



Degree Program in Management

Course of Managerial Decision Making

Beyond Fund-Raising: Competitive Effects of
Listing on Strategic Stock Markets.
The cases of Prada & L'Occitane

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CHAPTER 1: INTRODUCTION

Traditional entry methods like exports, licensing, joint ventures, and foreign direct investments have been used to examine how businesses are internationalising. However, increasing globalisation and financial integration over the last 20 years have expanded the range of international expansion strategies, leading to several "non-traditional entry modes" that challenge conventional wisdom. Among these, capital access strategies, by which businesses use international financial markets to obtain resources and credibility, have drawn increasing attention from academics and business executives.

The choice to carry out a cross-listing or initial public offering (IPO) on a foreign stock exchange is one specific example of capital access entry. Even though this practice is not new, it has gained new strategic importance in a time when it is becoming harder to separate between the financial and product markets. Listing overseas helps companies achieve several competitive goals, such as signalling quality, improving governance, overcoming the liabilities of foreignness, and increasing visibility in demand-relevant regions, in addition to lowering the cost of raising capital.

Despite its significance, research on financial mechanisms continues to dominate the academic literature on cross-listings. Most previous studies have focused on abnormal returns, valuation changes, and liquidity improvements after a foreign listing. The operational, commercial, and branding effects of venue selection have been examined in comparatively fewer contributions. This disparity is especially noticeable in consumer-facing sectors like fashion and luxury, where maintaining competitive advantage primarily depends on legitimacy, brand awareness, and distribution network control.

In order to fill this research gap, this paper reframes cross-listings as strategic entry modes that have the potential to produce effects that go well beyond capital markets. It specifically formulates and investigates three hypotheses empirically. The first hypothesis, which reflects an operational dimension, states that an accelerated expansion of directly operated stores in the host market occurs after listing in strategically salient demand regions. The second hypothesis, which focusses on business results, contends that foreign listings are linked to better revenue growth and a shift in the sales mix in favour of the listing region. According to the third

hypothesis, which looks at brand visibility, foreign listings serve as high-profile signalling events that can raise media attention and brand awareness in ways that domestic listings cannot.

The study uses a case-based methodology, tracing the histories of two iconic companies: Prada, which went public on the Hong Kong Stock Exchange in 2011, and L'Occitane, which had previously completed a comparable listing in 2010. It does this by combining secondary sources with longitudinal financial and operational data. These instances offer a rich environment for assessing how foreign listings affect competition in Asia, which has become the centre of luxury consumption worldwide. The thesis helps to elucidate whether venue selection has a unique impact on international expansion by methodically contrasting these trajectories with those of peer companies that stayed domestically listed.

By combining knowledge from corporate identity, institutional theory, and finance, the thesis seeks to advance the body of knowledge on strategic management and international business. It also has real-world ramifications for managers of companies that interact with consumers, who are required to assess capital market choices more frequently not just based on financial indicators but also on how they might affect competitive positioning in global demand centres.

CHAPTER 2 – LITERATURE REVIEW

2.1 Introduction – Emerging Non-Traditional Entry Modes in International Business

International business (IB) researchers are becoming more aware that companies can grow internationally through non-traditional entry strategies that are "beyond" established classifications, in addition to more conventional strategies like exports, joint ventures, or subsidiaries. Recent advances in digitalization and global integration have paved the way for new pathways of international involvement that require varying degrees of local embeddedness and resource exploration.

For instance, Capital Access entry methods entail reaching out to international financial markets or investors with little local presence, thus "reversing" the direction of investment so that the company draws in foreign cash for its operations rather than investing outside.

Innovation outposts refer to small, specialized units embedded in a foreign innovation hub to scout new knowledge and technologies, plugging the firm into local networks of startups, talent, and ideas.

Virtual presence denotes international market entry through digital platforms or online channels, allowing a company to acquire foreign customers remotely with very low physical investment.

As opposed to a purely virtual presence, Managed Ecosystem entry entails a company integrating itself into a platform-centric ecosystem (often a multi-sided platform) in a foreign nation in order to co-create value with local complementors.¹

Other forms of non-traditional expansion highlighted in the literature include strategic alliances without equity (contractual partnerships for R&D, distribution, etc.), international outsourcing and licensing arrangements, and user participation in platform ecosystems.

These many approaches are similar to each other because they allow businesses to expand internationally in novel ways that go beyond direct ownership or equity positions, frequently by leveraging outside networks and resources.

¹ Brothters, K. D., Chen, L., Li, S., & Shaheer, N. (2022). Charting new courses to enter foreign markets: Conceptualization, theoretical framework, and research directions on non-traditional entry modes. *Journal of International Business Studies*, 53(9), 2088–2115

One notable example of a non-traditional entry method that falls under the "capital access" category is listing on a foreign stock market, whether through cross-listing or a foreign initial public offering.

Businesses hope to gain access to funding and other advantages in foreign markets without having a significant physical presence by listing equities on a strategic overseas exchange. This strategy has been seen by emerging-market multinational corporations looking to penetrate developed financial hubs (such as European or Chinese companies listed on the London Stock Exchange or NYSE/Nasdaq) to access bigger investor pools and improve their reputation internationally.² These overseas stock listings serve as an example of how businesses can use capital markets as a platform for global expansion and are frequently done for strategic purposes other than fund-raising. In fact, capital-seeking listings are formally categorised by Brouthers et al. (2022) as a separate entry mode, along with innovation outposts, virtual entries, and ecosystem engagement. These new entry modes call for broadening IB theory beyond the traditional focus on equity ownership and transaction cost optimization. Some academics contend that in order to completely comprehend these modes, we need to use new lenses (such as embeddedness and exploration-exploitation trade-offs)³. The question of whether these arrangements contradict accepted beliefs is still up for dispute. According to Hennart (2022), for example, most "non-traditional" modes are differences in form rather than content, and the knowledge and resource transfers they involve can still be explained by a more advanced application of transaction cost economics (TCE).⁴

This dialogue underscores that while firms are charting new courses in how they enter foreign markets, the theoretical toolkits are evolving to keep pace, merging classic perspectives with novel concepts to explain the competitive effects of these emerging entry strategies.

In consideration of the above, the current literature analysis focusses on one specific unconventional mode: listing on a foreign stock exchange as a tactical instrument. Often referred to as "strategic listings" or "cross-listings," these are situations in which businesses decide to list their shares on a foreign exchange in order to get a competitive advantage in global

² Temouri, Y., Driffield, N., & Bhaumik, S. K. (2016). *A strategic perspective of cross-listing by emerging market firms: Evidence from Indonesia, Mexico, Poland and South Africa*. *Journal of International Management*, 22(3), 265–279

³ Brouthers, K. D., Chen, L., Li, S., & Shaheer, N. (2022). Charting new courses to enter foreign markets: Conceptualization, theoretical framework, and research directions on non-traditional entry modes. *Journal of International Business Studies*, 53(9), 2088–2115

⁴ Hennart, J.-F. (2022). *How much is new in Brouthers et al.'s new foreign entry modes, and do they challenge the transaction cost theory of entry mode choice?* *Journal of International Business Studies*, 53(9), 2116–2127

markets rather than only to raise money. The following sections assess the current level of scholarly understanding regarding this topic.

This work starts by reviewing the strategic reasons why companies seek overseas listings in addition to the more conventional fund-raising ones. We then discuss the observed outcomes and competitive implications of such listings, including performance effects and impacts on firms' strategic trajectories. We also consider the role of legitimacy and institutional forces, exploring how a foreign listing can serve as a signal of quality and a means to overcome liabilities of foreignness. In order to give a comprehensive knowledge of how listing on strategic stock markets impacts businesses in ways other than the immediate influx of capital, we incorporate a number of theoretical viewpoints throughout, ranging from institutional theory to financial economics.

2.2 Strategic Motivations for Listing on Foreign Stock Markets

Why would a firm voluntarily subject itself to the regulations and scrutiny of a foreign stock exchange if it could simply raise capital at home? The choice to list on foreign markets is supported by a variety of strategic reasons, according to the literature, particularly when the conventional fund-raising purpose (lower cost of capital) is combined with more general competitive objectives. Financially speaking, cross-listing can reduce a company's cost of capital and raise its market value by expanding the investor base and enhancing risk-sharing, according to the literature on international finance. According to Merton's investor recognition theory, companies can attract capital on better conditions than those offered domestically by making shares available to a larger range of international investors (more investor awareness leads to higher valuation).⁵

In fact, cross-listing is frequently associated with a favourable market response and an increase in valuation, according to empirical research. For example, Foerster and Karolyi's classic study showed that foreign listings tend to drive up share prices and enable raising lower-cost equity capital in the aftermath of the listing event. In one cited analysis, firms' share values

⁵ Temouri, Y., Driffield, N., & Bhaumik, S. K. (2016). *A strategic perspective of cross-listing by emerging market firms: Evidence from Indonesia, Mexico, Poland and South Africa*. *Journal of International Management*, 22(3), 265–279

changed positively after cross-listing, confirming that tapping more liquid and integrated markets can create immediate financial gains.⁶

In sum, from a purely financial perspective, firms cross-list to “arbitrage” capital market differences, obtaining cheaper funding and greater following than their home market alone would allow.

However, there are a number of institutional and strategic reasons that go beyond these financial ones. According to the literature on international business (IB), companies, particularly those in emerging nations, use foreign listings to “bond” with more established institutional frameworks and convey reliable signals about their calibre. A company can communicate to stakeholders and investors that it complies with the more stringent disclosure, governance, and regulatory requirements of a particular market by cross-listing on a prominent exchange (for example, listing in New York or London). High-quality companies use this as a signalling tool to set themselves apart from their lower-quality domestic competitors. According to Chemmanur and Fulghieri's model, for example, firms with lower information costs will look to list abroad in order to demonstrate their transparency and expertise and gain valuation advantages that less developed firms are unable to obtain. Along related lines, bonding theory posits that firms from jurisdictions with weaker investor protection intentionally list in countries with stronger protections (e.g. U.S. or U.K.) to commit to higher governance standards and thereby attract investors who value such protections.⁷ According to the well-known study by Reese and Weisbach, one of the main reasons non-US companies cross-list in US markets is to defend the interests of minority shareholders; in other words, these companies “import” more robust investor protections to boost their reputation. In this sense, international listing mitigates institutional flaws in the home country while acting as a commitment tool for improved corporate governance.⁸

Another strategic motive is to overcome home market limitations and exploit growth opportunities abroad. European businesses were known to frequently look for U.S. listings in order to raise money in larger, greater liquidity markets with better institutional quality rather

⁶ Lei, Q., Attari, M. U. Q., Hayat, M., Ahmad, M. M., Haseeb, A., & Rafique, A. (2023). Mapping the themes underlying the literature on cross-listing of shares—A contemporary corporate strategy of sustainable growth. *Sustainability*, 15(12), Article 9316.

⁷ Temouri, Y., Driffield, N., & Bhaumik, S. K. (2016). *A strategic perspective of cross-listing by emerging market firms: Evidence from Indonesia, Mexico, Poland and South Africa*. *Journal of International Management*, 22(3), 265–279

⁸ Lei, Q., Attari, M. U. Q., Hayat, M., Ahmad, M. M., Haseeb, A., & Rafique, A. (2023). Mapping the themes underlying the literature on cross-listing of shares—A contemporary corporate strategy of sustainable growth. *Sustainability*, 15(12), Article 9316.

than in their home markets, which were known to be illiquid. A foreign listing can therefore unlock doors that would otherwise stay closed for companies in smaller or riskier markets. In fact, empirical data indicates that many emerging-market companies only seek foreign listings when the institutional and financial infrastructure of their native nation is inadequate to support their growth. Despite originating from weaker domestic systems, these firms can use their own firm-specific strengths on a global scale by cross-listing in a mature market. By connecting to an international financial centre, it enables businesses to successfully circumvent the limitations imposed by domestic cash shortages or regulatory inefficiencies.⁹

Firms also cite market expansion and branding considerations as motivations. Listing on a major foreign exchange can raise a company's global profile among customers and partners, functioning as a marketing signal. The additional media and analyst coverage that comes with a NYSE or NASDAQ listing, for example, can increase name recognition in key markets abroad.¹⁰

Increased consumer trust or simpler access to strategic partners in the host nation could result from this visibility. Companies can use an overseas listing as an indication of their dedication to a particular market, a means of demonstrating to stakeholders (from clients to regulators) that the company takes that market seriously. According to research, cross-listing is occasionally done to improve product-market competitiveness. For example, some businesses list internationally primarily to boost their reputation with foreign clients or to show overseas rivals that they are financially stable.¹¹ An emerging-economy technology business, for example, may list on the NASDAQ to generate capital as well as to reassure prospective U.S. clients of its superior standards and durability. Similar to this, overseas listings can help with collaborations and talent acquisition because a company's visibility as a publicly traded company in a reputable market tends to attract top talent, venture capitalists, and acquisition candidates from around the world.

Finally, the literature highlights that firms may view a strategic foreign listing as a real options approach to internationalization. By cross-listing, a company acquires a foothold in an international market (albeit financially) which can be expanded later into fuller operations. Temouri et al. (2016) articulate this as “capital market-based internationalisation”, using the

⁹ Pagano, M., Röell, A. A., & Zechner, J. (2002). *The geography of equity listing: Why do companies list abroad?* *Journal of Finance*, 57(6), 2651–2694

¹⁰ Purkayastha, A., & Filatotchev, I. (2023, November). *The Yin and Yang in Cross-Listing*. *California Management Review*.

¹¹ Coffee, J. C. Jr. (2002). *The Impact of Cross-Listing and Stock Market Competition on International Corporate Governance*. *Columbia Law Review*, 102(7), 1757–1831.

listing to support and even accelerate subsequent geographic expansion of the firm's actual business base.¹² With the money, exposure, and credibility that come with the listing, the company can effectively use the international listing as a tool to help future acquisitions or foreign direct investments. Thus, beyond immediate financial gains, strategic listings are motivated by a confluence of signalling, bonding, market-seeking, and option-value considerations. In conclusion, even while raising money is a fundamental goal, secondary strategic advantages like market access, investor trust, global visibility, and governance quality frequently tip the scales in favour of a foreign listing.¹³

2.3 Outcomes and Competitive Implications of Cross-Listing

It is now to address the question related to the coherence of the results that firms hope to get once listed abroad with the actual outputs. Positive results and significant cautions are mixed together in the literature. Cross-listings have generally been linked to better corporate performance and valuation, proving that the advantages are more than just theoretical. Numerous studies show that the cross-listing event is associated with anomalous returns in the short term; this is essentially a cross-listing premium that conveys investor optimism.

For example, Foerster and Karolyi (1999) found a significant positive jump in share prices following foreign listings, reflecting investors' expectations of growth and lower capital constraints.¹⁴ Likewise, Miller's research showed that on average, firms from both developed and developing markets see their stock liquidity increase after a U.S. listing, with the magnitude of gains depending on the firm's home market status. Over the longer term, cross-listed firms often enjoy a lower cost of equity capital, as their broadened investor base and enhanced information environment reduce risk premiums (Errunza & Miller, 2000).¹⁵ Furthermore, research has shown that international listings can increase a company's informational transparency (by requiring more stringent reporting and greater analyst coverage), which in turn

¹² Temouri, Y., Driffield, N., & Bhaumik, S. K. (2016). *A strategic perspective of cross-listing by emerging market firms: Evidence from Indonesia, Mexico, Poland and South Africa*. *Journal of International Management*, 22(3), 265–279

¹³ Temouri, Y., Driffield, N., & Bhaumik, S. K. (2016). *A strategic perspective of cross-listing by emerging market firms: Evidence from Indonesia, Mexico, Poland and South Africa*. *Journal of International Management*, 22(3), 265–279

¹⁴ Foerster, S., & Karolyi, G. A. (1999). *The effects of market segmentation and investor recognition on asset prices: Evidence from foreign stocks listing in the United States*. *Journal of Finance*, 54(3), 981–1013

¹⁵ Lei, Q., Attari, M. U. Q., Hayat, M., Ahmad, M. M., Haseeb, A., & Rafique, A. (2023). Mapping the themes underlying the literature on cross-listing of shares—A contemporary corporate strategy of sustainable growth. *Sustainability*, 15(12), Article 9316.

increases investor trust and share liquidity. In summary, a lot of cross-listed companies do have financial market benefits, such as increased trade volume, lower capital costs, and higher valuations, which can result in more strategic flexibility (e.g. ability to finance new projects or acquisitions).¹⁶

Crucially, actual economic results that go beyond stock price have also been noted. According to Pagano et al. (2002), European companies who cross-listed in the US later saw gains in sales income, indicating that the listing aided in the expansion of their product-market presence overseas.¹⁷ This result supports the notion that a foreign listing can increase a company's credibility with foreign partners and clients, resulting in increased sales abroad. A strategic listing may create new business opportunities by increasing the firm's legitimacy and visibility (as covered in the following section). For instance, it may make it simpler to secure contracts or form alliances in the exchange's host nation.

In a similar vein, cross-listed businesses frequently describe a growing worldwide presence over time. According to research by Peng and Su (2014), cross-listing can change a company's scope. Short-term, companies may narrow their focus (possibly to satisfy the needs of the new market), but after a successful foreign listing, they typically expand their product lines and geographic reach. In particular, their analysis forecasted that cross-listed companies would eventually seek a broader range of products and a more global presence, using the resources and credibility that come with listing to enter new markets. This implies that a foreign offering is a component of a larger strategic trajectory, whereby the listing enables future international growth, rather than a standalone financial move.¹⁸

The effect on industry-wide competitive dynamics is another result area. A cross-listed company may be able to outperform its competitors who only compete in the domestic market by acquiring funding and credibility from overseas. For instance, a cross-listed company may be able to outperform regional rivals by making aggressive investments in marketing, R&D, or acquisitions with its increased funding (and higher-value shares). Experience suggests that cross-listed emerging-market companies, such as Chinese or Indian tech companies registered in the United States, become global competitors in part because of the financial power and attention gained through international listing. In certain instances, a company's international

¹⁶ Purkayastha, A., & Filatotchev, I. (2023, November). The Yin and Yang in Cross-Listing. *California Management Review*.

¹⁷ Lei, Q., Attari, M. U. Q., Hayat, M., Ahmad, M. M., Haseeb, A., & Rafique, A. (2023). Mapping the themes underlying the literature on cross-listing of shares—A contemporary corporate strategy of sustainable growth. *Sustainability*, *15*(12), Article 9316.

¹⁸ Peng, M. W., & Su, W. (2014). *Cross-listing and the scope of the firm*. *Journal of World Business*, *49*(1), 42–50

initial public offering (IPO) or listing may even prompt strategic reactions from competing companies, such as them thinking about cross-listing or speeding up their expansion plans to stay competitive. In addition to earning money, a foreign listing can change the competitive environment by giving one company new advantages that others would not have. This relates to the "competitive effects" component of strategic listings. The choice of listing venue (prestigious vs. peripheral markets) does, in fact, have a material impact on the outcome, according to research by Miller (1999) and others. Companies that list in prestigious markets like the NYSE typically benefit more (in terms of valuation and analyst following) than those that list in smaller exchanges.¹⁹

The research does, however, also offer complex and contradictory results, warning that results depend on a number of variables. First off, not every cross-listing has the same level of success. If the expenses are greater than the advantages, some businesses only realise slight improvements or even worse outcomes. Maintaining a foreign listing comes with significant compliance and reporting costs. For example, following the U.S. Sarbanes-Oxley regulations after 2002 proved to be so difficult that dozens of international companies decided to delist from U.S. exchanges in the mid-2000s.²⁰ Only when a company genuinely follows the host market's standards can it gain the "bonding" benefit; otherwise, it may face scandals or penalties that reduce its value. Second, if investor demand is minimal, the anticipated benefits, such as a decreased cost of capital, might not materialise. Some companies cross-list, yet they have illiquid international shares since they can't get much foreign trading activity or analyst attention. In some situations, the company may eventually pull back, and the expected liquidity and valuation benefits remain elusive. For example, a company may not get the wide ownership it planned for if it lists in a foreign market where investors have a strong home bias (desire for domestic securities).²¹

Research confirms that geographic and cultural distance plays a role: firms tend to garner more investor interest when they list in markets that are geographically or culturally closer to their home, whereas distant market listings face greater hurdles due to unfamiliarity and

¹⁹ Lei, Q., Attari, M. U. Q., Hayat, M., Ahmad, M. M., Haseeb, A., & Rafique, A. (2023). Mapping the themes underlying the literature on cross-listing of shares—A contemporary corporate strategy of sustainable growth. *Sustainability*, 15(12), Article 9316.

²⁰ Peng, M. W., & Su, W. (2014). *Cross-listing and the scope of the firm*. *Journal of World Business*, 49(1), 42–50

²¹ Purkayastha, A., & Filatotchev, I. (2023, November). The Yin and Yang in Cross-Listing. *California Management Review*.

information gaps. This aligns with Sarkissian and Schill's finding that home bias factors influence where companies can successfully attract investors through cross-listings.²²

Third, even when advantages are good, they can differ in size depending on the firm and the situation. Studies have shown, for instance, that emerging-market companies frequently enjoy a higher cross-listing premium than developed-market companies because to the greater institutional quality differential between the home and host markets (therefore the signal of listing overseas is more relevant for an emerging-market firm).²³ In contrast, a firm from an already well-regulated market gains less of a credibility boost by cross-listing. Likewise, the choice of host market matters: one study noted that firms listing in the U.S. achieved more "growth visibility" and cost of capital reduction than those listing in the U.K., highlighting that U.S. exchanges perhaps confer a higher reputational benefit due to their stringent standards and global investor base.²⁴

In conclusion, although improved financial performance, growth, and competitive power are typically the results of strategic listings, these results depend on the firm's ability to effectively use the listing as well as on external factors like market selection and regulatory expenses. As one commentator put it, there is a "yin and yang" significant upside potential (access to capital, liquidity, investor following) balanced by potential downsides (compliance burdens, foreign market scepticism) that firms must carefully manage. This is why the literature encourages a careful examination of cross-listing outcomes.²⁵

Overall, the evidence suggests that a company's competitiveness can be enhanced by strategically listing abroad. Cross-listings that are successful give businesses the financial and reputational resources they need to expand and innovate internationally. Additionally, they enforce transparency and discipline, which might enhance internal performance. Numerous cross-listed companies become more resilient and globally integrated rivals. However, achieving these benefits necessitates strategic alignment, which includes picking the appropriate market, timing, and making sure the company can match the increased expectations.

²² Lei, Q., Attari, M. U. Q., Hayat, M., Ahmad, M. M., Haseeb, A., & Rafique, A. (2023). Mapping the themes underlying the literature on cross-listing of shares—A contemporary corporate strategy of sustainable growth. *Sustainability*, 15(12), Article 9316.

²³ Temouri, Y., Driffield, N., & Bhaumik, S. K. (2016). *A strategic perspective of cross-listing by emerging market firms: Evidence from Indonesia, Mexico, Poland and South Africa*. *Journal of International Management*, 22(3), 265–279

²⁴ Lei, Q., Attari, M. U. Q., Hayat, M., Ahmad, M. M., Haseeb, A., & Rafique, A. (2023). Mapping the themes underlying the literature on cross-listing of shares—A contemporary corporate strategy of sustainable growth. *Sustainability*, 15(12), Article 9316.

²⁵ Purkayastha, A., & Filatotchev, I. (2023, November). The Yin and Yang in Cross-Listing. *California Management Review*.

When those prerequisites are satisfied, going public on a strategic stock market serves as more than just a means of collecting money; it also serves as a stimulus for long-term competitive expansion, confirming the reasons the company initially decided to list.

2.4 Broadening the Investor Base and Financial Network Effects

The expansion of a company's investor base is a key way that overseas stock listings provide advantages. Businesses can draw in new investor classes that might not otherwise invest in them by getting access to foreign capital markets, such as international institutional funds and foreign individual investors. Numerous benefits that have been extensively documented in the literature are brought about by this larger shareholder base. In essence, increasing the number of investors lowers the company's cost of capital by resolving the "investor recognition" issue.²⁶

When a company lists on an international exchange or issues depository receipts, it increases its visibility to a wider pool of investors, thereby lowering information asymmetries and expanding risk-sharing. Kamarudin et al. (2020) identify “increasing shareholders’ base” and “growing visibility” among the key benefits of cross-listing.²⁷ Practically speaking, an international stock tends to have more buyers and sellers, or greater liquidity, which results in a lower liquidity premium that investors desire. This is supported by empirical research, which shows that increased interest from overseas is reflected in cross-listed companies' increased trading volumes and analyst coverage. Foerster and Karolyi noted that part of the positive price impact of cross-listing is attributable to exactly these factors, the expansion of the shareholding base and resultant liquidity improvements.

Businesses not only attract more investors, but also frequently attract a variety of investors. Sophisticated foreign institutional investors with international investment experience are typically drawn to cross-listing. These investors can provide the company with important resources and oversight, such as mutual funds, international pension funds, or venture capitalists in the event of foreign VC funding. According to research, companies that choose

²⁶ Merton, R. C. (1987). A simple model of capital market equilibrium with incomplete information. *The Journal of Finance*, 42(3), 483–510

²⁷ Lei, Q., Attari, M. U. Q., Hayat, M., Ahmad, M. M., Haseeb, A., & Rafique, A. (2023). Mapping the themes underlying the literature on cross-listing of shares—A contemporary corporate strategy of sustainable growth. *Sustainability*, 15(12), Article 9316

the capital access mode of entry have a higher chance of getting support from investors that have vast networks and experience abroad. These investors frequently contribute more than just money, they can also offer connections, management know-how, and knowledge that aid in the company's professionalisation and internationalisation. For instance, Tykvová and Schertler (2014) talk about how foreign equity investors or venture capitalists can educate businesses on international best practices and provide access to new markets.²⁸

Similarly, foreign institutional owners can insist on stricter governance guidelines, which would strengthen the investor bonding effect. In this sense, increasing the number of investors helps the company develop its capabilities by bringing in outside observers and consultants who encourage it to perform better. Additionally, there is evidence that foreign shareholders have an impact on corporate policies. For example, higher levels of foreign ownership are associated with increased transparency and even a greater focus on areas such as corporate social responsibility, which is in line with international standards and supports legitimacy arguments.²⁹

An increase in the number of investors also benefits one's reputation. Attracting prominent foreign investors, such as a sovereign wealth fund or a well-known worldwide fund, gives other stakeholders a good impression of the company's trustworthiness and future potential.³⁰ This can lead to a positive feedback loop whereby the firm's reputation in industrial and financial circles rises as its investor base expands internationally, possibly attracting even more interest. Pagano, Röell, and Zechner (2002) made the well-known claim that corporations list overseas in part to improve demand for their shares, which basically means that more investors can purchase the stock, which raises its price. According to Kamarudin et al. (2020), cross-listing on a big market does expose the company to thousands of new potential shareholders, whereas staying restricted to a smaller domestic bourse may limit that demand. Additionally, cross-listing enhances ties with the international financial community.³¹

²⁸ Brouthers, K. D., Chen, L., Li, S., & Shaheer, N. (2022). Charting new courses to enter foreign markets: Conceptualization, theoretical framework, and research directions on non-traditional entry modes. *Journal of International Business Studies*, 53(9), 2088–2115

²⁹ Garanina, T., & Aray, Y. (2021). *Enhancing CSR disclosure through foreign ownership, foreign board members, and cross-listing: Does it work in Russian context?* School of Accounting and Finance, University of Vaasa; Graduate School of Management, St. Petersburg University.

³⁰ Brouthers, K. D., Chen, L., Li, S., & Shaheer, N. (2022). Charting new courses to enter foreign markets: Conceptualization, theoretical framework, and research directions on non-traditional entry modes. *Journal of International Business Studies*, 53(9), 2088–2115

³¹ Lei, Q., Attari, M. U. Q., Hayat, M., Ahmad, M. M., Haseeb, A., & Rafique, A. (2023). Mapping the themes underlying the literature on cross-listing of shares—A contemporary corporate strategy of sustainable growth. *Sustainability*, 15(12), Article 9316

Executives can integrate the company into the global financial network by interacting more directly with analysts, banks, and investors in a foreign financial centre. These connections may have repercussions, such as making it simpler to issue equity or raise financing overseas in the future because the company has a proven track record in that market.

A diverse investor base could additionally decrease a company's susceptibility to regional economic shocks from the perspective of financial stability. The impact of a market downturn in any one country, including the home market, on a company's ability to access capital is lessened if its shareholder base is geographically diversified as a result of cross-listing. Essentially, the company benefits from having multiple funding sources: overseas investors may continue to support it even if domestic investors withdraw, and vice versa. For emerging-market companies that list in developed markets, this can be especially important because, once that conduit is created, they can still turn to international investors for funding amid domestic crises. During unstable times, this kind of resilience may provide a competitive edge.

Naturally, there are duties involved with overseeing a larger investment base. Diverse investors may have different expectations. For instance, institutional investors in the United States may want stricter governance and greater quarterly results transparency than standard domestic investors in the company. In order to comply with international requirements, cross-listed companies frequently need to improve their investor communication and disclosure procedures. According to research by Baker, Nofsinger, and Weaver (2002), companies that cross-list in the US must adjust to U.S.-style investor interactions in addition to increasing their visibility, which can be a learning process.³²

The good news is that this adaptation typically reduces knowledge asymmetry, which is advantageous to the company. An additional factor to take into account is that a larger investor base may bring in shareholder activism or pressures that are not known in the domestic setting. After cross-listing, for example, a company from a market with passive shareholders may experience active engagement from foreign institutional investors, who may advocate for governance reforms or strategic adjustments. In the long run, this frequently increases performance and accountability, even though it can be difficult for management.

In conclusion, a key component of the "beyond fund-raising" benefits of this entry approach is growing the investor base through a targeted international listing. In addition to indirectly supporting strategic gains (knowledge transfer, improved governance), it directly

³² Kamarudin, K. A., Ariff, A. M., & Jaafar, A. (2020). *Investor protection, cross-listing and accounting quality*. *Journal of Contemporary Accounting & Economics*, 16(1), 100179

promotes financial gains (reduced capital costs, more liquidity). Cross-listing offers "multiple benefits... namely improving liquidity, greater analyst coverage, broadening shareholder base, strengthening corporate governance, and access to additional capital," as one California Management Review perspective precisely puts it.³³ All these benefits tie back to the core mechanism of engaging a wider, global set of investors. By doing so, the firm is not just collecting foreign funds; it is embedding itself in international financial networks, which can become a lasting competitive asset.

2.5 Legitimacy, Governance, and Institutional Signals

One of the most profound, if intangible, benefits of listing on a renowned foreign stock market is the gain in organizational legitimacy. Legitimacy in this context refers to the firm's acceptance and credibility in the eyes of stakeholders, as judged by prevailing social and institutional norms. A business that comes from an emerging economy sends a strong message that it has complied with the strict regulations of those markets when it is listed on the New York Stock Exchange or the London Stock Exchange. This might have the impact of certification since the esteemed exchange and its regulatory framework act as independent guarantors of the company's calibre and dependability. Researchers Bell, Filatotchev, and Rasheed (2012) argue that cross-listing "paves the way for greater legitimacy" for emerging-market firms by demonstrating conformity with the higher standards of developed markets.³⁴ Essentially, a company can overcome any scepticism that may arise from its origin in a less developed or well-known area by cross-listing. By matching its operations with those of top international corporations, the company engages in a type of organisational isomorphism that improves its standing and acceptance throughout the world.³⁵

This legitimacy boost is especially crucial in the fight against the "liability of foreignness." The disadvantage that businesses encounter overseas just because they are foreign, whether because of institutional distance, prejudice, or unfamiliarity, is known as

³³ Purkayastha, A., & Filatotchev, I. (2023, November). The Yin and Yang in Cross-Listing. *California Management Review*.

³⁴ Temouri, Y., Driffield, N., & Bhaumik, S. K. (2016). *A strategic perspective of cross-listing by emerging market firms: Evidence from Indonesia, Mexico, Poland and South Africa*. *Journal of International Management*, 22(3), 265–279

³⁵ Bell, R. G., Filatotchev, I. & Rasheed, A. A. (2012). The liability of foreignness in capital markets: Sources and remedies. *Journal of International Business Studies*, 43(2), pp. 107-122.

liability of foreignness (LOF). In the capital markets, LOF shows up as investors giving a foreign company a lower valuation or being less inclined to invest in it. By integrating the foreign company into the institutional structure of the host nation, cross-listing directly tackles this issue. The cross-listed company indicates its alignment with the host context by embracing the reporting requirements, governance norms, and regulatory scrutiny of the host market. This makes the firm appear more “local” (or at least less exotic) to host-country investors and stakeholders. The literature suggests that such legitimacy gains help ameliorate LOF.³⁶ For instance, a foreign company that is listed on a U.S. exchange may be covered by U.S. analysts and subject to U.S. legal safeguards, making it appear to investors that it is a domestic U.S. company. Frequently, this leads to a decrease in the risk premium and a rise in investor confidence. As demonstrated by valuation premiums that converge with those of domestic IPOs, Bell et al.'s analysis indicated that international initial public offerings (IPOs) that effectively achieve legitimacy in U.S. markets significantly overcome the capital market LOF.³⁷

Cross-listing legitimacy has other strategic advantages. As mentioned in the previous section, a company that has a foreign listing tends to be seen as respectable and well-governed, which makes it simpler for it to obtain important resources like partners and technology in addition to finance. According to Bhaumik et al. (2019), some emerging-market companies formally list overseas in order to obtain "institutional legitimacy", which subsequently makes it easier for them to expand internationally. Temouri et al.'s published work emphasises how cross-listing to achieve LOF-reducing legitimacy can lead to increased access to capital in the short term and, in the long term, even to cutting-edge technology and expertise.³⁸

The reasoning goes that when a company is trusted on a major scale, other businesses-possibly target acquisition corporations or possible joint venture partners, are more inclined to work with it and information flows more easily. On the other hand, prospective international partners can be wary of or suspicious of a company that lacks such legitimacy. Therefore, the company opens up chances that would otherwise be unattainable by adhering to the prestigious institutional rules of the host market. Following the admission requirements (in this case, listing

³⁶ Temouri, Y., Driffield, N., & Bhaumik, S. K. (2016). *A strategic perspective of cross-listing by emerging market firms: Evidence from Indonesia, Mexico, Poland and South Africa*. *Journal of International Management*, 22(3), 265–279

³⁷ Filatotchev, I., Bell, R. G. & Rasheed, A. A. (2016). Globalization of Capital Markets: Implications for Firm Strategies. *Journal of International Management*, 22(3), pp. 211-221

³⁸ Temouri, Y., Driffield, N., & Bhaumik, S. K. (2016). *A strategic perspective of cross-listing by emerging market firms: Evidence from Indonesia, Mexico, Poland and South Africa*. *Journal of International Management*, 22(3), 265–279

criteria) gives the company a badge of respectability that is accepted by everyone else in the international business world. It's like joining an exclusive club.³⁹

Foreign listing has a closely associated effect on the corporate governance of the company. A firm that cross-lists in a severe regulatory environment is subject to stricter monitoring (e.g., SEC regulations, higher accounting standards, more independent boards), which is a direct result of the bonding theory we described previously. This tends to enhance the transparency and governance procedures of the company. Research has shown that after listing, cross-listed companies frequently experience an improvement in accounting quality and disclosure levels, especially if they are from nations with laxer regulations. In their study of cross-listings and accounting, Kamarudin et al. (2020) found that the effect of cross-listing on earnings quality was significant especially in contexts of stronger investor protection, implying that firms did adhere to the better practices expected in the host market.⁴⁰

One aspect of legitimacy is better governance, which allays agency worries by assuring stakeholders and investors that the company is operating in accordance with international best standards. Additionally, improved governance can result in improved internal performance and decision-making, bringing managers' actions into line with the objectives of shareholders. Evidence suggests that after listing overseas, cross-listed companies have more shareholder-friendly policies and lower agency costs (e.g., bigger dividend payouts, as a statement of good intent to international investors). Strong governance breeds investor trust, which in turn breeds more investment and additional legitimacy. All of these adjustments strengthen the company's institutional legitimacy and have the potential to produce a positive feedback loop.

From an institutional theory perspective, foreign listing can also be seen as a form of mimetic behavior in some cases. If one firm in an industry or country successfully cross-lists and gains advantages, others may imitate to gain similar legitimacy. Such mimicry is driven by the quest for legitimacy: firms fear being left out or seen as inferior if their peers carry an elite foreign listing status. The advantages of cross-listing can be dispersed, but the threshold is raised because, after several companies are listed in New York, simply being listed there no longer makes a company stand out from the others in that cohort, but not being listed could also be interpreted negatively. Researchers studying institutional isomorphism observe this

³⁹Temouri, Y., Driffield, N., & Bhaumik, S. K. (2016). *A strategic perspective of cross-listing by emerging market firms: Evidence from Indonesia, Mexico, Poland and South Africa*. *Journal of International Management*, 22(3), 265–279

⁴⁰Lei, Q., Attari, M. U. Q., Hayat, M., Ahmad, M. M., Haseeb, A., & Rafique, A. (2023). Mapping the themes underlying the literature on cross-listing of shares—A contemporary corporate strategy of sustainable growth. *Sustainability*, 15(12), Article 9316

dynamic: stakeholders start to expect cross-listing when it becomes commonplace in particular circumstances. For instance, in the early 2000s, a lot of big European businesses sought U.S. listings since it was thought to be practically a sign of a world-class business; those who chose not to do so had to explain why. This can put firms under pressure to be legitimate, which can affect their strategic choices about listings (sometimes regardless of current financial need).

It is important to note that legitimacy gains are not uniform and can depend on the firm's context. If a firm's home country institutional environment is very similar to the host (for instance, a Canadian firm listing in the U.S.), the incremental legitimacy gain is smaller because the firm was already operating under relatively comparable standards. On the other hand, due of the significant difference in expected norms, a firm from a very different institutional framework (such as Nigeria or Russia listing in London) stands to benefit more from an increase in perceived legitimacy. Researchers have noted that, up to a certain extent, the marginal legitimacy gain from cross-listing increases with institutional distance.⁴¹ However, even if the company is listed, other considerations (such as cultural hurdles or strong mistrust) may limit investor acceptability when a certain level of dissimilarity is crossed. Therefore, institutional fit plays a role in legitimacy; companies must not only list but also persuade the host market that they are a good fit. This entails significant obligations such as selecting independent directors who are knowledgeable with host rules, employing trustworthy auditors, and communicating consistently in the language and style of the host market.

All things considered, obtaining legitimacy through well-timed stock market listings is a potent result that enhances the previously mentioned financial and competitive advantages. It tackles the less tangible aspects of competitiveness, such as stakeholders' faith and confidence in the company, which has an impact on quantitative measures like cost of capital and valuation. According to the literature, a company's institutional trajectory frequently changes with a foreign listing, making it more global in both identity and capital structure. Cross-listing provides the company "more legitimacy with respect to its congruence with institutions in more developed context," according to one study, which results in advantages including LOF reduction and simpler access to resources.⁴² In the narrative of "beyond fund-raising," legitimacy is a leitmotif: it is both a motivation (firms seek it by listing abroad) and an outcome

⁴¹Temouri, Y., Driffield, N., & Bhaumik, S. K. (2016). *A strategic perspective of cross-listing by emerging market firms: Evidence from Indonesia, Mexico, Poland and South Africa*. *Journal of International Management*, 22(3), 265–279

⁴² Temouri, Y., Driffield, N., & Bhaumik, S. K. (2016). *A strategic perspective of cross-listing by emerging market firms: Evidence from Indonesia, Mexico, Poland and South Africa*. *Journal of International Management*, 22(3), 265–279

(firms gain it after listing, reinforcing their global competitive stance). The careful curation of legitimacy and governance through strategic listings exemplifies how firms can use financial entry modes as a springboard to meet broader strategic and institutional objectives in international business.

2.6 Conclusion: Integrating Perspectives and Future Directions

A highly complex picture emerges when we examine the literature on foreign stock market listings as a strategic entry strategy. Businesses seek cross-listings in order to obtain a variety of interconnected competitive benefits, such as reduced financing costs, increased growth prospects, and better governance and legitimacy globally, in addition to raising cash. Both socio-institutional reasoning (signalling quality, forming bonds with better institutions, and imitating successful peers) and rational economic arithmetic (cheaper capital, liquidity, and viable possibilities for expansion) are included in the strategic incentives. Although achieving these benefits requires managing the costs and guaranteeing authentic investor engagement, empirical results generally confirm that well-executed cross-listings provide value: firms frequently show improved performance, a wider scope, and a greater international presence after listing. By connecting financial theory with strategic management, the expansion of the investor base becomes a vital channel for several advantages. In addition to capital, international investors contribute networks, expectations, and knowledge that can help the company change for the better. In the meantime, the pursuit of legitimacy and credibility offers an institutional perspective on why a foreign listing can have a transformative effect: it enables a company to wear the "badge" of a top-tier market, allaying the fears of external parties and unlocking previously closed doors.

Academic perspectives on this phenomenon have evolved. Traditional finance theories (like market segmentation and the Capital Asset Pricing Model) explain part of the story, like why cost of capital falls when investor reach expands. But to fully capture the competitive effects of strategic listings, strategy and IB theories were invoked. Real options theory helps describe how a listing creates future growth options. Institutional theory illuminates the importance of legitimacy and isomorphism. Signaling theory explains how firms convey private information about quality by choosing stringent listing venues. And network perspectives

highlight how connecting with foreign investors and exchanges embeds firms in new social networks of capital and information.^{43 44 45}

The recent debate between Brouthers et al. (2022) and Hennart (2022) encapsulates the theoretical crossroads: do we need entirely new conceptual frameworks for these new modes, or can extended traditional theories suffice? Brouthers and colleagues propose looking at dimensions like *exploration vs. exploitation* and *local embeddedness* to categorize modes like capital access and platform-based entries. In their view, cross-listing is an exploration-heavy, low-embeddedness entry mode that defies the classic ownership/control typology. Hennart, however, contends that cross-listings and similar practices are not inherently unexplainable by conventional theory if transaction and coordination costs (and possibly agency issues) are appropriately taken into consideration. Instead, they are merely innovative solutions to market frictions that businesses have always attempted to resolve. In order to more accurately forecast when and how these strategic listings generate value, this discussion points to a potential synthesis in which traditional theories are strengthened with novel concepts (such as legitimacy or digital network effects).^{46 47}

There are still a number of ramifications and unanswered questions for both scholars and practitioners. Will cross-listing's competitive advantage last as financial markets continue to become more globalised (despite sporadic demands to decouple or protect) or will it eventually become irrelevant? What connections exist between the issues of legitimacy and investor base that we have covered and new developments such corporations listing through special purpose acquisition companies (SPACs) or dual-class shares? The emergence of digital finance platforms and potentially even crypto-exchanges raises additional questions about potential competitive impacts and whether listing shares in completely new venues (apart from traditional stock exchanges) will be part of the next wave of non-traditional entry mechanisms. Examining the home-country effects is an additional option. How does the listing of a

⁴³Temouri, Y., Driffield, N., & Bhaumik, S. K. (2016). *A strategic perspective of cross-listing by emerging market firms: Evidence from Indonesia, Mexico, Poland and South Africa*. *Journal of International Management*, 22(3), 265–279

⁴⁴Lei, Q., Attari, M. U. Q., Hayat, M., Ahmad, M. M., Haseeb, A., & Rafique, A. (2023). Mapping the themes underlying the literature on cross-listing of shares—A contemporary corporate strategy of sustainable growth. *Sustainability*, 15(12), Article 9316

⁴⁵ Brouthers, K. D., Chen, L., Li, S., & Shaheer, N. (2022). Charting new courses to enter foreign markets: Conceptualization, theoretical framework, and research directions on non-traditional entry modes. *Journal of International Business Studies*, 53(9), 2088–2115

⁴⁶ Brouthers, K. D., Chen, L., Li, S., & Shaheer, N. (2022). Charting new courses to enter foreign markets: Conceptualization, theoretical framework, and research directions on non-traditional entry modes. *Journal of International Business Studies*, 53(9), 2088–2115

⁴⁷ Hennart, J.-F. (2022). How much is new in Brouthers et al.'s new foreign entry modes, and do they challenge the transaction cost theory of entry mode choice? *Journal of International Business Studies*, 53(9), 2116–2127

prominent domestic company overseas affect the growth of the domestic capital market and the competitive dynamics amongst rivals in the home country? Cross-listings can provide input on home market liquidity and practices, according to early research like Hargis and Ramanlal (1998), but more research is required in the current environment.⁴⁸

In conclusion, “*beyond fund-raising*” encapsulates the essence that a foreign listing is not merely a financial transaction but possibly also a strategic manoeuvre. It leverages financial markets as a platform for international strategy, blurring the line between financial and product-market competition. The literature reviewed confirms that when executed with clear strategic intent, listing on a strategic stock market can yield multifaceted competitive effects: augmented resources, enhanced reputation, improved governance, and greater global reach. These benefits, however, are neither automatic nor uniform, they depend on the firm’s capabilities to meet higher standards and the context of both home and host environments. As firms continue to explore such non-traditional entry modes, academic inquiry will likewise continue to explore and debate their implications. Ultimately, understanding the full spectrum of motivations and outcomes of strategic foreign listings enriches our broader understanding of international business strategy in an era where capital markets and product markets are deeply interwoven. The case of cross-listing illustrates vividly how a savvy interplay of finance and strategy can propel firms to new heights on the global stage, truly going “beyond fund-raising” to compete more effectively worldwide.

⁴⁸ Lei, Q., Attari, M. U. Q., Hayat, M., Ahmad, M. M., Haseeb, A., & Rafique, A. (2023). Mapping the themes underlying the literature on cross-listing of shares—A contemporary corporate strategy of sustainable growth. *Sustainability*, 15(12), Article 9316

CHAPTER 3: RESEARCH GAPS AND HYPOTHESES

3.1 Introduction

With implications for valuation, liquidity, and the cost of equity, previous research on cross-listing has mostly focused on financial mechanisms like increased investor recognition and reduced information frictions. However, from an institutional standpoint, listing in more stringent jurisdictions is seen to bind companies to stricter disclosure and governance requirements, which reduces the risk of being foreign in the capital markets. Finally, a smaller body of research links venue selection to product-market results, presenting examples where a foreign listing was accompanied by better sales results in the host region. These strands indicate that listing venue options may have both strategic and financial implications, particularly for consumer-facing firms with strong brand identities. This chapter identifies three inadequately defined gaps and proposes three corresponding hypotheses to direct the subsequent empirical research.

3.2 Gap 1: Operational consequences of venue choice are under-specified

Although there is little evidence of how managers reorganise operating assets in the listing region once the company is integrated into the financial and informational infrastructure of that market, the literature primarily assesses cross-listing using market-based indicators, such as abnormal returns, trading activity, or valuation premia. This omission has significant consequences in industries where access to prime locations, control over the customer interface, and consistency of brand experience are key components of competitive advantage. There are theoretical mechanisms that the venue can use to align capital providers with the regional growth narrative, expedite approval and opening decision cycles, and serve as a source of legitimacy with local partners and landlords. However, these channels haven't been developed into a logical, verifiable assertion regarding the dynamics of the retail footprint after listing.

***Hypothesis 1 (Operational).** Relative to otherwise comparable domestic listings, foreign listings in strategically salient demand regions are followed by a faster expansion of directly operated retail in the listing region.*

Cross-listing is reframed in this statement as a managerial turning point with noticeable operational ramifications, rather than as an event limited to capital markets. It suggests that the advantages of choosing a location go beyond capital costs and include asset deployment in the region that the venue serves as an intermediary.

3.3 Gap 2: The demand-side payoff is asserted more often than demonstrated

Foreign location selections are often justified by market-seeking factors, such as visibility, proximity to customers, and interaction with host-country stakeholders. Nevertheless, it is rarely possible to track the conversion into commercial results beyond limited windows. The unanswered questions are whether companies that list in areas where they plan to expand later show better revenue dynamics in those areas compared to their peers who list domestically and whether the geographic sales mix rebalances to align with the information ecosystem of the new venue (investors, analysts, media, and channel partners). Although fragmented, the evidence currently available is suggestive and usually does not depend on venue-demand congruence.

***Hypothesis 2 (Commercial).** Compared with domestic listings, foreign listings in consumer-strategic venues are associated with higher post-listing revenue growth in the venue's region and a stronger reweighting of the sales mix toward that region.*

From a conceptual standpoint, this links venue selection to the company's path to market. In addition to short-term price effects, one should see genuine demand-side gains over several years if the location increases informed attention and legitimacy in the host region.

3.4 Gap 3: Brand visibility and awareness effects of foreign listings

Although the majority of cross-listing research has focused on financial outcomes like cost of capital, liquidity, or valuation premia, little is known about the possible branding effects of a foreign listing. Listing in a demand-relevant market may serve as a strategic

communication tool, especially for businesses that interact with consumers, as it increases visibility among local stakeholders, generates media coverage, and enhances brand legitimacy. However, there is a lack of systematic evidence on this dimension. Prior research has not compared the effects of foreign IPOs and secondary listings to those of domestic listings, nor has it quantified the extent to which they increase brand awareness in the host region.

Hypothesis 3 (Visibility). *Foreign listings in consumer-strategic venues are associated with higher levels of brand visibility and media attention in the host region, compared to firms that remain domestically listed.*

Businesses that enter the local capital market gain a lot of publicity in the business and financial press, which increases the salience of their brand to investors and customers. This spillover could be strategically important for luxury businesses, which mainly rely on symbolic capital and awareness: the IPO itself turns into a branding event. For example, data from Prada's 2011 Hong Kong IPO, case that will be deepened in the next chapter, indicates a notable surge in Asia-Pacific media coverage following listing. As a result, a foreign listing can be seen as a tool for brand development and market communication in areas of strategic demand in addition to being a financing decision.

3.5 Conclusions

Overall, the three theories reframe venue selection as a strategic market-access choice and broaden the focus of cross-listing research beyond conventional financial mechanisms. The framework tackles aspects that have been mainly overlooked in previous research by taking operational growth, demand-side results, and brand awareness into account. For luxury and consumer-facing businesses, where legitimacy, visibility, and control over the customer interface can be just as important as cost-of-capital considerations, this broader viewpoint is especially pertinent.

The thesis then moves on to an empirical evaluation of these hypotheses. With an emphasis on Prada's 2011 IPO and L'Occitane's 2010 IPO, the upcoming chapters will provide in-depth case studies of foreign listings in Hong Kong. In order to determine whether foreign listings in demand-relevant markets actually speed up retail expansion, alter revenue geography,

and increase brand visibility in ways that domestic listings cannot, these cases will offer the required longitudinal evidence.

CHAPTER 4: CASE STUDY: PRADA'S IPO AND INTERNATIONAL LISTING STRATEGY

4.1 Background: Prada's Growth and International Expansion

Prada S.p.A. is an Italian luxury fashion house founded in 1913 by Mario Prada in Milan, originally selling fine leather goods to European elites. Over the course of the late 20th and early 21st centuries, Prada expanded from a single Milan boutique to a global luxury empire under the direction of Mario's granddaughter Miuccia Prada and her husband Patrizio Bertelli. With 352 directly operated and franchised stores worldwide, including roughly one-third in the Asia-Pacific area, Prada had increased its retail footprint by 2011 throughout Europe, the US, and particularly Asia. About 30% of Prada's €2 billion in sales in 2011 came from Asia, underscoring the growing significance of Asian consumers for luxury brands and reflecting the brand's intentional internationalisation strategy focused on high-growth markets.⁴⁹

In order to become the leading global luxury group, Prada aggressively expanded through acquisitions and the opening of new stores in the 1990s and 2000s. Importantly, Prada increased its portfolio by acquiring companies like Church's, a British shoemaker, and others, but these actions also resulted in a large debt load. By the late 2000s, Prada's parent company was carrying a substantial debt load on the order of €1 billion, partly connected to those expansion efforts. The global luxury market was changing at the same time, with traditional markets maturing while emerging markets, particularly China, became the main growth drivers. The management of Prada realised that in order to take advantage of the rapidly increasing demand for luxury goods in Asia, they would require new funding to refinance existing debt and finance additional expansion (like opening new stores in Asia). These financial and strategic requirements prepared the ground for Prada to explore an IPO as a way to raise capital and facilitate the company's next stage of global expansion.^{50 51}

⁴⁹ Wood, Z. (2011). Prada cuts share flotation price. The Guardian. <https://www.theguardian.com/business/2011/jun/17/prada-cuts-share-flotation-price>

⁵⁰ Barreto, E., & Ciancio, A. (2011). Prada eyes \$2.6 billion IPO, topping European peers. Reuters. <https://www.reuters.com/article/business/prada-eyes-26-billion-ipo-topping-european-peers-idUSTRE7550EL/>

4.2 Early IPO Plans and Aborted Attempts

Prada's path to a public listing was lengthy and filled with false starts. Throughout the 2000s, the company had considered going public several times, but each time it decided against it because of unfavourable market conditions. In fact, it was frequently remarked that this was the fashion house's "fifth time lucky" when it eventually managed to float its shares. Originally planned for 2001, during the height of a luxury boom, Prada's initial public offering (IPO) plan was shelved due to the abrupt market decline that followed the terrorist attacks of September 11, 2001.⁵² ⁵³ Prada was once again denied a listing opportunity when a second attempt in 2002 was reportedly cancelled due to additional market turbulence (such as the aftermath of the WorldCom accounting scandal). As business recovered later in the decade, Prada re-examined its IPO plans, even aiming for a possible offering in 2008.⁵⁴ However, Prada was once again forced to delay its public debut due to the global financial crisis of 2008 and the resulting market volatility. In early 2008, a Reuters report pointed out that Prada had previously "ditched listing attempts due to volatile markets". By 2011, over a decade had passed since the company's first flirtation with the stock market, and several aborted IPOs had earned Prada a reputation for repeatedly "scrapping" its listing plans whenever conditions turned unfavourable.

Prada maintained the possibility of an IPO while taking short-term measures to improve its financial standing during these years. Prada was implicitly valued at around €2 billion when Italian bank Intesa Sanpaolo invested €100 million in the company in 2006 in exchange for a 5% equity stake. In addition to giving Prada money, this calculated investment by Intesa showed faith in the company's future and IPO goals. Later, Banca IMI, Intesa's banking division, became one of the underwriters for Prada's final initial public offering.⁵⁵

By the turn of the decade, Prada's financial performance had improved despite the delays, primarily due to a surge in sales in Asia, and the company's valuation had increased by multiple times since the mid-2000s. Even though international markets were still recovering unevenly

⁵² Wood, Z. (2011). Prada cuts share flotation price. *The Guardian*. <https://www.theguardian.com/business/2011/jun/17/prada-cuts-share-flotation-price>

⁵³ Antonella Ciancio & Elzio Barreto (2011). Investors stay wary before Prada's IPO show. *Reuters*. <https://www.reuters.com/article/us-prada-ipo/investors-stay-wary-before-pradas-ipo-show-idUSTRE75412C20110605/>

⁵⁴ Barreto, E., Ciancio, A., & Semeraro, G. (2008). No delay in Prada listing, an IPO manager says. *Reuters*. <https://www.reuters.com/article/prada-ipo-idUSL0763762920080207/>

⁵⁵ Subhedar, V. (2011). Prada IPO raises HK\$2.5 billion more with over-allotment. *Reuters*. <https://www.reuters.com/article/business/prada-ipo-raises-hk-2-5-bln-more-with-over-allotment-idUSL6E71301Z/>

from the financial crisis, Prada's management believed that the time had come to tap the public markets once more by early 2011.

4.3 Decision to List in Hong Kong: Rationale and Controversy

Where to list Prada's shares was a crucial strategic choice. Prada's leadership decided to hold its initial public offering (IPO) in Hong Kong rather than a domestic listing on the Milan Stock Exchange or an offering in New York or London. The first pure luxury goods company and Italian company to list on the Hong Kong Stock Exchange was Prada, which did so in June 2011.⁵⁶ This move was driven by several considerations aligned with Prada's internationalization strategy, where the first one is the *proximity to the Asian market*. Hong Kong was viewed as the financial entry point to the Asia-Pacific investor base, particularly China's rapidly expanding consumer and investor class. Given China's significance as a major economy and its ravenous appetite for luxury goods, Miuccia Prada herself said that the decision to list in Hong Kong was "easy".⁵⁷ By listing in Hong Kong, Prada would effectively align its capital market presence with its consumer market focus and increase its brand profile among Asian consumers and investors. Analysts pointed out that businesses like Prada and others (such as the luggage manufacturer Samsonite, which went public in Hong Kong in 2011) primarily pursued Hong Kong listings in order to increase brand recognition in China and be near the areas with the highest demand for luxury goods.⁵⁸ Due to their increased familiarity with and excitement for the brand's expansion in China, Asian investors were also anticipated to reward Prada with higher valuations than Western markets would.⁵⁹

The second reason considered relevant by the Prada's management finalizing the decision to list the company in the HKSE was the perceived higher valuation and investor appetite. In fact, Prada attempted to use Hong Kong to achieve a higher valuation multiple. At the top end, the company's initial pricing range suggested a valuation of \$11–14.6 billion, or roughly 27

⁵⁶ Young, R. (2011). What Prada's IPO says about the bigger picture. Luxury Society. <https://luxurysociety.com/en/what-pradas-ipo-says-about-the-bigger-picture/>

⁵⁷ Barreto, E., & Ciancio, A. (2011). Prada raises \$2.1 billion in HK IPO. Reuters. <https://www.reuters.com/article/business/prada-raises-21-billion-in-hk-ipo-idUSTRE75G005/>

⁵⁸ Young, R. (2011). What Prada's IPO says about the bigger picture. Luxury Society. <https://luxurysociety.com/en/what-pradas-ipo-says-about-the-bigger-picture/>

⁵⁹ Barreto, E., & Ciancio, A. (2011). Investors stay wary before Prada's IPO show. Reuters. <https://www.reuters.com/article/us-prada-ipo/investors-stay-wary-before-pradas-ipo-show-idUSTRE75412C20110605/>

times projected 2011 earnings. This was much higher than the average price-to-earnings (P/E) ratios of Prada's European luxury competitors (at the time, Burberry was trading at about 21×, and industry leader LVMH was trading at about 17–20×).⁶⁰

However, in Hong Kong, luxury retail stocks were enjoying higher multiples, French beauty brand L'Occitane (which had listed in Hong Kong in 2010 as it is going to be more deepened in the next chapter) and Trinity Limited (a Hong Kong-based luxury apparel firm) traded around 26× earnings.

Prada attempted to place itself among these high-flying luxury stocks by listing in Hong Kong, using the "boom in the consumption of luxury items in China" as justification for a premium valuation. While acknowledging that Prada was probably "banking on the China story" to command a premium, one fund manager noted that there was "no reason for Prada to trade higher than LVMH" based solely on fundamentals. Essentially, Hong Kong provided a larger pool of affluent investors and the possibility of a higher initial public offering (IPO) price than a European offering could.^{61 62}

The third reason was related to the favourable market condition. Prior to 2011, Hong Kong was one of the most active IPO markets globally. In 2009 and 2010, it topped the global rankings for IPO fundraising, drawing in a large number of foreign businesses. Because of its liquidity and the interest of both local and mainland Chinese investors, Hong Kong's stock exchange was viewed as a thriving venue, particularly for consumer and luxury brands. Prada's initial public offering (IPO) was a part of a larger trend of Western consumer brands entering the Hong Kong market, which industry observers predicted would pick up speed if Prada's deal went well.⁶³ It was also acknowledged, though, that Prada served as a sort of pioneer (or "guinea pig") for European luxury brands operating in Hong Kong. A professor at Lingnan University in HK noted that Prada was "in the vanguard" and that if the company did well, others would take notice; if Prada got "burnt," it might discourage similar moves.⁶⁴

⁶⁰ Barreto, E., & Ciancio, A. (2011). *Prada eyes \$2.6 billion IPO, topping European peers*. Reuters. <https://www.reuters.com/article/business/prada-eyes-26-billion-ipo-topping-european-peers-idUSTRE7550EL/>

⁶¹ Barreto, E., & Ciancio, A. (2011). *Prada eyes \$2.6 billion IPO, topping European peers*. Reuters. <https://www.reuters.com/article/business/prada-eyes-26-billion-ipo-topping-european-peers-idUSTRE7550EL/>

⁶² Barreto, E., & Ciancio, A. (2011). *Investors stay wary before Prada's IPO show*. Reuters. <https://www.reuters.com/article/us-prada-ipo/investors-stay-wary-before-pradas-ipo-show-idUSTRE75412C20110605/>

⁶³ Young, R. (2011). *What Prada's IPO says about the bigger picture*. Luxury Society. <https://luxurysociety.com/en/what-pradas-ipo-says-about-the-bigger-picture/>

⁶⁴ Young, R. (2011). *What Prada's IPO says about the bigger picture*. Luxury Society. <https://luxurysociety.com/en/what-pradas-ipo-says-about-the-bigger-picture/>

Prada's decision to choose Hong Kong was not without controversy in Italy, despite these strategic justifications. Prada's decision to list overseas sparked controversy because many Italians had hoped that such a famous brand would list on the Milan domestic exchange. The Italian media and business community were disappointed that Italy would not be able to host the listings of one of its leading companies. Also, the decision resulted in special tax issues. Due to Prada's continued Italian domicile, Hong Kong shareholders would be liable for Italian taxes on dividends (up to 27%) and capital gains (12.5%). This was an unusual deterrent for Hong Kong retail investors, who usually participate actively in initial public offerings (IPOs), as Hong Kong itself does not impose any capital gains or dividend tax.⁶⁵ Many Hong Kong retail investors were put off by Prada's IPO prospectus's warning of these Italian tax obligations, which reduced local demand for the shares. Prada had to get around this problem in order to carry out the IPO, along with the initially high pricing. However, Prada's management insisted that, considering the shifting centre of gravity in luxury consumption to Asia, listing in Hong Kong made compelling sense.⁶⁶

Even though the bold action was unprecedented for an Italian company, it reflected Prada's larger strategic shift towards the East.

4.4 The 2011 Hong Kong IPO: Process and Key Details

In June 2011, following years of anticipation, Prada officially launched its initial public offering (IPO) on the Hong Kong Stock Exchange, trading under the stock code "1913," which is a reference to the year of its founding. Through the combination of newly issued Prada shares and shares sold by current stakeholders, the initial public offering (IPO) was designed to sell a minority stake in the business to the public. Prada first submitted an offer for approximately 423.3 million shares, or 16.5% of the increased share capital. Of these, 86% were secondary shares sold by current owners (primarily Intesa Sanpaolo and the Prada family's holding company), while 14% of the shares were a primary offering (new shares), meaning the proceeds went to the company.

⁶⁵ Wood, Z. (2011). Prada cuts share flotation price. *The Guardian*. <https://www.theguardian.com/business/2011/jun/17/prada-cuts-share-flotation-price>

⁶⁶ Barreto, E., & Ciancio, A. (2011). Prada raises \$2.1 billion in HK IPO. *Reuters*. <https://www.reuters.com/article/business/prada-raises-21-billion-in-hk-ipo-idUSTRE75G005/>

In other words, the founding family and its partners would be able to partially cash out of the \$2+ billion raised from the IPO, while Prada itself would only receive about 14% of the proceeds to support expansion. The Prada family would keep about 80% ownership (a controlling stake) even after the sale, guaranteeing that Patrizio Bertelli and Miuccia Prada would continue to have a firm grip on the company's future.⁶⁷

4.5 Underwriters and Marketing

In keeping with its Italian heritage and Hong Kong location, Prada put together a global team of underwriters for the transaction. Italian banks UniCredit and Intesa Sanpaolo (Banca IMI), as well as investment banks Goldman Sachs and Credit Agricole (CLSA), served as the joint global coordinators and bookrunners. Prada had long-standing ties with a number of these banks; for instance, executives from Intesa and UniCredit were on the board of Prada.⁶⁸

Early in June 2011, Prada's management began the IPO roadshow by visiting investors in Asia, Europe, and the United States. To generate interest, Patrizio Bertelli personally gave presentations in financial centres like Milan, Hong Kong, and Singapore.⁶⁹ Prada used a unique marketing strategy in Hong Kong that was appropriate for a luxury brand: the company held a glamorous 15-minute fashion show at the Grand Hyatt in Hong Kong, where top fund managers watched a runway presentation of Prada and Miu Miu designs before executives discussed the company's success in China. This fusion of glitz and money emphasised Prada's goal to position itself as an aspirational brand that capitalises on Asia's passion for luxury rather than merely as another stock.⁷⁰

⁶⁷ Barreto, E., & Ciancio, A. (2011). *Prada eyes \$2.6 billion IPO, topping European peers*. Reuters. <https://www.reuters.com/article/business/prada-eyes-26-billion-ipo-topping-european-peers-idUSTRE7550EL/>

⁶⁸ Barreto, E., & Ciancio, A. (2011). *Prada raises \$2.1 billion in HK IPO*. Reuters. <https://www.reuters.com/article/business/prada-raises-21-billion-in-hk-ipo-idUSTRE75G005/>

⁶⁹ Barreto, E., & Ciancio, A. (2011). *Prada eyes \$2.6 billion IPO, topping European peers*. Reuters. <https://www.reuters.com/article/business/prada-eyes-26-billion-ipo-topping-european-peers-idUSTRE7550EL/>

⁷⁰ Wood, Z. (2011). *Prada cuts share flotation price*. The Guardian.

<https://www.theguardian.com/business/2011/jun/17/prada-cuts-share-flotation-price>

4.6 Pricing and Valuation

For the IPO, Prada first set an indicative price range of HK\$36.50 to HK\$48.00 per share. The company would have been worth approximately HK\$ 330 billion (roughly \$13 billion USD) at the midpoint of this range. However, analysts and bankers quickly pointed out that Prada's higher end of the price range implied steep valuations, with projected 2011 earnings of roughly 27×, significantly higher than those of similar companies.⁷¹ As investor feedback rolled in during the roadshow, concerns emerged that the deal was “too expensive” and that Prada might need to moderate its expectations.⁷² Indeed, multiple fund managers indicated they would only consider investing if the valuation came down into line with (or slightly above) peers. Amid concerns about Eurozone debt crises and other volatility, the Hang Seng Index in Hong Kong had dropped in 11 of the 12 trading sessions prior to Prada's pricing, further indicating that global market sentiment in June 2011 was becoming cautious. Prada was under additional pressure to maintain conservative pricing because well-known initial public offerings (IPOs) that came right before it, like Samsonite's Hong Kong debut, had faltered (Samsonite's stock fell almost 8% on its first day).⁷³

Prada and its advisors responded by changing the pricing strategy, reducing the range to HK\$39.50 to HK\$42.25 shortly before the final pricing date. In the end, Prada set its share price at HK\$39.50, which was the lower end of this updated range.⁷⁴ This was a “whopping” last-minute discount that was required to generate enough investor demand, and it represented about a 20% reduction from the original top-end pricing goals.⁷⁵ At HK\$39.50 per share, the IPO raised about HK\$16.7 billion, equivalent to US \$2.1 billion in gross proceeds. The implied equity valuation for Prada was around HK\$82.5 billion (≈ €9.2 billion or \$13 billion) at the offer price.⁷⁶ This pricing still placed Prada at a premium to nearly all European-listed luxury

⁷¹ Barreto, E., & Ciancio, A. (2011). *Prada eyes \$2.6 billion IPO, topping European peers*. Reuters. <https://www.reuters.com/article/business/prada-eyes-26-billion-ipo-topping-european-peers-idUSTRE7550EL/>

⁷² Barreto, E., & Ciancio, A. (2011). *Investors stay wary before Prada's IPO show*. Reuters. <https://www.reuters.com/article/us-prada-ipo/investors-stay-wary-before-pradas-ipo-show-idUSTRE75412C20110605/>

⁷³ Young, R. (2011). *What Prada's IPO says about the bigger picture*. Luxury Society. <https://luxurysociety.com/en/what-pradas-ipo-says-about-the-bigger-picture/>

⁷⁴ Barreto, E., & Ciancio, A. (2011). *Prada raises \$2.1 billion in HK IPO*. Reuters. <https://www.reuters.com/article/business/prada-raises-21-billion-in-hk-ipo-idUSTRE75G005/>

⁷⁵ Young, R. (2011). *What Prada's IPO says about the bigger picture*. Luxury Society. <https://luxurysociety.com/en/what-pradas-ipo-says-about-the-bigger-picture/>

⁷⁶ Wood, Z. (2011). *Prada cuts share flotation price*. The Guardian. <https://www.theguardian.com/business/2011/jun/17/prada-cuts-share-flotation-price>

competitors (e.g., LVMH at ~20×, Hermès at ~22×, etc.), valued at a generous 22.8–24.4 times its 2011 projected earnings. Investors were willing to give Prada a premium for being a high-growth luxury brand, as evidenced by the fact that, even after the discount, its IPO valued it at or above the multiples of peers listed in Hong Kong, such as L'Occitane and Trinity.⁷⁷

4.7 Offer Outcome

Demand for the IPO was initially conflicting but eventually adequate. According to sources, the offering's institutional tranche was roughly three times oversubscribed by institutional investors at the closing price, indicating that it was reasonably well-subscribed. Attracted by Prada's robust brand and Asia growth story, numerous international long-only funds and investors from Asia placed orders. Conversely, there was little interest in the Hong Kong retail tranche, which consists of shares designated for individual investors in Hong Kong; only roughly half of the shares were subscribed for.⁷⁸ By Hong Kong standards, where retail oversubscription multiples for well-known initial public offerings (IPOs) frequently reach the hundreds or thousands, this is extremely low. Commentators blamed the high price and the Italian tax issue for the low retail turnout. Some local investors objected to Prada's high valuation without a significant discount, and others were not used to dealing with foreign tax bureaucracy on stocks. In any event, Prada's offering was successfully allocated and closed in mid-June 2011 due to the strong institutional demand that covered the transaction. Prada made its debut as a newly public company on June 24, 2011, when its stock started trading on the Hong Kong Stock Exchange.^{79 80}

⁷⁷ Barreto, E., & Ciancio, A. (2011). *Prada eyes \$2.6 billion IPO, topping European peers*. Reuters. <https://www.reuters.com/article/business/prada-eyes-26-billion-ipo-topping-european-peers-idUSTRE7550EL/>

⁷⁸ Barreto, E. (2011). *Prada's \$2.1 billion IPO makes modest HK debut*. Reuters. <https://www.reuters.com/article/business/pradas-21-billion-ipo-makes-modest-hk-debut-idUSTRE75N09P/>

⁷⁹ Barreto, E., & Ciancio, A. (2011). *Prada eyes \$2.6 billion IPO, topping European peers*. Reuters. <https://www.reuters.com/article/business/prada-eyes-26-billion-ipo-topping-european-peers-idUSTRE7550EL/>

⁸⁰ Barreto, E., & Ciancio, A. (2011). *Prada raises \$2.1 billion in HK IPO*. Reuters. <https://www.reuters.com/article/business/prada-raises-21-billion-in-hk-ipo-idUSTRE75G005/>

4.8 Transparency and Corporate Disclosure

The comprehensive disclosure in its listing prospectus, which revealed some of Prada's most closely guarded business practices, was one significant feature of the company's initial public offering. For instance, Prada's manufacturing and supply chain details that were previously not generally known were disclosed in the prospectus. It revealed that a network of about 480 outside suppliers produced Prada's goods, with only 390 of them based in Italy and the remainder in less expensive nations like China, Vietnam, Turkey, and Romania. Expressed another way, despite Prada's prestigious "Made in Italy" image, a sizable amount of the brand's production took place outside of Italy. Actually, according to the document, a large number of products bearing the Made in Italy label were primarily manufactured outside of Italy and only completed there to be eligible for the label. Interestingly, Miuccia Prada had anticipated this transparency requirement. In late 2010, as the IPO loomed, she openly stated "Made in Italy? Who cares!", signaling that the cachet of Italian manufacturing was less crucial than it once was. In an apparent attempt to shift the brand narrative away from a single-country origin and towards global craftsmanship, she also introduced a special "Prada Made In" collection that sources particular items from their reputable countries of origin (Peru for alpaca knitwear, Scotland for tartan, etc.). This astute marketing move was perceived as "managing the dark side" of Prada's globalisation of its supply chain. In the end, the IPO made Prada more open about its global production strategy, which is illuminating evidence of how going public can encourage transparency in a family business that has historically been opaque.⁸¹

4.9 Market Reception and Aftermath of the IPO

As a predictor of global luxury listings, Prada's Hong Kong trading debut was eagerly awaited. The stock's performance on June 24, 2011, the first day of trading, was subdued but not catastrophic. Prada's shares were essentially flat, closing at HK\$39.60 after opening at about the IPO price of HK\$39.50, a gain of only +0.3% on the first day. Considering the market's volatility and Samsonite's recent collapse, this modest increase surprised some analysts who had anticipated a potentially poor start. A general increase in the Hang Seng index that day (up

⁸¹ Tokatli, N. (2014). 'Made in Italy? Who cares!' Prada's new economic geography. *Geoforum*, 54, 1–9. DOI: 10.1016/j.geoforum.2014.03.005

about 1.9%), along with the actions of investors who hadn't received IPO allocations, helped keep Prada's stock just above water. In comparison, other large IPOs in Hong Kong that year had mostly fallen on debut, so Prada's essentially flat first-day performance was seen as a modest success in context. It showed that the IPO pricing was about fair market value; it wasn't so high that the stock would have crashed or so low that it would have popped. One analyst said, "While consumers may pay a premium for luxury brands, investors seek reasonable valuation," adding that Prada's cautious pricing probably avoided an immediate sell-off.⁸²

Prada's stock steadily increased in value in the days and weeks after the initial public offering. The share price had increased by roughly 18.5% above the IPO price by early July 2011, outpacing the roughly 1% increase in the Hong Kong market as a whole during that time. After initial apprehensions subsided, this post-listing surge, which saw Prada's stock rise well into the mid-HK\$40s, indicated a robust investor appetite for exposure to luxury goods. Additionally, the underwriters exercised their over-allotment ("greenshoe") option at that time, enabling a further distribution of shares to satisfy demand. The exercise of this option raised the total float to roughly 19–20% of Prada's share capital and generated an additional HK\$2.5 billion (~\$321 million) in proceeds. The Prada family firmly maintained control while retaining a sizable minority stake in the company after the overallotment, which saw their holding (through Prada Holding B.V.) reduced to about 80% ownership (down from 82.5% post-IPO).⁸³

4.10 Strategic Outcomes

Prada now had new funds to spend after raising about \$2.1 billion (and a little more after the shoe). About 75% of the net proceeds, according to the company, were allocated to growing Prada's retail network, especially in Asia, and 15% to paying off existing debt. The remaining funds were used for general business purposes. As a result, Prada's initial public offering (IPO)

⁸² Barreto, E. (2011). Prada's \$2.1 billion IPO makes modest HK debut. Reuters. <https://www.reuters.com/article/business/pradas-21-billion-ipo-makes-modest-hk-debut-idUSTRE75N09P/>

⁸³ Subhedar, V. (2011). Prada IPO raises HK\$2.5 billion more with over-allotment. Reuters. <https://www.reuters.com/article/business/prada-ipo-raises-hk-2-5-bln-more-with-over-allotment-idUSL6E7I30IZ/>

accomplished its two main goals: it strengthened the balance sheet by allowing debt reduction and it supplied capital for a bold plan to expand stores in emerging markets.⁸⁴

Prada had outlined an ambitious growth plan in the prospectus and investor presentations, at one point estimating that, in order to take advantage of the booming demand, 80 new stores would open annually through 2014. In fact, Prada intended to open 70 new stores in Asia alone over the course of the ensuing years, with roughly 30 of those opening in China. During the duration of the luxury boom, it was believed that this quick expansion was necessary to secure market share in China and other developing nations. According to reports on the IPO's reception, institutional investors seemed to share this vision and found Prada's expansion story "compelling."⁸⁵

However, some business analysts warned that a luxury brand might be at risk from such rapid growth. For example, the Financial Times reported that some analysts were concerned that oversaturating the market with Prada stores and merchandise could eventually weaken the brand's exclusivity and cachet. Luxury consumers, especially in China, often equate true exclusivity with rarity, where products are hard to get or only available in limited quantities. Prada might endanger the sense of scarcity that enhances its appeal as a luxury brand if it opened stores too quickly or increased supply arbitrarily. As a result, even though the IPO-funded growth strategy promised increased sales volumes, brand equity had to be preserved through careful execution. Following the IPO, this strategic balance between exclusivity and growth became a topic of discussion, demonstrating how going public can put additional pressure on a luxury house to maintain prestige and deliver expansion.⁸⁶

4.11 Market Significance

An important turning point in the globalisation of the luxury market was Prada's successful Hong Kong listing. It proved that by accessing Asia's capital markets, large European

⁸⁴ Barreto, E., & Ciancio, A. (2011). *Prada eyes \$2.6 billion IPO, topping European peers*. Reuters. <https://www.reuters.com/article/business/prada-eyes-26-billion-ipo-topping-european-peers-idUSTRE7550EL/>

⁸⁵ Young, R. (2011). What Prada's IPO says about the bigger picture. Luxury Society. <https://luxurysociety.com/en/what-pradas-ipo-says-about-the-bigger-picture/>

⁸⁶ Young, R. (2011). What Prada's IPO says about the bigger picture. Luxury Society. <https://luxurysociety.com/en/what-pradas-ipo-says-about-the-bigger-picture/>

luxury companies could draw significant investment from markets outside of their own. The Prada IPO highlighted a larger trend, that the heart of luxury was shifting eastward, both in terms of consumer demand and where businesses were looking to find investors. Other Western brands closely observed the precedent that Prada set when it boldly entered the Hong Kong exchange. Although few have done so to date, there was conjecture in the immediate aftermath that other luxury brands (such as Burberry or Ferrari) might follow Prada to Hong Kong in order to take advantage of comparable advantages. By demonstrating that a non-Asian company could raise billions of dollars and achieve a high valuation on the HKEX, Prada's case further cemented Hong Kong's standing as a feasible listing location for global consumer brands.

According to Prada, the IPO was a turning point that both mirrored and made possible its globalisation. In the early 2010s, Prada was able to expand across continents thanks to the money it raised, particularly in Greater China, which grew to be one of its biggest markets. Although it slowed the rate of new store openings by the mid-2010s due to shifting market conditions, Prada did in fact greatly increase its retail presence in Asia in the ensuing years. For a once-secretive family business, the company's public listing also meant continuous disclosure of financial results and operational details, signalling a change in culture. Prada managed to strike a new balance between the demands of public shareholders and the long-term vision of its founding family after going public, all the while retaining its creative DNA and family leadership.

In conclusion, Prada's 2011 Hong Kong initial public offering (IPO) can be viewed as a turning point in the company's strategy. It was the result of a ten-year campaign to obtain public funds, which was timed to take advantage of Asia's growth and Prada's own booming fortunes there. At a valuation that confirmed its place among the leading global luxury players, the IPO gave Prada the funds to pay down debt and make growth investments. The listing also put Prada's capacity to manage investor expectations, market volatility, and brand integrity to the test on a global scale. The opportunities and difficulties luxury companies encounter when bridging traditional and modern markets are exemplified by Prada's experience. In the end, Prada's audacious wager on Hong Kong paid off by strengthening their brand and financial position in China, the most vibrant luxury market in the world, which has only grown in significance over the years.

CHAPTER 5: L'OCCITANE EN PROVENCE'S 2010 HONG KONG IPO

5.1 Historical Background and Internationalization Strategy

Based on Provençal botanical and artisanal beauty product traditions, Olivier Baussan established L'Occitane en Provence in the south of France in 1976. Opening the first L'Occitane factory and boutique in the early 1980s, Baussan started out selling soaps and lotions in Provence and distilling lavender and rosemary oils. In the 1990s, Baussan brought in new investors and eventually gave up control because he needed money for expansion. Reinold Geiger, an Austrian businessman, bought a sizable portion in 1994 and rose to the position of majority shareholder by 1996, reorienting the company towards global growth. Under Geiger's direction, L'Occitane went from being a small Provençal retailer to a major player in the world market by highlighting its "maison de beauté" heritage and natural ingredient philosophy to appeal to consumers all over the world.⁸⁷

L'Occitane pursued a bold internationalisation strategy through the late 1990s and early 2000s. It became well-known throughout Europe, North America, and particularly Asia, frequently utilising its powerful Provençal imagery as a marketing tool. Notably, L'Occitane made an early foray into the Asian market in 1995 when it opened its first store in Hong Kong. By the end of the 2000s, Japan had surpassed even the US and France as L'Occitane's biggest global market, making Hong Kong a gateway to East Asia.⁸⁸

Even though initial sales were modest, the brand's early expansion in Hong Kong and Japan showed that it recognised that Asian consumers were open to its natural, French Provençal branding. In fact, Geiger subsequently recalled that the initial stores in Tokyo and Hong Kong in the mid-1990s were difficult to open and required persistence before the Asian business became profitable. This perseverance paid off, as L'Occitane progressively increased its reputation and cultivated a devoted following in the area.⁸⁹

⁸⁷ L'Occitane Holding Limited. (2010). Circular to shareholders – Global Offering. HKEXnews. https://www1.hkexnews.hk/listedco/listconews/sehk/2010/0426/00973_785828/e115.pdf

⁸⁸ Jönsson, A. (2010). L'Occitane targets \$708 million from Hong Kong IPO. FinanceAsia. <https://www.financeasia.com/article/loccitane-targets-708-million-from-hong-kong-ipo/172572>

⁸⁹ Lee, A. (2012). French Flair, Asian Ambition. INSEAD Knowledge. <https://knowledge.insead.edu/strategy/french-flair-asian-ambition>

By 2010, L'Occitane had established a truly global footprint, with more than 1,500 retail locations in over 80 countries. These locations featured a combination of franchised or partner-operated stores and company-owned boutiques, all of which incorporated L'Occitane's distinctive product line and store design. At the time, the company owned 753 of the roughly 1,500 points of sale, 470 were operated by outside distributors, and almost 300 were located in duty-free stores or airports. L'Occitane was able to balance control and local market adaptation while expanding quickly thanks to this hybrid model. The company preferred owned flagship stores in strategic areas to effectively communicate its brand experience, while it frequently collaborated with regional distributors in smaller or more recent markets. Although L'Occitane took a cautious approach to the Chinese market, as evidenced by the opening of its first mainland store in 2005, the company's operations in China were profitable right away, which is unusual for a foreign retail brand. The brand's successful market entry strategy and appeal to Chinese consumers were the reasons for its early profitability in China.⁹⁰

By leveraging consumer preferences for organic ingredients and genuine skincare products, L'Occitane's global expansion strategy concentrated on establishing the company as a high-end natural beauty brand. While facing off against industry heavyweights like L'Oréal and Estée Lauder, L'Occitane distinguished itself from purely science-driven or mass-market competitors with its Provençal storytelling and niche products (lavender creams, almond oils, and shea butter lotions). This tactic was especially popular in Asia, where customers admired the fusion of botanical ingredients and European luxury. By 2009, a significant portion of L'Occitane's sales were coming from Asian markets, including Japan, Hong Kong, and Taiwan, accounting for about 36% of total revenue.⁹¹ In 2010, the total net sales of the Asia region (HK, China, Japan and Taiwan) accounted for a total of almost 250M Euro, within a company that generated globally almost 615M Euro.⁹²

This demonstrates how important Asia has become to L'Occitane's business strategy, impacting everything from retail strategy (opening flagship stores in major Asian cities) to product development (catering to local preferences).

⁹⁰ Jönsson, A. (2010). L'Occitane targets \$708 million from Hong Kong IPO. FinanceAsia. <https://www.financeasia.com/article/loccitane-targets-708-million-from-hong-kong-ipo/172572>

⁹¹ Chim, K. (2010). France's L'Occitane raises \$708 million in HK IPO: sources. Reuters. <https://www.reuters.com/article/business/frances-loccitane-raises-708-million-in-hk-ipo-sources-idUSTRE63T27J/>

⁹² Data extracted from *Annual Reports of the Company*

A public offering was made possible by L'Occitane's strong growth in the years preceding 2010. The company's net sales increased at a compound annual rate of almost 27% between 2006 and 2009, reaching €537 million in the fiscal year that concluded in March of that year. Due in large part to its international market expansion, L'Occitane was able to boost its sales and profits even during the global economic downturn of the late 2000s. Sales had already reached €462.7 million by the first three quarters of fiscal 2010 (April–December 2009), and the company predicted a full-year net profit of €73.8 million, which was about 26% higher than the previous year. These numbers showed both the accelerating contributions from emerging Asian and international markets as well as the organic growth in more established markets. In conclusion, L'Occitane en Provence had transformed from a small Provençal boutique to a successful international beauty retailer by 2010. Strong financial results and a geographically diverse revenue base were the results of its internationalisation strategy, particularly the early wager on Asia, which prepared the business for the subsequent stage of expansion through an IPO.⁹³

5.2 Beauty and Skincare Industry Context in Asia

L'Occitane's 2010 decision to grow and go public in Asia must be interpreted in light of the developments in the skincare and cosmetics sector, especially the growing significance of Asian markets. Europe and North America used to be the biggest markets for cosmetics, but by the late 2000s, Asia-Pacific had solidified its position as the third-largest region for beauty and personal care products, and the gap was closing due to its rapid growth. Asia-Pacific consumers spent about \$80 billion on cosmetics and personal care products in 2008, accounting for about 24% of the global market.

According to industry projections, Asia-Pacific sales would have reached approximately \$91.6 billion by 2013, which would represent a compound annual growth rate of about 3% even during the years of the global recession. This growth rate exceeded the anticipated growth in many Western markets and indicated that Asia would play an increasingly important role in propelling the growth of the beauty industry.

⁹³ Jönsson, A. (2010). L'Occitane targets \$708 million from Hong Kong IPO. FinanceAsia. <https://www.financeasia.com/article/loccitane-targets-708-million-from-hong-kong-ipo/172572>

Emerging Asian economies, where urbanisation and growing incomes were generating enormous new markets for beauty products, provided a large portion of this momentum. China stood out as the next big thing in high-end skincare and makeup. By 2010, businesses from all over the world were planning to enter the Chinese market as well as other rapidly expanding Asian markets. Asia's demand for beauty proved comparatively resilient, despite the fact that the global financial crisis of 2008–2009 caused a rare decline in global beauty sales (the retail value of the global beauty and personal care industry fell about 2.1% in 2009).⁹⁴

In fact, Asia provided a bright spot during the crisis as Western markets shrank or stagnated: consumer spending on cosmetics rapidly increased in nations like China, driven by a growing middle class that had a penchant for luxury and international brands. Companies like L'Occitane, who were looking for growth opportunities to combat softness in traditional markets, found Asia even more alluring as a result of this divergence.

Consumer preference for foreign brands, particularly those regarded as prestigious or high-quality, was a significant feature of the Asian context. In Asia, foreign skincare and cosmetics brands frequently enjoyed a cachet that translated into high demand. At the time, a market researcher observed that Asian consumers, and Chinese consumers specifically, tended to consider foreign brands to be superior and extremely desirable.⁹⁵ Western businesses with strong brand narratives profited from this trend. The story that resonated was precisely the kind that L'Occitane's Provençal heritage and natural ingredients offered: it was European, making it exotic and high-status in Asia, but its emphasis on organic and traditional ingredients matched the growing interest in natural wellness in Asian markets. The emphasis on natural or plant-based products by rival companies like The Body Shop and Clarins also pointed to an industry-wide trend that Asian consumers were especially receptive to. In conclusion, by 2010, Asia was a market that was expanding both quantitatively and qualitatively, favouring L'Occitane's offerings and aligning well with the company's expansion goals.⁹⁶

⁹⁴ Bloomberg News. (2018). L'Occitane to use IPO funds to expand. Gulf News. <https://gulfnews.com/business/markets/loccitane-to-use-ipo-funds-to-expand-1.617811>

⁹⁵ Bloomberg News. (2018). L'Occitane to use IPO funds to expand. Gulf News. <https://gulfnews.com/business/markets/loccitane-to-use-ipo-funds-to-expand-1.617811>

⁹⁶ Jönsson, A. (2010). L'Occitane targets \$708 million from Hong Kong IPO. FinanceAsia. <https://www.financeasia.com/article/loccitane-targets-708-million-from-hong-kong-ipo/172572>

By the end of the 2000s, Japan had emerged as the single largest country market for L'Occitane and was one of the leading cosmetics markets in Asia. The sophisticated skincare preferences of Japanese consumers set regional trends. Hong Kong, a cosmopolitan centre and entry point to China, was a significant market despite its small size because of its population's penchant for upscale shopping and the constant influx of mainland Chinese visitors. The brand's popularity in Asia's most developed markets was demonstrated by L'Occitane's success in Japan, where it has dozens of boutiques, and its strong presence in Hong Kong, where it has had stores since 1995.⁹⁷ China's mainland and other emerging economies presented a bigger challenge and opportunity. Acknowledging this, L'Occitane took a methodical approach to China, launching its first store only in 2005 and growing steadily from there. By 2010 the company had about 50 stores in mainland China, still a relatively small footprint given China's size, but the Chinese market was already contributing over 3% of L'Occitane's global sales.⁹⁸

Business leaders saw China as Asia's fastest-growing market, one that would eventually overtake Japan in significance. They also saw similar potential in the other BRIC nations (Brazil, Russia, and India), where growing consumer classes were starting to spend money on cosmetics.⁹⁹

Around 2010, both international multinationals and regional brands were part of the competitive landscape in Asia's beauty industry. Global corporations such as L'Oréal, Shiseido, and Estée Lauder have set up shop in Asian capitals, frequently purchasing regional brands or aggressively promoting hero products that cater to the skin types of Asians. At the same time, local businesses and Korean beauty brands, the Korean Wave in cosmetics was still in its infancy, were beginning to acquire popularity. In this regard, L'Occitane continued to be a comparatively minor niche player on a global scale, but by utilising its distinctive brand image, it outperformed its competitors in Asia.

L'Occitane had a certain boutique appeal because it was not yet a well-known brand everywhere. Instead of using mass advertising, Asian consumers found L'Occitane through its quaint shopfronts and word-of-mouth, which helped to create an authentic image. The company's focus on the in-store customer experience, which frequently included hand massages

⁹⁷ Jönsson, A. (2010). L'Occitane targets \$708 million from Hong Kong IPO. FinanceAsia. <https://www.financeasia.com/article/loccitane-targets-708-million-from-hong-kong-ipo/172572>

⁹⁸ Data extracted from *Annual Reports of the Company*

⁹⁹ Jönsson, A. (2010). L'Occitane targets \$708 million from Hong Kong IPO. FinanceAsia. <https://www.financeasia.com/article/loccitane-targets-708-million-from-hong-kong-ipo/172572>

and samples, fit in nicely with the service-oriented retail culture found in Asian malls and department stores. A favourable environment for L'Occitane's growth was produced by all of these industry factors, including the growing demand in Asia, the preference for foreign natural brands, and an evolving competitive field. Additionally, it presented a compelling argument for the necessity and wisdom of an Asia-centric approach, which informed the company's audacious decision to launch its initial public offering (IPO) in Hong Kong rather than the more conventional financial hubs of Paris or London.¹⁰⁰

5.3 IPO Rationale and Roadshow Strategy

By 2010, the leadership of L'Occitane had concluded that the best way to finance its growth was to raise money through an initial public offering (IPO), and Hong Kong would be the best place to list. The company's strategic focus on Asia was specifically mentioned as the justification for selecting Hong Kong over L'Occitane's home market in Europe. L'Occitane thought it could get a better valuation and investor reception in Hong Kong, where its brand and growth story would be more fully appreciated, as Asia was the company's fastest-growing market, according to a source close to the deal at the time.

In fact, by 2010, Asia-Pacific accounted for about half of L'Occitane's sales, and management believed that Asian investors were more perceptive than European investors about the company's growth prospects and business model.¹⁰¹

The chairman of L'Occitane, Reinold Geiger, recalled that listing a mid-sized French beauty retailer in Hong Kong was viewed with scepticism by many European bankers, which was an unusual decision at the time. Geiger countered that it made sense to list the markets where the brand was most relevant because brand awareness is very important in Asia, where the company does about half of its business. To put it another way, choosing Hong Kong as the site of the IPO was a calculated strategic choice because it served as both a financial centre and

¹⁰⁰ Chim, K., & Vidalon, D. (2010). France's L'Occitane gets nod for HK listing: source. Reuters. <https://www.reuters.com/article/world/americas/frances-loccitane-gets-nod-for-hk-listing-source-idUSTRE62S1OW/>

¹⁰¹ Chim, K., & Vidalon, D. (2010). France's L'Occitane gets nod for HK listing: source. Reuters. <https://www.reuters.com/article/world/americas/frances-loccitane-gets-nod-for-hk-listing-source-idUSTRE62S1OW/>

a gateway to the large number of investors who were interested in Asia's consumer growth story.¹⁰²

As part of a larger effort to expand its roster beyond Chinese companies, Hong Kong's stock exchange was excited to accept such foreign listings. The Hong Kong exchange hailed L'Occitane's IPO as a confirmation of its outreach efforts, as it was set to be the first by a French company in Hong Kong. Officials from the Hong Kong Exchange had previously travelled all over the world to present the city's market to foreign companies, emphasising its deep liquidity and robust investor appetite for expanding businesses. These initiatives came at a time when the US and Europe were only just beginning to recover from a financial crisis, which made Asia, and consequently Hong Kong's capital markets, a desirable place to raise money.¹⁰³

Thus, L'Occitane's decision fit the exchange's goals, and Hong Kong authorities enthusiastically approved the listing in early 2010. This IPO could "open up the doors for other French firms to list in Hong Kong," according to commentators, presenting Euronext Paris with a symbolic challenge that could cost them the opportunity to host promising domestic companies. A company of L'Occitane's size (with yearly sales of roughly €537 million in 2008) might be able to secure higher price-to-earnings multiples and a more receptive investor base in Asia than in Europe, as evidenced by the Hong Kong listing, which was perceived as a possible blow to Paris. Due to the spike in Asian consumer demand during the global downturn, bankers at the time estimated that L'Occitane could fetch valuation multiples (such as enterprise value/EBITDA or P/E) in Hong Kong that were higher than what it would probably fetch in Paris. One of the main justifications for the IPO's location was the anticipation of a "valuation premium" in Asia.¹⁰⁴

The fact that the IPO's proceeds were specifically designated for expansion plans served as further evidence of the need for the offering. Company statements indicate that increasing L'Occitane's presence in high-growth emerging markets accounted for roughly two-thirds

¹⁰² Lee, A. (2012). French Flair, Asian Ambition. INSEAD Knowledge. <https://knowledge.insead.edu/strategy/french-flair-asian-ambition>

¹⁰³ Liu, L. (2010). L'Occitane raises \$708 million in Hong Kong IPO. FinanceAsia. <https://www.financeasia.com/article/loccitane-raises-708-million-in-hong-kong-ipo/173527>

¹⁰⁴ Chim, K., & Vidalon, D. (2010). France's L'Occitane gets nod for HK listing: source. Reuters. <https://www.reuters.com/article/world/americas/frances-loccitane-gets-nod-for-hk-listing-source-idUSTRE62S1OW/>

(65%) of the funds raised. This included China as a primary focus, but L'Occitane also saw great potential for new stores in other BRIC nations (Brazil, Russia, India, and emerging Mexico). The remaining funds were used to support the opening of new boutiques, even in well-established markets like Germany and Japan, and to fortify operational infrastructure where necessary.¹⁰⁵

The IPO would essentially provide the funds to carry out a bold five-year expansion plan. In the five years after 2010, management stated that they wanted to open 650 new stores worldwide, 500 of which would be under the L'Occitane brand (the remaining stores would likely be under other group brands or new concepts). This resulted in a sharp increase in store openings, almost doubling the network. Since most of those new stores were intended for emerging markets, the focus was evidently on Asia-Pacific, which was referred to as the "key growth driver in coming years." As the global beauty industry was just recovering from a 2009 sales slump, L'Occitane's managing director, André Hoffmann, emphasised during the pre-IPO roadshow that the company's next phase of growth would be fuelled by Asia's booming economies, such as China and India, as well as Latin America. Investors were persuaded that the capital infusion would result in real expansion in markets with high returns thanks to this clear explanation of how IPO funds would be used.¹⁰⁶

In order to appeal to both retail and institutional investors, L'Occitane used a roadshow approach to market the IPO, fusing strong financial metrics with an engaging brand narrative. The institutional roadshow began in mid-April 2010 with the company and its underwriting banks (CLSA, HSBC, and UBS). Using Geiger and Hoffmann's global experience, management gave presentations in Hong Kong, including a high-profile lunch for fund managers, and probably met investors in other financial hubs. L'Occitane's brand strength in Asia was a key component of the pitch; in contrast to many unknown foreign IPO candidates, the company's boutiques and products in the region helped it gain significant name recognition among Hong Kong's investing public.¹⁰⁷ Sources noted that selling the story was "relatively easy," especially to retail investors, because the brand was well-known and admired for its natural and organic product image. Retail investors from Hong Kong, many of whom had previously purchased

¹⁰⁵ Taipei Times. (2010). L'Occitane initial offering in HK raises US\$704m.. <https://www.taipetimes.com/News/biz/archives/2010/05/01/2003471925>

¹⁰⁶ Bloomberg News. (2018). L'Occitane to use IPO funds to expand. Gulf News. <https://gulfnews.com/business/markets/loccitane-to-use-ipo-funds-to-expand-1.617811>

¹⁰⁷ Jönsson, A. (2010). L'Occitane targets \$708 million from Hong Kong IPO. FinanceAsia. <https://www.financeasia.com/article/loccitane-targets-708-million-from-hong-kong-ipo/172572>

L'Occitane products, connected with the brand's Provençal romance and everyday relevance. These aspects were even emphasised in the IPO marketing, such as reminding investors that Provence, the region from which L'Occitane sources lavender, olives, and other products, is a popular tourist destination in Asia, forging an emotional bond with the brand's roots.

Visual advertising was used to support this storytelling; prior to the listing, Hong Kong was inundated with L'Occitane ads, which highlighted the company's image as a consumer brand getting ready to go public.¹⁰⁸

To meet the due diligence requirements of institutional investors, management emphasised L'Occitane's growth prospects and financial history in addition to the brand story. Strong historical growth (a nearly 27% sales CAGR over 2006–2009, and steady profitability) and healthy margins for a retail business were disclosed in the IPO prospectus and presentations. Data demonstrating L'Occitane's capacity to turn growth into profits, including net earnings that increased to an estimated €74 million in FY2010 and strong operating margins that demonstrated disciplined cost control even as the store network grew, gave institutional audiences especially comfort. Furthermore, aside from the parent company's existing debt, which would be partially repaid through the sale of secondary shares, the business was essentially debt-free (proceeds were needed for expansion rather than to cover losses).¹⁰⁹

Another selling point was that L'Occitane's IPO valuation range was set with reference to global peers and appeared reasonable relative to many. The indicative price range of HK\$12.88 to HK\$15.08 per share equated to about 19–22 times projected FY2011 earnings. Another selling point was that L'Occitane's IPO valuation range was set with reference to global peers, and appeared reasonable relative to many. The indicative price range of HK\$12.88 to HK\$15.08 per share equated to about 19–22 times projected FY2011 earnings. Investors were thus informed that they could invest in a rapidly expanding niche brand at a price that was not unduly high by industry standards. Indeed, some syndicate analysts argued the fair value was higher, implying upside potential.¹¹⁰

¹⁰⁸ Jönsson, A. (2010). L'Occitane targets \$708 million from Hong Kong IPO. FinanceAsia. <https://www.financeasia.com/article/loccitane-targets-708-million-from-hong-kong-ipo/172572>

¹⁰⁹ Jönsson, A. (2010). L'Occitane targets \$708 million from Hong Kong IPO. FinanceAsia. <https://www.financeasia.com/article/loccitane-targets-708-million-from-hong-kong-ipo/172572>

¹¹⁰ Jönsson, A. (2010). L'Occitane targets \$708 million from Hong Kong IPO. FinanceAsia. <https://www.financeasia.com/article/loccitane-targets-708-million-from-hong-kong-ipo/172572>

Confidence in the offering was bolstered by this message as well as the announcement that CIC, China's sovereign wealth fund, had committed to investing US\$50 million as a foundation investor. Because of CIC's involvement, the IPO was supported by a respectable, long-term Asian investor, indicating to others that L'Occitane's growth story in China and Asia was legitimate. It was emphasised that a savvy investor recognised the company's worth beyond any quick post-listing flip when cornerstone investors in Hong Kong IPOs agreed to hold their shares for a lock-up period (in this case, six months).¹¹¹

5.4 Pricing, Demand, and Early Market Response

The results of L'Occitane's initial public offering (IPO) on April 30, 2010, demonstrated the tremendous demand from investors. Because the offering was priced at the very top of the indicative range, HK\$15.08 per share, the company and selling shareholder were able to raise the maximum amount that was intended. The company and the selling parent company raised a total of HK\$5.49 billion (US\$704–708 million) from the IPO.¹¹² This made it the largest IPO in Hong Kong year-to-date for 2010 and a landmark listing as the first French company on the exchange. L'Occitane's post-IPO market capitalisation was approximately HK\$22 billion, or US\$2.8 billion, at the closing price. Since the IPO price implied about 28 times the projected earnings for the year ending March 2010, investors were effectively valuing the company at a healthy premium compared to many of its international peers. At that time, Avon, a U.S.-based company, traded at about 16× forward earnings, while Estée Lauder traded at about 24×. Due to fund managers' willingness to pay more for exposure to the rapidly expanding premium skincare market in Asia, L'Occitane's richer multiple reflected its superior growth trajectory and strong Asian positioning. While L'Occitane's valuation was higher than that of larger international cosmetics companies, one Hong Kong fund manager said that investors were

¹¹¹ Jönsson, A. (2010). L'Occitane targets \$708 million from Hong Kong IPO. FinanceAsia. <https://www.financeasia.com/article/loccitane-targets-708-million-from-hong-kong-ipo/172572>

¹¹² Taipei Times. (2010). L'Occitane initial offering in HK raises US\$704m. <https://www.taipetimes.com/News/biz/archives/2010/05/01/2003471925>

"keen to tap the fast-growing consumer sector in Asia," which explained the fervour for the stock despite its high price.¹¹³

Subscriptions to the IPO were exceptionally high, particularly from Hong Kong retail investors. One of the most heavily subscribed IPO tranches in the city that year was the Hong Kong public offer, which at first only accounted for 10% of the deal but was oversubscribed by about 150 times.¹¹⁴ Individuals' frantic demand set off the automatic "clawback" mechanism, which increased the retail tranche's share from 10% to 50% of the total offering in order to partially meet the excess demand. As a result of the brand's prestige and the speculative fervour in the local market, tens of thousands of small investors in Hong Kong applied for L'Occitane shares, collectively bidding for many times the number of shares available. There was also strong institutional demand. The institutional book was "very significantly oversubscribed," according to bankers, with a good mix of Western and Asian investors taking part.¹¹⁵

Interest from outside of Asia, such as funds based in Europe and the US, suggested that L'Occitane's growth story was appealing to a global audience. It's also possible that some foreign investors decided to purchase shares through Hong Kong in order to participate in this special listing. The underwriters were able to exercise their option to increase the deal size (the greenshoe, if any, could raise the proceeds closer to US\$810 million) in addition to setting the top price due to the oversubscription.¹¹⁶

All things considered, the IPO's reception gave the Hong Kong market more confidence after a few deals earlier in 2010 struggled or were delayed because of erratic markets. L'Occitane's successful offering, according to observers, indicated a renewed appetite for risk and supported Hong Kong's approach of luring international issuers.

The initial reaction of the market was closely monitored when L'Occitane's stock (trading under stock code 0973) made its debut on the Hong Kong Stock Exchange on May 7, 2010. However, the stock received an unexpectedly negative response on its first trading day: during

¹¹³ Chim, K. (2010). France's L'Occitane raises \$708 million in HK IPO: sources. Reuters. <https://www.reuters.com/article/business/frances-loccitane-raises-708-million-in-hk-ipo-sources-idUSTRE63T27J/>

¹¹⁴ Taipei Times. (2010). L'Occitane initial offering in HK raises US\$704m. <https://www.taipetimes.com/News/biz/archives/2010/05/01/2003471925>

¹¹⁵ Liu, L. (2010). L'Occitane raises \$708 million in Hong Kong IPO. FinanceAsia. <https://www.financeasia.com/article/loccitane-raises-708-million-in-hong-kong-ipo/173527>

¹¹⁶ Taipei Times. (2010). L'Occitane initial offering in HK raises US\$704m. <https://www.taipetimes.com/News/biz/archives/2010/05/01/2003471925>

the first day's session, L'Occitane's share price dropped by roughly 8% from its IPO price. The shares opened at HK\$15.08, but they soon fell, reaching as low as HK\$13.80 intraday. Within days of L'Occitane's pricing, the Hong Kong market had become cautious and the general sentiment towards IPOs had soured. The renowned Swire Pacific actually cancelled the initial public offering (IPO) of its real estate division, Swire Properties, one day prior to L'Occitane's debut, citing unfavourable market conditions. Due to the same jitters, other initial public offerings (IPOs) in the region and around the world were being rescheduled or scaled back. For instance, a tyre manufacturer postponed its Hong Kong listing during that time, and a significant Singapore IPO was withdrawn. As a result, L'Occitane was forced to list in a market that had suddenly become tumultuous, and the pressure from the wider sell-off was too great for even solid fundamentals to overcome.¹¹⁷

Given the retail tranche's prior fervour, investors were taken aback by the muted first-day performance. Given the 160× retail coverage, some market participants complained that the stock's decline was an unexpected result for one of Hong Kong's "hottest IPOs" of the year.

However, the background made things clear: basically, the initial momentum was overpowered by outside market forces. It's important to remember that L'Occitane's initial public offering (IPO) was still regarded as a success in terms of raising capital because the company received funding at a high valuation. Additionally, the company's poor debut did not indicate a poor assessment of its prospects, but rather reflected traders' short-term risk aversion. Furthermore, not every initial public offering (IPO) had a bad week. In an intriguing contrast, Lansan Pharmaceutical, a much smaller IPO that listed in Hong Kong on the same day, saw its shares jump over 25% on debut, possibly as a result of even more intense retail demand (853× oversubscribed) and a modest price. While L'Occitane's high valuation left less opportunity for immediate upside in a volatile market, this comparison demonstrated that investor appetite was still there for deals that were seen as bargains.¹¹⁸

After the initial week, L'Occitane's share price performance stabilized. As markets recovered later in 2010, the stock made up ground. Indeed, within two years, L'Occitane was

¹¹⁷ Chim, K. (2010). French L'Occitane down 8 percent in Hong Kong debut. Reuters. <https://us.fashionnetwork.com/news/French-l-occitane-down-8-percent-in-hong-kong-debut,505985.html>

¹¹⁸ Chim, K. (2010). French L'Occitane down 8 percent in Hong Kong debut. Reuters. <https://us.fashionnetwork.com/news/French-l-occitane-down-8-percent-in-hong-kong-debut,505985.html>

trading roughly 30% above its IPO price, vindicating early investors who held through the volatility.¹¹⁹

However, in the short term, the 2010 launch was a reminder that macroeconomic challenges can still affect an IPO for a well-known brand. The management of L'Occitane soon turned their attention from short-term stock swings to the long-term implementation of the expansion plans that the IPO had financed.

5.5 Post-IPO International Expansion and Strategic Focus

The Hong Kong Stock Exchange listing of L'Occitane in 2010 served as a crucial launching pad for the business's aspirations for international expansion. The initial public offering (IPO) generated significant funds designated for a vigorous global expansion strategy, enabling L'Occitane to expedite the opening of new stores and penetrate new markets. As a strategic priority to capitalise on the booming consumer demand in Asia and other rapidly growing emerging economies, management specifically allocated a large portion of the IPO proceeds towards expanding in these regions. In keeping with its post-IPO growth strategy, this funding infusion allowed L'Occitane to expand its retail presence in high-potential markets. The first French company to choose Hong Kong for its initial public offering (IPO), L'Occitane also demonstrated its dedication to the Asian market by coordinating its capital strategy with the geographic focus of its expansion plans. The outcome was a more extensive worldwide presence, particularly in Asia-Pacific, which was directly made possible by the IPO's funding of the business's global development projects.¹²⁰

5.6 Enhanced Financial Flexibility, Transparency, and Governance

The Hong Kong IPO not only fuelled growth but also provided significant organisational and financial advantages that fortified L'Occitane's business foundations. By adding new equity capital, the offering broadened L'Occitane's funding sources, increasing the company's financial

¹¹⁹ Lee, A. (2012). French Flair, Asian Ambition. INSEAD Knowledge. <https://knowledge.insead.edu/strategy/french-flair-asian-ambition>

¹²⁰ Chim, K. (2010). France's L'Occitane raises \$708 million in HK IPO. Reuters. <https://www.reuters.com/article/business/frances-loccitane-raises-708-million-in-hk-ipo-sources-idUSTRE63T27J/>

flexibility and lowering its dependency on debt financing. Actually, L'Occitane was better positioned to finance growth with a healthier balance sheet after some of the IPO proceeds were used to streamline the capital structure (for instance, retiring outstanding debt at the parent level).¹²¹

Significantly, L'Occitane's operations became much more transparent and accountable after going public, subjecting it to strict disclosure regulations and Hong Kong's corporate governance code. In order to improve oversight and investor confidence in its management practices, the company implemented formal governance mechanisms after its initial public offering (IPO). These mechanisms included independent board committees for audit, compensation, and nominations, as required by listing regulations. In conclusion, the IPO strengthened L'Occitane's institutional integrity and financial credibility by imposing higher governance standards and giving the company more financial agility.¹²²

5.7 Strengthened Brand Visibility and Asian Market Positioning

L'Occitane's brand visibility and strategic positioning were enhanced by the high-profile Hong Kong listing, especially in the Asian consumer landscape. The IPO itself served as a powerful marketing tool, drawing extensive media coverage and investor interest in L'Occitane's Provençal beauty brand and enhancing its reputation in an area where customer awareness and trust are critical factors. Given that brand awareness is particularly important in Asia, company leadership purposefully selected Hong Kong as the listing location in order to take advantage of this dynamic. They saw a local Asian listing as a means of strengthening their connection with Asian stakeholders and customers.¹²³ Together with other international luxury and cosmetics brands, L'Occitane's status as a publicly traded company in Hong Kong raised its profile in the years after the IPO, making it stand out in the cutthroat Asian premium skincare market. Being listed on an Asian exchange gave customers and partners the impression that L'Occitane was a long-term partner, strengthening its strategic positioning and reputation

¹²¹ Chim, K. (2010). France's L'Occitane raises \$708 million in HK IPO. Reuters. <https://www.reuters.com/article/business/frances-loccitane-raises-708-million-in-hk-ipo-sources-idUSTRE63T27J/>

¹²² <https://group.loccitane.com/sites/default/files/26-04-2010-Prospectus.pdf#:~:text=3,Mark%20Broadley%2C%20with%20the%20appropriate>

¹²³ Lee, A. (2012). French Flair, Asian Ambition. INSEAD Knowledge. <https://knowledge.insead.edu/strategy/french-flair-asian-ambition>

among Asia's rapidly expanding middle-class consumer base. All things considered, L'Occitane's brand status in Asia was greatly enhanced by the IPO, which gave the company more visibility and a more solid platform on which to strategically interact with the Asian market.¹²⁴

5.8 Fulfilment of Post-IPO Strategic Goals

L'Occitane largely achieved the main strategic goals it had stated at the time of its listing in the time after the IPO. Encouraged by the IPO proceeds and increased market awareness, the company successfully carried out its expansion plans, opening new high-growth markets and significantly expanding its store count in Asia and other target regions to create a much larger global retail network as planned. Strong business performance was the result of this expansion drive. L'Occitane reported significant double-digit increases in revenue and net profit within two years of the IPO, demonstrating that the post-IPO growth strategy was producing observable outcomes. The market responded favourably as well; by 2012, L'Occitane's share price was trading significantly higher than it had at the time of its IPO, indicating that investors were confident in the company's trajectory as it met or surpassed its growth goals. In summary, the IPO served as the impetus for L'Occitane to accomplish its declared objectives, which included strengthening its governance and brand prestige, expanding internationally more quickly, and improving its financial resilience. The company's performance after the IPO showed that these efforts were successful.¹²⁵

¹²⁴ Gibson, O. (2011). Manchester United would join a host of luxury brands on Asian stock exchanges. *The Guardian*. <https://www.theguardian.com/business/2011/aug/16/manchester-united-singapore-exchange-listing>

¹²⁵ Lee, A. (2012). French Flair, Asian Ambition. INSEAD Knowledge. <https://knowledge.insead.edu/strategy/french-flair-asian-ambition>

CHAPTER 6: EMPIRICAL FINDINGS: PRADA & L'OCCITANE

This chapter investigates the validity of the three previously stated hypotheses in relation to two prominent foreign listings in Hong Kong, Prada and L'Occitane. The analysis transitions from narrative evidence to quantifiable outcomes, concentrating on whether a foreign listing in a demand-relevant venue results in an expedited expansion of directly operated retail in the host region (H1), enhanced revenue growth and a recalibration of the sales mix towards that region (H2), and an augmentation of brand visibility and media attention in the host market (H3). The objective is not to assert universal causal laws for luxury and beauty, but to evaluate whether patterns anticipated by the theory of venue–market congruence are evident in meticulously designed pre-/post-windows surrounding the two listing events.

The empirical analysis adopts a harmonised observation window for both companies, covering the period from 2009 to 2015 (extended to 2016 where data availability allows). This symmetric window ensures comparability across the two case studies and captures the critical years immediately preceding and following the listings. For Prada, this period brackets the 2011 Hong Kong IPO and allows us to observe both the pre-listing trajectory and the medium-term adjustment in operations, revenues, and visibility. Because of L'Occitane's limited presence in Hong Kong and mainland China before 2009, earlier data are less relevant and more fragmented. Because it aligns with the brand's significant growth in Asia and avoids times when activity in the listing region was minimal, focussing on the 2009–2015 horizon makes analytical sense. This shared timeline guarantees that the results for both businesses are assessed using a consistent and insightful framework for comparison. The variables are designed to be comparable over time and to map directly to the hypotheses.

The stock and flow of directly operated stores (numbers will also include franchises, even if the contribution to the total in the regions is almost imperceptible) in the listing region (Greater China/Asia-Pacific, depending on issuer disclosure) serve as the primary metric for H1 (operational expansion). To account for company-wide expansion, a normalised growth rate in relation to the firm's global store base is also taken into account.

The analysis for H2 (commercial outcomes) uses simple growth rates, changes in mix share, segment revenues, and the percentage of total sales attributable to the listing region; where disclosed, constant-currency figures are preferred to minimise translation effects.

The chapter uses a consistent archive query, **Factiva**, to count news items mentioning the focal brand in major business/financial outlets by geography for H3 (visibility). With the function filter, the first step was to search for the key word (the brand under analysis), and then it was selected the type of source (All Publications & All news), the type of industry the source was related to (Clothing retail, designer clothing, business services, consumer goods, retail/wholesale) and, most importantly, the region: APAC. The H3 was analysed with the comparison method: Prada and L'Occitane compared to the trends of two companies that opted for the national listing.

The reasoning is comparative even though this is essentially a two-case design. When appropriate, the discussion places each firm's trajectory in relation to a natural counterfactual, which could be either the firm's own pre-listing trend (event-study logic) or, according to robustness notes, a matched peer that did not list abroad during the same time period. A modest but practical goal is to distinguish firm-specific post-listing inflections from background sector dynamics and determine whether the foreign venue is associated with a noticeable shift in the operations (H1), revenues and mix (H2), and media salience (H3) slopes.

The chapter proceeds hypothesis by hypothesis. For each, it states the measurement approach in one paragraph, presents the core descriptive evidence, and closes with an interim assessment that is deliberately narrow (supported, mixed, or not supported in the window).

6.1 H1 - Operational Expansion: Prada & L'Occitane

To assess Hypothesis 1, the analysis examines the evolution of Prada's directly operated stores (DOS) and the limited number of franchises between 2009 and 2016. Although franchise outlets are included in the dataset, they represent a negligible fraction of the network, meaning that the figures largely capture the group's own retail presence. The focus is on both the stock of stores at year-end and the annual net flow of openings and closures, in order to identify whether the pace of expansion changed after the 2011 Hong Kong IPO.

The data show a marked increase in Prada's retail footprint over the period, with total stores rising from 266 in 2009 to a peak of 624 in 2015, before stabilising slightly in 2016. In

the years preceding the IPO, growth was steady but moderate: Asia Pacific outlets grew from 84 to 117 between 2009 and 2011, while Europe rose from 74 to 101, and the Americas from 20 to 34. This gradual pre-listing expansion provided a baseline against which the post-IPO trajectory can be assessed.

From 2012 onwards, the pace of openings accelerated. Asia Pacific in particular showed a pronounced increase, reaching 197 stores by 2015, with annual additions consistently higher than before the IPO. Europe also expanded, reaching 169 stores in 2015, though with a flatter trend. The Americas experienced the most dramatic relative change, more than doubling from 48 stores in 2012 to 110 in 2015. Japan followed a different path: after several years of growth, the market contracted sharply in 2016 due to a restructuring of the network, which reduced the number of boutiques from 70 to 26.

The flows of net openings underline these differences. In Asia Pacific, the yearly increase after 2011 ranged from 12 to 33 new openings, compared with single-digit growth in the pre-IPO phase. In the Americas, the surge was equally visible, with a peak of 30 new stores in 2014. Europe showed steadier increments, while Japan’s contraction in 2016 highlights that expansion was not uniform across all geographies.

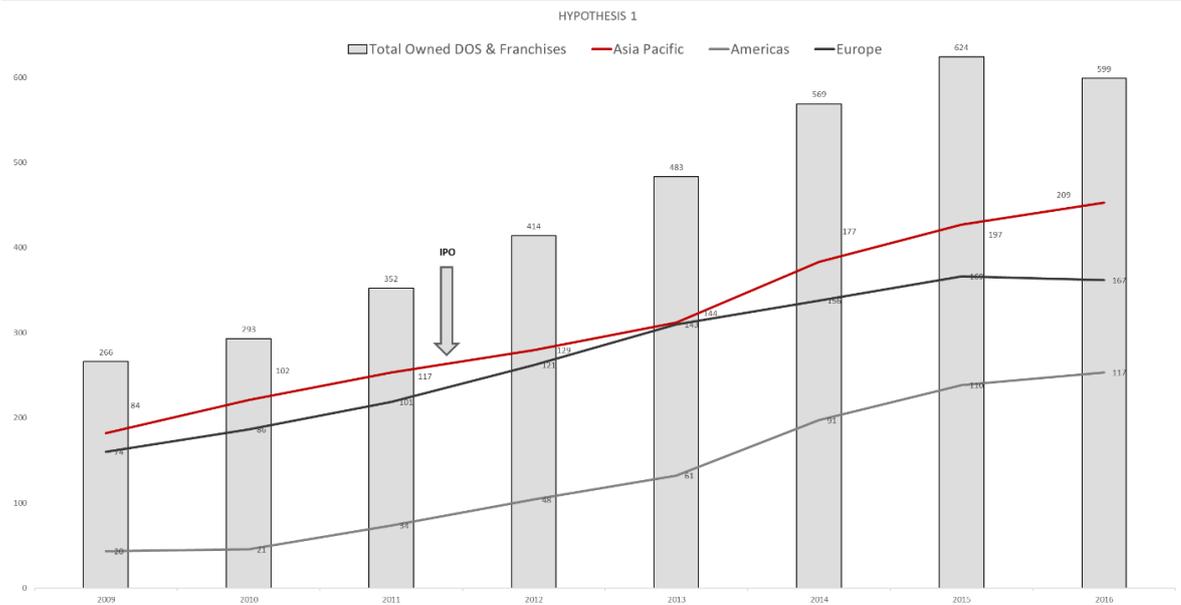


Figure 6.1. Prada Total DOS & Franchises vs Regional Breakdowns. Data from Prada’s Annual Reports.

The accompanying graph illustrates these patterns clearly. The red line representing Asia Pacific rises more steeply than those for Europe or the Americas, making visible the stronger momentum in that region. While all markets contributed to the global expansion, the slope of the Asia Pacific trajectory suggests that this area became the primary engine of Prada's retail growth in the years immediately after the Hong Kong listing.

L'Occitane, which debuted on the Hong Kong Stock Exchange in 2010, bears an instructive parallel to Prada's trajectory. Although the retail footprints of both businesses showed notable post-listing growth, L'Occitane's expansion in Greater China (China and Hong Kong combined) was even more remarkable in comparison. By 2016, there were 223 directly operated boutiques in Greater China, up from just 30 in 2009, making it the group's most significant regional network. Both in absolute and relative terms, this expansion was much faster than what was observed in other markets, where growth persisted but was more uneven and moderate.

The data demonstrates how L'Occitane's Asian strategy seems to have undergone a sea change at the same time as the IPO. With only 15 boutiques in 2009, the company's presence in mainland China was minimal in the years immediately before the listing. However, by 2012, the number had already more than quadrupled to 93, and by 2016, it had risen to 187. Over the same time period, Hong Kong expanded from 15 to 36 stores, following a similar, albeit less dramatic, trajectory. When combined, China and Hong Kong surpassed traditionally dominant markets like Japan, the US, and France to move from accounting for less than 5% of the company's global network in 2009 to a position of unquestionable leadership.

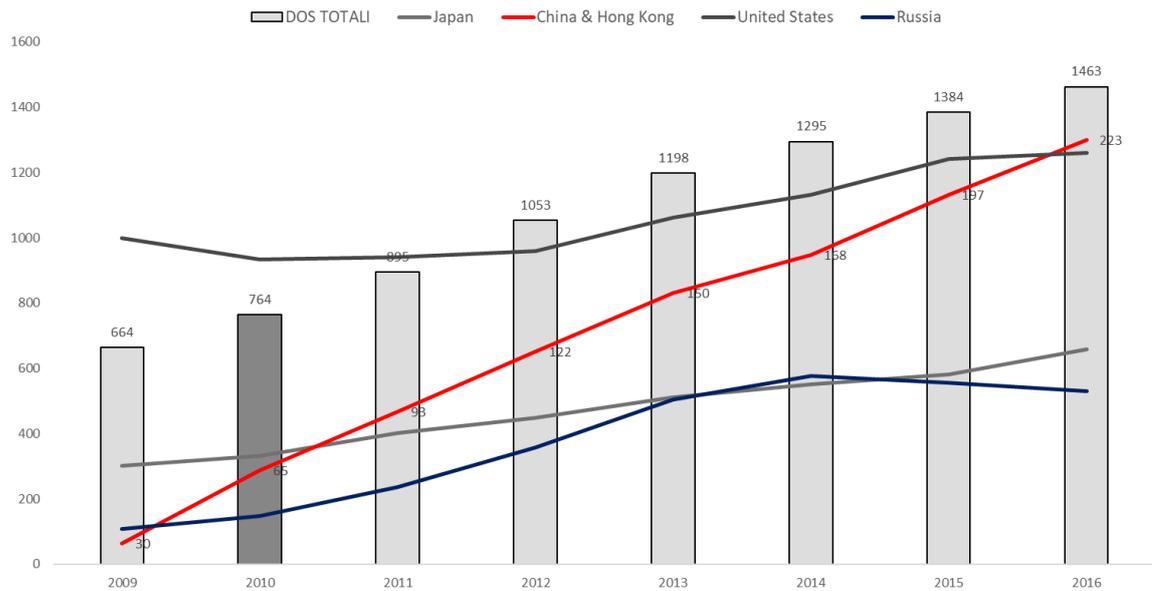


Figure 6.2. L'Occitane Total DOS & Franchises vs Regional Breakdowns. Data from L'Occitane's Annual Reports.

The graph makes this rebalancing visually evident: the red line representing China and Hong Kong rises sharply year after year, overtaking the trajectories of other regions and establishing a new centre of gravity for the company's global retail presence. Whereas in 2009 the United States counted nearly six times as many stores as China and Hong Kong combined, by 2016 the positions had effectively reversed, with Greater China firmly in the lead. This pattern suggests that the Hong Kong listing not only provided capital for expansion but also reinforced the company's strategic commitment to the region, positioning it as the principal engine of global growth in the years after the IPO.

The data from both case studies clearly shows that, after the Hong Kong listings, retail expansion in Asia accelerated. With the regional line in the graph rising more sharply than elsewhere, Prada's growth rate in Asia Pacific was higher in the years immediately following 2011 than it was in Europe and the Americas. However, L'Occitane shows an even more noticeable change: within a few years of the 2010 IPO, China and Hong Kong combined surpassed established markets like the US and Japan to become the company's largest retail base. In both cases, the IPO coincided with an inflection in the operational trajectory of the firms, though the magnitude was greater for L'Occitane, where Greater China moved from a peripheral to a leading role in the space of a single expansion cycle. These patterns provide initial support for the proposition that a foreign listing in a strategically relevant venue is followed by an intensification of directly operated retail growth in the host region.

6.2 Hypothesis 2 – Commercial Outcomes: Prada and L’Occitane

In addition to strong overall growth, a review of Prada's regional revenues from 2009 to 2015 shows a gradual shift in sales towards Asia Pacific. With an interim peak of €3.5 billion in 2014, the group's total revenues more than doubled during that time, going from €1.6 billion in 2009 to €3.0 billion in 2015. When viewed in the context of the financial crisis, this trajectory is especially remarkable. In 2010, just before the Hong Kong initial public offering (IPO), revenues had momentarily fallen to €1.5 billion, indicating broader market weakness. Thus, the subsequent expansion and recovery highlight the business model's tenacity and Asia's contribution to growth during a period when traditional markets took longer to recover.

Examining regional breakdowns reveals the change in Asia Pacific's relative weight. With €822 million in sales, Europe (including Italy) accounted for over half of Prada's 2009 revenue, while Asia Pacific only contributed €283 million. The difference had significantly decreased in just three years. Revenues from Asia Pacific reached €873 million by 2012, which was almost equal to the €986 million earned in Europe. The two regions' nearly identical results in 2014 and 2015 marked the culmination of this convergence: Asia Pacific generated €1.29 billion and Europe €1.33 billion, respectively, while in 2015, the corresponding figures were €1.08 billion and €1.06 billion. In just six years, Asia Pacific's market had fully surpassed Europe's, which was less than half its size in 2009.

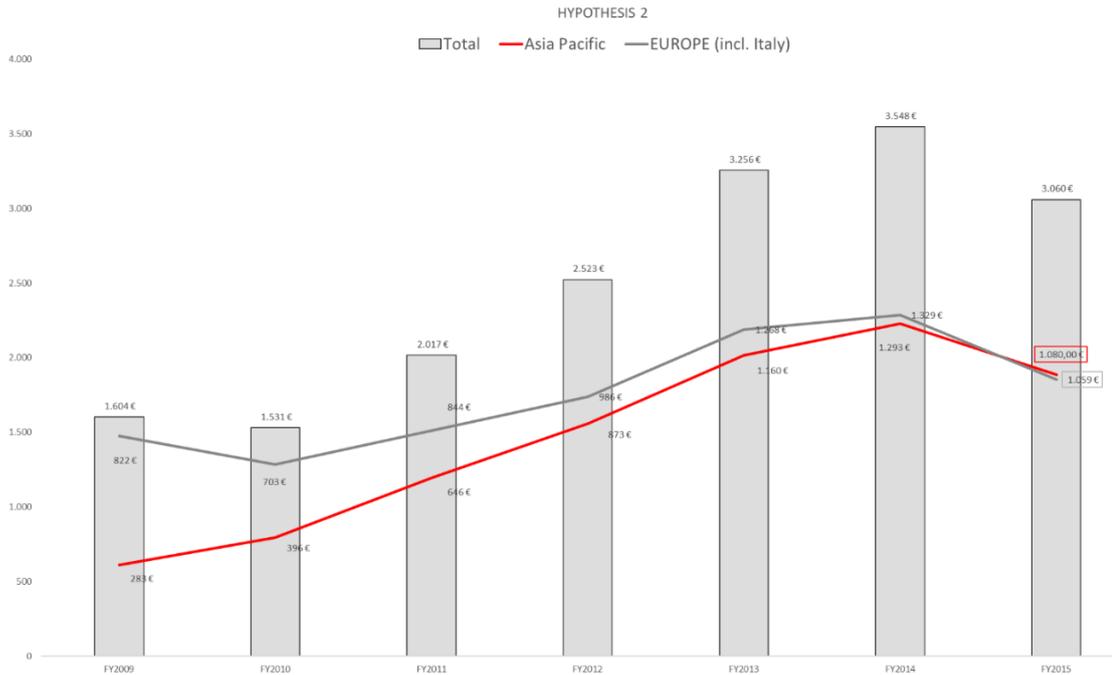


Figure 6.3. Prada Global Net Sales vs Regional Breakdowns. Data from Prada's Annual Reports.

The growth pattern involves both slope and levels. Year after year, the revenue graph's Asia Pacific line rises sharply, but the European curve stays largely flat. This discrepancy shows how Asia Pacific increasingly accounted for Prada's marginally higher global revenues, while Europe remained a stable but slower-growing base. Although they made positive contributions as well, other regions like North America and Japan performed much less dynamically and did not significantly change the global balance. For example, the Americas saw a strong increase from €290 million in 2009 to €411 million in 2015, although it was not as large as the Asia-Pacific region.

There are significant ramifications to the rebalancing of Europe and Asia Pacific. It implies that the Hong Kong listing came at a time when Asia Pacific was a key component of the group's financial profile rather than merely an ancillary growth region. The brand's heritage and significant revenues were still anchored by Europe, but Asia was starting to emerge as the primary driver of expansion and top-line growth. This development is consistent with the strategic justification for selecting Hong Kong as the listing venue: Prada was able to signal and reinforce its commercial orientation by placing itself directly within the area with the fastest growth.

All things considered, the data from 2009 to 2015 demonstrates that Prada's revenues not only increased drastically but also changed in composition. Asia Pacific went from playing a supporting role to being on par with Europe, indicating that in the years after the IPO, the brand's sales centre had moved eastward.

Strong revenue growth and a clear shift in the sales mix towards Greater China were hallmarks of L'Occitane's years after its 2010 Hong Kong listing. In just seven years, total net sales more than doubled, from €537 million in 2009 to nearly €1.3 billion in 2016. The most notable shifts occurred in China and Hong Kong, which went from being a comparatively minor source of sales to becoming the company's main growth engine, even though the expansion was widespread and evident in many different regions.

In 2009, China and Hong Kong together contributed just €58 million, equivalent to little more than 10% of group revenues. By 2012, the figure had already reached €143 million, and by 2016 it had climbed to €270 million. This progression meant that, in the space of six years, Greater China multiplied its contribution by more than four times, emerging as one of the largest regional markets for the group. By contrast, traditional bases such as Japan and France, while still important, displayed much flatter trajectories. Japan rose from €127 million in 2009 to €206 million in 2016, with some fluctuations, while France increased from €77 million to just over €100 million during the same period.

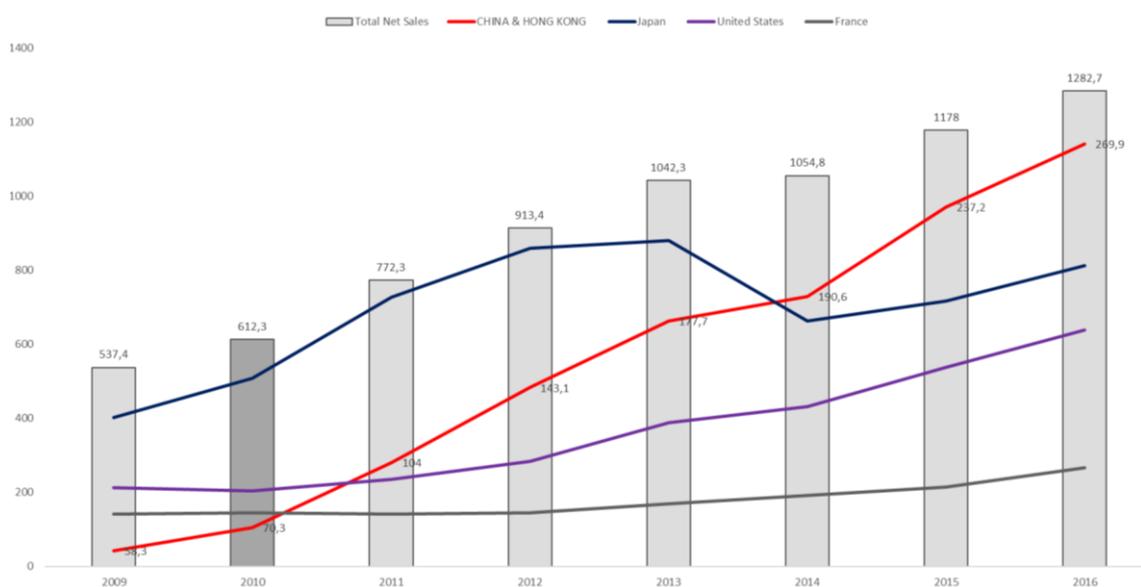


Figure 6.4. L'Occitane Global Net Sales vs Regional Breakdowns. Data from L'Occitane's Annual Reports.

From €91 million in 2009 to €173 million in 2016, the United States continued to be a significant market, although its growth curve slope was noticeably less steep than that of China and Hong Kong. This divergence is clearly shown in the accompanying graph, where the red line, which represents China and Hong Kong, rises sharply over the post-IPO period, eventually surpassing Japan and closing the gap with the United States. Greater China surpassed the majority of traditional European markets and, in absolute terms, came in second only to the United States as a key pillar of L'Occitane's sales network by 2016.

The IPO's function in stabilising the company's strategic focus is highlighted by the change in geographic balance. The timing implies that listing in Hong Kong strengthened legitimacy and visibility in a region where demand was increasing the fastest, in addition to securing financial resources. In contrast to other markets where sales increased gradually, Greater China emerged as the primary growth vector, quickly altering the group's overall sales mix.

Both companies saw substantial growth following their Hong Kong listings, and the regional balance of sales shifted significantly towards Asia, according to the revenue evidence from the two case studies. The effect in Prada's case is evident in the closing gap between Asia Pacific and Europe. Asia Pacific sales increased fourfold between 2009 and 2015, from €283 million to €1.08 billion, until they nearly matched the European total. This development shows that the area underwent a significant reweighting for a brand with European roots, going from being a secondary contributor to accounting for almost half of group revenues.

L'Occitane's sales mix reconfiguration is even more pronounced. The combined value of China and Hong Kong increased from €58 million in 2009 to almost €270 million in 2016, many times their weight in a short period of time. Greater China became one of the company's biggest revenue bases by the end of the period, surpassing both Japan and the majority of European markets. How quickly the region became crucial to the group's financial performance is demonstrated by the contrast between the steep trajectory of China and Hong Kong and the more modest increases in mature markets like France or Japan.

When combined, these results offer strong evidence in favour of Hypothesis 2. The Hong Kong listing occurred at a time when Asia not only provided the majority of the incremental growth for both companies but also changed the group's revenue structure. Although Prada's trajectory also clearly demonstrates a convergence of sales between Europe and Asia, the evidence supporting L'Occitane's transformational expansion into China and Hong Kong is

stronger. According to the data, foreign listings in a venue that is relevant to demand may either support or hasten the commercial rebalancing of luxury and beauty companies towards the host region in both cases.

6.3 Hypothesis 3 – Brand Visibility and Media Attention: Prada and L’Occitane

Factiva data on Prada and L’Occitane’s yearly media mentions from 2006 to 2017 were gathered in order to test Hypothesis 3. L’Occitane (2010) and Prada (2011) both went public in Hong Kong, making it possible to observe the dynamics of visibility both before and after the listing year. Two Italian peers that listed domestically, Ferragamo (2011) and Moncler (2013), were included as benchmarks.

There was a noticeable "IPO shock" in visibility, according to the data for Prada and L’Occitane. The number of articles about Prada increased from 1,227 in 2010 to 4,295 in 2011, the year of the Hong Kong listing. Averaging over 2,000 articles annually between 2012 and 2015, much higher than the pre-IPO baseline of 700–1,200 mentions, annual mentions fell after this peak but then stabilised at a level that was consistently higher than before the IPO. The same pattern applied to L’Occitane: media mentions increased from less than 200 in 2009 to 1,431 in 2010, the year it was listed, and then levelled off at 500–700 mentions per year in the years that followed. In both situations, the IPO resulted in a long-lasting transition to a higher plateau of media salience in addition to an initial surge in attention.

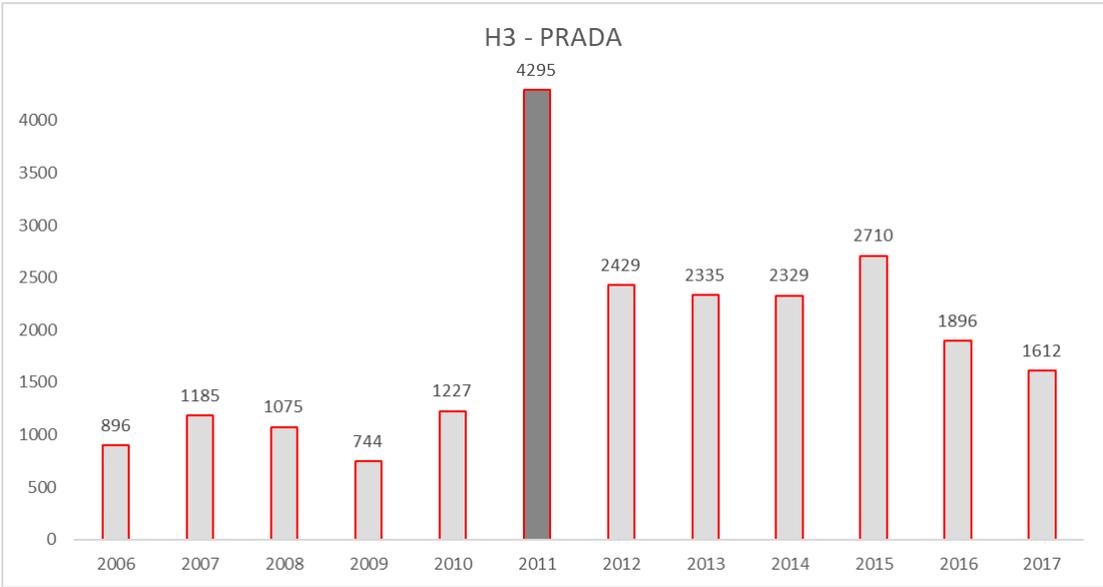


Figure 6.5. Prada Media Coverage. Data from Factiva

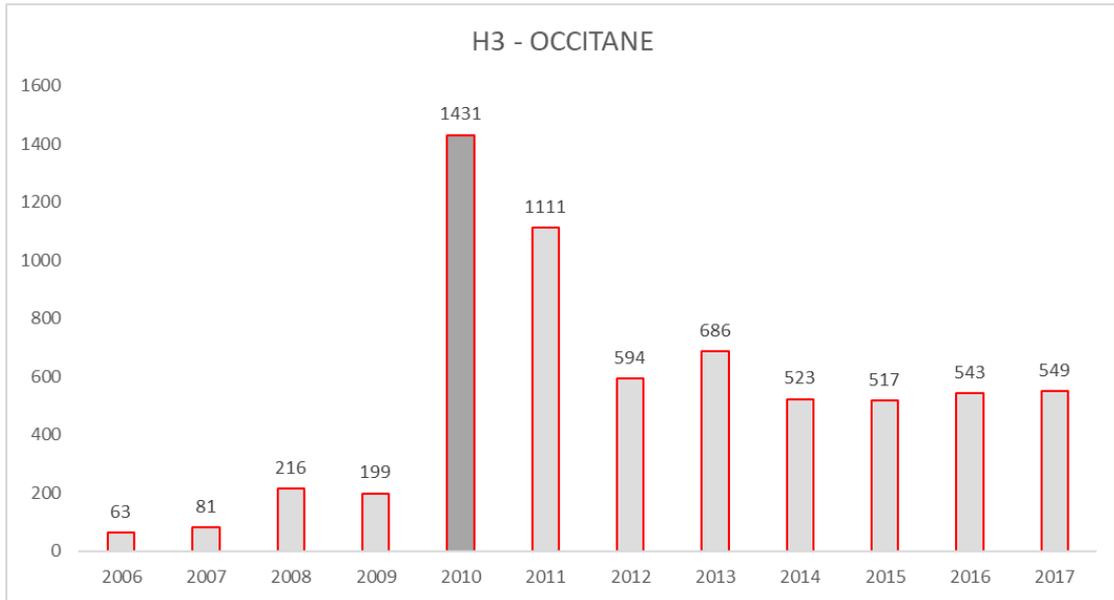


Figure 6.6. L'Occitane Media Coverage. Data from Factiva

The trajectory is different for the domestic comparators. With Ferragamo's 2011 IPO, coverage increased to 892 mentions; however, in the years that followed, it stabilised at levels roughly comparable to the pre-listing baseline, ranging between 600 and 700. Similar trends can be seen with Moncler, which saw mentions rise to 179 during its 2013 IPO year and peak at 422 in 2015. However, by 2016–2017, coverage had dropped back to below 300, only slightly above the pre-listing average. Therefore, the IPO effect seems less transformative and more transient in both domestic cases.

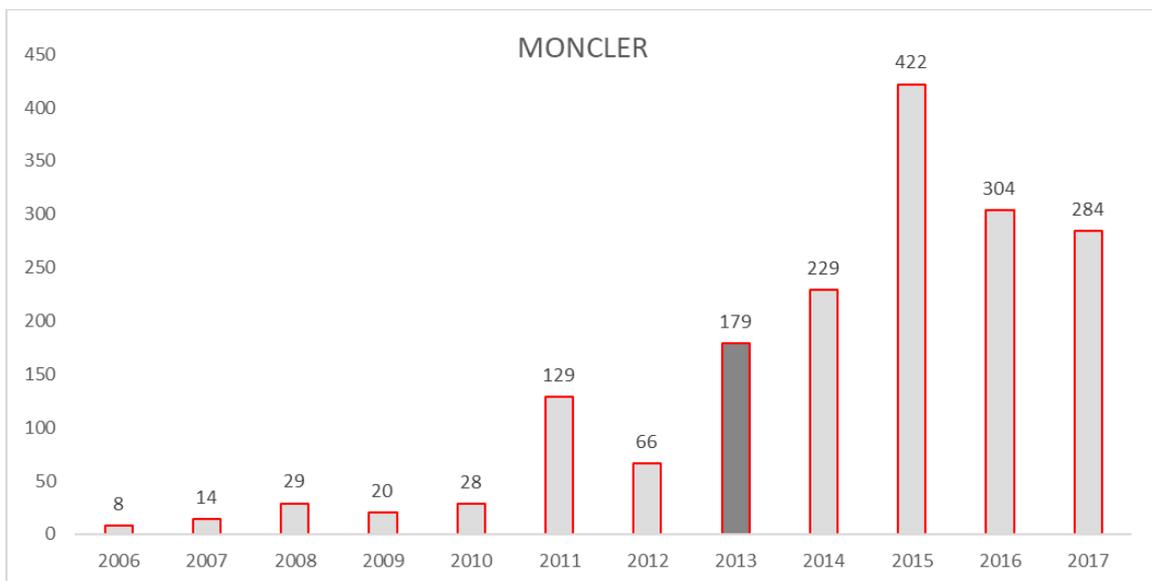


Figure 6.7. Moncler Media Coverage. Data from Factiva

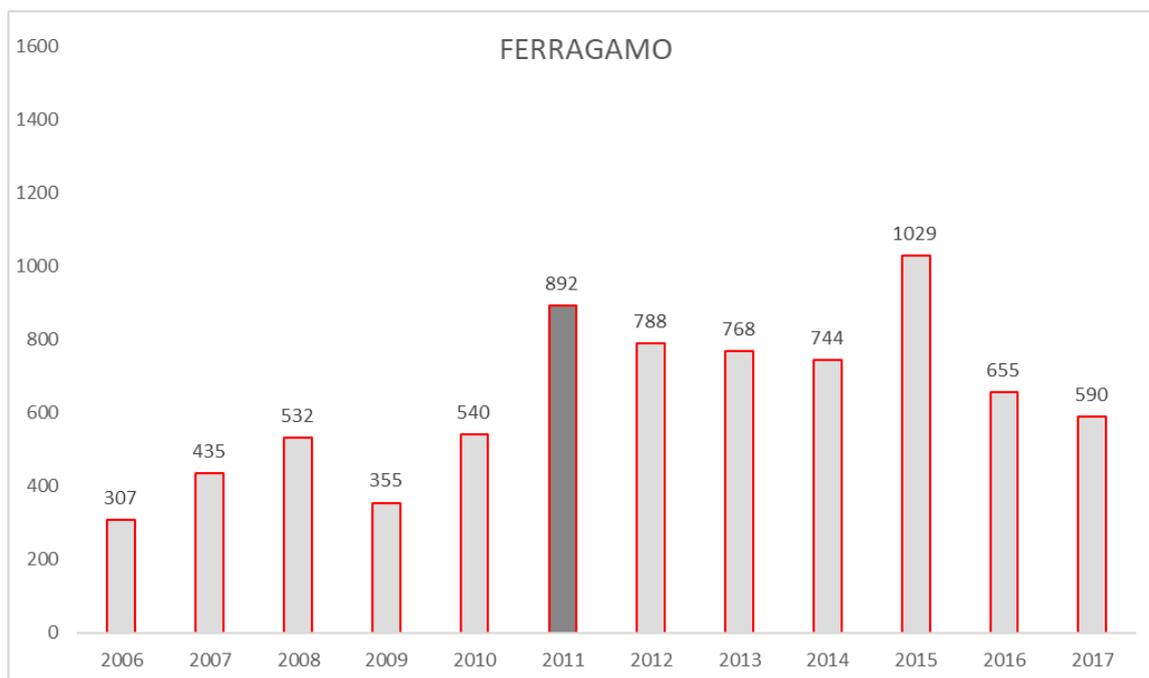


Figure 6.8. Ferragamo Media Coverage. Data from Factiva

The unique function of a foreign listing in a demand-relevant location like Hong Kong is highlighted by this contrast. Prada and L'Occitane show that cross-listings overseas can produce visibility surges of greater magnitude and, crucially, a new sustained baseline of attention, even though any initial public offering (IPO) tends to increase media exposure in the short term. As a result, the Hong Kong IPOs served as both funding events and branding landmarks, establishing both businesses more firmly in the local and international media landscape than their domestically listed counterparts.

Hypothesis 3 is amply supported by the media data. In the year of their Hong Kong listings, Prada and L'Occitane both saw an important increase in coverage (Prada in 2011 and L'Occitane in 2010). This was followed by a stabilisation at levels that were continuously higher than those prior to the IPO. In Prada's case, mentions increased threefold during the listing event and continued to exceed 2,000 per year, significantly exceeding the pre-IPO average of less than 1,200. L'Occitane followed the same pattern, going from fewer than 200 mentions in 2009 to over 1,400 during the year of its IPO before stabilising at a new average of 500–700 articles annually.

Ferragamo and Moncler listed domestically, in contrast to this long-lasting increase in visibility. During the IPO year, both saw increases, but these were short-lived as coverage levels approached their pre-listing baselines. According to the comparison, foreign listings in a strategically relevant venue not only produce a more pronounced surge but also a long-lasting step-change in brand salience, whereas initial public offerings (IPOs) generally garner brief media attention.

CHAPTER 7: CONCLUSIONS

This thesis has examined foreign stock market listings as strategic entry modes rather than purely financial events. By combining theory with longitudinal evidence from Prada (HKSE 2011) and L'Occitane (HKSE 2010), it shows that venue choice can reconfigure how firms deploy assets, where growth materializes, and how brands are perceived in demand-relevant regions.

First, following a Hong Kong listing, the cases show a pronounced commercial realignment towards Asia. Prada's Asia Pacific revenues grew from €283 million in 2009 to €1.08 billion in 2015, effectively shifting the group's sales centre of gravity eastward and closing the historic gap with Europe. The same trend can be seen in L'Occitane, where Greater China (China + Hong Kong) increased from €58 million in 2009 to about €270 million by 2016, turning a peripheral area into a major growth engine.

These trends imply that a consumer hub's capital-market embeddedness can strengthen management's capacity and determination to reallocate resources there, bringing financing into line with product-market priorities.

Second, the data suggests long-lasting effects on legitimacy and visibility that go beyond a single IPO "news spike." In Prada's instance, yearly media mentions increased from 1,227 (2010) to 4,295 (2011), the year of listing, and then levelled off at a plateau that was significantly higher than the pre-IPO baseline (typically >2,000 p.a.).

In other words, through repeated exposure, analyst following, and institutional scrutiny, the listing served as a branding event that reset the attention baseline, increasing symbolic capital in the host region and reducing the liability of foreignness. It is clear from the comparative pattern with domestic IPOs (e.g. Ferragamo, Moncler) that the visibility dividends are more temporary and return to baseline levels in later years.

Third, the mechanisms explain the argument while the numbers serve as its foundation. Stricter disclosure and monitoring improve governance quality; extended investor reach supports growth options; and consistent coverage increases brand salience among stakeholders and customers. A Hong Kong venue connects the company to the information infrastructure of the host market (investors, analysts, media, and partners). This loop matters in the luxury and beauty sectors, which monetise symbolic value just as much as operational scale. Legitimacy and attention are inputs into demand formation and channel access rather than byproducts.

The thesis therefore reframes cross-listing as a hybrid entry mode with financial, institutional, and symbolic dimensions. It confirms that the benefits are conditional: firms must

(i) select a venue congruent with their demand map; (ii) sustain elevated governance and disclosure; and (iii) convert post-listing attention into tangible expansion decisions (sites, staff, assortment, service levels). Absent this alignment, a foreign listing risks being an expensive signal with limited strategic yield.

Contributions. The work conceptually combines branding, finance, and institutional theory to demonstrate how capital markets serve as locations for competitive positioning in addition to funding. With comparative evidence against domestic listings that exhibit distinct behaviours regarding persistence and magnitude of effects, it empirically documents post-listing inflections across two firms and three outcome dimensions (operations, demand, and visibility). In terms of methodology, the case-based, longitudinal approach makes clear regional specificity (host vs. non-host) and timing (pre/post), which are frequently ambiguous in event-study designs.

Limitations and avenues for research. The analysis places more emphasis on depth than breadth; additional venues outside of Hong Kong, more sectors outside of luxury and beauty, and counterfactuals with matched controls would all help to further test external validity. Future research could (a) separate listing-venue effects from macro tailwinds in Asia; (b) monitor changes in the cost of capital in tandem with store-level productivity; and (c) investigate how alternative exchanges and digital finance platforms replicate, or fail to replicate, the legitimacy and visibility dividends seen here.

In sum, the findings substantiate the central claim of the thesis: strategic foreign listings go beyond fund-raising. They alter the geography of sales, the tempo of expansion, and the optics of the brand in ways that domestic listings seldom reproduce. Done with venue, strategy congruence and post-listing discipline, they become catalysts of internationalization, moving firms not only into new capital pools but into new competitive positions.

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APPENDIX

All the numbers are extracted from the Official Annual Reports of the Companies.

APPENDIX A – COMPLETE BREAKDOWN OF PRADA’S CASE DATA

A1. Prada’s DOS & Franchises Breakdown

Region	2009	2010	2011	2012	2013	2014	2015	2016
Italy	36	31	42	49	53	57	57	59
Europe	74	86	101	121	143	156	169	167
Americas	20	21	34	48	61	91	110	117
Asia Pacific	84	102	117	129	144	177	197	209
Japan	52	53	56	65	71	72	70	26
Middle East	0	0	2	2	11	16	21	21
	2009	2010	2011	2012	2013	2014	2015	2016
Total Owned DOS & Franchises	266	293	352	414	483	569	624	599
Europe (Incl. Italy)	110	117	143	170	196	213	226	226

A2. Prada’s DOS change YoY

Region	2009	2010	2011	2012	2013	2014	2015	2016
Italy		-5	11	7	4	4	0	2
EUROPE (Italy Excluded)		12	15	20	22	13	13	-2
Americas		1	13	14	13	30	19	7
Asia Pacific		18	15	12	15	33	20	12
Japan		1	3	9	6	1	-2	-44
Middle East		0	2	0	9	5	5	0
Europe (Including ITALY)		7	26	27	26	17	13	0

A3. Prada’s Net Sales Breakdown

Geography	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015
Italy	385 €	330 €	393 €	446 €	528 €	553 €	393 €
Europe (ex-Italy)	436 €	373 €	450 €	540 €	740 €	776 €	666 €
North America / Americas	290 €	228 €	295 €	393 €	440 €	488 €	411 €
Asia Pacific	283 €	396 €	646 €	873 €	1.160 €	1.293 €	1.080,00 €
Japan	187 €	189 €	221 €	257 €	337 €	341 €	404 €
Middle East	- €	- €	- €	15 €	45 €	91 €	104 €
Other	23 €	14 €	12 €	- €	6 €	6 €	3 €
	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015
Total	1.604 €	1.531 €	2.017 €	2.523 €	3.256 €	3.548 €	3.060 €
EUROPE (incl. Italy)	822 €	703 €	844 €	986 €	1.268 €	1.329 €	1.059 €

Data in Millions of Euro

APPENDIX B – COMPLETE BREAKDOWN OF L'OCCITANE CASE DATA

A1. L'Occitane's DOS Breakdown

	2009	2010	2011	2012	2013	2014	2015	2016
Japan	67	72	83	90	100	106	111	123
Hong Kong	15	18	22	29	31	32	36	36
China	15	47	71	93	119	136	161	187
Taiwan	47	51	52	62	61	54	55	55
France	62	64	66	66	70	75	81	81
UK	36	42	48	57	62	68	73	75
United States	176	166	167	170	186	197	214	217
Brazil	30	32	46	63	70	78	81	92
Russia	37	43	57	76	99	110	107	103
Other Countries	179	229	283	347	400	439	465	494

A2. L'Occitane % Change DOS YoY

	2010	2011	2012	2013	2014	2015	2016
Japan % Change	7,5%	15,3%	8,4%	11,1%	6,0%	4,7%	10,8%
Hong Kong % Change	20,0%	22,2%	31,8%	6,9%	3,2%	12,5%	0,0%
China % Change	213,3%	51,1%	31,0%	28,0%	14,3%	18,4%	16,1%
Taiwan % Change	8,5%	2,0%	19,2%	-1,6%	-11,5%	1,9%	0,0%
France % Change	3,2%	3,1%	0,0%	6,1%	7,1%	8,0%	0,0%
UK % Change	16,7%	14,3%	18,8%	8,8%	9,7%	7,4%	2,7%
United States % Change	-5,7%	0,6%	1,8%	9,4%	5,9%	8,6%	1,4%
Brazil % Change	6,7%	43,8%	37,0%	11,1%	11,4%	3,8%	13,6%
Russia % Change	16,2%	32,6%	33,3%	30,3%	11,1%	-2,7%	-3,7%

A3. L'Occitane Net Sales Breakdown

	2009	2010	2011	2012	2013	2014	2015	2016
Japan	127,4	147,8	190,3	215,6	219,5	177,7	188,3	206,7
Hong Kong	43,3	49,7	71,2	92,2	110	110,7	134,2	138,6
China	15	20,6	32,8	50,9	67,7	79,9	103	131,3
Taiwan	24,2	24,7	30,1	32,5	36,2	36,3	39	41,5
France	77,2	78,1	77,3	77,9	82,5	87,1	91,3	101,4
UK	26	30,8	39	46,5	56,1	58,6	67,2	74,8
United States	90,9	89,4	95,5	104,8	124,9	133,3	153,6	173,1
Brazil	19,3	25,5	34,8	45,7	44,2	46	49,3	43,5
Russia		22	33,1	42,6	56,3	59	50,4	44,9
Other Countries	114,1	123,7	168,2	204,7	244,9	266,2	301,7	265,7
Total Net Sales	537,4	612,3	772,3	913,4	1042,3	1054,8	1178	1282,7
CHINA & HONG KONG	58,3	70,3	104	143,1	177,7	190,6	237,2	269,9

Data in Millions of Euro

APPENDIX C – FACTIVA’S QUERY

The screenshot displays the Factiva search interface. At the top, the search term "PRADA" is entered in the search bar. To the right of the search bar, there is a "Query Genius" toggle switch which is turned on. Below the search bar, the number of results is shown as "5/2048".

Below the search bar, there are several filter options:

- Date: All Dates
- Duplicates: Identical
- Source: All Publications (selected), All Web News
- Author: All Authors
- Company: All Companies
- Factiva Expert Search: (empty)
- Subject: All Subjects
- Industry: Clothing Retail, Consumer Goods, Designer Clothing, Business/Consumer Services, Retail/Wholesale
- Region: Asia Pacific
- Look up: (empty)
- Language: All Languages
- More Options: (empty)

At the bottom right of the interface, there are two buttons: "Clear Search" and "Search".

Example from Prada. The same Query has been replicated for the 3 companies under the lens on analysis.