

What's amazing about this book is that when it ends, Bernard Ohno is only 42 years old and he already has his blueprint in place, the plan that he's going to execute on for the next 30 years.

And today, LVMH for many businesses in the luxury industry has become the buyer of choice, the obvious place to go if you want to sell your luxury business.

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And one more thing on this episode, you're going to hear me refer to Bernard as a killer, a killer to get the job done.

That is a line that I heard on this fantastic episode of invest like the best.

If you're not already following that show, make sure you follow the show in whatever podcast player you're listening to this in.

I will also leave the link down below and make sure you listen to the episode called Doug Leone lessons from a Titan.

I've listened to it twice.

It is excellent.

I'm the boss.

I should be here on Monday morning and I should be running the company in person.

LVMH had entered a new chapter of its history.

Bernard all know had taken power.

He did not realize how harsh his words sounded.

That was not the type of thing that he cared about.

For him, the stakes were all together different.

Yesterday, he had taken over Boussac, the ailing textile empire.

Today, he was in control of LVMH.

A few days before his 40th birthday, this youngster was at the head of the most expensive company in France.

As chairman of the world's leading manufacturer of luxury goods, he now owned the most prestigious

French brands, Christian Dior, Christian Lacroix, Giventy, Moet, Hennessy, and Louis Vuitton.

All acquired in less than five years.

He was the first of a new breed of capitalists.

Friday the 13th, January 1989 was the day that he took office.

The 15 people invited to witness the event at LVMH's head office were beginning to filter into the large conference room.

They each had played a decisive role in this affair, which had all the makings of a Greek

tragedy.

They all knew they had no choice but to go along with our gnaw.

He quickly inspected those present.

Only one was missing.

Henri Rackemeer, the chairman of Louis Vuitton.

This senile old fool, as he had started to call him, was really beginning to get on Bernard's nerves.

He had to get rid of him as soon as possible.

The noise of the door opening interrupted his thoughts.

Rackemeer made an entrance.

This was merely the first step.

Rackemeer would fight to the end against this youngster, whom he had sought out a year before in the hopes of neutralizing the insufferably pretentious Alléon Chevalier.

This is the guy that was running Moët Hennessy before it merged with Louis Vuitton.

A mistake which had backfired on him.

But Rackemeer had no intention of letting himself be pushed around.

This 76-year-old was thirsting for revenge.

From now on, he would wake each morning vowing to topple Arnault.

If he had one quality, it was perseverance.

At 11.30 am, a triumphant Bernard Arnault arrived at Moët Hennessy.

He was anxious to personally check the text which announced his election.

Two draft press releases had been prepared.

The first and longer one paid homage to the previous management.

The second simply announced the appointments without any frills.

Bernard chose the second.

He took out a pen and struck out the words of praise for the former managing director.

Reading through it again, Bernard added, elected unanimously alongside his name.

He attached a great deal of importance to the unanimous vote, which meant there was no doubt about his position.

A few minutes later, the news hit the financial markets.

Bernard Arnault was chairman of LVMH.

Nothing could stop him.

That was an excerpt from this unbelievably difficult book to find and the one that I'm going to talk to you about today, which is the Taste of Luxury, Bernard Arnault and the Moët Hennessy Louis Vuitton story and is written by two French authors.

I have no idea unfortunately how to pronounce their names, but I will leave their full names in the show notes.

And before I jump into the book, I need to thank my friend David Rosenthal from the Excellent Acquired podcast.

He actually found this book was first published in 1992 in French.

I've only found one other copy.

The one copy that I can find that's for sale right now is \$3,000.

David paid almost \$400 for this book and he gave it to me for free so I could make this episode.

So to prepare for this episode, in addition to reading this entire book, I also listened to David and Ben's Excellent Acquired episode.

It's called LVMH.

I will leave the link down below where you can just search in your podcast player for acquired and it should be easy to find their episode.

It's titled LVMH.

It's like three and a half hours long.

It tells the entire history, the entire history of how LVMH came to be.

I took notes on their episode and you should hear some of those notes in this episode today.

In addition to that, I also listened to the excellent episode of Business Breakdowns.

It's titled LVMH, The Wolf and Kashmir's Conglomerate and that business breakdown is about what LVMH looks like today, their business models and their financial performance.

And I, of course, am going to focus on Bernard O'Nalt, the person as I always do.

Let me go right into Bernard's early life.

He's born in France in 1949 and he's the son of a building contractor that he's the third generation.

He's going to end up being the third generation in this family business.

His father Gene was successful.

Life was comfortable without being ostentatious.

Sometimes Bernard would stand in the hall gazing at a portrait of his ancestor, whom he apparently resembled.

This ancestor was a colonel in the Napoleonic Guard and had served in all the emperor's campaigns.

In case you missed it, I just did a first of many, many episodes I'm going to do on Napoleon because Napoleon just pops up again and again in these, if you're reading biographies on history's greatest entrepreneurs, pre-World War II, they're going to constantly reference their studying and their admiration of Napoleon.

That's episode 294.

If you haven't listened to it, I just got a fantastic book called The Mind of Napoleon printed in 1955, it arrived a few days ago, so I'll do an episode on that soon as well.

So in the book starts out, okay, we got this young, studious, driven, I guess I should tell you this up front that I didn't understand until I read this book and then listened to both the acquired and the business breakdowns episodes.

What pops out of my mind is Bernard is this odd combination of, I would say, Warren Buffett and a John D. Rockefeller.

If you've listened to my episodes on Rockefeller, I think I've done three or four at this point, you'll see there's a lot of parallels in his life other than Rockefeller was poor and Bernard was not.

But this just idea where it's like all work, no fun, so we just have this young version of, I think it's like 10 years old time, we have young Bernard just looking at this picture of one of his great ancestors, right?

So says he was an excellent pupil, he was in the top of his class in all subjects including PE.

The boy would listen attentively, a habit that he was never to lose.

That sentence reminded me one of my favorite lines that I've heard in any of the biographies that I've read came from episode 213 in Michael Jordan's autobiography.

Michael Jordan says, successful people listen.

Those that don't listen don't last long.

Following word for word two, his grandfather, Savanel, obviously, you know, you know, if you listen to a bunch of these, I can barely pronounce English.

These are all French names.

There's just no way I'm getting this correct.

I sat and listened to correct pronunciation over and over again to no avail.

It's just better if I just spend that time reading instead.

So his grandfather starts this engineering and building company and he does it in France after World War I because everything was destroyed in France after World War I.

So everything has to be rebuilt.

Bernard is going to work in this company that still exists when he's a young man starting with nothing.

They're talking about his grandfather except his wheelbarrow.

He teamed up with another guy that is his partner who supplied the capital and began to build on the ruins.

At that time, textiles, this is crazy.

At that time, textiles were the wealth of the north of France and Marcel Boussac was at his peak.

Bernard's grandfather's company built a factory for the textile king.

Now why is that crazy?

Boussac is going to be the company that 35-year-old Bernard buys.

Boussac, and the reason he buys it is because this conglomerate that is now taken over by the French government, it's losing a ton of money, and one of the assets that this conglomerate has is Christian Dior.

Bernard targets Boussac because he wants Dior.

That is the first in a chain of events that's going to eventually lead him to overtaking and taking over LVMH.

Let's go back to his childhood.

I just got to pull some quotes.

I went looking because he's got a fantastic quote spread over the internet, and he says, I'm very competitive.

I always want to win.

The way I would describe his childhood is work, work, work, and more work.

He was reared on his grandmother's stories.

The studious young Bernard did not like play like other children.

He did not like playing.

That is repeated in different sections of the book.

What Bernard liked as a child was the quiet, studious life he led at his grandmothers.

He loved work and music.

His friends from his preparatory class were living it up.

Bernard worked.

This is one of his great quotes, or it gives you an indication, like the reason I wanted to go around collecting his quotes in this book and otherwise is because it really gives you an insight into his personality, who he is, and this is exactly what he does. You have to be specially gifted or you have to work hard, he said. I was not gifted enough. That's a lie. I was not gifted enough. I had to work so I worked. He's both unbelievably gifted and unbelievably hardworking. You couldn't compete with him, said one of his closest friends. It wasn't worth it. He was quicker to grasp things. He went at a faster pace. You either detested him or found him charming. A lot of people were jealous of his abilities. So even when he's in college, this whole idea of work, work, work, let's get this done. Let's get big fast. Let's get on with what we're trying to do in life. He has this rare combination of, if he's intolerant of slowness and he has an unbelievably long-term view, and I think has been a beneficial member. This book ends, wait till you get to the end of the book what he says. He is 42 and what he says is ridiculous in the sense that he could think he could ever stop. And we see that, what he's done multiple decades since then. But he's in college at this point and he has to take this training course that was with McKinsey, the management consultants. And he did not like it. He says, the very idea of a training course seemed frustrating to him. You watch but you don't do anything, he said. And what I'm interested is in doing. He was 22 and in a hurry. He had never really considered anything else since his childhood. I always wanted to manage a company. I never wanted to do anything else. This reminds me of a young Paul Allen and a young Bill Gates sitting there reading, I forgot what it was, like Forbes magazine or Fortune magazine, I think like 12 or 13 and they're thinking of, oh my God, one day do you think we'll be able to run a company? And so this idea where he's like, you know, I never wanted to do anything else but manage a company. I knew this is what I was going to do. What I wrote down in the margin as well, there's no way that this guy was going to retire at 70 years old. And what I found fascinating about this is you have the same description of Bernard's at the time he was a really young kid when he's in like primary school and college.

Now he's out of college and he's working.

He's like, okay, this guy works unbelievably hard.

He's exceptionally bright.

That is another quote here.

And we also see that he has a lot in common with not only Rockefeller, but a lot of his administration.

So you and I study bad boys move in silence.

Nobody realized that he was married.

He did not wear a wedding ring and he kept his own counsel.

The day his daughter was born, not even his own secretary knew about it.

He believed in extreme discretion.

So he's working in his dad's company and he does something that this is, if you listen to the episode, episode 295 titled, I had dinner with Charlie Munger.

Something I got to talk personally with Charlie Munger about was this idea.

It's really important.

And something that Charlie Munger did, something that Ben Franklin did, something Andrew Carnegie did.

They purposely sought out other high performing intelligent people and made relationships with them.

This is just the first example of many, many times Bernard's going to do this in his career.

He's working with Pierre, I don't know his name, Pierre Gaud, I'm just going to call him Pierre.

He's working with Pierre.

They say Pierre at this time in Bernard's career is his alter ego.

Initially relations between Bernard and Pierre were distant and purely professional.

People had, this is the reason, this is the entire reason I'm reading this section to you.

People had to prove themselves before they won Arnold's confidence.

They had to be good and they had to know how to stand up to them when they were sure of their case.

And so on these post-it notes, I probably have, I don't know, 50 post-it notes throughout this entire book.

I wrote down relationships, relationships, relationships over and over again.

We see this, this is something that Bernard's going to do for the next two decades to when this book ends.

Probably still does it to this day.

He's just constantly building relationships with people that are very similar to him in the sense that like driven, talented, and can help him achieve his goals, go back to, then the book goes into great detail about what I would consider like his personality and management style.

This is what I meant about Rockefeller.

He is very Rockefeller-esque.

He had perfect manners, so did Rockefeller.

He hates intimacy, so did Rockefeller.

He does not have friends, only loyal followers, so did Rockefeller.

And then Bernard's going to do exactly what Rockefeller did early in his career when he jumps into the oil industry at first.

At the first he's like on the field, he's learning everything about it and then he steps back and becomes this like master strategist.

Bernard visited the sites, talked to the subcontractors and learned his trade as a contractor.

Very quickly he began questioning everything, so did Rockefeller.

He was demanding and sometimes difficult to follow.

And as we see, he had no plans to stay in the construction and engineering business, even though I think it was both on the acquired episode and the business breakdown episode, where they talk about that.

Bernard is very much like an engineer by training.

He had this like unique combination of an engineering mindset and an artistic mindset.

And there's also quotes that he said later in his career that give you that indication as well.

So his dad does something actually really smart, knows his son's talented, kind of willing to go along with him, and Bernard is also this financial genius, right?

There's definitely a Warren Buffett aspect to him that I didn't understand before I read this book or listened to those two episodes.

And so he's actually going to sell his dad's company.

And he says, Jean Arnault's feelings for this disruptive son of his, whom he often had to reign in, were a mixture of affection and anxiety.

That's hilarious.

He had not the slightest intention of selling his company, however, he let himself be convinced by the size of the contract.

Bernard goes and sells his company for 40 million francs for the small provincial business.

This was a great deal of money.

He stepped aside and gave his son carte blanche.

This was to be the start of the family's fortunes.

Bernard then set up a development study subsidiary.

I'm not going to go into that because there's so many.

The construction of his businesses are so difficult to understand that there's multiple times where the authors find it prudent to print out flow charts of all of the different companies and how they interact with each other.

So the reason I wanted to bring up the development subsidiary is because what happens after the fact, so it says within five years, this company become the leading French property developer for private houses.

Success came with the decision to sell holiday homes, a good knowledge of building and a careful use of marketing and advertising techniques.

But the important part was his managing style, which he still holds to this day.

Success came through the demands made by the owner on his employees.

One day he was driving with one of his executives who complained he had too much work and could not do what was asked of him.

He thought he had convinced Bernard.

But when they arrived, Bernard said to him, as if the conversation had not taken place, you do agree to do what we talked about, don't you?

Another day, Bernard had a file for a property deal on one of his employees desk at midday at 2pm, two hours later, he called and asked him how much he had sold to unbelievably demanding, wanting to move fast, wanting, there's no limit to his ambition, as we see, you don't become the richest man in the world if you had that.

And we see that even, he's in his mid-20s, I think, at this point.

And it says beneath, he says the success that he was having.

So he might be, let's say late 20s, maybe early 30s at the most, the success of this company was not enough for Bernard.

Beneath his civilized appearance, there lurks the spirit of an adventure, he wanted more.

So he decides, hey, France is not big enough, he's going to go to the business mecca in the world, right?

He's going to go to the United States, it is hilarious later on, right?

He's running, I think the biggest export of the French economy to this day is luxury goods.

And he is viewed very much by the French establishment, not as a Frenchman, but as an American.

And so this is like the beginning of that.

So it says he took to look for investment opportunities elsewhere.

He headed for a country which he had loved the United States.

So he winds up moving there and then he winds up living in this neighborhood in New York.

And it says while he's jogging in the mornings, he would pass his next door neighbor.

It was quite a surprise when he learned from the front page of the Wall Street Journal that his neighbor was none other than John Cluj, the multimillionaire who had just made a takeover bid for the communications conglomerate Metro media.

This book says, multimillionaire, when I listened to the acquired episode, I think John was one of the richest, if not the richest people in the world shortly after this.

He was doing like these leveraged buyouts and I think these like takeovers.

And I think they said, and this book says multimillionaire, but in the episode, the acquired episode, they said he made \$5 billion, I think, on that deal.

This is important because Arnold's going to use some of these techniques.

This is why I'm giving you this background.

Cluj embodied everything Arnold admired.

He was a nationally successful businessman, his audacity in business and his display of wealth combined with a certain simplicity in his private life.

That's why he's looking up to him.

Bernard wanted to go far.

He had an iron will at a laboriously won, oh my goodness.

This needs to be a t-shirt.

He wanted to go far.

He had an iron will at a laboriously won tennis match.

He once said, I may lose once, but I never lose twice.

So it's at this point, he decides to go back to France and he calls Pierre and he says, it's time to go to France and buy a company.

Find me one.

He chose Dior.

There isn't a better name in the United States.

The president of Dior is better known than the president of France, Arnold said.

And just as a quick aside, the chapter titles in this book are excellent because they're all descriptions of Bernard and so this one is called a burning ambition.

And this is the perfect timing because this is the 1980s.

In the crazy 80s, there's all a bunch of buyouts, takeovers, LBOs, raids.

This is all pre-LVMH.

So Boussac at the time, which is the large conglomerate that I referenced earlier, that his grandfather happened to build the textile mill for a long time ago, was the largest industrial bankruptcy in French history at the time.

And the public authorities in France are anxious to rid themselves of a business that was losing them 100 million francs a month.

And so these are just some of the assets that are inside this giant money-losing empire.

I wonder if I should find a book on the founder.

It says it all began in 1978 with the collapse of the Boussac empire, the man who invented pajamas.

That's odd.

And discovered a young fashion designer, Christian Dior, and who was one of the six wealthiest men in the country, was unwilling to modernize his factories, far less lay off any of his workers.

He had to sell his stud farms, so I guess those are horses, his chateau, and his newspapers.

All that remained of the depleted empire were assets in the declining textile industry, which just like Buffett, eventually Bernard's going to sell off, and one jewel, Christian Dior.

And so there's a bunch of other potential buyers for this.

There's a bunch of lessons spread across the next few pages.

Here's the first one, something you and I have talked about over and over again in the past, it's one of the greatest quotes from entrepreneur history ever, you see it over and over again, it's from Henry Kaiser, problems or just opportunities in work clothes. Bernard had become the most serious would be buyer.

He saw problem cases as a challenge.

After all, companies that are in ruins hold the greatest surprises and bring the greatest profits if they can be pulled around.

All you have to do is delve into them deeper than anyone else and work on them without leaving anything to chance that description to delve deeper than anyone else would and work on them without leaving anything to chance.

That sounds like a description of Bernard the person.

Number two, and getting Dior, he's going to get one, his sites are set like this, I reference like the Terminator-esque feeling that you get when you read about Rockefeller.

I felt the same way when I'm reading about a young Bernard, like it's like I have my eye set on this thing and I'm just going to do whatever I can, I don't care.

Whatever bear you put up in front of me, I'm going to figure this out one way or another.

And in this case, his first objective is like, I'm going to get Dior one way or another. And he tries to buy it piecemeal, like I'd rather just have Dior, I don't want all this other Bussac stuff.

But you said, no, okay, that's fine, I'm going to get Dior no matter what.

So it says, he put forward his proposal to take over Dior, out of the question they said, it must be all or nothing, no matter, all it would be, you are quite mad, his father told him.

And then one of his others, if I just say, hey, why don't you take the first plane back to the United States?

They thought this was crazy.

And so the people that are telling him, no, you have to buy the whole thing, you can't buy Dior are the ones that actually own Bussac now, even though they're losing a bunch of money.

And there's like four brothers, they're called the Willets.

Really you don't have to remember that.

It's not important to the story.

What is important to me, or to the story by the, is if you are the one with cash, time is your friend, right?

These guys own this company, but it's, they're just getting drained constantly, they have pressure from the fresh government, French government to figure this out.

And so Bernard's like, okay, I'll just, I'm just going to wait, I'm going to reach out.

So it says the brothers arrogantly stuck to their guns are now convinced that as time passed, the brother's position would become increasingly untenable, this is exactly.

So when I wrote, when I got to this section, this is something that Charlie Munger said at the dinner, he says, we made a lot of money because we always had a lot of cash and we could move fast.

And his point there is like, he's told some stories about this, like, you can have an asset that's hypothetically worth \$2 billion.

There's some kind of either the blow up of a, an individual company or like this large recession and suddenly you picked up something for 450 million that's worth \$2 billion.

Because if you have cash, time is your friend, you're going to be able to wait these people out and this is exactly what happens in this situation.

Going back to the terminator, right, Arnault was determined, he wanted Boussac and he was going to get it.

He would apply himself to the task of attaining the support of the public authorities who would choose the buyer.

So this is the first thing, first time I wrote down what I mentioned I have on a bunch of post-it notes, relationships, relationships, relationships.

This is an attack vector that Bernard uses over and over and over again.

This page, I wrote in giant capital letters, never underestimate, it is all downside and no upside.

This is something else that repeats in human nature over and over again.

You and I have seen it in multiple stories.

They don't take them seriously.

There's other buyers are like, we don't have to worry about this guy.
Who is he?
Like, we're going to win this.
And that's the problem.
There is, I even adopted this like to change my behavior.
It's like, first I try to limit like, like dealing, doing deals outside, you know, with external people.
And if I did, I would just assume like, okay, that person, even if they're showing no signs of this is true, just think that that person is a secret genius, that they know way more than you.
This idea where you're going to underestimate them, like, oh, I'm smarter.
I'm going to beat them.
Or in other cases, like, okay, like maybe they may be hiding something.
The point is, even if it's great, it's all downside and no upside.
What's the point?
Just I would do the reverse, right?
They'll never give both sack to a 36 year old property developer living in the United States, trumpeted this other buyer, sure of himself, everyone underestimated Bernard.
That's exactly what's going to happen, man.
What is the point of underestimating somebody?
Arnold remained inflexible.
He wanted control.
There was no question of his becoming the brother's partners.
These are the will-outs.
They're like, oh, no, you know, we don't want to sell this.
We're four brothers.
We just want a fifth brother.
That is a consistent theme throughout life of Bernard.
He is a dictator.
He is going to be in control.
You're out of your mind if you think you're going to partner with this guy.
Going back to, first they criticize you, then they copy you.
I got a great quote about him.
I'm going to read after this.
Everyone discouraged him.
Remember, they said, hey, you're crazy.
Get on a plane.
Oh, they're not going to sell it to them.
Everyone discouraged them.
They're telling them, oh, don't get involved.
These are all different quotes, right, spread over multiple pages.
Everyone discouraged him.
Don't get involved.
You will fare no better than your predecessors.

You won't last three years, and this is how you know we're dealing with somebody unique and different.

Listen to his reaction.

Far from discouraging him, this consensus of opinion acted as a stimulus.

That is a sign that you're dealing with somebody that has put the work in necessary to trust us on judgment later in life.

This is what he says.

I remember people telling me, it doesn't make sense to put together so many brands, and it was a success.

It was a recognized success, and for the last 10 years now, every competitor is trying to imitate.

I think they are not successful, but they'll try.

Again, first they criticize you, then they will copy you.

A few pages ago, I referenced this idea, hey, if you're the one with cash, time is your friend.

Turns out that was correct.

Negotiations were broken off.

They're fighting.

We can't figure it out.

However, the following day, the situation changed again for one essential reason.

The tribunal, this is the French government, was to announce liquidation on November 16th.

The Willots had their back against the wall, and on November 14th, they signed the agreement.

Now that Bernard has this agreement signed with the brothers, he goes and does relationships, relationships, relationships.

He goes and actually tours all of, starts building relationships with all the important decision makers inside the French government to hold off liquidation.

So as soon as the agreement had been ratified, Arnault and his partner went to the Ministry of Justice.

The two men did the rounds of all the ministries to convince them methodically.

The two men toured the Ministry of Industry, the Ministry of Finance, the Ministry of Social Affairs.

Tirelessly, they explained and argued, trying to persuade the various advisors that they were serious and that their plan was feasible.

And this was not easy.

They had reservations about how able and industrialist he was.

I remember he was really young at this time, how solid his financial backing was.

Here too, Bernard surprised everybody.

This is not somebody, it just hit me now reading this, usually I read it several times before I sit down and talk to you.

This is exactly how he gets into LVMH.

He's underestimated by the guy that he's fighting at the very beginning of the book, Rakhamir.

He's like, oh, we're old.

Let's bring in, let's bring in, they're trying to off, I'll get to this later, but they're

trying to avoid a hostile takeover.

So they want some allies.

That's why he's called the wolf.

And they're like, we're old.

Maybe this Bernard guy, he thinks about this industry like we do.

Maybe he can succeed.

Yeah, he's going to succeed you, but he's going to be like, oh, that's a nice business you have there.

I'm not going to wait five years, 10 years.

I'm going to actually control it now.

And so that's another example of somebody underestimating him.

This is amazing.

So it says they had reservations about how able and industrious he was, how solid his financial backing was.

Here too, Bernard surprised everyone.

He would gain the support of some of the biggest names in French finance.

One of those is this Lazard Bank.

It still exists to this day.

It's mysterious and powerful.

Let's just put it that way.

So they play a huge role.

His mentor is actually a very, plays a very important role and works at Lazards for that.

But the reason the details, I guess, aren't too important, it's this idea of like building relationships and gaining support, doing, like you have to be an impressive person first, right?

Bernard impresses everybody and meets them.

And that makes it easier for him to gain support of powerful people.

There's a line from the Tower of Charlie Munger, which is what I also covered in the last episode, where Charlie can't get into, he's rejected to Harvard Law School.

He has a friend that used to be like the former dean that lives just happened to live in Nebraska.

He makes one call and suddenly that rejection is reversed.

And his takeaway, Charlie's takeaway from that was that he had never forgotten the importance of having friends in high places.

I would say Bernard intentionally cultivated relationships with people in high places.

And his career and work benefited enormously from doing so.

And so now Bernard is the owner of this ailing giant empire that's losing much money.

He's going to make quick work and turn that around.

I think in a couple of years from now on the acquired episode, they said he was within like two or three years, took a failing asset and wind up producing like 100 million in cashflow.

But one thing that he's focused on, and this is a really lesson, I think to you and I, is like a powerful brand is magic.

If you have a powerful brand, all these other things can be fixed.

I don't know if Bernard knew that at this point in his career, but he damn sure knows

it now.

Bernard had understood that Dior was a jewel in the crown of this group.

Dior was to be the starting point for his strategy.

It was Dior was a famous name, but they had innumerable difficulties.

So just poorly run businesses, essentially what they're saying.

They have too many licenses, not enough boutiques.

They're ready to wear a collection had been a failure.

They had a troubled atmosphere, a bad culture.

It was impossible to manage the patchwork of 260 licenses worldwide.

All this essentially just listing all these problems that Bernard has to solve.

But again, a powerful brand is magic.

All these other things can be fixed, but you can't just snap your fingers and say, let me create a powerful brand.

He's got something that's rare and very differentiated and valuable.

It's impossible to manage the patchwork of 260 licenses worldwide, which attracted considerably from the image that a company like Dior should project quality was lacking.

And that is going to lead to Bernard realizing, hey, something that he continues today, he wants to own his own distribution.

It's extremely important.

It's valuable then, really valuable now.

Before I get there though, something else that popped out of the book that was very interesting is Arnold always bets on talent.

My friend Sam Hinky has this great quote, he says, people are really, people really are power law and the best ones change everything.

And I think Bernard would agree with that.

So he finds, he's introduced to this young designer named Christian LeCroix.

I actually looked that name up.

There's a funny video on, I typed in how to pronounce Christian LeCroix on YouTube.

And it's just like two guys sitting there just repeating it over and over again.

It was actually really, really funny.

And one guy's French, so he has a way better accent than I do.

So anyways, Bernard immediately sees, oh, this guy's special.

I don't care.

Like, oh, he's so special, I'll make a plan for him.

So says Bernard was interested in this underappreciated designer.

He was certain that he should not let Christian LeCroix slip through his fingers.

That's exact.

Rockefeller would hire people.

Check this out.

This is the same thing that's happening over and over again.

It's crazy how similar these two are.

Rockefeller meets somebody.

He thinks they're valuable.

He would hire them just as meeting them and worry about what to do with them later.

He just knew that talent was everything.

And so it says they're going to wind up launching this business together.

They launch a great fashion house and he invested 70 million francs down initially.

And then they agreed to invest another 200 to 250 million francs over the next five years.

Large point here.

Just remember, he always bets on talent.

So let's go back to what I just mentioned that he wants to own his own distribution.

He is a learning machine.

He's like, this doesn't make sense.

What Dior is doing.

We're going to change that.

Learning from what he saw at Dior are all made another choice.

This strategy, the strategy of exclusive shops along the lines of what Chanel or Amaze is doing.

A network of shops is not built overnight.

This took a long time to construct.

This is what I mean if you hear him talk.

He says like stuff, let me find the actual quote.

Here it is.

He says, in business, I think the most important thing is to position yourself for long term and not be too impatient, which I am by nature and I have to control myself.

So he's willing to invest on a long term, even if it grows against his nature.

He speaks to his discipline.

They talk about, you know, Terminator.

Let's go back to that idea of you have Bernard, Terminator or not, however you say his name.

Network of shops is not built overnight.

It took a long time to construct.

Well, he's still in the business.

That's good.

That's the investment.

Those investments reap and compound over a long time.

It doesn't make sense if you're going to get into a business jump around like most entrepreneurs do.

But Bernard is like, oh, I'm doing this forever.

Like I'm going to stay in here and I'm going to build this thing and we'll see how far it can go.

And he did something smart.

He did not.

I always say like worst thing you could do is usually when people have a success, they let their foot off the gas or they get comfortable.

And the line that I had, the maximum that's in my own mind to avoid that is if you go to sleep on a win, you're going to wake up with a loss.

He did not go to sleep on a win.

He's not going to wake up with a loss.

Arnault did not stray from his path relentlessly.
He pursued his ascent and seized every passing opportunity.
I know I left myself on that page is like Jeff Bezos.
Arnault is relentless.
Of course, we know Bezos owns relentless.com.
Until this day, he almost named Amazon relentless.com, which is one of the things I love about Jeff.
And this chapter ends with just one sentence, Bernardo and all its upward mobility was gaining momentum.
So in the background, the environment that allows him to run up getting control eventually getting control, one of the things that helped him get control of LVMH is this fact that there is the deregulation of the market in 1984 in the Paris that the Paris Stock Exchange experience, a new awakening is the line in the book, and this is what I mentioned earlier about the crazy 80s.
Anyway, to study this period knows it's just absolutely insane buyouts, takeovers, raids.
So it's buying into LVMH, I think in 1987 and has complete control by 1989, I think.
Let's go back to the beginning of the book to make sure I'm right.
Yeah, Friday, January 13th, January, 1989, okay.
And we're also going to see that Bernard, like most efficiency-grade entrepreneurs, they use these economic downturns to expand.
Most humans just run away.
They're in bad financial positions, they cower, and the people that actually go against human nature wind up making, usually, if they're picking good assets, usually make leaps and bounds in just a few years.
So this is going to happen, that's the crash in October 1987, which I'll get to in a minute.
But I need to give you, he participated in corporate raiding.
The benefit of reading this book after David did is that I get to see his notes.
So he wrote that on that page.
Thank you very much for the alley-oop there.
So he has a friend, I'm just going to call him his French friend, I have no idea how to say his name.
His French friend became a specialist in a technique called greenmail.
This consisted of buying a package of shares in a company vulnerable to takeover with which he renegotiated the buying back of the securities at a genuinely higher price.
Sometimes Bernard accompanied his friends in these rates.
And this is an incredible description of a young Bernard in contrast to those of his peers.
His ambitions were not limited to getting rich quick.
Capital, above all, had to serve his plans, which were beginning to crystallize.
He had such an appetite for victory and such a capacity for work that he was bound to succeed.
I underline that line twice.
He had such an appetite for victory and such a capacity for work that he was bound to succeed.
His determined character attracted the attention of the biggest names in finance.
So this goes back to relationships, relationships, relationships, relationships.
And he's doing exactly what Ben Franklin, Andrew Carnegie and Charlie Munger all did.

They sought out high quality people.

Bernard had the caliber of a great captain of industry.

Remember he's in his mid 30s, early 30s when this is happening.

He was a scophoon negotiator.

He surprised his partners in discussion with his self assurance and knowledge.

Remember when he was 10 years old, all he wanted to do was study and work.

See, he's still working like that.

All the more impressive in one so young, he had earned his spurs as far as the banking establishment was concerned.

The day he bought all the shares from the willow brothers, that episode was very revealing.

And so I do not want to overwhelm you with detail here, but I do think this is important because again, this goes back to something that he just loves.

He's going to control as much of his business as possible.

So he was raising money to buy out these brothers.

And I was like, all right, now I got to figure out a way to get rid of these guys.

So he said he sought to establish his power definitively in Boussac.

He had to ensure almost total control of the group and to break away from the grip of the banking consortium, which had helped him at the start.

If he did not, he would never have his hands free and would remain at the beck and call of the bankers.

And as we've seen as his life plays out during and after this book, Bernard's not going to be at the beck and call of anyone.

In fact, I found this great quote of him online, talks about the difference.

He's like, he really likes power.

He likes power.

And he thinks that business people actually have like longer term power than politicians.

People think of politicians having true power, but that's less and less true.

After all, they're often constrained of being edged into a corner by a whole series of contingencies.

I'm lucky in that I say I want my group to be in such a such position in 10 or 20 years time, and then I formulate a plan to make that happen.

This is what I mean.

He's seeking out very high quality people that can help his career.

There's a list of these, but really I think the most important one is Antoine Bernheim.

I'm going to call him Antoine.

It says Antoine is the true architect of Bernard's meteor career.

Antoine had made Bernard his protege and a favorite of the Lazard stable.

This is what I meant about this financial, total mysterious and powerful organization.

The banker was undoubtedly the one who fascinated the chairman of Dior the most.

This is the interesting thing, and maybe just because the book was translated from French, but so many times that the book, it gets confusing because instead of using his name, they'll use the position he happens to hold at that time, but it always changes.

It's like, just say who, he was the banker, undoubtedly was the one who fascinated Bernard the whole time.

And so we see that Bernard's getting this very valuable form of education because this banker Antoine is revealing to Arnault the workings of the financial world which he mastered with Machiavellian perfection of Bernard.

So now you have the banker Antoine describing his protege of Bernard.

He said simply, believe me, he is very good.

What did Antoine teach him?

A perfect mastery of financial techniques is this Russian doll ownership structure that Bernard uses.

In fact, the way to think about it, I think Ben from acquired gave a great summary of this page.

You can generate a ton of cash by selling minority pieces of each Russian doll.

This generates huge leverage for Bernard.

So says what did Antoine teach him?

Instead of having the majority that is 51% of your money and of capital in company A, it is better to have 51% in a purely financial company B, which itself then holds 51% of company A. One therefore also has control of company A by dividing the initial capital outlay.

This reasoning can be continued infinitely.

That sounds confusing.

They give you a great metaphor here to understand it.

The basic concept of techniques is called cascades.

Russian dolls are even stovepipe hats and it is old as the world itself.

Why is this important?

Because it allows targets to be attacked, which are much bigger while avoiding the initiation of a costly takeover bid.

A method Taylor made for the French market at this point in history that's important to point out for the French market and for the appetite of Bernard on all.

So says the magic formula did exist.

It was the stock exchange.

The next time, instead of counting on the financial support of investors, which is what Bernard did to get control of Boussac, he would take the capital of his various companies to the stock market.

Each call on the market would provide him with his initial capital outlay.

The best way of orchestrating takeovers was with other people's money.

The small shareholders, who he's now bringing in, would thus replace the bankers, who he's trying to get rid of, of his earlier operations.

Here's the main punchline.

This compartmentalized structure turned out to be a veritable treasure chest.

Each time that he needed money, Bernard put one of his subsidiaries on the stock market without losing overall control.

So then a few pages later, I'm reading about Bernard and this is what popped my mind as I get to the section.

He is a financial genius and a dictator who's obsessed with efficiency.

Bernard was one of the best financiers of his time.

He loved buying, restructuring, buying again in order to restructure again.
In his angelic appearance, there looked an authoritarian proprietor.
His managerial credo became American-style management.
That's what I mentioned earlier, how the French establishment views him very much as an American.
He was not worried about charisma.
What mattered with him was efficiency.
This new type of business was going against received practice.
That's an important note.
Another way of saying that I trust my own judgment, the fact that he felt very comfortable going against received practice.
His immediate priority was to find a target which was worthy of his ambitions.
He did not hesitate to examine several companies a week in minute detail.
There goes back to his obsession with detail, his obsession with studying, so much so that he has a soundproof office, which is hilarious because I record these podcasts in a soundproof booth.
Looks like a phone booth that's soundproof.
I should get a giant soundproof office now that Bernard has it.
So he says he hesitated to examine several companies a week in minute detail.
The stock market crisis of October 1987 attracted his attention to share, which was plummeting in value.
LVMH was now quoted at only 1200 francs.
It was down 50%.
So he goes to his mentor, the guy at Lazards, and he's like, let's launch a raid.
And Antoine gives him excellent advice.
He says Antoine, calm him down, wait until they come looking for you.
Okay, so at this point, we need to introduce two characters that are really important to this story.
They're going to be the two co-founders of LVMH.
I had no idea that they were, their partnership only lasted a few months before Bernard comes in.
So you have Henry Rockamere, he's one of the co-founders of LVMH, because he's going to merge Louis Vuitton with Moe at Hennessey.
He is the one that turned Louis Vuitton into an international brand, which was really fascinating because this book talks about the early history, like Louis Vuitton is, you know, this monstrous business today.
1977.
They have two stores.
And so there's some ideas that he used to build Louis Vuitton that I think you and I should be aware of in case we can use it.
The second co-founder, and these two are going to hate each other, by the way, is Alain Chevalier.
He is the one that ran Moe at Hennessey.
He merged Moe with Hennessey.

He also owned a license for the Christian Dior perfume.

So at this point, Bernard, because he got Boussac, owns Christian Dior, but he doesn't own the Christian Dior perfumes or two separate businesses.

Perfumes are probably, if I'm not mistaken, the more valuable, like the more, not the more valuable, the more profitable the two lines.

So these two guys come together, which I'll read to you in a minute, because they're worried about a takeover and they're both essentially, okay, if we combine ourselves, we're less likely to be taken over.

And then they wind up having a, there's like a, they just, they just clash.

They have hilarious quotes in the book about like marrying a fish or something, I'll read to you in a minute.

Their discontent opens the door to bring in Bernard and then not realizing that they just left a, let a wolf in the henhouse.

And so eventually Bernard is not going to like either of these two men.

That is not the case at the beginning.

In fact, it says Chevalier fascinated him.

Bernard admired his high profile, his cachet with the establishment and his international standing.

He was dazzled by the elegance of the chairman of Moët.

So that's an important thing where it says, oh, his profile, his cachet with the establishment.

Bernard is very much an outsider.

He is, you know, in the north of France, he is in like the industrial region.

He is not in this luxury world at all.

In fact, this part of the story reminds me of, so I've watched and read all the Game of Thrones books and just finished rewatching the series again.

And I always take notes.

I love these maxims, these like prompts for thinking.

And I came across this fantastic line a few months ago and I think it describes exactly what's happening in this book right now.

It says, those on the margins often come to control the center.

Those on the margins often come to control the center.

And the line I saved underneath that one is also a description of Bernard.

The world is built by killers.

Both of these men have since passed away, but if they were alive and we can ask them,

I bet you they would say that Bernard on all was a killer.

And to use the line from Doug Leone on his episode that he just did on Invest Like the Best, a killer to get the job done.

That was Doug describing him and his partner, Mike, who scaled Sequoia from a \$150 million company to think \$85 billion of asset center management.

We were killers, killers to get the job done.

But what was fascinating, one of the most fascinating parts of this business, because

I always think it's like, what is a real valuable industry right now that no one takes seriously?

Because that happens over and over again.

And I was just rereading my highlights from the early, one of the 13 books on the early

automobile, 13 biographies on early automobile, American automobile founders. And what's fascinating is when they start doing their experiments, there's a line in the book where they're like, for every one car on the road, when they started their experiments, there was 3,600 horses in America. And so it looked like, oh, nice little toy you have there. Oh, isn't that cute that you're running this experiment, not realizing that that industry that they're creating right in front of their eyes is going to be one of the most valuable industries ever created. In the luxury industry, like the industry where LVMH is right now, it's one of the biggest companies in the world, Bernard and his family are the, you know, he's the richest person. His family is one of the richest families in the world 30, 40 years ago. They didn't even think it was a real industry. And I wrote after, I'll tell you what I wrote after this says in the 1980s, the talk of luxury items was not welcome. The term luxury still had connotations of the craftsman. It had nothing to do with the real industry. Our gnaw changes that. So let's go back to this idea of the importance of relationships. So in 1987, Moët entered a period of great anxiety. Three billion American dollars were looking for a French ally to attack Moët. Unknown hands were amassing large numbers of shares on the stock market. The founder families of Moët Hennessy now only controlled 22% of the capital. The Moët management was unable to identify the raider. It soon became clear that the acquisitions were being carried out via this other company whose chairman was the French friend that I couldn't pronounce earlier. That was that green male guy mentioned earlier who was a friend of Bernard on all. So Moët goes for protection. Who did they go for protection? They go to Lazards. The second in command of the bank of Lazards is Antoine, which is also Bernard's mentor. So because Moët was trying to avoid getting raided, this is where they push into this merger, which is going to create the company that now Bernard controls and built all of his family's wealth, LVMH. And so then it gives us some background on how Henry, I'm reading my own notes, how Henry Rekamir ran Louis Vuitton, expand, control distribution, do the opposite of low quality competitors. So it says he had a double strategy. He wanted to make Vuitton a high-proceded brand name, symbolizing luxury, distant voyages, and great adventures by means of a sophisticated advertising policy. But also he wanted to sell throughout his products throughout the world and control and own his own distribution. And this is what I meant earlier. This shocked me. In 1978, there was only two Vuitton company owned shops, one in Paris and one in Nice.

And so what he noticed, what people were doing is that they would own distribution, other companies would own distribution in high-end areas, and yet they would outsource the creation of their product to lower-cost areas of the world, what the book calls the Far East.

And so Rekamir had his good ideas, like what if we reversed that?

To supply the shops, he decided to do the opposite of their competitors, manufacturing in France to guarantee exceptional quality and then selling in the Far East.

And this strategy works well, there's a period of about what, what is that, eight years?

Eight years goes by, they own a bunch of shops and they're making 200 million a year in profit.

And so the chapter that's describing like Henri Rekamir's career, it ends with this fantastic line that is like a precursor to where the story's about to turn and to much to Bernard's own benefit, Rekamir's ambitions knew no bounds, alliance with the greatest of the great did not hold any fears for him.

This was to be a great mistake, why?

Because he's going to merge with Mohamed Hennessy and then he's going to bring in the wolf and cashmere, which causes him to be kicked out of the company in about a year and a half from here.

And so you have two founders merging together, not realizing that they both want to run the show, this is going to end disastrously.

The two co-founders of LVMH lose the war for control to Bernard on Alt.

And so first of all, they didn't understand like they're incapable of working with each other.

They're too much alike as a matter of fact.

So this is the background before Bernard gets introduced, the two groups.

So this is now Louis Vuitton and then Mohamed Hennessy, which is about to merge.

The two groups had everything in common, the same aims, the same background of family control, a tradition going back more than a century, and of course their culture.

The merger of the two companies could only result in the birth of one of the greatest French institutions.

Well, in that part you're right, it is going to create a great French institution.

It's just not going to be run by you.

And wait till we get into the pettiness between these two co-founders, which again, the fact that they couldn't go wrong, the fact that they picked the wrong partner was their death kneel.

I had a hilarious thought when I got to this part of the book that I wrote down on myself.

I don't have any tattoos, but if I did, this is what I said.

I should get two tattoos, one on each forum.

One forum says, watch your costs.

And on the other forum, it says, control.

And so my favorite book out of, you know, the almost 300 books I've read for the podcast so far, the one I keep talking about over and over again, and in fact, it's going to be episode 300.

I just decided it was going to be, last time I reread it, it was episode 200.

So I had the ideas, like, oh, every 100 episodes, I should just read Dyson's autobiography, the first one that he wrote, not the second one.

He wrote another great one, that's episode 205, when he was like 70, but the one he wrote when he was like 45, after just going through 14 years of hell, it's just absolutely fantastic. And so this idea of, like, having a tattoo that just says control, right, and somewhere on, like, C every day, is aligned from Dyson's autobiography, where he says, difference for the sake of it, in everything, because it must be better, from the moment the idea strikes to the running of the business, difference and retention of total control, difference and retention of total control is the entire message that Dyson is trying to get into future generations of entrepreneurs' brains by reading that book.

And that was all I was thinking about while I was reading this ridiculous, like, merger, and then fight, and then they try to reverse merger, which Bernard is not going to allow at that point, because he had too much control.

It was just absolutely like, why are you doing this?

The biggest mistake is to relinquish your control.

If you maintain the control, you'll get the money anyways.

And so let's go into why.

We think about that friction between the two most powerful men in LVMH's surface immediately. Each one wanted to be preeminent, and it's funny because Chevalier has this quote that happened before, I think, the agreement.

He says, groupings which do not follow any kind of industrial logic end up badly, he said.

It's like a marriage between a carp and a rabbit, so a fish and a rabbit.

Naturally enough, such unions usually end in divorce.

He did not know how right he was.

So the merger happens, and this is what happens next.

They stepped up both their surface affability and their concealed deceit.

And so what does that mean?

They immediately start fighting over, okay, where's the new headquarters of LVMH?

This is, I wrote down here, never underestimate human pettiness.

They pick a location, but Rackamere says, nope, he's not even going to bother to visit. Why?

Because the address did not suit him.

It was too close to Moët.

So the search began again.

The ideal solution were for premises that were equal distance away from their two headquarters. Think about that.

The new proposed headquarters is too close to the former Moët one and not close enough to Louis Vuitton.

I will not go there.

You have to find one that is equal distance between the two existing headquarters.

That is ridiculous.

Once they've solved that problem though, now they have an office.

They start fighting over the interior design of the office.

Here's that fight over everything, especially the unimportant is the note I left on the page here.

The problem of office was settled and then the two men turned their attention to decoration. Each one wanted his own decorator.

The co-chairman took a malicious pleasure in provoking each other.

So we're going to fight over the location office.

Now we're fighting over the decoration office.

Now we're going to go, we're going to step up our level of pettiness.

We're going to fight over the new company letterhead, but let's not stop there.

When we do promotions for our new company that we both want to succeed, let's take something that should take two minutes and let's take, let's make it take hours.

The photo sessions for the fortune magazine, which devoted its first edition to the alliance of the two great companies was also turbulent.

It took three hours to obtain a few photos of the two co-founders side by side.

The architects of LVMH could not agree on the brand of champagne that would appear in the photo.

And this wraps up this section.

This is why the inability of the LVMH co-founders to work well together is so important to understand.

Personal differences made the whole structure more fragile.

Personal differences made the whole structure more fragile.

This dissension at the top of LVMH opened up a breach for a potential intruder.

Bernard Terminator or Nalt is common guys.

The dissensions at the top of LVMH opened up a breach for a potential intruder.

This was to be Bernardo Nalt's opportunity.

He was already waiting in the wings.

And so when he sees that stock drop during the crash of 1987, remember, it goes back to what Charlie Munger said and Warren Buffett says, we're not rich because of intelligence, we're rich because of temperament.

We go in, we rush in when everybody else is running out.

In fact, Buffett has one of the greatest lines about this ever.

It is in his shareholder letters and he says, we are equipped both financially and emotionally to play offense while others scramble for survival.

Buffett has a very positive affable public persona that is cold blooded.

We play offense while others scramble for survival.

Bernard is doing the exact same thing at this point in his life.

So let's go into that secretly.

Bernard acquired his first shares.

He was moving forward slowly until such time as his finances were in a healthier position.

He began by turning to private finance in less than a month.

He had managed to raise the equivalent of 1.5 billion francs in the form of various credits.

I had to go look into the footnotes to be like, okay, well, who's giving them the money?

One institution is Credit Lyonnais.

The other is JP Morgan and then they also manage JP Morgan and a group of eight international banks.

And then he does something that he wouldn't do later in his career.

He laid his cards on the table in an interview he declared in the current economic climate. The stock exchange is at its lowest. There will be opportunities to seize both in luxury goods and distribution. The key is to make the right choice and skillfully to apply rational methods. He could say all this more easily as he had battle funds of around 6 billion francs. When there was a talk of a possible takeover bid for the group, this is LVMH, right? There was talks of a possible takeover bid for the group LVMH. But nobody then imagined that Bernardo Nalt could have been a possible predator, especially Henry Rackamere, who went and sought him out in hopes of ousting his partner, Alan Chevalier. R. Nalt had come to Rackamere's notice. It appeared on Nalt had the same approach to the world of luxury goods. Bernardo's young age, check this out, Bernardo's young age was a decisive factor in Rackamere's decision. He could not become a rival, he thought. Why did he think he couldn't become a rival? Because I'm a 76-year-old, unbelievably successful person, this is 35, Bernardo's 35, yeah, he's sharp, maybe we can get him to succeed in like five and he can run the company like five, 10 years. And this is where Bernardo's like, nope, I'm coming for everything. And then let's go back to this main theme, bad boys move in silence. These meetings that are happening between Rackamere and Arnault are taking place in great secrecy. Guess what? Arnault's also going to have secret meetings with Rackamere's partner that he hates and he's trying to get out too. So the book goes into great detail about this. I'm just going to give you the punchlines here because it's so, it's like almost too much detail. Especially what Bernardo's here, Bernardo's doing very skillfully. He's playing everyone else off of each other. He knows that they hate each other. Both of them now, he's had meetings with both of them, they both think they're his ally. And so he says, Rackamere was still counting on Bernardo to overcome Chevrolet, Chevrolet was convinced that he had found, that in Bernardo he had found himself the support necessary to neutralize Rackamere. This goes back to like why I said it was so important to understand the discontent between the two co-founders at LVMH and how it opened the door for Bernardo. This was a skillful setup. Everyone believed that they owed him something. Nobody yet suspected the true designs of this young man. And so these events that I'm describing, this is July 1988. Remember he doesn't get control until the next year. He does not have full control yet. As of July 29th, 1988, he owns about 27%.

He needs more money to continue his advance.

So what does he do when he needs more money?

He goes back to that setup, that Russian doll cascade setup that Antoine taught him to follow up on his attack.

He needed money.

He therefore reorganized part of his empire according to a well-tried technique in order to raise capital, a partial sale of the Dior company.

Until then, Dior Couture was held 100% through Bozak.

Immediately he transformed Dior Couture into a holding company allocated at stake in LVMH and offered the capital to the holding company and offered the capital of the holding company to private investors.

Why did he do that? because this brought Bernard 3.3 billion francs.

Money he's going to use to buy more shares of LVMH.

And so eventually Rackamere realizes, oh no, he switched sides and he realized, oh, like this part, I thought I had a partner and now he actually, he's my predator.

And so this is when it gets unbelievably complex.

I could read this section 10 times and I probably still wouldn't understand it completely.

The main idea that jumped out and the one that I want to remember is the fact that Bernard, remember, he gets in when there's this huge crash.

That's his first, when he starts first accumulating shares.

Now there's so much buying and that's happening in secret.

He's raising so much money to buy stock that the stock price is soaring.

And this is the main part that jumped out to me.

Bernard believed in his plan so much that he kept buying even at record prices.

And what's crazy is his adversaries see the jump up in price and they sell and they sell because it's a record price.

And so what I thought is like, okay, well, what are those shares worth today?

What at the time, it's like, how crazy is this?

At the time, it looked expensive.

What looked expensive was actually unbelievably cheap and no one saw it but Arnault.

So it says at 1 PM, Arnault attacked the shares soared to 4,720 francs.

Or he bought in and started buying in like 1,250, et cetera.

This was a record level.

Faced with this explosion in the price, Rackamere, a good financier, lightened his portfolio of LVMH shares.

80,000 shares were sold.

Who do you think bought it?

Arnault continued buying in two sessions on January 5th and 6th.

He managed to buy up 800,000 shares, 8% of the existing LVMH shares.

By Friday, January 6th at 6 PM, it was clear an LVMH board meeting was called in the corridor Chevalier met Bernard Arnault.

A good sport, he told him, I played.

I lost.

I'm resigning.

There's the line I mentioned earlier, only killers survive.
Bernard Arnault had won.
Six months had been enough for him to reach the helm of the most expensive company in France.
The following day, he would be sworn in as the chairman of LVMH.
That is the last line in a chapter called Conquest.
The next chapter is called The Terror.
Remember, he is 40.
He is 40 years old.
And now it picks up where we started the book at.
I am the boss.
I will be here on Monday morning and I should be running the company in person.
There will be no power vacuum.
Now he had to deal with the aftermath and let it known, this is about the dictator, right?
Now he had to deal with the aftermath and let it be known that the group was managed by a single person.
And what's remarkable about reading these old books, older books, right?
And you see a snapshot in time.
He calls his shot.
He's 40 when he says this.
And over the next 30-something years, this is exactly what he does.
Arnold said he wanted to make LVMH the biggest luxury goods group in the world.
He said that at 40.
And so even though Bernard is unanimous chairman, right?
He's got to fight for like another year and a half, something like that.
Because Rackamere's refusing to give up.
He's believed in perseverance.
He says if he had to fight, he would fight to the end.
He would not let this youngster, how many of you saw a word described like three times in the books, tell us.
He would not let this youngster whom he had imprudently introduced into the group take from him, his company, his wife's company.
And that of his in-laws, a company, it had taken 10 years to rebuild.
The aggressiveness of this young man surprised him.
He had been wrong about Bernard.
This is very fascinating.
When they closed the first deal they did, he had a premonition that maybe he was wrong and this is, he wound up being proven right six or nine months later.
He had been wrong about Bernard.
He had said that he had a premonition.
When I signed the alliance pact with him in June 1988, I held on my hand.
It was like holding a limp rag.
I felt a gut reaction telling me that I had been wrong, but the die was cast.
Afterwards, I rationalized it.

When I got to that section, it made me think of one of my favorite quotes from Steve Jobs. He said intuition, Steve just had this towards the end of his career. Intuition is a very powerful thing, more powerful than intellect in my opinion. That's had a big impact on my work. And now if you do not mind, I would like to make one more comparison to Rockefeller. Rockefeller was not particularly enthusiastic about the oil, the burgeoning oil industry. He just saw that as his best opportunity to make a lot of money, he wanted to make a ton of money because he thought God gave him his power, his job is to make as much money as possible and then give it away. And he also saw an industry that was growing and he could impose his will on. I think that's how Bernard saw the luxury industry, although it's a lot more glamorous than refining oil was in the 1800s. But listen to how he talks. Friends were amazed by this person who presided over the destiny of so many luxury brands, the only area in which French products could not be competed with. For Bernard had understood before anyone else that it was a true industry. That sounds exactly like Rockefeller. For Bernard had understood before anyone else that it was a true industry. To his friends who said he was in love with the luxury good industry, Bernard replied, not at all. You cannot explain love. My relationship to luxury goods is really very rational. It is the only area in which it is possible to make luxury profit margins. He's still having this fight with Rockamere. I just want to point out this is exactly what Rockefeller was called as well. Rockamere starts insulting Bernard in the press. So at one of the meetings, he approaches Rockamere in the hallway and he says, you made a libelous attack on me by calling me a bandit and a gangster. That's how Rockefeller was described. In his day, Rockamere's response was actually kind of funny. I made no attack. I just made an objective statement. And so even though he made a bunch of errors, like first merging with Moet Hennessey and then inviting Bernard in, you got to like this old guy like, here's an example. He just refuses to give up until he's forced to give up. So they're both realizing that both is more powerful than the other one thought. This old gentleman never gave in. But still, he gave the impression of backing down so as to counterattack better. He liked to fight and in return, Rockamere perfectly identified. Now he over underestimated his opponent, didn't really understand who he was. Now dealing with him, he goes, oh, Bernard wants to take power everywhere and immediately. That's a great quote. Bernard wants to take power everywhere and immediately. And so then I need to pull out something that was fascinating.

So in the business breakdown episodes, talks about like, they're talking about Bernard now, right?

And through like his track record, he's got 30 years of track record that is not in this book.

And he says that one thing that Bernard did back then and still does to this day, which is very valuable, that he targets timeless brands that have proven themselves in different economic cycles and through changes in consumer preferences, even though LVMH may be 30, 40 years old, whatever it is, some of their brands are hundreds of years old.

So this idea of like, let's target, and you see that he did this, I'm taking the quote from the business breakdown episode and tying it to where we're in the book.

The young Bernard knew that he was going to do this.

So he's got to target timeless brands that have proven themselves in different economic cycles and through changes in consumer preferences.

Why?

Because they are durable.

And how do we know that?

Because time is the best filter.

Let's go to a young 40 year old Bernard saying, no, no, I know what I own is rare and it will increase in value over time.

My tenure objective is that LVMH's leading position in the world will be further strengthened in the luxury goods sector.

I believe that there will be fewer and fewer brand names capable of retaining a worldwide presence and that those of our group will be among them.

My plan for the next six months, so this is tenure objective, my plan for the next six months is to see all the group managers of the businesses and increase their motivation.

That's a nice way of saying he's going to be on their ass, right?

My plan for the next six months is to see all the group managers and increase their motivation by sharing my highly ambitious objectives with them.

Back to another idea that we've seen over and over again, Bernard Alnol is intolerant of slowness.

His relative youth emphasize his impatience.

His goal was to still make his mark in the business world fast.

Reaching the age of 40 encouraged him in this direction.

And so eventually Bernard wins.

He gets Rackamere out of there.

And then there's a great description of a young Bernard.

By a journalist, he makes the cover of a French magazine.

No one has any illusions left about this ambitious young financier who has shown no compunction in removing the man who had introduced him into the LVMH fold.

Those who were naive enough to see Bernard rise as a succession of lucky accidents had understood nothing of the man or his technique.

The text was illustrated by a cartoon, a man with a wolf's head.

And another comparison with Rockefeller talks about finally he has complete control, says he devoted himself to running the world's leading luxury good company.

His investments had been costly, 11 billion francs.
He had to get out of debt and most importantly build up his war chest again.
If you study the early history or the early career of Rockefeller, he had no compunction about going deep into debt and using the money raised to monopolize his industry and have complete control over not only standard oil, but the entire oil refining market.
And so the book ends with Bernard in complete control and the author is wondering, what is next?
But will he be content with having achieved what he set out to achieve?
He is, after all, only 42.
By the time I'm 70, I've retired long since, he says.
Was he to be believed?
We know from our vantage point, hell no, right?
He had worked from the time he was a child and he had never stopped working.
His father had never had to tell him to study.
That was all that he had ever done.
At all events, he had determination and he never gave up.
The willpower forged by the strict upbringing he had received meant that he lived a lonely life, setting him apart from other members of his generation.
He was not like other people.
Even at the age of 19, he was different, just like Rockefeller.
In May 1968, when all of his fellow students had taken to the streets and were on protest marches, his single concern was that his lectures would be canceled.
He thought only about one thing, passing his exams.
This solitude was to be his constant companion.
He was never wholly to trust anyone, apart from his father.
He kept his joys and his sorrows to himself, Rockefeller.
He was impassive whatever the circumstances.
What did he think of other people?
It was exceedingly difficult to tell.
He showed nothing of his feelings.
He did not care much for fancy social events, which he felt were a waste of time.
The parties that he threw to celebrate Dior's 40th anniversary, for example, were extremely lavish affairs.
This was not ostentation.
It was work.
You had to make people like you, but how?
His strength lay elsewhere.
His success was founded on what could almost be called a Napoleonic strategy.
Select the right target, attack the enemy at the right time, and in his weakest spot, then leave nothing to chance in the ensuing battle.
Rakhmer is an iron fist in a velvet glove.
Arnol is an iron fist in an iron glove.
If Arnol has a religion, it is efficiency.
So much so that people no longer dare invite him to lunch for fear of meeting with the

have we anything left to say to each other line that he has passed into legend.
Each moment counts.
He does not compromise.
He overturns everything in his path.
It is totally foreign to his nature to compromise his beliefs.
He relies on no one but himself and does not want to be in anyone's debt.
Above all, he has to be in control of events.
It is not surprising that the only man who truly fascinates him is Giovanni Agnelli.
The chairman of Fiat embodies both the supremely successful industrialist and unequal power.
That, in Arnol's eyes, is what it is all about.
This is ephemeral.
Companies have a durability which guarantee the only real power worth having.
And Bernard Arnol has a taste for power and luxury.
They knew all this about Bernard Arnol when he was 42.
Is it a surprise that 30 years later he built one of the most successful businesses in the world?
That is 296 books down 1,000 to go and I'll talk to you again soon.