Department of Business and Management

Chair of Luxury Management

Key players in luxury:

The dominance of conglomerates in the new oligarchy of the luxury market

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Introduction

The luxury market has evolved radically throughout its history and has undergone many changes. In fact, it has always identified itself as a very special market because it is not linked to people's primary needs but to their emotions, their dreams, their desire for personal and social affirmation and the satisfaction of their highest needs. For this reason, it is a market that has often been subject to changes, even radical ones, from the point of view of strategies, organization and management, communication of brand values, relationship with customers as well as the simple change of products and services offered. The luxury market, however, has undergone a radical structural change, above all with the development and affirmation of the so-called conglomerates that have transformed it from a market made up of numerous family-run companies that, except in rare cases, were no larger than medium size, into a market increasingly oligopolistic in nature dominated by large multinationals called "luxury groups" that bring together under their own power dozens of different brands belonging to different sectors of the luxury world.

During the course of the last 10 years, these large companies have each taken more and more power in different ways, becoming bigger and bigger and representing the most important players in the luxury world. All the most important players, however, share the same basic strategy: to pursue external growth strategies through continuous acquisitions, expanding and, at the same time, diversifying and ensuring a continuous increase in the value of the brands owned.

The aim of this work is to analyze the importance and key role that these groups have played in the development, evolution and growth of the luxury market with the aim of demonstrating how this structure has been ideal both for the stability and growth of the controlled brands and for the development of the entire market. The development and strategies of the main dominant and most promising emerging groups will be analyzed, focusing on the growth strategies used and preferred business models. In particular, we will analyze the most significant acquisition operations that have allowed these players to develop so strongly, highlighting the most important ones from both an economic and strategic point of view. The future prospects in this area will be analyzed trying to understand where the groups will direct their investments and how the market of acquisitions in the luxury sector will evolve. Finally, we will try to understand if the structure of the groups can represent a winning and successful model for the future of both the brands and the entire market in terms of stability, risk reduction and performance optimization and we will analyze the prospects both for dominant groups, eager to continue to grow and consolidate their leadership position, and for emerging groups eager to win their own market share and then compete with the leaders in what could, therefore, become an increasingly oligopolistic market.

Specifically, the first chapter will generally define the luxury market, define the structural peculiarities and differences from other markets, the various sectors that make it up and how the market has evolved over time. The main changes and consumption trends that are influencing and changing the market will then be analyzed.

In the second chapter we will present the key players describing their history and evolution and specifying their strategy and peculiarities. Afterwards, we will deepen the discourse on corporate groups analyzing their nature, the reasons why they are created, the advantages and disadvantages associated with this type of structure, the various types of integration and the main peculiarities of this structure.

In the third chapter we will talk about what is common to all the main groups, namely the growth strategy used. All groups, in fact, have grown up using an external growth strategy through mergers, acquisitions and other forms of strategic alliances. First of all, the characteristics of mergers, acquisitions and strategic alliances will be explored, trying to understand the motivations, advantages and challenges for the actors that use them. We will then focus on mergers, acquisitions, strategies and operations implemented by the main groups to grow, develop, and acquire a dominant position by analyzing their results through both the analysis of revenues and profits to understand their economic growth and by observing and commenting on the results obtained in terms of sectoral and geographical diversification or vertical integration.

In the fourth chapter we will examine in depth the subject of the other players acting in the market of acquisitions in the luxury sector by analyzing, first of all, the development of emerging groups, i.e. those players who have only recently embarked on their development path within the luxury sector, studying their growth and strategies and then the other players involved in investments in the sector.

In the last chapter we will analyze the future prospects trying to understand what could be the new challenges and new contingencies that luxury groups will have to face, what will be the strategies to use, the sectors in which to concentrate and how will be the competitiveness in the luxury world of tomorrow.

CHAPTER 1: Luxury, an oligopolistic market

1.1: The concept of luxury

To better define the luxury market, it is first of all essential to understand what is meant by "Luxury". From an etymological point of view, it is a word that expresses different and double meanings with both positive and negative meanings. According to the Treccani encyclopedia, for example, the word "luxury" derives from the Latin word “luxus”, which would indicate an overabundance or excess in the way of life and therefore, in a mostly negative meaning, would indicate a display of wealth or a tendency towards an unnecessary lifestyle. According to this meaning, luxury would therefore be a deviation from the natural way of life caused by an unnatural drive to excess.[1] From another point of view, instead, the term luxury would derive from "lux", i.e. light, thus giving a positive or even angelic meaning to the term. Luxury can therefore be seen from a double meaning and therefore very much influenced by the subjective point of view of those who deal with the subject. What is certain, however, is that the market that revolves around the world of luxury has been configured as a market with very particular characteristics that make it very different from others. In this first chapter we will therefore focus on understanding what are the distinctive characteristics that configure this type of market, how it is structured and organized and what are the sectors that make it up.

The luxury market in the course of its history has changed considerably and has radically changed its structure and organization. In the beginning, in fact, it was made up mostly of family-run industries or small-medium sized companies that guaranteed the consumer valuable products, high quality and difficult to find, while over time it has evolved increasingly becoming a market dominated by large multinational conglomerates that, however, transmit the same value and the same perception of quality and accuracy to the customer through their brands.

1.2: The luxury market: Features and peculiarities

Before focusing on the peculiarities of the luxury market, let's first analyze the distinctive characteristics that define the goods at the base of the reference market: Luxury Goods.

Luxury Goods are goods that differ from all other types of goods both for their intrinsic characteristics, for the destination and the benefits brought to the consumer, and for the economic rules that they respect. Luxury goods, in fact, are configured, by their very name, as goods that are not directly necessary to man nor, even less, to his survival. On the contrary, they serve to satisfy needs that are at the antipode of what is necessary and represent the highest and deepest sphere of man. First of all, we must consider that it is not easy to give an univocal definition

[1] Treccani, il portale del sapere from treccani.it

of luxury goods. This is because in every sector there is a niche in which one could identify a luxury product, in simpler terms if we think of any sector, we could consider a restricted circle of products offered which, in relation to that sector, represent luxury products. For example, if we think of the transport market, we could identify first class or executive travel as a luxury product but in reality this is absolutely not true and now we will explain why. In fact, luxury goods, although very different from each other depending on the segment and the sector in question, all have common characteristics that help them to be classified in that category.

One of the first common characteristics of Luxury Goods is their high intangible value. Unlike the other types of goods, in fact, luxury goods are those that proportionally base most of their value not so much on the tangible elements as on their intangible value. This is mainly because of the high brand value that belongs to the luxury brands that produce them but not only. Luxury goods, as we said before, have a very important characteristic: they have the power to give a sense of exclusivity, a status to the one who owns them, they have the power to make him feel part of something great and magnificent, to make him dream, in a few words they have the power to evoke strong emotions. And in fact, for the consumers of the luxury world it is not so important the real tangible value that luxury goods have inside them, but what is fundamental for them are the feelings and emotions that these goods manage to convey to them. This is certainly more evident in certain sectors that are enclosed within the category Experiential Luxury, (such as, for example, luxury travel or a dinner at a starred restaurant). This characteristic has been strengthened over the years all the more so since, according to the latest data and studies in the sector, the experiential luxury segment is the one that is proportionally the fastest growing.[2] This is because, especially among millenials, today a very relevant segment for the market there is a growing desire to "live" the luxury experience rather than just owning a luxury good. In fact, consumers in the luxury world increasingly need to feel special, cared for and feel the need to be able to show off their status as luxury consumers. This is because, in recent years, many companies in the sector have invested in improving and making their CRM, Customer Purchase Journey & Experience and customer loyalty techniques as efficient as possible.

Another fundamental characteristic of Luxury Goods and always linked to the concept of intangible value is the so-called "Heritage". Luxury Goods are associated with companies with legendary history, whose brands are capable of evoking deep respect and admiration in those who observe them. This characteristic is, however, very difficult to obtain it is in fact the result of the century-old history of luxury brands and their continuous ability to always convey strong emotions that have allowed these brands to achieve a first level position in the mental hierarchies of the consumer. The concept of Heritage is also linked to another important characteristic of luxury goods, namely that of having a much longer obsolescence than any other type of good. On the contrary for some categories of goods (such as luxury watches) time allows those goods to increase their value. This is due to another

[2] G.A.M. Investments: L’affermazione del Lusso esperienziale 25 June 2019

characteristic that luxury goods have in common, namely the difficulty in being able to buy them. A luxury good, in fact, must emanate a sense of exclusivity and this is why, in addition to being relatively expensive, they must be goods that are not easily accessible. This makes it crucial for companies to implement strategies that create a perfect balance between accessibility and exclusivity in order to maximize profits and at the same time not distort the exclusive character of their products. These characteristics are possible thanks to another quality that all luxury goods have in common, namely the fact that their obsolescence is far superior to that of other types of goods: a luxury good must in fact be made of materials of excellent quality and therefore able to resist and last perfectly over time.

From the point of view of exclusive economic theory, luxury goods have characteristics that differentiate them substantially from other types of goods.[3] Specifically, they differ from normal and inferior goods in the way in which their consumption varies according to changes in consumer disposable income levels. In the case of normal goods, in fact, consumption tends to increase as disposable income increases in a proportional way and then stabilizes once a certain income threshold is exceeded, while it tends to decrease as a result of negative variations in income For lower goods, on the other hand, the ratio is inversely proportional, which means that positive variations in the level of income correspond to a decrease in the consumption of these goods, while, instead, as income decreases, there is an increase in consumption. For luxury goods, the ratio of consumption to disposable income is described by the so-called Engel Curve, named after the German statistician Ernst Engel who theorized it in the 19th century. According to his theory, since the availability of greater economic resources pushes consumers to orient their choices towards higher or luxury goods, it is presumable that, once a certain income threshold is exceeded, the increase in demand for these goods is more than proportional to the increase in income and consequently increases in the level of income correspond to substantial increases in the level of consumption while decreases in income correspond to drastic drops in the level of consumption.

What we have just described is also important to explain the entire market based on luxury goods, a highly dynamic market that has the intrinsic characteristic of making market yields vary exponentially in both positive and negative terms, amplifying both growth rates in periods of economic expansion and growth rates in periods of recession. This is evident in the analysis of some stock indices that help to monitor the performance of the entire luxury market such as, for example, the European Luxury Goods Index, an index created by Bloomberg that includes all or almost all the companies operating in the luxury sector and listed on the stock exchange, or the S&P Global Luxury Goods Index which includes 80 of the most important listed companies involved not only in the production but also in the distribution of luxury goods that meet specific investment requirements. It is easy to see that by comparing these indices with those of the market, the luxury market amplifies, both positively and

[3] SPALLINO M, BELLANTE F, LUPO G: Le peculiarità del mercato del lusso.

negatively, market returns depending on whether the economic phase is one of expansion or recession, respectively. This particular characteristic, as we will see later, will be very important to explain the structural changes that have taken place in the luxury market because the containment of this higher volatility is one of the various reasons behind the development and success of luxury conglomerates that, through strong diversification strategies, have managed to contain the risks associated with market volatility.

Analyzing the luxury market is a very complex and articulated work. This is because it is a market made up of multiple categories and different sectors that have very different trends and follow different rules, it follows that the goods that make it up as we have already mentioned, belong to completely different product categories. Moreover, the consideration that consumers attribute to a good may vary over time and is subject to the subjective consideration of consumers in a given period of time, which is why a good that in one period may be considered luxury may not be so in a subsequent period. In order to define the luxury market, therefore, we will have to analyze it in its different components both on the demand side (thus going to analyze the different types of consumers and purchase trends) and on the supply side.

A first definition of the luxury market is provided to us by the "Altagamma Foundation[4]" which diversifies the luxury market into its different product categories.[5] Table 1.1 shows all the categories of the luxury sector in brief.

Personal Luxury Goods:	The category that includes all personal luxury goods, i.e. clothing, leather goods, eyewear, perfumes, the most important sector of the market that acts as a driving force for all the others.
Luxury Cars:	The sector that includes both luxury car manufacturers and the luxury niches of car manufacturers, a sector that is experiencing limited growth.
Luxury Hospitality:	The holiday and luxury hotel sector, which is increasingly growing as we will see with other experiential luxury categories.
Luxury Wines & Spirits:	The constantly growing and expanding luxury wines and spirits sector.
Gourmet Food & Fine Dining:	Includes the entire luxury food sector is also going through a flourishing period.
Fine Art:	Includes works of art and fine craftsmanship.
High Quality design Furniture and Homewhere:	Includes luxury furniture and interior design, an increasingly expanding sector

[4] Since 1992, the Altagamma Foundation has brought together the industries of the Italian high cultural and creative enterprise recognized as authentic ambassadors of Italian style in the world. Its mission is to contribute to the growth and competitiveness of Italian cultural and creative industries.

[5] Bain Altagamma 2019 Worldwide Luxury Market Monitor, Claudia D'Arpizio, Federica Levato 2019

Private Jets and Yatchs:	an exception within the luxury market which is in a negative period mainly due to cannibalization by the secondary market.

Table 1 Luxury Market Categories, source: Bain Altagamma: Worldwide Luxury Market Monitor 2019

Each of these categories is characterized by peculiarities that make it different from the others, are characterized by different business strategies, have completely different distribution and production methods with product cycles that can be completely different from each other (just consider, for example, the huge difference between the products of the Personal Luxury Goods category that usually have rather short cycles and those of the Wines and Spirits category that instead have rather long production cycles). In such a scenario, therefore, it would be presumable to have to consider each category as a market in its own right because each sector is expected to react to external economic contingencies in a different way. Contrary to what one might think, the luxury market (even if the categories follow a different evolution) can be monitored as a whole by analyzing trends and trends. This has been possible both thanks to the convergence of demand from many consumers who, for some brands that are particularly relevant in the market, attribute the same very high value regardless of the product category so that that brand can produce products of different product categories without the consumer changing his consideration on the quality of those products, and thanks to the structural change suffered by companies in the luxury market in the last 50 years that have seen the transition from a plurality of small and medium companies each focused on a few product categories to a small amount of huge multi-product and multi-brand multinational conglomerates able to provide different product categories.

As far as the sectors of origin are concerned, on the other hand, it can be seen that these too are multiple and different. Some sectors have always been part of the luxury market and in some cases are almost (erroneously) identified with the market itself, while others are emerging sectors that only in recent years have become relevant within the market. The most classic sectors of the luxury world are certainly those linked more or less closely to the fashion market and among these are certainly:

- Clothing and leather goods;
- Footwear;
- Jewelry;
- Watchmaking;
- Luxury accessories: in this case we mean the set of sectors made up of cosmetics, eyewear and perfumes, which although they cannot be classified as real luxury goods, are very functional for companies in the sector to diversify and attract even those consumers who are not properly targeted but who are eager to have a first impact with the market. In fact, they are the most accessible products and are part of that segment called Everyday Luxury or Affordable Luxury.

In addition to these more classic sectors there are others that are separated from the fashion market and that are more exclusively related to the luxury market, this category includes:

- Luxury cars: a sector that is undergoing profound changes, especially from an ideological point of view. The consumer today is in fact more and more oriented towards experience rather than possession and this is why the rental (even short-term) of these goods is increasingly developing rather than the actual purchase;
- Nautical and Yatchs;
- Private Jets;
- Luxury Cruises: one of the overperforming sectors in the market in recent years;
- Hotels and restaurants;
- Wines, spirits and food;
- Art and cultural heritage;
- Luxury Real Estate and Luxury Interior Furnishings.

In the analysis of the characteristics of the luxury market it is also important to make a brief geographical analysis, this is because it is a market that has differed greatly from the demand side while it still appears rather limited from the supply side.

On the demand side, it can certainly be said that it is now fully developed not only in northern Europe, which is certainly the cradle where the luxury market was born and developed over the years, but also in the U.S.A. and the Americas in general, which for years has been a country that contributes strongly to growth. To have an idea of what we have just said just think that Europe and the Americas alone contribute about 65% of the total market. With regard to emerging markets, on the other hand, special mention should certainly be made of China. This is because Chinese consumers are already among the most important in the luxury world of today but they buy for the vast majority outside of China but also within the country the market is developing more and more.[6] With regard to the rest of the Asian continent we are witnessing a very intense development, especially in Southeast Asia where cities like Singapore are becoming strategic centers in the luxury trade. Geographical parts that do not yet represent a strategic point for the market are the Arab countries where historical/cultural contingencies do not yet allow a full development of the market.

In this brief description of the luxury market it is worth dwelling for a moment on what represents the real center of interest of the luxury market: The Consumer. This is because companies and brands in the luxury market need to focus much more than others on the care, attention to detail and strategies to offer the luxury consumer a product/service that satisfies him/her as much as possible. In the luxury market, the consumer plays a very central

[6] Bain & Company press release: Il mercato globale del lusso nel 2018 è in crescita e raggiunge 260 mld un andamento solido fino al 2025, 15 November 2018

role because products, marketing and distribution strategies and sales techniques are tailored to the target consumer and this is why companies have to be very attentive to changes in consumer preferences. However, they are very different from each other and in fact within the luxury market there are many varieties of consumers that differ and there are many variables to be taken into account to catalogue them, for example, they can be distinguished by generation or by spending capacity or by level of loyalty to a brand. The various categories often have common elements such as the search for exclusivity, the desire to buy a product of excellent quality and able to last over time or the desire to obtain a certain type of status but at the same time they differ in many features. Precisely for this reason, several market researches have been carried out, one of the most important of which is the one carried out by Altagamma in collaboration with the multinational business consulting firm Boston Consulting Group that have elaborated the "True Luxury Global Consumer Insights", a research that everyone has analyzed relevant trends and perspectives that have characterized consumers in the luxury market. The study is based precisely on the principle that highlights how the consumer is the main driving force behind the growth of the luxury sector and the ultimate goal is precisely to create precise strategies tailored to the target audience. For the first edition of this research, more than 40,000 consumers from 20 different countries were interviewed and 8 global segments were outlined, 2 specific per country and 2 per gender, for a total of 12 profiles, identified on the basis of attitudinal variables and not on the traditional demographic and income variables.[7] [8] Table 1.2 shows all the 12 consumers profiles.

1) Absolute Luxurer:	Mostly European or emerging market consumer type. It is configured as refined and elegant and purchases both personal and experiential luxury goods. This segment counts 2 million consumers for an expenditure of more than 60 billion euros per year.
2) Megacitier:	A type of consumer typical of large metropolises, the Megacitier lives in large metropolises in Europe, the United States or emerging countries. It is located in an age group between 25 and 35 years and at a cost of about 20k euros per year contributes about 38 billion euros to the market.
3) Socialwearers:	Type of consumer very loyal to the brand. Attaches great importance to quality, sustainability and emotional connection with the brand. They are very loyal customers and, to date, there are about 700k individuals in this category.
4) Experiencer:	A type of consumer much more inclined to shop for experiential luxury rather than accessories or objects, he prefers luxury experiences shared in a sophisticated and never flashy way. Normally, they belong to an age group ranging from 40 to 50 and come from

[7] BLASET M, La corsa inarrestabile del mercato del lusso: Numeri e tendenze, “Outsider news”, 1 January 2017
[8] BCG Altagamma, True Luxury Global Consumers Insights, 17 April 2019

	Europe, the United States or Japan. There are about 3 million of them with an average expenditure of about 12 thousand euros per year.
5) Littleprince:	This type of consumer represents the new generation, between 18 and 25 years old, accustomed to playing with luxury. He buys in an impulsive way and prefers brand and aesthetics to quality. They mostly buy clothes, bags and glasses. These very young luxury consumers make the companies bill around 15 billion euros.
6) Fashionista:	A predominantly female consumer type, aged between 35 and 40, is informed about everything related to style. She prefers clothes and accessories to holidays and leisure experiences. Spends on average 8 thousand euros per year.
7) Status Seeker:	As a type of consumer who is very fond of established brands, he likes to display logos in plain sight so that he can be perceived by others as a luxury consumer and, consequently, be considered as a very wealthy individual, part of an elite and a particular social status. Mainly Asian, Russian and Italian, they generate a market of 16 billion euros.
8) Classpirational:	A type of consumer not particularly sought after, he experiences accessible luxury as a passe-partout for acceptance by his community, especially at work. 3 million men and women, mainly from Korea and Russia. This type of consumer pays attention to prices, which he compares online, and spends an average of 3,000 euros a year.
9) Luxe-Immune:	A type of consumer who has a lot of money and could buy anything he wants but does not seem interested in doing so. Probably has done so in the past. He is only present in mature markets and spends a total of around EUR 6 billion a year.
10) Rich Upcomer:	A type of consumer who is the rich newcomer to the emerging countries, eager to be accepted by other categories and undertake a sort of social climb, still unripe but with great purchasing potential. They are just over a million and spend about 5 billion euros a year.
11) Timeless Proper:	Type of consumer exclusively female, refined and elegant, lover of a classic and timeless style, and for this reason faithful to a few brands and stores. These consumers (about 2.5 million) spend about 8,000 euros per year.
12) Omnifighter:	A type of consumer who is a man of yesteryear who buys mainly for others. He is part of the more mature segment and rarely comes from emerging countries. In total, there are around 2 million of them for a market of 19 billion euros.

Table 2: Consumers Profiles, source: BCG Altagamma True Luxury Global Consumers Insights 2019

1.3: Luxury market analysis

We will now briefly analyze how the luxury market has evolved more recently, paying particular attention to new trends, new consumer habits and growth in the various categories and geographical areas.

The luxury market by its very definition was born as a niche market, which relied on an elite of consumers for whom almost tailor-made products were studied. The entire market was in fact made up of boutique-companies, i.e. small-to-medium sized family-run businesses that relied on a loyal local clientele. Over time the luxury market has evolved to become the theatre and birthplace of immense multinationals, the so-called conglomerates, which operate on a global scale and which bring together under their ownership dozens of brands of different categories and product sectors.

The luxury market has thus become a much more dynamic market, where change is just around the corner and where the ability to be flexible and to adapt to new and increasingly different trends and new consumer habits has become a fundamental success factor.

Precisely for this reason it has become necessary for all companies to be always careful to monitor trends and changes in the market.

One of the valuable supports used to carry out this delicate function is the report that Altagamma and the multinational strategic consulting firm Bain & Company draw up every year the Worldwide Luxury Market Monitor, a document that summarizes the main recent events within the market, the key figures of growth and analyzes consumer behavior and new market trends.

Recently within the luxury market, the most important change in recent years has been the continuous growth of the experiential luxury sector at the expense of personal luxury goods; in fact, although the Personal Luxury Goods category continues to be the driving segment of the market, it is undeniable that the greatest growth has been given by the experiential luxury segments, especially the so-called "Experience based goods". This figure is also confirmed by the BCG Luxury Market model, which attests that experiential luxury reached 580 billion in turnover in 2018 and that it is expected to grow rapidly by 5%. However, the growth of experiential luxury has been sustained by some categories such as Fine Art & Design Furniture or Food and Beverage experiences, the latter mainly linked to the excellent performance of spirits, not only in terms of wines and champagne but also, for example, the gin that has over-performed the market in the last year.[9]

In a such scenario, however, it must be remembered that the category that continues to be the real driving force of the market is still represented by Personal Luxury Goods, which continues to grow at a rate of about 6% even in the last year. The growth of the sector is driven by several factors, the most important of which is certainly the higher digitization capacity of this category compared to the others. In fact, from the latest research, the Personal

[9] Bain Altagamma 2019 Worldwide Luxury Market Monitor, Claudia D’Arpizio, Federica Levato 2019

Luxury Goods segment has confirmed itself as the most evolved segment in terms of digital penetration compared to the others with accessories that excel in this specific capacity. From this derives a consequent evolution of the online channels which are the ones with the highest percentage of growth.
On the other hand, from a geographical point of view, the most important figure is the no longer surprisingly excellent performance of the Asian markets. The Asian luxury market and its performance have certainly been profoundly changed by the events that have shaken the city of Hong Kong, a true commercial center of interest for all luxury brands and one of the world capitals of international luxury trade.[10] To understand the importance of the city of Hong Kong for the luxury world just think that, until not so long ago, Hong Kong's stores were responsible for about 5% of the world's sales in the luxury sector according to a research by RBC Capital Markets. In addition to this, the Asian metropolis also represented a real strategic center of interest for all the most important players in the luxury industry, this because it served as a valuable springboard for those who wanted to enter the Chinese market because the "east-west-east" culture of the city allowed companies to court a diversified global audience and measure the demand of Chinese visitors. After the demonstrations and problems that plagued the airport and downtown Hong Kong, the city's luxury market was hit hard with stores being forced to close and sales plummeting. According to data from UBS Group Ltd., the Swiss financial services conglomerate, especially the Richemont Group, which was the most exposed to the disruption in Hong Kong with around 11% of its sales coming from its market, suffered from this situation. The Swatch Group relied on the metropolis market for around 10% of its sales, as did Burberry, which instead obtained around 9% of total sales from the city. In such a scenario, Chinese consumers, currently the biggest promoters of the market, have changed their consumption habits from a geographical point to local countries due to social tensions in the city. Thanks to this, Asian countries have had a strong growth drive: in particular, China's growth is very strong, growing by about 30% in 2019 compared with the previous year, growth that was also sustained by government policies implemented to stimulate domestic consumption. Immediately after China is Japan, which has seen much lower growth than its Chinese cousins but, in any case, decidedly significant, with a recorded increase of about 11% compared to the previous year. In general, therefore, the Asian continent has won the title of the fastest growing market also thanks to the remarkable performance of South Korea, which has grown a lot in domestic consumption thanks to the generations followed by the Americas (+5%) and Europe (+2%) but this is only because the latter, being a very developed market, does not record significant growth. One of the fundamental factors that has allowed the rapid rise of the Asian market has certainly been the high digitization, the Asian market is in fact the driving force behind the growth of the online market over Europe. This has been allowed above all thanks to improvements and evolutions in the online shopping experience with more and more advanced and personalized omnichannel strategies.

[10] CENNAMO C, Perdere Hong Kong, una catastrofe per i brand di lusso, Michele Franzese moda, 17 August 2019

Another phenomenon that is becoming increasingly important within the luxury market is certainly the emergence of new business models that are becoming increasingly influential among consumers. These are basically new alternative buying methods that do not necessarily involve the act of buying and selling.
First of all, we need to focus on the strong development of the so-called secondary market, i.e. the market generated by the same consumers who sell their products to other (or new) luxury consumers. A concept that until a few years ago seemed absolutely antithetical to the very concept of luxury goods. The luxury good, in fact, as already seen above, is configured as a strictly personal good, very tied to the emotional sphere of the individual and, therefore, hardly transferable, but in recent years, with the continuous growth and marketing of the most "affordable" segment of the market such as accessories and accessible luxury goods, the evolution and continuous growth of the new generations (in particular millenials and generation Z that are increasingly important in market dynamics and, at the same time, the birth and evolution of ad hoc platforms for so-called "resellers" have allowed the secondary market to develop and become part of the luxury ecosystem with a turnover that, according to BCG's data, will be around 22 billion in 2018 and is expected to grow by as much as 12 percentage points by 2021. The category that dominates this type of market is certainly that of personal luxury goods, with both clothing and accessories and watches and jewelry. The growth of the secondhand market has been driven mainly by 4 drivers:

- The first and certainly most important is the birth of personalized and professional technological infrastructures created specifically to bring together supply and demand on the secondary market while ensuring both quality and originality of the product for buyers and payment guarantees for sellers, the most famous of which is certainly StockX an innovative and in a sense revolutionary platform where shoes, clothing, accessories and more are sold in a way very similar to buying and selling shares on the stock exchange. The e-commerce platform born in 2016 in the U.S., in fact, acts as an intermediary between suppliers and buyers, allowing the latter to make an offer when the value of an item is lower and therefore more convenient, as it happens for securities listed on the stock exchange. Users can follow, in fact, the price trend of the products they are interested in in the last 52 weeks also thanks to the use of trading charts. The marketplace is based on "bid and ask" transactions and boasts an inventory of thousands of items in which you can find even very prestigious brands such as Rolex and Louis Vuitton with both new and used products. StockX acts as a guarantor for the quality of the merchandise for sale through careful control. For Europe, for example, each item must be shipped by the supplier to the company's European headquarters in London, where it is assessed by a team of experts who provide their findings before confirming the purchase. This allows buyers to have no fear of finding themselves later in possession of a counterfeit or poor quality product in their hands.

- A second very relevant driver is the tendency of consumers to prefer a much shorter and sustainable product cycle by consistently cutting the time it takes to own a relative good in favor of a more circular and sustainable economy where the same goods are used by more owners. This has been dictated above all by the continuous stimuli to which today's consumers are exposed compared to those of the past thanks to the new communication mechanisms used by companies, first and foremost social media. Today's consumers are in fact targeted by constantly changing content and constantly evolving styles and trends that have pushed consumers not to become too attached to their products, as was the case in the past.
- The third driver is a much wider access to iconic or hard to find products. In fact, luxury companies do not give everyone access to certain products, which is why consumers who want to buy a product that is not accessible or difficult to buy turn to the secondary market. This happens both for iconic products and for special "capsule collection" products that can be easily repositioned on the secondary market by the first buyers.
- The last driver that has driven the secondary market is certainly its greater affordability and in fact it represents a launch bridge for those consumers who have never had access to certain types of goods and who have instead found a market where the price/quality ratio is much lower.

Although the secondary market was initially ignored by manufacturers, recently it has been increasingly taken into account, this is because it is becoming more and more a real touchpoint that allows new and young consumers to enter the market more easily, being able to benefit from indirect entry at lower prices and then become real direct consumers and this is precisely why many companies have started to integrate it into their mentality because if implemented strategically they can positively impact the market in terms of sustainability and circular economies.

In addition to the secondary market, other business models that do not necessarily involve direct purchase are Rental, which allows consumers to take advantage of the products without being the owner but by signing rental contracts based on subscriptions or peer-to-peer rental contracts, or Co-Ownership, which is based on the splitting of the ownership of the property between several different consumers, a business model that for now is still focused on a few sectors, especially Luxury Real Estate or Luxury Cars.

It is worth concluding this short analysis by analyzing the most recent market trends and the news to focus on. To do this we will rely on the work done by BCG and Altagamma which, in their research "True Luxury Global Consumer Insights", have drawn up a list of the 12 most important trends that have affected the market in the last period.[11]

[11] BCG Altagamma 2019 True Luxury Global Consumers Insights, 17 April 2019

1)Collaborations:	Partnerships have become a key marketing strategy for luxury companies. The so-called co-branding in fact has proved to be a successful experiment for many companies, both between companies in the same sector (and therefore Luxury for Luxury) and for companies in completely different sectors (see the case of Supreme for Louis Vuitton). The research has shown that the awareness and notoriety of collaborations has reached about 90% of consumers while 50% have made a purchase of collaborations or limited editions.
2)Second-Hand:	As we have already seen, the secondary market has become quite important in the market. The research shows that 34% of luxury consumers have put their goods on the secondary market while 26% have bought them. Significantly, an almost total percentage of secondary market buyers use online channels both for information and shopping.
3)Sustainability:	It is becoming increasingly clear that sustainability is no longer an insignificant factor for luxury companies. In fact, consumers are pushing for sustainable policies on the part of manufacturing companies and the purchasing behaviour of a large part of them (as much as 60%) is influenced by elements of both environmental and social sustainability.
4)Luxury Casualwear:	A real earthquake that shocked and in a certain sense revolutionized the market was certainly the birth, development and explosion especially in recent years of the Luxury-Casual union. The luxury casualwear market has already largely evolved and continues to grow, driven mainly by jeans and sneakers and it is estimated that 74% of consumers will continue to increase their spending towards this segment.
5)Influencers:	The current market is increasingly dominated by these digital figures. Influencers in fact have more and more the power to direct purchasing decisions and in fact the art investments of companies on them have been increasing for some years. This is especially true in markets where the culture of luxury is less evolved and therefore consumers are more easily influenced. This is why in countries like China the performance of influencers in terms of their ability to influence buying decisions is much higher than in much more conscious markets like Europe.
6)Social Media:	For some years now, social media has become an integral and fundamental part of communication for every company. This is particularly true for companies operating in the luxury world where the connection with the customer must be as intimate and direct as possible. Social media are gaining more and more importance and in countries like

	Europe and the United States they are now surpassing the more traditional forms of communication.
7)Online:	The importance of the evolution and development of online channels that are increasingly penetrating the market should not be underestimated.
8) Omnichannel:	Concept linked to those of the online marketplace and digitization, the application of omnichannel strategies are becoming fundamental in order to allow the consumer a complete and avant-garde shopping experience and to offer alternative customized solutions able to meet every different consumer need.
9)Mono-Brand Stores:	The importance of mono-brand stores, on the other hand, remains stable. For companies, they are not only a thriving centre of purely economic interests and profit, but also serve as fundamental means of communication, since within mono-brand stores the company directly communicates to the consumer all its most important values, its DNA, its codes, its policies and its distinctive features.
10)Made-in:	The growth of Made-In Italy is important in the minds of consumers, especially among Millenials, it has gained a leadership among Chinese consumers compared to Made-in France. Important to note also the growth of Made-in China among local consumers with an overall increase of 11 percentage points compared to 2014.
11)Mix & Match:	Luxury niches and sports brands are changing the rules of the market. In fact, exclusivity and the perception of high value are pushing consumers towards luxury niches while comfort and active lifestyle are pushing sports brands. The union and collaboration between these two markets is leading to extremely successful projects and collections.
12) Customization:	The growth and development of customization strategies have great importance for the customer and not only from the point of view of products but also from the point of view of purchasing experience and post-purchase services. The customization of products and services to make them as tailor-made as possible for the consumer is of fundamental importance because they convey a value of uniqueness and exclusivity that is difficult to imitate.

Table 3 Most important trends in luxury market, source: BCG Altagamma True Luxury Global Consumers Insights

1.4: What are luxury conglomerates?

It is worth pausing briefly at this point to explain what are the subjects that will be the real protagonists of this thesis work, that is, the luxury groups.

In general, a business group is defined as a group of legally distinct companies subject to the control or dominant influence of the same legal entity as a result, at least in part, of the ownership of shares. Business groups are characterized by having 3 distinctive elements:

- 1) The same economic entity, meaning alternatively as the person who takes the decisions of the highest order or who is the bearer of institutional economic interests;
- 2) The legal distinction of the economic units that can be represented both by corporations and partnerships;
- 3) The control of the companies obtained through shareholding control or contractual control or the total acquisition of the company.
-

Business groups may be formed in different ways, generally through the aggregation of previously managed economic activities or, on the contrary, through processes of unbundling previously managed economic activities. Business groups may be formed in different ways, generally through the aggregation of previously managed economic activities or, on the contrary, through processes of unbundling previously managed economic activities. There are 4 typical ways of setting up company groups and each one foresees different advantages and risks.

- 1) Acquisitions of total or controlling interests in other companies: In this case it is an operation of growth outside the company and this allows the buyers to increase the company size very quickly, a fundamental condition in times of strong competitive dynamics, or to directly eliminate a competitor by proceeding with its acquisition and avoid increasing the production capacity already present in the sector. In the face of these advantages, the acquisitions present some disadvantages linked to the great difficulties encountered in the integration phase of the activities, previously managed separately. Because of these difficulties, which often do not allow the economic advantages which motivated the acquisition to be achieved, the real beneficiaries of these operations, at least initially, are generally represented by the shareholders of the company being sold.
- 2) The creation of a company for the development of new activities: In this case an undertaking may develop a new activity by giving it an autonomous legal structure. This second option, on the other hand, is the other way around and is in fact an internal growth strategy. Internal growth strategies are an optimal alternative when the company has unused resources and skills that can be used to develop the new business. Surely this alternative has considerable advantages in terms of costs and time because you skip the various stages of research, negotiation, purchase and integration of the external company and instead proceed to an internal research and development operation, but on the other hand this growth alternative

also has some disadvantages. The time required to develop the new activity could be longer than expected, thus going to frustrate the savings compared to the acquisition; the increase in production volume in a concentrated sector with overcapacity can lead to a price war and it is therefore inadvisable to develop a new activity in sectors with already high density of manufacturing companies and, moreover, in case of failure of the project it is more difficult to recover the investments and fixed costs that have already been made.

- 3) The contribution of holdings in other companies: This is the case when the owners of the controlling interest in one or more companies contribute this interest in another company, already existing or incorporated for the purpose, in exchange for shares representing the latter's risk capital.
- 4) The spin-off and contribution of a branch of activity: The latter consists of the separation of one or more business branches by one company and the subsequent transfer of this activity to another company, usually set up for this purpose, in exchange for shares representing the latter's share capital.
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These operations are carried out in order to achieve different objectives, such as giving greater autonomy to certain businesses that you wish to develop or access the stock exchange listing only with certain operational activities or transferring a business branch in a fiscally convenient manner.

In general, all the different types of operations are not only ways of setting up business groups but more generally of transforming their legal and corporate structure. Company groups, in fact, are continuously involved in processes of increasing or decreasing the extent of the economic activities subject to their influence depending on whether operations of acquisition of controlling shareholdings or, on the contrary, operations of sale of controlling shareholdings take place respectively; they are involved in processes of increasing or reducing corporate complexity and changes in the size of the shareholdings that bind and group companies through operations of purchase or sale of shares inside or outside the group.

In our work, however, we will mainly focus on only one type of corporate group, namely the so-called luxury groups.

A group or conglomerate in the luxury sector is a company that brings together several fashion or luxury brands under its control by virtue of the ownership of very substantial stakes and, in some cases, all of the brand's shares. A luxury group commonly owns brands in various business sectors ranging from apparel, jewelry and watches to perfumes, wines and spirits and also includes companies that are not part of the luxury fashion industry but which may be more or less directly functional to the group itself, such as mass distribution or financial activities such as venture capital. The strong diversification strategy unites the different groups as it is necessary to avoid the risk of cannibalization between the various brands of the same sector within the same group and, at the same time, it is fundamental to diversify the risks connected to the market trends of the various categories so that, if one of the different businesses within the group were to be particularly affected by a certain period of economic recession, it could be supported by the others. The different groups also share a similar growth strategy, all of them developed as financial holding companies and their growth was mainly external through numerous acquisitions of the various brands, subsequently the acquired companies were restructured and thanks to the investments made by the group itself they grew internally, increasing their value. Only in recent years have the groups started to consider internal growth strategies by developing companies internally.

CHAPTER 2: Key players

2.1: Birth and development of the most important players

This section will analyze the characteristics and evolution of some of the most important companies operating in the luxury sector, such as LVMH, Kering, Richemont, Luxottica, Estée Lauder and the Swatch Group.

First of all, we will provide current market conditions for acquisitions in the luxury sector based on the Deloitte Global Fashion and Luxury Private Equity and Investors Survey 2019 reports.[12]

Indeed, the luxury sector is more attractive to investors than ever before. In 2018, 265 record mergers and acquisitions were completed, 47 more transactions than in 2017, a total increase of 22%.[13]

Particularly in the fashion sector, 2018 was characterized by the important acquisition of the Italian house Versace by the American group Michael Kors (renamed Capri Holdings. An operation worth approximately 1.8 billion euros. However, it should be noted that 2017 was a fairly stable year, with an increase of only six transactions compared to 2016, a year in which 70 more transactions were recorded compared to 2015.[14]

In 2018, the top of the ranking were transactions in the luxury hotel sector, which amounted to 75, 29 more transactions than in 2017. In 2018 there were 145 transactions in the luxury goods segment compared to 134 in 2017: 73 of them in clothing and accessories (-4 compared to 2017) and 28 in watches and jewelry (-1). Cosmetics and perfumery sectors were the only two to record a sharp increase in the number of transactions (+16), from 28 in 2017 to 44 in 2018.[15]

Around 43% of the funds are expected to sell a fashion and luxury goods business in 2019. On the other hand, 70% want to invest in the sector: 79% in clothing and accessories and in cosmetics and perfumery, 36% in watchmaking and jewelry and 29% in selective distribution.[16]

According to Deloitte's forecasts, investors expect the fashion and luxury industry to continue to grow between 5 and 10% per year for the next three years. Digital luxury products, cosmetics, perfumery and furniture will perform well, with annual growth of more than 10%. Clothing and accessories, hotels and restaurants are consolidating (with an estimated annual growth of between 5 and 10%.) Private cars and airplanes will decline, while sales of yachts, jewelry and selective distribution are expected to remain stable.[17]

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[12] Deloitte Global Fashion and Luxury Private Equity and Investors Survey 2019
[13] Deloitte Global Fashion and Luxury Private Equity and Investors Survey 2019
[14] Deloitte Global Fashion and Luxury Private Equity and Investors Survey 2019
[15] Deloitte Global Fashion and Luxury Private Equity and Investors Survey 2019
[16] Deloitte Global Fashion and Luxury Private Equity and Investors Survey 2019
[17] Deloitte Global Fashion and Luxury Private Equity and Investors Survey 2019

This report has revealed a new and interesting element: the growing interest of investors in new technologies and digital development related to the fashion sector. Almost 43% of Deloitte's respondents indicated that they are likely to invest in disruptive technologies throughout 2019 in order to exploit possible synergies. In their opinion, the Internet, big data and analysis, artificial intelligence, robotics and blockchain will have the biggest impact on investors' portfolios this year.[18]

The Deloitte report clearly states that interest in digital luxury products is declining despite market growth forecasts. New and current ones are more attracted to established sectors (restaurants, fashion), although newcomers seem more interested in experiential luxury.[19]

From a geographical point of view, Europe is the only region that recorded a significant increase in transactions in the fashion and luxury sector in 2018, with another 41 transactions, following the growth of the hospitality sector. The rest of the regions remain stable compared to 2017: North America and the Middle East (-1), Asia-Pacific (+ 2), Japan (+ 4).

Over the next three years there should be a significant increase in investment in Asia and the Middle East to boost the luxury sector, with average annual growth rates of 10%.[20]

The average value of a merger acquisition in the fashion and luxury sector continues to depreciate, falling by 12% between 2017 and 2018 to €209 million. Investors continue to opt for small businesses. Brands with sales between $0 and $50 million account for 65% of last year's transactions, compared to 55% in 2017.

It is in this context, currently very favorable, as it appears from the latest Deloitte report, that in recent years large M&A have been born and have developed over time. It is in this context that in the following chapters we will describe some of the potential transactions and operations in terms of mergers and acquisitions in the global market.[21]

2.1.1: LVMH

The LVMH group was created in 1987 with the merger of two companies: Louis Vuitton, a company specialized in fashion accessories founded in 1854, and Moët Hennessy, a company specialized in wines and spirits created in 1971.

Due to deep disagreements between the two parties, Bernard Arnault, former chairman and owner of the group, intervened in the transaction. Arnault managed to implement a sophisticated financial structure that allowed him to control the group with a minority stake of 4%, divided into 10 participations. In 2002, thanks to numerous

[18] Deloitte Global Fashion and Luxury Private Equity and Investors Survey 2019
[19] Deloitte Global Fashion and Luxury Private Equity and Investors Survey 2019
[20] Deloitte Global Fashion and Luxury Private Equity and Investors Survey 2019
[21] Deloitte Global Fashion and Luxury Private Equity and Investors Survey 2019

acquisitions, the LVMH group managed to become the world leader in the luxury market with a portfolio of over 75 brands that can boast tradition and prestige.

LVMH today seeks to expand its internationalization by taking control of the main Italian and international fashion brands. This accelerated internationalization strategy has led to the recent acquisition of mainly foreign brands: in 1999 and 2000 over 25 brands came under the control of LVMH. These operations took place in a context of increased competition following the entry into the sector of the Pinault-Primtemps-Redoute (PPR) group which prevented LVMH from taking control of the Florentine Gucci group in March 1999. In March 2011 another company joined the group: Bulgari.[22] On 8 July 2013, the Loro Piana family sold 80% of the company to the French LVMH group for 2 billion euros in Paris. Sergio and Pier Luigi Loro Piana will retain a 20% stake in the company and will keep their functions at the helm of the company.[23]

In April 2015, LVMH acquired, through L Capital Asia, an investment fund controlled by LVMH, M1 Fashion and Pepe Jeans, and in October of the same year the newspaper Le Parisien for around 50 million euros, strengthening the press division that already owns the economy and the financial newspaper Les Échos. In July 2016, LVMH sold the Donna Karan and DKNY brands for 650 million dollars to G-III Apparel. In October 2016, it absorbed 80% of Rimowa, a German luggage specialist for $640 million.

In March 2017, LVMH acquired a majority stake in Francis Kurkdjian, a high-end perfume company created in 2009. In the same month, De Beers announced the acquisition of the joint venture De Beers Diamond Jewelers at LVMH, comprising 32 stores.[24]

In April 2017, LVMH acquired the Christian Dior fashion house, owned by the Christian Dior group, for 6.5 billion euros. At the same time, Arnault, through the Arnault Family Group, increased its stake in the Christian Dior group (which holds a 41% stake in LVMH, from 74.1% to 100%. Almost at the same time, the Arnault Family Group sold its 8% stake in Hermès.

In December 2018, LVMH announced the acquisition of the luxury hotel chain Belmond for $3.2 billion by paying $2.6 billion. The Belmond chain, based in London, owns or operates 46 hotels, restaurants, trains (including the Orient-Express) and river cruise ships.[25]

In November 2019, LVMH acquired the first American luxury brand, Tiffany & Co., for approximately $16 billion [14]. At present, LVMH commands 75 haute couture brands with around 145,000 employees worldwide, which made record sales of around €47 billion and a net profit of €6.3 billion possible in 2018.

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[22] BOTTELLI P. A Lvmh la maggioranza del gruppo Bulgari - Un simbolo del lusso italiano cambia bandiera - Il titolo vola in borsa. "Il sole 24 ore" 7 March 2011

[23] Anche Loro Piana ai francesi di Lvmh - Un affare da due miliardi di euro, "La Stampa" 8 July 2013

[24] Reuters Diamond group De Beers buys out retail partner LVMH, "Reuters Business News" 23 March 2017

[25] DEZZA, P. Lvmh compra gli hotel e viaggi di lusso Belmond (con il Cipriani) per 3,2 miliardi di dollari, "Il Sole 24 Ore", 14 December 2018.

Figure 1: LVMH Brands Map, source: Internet

2.1.2: Kering

Kering is a leading luxury goods group based in Paris, which owns brands specialized in the creation, production and sale of excellent products, particularly in the leather goods, footwear, clothing, watches and jewelry sectors. Founded in 1963 as a timber merchant, the company changed its name to Pinault-Printemps-Redoute (PPR)[26] in 1994. Five years later, in 1999, PPR purchased 42% of the Gucci group for approximately $3 billion.[27] Thanks to

[26] Fashion Magazine, Ppr cambia nome in Kering? 5 March 2013.
[27] Borsa Italiana 2007. PPR. From BorsaItaliana.it

the agreement with Gucci, Pinault-Printemps-Redoute also acquired the Yves Saint Laurent brand.[28] It then confirmed its new strategy with the following acquisitions, including the French high-end jewelry house Boucheron in 2000[29], the Italian leather goods factory Bottega Veneta[30] and the fashion house Balenciaga in 2001[31] [32]. In 2001, Pinault-Printemps-Redoute also reached an agreement with Givenchy's former designer Alexander McQueen[33] and Stella McCartney.[34]

In 2004, PPR acquired almost all the remaining shares of the Gucci group, reaching 99.4% ownership of the Italian luxury company.

In 2011, PPR acquired the Sowind Group, owner of the Swiss high jewelry brand Girard-Perregaux and the Italian high fashion brand Brioni[35], the Italian Pomellato Group,[36] [37] the Chinese jewelry brand Qeelin in 2012,[38] the British brand Cristopher Kane in 2013[39] and the luxury watch brand Ulysse Nardin in 2014.[40]

PPR also entered the sports business with the acquisition of Puma in 2007[41], Cobra Golf in 2010[42] and Volcom in 2011.[43]

Only in March 2013, PPR changed its name to the current Kering, focusing on the luxury goods sector.

In March 2018, Kering announced a sale agreement for its Stella McCartney shares to its namesake owner.[44] [45] In April 2018, Kering announced her intention to sell Volcom, the sportswear company.[46] In May 2018, Kering also sold his Puma shares, maintaining a 15.7% stake, making him a pure player in the luxury sector.[47]

Since September 2018, the Kering Group has entered the Euro Stoxx 50 index, one of the leading indices of listed companies in the euro area that groups the 50 largest stocks in terms of capitalization.[48]

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[28] Commissione Europea 1999. La Commissione autorizza l'acquisizione di Gucci (Italia) da parte di PPR(Francia). 23 July 1999

[29] Lux Gallery. PPR rafforza il segmento gioielleria, 10 December 2012

[30] VASTA, S. Il lusso semplice di Bottega Veneta per la primavera estate 2017 al Milano Moda Donna, 24 September 2016

[31] GINORI, A. Arnault-Pinault, si gioca in Italia il torneo del lusso, "Repubblica" 18 November 2013

[32] MAMe. Pinault: meglio piccoli (e Italiani) che super-logati.

[33] Fashion Network. McQueen: fine della licenza McQ con l'italiana Sinv SpA. 13 October 2010

[34] Moda, orologi, sport: un colosso che ha fatturato dodici miliardi, "Corriere della Sera", 26 November 2012

[35] Fashion Network, Brioni, il sarto dei leader mondiali, acquistato da PPR, 9 November 2011

[36] Formiche, Pomellato è il nuovo gioiello dei francesi di Kering, 24 April 2013

[37] Pomellato ceduta ai francesi. Parigi acquisisce un altro gioiello italiano, "Il Fatto Quotidiano", 24 April 2013

[38] JADELUCA, P. Qeelin, il gioiello asiatico di Pinault, "Repubblica", 17 December 2012

[39] Fashion Network, PPR compra la casa di moda di Christopher Kane, 15 January 2013

[40] Professional Luxury, Kering acquisisce Ulysse Nardin: strategia hard luxury.

[41] PPR compra Puma, per gli analisti è un bene, "Repubblica" 16 April 2007

[42] Fashion Network, Puma acquisisce il brand di golf Cobra, 15 March 2010

[43] Fashion Network, PPR si lancia negli sport su neve e tavola attraverso un'OPA su Volcom, 2 May 2011

[44] GUYOT, O. Stella McCartney e Kering chiudono la loro joint venture, "Fashion Network", 28 March 2018

[45] SORTINO, M. Stella McCartney e Kering: divorzio consensuale, "Vogue", 29 March 2018

[46] Fashion United, Kering sta per vendere Volcom, 10 April 2018

[47] Rezk, S. Kering fissa per maggio l'addio a Puma, "MF Fashion" 15 February 2018

[48] SPENCER M. Kering Shares Join Stoxx 50 European Index. The luxury powerhouse is the latest addition to the grouping of the region's supersector leaders, WWD The voice of the fashion industry, 26 september 2018

Figure 2: Kering Brands Map, source: Internet

2.1.3: Richemont Group

Richemont was created in 1988 by the spin-off of the international assets owned by Rembrandt Group Limited of South Africa. Founded by Anton Rupert in the 1940s, the Rembrandt Group had significant interests in the tobacco, financial services, wine and spirits, gold mining and diamond industries, as well as investments in luxury goods which, together with investments in Rothmans International, would form Richemont.[49]

The Richemont Group is a financial holding company, listed on the Zurich Stock Exchange and headquartered in Geneva, which brings together luxury brands with an established tradition, which over the years have been acquired in whole or in part by the group and are now managed systematically, using advanced management methods, according to positioning and growth strategies supported by the group itself.

With over 10 billion euros in annual sales and over 30,000 employees, the Richemont group is one of the leading players in the luxury world. The product identity of brands or fashion houses is mainly rooted in haute horlogerie and jewelry. The group's leading fashion house is Cartier, the number one jeweler in the world, which alone accounts for almost half of the group's turnover, followed by Van Cleef and Montblanc. One of the group's hallmarks for the development of the fashion houses is to give the brands a certain freedom and autonomy, allowing them to follow the growth path most congenial to the brand's values and traditions.

[49] Richemont History, including Significant Investments and Divestments.

The Richemont group is diversified into five business areas: watches, jewelry, leather goods and accessories, writing instruments and other business areas, the latter including the fashion and fashion area, which is gradually gaining importance within the group.
The history of the Richemont group is linked to that of the Rupert family, the main promoters and financiers.
The approach and subsequent strategy of acquiring a luxury fashion house began in the 1970s, with progressive acquisitions of Cartier Monde, at a time when the fashion house was experiencing a problem of identity and governance. Dunhill, which in turn held shares in Montblanc and Chloé, also belonged to Cartier Monde.[50]
In 1999, Johann Rupert bought 60% of the historic jeweler Van Cleef & Arpels for 265 million dollars, and in 2002 he paid 1.86 billion dollars for three historic watch brands: Jaeger-LeCoultre, IWC and A. Lange & Söhne.[51]
In recent years Richemont acquired YOOX Net-a-Porter (2018), a leading online luxury retailer, Watchfinder & Co. (2018), a leading specialist in pre-owned premium watches and Buccellati (2019), a renowned Italian jewelry house.
Unlike other luxury groups, which often produce in the same factories and create synergies in distribution and communication, the Richemont group keeps the houses independent of each other.[52]

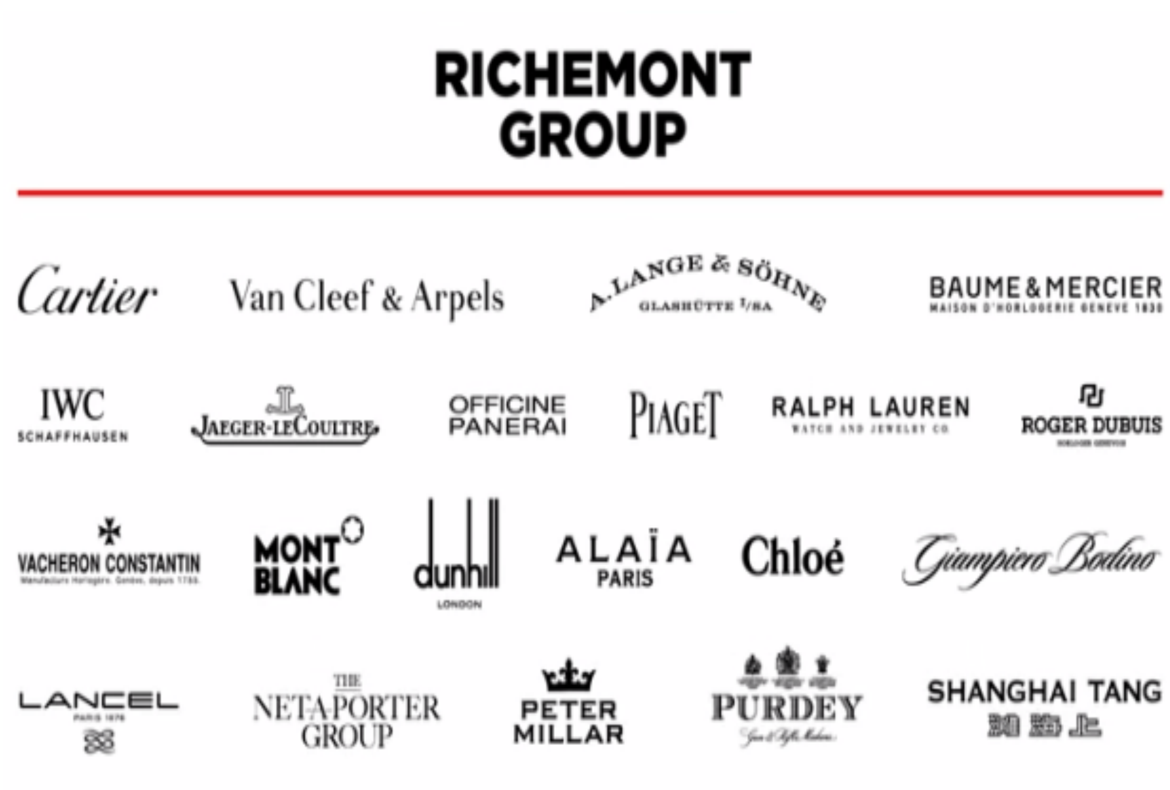

Figure 3: Richemont Brands Map, source: Internet

[50] Richemont, History, including Significant Investments and Divestments, from Richemont.com
[51] Richemont, History, including Significant Investments and Divestments, from Richemont.com
[52] Richemont, History, including Significant Investments and Divestments, from Richemont.com

2.1.4: Luxottica

The company was founded in Agordo in 1961 by Leonardo Del Vecchio. The Belluno area, where the main production plants still reside, is located in the center of the so-called district of excellence of Italian optics.[53]

Luxottica is a vertically integrated company and therefore it covers all the activities that accompany a pair of glasses, from the production of the single parts to the sale.

In 1995 the company acquired the US optical chain of stores LensCrafters. In 1999 the Luxottica Group acquired the American Ray-Ban, owned by the multinational Bausch & Lomb.

In 2001 the brand Sunglass Hut International was acquired, followed in 2003 by OPSM in Australia. In 2007 Luxottica acquired Oakley for $2.1 billion.

In 2003 it acquired I.C. from Versace and Italo Cremona (a spin-off company) I.C. Optics.[54]

In 2011 Luxottica acquired 100% of Grupo Tecnol for 110 million euros.[55]

In 2013 it acquired Alain Mikli International, a French company.

In early 2014, Luxottica acquired control of Glasses.com, the American platform for online eyewear sales.[56]

On March 24, 2014 Luxottica announced an agreement with Google for a new model of glasses.[57] Luxottica also announced that the two most important brands owned by the Group, Ray-Ban and Oakley, will be the subject of collaboration with the Glasses project.

A collaboration between Luxottica Group and Intel began on December 3, 2014 with the aim of developing wearable optical technologies.[58]

At the end of 2016 Luxottica fully acquired the Salmoiraghi & Viganò group following a previous purchase of a share in 2012.[59]

At the beginning of 2018, 67% of the Japanese company Fukui Megane, specialized in the production of precious titanium and solid gold glasses, was acquired.[60]

In June 2018, the Barberini brand, the most important manufacturer of optical glass sunglasses, founded in 1963 by Pietro Barberini, was acquired for about 140 million euros.[61]

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[53] FINOS, A. Occhiali, per Vogue è caccia all'uomo, "Repubblica", 16 July 2012
[54] Wmido Luxottica e Versace: siglato l'accordo di licenza, 15 January 2003
[55] Repubblica Luxottica compra Tecnol, 1 December 2011
[56] Luxottica, Luxottica sigla un accordo con Wellpoint Inc. per l'acquisizione dei Glasses.com. from Luxottica.com 7 January 2014
[57] Luxottica, Google e Luxottica annunciano una collaborazione strategica per glass volta a sviluppare dispositivi indossabili innovativi e iconici, from Luxottica.com
[58] SALVIOLI, L. Intesa Luxottica-Intel: nel 2015 saranno in vendita i primi occhiali 2.0., "Il Sole 24 Ore", 3 December 2014
[59] SPINI, F. Luxottica conquista gli occhiali Salmoiraghi, "La Stampa" 4 December 2016
[60] Ansa Luxottica compra giapponese Fukui Megane, From Ansa.it 6 March 2018
[61] Luxottica acquista Barberini per 140 milioni, "Andkronos", 22 June 2018

On January 16, 2017 was announced the merger of Luxottica with the French group Essilor, a French multinational manufacturer of ophthalmic lenses.[62]

The result of the merger between the two companies, operational since October 1, 2018, is a holding company under French law that has taken the name of Essilor Luxottica, based in Paris and listed on the Paris Stock Exchange. The financial operations are planned in terms of merger, following which the majority shareholder of the group is the financial Delfin, with 38.4%.[63]

Figure 4: Luxottica Brands Map, source: Internet

2.1.5: The Estée Lauder Group

Esteé Lauder is one of the largest companies in the market for cosmetics, perfumes and skin and hair care products. Founded in New York in 1946 by Joseph Lauder and Estée Lauder, it has approximately 28,500 employees and an annual turnover of $7 billion.[64]

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62 PUATO, A. Luxottica va nozze con Essilor - Del Vecchio: «Si avvera un sogno», "Il Corriere della Sera", !6 January 2017
63 D'Ascenzo, M. Luxottica-Essilor, via libera Ue e Usa a gruppo da 16,6 miliardi di ricavi, "Il Sole 24 Ore", 1 March 2018
64 Estée Lauder Who we are, from escompanies.com

The company was opened in 1946 by Joseph Lauder and his wife Estée in New York, initially marketing only four products. Over the next 15 years, production was extended to various cosmetic and perfume products, and finally in 1960 Esteé Lauder's products began to be exported outside the United States.[65]

Among the most prestigious brands of the group there are:

- Aerin;
- Aramis;
- Aveda;
- Becca;
- Bobbi Brown;
- Clinique;
- Darphin;
- DKNY;
- Donna Karan;
- Ermenegildo Zegna;
- MAC;
- Michael Kors;
- Tom Ford Beauty;
- Tommy Hifiger.[66]

Figure 5: Estee Lauder Brands Maps, source: Internet

[65] Estée Lauder Who we are, from escompanies.com

[66] Estée Lauder Our Brands, from escompanies.com

2.1.6: Swatch Group

The Swatch Group is a Swiss watch company. In addition to the Swatch line of cheap watches from which it takes its name, the group owns some of the most famous watch brands in the world.[67]

It was founded in 1983 following the merger of the two Swiss companies ASUAG and SSIH and took its current name in 1998 (formerly SMH Swiss Corporation for Microelectronics and Watchmaking Industries Ltd).[68]

Among its most famous products are the Swatch watch line and the car brand Smart, whose concept is the result of the collaboration of Mercedes-Benz and The Swatch Group.[69]

For the supply of mechanical parts and movements, Swatch mainly turns to Valjoux (today ETA Valjoux after Swatch itself took control), Fredric Piguet and Nivarox (the world's leading manufacturer of balance springs).[70]

Today the Swatch group, counting all the brands it owns, is among the largest in the world in its sector, with about 25% of world sales of watches.

Currently, the Swatch Group offers watches in all price ranges and both monobrand stores and multi-brand boutiques Tourbillon and Hour Passion occupy dominant positions in all segments of the market[71]:

- Breguet, Harry Winston, Blancpain, Glashütte Original, Jaquet Droz, Léon Hatot and Omega in the prestige and luxury segment;
- Longines, Rado and Union Glashütte in the high-end segment;
- Tissot, Calvin Klein watches & jewelry, Certina, Mido, Hamilton and Balmain in the mid-range segment;
- Swatch and Flik Flak in the basic range;
- Tourbillon, the multi-brand boutique network that brings together the Swatch Group's prestige and luxury segment brands and the Swatch brand with its watches and bijou;
- Hour Passion, the network of multi-brand watch and jewellery boutiques in airports.

Figure 6: Swatch Group Brands Map, source: Internet

[67] Swatch Group Storia di Swatch Group, from swatchgroup.com
[68] Swatch Group Storia di Swatch Group, from swatchgroup.com
[69] Swatch Group Storia di Swatch Group, from swatchgroup.com
[70] Swatch Group Storia di Swatch Group, from swatchgroup.com
[71] Swatch Group Storia di Swatch Group, from swatchgroup.com

2.2: Characteristics and business diversification of the main players

2.2.1: LVMH

The LVMH group's corporate strategy is aimed at achieving a leading position in brand stars through a series of actions regarding innovation, distribution, production, image, and risk management.

To obtain a product of extraordinary quality, aimed at customers with enormous purchasing power, it is essential to focus on research and development based on creativity, excellence and innovation. The product offered must be timeless, original, it must respect the needs of a consumer who is increasingly attentive to details; for this reason the management of human resources is closely related: the best talents are selected, to whom the management leaves great flexibility and freedom of action giving input to creativity.

For LVMH's business, many products must have the right balance between past and future, production makes use of the best craftsmen and cutting-edge production processes, and finally quality control systems that guarantee zero-defect production.

The image of the group is not only composed of product quality, but also of a careful selection of retailers and points of sale (which may be owned by the company or sold to third parties), where the customer care process is positioned. The strength of the group's image is also shaped by targeted advertising campaigns and corporate communication. Creativity made it possible to minimize risk. Many products were produced in limited editions to allow time to calculate profit margins.

With regard to production in fashion and leather accessories (especially for Louis Vuitton's business) in order to obtain an excellent product the strategy started from the selection of suppliers in order to produce with the best materials in the world and at the best price; the selection of the best designer artists that are the basis of the success of the maisons, with the creation of products that reflect the past, present and future and that take into account the diversity and fragmentation of the market and also its changes in terms of trends and changes in consumer habits (exemplary in this case the choice of designer Virgil Abloh for the latest men's collections in the case of Louis Vuitton). Last but not least, the selection of the best craftsmen (most of the products were handmade).

Organisational flexibility, referring to the relationship between managers and designers, was necessary to guarantee maximum freedom of action and expression for artists.

Distribution took place through locations owned by the company or was entrusted to third parties; covering the entire world market and selecting distributors with a dual purpose: to create an excellent customer care circuit and to have sales and image positioning under control.

By investing in businesses not closely related to the group's core activities, such as music and art magazines, art auction houses and e-commerce for the sale of its products and also in sectors far removed from the luxury trade such as venture capital, LVMH seeks to expand its target audience by promoting the group's image in order to expand its growth.

Through acquisitions in the sectors in which it already operates, LVMH has the opportunity to pursue strategic fit concerning the supply chain, therefore through joint procurement of common inputs (exploiting the same channel, increasing opportunities for exchange, establishing a relationship of trust with suppliers, thereby improving the quality and costs of supplies); distribution by taking advantage of common distribution channels, also in geographical terms, and increasing the bargaining power resulting from the increased volumes exchanged.

In addition, LVMH has the possibility to expand its target audience both geographically and in terms of micro-segmentation. By acquiring these brands, LVMH is pursuing its leadership strategy in luxury goods.

The acquisition of large distribution chains, such as Sephora, Douglas and others, can be considered an investment aimed at several objectives: integration, diversification and geographic expansion of the market. Through downstream integration, LVMH is able to better control the quality of services, especially those related to customer care, to reduce transaction costs and to aim at a potential increase in profit. However, this is offset by an exponential increase in direct investments and therefore in risk, which is strategically mitigated by the high level of differentiation achieved.

2.2.2: Kering

After the brief overview of the group, we will now focus on the group strategy through the information gathered from the Financial Document, the vision, the business model and the strategy.[72]

Kiering's vision is to embrace creativity for a bold and modern vision of luxury that aims to establish the new trend towards more responsible luxury that meets the needs of consumers who increasingly want to express their individuality while remaining true to the tradition and heritage of the group's hauses.[73]

Kering, with its entrepreneurial spirit, takes risks and proposes new ambitious and innovative ideas that create emotions and enthusiasm while always ensuring respect for the environment and thus making a positive impact towards a more sustainable world.

The group's business model is divided into three main features:

- *Agility*: in terms of agility, the group provides its brands with an organizational structure that enhances their potential thanks to the constancy of its stakeholders, the Pinault family, and the flexibility of the group, which has been able to transform itself from a conglomerate with diversified retail activities into a group of luxury brands and, thanks to the clarity in defining objectives and ensuring that the performance of the brands is aligned with the vision of the group.

[72] Kering, Financial Document, from keringcorporate.com
[73] Kering, Financial Document, from keringcorporate.com

- *Balance:* as far as balance is concerned, despite their different positioning, brands take on complementary roles and evoke a set of coherent emotions and creations. Kering not only provides access to a vast number of distribution channels and strengthens the consumer experience, especially in digital channels, but also helps the development of distinctive identities for each brand, encouraging everyone to share best practices and driving innovation to achieve maximum growth potential. Kering is also able to withstand adverse market conditions and seize new opportunities thanks to its presence in different geographic regions.
- *Responsibility*: Responsibility is the third point on which Kering's business model is based. One of the group's main mouths is attention to the environment: sustainability is seen not only as an economic opportunity, but also as a source of inspiration and innovation. The group does not neglect the issue of ethics either, ensuring egalitarian treatment between people and putting in place several initiatives including the Kering Foundation, which fights violence against women, and the Global Parental Policy, which guarantees 5 days paid leave to fathers and 14 weeks to mothers after the birth or adoption of the child even in countries where such facilitation is not provided. Kering also rewards the potential of employees by encouraging internal mobility, not only within the brand itself but also between the different brands of the group. Thanks to this natural inclination towards sustainability on both an environmental and social level which, moreover, is inherent in the very name of the company (Kering in fact derives from "Care"), the group has been awarded in Italy with an award that enhances the best Italian places to work.

The conglomerate's objective is a strategy to exploit the full potential of luxury to grow faster than the market itself through:

- The improvement of synergies and integrations through vertical integration, the development of excellent talent, cross-business experience and the sharing of resources;
- Promoting organic growth that aims to outperform the market in all categories; stimulating customer expectations through desire-creating product innovations; increasing sales performance and efficiency; improving the quality of the consumer experience in the store, supporting consumers before, during and after the sale; increasing innovation and digitization and ensuring the omnichannel approach, ensuring continuity of connections with customers across all communication and distribution channels through social media, e-commerce, travel retail and digital communication.

These are precisely the characteristics that drive and motivate individual brands to join the group, preserving the heritage of individual houses for ad hoc investments, maintaining their autonomy in terms of creativity and production and taking the opportunity to keep pace with the frenetic pace of an increasingly dynamic and changing market.

Over the years, Kering has exploited the strong potential for organic growth of its brands with the aim of strengthening its presence in mature markets, such as America and Europe, and at the same time expanding into new markets. Specifically, the main strengths of the group are:

- Attention to its employees in order to guarantee adequate customer care. By guaranteeing a pleasant and motivating working environment, human resources are, in fact, more motivated to do their best to achieve the company's objectives;
- Sharing of resources and skills among the various brands of the group in order to support the expansion, internationalization and control of all phases of the value chain;
- Guaranteeing the identity and autonomy of the various brands that maintain their original identity and autonomy;
- Attention to CSR and sustainability that creates added value for the consumer and represents a source of competitive advantage.

Considering specifically the set of acquisitions made by Kering over the years, in each of them the main goal pursued is to cultivate and maintain the specificity of each brand, keeping the same employees and providing them with the resources and know-how they need.

In general, the strategic motivations that have guided the group's M&A strategy are the growth of the brand portfolio through the expansion of the range of luxury goods offered, the increase in profitability by making its resources available to finance growth, the development of the group's companies and the expansion of distribution and retail in order to increase the visibility and accessibility of the company's customers.

The Kering group, therefore, since its establishment, has constantly pursued growth and value creation strategies and the balance sheet figures confirm the positive results achieved, a sign of the continuing positive effects of the growth strategy implemented, which is resistant to the economic changes that have hit countries globally, by allocating operational investments based on the economic cycle of each brand and allowing them to maintain exclusivity.

Kering supports the growth of individual brands through the launch of new product categories and by refining existing lines it seeks to improve the performance of existing sales networks through direct store management and the strengthening of distribution channels, also thanks to a dynamic e-commerce strategy.

2.2.3: Richemont Group

In particular, one of the group's main strategic objectives is to increase the quality of its products and customer service, to increase investment in research, development and innovation, to respond promptly to environmental and market changes and to question its business model for the continuous search for improvement and to increase its efficiency, all this accumulated by a common denominator that is growth.

The latter has been possible, over the years, thanks to geographical expansion, the sales mix by product type and distribution channel but, above all, thanks to the acquisition of new businesses within the group.

In this sense, one of the most significant transactions was the acquisition in 2010 of the majority of the shares of Net-a-Porter.Com, the leading luxury and fashion site, present globally, representing a source of long-term competitive advantage for the group.

Five years after this transaction, Yoox, the global Internet retail partner for leading fashion brands, signed an agreement with Richemont for a merger with its subsidiary Net-a-Porter. The transaction has created Yoox Net-a-Porter Group, a global leader in luxury fashion e-commerce, with net aggregate revenues of approximately €1.3 billion.[74]

Taking into account the results described above, Richemont has actually achieved positive results from the strategy under examination and has managed to exploit the e-commerce of the fashion sector to its advantage, which is destined to increase its success and, consequently, its earnings. The merit of this growth is to be found in some fundamental factors, which concern both the advantages that users find in online shopping and the advantages that companies find in selling their items on a platform on the net.

Compagnie Financière Richemont SA is the ultimate holding company for some of the world's leading luxury goods companies - its brands - which include jewelry, watches, premium accessories and other luxury products. The Group is managed with the aim of increasing shareholder value over the long term, recognizing that the Group's most important activities - its brands - have almost all existed for over a century.

Each House focuses on increasing awareness and desirability by developing creative products and appropriate marketing programs. Maison products are sold through a network of directly operated boutiques, franchised boutiques and external multi-brand stores.

The luxury activities of the group operate globally. The Group believes that the diversity of its geographical operations represents a long-term competitive advantage.

In particular, the Group's strategic objectives are:

- To generate long-term organic growth through investments in its maisons and commercial activities;
- Maintain a long-standing commitment to doing business responsibly;
- Maintain high product quality and excellent customer service;
- Attract and retain creative talent and skilled craftsmen;
- Adapt the selective distribution model to changes in the environment;
- Increase investment in R&D and production flexibility;
- Further improve our business model by enabling leverage and control.

[74] D'ASCENZIO e DE BIASE L. Nozze tra Yoox e Net-a-Porter: nasce il polo del lusso online. Marchetti al timone, "Il Sole 24 Ore", 31 March 2015

2.2.4: Luxottica

Over the years, Luxottica has adopted three main strategic guidelines:

- Direct control of the activities downstream of the value chain and, in particular, those related to the sale and distribution of the finished product, in search of higher margins. This strategy has been pursued mainly through the acquisition of proprietary retail networks;
- The extension at global level of their systems of operations, in order to obtain important cost advantages, relocating medium to low quality production to emerging countries;
- The consolidation of owned brands, on the one hand, and the signing of licensing agreements with the major fashion houses in the world, on the other.

Starting in the 1980s, the company launched a series of policies aimed at consolidating its leadership position in the market. In 1988 the first licensing agreements were signed with the major fashion brands (Valentino, Giorgio Armani, Yves Saint Laurent, Prada, Chanel, Versace). This allowed the company to expand its turnover and ensure sufficient profitability to start a strategy of acquisitions of consolidated brands in the eyewear sector: the Italian brands Vogue and Persol in the early '90s and in 1999 the American brand still the most sold in the world today, Ray-Ban.

Another unique aspect of Luxottica's value proposition is the direct control of its distribution activities: the company has more than two hundred thousand wholesale doors and eight thousand proprietary stores worldwide. In this case too, the path followed was that of external growth and therefore acquisitions: starting in the 1990s, Luxottica acquired important distribution chains in the United States and the rest of the world (Lens Crafters, Sunglass Hut International, Salmoiraghi&Viganò).

The already mentioned merger with Essilor will also allow the group to achieve perfect vertical integration and will confirm its leadership in the sector.

2.2.5: The Estée Lauder Group

The leading cosmetics conglomerate Estée Lauder has always been future-oriented, values creativity and has great respect for individuals. The company represents a technologically very advanced and innovative reality always oriented towards the future with long-term goals thanks to which it has achieved worldwide fame and is now a brand recognized as an example of elegance, luxury and quality.

The Company has invested heavily in emerging markets, opening new research centers in Asia and is focusing on local relevance, which means fewer products all the same worldwide and more study of local demands: women are not all the same and do not want the same things.

Product categories contain: make-up, facials and fragrances. The range is fully extended both vertically and horizontally.

As far as price leverage is concerned, Estée Lauder has a medium-high price positioning and is particularly focused on travel corridors that are frequented by consumers in emerging markets.
The company implements a multi-channel distribution policy which, as we have previously pointed out, is now an advantageous strategic tactic because it allows companies to be present in several channels at the same time, making their products easily available and ensuring not only visibility but also a wider range of consumers.

2.2.6: Swatch Group

The Swatch Group is the leading conglomerate in the production and distribution of finished watches. In addition to owning 18 proprietary brands, it owns the multi-brand Tourbillon and Hour Passion boutiques for luxury watches and lower-level brands respectively. The group is vertically integrated and directly manages the production of almost all of the watches sold by its own brands. In addition, its production companies supply movements and components to third parties in the watchmaking industry, not only in Switzerland but all over the world. The group's core business is represented by the watchmaking sector, but the group has followed a strategy of diversification by establishing its presence and becoming a key player in the manufacture and sale of electronic systems used in both watchmaking and other industries.
The group has pursued a strong strategy of investing in R&D of new products, thus contributing to the consolidation and expansion of its leading position in advanced technologies, materials and production processes, as well as in the design and manufacture of products with the ultimate aim of further strengthening its leading position in the sector.
The group has also been able to differentiate itself in the telecommunications, automotive and service sectors.
In terms of image and sponsorship, a key role has been played by timing technologies and, in fact, through many of its brands, the group is the official timekeeper of a wide range of international sporting events, including the Olympic Games.
As a result of positive management there has also been a significant increase in financial income over the years.
As seen above, over the years the Swatch Group has continued to develop an external growth strategy through M&A operations with the aim of both strengthening the Swatch Group's electronic systems business and opening a chain of stores in shopping centers around the world.

2.3: Business model of the main groups and impact on brands

Business models play a central role in the definition and execution of business performance. For this reason, it is essential to use a model representative of the business idea that guarantees the creation of value and therefore the sustainability of the business.

The origin of the business model concept dates back to the 1990s with the eCommerce boom. This concept was used by managers, academics and journalists to describe everything associated with the new economy, leading to the generation of an ambiguous term that still lacks a clear definition.[75]

We can therefore define the business model in many ways, including the following:

- A combination of processes to identify the value offered, define target segments, create value chains, identify cost and revenue flows and formalize the competitive strategy.[76]
- The flow of information and transactions leading to value creation and revenue generation for the actors involved.[77]
- A combination of the content of operations, structure and governance in such a way as to create value through the exploitation of business opportunities.
- The representation of the main logic and strategic choices of a company to create and capture value.
- A logic by which an organization creates, distributes and captures value.

In summary, we can consider the concept under consideration as the set of strategies and organizational solutions aimed at classifying companies in an entrepreneurial environment and exploring the possibilities of future development through the achievement of a competitive advantage.

In addition to the debate about the definition of the concept itself, the difference between strategy and business model is often discussed as the two concepts are often used to define everything that leads the company to achieve a competitive advantage.

Although the literature confirms that the two concepts are partially related, it distinguishes them in terms of competition and implementation. On the subject of competition, Osterwalder et al. state that while business models highlight the connection between different parts of the business, the strategy also includes competition.[78]

In terms of implementation, the literature reiterates that the strategy is characterized by an implementation that is often denied to the business model, although this is a mistake because, as Osterwalder et al. write, when a business model cannot be successful in itself. Business models should therefore, according to Osterwalder et al., be characterized by an implementation process that translates the initial design created to respond to market circumstances into a set of more concrete elements such as the structure and processes of the business itself.

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[75] Osterwalder, Alexander; Pigneur, Yves; and Tucci, Christopher L Clarifying Business Models: Origins, Present, and Future of the Concept. Communications of the Association…

[76] Goyal, S., Kapoor, A., Esposito, M. and Sergi, B.S. Understanding business model – literature review of concept and trends.

[77] Goyal, S., Kapoor, A., Esposito, M. and Sergi, B.S. Understanding business model – literature review of concept and trends.

[78] Osterwalder, Alexander; Pigneur, Yves; and Tucci, Christopher L. Clarifying Business Models: Origins, Present, and Future of the Concept. Communications of the Association for Information Systems,

Business models are also subject to multiple external pressures and are therefore constantly evolving. Businesses use these models to evolve from a specific state to a new desired business model. Osterwalder et al. classifying business models into four different types:

- Realization models;
- Renewal models;
- Extension models;
- Journey models.

It is also important to stress that business models act as a link between strategy, organization and systems, thus forming a triangle constantly influenced by external factors including the environment, consumer demand, competitive forces, technological change.

As far as the representations of business models are concerned, we can find many, but the most famous is Osterwalder's Business Model Canvas.

As mentioned earlier, the business models are varied and differ according to the sector and type of business: we can find the company specializing in footwear products that only sells wholesale and therefore has no relationship with the end customer; the family business producing ice cream that sells locally to end customers; the large multinational company focused on e-commerce whose purpose is the in-depth analysis of research and tastes of the customer to offer him the product best suited to his needs; the holding company that manages the various companies in the group while maintaining their autonomy and ensuring financial stability.

And it is precisely the company groups that we are going to talk about in the following paragraph, defining the concept and analyzing their typicality. However, since our work has as its purpose the analysis of the largest luxury conglomerates, in the following paragraphs, in addition to observing the typical characteristics of corporate groups, we will also analyze the typical features of companies belonging to the luxury world.

Companies, in the course of their activity, develop economic relationships with other companies according to a logic of mutual convenience and with the aim of pursuing common objectives aimed at bringing benefits, including greater efficiency, flexibility, growth, competitive advantages, access to new markets. These relationships can take the form of different types of business combinations[79]: which we can see in Table 2.1.

Intra-company business combinations	Economic activities are part of a single legal and economic group organized into autonomous divisions;

[79] De Toni A., Guarini E., Magli F., Orlandi P., Vallone C. Principi di economia aziendale. Torino: G.Giappichelli Editore

Formal business combinations	Agreements between legally autonomous enterprises, not subject to a single economic entity, whose main purpose is usually cooperation;
Informal aggregations	Autonomous companies that pursue cooperation strategies without the creation of legal agreements;
Business groups	Single entity at the head which controls and manages legally autonomous companies.

Table 4 Different types of business combinations, source De Toni A. et al Principi di economia aziendale 2014

Among the multiple models of aggregation, business groups are those that we are going to analyze by defining their typologies, nature and advantages and disadvantages so as to provide a comprehensive understanding of the business structure that over time has transformed the luxury market from a market composed by a multiplicity of family businesses into a market with oligopolistic features dominated by large conglomerates.

We can distinguish three types of company groups: types that consider the nature of the group leader, types that consider the economic activities of the group and types that consider the formal structure of the group.

Considering the nature of the group leader, we can distinguish between private groups and public groups: in the former the share control is held by natural persons, while in the latter it is held by a territorial public administration. In relation to the second type, with regard to the economic activity of the parent company, we distinguish between groups controlled by pure holding companies and groups controlled by mixed or operational holding companies. The former are companies that do not produce goods or services but simply participate in the subsidiaries through coordination, management and financing activities.

The latter, in addition to performing the functions typical of pure holding companies, are involved in the production and exchange activities of the subsidiaries. As regards the formal structure of the group, De Toni et al. distinguishes between economic groups, financial groups and mixed groups. The economic groups are characterized by the configuration of a unitary economic combination at group level where the parent company, usually a financial holding company, coordinates and controls the subsidiaries exploiting complementarities and synergies.[80]

We distinguish economic groups, depending on the type of integration between the different activities. Table 2.2 shows the different model of integration among economic groups:

[80] De Toni A., Guarini E., Magli F., Orlandi P., Vallone C. Principi di economia aziendale. Torino: G.Giappichelli Editore.

Vertically integrated groups	Companies carry out different stages of the production cycle allowing effective coordination downstream or upstream of the value chain;
Horizontally integrated groups	Companies operate in the same sector by differentiating the offer and exploiting the dimensional advantages on the sales and production front;
Conglomerate groups	Enterprises carry out heterogeneous activities and where the aim is risk diversification. In these groups, however, there is no lack of coordination and exploitation of synergies by the parent company.

Table 5 Different models of integration, source De Toni A. et al Principi di economia aziendale 2014

Financial groups, on the other hand, are made up of companies operating in heterogeneous sectors but, unlike conglomerate groups, are not characterized by a coordination logic. The objective pursued by the parent company is in fact the search for profitability of investments in participations with a view to risk diversification or, more simply, the expansion of the economic power of those who control the group.

Finally, mixed groups are composed both of companies characterized by a unitary logic (economic subgroups) and of companies without economic connections (financial subgroups) and are characterized by a complex structure articulated on several levels of control.[81]

Analyzing the motivations that lead to the formation of business groups, Osterwalder et al. distinguish motivations of an economic nature and motivations of an extra-economic nature. The former, are linked to the maintenance, improvement or restoration of the conditions of lasting economic equilibrium of the companies involved, while the latter are associated with the achievement of specific objectives, not necessarily connected to the pursuit of economic equilibrium.[82]

They are therefore motivations of an economic nature[83]:

- To carry out corporate restructuring to promote development or to cope with the crisis;
- Reduce complexity by seeking flexible, controllable and more manageable structures;

[81] De Toni A., Guarini E., Magli F., Orlandi P., Vallone C. Principi di economia aziendale. Torino: G.Giappichelli Editore

[82] Osterwalder, Alexander; Pigneur, Yves; and Tucci, Christopher L. Clarifying Business Models: Origins, Present, and Future of the Concept. Communications of the Association for Information Systems,

[83] Osterwalder, Alexander; Pigneur, Yves; and Tucci, Christopher L. Clarifying Business Models: Origins, Present, and Future of the Concept. Communications of the Association for Information Systems

- Reduce business risk through risk spreading processes aimed at defining the parent company's core business and outsourcing areas of intervention over which the power of control will continue to be exercised and risk diversification processes aimed at increasing the flexibility of the structure and the level of liquidity of investments from a portfolio perspective;
- Reach economies of scale, scope or economies deriving from joint operations achievable by horizontally integrated groups and economies of control, information and transaction cost savings achievable by vertically integrated groups.

We can instead consider the following extra-economic reasons[84]:

- To increase creditworthiness both from a quantitative point of view, i.e. in terms of greater resources to guarantee creditors, and from a qualitative point of view, i.e. in terms of capital strength, income prospects and risk diversification;
- Leverage the equity leverage by extending control over productive activities with lower investments than would be necessary in the case of a single undivided company and leverage by increasing the debt (to third parties) of the group companies without altering the equity;
- Facilitate the management of the family business and generational succession by assigning to each family member the responsibility to manage one or more companies of the group;
- Facilitate the transfer of the company or parts of it;
- Equally distribute the economic results and reduce the tax burden through the transfer pricing mechanism that allows the transfer of costs and revenues from one company to another;
- Create production units without which certain activities could not be carried out or would be carried out less cost-effectively;

With regard to the disadvantages associated with creating business groups Osterwalder et al. stress that[85]:

- The risk of conflict between companies in the group that may lead to the emergence of conflicts that will lead to disintegration;
- The risk of achieving reduced productive coordination;
- The risk of negative effects of leverage and financial leverage;
- Other disadvantages such as higher management costs of the structure, multiplication of positions of responsibility, less strength of image, multiplication of the number of obligations.

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[84] Osterwalder, Alexander; Pigneur, Yves; and Tucci, Christopher L. Clarifying Business Models: Origins, Present, and Future of the Concept. Communications of the Association for Information Systems

[85] Osterwalder, Alexander; Pigneur, Yves; and Tucci, Christopher L. 2005. Clarifying Business Models: Origins, Present, and Future of the Concept. Communications of the Association for Information Systems

Proceeding with our analysis we will now evaluate the typical characteristics of business models in the fashion world by analyzing the factors that distinguish luxury companies.

Although Okoknwo suggests that there are no common business models adopted by several companies in the luxury sector, believing that business models are specific to each brand because each luxury brand has characteristics that make it unique and different from the others, there are still characteristics that allow us to identify the strategic model of these companies.[86]

Golizia, in Fashion Business Model. Strategies and models of fashion companies therefore distinguish the different companies in the luxury and fashion sector in terms of[87]:

- Product specialization: distinguishing between companies specialized in a single type of product such as, taking into account the brands of the Kering group, Pomellato in jewelry and Ulisse Nardin in watches and companies that compete in many sectors including Gucci Saint Laurent, Balenciaga, manufacturers of bags, clothes, shoes, jewelry;
- Product specialization strategy distinguishing between companies that adopt buy strategies and therefore expand their product offering by purchasing other brands (this is the case of large groups), companies that instead prefer a make strategy by creating new products such as de-specialized brands and companies that adopt both strategies including the Inditex group which has implemented the make strategy in the creation of Zara Home while preferring the buy strategy by purchasing Stradivarius;
- Historical origin of the company according to which we can distinguish historical brands (Chanel), contemporary brands, industrial brands and fast fashion;
- Made-in that affects the value given to the brand: Italian and French origin usually give an added value compared to a brand of other origin;
- Type and role of the founder: unlike industrial brands and fast fashion brands whose founders play a marginal role, designers such as Alexander McQueen and Yves Saint Laurent have had an impact on the company's positioning thanks to their recognition by consumers;
- De-specialization of the price range by distinguishing between companies that differentiate their offer by competing on various price ranges from companies that compete on a single target price;
- Naming strategy that can be adopted using a single name to sign all products (Gucci); using different names but referable to the parent brand (Armani, Emporio Armani) or adopting both strategies in case the brand name is crucial for positioning (fast fashion companies);

[86] Okonkwo U. Luxury Fashion Branding. New York: Palgrave Macmillan
[87] Golizia D. Fashion Business Model. Strategie e modelli delle aziende di moda. Milano: Franco Angeli

- Control of the supply chain: by exercising a wide monitoring of the value chain as in the big luxury groups, historical and contemporary brands but also fast fashion or by exercising a low control typical of industrial brands;
- Elite targets such as Gucci, Brioni, Bottega Veneta or transversal targets such as Zara.

Although the boundaries between the different companies in the luxury world are not well defined, from the following analysis we can still distinguish three strategic groups: specialized companies, de-specialized companies and large luxury groups.

Therefore, by concluding this brief analysis of the different characteristics regarding the companies that are part of the luxury world we can define the key points of the so-called premium brands compared to luxury brands.[88]

Accessible luxury companies whose brands are premium seek the satisfaction of the client's needs: through trading up strategies they segment the offer and prefer retail design, making products accessible to all and creating a mass phenomenon. In order to save money, these companies often implement relocation strategies to countries where labor costs are lower, thus allowing a reduction in prices. Among the main features that make such a luxury company as we have already mentioned in the first chapter, we can instead emphasize the attention to detail and the focus on the personality of the product, not so much on its functionality, thus subjecting the customer to the rules of the luxury market, with limited production and long waiting times that create a feeling of privilege; the care in the production process increasingly focused towards a sustainable perspective in economic but also environmental and social terms; elite targets and naming and pricing strategies that, as Okonkwo says, are able to generate a connection with consumers such that their desire for the product increases as the price increases.[89]

[88] Golizia D. Fashion Business Model. Strategie e modelli delle aziende di moda. Milano: Franco Angeli

[89] Golizia D. Fashion Business Model. Strategie e modelli delle aziende di moda. Milano: Franco Angeli

CHAPTER 3: A Common Growth Strategy: Mergers and Acquisitions

In this chapter we will go into what is common to all the major groups, namely the growth strategy used. All groups have grown up using an external growth strategy through mergers, acquisitions and other forms of strategic alliances. In this chapter we will first go into the characteristics of mergers, acquisitions and strategic alliances, trying to understand the motivations, advantages and challenges for the actors which use them. We will then focus on the mergers, acquisitions and strategies used by each group to grow by analyzing their results through revenue and profit analysis and commenting on the results achieved in terms of sectoral and geographical diversification or vertical integration.

3.1: External growth strategy models

The terms mergers and acquisitions are often used interchangeably, although in reality they have slightly different meanings. When a company takes over another entity and establishes itself as the new owner, the acquisition is called an acquisition. From a legal point of view, the target company ceases to exist, while the acquiring company absorbs the business and the shares of the acquirer continue to be traded, while the shares of the target company cease to be traded.[90]

Hostile offers, on the other hand, are particular types of acquisitions in which the acquiring company suffers a disadvantageous position or lower bargaining power or in any case have no intention of being acquired but are forced to do so threatened by an aggressive policy if they refuse. As we will see later, some believe that the Luxottica Group has used this particular strategy over the years to ensure not only growth in business but also a dominant position in its target market

Among the various strategy models, we find:[91]

- Merger: in a merger, the boards of directors of two companies approve the combination and seek shareholder approval. After the merger, the acquired company ceases to exist and becomes part of the acquiring company.
- Acquisition: in a simple acquisition, the acquiring company obtains a majority stake in the acquired company, which does not change its name or alter its legal structure;
- Consolidation: consolidation creates a new company. The shareholders of both companies must approve the consolidation. After approval, they receive ordinary shares in the new company;

[90] Angwin, A. Speed in M&A integration: The first 100 days. European Management Journal

[91] Weber, Y., & Schweiger, D. M. Top management culture conflict in mergers and acquisitions: A lesson from anthropology. International Journal of Conflict Managemen

- Takeover bid: in a public offering, one company offers to buy the outstanding shares of the other company at a specific price. The acquiring company communicates the offer directly to the shareholders of the other company, bypassing management and the board of directors;
- Acquisition of assets: in an acquisition of assets, a company acquires the assets of another company. The company whose assets are acquired must obtain the approval of its shareholders. The acquisition of assets is typical during bankruptcy proceedings, where other companies bid for various assets of the bankrupt company, which is liquidated when the assets are finally transferred to the acquiring companies;
- Management buyout: In a management buyout, also known as a management-led buyout, the managers of one company acquire a controlling interest in another company, making it private. These former managers often work with a financier or former business executives in an effort to help finance a transaction. Such mergers and acquisitions are usually financed disproportionately with debt and the majority of shareholders must approve the debt.

For different strategic objectives there are different types of mergers and acquisitions:[92]

- Horizontal mergers and acquisitions: two companies that are in direct competition and share the same product lines and markets: in this case the objective pursued is above all to achieve economies of scale or scope or to acquire greater market share in the reference business and ultimately increase their market power;
- Vertical mergers and acquisitions: a customer and a company or a supplier and a company, in this case the objective pursued is to achieve vertical integration upstream or downstream in order to have greater control in the production chain, the objective is to obtain a greater market share in that
- Concentric mergers and acquisitions: two companies serving the same consumer base in different ways, normally companies have at least one product line in the same product category, the objective is to achieve a higher market share in that particular category.
- Mergers and acquisitions by market extension: two companies that sell the same products in different markets;
- Mergers and acquisitions by product extension: two companies selling different but related products in the same market;
- Conglomeration: two companies that do not have common business areas, in this case the primary objective is diversification, which can be at a sectoral level when the businesses are completely different from each other, or at a geographical level when the businesses are similar but have different areas of geographical influence.

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[92] Young, S., & Tavares, A. Centralization and autonomy: Back to the future. International Business Review

Concentrations can also be distinguished according to funding methods, each with its own ramifications for investors:[93]

- Acquisition of mergers: as the name suggests, this type of merger occurs when a company acquires another company. The purchase is made in cash or by issuing a kind of debt instrument. The sale is taxable, which attracts the buying companies, which enjoy the tax benefits. The assets acquired can be adjusted to the actual purchase price and the difference between the book value and the purchase price of the assets can depreciate annually, reducing the tax payable by the acquiring company;
- Consolidation mergers: with this merger a completely new company is formed and both companies are acquired and combined under the new entity. The tax terms are the same as for a purchase merger.

Like some mergers, in acquisitions, a company can buy another company through cash, shares or a combination of the two, and in smaller deals, it is common for a company to acquire all the assets of another company. A final acquisition agreement known as a reverse merger allows a private company to be listed on a stock exchange in a relatively short period of time.[94] Reverse mergers occur when a private company that has strong prospects and is eager to acquire financing buys a listed front company without legitimate business transactions and limited activities. The private company becomes a public company and together they become a completely new public company with tradable shares.[95]

The luxury fashion industry is no stranger to change, but recent mergers and acquisitions have further shaped the industry landscape as some luxury brands are looking to expand. Several factors have encouraged the merger of luxury fashion houses, such as e-commerce.[96]

Another factor that has led to a shift towards mergers and acquisitions is the change in consumer preferences. Previously, consumers preferred brands at a medium/high level[97] in terms of price and style, which are also called mid-market luxury brands or more commonly "premium brands".

Now, consumers have moved to the opposite ends and seem to be divided into two camps, one loyal to high-end luxury brands and another who prefers low-priced fashion retailers, this according to some economic theories is derived from a socio-economic phenomenon that is defined as the disappearance of the middle class.

[93] Weber, Y., Reichel, A., & Tarba, S. Y. International mergers and acquisitions performance: Acquirer nationality and integration approaches. The annual meeting of Academy of Management best paper proceedings

[94] Weber, Y., Reichel, A., & Tarba, S. Y. International mergers and acquisitions performance: Acquirer nationality and integration approaches. The annual meeting of Academy of Management best paper proceedings.

[95] Very, P., & Schweiger, D. M. The acquisition process as a learning process: Evidence from a study of critical problems and solutions in domestic and cross-border deals. Journal of World Business

[96] Aiello, G., Donvito, R., Godey, B., Pederzoli, D., Wiedmann, K. An international perspective on luxury brand and country-of-origin effect. Journal of Brand Management

[97] Brun, A., Castelli, C. The nature of luxury: A consumer perspective. International Journal of Retail & Distribution Management

Some high-end luxury brands have been using these growth strategies for years to combat the sector's changing environmental factors and external economic contingencies by merging into conglomerates of luxury brands.[98] Although consolidation in the luxury retail sector is likely to increase, there are exceptions with some historic brands that continue to resist the trend of mergers and acquisitions to remain small to medium or family-owned businesses, especially if they can count on a high level of "Heritage".

One of the reasons why historic luxury brands would resist acquisition attempts is that these brands have historically been associated with their founding designers. From a marketing point of view, consumers associate the historic brand with these iconic figures, which is the intrinsic reason many consumers use to justify paying high prices for these products. If these fashion houses were to merge, the brand of these companies would be thinned, and consumers' perceptions of these brands could diminish.[99]

There can be many different reasons for companies to choose an external growth strategy. For example, from a financial point of view, the aim may be to exploit capital market inefficiencies and thus acquire undervalued companies or use overvalued share capital to buy. Another motivation is to implement financial re-enginering, i.e. to make acquisitions financed through debt issuance that reduce the cost of capital of the acquired company. From a strictly strategic point of view, on the other hand, the objective can be to reduce costs, through the creation and exploitation of economies of scale or scope, the desire to diversify at product or geographical level to enter different markets, or to implement partial or total vertical integration within the production cycle to have more control over the chain or avoid excessive transaction or coordination costs.

In the course of a merger or acquisition process, a number of factors also need to be taken into account, such as the possibility that there may be integration problems at the level of management systems, corporate culture or human resources: one of the major problems with these operations is, in fact, to integrate the management and/or managers of the merged or acquired companies so that the transaction is beneficial. The LVMH group is a perfect example of success in this respect and the extraordinary results achieved stem from the group's excellent ability to integrate the acquired companies within its own system. The French giant succeeded in this thanks to a balanced strategy that left the acquired companies much independence and, above all, did not revolutionize their business model while at the same time managing to direct their activities towards achieving their objectives.

In addition to mergers and acquisitions, there are other operations that the groups have put in place to grow and increase their businesses, the so-called strategic alliances. Strategic alliances are agreements between different companies for the pursuit of common objectives, they can be vertical or horizontal depending on whether the

[98] Bluemelhuber, C., Carter, L. L., Lambe, C. J. Extending the view of brand alliance effects: An integrative examination of the role of country of origin. International Marketing Review

[99] Fionda, A. M., Moore, C. M. The anatomy of the luxury fashion brand. Journal of Brand Management

collaborating companies belong respectively to the same supply chain or carry out different activities, they can be equity or non-equity depending on whether the companies set up a new company in which they both participate or simply exchange shares. They may have a high or low level of integration between the collaborating companies and the reasons for their use are mainly to exploit complementarities of resources and capabilities between the different companies, to save on investments or to reduce the risk associated with a project such as a Joint Venture. An even more basic model of strategic alliance is represented by the licenses that allow one company to use the intellectual property rights of another for a financial consideration. As we will see later, some leaders in the luxury world have made licensing a highly successful strategy.

3.2: Advantages and disadvantages of acquisitions and mergers for the acquiring companies

It is important to understand that an acquisition is distinct from a merger in several ways. First, an acquisition is the act of acquiring another company, whereas a merger is a process by which two companies become one company, although ownership interests may differ.[100]

Secondly, acquisitions are full acquisitions, which means that when another company is acquired, all ownership interests are held, and decision-making power therefore lies with the acquiring company. On the contrary, mergers often involve a chain of command that gives the management of the other company some form of authority or control over the way decisions are taken.

One of the main advantages of buying another company selling similar products or services is the possibility of creating economies of scale, which relate to the process of increasing production by reducing production costs. When you undertake the second activity, you can implement the same marketing and sales strategies for the new company, which reduces costs and helps to increase productivity.[101]

Another advantage is that you expand your target audience by accessing the market in which the acquired company operates.[102]

A risk of mergers and acquisitions is that the culture and values established by the other company may conflict with the culture and values of the existing business, especially if you choose to retain the staff of the acquired company. You should also remember investment costs, which could affect short and medium-term profits.[103]

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[100] Bluemelhuber, C., Carter, L. L., Lambe, C. J. Extending the view of brand alliance effects: An integrative examination of the role of country of origin. International Marketing Review

[101] Brun, A., Castelli, C. The nature of luxury: A consumer perspective. International Journal of Retail & Distribution Management

[102] Kapferer, J. N. Managing luxury brands. Journal of Brand Management

[103] Ranft, A. Knowledge preservation and transfer during post-acquisition integration. In: C. Cooper & S. Finkelstein (Eds), Advances in mergers and acquisitions

M&A operations are an excellent tool for the implementation of dimensional expansion strategies based on external growth, but they are also intrinsic bearers of advantages and disadvantages for the company.[104]

A clear advantage is speed: acquiring or merging with another company leads to a faster circulation of know-how, technologies and financial capital from one company to another. The acquisition or merger with another company also means that the market shares of the acquired company (generally similar in terms of supply) are transferred to the acquiring company and this leads to an improvement in the position in the target market faster and less costly in financial and investment terms for the acquirer. M&A operations are often used to acquire companies that have no similarity in terms of supply: in this case, these types of operations are undertaken to circumvent and reduce the rigid barriers to entry in certain sectors.[105] While the company can benefit from such advantages, it can only rely on estimates and forecasts at the time of the choice to undertake a merger or acquisition. Relying on estimates and forecasts appears to be one of the disadvantages, if not the main disadvantage faced by undertakings undertaking such operations.[106]

3.3: Reasons for the use of mergers and acquisitions in the luxury sector

To succeed in today's competitive retail sector, luxury brands need to grow and scale back. But opening stores internationally is no longer enough. As a result, we are seeing more and more well-known labels merge.

Brands must now have significant infrastructure and distribution networks, and with the retail market currently suffering from a period of stagnant growth, mergers and acquisitions are providing the fastest and most effective route to growth. Therefore, the number of mergers and acquisitions in the retail sector has increased significantly in recent years.[107]

Looking particularly at luxury retailing, one of the great paradoxes is that public companies have a fiduciary responsibility to increase sales and profits, which ultimately leads to greater commercialization. However, scarcity and exclusivity always have and will always be a pillar of luxury. The prevailing demand for retailers in the luxury market is how they can drive growth without compromising their exclusivity in the process.[108]

This is where the consolidation of luxury brands comes into play and in particular there are several factors that are driving its popularity.[109]

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[104] Shimizu, K., Hitt, M. A., Vaidyanath, D., & Pisano, V. Theoretical foundations of cross-border mergers and acquisitions: A review of current research and recommendations for future. Journal of International Management

[105] Kapferer, J. N., Bastien, B. The luxury strategy: Break the rules of marketing to build luxury brands. London, England: Cogan Page.

[106] Seth, A., Song, K. P., & Pettit, R. R. Value creation and destruction in cross-border acquisitions: An empirical analysis of foreign acquisitions of U.S. firms. Strategic Management Journal

[107] Accenture & Economist Intelligence Unit. Global M&A survey.

[108] Aiello, G., Donvito, R., Godey, B., Pederzoli, D., Wiedmann, K. An international perspective on luxury brand and country-of-origin effect. Journal of Brand Management

[109] Brun, A., Castelli, C. The nature of luxury: A consumer perspective. International Journal of Retail & Distribution Management

The first factor is globalization. The possibility of expanding in places like India and China is crucial for the growth of retail trade, but it is extremely difficult for smaller brands that do not have sufficient financial resources.[110]

The second factor for which the sector is consolidating is digitalization. With an increasing focus on e-commerce and direct sales, luxury companies are putting more emphasis on improving retail productivity. Therefore, most are focusing on e-commerce and social media marketing, which allow much easier access to products.[111]

There are already numerous examples of brand consolidation in the luxury market, for example Louis Vuitton and YSL are both owned by LVMH and Kering. Chinese groups Fosun International and Shandong Ruyi are currently dominating the market, significantly strengthening their luxury fashion portfolios by acquiring European brands such as Lanvin and Bally. These groups already have a growing number of rivals on their list of competitors, including the likes of Tapestry based in the United States, which now owns Coach, Kate Spade and Stuart Weitzman and, more recently, Michael Kors, currently owns Versace and Jimmy Choo.

The consolidation will help provide easier access to products, more experiences through digitization and better product guidance through brand integration for consumers. However, these new conglomerates need to be careful when communicating the integrated brand vision to avoid compromising the authenticity and integrity that made the original brands successful First, it is essential to strike the right balance between growth and brand integrity, particularly exclusivity and uncompromising quality. Design and customer experience are the essential ingredients of luxury brands, not price.[112]

Consolidation has advantages for both the buyer and the acquired companies. For the acquisition, it is often necessary to rejuvenate and increase relevance through new brands, whether they are emerging luxury players or more established and iconic luxury brands. For the acquired companies, there is frequent pressure to grow and shrink, including expansion and penetration of new markets, which is not possible when resources are limited.[113]

As retailers are constantly struggling to stay afloat, these advantages make it much easier for large luxury retailers to buy market share rather than investing time and money in trying to capture it.

Although, as with everything else, consolidation is not without its problems. Finding the right balance between growth, exclusivity and brand integrity will be a major challenge for those brands that are on the road to

[110] Aiello, G., Donvito, R., Godey, B., Pederzoli, D., Wiedmann, K. An international perspective on luxury brand and country-of-origin effect. Journal of Brand Management

[111] Caniato, F., Caridi, M., Castelli, C., Golini, R. Supply chain management in the luxury industry: A first classification of companies and their strategies. International Journal of Production Economics

[112] Fionda, A. M., Moore, C. M. The anatomy of the luxury fashion brand. Journal of Brand Management

[113] Godey, B., Pederzoli, D., Aiello, G., Donvito, R., Chan, P., Oh, H., Weitz, B. Brand and country-of-origin effect on consumers' decision to purchase luxury products. Journal of Business Research

consolidation. So will be the inevitable challenges of trying to integrate different cultures, fashion principles and value systems.[114]

As result, it can be said that companies operating in the luxury sector make acquisitions for different reasons:

- The first reason for a M&A agreement is the creation of value that can result from synergies, which implies that the value of the combined companies is greater than the sum of their individual values, being able to invest in external growth, increase market power and acquire unique capabilities or resources, what is commonly called the holistic principle.
- The second reason concerns cross-border agreements that can exploit market imperfections, such as cheap labor and cheap raw materials. It overcomes adverse government policies (tariffs and trade barriers), allows access to new technologies or resources, supports product differentiation and acquires a reputation for market entry and allows customers to follow;
- Finally, there are also reasons such as geographic industry diversification or vertical integration.

However, companies should only pursue an acquisition if it creates value, which means that the value of the acquirer and the target should be greater if they operate as a single entity rather than as separate entities. In another way, a merger or acquisition is justified if there are synergies associated with the transaction. These synergies may arise in different ways and can be classified as operational, financial or management synergies.[115]

Operational synergies arise from the combination of the operations of the acquirer and the target, such as improved revenue, which includes the acquisition of pricing power, increased sales volume and reduced costs. By increasing size, companies can benefit from economies of scale with lower production costs. Financial synergies result from lower financing costs. Large companies usually have access to larger and cheaper funds than small companies. Diversification into unrelated activities allows companies to reduce risk and thus increase their debt capacity and reduce the pre-tax cost of financing. In addition, management synergies emerge when a high-performance management team replaces a low-performing one. The buyer offers the opportunity to remove incompetent managers who could improve the performance of the target.

3.4: Strategies of the dominant groups and the success of acquisitions

In this paragraph we will see all the acquisitions and operations that have allowed the dominant conglomerates to form and grow, we will analyze the most significant ones and we will analyze the results in terms of growth in sales, profits and share value.

[114] Vigneron, F., Johnson, L. W. Measuring perceptions of brand luxury. Journal of Brand Management

[115] Kapferer, J. N., Bastien, B. The luxury strategy: Break the rules of marketing to build luxury brands. London, England: Cogan Page.

3.4.1: LVMH

We will now analyze the series of acquisitions made by the LVMH group during its external growth strategy, focusing on the most strategically significant ones.[116][117]

- 1987: Louis Vuitton - Founded in France in 1854, Louis Vuitton became part of LVMH in 1987 when the conglomerate was created. Moët et Chandon and Hennessy, the main producers of champagne and cognac, merged with Louis Vuitton respectively to form the luxury goods conglomerate;
- 1988: Givenchy - Founded in 1952, Givenchy, a high fashion and ready-to-wear brand, has been part of the LVMH group since 1988;
- 1993: Berluti - Founded in 1895 by Italian Alessandro Berluti, men's shoes, leather goods and men's clothing brand were acquired by LVMH in 1993.
- 1993: Kenzo - Founded in 1970, the women's and men's brand was acquired by LVMH in 1993 for US$80 million.
- 1994: Guerlain - The French perfume, cosmetics and skincare brand, which is among the oldest in the world, has been owned and managed by members of the Guerlain family from its inception in 1828 to 1994, at which point it was acquired by LVMH.
- 1996: Céline - Founded in 1945, the Paris-based brand offers ready-to-wear, leather goods, shoes and accessories. In 1987, Arnault acquired Céline's capital, but it was only in 1996 that the brand was integrated into the LVMH group for approximately US$540 million).
- 1996: Loewe - The Spanish company created in 1846 was acquired by LVMH in 1996. Originally specializing in the highest quality leather goods, today Loewe offers leather and ready-to-wear items. The acquisition of Loewe has allowed the group to enter the local Spanish market by acquiring a high-quality brand which, for its part, has increased its visibility thanks to the marketing and the high visibility achieved also thanks to the group.
- 1997: Marc Jacobs - LVMH holds the majority of the New York brand, founded in 1984, since 1997. Marc Jacobs became creative director of womenswear for Louis Vuitton in 1997, remaining until 2013, when he left to focus on his eponymous label.
- 1997: Sephora - The French cosmetics chain, founded in 1969, was brought under the LVMH umbrella in July 1997 and has since been expanded globally. The acquisition of Sephora is one of the best examples of success for an operation. Thanks to it, the group has strongly penetrated the cosmetics market and thanks to the group's resources and management skills, the brand has managed to grow organically and become

[116] LVMH: Houses
[117] Crunchbase LVMH Acquisitions

one of the strongest brands in its product category. At a strategic level the group has achieved an increase in the level of diversification and at the same time the brand has grown by increasing its value and turnover.

- 1999: Thomas Pink - Founded in 1984 and acquired by LVMH in 1999, Thomas Pink is a recognized specialist in high-end shirts in the UK. LVMH paid approximately £30 million to Thomas Pink's owner, the Irish Mullen family, for two thirds of the company.
- 1999: Tag Heuer - The Swiss company, founded in 1860, accepted an offer of US$739 million from LVMH in 1999 in exchange for 50.1% ownership. In this case the acquisition was purely diversification. The group thus entered the watch market which, although not one of the main markets strategically for the group, served to increase the level of diversification.
- 1999: Gucci Group - At the beginning of January 1999, LVMH acquired a 5% stake in Gucci and increased its stake to 34.4% by the end of that month;
- In September 1999, Pinault-Printemps-Redoute (now known as Kering) agreed to pay US $806 million LVMH for the majority of the shares in the Gucci Group;
- 2000: Emilio Pucci - The Italian company, founded in Florence in 1947, was acquired by LVMH in 2000 for a 67% stake.
- 2000: Rossimoda - The Italian fashion company was founded in 1977. LVMH acquired a minority stake in the company in 2000 and subsequently acquired sole ownership.
- 2001: La Samaritaine - LVMH acquired 55% of the iconic French department store La Samaritaine (and its properties) in 2001 for 256 million euros. It increased its ownership share to 100% in 2010;
- 2001: Fendi - The Italian company, founded in Rome in 1925, has been part of the LVMH group since 2000. In July 2000, both LVMH and Prada acquired shares in Fendi. In December 2001, LVMH acquired Prada's stake, increasing its stake in Fendi to 51%. LVMH further increased its ownership share to 84% in February 2003. The acquisition of Fendi clearly aims to establish the LVMH group as a leader in the Italian market in response to rival PPR's acquisition of the Gucci group. The acquisition of the important Roman maison should be emphasized above all at a strategic level because in this way the group becomes a protagonist also on the local Italian market and, at the same time, also includes a potential competitor.
- 2001: DKNY - In 2001, LVMH acquired an 89% stake in the New York-based brand, founded in 1984. LVMH sold the company to G-III Apparel Group in December 2016 for US$650 million.
- 2001: Hermès - In 2001, LVMH acquired an initial 4.9% stake in Hermès through subsidiaries, and continued to accumulate shares in its Paris-based rival by purchasing equity derivatives through financial intermediaries and subsidiaries, keeping holdings below 5%. In October 2010, LVMH announced that it had acquired a cumulative stake of 14.2% and in December 2011 it announced that it increased its stake in Hermès to 22.6%, and thus to 23.1% from 2013.

- LVMH's shares in Hermès were entirely distributed in such a way that LVMH no longer held shares in Hermès as of December 31, 2015 as a result of an investigation which revealed that LVMH had secretly acquired shares in its rival Hermès in order to build up a stake in the maison and not simply make a financial investment as claimed by LVMH.
- 2008: Hublot - The acquisition of the Swiss watch manufacturer fits perfectly as an operation designed to strengthen and consolidate the group's position in the watch market, even though it is not really a major sector for the group.[118]
- 2009: EDUN - Founded by Ali Hewson and Bono in 2005 to promote fair trade in Africa by purchasing production across the continent, the founders sold 49 percent of the company to LVMH in May 2009. In June 2018, LVMH sold its minority stake in the brand to its founders.
- 2010: Moynat - Groupe Arnault, CEO of LVMH company Bernard Arnault, purchased Moynat, the five-year-old 19th century trunk manufacturer from Louis Vuitton.
- 2011: Bulgari - Founded in 1884, the Italian jewelry brand was acquired by LVMH in an all-equity deal for US$6.01 billion, in which the Bulgari family sold its controlling stake of 50.4% in exchange for 3% of LVMH. This is a transaction that should be emphasized not only because of its great economic significance. The acquisition of Bulgari is crucial from a strategic point of view. It allows the group to acquire a strong position also in the jewelry market and to greatly increase its visibility and the quality of its portfolio by acquiring one of the most iconic and high-quality brands in the jewelry market. At a strategic level, therefore, it was a sure advantage for the group but at the same time also for the brand that, in order to grow more, needed more resources and skills that the group was able to guarantee.
- 2012: LVMH Hotel Management and Cheval Blanc - The Group has created an ad hoc subsidiary to enter and test first-hand the luxury hotel sector. The Cheval Blanc brand, founded in 2006, represents a brand made-in LVMH that is designed directly by the group in order to diversify into a new sector and test its skills and know-how in a new market.
- 2013: Loro Piana - LVMH has acquired an 80% stake in the Italian luxury textile and ready-to-wear company, founded in 1924, in December 2013 for 2 billion euros.
- 2013: Nicholas Kirkwood - In 2013, LVMH acquired a 52% stake in the British footwear company, founded in 2004.
- 2013: J.W. Anderson - In addition to announcing that Jonathan Anderson would take over as head of Loewe, LVMH acquired a minority stake in Anderson's J.W. of the same name.

[118] Hublot passa al gruppo LVMH, Swissinfo, 24 April 2008

- 2015: Repossi - LVMH acquired a 41.7% stake in the Italian family jewelry brand in November 2015. In 2019 it increased its stake in Repossi to 69%.
- 2016: Rimowa - LVMH acquired an 80 percent stake in the German luggage company, founded in 1989, for 640 million euros in October 2016.
- 2017: Christian Dior - LVMH technically acquired the Parisian fashion house in 2017 with a US$13.1 billion agreement. Prior to the agreement, Groupe Arnault, which is the private holding company owned and controlled by Bernard Arnault, was the sole declared main shareholder in Christian Dior.
- 2018: Jean Patou - LVMH acquired a majority stake in Jean Patou, a French high fashion label. LVMH acquired a controlling stake from the British Designer Parfums Ltd.
- 2019: Belmond Group - In April 2019 the LVMH Group finalized the acquisition of the Belmond luxury hotel group for a total value of $3.2 billion[119]. With this operation the group aimed at strengthening and consolidating its position in the luxury hotels segment, a segment in which the Cheval Blanc brand was already present in addition to the management of the Bulgari brand facilities. The acquisition of Belmond, owner or operator of 33 hotels, is therefore aimed at positioning the group as leader also in the segment of luxury hotels in perfect trend with the new market trends that see the entire experiential luxury segment growing strongly.
- 2019: Fenty - LVMH has officially launched a new label, Fenty, as part of a joint venture with musician Rihanna, who holds a 49.99% stake in the new label, while LVMH holds a 50.01% stake. This particular operation represents a strong innovation in the groups' business models. In fact, it is a brand developed internally and in collaboration with an icon of the musical world. The project aims to create a brand with a strong personality in synergy with the strong image of the singer that can on the one hand take advantage of the marketing leverage given by the character and on the other hand can synergistically exploit the skills and know-how of the group with the aim of strengthening the group's position in the cosmetics sector and at the same time further increase its image by collaborating with a great personality. The strong link between the brand and the iconic singer is, in fact, underlined by the name of the brand which corresponds to the singer's surname. The project is also innovative from a digital strategy and communication point of view. The brand has in fact been defined as an "Instagram brand" since the launch strategy and communication have been made using mainly the social network as a channel. As will be seen later, the internal development of an own brand can become a strong strategic weapon for dominant groups.

[119] BOLELLI G, LVMH finalizza l’acquisto di Belmond per 3,2 miliardi di dollari, Fashion Network, 16 April 2019

- 2019: Stella McCartney - LVMH entered into a "joint venture" with Stella McCartney where the brand concluded its long-standing joint venture with rival conglomerate Kering, although it has been reported that Ms. McCartney remains the majority owner of its namesake label.
- 2019: Tiffany & Co. - In November 2019, LVMH acquired the Tiffany & Co. jewelry house for US$16.2 billion. This acquisition is commercially and strategically important. Through this transaction, the group has secured a leadership position in the jewelry market[120] by acquiring an iconic company in the industry to complement the other giant already present: Bulgari. In addition, the group has ensured a stronger penetration of the American market by strengthening the group's presence in the United States. Many believe that behind this acquisition there are also political motivations, in fact it is believed that the group has decided to invest in the American brand also to remove the possibility of receiving duties on products exported from the conglomerate to the American country. The transaction would therefore also have as one of its motivations an improvement in relations with the country and with American trade through the investment in one of its most historic and iconic brands.[121]

As can easily be seen, the strategic objectives pursued by the group are above all to increase diversification and achieve leadership in the market segments in which it operates. The strategy has been fully successful as the group has been growing strongly for years, has acquired a dominant position and is the most important group in the entire market, has achieved a high level of diversification and can count on strong stability. The success of LVMH is also due to the perfect management of the brands that have been acquired throughout its history. The group, in fact, has always left a certain autonomy and independence towards the acquired brands, integrating them perfectly into its portfolio without denaturalizing their nature or distinctive features and, on the contrary, enhancing and enhancing them at best. For its part, the group has obviously provided resources, managerial skills, communication, distribution and management know-how, creating effective synergies over time that have constantly increased the value of its brands. Thanks to this managerial policy, the group has ensured the organic growth of its brands. The group is continuing to invest in the growth of its brands without neglecting new opportunities. In fact, there are recent rumors that support the real possibility for the group to diversify into a completely new sector for luxury groups, namely the sports sector with the acquisition of A.C. Milan, behind which there would be another motivation, however, that is to extend even more its position in Italy and in particular in the city of Milan, one of the world's centers of luxury and fashion. In this case it would be a strategy never used before that would lead the group to enter a totally new market, but which can offer very interesting synergies as an added sector of fashion and luxury.[122]

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[120] LVMH compra Tiffany: Trovato l’accordo per 16,2 miliardi di dollari, “Il Sole 24 Ore”, 25 November 2019
[121] Ecco come LVMH si è mangiato il mercato del lusso e perché non ha intenzione di smettere, Linkiesta, 3 December 2019
[122] Milan, si riaccende la pista che porta a LVMH, Calcio e Finanza, 3 December 2019

The group has achieved an excellent level of differentiation both in terms of sector and geography, as can be seen from the 2019 annual report[123], the sectors in which the group operates have all grown without exception. The fastest growing sectors are Fashion & Leather Goods with 20% growth, perfumes and cosmetics with 12% growth and wines & spirits and selective retailing with 8% growth. From a geographical point of view, instead, the largest revenues come from the Asian market which accounts for 37% of the group's total revenues (7% from Japan alone), an indication of how the group has managed to penetrate in a formidable way the most expanding market in the sector, followed by Europe which accounts for 28% (of which 9% from France alone) and the United States which accounts for 24%, which is expected to perform better and better in the coming years, thanks to the acquisition of Tiffany & Co. From the point of view of revenues, the results are extraordinary. Since the years following the crisis, revenues have always increased. Growth has been rather flat until 2014, rising from EUR 17 billion in 2009 to EUR 30.6 billion in 2014 before starting surprising growth to EUR 53.6 billion in 2019 with an annual CAGR[124] of 12.15% per year of its revenues. This growth in revenues has also been matched by a huge growth in profits, which have grown every year since 2009, with the exception of 2014 also due to the huge investment made for the almost total acquisition of the Loro Piana brand. The group increased from EUR 3.3 billion in profits in 2009 to EUR 11.5 billion in 2019 with an annual GAGR of 13.12% per year on its profits.

2019 ANNUAL RESULTS 15

2019 REVENUE
BY BUSINESS GROUP

In millions of euros	2018	2019	Reported growth	Organic growth*
WINES & SPIRITS	5 143	5 576	+ 8%	+ 6%
Champagne & Wines	2 369	2 507	+ 6%	+ 4%
Cognac & Spirits	2 774	3 069	+ 11%	+ 7%
FASHION & LEATHER GOODS	18 455	22 237	+ 20%	+ 17%
PERFUMES & COSMETICS	6 092	6 835	+ 12%	+ 9%
WATCHES & JEWELRY	4 123	4 405	+ 7%	+ 3%
SELECTIVE RETAILING	13 646	14 791	+ 8%	+ 5%
OTHERS & ELIMINATIONS	(633)	(174)	-	-
TOTAL LVMH	**46 826**	**53 670**	**+ 15%**	**+ 10%**

* With comparable structure and exchange rates. The exchange rate impact was + 3% and the structural impact was + 1% (Belmond integration since April 2019).

LVMH

Figure 7: LVMH Business Group Revenues, source: LVMH annual report 2019

[123] LVMH: Annual Report 2019
[124] The CAGR (Compound Annual Growth Rate is given by (Ending Balance/Beginning Balance) ^ (1/n periods) -1

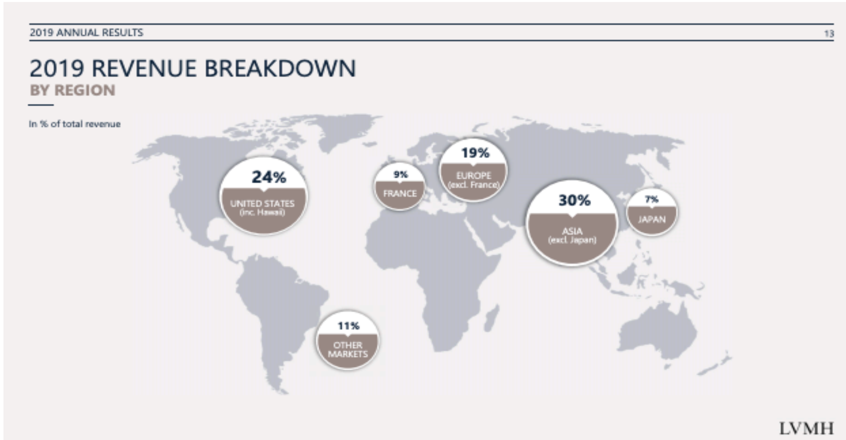

Figure 8: LVMH Revenue by region, source: LVMH annual report 2019

From a general equity value point of view, the group has shown excellent growth. Suffice it to say that in the years following the crisis, i.e. 2008/2009, the value of one LVMH share was worth around EUR 46 PS, while today a group share is worth EUR 407,6 PS with a CAGR* of around 21,94% per year, a truly surprising figure. Thanks to these extraordinary results, Bernard Arnault, the owner of the group, has become one of the top 3 richest people on the planet and has recently reached the top position.[125] The total value of the shares is now EUR 205.1 billion. Growth has generally been constant and has remained stable from 2009 to mid-2016 while it has risen rapidly from 2016 onwards. There have been upward spikes in some important acquisitions as the market has reacted very positively to the news of these acquisitions as for example in 2011 with the Bulgari acquisition, in 2017 with the technical acquisition of the Cristian Dior group previously owned by the majority shareholder of the LVMH group, Group Arnault (currently holding 47.2% of the shares) and in 2019 with the news of the Belmond and Tiffany acquisitions.

Figure 9: LVMH Stock Performance, source: Yahoo Finance

[125] Jeff Bezos perde lo scettro di uomo più ricco del mondo, Forbes, 18 January 2020

3.4.2: Kering

We will now analyze the series of acquisitions made by Kering group during its external growth strategy, focusing on the most strategically significant ones.[126][127]

- 1999: Gucci - In May 1999, Pinault-Printemps-Redoute acquired a 42% controlling stake in the Gucci group for US$3 billion following a long and very public battle with the brand's luxury rival. Later in 2003, Kering increased its stake in the Gucci group to 67.6%, and again in 2004 to 99.4%. The acquisition of the Gucci group was instrumental in entering a new luxury market. With this acquisition, the PPR group began its development in the luxury sector and strengthened its position year after year with the acquisition of other brands until it became one of the major players in the market.
- 1999: Yves Saint Laurent - The fashion house, founded in 1961 by Yves Saint Laurent and his partner, Pierre Berge, was acquired by the Gucci Group in 1999. The Gucci group bought the brand Yves Saint Laurent from PPR Sanofi Beaute, owner of the brand Yves Saint Laurent, which had bought it 5 years earlier, for approximately US$1 billion.
- 1999: Sergio Rossi - The Gucci Group acquired a 70% stake in the Italian footwear brand before taking full control in 2004. The group finally sold the Sergio Rossi brand to Aston Martin's owner, Investindustrial, in December 2015.
- 2000: Boucheron - The Gucci Group acquired a 100% stake in the French jewelry and watch house Boucheron in 2000 from the Swiss owner Schweizerhall Holding AG for approximately US$145 million. With this acquisition, the group wanted to diversify into a new sector of jewellery and watches with the aim of adding a new segment to its portfolio.
- 2001: Bottega Veneta - In February 2001, the Gucci Group acquired a 66.7% stake in Bottega Veneta and in July 2001 acquired a further 11.8% in the Italian luxury goods and fashion house, bringing its interest in the company to 78.5%.
- 2001: Balenciaga - In July 2001, the Gucci Group acquired a 91% stake in Balenciaga, founded in 1919 by Cristobal Balenciaga.
- 2001: Stella McCartney - In 2001, McCartney launched her eponymous label (after leaving her position as creative director of the Parisian fashion house Chloé), and that same year, she announced her partnership with the Gucci Group, the latter having acquired a 50% stake in the joint venture between the parties.
- 2001: Alexander McQueen - The Gucci Group acquired a 51% stake in Alexander McQueen, a British luxury fashion house founded by designer Alexander McQueen in 1992, as part of a joint venture.

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[126] Kering: Group History
[127] Companies History, Kering,

- 2007: Puma - Kering achieved new growth in 2007 with the acquisition of a 27.1% controlling stake in the German multinational sports and lifestyle company Puma for €5.3 billion, followed by an increase in the stake to 62.1% upon completion of a takeover bid. The acquisition in this case was aimed at bringing the group into a totally new segment, that of sport and lifestyle. In this case, the group therefore aimed to enter a business parallel to its core business with the aim of diversifying its brand portfolio.
- 2011: Girard-Perregaux and Jeanrichard - After establishing a strategic partnership with Sowing Group, the owner of the watchmakers Girard-Perregaux and Jeanrichard in 2008, Kering acquired a majority stake in the company in 2011. The acquisition in this case was aimed at extending the group's position in the watch industry.
- 2011: Volcom - In 2011, Kering announced the acquisition of Volcom Inc., which includes the Volcom and Electric surfwear brands. In the wake of what was done with puma, this acquisition also aimed to extend the group's business in streetwear and surfware by expanding its influence in a parallel market.
- 2012: Brioni - Brioni, an Italian men's fashion house founded in 1945, was acquired by Kering in November 2011.
- 2012: Qeelin - In December 2012, Kering announced the acquisition of a majority stake in the Chinese fine jewelry brand Qeelin, founded in 2004; the acquisition in this case has a strong geographic diversification as the group has secured a stronger penetration in the Chinese market thanks to the acquisition of one of the most refined brands in the country, thus pushing the group to strongly increase its presence and image in the Chinese market.
- 2013: Christopher Kane - In January 2013, Kering acquired a 51% stake in London designer Christopher Kane's eponymous label, founded in 2006;
- 2013: Pomellato - In 2013, Kering acquired a majority stake in the Italian jewellery company, Pomellato, founded in 1967. The acquisition also saw Kering bring Pomellato DoDo's own Italian glamour company under its umbrella. The acquisition of the important Italian brand further enhances the group's presence in the jewellery sector and completes the department with the French brand Boucheron and the Chinese brand Queelin, greatly strengthening the group's position in this sector.[128]
- 2013: Altuzarra - In September 2013, Kering acquired a minority stake in the American luxury women's clothing and accessories brand, Altuzarra, founded in 2008;
- 2013: Tomas Maier - In November 2013, Kering and Tomas Maier, who, in addition to leading his eponymous label, was creative director of Bottega Veneta from 2001 to 2018, announced the formation of a joint venture;

[128] Ecco ciò che Kering si aspetta da Pomellato, "Fashion Network", 24 April 2013

- 2014: Ulysse Nardin - Kering has acquired the Swiss watch brand for over 171 years.
- Ulysse Nardin in 2014.
- 2015: Kering Eyewear: in 2014 the group created an in-house subsidiary for the development and distribution of its brands' eyewear with the aim of creating a company specializing in luxury eyewear. The peculiarity of this company is that in addition to managing the eyewear part of many of its brands such as Gucci, Saint Lauren and Balenciaga, between 2017 and 2018 it has signed important partnerships with Cartier[129] and Montblanc[130], two of the leading brands of another luxury giant such as Richemont, which has received a substantial stake of about 30% of kering Eyewear since negotiations. This is therefore a completely innovative peculiarity that sees a partnership between two very important groups with the aim of a combined improvement in the eyewear segment.
- 2015: Sale of the Italian shoemaker Sergio Rossi
- 2016: Sale of Electric by Volcom
- 2017: License agreement between Kering Eyewear and Cartier for the development, production and distribution of the Cartier eyewear collection. The agreement is particularly interesting because it marks the partnership between two seemingly direct rival luxury groups, Kering and Richemont, with the Swiss group which, thanks to this agreement, has obtained a minority stake in Kering Eyewear division.
- 2018-2019: Puma and Volcom divestments - In 2018 the group took a step back in its market strategy towards the sportswear and lifestyle sector by selling a large part of its stake in the Puma brand[131] (its stake was reduced from 86% to 16%) and the following year it continued its strategy by selling the Volcom brand entirely. The objective of these operations was to define the group as a pure operator in the luxury world and therefore concentrated only in that sector in order to strengthen its leadership position in the market and concentrate its interests and resources only on activities of primary importance.

The strategy that Kering Group has pursued in its external growth strategy with its numerous acquisitions has always been to become a leading player in the luxury sector by focusing its activities mainly on the clothing and leather goods segments and subsequently diversifying into the jewelry and watchmaking sector. The initial strategy of diversification in the sports & lifestyle sector as we have seen was then abandoned to concentrate its resources solely on the luxury sector.

The group does not appear to be strongly differentiated at sector level, operating mostly in the personal luxury goods sector, particularly in clothing and leather goods, jewelry and watchmaking, as well as the eyewear division. From a geographical point of view, the group has achieved an excellent level of diversification, generally

[129] Kering Eyewear e Cartier finalizzano la partnership, “Fashionunited” 5 June 2017
[130] Montblanc firma un accordo con Kering per gli occhiali, “FashionUnited” 26 July 2018
[131] Kering disinveste da Puma per concentrarsi sul lusso, “Panbianco News”, 12 January 2018

following market trends.[132] The data shows that about 40% of revenues come from Asia (8% of which from Japan alone), the largest contributor, followed by Europe with 33% and North America with 20%.

REVENUE AND RECURRING OPERATING INCOME

In €m	Revenue	Recurring operating income	Recurring operating income reported change (%)	Recurring operating income margin (%)
Luxury	13,247	4,191	+44.8%	**31.6%**
Corporate & other	*418*	*(247)*	-20.9%	*n.a*
Kering	**13,665**	**3,944**	**+46.6%**	**28.9%**

12.02.2019 7

Figure 10: Kering business group revenue, source Kering annual report 2018

Figure 11: Kering revenue by region, source: Kering annual report 2018

In terms of shares, the group has managed to grow a lot. Since the post-crisis years when one share of the group was worth around EUR 42.5 PS, one share is now valued at around EUR 573 PS, peaking at EUR 610 PS, with a CAGR of around 26.68% per year. Growth remained stable until the end of 2016 while since 2017 it has received a significant upward push thanks mainly to the performance of its most important brand Gucci which, since the beginning of 2015, when its current CEO Marco Bizzarri arrived and with him its current creative director Alessandro Michele has never stopped growing. This is thanks to an ingenious and revolutionary strategy in the merchandising of the cheapest, most commercial and easy-to-sell products such as keychain sneakers, caps and belts, which has allowed Gucci to achieve extraordinary performance, rising from around EUR 3.5 billion in 2014 to around EUR 8.3 billion in 2018, contributing in the same year about 80% of the entire group's revenues[133] with the aim of reaching EUR 10 billion by 2020, thus reaching the levels of the most important brands in the luxury world such as Louis Vuitton and Chanel.

[132] Kering, Full Year Result 2018
[133] La strategia che ha portato Gucci al successo, “Il Post” 27 September 2019

Figure 11 Kering stock performance, source Yahoo Finance

3.4.3: Richemont

We will now analyze the series of acquisitions made by Richemont group during its external growth strategy, focusing on the most strategically significant ones.[134][135]

- 1988: Richemont Formation. Richemont has minority stakes in Cartier Monde SA and Rothmans International, which also holds investments in Cartier Monde, Dunhill and, through Dunhill, Montblanc and Chloé;
- 1989: Richemont acquires Philip Morris' 30% stake in Rothmans International;
- 1993: Separation of Richemont's tobacco and luxury goods operations into Rothmans International NV / PLC and Vendôme Luxury Group SA / PLC respectively;
- 1994: Richemont acquires Purdey;
- 1995: Acquisition of minority shareholders Rothmans International. Formation of the pay-TV group NetHold, in which Richemont holds a 50% interest;
- 1996: Merger of Richemont's tobacco interests with those in South Africa held by Rembrant Group Limited, Richemont owns 67% of the enlarged tobacco group. Acquisition of the watchmaker Vacheron Constantin from Vendôme Luxury Group;
- 1997: merger of NetHold with Canal + of France, Richemont acquires 15% of Canal +. Acquisition of Officine Panerai watchmaking and Lancel leather goods brand from Vendôme Luxury Group;

[134] Richemont, group history including significant investments and disinvestments
[135] Crunchbase Richemont,

- 1998: acquisition of minority shareholders Vendôme Luxury Group, Richemont holds 100% of the interests in luxury goods;
- 1999: Merger of Rothmans International with British American Tobacco. Richemont has an effective 23.3% interest in British American Tobacco Enlarged.
- 1999: Acquisition of a 60% controlling interest in Van Cleef & Arpels, one of the world's most renowned jewelry houses. Richemont sells its 15% stake in Canal + in exchange for a 2.9% stake in Vivendi, the acquisition in this case aims to increase its position in the jewelry market with the aim of bringing the group to a dominant position in the sector.
- 2000: Reduction of the Group's actual interest in British American Tobacco to 21% through the partial sale of the holding of preference shares;
- 2000: Sale of Vivendi's interest, which represents Richemont's exit from pay television and investment in electronic media;
- 2000: Acquisition of Jaeger-LeCoultre, IWC Schaffhausen and A. Lange & Söhne;
- 2001: Richemont acquires a further 20% stake in Van Cleef & Arpels. In November 2001, the Richemont units were split between 100 and 1.
- 2003: Richemont acquired the remaining 20% stake in Van Cleef & Arpels that it did not previously own, bringing the company into full ownership;
- 2003: Richemont acquired the final 10% of A. Lange & Söhne previously held by members of the Lange family;
- 2004: In June 2004, holders of American British Tobacco preference share warrants exercise their rights and convert the preference shares into new British American Tobacco common stock. Richemont's actual interest in British American Tobacco was reduced to 18.6 percent in June 2004;
- 2005: In March 2005, Richemont announced that it had marginally reduced its interest in British American Tobacco to 18.2% through the indirect sale of 12,854,457 British American Tobacco shares to its joint venture partner, Remgro Limited. Richemont announces the sale of Hackett Limited;
- 2006: Richemont announces in March that it has entered into an agreement to sell its interest in Old England SA;
- 2006: Richemont acquires Fabrique D'Horlogerie Minerva SA.
- 2006: Richemont announces a long-term partnership with Greubel Forsey (20%).
- 2007: Richemont and Remgro reach an agreement with British American Tobacco whereby their combined shareholding in British American Tobacco may increase through the 30% limit without any obligation to make a full offer for shares they do not already own. Richemont and Remgro's actual interest

is increased as the British American Tobacco share purchase programme reduces the total number of shares outstanding; Richemont and Remgro do not participate in the repurchase;

- 2007: Richemont acquires Alaïa, the Parisian fashion house;
- 2007: Richemont acquires the component manufacturing activities of Roger Dubuis SA. This entity is called Manufacture Genevoise de Haute Horlogerie (MGHH);
- 2007: Richemont acquires the watch case manufacturer Donzé-Baume SA, the group with the series of acquisitions of the direct production activities of the watchmaking sector aims to achieve vertical integration that allows the group greater control over production activities and less risk from the point of view of relations with suppliers and reliability.
- 2008: Richemont acquires 60% interest in the Roger Dubuis SA manufacture;
- 2008: Richemont announces its planned restructuring. This involves the separation of Richemont's luxury goods sector from its other interests;
- 2008: Formation of Reinet Investments S.C.A. as a separately negotiated vehicle to hold the luxury goods assets previously held by Richemont;
- 2010: Richemont acquires the majority of the shares of Net-a-Porter.com, the leading online luxury fashion retailer. Net-a-Porter.com operates as an independent entity together with Richemont's other luxury goods businesses. This acquisition is particularly important to note as the group enters into the e-commerce sector, which is set to become increasingly strong year after year.
- 2012: Richemont acquires 100% of the capital of Varin-Etampage & Varinor SA (VVSA), a high-end manufacturer of moulded external components for watches, gold refinery and manufacturer of semi-finished precious metal products for the watch and jewelry industry;
- 2012: Richemont acquires Peter Millar LLC, an international luxury clothing company based in the United States;
- 2015: Richemont merges the Net-A-Porter group with the Yoox group in a fully shared transaction. The shares of the combined entity, the Yoox Net-A-Porter group, are traded on Borsa Italiana, the Italian stock exchange. Following the merger, Richemont holds 50% of the share capital while its voting rights are limited to 25%.
- 2017: Richemont sells Shanghai Tang, a wholly owned subsidiary;
- 2017: Richemont acquires Serapian.
- 2018: Richemont sells Lancel;
- 2018: Richemont acquires Yoox net-a-Porter S.p.A., a leading online luxury retailer; the group thus completes its plan to hold an absolute leader in digital commerce by securing a leading position in online commerce.

- 2018: Richemont acquires Watchfinder & Co., one of the leading specialists in pre-owned premium watches;
- 2019: Richemont acquires Buccellati, a renowned Italian jewelry maison.

Richemont group in its acquisitions has always followed the objective of focusing on the jewelry and watch market and has become the leading group in this sector. In addition, it has extended its activity on several levels in the sector by integrating vertically, thus becoming an absolute dominator, being able to count not only on many prestigious brands but also on direct producers, thus maintaining a high level of control and reducing risks. The group has therefore preferred a strategy with a lower level of diversification, concentrating mainly on a single product category. In spite of this, however, the group, in contrast to the previous trend, has expanded its turnover by entering the digital commerce sector, effectively managing to include in its portfolio one of the main and most renowned players in this market, which today brings to the group about 15% of its revenues.[136]

The group, as expected, is little differentiated at a sector level and in fact about 72% of its total revenues come from the watches & jewelry sector (of which 51% from jewelry maisons and 21% from specialist watchmakers), the remaining 28% is contributed by online distributors for 15% and other markets covering 13%. From a geographical point of view, the Richemont Group also appears to be in line with market trends. The Asian market is the largest contributor to the group's revenues with a contribution rate of 46% (8% from Japan alone), followed by Europe at 29% and the Americas at 18%.

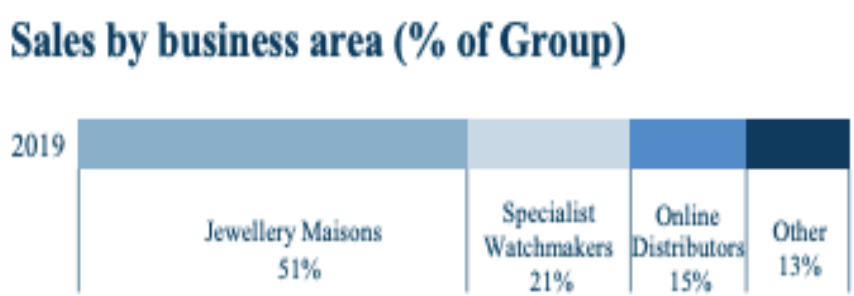

Figure 12. Richemont sales by business area, source Richemont annual report 2019

[136] Richemont, Annual Report 2019

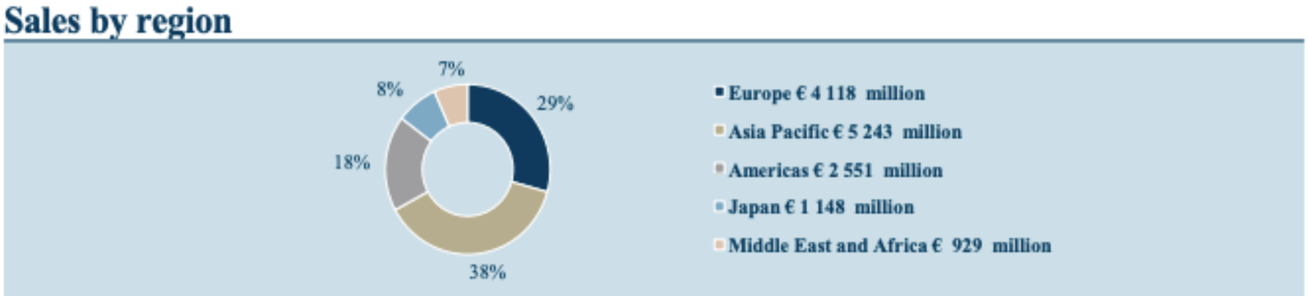

Figure 13: Richemont sales by region, source Richemont annual report 2019

From an equity point of view, the group has grown steadily. It has sustained a good level of growth from the post-crisis years when one group share was worth around CHF 20 PS until mid-2015, a period in which the group's shares also peaked at around CHF 94 PS, with strong increases in 2010, 2012 and 2015 also thanks to the acquisition of the Net-a-Porter.com portal and the subsequent merger with e-tailer Yoox. Since 2015, growth has been uneven with peaks in 2016, 2017 and at the end of 2018. The first sharp decline occurred in the first half of 2016 with a sharp drop in profits and sales of 12% and 50%[137] respectively, a performance so negative that the owner Johann Rupert revolutionized the company by closing 3 watch factories in Switzerland and almost 100 retailers, as well as to make drastic changes in management by firing the general manager Richard Lepeu (and placing himself in charge) and the entire board of executive managers announcing that he wants to completely innovate the group by adding new original managers, creative and international, simplify management structures to have more flexibility and make the most of synergies between the various brands. The second decline also occurred at the time of a sharp drop in performance, the group closed the year with profits down 46%[138] compared to a 4% drop in sales going below analysts' estimates a negative result caused mainly by a drop in performance in the watchmaking sector which fell by 11% while that of jewelry suffered a decline of only 2%.[139] A negative performance that did not discourage the group which, confident of its future performance and perhaps already aware of the excellent increase in performance following the entry in the balance sheet of the proceeds that would have occurred after the effective incorporation of Yoox Net-a-Porter group has proceeded to a buyback of 10 million shares over 3 years equal to 1.7% of the entire share capital of the group also giving a signal to the market that its stock was valuable and that the market was undervaluing it. Profits for 2018 were also not the best with the Swiss group closing the year with EUR 1.2 billion of profits still far from target. The turning point was near, however, and the following year was a year of great growth with the group bringing its turnover to EUR 13.9 billion and doubling profits to EUR 2.79 billion. And in this way the success of the buyout transaction made 3

[137] ADINOLFI C. Il re degli orologi svecchia il colosso del lusso Richemont, chiude 3 fabbriche e licenzia 500 persone, “Italia Oggi” 9 November 2016
[138] Richemont, Five year record, Statutory Information, Notice of meeting
[139] Le lancette dimezzano l’utile 2016 di Richemont, Pambianco News, 12 May 2017

years earlier has its results.[140] The group itself explained in a note in the margin, that half of the profits are related to the revaluation of the shares Yoox Net-a-Porter already held before the full acquisition of the group, in addition to being able to count on the increase in turnover thanks to the differentiation in the online sector and the entry in the balance sheet of revenues from online distributors amounting to EUR 2.10 billion. Thanks to this excellent performance, the group once again grew to a share value of around CHF 76 PS. The group thus posted a CAGR of around 12.90% per year.

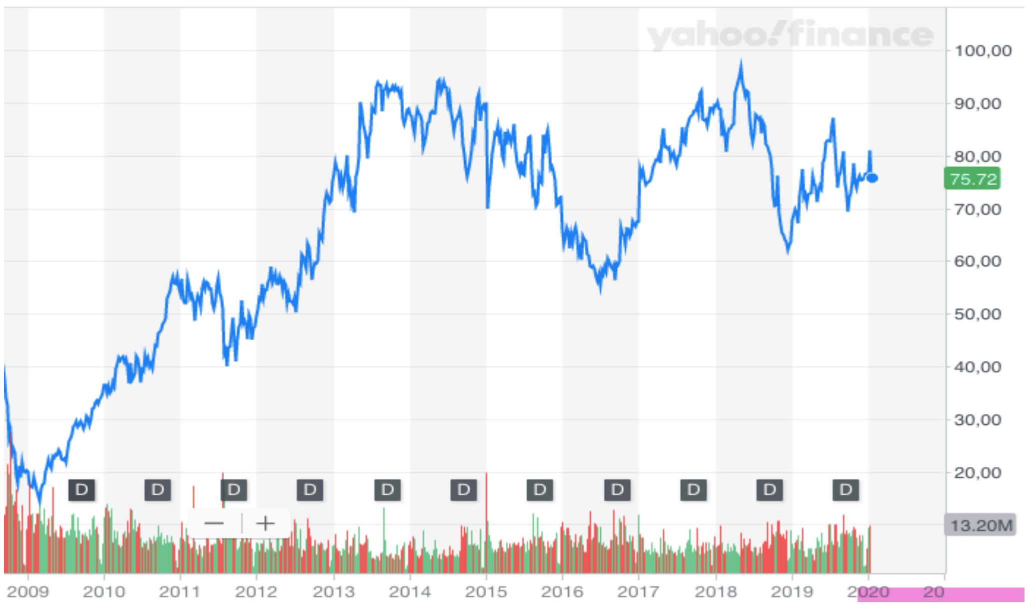

Figure 14: Richemont stock performance, source: Yahoo Finance

3.4.4: Luxottica (From 2018 EssilorLuxottica)

The following are some of the main operations developed by Luxottica[141] group before its fusion with Essilor. From 2018 we talk about EssilorLuxottica

- 1988: A licensing agreement is signed with Giorgio Armani. This first experience, completed in 2003, starts the development of a prestigious portfolio of licenses;
- 1995: Luxottica strengthens its proprietary brand portfolio with the acquisition of Persol. Born in 1917, Persol is an iconic brand made in Italy;

[140] Richemont, rivalutazione Ynap raddoppia gli utili nel 2018
[141] Companies History Luxottica, Luxottica

- 1995: Luxottica is the first eyewear manufacturer to enter the retail store with the acquisition of The United States Shoe Corporation, owner of LensCrafters;
- 1997: Licensing agreement with Bulgari;
- 1999: With the acquisition of the eyewear division of Bausch & Lomb Inc. the brands Ray-Ban, Revo, Arnette and Killer Loop enter the Luxottica portfolio;
- 1999: License agreement with Chanel;
- 2001: With the acquisition of Sunglass Hut, one of the leading sunglass retail chains in North America, Australia and the United Kingdom, Luxottica strengthens its retailing capabilities by entering the sun segment;
- 2003: License agreement with the Prada and Miu Miu brands;
- 2003: License agreement with Versace
- 2005: License agreement with DKNY
- 2006: License agreement with Dolce & Gabbana;
- 2006: Licensing agreement with Burberry;
- 200Luxottica acquires California-based Oakley Inc. and strengthens its portfolio with one of the world's leading sports and performance brands.
- 2007: License Agreement with Ralph Lauren Corporation;
- 2008: In a period of strong growth in online sales worldwide, Luxottica invests in the digital platforms of Sunglass Hut, Oakley and Ray-Ban with increasingly innovative services;
- 2008: License agreement with Tiffany;
- 2009: License agreement with Tory Burch;
- 2012: With the acquisition of Grupo Tecnol, the leading eyewear operator in Brazil, Luxottica creates a production and distribution platform that allows to improve the level of services offered to Brazilian customers and expand the Group's presence in the largest market in Latin America.
- 2012: License agreement with Coach;
- 2013: Luxottica acquires Alain Mikli International, a French company operating in the luxury and trendy eyewear sector;
- 2013: With the acquisition of Alain Mikli, it enters the Starck Eyes license portfolio;
- 2014: Luxottica signs an agreement with WellPoint Inc. to acquire eyewear.com, an innovative digital environment for the optical industry in North America;
- 2015: License agreement with Michael Kors;
- 2016: Luxottica acquires control of Salmoiraghi and Viganò in which it held a minority stake since 2012;
- 2017: License agreement with Maison Valentino;

- 2017: Luxottica announced the closing of the acquisition of Óticas Carol, one of the largest optical franchisors in Brazil;
- 2018: Delfin S.à.r.l, majority shareholder of Luxottica Group S.p.A., and Essilor International (Compagnie Générale d'Optique) announced on October 1, 2018, the successful completion of the combination of Essilor and Luxottica. The combined holding company named EssilorLuxottica is a world leader in the design, manufacture and marketing of ophthalmic lenses, optical equipment and sunglasses. Delfin S.r.L, the former controlling shareholder of Luxottica, has contributed 63.3% of the Italian company. Essilor has accepted the contribution and changed the name. Delfin received in exchange 0.461 Essilor shares for each share in Luxottica becoming the major shareholder of EssilorLuxottica with a percentage of 38.3%. As a result of the merger, Delfin became a leading company in the design, manufacture and marketing of ophthalmic lenses, optical equipment and sunglasses. The objective of the operation was to aim at improving the level of product offer to consumers by combining under the same company both the production of frames, thus creating a vertically integrated business model. Other objectives were instead to encourage innovation, improve customer service and reinvent the very experience that the customer experiences.
- 2018: In data 18 maggio 2018, Luxottica Group ha perfezionato l'acquisizione del 67% di Fukui Megane Co. Ltd ("Fukui Megane");
- 2019: On August 30, 2019, Luxottica Group S.p.A. finalized the acquisition of Barberini S.p.A.
- 2019: On 5 March 2019 Luxottica became a wholly-owned subsidiary of EssilorLuxottica and its ordinary shares were withdrawn from listing on the Milan Stock Exchange (Mercato Telematico Azionario - MTA), organized and managed by Borsa Italiana.
- 2019: Subsequently, the EssilorLuxottica group was listed on the Paris Stock Exchange.

As can be seen from the operations implemented by the group, Luxottica's primary strategy has been to specialize solely in the eyewear sector, becoming a leading player in the production and distribution of eyewear. Thanks to its numerous operations, Luxottica has become the owner of numerous iconic brands in the sector as well as underwriting a large number of licenses with brands of absolute value in the world of fashion and luxury to ensure the development of the eyewear division of each partner brand as well as securing exclusivity on the production of frames. This has certainly ensured a strong advantage for the group, which has been able to count on the strong brand image and the recognition of the brands with which it has signed the agreements, acquiring more and more advantages from a commercial point of view. On the other hand, it has also created value for the various brands that goes far beyond the simple granting of royalties thanks to its strong distribution network that has allowed the eyewear division to perform excellently for these brands. The company has also operated a very aggressive distribution strategy. In fact, since the 1990s it has always sought to acquire more and more of the world's leading eyewear retailers in order to have more control over the brands sold within retailers and to be able to privilege its own brands, such as LensCarfter, the largest chain of retailers in the United States, bought in 1995 and filled with the group's own brands at the expense of sales by competitors such as CustomOptical, which went bankrupt in 2001. Another example is Sunglasses Hut bought in 2001, previously one of Oakley's leading retailers, which later abounded in the sale of the brand which was later acquired by Luxottica itself. Thanks to these numerous successful operations and its strategy, as well as an exponential growth in the eyewear sector and, in particular in recent years, the transition of eyewear from a health tool to a fashion accessory, the Italian group has ensured constant and organic growth that has enabled it to become the leading Italian company in the fashion industry in terms of turnover. A result, this, that makes you think a lot especially if you think about the opposite situation experienced by some of the most important Italian fashion and luxury companies that over the years have been acquired by the big foreign players two names out of all the prestigious Fendi and Gucci, two very important companies that however represent only the most important examples of a trend that over time has been growing more and more. In fact, there are many Italian brands that over time have been acquired by foreign operators who have been able to ensure their survival and growth at a time when those companies, even with a very high level background, did not have the necessary means to ensure future growth. It would be interesting to understand if there was the possibility of creating a conglomerate in Italy, too, capable of bringing under its control some of the most important brands of the peninsula to allow these brands to remain under the ownership and influence of an Italian company, while today, even though they are growing, they belong to foreign companies. The group, however, after the merger has changed its registered office from Milan to Paris and is now considered an Italian-French company.

The pre-merger group experienced slow but steady growth from 2014 to 2018 year of the last available report. Sales grew every year except for 2018 where there was a small decline from EUR 7.65 billion in 2014 to EUR 8.93 billion[142] in 2018 with a CAGR of 3.94% per year of sales. Profits also grew in each year except for 2018 where there was a decrease from the previous year, from EUR 643 million in 2014 to EUR 900 million in 2018 with a CAGR of 8.77% per year. From a geographical point of view, the group appeared to be little different with 58% of revenues coming from North America alone, the largest contributor in absolute terms, followed by Europe with 21% and Asia with 13%. Since March 2019, as previously seen, the shares of the group have been withdrawn and the share performance is no longer available for consultation.

[142] Luxottica, Annual Report 2018

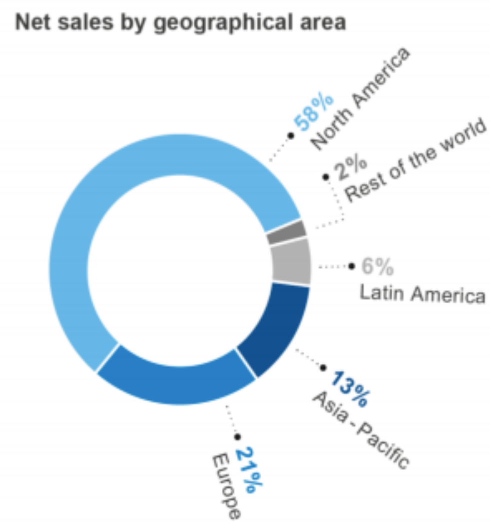

Figure 14: Luxottica revenue by geographical area, source: Luxottica annual report 2018

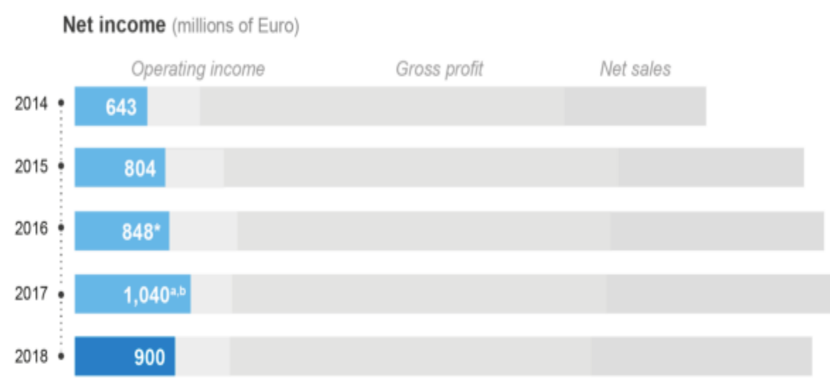

Figure 15: Luxottica net income growth, source: Luxottica annual report 2018

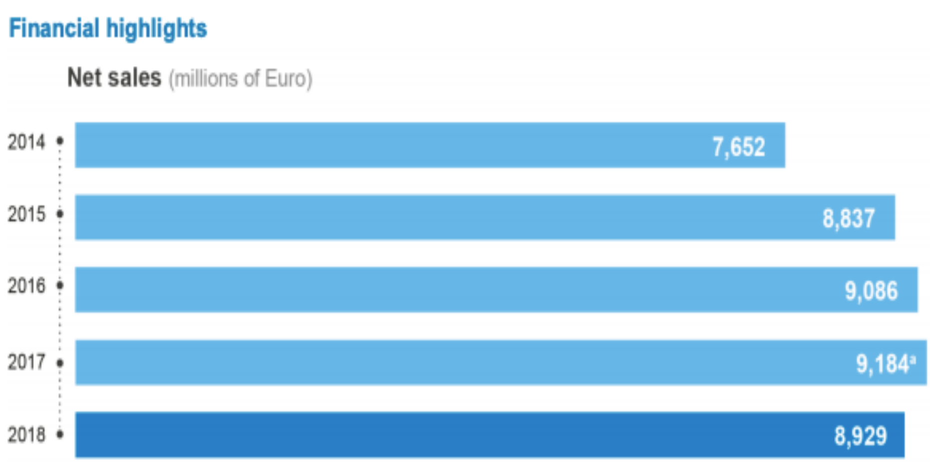

Figure 16: Luxottica net sales growth, source: Luxottica annual report 2018

However, the merger figures were initially very impressive. It was, in fact, one of the largest mergers in Europe that led to the creation of a huge company with a capitalization of EUR 57 billion[143] and a turnover of EUR 16 billion and a strategic position of absolute dominance so that some experts speak of a position at the limits of the monopoly that would allow the group to impose prices at will, a position that would harm not only competition, but also consumers. However, the new company had to face problems immediately. From an equity point of view, in fact, the newborn group suffered a sharp decline in its value in March 2019 following news of strong disagreements between the two owners of the two companies representing the group on the new management of the company. The shares in fact went from an initial value of about EUR 127 PS in October 2018 to a minimum peak of EUR 96 PS going to demonstrate one of the main problems of mergers and acquisitions that is the importance in the integration of business, management models, culture and management of the company. In this case the problems were by a cultural and managerial nature. In fact, on the one hand there was the difference between Luxottica, which has a vertical and competitive culture, and Essilor, which is more traditional and collective, and on the other hand there were the problems related to the new managerial structure and the individuals assigned to positions of power. The group then returned to growth in the following months, suffering a small drop in December 2019 following news that saw the group and in particular its subsidiary Essilor involved in a case of financial fraud at a plant in Thailand.

In little more than a year, however, the group managed to achieve growth, albeit very small, by bringing its shares up to a value of EUR 139 PS with a CAGR of 13% per year.

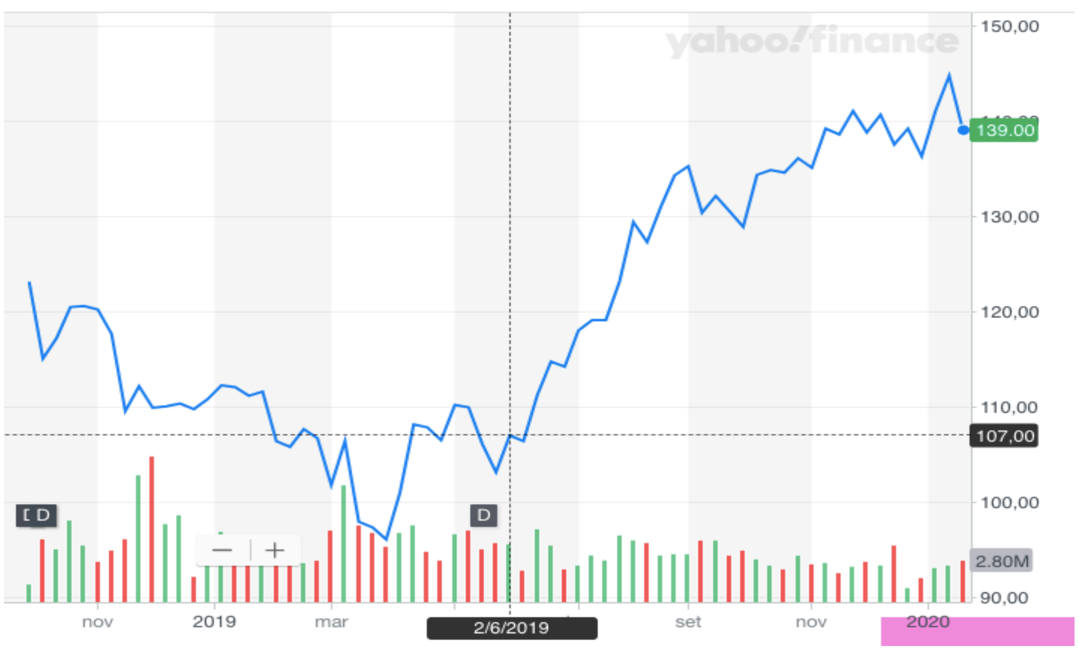

Figure 17: EssilorLuxottica stock performance, source: Yahoo Finance

[143] Cosa sta succedendo a EssilorLuxottica, “Il Post”, 28 March 2019

3.4.5: The Estée Lauder Group

The following are some of the main operations developed by The Estée Lauder Group[144][145]

- 1993: License agreement with Tommy Hilfiger;
- 1994: Partial acquisition of the Canadian cosmetics company MAC. The total acquisition was completed in 2003;
- 1995: Acquisition of the cosmetics company Bobby Brown;
- 2000: Partial acquisition of the women's salon and hair salon chainBumble & Bumble. The total acquisition was completed in 2006.
- 2000: License agreement with Michael Kors;
- 2000: Acquisition of Darphin's Parisian laboratories;
- 2005: Licensing agreement with Tom Ford;
- 2011: License agreement with Ermenegildo Zegna.
- 2011: License agreement with Tory Brunch;
- 2014: Acquisition of luxury body oil producer Rodin;
- 2014: Acquisition of perfume manufacturer Le Labo
- 2016: Acquisition of the Parisian perfume and fragrance company By Kilian
- 2016: Acquisition of Darphin's Parisian laboratories;
- 2016: Acquisition of the cosmetics company Becca;
- 2016: Acquisition of the cosmetics company Too Faced;

As can be seen from the various operations, the leading cosmetics group Estèe Lauder has followed a strategy similar to that of the Luxottica group, focusing on a single sector, that of cosmetics, through direct acquisitions also aimed at vertical integration in the production process, direct acquisition of potential competitors' brands with the aim of acquiring more and more market power as well as numerous licensing agreements with numerous brands to manage the cosmetics and perfumes division. Also in this case the operations have led to a corresponding advantage for the brands and for the group, on the one hand benefiting the group able to take advantage of the identity and brand image of the licensing brands, which on the other hand receive numerous advantages in terms of profits and visibility of their brand. It is important to note, however, that this type of operation is only feasible for certain merchandise categories that are of secondary importance for luxury brands, in the cases of eyewear and cosmetics/ fragrances analysis. This is because for luxury brands these product lines are far from the core business and represent the result of a brand stretching strategy implemented to promote the brand's exposure to

[144] Estée Lauder, The Estée Story
[145] Funding Universe, The Estée Lauder Companies Inc. History,

the mass market and create product lines that are accessible to more or less everyone. In this way luxury brands use these accessible lines mainly as exploratory products, to let new customers discover and communicate the identity and strong brand image with products that represent the most accessible segment of the various brands.

The group is obviously focused on the cosmetics sector and has never focused on industry differentiation. Geographically, on the other hand, the group is well differentiated with revenues that are widely distributed around the world. The Americas contribute about 31.8% of the group's revenues, Europe, the Middle East and Africa contribute 43.4% while Asia Pacific contributes 24.7%.

Revenues have grown year on year since the years after the crisis except in 2015 when there was a small decline from US$ 7.3 billion in 2009 to US$ 14.86 billion in 2019 doubling its revenues with a CAGR of 7.33% annually. Against this increase in revenues there was a very high increase in profits from around US$ 219 million in 2009 to around US$ 1.78 billion in 2019 with a CAGR of 23.29% per year. From an equity point of view, the group has grown significantly with values rising from around US$ 15.28 PS at the beginning of 2009 to US$ 198,73 PS at the end of 2019 with a CAGR of 26,27% per year. Growth was generally constant until the end of 2016 when there was a slight downturn while it had two peaks at the beginning of 2017 and the beginning of 2019 due to the excellent results achieved in the initial quarters of the year. In particular, the first quarter of 2018 saw a 25% increase in profits compared to the previous quarter, with earnings per share also rising by the same amount, due mainly to the growth of the online market and that of the Chinese market.[146] The decline in 2016 was mainly due to the higher costs of the restructuring of the business carried out by the American group. The group had in fact announced that the restructuring and turnaround would cost between US$ 600 and 700 million and in fact profits had also been strongly affected.[147]

Figure 18: The Estée Lauder stock performance, source: Yahoo Finance

[146] Estee Lauder fa il pieno di utili grazie a online e asia, “La Repubblica”, 2 May 2018
[147] Estee Lauder, aggravi per 89,7 miliioni di dollari, “Pambianco Beauty”, 26 May 2016

3.4.6: Swatch Group

We will now analyze the series of acquisitions made by Swatch group during its external growth strategy, focusing on the most strategically significant ones.[148][149]

- 1992: Blancpain SA
- 1999: Breguet SA;
- 2000: Glashütte Original;
- 2000 Jaquet-Droz;
- 2002: Acquisition of the dial manufacturer Rubattel & Weyermann;
- 2003: Acquisition of electronic parts manufacturer SID Sokymat IDent Component GmbH;
- 2006: Acquisition of the watch dial manufacturer MOM Le Prélet SA;
- 2006: Joint venture with the world's largest watch shop Tourneau;
- 2010: Acquisition of Novi SA active in the production of components and watches;
- 2012: Acquisition of watch case manufacturer Simon Et Membrez SA
- 2013: HW Holding Inc., owner of Harry Winston

The Swatch Group, as can be seen from its most important operations, has pursued a strategy of focusing on the watchmaking sector but differentiating its product lines and thus operating in different segments of the watchmaking industry. The group in fact offers different product lines even if they belong to the same product category and in fact, like the Estèe Lauder and EssilorLuxottica groups, it is not a pure player in the luxury world. The lines that appear in the group include luxury brands such as Breguet, Henry Winston and Omega, premium brands such as Longiness or Union Glashutte, mid-range brands such as Balmain or Calvin Klein watches and low-end brands such as Swatch and Flick Flack. The group has also pursued a vertical integration strategy by acquiring, over the years, several companies manufacturing mechanisms and key parts of its products with the aim of gaining greater control over the production chain. Through this strategy, the group has become the sole producer of all the components for the manufacture of watches that are then marketed through its own brands and has become one of the main suppliers to the entire Swiss watch industry.

The Swiss group is the one that has had the most unstable trend among the large groups. In fact, growth has been very uneven, with continuous increases and decreases. Analyzing net revenues, it can be seen that the group, from the years following the crisis, grew uniformly until 2014[150], when the group's shares reached their highest historical levels, then fell drastically in the following 2 years and began to grow again in 2017 and 2018. The group's annual CAGR of revenues was 5.12% per year with net sales increasing from CHF 5.14 billion in 2009

[148] Swatch, Swatch Group History
[149] Crunchbase Swatch Group Acquisition,
[150] Swatch Group pubblications: Annual Report 2011-2018

to CHF 8.47 billion in 2019. This was due to a number of factors. The group has certainly suffered from its strategy of strong verticalization and focus. In fact, the group's revenue comes almost exclusively from the watches & jewelry division, which suffered a downturn both in the group's luxury range, such as for brands such as Omega and Breguet, a downturn also suffered by the Richemont group in the same period, and in the smaller segments that were affected by the strong commercial development of smartwatches. Analyzing the profits, we can see a similar situation with a strong growth from 2009 to 2013, as opposed to an inexorable decline until 2016 followed by a small growth in 2017 and 2018 with an annual CAGR of about 1.29% with profits rising from CHF 763 million in 2009 to CHF 867 million in 2019. per year. Results far below the averages of the other large groups. From a geographical point of view the group seems to be well differentiated even if precise data are missing. In the last year, growth rates in Asia have been shown in both direct and wholesale retail and e-commerce, in Japan the group was able to gain further market share, in the Americas there was a positive trend in sales, while Europe performed in contrast: on the one hand the good performance in Great Britain and Switzerland and on the other the negative performance in France also due to the protest demonstrations in the French country during 2018. From an equity perspective, the group also performed very unevenly, with periods of upturns in 2009, 2012, end 2016 and early 2018 and downturns in 2014, 2016, mid and late 2018. At the equity level, the group has experienced sustained growth since the post-crisis years when one group share was worth CHF 143 PS until 2013, when the group's shares reached their highest historical value at CHF 598 PS. From 2013 to 2019, growth was intermittent with a peak in 2016 with the shares falling to CHF 252 PS and rising again to CHF 493.5 PS before falling again to today's value of CHF 253.9 PS. The group thus achieved an annual GAGR on its shares of 5.36% per year, also a much lower result compared with the averages of the other groups.

Figure 19: Swatch Group stock performance, source Yahoo Finance

Chapter 4: Emerging Players

In this chapter we will focus on minor actors who have recently started their growth as luxury players. Some like Capri Holdings and Tapestry Inc. are already small groups with a precise strategy while others like Mayhoola for Investments are investment funds that have very recently decided to invest in the luxury market but have the aspiration to become real luxury groups following the path of the dominant ones.

4.1: The geography of luxury groups and the French domain

The market for personal luxury goods includes a wide range of products, including luxury goods defined as soft, such as high-end clothing, leather goods and accessories, and luxury durable goods, such as watches, jewelry and pens.

Perfumes and cosmetics may also be included, although the distinction between luxury and mass consumption is more blurred for this category of products. Generally, larger luxury groups also market a wide range of other products (wine and spirits, food, collectibles, cars, yachts, luxury real estate) and services (hotels, catering, tourism). Luxury goods and services are characterized, in particular, mainly due to their exclusive nature and superior customer experience.

The main markets are Europe, the Americas and Asia which can be considered equal when it comes to luxury income: each region generates slightly less than one third of the world's luxury sales.

However, in terms of recent growth, Asia has easily outperformed all other regions, with China leading the group, having seen growth of 30% in 2019 followed by Japan with 11% of growth and rest of Asia with 9%. Europe experienced moderate but positive growth of 2% in 2019, while the Americas grew up by 5%.[151]

As for the key players, the global luxury market is dominated by a handful of multinational conglomerates with large portfolios of specialized luxury brands. Most of the major luxury groups and brands are concentrated in Western Europe, particularly in France, Italy, Switzerland and the UK.

This large number of competitors generates a strong rivalry between the major luxury groups which is based primarily on brand value, commercial position and customer experience, all underlined by exclusivity and high quality. Price may play a role in the affordable segment but is less important in the leading sectors of the industry.[152]

[151] Bain Altagamma, Worldwide Luxury Market Monitor 2019

[152] Marks M.L. and P.H. Mirvis "Making Mergers and Acquisition Work: Strategic and Psicological Preparation", Academy of Management Executive

France continues to dominate the global luxury goods market. According to the latest annual survey by the consulting firm Deloitte, in 2019 the country's leading luxury names such as LVMH, L'Oréal, Kering and Hermès accounted for almost a quarter of the total sales of the top 100 companies in the sector.
As indicated in the Deloitte Global Powers of Luxury Goods 2019 report, the one hundred largest luxury goods companies, of any nationality, generated total sales of approximately $217 billion in fiscal year 2017 alone.[153]
The LVMH group was at the top of the revenue-based ranking. The group owned by Bernard Arnault was ahead of the American cosmetics group Estée Lauder, which finished second ahead of the Swiss group Richemont.
Nine of the companies in the ranking are French-owned and have generated almost 25% of the total ranking revenue. Kering finished fourth while Chanel Limited and L'Oreal Luxe were sixth and seventh, ahead of Luxottica. This is enough to understand the French domain: in the top 7 positions for turnover, 3 are French companies.
Other French groups in the charts are Hermès, Christian Dior Couture, Clarins, SMCP, Longchamp and Nuxe.
In terms of the number of individual companies ranked among the top 100, Italy has led with no less than 24, including names like Luxottica, although now EssilorLuxottica is Italo-French, Prada and Giorgio Armani.[154]
The highest growth rate among the top 100 was registered by the Canadian brand Canada Goose, famous for its parkas and down jackets, with a strong increase in domestic sales.

4.2: Capri Holdings Limited

Capri Holdings Limited is a global luxury fashion group of iconic brands that are industry leaders in design, style and craftsmanship. Its brands cover the entire range of luxury fashion categories, including men's and women's accessories, footwear and ready-to-wear, as well as wearable technologies, watches, jewelry, eyewear and a full line of fragrant products. The company's goal is to continue to extend the global reach of its brands while ensuring their independence and exclusive DNA.

4.2.1: Group trademarks

Michael Kors[155]: The Michael Kors brand was launched over 35 years ago by Michael Kors, whose vision has taken the company from its beginnings as an American luxury sportswear manufacturer to a global accessories, footwear and apparel company with a global distribution network that is present in over 100 countries through company-owned retail stores and e-commerce sites, department stores, specialty stores and selected licensing

[153] Deloitte, Global Powers Luxury Goods 2019
[154] Bain Il mercato globale del lusso nel 2018 é in crescita e raggiunge €260 miliardi un andamento positivo e solido sino al 2025, 15 November 2018
[155] Capri Holdings, Corporate Profile,

partners. Michael Kors is a highly recognized luxury fashion brand in the Americas and Europe with growing brand awareness in other international markets. Michael Kors presents distinctive design, materials and craftsmanship with a jet-set aesthetic that combines elegant elegance with a sporty attitude. Michael Kors offers three primary collections: the luxury line of the Michael Kors Collection, the affordable luxury line MICHAEL Michael Kors and the Michael Kors Men's line. The Michael Kors collection establishes the aesthetic authority of the entire brand and is carried by many of our retail stores, our e-commerce sites, and the world's finest luxury department stores. Michael Kors has a strong focus on accessories, as well as offering footwear and apparel, and addresses the significant demand for affordable luxury goods. Our men's business has also been developed in recognition of the significant opportunity offered by the established Michael Kors brand's established fashion authority and expanding men's market. Taken together, Michael Kors collections target a broad customer base while maintaining the premium luxury image.

Jimmy Choo: The Jimmy Choo brand, founded over 20 years ago, enjoys a leading position in the luxury footwear market and an expanding presence in the luxury accessories space. Since its inception in 1996, Jimmy Choo has offered a range of distinctive, glamorous and cutting-edge products, enabling it to develop into a world-leading luxury accessories brand, whose core product offering of luxury women's shoes is complemented by accessories including handbags, small leather goods, scarves and belts, as well as a men's luxury footwear and accessories store. In addition, certain categories, such as perfumes, sunglasses and eyewear, are produced under licensing agreements. Jimmy Choo's design team is led by Sandra Choi, who has been the creative director of the brand since its inception. Jimmy Choo products are unique, instinctively seductive and chic. The brand offers classic and timeless luxury products as well as innovative products designed to create and drive fashion trends. Jimmy Choo is represented through its global network of stores, its e-commerce sites, as well as the most prestigious department stores and specialty stores around the world.

Versace: The Versace brand has long been recognized as one of the world's leading international fashion design houses and is synonymous with Italian glamour and style. Founded over 40 years ago in Milan, Italy, Versace is known for its iconic and unmistakable style and unparalleled craftsmanship. In recent decades, the House of Versace has grown globally from its roots in haute couture, expanding into the design, production, distribution and retailing of clothing, accessories, footwear and household goods. The Versace design team is led by Donatella Versace, who has been the artistic director of the brand for over 20 years. Versace distributes its products through a worldwide distribution network that includes boutiques in some of the world's most glamorous cities and its e-commerce site, as well as through the most prestigious departments and specialty stores around the world. In addition, certain categories, such as jeans, perfumes, watches and eyewear, are produced under licensing agreements.

CAPRI

HOLDINGS LIMITED

Figure 20: Capri Holdings Limited, source: Internet

4.2.2: Acquisitions

Michael Kors[156]: On 31 May 2016 the company acquired 100% of the shares of MKHKL, the Michael Kors licensees in the Greater China region, which includes China, Hong Kong, Macao and Taiwan. The Company believes that having direct control of this business will enable it to better manage opportunities and capitalize on growth potential in the region. This acquisition was funded with a cash payment of $500 million. The Company represented the acquisition as a business combination.

Jimmy Choo: On November 1, 2017, the acquisition of Jimmy Choo was completed, whereby the Company's wholly owned subsidiary acquired all of the shares issued by Jimmy Choo for a total transaction value of US$1.4447 billion, including the repayment of existing debt obligations.

Versace: On December 31, 2018 the company completed the acquisition of Versace for a total company value of approximately US$2,005 billion. The acquisition was financed through a combination of loans under the Company's 2018 Term Loan Facility, designs under the Company's revolving credit facility and cash and cash equivalents. This acquisition has strengthened future growth opportunities while increasing both geographic and product diversification by increasing international presence through the formation of a global luxury fashion

[156] Capri Holdings Annual Report 2018

group, which brings together leading luxury fashion brands. The Versace acquisition is perhaps emblematic of why a conglomerate of fashion and luxury brands has never been created in Italy. The Italian group has, in fact, repeatedly sought to attract the attention of Italian investors or buyers in order to obtain the resources needed to grow and develop the full potential of the brand. Despite this, the group was eventually sold into foreign hands. Versace is only one of the last Italian maisons in a very long series of companies bought by foreigners which, although they have brought the country benefits in terms of employment and investment, have nevertheless marked a loss of identity and culture for Italy which, together with France, represents the cultural cradle of this sector. The lack of conglomerates of the luxury world in Italy, according to the president of Confindustria Moda, Claudio Marenzi, can be explained by the greater link between the Italians and the product, but probably the banking and financial sector has also failed to contribute[157]. However, it must be explained that the acquisition of Versace was not among the best examples of success in this field. Many analysts have, in fact, considered the price paid for the brand to be excessive, especially in light of the brand's weak operating results. This, as we will see later, has not benefited the group from a stock market value point of view.

4.2.3: Business strategy

The company's main objective is of course to continue to create value for shareholders by increasing revenues, profits and strengthening brands through specific strategic initiatives:[158]

- Leveraging the skills and capabilities of the group;
- Continue to leverage the group's expertise in accessories and footwear to fuel growth across the entire brand portfolio, implementing best practices from the core accessories business of Michael Kors and the other Versace and Jimmy Choo brands;
- Prioritize the development of existing e-commerce platforms and omnichannel capabilities for the various brands, leveraging the extensive experience and capabilities in this area. With the addition of Versace, you have a number of opportunities to create long-term operational synergies while combining global expertise and footprint. These synergies will focus primarily on opportunities in the supply chain, information systems, back office support and production;
- Increasing presence in Asia through the group's global diversification through a strong emphasis on the Asian market which has been growing rapidly for years, where each of the three brands is expected to continue to have the potential to significantly increase visibility and market share in the region;
- Integrate Versace and continue to develop the brand's luxury image through a program designed to grow Versace's business in the short term.

[157] ARENA C. Versace acquisito dagli americani di Michael Kors, “Avvenire”, 24 september 2018
[158] Capri Holdings Annual Report 2018

With regard to individual brands, the group has applied various strategies specific to each of them as follows:

Versace:

- Taking advantage of the luxury momentum of the Versace catwalk;
- Improving Versace's powerful and iconic communication messaging;
- Increasing Versace's global footprint through retail stores;
- Accelerate Versace's e-commerce development to create a complete omni-channel experience;
- Expand Versace's men's and women's accessories and footwear businesses while maintaining Versace's influential presence in the Prêt à Porter for men and women.

Jimmy Choo:

- Continue to implement growth strategies for Jimmy Choo with the goal of increasing revenue;
- Expand Jimmy Choo's retail store base;
- Expand Jimmy Choo's retail footprint with an emphasis on growth in Asia;
- Maintaining leadership in footwear for Jimmy Choo
- Accelerate the growth of footwear by continuing to expand the active fashion category
- Increase presence in the accessories category by expanding the breadth of new collection offerings, focusing on visual merchandising and increasing marketing, with the aim of growing the accessories business;
- Build Jimmy Choo's menswear business by expanding the active men's fashion category, increasing the range of accessories, increasing the distribution network and through new marketing initiatives;
- Attract a younger clientele while highlighting new footwear and accessory products, as well as continuing to showcase our luxury women's footwear.

Michael Kors:

- Leveraging the strength of the Michael Kors brand, which remains the foundation for our luxury fashion group.
- Grow the revenues of the Michael Kors brand in the coming years through product innovation, brand commitment and customer experience;
- Pay attention to product innovation by significantly improving innovation in all product categories for the Michael Kors brand;
- Continue to introduce new product groups, as well as unique design, style and craftsmanship for accessories.

- Grow active fashion product offerings and continue fashion innovation for footwear;
- Increase product offerings in menswear, including men's footwear collections..;
- Expand Michael Kors' jewelry collections;
- Involve a growing number of potential customers by leveraging Michael Kors' social media presence;
- Improve the customer experience by expanding omnichannel capabilities;
- Renew stores to be competitive with the competition.

4.2.5: Results and growth

The group has had very uneven growth. However, it must be made clear that the growth until the year 2017 when Jimmy Choo was acquired, the results can only be attributed to the Michael Kors brand which managed to grow exponentially until 2014, then slowing down its growth in revenues in profits and share value. The equity group benefited from the Jimmy Choo acquisition which, over the past two years within the group, managed to grow significantly and almost double its revenues between 2018 and 2019 from US$ 222.6 million in 2018 with a 4.71% share of total revenues to US$ 590 million in 2019 with a 11.2% share.[159] However, the high investments needed to restructure and modernize the Italian brand affected the group's share price, which in 2018 suffered a negative 11.45% drop in its shares.[160] The acquisition of Versace, on the other hand, is a different matter. In fact, in 2019 the brand had a very small impact on the group's revenues with its US$ 137 million which accounted for only 2.6%. In addition, the acquisition was judged negative by analysts and the market due to the excessive price paid for a brand with low profitability. However, we must reflect on the fact that perhaps too little time has passed to make an objective judgment on this acquisition as the group has not yet had the opportunity to invest, restructure and grow the new brand in its portfolio. The group is still not very diversified both at sector and geographical level and it should be considered that the group is still very dependent on the Michael Kors brand, which accounts for 86.1% in 2019. Geographically, the Americas are the main contributor to the group's revenues with 60.74%, followed by Europe and the Middle East with 24.41% and Asia with 14.85%. The group has achieved continuous growth in revenues, however, which was not matched by profits which fell sharply in 2016 and 2017 also due to the substantial investments made. The group, driven by the Michael Kors brand, has however experienced excellent growth since the post-crisis years, from US$ 397 million in 2009 to US$ 5238 million in 2019 with a CAGR of 29.43% per annum in revenues and from US$ 13 million in 2009 to US$ 753 million in 2019 with a CAGR of 50.03% per annum, a result that should be noted, however, is to be referred to Michael Kors alone. From the beginning of 2012, the year of its listing, to 2019 the group recorded a very discontinuous equity performance. From its initial value of US$ 24.1 PS, it peaked in 2014 thanks to continued increases in revenues

[159] Capri Holdings: Annual Report 2018, Q4 Fiscal 2019 Earnings Release.
[160] Jimmy Choo affonda il titolo Michael Kors, “Pambianconews”, 31 May 2018

and profits to US$ 98.46 PS before sinking again in 2017 due to falls in profits to US$ 33.05 PS. By 2018 the group had returned to good levels of growth up to a maximum of US$ 74.81 PS but the acquisition of Versace which was not viewed positively by the market and analysts has again lowered the group's shares to US$ 26.38 PS almost to the initial listing levels. Currently, the group's shares have grown back timidly to US$ 33.39 PS, bringing its CAGR on its shares to around 2.99% per year.

Figure 21: Capri Holdings stock performance, source: Internet

4.3: Mayhoola for Investments

In one of the most peculiar markets for the luxury world there is a new investment fund called Mayhoola for Investments, a Qatari fund supported by the current Sheikh Tamim bin Hamad al Thani and led by the mother of Sheikha Mozah bint Nasser al-Missned.

While the Qatari company, which as mentioned on its official website focuses on local and global investments, may be a name unknown to many is becoming a force to be reckoned with, having acquired the fashion house Valentino from the British private equity firm Permira in 2012 for around US$858 million.[161] At the time there was much discussion about this acquisition as the value seemed excessive compared to the growth prospects of the fashion house but on the contrary after the entry of the prestigious Roman brand within the Qatari group performance has improved significantly.[162] An operation that has been a real success if you consider that since the acquisition the turnover has gone from about 370 million to almost a billion in just 3 years (from 2012 to 2015) also exceeding the expectations and targets imposed by the same company that would have liked to achieve the goal in a longer period of time or 5 years. This has been possible also thanks to the huge investments in retail and the resources that have allowed the brand to achieve excellent results. The result has been an excellent

[161] BOF, Mayhoola: Inside the Secretive Qatari,

[162] BOTTELLI P. Valentino, i ricavi 2015 in crescita record, “Il Sole 24 Ore”, 2 March 2016

operation in which the integration into the group's business has been perfectly successful. In addition to increasing business, the group can now count on the image of a brand with a strong identity, a prestigious image that represents one of the most iconic Italian fashion brands in the world, and a penetration into the European market. Through this acquisition, Mayhoola has made its presence known in the fashion industry.

Together with the purchase of Valentino, which can be considered one of the first and most important purchases of a historic brand of one of the most famous European designers by an investor coming from one of the major emerging economies and in particular from one of the richest states in the world, Mayhoola has also acquired the global license for the Missoni M Missoni line.

In addition, in the same year 2012, the conglomerate acquired a stake of approximately US$33 million in the British label Anya Hindmarch, as well as a 65% stake in Pal Zileri, the Italian menswear brand, for approximately US$145 million.[163]

In 2016, Mayhoola acquired Balmain for around US$563 million: under Mayhoola's supervision, the brand is expected to move into the handbag market and accelerate the expansion of its global network of stores. More recently, the Qatariota group was linked to the Lanvin house which was in serious economic difficulties[164], but the company was later acquired by the Chinese group Fosun International.

As to whether Mayhoola can ever really compete with players of the calibre of the various multi-billion dollar conglomerates that are LVMH, Kering and Richemont seems highly unlikely; much more likely that groups such as Tapestry or Capri Holdings will ever be able to outbid the big giants. Nevertheless, the group's wave of acquisitions is only the beginning of a sustained effort that should only intensify in the coming years, particularly as Gulf companies have identified fashion and luxury as a key arena for investment opportunities.

Figure 21: Mayhoola for Investments brand map, source: Internet

[163] Equitium Qatari Investment Group takes 100% ownership of Pal Zileri,

[164] Luxuo Lanvin acquisition Battle between Qatari Mayhoola and Chinese Fosun,

4.3.1: Results and Growth

As far as the Mayhoola fund is concerned, it is not possible to provide certain data because the group is not listed and its financial data are private. In spite of this, the growth of the group, even if, as already said, it is not even remotely comparable to the results obtained by the players already radicalized in the sector, seems to bode well. This is because the acquisition of Valentino was a success, the brand has managed to grow a lot thanks to the group's resources if you think that between 2014 and 2015 the brand's profits have grown from EUR 664 million in 2014 to about EUR 987 million in 2015 with an increase of about 48%. An extraordinary result especially when you consider that initially the acquisition was defined as too expensive. However, the strategy of the Mayhoola fund is very clear: the ultimate goal is the creation of a Luxury Brand Group that can count on a strong financial structure to grow and compete with the major players. Precisely for this reason, the Qatari fund is thinking of putting Valentino back on the stock exchange with a market share that could go from 25% to 35% for a total value of almost EUR 2 billion. A choice that is particularly shared by experts. In fact, the brand has been placed in 5th place in the "Le Quotabili" classification of Pambianco, which every year analyses the "quotability" of companies in the Fashion, Beauty and Design sectors based on 8 economic and financial factors derived from the financial statements of recent years.[165] The success of the Mayhoola operation and the growth of the brand under its control are further confirmation that by exploiting both financial and managerial resources and at the same time efficiently integrating the brand, the results can be extraordinary.

4.4: Tapestry Inc

In today's dynamic luxury market, in addition to the big dominant players, there are several smaller players who have recently made acquisitions of fashion and luxury brands, successfully completing their growth strategy and achieving superior performance. Among the best in this sense we certainly find the American group Tapestry Inc called until 2017 as Coach Inc. The group has its foundations in the Coach company founded in 1941 on 34th Street in Manhattan, still today the headquarters of the Coach brand, the main brand of the U.S. group. The company grew under the leadership of Mr. and Mrs. Miles and Mrs. Lilian Cahn under whose management the company integrated the initial men's leather accessories business and began to produce and market women's leather handbags that achieved immediate success. The couple, who had owned the company since 1961, later sold it to Sara Lee Corporation. However, the real turning point for the company came in 1996 with the appointment of Lew Frankfort as CEO who gave the creative direction to designer Reed Krakoff who, thanks to his stylistic and commercial intuition, transformed the brand from a small company to a world famous brand. The company was later listed on the stock exchange and officially changed its name to Coach, Inc. in 2000, a name it

[165] Valentino, il fondo Mayhoola studia la quotazione in borsa, “Fashion Network”, 9 October 2015

maintained until 2017 when it was changed to Tapestry, Inc. with the goal of not overly identifying the company with the iconic Coach-branded women's handbags but representing a wider range of products. In recent years the group has expanded thanks to two major acquisitions, the first in 2015 with the purchase of the luxury women's footwear brand Stuart Weitzman for a sum of about USD 574 million[166] from the investment fund Sycamore Partners that had taken over the previous year, the second occurred, instead in 2017 and which concerned the purchase of the leather goods brand Kate Spade managing to win the competition of the Michael Kors Ltd group now known as Capri Holdings Ltd, the main competitor in the race for the award of the brand, and buying it definitively for USD 2.4 billion.[167] The year 2015 also marked a radical change for the company that decided to reposition itself on the market and invest in its restructuring in order to move from a mass market accessories company to a high-end clothing and leather goods company. Thanks to these operations, the group has grown very diversified and expanded its business, which now includes not only women's bags and accessories but also leather goods, men's items such as handbags, leather accessories, shoes, watches, eyewear and ready-to-wear, women's shoes, jewelry, glasses and fragrances.[168] Thanks to these operations, the group has managed to grow a lot in recent years, also managing to position itself in thirteenth place in the ranking drawn up by Deloitte in the report Global Powers of Luxury 2019, which shows that the group has found in 2017 a compound annual growth rate of 14.4% compared to the previous year, a very important growth that stands out compared to the average of the dominant groups, however, being much larger they have more difficulty in achieving very high growth rates. In recent years, in fact, the group has managed to increase its revenues year on year, which have grown by almost 40% since 2015, from around USD 2.9 billion to around USD 4.1 billion in 2019, reflecting the growth in business volumes.

4.4.1 Results and growth

Analyzing the group's revenues, it can be seen that turnover has always grown since 2009, with the exception of the years 2014 and 2015, where net sales have fallen sharply, although it should be remembered that until 2015 they are attributable only to the Coach brand, which in those years had decided to reposition itself totally on the market. The company recorded a CAGR of 6.43% per year on revenues. From the point of view of profits, the situation was quite different. The company has in fact increased its growth in profits up to the year 2013 from US$ 623.4 million in 2009 to US$ 1.034 billion, thus exceeding the US$ billion profit ceiling. Subsequently, in 2015, the company had a sharp slowdown, decreasing its profits by more than 50% in just 2 years, certainly influenced by the acquisition costs and the high costs incurred for the repositioning of the brand as well as the

[166] BOLELLI G. Coach ha acquistato il produttore di calzature di lusso Stuart Weitzman, Fahion Network, 6 January 2015
[167] BOLELLI G. Coach finalizza l'acquisizione di Kate Spade, Fashion Network, 11 July 2017
[168] Tapestry Financial Report 2019

decrease in sales compared to 2014 always had due to the repositioning policy. The company has then timidly returned to grow on profit without ever approaching the years of better performance and even suffering a drastic decline in 2018. In fact, despite having benefited in terms of turnover and sales from the acquisitions made and as claimed by the CEO of the group Victor Luis of the advantages brought in terms of diversification between brands, geographies and categories[169], profits have received a slump also due to the high costs of the acquisition of Kate Spade. On its profits the group recorded an annual CAGR of about 0.32% per year. Similar to what seen for the Capri Holdings group, also for the Tapestry Inc group there is a real driving brand that is the Coach brand that has contributed with its US$ 4.270 billion to about 70.86% of the entire turnover of the group while the other two brands Kate Spade and Stuart Weitzman have contributed respectively 22.68% and 6.46%, a clear sign that the group has yet to integrate and invest in its two peripheral brands.

From an equity point of view, the growth has been very volatile. Since 2009, in fact, where a group share was worth about US$ 14.7 PS reached a peak in March 2012 with a value of about US$77.8 PS in correspondence with the excellent quarterly results on sales and profits. Subsequently, the shares plummeted in 2014 and 2015 due to worse-than-expected performance and then developed more or less steadily up to a present value of US$ 26.76 PS with an annual CAGR on its shares of around 6.17% per year.

Figure 23: Tapestry Inc. stock performance, source: Yahoo Finance

[169] Tapestry a + 31% nel 2018 ma calano gli utili, "MF Fashion", 14 August 2018

4.5 Other actors

In addition to the dominant and emerging groups, however, there are also other players operating in the luxury acquisition market and in particular we find investment funds and private equity funds that in some cases, are able to win brands of absolute value. This has been dictated by several factors such as the excellent growth prospects of the luxury sector in emerging markets, especially in Asia and the Middle East[170], but also in North America and margins and returns higher than in other sectors as well as a general increase in expected demand for fashion & luxury products. In particular, 2018 was a very successful year for M&A operations in the luxury sector with 265 offers closed in 2018 alone with an increase of 47 offers more than the previous year[171]. In particular, there were 11 more deals closed in the Personal Luxury Goods sector, where there is no doubt that the Cosmetics & Apparel sector performed well with 16 more acquisitions, unlike Watches & Jewelry and clothing and accessories, which were down by -1 and -4 respectively; 29 more in the hotel sector, which was the best segment in terms of business growth compared to the previous year, perfectly in line with the expected growth in the entire experiential luxury sector, while there were 3 more agreements in the luxury cruise sector and one more in the Yachts sector.

Overview of deals in 2018 by sector

218[1] Deals in 2017 → 265 Deals in 2018 | +47 Deals

Sector (● Personal Luxury Goods (PLG))	2017	2018	Growth
Apparel & Accessories	77	73	-4
Hotels	46	75	+29
Watches & Jewellery	29	28	-1
Cosmetics & Fragrances	28	44	+16
Furniture	17	14	-3
Private Jets	10	9	-1
Yachts	7	8	+1
Cars (including Electric Cars)	2	6	+4
Cruises	1	4	+3
Restaurants	1	4	+3

Figure 24: Luxury deals overview, source: Deloitte Fashion & Luxury private equity and investor survey 2019

[170] Deloitte Fashion & Luxury Private Equity and Investor Survey 2019
[171] Deloitte Fashion & Luxury Private Equity and Investor Survey 2019

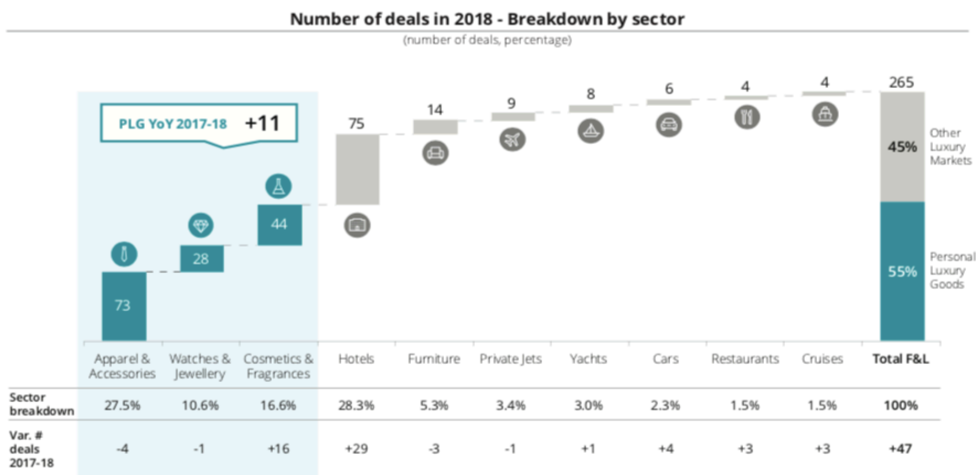

Figure 25: Luxury deals by sector, source: Deloitte Fashion & Luxury private equity and investor survey 2019

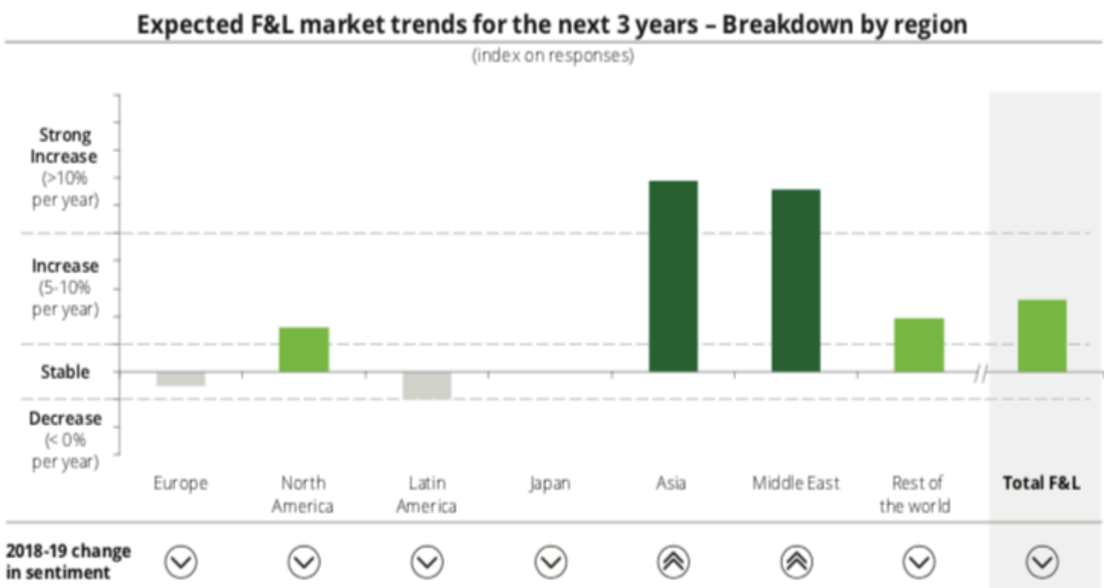

Figure 26: Market trends by region, source: Deloitte Fashion & Luxury private equity and investor survey 2019

For this type of actors, however, the motivations for acquisitions are very different. If, in fact, for luxury groups, the importance of an acquisition is not only linked to increasing their share value and in general to obtaining positive economic effects, but rather, as we have seen, to numerous strategic and also image motivations. For this type of players, however, the objective is only that of investor satisfaction and therefore many brands acquired are considered exclusively as assets to be revalued and, if necessary, sold at a higher price later. Among the recent important acquisitions made by this type of actors we find the acquisition of Roberto Cavalli. The iconic Italian fashion house was in fact recently acquired by Damac Properties, a group based in Dubai that deals with investments in various business areas such as financial markets, real estate, hotels & resorts and that with this operation has officially entered the fashion and luxury market. The group acquired the Florentine fashion house through its private investment company Vision Investments by removing it from the ownership of another private equity fund, the Italian Clessidra. The details of the transaction have not yet been disclosed but rumors suggest that it was a US$ 177 deal that marked an evolution of an already existing relationship as the group was already licensee of the brand for the interiors of its luxury hotels since 2017.

Chapter 5: Future prospects

In this chapter we will analyze what could be the new challenges and new contingencies that luxury groups will have to face, what will be the strategies to use, the sectors in which to concentrate and how will be the competitiveness in the luxury world of tomorrow.

5.1: Future prospects

The luxury industry is going through a rough patch and therefore, before analyzing possible future developments, it is important to stress the connection between ownership and brand identity.

As a result, it can be said that there is no evidence that one ownership status is better suited than another for the development and support of a strong brand identity. The state of identity and ownership has in any case no positive or negative correlation. There is no clear solution that refers to this relationship. In any case, when a new ownership status is achieved, the brand must be prepared for the inevitable consequences and sometimes to change or improve its identity to survive. In this sense, if a brand wishes to maintain its independence and preserve its family status in order to pass on this kind of legacy to consumers, it could choose to remain private.

Another reason is also the desire not to compromise the control of the company. It should be noted that family ownership was the main form adopted by most of the most successful luxury brands, but it is a type of structure that to date seems unsuitable to meet the challenges that the future luxury market will offer. The growing internationalization of the market, its becoming more and more globalized, the pressure of digitization and the need to have the maximum flexibility to diversify with respect to new emerging markets makes it clear that the medium-small business structure model is difficult to maintain if you want to respond efficiently to market demands while the conglomerate structure seems to be able to respond perfectly to these needs.

If a company still wishes to retain its freedom but requires funding to support rapid growth and avoid stagnation, it may choose to become a public company.

Finally, a company could follow the trend to become part of a conglomerate, a choice that, as we have seen, has proved successful both for the acquired brands and for the conglomerate itself, an ownership status that allows for increased stability, financial security, exploitation of synergies (production network, economies of scale and scope) and advantages for brands within its group.

The choice of a certain ownership status should improve and support the development of the brand in each of its components and this is also reflected in the freedom of creativity that characterizes each brand.

The creative director is fully aware of the style codes and is better able to manage the brand identity. This is precisely why conglomerates have often left brands and its creative directors much independence. On the other hand, in certain cases, the freedom to express stylistic change may cease in order to avoid a loss of sales volumes and a decrease in financial results. The fact that the creative director has to communicate his or her stylistic intentions to someone else (the financial market stakeholders or the group's CEO) could slow down radical innovations and changes.

The marketing strategy must support the creative strategy in order to create synergies between them. An imbalance in the relationship between creativity and business could generate an imbalance in brand identity.

The rise of new players is only a sign of the structural changes taking place in the luxury sector. American conglomerates such as Capri Holdings and Tapestry could grow more and more, or Chinese conglomerates such as Fosun International, which is investing heavily in the luxury sector with a diversified portfolio that also includes luxury brands such as Lanvin (its strongest luxury fashion brand), Italian Caruso (men's haute couture), John Knits (US formal women's fashion brand), Tom Tailor (German mass market clothing brand), Iro (ready-to-wear) and Folli Follie (Greek mid-range accessories and jewelry brand).

But before these new conglomerates can compete with French conglomerates there are many key strategies to be undertaken. The competitive advantage of large groups such as LVMH, Kering, is represented by the ownership of historic brands, with a historical background that has established a global reputation among consumers and with a Heritage feature that is impossible to replicate and which is the main reason for the sometimes excessive costs that new players will have to face in order to put historic and iconic brands in their portfolio. These emerging conglomerates that are building their portfolios currently own brands without these competitive advantages. They are seeking to strengthen consistent stories behind individual brands in order to gain credibility and recognition among luxury consumers.

Once again, identity and heritage established over the years are key factors in achieving excellent results in this particular industry. In the end, these elements must always be respected in any form of chosen ownership status, none are excluded. From this discourse derives the fact that the large dominant conglomerates will continue in their successful strategy of growth and consolidation with the strength of having an iconic identity and image in their sector on their side, while emerging groups will have to gradually establish themselves by focusing on iconic brands to increase their portfolio and then try to develop their brands organically to try to compete, as far as possible, with the big players.

5.2: Greater prospects for diversification

The future of many conglomerates and their brands depends on the options they take in terms of diversification and in terms of the correct decision on expansion and resource allocation. The result could be a mix of the following strategies:[172]

- Broaden the diversification base: acquire more business activities which may or may not be related;
- Sell some companies: sell the weak points and concentrate resources in a small selection;
- Restructuring the company's portfolio: sell the weaknesses and finance new acquisitions that are perceived as profitable;
- Multinational diversification: entering other markets.

The vulnerability and elasticity of the luxury sector in terms of potential negative impact due to economic instability and social concerns is a very high risk that all luxury companies face when considering potential business operations, such as:[173]

- Restructuring their portfolio;
- Considering the performance of particular brands in each sector;
- Disposal of an entire sector as part of the future strategy.

In adopting a relative diversification strategy, luxury goods companies must recognize that any decline in consumer spending will hit the luxury goods industry hard. If the economy is in recession, consumer spending falls and non-essential items are often compromised. Performance may have more to do with the health of the global economy.

Indeed, entering new markets or strengthening presence in promising markets such as Asia, and in particular China and India, where GDP is growing strongly and more and more people are ready to spend on accessories and luxury goods, is another ingredient of the strategy that large conglomerates operating in the sector should follow in the future.[174]

Many conglomerates are aiming to register strong growth in their brands and products thanks to their numerous mergers and acquisitions aimed at tackling the negative effects of a recession in the economy, which can adversely affect all sectors of the economy and not just the luxury sector by generating a chain reaction that would significantly reduce the purchasing power of the majority of the population, which obviously tends to reduce, in times of recession and financial and economic crisis, their share of the budget allocated to luxury or non-primary goods in order to focus on those necessary for them and their families.[175]

The main strategy has been for most groups based on a semi-related diversification strategy within the luxury sector itself. However, it should also be borne in mind that the related diversification strategy is not a track that

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[172] Teece, D.J. Business Models, Business Strategy and Innovation. Long Range Plan.
[173] Van Buren, N.; Demmers, M.; van der Hejiden, R.; Witlox, F. Towards a Circular Economy: The Role of Dutch Logistics Industries and Governments.
[174] Johannsdottir, L. Transforming the linear insurance business model into a closed-loop insurance model: A case study of Nordic non-life insurers.
[175] United Nations Environment Programme. Sustainable Consumption and Production. In U. N. Programme, Global ed.; A handbook for Policymaker

should be applied at every stage of the company's life and particularly during the negative phases of the economy.[176]

In order to reduce the risk of underperformance of the luxury industry in times of changing societal tastes, new fashions or a downturn in economic spending, a portfolio diversification strategy must be implemented while at the same time directing a continuous process of balance between strengthening focus and branching out through business building, acquisitions and other related forms of diversification.[177]

Furthermore, a strategy based on diversification must take into account the fact that the market for luxury goods worldwide is no longer confined to the wealthy people of the Western world, or rather the United States and the wealthy nations of Europe, as the emerging nations and economies of Asia and the Middle East experience year after year increasing budgets and purchases of high-end products and services.

In fact, luxury brands must evolve in the search for new strategies based on the fact that market leaders in the United States, France and the United Kingdom are facing a growing rivalry of nations such as Russia, India and China, which with their increased disposable income and investment in emerging markets have a potential future that can determine the future success (or failure) of several companies operating in the luxury sector.

The most important adaptation that established luxury brands need to make, and have largely made, is to shift their offerings to what insiders call accessible luxury. This shift involves high-end brands creating products that are desirable and affordable, enabling consumers in emerging markets to exercise brand awareness and buying power in this new retail sphere.[178]

With consumer spending in emerging markets expected to increase dramatically in the coming years, luxury brands are working to make their products and services more accessible globally, without dampening their offerings and brand ethics taking into account that the Asia-Pacific region will be the largest region in the world for the production and spending of luxury goods.[179]

In fact, in view of the fastest growing emerging markets, India and China have been two of the most dynamic luxury markets in the last decade, growing relatively faster than other emerging and established markets around the world.[180]

While well-known accessible luxury manufacturers, such as the American brand Michael Kors and Coach, have made significant gains in established and emerging markets thanks to their pricing and revenue patterns, the

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[176] Evans, S.; Vladimirova, D.; Holgado, M.; Fossen, K.V.; Yang, M.; Silva, E.A.; Barlow, C.Y. Business Model Innovation for sustainability: Towards a Unified perspective for Creation of Sustainable Business Models.

[177] Teece, D.J. Business Models, Business Strategy and Innovation. Long Range Plan.

[178] Amonini, C., McColl-Kennedy, J. R., Soutar, G. N., Sweeney, J. C. "How Professional Service Firms Compete in the Market: An Exploratory Study," Journal of Marketing Management,

[179] Block, J. H., Fisch, C., Sandner, P. G. "Trademark Families: Characteristics and Market Values," Journal of Brand Management

[180] De Man, A. P., De Man, M., Stoppelenburg, A."The Characteristics of New Business Models in Consulting: An Analysis of Practice," in Academy of Management Proceedings

British fashion and accessories giant Burberry has decided to expand and become the owner of its cosmetics and fragrance ranges in order to capitalize on the promise and opportunity of emerging luxury markets around the world.

Nigeria is one of the fastest growing champagne demand countries in the world, highlighting the evolving landscape of what was once a market dominated by Europe and has now become a global luxury breeding ground. A further example of this shift is the world wine market with Hong Kong considered one of the largest markets in the world for the purchase of high-end wines from France. France and Italy are notoriously the country of origin of the most luxurious brands in the world, but immediately behind them are Asian nations such as Japan, as an expression of a shift towards the East and emerging markets in the luxury sphere.

Buyers in areas with higher disposable income than ever before, Asia, Latin America, Russia and the Middle East, are beginning to take possession of emerging luxury markets and using their new purchasing power to explore iconic cars, haute couture, watches, fashion, wine and high-end hotel services.[181]

Japan, the Asian technology hub par excellence, has now emerged up to twenty years ahead of the rest of the continent in terms of how luxury goods are displayed. In Japan, the consumption of high-end clothing, accessories and technology has moved away from mass consumerism and a preference for the most obvious logos, to the desire for high quality products that reflect their individual personalities and styles, becoming more conscious luxury consumers.

The wealth and ranking of countries around the world are constantly changing and cannot be predicted to a large extent, so it is essential that luxury brands keep pace with global trends and fluctuations in order to prepare their strategy for emerging markets accordingly. One way to monitor and verify the viability of an emerging nation and market from a commercial, or rather sales, perspective is for luxury brands to place their products in general and high-end department stores in selected areas and increase online engagement through multi-channel digital marketing and leave the physical sale of products to a local third party with a deep understanding of their luxury retail climate.

In addition, diversification must be based on the research that high-end brands are already adapting through their offerings in emerging markets year after year to ensure they are up to date with their customers' needs and financial possibilities. Luxury in emerging markets is no longer about planning to open more stores worldwide, but rather about increasing the productivity and profitability of their existing sites.[182]

[181] De Man, A. P., De Man, M., Stoppelenburg, A. "The Characteristics of New Business Models in Consulting: An Analysis of Practice," in Academy of Management Proceedings

[182] De Man, A. P., De Man, M., Stoppelenburg, A, "The Characteristics of New Business Models in Consulting: An Analysis of Practice," in Academy of Management Proceedings,

As well as the already mentioned Russia, India and China, there are other regions, such as South America with Brazil, Chile, Uruguay, or Asia with Malaysia and Indonesia, which are considered as privileged places to take important market shares in the luxury sphere. Other Asian nations have not officially joined the high-end market race but possess and invest enough wealth to justify the emergence of luxury brands in those areas.

The key to successfully expanding luxury brands in these global emerging markets is for companies to understand the fundamental differences between each location, rather than thinking of emerging markets as all the same. Without in-depth analysis, high-end brands can offer stores in unsuitable areas based on superficial market data. For example, the number of millionaires in Western Europe is declining and the number of luxury stores in some areas far exceeds the number of wealthy individuals who can afford those products.

Moreover, in China there are four different types of wealth bands and this is the only emerging market that has a significant female wealth segment, allowing brands to specifically target those who traditionally have influence on their family's spending habits and budgets.

In India, prior to the launch of exclusive shopping malls, luxury brands positioned their stores in expensive hotels where only the rich have access to their products. However, one has to consider that over half the local population barely survives.

As a result, luxury brands in this country and many others must not only diversify in terms of product but also in terms of positioning by adapting their global strategy to enter this emerging market by limiting the positions of their stores only to those areas where the economic possibility to buy certain luxury products is available.

5.3: Luxury Groups and Technology: a possible choice?

The world's luxury goods industry, including fashion, jewelry, handbags and cosmetics, has been on the rise for many years. Luxury goods are considered at the highest levels of the market in terms of quality and price. Being luxury is all based on the perception of being elite and the symbolic value that comes from that status. Creating this exclusivity around the brand means offering something that other brands are unable to provide and restricting the niche segment to meet the expectations of the luxury brand's customers.[183]

In the fashion industry, a world dominated by the perception and power that some brands exert over others, this feeling is vital as brands constantly go head-to-head in an endless battle to emerge at the top.[184]

Technology is certainly playing a vital role in the fashion industry and many well-known high-end brands are investing in artificial intelligence solutions that transform e-commerce and improve the overall customer experience.

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[183] Blázquez, M. Fashion shopping in multichannel retail: The role of technology in enhancing the customer experience. International Journal of Electronic Commerce

[184] Blázquez, M. Fashion shopping in multichannel retail: The role of technology in enhancing the customer experience. International Journal of Electronic Commerce

The main technological trends are reshaping the luxury fashion industry:

- *Customization*: Something most e-commerce companies know is that people like to be remembered. With the help of Artificial Intelligence (AI) and machine learning, many brands like Amazon have offered their users personalized experiences, for example by offering product recommendations based on their browsing and buying behavior. Most consumers prefer companies that customize their experience and as a result will spend even more money when their experience is personalized. However, this means going beyond simply using customer names in emails for advertising and promotional purposes - it means actually paying attention to what they want and offering it strategically in a way that drives them to convert;
- *Merchandising*: Along lines similar to offering more personal experiences, there has been an increase in the number of brands that use artificial intelligence in their merchandising to entice their users to convert, which can be defined as promoting and displaying products by matching them with buyers who are more likely to find them relevant and complete for the purchase. Almost all customers do not like irrelevant content: the visualization of the products they are interested in, unlike those that companies want to promote, is becoming the new norm in the current market; this mechanism is very important for multi-brand e-commerce market players such as, for example, Farfetch.
- *Visual search*: visual search in e-commerce is enabled thanks to image recognition technology that can match the data points of one photo to those of another, thus obtaining an exact or almost exact match. By translating it to consumers, a brand-new search and discovery tool that uses images as input opens up. The best part is that they can not only find products with greater accuracy than before, but also find them at reduced prices. For example, a mobile app feature that allows shoppers to take or upload a photo, and then discover products from their corresponding catalog;
- *Virtual and augmented reality*: Over 90% of luxury sales still take place in physical stores today, yet e-commerce and emerging technology show what the shopping experience should really be like. Luxury and fashion retailers use virtual and augmented reality to engage customers with advanced in-store experiences. An example of this is the Sotheby's auction house that has brought the surrealist masterpieces of its collections to life using virtual reality and creating 360-degree movies visible on YouTube through Google Cardboards that take viewers inside the surrealist paintings included in the auctions.[185]
- *Artificial intelligence at customer service*: Most customer interactions will be managed without the need for a human agent within a few years through AI-based programs and automated operators (robots) who can use machine learning to talk to users by physically residing in the stores and are able to provide 24/7

[185] D'ACQUISTO D. Come i luxury brand stanno utilizzando digital marketing e tecnologia, Ninja Marketing, 16 May 2018

support to customers who need assistance, all without human presence. Luxury brands can use artificial intelligence to provide immediate answers to any questions, recommend products from their catalog or check delivery status, help companies increase engagement and improve customer service in general. Some groups have already decided to invest in Artificial Intelligence, such as the LVMH group, which at its Innovation Award event rewarded the idea of the Heuritech start-up that uses Artificial Intelligence to detect online trends, understanding consumer tastes, which can be useful for retailers working to push appropriate products and content onto their sites.

The digitization of the retail trade has been evolving for some time and it is clear that technology is likely to be the key facilitator of future success in fashion and luxury brands.

Although not all companies have the resources or aspirations to innovate with new product lines, there are other opportunities to reach consumers using technology.

The continued growth of the digital market in the luxury world has led to the emergence of companies specializing in this type of business. A very particular example of success in this sense is given by the company Farfetch. The company was founded in 2007 by the Portuguese entrepreneur Josè Neves with the primary objective of providing a platform to support the e-commerce of various fashion and luxury brands that did not have a strong know-how in the management of their e-commerce allowing these brands to rely on this platform for the online resale of their products. The company has grown a lot in a very short time becoming after only 10 years a real online showcase, a virtual supermarket of fashion and luxury brands that today sells products from over 700 boutiques and brands from all over the world and already listed on the stock exchange in 2018 receiving a valuation of almost US$ 5 billion.[186] The distinctive skills that have helped the company to achieve its great success have certainly been the great attention to the customer experience as well as the great quality in every detail that the customer can achieve throughout its purchase decision journey. The company's particularity, however, lies in another factor. Farfetch, in fact, represents a unique example of a digital company that has become the owner of big brands. Already in 2015, in fact, the company has become the protagonist of the acquisition of Browns[187], the famous luxury retailer in London, very famous and iconic within the British capital, which was purchased as part of a strategy of integration by Farfetch between the online and physical market to achieve the creation of synergies through which retail can support the online with the ultimate goal of obtaining an efficient omnichannel strategy, and in 2017 with the acquisition of Stadium Goods[188] acquired for similar objectives. In recent years, however, the brand has gone further by becoming the owner of some emerging luxury fashion brands. In August 2019, in fact, Jose Neves announced that he had acquired 100% of the Italian New Guards Group, which has been joined several times by

[186] BOLELLI G. Farfetch: verso una valutazione di 5 miliardi di dollari all'ingresso in borsa, Fashion Network, 7 September 2018
[187] Vendetta Retail? Acquisizione Farfetch Browns, Professional Luxury 28 May 2015
[188] Farfetch compra Stadium Goods per 250 milioni di dollari, FashionUnited, 13 December 2018

major luxury groups, in particular LVMH, owner of top brands such as Palm Angels, Marcelo Burlon County of Milan, Heron Preston and Off-White, the fashion label founded by the current Louis Vuitton menswear designer. This was a case of absolute importance as the digital luxury brand became for the first time the direct owner of the brands it previously sold under license.

From the point of view of the relationship between groups and e-commerce, it is interesting to understand what opportunities the technology market can offer. If, in fact, it is true that the process of digitization of the luxury sector is underway, even if it currently affects almost only the category of personal luxury goods, and the growth estimates are encouraging as the online and digital market has gone from 5% to 12% today in 5 years, it is also true that large companies in the sector still look at the technological realities as something absolutely external to their business, with which to create agreements or partnerships but absolutely without imagining a possible incorporation. The only group that has really moved in this direction by acquiring and then creating one of the poles of the digital luxury market is the Richemont group that, as we have previously seen, owns the Yoox Net-a-Porter group while other companies have not distinguished themselves in this sense preferring instead to enter into strategic partnership contracts such as Burberry or even preferring to completely internalize all e-commerce activities such as the Kering group that, after years of strategic partnership with the Yoox Net-a-Porter group, is planning for the near future to move internally under its control all activities related to e-commerce. It is not surprising, therefore, that digital luxury is not yet among the most suitable sectors where to invest and make possible acquisitions, a trend also confirmed by the Deloitte Fashion & Luxury Private Equity and Investor Survey 2019 report, which shows that investments in digital luxury decreased by 9% compared to the previous year, in contrast with other sectors.[189]

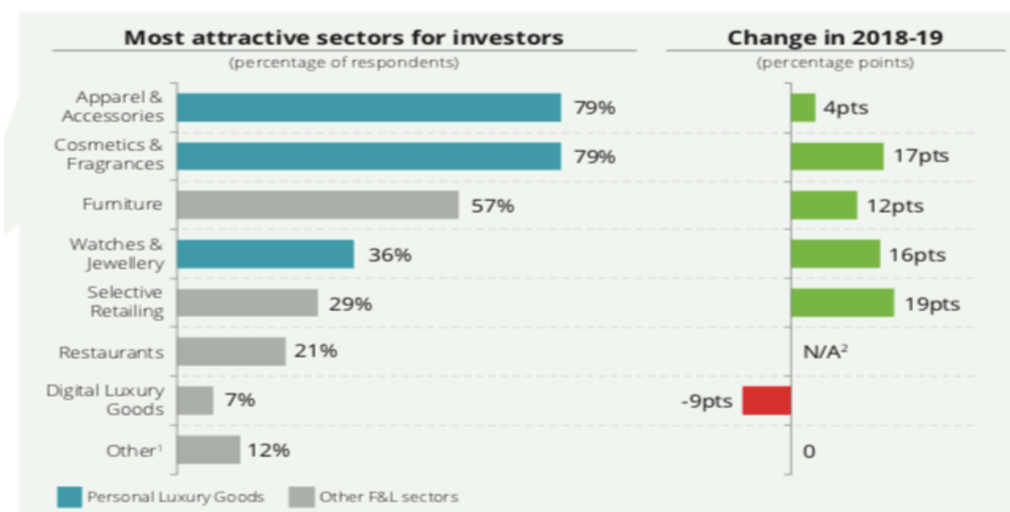

Figure 27: Most attractive sectors for investors, source Deloitte Fashion & Luxury private equity and investor survey 2019

[189] Deloitte Fashion & Luxury Private Equity and Investor Survey 2019

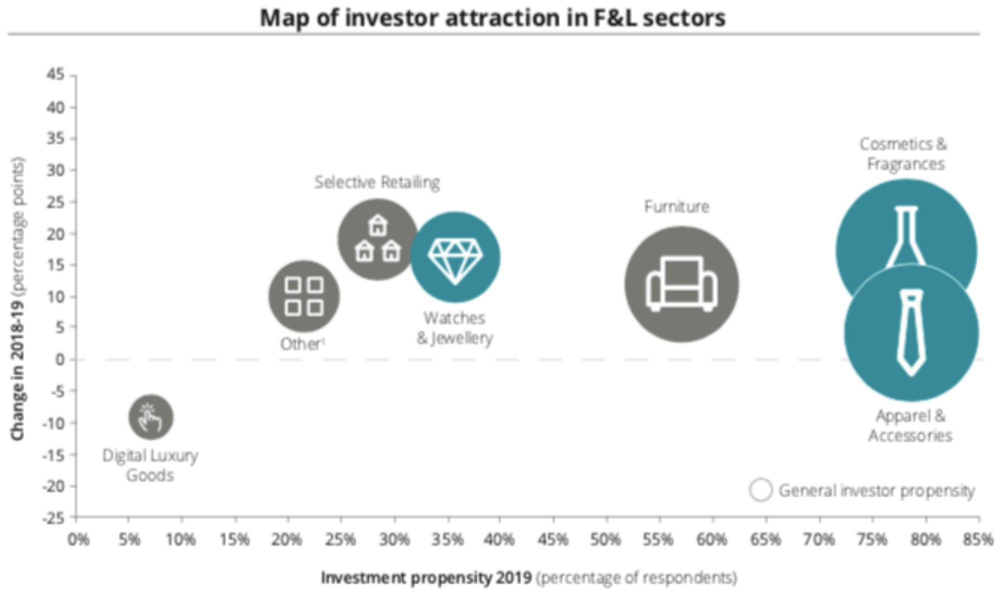

Figure 28: Map of investor attraction, source: Deloitte Fashion & Luxury private equity and investor survey 2019

Concerning Disruptive Technologies, from the report drawn up by Deloitte it can be understood that there are particular technologies where investors appear to be inclined to invest with the aim of implementing potential synergies and pursuing an omnichannel strategy. In particular, in the personal luxury goods sector, the technologies that will have the greatest impact on investors' portfolios are[190] IOT (Internet of Things) with 16%, big data & analytics with 15% that now represent the real future of strategic marketing, artificial intelligence with 14%, Healthtech with 12% and robotics with 11%.

Considering the other luxury sectors, the technologies that will have the greatest impact on investors' portfolios are IOT (Internet of Things) with 18%, artificial intelligence and big data & analytics with 17%, robotics with 12% and blockchain technology with 7%. Looking at this data and what has already been done by some groups such as LVMH, it is very likely that groups will start investing more and more in start-ups or companies in these sectors which, although they are absolutely parallel to the luxury sector, can offer the possibility of developing very advantageous synergies capable of improving and optimizing processes, structures and performance of core businesses.

[190] Deloitte Fashion & Luxury Private Equity and Investor Survey 2019

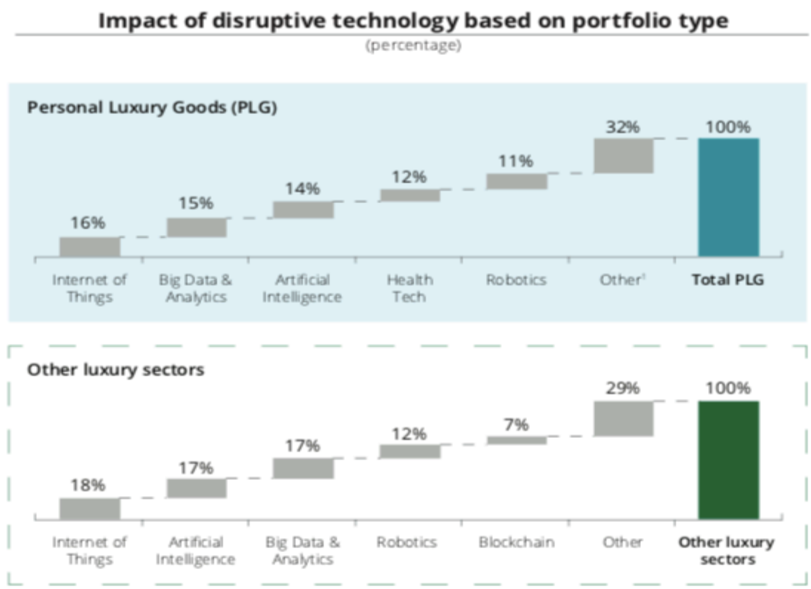

Figure 29: Impact of disruptive technology, source: Deloitte Fashion & Luxury private equity and investor survey 2019

Conclusions

During the course of the work, the concept that the luxury market has undergone a great structural revolution that has led it to become from an initial market made up mostly of family businesses that based much of their security on a trusted, local niche clientele, where the personal element was very important, in an internationalized and globalized market where, although the importance of the history and culture of the brand has remained a fundamental and essential element, the structures and strategies of companies have completely changed and competition has become very different. Today's luxury market is dominated by large conglomerates which, as we have seen, have succeeded, through external growth strategy and a large number of acquisitions and other strategic alliances, to become market leaders, growing more and more over the years in terms of areas of expertise, business volume and corporate value. Outside of large conglomerates, very few players are still able to compete at the same levels as the leaders while still maintaining a predominantly independent corporate structure. In the very small circle it is worth mentioning Chanel and Hermes two brands that, despite having maintained their structure without ever opening up to the possibility of selling majority stakes, have been able to maintain their identity and at the same time grow to become leading competitors of the dominant groups. In particular, Chanel has created the holding company Chanel Limited a few years ago, simplifying and rationalizing the structure of the company while Hermes in the past years had already created a family holding company to better counter the offensive of LVMH and its owner Arnault who, through more or less hidden financial transactions, had reached a stake of over 23%, which after years of struggles and fights had dropped to only 8.5%. The two brands are the only family-owned companies to be among the top ten players in the ranking drawn up by Deloitte. However, there is a specific asset on which these brands have been able to rely in their growth path: Heritage, history and legendary character that these two brands intrinsically possess and that is not replicable and represents one of the most important barriers to entry for the luxury market as well as being one of the factors that differentiate it from other markets.

On the contrary, independent brands that cannot count on such an important and non-replicable asset for the market are bound to suffer more and more. This is because the luxury market today, but even more so that of the future, is much more subject than in the past to external economic contingencies, being a more internationalized and globalized market. In such an environment the factor of efficient diversification both in terms of product and geography has become a key success factor. To understand its importance, it is enough to see how during some difficult times for the luxury market such as the recent events in Hong Kong and even before Paris, which had a shrinking effect on sales and turnover in the luxury market, the players with the highest and most efficient level of diversification were those who were able to respond better to external contingencies and in fact, even among the large groups, those most focused on a sector suffered the most from negative shocks. It is intuitive, therefore, to understand how a large group in this type of context with a highly uncertain character can guarantee greater security to its brands by also taking advantage of the so-called "compensation effect" with leading and more profitable brands that are ready to compensate for any slowdown in the performance of other brands. In addition to this, it is quite clear that in a market that is increasingly dynamic, volatile and subject to change, the resources and investments required to achieve organic growth are increasingly large and often it is not enough just to reinvest revenues, but more and more often it is necessary to use more financial resources and, as is well known, large multinational companies are able to obtain these resources much more easily and at lower costs. In addition to this, it must also be said that a great advantage for multinational groups lies in being able to make the most of the synergies between their brands. While the luxury market of the past had very strong and pronounced boundaries, today's is a market where the boundaries between the various sectors seem much more blurred. In such a context, the possibility of making greater use of synergies, be they skills, production, real estate, financial, distribution or other, and of pooling them for more organic growth, will increasingly be a factor of success.

A partial confirmation of what has been said about the fact that the conglomerate structure is more efficient to operate and compete in the luxury market today and in the future is provided by the analysis of the situation of Italian independent companies in the sector. Italy, in fact, in all its sectors, is mostly made up of small or medium sized companies and of course the luxury sector is no exception, the Italian country is in fact together with France one of the countries with the highest number of producers in the sector. Italian companies have always tried to maintain their individual structure without ever expanding, while as we have seen in France some of the most important dominant conglomerates have developed. The result, however, is that small Italian companies, due to the lack of sufficient resources to invest to ensure organic growth accompanied by various phases of difficulty and periods of low profitability, have become the preferred targets of French groups first and then international ones. The growth figures also confirm the strong differences in performance with a range of differences that has widened considerably, especially in recent years. If, in fact, in the period between 2014 and 2018 the main Italian companies in the sector on average grew in turnover at a rate of 10.6% over the reference period, the average growth of the groups was about 50% over the same period and the profitability data only confirm the gap.

In conclusion, it therefore seems likely that the groups will continue to grow and expand more and more in the luxury market of the future, to the detriment of small and medium-sized individual and family businesses, thus making this market increasingly oligopolistic.

However, strategies will be very different between established and emerging groups. Emerging groups that want to become truly top players in the market will necessarily have to continue in the wake of what has been done by players such as Mayhoola and Capri Holdings, two indirect and not pure players in the luxury market who started their journey in the only way they could. The external growth strategy and direct acquisitions, in this case, represent, in fact, the only viable way. This is because, as already mentioned, identity and heritage are essential and non-replicable components for the luxury market. Emerging groups must, therefore, be efficient in incorporating their portfolio of brands with high historical and image value, even if in difficulty and low profitability, and then exploit the group's resources to guarantee them a marked improvement in performance and sustained growth in the medium-long term.

As far as the dominant groups are concerned, the objective will certainly be to consolidate their advantageous position, but the strategy will no longer be simply to focus on external acquisitions capable of increasing the brands' portfolio. Although, as we have seen, the market for acquisitions in the luxury sector has been extremely flourishing in recent years, the large groups will have the objective of increasing their market share and to do so they will have to use additional strategies: invest in new sectors, apparently parallel to the luxury sector such as, for example, the technological sector, in new business and consumer models such as "luxury as a service" the consumer model based on access rather than ownership which, as we have seen in the initial chapter, is taking more and more market but above all on strategies aimed at penetrating the emerging markets, the real growth engine of the luxury market of the future. In fact, while more mature markets such as Europe, while remaining of fundamental importance, have stabilized on flat growth, the major emerging markets such as China, for example, still have a very high untapped potential. Part of the investments of the major groups that are already leaders in mature markets should therefore be directed towards trying to expand as much as possible the portion of clients reached in the major emerging markets in order to gain an advantage and leadership position in the higher potential luxury markets of the future and to do so they will have to differentiate their strategy according to the different markets and invest more and more to develop strategies and "ad hoc" skills to penetrate the different emerging markets avoiding, instead, to use the same strategy for all markets.

It is plausible to expect that these investments, in an increasingly dynamic luxury market, will be increasingly large and expensive, and this feature will only widen the performance gap between individual companies and large groups with the former suffering more and more to ensure sustained growth, while the latter will be able to take advantage of the difficulties to gain more and more power within the market.

Summary

The luxury market has evolved radically throughout its history and has undergone many changes. However, the luxury market has undergone a radical structural change, above all with the development and affirmation of the so-called conglomerates that have transformed it from a market made up of numerous family-owned companies that, except in rare cases, were no larger than medium size, into a market increasingly oligopolistic in nature dominated by large multinationals called luxury groups that bring together under their own power dozens of different brands belonging to different sectors of the luxury world.

During the course of the last 10 years, these large companies have each taken more and more power in different ways, becoming bigger and bigger and representing the most important players in the luxury world. All the most important players, however, share the same basic strategy: to pursue external growth strategies through continuous acquisitions, expanding and, at the same time, diversifying and ensuring a continuous increase in the value of the brands owned.

The aim of this work is to analyze the importance and key role that these groups have played in the development, evolution and growth of the luxury market with the aim of demonstrating how this structure has been ideal both for the stability and growth of the controlled brands and for the development of the entire market and will continue to do so in the future.

The development and strategies of the main dominant groups and the most promising emerging groups will be analyzed, focusing mainly on the growth strategies used and preferred business models, the most significant acquisition operations that have allowed these players to develop so strongly and the future prospects in this area, trying to understand where the groups will direct their investments and how the acquisition market in the luxury sector will evolve.

Finally, we will try to understand if the structure of the groups can represent a winning and successful model for the future both of the brands and of the entire market in terms of stability, risk reduction and performance optimization. We will analyze the prospects both for the dominant groups, eager to continue to grow, consolidating their leadership position, and for the emerging ones, eager to gain their own market share and then compete with the leaders in what could, therefore, become an increasingly oligopolistic market.

To explain the great success achieved by the large luxury conglomerates, it is necessary, in a preventive manner, to analyze the most important characteristics of today's luxury market, the most important factors of its evolution that have radically changed it from the past.

Over the last few years it has become, in fact, much more internationalized and globalized and its growth has been mainly supported by emerging markets rather than mature ones. Moreover, it is a market that has strongly depersonalized compared to the past thanks to the advent of new technologies, the growth of the rate of digitization, and the expansion of the value of the online market.

Over the last few years, the growth of the luxury market has been brought about mainly by those economies that in the past represented a small marginality of the market. Especially the Asian market and its consumers who have been the real drivers of the luxury market with a growth of almost 50% in the last year are strongly influencing the dynamics of the sector. To understand the importance of the Asian market within the current luxury market just think about the consequences that the recent events that shook the city of Hong Kong, one of the symbols of the Asian luxury market, have caused, consequences that have been strongly felt by the companies of the luxury market that had to counter a sudden negative shock in sales.

What has certainly changed the rules of the market was also the strong digitization process that has allowed the online market to become a truly important component in the sector with continuous growth in recent years that has led companies to invest heavily in new technologies and new strategies to improve and maximize the digital experience of luxury consumers.

The market has therefore become extremely more dynamic and subject to sudden changes than in the past and competition has become increasingly complex and articulated. The luxury market has, in fact, by its very nature, the ability to make market returns vary exponentially in both positive and negative, amplifying both growth rates in the case of periods of expansion, and degrowth rates in the case of negative shocks. In this market, which is profoundly different from the past, it has become increasingly difficult and complicated for brands, even historical brands, to ensure their survival and growth in a market that requires ever greater investment in communication, marketing, distribution and retail, as well as needing strategies to reduce the risk associated with external economic contingencies and negative shocks.

In this type of context, the difference in performance between the two models of companies that distinguish the luxury market has become increasingly acute. On the one hand, sole proprietorships, often majority family-owned, have distinguished the luxury market of the past, which was mostly composed of this type of companies that could count on a stable, trusted and niche clientele, and on the other hand, multinational conglomerates, the real protagonists of the luxury market in recent years, have continuously incorporated more and more brands into their portfolios, guaranteeing them security and stable growth, while at the same time acquiring an increasingly dominant position in the entire sector.

In order to understand why these groups have managed to become so important within the market, their strategy focused above all on external growth through mergers, acquisitions and strategic alliances that have allowed them to expand rapidly and organically, and then the performance of the main dominant groups and the most active emerging groups was analyzed in terms of growth both in terms of turnover, in terms of share value and in terms of achieving strategic objectives.

As we have seen in the work, there are numerous motivations that have driven the groups towards the external growth strategy and there are also different objectives pursued according to the strategy pursued by each group. For different strategic objectives there are in fact different types of mergers and acquisitions:

- Horizontal mergers and acquisitions: two companies that are in direct competition and share the same product lines and markets: in this case the objective pursued is above all to achieve economies of scale or scope or to acquire greater market share in the reference business and ultimately increase their market power;
- Vertical mergers and acquisitions: a customer and a company or a supplier and a company, in this case the objective pursued is to achieve vertical integration upstream or downstream in order to have greater control in the production chain, the objective is to obtain a greater market share in that
- Concentric mergers and acquisitions: two companies serving the same consumer base in different ways, normally companies have at least one product line in the same product category, the objective is to achieve a higher market share in that particular category.
- Mergers and acquisitions by market extension: two companies that sell the same products in different markets;
- Mergers and acquisitions by product extension: two companies selling different but related products in the same market;
- Conglomeration: two companies that do not have common business areas, in this case the primary objective is diversification, which can be at a sectoral level when the businesses are completely different from each other, or at a geographical level when the businesses are similar but have different areas of geographical influence.

The advantages associated with this type of growth strategy are different and are associated with the efficient integration of the companies involved in the acquisition or merger. The most efficient advantages for the acquiring groups are certainly:

- the possibility to exploit the image of the acquired brands;
- the increase of its market share in a given sector;

- the possibility to exploit the distinctive skills of the acquired brands, especially when they are difficult to replicate;
- the possibility of exploiting synergies in terms of skills, production, real estate, financial, distribution or other areas;
- the possibility to benefit from economies of scale and scope;
- the possibility of obtaining benefits in terms of integration and control over the production chain;
- the possibility of diversifying into different sectors, categories or geographical areas with the result of greatly reducing the risks associated with external economic contingencies which, as will be seen in the work, are increasingly present in a luxury market that has become globalized and internationalized.

As far as the acquired brands are concerned, the advantages are obviously present in terms of stability and greater financial capacity, but the advantages deriving from the possibility of being able to exploit the different knowledge and skills brought by the group's management as well as benefiting from synergies with the different brands in the portfolio and with the group itself should not be underestimated. All this leads to stable and organic growth for the brands.

Many factors must also be taken into account in the course of a merger or acquisition process. One of the major problems with these transactions is to integrate the management and/or executives of the merged or acquired companies so that the transaction is profitable.

In addition to mergers and acquisitions, there are other operations that groups have put in place to grow and increase their businesses, so-called strategic alliances. Strategic alliances are agreements between different companies in pursuit of common goals. They can have a high or low level of integration between the collaborating companies and the motivations for their use are mainly to exploit complementarities of resources and capabilities between different companies, to save on investments or to reduce the risk associated with a project such as a Joint Venture.

To study the increases in performance and growth of luxury groups in recent years, we examined 6 of the 10 major players in the luxury market according to the ranking drawn up by Deloitte in its Global Power of Luxury Goods 2019 report and the most active emerging groups, i.e. those players that have only recently started their external growth path.

LVMH

The first group analyzed is the one that undoubtedly represents the most successful player in the luxury market. The LVMH group is in fact the perfect example of success in this field having managed to become a giant owner of 75 perfectly integrated brands that have made possible a high level of diversification both geographical and category. The group, in fact, was born as a merger of the two brands Louis Vuitton and Moet Hennessy and has diversified into different areas ranging from clothing and leather goods, jewelry and watches, perfumes, wines and spirits and luxury hotels and resorts, a rapidly growing sector like all those belonging to the experiential luxury in which the group is recently investing heavily. Some of the group's most recent and important operations have been:

- Bulgari in 2011: The acquisition of Italy's iconic jewelry is crucial from a strategic point of view. In fact, it has allowed the group to acquire a strong position in the jewelry market and to greatly increase its visibility and the quality of its portfolio by taking over one of the most iconic and high-quality brands in the jewelry market.
- Belmond Group in 2019: In April 2019 the LVMH group finalized the acquisition of the Belmond luxury hotel group for a total value of $3.2 billion. With this operation the group aimed at strengthening and consolidating its position in the luxury hotels segment, a segment where the Cheval Blanc brand was already present in addition to the management of the Bulgari brand facilities.
- Tiffany & Co in 2019: In November 2019, LVMH acquired the Tiffany & Co jewelry house for US$ 16.2 billion. This acquisition is very important from a commercial and strategic point of view. Through this transaction, the group has secured a leading position in the jewelry market by acquiring an iconic company in the industry to complement the other giant already present: Bulgari. In addition, the group has secured a stronger penetration of the American market by strengthening the group's presence in the United States. The success of LVMH is also to be found in the perfect management of the brands that have been acquired throughout its history. The group, in fact, has always left a certain autonomy and independence towards the acquired brands, integrating them perfectly into its portfolio without denaturalizing their nature or distinctive features and, on the contrary, enhancing and enhancing them to the best advantage. For its part, the group has obviously provided resources, managerial skills, communication, distribution and management know-how, creating effective synergies over time that have constantly increased the value of its brands.

The group has achieved an excellent level of differentiation both in terms of sector and geography, as can be seen from the 2019 annual report, the sectors in which the group operates have all grown without exception. The largest revenues come from the Asian market, which accounts for 37% of the group's total revenues (7% from Japan alone), an indication of how the group has managed to penetrate in a formidable way the most expanding market in the sector, followed by Europe, which accounts for 28% (of which 9% from France alone) and the United States, which accounts for 24%, which is expected to perform better and better in the coming years, thanks in part to the acquisition of the Tiffany & Co. group. From the point of view of revenues, the results are extraordinary. Growth has been rather flat until 2014, rising from EUR 17 billion in 2009 to EUR 30.6 billion in 2014 before starting a surprising growth to EUR 53.6 billion in 2019 with an annual CAGR of 12.15% per year of revenues. This growth in revenues has also been matched by a huge growth in profits, which have grown every year since 2009, with the exception of 2014 also due to the huge investment made for the almost total acquisition of the Loro Piana brand. The group increased from EUR 3.3 billion in profits in 2009 to EUR 11.5 billion in 2019 with an annual GAGR of 13.12% per year on its profits.

From a general equity value point of view, the group has shown excellent growth. Suffice it to say that in the years following the crisis, i.e. 2008/2009, the value of one LVMH share was worth around EUR 46 PS, while today a group share is worth EUR 407,6 PS with a CAGR of around 21,94% per year. To date, the total value of the shares is EUR 205,1 billion. Growth has generally been steady and remained stable from 2009 to mid-2016 while it has risen rapidly from 2016 onwards.

KERING

The second group analyzed is the French group Kering, previously known as PPR and born as a group generally differentiated in retail growth and subsequently became a player in the luxury sector in 1999 with the acquisition of the Gucci group. Some of the most recent and important acquisitions of the group have been:

- Boucheron in 2000: The group acquired a 100% stake in the French jewellery and watch house Boucheron in 2000 from the Swiss owner Schweizerhall Holding AG for approximately US$145 million. With this acquisition, the group wanted to diversify into a new sector, jewelry and watches, with the aim of adding a new segment to its portfolio.
- Puma in 2007: Kering achieved new growth in 2007 with the acquisition of a controlling interest of 27.1% in the German multinational sports and lifestyle company Puma for 5.3 billion euros, followed by an increase in the stake to 62.1% upon completion of a takeover bid. The acquisition in this case aimed to bring the group into a totally new segment, that of sport and lifestyle, and to enter into a business parallel to its core business with the aim of diversifying its brand portfolio.
- Qeelin in 2012: In December 2012, Kering announced the acquisition of a majority stake in the Chinese fine jewelry brand Qeelin, founded in 2004; the acquisition in this case has a character of strong geographical diversification as the group has secured a stronger penetration in the Chinese market thanks to the acquisition of one of the most refined brands in the country, which therefore pushes the group to a strong increase of its presence and image in the Chinese market.

- 2013: Pomellato - In 2013, Kering acquired a majority stake in the Italian jewelry company, Pomellato, founded in 1967. The acquisition of the important Italian brand further enhances the group's presence in the jewelry sector, complementing the department with the French brand Boucheron and the Chinese brand Queelin, greatly strengthening the group's position in this sector.

The strategy that the Kering group has pursued in its external growth strategy with its numerous acquisitions has always been to become a leading player in the luxury sector by concentrating its activity mainly on the clothing and leather goods segments and subsequently diversifying into the jewelry and watchmaking sector. The initial strategy of diversification in the sports & lifestyle sector was then abandoned to concentrate its resources solely on the luxury sector.

The group does not appear to be strongly differentiated at sector level, operating mainly in the personal luxury goods sector, particularly in clothing and leather goods, jewelry and watchmaking, as well as the eyewear division. From a geographical point of view, the group achieved an excellent level of diversification, generally following market trends. In fact, the figures show that about 40% of revenues come from the Asian continent (of which 8% from Japan alone), the largest contributor, followed by Europe with 33% and North America with 20%.

At the equity level, the group has managed to grow a lot. Since the post-crisis years when a group share was worth about EUR 42.5 PS, today one share is valued at about EUR 573 PS, reaching a peak of EUR 610 PS, with a CAGR of about 26.68% per year. Growth remained stable until the end of 2016 while since 2017 it has received a significant upward push thanks mainly to the performance of its most important brand Gucci, which rose from around EUR 3.5 billion in 2014 to around EUR 8.3 billion in 2018 contributing in the same year about 80% of the group's revenues.

RICHEMONT

The Richemont group in its acquisitions has always followed the objective of focusing on the jewelry and watch market and has become the leading group in this sector. In addition, it has extended its activity on several levels in the sector by integrating vertically, thus becoming an absolute dominator, being able to count not only on many prestigious brands but also on direct producers, thus maintaining a high level of control and reducing risks. The group has therefore preferred a strategy with a lower level of diversification, concentrating mainly on a single product category. In spite of this, however, the group, in contrast to the previous trend, has expanded its turnover by entering the digital commerce sector, effectively managing to include in its portfolio one of the main and most renowned players in this market.

From a geographical point of view, the Richemont Group also appears to be in line with market trends. The Asian market is the largest contributor to the group's revenues with a contribution rate of 46% (of which 8% from Japan alone), followed by Europe at 29% and the Americas at 18%.

From an equity point of view, the group has grown steadily. It has sustained a good level of growth from the post-crisis years when one group share was worth around CHF 20 PS until mid-2015, a period in which the group's shares also peaked at around CHF 94 PS, with strong increases in 2010, 2012 and 2015 also thanks to the acquisition of the Net-a-Porter.com portal and the subsequent merger with e-tailer Yoox. Since 2015, growth has been uneven with downward spikes in 2016, 2017 and at the end of 2018 due to negative performance. In particular, the sharp drop in sales and profits in 2016 pushed owner Johann Rupert to revolutionize the company by making drastic changes in management and simplifying management structures to have more flexibility and make the most of synergies between the various brands. A negative performance that did not discourage the group which, confident of its future performance and perhaps already aware of the excellent increase in performance following the entry in the balance sheet of the proceeds that would have occurred after the effective incorporation of the Yoox Net-a-Porter group, proceeded to a buyback of 10 million shares in 3 years equal to 1.7% of the entire share capital of the group, also giving a signal to the market that its stock was valuable and that the market was undervaluing it. However, the turning point was near and the year 2019 was the year of great growth with the group which brought its turnover to EUR 13.9 billion and doubled its profits to EUR 2.79 billion. And so, the success of the buyout transaction made 3 years earlier has its results. The group itself explained in a note in the margin, that half of the profits are due to the revaluation of Yoox Net-a-Porter shares already held before the full acquisition of the group, in addition to the increase in turnover thanks to the differentiation in the online sector and the entry in the balance sheet of revenues from online distributors amounting to EUR 2.10 billion. Thanks to this excellent performance, the group once again grew to an equity value of around CHF 76 PS, with a CAGR of around 12.90% per year.

LUXOTTICA (from 2018 ESSILORLUXOTTICA)

Luxottica's primary strategy has been to specialize solely in the eyewear sector, becoming a leading player in the production and distribution of eyewear. Thanks to its numerous operations, Luxottica has become the owner of numerous iconic brands in the sector as well as underwriting a large number of licenses with brands of absolute value in the world of fashion and luxury to ensure the possibility of developing the eyewear division of each partner brand as well as securing exclusivity on the production of frames. This has certainly ensured a strong advantage for the group, which has been able to count on the strong brand image and the recognition of the brands with which it has signed the agreements, acquiring more and more advantages from a commercial point of view.

On the other hand, it has also created value for the various brands that goes far beyond the simple granting of royalties thanks to its strong distribution network that has allowed the eyewear division to perform excellently for these brands. The company has also operated a very aggressive distribution strategy. In fact, since the 1990s, it has always sought to acquire more and more of the world's leading eyewear retailers in order to have more control over the brands sold within retailers and thus be able to privilege its own brands, such as LensCarfter, the largest chain of retailers in the United States, bought in 1995 and filled with the group's own brands at the expense of sales by competitors such as CustomOptical, which went bankrupt in 2001. Another example is Sunglasses Hut bought in 2001, previously one of Oakley's leading retailers, which later abounded in the sale of the brand which was later acquired by Luxottica itself. Thanks to these numerous successful operations and its strategy, as well as an exponential growth in the eyewear sector and, in particular in recent years, the transition of eyewear from a health tool to a fashion accessory, the Italian group has ensured constant and organic growth that has enabled it to become the leading Italian company in the fashion industry in terms of turnover.

From a geographical point of view, the group appeared to be little different with 58% of revenues coming from North America alone, the largest contributor in absolute terms, followed by Europe with 21% and Asia with 13%.

In 2018 the merger between Luxottica Group and the leading company in the ophthalmic lenses sector Essilor International took place and the merger figures were initially very impressive. It was, in fact, one of the largest mergers in Europe that led to the creation of a huge company with a capitalization of EUR 57 billion, a turnover of EUR 16 billion and a strategic position of absolute dominance, so much so that some experts speak of a position at the limits of the monopoly that would allow the group to impose prices at will, a position that would harm not only competition, but also consumers. The new company, however, had to face problems immediately. From an equity point of view, in fact, the newborn group suffered a sharp drop in its value in March 2019 following news of strong disagreements between the two owners of the two companies representing the group on the new management of the company. The shares in fact went from an initial value of about EUR 127 PS in October 2018 to a minimum peak of EUR 96 PS going to demonstrate one of the main problems of mergers and acquisitions that is the importance in the integration of business, management models, culture and management of the company. On the one hand there was the difference between Luxottica, which has a top management and competitive culture, and Essilor, which is more traditional and collective, and on the other hand there were the problems related to the new managerial structure and to the individuals assigned to power positions. The group then returned to growth in the following months, suffering a small drop in December 2019 following news that saw the group and in particular its subsidiary Essilor involved in a case of financial fraud at a plant in Thailand.

THE ESTEE LAUDER GROUP

The leading cosmetics group, Estee Lauder, has followed a strategy similar to that of the Luxottica group by focusing on a single sector, that of cosmetics, through direct acquisitions also aimed at vertical integration in the production process, direct acquisition of potential competitors' brands with the aim of acquiring more and more market power as well as numerous licensing agreements with numerous brands to manage the cosmetics and perfumes division. It is important to note, however, that this type of operations is only feasible for certain product categories which for luxury brands are of secondary importance, in cases in eyewear and cosmetics/ perfumes analysis. This is because for luxury brands these product lines are far from the core business and represent the result of a brand stretching strategy implemented to promote the brand's exposure to the mass market and create product lines that are accessible to more or less everyone. In this way luxury brands use these accessible lines mainly as exploratory products, to let new customers discover and communicate the identity and strong brand image with products that represent the most accessible segment of the various brands.

The group is obviously focused on the cosmetics sector and has never focused on industry differentiation. Geographically, on the other hand, the group is well differentiated with revenues that are widely distributed around the world. The Americas contribute about 31.8% of the group's revenues, Europe, the Middle East and Africa contribute 43.4% while Asia Pacific contributes 24.7%.

Revenues have grown year on year since the years after the crisis except in 2015 when there was a small decline from US$ 7.3 billion in 2009 to US$ 14.86 billion in 2019 doubling its revenues with a CAGR of 7.33% per year. Against this increase in revenues there was a very high increase in profits from around US$ 219 million in 2009 to around US$ 1.78 billion in 2019 with a CAGR of 23.29% per year. Also, from an equity point of view, the group has grown significantly with values rising from around US$ 15.28 PS at the beginning of 2009 to US$ 196.18 PS at the end of 2019 with a CAGR of 26% per year.

SWATCH GROUP

The Swatch Group, as can be seen from its most important operations, has pursued a strategy of focusing on the watchmaking sector but differentiating its product lines and thus operating in different segments of the watchmaking industry. In fact, the group offers different product lines even if they belong to the same product category and in fact, like the Estee Lauder and EssilorLuxottica groups, it is not a pure player in the luxury world. The lines that appear in the group include luxury brands such as Breguet, Henry Winston and Omega, premium brands such as Longiness or Union Glashutte, mid-range brands such as Balmain or Calvin Klein watches and low-end brands such as Swatch and Flick Flack. The group has also pursued a vertical integration strategy by acquiring, over the years, several companies manufacturing mechanisms and key parts of its products with the aim of gaining greater control over the production chain. Through this strategy, the group has become the sole producer of all the components for the manufacture of watches that are then marketed through its own brands and has become one of the main suppliers to the entire Swiss watch industry.

The Swiss group is the one that has had the most unstable trend among the large groups. In fact, growth has been very uneven with continuous increases and decreases. Analyzing net revenues, it can be seen that the group, from the years following the crisis, grew uniformly until 2014, when the group's shares reached their highest historical levels, then fell drastically in the following 2 years and began to grow again in 2017 and 2018. The group's annual CAGR of revenues was 5.12% per year with net sales increasing from CHF 5.14 billion in 2009 to CHF 8.47 billion in 2019. The group has certainly suffered from its strategy of strong verticalization and focus. In fact, the group's revenue comes almost exclusively from the watches & jewelry division, which has suffered a downturn both in the group's luxury range, as for example for brands such as Omega and Breguet, a downturn also suffered by the Richemont group during the same period, and in the smaller segments that have been affected by the strong commercial development of smartwatches. Analyzing the profits, we can see a similar situation with a strong growth from 2009 to 2013, as opposed to an inexorable decline until 2016 followed by a small growth in 2017 and 2018 with an annual CAGR of about 1.29% with profits rising from CHF 763 million in 2009 to CHF 867 million in 2019. From a geographical point of view the group seems well differentiated even if precise data are missing. In the last year, growth rates were seen in Asia in both direct and wholesale retail and e-commerce, in Japan the group was able to gain further market share, in the Americas there was a positive trend in sales, while Europe performed in contrast: on the one hand, good performance in Great Britain and Switzerland and on the other, negative performance in France also due to protest demonstrations in the French country during 2018. From an equity perspective, the group also performed very unevenly, with periods of upturns in 2009, 2012, late 2016 and early 2018 and downturns in 2014, 2016, mid-2018 and late 2018. From 2013 to 2019, growth was intermittent with a peak in 2016 with the shares falling to CHF 252 PS and rising again to CHF 493.5 PS before falling again to today's value of CHF 253.9 PS. The group thus achieved an annual GAGR on its shares of 5.36% per annum, also a much lower result compared with the averages of the other groups.

CAPRI HOLDINGS LIMITED

The first emerging group that has been analyzed in the work is the American group previously known as Michael Kors Limited.

In addition to the famous brand Michael Kors the group has acquired:

- Jimmy Choo in 2017 for US$1.35 billion.
- Versace in 2018 for US$ 2.05 billion

The group has had very uneven growth. However, it must be made clear that the growth until the year 2017 when Jimmy Choo was acquired, the results can only be attributed to the Michael Kors brand which managed to grow exponentially until 2014, then slowing down its growth in revenues in profits and share value. The equity group benefited from the Jimmy Choo acquisition which, over the past two years within the group, managed to grow significantly and almost double its revenues between 2018 and 2019 from US$ 222.6 million in 2018 with a 4.71% margin on total revenues to US$ 590 million in 2019 with a margin of 11.2%. However, the high investments needed to restructure and modernize the Italian brand have affected the group's share price, which in 2018 fell by 11.45%. The group is still not very diversified both at sector and geographical level and it should be considered that the group is still very dependent on the Michael Kors brand, which accounts for 86.1% in 2019. Geographically, the Americas are the main contributor to the group's revenues with 60.74%, followed by Europe and the Middle East with 24.41% and Asia with 14.85%. The group has achieved continuous growth in revenues, however, which was not matched by profits which fell sharply in 2016 and 2017 also due to the substantial investments made. The group, driven by the Michael Kors brand, has however experienced excellent growth since the post-crisis years, from US$ 397 million in 2009 to US$ 5238 million in 2019 with a CAGR of 29.43% per annum in revenues and from US$ 13 million in 2009 to US$ 753 million in 2019 with a CAGR of 50.03% per annum, a result that we would like to point out is to be referred to Michael Kors alone. From the beginning of 2012, the year of its listing, to 2019 the group recorded a very discontinuous equity performance. From its initial value of US$ 24.1 PS, it peaked in 2014 thanks to continuous increases in revenues and profits to US$ 98.46 PS before sinking again in 2017 due to falls in profits to US$ 33.05 PS. By 2018 the group had returned to good levels of growth up to a maximum of US$ 74.81 PS but the acquisition of Versace which was not viewed positively by the market and analysts has again lowered the group's shares to US$ 26.38 PS almost to the initial listing levels. Currently, the group's shares have grown back timidly to US$ 33.39 PS, bringing its CAGR on its shares to around 2.99% per year.

MAYHOOLA FOR INVESTMENTS

Mayhoola for Investments is a Qatarita fund supported by current Sheikh Tamim bin Hamad al Thani and led by the mother of Sheikha Mozah bint Nasser al-Missned.

Among the most important acquisitions of the group is certainly the acquisition of Valentino in 2012.

At the time there was a lot of discussion about this acquisition as the value seemed excessive compared to the growth prospects of the maison but on the contrary after the entry of the prestigious Roman brand within the Qatar group performance improved significantly. An operation that has been a real success if you consider that since the acquisition the turnover has gone from about 370 million to almost a billion in just 3 years (from 2012 to 2015) also exceeding the expectations and targets imposed by the same company that would have liked to achieve the goal in a longer period of time or 5 years. This has been possible also thanks to the huge investments in retail and the resources that have allowed the brand to achieve excellent results. The result has been an excellent operation in which the integration into the group's business has been perfectly successful. In addition to increasing business, the group can now count on the image of a brand with a strong identity, a prestigious image that represents one of the most iconic Italian fashion brands in the world, and a penetration into the European market.

As far as the Mayhoola fund is concerned, the growth of the group, although as already mentioned, is not even remotely comparable to the results obtained by players already radicalized in the sector, seems to bode well. The strategy of the Mayhoola fund is, however, very clear: the final objective is the creation of a Luxury Brand Group that can count on a strong financial structure in order to grow and compete with the major players. Precisely for this reason, the Qatari fund is thinking of putting Valentino back on the stock exchange with a market share that could go from 25% to 35% for a total value of almost EUR 2 billion. A choice that is particularly shared also by experts. In fact, the brand has been placed in 5th place in the "Le Quotabili" classification of Pambianco, which every year analyses the "quotability" of companies in the Fashion, Beauty and Design sectors based on 8 economic and financial factors derived from the financial statements of recent years.

Today's luxury market is dominated by large conglomerates which, as we have seen, have succeeded through external growth strategy and a large number of acquisitions and other strategic alliances, to become market leaders, growing more and more over the years in terms of areas of expertise, turnover and corporate value.

Outside of large conglomerates, very few players are still able to compete at the same levels as the leaders while still maintaining a predominantly independent corporate structure. In the very small circle it is worth mentioning Chanel and Hermes two brands that, despite having maintained their structure without ever opening up to the possibility of selling majority stakes, have been able to maintain their identity and at the same time grow to become leading competitors of the dominant groups. The two brands are the only family-owned companies that are among the top ten players in the ranking drawn up by Deloitte. The fundamental asset on which these brands have been able to rely in their growth path is Heritage, that is the history and legendary character that these two brands intrinsically possess and that is not replicable and represents one of the most important barriers to entry for the luxury market as well as being one of the factors that differentiate it from other markets.

On the contrary, independent brands that cannot count on such an important and non-replicable asset for the market are bound to suffer more and more. This is because the luxury market today, but even more so that of the future, is much more subject than in the past to external economic contingencies as it is more internationalized and globalized. In such an environment the factor of efficient diversification both in terms of product and geography has become a key success factor.

It is therefore intuitive to understand how a large group in a highly uncertain environment can guarantee greater security for its brands by exploiting the so-called "compensation effect" with leading and more profitable brands that are ready to compensate for any slowdown in the performance of other brands. In addition to this, it is quite clear that in a market that is increasingly dynamic, volatile and subject to change, the resources and investments required to achieve organic growth are increasingly significant and often it is not enough just to reinvest revenues, but more and more often it is necessary to use more financial resources and, as is well known, large multinational companies are able to obtain these resources much more easily and at lower costs.

In addition to this, it must also be said that a great advantage for multinational groups lies in being able to make the most of the synergies between their brands. While the luxury market of the past had very strong and pronounced boundaries, today's is a market where the boundaries between the various sectors seem much more blurred. In such a context, the possibility of making greater use of synergies, be they skills, production, real estate, financial, distribution or other synergies, and putting them together for more organic growth, will increasingly be a factor of success.

Partial confirmation of the above is provided by the analysis of the situation of Italian individual holdings in the sector. Italy, in fact, in all its sectors, is mostly made up of small or medium sized companies and of course the luxury sector is no exception, the Italian country is in fact together with France one of the countries with the highest number of producers in the sector. Italian companies have always tried to maintain their individual structure without ever expanding or expanding, while as we have seen in France some of the most important dominant conglomerates have developed. The result, however, is that small Italian companies, due to a lack of sufficient resources to invest to ensure organic growth, have ended up becoming the preferred targets of French groups first and then international ones.

The growth figures also confirm the strong differences in performance, with a gap that has widened considerably, especially in recent years. If, in fact, in the period between 2014 and 2018 the main Italian companies in the sector on average grew in turnover at a rate of 10.6% over the reference period, the average growth of the groups was about 50% over the same period and the profitability data only confirm the gap.

In conclusion, it therefore seems likely that the groups will continue to grow and expand more and more in the luxury market of the future, to the detriment of small and medium-sized individual and family businesses, thus making this market increasingly oligopolistic.

However, strategies will be very different between established and emerging groups. Emerging groups that want to become truly top players in the market will necessarily have to continue in the wake of what has been done by players such as Mayhoola and Capri Holdings, two indirect and not pure players in the luxury market who started their journey in the only way they could. The external growth strategy and direct acquisitions, in this case, represent, in fact, the only viable way. This is because, as already mentioned, identity and heritage are essential and non-replicable components for the luxury market. Emerging groups must, therefore, be efficient in incorporating their portfolio of brands with high historical and image value, even if in difficulty and low profitability, and then exploit the group's resources to guarantee them a marked improvement in performance and sustained growth in the medium-long term.

As far as the dominant groups are concerned, the objective will certainly be to consolidate their advantageous position, but the strategy will no longer be simply to focus on external acquisitions capable of increasing the brands' portfolio. Although, as we have seen, the market for acquisitions in the luxury sector has been extremely flourishing in recent years, the large groups will aim to increase their market share more and more and to do so they will have to use further strategies: investing in new sectors, apparently parallel to the luxury sector, but above all on strategies aimed at increasingly penetrating emerging markets, the real growth engine of the luxury market of the future.

If, in fact, the more mature markets, such as Europe, while remaining of fundamental importance, have stabilized on flat growth, the major emerging markets such as China, for example, still have a very high untapped potential. Part of the investments of the major groups that are already leaders in the mature markets will therefore have to be directed to try to expand as much as possible the portion of clients reached in the major emerging markets in order to obtain a position of advantage and leadership in the markets with the highest potential of the luxury of the future and to do so they will have to differentiate their strategy according to the different markets and invest more and more to develop strategies and "ad hoc" skills to penetrate the different emerging markets avoiding, instead, to use the same strategy for all markets.

It is plausible to expect that these investments, in an increasingly dynamic luxury market, will be increasingly large and expensive, and this feature will only widen the performance gap between individual companies and large groups with the former suffering more and more to ensure sustained growth, while the latter will be able to take advantage of the difficulties to gain more and more power within the market.

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