



‘The business of creating desire’: An interview with the CEO of LVMH Fashion Group

Since 2006, Pierre-Yves Roussel has been in charge of some of the fashion industry’s best-known luxury brands. Here, he shares his views on creativity and inspiration, the evolution of brands, and how the Internet is—and isn’t—changing the industry.

**Olivier Sibony and
Thomas Tochtermann**

Makers of luxury goods grapple with many of the same challenges as other companies in the consumer-products and retail sectors: keeping customers happy, offering the right products through the right channels, and finding and nurturing the best talent. LVMH Moët Hennessy Louis Vuitton, the multinational conglomerate that owns some of the world’s most successful luxury brands, is no exception. Pierre-Yves Roussel knows this well. As chairman and CEO of the LVMH Fashion Group, he oversees a growing stable of brands including Céline, Givenchy, Kenzo, Loewe, Marc Jacobs, Donna Karan, Pucci, Nicholas Kirkwood, and J.W. Anderson.

In a recent interview with McKinsey’s Olivier Sibony and Thomas Tochtermann in Paris,

Roussel talked about some of the decisions he’s made and what he’s learned since becoming a fashion-industry executive a decade ago.

McKinsey: *You were new to the fashion world when you first went to work for LVMH. What surprised you most about the company and the industry?*

Pierre-Yves Roussel: When I joined LVMH Group, I knew only what most people knew about it: it has a portfolio of prestigious brands, some of them had been around for 150 or even 200 years, it’s a global company, and so on. But what struck me is how central creativity and innovation are to everything we do. For [LVMH chairman and CEO] Bernard Arnault, creativity is the lifeblood of what

we do across the entire organization, whether it's in the traditional fashion houses that are known for their craftsmanship, or in wine and spirits, watches and jewelry, or fragrance. It doesn't mean we're frantically changing our products all the time—we have iconic products that have been in our stores for decades—but we apply creativity to always make them relevant. We create special versions, special colors, small adjustments that consumers might not even notice but that are actually quite innovative.

We know that if we stop being creative and innovative, it's all over—even for the powerful fashion houses that have been here for years—because, in a way, we are in the business of creating desire and happiness. Most of our customers are people who feel they have worked hard and want to treat themselves well, they want to buy something they really enjoy, they want to be seduced. So we have to constantly surprise our customers. We have to come up with exceptional products that make them say, “Wow, this is new, it's interesting, it's beautiful. I really want it.” If we don't do that, they will not come to our stores.

McKinsey: *How do you do it? How does a large company like LVMH stay innovative and creative?*

Pierre-Yves Roussel: It starts with having a real culture of creativity. We hire people who are, broadly speaking, interested in creativity. They don't necessarily have to be into fashion. And some people are not creative themselves, but they are fundamentally people who are very curious and open minded, and who like to discover new things.

Bernard Arnault talks about the LVMH management team as people who are “inspired”—meaning they are inspired by the

brands. They are inspired and genuinely interested in the work that the creative team does. The creative people we work with—the designers, architects, photographers, winemakers, and perfumers, or “nez”—have to be surrounded by people who look at what they do in a positive way.

Of course, we also have creativity in our ateliers. Whenever we bring in a new designer, our artisans and craftsmen are asked to implement a new vision. But if the designer is respectful of the craftsmanship—and the great designers always are—the craftsmen are thrilled, because they have a passion for learning and for trying new ways of doing things. When a new designer comes in, they get to really challenge themselves and push their skills to a new level.

McKinsey: *Where do you find these creative, innovative people?*

Pierre-Yves Roussel: We find them through multiple sources. Our talent scouting also involves the creative director of each brand, because great creative leaders have lots of connections and are usually well known, and everybody wants to work with them. A lot of talented designers want to work with [Céline's creative director] Phoebe Philo or [Givenchy's creative director] Riccardo Tisci or Marc Jacobs. They are like magnets. People want to work with the best—that's as true in the creative fields as it is in business.

We also work with design schools. We have many trainees. And many young designers who have their own brands also collaborate with us. So, we have different sources of talent. Just like creativity is a nonlinear process, the recruitment of creative people is a nonlinear process. This

year, [Louis Vuitton executive vice president] Delphine Arnault launched, with incredible success, the LVMH Fashion Prize, to help new emerging creative talent from all over the world.

McKinsey: *You have more than 200 designers working on a variety of LVMH brands. How do you establish each brand's unique identity?*

Pierre-Yves Roussel: First of all, each fashion house is located in a different place—usually a place that ties into its history. We didn't relocate them all to one big building on Avenue Montaigne in Paris! For example, Givenchy is still in its historic building on Avenue George V; Pucci is in its historic palazzo in Florence. Being in different places helps them keep their brand identity.

We “frame” each brand by defining what we call its DNA. We've been popularizing this concept of DNA, which I think is sometimes misunderstood; it gives the impression of a scientific and very analytical process. But it doesn't happen like that. I think it's more about capturing the essence and personality of the brand, the emotion, the aspects that are not necessarily rational, the intangible things that need to be understood about a brand.

To frame a brand, we start with a few “bricks”: visuals, iconic products, places, and a few words. Those bricks are just the beginning of a journey: we have lots of discussions, we work with our creative teams, they propose a direction and a vision. In my first few years at LVMH, I tried to hire designers who I felt perfectly fit the brand—almost as if I was looking to be reassured about their work. But we found that the ideas they came up with were too obvious, and we ran out of steam quite quickly. So now we are more interested in

hiring and having a dialogue with someone who we know will take us in a new direction, beyond the obvious, with a strong vision.

McKinsey: *So it's not just the products that evolve; the brands do so as well.*

Pierre-Yves Roussel: Yes. Our brands have been around for a long time, and they are very rich. We use different facets of the brand at different times. We take what resonates in today's environment. Five years or seven years later, we might emphasize another facet of the brand. If you look at the archives of Dior or Givenchy, you will see how many different expressions a single brand can take over time.

McKinsey: *There's a big debate in the industry about how far you can stretch a brand. Some of your brands have expanded into fragrance and jewelry; a few of your competitors now have hotels and cafés. What's your strategy for brand extensions?*

Pierre-Yves Roussel: I think some brands have more potential for expansion than others. At LVMH we do things organically—we expand when we feel it's the right time for the brand, when there is a sense of excitement about doing it. So we never feel it is forced, or that we have to do it for business reasons.

I look at brands as books, and we write chapters. Each chapter has to connect to the larger story, but it has to be new and interesting. The Marc Jacobs brand is almost 20 years old. We tried to launch a fragrance ten years ago, but it was too early. The brand hadn't matured enough. We needed the brand to mature over several collections and seasons, because a fragrance crystallizes a chapter of your brand. We tried again four years ago, and it clicked. It's a massive success.



Pierre-Yves Roussel

Vital statistics

Born in 1965 in Paris, France

Has 3 children

Education

Holds an MBA from the Wharton School of the University of Pennsylvania

Holds a postgraduate degree from Brussels University

Career highlights

LVMH Fashion Group

Chairman and CEO (2006–present)

Group executive vice president, strategy and operations (2004–06)

McKinsey & Company

Director (2004)

Principal (1998–2004)

Consultant (1990–98)

Crédit Commercial de France (now HSBC France)

Financial analyst (1988–90)

Fast facts

Member of the board of the Fédération Française de la Couture, du Prêt-à-Porter des Couturiers et des Créateurs de Mode

Member of several prestigious fashion juries including ANDAM (France), LVMH Fashion Prize, and CFDA Fashion Incubator

Member of the board of directors of the Business of Fashion, an industry website

McKinsey: *Let's talk about the Internet. How has it changed the fashion industry in general and LVMH's strategy in particular?*

Pierre-Yves Roussel: The Internet has increased the visibility of fashion, but I think the fundamentals of the industry haven't changed. People have talked about and written about fashion for centuries; now it happens through the Internet and social media, but it's nothing new. Television, fashion magazines, and other media were already global before the Internet.

What was not global was pricing: consumers couldn't compare prices, so prices were much higher in Japan than in Europe, for example. Some of that was because of differences in taxes and operating costs among countries, of course,

but part of it was due to differences in people's appetite and willingness to pay for luxury goods. Now there are pretty much no real price differentials—that has been one major impact of the Internet. But otherwise the Internet has just amplified and accelerated what had already been taking place.

McKinsey: *But half of luxury consumers research products online before buying. How has that aspect of the Internet affected your marketing strategy?*

Pierre-Yves Roussel: The Internet is often a consumer's first window into our brands, so if someone goes online we want to be sure they are actually experiencing our brand, not a counterfeit store. In the nondigital world, nobody but Céline could put an ad

in *Vogue* claiming to be Céline, but on the Internet you can buy keywords or search terms and post something that pretends to be Céline. We've invested a tremendous amount of money in owning and protecting our brands, so when you search for Céline, the first thing we want you to see is our trademarked Céline brand—the real one. Just as important, we make sure that no matter where a visitor goes on our site, they get a consistent experience; the entire site has to reflect what the brand is about.

Then there is the question of whether or not we want to sell on the Internet. People certainly buy very expensive things on the Internet, and we do sell some of our brands there. We even offer some services such as customization and monogramming. But we decided that Céline, for example, would not sell any products on the Internet, either directly or through third parties. There isn't a single Céline product that you can buy online. We made that decision five years ago, and we've stuck to it. We have invested so much in creating the best-quality products that we just want people to experience it. So if some people want to buy a Céline bag at midnight on a Sunday, sorry, they cannot. They have to wait until the store opens on Monday. By the way, this bag—they're going to keep it for 20 years. So it's worth the wait.

At the end of the day, we don't sell service—we sell products. We're a very physical business. You have to smell a fragrance, and you cannot smell it on the Internet. You cannot try on a pair of shoes or a dress on the Internet; you cannot touch the fabrics.

I don't know whether the Internet will eventually be 10, 20, 30 percent of sales or more—but for sure, 60 or 70 percent of people

are doing research online now. So it's a major window into our brands, and that's the way we are treating it.

McKinsey: *Has the Internet affected the way you think about your physical store network?*

Pierre-Yves Roussel: Our customers do their research on the Internet, so by the time they enter the store, they know the collection very well—sizes, colors, everything. They also know what our competitors offer. That means our in-store staff has to be extremely well trained; they have to know everything about our products and our competitors' products.

The job of the store is to magnify the product and create the most enjoyable experience for the consumer. That's the essence of retail. It's not about having a luxury store that has marble everywhere and looks expensive; that's not the point. People don't come to buy the store—they come to buy the product. And some people will be in the store for three hours and try on 15 pairs of shoes, while others just want to come in, buy something, and get out. We have to be totally flexible, so that both types of consumers can feel they are in a great environment. We're obsessed with giving people the best in-store experience.

McKinsey: *Aside from this obsession with the customer experience, what do you think are other factors that have led to LVMH's growth and longevity?*

Pierre-Yves Roussel: Bernard Arnault is a unique combination of an incredible entrepreneur who is willing to take risks and an amazing leader with exceptional intuition for all the things we've just talked about. He has surrounded himself with people who are

experienced, independent, and opinionated, and he gives them full freedom, but he is also able to keep things under tight control. I think our organizational structure is perfectly suited to our industry. We're able to adjust amazingly fast because we're not run by consensus; we never put people around a table and say, "Let's all agree on this or that." So we can be very agile.

Agility makes a big difference in a fast-changing business. Take travel retail: it used to be a Japanese business, and in the span of about seven years, it became an entirely Chinese business. I don't know any other business where you lose your entire customer base and get a new one in seven or eight years. We look at the facts, we talk about what works and what doesn't work, we fix what's not working, and we adjust quickly. Whatever happens, we're able to adjust fast.

McKinsey: *On a personal level, what motivates you? What are your own sources of inspiration?*

Pierre-Yves Roussel: Honestly, I get inspired by coming to the office every day. I work with many brands, and the diversity of projects and people is extremely interesting. I am as passionate about exploring and discovering what our creative people are doing as I am about making a business out of it.

My role involves creative problem solving. The creative people come to me with their vision, and I problem solve with our management teams to figure out whether it fits with what we want to do, whether it's the right time, and how to make it happen. And we're constantly reorganizing and restructuring our teams. So there's the excitement of daily change, but there's also the fulfilling sense of building something for the very long term—something that will last.○