



UNIVERSITA' DEGLI STUDI DI PADOVA

DIPARTIMENTO DI SCIENZE ECONOMICHE ED AZIENDALI

“M. FANNO”

CORSO DI LAUREA MAGISTRALE IN

BUSINESS ADMINISTRATION

TESI DI LAUREA

**“Mergers and Acquisitions in the Luxury Sector: Challenges, Innovations,
and Comparative Insights into LVMH and Richemont”**

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Firma della studentessa

A handwritten signature in black ink, appearing to be a stylized name, possibly starting with 'S' and 'M', written in a cursive style.

Acknowledgements

First and foremost, I would like to express my deepest gratitude to my supervisor, Prof. Diego Campagnolo, whose unwavering support, guidance, and expertise have been invaluable throughout my research. His insightful feedback and thoughtful suggestions have significantly shaped this thesis, and his patience and encouragement have motivated me to persevere in moments of difficulty. I feel incredibly fortunate to have had such a dedicated and inspiring mentor, and I cannot thank him enough for his continued belief in my abilities.

I would also like to extend my heartfelt thanks to all the professors I encountered at the University of Padua and the University of Würzburg, whose teachings, insights, and expertise have played a crucial role in shaping my academic journey. The lessons I have received from them have not only deepened my knowledge but have also inspired and shaped my approach to research, providing me with the guidance and confidence needed to bring this thesis to fruition.

This thesis would not have been possible without the boundless love, unwavering support, and belief of my family. From the very first steps of my academic journey to the final stages of this research, they have been my rock, providing not only emotional strength but also the practical encouragement I needed to keep going. Their sacrifices, their patience, and their constant faith in me have shaped my success in ways words cannot fully capture. I am deeply grateful for their love, which has been the driving force behind every achievement, and for the countless moments they have supported me, even when the road felt uncertain.

I also owe a special thanks to my friends, whose friendship has been a constant light through both joyful and challenging times. Their unlimited support, understanding, and encouragement have meant the world to me. Whether offering a word of comfort during stressful moments or sharing a laugh when things seemed too overwhelming, they have reminded me of the importance of resilience, balance, and staying true to myself. This journey has been made all the more meaningful by their companionship, and I am forever grateful for the love and encouragement they have provided along the way.

Thank you all for being an essential part of this long and rewarding academic journey.

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Executive Summary

In industries with intense rivalry and dynamic markets, mergers and acquisitions (M&A) have emerged as one of the most important strategies for businesses to grow and expand. M&As provide an opportunity to rapidly scale, diversify product lines, access new markets, and gain innovative capabilities by combining with or purchasing other businesses, while organic growth remains a feasible alternative. M&As have become essential in shifting dynamics in the luxury industry, assisting major companies in enhancing their competitive advantages and expanding their global presence.

Two of the biggest conglomerates in the world, LVMH and Richemont, have continuously led the luxury industry, especially through their effective use of mergers and acquisitions (M&A). Both companies have expanded their reach and strengthened their market positions by acquiring high-profile brands, from fashion to jewelry and watches. The luxury market remains dominated by LVMH and Richemont despite challenges including changing customer preferences, economic turmoil and the demands of preserving brand exclusivity. Their continuous acquisition strategy, especially in periods of uncertainty, demonstrates their dedication to expansion, creativity, and preserving their position as market leaders in a highly competitive global market.

The purpose of this thesis is to examine how mergers and acquisitions (M&A) affect the luxury market, focusing on the strategies used by Richemont and LVMH. The two companies have enhanced their worldwide market positions, diversified their product lines, and significantly expanded their brand portfolios through M&A. While both companies have engaged in an extensive amount of M&A, it is still unclear how differences in the financial performance of LVMH and Richemont, pace, rhythm, and scope of the acquisitions have affected their long-term growth. By analyzing LVMH and Richemont's M&A strategies from 2014 to 2024, this thesis aims to investigate this question, with a focus on how these activities have impacted their growth, market positioning, and overall success.

The thesis research will focus on the central question: How have the financial performance, pace, rhythm, and scope of M&A activities impacted the growth and market positioning of LVMH and Richemont from 2014 to 2024, and which company has demonstrated superior performance? The methodology for this research involves a detailed analysis of both companies' M&A activities and their financial growth, using statistical comparison to evaluate

their relative success. This approach offers a comprehensive perspective on how strategic acquisitions have shaped the financial and market outcomes of these two luxury giants.

Chapter 1

In this chapter, the dynamics of mergers and acquisitions (M&A) within the luxury industry are explored, starting with an overview of the main concepts and theories behind M&A strategies. It examines the key motivations driving M&A activity, including market expansion, brand consolidation, and diversification. The chapter then delves into the M&A process, addressing common challenges and the factors that contribute to successful acquisitions. Current market trends in M&A are discussed, along with an in-depth look at the luxury industry—its definition, trends, and how M&As play a pivotal role in shaping its growth. Further, the opportunities and challenges faced by companies in the luxury sector when pursuing M&A are analyzed, providing a comprehensive view of how these strategies help to strengthen market positioning and competitive advantage in this highly dynamic industry.

Chapter 2

Chapter 2 traces the evolution of LVMH from its origins to becoming a global powerhouse in the luxury industry. It examines the history of LVMH and the strategic acquisitions that have played a key role in its growth, shaping its portfolio into one of the most powerful in the luxury market. The chapter further explores three significant acquisitions made by LVMH—Bulgari, Belmond, and Tiffany—and delves into the reasoning behind these high-profile deals. It analyzes the strategic benefits LVMH sought to achieve, such as expanding its presence in high-end jewelry, hospitality, and luxury goods markets, while also addressing the challenges encountered during the integration of these acquisitions. By studying these cases, the chapter provides insights into LVMH's approach to maintaining brand integrity and leveraging acquisitions to reinforce its market dominance.

Chapter 3

The history of Richemont's growth within the luxury goods industry has been shaped by a series of strategic acquisitions. This chapter begins with an overview of how Richemont's acquisition strategy has been integral to its expansion and success. Three significant acquisitions—Peter Millar, Buccellati, and Delvaux—are then examined in detail. The reasoning behind each acquisition is explored, with a focus on how they have strengthened

Richemont's portfolio in luxury apparel, high-end jewelry, and leather goods. The challenges faced during the integration process are also discussed, including the difficulties of maintaining brand identity and aligning operations with the company's broader strategic goals.

Chapter 4

Chapter 4 provides an analysis of the financial performance of LVMH and Richemont from 2014 to 2024, focusing on the impact of their mergers and acquisitions (M&As). The financial data from these two companies is examined to assess how their acquisition strategies have contributed to their growth, profitability, and market positioning over the last decade. As the consolidated financial reports for LVMH are unavailable prior to 2014, the analysis begins from this point to offer a clear comparison between the two luxury giants. Furthermore, the acquisitions of both companies are analyzed through the lenses of pace, rhythm, and scope. The pace examines the frequency of their acquisitions, the rhythm looks at the timing and consistency of these deals, and the scope evaluates the geographical and sectoral breadth of their acquisitions. This chapter concludes by reflecting on how these factors have influenced the overall success and strategic direction of LVMH and Richemont.

The analysis revealed that, in terms of financial performance, both LVMH and Richemont experienced nearly identical average growth rates from 2014 to 2024. However, a significant difference was observed in their 2024 revenues: LVMH reached €84.7 billion, while Richemont reported €20.6 billion. This gap can largely be attributed to the scope of their acquisitions. LVMH's acquisitions have been broader in scope, with a greater variety in the nationality and industries of the target companies, allowing for a more diversified portfolio and broader market presence. In comparison, Richemont has focused more narrowly on specific markets and industries. Both companies displayed irregular rhythms in their acquisition activity, but Richemont showed longer periods of inactivity, while LVMH's acquisition pace was more consistent and rapid.

In conclusion, this study has highlighted how the differing acquisition strategies of LVMH and Richemont have led to varying financial outcomes. While both companies demonstrated similar growth trends over the past decade, the difference in their revenue figures in 2024 reflects the broader and more diverse acquisition scope of LVMH. Despite the irregular rhythms in both companies' M&A activities, LVMH's faster acquisition pace and more varied target companies contributed to its superior financial performance. This finding underscores

the importance of the scope and pace of acquisitions in driving financial success within the luxury industry.

Managerial Implications

For companies in the luxury industry, in particular those engaged in mergers and acquisitions (M&A), this study reveals several points of significant managerial implications. To ensure long-term growth and market leadership, managers and business owners may apply the findings in order to assist them in developing their M&A strategies and decision-making processes. Important implications include:

- **Strategic Acquisition Planning and Pace:** Managers should assess whether to pursue a diversified acquisition strategy like LVMH or a more specialized approach like Richemont, based on long-term goals. Maintaining agility and a faster acquisition pace can help companies capture opportunities quickly and gain market share, but it must be balanced with careful post-acquisition integration to preserve brand identity and synergies.
- **Geographical Expansion and Market Access:** Cross-border acquisitions can provide quick access to emerging markets and established customer bases, enhancing global presence. Managers should prioritize geographical diversification to expand efficiently, while ensuring the cultural and brand integration of acquired companies, especially in the luxury sector where exclusivity and heritage are essential.
- **Operational Synergies and Financial Growth:** Successful integration and the realization of operational synergies are critical for maximizing value from acquisitions. Managers must ensure that acquisitions align with financial goals and enhance long-term growth, avoiding short-term decisions that may undermine profitability and brand prestige.

In conclusion, the insights from this study provide valuable guidance for luxury industry managers pursuing M&A strategies. By focusing on strategic planning in terms of pace, rhythm, and scope, as well as successful integration, businesses can enhance their competitive position and ensure sustainable growth in the dynamic luxury market.

Chapter 1

Mergers and Acquisitions in the Luxury Industry

1.1 Introduction

In today's competitive business landscape, mergers and acquisitions (M&As) play a pivotal role in shaping the strategic direction of companies, especially within industries like luxury goods, where market dynamics are continuously evolving. Domestic and international mergers and acquisitions are crucial for businesses to thrive in today's cutthroat business environment. The success or failure of these deals is extremely important and has far-reaching effects on the firms (Sudarsanam, 2010). In the luxury industry, M&As have become an essential tool for growth, enabling companies to expand their global footprint, diversify their product offerings, and strengthen their competitive edge. As the luxury market continues to mature, these strategic moves have increasingly defined the trajectory of leading brands, helping them adapt to new consumer demands, emerging markets, and shifting industry trends.

This chapter explores the dynamics of mergers and acquisitions within the luxury industry, shedding light on how these strategic moves have shaped the sector's growth. The luxury market has increasingly relied on M&A activities to expand geographically, diversify product portfolios, and enhance market presence. It delves into the factors driving these transactions, including the globalization of luxury, the integration of value chains, and the need for brand consolidation. The chapter also provides a detailed overview of the luxury industry, defining the sector, exploring recent market trends, and discussing the key players in the industry. Furthermore, it highlights how M&As contribute to the success and growth of luxury companies, particularly through brand consolidation and portfolio diversification. The challenges faced during M&A transactions, such as brand dilution, maintaining exclusivity, and managing operational complexities, are also addressed. Through an exploration of notable recent deals, this section emphasizes the significant opportunities M&As present for luxury brands aiming to sustain competitiveness in a rapidly evolving market. Trends of 2024 and projections for 2025 offer further context for understanding how M&A strategies will continue to shape the future of the luxury industry.

1.2 Key Aspects of Mergers and Acquisitions

In this section, the fundamental aspects of mergers and acquisitions (M&A) will be explored. The following topics will be discussed: the main concepts surrounding M&A, the key reasons companies pursue these strategies, the process of M&A including potential challenges and success factors, and current market trends influencing M&A activities in the luxury sector.

1.2.1 Main Concepts in Mergers and Acquisitions

Mergers and acquisitions (M&A) significantly influence the competencies, organizational structure, and performance of the firms involved (Bertrand & Betschinger, 2012). In theory, M&A activities are pursued to create positive takeover synergies that drive corporate growth, enhance margins, expand market share, or increase shareholder value. An acquisition, or takeover, occurs when one company obtains a controlling interest in another's equity (Johnson et al., 2017). This process can be carried out through various approaches, typically categorized into three main forms: merger or consolidation, acquisition of stock, and acquisition of assets (Ross, Westerfield, Jaffe, 2005). In a merger, the acquiring company retains its name and identity while absorbing all the assets and liabilities of the target company, causing the target company to cease to exist as an independent entity. In contrast, a consolidation involves the creation of a completely new entity, combining the resources and assets of both companies to form a new business structure. An acquisition of stock involves purchasing a firm's voting stock in exchange for cash, stock, or other securities. This may begin as a private offer from the management of one firm to another or proceed as a public tender offer, where the acquiring company directly approaches the shareholders of the target firm to purchase their shares, often through public announcements. An acquisition of assets involves purchasing the assets of a company rather than its stock, and this may not necessarily result in the target company ceasing to exist as it could continue to operate separately. However, the acquiring company gains control over the physical, intellectual, and financial assets of the target firm.

Mergers and acquisitions can be further classified into horizontal, vertical, and conglomerate types, each offering unique strategic advantages. Horizontal integration refers to acquiring or merging with competitors or companies within the same industry or market segment. This

strategy is focused on boosting market share, reducing competition, and achieving economies of scale. Horizontal acquisitions are designed to enhance market power by consolidating market share, which gives the acquiring company greater bargaining power with suppliers and customers. Such acquisitions also allow companies to expand into new markets and reduce costs by eliminating redundancies and streamlining operations. Additionally, horizontal acquisitions can provide access to intellectual property or specialized knowledge from the target company. However, horizontal acquisitions often attract regulatory scrutiny due to concerns about antitrust violations, as market consolidation may reduce competition and harm consumers by raising prices or limiting options.

Vertical integration involves expanding a company's operations by acquiring businesses at different stages of the value chain, either upstream (backward integration) or downstream (forward integration). Backward integration occurs when a company merges with or acquires suppliers or producers of raw materials or components, helping to secure the supply of essential inputs, reduce dependency on external providers, and lower costs. Forward integration involves acquiring distributors, retailers, or entities further along the value chain, which allows companies to gain control over distribution channels, improve access to markets, and increase profit margins. The primary goals of vertical integration are to enhance operational efficiency, foster better collaboration, streamline processes, and achieve a competitive edge by gaining greater control over factors like customer satisfaction, pricing, and product quality.

Conglomerate acquisitions occur when companies from unrelated industries merge, often to diversify risk or expand into new markets. These acquisitions offer the acquirer access to new business segments, providing the potential for growth in different industries. In addition to these traditional classifications, M&A strategies include various specialized approaches, such as friendly versus hostile acquisitions, reverse takeovers, joint ventures, management buyouts, leveraged buyouts (LBOs), and restructuring methods like demergers, spin-offs, and spin-outs. M&A transactions are categorized as private or public based on whether the target company is publicly listed. Public acquisitions often involve delisting the target company's shares to meet regulatory standards concerning ownership concentration, while private acquisitions involve companies that are not publicly traded.

Friendly acquisitions are negotiated agreements where both the target and acquiring companies agree on the terms of the deal, whereas hostile takeovers occur when the target company opposes the acquisition. In hostile takeovers, defensive strategies like poison pills,

counteroffers, and restructuring assets or liabilities are often employed to deter the acquirer. A reverse takeover occurs when a smaller firm acquires a larger one, often retaining the latter's name and brand recognition, while a reverse merger happens when a private company acquires a publicly listed firm to quickly access capital markets. Management buyouts involve large firms acquiring smaller entities to leverage specialized knowledge or capital from internal teams for enhanced efficiency, while joint ventures are collaborative efforts between multiple firms to achieve a shared objective, often in large infrastructure projects that carry high uncertainty. Leveraged buyouts (LBOs) are a high-risk strategy where companies assume substantial debt to acquire larger firms, relying heavily on the success of post-acquisition plans. Demergers, spin-offs, and spin-outs involve separating a company into two or more entities, sometimes creating a new publicly listed company.

These diverse M&A strategies highlight the strategic versatility of M&A approaches, showcasing how different goals—such as expanding market share, entering new industries, securing supply chains, or diversifying risks—can be achieved through various forms of acquisition and organizational restructuring (Rompotis, Gerasimos, 2014).

In table 1, various types of mergers and acquisitions (M&As) are summarized, highlighting their key characteristics and strategic purposes.

Types of M&A	Description
Merger or Consolidation	The acquiring company absorbs the target, or a new entity is created.
Acquisition of Stock	Buying voting stock from shareholders, either privately or through a public tender offer.
Acquisition of Assets	Purchasing a company's assets rather than its stock.
Horizontal Integration	Merging with competitors to increase market share and reduce competition.
Vertical Integration (Backward)	Acquiring suppliers or producers earlier in the value chain.

Vertical Integration (Forward)	Acquiring distributors or retailers further in the value chain.
Conglomerate Acquisition	Merging companies from unrelated industries to diversify risk.
Friendly Acquisition	Both companies agree on the terms of the acquisition.
Hostile Takeover	The acquiring company bypasses management and appeals directly to shareholders.
Reverse Takeover	A smaller company acquires a larger company, keeping the larger company's name.
Reverse Merger	A private company acquires a publicly listed company to go public.
Management Buyout	A firm's management acquires a smaller company for better efficiency.
Joint Venture	Two or more firms collaborate to achieve a shared goal.
Leveraged Buyout (LBO)	A company acquires another using borrowed funds.
Demerger, Spin-off, and Spin-out	Dividing a company into multiple entities.

Table 1. Summary of Mergers and Acquisitions Types (Created by the author, 2024)

1.2.2 Main reasons for M&As

To assess the success of mergers and acquisitions (M&As), it is crucial to first understand the motivations driving these transactions. The goals set by managers or owners at the time of acquisition serve as a key measure for determining success. Research has identified several

primary motivations for pursuing M&As, which can be categorized into strategic, financial, and managerial reasons (Johnson and Whittington, 2017; Shleifer and Vishny, 1988).

From a strategic perspective, companies often pursue M&As to improve their operational structure and efficiency. One significant reason is the expansion of operational scope. Through M&As, companies can broaden their reach by entering new geographic markets, diversifying product lines, or expanding into new areas of business. Another strategic motivation is the desire to strengthen market position. M&As allow companies to consolidate their market power, reduce competition, and increase pricing leverage. This also helps in achieving economies of scale and scope, thereby improving operational efficiency. Lastly, companies may pursue M&As to enhance their business potential. By acquiring additional resources, technologies, or expertise, firms can foster growth and development, creating new opportunities that might not be possible through organic growth alone.

In addition to these strategic motives, technological motives play a key role in M&As. Companies often acquire other firms to gain access to advanced technologies or intellectual property (IP). These acquisitions help complement existing products or open up new business opportunities. Technology-based motives can either focus on exploration, such as acquiring a dominant design, or exploitation, by enhancing current product lines and capabilities (Lee and Lieberman, 2010; Cohen and Levinthal, 1990).

The financial motives behind M&As can also be significant. One key motivation is financial efficiency, where combining companies with varying financial strengths can create a more stable and powerful entity. For example, a company burdened with debt may benefit from being acquired by a financially stable partner who can help restructure and resolve the debt issues. Another major financial advantage is tax efficiency, as M&As allow companies to share tax gains and losses, which can be advantageous if the companies involved operate in different tax regimes (Lewellen, 1971; Rabier, 2017). Additionally, asset stripping or unbundling is a financial strategy, where companies identify and sell individual components or assets that would have a higher value if sold separately. By selling these assets to different buyers, the acquirer can generate a significant capital gain.

Another significant driver of M&As is market entry, particularly in the context of cross-border acquisitions. M&As serve as a rapid entry mode into new markets while avoiding the costs associated with greenfield foreign direct investments (FDIs) or export strategies. Acquiring a local firm provides immediate access to established local networks,

including suppliers, marketing, distribution channels, and clients, saving time and resources that would otherwise be required to build these connections from scratch. Cross-border M&As allow firms to gain access to country-specific capabilities, skills, and know-how possessed by the target company, aligning with the Resource-Based View of competitive advantage, which emphasizes the importance of unique resources in maintaining a firm's market position (Barney, 1991; Lee, 2017; Anand and Delios, 2002).

Additionally, risk reduction is a key motivation for M&As. Companies engage in M&As to reduce exposure to market volatility, mitigate risks, or ensure survival, especially when their current business model faces significant challenges (Beneish, 2008). M&As aimed at risk reduction often focus on diversifying into more stable or less competitive markets, helping firms manage external uncertainties.

On the managerial side, motivations can stem from the personal interests of managers, such as personal ambition. Managers are often incentivized with compensation tied to short-term growth targets, which are typically more easily achieved through M&As than organic growth. M&As also raise a manager's public profile and reputation, potentially expanding their influence within the company, and leading to more significant decision-making powers. Another factor is the bandwagon effect, where managers may feel pressure from employees, shareholders, or analysts to pursue growth opportunities, fearing that the company could stagnate or be acquired if it does not engage in M&A activities. Shareholders might perceive a lack of M&A activity as a sign of declining competitiveness compared to rivals.

Finally, human-capital motives can drive M&As as companies look to acquire talent, skills, or leadership to strengthen their workforce and enhance their ability to meet long-term strategic goals. Moreover, in cross-border M&As, resources and capabilities seeking motives come into play. Companies pursue these transactions to gain control over diverse assets that complement their domestic resources and open up new opportunities. These assets can include technology, intellectual property, reputable brands, skilled human resources, and managerial or marketing expertise, which are often difficult or time-consuming to develop domestically. These resource-seeking motivations align with the Resource-Based View and Resource Dependence Theory, highlighting the importance of acquiring critical resources to reduce uncertainty and enhance a company's competitive advantage (Nocke & Yeaple, 2007; Ahammad & Glaister, 2010).

Despite the failure rates and the demanding process of a deal, companies still engage in mergers and acquisitions to pursue growth. The reasons are varied, but some of them may not always align with the best interests of the company. Duksaitė and Tamošiūnienė (2011) argue that growth is the primary reason for companies pursuing an M&A strategy, with other motives often being secondary. In light of research by Sherman (2011), Duksaitė and Tamošiūnienė (2011), and Goedhart, Koller et al. (2018), several motivations for acquiring a target company can be summarized.

The first reason is the pursuit of corporate identity change, where companies aim to diversify their product offerings, add significant capabilities, or capitalize on a brand's recognition. For example, when AlliedSignal acquired Honeywell in 1999, it retained Honeywell's name because of the brand's recognition. Synergy gains are another primary motivation, as they create value when the combined value of the companies is higher than the sum of their separate values. Synergies can be either operating, which include economies of scale (spreading fixed costs by increasing output) and economies of scope (leveraging existing assets or skills across related products), or financial, which involve reducing the cost of capital by acquiring businesses with uncorrelated cash flows or matching better investment opportunities with internally generated funds (DePamphilis, 2019).

M&As can also be motivated by competitive or environmental responses, such as regulatory or technological industry shocks. Another motivation is tax benefits, particularly in cross-border M&As. For example, according to Meier and Smith (2020), a U.S. company with no prior cross-border M&A history could reduce its effective tax rate by 3.56 percentage points by acquiring a company in Ireland worth 5% of its total assets.

Other companies seek to acquire a target company's knowledge-base and intangible assets, often paying large premiums for them. These assets, known as goodwill, include customer relationships, intellectual property, and innovation capital, which are more valuable than what appears on the seller's balance sheet. Acquiring such assets through M&A is faster and cheaper than developing them organically. M&As are also considered a cheaper, easier, and safer alternative to greenfield investments when expanding into new geographies, especially when entering markets with significantly different cultural, legal, or political environments.

Additionally, a common strategy—especially for private equity firms—is to target inefficient companies, acquire a significant stake in a public company, improve performance, and then sell the stakes for a profit. Similarly, companies may target small or undervalued companies

with high growth potential and help them develop without the intention of selling the stakes afterward.

Finally, some acquisitions are driven by managerial self-interest. In the U.S., executives are often incentivized through compensation packages tied to company size, creating a motivation to pursue mergers or acquisitions, even if the deal ends up failing, because of the stock price boom in the earlier stages, which results in significant bonuses for executives (Martin, 2022).

1.2.3 Process of M&A, problems, and elements of success

The acquisition of a company is a complex, meticulous, and dynamic process that typically unfolds in several phases: target selection, negotiation, and integration (Johnson et al., 2017). Schmid, Sánchez et al. (2011) categorize the process into three main stages: pre-merger, deal closing, and integration with the acquired company. While M&A deals are essential for growth, they are often characterized by high failure rates. Some studies report failure rates as high as 70 to 90 percent (Martin, 2022), with Kitching (1974) disclosing failure rates between 46-50 percent. Cartwright and Schoenberg (2006) also report similar findings, noting that M&A deals often do not result in value creation, with studies by Datta, Pinches et al. (1992) and Agrawal and Jaffe (2000) underscoring the lack of success in many M&As.

The pre-merger phase involves strategic planning, which is critical for ensuring a successful deal. In this phase, acquirers conduct a SWOT analysis and establish objectives for the deal, considering alternatives such as establishing a new company, cooperating with another company, or acquiring a target (Calipha & Brock, 2019). Once strategic objectives are defined, the screening stage begins, where potential targets are identified and evaluated based on how well they align with the acquirer's goals. This stage concludes when a list of suitable targets is presented to the Board of Directors for approval. A thorough due diligence process follows, where the acquirer assesses financial, operational, organizational, strategic, and cultural differences to ensure the target company's suitability. Once due diligence is completed, the acquirer creates a business plan for the post-merger phase, which includes plans for organizational structure, control systems, and operational integration.

During negotiation, determining the appropriate price for the target company is one of the most challenging aspects. Overestimating the target's value can result in significant financial losses that are difficult to recover. In cross-border M&As, this issue is compounded by information asymmetry, where the acquiring company may not fully understand the target's

local context, including market conditions, regulatory environments, and cultural practices (Gomes et al., 2013). As such, due diligence and careful assessment during negotiation are crucial to ensure that both parties are aligned and that the deal's valuation is accurate.

After the negotiation and deal closing, the most critical phase is integration. Integration determines whether the anticipated value from the acquisition will materialize. Successful integration leads to synergies, which enhance the performance of the combined company, while poor integration can lead to inefficiencies and the destruction of value. One of the major challenges in integration is determining the right balance between autonomy and control for the acquired firm. A high degree of autonomy may help preserve the acquired company's culture and operating style, which is crucial for retaining employees and customers. However, too much autonomy can prevent the realization of synergies. On the other hand, excessive control from the acquiring company may lead to cultural clashes and resistance to change from the acquired firm's employees (Gomes et al., 2013).

The transfer of knowledge between the two firms is another key element of successful integration. If the acquired company's knowledge, systems, and processes are not integrated with the acquiring company's operations, the full potential of the acquisition may not be realized. Furthermore, organizational justice plays a critical role in the integration phase. How employees in the acquired company are treated—especially during restructuring, layoffs, or changes in career prospects—can significantly affect morale, satisfaction, and the overall success of the integration. For example, foreign acquisitions in Italy, such as ILVA, Alitalia, and Pernigotti, often involved production relocations and layoffs, which were focused on brand value rather than broader organizational concerns, ultimately hindering the integration process and affecting the reputation of the acquiring companies (Ellis et al., 2009).

Despite these challenges, effective integration can bring about significant benefits, including operational efficiencies, expanded market share, and enhanced capabilities through the combination of resources from both companies. However, this requires careful planning and execution. Leaders must focus on aligning organizational cultures, transferring knowledge, and managing the integration process to minimize disruption and maximize value creation for the combined company.

M&A failures often result from a lack of proper planning or an underestimation of the required processes during the pre-merger phase. Lovallo, Viguerie et al. (2007) found that managers tend to make unrealistic assumptions during this phase, which leads to a distorted

view of the target company. This overconfidence, known as the hubris hypothesis, results in paying an inflated premium for the target, leading to a situation where the expected synergies cannot deliver a high enough return on investment (Weber, Tarba et al., 2017). In such cases, senior managers may abandon the acquired company, leaving instability within the workforce. The involvement of a business development team, comprising specialists and top managers, is a critical success factor, as it ensures informed decision-making during the screening of potential targets and negotiation (Calipha & Brock, 2019). Additionally, HR executives' involvement in the early stages is essential for handling cultural and organizational issues effectively during integration (Mirvis and Marks, 1992).

Despite extensive research on M&A failures, many authors emphasize that the most critical mistake is focusing solely on integration after the deal is closed, rather than addressing integration during earlier stages of the process. Weber (1996) argued that culture fit is just as important as financial and strategic considerations for a successful deal. Canina, Kim et al. (2010) also found that the failure to develop an integration strategy in the early stages is a key mistake by acquirers. Even when the acquirer avoids overpaying and secures the expected synergies, organizational factors can still lead to failure (Weber, Tarba et al., 2017).

1.2.4 M&A Market Trends

This section will begin by exploring the historical cycles of mergers and acquisitions, known as "merger waves," which have shaped the M&A landscape over time. These waves, driven by economic growth, technological advancements, and regulatory changes, have evolved through distinct phases. Following this historical context, the section will focus on the recent trends in M&A activity observed in 2024. The section will conclude with projections for 2025, highlighting the expected resurgence in M&A activity as macroeconomic pressures ease and new technologies continue to influence deal-making strategies.

Unlike Europe where M&A gained more relevance in the 20th century, merger statistics in the United States (US) were introduced as early as the late 19th century (Kleinert & Klodt, 2002). For that reason, the data provided on M&A waves in this section is mostly related to the US.

Merger waves refer to periods marked by a high volume of mergers and acquisitions (M&A), which typically occur in cycles and are closely linked to economic growth and high stock market valuations. These waves can also be triggered by industry-specific shocks, including regulatory, technological, or economic changes that alter the business landscape. Historically, six merger waves have been identified in the US in recent years. The first wave occurred

between 1897 and 1904, driven by consolidation to achieve monopolistic control, particularly in manufacturing. The second wave, from 1916 to 1929, focused on horizontal and vertical mergers in the manufacturing sector to improve production efficiency. The third wave, during 1965 to 1969, was marked by mergers that formed conglomerates across industries, aiming to diversify and manage risk. The fourth wave took place from 1981 to 1990, with companies seeking strategic consolidation within similar businesses to define synergies. The fifth wave, from 1993 to 2000, was influenced by globalization, which fueled cross-border M&A. The sixth wave, from 2000 to the present, has been driven by technological advancements and the continuing trend of globalization. These waves reflect the cyclical nature of M&A, often intensifying during periods of economic expansion or following significant industry or technological shifts (Collin, 2024).

Figure 1 shows the increasing number of M&A deals in recent years and demonstrates boom periods of higher activity.

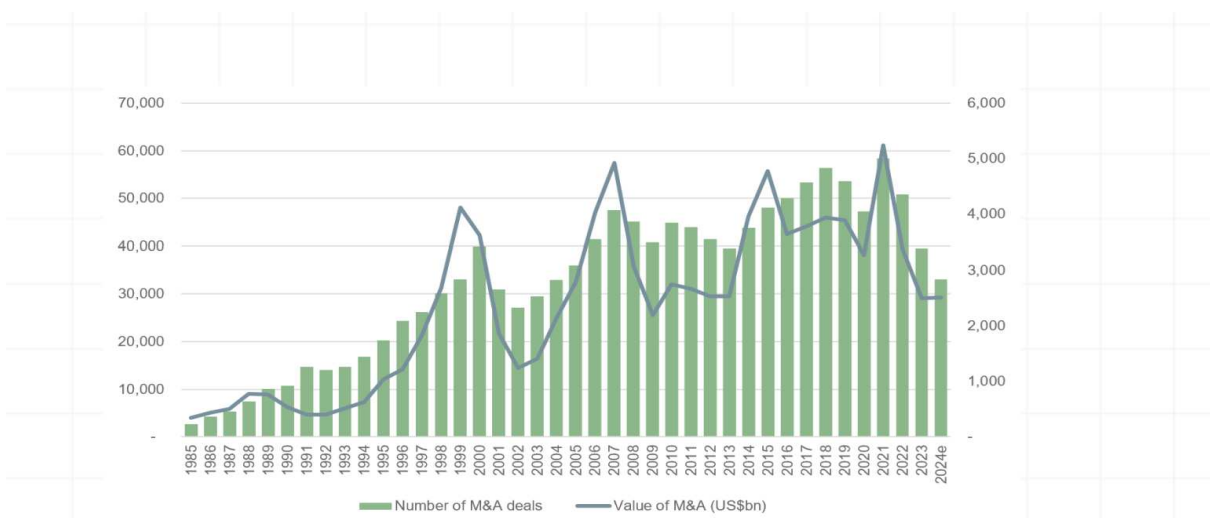


Figure 1. Number of M&A deals from 1985 to 2024 (FinancialEdge, 2024)

Based on the Bain & Company Global M&A Report for 2025, in 2024, the global M&A market saw a moderate recovery, with deal value increasing by 15% compared to the previous year, though it remained below historical highs. The total market was valued at approximately \$3.5 trillion. Corporate M&A activity, less sensitive to fluctuations in interest rates, grew by 12%, while private equity transactions rose by 29%, as financial investors adapted to the market conditions. Despite this recovery, the year was marked by regulatory scrutiny, especially in the US and Europe, where deal approvals were delayed. Additionally, strategic M&A valuations diverged significantly from public market valuations, leading to a gap between buyer expectations and seller pricing. A noticeable shift occurred toward larger

deals, with those valued over \$1 billion accounting for a significant portion of strategic deals. The proportion of scale deals increased to 59%, highlighting a preference for mergers that could quickly create value through cost and revenue synergies.

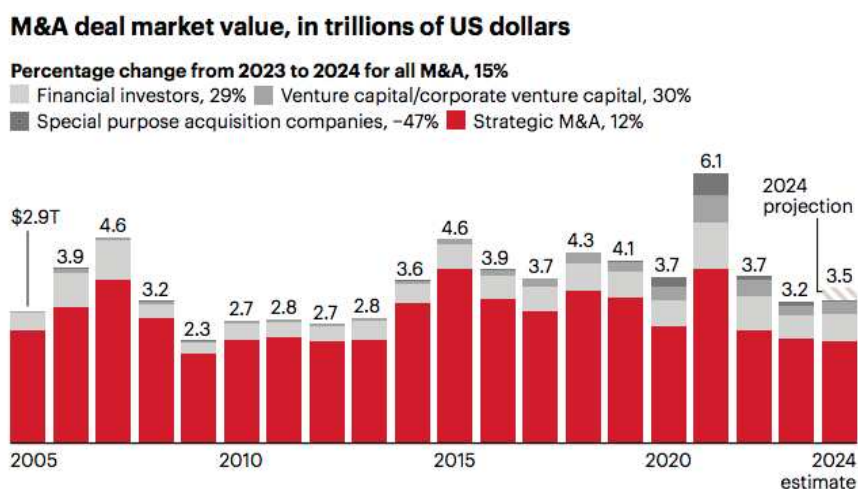


Figure 2. M&A Deal Market Value Trends from 2005 to 2024, (Bain & Company, 2025).

Looking ahead to 2025, the easing of high interest rates and regulatory challenges is expected to create a more favorable environment for M&A activity. The market will likely see a resurgence, with more companies actively pursuing mergers and acquisitions. A key driver of M&A will be technological disruptions, particularly in areas like artificial intelligence, automation, and generative AI. Both tech and non-tech companies are anticipated to acquire tech firms to bolster their digital capabilities. Additionally, as global economic power shifts from a bipolar to a multipolar landscape, cross-border M&A strategies will be influenced by evolving national policies, especially in Europe and the US. Companies will need to rethink their geographic footprints and adapt to new geopolitical realities. In certain industries, particularly healthcare, financial services, and energy, M&A will be crucial for securing leadership positions. The increasing demand for renewable energy and the push for decarbonization will likely drive significant M&A activity in these sectors. Moreover, the integration of generative AI into M&A processes will become increasingly important. Companies that harness AI for due diligence, deal sourcing, and decision-making will gain a competitive edge in the market. As 2025 unfolds, firms that can quickly adapt to technological advances and shifting geopolitical dynamics will lead the charge in the M&A space (Bain & Company, 2025).

1.3 Luxury Industry

The luxury industry is a dynamic sector known for its high-quality, exclusive products that cater to affluent consumers. This industry has evolved over the years, with significant shifts in consumer behavior, market trends, and global economic factors. In this section, the definition of the luxury industry will be explored, along with recent trends shaping its growth. Additionally, key players in the market and the role of mergers and acquisitions (M&As) in the luxury industry will be discussed.

1.3.1 Definition and concept

Luxury has been an intrinsic part of human history, deeply rooted in social culture, with its significance continuously evolving. Over recent years, the luxury market has grown significantly, becoming more accessible to a broader and more diverse consumer base. This expansion has led to challenges in defining what constitutes luxury and what qualifies as a luxury product. The core concept of luxury shifts over time, making it difficult to establish a clear and all-encompassing definition of premium brands (Hudders et al., 2013). The word "luxury" is derived from the Latin term "luxus," referring to a lavish, opulent lifestyle. Historically, luxury was linked to wealth, power, and pleasure, but it carried a negative connotation until the 14th century (Brun and Castelli, 2013). The foundation for the global luxury industry was laid during the Second Industrial Revolution in the late 19th century, when production shifted from small artisan family-owned businesses to large corporations due to rising demand for luxury goods (Brun and Castelli, 2013).

In the early stages, the focus was primarily on the product itself, with an emphasis on quality, reliability, and design. However, over time, the emotional component of the shopping experience and its connection to social status became more prominent. Seo and Buchanan-Oliver (2015) identified three main drivers that influence luxury purchasing decisions:

- *Cultural Trends:* As regional economies, societies, and cultures become more interconnected, luxury brands have gained increasing recognition in countries across BRICS, CIVETS, and Asia. Globalization has significantly impacted the luxury industry, and while cultural, social, and economic factors still affect consumer attitudes and purchasing patterns, preferences for specific brands are becoming more similar. Customers now seek uniqueness, aesthetic value, and a connection to fashion and lifestyle.

- *Social Trends:* Historically, wealthy individuals purchased luxury goods to showcase their wealth and social standing. However, as the consumer base has expanded to include people from lower socio-economic backgrounds, this dynamic has shifted. The term "democratization of luxury" refers to the phenomenon where consumers from various income levels purchase luxury items not only to emulate the lifestyle of the wealthy but also for their superior quality or as a form of self-reward (Truong et al., 2009). This shift means that different groups have varying views of luxury brands, each considering different product attributes and motivations for purchasing.
- *External Trends:* Key external factors influencing luxury consumption include the rise of online shopping, increased media coverage of high-end brands, and greater international travel. These trends enhance consumer access to luxury goods and improve communication channels, making perceptions of luxury more consistent across different markets.

While consumer perceptions are becoming more aligned, they still vary significantly depending on cultural, social, and external influences. As a result, defining luxury remains subjective, with no universally accepted definition of a luxury brand. According to Hudders (2013), luxury is an arbitrary concept, suggesting that the perception of a product's luxury status varies over time, across locations, and, most importantly, from person to person. A product is considered luxurious not only because of its inherent qualities but also because of how it is perceived by an individual. Ko (2017) identified five key attributes that a product must have in order to be regarded as luxurious by a potential customer:

1. High quality.
2. Authentic value through functional or emotional benefits.
3. A prestigious image based on factors such as craftsmanship, artisanship, or service quality.
4. A premium price that reflects its value.
5. The ability to evoke a strong connection with the consumer.

Although luxury remains a relative and subjective concept, consumer perceptions are becoming more similar due to the cultural, social, and external trends influencing the market. These evolving trends have helped identify the core features that a luxury brand should possess in order to be recognized as such.

1.3.2 Segmentation in the Luxury Industry

To define the market segments targeted by luxury products, the market structure can be described as a system of segments arranged from largest to smallest (Terzani, 2007, Giacosa, 2011):

- The bottom-end or mass segment: This segment includes basic products with minimal style elements and low prices, making them widely accessible and easily available (Okonkwo, 2007). These products are commonly used in everyday life for both work and leisure.
- The medium-end segment: This segment includes products that are moderately creative and affordable for a broad customer base. Buyers in this segment are less concerned with exclusivity and focus more on feeling trendy.
- The upper medium-end segment: This segment features products aimed at a smaller, selective group of customers who value quality and are willing to pay a higher price. The premium cost is justified by the product's high quality and innovation, and this segment includes certain luxury products.
- The top-end segment: This segment includes products defined by exceptional quality, creativity, and sophistication. Prices are extremely high, making these products accessible to only a small, elite group of customers (Bruce, Hines, 2007). This segment is associated with non-affordable luxury products.

The luxury market consists of multiple niche markets that, when combined, generate significant turnover and attract a large customer base. The luxury market can be viewed as a competitive arena where companies from different sectors compete for the same category of consumers (Mosca, 2010). This occurs because potential customers, regardless of product type, are drawn to the symbolic value of a brand, leading to competition not only within sectors but also across different merchandise categories.

Over the past decade, the luxury market has undergone significant changes, leading to a redefinition of companies' characteristics and their relationships within the industry (Campedelli, 1998). Businesses of various sizes—large groups, medium-sized companies, and

niche brands—now operate in this evolving context. Large groups, such as LVMH, Kering, Richemont, Hermès, and Chanel, are distinguished by their first-class, recognizable brands. These groups operate across multiple sectors, focus on high margins, and have established themselves as global leaders, forming what are known as “luxury conglomerates” (Kapferer, 2004).

Luxury companies are generally known for their high profitability. Some, like Kering, LVMH, and Prada, are global leaders that focus on high production volumes to achieve economies of scale. In contrast, niche companies, such as Ferrari, operate with lower volumes but maintain strong profitability through their high specialization.

In the following section, the focus will shift to exploring the current market trends within the luxury industry. Understanding these trends is crucial for identifying the direction in which the luxury market is headed and how companies are adapting to maintain their competitive edge.

1.3.3 Luxury Market Trends

The luxury industry saw remarkable growth in the twentieth century, driven by several important factors:

- The democratization of luxury: Luxury, once reserved for the elite, has now expanded to include mid-range and affordable segments. This shift has reduced social barriers, allowing a wider range of consumers to access luxury products (Thomas, 2007).
- Rising purchasing power: Increased purchasing power has enabled more consumers to allocate more of their wealth to luxury items. The rise of both old and new rich segments has fueled luxury consumption, driven by more time for leisure and enjoyment. This trend has expanded the demand for a diverse range of luxury products, particularly those linked to personal pleasure and leisure, such as holidays, yachts, private jets, wellness services, fine dining, and the appropriate attire for various occasions.
- Globalization of the market: Globalization has broadened product offerings and created new desires in consumers through the "novelty effect." For example, Japanese luxury fashion has gained popularity in European markets, competing with traditional Made in Italy products. Luxury brands must be globally recognized and cater to a worldwide customer base. Additionally, globalization has led to more migrations, influencing shopping habits across continents. Wealthy individuals often introduce

new trends to their host countries, complementing local shopping behaviors and boosting overall luxury consumption, benefiting brands in those regions.

- Country of origin: Luxury brands, especially those in the non-affordable luxury segment, often source their products from countries renowned for luxury manufacturing. These countries have deep-rooted luxury traditions, enhancing the brand's exclusivity and contributing to its myth. For example, Chanel and Dior are synonymous with France. On the other hand, outsourcing production to countries with lower labor costs may damage a brand's image and weaken its "Made in" promise of quality. Globalization has diminished the "purity" of luxury by shifting production abroad, leading to concerns about product quality. For instance, BMW's Mini is made in the UK, while Rolls-Royce retains local production. Outsourcing can disconnect the creative and production phases, potentially compromising the luxury essence. French haute couture suffered when production was moved abroad. Therefore, brands must carefully assess these risks, as losing their luxury status can harm their reputation and market position.
- Luxury brands' commercial strategies: Increased advertising by luxury brands has amplified demand for their products, creating an emotional bond between consumers and a world where luxury items symbolize beauty and perfection. This has bolstered customer trust in the quality of luxury goods and reinforced their perception of the value of these purchases. These strategies have successfully expanded the luxury market by attracting new customer segments. Effective marketing has also exposed consumers to a broader range of luxury products, stimulating new desires. A strong advertising message can trigger an irresistible need to own luxury items, often leading customers to prioritize luxury purchases, even at the cost of reducing other expenses. For instance, consumers with limited resources might opt for a more affordable non-luxury car to free up money for a luxury item. This shift in spending behavior highlights the powerful emotional and aspirational appeal of luxury brands.

The success of a luxury product is determined by two key factors. It must enable customers to display their wealth and social status, reinforcing the brand's prestige. Additionally, it must provide extreme satisfaction or pleasure, creating a deep emotional connection with the product.

These foundational changes in the luxury market have set the stage for the evolving trends that are shaping the industry today. With these factors in mind, it's important to examine how

the market is currently trending. As reported by Statista (2024), In 2024, the luxury goods market continues to grow as a vital segment of the global economy, with revenue amounting to €434.96 billion. This market is projected to expand further at an annual growth rate of 3.88% (CAGR 2024-2029). The Luxury Watches & Jewelry segment leads the industry, generating the largest market volume of €144.60 billion in 2024. Globally, China dominates the luxury market, contributing €93 billion in 2024, followed by the United States (€88 billion), Japan (€26.4 billion), France (€23.5 billion), and the United Kingdom (€17 billion). This reflects the growing influence of emerging markets alongside established leaders (Statista, 2024).

In figure 3, the revenue trends of the global luxury goods market from 2018 to 2029 are displayed, highlighting the growth in various segments. The graph shows that the total market revenue is projected to increase steadily, rising from €317.97 billion in 2018 to €526.23 billion in 2029.



Figure 3. Revenue Trends in the Global Luxury Goods Market from 2018 to 2029 (Statista, 2024)

On a per capita basis, luxury goods generate €56.13 in revenues per person in 2024, underscoring the global appeal of high-end products. Additionally, digital transformation

plays a crucial role in reshaping the industry, with 12.3% of total revenue expected to come from online sales by 2024, marking a significant shift towards e-commerce in luxury consumption (Statista, 2024).

In luxury marketing, exclusivity is a fundamental concept, primarily achieved through high pricing and intentionally limiting sales volumes and distribution channels. The luxury goods market experienced significant recovery in 2018, continuing the rebound that began in 2017 after two slower years. During this period, key trends included a heightened focus on manufacturer-owned retail, a shift in sales from traditional core markets like Central & Western Europe, North America, and Japan to Greater China and other emerging markets, and the rapid expansion of e-commerce (Statista, 2024). This growth trajectory continued in 2022, as many luxury brands generated higher sales than before the COVID-19 pandemic. A major factor behind this resurgence was the influx of younger consumers into the market, which also raised the challenge of staying trendy while maintaining exclusivity. To address this challenge, many luxury brands focused on enhancing their exclusivity strategies. A significant tactic was hiking prices, with Louis Vuitton increasing its prices twice in 2022 and Chanel raising theirs three times between 2021 and 2022. These price hikes aim to restrict access, narrowing the market to a smaller group of affluent consumers. Additionally, brands employed strategies like "playing hard to get," with exclusive stores, such as Chanel's VIP outlets in Asia, and Hermès' approach of requiring prior purchase history for customers to access their most coveted items. Despite the higher prices in 2022, luxury brands maintained strong performance, proving that increased pricing does not undermine brand loyalty. Offering dedicated services for VIP customers further supports these exclusivity efforts, suggesting that the luxury market is poised for continued growth in the coming years.

As the luxury market continues to grow and adapt to changing consumer preferences, key players in the industry are at the forefront of shaping its direction. These companies leverage exclusivity and high pricing as central components of their strategies, driving both brand loyalty and market expansion. In the figure below, it can be observed that LVMH, with a commanding 21% market share, leads through a diverse portfolio of iconic brands like Louis Vuitton and Dior, benefiting from global presence and vertical integration. Kering, holding 6%, capitalizes on creative innovation with luxury brands such as Gucci and Balenciaga, while Richemont, also at 6%, excels in the luxury watches and jewelry segment with names like Cartier and Van Cleef & Arpels. Chanel, with 5%, sustains its position by prioritizing exclusivity and cultivating strong brand loyalty, particularly in haute couture and fragrances.

Hermès, with 4%, epitomizes craftsmanship and exclusivity through its iconic items like the Birkin bag. These key players not only dominate the luxury market but also embrace strategies that continue to drive growth and maintain their prestigious status, all while balancing exclusivity with innovation (Statista, 2024). Their continued success reflects the trends of increasing luxury consumption, particularly through strategies such as limited product access, price hikes, and targeting younger, affluent consumers, further reinforcing the notion that exclusivity remains a powerful tool for the sector’s ongoing growth.



Figure 4. Global Luxury Goods Market Share by Company (Statista, 2024)

1.4 M&A in Luxury Industry

Mergers and Acquisitions (M&As) are a common strategy in the luxury industry aimed at achieving external growth. The roles of the acquiring and acquired companies can vary significantly. The acquired company might be a well-established brand with significant market presence or a highly specialized small company, often a former supplier. Furthermore, the luxury industry stands out for its distinctive and unconventional approach, often achieving success by deliberately adopting strategies that defy traditional practices in other industries (Dubois, 1998). In this context, mergers and acquisitions (M&A) play an intriguing role in shaping the business dynamics of the luxury market.

As highlighted by Deloitte (2022), the luxury goods industry has demonstrated its resilience and growth through M&As in recent years, driven by three key factors: the globalization of luxury, the integration of value chains, and the consolidation of companies. In contrast, the acquiring company is typically a large multi-brand and multi-product group seeking to expand its product lines and diversify its portfolio. These groups leverage M&As to enhance their competitive strategies by building a diverse brand portfolio that preserves the identity and reputation of each brand while exploring new opportunities beyond their core business (Carcano, Rovetta, 2009). Brand extension is a common strategy in the luxury industry, where a brand expands into new merchandise categories to offer consumers a broader range of products that meet various everyday needs. These products are associated with the core brand or multiple sub-brands. When businesses unify merchandise categories while diversifying price levels, they must continually "re-differentiate" to create unique forms of distinction that set them apart from competitors. This approach helps maintain brand identity and competitiveness in an evolving market (Kapferer, Bastien, 2009).

Based on Statista 2024, luxury companies consolidate as part of their expansion strategy. In an industry marked by intense competition and the constant need to remain relevant, mergers and acquisitions (M&A) have become a viable option for luxury groups to enter new geographical markets or broaden their target audiences. The diverse portfolios of major luxury conglomerates like LVMH, Kering, and Richemont are largely the result of brand consolidations, both large and small. In 2022, the global fashion and luxury goods industry saw 292 M&A deals, the highest level of M&A activity in the past five years. The average deal value in the apparel and accessories sector within the personal luxury goods category reached approximately 1.5 billion U.S. dollars that year.

The M&A activity in the luxury goods industry continued to grow in 2023. One of the notable deals was Tapestry Inc.'s acquisition of Capri Holdings, the parent company of Versace, Michael Kors, and Jimmy Choo. With this move, the U.S.-based luxury group added six brands to its portfolio, with a focus on leather goods such as Coach, Kate Spade, and Stuart Weitzman. Tapestry's global net sales have been around 6.6 billion U.S. dollars in recent years. Another significant M&A deal in 2023 came from the French conglomerate Kering, which, supported by the Qatari investment fund Mayhoola, acquired a 30 percent stake in the Italian fashion house Valentino in July 2023. The agreement also included an option for

Kering to increase its stake to 100 percent by 2028. Kering currently manages globally recognized brands like Gucci, Yves Saint Laurent, Balenciaga, and Bottega Veneta in the couture sector.

1.4.1 Opportunities through M&A in Luxury industry

Over the years, the luxury goods industry has experienced shifting trends in M&A activity. From 1999 to 2001, luxury groups held a dominant position in the market. Between 2005 and 2008, developed market investors took the lead. Following the financial crisis in 2009, the market entered a quieter phase. However, by 2010, investors from emerging markets began to play a more significant role (Ortelli, 2014). After 2012, vertical mergers emerged as a game-changer, as luxury companies sought greater control over their supply chains.

Mergers and Acquisitions (M&As) in the luxury industry have demonstrated steady activity over time, with a notable peak during the late 1990s and early 2000s. Unlike the cyclical patterns seen in general M&A trends, characterized by periods of decline and recovery, M&As in the luxury sector have been consistently driven by goals of expansion and synergy creation. These activities in the luxury market are driven by three main motivations (Ortelli, 2014):

1. Brand portfolio extension: It has historically been a key factor in determining the pricing and volume of deals in the luxury industry. Such acquisitions primarily offer benefits like economies of scale, revenue synergies, and cost reductions.
2. Vertical integration: Vertical integration, both upward and downward, is a common strategy in the luxury industry, enabling organizations to secure their raw material suppliers and exert greater control over their retail operations. Upward integration is particularly favored for safeguarding critical resources, such as exotic skins and watch components. For example, LVMH acquired Heng Long, a specialist in crocodile skin, and Les Tanneries Roux, a premium leather manufacturer, to strengthen its control over essential supply chains for luxury goods (Socha, 2012).
3. Financial investments: Financial investments have been a significant driver of M&A activity in the luxury sector, historically accounting for approximately one-fourth of all acquisitions in both volume and value. Prior to 2009, the industry was primarily

dominated by developed market investors, with emerging market investors entering the scene later.

Mergers and acquisitions (M&A) offer several additional opportunities for firms in the luxury industry. One significant advantage lies in enhancing brand perception, as customers respond positively to prestigious trademarks, which can lead to favorable movements in share prices (Lane and Jacobson, 1995). Furthermore, the luxury sector, heavily active in retail, benefits from M&A by achieving favorable stock market returns without increasing consumer prices, as evidenced in related studies (Hosken and Simpson, 2001). Additionally, acquiring strong and prestigious brands not only boosts a firm's market position but also drives financial gains due to their profit-generating potential (Chevalier & Mazzalovo, 2008). Historical evaluations have consistently shown that M&A activities positively affect acquirers' share prices, highlighting the financial synergies available in the luxury industry (Konigs and Schiereck, 2006). By consolidating resources and leveraging synergies, M&A announcements generally create positive value for acquiring firms, provided regulatory restrictions are avoided (Das and Donnerfeld, 1989).

LVMH's acquisition of Tiffany & Co. highlights the strategic opportunities M&A offers in the luxury industry. Despite delays and renegotiations due to the COVID-19 pandemic, the deal was finalized at \$131.50 per share. The merger is set to enhance synergies by expanding Tiffany's product lines, leveraging LVMH's European presence, and integrating production processes with existing brands like Bulgari. This acquisition strengthens LVMH's portfolio while preserving brand identities, showcasing the potential of M&A to drive growth and diversification in the luxury market (Brunelli, 2021).

1.4.2 Challenges of M&A in Luxury industry

Mergers and acquisitions (M&A) in the luxury industry bring unique challenges, including preserving brand identity, managing cultural differences, and addressing operational complexities. High valuations, regulatory hurdles, and maintaining consumer trust further complicate these transactions. Here are the key challenges faced in the luxury industry's M&A transactions (Paolini, Triccoli, 2022):

From a managerial perspective, buyers face significant risks and challenges in M&A transactions, primarily linked to governance issues. Many interviewees noted that not all

members of the acquired company might support the new management or align with the company's new identity. This lack of alignment can result in some employees, especially those in managerial positions, failing to recognize the authority of the new management. In extreme cases, this reluctance may lead to managerial staff leaving the company, causing disruptions and management discontinuity.

Additionally, buyers face reputational risks as any actions taken by the acquired company are closely associated with the buyer's image. For instance, the Corporate Finance Manager of PRADA emphasized that in cases of vertical integration, acquired suppliers must adhere to quality standards and align with PRADA's core values to maintain the brand's reputation. Managing the value chain presents a significant challenge for luxury companies during M&A activities. Ensuring control over every aspect of operations—spanning design, raw material sourcing, production, marketing, and distribution—requires meticulous coordination. Maintaining high levels of quality and service is critical to protecting the heritage and reputation of luxury brands. Achieving seamless vertical integration across the value chain while preserving these standards is a complex and demanding task in the context of mergers and acquisitions.

For the acquired companies, one of the most significant risks is the dilution of identity. Smaller brands acquired by larger corporations often face the challenge of preserving their unique identity. In vertical integration scenarios, where the acquired company is a supplier serving multiple clients, maintaining relationships with other clients becomes a challenge. If the buyer does not acquire 100% stakes in the supplier, the supplier must continue serving various clients but risks losing some due to its strengthened ties with one of their competitors.

Brand dilution is another significant risk linked to inorganic growth strategies, particularly in the luxury market. Expanding too rapidly or acquiring businesses that fail to align with the brand's core values and image can erode its exclusivity and uniqueness, which are critical to attracting and retaining luxury clients. Such misaligned acquisitions can weaken the brand's appeal, undermining its image and diminishing its standing in the eyes of discerning luxury consumers (Forbes Burton, 2024).

M&A transactions in the luxury sector face several challenges despite the potential for synergies. While increased bargaining power is a notable benefit, smaller acquired brands may struggle to align with the operational and negotiation standards of larger conglomerates. Brand synergies, though valuable, pose the risk of altering the acquired brand's identity,

potentially diminishing its niche appeal if not carefully managed. Efforts to enhance supply chain control and achieve distribution synergies often lead to operational complexities, particularly when aligning distinct logistical frameworks. Repositioning strategies through acquisitions require seamless integration of brand values to prevent misalignment and preserve the luxury positioning. Additionally, leveraging product synergies and economies of scale, such as PRADA's acquisition of Conceria Superior for leather processing, can be challenging due to the need for harmonized processes and the preservation of specialized expertise. These issues highlight the intricacies of creating value through M&A in the luxury industry.

Small companies in the luxury sector face significant challenges when acquired by large conglomerates, including the need to ensure continuity for employees while preserving tradition, authenticity, and heritage under new ownership. Concerns often arise about losing independence and creative freedom, which can hinder innovation, alongside fears of changes in work conditions or job security. For companies acquired through equity investments, resistance to decision-making and strategic interference is common, as entrepreneurs strive to maintain their identity and autonomy, often limiting the influence of acquiring companies as minority partners. These challenges reflect resistance to change and distrust toward external involvement.

1.5 Conclusion: The Strategic Role of M&As in Luxury Industry Growth

In conclusion, mergers and acquisitions (M&As) play a crucial role in driving growth within the luxury industry, a sector defined by its competitive nature and the constant need for innovation. As companies strive to expand their portfolios and reach new markets, M&A strategies offer significant opportunities for consolidation, brand extension, and vertical integration. However, these transactions also come with unique challenges, particularly in maintaining brand identity, ensuring operational synergies, and managing the complexities of cultural integration. For companies, pursuing M&A is essential not only for increasing market share and profitability but also for staying relevant in a rapidly evolving global market. As the luxury industry continues to grow and diversify, companies must leverage M&As effectively to build resilience, enhance brand positioning, and secure long-term success in a dynamic marketplace.

Chapter 2

LVMH: From Merger to Global Luxury Leadership

2.1 Introduction

The LVMH Group, established in 1987 through the merger of Moët-Hennessy and Louis Vuitton, quickly emerged as a leader in the luxury goods industry. This union combined Moët-Hennessy's expertise in wines and spirits with Louis Vuitton's reputation for high-end travel goods, creating a foundation for future growth. The merger was not only strategic for expanding Louis Vuitton's global presence but also safeguarded Moët-Hennessy from potential acquisition threats.

A turning point came in 1989 when Bernard Arnault assumed majority control of LVMH, steering the group toward its iconic status today. Arnault's focus on vertical integration—ensuring control over production, quality, and distribution—became the cornerstone of LVMH's strategy, solidifying its luxury dominance. This approach, coupled with a dual strategy of acquiring prestigious brands and nurturing organic growth, has enabled LVMH to adapt to shifting market dynamics while consistently leading the global luxury sector.

This chapter examines the strategic trajectory of LVMH's acquisitions, emphasizing its forays into jewelry, and hospitality. Through notable examples like Tiffany & Co., and Belmond, the analysis explores how LVMH overcame challenges, implemented integration strategies, and redefined its portfolio. This discussion highlights LVMH's aptitude for blending innovation with tradition, allowing it to maintain its dominance while adapting to the ever-changing landscape of the luxury industry.

2.2 Tracing the Evolution of LVMH: A Global Luxury Powerhouse

The LVMH Group, a global leader in luxury goods, emerged from the 1987 merger of two highly distinguished companies: Moët-Hennessy and Louis Vuitton. Moët-Hennessy, a prominent name in Wines & Spirits, originated from the merger of Moët & Chandon, established in 1743, and the renowned cognac producer Hennessy. Over the course of the 20th century, Moët-Hennessy strategically expanded its portfolio by acquiring notable brands such as Ruinart, the oldest established champagne house, in 1962, and Mercier in 1970. These acquisitions solidified its dominance in the champagne market, and in 1972, Moët & Chandon

merged with Hennessy to form the celebrated Moët-Hennessy. Meanwhile, Louis Vuitton, founded in 1854, was initially a family-run business specializing in high-end travel goods, including trunks and luggage. Under the visionary leadership of Henri Racamier during the 1970s, Louis Vuitton transitioned from catering to niche markets to becoming a globally recognized luxury powerhouse. This was achieved through innovative advertising strategies and strategic geographical expansion, with Japan emerging as a key market for growth during this time (Donzé & Fujioka, 2015). Before its merger with Moët-Hennessy, Louis Vuitton had already acquired Parfums Givenchy and held significant investments in France's esteemed champagne industry.

The merger between Louis Vuitton and Moët-Hennessy in 1987 was driven by strategic motives. Louis Vuitton sought to expand its global footprint, while Moët-Hennessy aimed to shield itself from becoming a potential takeover target. This partnership brought together two giants in their respective fields, laying the foundation for what would become a global luxury empire. A pivotal moment in LVMH's history came in 1989, when Bernard Arnault became the majority shareholder. Arnault's leadership marked the beginning of a transformative era for the group. Initially, the company derived the majority of its revenue from the Wines & Spirits segment, which accounted for 52.5% of sales due to a strategic alliance with the Guinness Group. Arnault, however, had a vision to shift the group's focus toward luxury fashion and goods, which became a defining aspect of LVMH's future (Donzé & Fujioka, 2015). During this transformative phase, Arnault articulated his philosophy: "If you control your factories, you control your quality; if you control your distribution, you control your image" (McCubbin, 2024). This principle became central to LVMH's operations and strategy, emphasizing the importance of maintaining control over the entire value chain.

LVMH's development can be divided into three distinct phases. The first phase, spanning from 1989 to 1991, was characterized by governance challenges as the group worked to consolidate its operations and navigate its newfound structure. However, this period also saw significant acquisitions, such as the Givenchy couture house in 1988, signaling LVMH's early commitment to building a diverse luxury portfolio. The second phase, from 1992 to 2001, was defined by aggressive acquisitions and diversification. During this time, LVMH positioned itself as a leader in personal luxury goods through strategic acquisitions, including Kenzo, Céline, and Loewe in fashion, TAG Heuer in watches. The third phase, which began in 2002, focused on organic growth, increasing profitability, and expanding the group's distribution

network. This phase marked a shift from aggressive acquisitions to refining and optimizing the performance of its existing brands.

LVMH's current strategy emphasizes expanding online channels, strengthening its global distribution network, and fostering the organic growth of its brands. These initiatives align with the group's overarching vision of maintaining its leadership position in the global luxury market while continuing to innovate and adapt to changing consumer preferences (LVMH, 2023).

Building upon this strong foundation, LVMH has continued to solidify its position as a leader in the luxury market through key acquisitions and strategic initiatives.

Over the years, LVMH expanded its portfolio to include some of the most prestigious brands in the world. In Watches & Jewelry, the acquisition of Bulgari stands out as a milestone, while in Fashion & Leather Goods, the group added Fendi and Loro Piana. In the Wines & Spirits sector, LVMH acquired Glenmorangie, further strengthening its dominance in this category. Other notable acquisitions include Sephora, a leader in selective retailing, and Tiffany & Co., acquired in 2021, which marked the largest luxury deal in history. Recently, the group has also entered the luxury hospitality sector, acquiring Belmond in 2019. This move reflects LVMH's commitment to expanding its presence in experiential luxury, a growing segment within the industry.

As of 2024, LVMH comprises an impressive 75 prestigious Maisons, generating a remarkable €84.7 billion in revenue. The group operates a vast retail network exceeding 6,300 stores worldwide. LVMH's current strategy emphasizes expanding online channels, strengthening its global distribution network, and fostering the organic growth of its brands. These initiatives align with the group's overarching vision of maintaining its leadership position in the global luxury market while continuing to innovate and adapt to changing consumer preferences (LVMH, 2024).

Table 2 provides a detailed overview of LVMH's mergers and acquisitions (M&As) spanning from 1989 to 2023. It highlights the various industries and nationalities of the companies acquired by LVMH over the years, showcasing its strategic growth and diversification within the luxury goods market. LVMH's remarkable revenue growth, which has increased nearly 24 times since 1989, has been driven by these strategic acquisitions and a continuous focus on expanding its luxury portfolio (Quatr, 2024). This timeline serves as a comprehensive record

of LVMH's expansion efforts through acquisitions, which have significantly contributed to its status as a global leader in luxury brands.

Year	Name of Target	Industry	Nationality
1989	Louis Vuitton (LV)	Fashion/Luxury Goods	France
1989	Dior	Fashion/Luxury Goods	France
1989	Hennessy	Spirits	France
1989	Moët & Chandon	Champagne	France
1989	Dom Pérignon	Champagne	France
1989	Veuve Clicquot	Champagne	France
1989	Givenchy	Fashion/Luxury Goods	France
1993	Kenzo	Fashion	France
1993	Berluti	Fashion/Luxury Shoes	France
1994	Guerlain	Cosmetics/Perfume	France
1995	Fred	Jewelry	France
1996	Loewe	Luxury Fashion	Spain
1996	Céline	Fashion	France
1997	Sephora	Retail/Beauty Products	France
1997	Marc Jacobs	Fashion and Accessories	USA

1997	DFS	Retail/Travel Retail	Hong Kong (China)
1999	Zenith	Watches	Switzerland

1999	Benefit	Cosmetics	USA
1999	Krug	Champagne	France
1999	Makeup Forever	Cosmetics	France
1999	Tag Heuer	Watches	Switzerland
1999	Chaumet	Jewelry	France
1999	Château d'Yquem	Luxury Wine	France
2000	Pucci	Fashion	Italy
2000	Starboard	Travel Retail	USA
2000	Rossimoda	Footwear	Italy
2000	Fresh	Beauty	USA
2001	Fendi	Fashion	Italy
2001	DKNY	Fashion	USA
2001	Acqua di Parma	Cosmetics	Italy
2001	De Beers	Jewelry	UK/South Africa
2002	Belvedere	Luxury Spirits	Poland
2004	Glenmorangie Co	Luxury Spirits	Scotland
2007	Les Echos	Publishing	France
2008	Hublot	Watches	Switzerland
2008	Van Lent	Yacht Manufacturing	Netherlands

2010	Moynat	Leather Goods	France
2011	Bvlgari	Jewelry	Italy

2013	Nicholas Kirkwood	Luxury Footwear	UK
2013	Loro Piana	Textiles/Fashion	Italy
2013	Caffè Cova Montenapoleone	Patisserie and Café	Italy
2015	Repossi	Jewelry	France/Italy
2015	Le Parisien	Publishing	France
2016	Rimowa	Luxury Travel & Luggage	Germany
2018	Patou	Fashion	France
2019	Belmond	Hospitality/Travel	UK
2019	Fenty	Fashion/Beauty	USA
2021	Tiffany	Jewelry	USA
2021	Off-White	Fashion	USA/Italy
2021	L'Officine Universelle Buly	Cosmetics/Perfume	France
2022	Pedemonte Group	Jewelry Manufacturing	Italy
2023	Château Minuty	Wine	France
2023	Paris Match	Publishing	France

Table 2. LVMH's Mergers and Acquisitions from 1989 to 2023 (Compiled by the author, Based on LVMH website, 2024; Quartr, 2024)

To gain a deeper insight into the reasoning behind each acquisition, its impact on the financial standing, and its role in strengthening the Group's current dominant market position, the following section will analyze key acquisitions made by the LVMH Group over the past decade. The acquisitions of Bulgari, Tiffany, and Belmond were strategic moves to strengthen LVMH's position in the luxury market. Bulgari enhanced LVMH's presence in high-end jewelry, adding a prestigious brand with significant growth potential, particularly in emerging markets. Tiffany, the biggest acquisition in the group's history, with its iconic status and strong retail presence, provided LVMH an opportunity to dominate the global jewelry sector, especially in the U.S. and Asia. The acquisition of Belmond, a leader in luxury hospitality and travel, expanded LVMH's portfolio beyond fashion and jewelry, tapping into the growing demand for exclusive, high-end experiences. Together, these acquisitions enabled LVMH to diversify its offerings and further solidify its position as a global leader in luxury.

2.3 From Jewelry to Luxury: The Strategic Implications of LVMH's Acquisition of Bulgari

Bulgari, founded in 1884, is a renowned Italian luxury brand known for its exquisite jewelry, watches, and accessories. With a legacy steeped in craftsmanship and elegance, Bulgari has become a symbol of Italian luxury. The brand's global presence and commitment to timeless design will be discussed, along with its acquisition by LVMH and the subsequent impact on the luxury market.

2.3.1 Bulgari: History and Introduction

Bulgari, established in Rome, Italy, in 1884, specializes in jewelry, watches, and accessories. Its products are distinguished by a blend of classic elegance and modern design, creating a unique and successful synergy. Renowned for its expertise in color, the Maison skillfully combines precious and semi-precious stones to craft extraordinary pieces. A deep commitment to preserving its heritage, while embracing innovation and future opportunities, drives Bulgari's remarkable success. The iconic boutique on Rome's Via Condotti embodies the brand's essence, seamlessly integrating preservation with transformation. This fusion serves as a bridge between tradition and modernity, encapsulating the timeless spirit of Bulgari.

On March 6, 2011, the French conglomerate LVMH announced its acquisition of Bulgari S.p.A., which was finalized on June 30, 2011. The Bulgari family, the majority shareholders

of the company, partnered with LVMH by transferring their shares in exchange for shares of the French group, making them the second-largest family stakeholders with 3.5% of LVMH shares for each Bulgari share (LVMH, 2011). As part of the transaction, LVMH was obligated to extend an offer for the remaining Bulgari shares at a price of €12.25 per share. This offer included a control premium of 59.4% above Bulgari's closing share price of €7.685 on March 3, 2011, as well as premiums of 59.9% and 57.3% over the volume-weighted average share prices for the previous one and three months, respectively. Including convertible bonds and stock options, the total acquisition cost for LVMH amounted to approximately €4.3 billion. Of this, €1.9 billion was covered by newly issued shares, while the remaining €2.4 billion was financed through cash reserves and new financial debt (Reuters, 2011).

Post-acquisition, Paolo and Nicola Bulgari retained their roles as president and vice-president, respectively, while Francesco Trapani, then CEO of Bulgari, was appointed to oversee LVMH's jewelry and watches division, replacing Philippe Pascal. Trapani also joined LVMH's board of directors (Filippetti, 2011). According to technical details disclosed by LVMH, the merger would uniquely position the group and Bulgari to capitalize on additional growth opportunities in Europe, Asia, and the Americas. The strategic alignment was intended to strengthen their competitive standing within the watches and jewelry sector (LVMH, 2011).

2.3.2 Reasoning Behind the Merger

With the foundational context established, we can now delve deeper into the details of LVMH's acquisition of Bulgari. This analysis begins by examining the key elements that influenced this transaction. A primary focus will be on the significance of the Watches and Jewelry business group during this period. Figure 5 illustrates the percentage contribution of each business group in 2010, providing a clearer picture of the strategic landscape at the time.

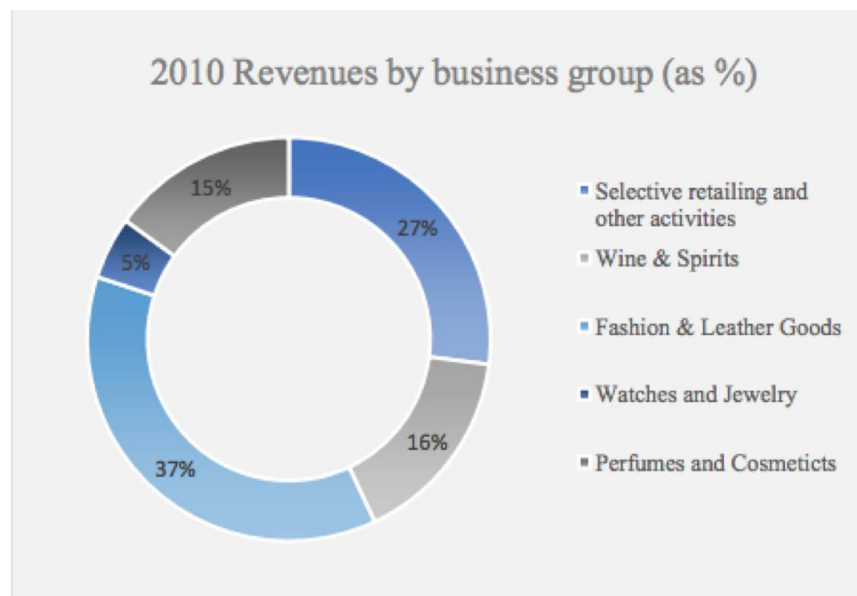


Figure 5. LVMH Business Groups' Revenues in 2010 (LVMH, 2010)

At the time, LVMH's Fashion & Leather Goods division was the largest contributor to sales, while the Watches and Jewelry division accounted for only 5% of revenues (€985 million). Despite its smaller size, the division achieved 29% growth, driven by focused management, strategic marketing, and investments aligned with LVMH's goal to outpace competitors and enhance its brand portfolio.

The acquisition of Hublot in 2008 initiated the division's growth, but its portfolio, including brands like Tag Heuer and Chaumet, remained niche, limiting broader market impact. The acquisition of Bulgari, a globally recognized luxury brand, addressed this gap by providing a flagship presence for the Watches and Jewelry division, comparable to LVMH's dominance in other segments (Filippetti, 2011).

Another significant factor was the revenue growth Bulgari experienced in the years leading up to the acquisition. Analyzing the period from 2002 to 2010 reveals a clear upward trend in the company's financial performance.

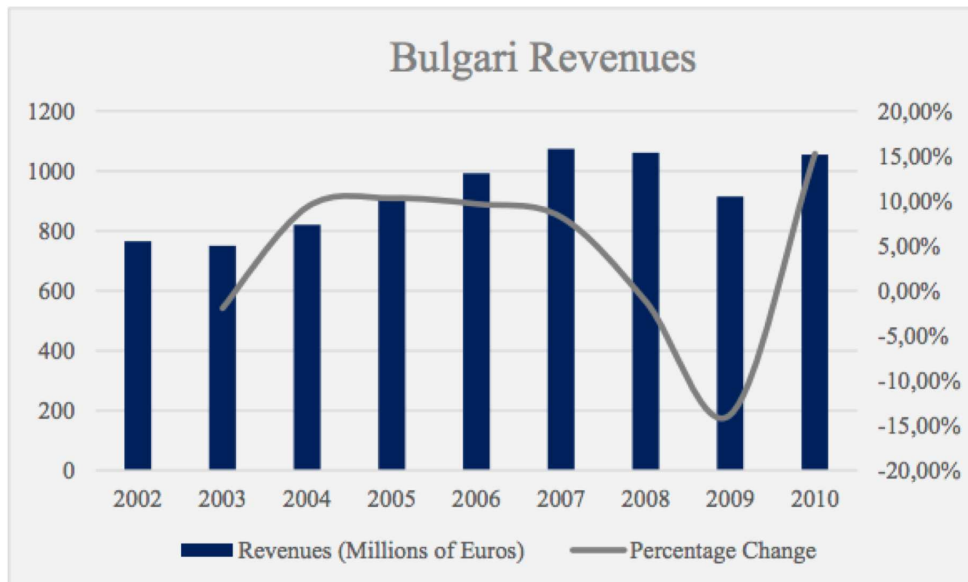


Figure 6. Bulgari Revenues 2002-2010 (Refinitive Eikon)

Bulgari's revenue growth was a significant factor in LVMH's decision to acquire the company. Between 2002 and 2010, Bulgari's revenues grew from €765 million to €1.054 billion, showcasing moderate progress despite challenges. The 2007-2008 financial crisis caused a temporary decline, with sales dropping by 1.2% between 2007 and 2008 and 13.8% between 2008 and 2009. However, the company demonstrated resilience, maintaining stable volumes during the economic downturn. Its pre-crisis CAGR of 5.80% outperformed LVMH's 4.45% for the same period, making Bulgari an attractive acquisition target. LVMH's stronger financial position during the crisis allowed it to act strategically, acquiring Bulgari at an opportune time. This move more than doubled the revenues of LVMH's Watches and Jewelry division, which had generated €985 million in 2010, significantly enhancing its portfolio.

Additionally, geography played a pivotal role. Bulgari's strong presence in Japan, where it held a 20% market share in watches and jewelry compared to LVMH's 12%, aligned perfectly with LVMH's aim to expand its influence in key global markets. The acquisition not only strengthened LVMH's presence in this critical region but also furthered its strategy of global market expansion and competitive positioning in the luxury sector.

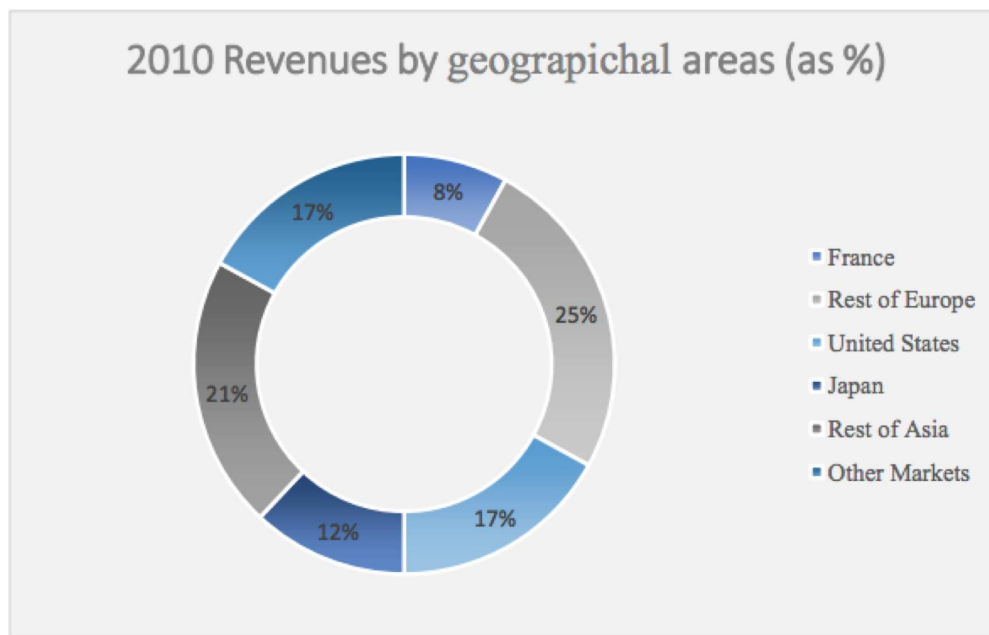


Figure 7. LVMH Revenues by geographies in 2010 (LVMH, 2010)

The acquisition was further facilitated by the shared beliefs and guiding principles of LVMH and Bulgari, which created a strong foundation for their partnership. Antonio Belloni, Managing Director of LVMH, emphasized that the alignment of values between the two companies played a crucial role in the decision. He noted that both organizations shared an entrepreneurial culture, a spirit of innovation, and a commitment to excellence across all aspects of their business, including product quality, craftsmanship, sales, and social responsibility (LVMH, 2011). This shared vision underpinned the collaboration and strengthened the relationship between the two entities.

Additionally, LVMH benefited greatly from Bulgari's experienced management team, particularly Francesco Trapani, who was appointed as the head of LVMH's Watches and Jewelry division. His expertise brought improvements in retail and distribution optimization, vertical integration, purchasing power, and the sharing of best practices. Bulgari's expertise in jewelry also enhanced synergies across LVMH's portfolio, contributing valuable knowledge and skills to other brands. On the other hand, Bulgari gained access to LVMH's extensive resources, including prototype design capabilities, investment planning strategies, and efficiency optimization, further strengthening its operations and market position (LVMH, 2011).

2.3.3 Financial Analysis of the Bulgari Acquisition

From a financial perspective, analyzing the impact of the Bulgari acquisition involves examining both the performance of the Watches and Jewelry business unit and key changes to LVMH's balance sheet. While detailed performance data for individual brands is not disclosed by the LVMH Group, general financial trends provide valuable insights into the outcomes of this strategic acquisition.

The acquisition of Bulgari had a significant impact on LVMH's Watches and Jewelry business unit, with sales increasing by 98%, driven by Bulgari's high pre-acquisition sales volume. This growth doubled the unit's contribution to group revenues, increasing its share from 5% to 10%. Additionally, profit from recurring operations in the segment grew twofold to reach €265 million, a result of both Bulgari's income consolidation and improved profitability. Geographically, exposure to Asia and Japan increased by 5% and 2%, respectively, while the acquisition added 170 new stores to LVMH's portfolio.

	2012	2011	2010
Revenue (EUR millions)	2,836	1,949	985
Revenue by geographic region of delivery (as %)			
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
Total	100	100	100
Profit from recurring operations (EUR millions)	334	265	128
Operating margin (as %)	12	14	13
Operating investments (EUR millions)	136	117	36
Number of stores^(a)	347	327^(b)	122

Figure 8. LVMH W&J Revenues in 2012 (LVMH, 2012)

The acquisition of Bulgari also led to notable changes in key balance sheet components. Other non-current assets increased by €2.2 billion, primarily due to Bulgari's incorporation. Tangible and intangible assets rose by €5.6 billion, of which €4.2 billion came from first consolidations. Bulgari's brand value was estimated at €2.1 billion, with goodwill accounting for €1.5 billion. Inventories grew by €1.5 billion, with €0.7 billion attributed to Bulgari and the remainder resulting from LVMH's broader expansion. Non-current liabilities increased

from €11.9 billion in 2010 to €14 billion in 2011, driven by the recognition of a €0.7 billion deferred tax obligation for the Bulgari brand, a rise in long-term net financial debt by €0.7 billion, and obligations to purchase minority shares worth €0.5 billion.

(EUR billions)	2011	2010	Change	(EUR billions)	2011	2010	Change
Tangible and intangible assets	26.5	20.9	5.6	Total equity	23.5	18.2	5.3
Other non-current assets	7.3	5.1	2.2	Non-current liabilities	14.0	11.9	2.1
Non-current assets	33.8	26.0	7.8	Equity and non-current liabilities	37.5	30.1	7.4
Inventories	7.5	6.0	1.5	Short term borrowings	3.1	1.8	1.3
Other current assets	5.8	5.2	0.6	Other current liabilities	6.5	5.3	1.2
Current assets	13.3	11.2	2.1	Current liabilities	9.6	7.1	2.5
Assets	47.1	37.2	9.9	Liabilities	47.1	37.2	9.9

Figure 9. LVMH balance sheet in 2011 and 2010 (LVMH, 2011)

The acquisition of Bulgari not only bolstered the Watches and Jewelry division's contribution to LVMH's overall performance but also led to substantial increases in the group's tangible and intangible assets. This reflects the strategic importance of Bulgari's brand value and goodwill in LVMH's portfolio. Additionally, the acquisition enhanced LVMH's geographic presence, particularly in Asia and Japan, while reinforcing its store network and inventory capacity. These financial outcomes demonstrate the significant impact of the Bulgari acquisition on LVMH's growth trajectory and operational scale.

2.4 Luxury Beyond Goods: The Significance of LVMH's Acquisition of Belmond

Belmond, founded in 1976, is an iconic luxury travel company specializing in extraordinary hotels, trains, and cruises in the most captivating locations worldwide. With a focus on providing unique and unforgettable experiences, Belmond redefines the concept of luxury travel. The brand's journey, from its distinguished offerings to its acquisition by LVMH, will be examined, highlighting the strategic alignment

2.4.1 Belmond: History and Introduction

The Belmond Group, a luxury hotel and travel operator, was formerly listed on the New York Stock Exchange. Initially named Orient-Express Hotels, the company was rebranded as Belmond on July 1, 2014. For more than four decades, Belmond has been a pioneer and standard-setter in luxury travel, offering exceptional accommodations, unique experiences, and iconic modes of transportation. Its journey began in 1976 when American businessman

James Sherwood purchased the historic Cipriani Hotel in Venice for £900,000 (Fallon, 2018). This property, located near St. Mark's Square but removed from the bustling city center, exemplifies Belmond's dedication to excellence in hospitality, service, cuisine, architecture, and staff quality.

In 1982, the company launched the Venice Simplon Orient Express, a luxury train catering to the most discerning travelers journeying to La Serenissima. Belmond has since become synonymous with heritage, craftsmanship, authenticity, and personalized services that create memorable, one-of-a-kind experiences. The brand aims to offer unique moments imbued with history and a sense of place, emphasizing the importance of design and craftsmanship in differentiating its offerings. Each location reflects and embodies the culture, materials, and essence of its setting. As the CEO and president of Belmond stated, "Belmond has been at the forefront of luxury travel for more than four decades. At the very foundation of our brand is an entrepreneurial spirit and sense of adventure, and we strive to continue our legacy of pioneering luxury travel experiences. We stand for understated luxury, for genuine service, for conscientious design and local craftsmanship. But the hallmark of a Belmond experience is a moment that is infused with joy, celebration, and ultimately, lasts."

At the time of acquisition, Belmond operated 46 distinct properties across 24 countries, each with a unique identity. These offerings were divided into two main categories. The first, hospitality, included 33 hotels, 3 safari lodges, and 1 restaurant. The second, focused on travel and experiences, encompassed 7 luxury trains and 2 cruises (LVMH, 2018). In 2017, the hospitality segment accounted for 87% of revenue and 78% of EBITDA, while the travel and experiences division contributed 13% of revenue and 22% of EBITDA (LVMH, 2018). Notable properties within the Belmond portfolio included the Grand Hotel Europe, Copacabana Palace, Hotel Cipriani, Hotel Caruso, Belmond British Pullman, Eastern and Oriental Express, and Belmond Afloat.

On December 14, 2018, LVMH announced its agreement to acquire 100% of the Belmond Group, with the transaction expected to close by mid-2019. LVMH purchased the company's entire share capital, consisting of 103 million Class A shares, at \$25 per share. This price reflected an enterprise value of \$3.2 billion and a total equity value of \$2.6 billion, representing a 41.6% premium over the previous day's share price (Crossley, 2019). Following the acquisition, Belmond shares were delisted from the stock exchange.

2.4.2 Reasoning Behind the Merger

To understand the key drivers behind LVMH's acquisition of the Belmond brand, it is essential to consider the distinct characteristics of this transaction compared to previous acquisitions in the fashion and jewelry sectors. The luxury market has demonstrated resilience and consistent growth in recent years. By 2024, the global luxury market size reached approximately USD 1.5 trillion, reflecting a compound annual growth rate (CAGR) of around 3-5% over the last decade. The luxury fashion market alone was valued at approximately USD 253.3 billion in 2024, with projections indicating it will expand to USD 334.6 billion by 2033 (IMARC Group, 2024). While personal luxury goods continue to dominate, the most significant growth has been observed in experiential luxury, including luxury hospitality, fine dining, cruises, and tailored travel experiences, aligning with shifts in consumer behavior.

This trend toward experiential luxury is further supported by studies indicating that consumers are increasingly prioritizing premium experiences over physical luxury goods. According to recent findings, more than half of luxury consumers report spending less on material items in favor of exclusive experiences, reflecting the growing influence of the experience economy. Projections suggest global spending on experiences will reach USD 8.2 trillion by 2028, largely driven by millennial and Gen Z consumers seeking authenticity and personalization in their luxury interactions (D'Arpizio et al., 2024).

By expanding into luxury hospitality through the acquisition of Belmond, LVMH strategically taps into this thriving segment of experiential luxury. This move not only diversifies its portfolio but also reinforces its ability to cater to evolving consumer preferences, ensuring sustained growth and alignment with long-term strategic goals.

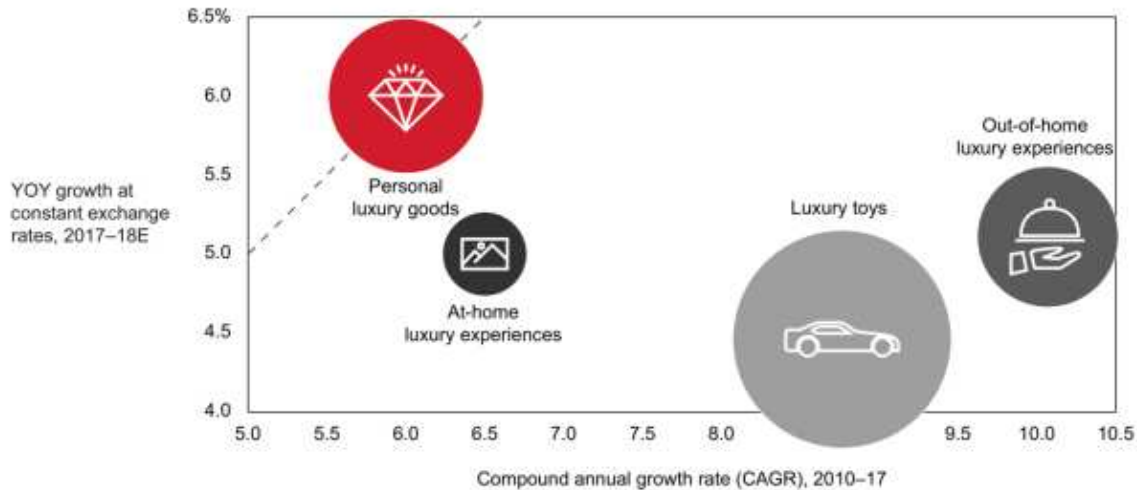


Figure 10. Luxury sectors growth 2010-2017 (D'Arpizio et al, 2019)

Personal Luxury Goods exhibit the highest year-over-year (YoY) growth rate, followed closely by out-of-home luxury experiences, which encompass luxury hospitality, cruises, and fine dining. The most noteworthy element, however, lies in the horizontal axis of the analysis, which represents the compound annual growth rate (CAGR) between 2010 and 2017. Out-of-home luxury experiences show the highest growth rate, ranging between 10% and 10.5%. This steady upward trajectory over several years highlights a long-term trend rather than a fleeting shift in consumer behavior.

Given this consistent growth and promising outlook, investing in one of the leading brands within the sector would grant access to a substantial and expanding market. The potential for further growth in this segment aligns closely with LVMH's strategic vision, making Belmond a valuable acquisition target. This strong growth potential in out-of-home luxury experiences was undoubtedly a key driver behind LVMH's decision to invest in Belmond.

The decision to invest in this sector was influenced by LVMH's historically low presence in luxury hospitality and luxury experiences. Unlike its other divisions, the French conglomerate does not have a dedicated business unit for luxury hospitality. Instead, it includes these activities within the "Other Activities" business unit, which aims to serve as an ambassador of culture and a promoter of the "art de vivre". This unit houses diverse Maisons, such as Les Echos, which manages high-profile economic and cultural publications, and Royal Van Lent, a manufacturer of custom yachts under the Feadship brand. In terms of luxury hospitality,

only Cheval Blanc is focused on building a chain of elite hotels. This limited investment underscores that LVMH has not prioritized significant development in this type of business.

This lack of focus is reflected in the financial performance of "Other Activities," which reduced LVMH's total revenues by approximately 1.3% in 2017, translating to a loss of €596 million (LVMH, 2017). In response to these poor results and recognizing the growth potential in the luxury experience market, LVMH decided to heavily invest in an established and respected brand to capitalize on the sector's rising prominence while addressing internal losses.

To better understand the strategic rationale, it is important to analyze Belmond's financial performance in the years preceding the acquisition. In previous cases, such as Bulgari, LVMH has demonstrated a preference for acquiring brands with significant sales growth or potential, even when performance showed temporary downturns near the acquisition period.

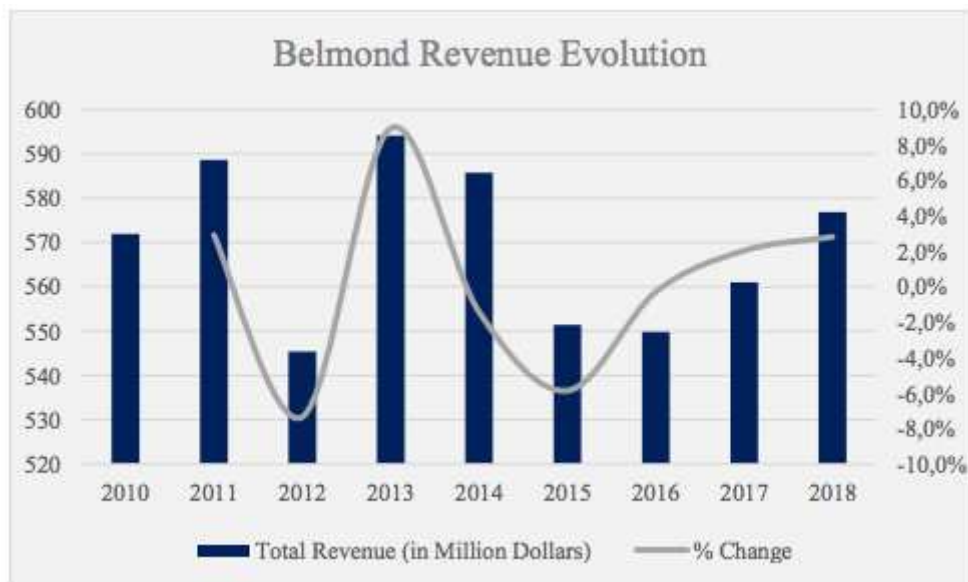


Figure 11. Belmond Revenues 2010-2018 (Refinitive Eikon)

Although sales for 2018 were projected to exceed \$570 million, they exhibited a volatile trend with minimal overall growth since 2010. The period between 2011 and 2013 experienced the most significant fluctuations, including a -7.34% decline in sales between 2011 and 2012, followed by an 8.93% increase between 2012 and 2013. After this recovery, the brand faced additional setbacks, with negative sales growth until 2016, when revenues reached \$550 million, marking the second-lowest figure during the period.

However, in the years leading up to the acquisition, the brand demonstrated a modest recovery, with sales growth of 2% in 2017 and 3% in 2018. Despite these improvements and a room occupancy rate of 62% through September 2018, the company continued to report net losses. This financial instability highlighted both the challenges and potential opportunities that Belmond presented to LVMH at the time of acquisition.

The acquisition of Belmond by LVMH was driven not by the company's economic performance but by strategic and intangible factors. One key motivation was the increasing consumer preference for authentic luxury experiences. Existential authenticity, the emotional connection customers feel with a brand, is vital for building perceived authenticity, loyalty, and trust (Girardin, 2018). LVMH, facing challenges regarding the authenticity perception of some of its brands due to their ubiquity and offshoring production criticism, sought to enhance the overall image of its portfolio. Belmond's acquisition presented an opportunity to deliver transformational experiences and strengthen customer engagement, particularly with younger generations inclined to spend more on luxury travel and experiences. This clientele could potentially become customers of other LVMH brands.

Belmond's strong presence in North America, where 48% of its clientele was based (LVMH, 2018), offered LVMH a chance to grow in a market where it had been less active, while the acquisition also provided an opportunity to penetrate the Asian market, where Belmond's presence was limited. Operating in over 24 countries, Belmond allowed LVMH to access a refined customer base in the ultra-luxury hospitality sector.

Another significant factor was Belmond's portfolio of iconic and legendary assets located in some of the world's most sought-after tourist destinations. By acquiring Belmond, LVMH secured ownership of these valuable estates while ensuring continuity by retaining the existing management team. The acquisition also complemented LVMH's Cheval Blanc hotels, as Belmond represents heritage and timeless experiences, while Cheval Blanc symbolizes ultimate luxury, service, and gastronomy. This strategic alignment allowed LVMH to diversify and enhance its presence in the luxury hospitality market (LVMH, 2018).

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2.4.3 Financial Analysis of the Belmond Acquisition

The financial impact of the transaction is challenging to evaluate for several reasons. First, the LVMH Group does not disclose detailed financial data specific to the "Other Activities" business unit, which includes the Belmond brand, unlike its other business divisions. Second, approximately a year after the acquisition, the COVID-19 pandemic emerged, severely impacting the hotel and hospitality sector. As a result, "Other Activities" continued to show negative performance and losses in the years following the acquisition, further complicating the assessment of the transaction's financial outcomes.

(EUR millions)	2019	2018 ⁽¹⁾	Change
Intangible assets	33,246	30,982	2,264
Property, plant and equipment	18,533	15,112	3,421
Right-of-use assets	12,409	-	12,409
Other non-current assets	5,810	4,656	1,154
Non-current assets	69,997	50,749	19,248
Inventories	13,717	12,485	1,232
Other current assets	12,793	11,066	1,727
Current assets	26,510	23,551	2,959
Assets	96,507	74,300	22,207

(EUR millions)	2019	2018 ⁽¹⁾	Change
Equity	38,365	33,957	4,408
Long-term borrowings	5,101	6,005	(904)
Non-current lease liabilities	10,373	-	10,373
Other non-current liabilities	20,045	17,505	2,540
Non-current liabilities	73,884	57,467	16,417
Short-term borrowings	7,610	5,027	2,583
Current lease liabilities	2,172	-	2,172
Other current liabilities	12,841	11,806	1,035
Current liabilities	22,623	16,833	5,790
Liabilities and equity	96,507	74,300	22,207

Figure 12. LVMH balance sheet 2018-2019 (LVMH, 2019)

The acquisition of Belmond significantly impacted LVMH's financial statements, particularly in terms of intangible assets and property holdings. Intangible assets grew by €2.3 billion, with €1.2 billion directly attributable to Belmond (LVMH, 2019). Additionally, the acquisition led to an increase in Property, Plant, and Equipment (PPE) by €2.4 billion, primarily reflecting Belmond’s extensive portfolio of real estate and assets. Other non-current assets also rose by €0.4 billion, driven by Belmond’s joint ventures.

Notably, inventories remained unaffected by the transaction. Debt saw only a modest increase of €0.7 billion, as cash flow from operating activities and operating investments largely offset the financial outlay required for the acquisition. This indicates that LVMH was able to integrate Belmond with minimal disruption to its overall financial stability.

2.5 LVMH and Tiffany: Crafting a New Era in Luxury Jewelry

Tiffany & Co., founded in 1837, is a renowned American jewelry brand synonymous with luxury, elegance, and innovation. Famous for its timeless pieces and iconic blue packaging, Tiffany has captured the hearts of customers worldwide. This section will delve into Tiffany's rich legacy and the strategic rationale behind its acquisition by LVMH.

2.5.1 Tiffany: History and Introduction

Tiffany & Co., founded in 1838 by Charles Lewis Tiffany and J.B. Youngs in New York City, is one of the world's most renowned luxury jewelry brands, celebrated for its style and glamour for over two centuries. Charles Tiffany introduced the iconic Tiffany Blue color in the 1840s, symbolizing the brand's heritage. The company gained international recognition by adopting the British Silver Standard and became synonymous with luxury after acquiring the Tiffany Diamond in 1878. Under Charles's son, Louis Tiffany, the brand launched its Artistic Jewelry division and became a global ambassador of American style through Art Deco and Retro influences in the 1920s and 1940s (Anderson, 2016).

Tiffany's Fifth Avenue headquarters, established in 1941, and the film *Breakfast at Tiffany's* further cemented its global reputation. Known for discovering unique gemstones and collaborations with iconic designers like Elsa Peretti and Paloma Picasso, Tiffany released globally celebrated collections, including Tiffany T, Save the Wild, and T1, while diversifying into home accessories and fragrances (Anderson, 2016; Carlassara, 2016). The Tiffany Setting engagement ring, launched in 1886, and the iconic Tiffany Blue Box, trademarked as "1837 Blue," symbolize the brand's association with romance, elegance, and refinement (Carlassara, 2016).

LVMH's acquisition of Tiffany faced challenges. Initially, a \$14.5 billion offer in October 2019 was declined by Tiffany, citing undervaluation (Reuters, 2019). A revised \$16.2 billion agreement was reached in November 2019, valuing shares at \$135 each (Reuters, 2020). However, legal disputes and uncertainties caused by the COVID-19 pandemic, fears of American tariffs, and economic instability delayed the deal. The final agreement, reached in

January 2021 after European antitrust approval in October 2020, reduced the price to \$15.8 billion, or \$131.5 per share (D'Ascenzo, 2021). This acquisition reinforced LVMH's dominance in the luxury jewelry market, adding a globally iconic brand to its portfolio.

2.5.2 Reasoning Behind the Merger

The primary factors driving LVMH's acquisition of Tiffany & Co. can be linked to the strategic goals of the group's Watches and Jewelry (W&J) division. In 2018, the W&J division generated €4.123 billion in revenue, accounting for approximately 8.8% of LVMH's total revenue of €46.8 billion (LVMH, 2019). This marked significant growth from 2011, when the division's revenue was €1.949 billion, making up about 8.2% of LVMH's total revenue of €23.7 billion (LVMH, 2011). The acquisition of Bulgari in 2011 played a crucial role in this expansion, elevating the division's prominence within the group (LVMH, 2011). Despite this progress, the Watches and Jewelry division still lagged behind LVMH's dominant Fashion and Leather Goods segment, partly due to fewer investments and acquisitions in jewelry.

In recent years, LVMH has increased its focus on the jewelry industry, which is among the best-performing luxury markets. Between 2018 and 2019, the jewelry sector grew by 7%, reaching a total market value of nearly \$20 billion (Cohan, 2019). This market is known for its high entry barriers, making it challenging to establish new successful brands. Acquiring Tiffany offered LVMH a strategic opportunity to gain a significant position in this rapidly growing and competitive industry.

Tiffany's 2018 revenues, approximately \$4.170 billion, exceeded the total revenue of LVMH's entire W&J division. Despite LVMH's ownership of well-known jewelry brands such as Bulgari, TAG Heuer, and Hublot, the group lacked a dominant brand capable of significantly elevating its presence in the jewelry market. Acquiring Tiffany represented a transformative move to solidify LVMH's leadership in the luxury jewelry sector and capture a larger share of this lucrative market.

Further analysis of Tiffany's sales trajectory prior to the acquisition highlights additional factors influencing LVMH's decision-making process.

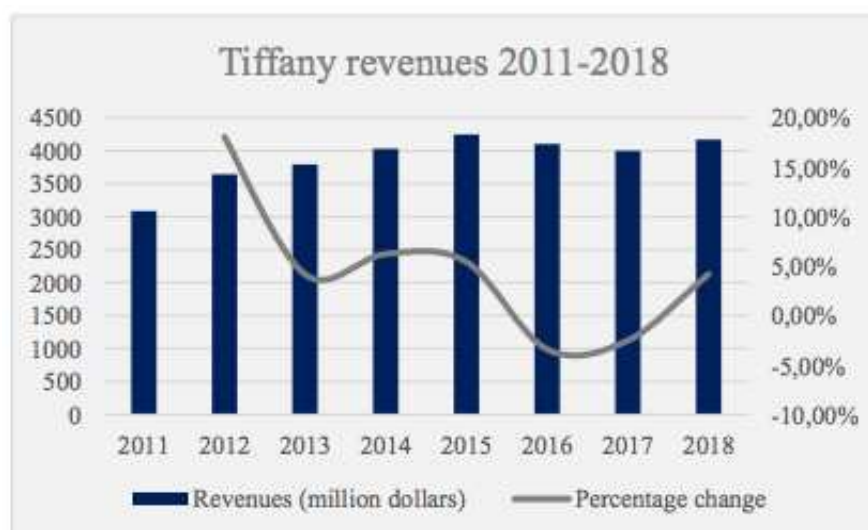


Figure 13. Tiffany Revenues 2011-2018 (Refinitive Eikon)

Over the seven-year period from 2011 to 2018, Tiffany & Co.'s sales rose from \$3.085 billion to \$4.170 billion, reflecting a compound annual growth rate (CAGR) of 4.40%. Sales experienced consistent growth from 2012 to 2015 but declined by -3.41% and -2.51% in 2016 and 2017, respectively. In 2018, sales rebounded by 4.20%, though they remained slightly below 2015 levels. This performance suggests that Tiffany faced some challenges in the years leading up to its acquisition, similar to the patterns observed with Belmond and Bulgari. LVMH's general strategy often involves acquiring companies with substantial sales volumes, particularly during periods of financial instability or slowed growth, potentially allowing for a more favorable purchase price. Bernard Arnault, CEO of LVMH, referred to Tiffany & Co. as a "sleeping beauty," emphasizing the brand's untapped potential before its acquisition (Arnault, 2023). LVMH aimed to invest heavily in new product development, innovative advertising campaigns, and boutique enhancements to make the brand more attractive to younger consumers.

A significant aspect of LVMH's acquisition of Tiffany & Co. was the opportunity to target a broader and younger clientele. Unlike the higher price points of brands like Bulgari and Hublot, Tiffany's products are relatively more accessible, making the brand appealing to a wider audience.

By comparison, LVMH's Watches & Jewelry division previously derived only 9% of its revenue from the U.S., highlighting the strategic advantage of acquiring an iconic American brand like Tiffany (LVMH, 2019). Tiffany's strong position in the American market provided

LVMH with an opportunity to deepen its presence in this key region while engaging a younger demographic.

Tiffany's extensive global presence is a key component of LVMH's strategic acquisition approach. The brand operates 48 stores in Europe, 91 in the Asia-Pacific region, 58 in Japan, and 5 in other parts of the world (Statista, 2019). This international reach aligns with LVMH's strategy of acquiring well-known brands to uphold its long-established reputation in the luxury market.

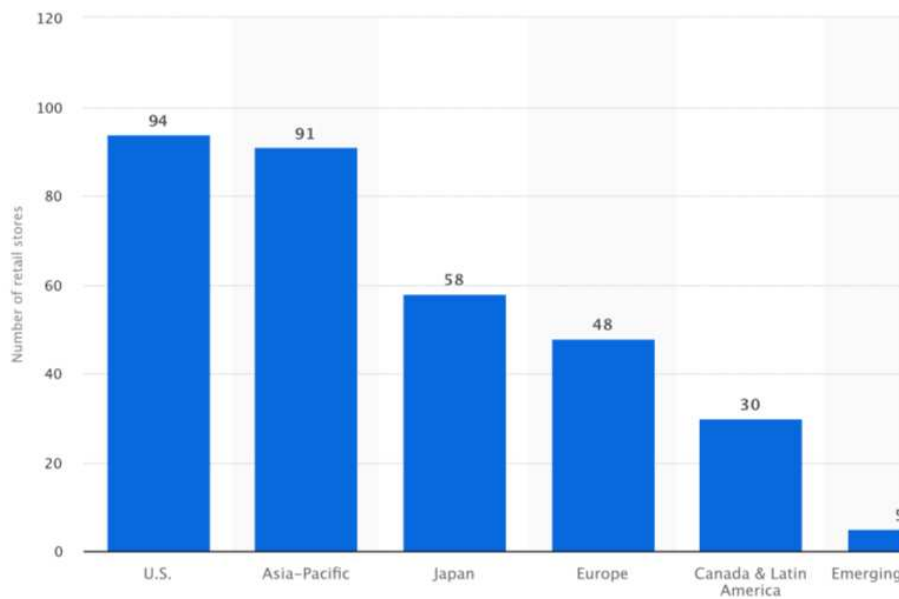


Figure 14. Number of Tiffany & Co. stores by region worldwide in 2019, by region (Statista, 2019)

Additionally, Tiffany's strict control over its stores and distribution mirrors LVMH's emphasis on vertical integration, which has proven to be a critical success factor in its operations. In Tiffany's case, vertical integration is particularly significant, as the brand sources the majority of its diamonds and raw precious materials directly from known mines and suppliers that adhere to environmentally and socially responsible practices (LVMH, 2019). This approach not only enhances Tiffany's brand integrity but also aligns with LVMH's commitment to sustainable and ethical business practices.

Another critical element of Tiffany's appeal lies in its extensive and diverse portfolio. Engagement Jewelry, a distinctive and defining feature of the American brand, plays a significant role in its offerings alongside its Jewelry Collections. In addition to these core

segments, Tiffany also offers Designer Jewelry and other categories. By integrating with the LVMH group, this portfolio has the potential for significant enhancement and expansion.

LVMH's expertise and infrastructure can accelerate and optimize Tiffany's current strategies, allowing the brand to efficiently implement its plans. This includes not only the continuation of its iconic collections but also the development of new and non-jewelry products, which have recently been introduced and present promising opportunities for growth. This aspect was a motivation for both parties: for LVMH, to diversify its offerings and solidify its position in the jewelry market, and for Tiffany, to leverage LVMH's global expertise and resources to achieve its growth ambitions.

The alignment of vision, values, and strategic goals between LVMH and Tiffany played a crucial role in making the acquisition a natural and impactful partnership. Both brands emphasize a blend of tradition and innovation, making them complementary partners. LVMH actively seeks out brands with rich histories and cultural significance, a criterion Tiffany fulfills perfectly. Rooted in American heritage and recognized globally for its timeless design, Tiffany is much more than a jewelry brand—it is a symbol of cultural and emotional resonance that aligns seamlessly with LVMH's portfolio.

Bernard Arnault's remarks encapsulate this shared vision: "I am pleased to welcome Tiffany and all their talented employees in our Group. Tiffany is an iconic brand and a quintessential emblem of the global jewelry sector. We are committed to supporting Tiffany, a brand that is synonymous with love and whose Blue Box is revered around the world, with the same dedication and passion that we have applied to each of our prestigious Maisons over the years. We are optimistic about Tiffany's ability to accelerate its growth, innovate, and remain at the forefront of our discerning customers' most cherished life achievements and memories" (LVMH, 2019). This convergence of cultural values and strategic goals underscores the mutual benefit and future potential of this partnership.

2.5.3 Financial Analysis of the Tiffany Acquisition

Regarding the financial impact, a brief review will be conducted on the aspects directly influenced by the acquisition, with acknowledgment that the broader financial and economic implications require long-term analysis. Notably, the substantial sales volumes of Tiffany and the relatively small scale of LVMH's Watches and Jewelry division at the time make the integration of the American brand into the French conglomerate distinctly observable.

	2021	2020	2019
Revenue (EUR millions)	8,964	3,356	4,405
Revenue by geographic region of delivery (%)			
France	2	4	5
Europe (excl. France)	15	20	23
United States	25	8	8
Japan	11	12	12
Asia (excl. Japan)	36	43	38
Other markets	11	13	14
Total	100	100	100
Profit from recurring operations (EUR millions)	1,679	302	736
Operating margin (%)	18.7	9.0	16.7

Figure 15. LVMH W&J revenues in 2021 (LVMH, 2021)

Sales between 2020 and 2019 declined due to the pandemic, but a significant increase was recorded in 2021, attributed to the inclusion of Tiffany. Sales rose from €3,356 million to €8,964 million, and the profit from recurring operations increased from €302 million to €1,679 million. This directly contributed to LVMH's objective of strengthening its position in the jewelry market. The data demonstrate that the Watches and Jewelry business unit's share of total sales increased to approximately 14% following the acquisition of Tiffany.

Additionally, revenue by geographic region of delivery was notably impacted, with the US gaining 17 percentage points to reach a total of 25%. This increase is a direct outcome of Tiffany's integration, as the majority of its customers and sales were concentrated in the Americas.

While LVMH does not disclose precise financial details for individual Maisons, its 2021 annual report stated, 'Tiffany achieved a record performance in terms of revenue, profit, and cash flow. The Maison raised its global profile through its innovations and high-profile collaborations. For the first time in its history, Tiffany's annual Blue Book collection of high jewelry was unveiled in China. Following these presentations, high jewelry sales reached an unprecedented level.' Based on this information, it can be inferred that the acquisition has already begun to yield positive results.

(EUR millions)	2021	2020	Change	(EUR millions)	2021	2020	Change
Intangible assets	50,455	33,054	17,401	Equity	48,909	38,829	10,080
Property, plant and equipment	20,193	18,224	1,969	Long-term borrowings	12,165	14,065	(1,900)
Right-of-use assets	13,705	12,521	1,184	Non-current lease liabilities	11,887	10,665	1,222
Other non-current assets	6,657	4,899	1,758	Other non-current liabilities	24,361	19,795	4,566
Non-current assets	91,010	68,698	22,312	Non-current liabilities	97,322	83,354	13,968
Inventories	16,549	13,016	3,533	Short-term borrowings	8,075	10,638	(2,563)
Cash and cash equivalents	8,021	19,963	(11,942)	Current lease liabilities	2,387	2,163	224
Other current assets	9,731	6,994	2,737	Other current liabilities	17,526	12,516	5,010
Current assets	34,301	39,973	(5,672)	Current liabilities	27,989	25,318	2,671
Assets	125,311	108,671	16,640	Liabilities and equity	125,311	108,671	16,640

Figure 16. LVMH balance sheet in 2021 (LVMH, 2021)

Regarding the balance sheet, without delving into extensive details, the acquisition primarily impacted key items observed in previous cases. These include intangible assets, property, plant, and equipment, inventories, lease liabilities, and deferred tax liabilities.

In the following section, the focus will be on the challenges throughout this strategy, examining the difficulties encountered and their implications for achieving the intended strategic objectives.

2.6 Navigating Challenges in Luxury Acquisitions: LVMH's Strategic Approach

The acquisition of Bulgari by LVMH, while a strategic move to enhance its Watches & Jewelry division, posed several challenges that required careful navigation. One of the primary issues was the high acquisition premium. LVMH addressed this by maximizing operational synergies and leveraging its expertise in brand management and marketing. By integrating Bulgari into its extensive global network, the group expanded its market access and operational efficiency, which were crucial in justifying the premium price over time (HBR, 2012).

Another significant challenge was the integration of corporate cultures. Bulgari, a family-driven brand, had a distinct heritage and management style. To ensure a smooth transition, LVMH retained the Bulgari family's involvement in leadership roles, appointing Francesco Trapani, then CEO of Bulgari, as the head of LVMH's jewelry and watches division. This move not only preserved Bulgari's cultural essence but also facilitated a gradual alignment of operations with LVMH's broader corporate strategies, minimizing potential disruptions (LVMH, 2011).

The acquisition also required adapting to emerging market dynamics, particularly in Asia. Recognizing the growing demand for luxury goods in China and other Asian markets, LVMH expanded Bulgari's retail footprint in the region, enhancing brand visibility and accessibility. The company invested in transforming Bulgari's retail network to provide luxury experiences tailored to the preferences of emerging market consumers, further solidifying its presence in these regions (Forbes, 2019).

Preserving Bulgari's brand identity was another challenge, given the need to balance integration with the retention of its unique heritage. LVMH focused on maintaining Bulgari's Italian craftsmanship and design ethos, which were integral to the brand's appeal. Marketing investments, including high-profile campaigns and partnerships, reinforced Bulgari's image of timeless elegance and innovation, ensuring that its core values were not diluted in the process (LVMH, 2012). By addressing these challenges through strategic planning and investments, LVMH not only strengthened Bulgari's market position but also significantly enhanced the contribution of its Watches & Jewelry division to the group's overall performance.

The acquisition of Belmond by LVMH in 2019, while strategically significant, came with notable challenges. A key issue was the high valuation of \$25 per share, representing a 42% premium over Belmond's closing price and raising concerns about the long-term return on investment for LVMH (S&P Global, 2019). This premium created heightened expectations for financial performance in a sector that was relatively new for the French luxury conglomerate. Additionally, Belmond's diverse portfolio, which included luxury hotels, trains, and cruises, required tailored operational strategies for integration into LVMH's established structure. This diversity posed logistical and managerial difficulties, particularly in aligning operations with LVMH's high standards. Financially, Belmond had reported a net loss of \$1.5 million in the second quarter of 2018, adding to the complexity of turning the acquisition into a profitable venture (Richemont, 2018).

To address these challenges, LVMH leveraged its expertise in brand management and luxury market positioning to enhance Belmond's performance. The group focused on maintaining Belmond's unique identity and heritage while integrating its operations into LVMH's framework to achieve synergy (LVMH, 2021). Strategic investments were made to refurbish and upgrade Belmond's properties, ensuring that they met LVMH's high standards of luxury and service. This approach allowed the group to capitalize on the growing demand for experiential luxury, aligning Belmond's offerings with the shifting preferences of affluent consumers.

LVMH also prioritized retaining Belmond's experienced management team, ensuring continuity in operations while benefiting from the team's deep knowledge of the luxury hospitality sector. Marketing efforts were amplified to highlight Belmond's unique experiences, leveraging LVMH's global reach to expand its audience. These measures not only mitigated the initial financial and operational risks but also positioned Belmond as a key player in the experiential luxury market, showcasing the successful integration of a diverse portfolio into LVMH's existing structure.

The core of M&A lies in the transfer of corporate control, which involves the acquiring party evaluating the market value of the target company through detailed market research and decision-making processes. The success of the transaction depends on agreeing on a fair acquisition price. If the valuation is too low, it may deter the target company from cooperating, reducing the chances of a successful merger. Conversely, an overvaluation that exceeds the target's actual worth can lead to higher capital costs, hinder the anticipated benefits, and risk financial instability, potentially disrupting the acquiring company's operations.

As mentioned before, the acquisition of Tiffany by LVMH faced several challenges, primarily related to differences in valuation and pricing. The negotiations saw the acquisition price adjusted from \$135 per share to \$131.50 per share, influenced by Tiffany's weakened financial performance during the pandemic (Reuters, 2021). In early 2020, Tiffany experienced significant declines in revenue and cash flow, which made valuation difficult and heightened pricing risks for LVMH (LVMH, 2021). Although Tiffany's performance showed some recovery in later quarters of 2020, particularly Q2 and Q3, it failed to return to pre-pandemic levels, complicating the negotiation process.

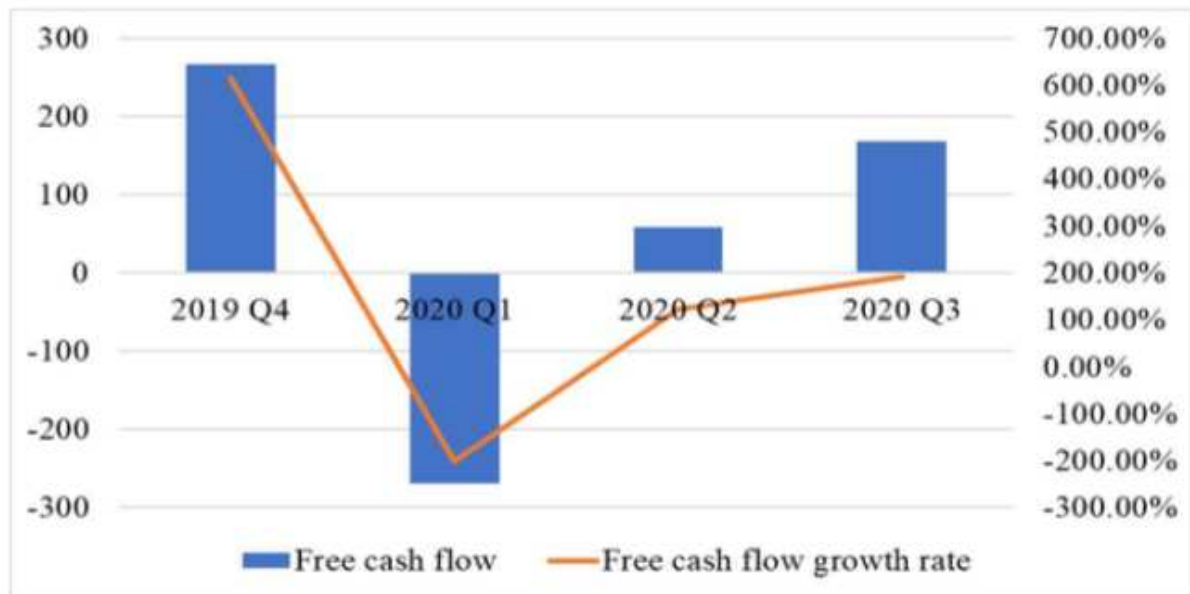


Figure 17. Tiffany's Free Cash Flow (Q4 2019–Q3 2020) (Fu, 2024)

Additionally, the choice of valuation method, as previously noted, played a crucial role in pricing risk. The revenue-based free cash flow method highlighted the impact of declining cash flows on Tiffany's perceived value, creating further hurdles during the discussions. Ultimately, the revaluation of Tiffany's financial position and its subsequent recovery allowed both parties to reach an agreement, but the process underscored the challenges of pricing accuracy and economic uncertainty in high-stakes M&A transactions. Further compounding the difficulties of the acquisition was the integration phase, which presented its own set of risks, as discussed earlier. Financial integration risk arises when disparities in corporate culture, organizational management, and business operations impede the effective merging of companies. In this case, differences between LVMH, a French luxury conglomerate, and Tiffany, an iconic American brand, created potential challenges in aligning their strategic priorities and operational structures. These discrepancies can delay resource and business integration, negatively impacting profitability and future growth.

To address these risks, LVMH strategically appointed LV Chairman and CEO Michael Burke to serve as Chairman of Tiffany, alongside Anthony Ledru as Tiffany's CEO (JCK Online, 2021). Michael Burke brought his extensive experience managing high-profile luxury brands within LVMH, providing the oversight needed to harmonize Tiffany's operations with the group's overall vision. Similarly, Anthony Ledru's leadership leveraged his deep understanding of LVMH's business approach and the global luxury market, enabling a targeted restructuring of Tiffany's operations. These leadership decisions not only streamlined

integration but also restructured Tiffany's design team to align with LVMH's luxury standards. By addressing these challenges directly through leadership realignment, LVMH minimized operational disruptions and positioned Tiffany for long-term growth within its portfolio.

Despite these challenges, Tiffany's integration into LVMH proved to be transformative. The Watches and Jewelry division became the group's fastest-growing segment in 2021, with revenue contributions increasing from 7.5% in 2020 to 14.0%, and profit share rising from 3.6% to 9.8% (LVMH, 2021). These results underscore the long-term potential of Tiffany's acquisition and its critical role in LVMH's strategy to expand its dominance in the global luxury market.

2.7 Conclusion: Final Insights on LVMH's Acquisition Strategy

LVMH's strategic acquisitions over the years demonstrate its ability to navigate the complexities of mergers and acquisitions within the luxury sector, effectively addressing challenges unique to each deal while enhancing its global portfolio. From high acquisition premiums to cultural integration and operational realignment, the group has consistently leveraged its expertise in brand management, market positioning, and synergy creation to overcome obstacles and ensure long-term success. By maintaining the heritage of acquired brands while aligning them with its overarching corporate strategies, LVMH has reinforced its reputation for blending tradition with innovation.

In recent years, LVMH has further solidified its growth through acquisitions that span diverse sectors of the luxury market, showcasing its adaptability and vision for expansion. The acquisitions made in 2024 underline its continued commitment to investing in high-potential opportunities and strengthening its presence across key segments. These strategic moves not only expand its portfolio but also position LVMH to meet the evolving demands of the global luxury consumer.

By addressing challenges proactively and focusing on long-term integration and growth, LVMH has cemented its position as a global leader in the luxury industry. Its sustained focus on acquiring and nurturing iconic brands ensures that the group remains at the forefront of the market, setting benchmarks for excellence in innovation, heritage preservation, and consumer engagement.

Chapter 3

Richemont's Path to Luxury Market Leadership

3.1 Introduction

Richemont, a prominent Swiss luxury conglomerate founded in 1988 by Johann Rupert, has established itself as a leader in the global luxury goods industry. With its expertise primarily rooted in high-end watches and jewelry, Richemont has continually expanded its portfolio through strategic acquisitions. This approach has allowed the company to diversify beyond its traditional segments and strengthen its position in other luxury categories such as fashion and leather goods. Over the years, Richemont has successfully integrated various prestigious brands, including Cartier, Van Cleef & Arpels, and Vacheron Constantin, solidifying its dominance in fine jewelry and watchmaking.

Through its acquisitions, Richemont not only enhances its offerings in jewelry, watches, and leather goods but also expands its geographic reach, tapping into key markets such as North America, Europe, especially Switzerland. In particular, the acquisitions of brands like Peter Millar, Buccellati, and Delvaux in recent years reflect Richemont's efforts to build a more diversified luxury portfolio. These strategic moves emphasize the company's ongoing commitment to innovation, quality, and exclusivity, ensuring sustained growth in an increasingly competitive luxury market. As Richemont continues to leverage its acquisitions for long-term success, its ability to integrate heritage brands while modernizing operations will be key to maintaining its position as a global leader in the luxury industry.

This chapter explores Richemont's strategic growth through acquisitions, focusing on its expansion into luxury apparel, jewelry, and leather goods. Through key acquisitions such as Peter Millar, Buccellati, and Delvaux, the analysis delves into how Richemont has strategically enhanced its brand portfolio and market presence. The chapter also examines the challenges Richemont faced during these acquisitions, including issues related to brand integration, market positioning, and operational alignment. This discussion underscores Richemont's ability to navigate complexities while solidifying its role as a key player in the global luxury market.

3.2 Richemont's Strategic Growth Through Acquisitions

Richemont, officially known as Compagnie Financière Richemont SA, is a Swiss luxury goods conglomerate headquartered in Bellevue, Switzerland. It was founded in 1988 by

Johann Rupert as a spin-off from assets previously held by Rembrandt Group Limited, a South African conglomerate established by his father, Anton Rupert, in the 1940s. Since its inception, Richemont has grown into one of the world's leading luxury groups, specializing in high-end jewelry, watchmaking, and fashion accessories (Richemont, 2024).

The company operates through three main business segments: Jewelry Maisons, Specialist Watchmakers, and Other Businesses, which include luxury fashion and leather goods. Its most recognized brands include Cartier, Van Cleef & Arpels, and Vacheron Constantin, which have solidified Richemont's dominance in fine jewelry and watchmaking. Over the years, Richemont has also expanded into high-end fashion and leather accessories, strengthening its position as a major player in the luxury market (Quartr, 2024).

Operating on a long-term brand stewardship model, Richemont ensures that its Maisons maintain their distinct heritage while leveraging the group's global retail network and operational expertise. The company has a strong presence in Europe, the Americas, Asia-Pacific, and the Middle East, catering to a clientele that values craftsmanship, exclusivity, and timeless luxury. Today, Richemont continues to focus on innovation, digital transformation, and sustainability, reinforcing its legacy as a global leader in the luxury industry (Richemont, 2024; Quartr, 2024).

Based on Richemont's website, the company has strategically expanded its portfolio over the years through a series of notable acquisitions, each designed to strengthen its position in the luxury market and diversify its offerings. In 1994, the company acquired James Purdey & Sons, a British gunmaker recognized for its bespoke sporting shotguns, rifles, and luxurious accessories. This move allowed Richemont to enter the countryside luxury market, aligning with its strategy of diversifying its portfolio.

Two years later, in 1996, the company added Vacheron Constantin, the world's oldest continuously operating watch manufacturer, celebrated for its stylistic sophistication and watchmaking excellence. The acquisition bolstered Richemont's presence in the high-end watch market.

In 1997, the company expanded further by acquiring Panerai, an Italian high-precision watchmaker, and Lancel, a French leather goods Maison. These acquisitions aimed to diversify offerings and enhance appeal in both the watch and leather goods segments.

By 1998, Richemont obtained full ownership of Vendôme's luxury goods interests by buying out its minority shareholders, consolidating its luxury brand portfolio. In 1999, the company acquired a 60% stake in Van Cleef & Arpels, one of the world's most prestigious jewelry houses, to strengthen its position in the high-end jewelry market.

In 2000, Richemont enhanced its focus on luxury watchmaking by acquiring A. Lange & Söhne, IWC Schaffhausen, and Jaeger-LeCoultre, renowned Swiss watchmakers known for their technical excellence and expertise in high-value movements. This move established Richemont as a key player in the luxury watch segment. The company further increased its interest in Van Cleef & Arpels to 80% in 2001, reinforcing its commitment to the high-jewelry sector. By 2003, Richemont had achieved full ownership of both Van Cleef & Arpels and A. Lange & Söhne, further consolidating its luxury portfolio.

In 2006, Richemont acquired Fabrique d'Horlogerie Minerva, a producer of high-end mechanical movements, and took a 20% equity stake in Swiss watchmaker Greubel Forsey. These acquisitions strengthened its technical capabilities and luxury watchmaking credentials. The following year, the company acquired Maison Alaïa, an iconic Parisian couture brand, to expand its presence in high fashion. In 2008, Richemont added a 60% stake in Manufacture Roger Dubuis, a leader in contemporary haute horology, to further enhance its watchmaking segment.

In 2012, the company acquired Varin-Etampage & Varinor, specialists in high-end watch components and gold refining, and Peter Millar, a luxury clothing brand with a strong presence in the US market. These acquisitions aimed to improve control over the supply chain and expand Richemont's presence in premium apparel.

In 2017, Richemont expanded its leather goods portfolio by acquiring Serapian, known for Italian craftsmanship and sophistication. The company entered the digital retail sector in 2018 by acquiring full ownership of Yoox Net-a-Porter Group, a leading online luxury retailer, and Watchfinder & Co., a pre-owned watch specialist. These acquisitions reflected the company's commitment to digital transformation and capitalizing on e-commerce growth.

The company extended its expertise in fine jewelry by acquiring Buccellati, a renowned Italian jewelry Maison, in 2019. This move added a distinctive and highly artistic brand to its jewelry portfolio. In 2021, Richemont further expanded its offerings by acquiring Delvaux, the oldest luxury leather goods Maison in the world, providing opportunities to leverage its global presence and digital capabilities.

In 2024, Richemont acquired a controlling stake in Gianvito Rossi, a leading luxury shoe Maison, to expand its Fashion & Accessories portfolio. The company also acquired Vhernier, an Italian jewelry brand renowned for its distinctive modern designs, further strengthening its Jewelry Maisons segment.

Through these acquisitions, Richemont has consistently demonstrated its ability to adapt to market trends, innovate, and optimize its portfolio. By strategically targeting high-growth segments and leveraging its expertise in luxury brand management, Richemont has solidified its reputation as a global leader in the luxury goods industry.

In table 3, Richemont's mergers and acquisitions are highlighted, showcasing the strategic moves made by the group over the years. Each acquisition aligns with Richemont's overarching vision of enhancing its portfolio, entering new markets, and strengthening its leadership in the global luxury industry. The table provides details on the year of acquisition, the Maison or company acquired, industry, and nationality of the target company.

Year	Target Name	Industry	Nationality
1988	Cartier	Jewelry/Watches	France
1988	Piaget	Jewelry/Watches	Switzerland
1988	Dunhill	Fashion	UK
1988	Baume & Mercier	Watches	Switzerland
1988	Montblanc	Writing Instruments	Germany
1988	Chloé	Fashion	France
1988	Rothmans	Tobacco/Lifestyle	UK
1992	Hackett	Fashion	UK
1994	Purdey	Firearms and Sporting	UK
1996	Vacheron Constantin	Watches	Switzerland

1997	Lancel	Luxury Fashion	France
1997	Panerai	Watches	Italy
1999	Van Cleef & Arpels	Jewelry	France
2000	A.Lange & Sohne	Watches	Germany
2000	Jaeger-LeCoultre	Watches	Switzerland
2000	IWC Schaffhausen	Watches	Switzerland
2006	Fabrique d'Horlogerie Minerva	Watches	Switzerland
2006	Greubel Forsey	Watches	Switzerland
2007	Alaïa	Fashion	France
2008	Roger Dubuis	Watches	Switzerland
2012	Varin-Etampage & Varinor	Watches	Switzerland
2012	Peter Millar	luxury sportswear	USA

2015	Yoox Net-a-Porter	Online Retail	Italy
2017	Serapian	Leather Goods	Italy
2018	Watchfinder & Co	Watch Retail	UK
2019	Buccellati	Jewelry	Italy
2021	Delvaux	Leather Goods	Belgium
2023	Gianvito Rossi	Fashion	Italy

Table 3. Richemont's Mergers and Acquisitions (Compiled by the author, Based on Richemont website, 2024; Quartr, 2024)

Richemont's acquisitions have significantly fueled its revenue growth from €3.68 billion in 1989 to €20.5 billion in 2024, achieving a 5% compound annual growth rate (CAGR). This showcases the group's consistent expansion over a 35-year period across diverse luxury categories, including jewelry, watches, leather goods, and fashion (Quartr, 2024).

Although Richemont primarily focuses on the watch industry, the next section will explore key acquisitions made by the company in 2012, 2019, and 2021, specifically focusing on Peter Millar, Buccellati, and Delvaux. These acquisitions reflect Richemont's strategy to diversify and strengthen its luxury portfolio across fashion, jewelry, and leather goods.

The acquisition of Peter Millar expands Richemont into the premium lifestyle and apparel sector, while Buccellati strengthens its presence in luxury jewelry and Delvaux enhances its position in the luxury leather goods market. These moves also help Richemont penetrate key markets such as North America, Europe, tapping into growing demand for high-end products.

These acquisitions support Richemont's long-term growth strategy by diversifying its offerings, attracting affluent consumers, and ensuring resilience in its portfolio, all while maintaining its leadership in the watch industry.

3.3 Richemont Acquires Peter Millar: A New Chapter in Luxury Sportswear

Peter Millar, founded in 2001, specializes in premium golf apparel and lifestyle clothing. The brand was acquired by Richemont in 2012 as part of its strategic move to strengthen its presence in the luxury lifestyle sector. In this section, the history of Peter Millar, the details of its acquisition, and the rationale behind Richemont's decision will be discussed.

3.3.1 Peter Millar: History and Introduction

Peter Millar, founded in 2001 with a single cashmere sweater, embodies a philosophy of luxury, elegance, and superior craftsmanship. Over time, the brand has expanded to include luxury performance sportswear, seasonal resort apparel, refined tailored clothing, and sophisticated accessories, crafted using the finest materials and advanced fabric innovations. Available online, in specialty retail stores, and at prestigious resorts, Peter Millar's global presence spans North America, Europe, Asia, Australia, and the South Pacific. Headquartered in Raleigh, North Carolina, with a distribution center in Durham, the company is committed to innovative design, exceptional customer service, and maintaining the highest standards of craftsmanship. Through its Vendor Compliance Program, Peter Millar ensures vendors treat

employees ethically and comply with U.S. and local laws, as well as its Code of Conduct and Labor Standards, with any violations potentially leading to the termination of business relationships. In 2024, Richemont, Peter Millar's parent company, reported net sales of €20,616 million, reflecting a 3.32% increase from €19,953 million in 2023, demonstrating the group's ability to drive consistent growth while upholding its values of quality and innovation (Peter Millar, 2024).

On September 21, 2012, Swiss luxury goods conglomerate Richemont announced its agreement to acquire Peter Millar LLC, a U.S.-based international luxury apparel brand, from Winona Capital Management. The transaction was expected to close in October 2012 and was not anticipated to have a material impact on Richemont's consolidated net assets or operating results for the fiscal year ending March 31, 2013. Specific financial terms of the deal were not disclosed. Post-acquisition, Scott Mahoney continued in his role as Chief Executive Officer of Peter Millar, expressing enthusiasm about the partnership with Richemont and the opportunity to further develop the brand globally under Richemont's stewardship. Luke Reese, Managing Director of Winona Capital, also expressed confidence in Richemont's ability to support Peter Millar's growth. This strategic acquisition was intended to position Peter Millar for its next stage of development and growth, leveraging Richemont's resources and expertise in the luxury goods sector. Richemont's leadership anticipated that the integration of Peter Millar would strengthen their presence in the luxury apparel market and provide additional growth opportunities in North America and internationally (Richemont, 2012).

3.3.2 Reasoning behind the merger

Peter Millar, founded in 2001, quickly established itself as a leading brand in the premium apparel market, recognized for its luxury sportswear, casual clothing, and tailored accessories. By 2012, the brand had built a robust distribution network, with products available in over 400 specialty retailers and clothiers, as well as more than 1,100 high-end golf pro shops, country clubs, and resorts, showcasing its strong market presence, particularly in the United States (R.W. Baird, 2025). In 2009, Winona Capital Management acquired a controlling stake in Peter Millar, highlighting investor confidence in the brand's growth trajectory (SGO, 2012). Although detailed profit margin data is not publicly available, Peter Millar's expansion into diverse product lines and international markets underlines its financial strength and appeal as a valuable addition to Richemont's luxury portfolio.

Richemont's financial status in 2011, prior to the acquisition, reflected strong performance, with total sales of €6,892 million, a 33% growth from the prior year, and operating profit of €1,355 million, a significant 63% increase. Jewelry Maisons contributed 50% of group sales, followed by Specialist Watchmakers at 26%, Montblanc Maison at 10%, and Other Businesses at 14%. These results highlight Richemont's reliance on its core jewelry and watch segments, while its regional sales in North America indicated opportunities for growth. Reflecting on Richemont's strategy at the time, Rupert stated, "We intend to take advantage of the many opportunities to further develop our existing Maisons. We are more than ever encouraged by their growth potential and we believe it to be the best route for creating shareholder value." The acquisition of Peter Millar supported this vision by diversifying Richemont's portfolio and enhancing its presence in the North American market, leveraging Peter Millar's strong distribution network and established position in premium apparel. This move demonstrated Richemont's commitment to maximizing shareholder value through strategic expansion while complementing its operational focus on improving customer service and delivery efficiency through its Enterprise Resource Planning system.

In 2011, the global luxury goods market, which includes premium apparel, experienced a significant resurgence with sales projected to increase by 10%, reaching approximately €191 billion. This growth highlighted the strong demand for luxury products, particularly in mature markets like the United States and emerging economies such as China (Bain, 2011). The luxury apparel segment, including high-quality and versatile clothing, became increasingly important as consumer preferences shifted toward casual luxury items that combined practicality with elegance. A survey conducted in 2011 indicated that 37% of consumers engaged with brands or retailers online by reading posts or blogs about them, up from just 10% in 2010. This growing online engagement reflected a heightened interest in fashion brands and the importance of a strong digital presence to connect with customers (Retail Customer Experience, 2011).

Figure 18 illustrates the growth trajectory of the global personal luxury goods market, measured in USD, from 1996 to 2019. Over this period, the market experienced consistent expansion, achieving a compound annual growth rate (CAGR) of +6%. By 2011, the market had grown significantly, surpassing the \$230 billion mark. This growth was fueled by increasing consumer demand for luxury goods, particularly in mature markets like the United States and emerging markets such as China. The steady upward trend underscores the resilience of the luxury sector, even during periods of economic uncertainty, and highlights

the robust demand for premium products, including apparel, jewelry, and accessories. This data provides critical context for Richemont's acquisition of Peter Millar, as it demonstrates the market opportunities and consumer appetite for luxury and premium goods during this time (Jones, 2020).

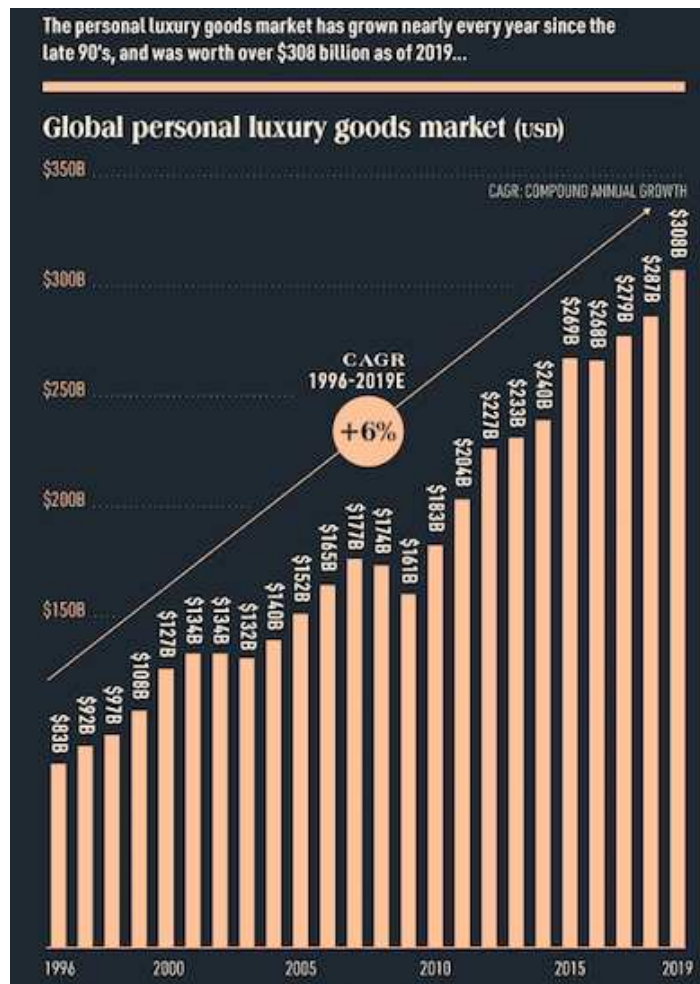


Figure 18. The Rise and Fall of the Global Luxury Goods Market from 1996 to 2019 (Jones, 2020)

3.3.3 Financial Analysis of the Peter Millar Acquisition

Richemont's acquisition of Peter Millar in 2012 was strategically aligned with these trends. Peter Millar's expertise in premium sportswear and casual apparel positioned it perfectly to address the growing demand for high-quality, stylish clothing. Additionally, the U.S., a major driver of the global luxury market, was a key area of focus for Richemont, and Peter Millar's established dominance in the region made it an attractive acquisition target. The brand's

robust customer base, its alignment with the emerging demand for casual luxury, and its potential for growth in international markets further reinforced its appeal. By acquiring Peter Millar, Richemont capitalized on a growing market segment, diversified its portfolio, and strengthened its presence in a region pivotal to the luxury market's overall expansion. These strategic benefits, underpinned by strong market trends, made the acquisition a logical and timely decision. Highlighting the mutual benefits of this partnership, Peter Millar CEO Scott Mahoney stated, "Partnering with Richemont represents a wonderful opportunity for Peter Millar to continue to build the brand globally under Richemont's stewardship." This statement underscores the two-sided benefits of the acquisition: Richemont gained access to a growing premium apparel market in the U.S., while Peter Millar leveraged Richemont's global distribution and luxury expertise to expand internationally.

The Richemont Annual Report for 2012 indicates that the group achieved significant financial growth, with total sales increasing by 29% to €8,867 million compared to the previous year. Operating profit rose by 51% to €2,040 million, while operating margins improved to 23% of sales. This growth reflects Richemont's efforts to diversify its portfolio and expand into new market segments, including premium apparel, following its acquisition of Peter Millar in 2012. While the report does not specifically attribute these financial gains to Peter Millar, it highlights the strategic importance of expanding the Maisons and leveraging group-wide synergies. The group focused on integrating supply chain processes and strengthening its IT systems to improve efficiency, particularly in global distribution and product availability. These measures align closely with Peter Millar's strong distribution network in North America and its potential to expand internationally.

Moreover, Richemont's financial data for "Other Businesses" — a category that likely includes Peter Millar's contributions — shows an increase in sales from €967 million in 2011 to €1,231 million in 2012, indicating a 27% growth. This assumption is based on Richemont's reporting structure, as outlined in the annual report 2012, where revenues are segmented into Jewelry Maisons, Specialist Watchmakers, Montblanc Maison, and "Other Businesses." The "Other Businesses" segment typically comprises smaller or recently acquired brands that do not fit into the larger, established categories. Since Peter Millar was acquired in 2012 and does not fall under Jewelry or Watchmaking, it is logical to infer that its financial contributions are reflected in this segment's growth. This growth underscores the positive impact of Peter Millar on Richemont's diversification strategy and overall revenue expansion.

Table 4 summarizes Richemont's financial growth before and after the acquisition.

Metric	2011	2012	Change
Total Sales (Group)	€6,892 million	€8,867 million	+29% growth
Operating Profit	€1,355 million	€2,040 million	+51% growth
Operating Margin	20% of sales	23% of sales	Improvement of 3 percentage points
“Other Businesses” Sales	€967 million	€1,231 million	+27% growth (category likely includes Peter Millar)

Table 4. Financial Growth of Richemont Pre- and Post-Acquisition of Peter Millar (illustrated by author, based on Richemont website, 2012)

The balance sheet comparison between 2011 and 2012 shows a significant increase in non-current assets from €2,659m to €3,158m, likely reflecting the acquisition of Peter Millar, including goodwill and intangible assets. Current assets also rose from €7,034m to €8,595m, indicating higher receivables and cash from increased sales following the acquisition. Goodwill specifically increased from €441m to €479m, supporting the idea of a premium paid for Peter Millar’s brand (Richemont, 2012).

Liabilities grew from €2,701m in 2011 to €3,135m in 2012, reflecting financing for the acquisition. The rise in current liabilities from €2,213m to €2,722m suggests higher short-term obligations linked to increased operational activity. Overall, total equity and liabilities increased from €9,693m to €11,753m, showing that the acquisition contributed to Richemont's financial growth and expansion (Richemont, 2012).

Item	2012 (€m)	2011 (€m)
Non-current assets	3158	2659
Goodwill	479	441
Current assets	8595	7034
Total assets	11753	9693

Non-current liabilities	413	488
Current liabilities	2722	2213
Total equity and liabilities	11753	9693

Table 5. Richemont Balance Sheet Comparison for 2011 and 2012 (Illustrated by author, based on Richemont Annual Report 2012, 2025)

3.4 Richemont Expands its Jewelry Portfolio: The Acquisition of Buccellati

Buccellati, founded in 1919, is a prestigious Italian jewelry brand renowned for its intricate craftsmanship and timeless designs. Acquired by Richemont in 2019, the brand added depth to Richemont's luxury portfolio. This section will cover Buccellati's rich history, its acquisition by Richemont, and the strategic reasoning behind this acquisition.

3.4.1 Buccellati: History and Introduction

Buccellati, a high-end jewelry Maison founded in Milan in 1919 by Mario Buccellati, is celebrated for its meticulous craftsmanship and timeless artistry. Known for its unique designs inspired by Venetian lace, Etruscan motifs, and Renaissance art, Buccellati creates intricate, handcrafted pieces that exemplify luxury and tradition. Over the years, the brand expanded its global footprint with flagship boutiques in major cities such as New York, Paris, Moscow, and Tokyo, appealing to an elite clientele that values exceptional quality and heritage (Sotheby's, 2025).

In September 2019, Richemont announced the acquisition of Buccellati Holding Italia S.p.A., purchasing 100% of the shares from the Chinese group Gangtai Holding. This acquisition reflected Richemont's intention to strengthen its jewelry portfolio, which already included prestigious Maisons like Cartier and Van Cleef & Arpels. Richemont's leadership, including Chairman Johann Rupert, praised Buccellati's unique heritage and unparalleled craftsmanship as a valuable complement to the group's offerings. The transaction was completed on September 26, 2019, and was not expected to materially impact Richemont's consolidated financial results for the fiscal year ending March 31, 2020 (Richemont, 2019).

Andrea Buccellati, Honorary Chairman and Creative Director, expressed pride in the partnership, emphasizing the alignment between Buccellati's culture of creativity, quality, and innovation and Richemont's global vision and resources. With Richemont's expertise in luxury retail and distribution, the integration was designed to preserve Buccellati's distinct

identity while unlocking new opportunities for growth in international markets, particularly in Asia and the Americas. This acquisition underscored Richemont's strategic approach to enhancing its jewelry division by investing in a Maison with a century-old legacy of artistic excellence and exceptional craftsmanship (Richemont, 2019).

3.4.2 Reasoning behind the merger

Richemont's acquisition of Buccellati in 2019 was a carefully calculated move aimed at enhancing its luxury jewelry portfolio and addressing specific gaps in its offerings. While Richemont's Jewelry Maisons, primarily Cartier and Van Cleef & Arpels, had long been dominant contributors to the group's revenue, this reliance underscored the need for diversification. Buccellati's artisanal heritage and distinctive designs offered a unique addition to Richemont's portfolio, appealing to clients who sought boutique, handcrafted jewelry with artistic and cultural significance. Known for its intricate craftsmanship inspired by Renaissance motifs and Venetian lace, Buccellati filled a gap in the highly niche and artisanal jewelry segment, complementing Richemont's broader luxury audience (Richemont, 2019).

In addition to product diversification, the acquisition aligned with Richemont's ambition to strengthen its regional presence in emerging markets. Demand for luxury goods was accelerating in Greater China, Asia-Pacific, and the Middle East, where Buccellati had already established a foothold under Gangtai Group. By integrating Buccellati, Richemont could build on this momentum and expand its footprint in these high-growth regions. Furthermore, Richemont's focus on streamlining operations and enhancing supply chain efficiency provided an ideal framework for scaling Buccellati's boutique operations. Leveraging Richemont's global distribution and ERP systems ensured that Buccellati's profitability, global reach, and service delivery could be optimized while preserving the brand's artisanal identity and heritage (Richemont, 2019).

Reflecting on the acquisition, Johann Rupert, Chairman of Richemont, praised Buccellati's heritage and its compatibility with the group's existing Maisons, stating, "Distinguished by strong heritage, craftsmanship and family spirit, Buccellati is one of the few Maisons in the dynamic branded jewellery market which is complementary to our existing jewellery Maisons, in terms of style, origins and craftsmanship." Similarly, Xu Jiangang, founder and Chairman of Gangtai Group, remarked, "We are extremely glad to have successfully contributed to the introduction of the prestigious Buccellati brand in the Greater China market, strengthening Buccellati's identity and enhancing all of the elements which make it

one of the best-known brands worldwide in the fine jewellery sector” (Richemont, 2019). These statements underscore the shared vision between Richemont and Buccellati in maintaining the Maison’s heritage and elevating its position in the global luxury market.

3.4.3 Financial Analysis of the Buccellati Acquisition

Financially, the acquisition initially had a modest impact, as Richemont explicitly noted that the transaction would not materially affect its consolidated net assets or operating results for the fiscal year ending March 31, 2020 (Richemont, 2019). In 2019, prior to the acquisition, Richemont reported total sales of €13,989 million and an operating profit of €1,943 million, with jewelry Maisons contributing €7,083 million, or 51% of total sales. Following the acquisition, total sales in 2020 increased to €14,238 million, reflecting a 2% growth, while jewelry Maisons’ sales rose to €7,217 million, maintaining their 51% share of the group’s revenue. However, operating profit declined to €1,518 million, representing a 22% decrease, largely influenced by acquisition costs and broader economic challenges. Richemont’s net cash position also decreased from €2,528 million in 2019 to €2,395 million in 2020, reflecting the financial commitments associated with acquisitions (Richemont, 2020).



Figure 19. Richemont Financial Performance: 2019–2020 (Richemont, 2020)

The balance sheet comparison between 2019 and 2020 highlights several key changes that can be attributed to Richemont’s acquisition of Buccellati. Non-current assets increased significantly from €10,761m in 2019 to €13,660m in 2020, reflecting the impact of the acquisition. The rise in goodwill from €3,354m to €3,465m further supports the idea that Richemont paid a premium for Buccellati, recognizing its value beyond the book value of the company. While current assets decreased slightly from €17,278m to €16,801m, likely due to cash outflows related to the acquisition, the overall assets grew, primarily driven by the increase in non-current assets.

Liabilities also shifted in response to the acquisition. Non-current liabilities rose from €4,697m in 2019 to €7,327m in 2020, suggesting Richemont took on additional debt to finance the purchase of Buccellati. On the other hand, current liabilities decreased from €6,303m to €5,875m, indicating a reduction in short-term borrowings or debts. The total equity and liabilities remained balanced at €30,461m, in line with the total assets, suggesting Richemont effectively managed the financial impact of the acquisition while expanding its asset base and leveraging long-term financing.

Item	2020 (€m)	2019 (€m)
Non-current assets	13660	10761
Goodwill	3465	3354
Current assets	16801	17278
Total assets	30461	28039
Non-current liabilities	7327	4697
Current liabilities	5875	6303
Total equity and liabilities	30461	28039

Table 6. Richemont Balance Sheet Comparison for 2019 and 2020 (Illustrated by author, based on Richemont Annual Report 2020, 2025)

To understand the longer-term effects of Buccellati's integration, examining Richemont's performance in 2024 provides valuable insights. By this time, Richemont reported a 3% increase in group sales, reaching €20.6 billion, driven primarily by its jewelry Maisons and retail segments, which accounted for 69% of total sales. The jewelry division, which includes Buccellati, Cartier, and Van Cleef & Arpels, achieved revenues of €14.2 billion, with high jewelry collections playing a significant role in this growth. The Asia-Pacific region emerged as a key market, contributing 40% of Richemont's total sales (Liu, 2024). These figures underscore Buccellati's significant contribution to Richemont's expansion in the luxury jewelry market, particularly in high jewelry sales and regional growth in Asia.

The acquisition of Buccellati reflects Richemont's strategic vision of leveraging the Maison's unique artistry and niche appeal to diversify and strengthen its portfolio. While the financial impact in the immediate post-acquisition period was modest, the long-term integration of Buccellati into Richemont's ecosystem has proven to be a pivotal step in the group's continued dominance in the luxury jewelry sector. By preserving Buccellati's heritage while

scaling its global operations, Richemont has successfully aligned artistry with strategic growth (Richemont, 2020).

3.5 Richemont Expands Its Luxury Portfolio: The Acquisition of Delvaux

Delvaux, founded in 1829, is a Belgian luxury leather goods brand renowned for its craftsmanship and timeless elegance. Acquired by Richemont in 2021, Delvaux became a key part of the group's growing portfolio of high-end accessories. This section will explore Delvaux's heritage, the details of its acquisition, and the strategic reasoning behind Richemont's decision to integrate the brand.

3.5.1 Delvaux: History and Introduction

Delvaux, established in Brussels in 1829 by Charles Delvaux, holds the distinction of being the world's oldest luxury leather goods house. A year before Belgium declared its independence, Charles Delvaux opened a travel goods workshop and store in Brussels, Belgium. In 1908, Delvaux filed its first patents for handbags, marking a significant innovation in accessory design. Over the years, Delvaux has been recognized for its exceptional craftsmanship and creativity, earning the title of "Official purveyor to the Royal Court of Belgium" in 1883 (Delvaux, 2025).

In June 2021, Richemont, the Swiss luxury conglomerate, announced its acquisition of Delvaux in a private transaction valued at €178 million (Richemont, 2021). This strategic move was aimed at enhancing Richemont's presence in the high-end leather goods sector. Philippe Fortunato, CEO of Fashion & Accessories Maisons at Richemont, highlighted Delvaux's rich heritage and exceptional manufacturing capabilities as key factors that would strengthen the group's position at the pinnacle of the leather goods category (Richemont, 2021).

The acquisition allows Delvaux to leverage Richemont's extensive global presence and digital expertise, facilitating the development of omnichannel opportunities and enhanced customer engagement. This partnership is expected to preserve Delvaux's unique identity while accelerating its growth in international markets (Richemont, 2021).

3.5.2 Reason behind the merger

Richemont's acquisition of Delvaux was a strategic move aimed at addressing its competitive disadvantage in the soft luxury sector, where LVMH and Kering dominate. Unlike its rivals,

Richemont has historically focused on hard luxury, with brands such as Cartier and Van Cleef & Arpels, while lacking a strong presence in fashion and leather goods. This acquisition was intended to diversify Richemont's portfolio beyond jewelry and watches, integrating Delvaux's craftsmanship and heritage into its existing luxury framework. Philippe Fortunato, CEO of Richemont's Fashion & Accessories division, highlighted that Delvaux aligns with Richemont's commitment to artisanal excellence. However, analysts remain skeptical about whether Delvaux has the scale or market influence necessary to close the gap with LVMH and Kering, whose fashion and leather goods divisions generate billions in annual revenue (Chen, 2021; Parisi, 2021).

Beyond brand diversification, Richemont's strategy also focused on leveraging its global retail network and digital expertise to accelerate Delvaux's expansion. Prior to the acquisition, Delvaux had already grown in Asia, particularly in China, South Korea, and Japan. Richemont's strong presence in North America, combined with its e-commerce partnerships with Alibaba and Farfetch, was expected to enhance Delvaux's global footprint and digital reach. Despite these advantages, the brand's ability to scale further remains uncertain, as major investments in marketing and customer acquisition would be required to position Delvaux as a significant player in the soft luxury sector (Richemont, 2021; Chen, 2021).

A key rationale for the acquisition lies in Richemont's long-term strategy to strengthen its position in ultra-luxury leather goods rather than mass-market fashion accessories. Unlike LVMH's Louis Vuitton or Kering's Gucci, which cater to both high-end and aspirational consumers, Delvaux operates exclusively in the ultra-luxury space, with handbags often priced above €5,000. This aligns with Richemont's emphasis on high-end exclusivity and craftsmanship, positioning it as an alternative to mass-market luxury players (Richemont, 2021). Additionally, acquiring Delvaux allows Richemont to mitigate risk associated with its reliance on watches and jewelry, which tend to be more cyclical. The leather goods sector provides a more stable revenue stream, particularly in emerging luxury markets where consumers often enter the luxury space through accessories before transitioning to higher-ticket jewelry and watch purchases (Chen, 2021).

The acquisition also serves as a means for Richemont to increase direct-to-consumer (DTC) control over its soft luxury division. Delvaux has historically maintained a selective distribution model, emphasizing exclusivity. Richemont's digital transformation efforts, including its investments in Yoox Net-a-Porter (YNAP) and Alibaba's Tmall Luxury Pavilion, provide an opportunity to expand Delvaux's omni-channel presence while maintaining its

brand prestige. This move aligns with Richemont's broader strategy to reduce reliance on third-party retailers and focus on high-margin, direct-to-consumer sales (Hall, 2020).

Additionally, Richemont sought to capitalize on the growing demand for heritage luxury brands, particularly in Asia, where authenticity and craftsmanship have become key differentiators in the competitive luxury market. Delvaux, as a Belgian Maison with nearly 200 years of history, appeals to consumers seeking exclusivity and legacy, positioning Richemont favorably against competitors that increasingly rely on seasonal fashion trends (Parisi, 2021).

Despite these strategic advantages, analysts argue that the acquisition does not fundamentally strengthen Richemont's position in soft luxury. Some suggest that a merger with Kering—an option reportedly considered and rejected—would have been a more transformative move, while others contend that Richemont should focus on its core strengths in jewelry and watches rather than attempting to compete in a market where it lacks historical dominance. Additionally, some experts believe that Richemont may have acquired Delvaux at its peak, as the brand had already undergone significant expansion under its previous ownership. Scaling Delvaux into a billion-dollar brand would require substantial investments in marketing, retail expansion, and customer acquisition, a process that is both resource-intensive and uncertain (Chen, 2021).

Ultimately, the acquisition of Delvaux reflects Richemont's broader ambition to expand beyond hard luxury, but it remains to be seen whether this will be enough to challenge the stronghold of LVMH and Kering in the fashion and leather goods sector. While Delvaux provides Richemont with a high-end, exclusive alternative to mass-market luxury handbags, it does not offer the scale, visibility, or immediate financial impact necessary to disrupt the dominance of industry leaders. However, as part of a longer-term strategy, this acquisition may serve as a building block for Richemont's gradual expansion into soft luxury, potentially leading to future investments or acquisitions that further reinforce its competitive positioning in the sector (Parisi, 2021; Mallevays, 2021).

While analysts debate whether the acquisition of Delvaux is sufficient to reshape Richemont's position in the soft luxury sector, the financial results following the acquisition provide insight into its tangible impact. Beyond theoretical discussions on strategy, brand positioning, and competitive expansion, it is essential to assess whether the integration of Delvaux has contributed to Richemont's financial performance.

3.5.3 Financial Analysis of the Delvaux Acquisition

Based on the annual reports of Richemont, the acquisition of Delvaux in June 2021 played a role in improving the financial performance of the Fashion & Accessories segment, although its exact impact remains undisclosed. Before the acquisition, in fiscal year 2020/2021 (April 2020 - March 2021), Richemont's Fashion & Accessories division generated €1.345 billion in sales but faced significant losses, reporting an operating loss of €214 million. This indicated challenges in establishing a profitable presence in soft luxury, particularly in comparison to competitors like LVMH and Kering, which dominated the luxury leather goods market.

Following the acquisition of Delvaux in June 2021, Richemont's financial performance in this segment improved notably. In the first full post-acquisition year (fiscal year 2021/2022, April 2021 - March 2022), sales surged to €2.056 billion, marking an increase of 53% compared to the previous year. At the same time, the operating loss significantly narrowed to €47 million, indicating a shift toward profitability. During the first nine months after the acquisition (July 2021 - March 2022), Delvaux contributed €102 million in revenue. Richemont also recorded €60 million in goodwill and €111 million in intangible assets, reflecting the premium paid for the acquisition.

The second full post-acquisition year (fiscal year 2022/2023, April 2022 - March 2023) further reinforced Richemont's growth in Fashion & Accessories, with sales reaching €3.235 billion, reflecting an additional 19% increase. More importantly, operating profit turned positive, rising to €223 million, a significant improvement from the €214 million operating loss before the acquisition. However, Richemont did not disclose Delvaux's specific contribution to these results, making it difficult to isolate its impact from the performance of other brands in the division, such as Chloé and Alaïa.

From a regional sales perspective, Richemont's financial reports indicate strong post-acquisition expansion in key luxury markets. In 2021/2022, sales in the Americas surged by 79%, while the Asia Pacific region saw a 32% increase, both of which align with Delvaux's growing presence in these markets.

in €m	2022	2021
Europe	4 469	2 955
Asia Pacific	7 820	5 937
Americas	4 268	2 388
Japan	1 205	940
Middle East and Africa	1 419	924
	19 181	13 144

Figure 20. Sales by Region Comparison: FY 2021 and FY 2022 (Richemont, 2022)

While Richemont’s Fashion & Accessories segment showed strong growth and a return to profitability post-acquisition, the data does not confirm whether Delvaux was the primary driver of this success. The acquisition certainly contributed to Richemont’s diversification in soft luxury, but analysts remain skeptical about whether Delvaux alone is enough to position Richemont as a true competitor to LVMH and Kering in the leather goods sector. Instead, the acquisition appears to serve as a strategic step in Richemont’s broader ambition to strengthen its presence in soft luxury. The positive financial impact, particularly in terms of revenue growth and profitability improvement, suggests that Delvaux’s integration into Richemont was beneficial, but further investments or acquisitions may be required to solidify Richemont’s position in the global luxury handbag market.

Item	2022 (€m)	2021 (€m)
Non-current assets	14602	14153
Goodwill	3538	3456
Current assets	25384	21206
Total assets	39986	35359
Non-current liabilities	9616	9339
Current liabilities	10507	8136
Total equity and liabilities	39986	35359

Table 7. Richemont Balance Sheet Comparison for 2022 and 2021 (Illustrated by author, based on Richemont Annual Report 2022, 2025)

Between 2021 and 2022, Richemont’s balance sheet reflects the ongoing effects of the Delvaux acquisition. Non-current assets rose from €14,153 million to €14,602 million, indicating further investments or adjustments related to the acquisition. Goodwill, which grew

from €3,456 million to €3,538 million, points to the continued value placed on Delvaux's brand and customer relationships. A significant jump in current assets, from €21,206 million to €25,384 million, suggests that the integration of Delvaux contributed to increased sales or receivables, positively impacting Richemont's cash flow.

Liabilities also reflect the acquisition's impact, with non-current liabilities rising from €9,339 million to €9,616 million, possibly due to long-term debt taken on for the acquisition. Current liabilities increased sharply from €8,136 million to €10,507 million, potentially reflecting higher short-term financial obligations linked to Delvaux's growth. Despite these changes, total equity and liabilities remained balanced at €39,986 million, aligning with the total assets and showing that Richemont successfully managed the financial integration of Delvaux while driving expansion in both assets and liabilities.

Richemont's efforts to expand through strategic acquisitions, such as that of Delvaux, highlight its ambition to diversify and strengthen its position in the competitive luxury market. However, the path to achieving seamless integration and long-term success with such acquisitions is not without hurdles. From maintaining the distinct identity of heritage brands to addressing scalability issues and ensuring global market relevance, Richemont has encountered several challenges in its acquisition journey. In the next section, we will delve into these challenges, analyzing the complexities and lessons learned from Richemont's approach to acquisitions, both past and present.

3.6 Navigating Challenges in Richemont's Acquisition Strategy

Richemont's acquisition strategy has played a crucial role in expanding its footprint in the luxury industry, allowing the conglomerate to diversify beyond its core expertise in jewelry and watches. However, acquiring and integrating luxury brands has proven challenging, particularly in areas such as maintaining profitability, preserving brand heritage while scaling operations, and ensuring effective cultural integration. Unlike competitors such as LVMH and Kering, which have seamlessly incorporated fashion and leather goods into their business models, Richemont has encountered difficulties in achieving similar success in soft luxury and e-commerce (Richemont, 2024; Wilmot, 2018).

One of the main challenges Richemont has faced is achieving profitability after acquisitions. Several of its acquired brands have struggled to deliver immediate financial gains, requiring substantial investment before seeing positive returns. The case of Yoox Net-a-Porter (YNAP) exemplifies this difficulty, as the digital platform was intended to modernize Richemont's

e-commerce capabilities but instead resulted in inefficiencies and long-term financial losses. By 2024, Richemont announced the sale of YNAP to Mytheresa, incurring a €1.3 billion write-down. This highlights the risks involved in acquiring businesses that do not align seamlessly with Richemont's core expertise, as digital retail requires a fundamentally different operational model from the group's traditional luxury business (Figueras, 2024).

Scalability has also been a key issue, as many of Richemont's acquisitions operate in niche markets with limited growth potential. While expansion is crucial for justifying acquisition costs, some brands have struggled to achieve significant market reach without diluting their exclusivity. For example, Buccellati, which specializes in ultra-high-end jewelry with artisanal craftsmanship, has remained difficult to scale due to its reliance on intricate production techniques. Similarly, Delvaux, a historic luxury leather goods Maison, has encountered difficulties in expanding beyond its European roots. Despite Richemont's global infrastructure, the brand's limited market presence and competition from dominant players such as Louis Vuitton and Hermès have made its international growth a challenge. Post-acquisition, Delvaux was placed under Richemont's "Other Businesses" segment, which reported a €43 million loss in the fiscal year ending March 2024, underscoring the difficulty of generating substantial profits from niche acquisitions (Richemont, 2024).

Another major challenge Richemont faces is balancing heritage preservation with modernization and efficiency. Many of its acquisitions, particularly family-run businesses, have struggled to integrate smoothly into the corporate framework. Maintaining artisanal craftsmanship while ensuring commercial viability has required strategic planning, often necessitating leadership restructuring and operational adjustments. This was evident in the acquisition of Vhernier, where immediate management changes were made to align the brand with Richemont's broader business model. Cultural integration has also been a recurring issue, as acquired brands with strong independent identities do not always align with Richemont's centralized structure. Leadership transitions have, at times, led to internal resistance, especially for brands accustomed to operating independently. As Richemont continues expanding, refining its integration strategy will be crucial to ensuring that acquisitions contribute meaningfully to long-term growth, particularly as it seeks to compete more effectively with LVMH and Kering in soft luxury.

3.7 Conclusion: Navigating Growth and Integration Challenges

In conclusion, Richemont's strategic approach to acquisitions has played a pivotal role in shaping its growth and expanding its presence in the global luxury goods market. By acquiring a diverse range of high-end brands across watches, jewelry, fashion, and leather goods, Richemont has not only solidified its leadership in these sectors but has also adapted to evolving market trends and consumer demands. The acquisitions of brands such as Peter Millar, Buccellati, and Delvaux highlight Richemont's commitment to diversification and its ability to strengthen its portfolio through targeted investments in high-growth segments.

However, while these acquisitions have contributed to Richemont's long-term success, challenges related to integration, scalability, and maintaining brand heritage remain. The company's ongoing efforts to balance tradition with modern operational efficiency will be crucial for sustaining its competitive edge, particularly as it seeks to expand in regions dominated by rivals like LVMH and Kering. Ultimately, Richemont's ability to adapt and innovate through its acquisitions will determine its continued success as a global leader in the luxury goods industry.

Chapter 4

Exploring the Growth Gap Between LVMH and Richemont

4.1 Introduction

Both LVMH and Richemont began with nearly identical revenues in 1989—Richemont at €3.68 billion and LVMH at €3 billion EUR (UPI, 1990; Quarter 2024). By 2024, however, a significant disparity in their financial performance has been observed, with LVMH achieving €84.7 billion in revenue, while Richemont reached €20.6 billion in the same year (LVMH, 2024; Richemont, 2024). This growth gap raises an important question: why has one of these luxury giants outpaced the other?

In the luxury industry, the process of expansion and internationalization is recognized as a key factor driving profitability. According to Vermeulen and Barkema (2002), foreign subsidiaries can increase profitability, though the extent to which a firm benefits depends on its internationalization process. Both LVMH and Richemont have expanded internationally over time, and understanding the process of their international growth may provide insights into their differing profitability levels. This observation aligns with the idea that firms face constraints on their capacity to expand and absorb new experiences, which is crucial in explaining the differences in performance between LVMH and Richemont.

In this chapter, the financial performance of both companies will first be examined, focusing on how their revenues and profitability have evolved. Following this, their strategies will be analyzed through the lenses of pace, rhythm, and scope of acquisitions. By exploring how each company has approached growth—whether through diversification, the speed of acquisitions, or the consistency of their acquisition strategies—the factors contributing to LVMH's higher success compared to Richemont will be uncovered.

4.2 Financial Performance of LVMH and Richemont

In this section, the financial performance of LVMH and Richemont will be analyzed from 2014 onwards, focusing on key metrics such as revenue growth, profitability, and financial ratios like EBITDA margin, and ROE. By examining these, the reasons behind the growth disparity between the two companies will be explored.

Starting from 2014, a more consistent and reliable dataset is available, enabling the evaluation of how effectively the portfolios have been managed, operating cash flow has been optimized, and returns from investments have been generated. Prior to 2014, LVMH's consolidated financial statements were not available, making it difficult to fully assess the impact of strategic acquisitions. As a result, data from 2014 onward provides a more relevant and accurate starting point for evaluating LVMH's financial performance, especially in comparison to Richemont.

4.2.1 Revenue Growth Rate

The revenue growth rate is an important indicator of a company's financial health and its ability to generate increasing sales over time. By analyzing the revenue growth rate, the overall performance of luxury goods companies like LVMH and Richemont can be understood, both of which have had fluctuations in their annual revenues, driven by market dynamics, consumer preferences, and global economic factors.

Figure 21 summarizes the annual revenue growth rates for LVMH and Richemont over the past years.

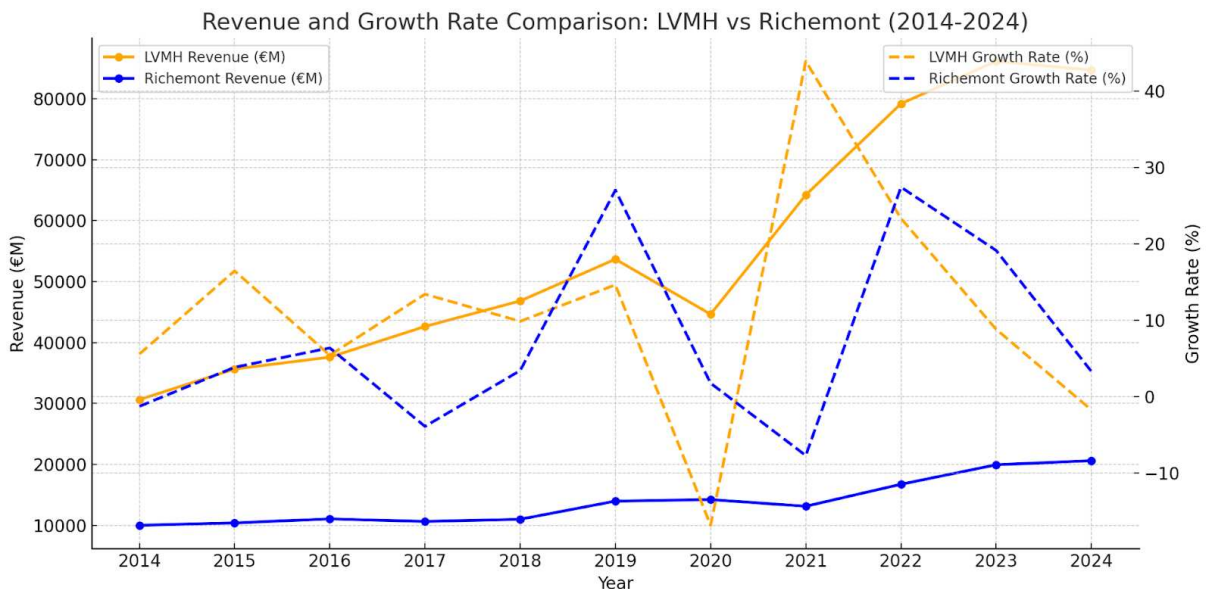


Figure 21. Revenue Year-on-Year Growth Rates for LVMH and Richemont 2014-2024 (Illustrated by the author based on the annual reports of LVMH and Richemont 2014-2024, 2025).

The observations from the revenue growth graph clearly illustrate that LVMH has significantly outperformed Richemont in terms of overall revenue growth between 2014 and 2024. Over this period, LVMH recorded a compound annual growth rate (CAGR) of 8.27%, whereas Richemont achieved a CAGR of 7.31%, indicating that LVMH experienced a higher level of sustained growth. This difference highlights the resilience and consistency of LVMH's growth, which is a result of its strategic acquisitions and diverse portfolio. LVMH's growth has been more robust due to its diversified business segments, which include fashion & leather goods, perfumes & cosmetics, wines & spirits, watches & jewelry, and selective retailing. This diversification has allowed LVMH to balance risks and benefits across different markets, ensuring more consistent performance, even during challenging economic periods.

In contrast, while Richemont has demonstrated significant growth in certain years, such as a 27.02% increase in 2018, its overall performance has been more volatile. This volatility is evident in several years where Richemont recorded lower growth or even negative growth, such as in 2021, when the company experienced a -7.68% decline in revenue. This volatility can be attributed to Richemont's more concentrated focus on luxury jewelry and watches, sectors that have seen fluctuating demand over time. While Richemont has made significant strides in its core segments, such as watches & jewelry, its reliance on these specific markets has made its performance more susceptible to external factors, such as shifts in consumer trends or global economic downturns.

While the period from 2014 onwards offers a clearer comparison of both companies' revenue growth rates, a significant divergence likely began earlier. However, due to the unavailability of annual data for LVMH during these earlier years, pinpointing the exact timeline is challenging. LVMH's aggressive expansion strategy in the 1990s and 2000s, through acquisitions like Marc Jacobs in the USA (1997) and DFS in China (1997), could have been key in diversifying its portfolio and expanding its presence beyond Europe. This strategy may have helped strengthen its global position by tapping into high-growth markets outside of Europe, particularly in the USA and China, which are major hubs for luxury goods. While this focus on geographical expansion might have played a significant role, other factors could also have contributed to its overall growth. In contrast, Richemont's more selective approach, focused on its core watches and jewelry segments, particularly in Europe, may have constrained its growth potential relative to LVMH.

4.2.2 Ratio Analysis

In this section, key financial metrics that provide insights into the profitability and efficiency of the company will be examined. Specifically, the Gross Profit Margin, Net Profit Margin, EBITDA Margin, and Return on Equity (ROE) will be discussed. These ratios are essential for understanding how profit is generated from revenues and how equity is utilized. Trends in financial performance, and operational efficiency will be assessed through the analysis of these ratios.

Based on the data provided in Figure 22, both LVMH and Richemont consistently maintain strong and relatively stable gross profit margins over the years. LVMH shows some variation in its margin, peaking in 2021 at 76.44% and slightly dipping in 2024 to 67.03%. The average for LVMH over the 2014-2024 period is 70.35%. On the other hand, Richemont consistently maintains a stronger gross margin than LVMH, with its lowest point in 2022 at 66.73%. The average gross margin for Richemont over the same period is 68.88%.

Although there is not a huge difference between the gross profit margins of LVMH and Richemont, LVMH has a slightly higher average margin (Table 8), reflecting its ability to command premium pricing for its diverse portfolio of luxury brands, particularly in fashion and leather goods. Richemont, while maintaining a strong gross margin, shows a more consistent but slightly lower margin, suggesting that its business model, which is heavily reliant on high-end jewelry and watches, operates with slightly higher direct costs, or that the products themselves are priced lower on average compared to LVMH's fashion and leather

goods.

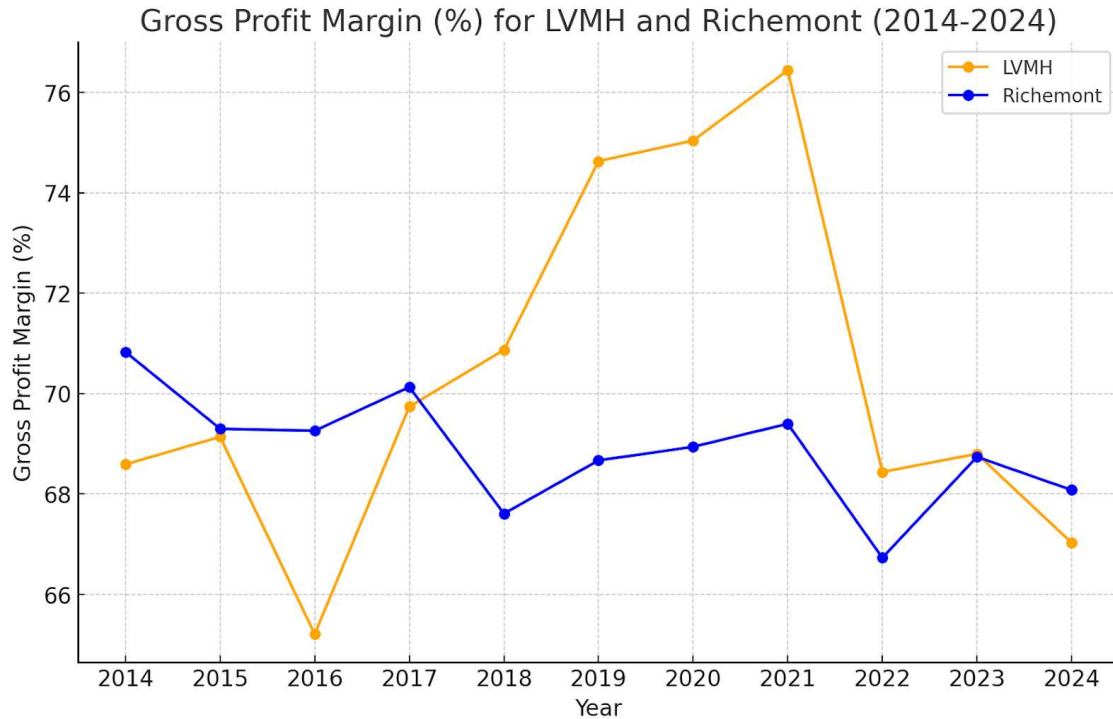


Figure 22. Gross Profit Margin for LVMH and Richemont 2014-2024 (Illustrated by the author based on the income statements of LVMH and Richemont 2014-2024, 2025).

Gross Profit Margin	LVMH	Richemont
Average (2014-2024)	70.35%	68.88%

Table 8. Gross Profit Margin Average for LVMH and Richemont (2014-2024)

Looking at Figure 23 comparing the EBITDA margins of LVMH and Richemont, it's evident that in 2024, Richemont achieved a higher EBITDA margin, reaching 23.42%, compared to LVMH's 22.82%. This marks a shift, as LVMH had a higher margin in previous years, particularly peaking in 2021 at 26.85%. The dip in LVMH's margin from 2021 to 2024 indicates a slight decrease in profitability, while Richemont's increase suggests a significant recovery in its operations.

In 2020, both companies saw a sharp decline in their EBITDA margins, reflecting the impact of the pandemic. Richemont's margin fell to 12.06%, showing a more pronounced drop. The pandemic severely affected luxury goods companies, disrupting supply chains, reducing consumer spending, and leading to store closures. However, Richemont managed to recover quickly, improving its EBITDA margin in the following years.

LVMH, although impacted by the pandemic, was able to bounce back more swiftly than Richemont, maintaining a strong margin in 2021. The pandemic's effects were less severe on LVMH, which benefited from its diverse product range and strong online sales during the crisis. By 2024, Richemont's operational efficiency and recovery strategy allowed it to surpass LVMH in EBITDA margin, highlighting a strong rebound, whereas LVMH's slight decrease in margin indicates some pressure in its operations post-pandemic. This comparison reflects how both companies navigated the pandemic's challenges but also how their recovery strategies differed. Richemont improved its profitability in the years following the crisis, while LVMH showed a slight decline in profitability in 2024 after a strong post-pandemic performance.

Moreover, LVMH's EBITDA margin increased significantly from 18.52% in 2014 to 22.82% in 2024, reflecting the company's strong operational improvements and successful navigation of global market conditions. The increase can be attributed to LVMH's ability to capitalize on luxury demand, especially in fashion and leather goods, where it commands premium prices. Additionally, LVMH benefited from cost optimization, economies of scale, and a strong post-pandemic recovery, particularly in 2021 and 2022 when its margin peaked at 26.85%.

In contrast, Richemont's EBITDA margin, while still strong, declined slightly from 24.38% in 2014 to 23.42% in 2024. Despite this small drop, Richemont remained highly profitable, with strong performance from its jewelry and watch segments. However, the slight decrease in its margin reflects operational challenges and the higher costs associated with its luxury products, particularly in the jewelry sector. Richemont's margin was also impacted by the pandemic, with a notable dip to 12.06% in 2020, although it recovered strongly in 2021 and beyond. Despite the decline, Richemont's ability to maintain profitability shows resilience, but it has not matched LVMH's growth in operating efficiency.

Over the entire period, LVMH maintained an average EBITDA margin of 21.04%, slightly outperforming Richemont, which had an average EBITDA margin of 20.87% (Table 9). These figures demonstrate that while both companies have remained highly profitable, LVMH's overall operational performance has been marginally stronger, aided by its larger scale and diverse portfolio across different luxury segments. Despite the small gap, Richemont's consistent ability to deliver solid margins, particularly in its key segments like jewelry, shows its strong market position and resilience.

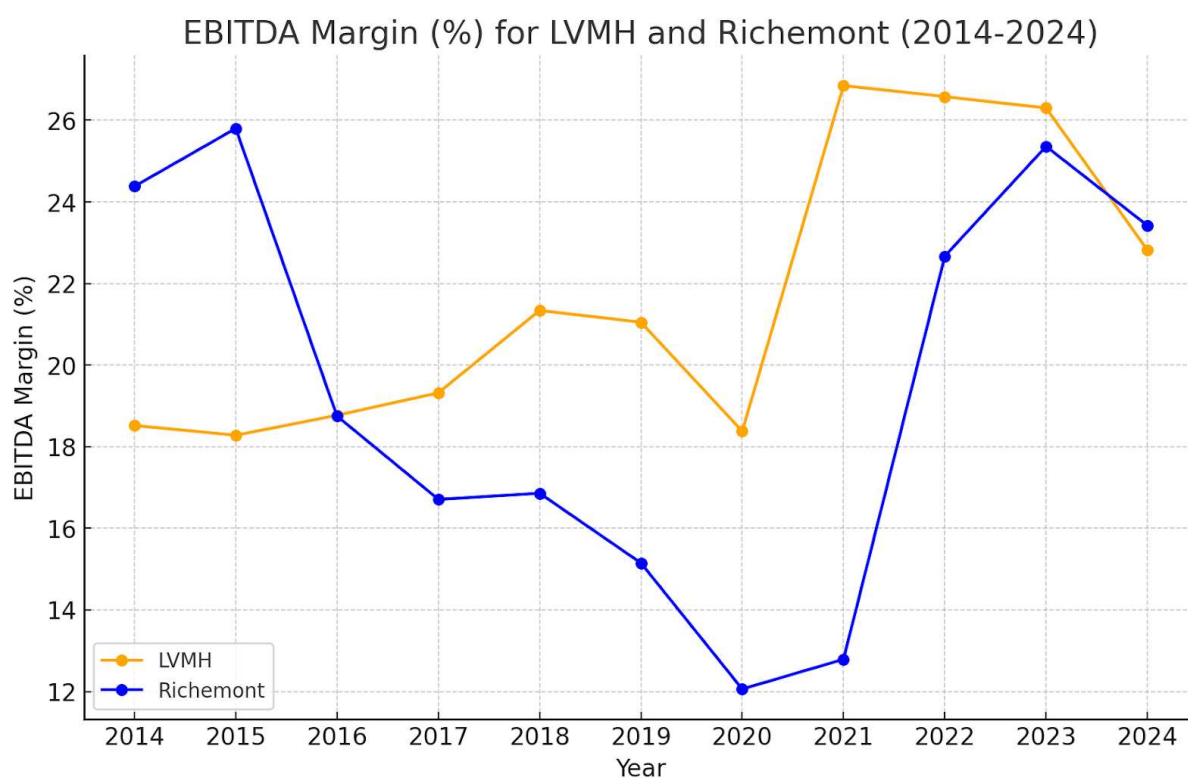


Figure 23. EBITDA Margin (%) for LVMH and Richemont 2014-2024 (Illustrated by the author based on the annual reports of LVMH and Richemont 2014-2024, 2025)

EBITDA Margin	LVMH	Richemont
Average (2014-2024)	21.04%	20.87%

Table 9. EBITDA Margin Average for LVMH and Richemont (2014-2024)

In terms of profit margin, from 2014 to 2024, LVMH's profit margin was consistently higher than Richemont's in most years, except for 2014, 2015, 2016, and 2019. LVMH's average profit margin of 13.41% over this period outperformed Richemont's average of 12.50%. This indicates that LVMH has generally been more efficient in terms of profitability, benefiting from better cost control, operational efficiency, and stronger pricing power. LVMH's profit margin remained relatively stable, particularly in strong years like 2021 (18.74%) and 2014 (18.43%).

Richemont, while still strong in terms of profitability, saw more significant fluctuations, especially in 2020 (6.53%) and 2023 (1.50%), reflecting challenges such as the COVID-19 pandemic and the write-down of YNAP assets. The gross margin of Richemont in 2024 improved to 11.42% from 1.50% in 2023. This increase was largely driven by the recovery in profitability and a favorable product mix, especially in its Jewellery Maisons. The

performance was further boosted by a shift toward higher-margin retail sales, as well as price increases across its luxury product lines. Higher sales from brands like Cartier and Van Cleef & Arpels, with the Jewellery Maisons segment reaching €14,242 million in 2024, played a significant role. These factors helped offset inflationary pressures and increased raw material costs, leading to a substantial recovery in gross profit margin compared to the previous year.

Overall, while LVMH has been more consistently profitable, as shown by its higher average profit margin, Richemont had strong years where its margins outperformed LVMH. This reflects the differences in their brand portfolios: LVMH’s broad market presence across multiple luxury segments contributes to its higher overall profitability, while Richemont’s more focused portfolio, particularly in watches and jewelry, faces more market fluctuations.

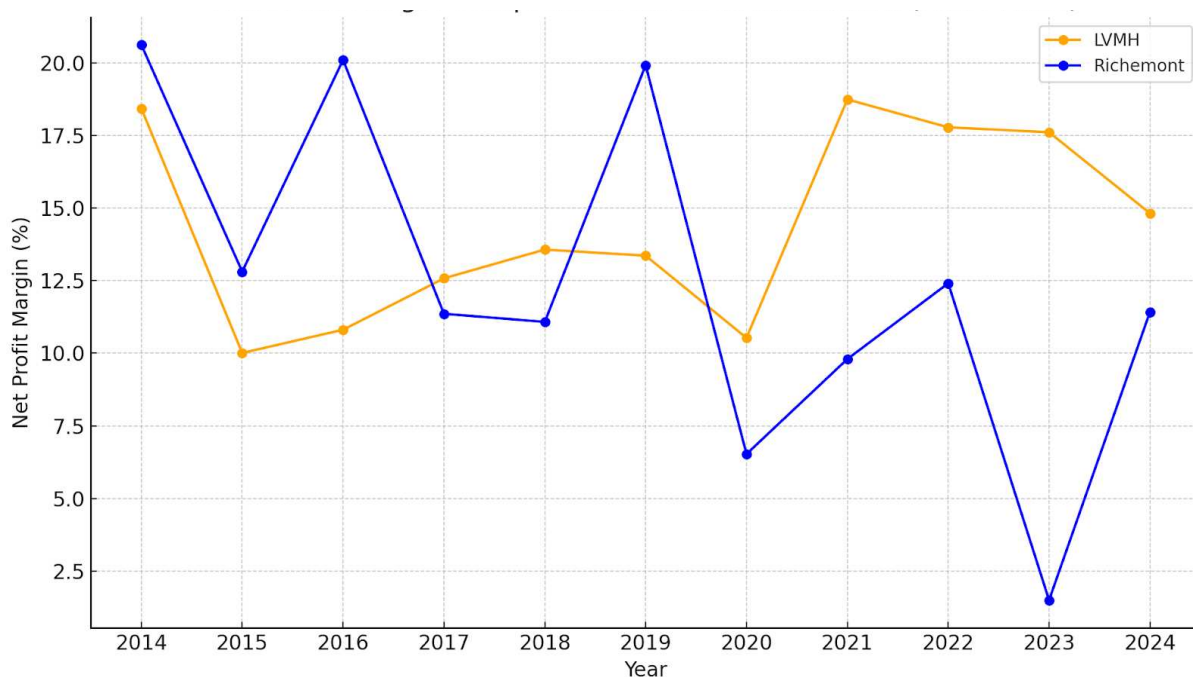


Figure 24. Net Profit Margin for LVMH and Richemont 2014-2024 (Illustrated by the author based on the annual reports of LVMH and Richemont 2014-2024, 2025)

Net Profit Margin	LVMH	Richemont
Average (2014-2024)	13.41%	12.50%

Table 10. Net Profit Margin Average for LVMH and Richemont (2014-2024)

Table 11 shows that the return on equity (ROE) of the LVMH Group is largely influenced by the total assets/equity ratio. The unusually high ROE in 2014 was primarily due to a €2.7 billion gain from the distribution of Hermès shares, which resulted in an exceptionally high net income. In comparison, the ROE in 2013 was 12.31%, a figure more in line with that of

2015. From 2015 to 2016, the ROE showed an upward trend, driven by both increased sales and net income. However, in 2017, the higher ROE was a result of an increase in total assets following the acquisitions of Rimowa and Christian Dior Couture. While 2018 saw growth in both sales and net income, in 2019, the growth was more attributable to the increase in total assets after the acquisitions of Belmond hotels and Stella McCartney, along with the impact of deferred tax assets. In 2020, sales and net income declined, but the ROE did not drop as much due to a rise in assets, specifically a €14.3 billion increase in cash and cash equivalents from the acquisition of Tiffany & Co. In 2021, the ROE doubled, not only due to a 43.88% increase in sales but also because of the effect of exchange rates and a significant rise in net profit following the distribution of dividends, which led to a 155% increase in net income. The decline in ROE to 18.06% in 2024 was primarily driven by a 2% drop in revenue, falling to €84.68 billion from €86.15 billion in 2023. Key segments like Wines and Spirits (down 11% to €5.86 billion) and Fashion and Leather Goods (down 3% to €41.06 billion) saw declines, reflecting the challenging global environment. Additionally, the company faced a €1.079 billion negative impact from exchange rate fluctuations, which hurt profits across multiple divisions. In addition, the sale of Off-White in September 2024 impacted profitability, as the disposal affected overall results. Bernard Arnault remarked in 2025 that 2024 was a year of "resilience in a disrupted global environment." This statement reflected the challenges faced by LVMH, including weaker consumer demand, particularly in key regions like China and the United States, as well as the impact of exchange rate fluctuations on its international operations.

LVMH	Net Income/Sales (1)	Sales/Total Assets (2)	Total Assets/ Equity (3)	ROE (1) * (2) * (3)
2014	0.184	0.574	2.320	24.50%
2015	0.100	0.619	2.232	13.81%
2016	0.106	0.630	2.136	14.26%
2017	0.120	0.630	2.265	17.12%
2018	0.135	0.630	2.188	18.60%

2019	0.133	0.556	2.515	18.59%
2020	0.105	0.410	2.798	12.04%
2021	0.187	0.512	2.562	24.52%
2022	0.177	0.588	2.378	24.75%
2023	0.176	0.599	2.291	24.15%
2024	0.148	0.567	2.153	18.06%

Table 11. LVMH Return on Equity Calculation 2014-2024 (Illustrated by the author based on the annual reports of LVMH 2014-2024, 2025)

In Table 12 the significant drop in Richemont's ROE can be seen in 2015, primarily due to foreign exchange losses after the Swiss National Bank ended the "peg" between the Swiss Franc and the Euro, causing a €686 million loss from financial investments and hedging activities, along with €217 million in mark-to-market losses from currency hedging. This resulted in a 35% drop in net profit, from €2,043 million in 2014 to €1,334 million in 2015, significantly impacting ROE. However, the increase in ROE from 9.23% in 2015 to 14.78% in 2016 was driven by a 67% increase in net profit, from €1,334 million to €2,227 million, largely due to a €639 million gain from the merger of The Net-A-Porter Group with YOOX Group. In contrast, the decline in ROE from 14.78% in 2016 to 7.74% in 2017 was due to a 4% sales decline, particularly in watches, weak demand, and a drop in wholesale performance, alongside exceptional charges of €151 million for inventory buy-backs, negatively impacting operating profit. The Specialist Watchmakers segment saw a 57% decline in operating profit. The sharp decline in ROE from 16.30% in 2019 to 5.35% in 2020 was driven by the Covid-19 pandemic, which led to an 18% drop in sales in Q4, 67% sales decline in Hong Kong, and a 67% drop in profit, while the non-recurring €1,378 million gain from the revaluation of YNAP shares did not repeat. In 2023, Richemont's ROE dropped to 1.57% from 10.41% in 2022 due to a €3.6 billion loss from discontinued operations, mainly from the €3.4 billion write-down of YNAP assets, despite strong sales growth in Europe and Japan. The increase in ROE from 1.57% in 2023 to 11.38% in 2024 was driven by a sharp rise in net income, from €301 million in 2023 to €2,355 million in 2024, largely due to the absence of the previous year's losses and the €3.4 billion YNAP write-down, with stronger

operational performance, favorable market conditions, improved exchange rates, and the integration of Gianvito Rossi further contributing to the ROE recovery.

Richemont	Net Income/Sales (1)	Sales/Total Assets (2)	Total Assets/ Equity (3)	ROE (1) * (2) * (3)
2014	0.206	0.629	1.331	17.24%
2015	0.128	0.509	1.418	9.23%
2016	0.201	0.550	1.337	14.78%
2017	0.113	0.528	1.298	7.74%
2018	0.111	0.429	1.746	8.31%
2019	0.199	0.498	1.645	16.30%
2020	0.065	0.467	1.764	5.35%
2021	0.098	0.371	1.977	7.18%
2022	0.108	0.479	2.013	10.41%
2023	0.015	0.488	2.149	1.57%
2024	0.114	0.483	2.068	11.38%

Table 12. Richemont Return on Equity Calculation 2014-2024 (Illustrated by the author based on the annual reports of Richemont 2014-2024, 2025)

The trend of Return on Equity (ROE) for both LVMH and Richemont from 2014 to 2024 is illustrated in Figure 25, providing a visual representation of their respective performances over the years. In general, the graph clearly highlights the volatility in Richemont's ROE, which saw significant fluctuations due to various external factors such as foreign exchange losses, acquisitions, and the impact of the COVID-19 pandemic. LVMH, on the other hand, displayed more stability, with sharp peaks reflecting strong sales growth, acquisitions, and overall operational efficiency.

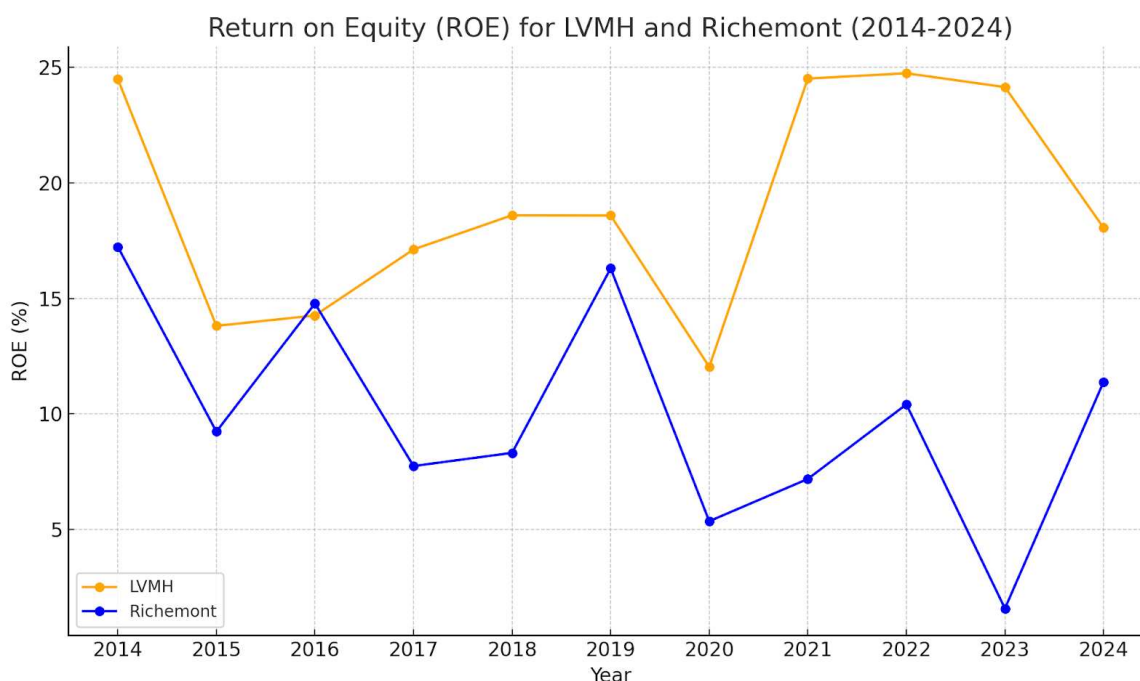


Figure 25. Trend of Return on Equity (ROE) for LVMH and Richemont from 2014 to 2024 (Illustrated by the author based on the annual reports of Richemont 2014-2024, 2025)

LVMH's average ROE of 19.13% significantly outperforms Richemont's 9.95% (Table 13), reflecting its more efficient use of equity to generate profit. LVMH's larger, more diverse portfolio and aggressive acquisition strategy have driven consistent growth, while Richemont's narrower focus on watches and jewelry has resulted in more fluctuating and lower returns. This highlights LVMH's superior ability to generate higher returns on equity.

Return on Equity (ROE)	LVMH	Richemont
Average (2014-2024)	19.13%	9.95%

Table 13. ROE Average for LVMH and Richemont (2014-2024)

In the following section, the pace, rhythm, and scope of the M&As of LVMH and Richemont will be examined. This analysis will provide insights into how each company has approached growth through acquisitions and how these strategies have influenced their financial performance.

4.3 Mergers and Acquisitions: Pace, Rhythm, and Scope of Growth

Since the early stages of business expansion research, scholars have suggested that firms can gain significant advantages by expanding into foreign markets through various mechanisms, including mergers and acquisitions (M&As) (Hymer, 1960; Vernon, 1966). For example, firms might address market imperfections through internalization (Rugman, 1979, 1981) or achieve economies of scale and scope, which help enhance profitability (Franko, 1989; Kobrin, 1991). In the M&A context, acquiring foreign companies can also promote innovation, facilitate knowledge transfer, and create synergies that boost long-term performance and sustainability (Bartlett and Ghoshal, 1989; Kogut and Zander, 1992, 1993; Barkema and Vermeulen, 1998).

When analyzing how firms expand through mergers and acquisitions (M&As), it is essential to consider the pace, rhythm, and scope of their acquisitions. These factors influence not only the speed at which firms grow but also the consistency with which they make acquisitions, the geographical and sectoral breadth of those acquisitions, and the nationalities of the target firms. The nationality of the target firms can affect the integration process due to differences in culture, business practices, and regulatory environments, which may influence the success of the M&A.

Time compression diseconomies, a concept introduced by Dierickx and Cool (1989), refers to the diminishing returns firms face when expanding too rapidly without sufficient time to absorb and integrate the acquired firms. In the context of M&As, these diseconomies are particularly relevant as the pace, rhythm, and scope of acquisitions, can significantly impact a firm's ability to effectively integrate and profit from new acquisitions.

Vermeulen and Barkema (2002) extended this idea in their study of internationalization, showing how the pace, rhythm, and scope of expansion affect a firm's profitability. Although their work focused on internationalization, the current analysis specifically addresses M&As. In this context, time compression diseconomies help explain why the pace, rhythm, and scope of acquisitions are crucial considerations. These factors shape how rapidly firms grow, how consistently they make acquisitions, and the geographical, sectoral, and national breadth of their investments, all of which influence the effectiveness and long-term profitability of M&As. Understanding how these dynamics play out in the cases of firms like LVMH and Richemont can help explain their varying levels of success in achieving sustainable growth through acquisitions.

4.3.1 Exploring the Pace of Acquisitions by LVMH and Richemont

The pace of acquisitions refers to the speed at which a company expands its operations through mergers and acquisitions (M&As). This section explores the acquisition pace of two luxury goods conglomerates, LVMH and Richemont, examining how the speed of their expansion has shaped their business strategies and outcomes. The pace of acquisitions is a key topic in strategic management, as rapid expansion can present both opportunities and challenges. While fast expansion can quickly broaden a company's market presence, it also brings the challenge of effectively integrating new acquisitions. As a company accelerates its growth through acquisitions, the complexity of managing multiple entities increases, potentially overburdening resources and slowing the integration process. Therefore, the speed at which acquisitions are executed plays a crucial role. Expanding too quickly without sufficient capacity for integration can limit the long-term success and profitability of these acquisitions. Balancing the speed of acquisitions is essential to maximizing their benefits and achieving sustainable growth.

In Figure 26, LVMH has demonstrated a more substantial overall growth in acquisitions compared to Richemont, with notable spikes particularly in the late 1990s, especially 1999, and again in the mid-2000s. These periods suggest that LVMH was aggressively expanding, capitalizing on market opportunities to strengthen its presence across various luxury sectors. LVMH's strategy appears to have been opportunistic, seizing key moments to acquire prominent luxury brands or expand into new product categories. The year 1999, in particular, marked a turning point, signaling a more aggressive approach toward diversification in areas like fashion, wines and spirits, and perfumes. The early 2000s also saw bursts of acquisitions, reinforcing LVMH's goal of becoming a dominant force in the global luxury market.

Interestingly, both companies almost started with the same pace, with relatively slow acquisition activities in the early years of the 1990s, yet the paths quickly diverged as LVMH pursued a more aggressive strategy. More recently, LVMH has maintained a consistent acquisition pace, with 2021 and 2023 reflecting ongoing growth and diversification. In 2021, the company acquired Tiffany & Co. in jewelry, a stake in Off-White in luxury streetwear, and L'Officine Universelle Buly in skincare. In 2023, acquisitions included Château Minuty, a renowned wine producer, and Paris Match, a major publishing brand, further expanding LVMH's presence in the wine and media sectors. The average number of acquisitions per year for LVMH over the 36-year period is approximately 1.47, supporting the notion of a strategic,

ongoing expansion that responds to evolving market trends and positions LVMH for continued growth in the competitive luxury sector.

On the other hand, Richemont has taken a more conservative and selective approach to acquisitions, evidenced by fewer, less frequent bursts of activity compared to LVMH. Although Richemont has still engaged in strategic acquisitions, these spikes tend to be less pronounced. Richemont's key acquisition periods, such as in the early 2000s (2000 with 3 acquisitions) and mid-2010s (2012 with 2 acquisitions), align with strategic moves aimed at bolstering its position in niche luxury sectors, particularly luxury watches and jewelry. These key acquisitions likely reflect Richemont's desire to maintain a balance between maintaining its brand heritage and expanding strategically into lucrative high-end markets. While there are bursts of acquisition activity, these are typically more spaced out than LVMH's, suggesting that Richemont's decision-making process may involve careful consideration of each opportunity, often with a focus on quality over quantity. The company's slower pace of acquisitions over time also suggests an inclination towards focusing on integrating existing brands, fine-tuning operations, and ensuring long-term brand value rather than rapidly expanding its portfolio.

Richemont's cumulative acquisitions have grown at a slower pace compared to LVMH, and its average acquisitions per year stand at around 0.78. This lower average highlights Richemont's more deliberate and methodical approach to expansion. While LVMH's acquisition activity seems to reflect an opportunistic and expansive growth strategy, Richemont appears to favor a more focused and measured approach, ensuring that each acquisition serves a strategic purpose aligned with its long-term vision.

In recent years, both companies have continued to engage in acquisitions, but LVMH has remained the more active player. In 2021, LVMH made three acquisitions, compared to Richemont's single acquisition, and in 2023, LVMH made two acquisitions, while Richemont made one. This further reflects the contrast in their strategic approaches, with LVMH continuing its aggressive expansion strategy, while Richemont maintains a more selective, measured pace in its acquisitions. LVMH's higher number of acquisitions over recent years underscores its continued commitment to aggressive expansion, capitalizing on emerging market opportunities and diversifying into new luxury segments. Richemont, conversely, appears to take a more cautious and careful approach, prioritizing consolidation and brand strength rather than pursuing frequent acquisitions. This pattern suggests that Richemont is more focused on strengthening its existing portfolio of brands and ensuring long-term

stability, while LVMH's strategy seems aimed at rapid market penetration and broadening its influence across the luxury industry.

The difference in strategies between LVMH and Richemont further highlights the companies' contrasting business models. LVMH is aggressively striving to dominate the luxury market, investing in a wide array of luxury sectors, from fashion to wines and spirits, in an effort to solidify its position as the leading global luxury conglomerate. Meanwhile, Richemont's strategy is more selective and focused, likely aiming to maintain the heritage and value of its iconic brands, such as Cartier and Van Cleef & Arpels, while gradually expanding its presence in high-end luxury segments like watches and jewelry. This approach reflects Richemont's broader emphasis on brand preservation and quality, as opposed to LVMH's more expansive, growth-driven tactics.

Ultimately, LVMH's aggressive acquisition strategy has played a key role in establishing the company as a dominant force in the global luxury market. The consistency and frequency of its acquisitions have enabled LVMH to build a far-reaching portfolio of brands and maintain its competitive edge in a fast-evolving market. Richemont, on the other hand, has focused on a more strategic, careful approach, ensuring that each acquisition is a deliberate and meaningful step toward enhancing its market position without sacrificing the integrity or legacy of its brands. Both companies, despite their different acquisition strategies, have demonstrated a clear understanding of the evolving luxury market and the need for periodic strategic acquisitions to stay relevant and competitive.

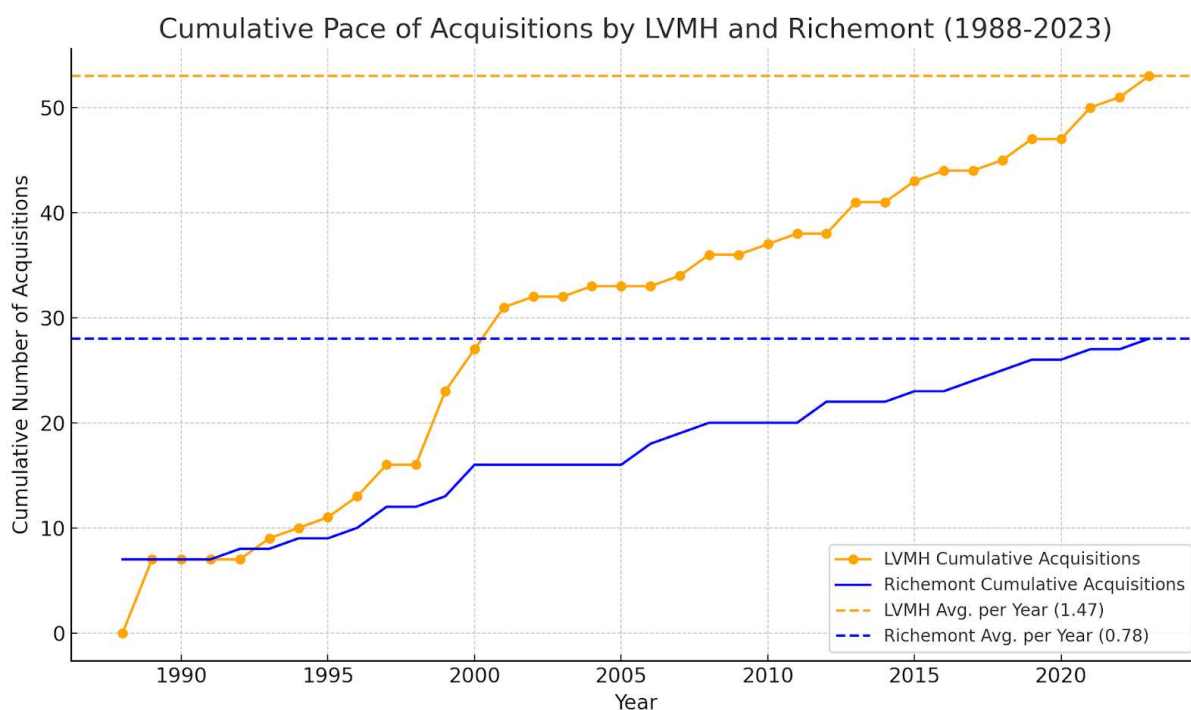


Figure 26. Cumulative Pace of Acquisitions by LVMH and Richemont 1988-2023 (Illustrated by the author based on LVMH and Richemont official websites, 2025; Quartr, 2024)

4.3.2 Analyzing the Rhythm of Acquisitions by LVMH and Richemont

Mergers and acquisitions (M&As) are widely regarded as key strategies for expansion and profitability enhancement. However, the rhythm at which these acquisitions are executed plays a critical role in their success. The rhythm of acquisitions refers to the consistency and regularity with which a company makes acquisitions. A consistent rhythm in acquisitions allows firms to manage the integration process more effectively, enabling them to better absorb new entities and align them with the existing structure. Firms with irregular or erratic acquisition patterns may face challenges in effectively managing and integrating these acquisitions, which can undermine their long-term profitability.

Based on Figure 27, the rhythm of acquisitions for Richemont and LVMH from 1988 to 2023 demonstrates a clear irregularity. Both companies exhibit varying numbers of acquisitions from year to year, and neither company follows a consistent pattern in terms of frequency or timing. Instead, we observe several periods of inactivity followed by occasional spikes in activity. This irregular rhythm is characteristic of strategic decision-making in the context of large corporations, which often respond to market conditions, economic cycles, and internal business goals rather than adhering to a fixed acquisition schedule.

Richemont's acquisition rhythm is notably irregular, characterized by several long inactivity periods, particularly in the 1990s and early 2000s. For instance, during the years between 1990 and 1996, Richemont made few acquisitions, signaling a possible strategic pause or external factors such as market conditions or internal restructuring. The inactivity periods between 2001 and 2005 also suggest that Richemont might have been focused on consolidating its existing businesses or adjusting to changes in the industry. Additionally, the company experienced another quiet period from 2008 to 2014. During this phase, economic uncertainty following the global financial crisis in 2007-2008 could have influenced Richemont's decision to minimize acquisitions and prioritize stability over expansion. Research has shown that economic recessions often lead to a focus on internal restructuring, cost management, and organic growth, which could explain these prolonged periods of inactivity (Silva and Gallucci Netto, 2022)

The effects of such inactivity periods can be substantial. While long periods without acquisitions may suggest a focus on internal operations, they could also mean missed opportunities for expansion or diversification. In the case of Richemont, these quiet years may have affected its ability to respond to competitors' moves or to rapidly diversify into emerging markets or sectors. Companies that delay acquisitions during times of market growth may face higher costs when they finally enter the market, as they may have to pay a premium to acquire desirable businesses. On the other hand, in periods of inactivity, firms may focus on strengthening their core competencies, enhancing their competitive position, or addressing operational inefficiencies, all of which can have long-term positive effects.

The irregular rhythm of Richemont's acquisitions also includes bursts of activity, such as in 1997-2000, 2005-2006, and more recently in 2012, 2015, and 2017. These periods of acquisition activity often seem to coincide with periods of external opportunities, such as market consolidation, growth in particular sectors, or changes in global trade conditions. For example, Richemont's acquisitions during 1997-2000 may have been driven by a desire to strengthen its position in the luxury goods market, capitalizing on the global economic boom of the late 1990s.

Similarly, LVMH's acquisition rhythm, while also irregular, includes fewer prolonged inactivity periods compared to Richemont. The company had relatively quiet phases in 1990-1993, and 2005-2006. Despite these dips, LVMH has managed to maintain a more consistent acquisition rhythm overall, with notable spikes in activity in 1989, 1999, 2013, and 2021. The more frequent bursts of activity indicate that LVMH may have adopted a strategy

of pursuing acquisitions more opportunistically, capitalizing on market conditions when favorable. In particular, LVMH's acquisitions in the late 1990s and early 2000s could have been driven by its ambition to expand its luxury portfolio in a period of rising global wealth, while its quieter years may have been used for integrating previous acquisitions or restructuring.

The rhythm of acquisitions for LVMH seems to reflect its sustained growth strategy, with acquisitions playing a central role in its expansion. Companies like LVMH that pursue acquisitions during periods of growth often experience accelerated market penetration and a stronger competitive position. By acquiring complementary brands or entering new markets, LVMH has been able to diversify its portfolio, enhancing its presence in both established and emerging luxury markets.

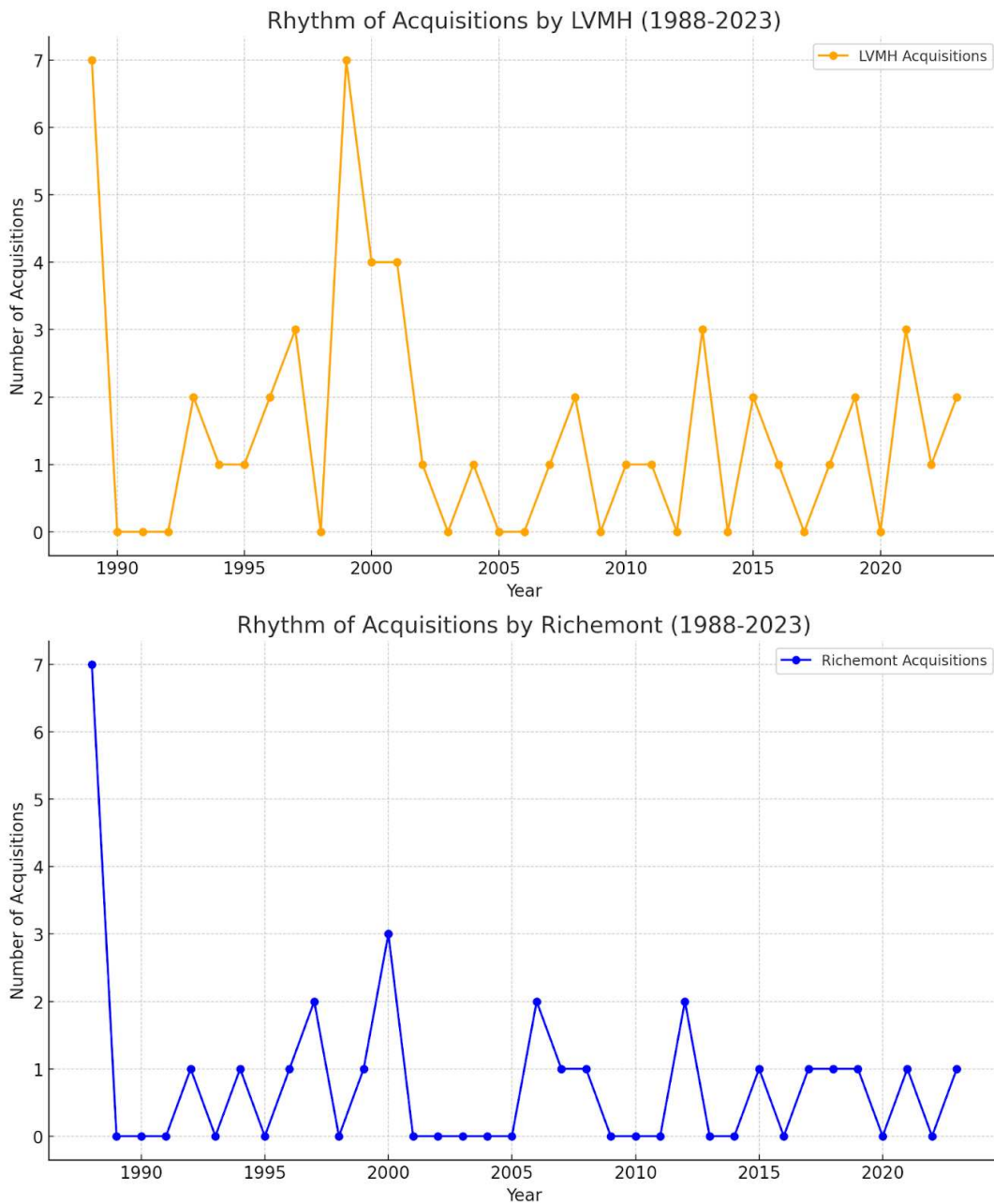


Figure 27. Rhythm of Acquisitions by LVMH and Richemont 1988-2023 (Illustrated by the author based on LVMH and Richemont official websites, 2025; Quartr, 2024)

4.3.3 Scope and Strategy of Mergers and Acquisitions in LVMH and Richemont

The scope of an expansion process refers to the breadth of markets and regions a firm enters, both in terms of product markets and geographical locations. The scope can significantly influence the success of mergers and acquisitions (M&As) and their impact on profitability. Expanding into a wide variety of markets, whether geographically or by product type, often places substantial demands on a firm's absorptive capacity. This refers to the firm's ability to

assimilate and apply new knowledge and experiences gained from foreign subsidiaries (Cohen and Levinthal, 1990).

When firms expand into many countries or product markets, they face challenges due to the diverse institutional, cultural, and operational settings. These challenges can complicate the integration process, as firms must adapt to different regulatory environments, consumer behaviors, and operational models across regions and sectors. As a result, the firm may encounter difficulties in fully capitalizing on the benefits of M&As, such as knowledge transfer and operational synergies. The more a firm spreads its expansion across diverse geographic or product markets, the more likely it is to face inefficiencies that can negatively impact profitability.

Thus, while expanding into new markets can be profitable, the scope of that expansion should be managed carefully to avoid overwhelming the firm's capacity to adapt and integrate new subsidiaries successfully. Firms that expand too quickly or into too many different areas without sufficient capacity to assimilate each new acquisition may find their growth becomes more difficult to sustain.

To further understand the scope of mergers and acquisitions in LVMH and Richemont, it is important to analyze the industries, and nationalities of their acquisitions. This analysis will highlight the strategic focus of their expansion efforts and reveal how they have diversified or concentrated their operations through M&As.

Figure 28 shows that LVMH has made more acquisitions in a wider range of industries compared to Richemont. LVMH has a strong focus on fashion and luxury goods, with 18 acquisitions in this sector, reflecting its core business and its strategy of expanding its luxury portfolio. In comparison, Richemont has made 11 acquisitions in this sector, indicating that while it shares a similar focus, its approach may be slightly more conservative or concentrated in select areas.

In the watches industry, Richemont stands out with 13 acquisitions, a significant focus area given its renowned watch brands such as Cartier and IWC. LVMH, by contrast, has made just 3 acquisitions in this field, showing that its attention to watches is less aggressive compared to Richemont's. Jewelry follows a similar trend, with LVMH making 7 acquisitions, while Richemont has only 2, again highlighting LVMH's broader push into luxury goods beyond watches.

Tobacco and lifestyle products are a space where Richemont has made a single acquisition, while LVMH has not pursued this sector, perhaps indicating Richemont's interest in expanding into more diverse lifestyle brands. In retail, LVMH has been more active, making 3 acquisitions compared to Richemont's 1, suggesting a stronger focus on controlling the retail experience for its luxury brands. Richemont's single acquisition in retail was its purchase of Yoox Net-a-Porter (YNAP) in 2015 for €2.7 billion. This acquisition aimed to strengthen Richemont's position in the luxury e-commerce space. However, YNAP struggled with profitability, with Richemont reporting a €327 million loss for YNAP in its 2020 financial results, largely due to logistical challenges and high operational costs. Despite efforts to improve the business, including attempts to integrate the brands more seamlessly, YNAP continued to underperform, leading Richemont to agree to sell YNAP to Mytheresa, a German luxury fashion platform, in 2024 for €555 million (Hoffman, 2024). This failure highlights the difficulties Richemont faced in scaling its e-commerce retail operations, contrasting with LVMH's more successful retail strategies, such as with Sephora, which has continued to thrive globally and is a major part of LVMH's retail portfolio.

LVMH's commitment to cosmetics and perfumes is evident with 7 acquisitions in this sector, whereas Richemont has not ventured into this market at all. Publishing is another area where LVMH has made 3 acquisitions, signaling its diversification into media and brand-building, while Richemont has not made acquisitions in this field.

The wine and spirits industry is another area where LVMH dominates, with 9 acquisitions, reflecting its strong position in this sector with brands like Moët Hennessy, while Richemont has made no acquisitions here. In travel and leisure, both companies have only made a small number of acquisitions, with LVMH leading at 2 compared to Richemont's 1. Similarly, LVMH's single acquisition in the patisserie and café sector shows its occasional interest in areas beyond traditional luxury goods.

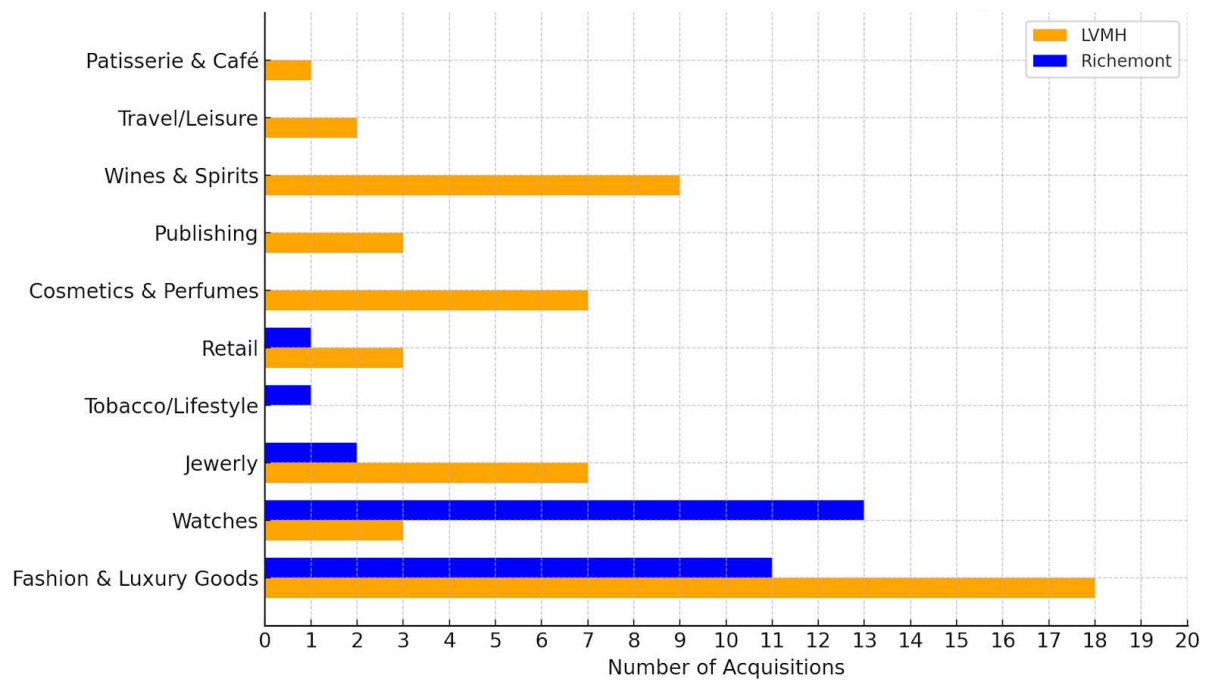


Figure 28. LVMH and Richemont M&As by Industry 1988-2023 (Illustrated by the author based on LVMH and Richemont official websites, 2025)

In Figure 29, the nationalities of the acquired firms for both LVMH and Richemont are presented. This analysis highlights the geographic diversity of their mergers and acquisitions, illustrating how both companies have strategically expanded their global presence through cross-border acquisitions. By examining the nationalities of these firms, we can better understand the international scope of their growth strategies.

For LVMH, the company has made acquisitions in 11 countries. The highest number of acquisitions has taken place in France (22 acquisitions), indicating the company's deep connection to its home market. Other key countries for LVMH acquisitions include Italy (9 acquisitions) and the USA (8 acquisitions). These figures reflect LVMH's strategy of consolidating its position in countries with strong luxury markets and historical significance in the luxury goods sector. France, being the heart of LVMH's operations and the birthplace of many of its iconic brands, plays a central role in its global expansion.

For Richemont, the company has made acquisitions in 7 countries. The largest number of acquisitions occurred in Switzerland (9 acquisitions), which highlights Richemont's roots in Swiss luxury, particularly in watches and jewelry. Other key countries for Richemont include France, the UK, and Italy, with 5 acquisitions in each. This focus on European countries aligns with Richemont's core business, which is largely centered around high-end watches, jewelry, and other luxury goods with strong European heritage.

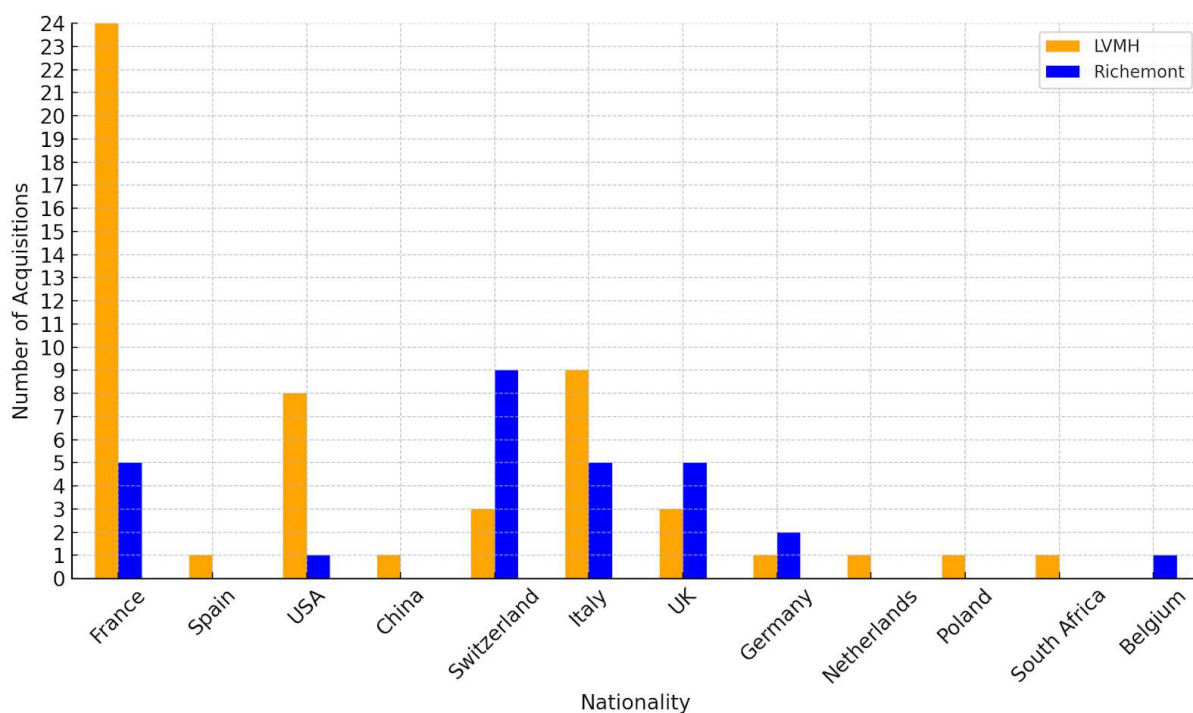


Figure 29. LVMH and Richemont M&As by Nationality 1988-2023 (Illustrated by the author based on LVMH and Richemont official websites, 2025; Quartr, 2024)

Because much of the data regarding the size of acquisitions for both companies is not disclosed, it is difficult to perform an in-depth analysis of the full scope of their acquisition strategies. However, if we consider the available data for the 2020s, it is obvious that LVMH has been particularly active in pursuing large-scale acquisitions. The most notable acquisition during this period was Tiffany & Co. for €13.43 billion in 2021, which marked a significant strategic move to enhance LVMH's position in the luxury jewelry market. This acquisition, along with others, highlights LVMH's aggressive growth strategy and focus on high-value deals aimed at expanding its portfolio and strengthening its competitive edge in the global luxury sector.

In contrast, Richemont's acquisition activity in the 2020s has been more restrained, with a total acquisition size of €403 million approximately. This smaller size indicates that Richemont has taken a more selective and cautious approach in its acquisition strategy, likely focusing on fewer, smaller deals compared to LVMH's large-scale investments. While LVMH's strategy appears focused on major transformative acquisitions, Richemont's more conservative approach could reflect a preference for organic growth or smaller strategic investments.

4.4 Conclusion: Growth and Acquisition Dynamics of LVMH and Richemont

The comparison between LVMH and Richemont throughout this chapter highlights several implications about their differing growth strategies, operational efficiencies, and acquisition approaches. Despite both companies beginning with similar revenues in 1989, LVMH's far superior performance, particularly in terms of revenue growth, is evident. LVMH's higher revenue growth rate can be attributed to its broader and more aggressive strategy of acquisitions, which has led to diversification across a wide range of luxury goods sectors. This diversified portfolio—spanning fashion, jewelry, cosmetics, wines and spirits, and retail—has not only enhanced LVMH's resilience in the face of economic volatility but also allowed it to maintain a robust presence across multiple high-growth markets globally. The regular pace and frequency of LVMH's acquisitions, alongside its wide-ranging scope of international and sectoral expansion, have allowed the company to maintain a competitive edge and capitalize on market opportunities with greater consistency.

In contrast, Richemont's growth trajectory is less consistent and more volatile, driven by its more focused approach. The company's acquisition strategy, characterized by fewer but more selective and deliberate moves, has allowed it to strengthen its position in specific luxury segments, particularly watches and jewelry. However, this focus on high-end jewelry, while beneficial in terms of premium pricing and strong brand equity, has made Richemont's growth more vulnerable to market fluctuations, as seen in years of reduced growth or even negative performance. Richemont's more cautious approach is also evident in its less frequent acquisition activity, where periods of inactivity indicate a strategy that favors consolidation and internal growth over rapid external expansion.

The analysis of margins and Return on Equity (ROE) further reinforces these differences. LVMH, on average, outperforms Richemont in key profitability metrics such as gross profit margin, EBITDA margin, net profit margin, and ROE. LVMH's average ROE of 19.13% over the 2014-2024 period significantly exceeds Richemont's average of 9.95%, reflecting its superior efficiency in generating profit from its equity. This is likely a result of LVMH's ability to command higher pricing power, especially in its fashion and leather goods divisions, which make up a substantial part of its portfolio. Its diversified business model has provided LVMH with a buffer against downturns in specific segments, allowing the company to maintain more stable and higher margins overall. Richemont, although it has shown strong

margins at times, especially in its core jewelry business, is more susceptible to fluctuations, especially when demand for watches and jewelry experiences shifts.

In terms of the pace, rhythm, and scope of their mergers and acquisitions, LVMH's strategy stands out for its opportunistic nature. Both companies have demonstrated an irregular acquisition rhythm, but Richemont's strategy is characterized by longer periods of inactivity. While LVMH has had several bursts of activity, particularly in the 1990s, 2000s, and more recently in the 2020s, its acquisition rhythm has been more frequent, reflecting its aggressive approach to seizing market opportunities and expanding across diverse sectors, even during periods of market uncertainty. In contrast, Richemont's acquisition rhythm shows longer stretches of inactivity, followed by occasional bursts of strategic acquisitions. This can reflect Richemont's more selective and cautious approach, focusing on acquisitions only when strategic opportunities arise.

The scope of their acquisitions also tells a story of their strategic priorities. LVMH has expanded aggressively across numerous sectors, from fashion to retail to wines and spirits, positioning itself as a comprehensive luxury goods conglomerate. Richemont, on the other hand, has focused much of its acquisition activity on strengthening its core competencies in luxury jewelry and watches, with fewer forays into other sectors. The geographical scope of their acquisitions further underscores these differences: while LVMH has spread its acquisitions across multiple countries, including a significant presence in France, Italy, and the United States, Richemont's acquisitions have been more concentrated, with a notable focus on Switzerland, its home market, and select European countries.

In conclusion, several key observations emerge from the comparison between LVMH and Richemont. LVMH's aggressive, diversified approach to acquisitions has allowed it to maintain a strong and consistent growth trajectory, achieving higher profitability and a broader market presence. Its ability to execute frequent, large-scale acquisitions across a variety of luxury sectors has positioned it as a dominant player in the global luxury market. Richemont, in contrast, has pursued a more selective and focused strategy, with a narrower scope and slower pace of acquisitions, which has led to more volatile growth. While Richemont has maintained strong positions in high-end jewelry and watches, its growth has been less explosive and more vulnerable to economic shifts. This analysis highlights the contrasting strategies of the two companies: LVMH's diversified, opportunistic approach versus Richemont's focused, conservative growth model. Both strategies have their merits,

but LVMH's approach has clearly yielded greater financial success and stability in the luxury sector.

Ultimately, the comparison underscores how differences in acquisition strategy shape a company's ability to sustain profitability and market dominance. LVMH's broad, frequent, and sector-diverse acquisitions have enabled consistent growth and high financial performance, while Richemont's cautious, focused acquisitions have resulted in strong brand equity but greater revenue volatility. This suggests that, in the luxury industry, a more expansive approach to acquisitions can enhance resilience and long-term profitability.

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