

BUSINESS & FINANCE

LVMH's Loewe Brand Expands

BY CHRISTOPHER BJORK
AND NADYA MASIDLOVER

MADRID—Spanish handbag maker Loewe is a household name in Japan and has a growing base of loyal customers in China for its boxy Amazona bags, which can cost up to \$1,800 a pop.

But Loewe, one of the smaller brands in LVMH Moët Hennessy Louis Vuitton SA's vast portfolio of fashion icons, is viewed more as a newcomer by fashionistas in New York, London, Rome or even across the Pyrenees in France, despite a history of making bags for the wealthy since 1846.

That relative obscurity is about to change, says Loewe Chief Executive Lisa Montague. Loewe recently opened its first store in Dubai and is about to enter Italy with a store near Rome's Spanish Steps. In Shanghai it is opening a flagship store, the brand's largest so far, while three Parisian stores are getting a makeover. It is launching a global marketing push starring Oscar-winning Spanish actress Penélope Cruz.

And to meet an expected growth in demand, Loewe opened a production facility Tuesday on the outskirts of Madrid and announced plans to hire 180 workers over the next three years, a bit of good news for Spain's recession-bound economy.

Loewe's expansion is part of a strategy by LVMH to tap into a growing appetite among wealthy consumers for lesser-known names in an expanding global market for leather goods.

"There are whole swaths of the globe where Loewe is not present, and that includes many of the most established luxury goods markets," Ms. Montague said in an interview at Loewe's headquarters above one of the company's stores in Madrid.

The target, she said, is to double the label's revenue, which was about €200 million (\$261 million) last year, in the next three years.



Loewe aims to double its revenue in three years. Above, a model displayed a creation by designer Stuart Webers for Loewe's fall-winter ready-to-wear show.

LVMH, whose stellar growth has recently cooled, has highlighted the strong performance of smaller brands in recent months, including Céline, Fendi and Marc Jacobs, as well as Loewe.

These smaller brands are set to be "a growth driver" in the coming years, said David Da Maia, an analyst for Aurel BGC.

Louis Vuitton is still by far the biggest earner in LVMH's fashion

and leather division, bringing in roughly three quarters of the division's 2011 revenue of €8.7 billion, Mr. Da Maia estimates.

Although the potential for the Louis Vuitton brand is far from exhausted, "there is certainly room [for the other brands] to catch up," Mr. Da Maia said.

Purchased by LVMH in 1996, Loewe is often referred to as a "sleeping brand," with limited global appeal. LVMH is trying to reposition the brand with the help of creative director Stuart Wevers, who was hired in 2007 after his designs helped turn U.K. handbag maker Mulberry Group PLC into a hot fashion label. Ms. Montague joined as CEO in 2009, also from Mulberry.

Loewe is competing for a share of a global leather-goods market that recorded \$33 billion in sales last year and faster-growing demand than that for other luxury goods, according to research by Bain & Co.

Even in Spain, Loewe's sales have grown despite a plunge in corporate leather gifts during four years of economic downturn, Ms. Montague said. She attributed the growth to a sharp rise in purchases by Asian tourists, who have boosted sales for luxury purveyors across Europe in recent years.

Loewe's world-wide growth strategy is a bet on the Asian luxury customer, said Philip Moscoso, a professor at Spain's IESE business school who has written a recent case study on Loewe.

"They aim for a more global presence, so that when Chinese shoppers visit to Rome or Milan, they see your stores and say, look, 'Loewe is here as well,'" he said.

Loewe's new facility near Madrid, next to its existing factory, will allow the label to raise production capacity by 50%, Ms. Montague said. At the same site, Loewe is setting up a school to train about 100 new leather workers per year.