

Hermès, LVMH courtroom battle dubbed personality clash

Posted By [Tricia Carr](#) On September 5, 2012



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Hermes autumn/winter 2012

Hermès' lawsuit against LVMH Moët Hennessy Louis Vuitton and the conglomerate's subsequent complaint towards the French leather-to-ties-and-scarves giant is likely a power-play between industry personalities and not a game-changer for the luxury sector, experts say.

Neither party involved in the current French court proceedings risks hurting its image in the long-term since consumers are used to sporadic disruption among companies in the same sector, according to industry observers. **Rather, what will likely play out is a personality battle of who has more control over Hermès.**

"Selling artisanal product is big business," said Chris Ramey, president of [Affluent Insights](#) [2], Miami. **"Hermès is protecting its turf against a more powerful organization.**

"These moves are standard operating procedure in the world of business," he said. **"As marketers we cannot read too much into it – it is the natural order."**

Court date

[WWD reported](#) [3] yesterday morning that Hermès International [3] filed a complaint July 10 against LVMH for reasons including "insider trading, collusion and manipulating stock prices."

Another [WWD report](#) [4] centering on the lawsuit was released later that day. It said that LVMH filed a complaint against Hermès for "blackmail, false accusations and unfair competition."

The majority of Hermès' shares are family-owned, but LVMH now has 22.3 percent of the company's shares, per WWD.

LVMH first announced that it held shares in Hermès that added up to a 17.1 percent stake in October 2010, which prompted an ongoing dispute between the two companies.

Regardless of the merit behind the lawsuits, it is best for Hermès and LVMH to settle out of court, per Milton Pedraza, CEO of the [Luxury Institute](#) [5], New York.

Court proceedings could be a distraction from building the brand and business-as-usual for senior executives.

"If LVMH is involved or not, the focus is keeping the business growing," Mr. Pedraza said. "There will not be full ownership of Hermès unless the family decides to sell.

"It is not the worst thing to share success with a shareholder like LVMH," he said. "I think there can be a resolution, but a legal resolution would not be best.

"There will be press and it will not be positive, so this will not benefit anyone."

The battle of luxe

The clash between Hermès and LVMH seems to have gotten the companies some attention in the luxury sector and among interested consumers.

However, experts agree that the push behind the current court proceedings is a personality clash.

In fact, LVMH's stake in Hermès could prove its worth in the luxury industry, per Al Ries, chairman of focusing consultancy [Ries & Ries](#) ^[6], Roswell, GA.

"I am surprised Hermès would take legal action against LVMH," Mr. Ries said. "It should be pleased a major competitor thought enough about the future prospects of Hermès that it acquired a substantial share of the company.

"Hermès cannot be worried about a possible takeover because of the way the company is structured with the three families owning a controlling share," he said. "No company buys a substantial share of a competitor without having a long-term interest in acquiring the company.

"LVMH is probably prepared to hold its share of Hermès for years or even decades hoping that it someday might be able to acquire the company."

Hermès and LVMH have a seemingly untouchable status in the luxury sector, and court proceedings will not alter that. Affluent consumers have seen this happen before and it does not phase them, per Affluent Insights' Mr. Ramey.

"There will be no effect whatsoever on any of the brands from either organization," Mr. Ramey said. "This might not be the case if a lesser brand were involved – for example, if Macy's were buying Hermès. "There is a comfort level with LVMH," he said. "Perhaps most interesting is the game of buying a brand.

"It is a greater challenge to acquire an organization when a large number of family members are involved."

The results of the lawsuit will not mean much in terms of consumer affinity and spending as long as Hermès does not get distracted from building the brand, per Mr. Pedraza.

Since the economic interests of both companies align, it will be no surprise if the allegations fizzle out to a disagreement of personalities and preferences.

"Consumers can care less about who owns the brands as long as there are vibrant luxury brands," Mr. Pedraza said. "When big players have big money they go to court and buy up each other's stock.

"I think this is very interesting, but in the long-term no one is going to try to damage any brand," he said. "The management only wants to enhance Hermès.

"I do not see this effecting the operations of the brand."

Final Take

Tricia Carr, editorial assistant on Luxury Daily, New York

Article printed from Luxury Daily: <http://www.luxurydaily.com>

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[1] Image: <http://www.luxurydaily.com/wp-content/uploads/2012/09/hermes-aw-2012-185.jpg>

[2] Affluent Insights: <http://www.affluentinsights.com/>

[3] WWD reported: <http://www.wwd.com/business-news/legal/herms-files-legal-complaint-against-lvmh-6216606>

[4] WWD report: <http://www.wwd.com/business-news/legal/lvmh-fires-back-at-herms-6217180>

[5] Luxury Institute: <http://luxuryinstitute.com/luxury/>

[6] Ries & Ries: <http://ries.com/>