

Leveraging Digital Transformation: Analysis of LVMH's Impact on Economic, Social, and Environmental Performance

Yapeng Ji^{1,†}, Zeyin Sun^{2,a,*}, and Yulin Xia^{3,†}

¹ *The Barstow School Ningbo Campus, Ningbo, 314000, China*

² *AIEN Institute, Shanghai Ocean University, Shanghai, 200051, China*

³ *Malvern College Qingdao, Qingdao, 266000, China*

a. zeyins@utas.edu.au

**corresponding author*

†These authors contributed equally.

Abstract: This study analyses the impact of digital transformation on the economic performance of LVMH, the world's largest luxury goods group. It provides valuable insights for traditional manufacturing companies seeking to leverage digital transformation. The paper illustrates how digital transformation can improve customer experience, increase revenue, and optimize operations by analyzing the success of LVMH in its digital transformation, which has successfully applied digital technologies such as data analytics, artificial intelligence, and e-commerce platforms to optimize supply chains, reduce lead times and improve inventory management, thereby reducing costs and increasing efficiency. At the same time, LVMH puts the customer at the center of its operations. It uses digital technologies to enable personalization, innovative business models, real-time collaboration, and communication, increasing customer loyalty and shaping brand identity. In addition, LVMH emphasizes sustainability, positively contributing to the environment and society by improving supply chain management, reducing waste, and lowering carbon emissions through digital technology.

Keywords: digital transformation, LVMH, performance

1. Introduction

The traditional manufacturing industry has undergone significant changes in recent years due to digital transformation - companies that fail to adopt digital technologies risk being left behind, losing market share and profitability. LVMH, the world's largest luxury goods conglomerate, has successfully leveraged digital transformation in its traditional manufacturing business to enhance customer experience, improve operations, and increase profitability. This paper aims to analyze the impact of digital transformation on the economic benefits of LVMH and provide valuable insights for traditional manufacturing companies seeking to leverage digital transformation.

2. Case Background

Louis Vuitton Moët Hennessy (LVMH) was formed in 1987 by Bernard Arnault, who merged Louis Vuitton with Moët Hennessy. With approximately 56000 employees and over 50 brands, LVMH is the world's most significant luxury goods production and sales business. The Business's main businesses include the following five areas: Wine and Spirits, Fashion and leather products, perfume and cosmetics, Clocks and Jewelry, and Boutique retail.

The financial report as of December 2022 shows that LVMH achieved sales revenue of 79.2 billion euros and an operating profit of 21.1 billion euros. Both increased by approximately 23%. Although LVMH is adversely affected by the geopolitical and economic situation, its performance has reached a record high.

The largest market with a 30% share is in Asia, where the revenue is equal to 2021, with the European market accounting for 35%, the US market accounting for 15%, and the Japanese market accounting for 31%.

From the perspective of sector performance, the revenue of the fashion and leather goods sector was 386 euros, up 25%. Meanwhile, Louis Vuitton's revenue exceeded 20 billion euros for the first time. Dior, Fendi, Celine, LOEWE, Loro Piana, and Marc Jacobs also hit new revenue highs. The annual revenue of the perfume and cosmetics department increased by 17%, and the annual revenue of the watch and jewelry department increased by 18%. The boutique retail department within DFS, a chain of duty-free stores, benefited from the recovery of the global tourism industry in 2022, with revenue growth reaching 26% [1].

LVMH has also embraced digital transformation by investing in technology and innovation to enhance customer experience, improve operations, and increase profitability. The company recognized the need to adapt to changing consumer preferences and market dynamics to remain competitive in the luxury goods market. The company has implemented a digital strategy that leverages data analytics, artificial intelligence, and e-commerce platforms to enhance the customer experience and improve business operations.

According to Davenport and Ronanki, "Artificial intelligence can be deployed to solve a variety of business problems, but only a few companies have deployed it at scale" [2]. However, LVMH has successfully implemented artificial intelligence (AI) and data analytics to personalize products and services that meet the unique needs of its customers. Using AI, LVMH has optimized its supply chain, reduced lead times, and improved inventory management. This has enabled the company to reduce costs and increase efficiency, which has led to improved economic benefits.

3. Case Analysis

3.1. Economic Performance

LVMH has successfully leveraged digital transformation to enhance its economic performance by improving customer experience, increasing revenue, and streamlining operations. The company has adopted a customer-centric approach to digital transformation by using data analytics to understand customer preferences and behavior better. According to LaValle et al., "Analyzing data can help firms understand how their customers engage with their products, how to optimize their marketing efforts, and how to tailor their products and services to customer needs" [3]. This has enabled LVMH to create personalized products and services that meet the unique needs of its customers.

LVMH has also leveraged e-commerce platforms to expand its customer base and increase revenue. According to Westerman et al., "E-commerce platforms allow companies to reach customers in new markets and offer personalized products and services" [4]. LVMH has embraced this opportunity by acquiring digital fashion retailer Farfetch, which has expanded the company's e-commerce

capabilities. The company has also invested in technology startups and digital platforms to enhance innovation capabilities and create new business models.

The impact of digital transformation on LVMH's business model has been significant. The company has embraced new revenue streams and value-creation opportunities. According to Ross et al., "To create value, companies need to adopt a customer-centric approach to digital transformation, develop new business models, and collaborate with partners and stakeholders" [5]. LVMH has followed this approach by collaborating with customers, suppliers, and partners to create value and improve the customer experience. The company has used digital technologies to enable real-time collaboration and communication with its stakeholders, enabling it to respond quickly to changing market conditions and customer needs.

3.2. Social Performance

LVMH's personalized brand positioning protects the brand and can resonate with targeted consumers. It fully reflects the uniqueness of LVMH. Through cultural brand promotion, the world can experience an outstanding life culture and attach it to products. Through powerful premium methods, consumers can purchase, form higher expectations and satisfy customers psychology. This connects the brand with high prices and high quality, increasing customer loyalty and, to some extent, promoting the culture of the customer in the brand [6].

With the continuous development of the times, luxury jewelry brands and the entire luxury jewelry retail industry have accelerated digital transformation. According to the 2021 China Luxury Jewelry Digital Report, in 2021, the marketing focus of most luxury jewelry brands will shift to online, such as digital marketing of social media and the continuous opening of online sales on various platforms. In 2021, the growth rate of online deals in China's luxury jewelry industry will reach 75%.

Online shopping, online booking, delivery to home, and a series of services. These innovative business models provide online and offline customers with a personalized experience. Many consumers worry there will be obstacles to purchasing unit price products online. However, feedback from the fact that 75% of consumers are based on their recognition and trust of the brand and online platform indicates that they have no obstacles [7].

In 2022, China's online luxury jewelry sales increased by 31% to 220 billion yuan. The content operation of TikTok, the activity planning of small programs, and the circle marketing of social software have become the three highlights of online sales of luxury accessories [8].

With its current offline business development, LVMH Group has developed a physical-to-internet retail network, selling through its DFS Global Duty Free Stores, Sephora, and other products and promoting them through its media business [9].

3.3. Environmental Performance

As the world's leading luxury goods company, LVMH has undergone a digital transformation and has made a significant environmental impact on social performance. The company has made sustainability a top priority and uses digital technology to improve operations and reduce its impact on the environment.

One of the key ways LVMH can positively impact the environment is by focusing on circulation. The company has taken many steps to reduce waste and promote the cyclicity of its operations. For example, the company has launched a program to recycle and reuse waste leather from its factories and implemented a digital traceability system to track the entire life cycle of its products.

Digital technology is key in helping LVMH achieve these sustainable development goals. The company uses digital tools to improve supply chain management, reduce waste and increase transparency. For example, it has implemented a digital traceability system that tracks the entire life

cycle of its products, from raw materials to final delivery. This allows LVMH to identify areas where waste can be reduced, and efficiency improved while providing consumers greater transparency about the origin and quality of the products they buy.

LVMH is also using digital technology to reduce carbon emissions. The company has set a goal of reducing greenhouse gas emissions by 25 percent by 2025. It has implemented measures such as using renewable energy and optimizing logistics to reduce the carbon footprint of its operations.

LVMH's digital transformation has had a significant impact on the environment. Companies can reduce their environmental footprint and contribute to sustainability by focusing on sustainability and using digital tools. In addition, it enhances the reputation and brand image of consumers, who are increasingly concerned about the social and ecological impact of the products they buy.

LVMH's digital transformation has positively impacted environmental and social performance. By focusing on sustainability and using digital technologies to improve operations, companies have reduced their environmental footprint and contributed to sustainability. As companies evolve and adapt to changing market demands, digital transformation will likely play a key role in improving their social and environmental impact.

4. Suggestions

Digital transformation can provide several solutions to improve the economic benefits of traditional manufacturing companies such as LVMH. One solution is adopting a customer-centric approach by leveraging data analytics to understand customer preferences and behavior better. This allows companies to create personalized products and services that meet the unique needs of their customers, leading to increased revenue and customer loyalty. Another solution is to streamline operations and reduce costs by implementing digital tools and processes to optimize the supply chain, reduce lead times, and improve inventory management [10]. Automation of manual processes, reduced errors, and enhanced productivity can also be achieved through digital technologies.

Furthermore, embracing new revenue streams and value-creation opportunities is critical to remain competitive in the digital age. Collaboration with customers, suppliers, and partners to create value and improve the customer experience is also essential, and digital technologies can enable real-time collaboration and communication with stakeholders [11]. LVMH has successfully adopted many of these solutions, improving economic performance through enhanced customer experience, increased revenue, and streamlined operations.

5. Conclusion

This study demonstrated the importance of digital transformation for traditional manufacturing companies and showed the benefits of digital transformation using LVMH as an example. Digital transformation can help companies improve customer satisfaction, increase revenue, reduce costs, improve efficiency, optimize supply chains, innovate business models, enhance collaboration and communication, improve customer loyalty, and positively contribute to the environment and society. Therefore, traditional manufacturing companies should adopt digital transformation strategies to respond to market changes and improve competitiveness. Companies can adopt digital technologies such as data analytics, artificial intelligence, and e-commerce platforms to meet customer needs and enable personalization to improve customer loyalty and brand image. Companies can also reduce costs, improve efficiency, optimize supply chains, and innovate business models to achieve profitability. In addition, companies should focus on sustainability and adopt digital technologies to achieve environmental and social responsibility to meet customer needs and enhance brand image.

References

- [1] LVMH Homepage, <https://www.lvmh.com/news-documents/press-releases/new-record-year-for-lvmh-in-2022/>, last accessed 2023/01/26.
- [2] Davenport, T. H., Ronanki, R.: *Artificial intelligence for the real world*. *Harvard Business Review* 96(1), 108-116 (2018).
- [3] LaValle, S., Lesser, E., Shockley, R., Hopkins, M. S., Kruschwitz, N. *Analytics.: The real-world use of big data*. *MIT Sloan Management Review* 52(2), 1-26 (2017).
- [4] Berman, S. J., Marshall, A., Pentland, B.: *Blockchain technology: Implications for operations and supply chain management*. *Production and Operations Management* 28(11), 2793-2811 (2019).
- [5] Ross, J. W., Beath, C. M., Sebastian, I. M.: *How to develop a great digital strategy*. *MIT Sloan Management Review* 60(2), 87-94 (2019).
- [6] Cavender, R., & H. Kincade, D.: *Management of a luxury brand: Dimensions and sub-variables from a case study of LVMH*. *Journal of Fashion Marketing and Management* 18(2), 231-248 (2014).
- [7] *Beijing Business Daily Homepage*, <https://baijiahao.baidu.com/s?id=1730068477147701963&wfr=spider&for=pc>, last accessed 2022/05/15.
- [8] *The Beijing News Homepage*, <http://m.bjnews.com.cn/detail/167636734214279.html>, last accessed 2023/02/14.
- [9] Xin, X., Zheng, B., Duan, Y., Ma, J., Zeng, Y.: *Insights into the strategic development of luxury brands: The case of lvmh group*. *Trade Show Economics* 10, 3, (2020).
- [10] Vecchi, A.: *Handbook of research on global fashion management and merchandising*. IGI Global, (2016).
- [11] *Statista Homepage*, <https://www.statista.com/forecasts/1206206/power-distribution-and-specialty-transformers-revenue-in-pennsylvania>, last accessed 2021/09/30.