Vuitton revenues in Asia have grown consistently and quite rapidly over the years which show a growing demand and increase in market share for the company in the region. Introducing such the Hollywood series will allow the company to create edgier designs for new products which will be highly coveted in a marketplace saturated by consumer demand for celebrity inspired goods.

WHY CELEBRITIES?

Celebrities “are people that exert significant influence in several facets of society, ranging from arts, music, movies and television, sports, culture, politics and even religion”.¹⁶ They could even be models, photographers, or even the designers themselves. There is no doubt that celebrities wield great power when it comes to influencing consumers’ spending habits. Studies have shown that nearly one in every two women ages 16 to 24 look to celebrities as inspirations behind their fashion choices.¹⁷ Celebrities have become, in a sense, the new designer as they are the ones who validate new trends and hot items on the market. Watch any awards show and the first thing you’ll hear is the question “Who are you wearing”? Open any magazine and there will be a picture of a celebrity with a caption next to it listing the names of the clothes or bags the celebrity is donning. Research statistics show that one in every four advertisements is endorsed by a celebrity and the number of celebrity advertisements has doubled in the past ten years.¹⁸ This is done in order to make the brand’s ad stand out among the other advertisements available. Celebrity endorsements help the product’s profitability in many different ways.

1. Celebrity endorsement is a great brand awareness creation tool for new luxury brands.
2. Endorsement by celebrities helps to position and re-position existing brands.
3. Celebrities contribute to sustaining a brand’s aura.
4. Celebrities are used to revive and revitalize staid brands.
5. Celebrities generate extensive PR leverage and opportunities for brands.

¹⁶ Okonkwo, Uche. “Luxury Brands & Celebrities: An enduring branding romance”. *BrandPapers*. 2005; Internet. <http://www.brandchannel.com/papers_review.asp?sp_id=1234 > , April 13, 2008.

¹⁷ “Celebrities Make Their Mark On Fashion”. *Star Power*. Cotton Incorporated, Feb. 5, 2004. Internet. <www.cottoninc.com/lsmarticles/?articleID=12>; May 1, 2008.

¹⁸ Okonkwo, Uche. “Luxury Brands & Celebrities: An enduring branding romance”. *BrandPapers*. 2005; Internet. <http://www.brandchannel.com/papers_review.asp?sp_id=1234 > , April 13, 2008.

6. Celebrities are used to create global brand awareness.
7. Celebrities promote a brand's products and appeal.

(Source: Brand Paper)

When a celebrity is associated with a product, consumers see the product as a representation of the status and wealth of the celebrity it is seen with which creates the consumers' desire for the product. This is something that could be very useful in increasing sales for a particular brand or product worldwide if the right celebrities are chosen.

LVMH AND THE HOLLYWOOD SERIES

The creation of the Hollywood Series would allow LVMH to take advantage of the current marketplace that is saturated with consumers' desires to mimic celebrity fashion and styles. LVMH as well as other companies have successfully used celebrities in the past to redirect or transform a brand's image. However, no company has completely embodied a celebrity in their product to use that person's full selling potential. Hermes is the only luxury brand that has made somewhat of an attempt when introducing the Birkin or Kelly bag inspired by Jane Birkin and Grace Kelly. The true inspiration of the bags were based on the image of Birkin or Kelly from the past and not based on a lively, in-the-media figure and yet the bags were extremely successful on the market.

Advantages also lay in having a product associated with the celebrity figure by naming it after the celebrity. This creates even more brand awareness for the new product in the marketplace. For example, the high end bag company called Kooba was not very well known

before they introduced the infamous “Sienna” bag. This bag was so named after its celebrity, Sienna Miller. After Sienna Miller was photographed with the bag multiple times, sales of the bag launch immediately and eventually a waitlist for the bag was begun. It seems, naming the product after the celebrity makes it easier for consumers to remember the item as well. Stefani Greenfield, co-owner of the high end boutiques Scoop NYC located in Manhattan and the Hamptons, knows firsthand the power that celebrities have over fashion items. She remembers an instance in which customers had swarmed into her store asking for the Blue Cult jean that Gwyneth Paltrow had been seen wearing. The demand for the jeans was so great because of Gwyneth Paltrow’s association with it that the jean was eventually renamed the “Gwyneth” jean.¹⁹

The Hollywood Series would take advantage of this phenomenon which no other company has by capitalizing on the demand that celebrities create with simply associating themselves to a product. The key to successfully implementing this line would be in choosing the right figures to represent the Louis Vuitton brand. When choosing a celebrity endorser for the brand, it is most important to consider potential candidates complement the brand in order to create a better image for both the product and the celebrity. A few years ago, LVMH released an advertisement campaign in which the singer/actress Jennifer Lopez was used as the front woman for the season. Although the pictures for the campaign were flawless, there were many criticisms against using Jennifer Lopez as the company’s model. Many felt that Jennifer Lopez’s image did not match the brand image of Louis Vuitton thus making the entire campaign awkward and weakening the brand identity. Since then, LVMH has been more careful in their selection of celebrities and public figures used to portray future advertisement campaigns. The

¹⁹ “Celebrities Make Their Mark On Fashion”. *Star Power*. Cotton Incorporated, Feb. 5, 2004. Internet. <www.cottoninc.com/lsmarticles/?articleID=12>; May 1, 2008.

collaboration with Scarlett Johansson in recent months was extremely successful and created a “halo effect” around the product because the Johansson complemented the brand so well. Previous campaigns with Uma Thurman and Giselle Bundchen were also seen as homeruns for the company as each campaign was seen to harmonize the celebrity figure with the Louis Vuitton brand image very well.

Besides just mismatching the celebrities to the brands, there is another risk in using celebrities as representatives and that is the risk of the person getting involved in a scandal that generates negative press. Viewers may also tire of the celebrity if they become overexposed. It is important for the celebrity hold credibility within the eyes of the consumers for the endorsed product to also keep its value in the consumer’s eyes.

However, successfully using celebrities allows companies to branch their brand out to audiences that they may otherwise never be able to reach. Louis Vuitton proved that it could appeal to different audiences without tarnishing or undermining the Louis Vuitton brand when it began branching out to the hip-hop audience by launching a campaign with artist and producer Pharrell Williams. Soon enough music industry big hitters such as Usher and Jay-Z were seen with Louis Vuitton products and were heard talking about the brand in their music lyrics.

Using the strategy of utilizing celebrities for brand awareness can potentially create a worldwide demand for the product if the right people are hired. For instance, if LVMH decides to create a product inspired by an international figure such as David Beckham, who is known as the man that men want to be and women want to be with across the globe, then the product would be an instant hit abroad. This would again create a greater demand for the product, driving prices upward and bringing in more revenues for the company. It would also

immortalize the Hollywood Series in the fashion industry, giving Louis Vuitton products a place in fashion history.

Nonetheless, in order to reduce the risk of selecting the wrong celebrities for the brand, LVMH should consider doing in depth market research about which celebrity would be best suited to represent the company.

DISTRIBUTION STRATEGY

As mentioned in the proposal, the availability of the products should be limited in order to increase demand of the products. Louis Vuitton's most talked about products each season have always been the highly priced, limited edition lines. In 2004, the Theda bag, selling for an average of \$5,550, was made available only at Louis Vuitton's Fifth Avenue store in NYC. Only ten bags were made available in Britain. This created such a demand for the item that people were waited patiently on lists for months to receive the bag.²⁰ Once a bag is unavailable, the bag becomes priceless to the consumers waiting for more. The value of the bag is more than just the money paid for it. It is found in the fact that the individual owns something that others cannot get which forgives the high price the individual has paid for the bag. One of the most coveted bags of all times is still varieties of the Hermes Birkin bag which can range from \$14,000 to upwards of \$40,000. Yet many people will wait not months, but years to own such a bag.²¹

²⁰ Guyon, Janet. "The Magic Touch." *Fortune*. September 6, 2004; Internet, <
http://money.cnn.com/magazines/fortune/fortune_archive/2004/09/06/380345/index.htm>, March 3, 2008.

²¹ Blythe, Joanna. "Over 'It': Why the PR hyped must-have bag has had its day". *Daily Mail*, March 11, 2008. Internet. <
http://www.dailymail.co.uk/pages/live/femail/article.html?in_article_id=528909&in_page_id=1879&ICO=FEMAIL&ICL=TOPART> March 11, 2008.

Pertaining to the Hollywood Series, the limitation of the number of bags could create the same price increases for the product as it has for prior products. If the products offered are priced at an average of \$8000, then selling just 500 pieces of one item would generate a gross revenue of \$4,000,000. Introducing 5 celebrity inspired lines with multiple products such as bags as well as small leather goods would easily bring in over \$35 million with the Hollywood Series alone. The second installment of the series could be released the following season with larger items such as travel trunks which would be priced even higher. High demand for the current season's products would cause even more anticipation and rush by consumers to obtain the following season's products. This ensures that there will always be a demand for the products in the Hollywood Series.

Limiting distribution is a strategy used to battle counterfeiting as well. Although counterfeiters still produce the bags, the high price and rarity of the products deters consumers from buying the imitation. When an item is coveted as much as the limited edition Louis Vuittons is, an internal value is created within the product making it even more valuable than the listed price. This is what keeps customers waiting patiently for months for the item.

When distributed according to volume, the highest concentration of the Hollywood Series should be located in Asia, particularly Japan and Hong Kong. Japan and the rest of Asia have shown strong demand in not only western luxury goods, but also for western celebrities. Celebrities such as Brad Pitt have been paid millions of dollars to do single commercials in Japan, Korea, and in other Asian countries. It is no secret that consumers in Asia are engrossed with becoming the celebrities in the west. Many countries in Asia are notorious for having high rates of plastic surgery in order for the client to adopt facial and bodily features of celebrities such as Angelina Jolie, Jennifer Aniston, and other western celebrities.

The growing demand for luxury brands, particularly Louis Vuitton also has a lot to do with the changing demographics in Asia. Those who are buying most of the luxury goods are people in the emerging markets who have entered into a new social echelon due to an upgrade in their financial status. Thus, purchasing and being seen with ultra luxury goods is a status symbol for those in Asia. Because Asians are so aware and concerned with having the “real thing”, they are able to pick out fake bags against real bags. They educate themselves about these luxury goods to the point where they may even count the stitches on the bag.²² This shows that products released by Louis Vuitton in the Asian market are greatly coveted.

Thus, if the new line is released, the highest demand for the products would be in Asia which is why the largest amount of the products from the Hollywood Series should be made available in stores in that region.

The Asian region is also the area in which LVMH realizes most of their annual revenues. Most recently, the 2007 annual report displayed company revenue from Japan amounted to 22% of total revenues while other Asian countries contributed another 23%. Together, it shows that 45% of Louis Vuitton’s revenues are generated from sales in Asian countries. In order to compensate for the increase in demand of LVMH products in Asia, the company has begun opening new stores all across the region. 2007 marked the opening of a huge Louis Vuitton flagship store in Hong Kong which made a statement that Louis Vuitton was wanted in the country. Besides the actual stores in Asia, Louis Vuitton also owns many of the DFS stores which are mainly concentrated in the Asian region as well. Thus, due to LVMH’s tight control over product distribution channel, there should not be a problem in raising awareness of the new

²² Ruiz, Nicola. “World’s Most Desirable Luxury Brands”. *Forbes*, March 25, 2008. Internet: http://www.forbes.com/2008/03/25/brand-luxury-desirable-forbeslife-cx_nr_0325style_slide_2.html?thisSpeed=20000 >, April 15, 2008.

product across the world. Rather, it will be more difficult to keep the products on the shelf long enough for people to even physically see them in the stores.

FUTURE CHANGES

Upon the introduction and success of the Hollywood Series, Louis Vuitton should consider an expansion of the line into different subdivisions or trends. The concentration of celebrities used in the annual campaigns could differ by country or region such as using European celebrities the next year, and shifting the product volume concentration to the region that is home to the celebrities used. The company should always be cautious of celebrity selection and choose celebrities who hold potential to have long lasting media appeal so that they can match the Louis Vuitton brand and products' classic style.

CONCLUSION

The Hollywood Series would be a fresh new addition to the Louis Vuitton brand that could potentially grow into a classic line of products over the year. Since the media is driven by celebrity activity, celebrity endorsed product will always be in the eye of current and potential consumers. LVMH should take advantage of the current media frenzy with celebrities and stay ahead of the competition by using celebrities' influence over consumers to make a profitable new line of leather goods. This plan would also fit into the overall LVMH company trend of keeping ahead of the competition by introducing successful products and ideas first. If the company waits and another rival company such as PPR decides to create such a line, then LVMH will be at a disadvantage. This is mainly because PPR may use celebrities that would well represent the Louis Vuitton brands which would reduce the pool of potential celebrity partners for LVMH.

As long as the LVMH company does thorough market research media's appeal to certain celebrities and keep a tight control over the distribution of the Hollywood Series, the product line should be a source of high revenues. This initial idea has the potential to evolve into an ongoing series which guarantees that each season, Louis Vuitton will have at least one product idea in production for the upcoming season. Hopefully the company will accept the idea and move forward with implementation of the plan upon reading this proposal.