**FACULTAD DE ADE**

# MASTERING LUXURY: LVMH'S STRATEGIC BEHAVIOUR AND ROLE IN THE EVOLUTION OF THE LUXURY MARKET STRUCTURE

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Objective.

The main objective of this paper is to analyse the market operations Louis Vuitton Moët Hennessy (LVMH) has undertaken, specifically in the area of mergers and acquisitions and how that has transformed the luxury market structure from a highly competitive market to an oligopoly. Through definition and investigation of the basic concepts of the luxury market, market structure within the industry and LVMH's portfolio expansion and diversification, the goal is to fully explain reasons behind these operations as well as to provide valuable insight into the decision-making process. This research aims to examine market structure the luxury industry, assessing the implications of the acquisition of established firms by a larger conglomerate.

Methodology.

There are to aspects with regard to the methodology of this paper. First a research aspect and a critical analysis of the information obtained through said research. The research consists of the gathering of information relevant to the question: the market structure of the luxury industry, LVMH's acquisitions and mergers and the context in which they occurred, and its competitors. The second aspect would be preceded by a detailed study of the literature after which a critical analysis of the information will be conducted, specifically why LVMH decided to take certain decisions to acquire or merge with luxury brands and in which context.

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# 1. The luxury industry

## 1.1. Definition of the luxury industry

The *luxury industry* is an all-encompassing term that refers to a market that contains different categories of products and is heterogenous by nature. It is quite possibly the only market that cannot be defined in terms of product, but rather a set of shared characteristics. There is not a single definition of the luxury market, though many authors have suggested a definition to be centred around concepts like quality, heritage, and price. According to Pierre-Yves Donzé, the luxury industry consists of companies that design, produce, and market high-end goods and services known for their superior quality, exclusivity, and premium pricing. This sector includes products like fashion, jewellery, watches, cosmetics, and automobiles, as well as services such as luxury travel and hospitality. The industry emphasizes craftsmanship, heritage, and brand prestige, targeting consumers who seek unique and aspirational experiences. It is characterized by a blend of tradition and innovation, appealing to a clientele desiring exceptional and exclusive offerings.[1]

The luxury industry is characterized by a high degree of market concentration since the 1980s with the rise of large conglomerates.[2] These conglomerates manage extensive portfolios of multiple luxury brands across different segments, centralizing financial resources and distribution systems while maintaining brand autonomy. This structure enhances the efficiency of resource management and expertise across the group, boosting brand value and market reach. The market is segmented into various categories, including personal luxury goods, luxury cars, and luxury hospitality, among others. This segmentation allows companies to cater to a broad range of consumer preferences and needs, facilitating product and market diversification.[3] Companies in the luxury industry not only diversify their product lines but also spread their operations across different geographical and demographic markets. This strategic diversification is vital for leveraging global economic shifts and evolving consumer behaviours.

Globalization has been a significant force shaping the luxury goods market, with companies

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[1] Donzé, P. Y. (2020). *Luxury as an industry*. Oxford: Oxford University Press.

[2] Depeyre, C., Rigaud, E., & Seraidarian, F. (2018). Coopetition in the French luxury industry: Five cases of brand-building by suppliers of luxury brands. Journal of Brand Management, 25, 463-473.

[3] Sperber, S. C. (2016). *The Luxury Market in the Fashion Industry: A Conceptual Segmentation*. IGI Global.

expanding their operations and sales across diverse regions. This expansion includes not only traditional strongholds in Europe and North America but also rapidly growing markets in Asia and the Middle East. Such a global presence is essential for tapping into new customer bases and for diversifying market risks associated with economic fluctuations in any single region. Competitive dynamics within the luxury goods market are intense, with companies constantly striving for innovation, maintaining brand heritage, and offering exclusive products and superior customer service[4]. These elements are crucial for securing a competitive edge. Strategic mergers and acquisitions are common as companies seek to enhance their brand portfolios and strengthen their market positions.

Despite occasional economic downturns, the luxury industry has demonstrated resilience and a capacity for rapid recovery, rebounding swiftly after the 2008 financial crisis and the COVID-19 pandemic. The outlook for growth remains positive, driven by robust demand in emerging markets and sustained strong performance in more established markets. This resilience highlights the industry's robust structure and its ability to adapt to changing economic landscapes.

### 1.2. Characteristics of luxury goods

The focus of this dissertation is the luxury goods market. Luxury goods stand apart in the market by offering superior levels of quality, taste, and aspiration compared to conventional products. These items are not merely expensive; they bring significant value through their emotional and artistic appeal, unique design, and a sense of exclusivity and status. Luxury products provide a qualitative hedonistic experience, enhancing enjoyment or comfort far beyond basic functionalities. They command prices that greatly exceed their functional value, reflecting their premium nature. The brands associated with luxury goods often boast a deep heritage linked to tradition and history, which enriches their appeal. These products are available through a tightly controlled and restricted distribution network, ensuring their exclusivity. The purchase of a luxury item is typically accompanied by personalized services that further enhance the luxury experience. Additionally, luxury goods serve as a social marker, signifying a certain social status and lifestyle.

Several critical success factors underpin the luxury industry. Premium quality across all products

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[4] Donzé, P. Y., Pouillard, V., & Roberts, J. (2022). *Luxury business*. The Oxford Handbook of Luxury Business, 1.

and throughout the supply chain is essential, as is a heritage of craftsmanship that requires specialized skills. Exclusivity is achieved through the use of scarce materials, limited editions, and selective distribution, which creates high demand. The marketing of luxury goods combines product excellence with emotional appeal, often reflected in the store atmosphere that mirrors the brand's values. A global reputation and a recognizable design are crucial, making the brand identifiable without the need for a label. Moreover, associating the product with a country known for its excellence in a specific category—like Swiss watches—can enhance its luxury status. Superior technical performance is also critical, particularly in categories like luxury cars, where performance is as valued as aesthetics.

The luxury industry is broad and diverse, encompassing several categories including luxury cars, personal luxury goods, luxury hospitality, gourmet food, fine art, fine wine and spirits, furniture, private jets and yachts, and luxury cruises. This segmentation highlights the expansive nature of luxury markets, each catering to the refined tastes and high expectations of its clientele.[5] The allure of the luxury sector is rooted in its ability to not just meet needs but to anticipate desires, crafting an aura of exclusivity and a narrative of aspiration around its brands and experiences. In essence, the luxury industry operates at the intersection of tradition and innovation, where age-old techniques are preserved yet reimagined to suit the modern connoisseur's evolving tastes. It's an industry that stands testament to the power of branding, where the name attached to a luxury car, yacht, piece of furniture, or artwork can speak volumes about its heritage and value. Whether through the silent glide of a superyacht on the ocean, the commanding presence of a bespoke piece of furniture, or the refined taste of aged wine, the luxury industry is an orchestrated symphony of the finest human accomplishments, catering to those who seek the extraordinary in every aspect of life.

[5] Dias Guedes da Silva, H., (2022) Diversification in the personal luxury godos industry: a case study of LVMH and its peers in financial performance and mergers and acquisitions strategies. [Master's dissertation, Universidade do Porto] Repositório Aberto da Universidade do Porto https://sigarra.up.pt/fep/pt/pub_geral.show_file?pi_doc_id=375117

### 1.3. Market structure of the luxury industry

The personal luxury goods market distinguished by an oligopolistic market structure, with a small number of firms holding substantial market share. This oligopoly results from various strategic and economic factors that make it a unique sector within the broader consumer goods industry. Dominant players such as LVMH, Kering and Richemont preside over this market, each controlling multiple prestigious brands across diverse luxury segments including high fashion, fine jewellery, watches, and premium cosmetics.[6] The influence these conglomerates wield is non-trivial; it extends to pricing, marketing, and distribution strategies, effectively setting industry standards and practices.

Barriers to entry in the luxury market are notably high, serving as a significant deterrent to new entrants. Establishing a luxury brand requires immense capital investment, which goes into sourcing high-quality materials, employing skilled artisans, and developing a global supply chain capable of meeting the exacting standards of luxury production. Beyond the tangible assets, the intangible elements such as brand development, customer loyalty, and market positioning are perhaps even more daunting. Luxury brands are not merely selling a product; they are selling an experience and an image steeped in exclusivity and prestige. Developing this image requires significant investment in marketing and customer relationship management, areas where established players already have deep competencies and extensive resources.

Furthermore, the luxury market is characterized by significant product differentiation. Each brand strives to carve out a unique identity, emphasizing heritage, craftsmanship, and an exclusive lifestyle. This is not simply about appealing to consumer tastes but about creating an aspirational image that can be translated into a premium pricing strategy.[7] The luxury goods market is also notably less sensitive to price elasticity. Consumers of luxury products are paying for the perceived value and prestige associated with the brand, which often outweighs cost considerations that are more pivotal in other markets. This aspect allows luxury brands to maintain high profit margins and makes the market attractive but challenging to penetrate.

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[6] Maresco, P. A., & Lyons, B. (2005). Achieving Growth in the Luxury Market. *Strategic Finance*, *86*(11), 46.

[7] Kapferer, J. N. (2014). The future of luxury: Challenges and opportunities. Journal of Brand Management, 21(9), 716-726.

International reach and distribution control are other critical components of the luxury market structure. Major brands manage a global presence, with flagship stores in key world cities and careful management of distribution channels. This control is crucial not only for maintaining the exclusivity and high standards of the brand but also for catering to a global elite customer base whose purchasing decisions influence market trends. The digital transformation has introduced a new dimension to this dynamic, with luxury brands increasingly embracing online sales platforms while still maintaining the high-touch customer service that their clientele expects. Authorities are not concerned with this particular market beyond consumer rights for two reasons: it's a premium market as opposed to a basic goods market, which means the consumers have no need for the product and can afford to pay the high prices[8], and, secondly, it is in the conglomerates' best interest to treat their customers well, since they must foster loyalty with them. All in all this means less antitrust control and conglomerates are free to acquire the companies they wish.

The market structure of the luxury goods industry is thus shaped by a combination of economic forces and strategic business practices. The oligopolistic nature of the market, characterized by a few dominant firms, high barriers to entry, significant product differentiation, and control over international distribution, defines the competitive landscape. These firms must continuously innovate while maintaining the allure and exclusivity that define luxury, adapting to an ever-evolving global market and increasingly discerning consumers.

#### 1.3.1. Pre-1980s

During the early 20th century, the luxury fashion market was distinguished by a strong emphasis on haute couture, a segment led by renowned Parisian fashion houses like those of Charles Frederick Worth and later, Coco Chanel, Schiaparelli, Dior and their peers. These designers were viewed as true artisans whose influence in fashion was unparalleled, dictating trends that would spread across the globe. Paris, as the centre of these activities, attracted a clientele composed of the world's elite, including celebrities and royalty, further enhancing its stature as the capital of luxury fashion. *Maisons* (luxury firms) formed a sort of guild, that came together through their work and

[8] Carloni, F., Hofmann, M., Castelli, S. P., Todisco, V., & de Rada, C. C. P. (2023). Survey—Competition Law Enforcement in the Fashion and Luxury Sector. Journal of European Competition Law & Practice, 14(1), 52-63.

defence of their artisanal standards and creative genius.

The structure of the luxury market also saw the beginnings of market segmentation and expansion beyond the elite clientele. The introduction of ready-to-wear collections in the 1940s, influenced by the bespoke creations of haute couture, began to make high fashion more accessible to a broader audience. This shift was significant in democratizing luxury to some extent, allowing more people to participate in the luxury fashion trends of the time. The ready-to-wear revolution marked a pivotal change, blurring the lines between exclusivity and accessibility within the luxury domain[9]. It heralded the beginning of a new era where luxury was not confined to the wealthy few but was a concept that could be experienced by a growing segment of society, thereby broadening the market base and enriching the cultural fabric of fashion. Moreover, this evolution sparked a surge in brand consciousness among consumers, setting the stage for the emergence of global luxury brands that capitalized on the mass appeal of their more attainable product lines.

The global influence of Parisian fashion began to be challenged and diversified as American designers emerged and gained recognition. This was particularly noticeable during and after the World Wars, when the economic and cultural influence of Europe waned, and the United States took on a more prominent role in the fashion industry. The inter-war period marked a crucial time when the dynamics of the fashion industry began to shift, setting the stage for a more globally dispersed fashion landscape.[10]

In the decades preceding the 1980s, the luxury market was significantly more fragmented, characterized by a plethora of small, artisanal brands. These companies were often family-owned, with a strong emphasis on craftsmanship and heritage rather than mass market strategies. This resulted in a competitive landscape where no single firm had a dominant market share or the ability to influence market prices significantly[11]. The diversity of these brands led to a vibrant market where innovation and quality were paramount, ensuring that no single entity could monopolize

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[9] Shrimpton, J. (2014). *Fashion in the 1940s* (Vol. 784). Bloomsbury Publishing.

[10] Fontana, G. L., & Miranda, J. A. (2019). *The business of fashion in the nineteenth and twentieth centuries.* Investigaciones De Historia Económica, 12(2), 68–75. https://doi.org/10.1016/j.ihe.2016.03.017

[11] Carnevali, F. (2007*). Luxury for the masses: Jewellery and jewellers in London and Birmingham in the 19 th century.* Entreprises et histoire, (1), 56-70.

consumer attention. Each firm competed fiercely for its market share, relying heavily on product differentiation and niche marketing to attract and retain customers. The high level of fragmentation facilitated a dynamic market environment, where consumer choice was vast, and the power dynamics were balanced, typical traits of a perfectly competitive market.

#### 1.3.2. Post 1980s

The luxury industry has evolved to become an oligopolistic structure, with three main players dominating the market. But it wasn't until the 1980s that century that the luxury industry became a blueprint of the oligopoly it is today. This is due to the start of the wave in mergers and acquisitions by luxury conglomerates. Nowadays the main players are LVMH, Kering and Richemont, and each in turn owns a large number of prestigious brands. Throughout this dissertation, the operations carried out by these companies, especially LVMH, will be analysed to show how they reconfigured the luxury market's structure from a competitive market to an oligopoly.

### 1.4. M&A's significance in the luxury industry

Mergers and acquisitions can be defined as *the consolidation of companies or their major business assets through financial transactions between companies.*[12] The difference between a merger and an acquisition is the following: a merger is a coming together of two companies of firms while an acquisition is the purchase of one firm by another. They are particularly important in the luxury industry because most luxury brands have been concentrating since the 1980s. LVMH's specialty is the acquisition of luxury brands, and the conglomerate is known for its generally hostile approach.

LVMH's strategy changed the market structure from a highly competitive market to an oligopoly in which it condemns its competitors to live in its shadow. Before the 1980s, the luxury industry was highly fragmented, with many brands competing in various segments, but all of a similar size. Global expansion also meant European brands encountered emerging luxury brands in Asia and the Middle East. The concentration of major luxury brands in LVMH allowed the conglomerate to benefit from economies of scale and economies of scope, using their existing knowledge to a larger scale and expanding it to adjacent industries, decreasing costs and monetizing their knowledge and

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[12] Faulkner, D., Teeriangas, S., Joseph, R. (2012). *M&A Handbook.* Oxford University Press.

skills further. Kering and Richemont followed LVMH's example, operating as holding companies for their brands. LVMH is the leader in the sector, with a revenue of 86.2 billion euros in 2023, followed by Kering and Richemont (though not at all closely) with revenues of 19.6 billion euros and 19.95 billion, respectively. They concentrate resources and benefit from economies of scale, as well as a dominant position in the market. It could be argued that in separating their names from their brands' names and keeping operations separate, they have managed the delicate equilibrium of maintaining the essence of their brand whilst taking full advantage of their resources.

Bernard Arnault was initially heavily criticized for LVMH's business model, the fashion industry seemed resistant to the idea of a luxury conglomerate. An ubiquitous phenomenon in most goods' markets, the concentration of luxury brands seemed conceptually impossible, precisely because of the nature of the market. Investing in luxury goods makes consumers more critical of the process, and anything resembling economies of scale raises suspicion that the standard in craftsmanship is falling. In any other industry, Arnault's strategy wouldn't be contested, Unilever and Procter & Gamble have not been questioned for not respecting the 'essence' of their brands, nor have Nestlé or Pepsico. The difference lies in the nature of the industry, and how much of sales relies on the company's reputation and *savoir faire*. Critics argued that such homogenization could strip luxury brands of their unique appeal and differentiation, which are critical to their success and prestige in the marketplace.[13] It's clear, however, that LVMH's business model works. A wide portfolio mitigates the risks of any one brand or type of brand, its strong financial performance (quadrupling its two main competitors), and its global presence and market leadership all prove Arnault's strategy was successful in growing LVMH and implementing this model in the industry.

## 2. LVMH

Louis Vuitton Moët Hennessy, commonly known as LVMH, stands as a titan in the world of luxury goods. Established in 1987 through the merger of Louis Vuitton with Moët Hennessy, the conglomerate has evolved into the largest luxury goods group in the world. Its foundation rests on a storied history of iconic brands, each with its own unique heritage and esteemed reputation in various sectors of the luxury market, including fashion and leather goods, wines and spirits,

[13] Moffett, M. H., & Ramaswamy, K. (2003). Fashion fauz pas: Gucci & LVMH. Thunderbird International Business Review, 45(2), 225.

perfumes and cosmetics, watches and jewellery, and selective retailing.[14] LVMH is headquartered in Paris, France, and operates over 70 prestigious brands, including Louis Vuitton, Christian Dior, Givenchy, Dom Pérignon, and Bulgari. Each brand within the LVMH portfolio is known for its individuality and craftsmanship, yet they all share a common commitment to excellence, quality, and innovation. This synergy under the LVMH umbrella enhances their ability to offer products that are both timeless and contemporary, meeting the refined tastes of a discerning clientele that spans across the globe. The strategic vision of LVMH is headed by Bernard Arnault, one of the world’s foremost business magnates, who has been at the helm as CEO since the group's inception. Under his leadership, LVMH has not only expanded its brand portfolio but has also seen remarkable financial growth. The group's business model focuses on strengthening their brands' global standing while maintaining their exclusivity and luxury status. This is achieved through careful control of the production processes, meticulous craftsmanship, and innovative design, coupled with aggressive marketing strategies and expansive global retail networks[15].

Financially, LVMH has shown consistent growth over the past few decades, demonstrating the strength and resilience of its business model and the evergreen appeal of its products. The group's revenue streams are well-diversified, allowing it to mitigate risks associated with economic fluctuations in different sectors. For instance, while the demand for high-end fashion and jewellery might wane during economic downturns, the consumption of certain wines and spirits tends to remain more stable, helping to balance the group's financial performance across its various sectors[16] (as seen in Annex 3). LVMH's marketing strategies are as bespoke as the products they offer. The group's branding efforts are carefully crafted to evoke a sense of exclusivity and prestige, leveraging celebrity endorsements and high-profile events to enhance brand visibility and appeal. Moreover, LVMH’s ability to manage public relations and media outreach skilfully ensures that each brand maintains its unique image while benefiting from the conglomerate's powerful overarching presence in the luxury sector. The conglomerate's influence extends beyond its immediate

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[14] Gilbert, B. and Rosenthal, D. (Hosts) (2015 – Present) *Acquired: The Complete History & Strategy of LVMH* [Podcast]. Acquiredfm. https://www.acquired.fm/episodes/lvmh

[15] Adams, S., & Elliott, H. (2010). *Master of the brand: Bernard Arnault*. Forbes.

[16] (January 26, 2021) *LVMH showed good resilience against the pandemic crisis in 2020*. LVMH, https://www.lvmh.com/news-documents/press-releases/lvmh-showed-good-resilience-against-the-pandemic-crisis-in-2020/

consumer base through philanthropic efforts, cultural contributions, and sponsorship of art and heritage. LVMH is known for its support of the arts, including funding for exhibitions, museums, and live performances, further embedding the group within the cultural fabric of society, and enhancing its brand prestige.

LVMH Moët Hennessy Louis Vuitton is not just a leader in the luxury market; it is a symbol of the fusion between artisanal craftsmanship and contemporary innovation and strategy. With a diverse portfolio of top-tier brands, LVMH continues to define and redefine what luxury means in the modern era, catering to a global audience whose expectations are as elevated as the products that LVMH offers. The group's commitment to excellence, innovation, and sustainability ensures that it not only leads the luxury market but also sets the standards for others to follow.

### 2.1 LVMH’s strategy

LVMH employs a strategic diversification approach that transcends merely expanding product ranges. This strategy is integral to crafting a resilient business model that leverages the conglomerate's expansive reach across various sectors, mitigating risks and capitalizing on different economic cycle reactions. By diversifying its portfolio, LVMH not only cushions itself against market fluctuations in one sector but also enjoys steady revenue from others that may thrive during economic downturns. For instance, while luxury fashion and jewellery might suffer during recessions, the wine and spirits sector, exemplified by LVMH's Moët Hennessy division, often demonstrates robust performance.[17]

The essence of LVMH’s diversification strategy lies in its pursuit of synergies across sectors, essential for fostering innovation and enhancing overall brand value. By operating across varied but complementary market segments—from high fashion to fine wines—LVMH leverages its extensive resources to innovate continuously, aligning with evolving consumer preferences. This approach is manifest in its ability to promote synergy between its brands, utilizing well-established platforms to introduce new products or facilitate collaboration among different segments, such as having fashion designers create exclusive items for its jewellery lines or integrating branding

[17] Lai, Y. (2023). *LVMH Strategy and Financial Analysis of LVMH Group*. Highlights in Business, Economics and Management, 10, 143-148.

strategies across its perfumes and luxury retail stores. LVMH’s strategic diversification places it in an advantageous position to quickly seize emerging market opportunities. With its involvement in multiple sectors, LVMH can swiftly adapt to new trends and consumer demands, a flexibility that is crucial in the fast-paced luxury market where preferences and trends can shift unexpectedly. This agility enhances LVMH’s capacity to drive growth and solidify its market dominance continually.

In terms of acquisition strategy, LVMH focuses on the long-term strategic value of each potential addition to its portfolio. It meticulously assesses how well a new brand aligns with the conglomerate’s ethos and its potential to boost LVMH’s standing in the global luxury market. LVMH favours heritage-rich brands that bring a storied history and a dedicated customer base, thereby enhancing LVMH’s reputation for luxury and exclusivity. Conversely, innovative startups provide cutting-edge technology and novel business models, offering fresh growth avenues and helping LVMH maintain a competitive edge in a market where technological advancements are increasingly pivotal.

Each acquisition is strategically approached with a vision that respects the unique identity of the acquired brand while seeking synergies within the broader LVMH operations. This balance involves enhancing supply chains, optimizing global distribution networks, and fostering marketing and cross-brand collaborations, ensuring that each brand is well-positioned to benefit from LVMH’s vast resources and global reach. This not only cements LVMH's leadership in the luxury sector but also guarantees that each acquisition contributes substantial value to its diverse and high-performing portfolio.

### 2.1.1 Diversification

LVMH’s strategic diversification extends beyond simply broadening its portfolio; it’s fundamentally about creating a resilient business model. By integrating a wide array of sectors under one corporate umbrella, LVMH effectively distributes its risk across industries that react differently to economic cycles. This approach not only cushions the conglomerate against fluctuations in one particular market but also ensures steady revenue streams from sectors that may perform strongly even during downturns in others. LVMH's diversification strategy is closely tied to its pursuit of cross-sector synergies, which are crucial for fostering innovation and enhancing brand value. By operating across different but complementary market segments, LVMH can leverage its vast array of resources and expertise to introduce innovative products that meet evolving consumer preferences.[18] This synergy is evident in their ability to cross-promote brands within their portfolio, utilizing established platforms to introduce new products or collaborate between segments, such as a designer from their fashion house designing exclusive pieces for their jewellery collection or cross-branding between their perfumes and high-end retail stores.

With its hands in multiple sectors, LVMH has the agility to pivot and adapt to new trends and exploit emerging market opportunities quickly and effectively, meeting consumer demands faster than competitors who may be concentrated in fewer sectors. This aspect of their strategy is particularly beneficial in capturing the luxury market's dynamic nature, where consumer tastes and the popularity of luxury goods can shift rapidly. LVMH's broad-based presence across various luxury categories allows it to harness these shifts, continually driving the conglomerate's growth and reinforcing its market dominance.

### 2.1.2 Choice of targets

LVMH's acquisition strategy meticulously focuses on the long-term strategic value of each potential addition to its portfolio. This approach involves a thorough assessment of how well a new brand aligns with LVMH's overall corporate ethos and its ability to enhance the conglomerate's standing in the global luxury market. Heritage-rich brands are particularly attractive to LVMH because they come with a storied history and a loyal customer base, which can significantly bolster LVMH’s existing reputation for luxury and exclusivity. On the other hand, innovative start-ups offer cutting-edge technology and new business models, providing LVMH with fresh avenues for growth and the ability to stay ahead in a competitive industry where technological advancement is becoming increasingly important. For instance, LVMH's acquisition of Tiffany & Co., a brand synonymous with American luxury and craftsmanship, not only expanded its jewellery and watch segment but also reinforced its position in the high-end jewellery market globally. This acquisition aligned with LVMH's strategy of owning iconic brands that define their segments, enhancing the group's portfolio with a brand that has a unique heritage and an international consumer appeal. Similarly, LVMH's investment in young companies like Rimowa, a leader in premium luggage,

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[18] Lai, C. S. (2022, December). The strategy and competitor analysis of LVMH. In 2022 2nd International Conference on Financial Management and Economic Transition (FMET 2022) (pp. 549-557). Atlantis Press.

reflects its strategy to infuse innovative design and technology into its offerings, tapping into new consumer trends and expectations in the luxury travel goods market.

Each acquisition by LVMH is approached with a vision for integration that respects the unique identity of the acquired brand while seeking synergies with the broader group's operations. This delicate balance involves strategic initiatives to cross-pollinate expertise across various domains within the conglomerate—from supply chain enhancements and global distribution network optimizations to marketing and cross-brand collaborations. Such integrations are meticulously planned to ensure that new brands are positioned to benefit from LVMH's extensive resources and global reach, driving their growth and expansion while contributing to the conglomerate's overall profitability and market share. This strategy not only solidifies LVMH's leadership in the luxury sector but also ensures that each acquisition delivers substantial value to the group's diverse and high-performing portfolio.

### 2.1.3 Expertise in brand management

LVMH's approach to post-acquisition management is distinguished by its emphasis on maintaining the distinctive brand identities of its acquisitions. Recognizing that the inherent value of luxury brands often lies in their unique history, craftsmanship, and exclusive appeal, LVMH strategically preserves these elements to ensure that new brands continue to resonate with their established customer bases. This strategy involves a careful curation of the brand's legacy, maintaining key elements of its design and production processes that define its uniqueness. By doing so, LVMH avoids the dilution of brand equity that can occur when new acquisitions are overly assimilated into the parent company's culture and operational norms.[19]

While LVMH allows its acquired brands a considerable degree of operational autonomy, it also strategically integrates aspects of its global operational capabilities to enhance the brand's performance. This includes access to LVMH's vast distribution channels, cutting-edge research and development resources, and advanced digital marketing tools. Such integration enables these brands to expand their reach and adapt to new markets more effectively while retaining the core attributes

[19] Cavender, R., & H. Kincade, D. (2014). Management of a luxury brand: Dimensions and sub-variables from a case study of LVMH. *Journal of Fashion Marketing and Management*, *18*(2), 231-248.

that define their luxury status. For example, LVMH’s investment in digital transformation has helped traditional brands like Louis Vuitton and Dior to enhance their online presence and e-commerce platforms, reaching a broader audience while maintaining high standards of customer experience and brand exclusivity.

LVMH’s management practices are geared towards fostering innovation within its portfolio brands. By encouraging collaboration among its brands and facilitating the exchange of ideas and best practices, LVMH creates an environment where creative and business synergies can be realized. This collaborative ethos is evident in cross-brand initiatives, such as shared sustainability practices or co-designed products, which not only drive innovation but also align with modern consumers' values and expectations. In this way, LVMH not only sustains the individual growth trajectories of its brands but also enhances their collective strength, ensuring the conglomerate's leadership in the luxury market continues to evolve in line with industry trends and shifts in consumer behaviour.

### 2.1.4 Focus on Global Expansion

LVMH's approach to expanding into emerging markets through strategic mergers and acquisitions is a cornerstone of its global strategy. The conglomerate targets brands that already have strong regional ties or are poised for significant growth, leveraging these acquisitions to gain a foothold in new markets. This approach allows LVMH to tap into local consumer bases more effectively by associating with brands that consumers in these regions already recognize and trust[20]. For example, L Capital Asia (an Asian fund backed by LVMH) has invested in Singapore's *Sincere Watch* and a Hong Kong-listed company, *Emperor Watch and Jewellery*. LVMH’s acquisition of these local brands with a strong heritage or a loyal following can be seen as an endorsement of these brands’ values and craftsmanship, which resonates well with local markets. Such strategic acquisitions not only enhance LVMH's brand portfolio but also provide crucial insights into local market dynamics, consumer behaviour, and competitive landscapes.

By acquiring brands that offer unique regional insights or product specializations, LVMH enhances its ability to cater to a diverse global audience. This is crucial in luxury markets where consumer

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[20] A. F. P., (May 9, 2011)., *LVMH-backed fund hunts for emerging Asian brands* Fashion Network https://ww.fashionnetwork.com/news/lvmh-backed-fund-hunts-for-emerging-asian-brands,171841.html

preferences can vary significantly between regions. For instance, beauty and personal care trends popular in East Asia might differ markedly from those in Western markets. By having a presence in these regions through local or specialized brands, LVMH can tailor its product offerings to meet specific market demands more accurately, thereby increasing its relevance and appeal in diverse markets. This not only helps in maintaining a strong global presence but also ensures that the conglomerate stays ahead of regional trends and consumer shifts.

These strategic acquisitions play a vital role in LVMH's supply chain and distribution strategy. By integrating brands with established local networks, LVMH can enhance its distribution channels, making its products more accessible in these markets. This logistical advantage is critical for maintaining the high standards of customer service and product availability that luxury consumers expect. Additionally, local production facilities, where applicable, can help reduce costs and improve supply chain efficiencies, which are essential for maintaining competitive pricing in cost-sensitive emerging markets. Thus, LVMH’s strategic M&A activity not only broadens its market access but also strengthens its operational capabilities, reinforcing its position as a global leader in the luxury industry.

## 3. LVMH’s mergers and acquisitions

### 3.1 Initial LVMH merger

The merger between Louis Vuitton and Moët Hennessy, valued at $4 million, represented a strategic alliance that allowed both luxury giants to maintain their distinct identities while shielding Hennessy from potential hostile takeovers. This merger was not just a protective measure but also a collaborative effort to strengthen their positions in the luxury market. The agreement facilitated mutual cooperation, enabling both firms to leverage their renowned brand values while continuing to operate independently. This structure was particularly advantageous for Louis Vuitton as it sought to deepen its investments in the luxury sector. The decision to appoint the president of Moët Hennessy as the chairperson of the new holding company underscored the scale and financial clout of Moët Hennessy within the merger. With Moët Hennessy's revenues standing at $1.34 billion compared to Louis Vuitton's $290 million, the economic weight of Moët Hennessy was clear. The valuation of Moët Hennessy shares at 2.4 times those of Louis Vuitton reflected this disparity, highlighting the financial dynamics that influenced the merger's terms.

The merger not only protected the interests of Hennessy but also marked a significant shift in control of the combined entity. The entrance of Bernard Arnault into the scenario was a pivotal moment. Racamier, president of Louis Vuitton, introduced Arnault, who subsequently acquired a 45% stake in the joint venture. This move granted Arnault controlling interest, reshaping the leadership and strategic direction of the newly formed company. Under Arnault's leadership, the company rapidly ascended to become the sixth largest entity on the Paris Stock Exchange, illustrating the impact of strategic leadership and investment in the luxury market's competitive landscape. This merger exemplifies a well-executed strategic alliance within the luxury industry, where brand identity and market positioning are preserved while fostering corporate growth and resilience against market volatilities. The successful integration of Louis Vuitton and Moët Hennessy under this new structure not only safeguarded Hennessy's heritage and operational autonomy but also propelled the merged entity into a new era of market dominance and financial prosperity.

### 3.2 Timeline

LVMH, under the visionary leadership of Bernard Arnault, has undergone a transformative journey since its first major acquisition in 1984. This journey began when Arnault acquired Boussac, the then-bankrupt parent company of Christian Dior. Recognizing the untapped potential of the esteemed fashion house, Arnault successfully revitalized Dior, turning it into one of the pillars of profitability and prestige within the burgeoning LVMH empire. In 1987, a strategic move further solidified LVMH’s foundation when Arnault acquired Louis Vuitton Möet Hennessy, merging the high fashion of Louis Vuitton with the craftsmanship of Möet Hennessy’s luxury beverages. This merger not only extended LVMH’s reach in the luxury sector but also led to the conglomerate's renaming, symbolizing the new breadth of its luxury brand offerings. Following the merger, Arnault continued to expand LVMH's influence in the luxury beverage market by acquiring Dom Pérignon, a brand synonymous with elite sparkling wines, thus reinforcing LVMH's dominance in the luxury beverages sector.

The expansion continued as Arnault sought to increase LVMH’s footprint in the luxury fashion world. The acquisitions of esteemed labels such as Givenchy and Celine not only broadened LVMH's fashion expertise but also enhanced its portfolio of luxury leather goods with additional high-profile acquisitions including Spanish luxury house Loewe and American designer Marc

Jacobs. These acquisitions were strategic, aligning with LVMH's mission to enhance its role as a leader in the global luxury market through a diversified portfolio that resonates with a sophisticated clientele. Today, LVMH owns 75 luxury brands, with its latest high-profile acquisition being that of Tiffany & Co. in 2020, purchased at $135 per share, amounting to a total of $16 billion. This acquisition marks a significant expansion of LVMH’s jewellery segment and reaffirms its commitment to encompassing all facets of luxury. Despite facing criticism for concentrating too many luxury brands under one umbrella, the success of Arnault’s business model is evident. The conglomerate's strategy of utilizing mergers and acquisitions has proven essential; it bypasses the arduous and financially unsustainable route of building luxury brands from the ground up.

LVMH’s approach not only streamlines the process of brand development but also leverages existing brand values and customer loyalties, which are crucial in the luxury market. This strategy has enabled LVMH to maintain a steady pace of growth and innovation, continually adapting to market trends while preserving the heritage and exclusivity of its brands. Each acquisition is meticulously planned to ensure it aligns with LVMH’s high standards and strategic goals, contributing to a robust and dynamic portfolio that drives the conglomerate's profitability and market dominance.

### 3.3 LVMH’s acquisition of Christian Dior

In 1984, Bernard Arnault discovered that Christian Dior was up for sale. Its parent company, Boussac, had filed for bankruptcy, and the French government was seeking a buyer for the struggling textile conglomerate that owned several companies, including the Paris-based fashion house Dior. At the time, Arnault was 35 and had spent the previous decade leading the construction firm founded by his grandfather. He decided to take $15 million from his family and combined it with $45 million from the French financial institution Lazard Frères to purchase Boussac, with the primary goal of acquiring Dior. This move marked the beginning of what would eventually become LVMH.

As reported by the New York Times in December 1989, within two years of acquiring Boussac, Arnault had turned the company profitable. He laid off 9,000 workers and sold off its disposable-diaper division and most of its textile operations for $500 million. This deal allowed Arnault to transition from managing his family's $15 million-a-year business to running a company twenty times larger, establishing himself as a significant figure in French business. Following this, in 1990, Arnault embarked on another major acquisition spree to gain control of Louis Vuitton Moët Hennessy, the merged fashion and spirits company in which he had first invested in the late 1980s.

Had Dior not been acquired by LVMH, it would, with all probability, have succumbed to bankruptcy, given its precarious financial situation. Dior, at that time, was facing severe financial challenges that threatened its ability to continue operating as a viable business. Bankruptcy would have likely led to the liquidation of assets, closure of stores, and significant job losses, marking a dramatic fall for one of the most prestigious fashion houses in the world. This financial collapse would have tarnished Dior's brand reputation and diminished its influence in the luxury fashion industry.

Without Dior in its portfolio, LVMH might have sought other acquisitions to strengthen its position in the luxury market. This could have led to the purchase of other high-end brands to diversify its offerings. The absence of Dior could have impacted the overall balance and appeal of LVMH's brand portfolio, as Dior is one of the most iconic and prestigious brands globally. LVMH might have redirected its resources and strategic efforts towards expanding other brands within its portfolio, such as Louis Vuitton, Givenchy, and Fendi. The organizational structure and synergies between LVMH's brands would have been different, potentially affecting internal operations and collaboration.

### 3.4 LVMH's failed pursuit of Gucci

In 1999 Kering, known at that time as PPR (Pinault-Printemps-Redoute) thwarted LVMH's hostile takeover of Gucci. LVMH began to buy Gucci shares in January 1999, in order to build a substantial stake in the company. Gucci showed great resistance to this attempt, and put into play two classic M&A defence tactics: the white knight defence and the poison pill defence. The white knight defence entails finding a different bidder to whomever is trying to acquire a company and selling to them rather than selling to the original bidder. The poison pill takes place when the Board of Directors of a company declares a dividend of one stock purchase right for each share, issuing new shares. This dilutes the original shares and that is exactly what happened: Gucci implemented an Employee Stock Ownership Plan (ESOP) and, as its own name indicates, issued shares to its employees, making the value of LVMH's original shares decrease. The company also issued shares to PPR, and the result was that Gucci became more expensive and less attractive to LVMH.

Gucci took LVMH to court for the alleged violation of Dutch takeover laws, a court battle which resulted in bad publicity for LVMH and Gucci emerging as victor of the conflict, proving its defence strategy successful. PPR emerged as a white knight and bested LVMH, Gucci maintaining its sense of heritage and independence, which proves the thoughts that Arnault's business model of concentrating luxury brands is detrimental to the very essence of what a luxury brand represents, concentrating and homogenizing brands so they end up losing their character.

### 3.5 Acquisition of Tiffany's

Tiffany & Co. is one of the most popular jewellery brands globally. Founded in 1838 by Charles Tiffany and J.B. Youngs, it is now a favourite for engagement rings and has become a household name, even a cultural phenomenon, appearing in various tv series and featuring in the title of Truman Capote's Breakfast at Tiffany's whose film version featured Audrey Hepburn. The characteristic aquamarine colour, named "Tiffany blue" is now protected by intellectual property. The acquisition of Tiffany & Co. by LVMH, completed on January 7, 2021, stands out as a landmark deal in the luxury industry, marking the largest acquisition ever in this sector. This move has had far-reaching financial implications for both LVMH and Tiffany & Co., as well as for the luxury market overall.

The purchase by LVMH of the renowned jewellery seller was not straight forward. The first offer of 14.5 billion immediately was declined by Tiffany's, and when an agreement was reached in the next month for a total of 16.2 billion (135 dollars per share) it seemed the path to acquiring Tiffany's was a straight-forward one. However, legal battles ensued, and it wasn't until January 2021 that LVMH was able to finally acquire the brand for a total of 15.8 billion. The timeline of the acquisition hints as to the difficulties, the Covid-19 pandemic in particular created economic uncertainty and there were specific issues to do with American tariffs for French goods that resulted in a lowering of the price by 425 million dollars.

Even with the apparent difficulties the acquisition was announced as a victory for LVMH. It enriched its jewellery portfolio further, and LVMH doubled its revenues in its Watches and Jewellery business unit. The watch and jewellery market has extremely high entry barriers, and by acquiring incumbent companies LVMH cuts the costs of establishing a brand. This is exactly Arnault's strategy, purchasing established names within the sector and optimising their strategy to make them more profitable. This saves LVMH the headache of having to establish new brands, since that is the most difficult phase of a business within the fashion industry.[21]

Despise its prestige, Tiffany's products are on average less expensive than the rest of the brands' LVMH owns in that particular market, like Bulgari, Hublot and other European jewellers. In this, as in many things, Arnault saw an opportunity: the accessibility of the brand opens a path to younger generations of buyers, through the creation of new products and new marketing strategies. Arnault's strategy is to use Tiffany as a hook to appeal to future buyers who, having established their loyalty to the brand, will become clients of the rest of LVMH's brands as their income increases. Tiffany also opens a port through which LVMH can access American clients. American sales in the jewellery and watches sector grew by 35% (from 9% to 44%).[22]

One of the primary impacts of the acquisition has been the significant boost to LVMH's jewelry and watches segment. By integrating Tiffany & Co. into its portfolio, LVMH has notably increased the revenue share from this segment, which had previously been one of the smaller contributors to its overall earnings. Tiffany & Co. brought with it a prestigious brand name and a wide array of high-end jewelry and watches, enhancing LVMH's position in this lucrative market. The acquisition has also facilitated LVMH's expansion in the American market. As a leading luxury retailer in the United States, Tiffany & Co. has provided LVMH with a stronger foothold in this critical region. This enhanced presence is expected to drive significant revenue growth, evidenced by the notable increase in organic revenue in the U.S. following the acquisition. Financially, the effects of the acquisition have been overwhelmingly positive for LVMH. Despite the challenges posed by the COVID-19 pandemic, the integration of Tiffany & Co. has led to a marked improvement in LVMH's operating profit margins. For example, the operating profit margin increased from 18% in December 2020 to 27% in June 2021, indicating enhanced efficiency and profitability post-acquisition. Additionally, the deal has allowed LVMH to leverage synergies between its existing brands and Tiffany & Co., optimizing costs and improving overall operational effectiveness.

Acquiring Tiffany & Co. has given LVMH a strategic advantage over its competitors in the high-end jewellery market. This deal has diversified LVMH's portfolio and strengthened its position

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[21] Li, J. (2021, March). Analysis on the Acquisition of LVMH on Tiffany& Co. In *6th International Conference on Financial Innovation and Economic Development (ICFIED 2021)* (pp. 426-430). Atlantis Press.

[22] ZORZI, R. (2022) Growth through Mergers and Acquisitions in the luxury industry: the LVMH case.

against rivals like Richemont and Kering. With Tiffany & Co.'s strong brand reputation and extensive market reach, LVMH is now better equipped to compete in the luxury jewelry and watches market, further solidifying its leadership in the global luxury sector. Looking ahead, the acquisition has set the stage for future growth. LVMH plans to capitalize on Tiffany & Co.'s brand name to further enhance its watches and jewelry division. Potential plans include creating a dedicated watchhouse under the Tiffany brand, which could drive new product development and market expansion. This strategic move aligns with LVMH's broader goal of strengthening its presence in the high-end luxury market and achieving sustained growth.

### 3.6 The outcome for LVMH: the impact M&A operations have on the conglomerate

The impact of mergers and acquisitions (M&A) on LVMH as a brand is profoundly significant, contributing to its robust market performance and resilience. The stock price evolution of LVMH, demonstrates a consistent upward trend from 2019 to 2022, and with every acquisition the shares skyrocket (as seen in Annex 4). This positive trajectory is closely tied to strategic acquisitions that LVMH undertook during this period. For instance, the acquisitions of the Belmond hotel and the high-profile acquisition of Tiffany & Co. significantly boosted LVMH's stock price. The latter acquisition, in particular, played a crucial role in the rapid recovery of LVMH's stock price following the economic downturn in 2020, showcasing the company's ability to leverage M&A activities for substantial financial gains.

In comparison to other luxury goods conglomerates, LVMH's performance stands out markedly. This impressive growth is indicative of the positive abnormal stock return that LVMH has consistently recorded. The market's favourable reaction to LVMH's acquisitions is evident, reflecting investor confidence in the brand's ability to enhance its portfolio through strategic purchases.[23]

The graph shown in Annex 4 highlights noticeable spikes of LVMH's share price that align with key acquisition announcements, such as Rimowa in 2016, the Belmond Hotel in 2018, Jean Patou in 2019, and Tiffany's in 2021. These spikes denote positive market reactions, which translate into substantial increases in LVMH's stock price. The correlation between these M&A activities and

[23] Luo, H. (2023*). Evaluating the Effects of Merger and Acquisition on Brand Value in the Fashion Sector*.

stock price surges indicates that the market perceives these acquisitions as value-adding moves that bolster LVMH's brand strength and market positioning. LVMH's stock performance between 2014 and 2017, a period with minimal M&A activity, still showcased consistent growth[24]. This sustained increase suggests that LVMH's strategic vision and organic brand development also play critical roles in its financial success. The company's ability to grow organically, alongside its adept execution of strategic acquisitions, highlights a dual approach to market dominance that is both innovative and resilient.

Overall, LVMH’s strategic M&A operations have a profoundly positive effect on its brand. These acquisitions not only enhance the brand’s market value but also fortify its resilience against economic and industry-specific shocks. LVMH’s adeptness at integrating new acquisitions and leveraging them for financial growth underscores the company’s robust strategic framework. Consequently, LVMH’s brand emerges stronger and more competitive, consistently outperforming its peers and securing its position as a leader in the luxury goods market.

## 4. LVMH’s competitors: the other players in the oligopolistic market.

LVMH operates in an oligopolistic market (almost) of its own making, where it faces formidable competition from other luxury conglomerates. Among those who challenge LVMH's dominance the key players are Kering and Richemont, each employing unique strategies and possessing distinct strengths that contribute to the dynamic interplay within the luxury sector. LVMH's market leadership is a product of its broad and diverse brand portfolio, encompassing a range of luxury goods from fashion and leather goods to wines and spirits. This diversification strategy, coupled with its early mover advantage in emerging markets and a decentralized management style, has enabled LVMH to capture significant market share and maintain its competitive edge. However, the luxury market is not a monopoly, and the presence of other major players like Kering and Richemont ensures that competition remains intense and strategic. Although Kering and Richemont are worthy rivals they trail behind LVMH in terms of revenue, LVMH leading with €86.2 billion, Richemont with €19.95 billion and Kering with €19.5 billion.

The next section of this work focuses on the principal rivals of LVMH: Kering and Richemont. By

[24] Wan, Y. (2023). The Impact of the Rising of LVMH. Eximia, 9, 169-176.

examining their historical development, strategic acquisitions, and market positioning, we aim to understand how these conglomerates operate and compete within the oligopolistic market structure. This exploration will shed light on the strategic manoeuvres, challenges, and opportunities that define the rivalry among these luxury giants.

Kering, a major player in the luxury fashion industry, has evolved significantly since its founding in 1963 as Pinault SA, a timber trading company. The company went public in 1988 and began its transformation into a luxury conglomerate in the late 1990s with key acquisitions like Le Printemps and an equity stake in La Redoute. The pivotal moment came in 1999 with the purchase of a 42% stake in the Gucci group, followed by acquisitions of Yves Saint Laurent, YSL Beauté, and Sergio Rossi[25]. Under the leadership of a new CEO in 2005, Kering, then known as PPR, refocused its strategy solely on luxury goods, divesting non-luxury businesses and acquiring iconic brands. Rebranded as Kering in 2013, the company continued expanding its luxury portfolio with acquisitions like Qeelin and Christopher Kane and emphasized e-commerce and direct control over its distribution network. Today, Kering operates numerous directly managed stores and e-commerce platforms, maintaining a strong market presence and commitment to preserving the unique identities of its luxury brands.[26]

Compagnie Financière Richemont, established in 1988, is a leading Swiss luxury goods conglomerate specializing in high-end jewelry, watches, and leather goods. Emerging from the diversified Rembrandt Group, Richemont initially held stakes in Cartier, Piaget, Baume & Mercier, Montblanc, and Chloé. The group's strategic acquisitions began in 2000 with Van Cleef & Arpels, followed by Jaeger-LeCoultre, IWC, and A. Lange & Söhne, enhancing its portfolio significantly. Richemont focused on organic growth and expanding its boutique network, especially in Asia, while divesting non-luxury businesses. Recent investments in e-commerce platforms like Net-A-Porter and acquisitions such as Buccellati and Delvaux have strengthened its market position. Richemont's strategy emphasizes maintaining the exclusivity and heritage of its brands, leveraging

[25] (January 21, 2020). Kering: A Timeline Behind the Building of a Luxury Goods Group. The Fashion Law. https://www.thefashionlaw.com/kering-a-timeline-behind-the-building-of-a-conglomerate/

[26] (n.a.a.) (20 de Febrero de 2024) *Kering: Group History*. Kering. Retrieved February 21, 2024 from https://www.kering.com/en/group/culture-and-heritage/group-history/

operational synergies to drive growth and innovation in the competitive luxury market.

### 4.1 Kering

The attempted takeover of Gucci by LVMH marked a significant moment in the luxury fashion industry, highlighting the intense competition and strategic manoeuvres among leading luxury conglomerates. The conflict between Gucci and LVMH escalated to a high-profile legal battle, as Gucci accused LVMH of violating Dutch takeover laws. This legal dispute not only brought considerable negative publicity to LVMH but also positioned Gucci as a resilient defender of its autonomy and heritage. As discussed earlier, Gucci's victory in court was pivotal, as it successfully thwarted LVMH's takeover attempt, thereby preserving its independence. This outcome was largely facilitated by the intervention of Pinault-Printemps-Redoute (PPR), now known as Kering, which acted as a "white knight" investor for Gucci. By acquiring a strategic stake in Gucci, PPR provided the necessary support to help Gucci fend off LVMH's advances, effectively rescuing it from an unwanted acquisition. This manoeuvre allowed Gucci to maintain its distinctive brand identity and heritage, which were perceived to be at risk under LVMH's broader strategy of brand consolidation. The effect on Kering (then PPR) was also positive: as seen in Annex V, Kering's share prices skyrocketed after buying Gucci in 1999.

The now-known luxury conglomerate Kering had a rather unconventional journey in the luxury industry. The Group's roots go back to 1963 when it was formed under the name Pinault SA as a timber trading company. After multiple acquisitions in the sector, it became publicly traded in 1988. The first signs of an emerging luxury conglomerate appeared in the 1990s with acquisitions in specialized retail distribution, but it was only in the late 1990s that the focus shifted explicitly to luxury goods. Following the acquisition of Le Printemps, a French department store chain, and the takeover of an equity stake in La Redoute, an e-commerce retailer, the Group changed its name to Pinault Printemps Redoute in 1994. Within the luxury industry, the most relevant acquisitions occurred in 1999 with the purchase of a 42% stake in the Gucci group, which subsequently acquired Yves Saint Laurent, YSL Beauté, and Sergio Rossi, all luxury personal goods brands. The new century brought the acquisitions of the high jewellery houses Boucheron and Bedat & Co in 2000, and in 2001, the high-end leather goods house Bottega Veneta and Balenciaga, together with a partnership agreement with the Alexander McQueen house.

From 2002 to 2004, the Group disposed of businesses that were not related to luxury goods. A new CEO was appointed in 2005, and the Group drew a new long-term strategy: becoming a global luxury group by selling the Group's other activities and acquiring iconic luxury Houses. In 2005, only 17.9% of the revenue originated from luxury goods while the remaining 82.1% came from retail. Until 2010, the Group sold unrelated businesses and bought companies focusing on Sport & Lifestyle, such as The Sportsman's Guide in 2006 and a 62.1% stake in Puma in 2007. By 2010, 36% of revenue came from luxury goods, while sport & lifestyle accounted for 25% and Fnac for 39%. In 2011, the sport & lifestyle brand Volcom was added to the portfolio, while Conforama, a home furnishing retail chain, was disposed of. In 2012, the Group acquired the tailored clothing, made-to-measure service, and sportswear for men's brand Brioni and created a joint venture with Yoox dedicated to e-commerce for several brands of the luxury division. By this time, there was a project to demerge and list Fnac, resulting in 2012 revenue consisting of 64% luxury and 36% sport & lifestyle.[27]

Not only was 2013 the year the Group got the name Kering, but it was also the year the Chinese fine jewellery brand Qeelin was taken over together with the jewellery groups Pomellato and DoDo. A majority stake was also acquired in the luxury designer brand Christopher Kane and in the tannery France Croco, which has ensured the supply of raw materials to the brands belonging to the Group. In 2014, the Group disposed of more companies, in 2015 it sold the Italian luxury shoemaker Sergio Rossi and created the high-end eyewear entity Kering Eyewear, which manages the distribution, development, and design of eyewear collections for several luxury brands including Gucci, Cartier, Saint Laurent, and Balenciaga, among others. A major milestone occurred in 2018, as it was the first time the Group positioned itself as a luxury pure player, with 97% of its revenue coming from luxury houses. The new strategy was also to internalize the e-commerce activities that were handled through the joint venture with Yoox Net-a-Porter. In December 2021, the Group's Luxury Houses had a network of 1,565 directly operated stores. In fact, 81% of the Group's sales resulted from directly operated stores and e-commerce websites, as this is an integral part of the conglomerate's long-term strategy of gaining more control over its distribution network.[28]

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[27] Donzé, P. Y. (2018). The birth of luxury big business: LVMH, Richemont and Kering. *Global luxury: Organizational change and emerging markets since the 1970s*, 19-38.

[28] Dias Guedes da Silva, H., (2022) Diversification in the personal luxury goods industry: a case study of LVMH and

### 4.2 Richemont

Compagnie Financière Richemont, often simply referred to as Richemont, was founded in 1988 and has since grown into a prominent Swiss luxury goods conglomerate known for its specialization in jewellery, watches, and leather goods. Alongside industry giants like Kering and LVMH, Richemont shares a business model that strategically aligns a diverse portfolio of luxury brands under a single corporate umbrella. This allows for operational synergies and resource sharing across brands while maintaining their unique identities and heritage. Richemont's portfolio includes some of the most prestigious names in the luxury market, such as Cartier, known for its exquisite jewellery and watches; Piaget, renowned for its craftsmanship in watchmaking; Baume & Mercier, celebrated for its sophisticated timepieces; Chloé, a fashion house famous for its modern and feminine designs; and Montblanc, a leader in finely crafted writing instruments and accessories.

Richemont, along with Kering, has mirrored a strategic framework that was initially developed and refined by LVMH. This model emphasizes not only the acquisition and effective integration of luxury brands but also focuses on nurturing these brands to achieve optimal market positioning and operational efficiency. By leveraging shared expertise and resources at the conglomerate level, Richemont aims to enhance innovation and uphold the exclusivity that is critical to brand desirability in the luxury sector. Despite their emulation of LVMH's successful strategy, Richemont and Kering still trail behind in terms of overall revenue. LVMH's dominance is not merely a function of its size but also its tenure as the oldest and most established among the three, which has allowed it to set a high benchmark in the luxury market.

The foundation of Richemont was rooted in a rich history of diversified interests held by the Rembrandt Group. In the 1940s, the Rembrandt Group owned significant stakes in the tobacco, financial services, wines and spirits, gold, and diamond mining industries, along with luxury goods. Richemont was formed when Rembrandt acquired Rothmans International, resulting in the new Richemont Group having minority holdings in Cartier Monde (Cartier, Piaget, and Baume &

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its peers in financial performance and mergers and acquisitions strategies, pp 52-54. [Master's dissertation, Universidade do Porto] Repositório Aberto da Universidade do Porto https://sigarra.up.pt/fep/pt/pub_geral.show_file?pi_doc_id=375117

Mercier), Montblanc, and Chloé. Additionally, the Group took a 30% interest in Philip Morris, the tobacco company. In 1988, Compagnie Financière Richemont SA was founded through the spin-off of assets owned by the South African Rembrandt Group Limited. The most notable acquisition is Cartier, and Annex 6 shows the positive impact on Richemont's share price.

Starting in 2000, Richemont kick-started its M&A activity by taking a stake in Van Cleef & Arpels, a high jewellery Maison founded in 1906. The following year, for a total of €1.98 billion, three acquisitions in the watch industry took place: Jaeger-LeCoultre (founded in 1833), IWC (founded in 1868), and A. Lange & Söhne (founded in 1990). To complete the value chain of its watch branch, in 2002 the Group acquired the Swiss watch components manufacturer Petitjean. From 2003 to 2006, the Group focused on organic growth. In 2007, there was a clear priority to expand the Group's network of boutiques, increasing from 79 to 1154, including acquisitions of boutiques in China by Montblanc and Alfred Dunhill, and flagship boutiques for Van Cleef & Arpels and Montblanc. In 2008, the Group divested from the tobacco business and acquired watch component manufacturing businesses and the Couture Maison Azzedine Alaïa, adding the watch manufacturer Roger Dubuis in 2009.[29]

Excluding the 2011 Net-a-Porter acquisition for a net amount of €245 million, the Group's focus until 2017 was on expanding its network of boutiques, especially in the Asia Pacific region, and investing in manufacturing facilities. Investment properties were acquired in 2018, as well as a 5% stake in travel retail specialist Dufry. In that same year, Richemont launched a tender offer for all issued and to be issued ordinary shares of YOOX Net-a-Porter Group. According to the 2019 annual report, the combined effect of Net-a-Porter and Watchfinder & Co's omnichannel platform for premium pre-owned pieces in 2019 had a material impact on the Group's performance. In 2020, Richemont acquired the Italian jewellery Maison Buccellati in an undisclosed deal, and in 2021, the Belgian luxury leather goods Maison Delvaux for a total cash consideration of €178 million. As part of Richemont's long-term strategy to gain control over its distribution and invest in e-commerce, the conglomerate has developed multi-brand online stores Net-A-Porter, Mr. Porter, The Outnet, and YOOX. In 2021, directly-operated stores represented 57% of total sales, followed by 23% from wholesale (sales to mono-brand franchise partners or to third-party multi-brand retail

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[29] Göbel, B. C. (2017). *Restructuring in the Richemont Group: A Consequential Historical Analysis, 1988–2013*. University of Johannesburg (South Africa).

partners), and online retail with 19% (6% from the brand's websites and the remainder from the multi-brand online distributors).[30]

### 4.3 Strategic Approaches to Mergers and Acquisitions among Leading Luxury Conglomerates: A Comparative Analysis of LVMH, Richemont, and Kering

LVMH (Moët Hennessy Louis Vuitton) is the most aggressive of the three when it comes to acquisitions. It consistently seeks opportunities across a wide range of luxury sectors, including fashion, jewelry, watches, and even hospitality. A landmark deal in its recent history is the acquisition of Tiffany & Co. in 2021 for approximately $15.8 billion, which is one of the largest in luxury brand history. Another significant acquisition was Belmond Ltd. in 2018, which added luxury hotels, trains, and river cruises to its portfolio, indicating LVMH's strategy to diversify its offerings and revenue streams.

In contrast, Richemont focuses primarily on high-end jewelry and watches, reflecting a more specialized approach. It acquired full control of the YOOX Net-a-Porter Group in 2018, a strategic move to enhance its digital sales capabilities in response to the growing trend of online luxury shopping. This acquisition highlights Richemont's intent to blend traditional luxury with modern retail channels. Another noteworthy acquisition is that of the Italian jeweller Buccellati in 2019, which bolstered its already strong presence in the global jewellery market. Kering, while also significant in the luxury sector, shows a more conservative approach to M&A. Its strategy focuses on strengthening and expanding its existing brands such as Gucci, Saint Laurent, and Balenciaga. Kering's acquisitions are less frequent and more selective compared to LVMH and Richemont. A key acquisition was Ulysse Nardin in 2014, aimed at enhancing its portfolio in the luxury watch sector. This is indicative of Kering's preference for bolstering the internal growth and capabilities of its brands rather than expanding through frequent new acquisitions.

This variance in M&A strategy highlights the distinct corporate philosophies of each conglomerate.

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[30] Dias Guedes da Silva, H., (2022) Diversification in the personal luxury goods industry: a case study of LVMH and its peers in financial performance and mergers and acquisitions strategies, pp 56-57. [Master's dissertation, Universidade do Porto] Repositório Aberto da Universidade do Porto https://sigarra.up.pt/fep/pt/pub_geral.show_file?pi_doc_id=375117

LVMH appears to adopt a more expansive and diversified approach, seeking growth through entering new markets and adding diverse luxury categories. Richemont’s strategy is to deepen its dominance in specific sectors like jewelry and watches, enhancing its market share through strategic, often vertical, acquisitions. Kering focuses on organic growth, capitalizing on and expanding the market positions of its existing brands. This comparative analysis reveals how each conglomerate uses M&A not just for expansion, but as a strategic tool tailored to their unique business models and market visions. This forms a significant point of discussion in understanding the dynamics of strategic management within the luxury sector.

LVMH's superior performance can largely be attributed to its broader and more aggressive acquisition strategy, which continually diversifies its brand portfolio and expands its market reach. Additionally, LVMH benefited from an early mover advantage, with many more M&A transactions than its peers in the late 80s and early 90s, and particularly in emerging markets where it is crucial to establish a brand presence in order to obtain significant market share. Unlike its competitors, LVMH has a decentralized management style, which grants considerable autonomy to individual brand managers. This approach has proven effective in promoting agility and innovation within the larger corporate structure.

Richemont’s more concentrated focus on jewelry and watches—though highly profitable—does not offer the extensive market coverage and product category diversity seen in LVMH’s portfolio, which includes not only luxury goods but also wines and spirits, and selective retailing. This narrower focus may restrict Richemont's ability to fully exploit the growth opportunities in less saturated markets or in new product segments where LVMH has established a strong presence.

The differences in strategy, market positioning, and brand portfolio management between Richemont and its competitors highlight the intricate dynamics of the luxury goods industry. While Richemont and Kering have achieved notable success by adopting and adapting the luxury conglomerate model, they continue to aspire to the high standards set by LVMH. This competitive landscape is a testament to the evolving nature of luxury branding, where innovation, strategic acquisitions, and market adaptation are key to maintaining relevance and prestige in an increasingly complex and globalized market.

### 4.4 The Hypothetical Scenario: The Luxury Market Without LVMH's Acquisitions

If LVMH had never engaged in its aggressive acquisition strategy and had not expanded through acquiring other companies, the landscape of the luxury market, as well as LVMH's position within it, would be markedly different. LVMH's growth and market influence would have been significantly curtailed. The conglomerate's extensive portfolio of high-end brands, which currently spans fashion, leather goods, wines and spirits, perfumes and cosmetics, watches and jewelry, and selective retailing, would have remained limited to its original entities. This limitation would have restricted LVMH's revenue streams and market reach, making it a smaller, less influential player in the global luxury market. The financial performance of LVMH would have been less impressive. The diverse and robust portfolio of acquired brands has been a major driver of revenue and profit for LVMH. Without these brands, LVMH's financial stability would be more vulnerable to market fluctuations in any single category, potentially leading to reduced investor confidence and a lower market valuation.

Without acquisitions, LVMH would have missed out on the operational synergies and economies of scale that come from managing a diverse range of brands. These synergies have been crucial in driving cost efficiencies, innovation, and overall operational effectiveness. The absence of these benefits would have resulted in higher operational costs and lower profit margins, impacting the conglomerate's financial stability and growth potential. Many of the brands that LVMH acquired were facing financial difficulties or lacked the resources for global expansion. Without the financial stability and resources provided by LVMH, brands like Christian Dior, Fendi, and Givenchy might have struggled to survive or maintain their market positions. The absence of LVMH's backing could have led to a diminished presence and influence of these brands in the luxury market. LVMH's global distribution network and marketing prowess have played a significant role in the international success of its brands. Without these acquisitions, many of the brands would have faced challenges in penetrating new markets and scaling their operations. This limitation would have restricted their growth and reduced their overall influence in the luxury sector.

The competitive dynamics within the luxury market would have been different. Other luxury conglomerates like Kering and Richemont might have had the opportunity to acquire some of the brands that LVMH integrated, potentially altering the balance of power in the luxury sector. The absence of LVMH's dominant position could have led to more evenly distributed market shares among the top luxury companies. The luxury market might have remained more fragmented, with a larger number of independent luxury brands. This fragmentation could have resulted in a different competitive environment, where smaller, independent brands played a more significant role, potentially slowing down the pace of innovation and market development driven by the consolidation seen with LVMH. Consumer trends and preferences in the luxury market have been significantly influenced by LVMH's brand portfolio. Without LVMH's cohesive and powerful brand influence, the market might have experienced different trends and consumer behaviours. The diversity and innovation brought by LVMH's brands have set high standards in the industry, and their absence could have led to a less dynamic market.

## 5. Conclusions

The strategic manoeuvres undertaken by LVMH, primarily through its aggressive acquisition strategy, have significantly reshaped the luxury goods market, establishing the conglomerate as a dominant force. LVMH's extensive portfolio, which includes high-end brands across various sectors such as fashion, leather goods, wines and spirits, perfumes and cosmetics, watches and jewellery, and selective retailing, has allowed it to capture a substantial market share and influence global luxury trends. This strategy has not only provided LVMH with robust revenue streams but also enhanced its market reach and operational synergies, making it a formidable player in the luxury industry.

Had LVMH not pursued its acquisition strategy, its growth and market influence would have been considerably limited. The company would have remained confined to its original entities, missing out on the operational efficiencies and economies of scale derived from managing a diverse range of brands. This would have resulted in higher operational costs, lower profit margins, and a more vulnerable financial position. The financial performance of LVMH, which has been driven by its diverse and robust portfolio of acquired brands, would have been significantly less impressive, potentially reducing investor confidence and market valuation. Without the financial stability and resources provided by LVMH, many of the brands it acquired, such as Christian Dior, Fendi, and Givenchy, might have struggled to survive or maintain their market positions. These brands, facing financial difficulties or lacking the necessary resources for global expansion, could have seen diminished presence and influence in the luxury sector. The lack of LVMH's backing would have left them vulnerable to market fluctuations and competitive pressures, possibly leading to their decline or acquisition by other luxury conglomerates.

LVMH’s global distribution network and marketing prowess have played a significant role in the international success of its brands. Without these acquisitions, many of the brands would have faced challenges in penetrating new markets and scaling their operations. This limitation would have restricted their growth and reduced their overall influence in the luxury sector. The absence of LVMH’s comprehensive marketing strategies and global distribution channels would have meant slower international expansion and reduced brand visibility, impacting their ability to attract and retain a global customer base.

The competitive dynamics within the luxury market would have been different. Other luxury conglomerates like Kering and Richemont might have had the opportunity to acquire some of the brands that LVMH integrated, potentially altering the balance of power in the luxury sector. The absence of LVMH’s dominant position could have led to more evenly distributed market shares among the top luxury companies. This redistribution of market power could have created a more competitive environment where no single conglomerate held significant dominance, fostering a landscape with more diverse brand offerings and competitive pricing strategies. The luxury market might have remained more fragmented, with a larger number of independent luxury brands playing a more significant role. This fragmentation could have resulted in a different competitive environment, where smaller, independent brands played a more significant role, potentially slowing down the pace of innovation and market development driven by the consolidation seen with LVMH. A more fragmented market might have seen slower growth, with independent brands focusing on niche markets rather than pursuing broad-based international expansion.

Consumer trends and preferences in the luxury market have been significantly influenced by LVMH's cohesive and powerful brand portfolio. Without LVMH’s cohesive and powerful brand influence, the market might have experienced different trends and consumer behaviors. The diversity and innovation brought by LVMH’s brands have set high standards in the industry, and their absence could have led to a less dynamic market. Consumer expectations might have evolved differently, with less emphasis on the innovative and trendsetting products that LVMH brands are known for.

Competitors such as Kering and Richemont might have seized the opportunity to acquire some of the prestigious brands that LVMH integrated into its portfolio. This would have altered the balance of power within the industry, potentially elevating Kering and Richemont to more dominant positions. For instance, Kering, which has historically focused on strategic acquisitions to bolster its portfolio, could have significantly enhanced its market presence by acquiring brands like Christian Dior or Givenchy. Similarly, Richemont, with its concentration on high-end jewelry and watches, might have expanded its reach into other luxury segments by acquiring brands that LVMH currently owns. This redistribution of brand ownership could have led to a more competitive market environment where Kering and Richemont, equipped with an even more robust array of brands, would have been formidable challengers to LVMH’s dominance. The rivalry among these luxury conglomerates would have intensified, potentially driving further innovation, marketing efforts, and global expansion strategies as each entity vied for market leadership. This scenario underscores the critical role LVMH's acquisitions have played not only in its own success but also in shaping the competitive dynamics of the luxury industry as a whole.

In conclusion, LVMH's acquisition strategy has been pivotal in transforming it into the largest and most influential luxury goods conglomerate globally and transforming the landscape of the personal goods luxury industry. The conglomerate's ability to leverage its acquisitions for substantial financial gains, operational efficiencies, and market expansion underscores the success of its strategic vision. The hypothetical scenario of a luxury market without LVMH's acquisitions highlights the profound impact these strategic moves have had on the company's growth, market positioning, and the overall dynamics of the luxury industry. LVMH’s acquisitions have not only bolstered its own market position but have also shaped the competitive landscape of the luxury market, driving innovation, setting high standards, and influencing consumer preferences globally.

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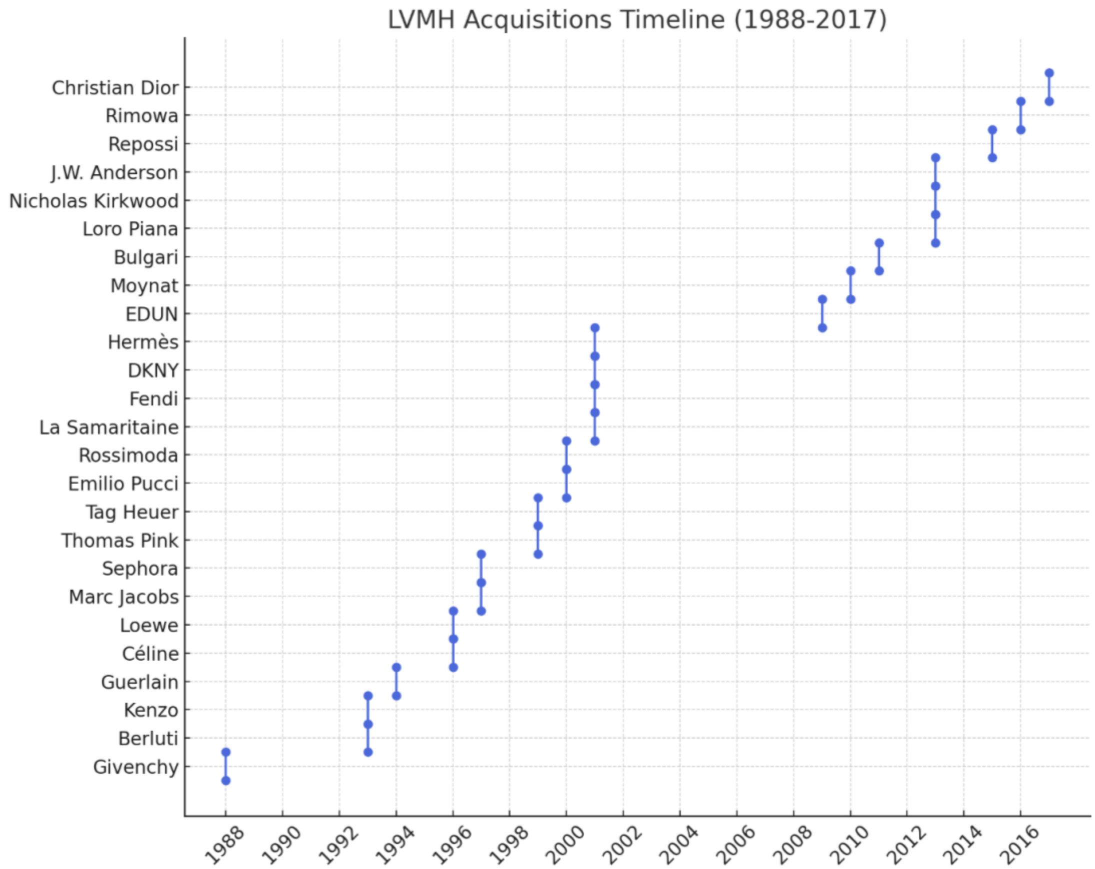
**Annex II: LVMH Acquisitions Timeline**



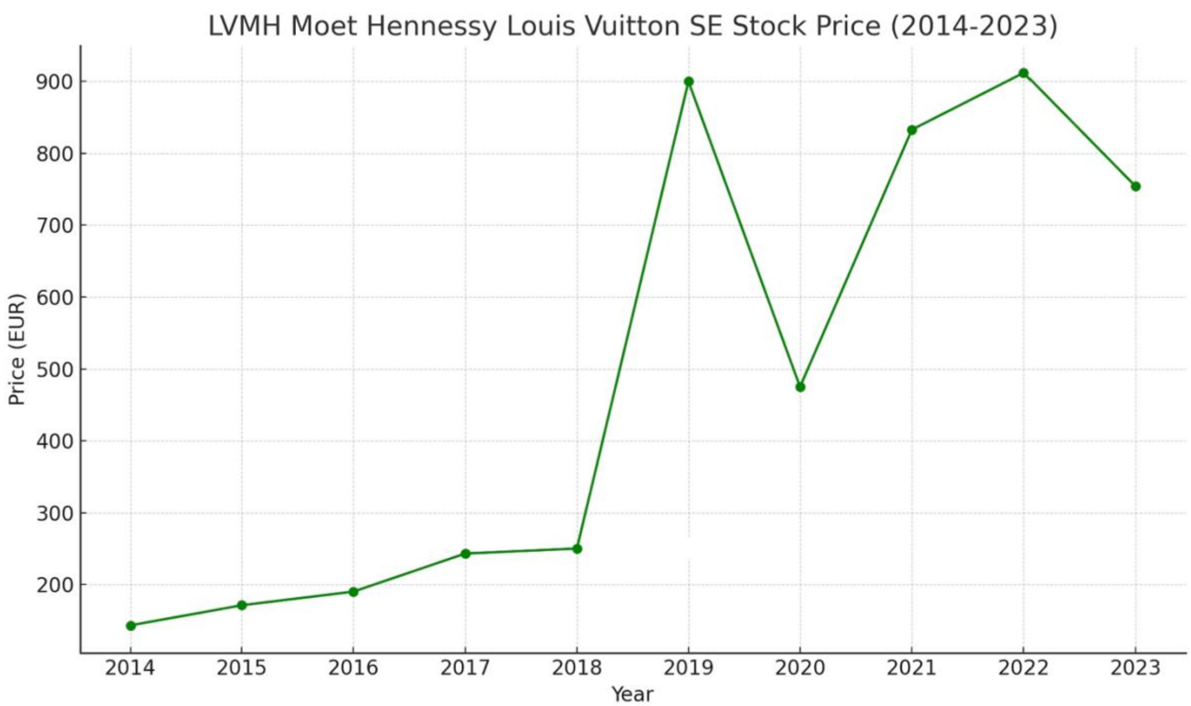
**Annex III: LVMH profit by business group 2021-2023**

PROFIT FROM RECURRING OPERATIONS BY BUSINESS GROUP

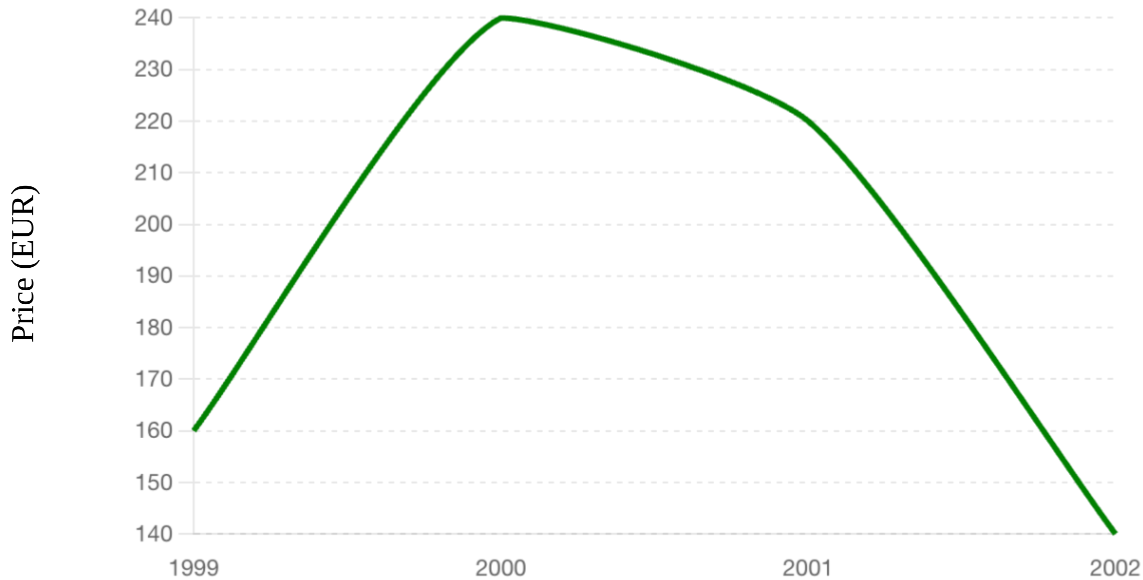
In millions of euros

| | 2021 | 2022 | 2023 |
|---|---|---|---|
| Wines & Spirits | 1,863 | 2,155 | 2,109 |
| Fashion & Leather Goods | 12,842 | 15,709 | 16,836 |
| Perfumes & Cosmetics | 684 | 660 | 713 |
| Watches & Jewelry | 1,679 | 2,017 | 2,162 |
| Selective retailing | 534 | 788 | 1,391 |
| Other activities and eliminations | (451) | (274) | (409) |
| **TOTAL** | **17,151** | **21,055** | **22,802** |

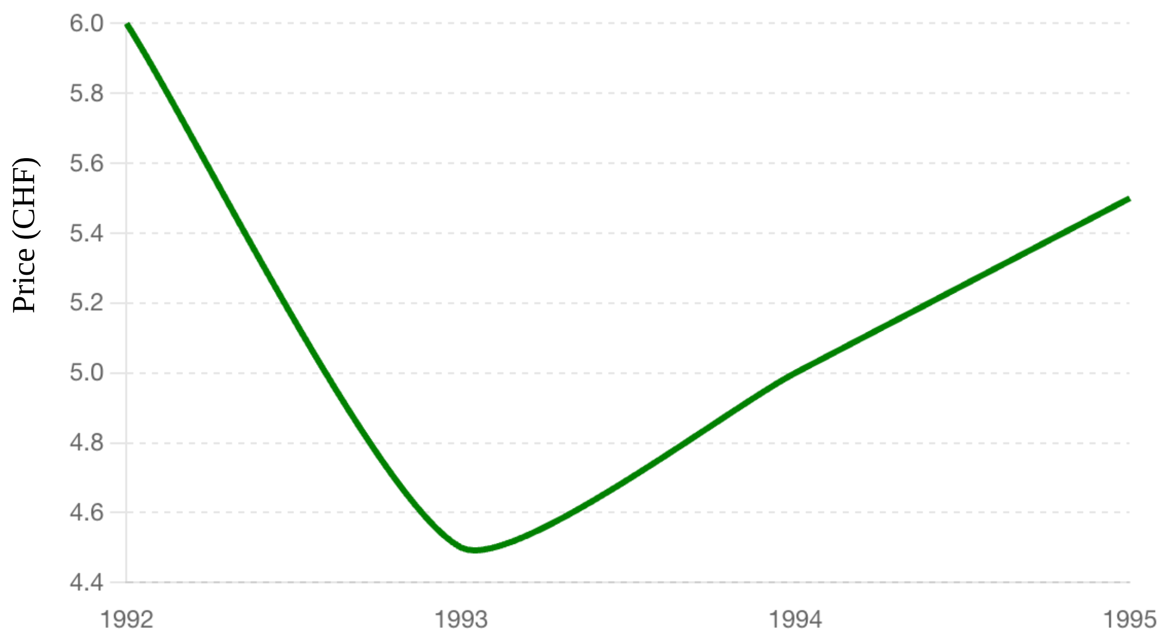
**Annex IV: LVMH Stock price 2014-2023**



**Annex V: Kering's share price after acquiring Gucci**




**Annex VI: Richemont's stock price after acquiring Cartier (1993)**



**Annex VII: Most Valuable Luxury Companies 2023**