

# Mergers & Acquisitions: Analysis of Strategy for Market Expansion in Luxury Industry

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# SUMMARY

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Summary .....	2
1 Introduction .....	3
2 M&A applied to Luxury Industry.....	4
2.1 The Luxury Market.....	6
2.2 M&A in the Luxury Market .....	8
2.2.1 Key definitions applied to Luxury .....	9
2.2.2 Strategic Motivations in the Luxury Market .....	9
2.2.3 Typologies of M&A in the Luxury sector.....	10
3 Case Studies in the Luxury Market – French and Italian Brands .....	11
3.1 Chanel and Orlebar Brown .....	11
3.2 LVMH and Loro Piana.....	12
3.3 Kering and Valentino .....	13
3.4 Moncler and Stone Island .....	15
3.5 Findings .....	16
4 The case of LVMH and Loro Piana: Analysis of the evolution, performance and financial impact	17
4.1 LVMH a strategically aggressive company .....	17
4.2 Evolution of the Company .....	19
4.3 Performance of the company.....	22
4.4 Financial impact .....	24
4.5 LVMH Performance .....	27
4.6 Findings .....	30
5 Analysis of the tactics and their impact .....	31
5.1 An analysis of trends: the future of major markets and the emergence of digital.....	31
5.2 The entry of luxury into the digital age.....	33
5.3 Comparison between short-term and long-term tactics used from the Luxury Companies	34
5.4 Findings .....	40
6 Conclusion.....	41
7 Bibliography .....	42

# 1 INTRODUCTION

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This study aims to analyse the M&A strategies adopted by some companies operating in the luxury market to identify the managerial decisions implemented and the consequences.

A brief excursus will be made on the needs of the digital market that must be taken into consideration when choosing the strategy to implement.

The temporal and financial characteristics that have characterized the M&A operations adopted will also be highlighted.

At the end it will be highlighted how, in the contemporary luxury landscape, acquisitions must be thought of not only as tools for commercial expansion but also as complex processes of cultural and narrative integration. Success comes through careful management of timing and methods, avoiding overly aggressive short-term pushes that could compromise long-term value.

## 2 M&A APPLIED TO LUXURY INDUSTRY

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There are numerous definitions of mergers and acquisitions from different perspectives.

A merger takes place when companies unite, leading to the original company no longer existing independently, while an acquisition is the process of purchasing shares or assets of a company, transferring ownership to the buyer. A merger, as defined by Scott<sup>1</sup>, is the process of combining or consolidating two or more companies, regardless of their size, into a single entity. Investors engaging in this are more likely to maintain the trademark of the company they acquire. Once a merger occurs, the companies involved will no longer operate independently in accordance with legal standards.

An acquisition is when one entity purchases the assets or shares of another company, potentially involving all or part of the shares or a specific business division.

A slightly different definition is expressed by Snow<sup>1</sup> which states that a merger is a combination of two or more companies where each company that combines it has the same number of shares as the others and has a clear role in the new company. Meanwhile, an acquisition is defined as an event where a company buys another company, business division or other company's assets.

There are multiple types of M&A deals, and each one is different in its nature. The underlying motives for each deal are distinct from each other, hence, a single theory is insufficient to account for the motives driving mergers, acquisitions, or takeovers.<sup>2</sup>

According to the literature, there are several theories of mergers that elucidate the different motivations behind M&A deals. The motives can later result in an increase, a decrease, or no change in value.

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<sup>1</sup> *Literature Review on Merger and Acquisition, ADE CANDRA, DS PRIYARSONO, NIMMI ZULBAINARNI, ROY SEMBEL*

<sup>2</sup>

[https://www.researchgate.net/publication/306351409\\_Theory\\_and\\_Practice\\_of\\_Mergers\\_and\\_Acquisitions\\_Empirical\\_Evidence\\_from\\_Indian\\_Cases?enrichId=rgreq-0a756eb949076e0439bd334d71b8b5b3-XXX&enrichSource=Y292ZXJQYWdlOzMwNjM1MTQwOTtBUzo1ODU2OTU3Mzk1MzEyNjRAMTUxNjY1MjE1NDc5MA%3D%3D&el=1\\_x\\_2&\\_esc=publicationCoverPdf](https://www.researchgate.net/publication/306351409_Theory_and_Practice_of_Mergers_and_Acquisitions_Empirical_Evidence_from_Indian_Cases?enrichId=rgreq-0a756eb949076e0439bd334d71b8b5b3-XXX&enrichSource=Y292ZXJQYWdlOzMwNjM1MTQwOTtBUzo1ODU2OTU3Mzk1MzEyNjRAMTUxNjY1MjE1NDc5MA%3D%3D&el=1_x_2&_esc=publicationCoverPdf)

There are four main types of acquisitions based on the relationship between the buyer and seller: horizontal, vertical, conglomerate, and congeneric<sup>3</sup>:

### **Horizontal acquisition**

A horizontal acquisition is when one company acquires another company that is in the same business. The advantages of a horizontal acquisition include the potential to increase a company's customer base and market share, and help a company expand its reach into new markets.

### **Vertical acquisition**

A vertical acquisition is when one company acquires another company that is in a different position on the supply chain. The acquirer may be higher up on the chain. Vertical acquisitions can bring in new income streams as well as lower costs of production and streamline operations.

### **Conglomerate acquisition**

A conglomerate acquisition is when the acquirer and target are in unrelated industries or engaged in unrelated activities. For example, a company involved in the real estate business acquires an insurance company. Diversification is a main reason for a conglomerate acquisition. If one product or service is struggling, hopefully there are others that are doing well/helping to provide stability for a company.

### **Congeneric acquisition**

A congeneric acquisition is when the acquiring company and the acquired company have different products or services but sell to the same customers. This kind of acquisition helps a company increase market share and expand its product lines.

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<sup>3</sup> *The different types and methods of mergers and acquisitions*, S. Feldman

## 2.1 THE LUXURY MARKET

The luxury market is a distinctive sector within the global economy, with dynamics that set it apart from conventional industries. It extends beyond premium products or services to include experiences, emotions, and intangible values associated with concepts like exclusivity, heritage, craftsmanship, and status symbols.

The luxury industry has unique aspects that require careful consideration of both financial and ethical factors, making each transaction strategically delicate.

The financial aspects of the Luxury Market can be summarized as follows:

- generous profit margins
- long-term investment strategies
- low sensitivity to demand fluctuations
- high value placed on brand recognition
- consistent cash flow
- reliance on key markets
- emphasis on specialized market segments

The ethical and identity features of the Luxury Market can be as well synthesized in the following list of main concepts:

- emphasis on sustainability and traceability
- commitment to social responsibility
- preservation of expertise and artisanal skills
- heritage and cultural continuity
- exclusivity

In the realm of luxury, the interplay between financial success and ethical values is crucial for sustainable growth and reputation management.

## 2.2 M&A IN THE LUXURY MARKET

Mergers & Acquisitions (M&A) have been a key tool for corporate growth for decades.

However, in the luxury sector, these operations take on a more complex dimension, as they affect the identity, reputation and exclusivity of the brand.

Recent history shows how the major luxury groups (LVMH, Kering, Richemont, Estée Lauder)<sup>4</sup> have built their strength through targeted acquisitions, not only to increase market share, but to consolidate their symbolic and emotional value in the eyes of consumers.

In the luxury sector, mergers and acquisitions are of strategic importance. Unlike other sectors where cost reduction and sales expansion are the main motivations, in the luxury business the focus is on brand consolidation, image protection, access to artisanal expertise and control of distribution.

Over the past decades, large groups such as LVMH, Kering and Richemont have created veritable luxury empires through targeted acquisitions. These companies have not only expanded the number of brands in their portfolio, but have also integrated production, retail and logistics into a single structure, maintaining control over all stages of the value chain. Study cases related to these companies will be treated in the following paragraphs.

In the luxury sector, mergers and acquisitions are part of a context in which the prestige of the brand and the history of the product play a fundamental role. Each transaction represents not only a financial movement, but also an action that embraces cultural values, craftsmanship and identity.

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<sup>4</sup> "Management of diversity, equity & inclusion in a luxury conglomerate: a case analysis of LVMH and Kering"

### **2.2.1 Key definitions applied to Luxury**

- Merger: uncommon in the luxury sector as brands usually maintain a strong autonomous identity. However, there is sometimes talk of a cultural merger when two brands share creative synergies while remaining legally separate.
- Acquisition: much more common among luxury brands. For instance, when LVMH acquired Tiffany & Co. in 2021, it aimed to expand its presence in the high-end jewellery segment and in the United States without altering the brand's identity.
- Hostile Takeover: rare in luxury. The intangible value of a brand is often linked to trust among founders, creatives, and the public, and hostile operations could harm the brand's image.

In the luxury industry, the concept of "acquisition" is often soft: the parent company provides financial, logistical, and strategic support, allowing the brand a wide creative scope. Independence is a key lever to preserve authenticity and storytelling.

### **2.2.2 Strategic Motivations in the Luxury Market**

In the luxury sector, mergers and acquisitions follow specific logics like the Geographic expansion the consist of acquiring a brand that is already known in markets such as China, the United States or the Middle East to allow for easier and less risky entry. An example is LVMH's investment in companies with a strong presence in the United States to expand its influence in that market.

Another logic is the consolidation of the position in the luxury sector: acquisitions help to cover all segments of luxury, from accessible luxury to ultra-luxury, thus creates balanced portfolios to satisfy different customer segments.

As well, preservation of savoir-faire is a different possible logic. Some operations aim to preserve unique artisanal techniques, for example, Kering has invested in leather goods workshops or watchmaking factories to strengthen the authenticity and perceived value of its brands.

Lastly, the logic to access to new segments that has been adopted for example in the luxury sector to expand itself into hospitality, food and beverage. As an example, LVMH's acquisition of Belmond marked its entry into the rapidly expanding experiential luxury segment.

### 2.2.3 Typologies of M&A in the Luxury sector

In the luxury sector, there are different types of mergers and acquisitions<sup>5</sup>:

- Horizontal Merger: Although rare, it is not impossible. An example would be the collaboration between fashion houses that are in the same sector, such as two couture fashion brands that unite under a single creative direction, while maintaining their distinct names.
- Vertical Merger: This type of operation is very common. The acquisition of suppliers, workshops or direct distribution channels allows for total control over the production chain. For example, Hermès has acquired tanneries and workshops over the years to ensure the quality and traceability of its products.
- Conglomerate: This is the predominant model for large groups in the luxury sector. LVMH, for example, owns more than 75 brands in sectors as diverse as fashion, perfumery, wines, watches and hotels, which operate independently but with synergistic strategies. This approach allows for balancing economic cycles and diversifying risk<sup>6</sup>
- Joint Venture: This type of collaboration is often used to enter complex markets. Some brands have partnered with local partners to operate in countries like China or India.

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<sup>5</sup> Comparison of M&A success in horizontal, vertical and conglomerate M&As: Industry vs. Services

<sup>6</sup> Le operazioni di M&A nel settore del lusso: il fenomeno luxury conglomerates"  
*Beatrice Cantini (2020)*

### 3 CASE STUDIES IN THE LUXURY MARKET – FRENCH AND ITALIAN BRANDS

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#### 3.1 CHANEL AND ORLEBAR BROWN

Chanel expanded its presence in the beachwear and resort wear sector by acquiring Orlebar Brown, a luxury brand specializing in men's swimwear<sup>7</sup>. This acquisition took place indirectly through Eres in 2018.

The strategic objective of this move was both to strengthen the lifestyle offer, in line with the "beyond fashion" expansion strategy, and to create synergies with Eres, already part of the Chanel group and active in women's beachwear. In addition, the acquisition allowed Chanel to expand into the men's market through a young brand with strong global appeal.

This operation demonstrated Chanel's desire to create an ecosystem that reflects its aesthetic values, accompanying its customers at every moment of their lives, even off the catwalk.

As a demonstration of the benefits gained by this operation, after opening eight new stores in places like Mexico, the Virgin Islands and California, Orlebar Brown now plans to open 10 more stores around the world in 2025, the most it's opened in a single year<sup>8</sup>.

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<sup>7</sup>TheIndustry.fashion: "Chanel acquires British men's swimwear brand Orlebar Brown"

<sup>8</sup> <https://www.glossy.co/fashion/orlebar-brown-is-opening-more-stores-than-ever-this-year/#:~:text=Last%20year%2C%20the%20Chanel%20Downed,Asia%20and%20the%20Middle%20East.>

## 3.2 LVMH AND LORO PIANA

In 2013, LVMH acquired 80% of the renowned Italian brand Loro Piana, known for its discreet elegance, high-quality fabrics, and Piedmont craftsmanship. This acquisition allowed LVMH to enter the ultra-luxury textile segment with a unique positioning compared to traditional fashion. It also strengthened LVMH's vertical production chain by leveraging Loro Piana's expertise in cashmere and vicuña.

The key aspects of the deal included the opportunity for international expansion while preserving Italian craftsmanship as a core identity element. Today, Loro Piana is a benchmark for "quiet luxury" and serves as an asset for LVMH, not only commercially but also culturally.

An article<sup>9</sup> published on CPP-LUXURY analyses the strategic reasons behind the acquisition of Loro Piana, noting that the company was known as "the Hermès of Italy" and one of the few privately held Italian luxury fashion houses still in profit. According to the article, LVMH decided to acquire Loro Piana to reach a customer segment not served by its current brands, characterized by discreet luxury and exceptional craftsmanship.

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<sup>9</sup> [https://cpp-luxury.com/making-sense-of-lvmhs-conquest-of-the-very-few-profitable-italian-private-luxury-brands/?utm\\_source=chatgpt.com](https://cpp-luxury.com/making-sense-of-lvmhs-conquest-of-the-very-few-profitable-italian-private-luxury-brands/?utm_source=chatgpt.com)

### 3.3 KERING AND VALENTINO

In 2023, Kering acquired a 30% stake in the Italian brand Valentino<sup>10</sup>, with the option to take full control by 2028. This strategic move aims to strengthen the French group's presence in the high fashion segment for several key reasons:

- Enhancing Kering's couture fashion portfolio alongside Gucci and Balenciaga
- Leveraging the synergy between Valentino's Roman heritage and international managerial expertise
- Boosting Valentino's positioning in the US and Asian markets

This acquisition signifies a new phase of consolidation in the European luxury sector, emphasizing the importance of balancing creativity, profitability, and long-term vision.

As of today Valentino reported a 22% drop in its operating profit, as the luxury sector faces a slowdown in demand for high-end products, particularly in Asia.

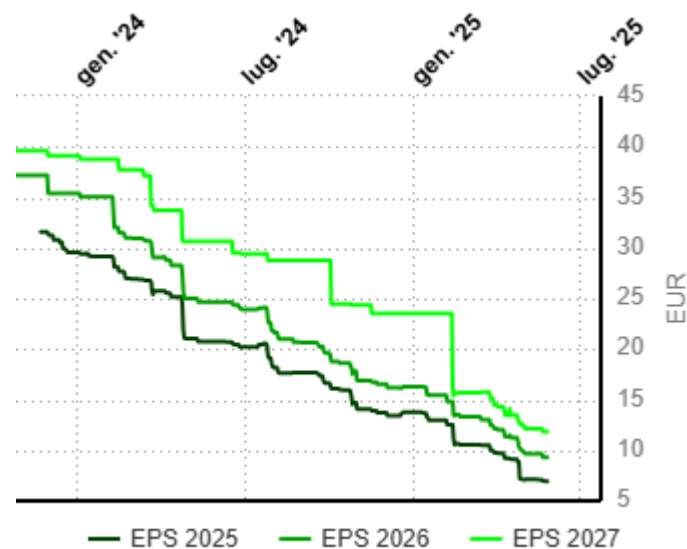


Figure 1 Valentino EPS

<sup>10</sup> [https://www.bscapitalmarkets.com/valentino-changes-hands-once-again-a-fair-price-for-a-strategic-buyer-or-did-kering-overpay.html?utm\\_source=chatgpt.com](https://www.bscapitalmarkets.com/valentino-changes-hands-once-again-a-fair-price-for-a-strategic-buyer-or-did-kering-overpay.html?utm_source=chatgpt.com)

As a consequence, the financial forecast for Kering do not show an increase in the revenues comparable to the one obtained in 2020-2021 before the 2027<sup>11</sup>:

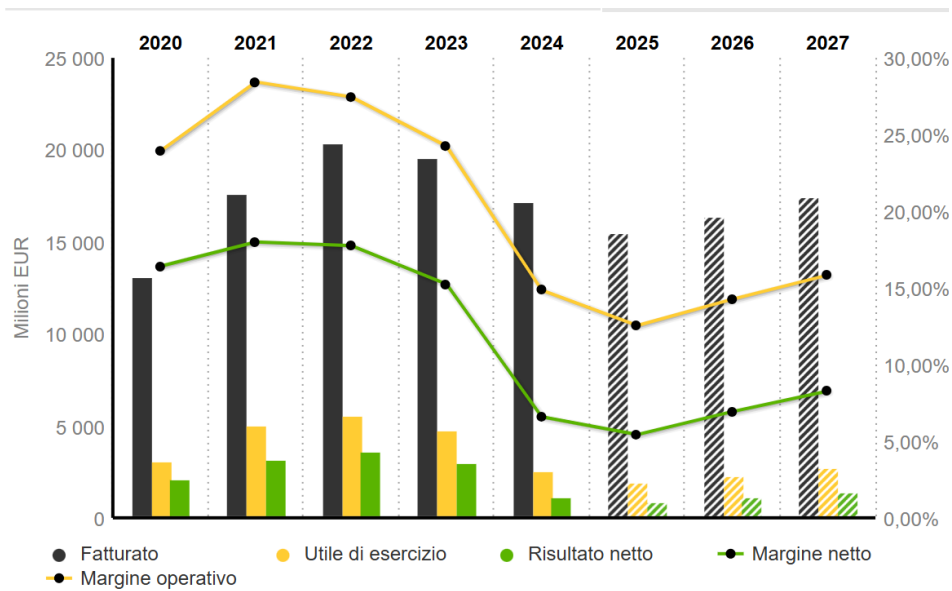


Figure 2 Kering Forecast Income

Given this result this case is not worthy of study for the discussion in this thesis.

<sup>11</sup> <https://it.marketscreener.com/quotazioni/azione/KERING-4683/finanza/>

### **3.4 MONCLER AND STONE ISLAND**

Moncler, a famous Italian brand specializing in luxury outdoor apparel, recently acquired Stone Island, an Emilian brand known for its technical clothing and innovative spirit. In this situation, the main objective of the transaction was to create a functional and cutting-edge Italian luxury hub, ensuring supply chain collaborations and global expansion, while maintaining creative freedom<sup>12</sup>. The transaction was carefully managed to preserve the corporate cultures and target audiences of both brands, allowing them to grow while maintaining their distinctive identities.

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<sup>12</sup> Miriam Ricco, "Opportunità di crescita tramite acquisizione: caso Moncler-Stone Island"

## **3.5 FINDINGS**

These examples highlight the role of France and Italy not only as historical leaders in the luxury sector, but also as key players in its future. The M&A strategies adopted highlight the importance of heritage, production quality, creative autonomy and long-term value sustainability.

M&A operations in the luxury sector are extremely strategic and are not limited to financial aspects. Each brand has its own identity, positioning and target audience. The most capable companies are not only those who buy, but also those who are able to preserve, enhance and evolve the essence of the brand.

## **4 THE CASE OF LVMH AND LORO PIANA: ANALYSIS OF THE EVOLUTION, PERFORMANCE AND FINANCIAL IMPACT**

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In this chapter the case study of LVMH is examined more in detail. The tactics behind the key purchases in the last ten years, and the consequent impact they have had will be analysed. Furthermore, the economic and financial situation will be examined including and it will be assessed if the French group's current and consistent purchases attitude have produced value.

### **4.1 LVMH A STRATEGICALLY AGGRESSIVE COMPANY**

Today, LVMH stands as the largest luxury conglomerate in the world, having originated from the 1987 merger between Louis Vuitton and Moët-Hennessy.

With 75 'maisons' in its portfolio, the group alone made up 13% of the global luxury market in 2020.

The dominant shareholder of the company is the Arnault family, commonly called the «Arnault Family Group» Their ownership in LVMH is managed through Agache SE, which owns Financière Agache, holding 95% of Christian Dior SE shares.

This latter entity in turn holds about 41% of the shares of LVMH but possesses the majority of voting rights.

In addition to Christian Dior, foreign institutional investors, whose participation amounted to 40% of the company's shares in November 2020, are also involved.

However, beyond Christian Dior SE, the shareholding arrangement of LVMH does not seem to involve other investors who could potentially compete with the Arnault family group.

In all luxury sectors, the group reports sales close to 30 billion euros, with a total revenue of 44.7 billion euros.

As with other prominent French luxury firms, LVMH has a net profit margin of 11.1, though it ranks lowest compared to KOHL.

Most of the group's sales are concentrated in three main geographical areas.

Asia and Japan are the primary economic drivers for LVMH, accounting for 41% of sales.

A significant physical presence in Asia can be observed with the opening of approximately 900 stores in the region between 2012 and 2020, representing an 86% increase over eight years.

Europe and the United States follow equally with 24% each.

Conversely, the share of sales in the Middle East, particularly in the oil-rich monarchies, remains limited.

LVMH's portfolio primarily consists of 31 French brands belonging to the luxury sector, such as Givenchy, Christian Dior, Guerlain, and Moynat.

LVMH's operations are not restricted to France; it has actively sought to diversify through the acquisition of overseas luxury brands.

This policy, initiated as early as 1996, remains a priority for the group today, as illustrated by the highly publicized acquisition of the American company Tiffany & Co in January 2021.

LVMH not only dominates established fashion and luxury brands but also actively seeks out emerging companies through Kendo, its startup incubator, and LVMH Luxury Ventures, which invests in minority shares within the industry.

## 4.2 EVOLUTION OF THE COMPANY

After merging in 1987, LVMH has completed roughly 60 acquisitions, and its House of Brands conglomerate approach has had a groundbreaking influence on fashion, positioning the group as the leading luxury company globally in terms of revenue.

In general, M&As were structured to create efficiencies between vertically integrated firms, enabling them to scale operations, lower costs, and increase revenue by merging their current market presence.

By purchasing businesses horizontally in the industry, LVMH could partly share distribution channels and obtain access to the targets' most valued human resources.

Deals have evolved over the past ten years into a means of taking the firm beyond its core market and into other sectors.

By purchasing the hospitality companies Hotels Chevales and Belmond, owners of the Hotel Cipriani in Venice and the Venice Simplon-Orient Express, it has, for instance, started to grow in the hotel industry since 2006.

Recently, LVMH made the decision to acquire Tiffany & Co., the world's leading luxury jeweller, to improve its position in the jewellery industry. The \$14.5 billion transaction increased LVMH's portfolio of diversity and was Arnault's greatest acquisition to date.

A summary of some of the main operations completed by the group divided by business area is presented below<sup>13</sup>.



<sup>13</sup> Tirelli, 2019

Figure 3 LVMH acquisition by Business Area

From the picture, it is evident that Maison's acquisitions spanned several industries, with a clear emphasis on the Fashion and Leather Goods industry. The group's revenue in 2021 was 30,896 million, representing 48% of the total revenue.

LVMH's influence in the fashion and leather goods markets is substantial, fuelled by Louis Vuitton's international prominence, Christian Dior's outstanding development, the expansion of a distinctive brand portfolio that gains success each year, and its active encouragement of emerging designers.

Among the different Maisons we also find brands such as Rimowa, Loro Piana, Emilio Pucci, Givenchy and Kenzo.

In 2008 the percentage of revenues of this business area was “only” of 35%, meaning that the pattern of consistent and relevant acquisitions in the fashion and leather goods industry led to positive result, an increase in revenues and a consolidated position in the market.

It's also interesting to see how the other business sectors have changed over time, as shown in the graph below<sup>14</sup>:

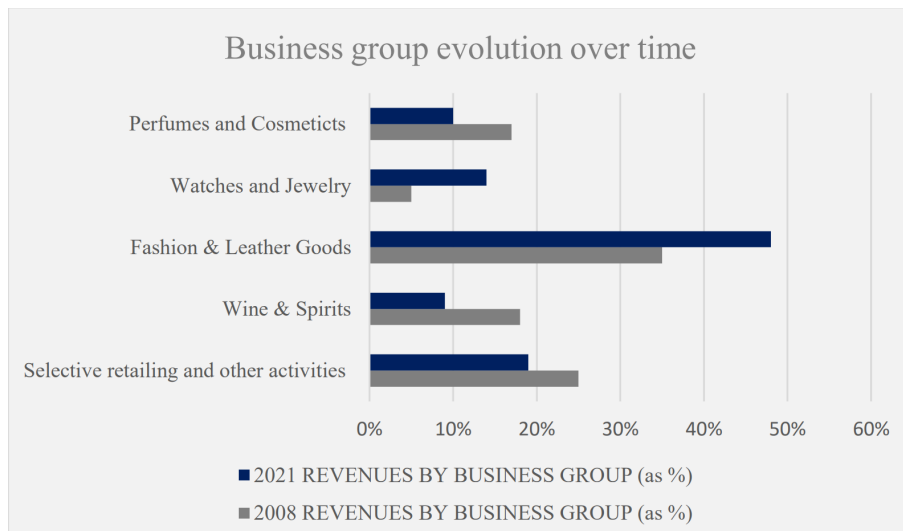


Figure 4 Business Group percentage evolution

<sup>14</sup> LVMH 2008, LVMH2021

The fashion and leather goods industry's supremacy caused difficulties for other business categories.

Practically all of them reduced their proportional influence on the income of the business.

Wine & Spirits saw a significant decrease, going from 18% down to 9%.

The only sector that behaved well was watches and jewellery, which saw an increase in significance from 5% to 14%. This finding shows the development of the ambiguous M&A strategies implemented within the industry throughout the years. Significant purchases like those of TAG Heuer, Hublot, Bulgari, and Tiffany & Co. are made. Indeed, the LVMH Watches and Jewellery segment is one of the most vigorous entities in its industry.

Its market share keeps increasing due to a successful approach that leverages the support of prestigious jewellery 'maisons' known for their outstanding creative legacies and skills, along with innovative watchmaking Maisons that stay ahead in the industry. Thanks to the entry of the renowned Tiffany & Co., an American jewellery manufacturer, the business group's status in this intensely competitive and profitable market area was substantially raised. in 2021.

Now that we have a better understanding of how the organization operates, we can go on and examine how sales and stock price changed over the past 15 years.

## 4.3 PERFORMANCE OF THE COMPANY

Let's focus on size and growth by reviewing the revenue progression from 2008 through 2021.

The diagram below<sup>15</sup> can facilitate the analysis.

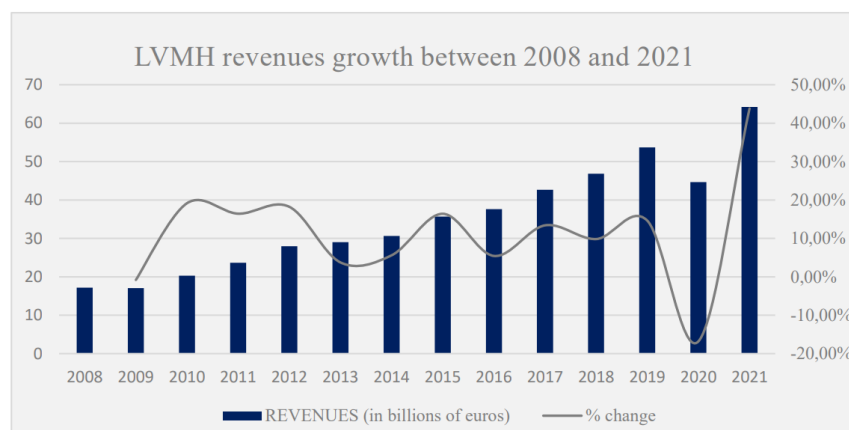


Figure 5 LVMH revenues

In 2008, the revenues were 17,193 billion euros, and by 2021, they had increased to 64,215 billion euros.

This notable outcome could have been reached because sales went up every year except during 2009 and 2020.

Although the decline is minor, the Great Financial Crisis may still have repercussions in 2009.

In 2020, the decline was notably larger, but this is in line with what we saw in Part 1: the F&L industry had a tough year, yet it demonstrated resilience and performed relatively better than other industries.

In 2021, the year after, the organization experienced its top performance in the examined period, with a growth percentage of 43.82%, leading to its highest revenue ever recorded.

In 2021, the F&L business experienced considerable success, but the LVMH group was exceptionally remarkable.

<sup>15</sup> Refinitive Eikon

The compound annual growth rate (CAGR) stands at 10.67%, representing the average yearly percentage growth of revenues for the period in question.

This information suggests that LVMH's business model is thriving, resulting in continuous revenue growth for the company.

It might also indicate that the purchased enterprises are seamlessly incorporated within the firm and were meticulously chosen beforehand.

Additionally, the group received credit from the market and investors, who firmly trusted in its future expansion.

The chart below clearly demonstrates the stock's price movement.

At the start of 2008, the price per share was roughly 82 dollars, and it has since increased to over 640.

Compared to a broad market index such as the S&P 500, the CAGR stands at a higher 17.11%.

Before around 2017, evolution remained quite stable until it suddenly started to rise quickly. Few losses were recorded in the price, with the most notable ones happening in 2020 and 2021.

However, after the Covid-19 crisis, the stock's value started to increase substantially.

The attribution might be linked to two key factors: Tiffany and Co. acquisition, which was the largest in history, and the enormous attention and capital that the financial market has received throughout the pandemic.



Figure 6 LVMH Stock's Price

## 4.4 FINANCIAL IMPACT

Regarding the financial viewpoint, we will quickly discuss the business unit's outcomes in relation to the acquired companies such as Bulgari and Loro Piana and the balance sheet items most affected by the acquisition.

The lack of brand-specific data from the LVMH Group makes it difficult to measure the company's performance for each individual acquisition.

Therefore, in this part, we will only outline the key general information to give a foundational understanding.

In the following section, we will analyse the company's performance from various perspectives over the long term to determine if the strategic decisions made have yielded favourable outcomes.

	2012	2011	2010
Revenue (EUR millions)	2,836	1,949	985
<b>Revenue by geographic region of delivery (as %)</b>			
France	6	7	8
Europe (excluding France)	27	26	25
United States	12	13	17
Japan	14	14	12
Asia (excluding Japan)	26	26	21
Other markets	15	14	17
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Profit from recurring operations (EUR millions)</b>	<b>334</b>	<b>265</b>	<b>128</b>
<b>Operating margin (as %)</b>	<b>12</b>	<b>14</b>	<b>13</b>
<b>Operating investments (EUR millions)</b>	<b>136</b>	<b>117</b>	<b>36</b>
<b>Number of stores<sup>(a)</sup></b>	<b>347</b>	<b>327<sup>(b)</sup></b>	<b>122</b>

Figure 7 LVMH Watches & Jewelry Revenues

Following the Bulgari purchase, sales increased by 98%, highlighting the importance of focusing on this area.

This is just because of the already substantial sales volume of the latter.

By joining the French group, the Watches and Jewellery (W&J) business unit's share has grown from 5% to 10%.

The profit from recurring operations for W&J rose two times, reaching 265 million euros.

Both Bulgari's income consolidation and higher profitability played a role in this remarkable increase.

The company's exposure to Asia and Japan increased by 5% and 2%, respectively, with the store count rising by 170, directly attributable to the Bulgari acquisition.

On July 8, 2013, LVMH announced the acquisition of a majority share in Loro Piana.

Adopting the same process as in the Bulgari case the company started beginning with an analysis of the key motivations behind the acquisition.

The division of fashion and leather goods is the key segment within LVMH, contributing the most to the group's overall revenue, as outlined earlier in part 2 and briefly in the Bulgari case.

We shall consider that, as previously identified, the highest-value M&A deals are carried out within this business unit.

Despite the Fashion and Leather (F&L) Goods division accounting for 35% of sales in 2012, the French Group persist in acquiring more companies in this sector to increase its influence.

Indeed, LVMH chose to focus on the clothing and accessories business unit, notwithstanding they wanted to acquire the brand Loro Piana mainly for two reasons:

1. Luxury goods account for 68% of Loro Piana's sales, with textile fabrics and raw materials making up the remaining 32%. This may have been a key element influencing LVMH's decision, since the acquisition granted them entry to the Italian company's exclusive textile materials, which could be leveraged across multiple brands in the conglomerate.

Thanks to its vertical integration, Loro Piana's ability to access high-quality raw materials is a notable characteristic that, while previously acknowledged, now holds particular significance.

The French Group is actively pursuing vertical integration to take charge of each supply chain phase, ensuring production quality, adherence to standards, and delivering better value to the customer.

2. The French holding company is set to increase its presence in the East by launching Loro Piana, a decision that was previously apparent in the W&J sector with Bulgari and has now been expanded to encompass all business divisions.

## 4.5 LVMH PERFORMANCE

To understand the performance achieved from LVMH it is useful to consider the evolution of the revenues of the company. The data showed in the graph below<sup>16</sup> will help to the scope:

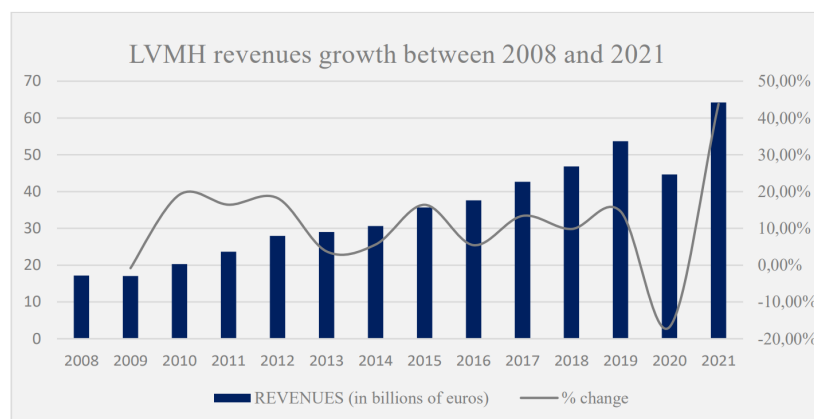


Figure 8 LVMH Revenues

The revenue figure for 2008 was 17,193 billion euros, and it grew to 64,215 billion euros by 2021.

This extraordinary achievement could have occurred since sales grew every year, except for 2009 and 2020.

Although the decline is modest, the Great Financial Crisis might continue to have an effect in 2009.

The drop in 2020 was much more substantial than predicted, yet it showed resilience and performed relatively better than other sectors.

Following the previous year, 2021 marked the best performance in the studied timeframe, with a 43.82% increase, resulting in the company's highest revenue ever recorded.

While the F&L business saw good success in 2021, the LVMH group was notably remarkable.

The compound annual growth rate (CAGR) stands at 10,67%, reflecting the typical yearly percentage growth of revenues during the analysed timeframe.

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<sup>16</sup> Refinitive Eikon

This data indicates that LVMH's business model is effective, enabling the company to increase its revenue annually.

This possibly means that the acquired enterprises are thoroughly integrated into the company and were carefully selected prior to the transactions.

Moreover, the market and investors provided credit to the group, confident in its potential for expansion.

The below price chart<sup>17</sup> of the stock attests to this.

The initial share price in 2008 was about 82 dollars, and it has since increased to more than 640.

The CAGR exceeds the typical performance of a broad market index like the S&P 500, reaching 17.11%.

Evolution was quite gradual until near 2017, when it started to climb rapidly.

The price did not suffer many losses, except for notable declines in 2020 and 2021.

Following the Covid-19 pandemic, there was a significant increase in the stock's value.

This may be attributed to two primary factors: the Tiffany and Co. historic acquisition, along with the vast interest and funding that the financial market received during the pandemic.

Investors typically hold a positive view of LVMH shares, with the majority of analysts recommending purchasing them.

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<sup>17</sup> Refinitive Eikon

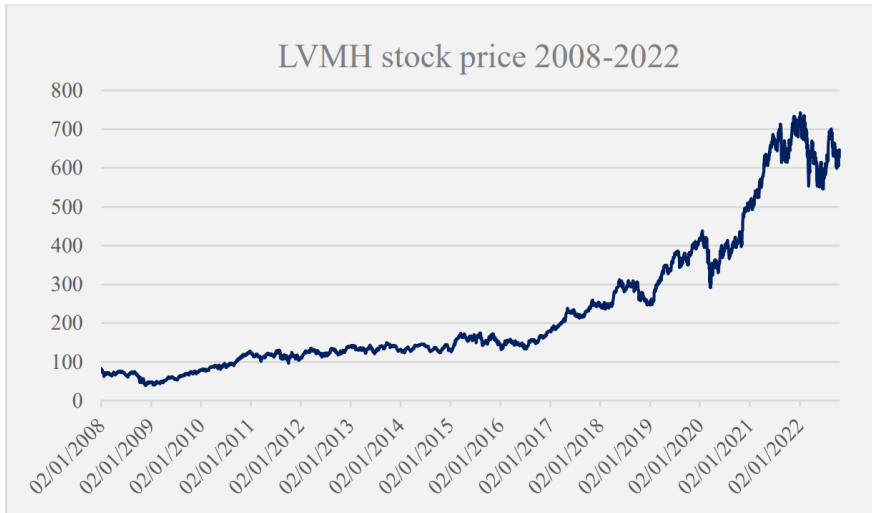


Figure 9 LVMH Stock's price chart

## **4.6 FINDINGS**

The data showed and analysed suggest that in the LVMH & Loro Piana case, the long-term value was produced for shareholders, but the result cannot be extended to the short term due to contradicting outcomes that have been reported from LVMH.

## 5 ANALYSIS OF THE TACTICS AND THEIR IMPACT

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### 5.1 AN ANALYSIS OF TRENDS: THE FUTURE OF MAJOR MARKETS AND THE EMERGENCE OF DIGITAL

By 2025, personal luxury goods consumers are expected to number 450 million, an increase from 390 million in 2019, continuing the upward trajectory started in the last decade.

What is different, on the contrary, is the growing demand from Asia, particularly China.

Over 100 million Chinese are currently among the top 10% of the wealthiest people in the world, which explains the rise in demand for luxury products in this country according to a study by McKinsey & Company<sup>18</sup>:

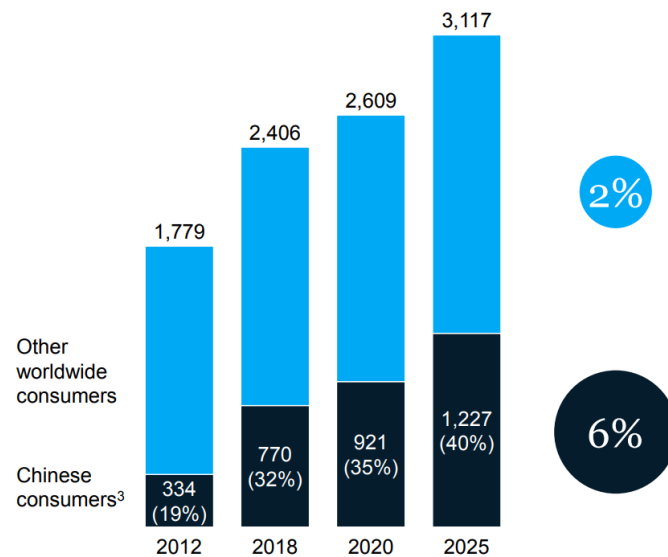


Figure 10 Global Annual Grow Rate

<sup>18</sup> <https://www.alioze.com/wp-content/uploads/2020/09/etude-marche-luxe-chinois-mckinsey.pdf>

This consulting firm emphasizes that Chinese consumers accounted for 90% of the global market growth in 2019.

Furthermore, China accounted for 35% of luxury product sales during that year, and this proportion is expected to rise to 40% by 2025.

The entire Asian region experienced a growth of 6% at constant exchange rates, also thanks to an increase in sales in Japan and although the geopolitical tensions in Hong Kong caused a 20% decline in sales in this country.

China's share of luxury product sales is more significant than ever given the weak growth in Europe and America.

After all, a study conducted by Deloitte in 2017 revealed that 47% of luxury product purchases came from international tourists.

Another changing demographic trend is the increase in millennial buyers, who accounted for 35% of sales in 2019.

These consumers, born between 1980 and 1995, are expected to represent 45% of the luxury market in 2025.

Generation Z accounted for only 4% of sales in 2019, but this demographic group is expected to make up about 40% of purchases by 2035.

According to the Boston Consulting Group<sup>19</sup>, Generations Y and Z together are expected to account for 55% of the global luxury market by 2025.

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<sup>19</sup> <https://www.alioze.com/wp-content/uploads/2020/09/etude-marche-luxe-pre-covid-bain-attagamma.pdf>

## 5.2 THE ENTRY OF LUXURY INTO THE DIGITAL AGE

Most industry players have neglected online sales.

Today, these players are focusing more on online commerce to address the demographic shift favouring younger consumers.

The health crisis of 2020 forced many of these brands to turn to online platforms due to the closure of physical stores worldwide and the rise of e-commerce platforms.

The online sales market is expected to continue consolidating, representing only 12% of luxury product sales in 2019.

They are experiencing better growth than in-store sales and could account for 30% of total luxury product sales by 2025.

Most young consumers of such products indicated that their purchases were motivated by advertising on social media.

Despite the growth of online sales, physical stores continue to play a crucial role in the sale of luxury products.

In China, for example, McKinsey & Company found that 90% of consumer decisions were influenced by their experience with the staff of a physical store<sup>20</sup>.

Many other consumers need a personalized experience that simply cannot be replicated on a website.

This led to a different model for brands in this industry, which combines faith with physical and online sales channels to create a complete luxury shopping experience.

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<sup>20</sup> <https://www.alioze.com/wp-content/uploads/2020/09/etude-marche-luxe-chinois-mckinsey.pdf>

## **5.3 COMPARISON BETWEEN SHORT-TERM AND LONG-TERM TACTICS USED FROM THE LUXURY COMPANIES**

LVMH is presently one of the most prominent, celebrated, and admired companies globally.

The progress has been possible in part because of persistent efforts to upgrade everything, from the products and delivery system to the customer shopping experience.

The organization emphasizes four core beliefs that drive daily behaviour and shape long-term success:

1. Being creative and innovative: the Maison consistently reinvents itself while maintaining the distinctive qualities that make it unique through an ongoing blend of originality and imagination.
2. Delivering excellence: the undeniable quality they embody, a true reflection of masterful craftsmanship, plays a crucial role in the allure of LVMH's Maison.
3. Nurturing an entrepreneurial approach: the conglomerate's decentralization and agility boost its efficiency and ability to respond swiftly to pressures.

The spirit of entrepreneurship at LVMH drives its employees to accomplish their goals.

4. Each person's actions within the organization serve as a testament to the company's values of ethics, social responsibility, and environmental consciousness.

They are committed to making sure their products and manufacturing methods positively impact the entire ecosystem.

As previously examined, LVMH's international strategy showcases how acquiring brands across different industries can be effective, especially when those brands struggle to maintain healthy sales and choose to sell stakes to protect their core business.

The main strategy adopted from LVMH is based on the long-term objective and it is demonstrated that, provided with a good management performance to identify and acquire other brands, this is a winning strategy.

Another case that is worth being analysed is the Moncler and Stone Island that has been introduced in paragraph 3.4, which provide an example of short-term strategy.

In December 2020, Moncler S.p.A., a major player in Italian luxury, announced the acquisition of 100% of Sportswear Company S.p.A., the company that controls the historic Italian brand Stone Island, for a figure of around 1.15 billion euros.<sup>21</sup>

The operation immediately attracted the attention of the sector, not only for its economic value, but for its strategic and symbolic scope: it was the first time that Moncler had moved in a “group” logic, taking a step beyond the single-brand model that had characterized it until then.

This acquisition can be read on two distinct levels: on the one hand, a tactical move in the short-medium term to strengthen Moncler's position in the streetwear-technical segment and broaden its audience; on the other hand, an investment with long-term ambitions, aimed at building a new luxury group model, made in Italy, capable of positioning itself among the large global conglomerates such as LVMH and Kering, but with an independent philosophy.

The analysis of this operation offers a particularly interesting case study because it highlights how an M&A strategy can contain immediate operational and speculative dimensions but also be oriented towards a cultural and structural transformation in the long term.

The purpose of this paragraph is to investigate this strategic duality, clearly distinguishing short-term actions and intentions from long-term ones, assessing risks, potential and coherence to compare the two strategies adopted respectively from LVMH and Moncler.

In the short term, the acquisition of Stone Island represented a highly functional tactical move for Moncler. The brand was in a mature phase of its life cycle and needed to diversify its offering to support growth. Stone Island, for its part, was a rapidly expanding brand, known for its innovation in materials, the loyalty of its community and its distinctive positioning between sportswear, tech wear and street culture.

One of the main advantages of the operation in the short term was immediate access to a series of operational synergies:

- Distribution: Moncler accelerated Stone Island's transition from a predominantly wholesale model to one more oriented towards direct retail, increasing margins.
- Supply chain and operations: the sharing of Italian production skills and logistics infrastructure allowed for cost efficiency.

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<sup>21</sup> <https://www.ilsole24ore.com/art/moncler-compra-italiana-stone-island-borsa-festeggia-AD7seq6>

- Digitalization: Moncler was able to apply its most advanced digital capabilities to Stone Island's e-commerce and CRM platform.

These operations are typically oriented towards the short and medium term, because they aim to obtain immediate returns in terms of profitability and cost optimization, without radically altering the identity of the acquired brand.

Another tactical objective was the international expansion of Stone Island, particularly in markets where Moncler is already well positioned, such as Asia and North America. The operation thus allowed an expansion of the group's commercial perimeter within 12–24 months of the acquisition.

However, too rapid an expansion – both in terms of geography and distribution – also entails a risk of overexposure and dilution of the brand, especially for a brand like Stone Island, historically linked to very identity-based cultural niches.

In this sense, the short term presents itself as a delicate phase, where tactical actions must be carefully balanced so as not to compromise the symbolic capital built up over decades.

If in the short term the acquisition of Stone Island allowed Moncler to strengthen its position through operational levers, in the long term the operation was conceived as the founding nucleus of a new strategic architecture.

The leader Remo Ruffini declared from the beginning his intention to go beyond the single-brand store, inaugurating an evolutionary phase of the group in which the identity of Moncler is placed alongside that of other similar but independent brands, capable of communicating with each other while maintaining creative and cultural autonomy.

Unlike giants like LVMH and Kering, which operate as multi-industry and multi-brand conglomerates, Moncler's long-term vision is based on a focused model, where a few selected brands share common values such as textile and functional innovation, strong identity and storytelling, authentic relationship with specific communities and sustainability and traceability.

Stone Island, with its technical-military background, experimentation with materials and heritage rooted in urban subcultures<sup>22</sup>, represents an ideal candidate to develop this type of

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<sup>22</sup> <https://www.ft.com/content/8c4b09aa-7be0-41ab-94a8-08293367b3e1>

value synergy with Moncler. It is not just a matter of business expansion, but of a long-term cultural and strategic positioning.

The long-term goal is not only to grow Stone Island in quantitative terms (revenues, markets), but to guide it towards a transformation of positioning: from a “cult” and technical brand to a luxury global player. This involves an elevation of the brand language and visual aesthetics, the expansion of the price range upwards, the care of the physical retail channel as a brand experience and the strengthening of the narrative on sustainability and innovation.

This process requires years of consistent work and the overcoming of delicate challenges, such as maintaining the original authenticity of the brand without distorting it.

Moncler’s acquisition of Stone Island is undoubtedly an ambitious and well-structured project, but it presents several challenges and risks that must be carefully managed, balancing short-term and long-term needs.

In the short and medium term, Moncler aims to capitalize on a series of concrete operational and commercial objectives, including:

- Increased revenues: through the expansion of Stone Island’s direct retail channels, with greater control over distribution and pricing.
- Improved margins: leveraging synergies in the supply chain, logistics and operational efficiency.
- Rapid geographic expansion: especially in Asian and North American markets where Moncler already has a strong presence, facilitating Stone Island’s penetration.
- Strengthening the digital channel: leveraging Moncler’s digital expertise, improving e-commerce and online customer engagement.

These results represent a phase of consolidation and quantitative growth, which allows the initial investment to be justified and the group to strengthen its competitive position.

In the long term, however, the focus shifts to:

- Qualitative and brand equity growth: turning Stone Island into a recognized brand in global luxury, enhancing its heritage and transforming it into a symbol of innovation and sustainability.

- Building an ecosystem of Italian brands: that share a vision and values, and that can compete with the large luxury groups.
- Loyalty and community: strengthening the bond with the communities of reference, maintaining authenticity and a sense of belonging.
- Sustainability and innovation: investing in sustainable materials and cutting-edge production processes, to anticipate the future needs of the luxury market.

As of today, the Moncler Group reports the good results achieved in the short and medium period<sup>23</sup>:

*“The integration process with Stone Island has begun and is already yielding very positive results,” Remo Ruffini, chairman and CEO of Moncler, said in a statement. “We must continue to fuel and expand our communities, to integrate sustainability into every business decision and ensure that digital is increasingly the engine of change and evolution.”*

The following table<sup>24</sup> summarizes the revenues for both the companies highlighting the good results obtained and the Group:

<b>Year</b>	<b>Total Revenues</b>	<b>Moncler Revenues</b>	<b>Stone Island Revenues</b>
<b>2020</b>	1.445	1.224	221,9
<b>2021</b>	2.6	2.2	401,0
<b>2022</b>	2.602,9	2.201,8	401,1
<b>2023</b>	2.984	2.573	411,1
<b>2024</b>	3.1	2.7	401,6

Moncler has embarked on an ambitious path, in which the M&A strategy is a tool not only for quantitative growth, but above all for building qualitative and cultural value. The challenge will be to maintain this balance over time, transforming Stone Island into a global luxury brand

<sup>23</sup> <https://www.voguebusiness.com/companies/moncler-sales-surpass-euro2-billion>

<sup>24</sup> FashionNetwork, MoneyController, FashionUnited

without losing its original soul. If it succeeds, Moncler will be able to consolidate a unique position in the international luxury market, tracing a new path for Italian groups.

## 5.4 FINDINGS

The comparison between the M&A strategies implemented by LVMH and Moncler respectively highlights how the application of a vertical and conglomerate M&A strategy establishing long-term objectives implemented by a well-established brand in the luxury market such as LVMH can provide the expected results in terms of both revenues and control in the acquisition of raw materials, while the application of a vertical M&A strategy but with short-term objectives implemented by Moncler is rather due to the need, on the part of the brand itself, to establish a cultural domain before to reach achieve revenue objectives capable of holding up to comparison with other brands already well-established on the market.

Moncler's acquisition of Stone Island is an emblematic case of how an M&A strategy can integrate short-term objectives with long-term ambitions, giving shape to a structural and cultural growth project.

## 6 CONCLUSION

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Various prominent international M&A examples have been examined, highlighting partner preferences and the strategic vision qualities aimed at accomplishing short-term and long-term ambitions.

The most significant cases of study have been selected, with a focus on the detailed analysis of LVMH and Moncler, which exemplify two distinct M&A strategies, one pursuing long-term goals and the other targeting short-term acquisition objectives that serve as a prerequisite for achieving long-term financial and cultural aims. Both cases show successful performance even with a two completely different starting conditions and adoption of two different tactical approaches. The example of Moncler, expecting additional good achievements in the future, deserves attention for the Italian market both for its financial aspects and for the challenging vision to improve the cultural characteristic of the group.

An important outcome of this study is also that it is expected that the online sales market will continue to consolidate. Most young consumers revealed that their shopping was prompted by social media advertisements, anyhow, the importance of physical retail outlets persists in the luxury market, even with the growth of e-commerce. So, brands who intend to adopt a winning strategy in the M&A shall seriously consider this aspect.

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