M&A in the Luxury Industry: A Case Study of LVMH and the Acquisition of Tiffany & Co.

An In-depth Analysis of Strategic Growth

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Dissertation written under the supervision of Professor Pedro Parada

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Abstract

Times without numbers, the luxury goods industry is characterized by a particular devotion to tradition, exclusivity, craftsmanship, and brand prestige 3 factors that set it apart from other industries. The following study examines the impact of mergers and acquisitions within the industry, focusing on how major players, as LVMH shape market dynamics and influence smaller luxury companies. While large conglomerates consolidate market power, they also increase the overall attractiveness of the luxury sector and promote growth and innovation. But why, exactly, is M&A such a significant growth strategy?

The dissertation consists of qualitative data including interviews with executives, as well as secondary data. Key themes include maintaining brand identity during acquisitions, the strategic importance of direct-to-consumer models, and actions taken to remain competitive. The study also examines the role of operational synergies, creative independence, and the evolving relationship between brand heritage and market expansion.

Ultimately, the results suggest that mergers and acquisitions in the luxury industry represent both a challenge and an opportunity, as they force smaller companies to differentiate themselves while strengthening the resilience and growth of the luxury market. By encouraging strategic adjustments and innovations, luxury groups not only improve their portfolio but also contribute to the long-term sustainability of the industry.

Title: M&A in the Luxury Industry: An Case Study of LVMH and the Acquisition of Tiffany & Co., An In-depth Analysis of Strategic Growth

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Resumo

Em tempos sem números, a indústria de bens de luxo caracteriza-se por uma devoção particular à tradição, exclusividade, artesanato e prestígio da marca - factores que a distinguem de outras indústrias. O estudo que se segue examina o impacto das fusões e aquisições na indústria, centrando-se na forma como os principais intervenientes, como a LVMH, moldam a dinâmica do mercado e influenciam as empresas de luxo mais pequenas. Embora os grandes conglomerados consolidem o poder de mercado, também aumentam a atratividade global do sector do luxo e promovem o crescimento e a inovação. Mas porque é que, exatamente, as F&A são uma estratégia de crescimento tão importante?

A dissertação é constituída por dados qualitativos, incluindo entrevistas com executivos, e por dados secundários. Os principais temas incluem a manutenção da identidade da marca durante as aquisições, a importância estratégica dos modelos diretos ao consumidor e as medidas tomadas para se manterem competitivas. O estudo examina igualmente o papel das sinergias operacionais, a independência criativa e a relação evolutiva entre o património da marca e a expansão do mercado.

Em última análise, os resultados sugerem que as fusões e aquisições na indústria do luxo representam tanto um desafio como uma oportunidade, uma vez que obrigam as empresas mais pequenas a diferenciarem-se, ao mesmo tempo que reforçam a resiliência e o crescimento do mercado do luxo. Ao encorajar ajustamentos estratégicos e inovações, os grupos de luxo não só melhoram a sua carteira como também contribuem para a sustentabilidade a longo prazo da indústria.

Título: Fusões e aquisições na indústria do luxo: Um estudo de caso da LVMH e a aquisição da Tiffany & Co., uma análise aprofundada do crescimento estratégico

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Palavras-chave: Fusões e Aquisições, Indústria de Bens de Luxo, LVMH, Setor dos Relógios e Joalharia, Tiffany & Co., Crescimento Estratégico, Integração Pós-Fusão

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Table of Contents

List of Abbreviations

M&A	Merger and Acqusition
LVMH	Louis Vuitton Moët Hennessy
W&J	Watches and Jewelry Sector
HR	Human Resources
R&D	Research and Development
HNWI	High-Net-Worth Individuals

List of Figures

List of Tables

1 Introduction

1.1 Problem Definition and Objectives

While the luxury industry is fast paced, it is equally complex. There are a variety of characteristics that distinguish it from other industries, ranging from brand image, customer perception, and price category. Precisely because the industry dynamics are developing extremely rapidly, companies have a strong interest in expanding and growing quickly, in order to maintain relevant. In recent decades, a particular aspect of this has been the focus on inorganic growth.

This dissertation investigates how businesses expand through mergers and acquisitions (M&A), with an emphasis on the luxury sector. This helps to comprehend how the industry has changed historically and to predict how it will evolve in the years to come. Considerable attention is paid to M&A strategies, how luxury businesses satisfy consumer needs, and how this impacts competitiveness.

A qualitative approach is taken to examine the case of luxury conglomerate Louis Vuitton Moët Hennessy (LVMH) to understand how and why companies expand through acquisitions in the first place and to suggest a timeline of the company`s expansion. Specifically, the acquisition of Tiffany & Co. will be examined to show the impact on LVMH and the luxury goods industry overall, as it presents the largest deal in the history of the luxury goods market.

Furthermore, the research will look at the luxury goods market, it`s development and the history of LVMH to understand the M&A strategies that the company has adopted, implemented and perfected within their operating years. There is also considerable interest in how these deals affect other companies in the industry and how they deal with them. This will be represented in the findings chapter through the analysis of expert interviews from two companies with first-hand experiences.

1.2 Course of the Investigation

For the accurate collection of data, both existing literature and qualitative research are used to ensure a precise analysis. Therefore, the following research question is answered:

Research question (1)

"What opportunities do M&A strategies offer firms in the luxury sector and why do they implement it?"

Due to the complexity of the research question, additional sub-questions arise, which will be addressed in the context of this dissertation. This serves the purpose of understanding the research area accordingly in order to be able to analyze the results accurately and in detail.

For this reason, further chapters deal with the justification of the following questions:

(i) How does M&A in the luxury industry differ from other industries?

(ii) What are the main objectives of acquisitions and how do luxury brands ensure long-term success?

(iii) What are the challenges and opportunities for competing companies?

This research aims to provide a full picture of this phenomenon but is mainly designed to explain why M&A in the luxury industry is unique. It highlights the challenges and opportunities involved and therefore also addresses the need for action for smaller companies that may be affected by this approach. The aim thus is to show the development of the industry. This is analyzed through the practical example of LVMH and applied specifically to the Jewelry and Watch sector (W&J) using the example of Tiffany & Co., as well as expert interviews that directly operate within the industry.

2 Theoretical Background

2.1 Growth Strategies

Growth is an essential objective for firms that want to prosper, expand, and maintain a competitive advantage in today's dynamic and competitive economic world. Companies that pursue expansion can strengthen their market position and compete more effectively. Several solutions have arisen to help with this endeavor, each offering unique paths to realizing the benefits of expansion. However, it is crucial to recognize that expansion does not always equate to increased profitability. Furthermore, the expenses of executing growth initiatives, which vary depending on the approach used, might provide major budgeting and management issues (Weiss et al., 2023, p. 1).

The following sections will deepen the understanding of organic and inorganic strategies, as well as outline the main components and how to differentiate them. Both organic and inorganic tactics will be explained in the sections that follow. For businesses to capitalize on opportunities, navigate the complexities of the market, and establish a lasting presence, they must understand and effectively implement these strategies. This chapter examines a variety of growth strategies, paying particular emphasis to their attributes, applications, and key components for successful implementation in today's fast-paced and cutthroat business environment.

Generally speaking, one distinguishes between inorganic and organic growth. In general, inorganic growth uses external resources, whereas inorganic growth deals with internal resources that are utilized to build a business.

2.2 Organic Growth

Organic growth refers to the expansion and development of a firm through the use of its own internal resources, operations, and capabilities, without depending on external resources, mergers, or acquisitions.

The main objective is to increase sales, market share and profitability, especially through own ideas and efforts (Guth, 2018, p. 1159). The "Theory of the Growth of the Firm," which Edith Penrose published in 1959, focuses on the management resources and competencies that might impact an organization's growth. "Endogenous capabilities as their knowledge grows and have no boundaries other than those given by their own endogenous capabilities" (Nair et al., 2008) is the theory's explanation for how businesses might expand. By emphasizing the company's own resources and competencies, organic growth encourages steady and sustainable growth (Doz, 2007). Even while organic growth may be a slower process overall compared to alternative strategies, it is usually more controlled, managed, and less hazardous than inorganic development strategies, which makes it less susceptible to risk (Guth, 2018, p. 1160).

Firms that focus on product creation, innovation, and improving customer experiences might concentrate on organic growth, while they invest in their core competencies and strive to upgrade their current company procedures to adapt to changing customer needs, market dynamics, and technological advancements. Businesses may establish a strong foundation, maintain control over their growth pattern, and attain long-term, sustainable success by implementing an organic growth plan (Lockett et al., 2009, p. 7).

An example of an organic growth strategy is enhancing research and development (R&D). This indicates that the company's offerings will be expanded and includes developing novel products or services that cater to existing or prospective clients or enhancing them through innovation. Internal firm development, research, and innovation may be included in this stage (Brunner et al., 2023). A further factor is market penetration, which is the process of increasing market share or presence through marketing, geographic expansion, or reaching new client groups within already-existing markets (Guth, 2018, p. 1183). Enhancing operations is a further organic technique that may be employed to reduce expenses and increase productivity through process optimization, infrastructure investment, or both.

In order to attract new clients while concentrating on keeping existing customers by providing them with outstanding experiences and service, marketing, branding, and customer engagement tactics are used. The practice of expanding or enhancing distribution networks in order to reach a wider audience or transport goods and services more effectively is known as distribution channel optimization (Guth, 2018, p. 1158). In addition to all of these strategies, another well-liked one is talent development and retention. Investing in staff, developing their potential, and keeping skilled workers on board are some ways to encourage innovation and expansion (Guth, 2018, p. 1157).

2.3 Inorganic Growth

In contrast to organic growth, inorganic growth strategies enable firms to grow rapidly by using external resources instead of merely internal. Among these strategies is mergers and acquisitions (M&A), where companies either merge or one acquires another. Through strategic alliances, businesses may work together, enter new markets, or fill up skills gaps. With the help of these approaches, firms may enter new markets, embrace new technology, and increase their market share swiftly. Although they allow for considerably faster expansion than organic growth, they frequently carry greater risks and present integration issues.

These strategies will be further investigated in the upcoming chapter, which will serve as the primary focus of this thesis.

2.3.1 Alliances

Alliances are partnerships or collaborations between multiple companies or organizations that are created in the context of growth strategies with the aim of accomplishing particular strategic objectives or mutual advantages. Alliances can help a corporation integrate new competences obtained from its selected partners and expand its strategic capabilities (Doz, 2023). Companies who wish to enter the alliance space are not always required to be in the same business sector. Company visions, market conditions or dynamics, and strategic factors may all have an impact on the choice to form partnerships. Co-specialization and complementarity of their resources assist firms accomplish their goals more quickly or more effectively.

For an alliance to be effective, all involved parties require mutual trust and similar attitudes and viewpoints (Doz, 2023). Accordingly, by learning from their past experiences and establishing new avenues for cooperation, bilateral alliances can gradually broaden their horizons and establish more points of agreement (Doz, 2007). These partnerships can have many different forms and serve a range of purposes in the business sector. A joint venture is one type that is often used, which is a sort of commercial arrangement in which two or more independent businesses collaborate on a specific project, business, or group of connected endeavors. Such method aims to achieve a shared objective by combining the abilities, skills, and talents of the parties engaged. They are often established with a certain period and objective in mind, and they may have various legal forms (Brunner et al., 2023).

2.3.2 Affiliations

As opposed, affiliations are less formal and integrated collaborations. By utilizing complimentary skills, common objectives, and strengths, affiliations enable businesses to operate together without formal agreements. Thus, companies are able to share information, resources, and expertise, frequently taking use of established external connections with suppliers, legislators, regulators, and social networks (Haspeslagh & Jemison, 1991, p.26).

In addition to informal channels like personal networks or cultural links, affiliated enterprises often exchange opportunities and insights through formal mechanisms like director interlocks, in which CEOs serve on the boards of connected companies. These kinds of relationships improve accordance to market circumstances and ease the flow of information (Lee & Gaur, 2013, pp. 443-454). Furthermore, related businesses frequently executives across entities and centralize management training, which promotes internal cooperation and facilitates effective resource allocation (Singh et al., 2018, p. 222). Without the full commitment of mergers or acquisitions, companies can improve their competitive stance, increase their market reach, and extend their skills by forming alliances, joint ventures, or affiliations.

2.3.3 Merger & Acquisitions

M&A, or mergers and acquisitions, serve as significant strategic instruments that help companies grow and improve their market position while adjusting to shifting economic conditions. As long-term commitments, M&A transactions enable companies to diversify their resources and skills, restructure operations, and quickly react to market threats (Homburg, 2006, p. 9). M&A can provide advantages that go beyond monetary growth, impacting competitive advantage and organizational development (Ferreira et al., 2014, p. 2556). The term "acquisition" is typically used to denote the broader strategy, however M&A really refers to two distinct approaches.

Purchasing or gaining control of another firm by acquiring its equity, assets, or controlling interest is known as an acquisition. Companies strategically choose to develop, diversify, grow, or acquire another company through acquisitions (Ferreira et al., 2014, p. 2550). Buying certain assets, such as equipment, real land, or intellectual property, rather than the complete business, is the asset acquisition approach. Through the acquisition of another company's shares, a business can get control over the target company and obtain a majority stake in it. They call this an equity purchase. In a stock acquisition, sometimes referred to as a share acquisition, the acquiring business purchases all or the majority of the shares of the target company. The purchasing corporation therefore becomes the new owner and manager of the whole company. A stock buy aims to provide a more thorough approach to acquiring a business, considering all of its assets, liabilities, and contractual commitments. Since equity acquisitions typically involve privately owned enterprises, they vary from stock acquisitions. Conglomerate acquisitions include buying a company that operates in a completely other sector of the economy. Diversification techniques are applied here in order to reduce risk, seize new possibilities, or investigate unconnected markets (Datta & Grant, 1990, pp. 31-33). Apart from these diverse categories, there is also a distinction between aggressive and amicable acquisitions. A friendly acquisition occurs when both the acquiring and the acquired companies agree on the conditions of the purchase, leading to a mutually beneficial transaction. Hostile

takeovers, as opposed to friendly acquisitions, happen when an acquiring business attempts to purchase a significant portion of the target company's shares against the preferences of the target company's management (Ferreira, 2014).
Due to a change in management, acquisitions are frequently a very expensive growth strategy that demand a specific amount of a company's cash as well as time and effort. Resources that may have been utilized for organic growth may be lost (Datta & Grant, 1990, p. 31).

A merger is a legal action when two or more organizations combine to establish a new organization or function as a single entity. The culture, leadership, strategy, and general organization of the companies may all alter as a result. Mergers have the potential to promote organizational change, which would lead to "skill upgrading" among workers. An M&A may be viewed as a sort of technological transformation if it involves the transmission of new information and the adoption of new production procedures (Siegel & Simons, 2010, p. 3).

To differentiate, an acquisition occurs when one company purchases another, typically smaller, company, while a merger involves the joining of two companies to form a single entity.

2.3.4 Justification for M&A

An acquisition decision might be determined for a number of reasons. A company may determine that collaborating with another company is simply more advantageous. Return on equity and shareholders' wealth may rise as a result of an acquisition. It is also possible to reduce associated expenditures and operating expenses. Smarter use and "sharing" of resources are frequently to blame for this. It's also reasonable to anticipate an improvement in management and leadership caliber.

Not all companies, however, may be desirable to acquire since their qualities must be advantageous to the company making the purchase. Similar to managers, organizations' acquisitiveness is shaped by unique characteristics and experiences. Acquisitiveness appears to be diminished by firm traits that suggest organizational skepticism or risk aversion as well as situations that expose businesses to high levels of business risk. Research has also shown that performance in relation to ambition levels affects acquisition behavior. According to the research, businesses that were doing around their ideal levels were more likely to make purchases than those that were either doing exceptionally well or incredibly poorly.

Additionally, studies have shown that a firm's willingness to acquire as well as the types of acquisitions it pursues are influenced by business characteristics, such as competitive ability attributes, disciplined financial management, and R&D experience. Similar to managers, organizations' acquisitiveness is shaped by unique characteristics and experiences. Acquisitiveness appears to be diminished by firm traits that suggest organizational skepticism or risk aversion as well as situations that expose businesses to high levels of business risk. Research has also shown that performance in relation to ambition levels affects acquisition behavior. According to the research, businesses that were doing around their ideal levels were more likely to make purchases than those that were either doing exceptionally well or incredibly poorly. Additionally, studies have shown that a firm's willingness to acquire as well as the types of acquisitions it pursues are influenced by business characteristics, such as competitive ability attributes, disciplined financial management, and R&D experience (Devers et al., 2020, p. 17). Their attributes also affect the possibility of purchasing possible target companies. In general, businesses are more likely to be targeted if they exhibit observable behaviors that boost their prominence or attractiveness, such as market share or ties to investment banks or well-known investors. Furthermore, the choice to buy may also be influenced by a robust and superior network (Devers et al., 2020, p. 17).

2.3.5 The History of M&A

In the United States, the history of M&A dates back to the eighteenth century, while in Europe, it started in the nineteenth century. These days, M&A is a crucial instrument for corporate restructuring and business expansion and growth. M&A transactions have tripled in the final ten years of the 20th century. The first trend lasted from 1897 until 1904, when M&A gained traction in businesses and organizations. The majority of such transactions took place between manufacturers or lone sellers in the manufacturing sector. Due to their inability to meet their aims and objectives, M&A agreements are often not particularly helpful (Malik et al., 2014, p. 522).

From 1916 to 1929, the second wave of M&A development aimed to provide corporations interested in oligopolies rather than monopolies with an opportunity to do so. In this wave, the M&A deals were horizontal. During this period, railroads and transportation were underway, and many companies that chose to engage in M&A transactions were involved in the trade of minerals, oil, or nourishment. As they provided loans to investors, banks were increasingly significant throughout this time. In the four years between 1965 and 1969, the third wave of M&A transactions took place. Banks were not engaged during this time, in contrast to the second phase, and owner capital served as the primary foundation for the transactions. However, businesses were experiencing unsatisfactory outcomes, and this phase ended (Malik et al., 2014, p. 522).

Mergers in the gas, oil, pharmaceutical, banking, and aviation industries defined the fourth wave, which lasted from 1981 to 1989. Furthermore, M&A transactions were becoming more and more popular since they were viewed as "as means of taking benefit from lofty profits in short span" and as "highly beneficial speculative action[s]" (Malik et al., 2014). Because takeovers were viewed as either "friendly" or "hostile," the distinction between the two came to existence during this time. 1992 marked the start of the fifth wave, which concluded in the year 2000. It was characterized by ongoing deregulation and a global share market boom. As a result, transactions in the banking and telecom industries heavily dominated this wave, although equity capital rather than debt financing provided support. Deals were often conducted in the telecom, banking, oil, gas, metals, and health care industries during the sixth phase, which ran from 2003 to 2007. In order to become a strong operational nation, certain governments supported worldwide expansion, and globalization was playing a significant role (Malik et al., 2014, p. 523).

2.4 Post-Merger Integration

The discussion of "managerial efforts done to join two previously distinct enterprises" (Cording et al., 2014, p. 41) provides a definition for the phrase "post-merger integration. It encompasses every operational, structural, cultural, and strategic step necessary to unite the acquired company and the acquiring organization into a single, coherent entity (Cording et al., 2014, p. 39).

According to some studies, when two businesses merge, the process is standardized since the acquired company either runs independently or the two businesses converge. Some claim that post-merger integration is a "multidimensional" process since it requires consideration of dimensions more than only strategic ones (Graebner et al., 2017, p. 2). As a result, it is difficult to define precisely what the process of purchasing a company looks like in each situation. Additionally, an integration process involves several subprocesses where a great deal of social interaction is required in addition to strategic decision-making. Furthermore, despite meticulous

planning, certain unforeseen and unanticipated events or scenarios may arise throughout an acquisition process (Graebner et al., 2017, p. 2).
The most crucial factor when discussing strategic processes in an acquisition is the cooperation between the acquiring, acquired, and resource organizations. According to Graebner et al. (2017), p. 2, there are two basic strategic viewpoints that deal with mutual coordination between the acquiring and acquired firms, resource allocation, and value creation.

"Interaction, alignment, and structural integration" is a crucial strategic approach that emphasizes communication, alignment, and interaction between the firm and its target groups (Graebner et al., 2017, p. 2). Another strategic viewpoint focuses on "reconfiguration and renewal," where PMI's prospective prospects are considered. Resources are being reorganized and recombined by these possible prospects (Graebner et al., 2017, p. 3).

2.5 Horizontal vs. Vertical Integration

The "horizontal integration" business approach allows a corporation to strengthen or expand its position inside the same production or distribution chain stage (Colangelo, 1995, p. 324).
Horizontal integration is the process by which a business acquires or combines with other businesses that manufacture comparable goods, work in the same industry, or provide comparable services. Consequently, they have the same target audience. To increase market share, lessen competition, and benefit from economies of scale, the corporation is focusing on strengthening in the same industry (Colangelo, 1995, p. 325).

Conversely, the term <vertical integration= describes the expansion or consolidation of a business across many stages of the production or distribution process within the same industry. Businesses that are involved in different phases of the production or distribution chain, such as distributors, retailers, and suppliers, are merged with or acquired by a company that practices vertical integration. Increasing control over the manufacturing or distribution process, cutting costs, and increasing productivity are the objectives of controlling or influencing different supply chain phases (Teece, 2018, p. 1806).
Forward integration and backward integration are the two forms of vertical integration. When a company integrates backwards, it makes direct purchases or joins forces with suppliers or other companies that supply the inputs or raw materials required for its manufacturing process. Businesses employ backward integration as a tactic to take charge of their supply chains. Cost

reductions, quality assurance, and a more dependable supply of required parts might result from this.
In order to integrate forward in the supply chain, a business will either buy out or combine with businesses that are closer to the end-user, such as wholesalers or retailers. By using forward integration, a company hopes to get direct access to end customers, control product distribution, and maybe acquire a larger portion of the value chain. Consequently, this might lead to improved control over price, marketing, and customer experience (Teece, 2018, p. 1808).

Reduced reliance on external partners, improved supply chain management, economies of scale, and control over vital resources are some advantages of both horizontal and vertical integration strategies. The choice between vertical and horizontal integration depends on the organization's strategic goals, market conditions, and the desired level of control within the industry (Colangelo, 1995, p. 327).

3 Methodology

3.1 Research Method

This dissertation provides a thorough analysis of the M&A practices of luxury companies, specifically considering the unique conditions of market dynamics and characteristics. In particular, it aims to examine the critical factors that luxury firms consider when acquiring firms, how this approach impacts subsequent strategic decisions, and how these procedures affect the maintenance of brand image and the dilution of the firm's primary reputation.
The author of this dissertation follows a structured framework that includes both primary and secondary data sources. The initial phase is the secondary data section, which is covered in the <Literature Review= and <Data Analysis=, whereby the latter is presented in the following. These chapters provide a broad overview of the topic, highlighting key facts and figures about the luxury sector and growth strategies that can be used in this case.
The previous chapter <Literature Review= serves to understand growth strategies in general and shows how to distinguish between organic and inorganic strategies that companies might consider for expansion. It provides an important basis for classifying this dissertation in the existing body of knowledge, which has been carried out by renowned authors and their studies. In this dissertation, the author focuses on inorganic strategies, since mergers and acquisitions only fall into this category. However, this chapter explains the term <organic growth= as well,

since this serves to fully understand the practices of luxury companies in this case. In the following, the term <acquisition= is used over the term <merger=, since it corresponds best to the case of LVMH.

The following chapter <Data Analysis= is based on secondary information taken from official company websites and official industry reports, as it serves to link the previous data to the applied industry of the luxury goods market. A case study of LVMH is used to illustrate the previous theory with a practical demonstration. The specific example of the acquisition of Tiffany & Co. was chosen because it is considered one of the most significant in the entire industry. The author focuses exclusively on the company LVMH in this chapter, as considering further companies would lead to an imbalance in the dissertation and broaden the topic excessively which cannot be adhered to due to the given length of this thesis. However, a financial comparison of LVMH and one of it`s biggest competitors Kering S.A. can be found in Appendix A.

It is to be noted, that other companies might be named in his dissertation, but it only serves the purpose of highlighting LVMH`s strategies and potential challenges in constrast to their competitors. In addition, the inclusion of company and industry updates provides access to the most up-to-date data available, which is crucial given LVMH's constantly evolving brand portfolio. Nevertheless, the author also takes into account more historical data, particularly with regard to previous financial situations, in order to show the development of the company or the industry.

A qualitative research approach was chosen, which also involves the use of primary data to contextualize the complexity of the industry and to ensure that no distortions arise from the sole use of secondary sources. Thus, the author aims to present the full picture and has the opportunity to illustrate the impact of LVMH's growth strategy on the industry in its entirety. This approach mainly ensures the authenticity of the results, while it furthermore opens up further perspectives of industry experts with regard to the conclusion of the work.

Accordingly, in-depth interviews with renowned professionals with extensive experience in the luxury W&J industry were conducted as the core of the data collection. These experts were selected for their exceptional expertise not only in the luxury sector, but also specifically in the W&J industry, in order to ensure consistency between the statements of all interviewees and to better link the outcomes to the secondary theory, which is crucial for a thorough understanding of the research topic and to narrow down the complexity of the subject.

3.2 Research Design and Validation

A qualitative-interpretative research methodology was chosen for the sampling and data collection and thus the processing of this work. On the one hand, this serves to go beyond numerical data to fully grasp the strategic implications behind M&A's strategy. Furthermore, it allows the inclusion of subjective perspectives and opinions from stakeholders, who in this case are potential competitors and luxury contributors across the industry.
This enables the author to understand LVMH's strategy and the underlying rationale behind the company's strategic choices. This compensates the lack of publications regarding the impact of strategic decisions on smaller luxury firms and provides an opportunity to gain new insights (Hammarberg et al., 2016). It allows to understand phenomena from the perspective of those directly involved. Accordingly, through close and prolonged interactions with the respondents, a new shared social reality is created that is both objectively factual and subjectively meaningful (Berger & Luckmann, 1991). This component was selected to develop a comprehensive understanding of motivations, attitudes, meanings, and contexts, embedding contextualization (Creswell, 2013; Patton, 2002).

As a preliminary study, two interviews were conducted, all of which were semi-structured. Each interview lasted between 35 to 50 minutes, depending on the course of the conversation. This approach was chosen to ensure a flexible approach to the interviewees and to allow for additional and unexpected insights, since all interviewees have different perspectives and could provide different results relevant for this dissertation. The interview guide was developed based on the previous research and consisted of 15 questions. A translated sample can be found in Appendix B, since the original language of the interviews was German.

3.2.1 The Sampling

The selection of experts for this study was carefully made based on their professional qualifications and experience in the industry, with a focus on the W&J sector to best link with the data analysis chapter. A targeted search was conducted on LinkedIn, correlating to the luxury goods industry and members of the LVMH company, as well as consultants specializing in expansion strategies and M&A. For this study, 17 experts were initially contacted over this platform. Ten of them are directly employed by LVMH, three of them at Tiffany & Co. and two others in different W&J industry companies that belong to the group. The remaining five are spread across other LVMH sectors. In addition, three further contacted professionals are active in consulting, with a specific focus on the luxury industry. The remaining four executives were selected based on other occupations within the luxury industry, which included marketing, finance, as well as human resources (HR). However, given the confidential nature of the luxury industry and the necessity to protect organizational privacy, only one expert responded, citing company policy that restricts the sharing of information with external parties. For this reason, convenience sampling was applied due to accessibility and availability (Easterby-Smith, Thorpe, and Jackson, 2015).

Through personal contacts, the author was given the opportunity to talk to a senior marketing manager at Tiffany & Co. and thus gain direct insights into the company's strategies. This approach was chosen because the proximity of the interviewee`s company to the case study, allowing for directly relevant, valuable and practical insights. Because of their appropriate experience and background, experts B and C were chosen to participate in the interviews in order to successfully support the dissertation research goals in regard to sub-question *(i)* and *(ii)*. The company has over 125 years of experience in the W&J sector, and it has demonstrated a wealth of growth strategy expertise by expanding its business through partnerships with six luxury watch manufacturers. To obtain multiple perspectives, the author conducted a joint interview with the company's Managing Director and CEO (Table 1). Despite the rather small number of interviews, the author was able to conduct an in-depth analysis, since the interview questions were perfectly tailored to the respondents and still similar in both cases, in order to successfully compare them. Too many interviews would most likely have led to an excess of various impressions and opinions of the stakeholders, which would not have been beneficial for the final outcome of this dissertation and might have led to distortion.

Citation	**Role**
Expert A	Senior Marketing Manager at Tiffany & Co. (based in Munich, Germany)
Expert B	Managing Director and Executive Member of the Board of Germany`s largest Luxury Jewelers (one of the biggest in Europe)
Expert C	CEO of the largest Luxury Jeweler in Germany and Expert in the Luxury Goods Industry with global shares in two major watch brands and over 36 years of experience in the sector

***Table 1**: Interview Expert Overview*

Since there are two interviews, the author chose systematic color-coding as the fundamental technique to display findings. This method is crucial to depict various segments of data emerging from qualitative research and to facilitate categorization (Skjott Linneberg & Korsgaard, 2019). The author chose inductive coding to derive the individual outcome from the collected data without restricting them with pre-defined categories. Since strategies vary depending on the size of the company, the industry and the objectives, this approach allows for a flexible analysis that authentically captures the specific characteristics and dynamics of each company.
The holistic approach also allows new structures to be derived from the data collection. Accordingly, they are not simply assigned or judged according to pre-existing concepts, making data fragments in their specific context easier to understand (Easterby-Smith et al., 2015). Some parts of the discussion cover more than one code and topic, thus they are shown in multiple colors (Appendix B).

4 Data Analysis

4.1 The Evolution of Luxury: From Tradition to Global Powerhouse

Times without numbers, premium pricing, limited distribution methods, and upscale designs are all historically linked to the luxury sector. The Latin word "luxus," which denotes wealth and excess, is where the word "luxury" historically originated (Sombart, 1967). Expenditures that go beyond necessities to satisfy the human drive to stand out are what constitute luxury goods. But how luxury is viewed varies with age, time, and generational, as well as economic changes (Cabigiosu, 2020). These days, luxury is frequently associated with ostentatious consumption, which reflects social standing through brand reputation, craftsmanship, and quality (Holmqvist et al., 2020). With a focus on exclusivity and exceptional customer experiences, the luxury market encompasses a wide range of industries, including fashion, watches, jewelry, cosmetics, and hospitality. High quality, genuine value, a distinguished market image, premium pricing, and a strong emotional connection with customers are the five main requirements that luxury goods must fulfill (Ko et al., 2019).

With the help of organizational reforms and brand management techniques in the 1970s and 1980s, the European luxury market expanded internationally in the post-war era. Despite the difficulties in localizing trademarks, subsidiaries and strategy changes sped up global expansion

(Donzé, 2015). With global sales rising from €77 billion in 1995 to €173 billion in 2010, the European luxury market has expanded quickly within the early years of the digital age (Donzé & Fujioka, 2015). Globalization, transportation advancements, and urbanization have all contributed to this boom, which has made Europe a leader in luxury products worldwide.

This demonstrates the impact of external factors. The Covid-19 epidemic is another illustration of this phenomenon. According to Fedushko and Ustyianovych (2022), Kering S.A. estimated a 4% annual increase in the luxury market in 2019, valued at €281 billion (Fedushko & Ustyianovych, 2022, p.12). The company anticipates additional growth as a result of e-commerce and market changes after the pandemic. This changing era brought about a number of notable changes, including a redistribution of sales by geography and an expansion of internet outlets. Despite 2020's difficulties, the luxury market recovered in 2021, according to Bain, which estimated market growth of 13315% to reach $1.14 trillion, despite volume being 9311% lower than in 2021 (Zorzi, 2023). This adaptability and ability to prosper in changing international marketplaces are shown by the luxury industry's resiliency. According to the latest reports, the revenue of the industry is expected to amount to US $495.20bn by the year 2025, including expected annual growth by 3.93% (CAGR 2025-2029) (Statista, 2024). Furthermore, changes in the weighting of revenues within the various segments are a current topic, most likely due to major acquisitions in the past years *(Figure 1)*. This will. be explained in more detail in a following chapter.

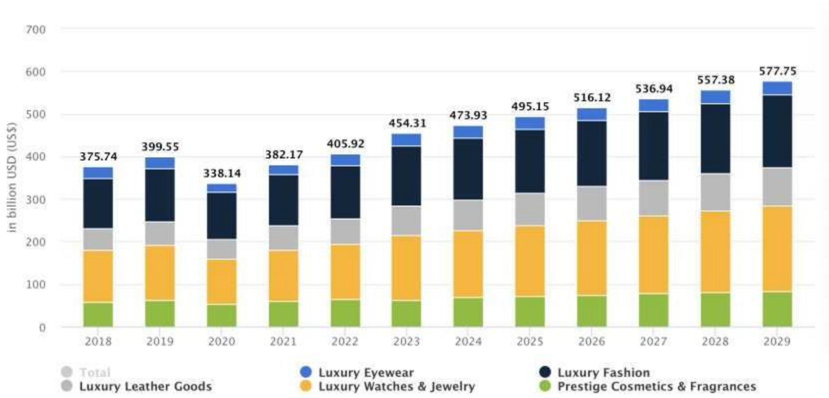

Figure 1: *Forecast of the Evolution of the Luxury Segments in Revenue (Source: Statista, 2024)*

4.2 The Special Nature of M&A in the Luxury Industry

In contrast to the cyclical nature of typical M&A waves as mentioned before, in the luxury goods industry it stands out for its constancy and distinctive drivers. In contrast to other sectors, luxury M&A has stayed rather consistent throughout time, reaching its zenith in the late 1990s and early 2000s due to growth and the creation of synergy in a new century (Zorzi, 2023; Ortelli, 2014). According to them, M&A principally influenced by three important elements.

Initially the biggest factor affecting deal volume and cost has been the growth of brand portfolios. Luxury organizations are able to attain cost reductions, revenue synergies, and economies of scale as a result.

Second, as businesses look for suppliers and increase their control over distribution, vertical integration4both forward and backward4becomes increasingly important. For the protection of valuable resources like exotic minerals and rare watch components, forward integration is especially crucial.

Third, almost 25% of acquisitions in the industry are the result of financial investments. After 2009, developing economies started to make a more noticeable appearance in the luxury M&A market, first spearheaded by investors from established markets.

Together, these three factors influence the luxury M&A market, promoting expansion and enhancing competition. Financial investments, vertical integration, and brand portfolio development are important variables affecting luxury M&A. Historically, the primary driver has been the expansion of brand portfolios, which enables luxury organizations to realize cost savings, revenue synergies, and economies of scale. Control over vital resources, including distribution networks and rare minerals, is ensured by both forward and backward vertical integration. Particularly, forward integration aids in the protection of priceless assets like rare leathers and watch parts. The desire to strike a balance between maintaining brand exclusivity and legacy and achieving financial development is what defines luxury M&A. To name a few, the market is dominated by large companies like LVMH, Kering, and Richemont, which makes it harder for smaller firms to stay competitive on a worldwide scale. These agreements provide synergies that strengthen the sector's resilience and strength by improving operations, customer experiences, and supplier connections.

4.3 The LVMH Case - The Rise of a Luxury Empire

LVMH Moët Hennessy 3 Louis Vuitton SE (LVMH) is without a doubt the titan of the luxury goods market, with a portfolio of 75 renowned brands spread over six different sectors4wine and spirits, fashion and leather goods, perfumes and cosmetics, jewelry and watches, selective retail and other activities (LVMH, 2024). Rooted in history, LVMH's beginnings may be traced to the renowned French houses Hennessy and Moët & Chandon in the 18th century (Chen 2021, p. 77). In the year 1987, the merger of Louis Vuitton, the upscale fashion giant renowned for its recognizable leather goods and monogram trunks since its founding in 1854, with Moët Hennessy was groundbreaking. However, the majority of LVMH's current dominance may be attributed to Bernard Arnault, one most influential business owners in the world and CEO of LVMH. Arnault, who was born in Roubaix, France, in 1949, spent his formative years working at his family's construction business, which sharpened his financial sense. A pivotal moment occurred in 1984 when he acquired Financière Agache and later Boussac, who owned Christian Dior. In order to build his luxury empire, Arnault purposefully kept Dior and Le Bon Marché while destroying the majority of Boussac's holdings. After time, Arnault arbitrated a dispute between Moët Hennessy's CEO and Louis Vuitton president, LVMH's first CEO, Henri Racamier, in 1987, the year the company was founded. Soon after, using leverage of $1.5 billion, Arnault acquired 24% of LVMH by the year 1988. Later, with support from Lazard Frères and Guinness, he increased his ownership to 45%. He was named chairman in 1989 after defeating the initial leadership of LVMH in a power struggle, so consolidating his hold on the organization (Roncakova, 2024).

LVMH has continuously reinvented luxury under Arnault's direction, and in early 2023 it became the first European business to reach a market worth of $500 billion. Shares reached a startling top of $903.70 on April 24, 2023, up from $81 in 2010 (Klasa et al., 2023). In addition to growth, LVMH's path has involved savvy acquisitions, innovative leadership, and an uncompromising dedication to exclusivity and craftsmanship.

4.3.1 The Acquisition History of LVMH

The strategy of LVMH emerges tactically through acquiring already established and renowned houses and brands and thus growing its own brand portfolio. The question that therefore arises, is to what extent the image of the LVMH brand itself can be maintained, while ensuring the company is not forced into the position of a mass distributor due to much brand diversity, as each brand stands for its own values and attracts a specific customer segment, that can even differ within the luxury industry. The term "mass distributor" refers to the distortion of the firm`s reputation and brand identity or image through a potential blending of values or even marketing strategies to maximize profit, not the availability to the general public.

With its quick expansion in the 2000s, LVMH acquired La Samaritaine, Fendi, and Emilio Pucci. Later milestones included the $6 billion purchase of Bulgari in 2011, Loro Piana in 2013, and RIMOWA in 2016 to name the most influential during that time. Moreover, LVMH strengthened its position in premium fashion by purchasing a majority share in Off-White (Zheng, 2022). LVMH's approach is demonstrated by those examples, since they primarily acquire companies that are presently in vogue and typically do not require a lot of branding restrictions. The way that LVMH is already expanding its own brand portfolio by purchasing significant homes and businesses is obvious. Because each brand has its own values and appeals to a certain client segment, the question of how much this helps to preserve the reputation of the LVMH brand and avoid pushing the business into the role of a mass distributor owing to excessive brand variety comes up.

In addition, the firm owned short-term shares in companies including Nicholas Kirkwood and DKNY, which were ultimately sold. Hermès was one of the most contentious purchases; by 2013, LVMH had covertly acquired a 23% share. Following regulatory scrutiny and legal action, LVMH sold off its stakes by 2015.

The most significant recent purchases made by LVMH were Tiffany & Co. in 2021, which was the biggest transaction in the history of luxury goods, which will be explored in more detail in the following sections.

4.3.2 The Construction of LVMH

However, M&A deals of smaller, frequently family-run companies with a lengthy history are fundamental to LVMH's founding. The CEO, Arnault, secured influence over hesitant shareholders between 1988 and 1991. Initially, the Wine & Spirits segment was the center of expansion through partnerships like Guinness. Nonetheless, by 1990, LVMH was concentrating on long-term expansion in the premium sector and thus changed their current strategy. LVMH actively grew its luxury portfolio between 1992 and 2001 (Donzé, 2015, p. 828). In the 1990s, brand globalization also emerged, with LVMH's headquarters handling brand coordination and segmentation while operational management remained decentralized. Through acquisitions like Guerlain in 1994 and Sephora in 1997, this approach expanded LVMH's portfolio beyond fashion into sectors like retail and cosmetics.

Following 2002, LVMH kept growing its presence in the luxury market, most notably in 2011 when it acquired Bulgari. With assets rising from €23.8 billion to €49.9 billion, LVMH operated 3,204 shops by 2012, more than tripling its 2001 operations (Donzé, 2015, p. 829). By utilizing worldwide resources to broaden its brand network, this expansion demonstrated the advantages of the 1990s reorganization by consumers.

Arnault's approach, which used a pyramidal structure to oversee businesses without complete ownership, reflected larger movements in the French economy. With the help of financial alliances with French banks and Guinness, this made it possible to diversify across premium markets (Donzé, 2018, p. 68). As gaining distribution channels allowed for more precise control over branding and income, vertical integration became crucial (Mission, 2023). By encouraging cross-divisional synergies, this integration strengthened LVMH's position in the market (Donzé, 2018, p. 71).

Although M&A continues to be LVMH's major source of expansion, brand narrative and networks of designers, celebrities, and artists are equally essential to the company's success. Strategic partnerships improve cultural relevance and brand awareness (Donzé, 2018, p. 76). By utilizing creative capital, legacy, and craftsmanship, LVMH makes sure that acquisitions improve the company's story and cultural character in addition to its market presence.

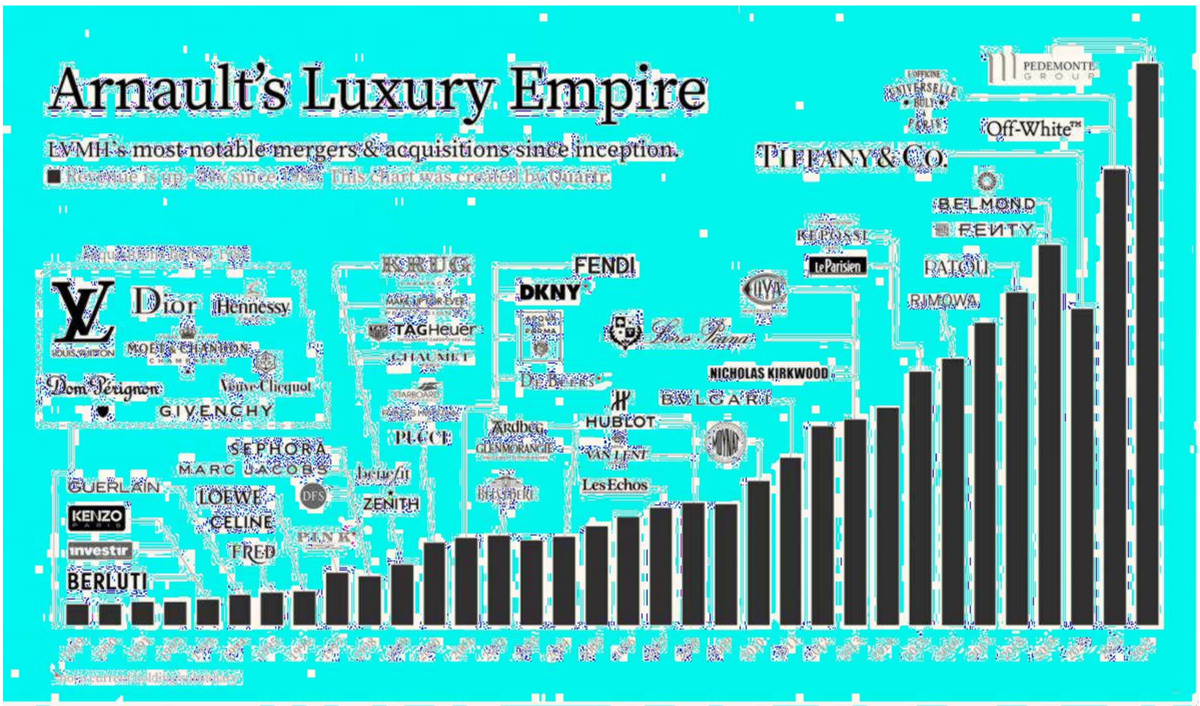

***Figure 2**: Timeline of LVMH's Most Notable Acquisitions (Source: Hamrin, 2023)*

4.4 The Tiffany & Co. Acquisition – Strengthening LVMH's Weakest Link

In 2019, LVMH made the decision to fundamentally alter the luxury sector for decades to come. In the fourth quarter of that year, according to press sources, LVMH made its target Tiffany & Co., a premium jeweler originated in the U.S., with a starting bid price of $120 a share. Nevertheless, the agreement was in risk of failing in the second half of 2020 because of a number of disagreements on the events and circumstances. As the COVID-19 epidemic served economic uncertainty, LVMH attempted to withdraw from the deal in mid-2020, which caused disagreements over valuation and a huge delay in the acquisition. This illustrates how acquisition process can be influenced by external circumstances and it`s complex interrelationship between company strategy. Finalized in January 2021 for $16.2 billion, which was for $135 in cash per share, the deal not only marked the largest acquisition in the luxury sector to date but also reflected LVMH's strategic ambition to dominate the high-end jewelry market (Zheng, 2022).

Tiffany & Co., a heritage rich American brand founded in 1837, had long been synonymous with luxury, timeless design, and exceptional craftsmanship. Its iconic blue box and strong presence in engagement jewelry made it a highly attractive acquisition target (Dokko, 2024). Tiffany & Co. claimed to have 300 retail outlets globally and an annual sale of almost $4 billion prior to the transaction (Tiffany & Co., 2024).

The primary goal of this purchase was to reinforce the jewelry and watch sector, which was the smallest LVMH had in their brand portfolio before the acquisition. The conglomerate had been underrepresented relative to its dominance in fashion, leather goods, and cosmetics, which drastically changed. Thus, LVMH took this strategic move to fortify its weakest industry, watches and jewels (W&J), aiming to create a competitive edge (Zheng, 2022, p. 873).

4.4.1 The Impact Acquiring Tiffany & Co.

The acquisition of Tiffany & Co. changed the competitive landscape in the luxury jewelry sector and further strengthened LVMH's status as the world's leading luxury conglomerate. One of the most immediate effects was the revitalization of Tiffany's brand image.

LVMH builds a strong sector with Tiffany & Co.'s name among other brands, despite the fact that Tiffany & Co. has already been profitable and well-known (Zheng, 2022, p. 870). By focusing on modernizing Tiffany's offerings while maintaining its history, LVMH was able to grow its clientele. Tiffany broadened its reach by launching more affordable product lines in addition to luxury custom jewelry, appealing to both wealthy and aspiring customers. By offering a wide range of prices, between sterling silver pieces to fine and exclusive jewelry, LVMH demonstrated their confidence in the future potential of their impending acquisition. Despite the medium level of risk involved, Tiffany's well-established brand helps to reduce the uncertainty that comes with breaking into new product categories (Batat, 2023, p. 110).

They also pledged to provide liquidity to launch new product lines, upgrade existing boutiques, and marketing to younger customers, which is considered a significant part of acquisitions in the luxury industry (Figure 2). This enables LVMH to draw in less mature audience, such as Gen Z and Millennials, who are influencing the direction of luxury markets (Zorzi, 2023, p. 78). While ownership is equally shared between the current generations, brand awareness is over 75% in Generation Z (1995-2010). This shows that, especially through LVMH's acquisition, brand awareness is greatly strengthened (Statista, 2024).

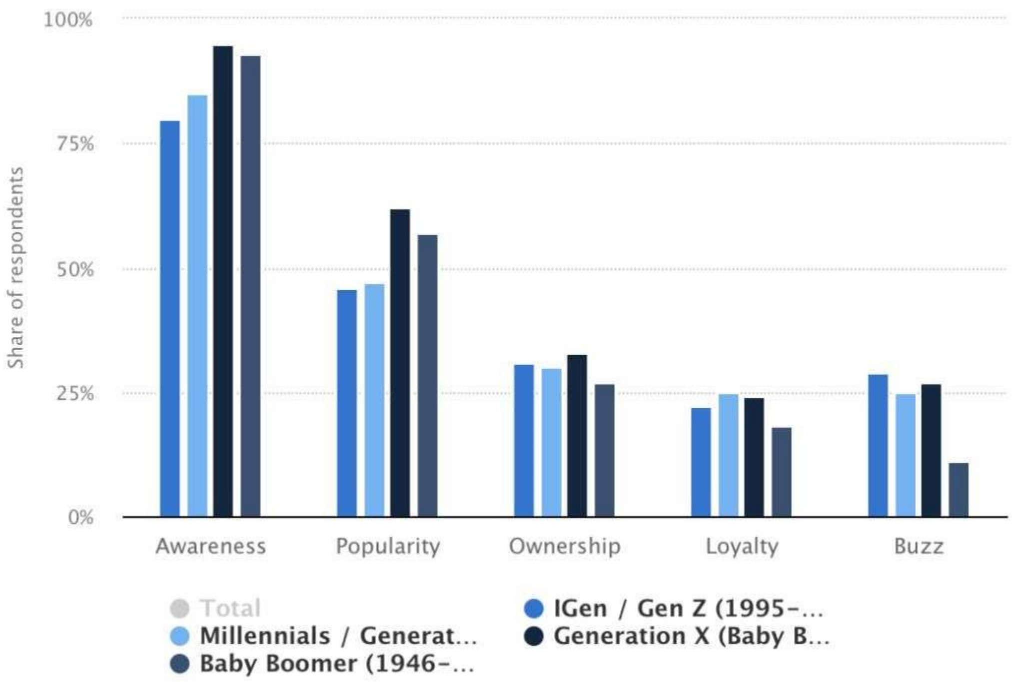

***Figure 3**: Tiffany & Co`s. Audience by Generations (Source: Statista, 2024)*

Furthermore, LVMH is investing in Tiffany & Co.'s upscale division, by expanding its operations to the United States (Statista, 2024). Additionally, it seeks to strengthen the business's image in the US and allow it to expand in one of the fastest-growing markets (Zheng, 2022, p. 873). In a press release issued in 2021, the LVMH CEO said that its W&J division experienced an increase of 128% in earnings between 2019 and 2021 (LVMH, 2022). The profit change from 2021 to 2022 was also up about 20%, which means LVMH set new record years, both in 2022 and 2023.

Beyond financial gains, the acquisition allowed LVMH to challenge Richemont, the parent company of Cartier and Van Cleef & Arpels, who is a major player in the luxury W&J sector. Tiffany's extensive global network of more than 300 retail locations gave LVMH better access to important markets, especially in Asia and the United States.

A large portion of pre-pandemic luxury expenditure was attributed to Chinese customers, whose growing purchasing power fueled the focus on growing Asian markets, as presented in figure 3 (Klasa et al., 2023). This arises through a relentless demand for extravagance in emerging markets.

Tiffany's origins also made the American market vital (Li, 2021, p. 427). Financially speaking, the acquisition of LVMH increased shareholder value without reducing share size. While Tiffany stockholders sold their shares, current shareholders benefited from the addition of Tiffany's earnings to LVMH's per-share value (Li, 2021, p. 427).

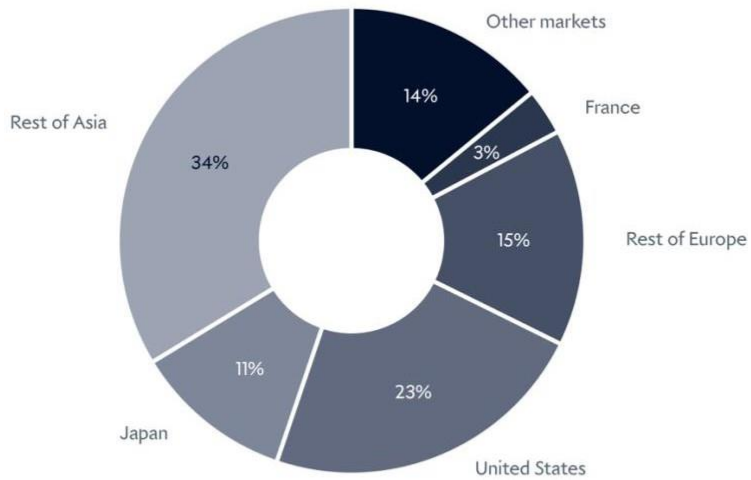

***Figure 4**: LVMH`s Revenue in 2023 by Geographic Region (Source: LVMH, 2024)*

Tiffany's prices are anticipated to increase after LVMH's acquisition, in line with LVMH's plan to increase the perceived worth of brands it acquires. Similar changes were made to RIMOWA, which reflected LVMH's strategy of using price tactics to boost brand prestige (Li, 2021, p. 427). A prime example of LVMH's overarching strategy of using acquisitions to not only develop but also to transform markets, broaden its worldwide reach, and draw in the next generation of luxury buyers is the Tiffany acquisition.

5 Findings

5.1 Interview Results

The two interviews conducted offer complementary, yet distinct perspectives on M&A in the luxury sector. The understanding of the luxury industry and the opinion of the important characteristics of the industry are apparently identical. Nevertheless, it is noticeable that the German jeweler (Expert B, C) acts independently and views M&A from an external perspective, as it is not an integral part of his own operational business. Meanwhile, the integration of Tiffany & Co.`s perspective (Expert A) provides an inside view of how luxury conglomerates are using acquisitions for growth and strategic positioning.

This analysis highlights key themes that emerged from the interviews, focusing on the motivations, execution, and industry-wide implications of M&A in the luxury goods sector. M&A have long been central to shaping the competitive landscape in the luxury goods industry, according to Expert C. Unlike in other industries, mergers or, more frequent, acquisitions in luxury fields are not driven by financial gains alone 3 they definitely are- but also involve and center on the acquisition of heritage, craftsmanship, and brand equity. Because luxury goods derive their value from exclusivity, storytelling, and emotional ties or relationships, acquisitions are strategic moves to secure heritage brands and especially expand market reach (Expert A). Expert A puts special emphasis on the marketing perspectives that emerge through the application of acquisitions, not only presenting higher financial budgets and power as a group but also room for innovative partnerships that benefit the mother firm overall.
The following report sheds light on the drivers, execution, and broader implications of M&A in the luxury sector, providing a comprehensive understanding of how these activities are reshaping the market.

Code	Findings and Insights	Interviewee Perspective
M&A as a Strategic Growth Tool	- M&A is a crucial aspect to increase footprint in a variety of industries	Expert C: M&A is not just about growth but about solidifying market

	(fashion, jewelry, leather products, perfumes, etc.) for luxury conglomerates - Diversification of portfolio lowers risk and increases market resiliency -Through acquisitions like as Tiffany & Co., corporations are able to control certain premium markets because of higher market reach	leadership and achieving long-term profitability by controlling various luxury categories Expert B: Portfolio diversification is a crucial aspect of risk management due to reducing the dependence on just a single market segment
Competitive Pressure on Independents	- Acquisitions might limit the availability of luxury brands for independent retailers - Direct-to-consumer strategies by large conglomerates reduce the reliance on external retailers - Smaller retailers can try differentiating through personalization	Expert B: Independent jewelers are increasingly sidelined by major acquisitions, forcing them to focus on niche markets, bespoke designs, and high-end service in order to differentiate themselves
Brand Heritage and Exclusivity	- Protecting and enhancing brand heritage post-acquisition is crucial for maintaining consumer trust and avoiding mass contributor image - Successful acquisitions	Expert C: The success of an acquisition is determined by how well the mother company preserves the brand's exclusivity while leveraging resources to elevate its market position

	respect the identity and craftsmanship of heritage brands while introducing modern innovation, or can even enhance it (e.g. LVMH's acquisition of Tiffany aimed to modernize the brand without losing its iconic status)	Expert A: Brand Heritage and reputation is one of the main aspects when deciding whether to acquire a company when it comes to marketing opportunities
Impact on Market Dynamics	- Large acquisitions reshape competition by consolidating luxury power in a few key players (e.g. LVMH, Kering, Richemont) - Smaller luxury firms might face higher barriers to entry new markets	Expert B: It depends if retailers benefit from M&A of conglomerates, for instance whether the company restricts further partnerships (which could have negative impacts)
Regional Expansion and Consumer Trends	- M&A facilitates entry into growing markets, especially Asia and North America, where luxury demand is surging -Younger consumers (Millennials and Gen Z) drive growth, demanding modern luxury experiences	Expert A: Tiffany's stronghold in the U.S. was a key motivator for LVMH to expand its regional influence Expert C: Asia remains a critical growth area for future expansion
Future Outlook and Trends	- M&A in luxury will continue to accelerate, with a focus on sustainability and digital transformation - Brands that demonstrate	Expert A: Sustainability is becoming a core driver for acquisitions, as brands with strong ethical positioning

	innovation in design and ethical production will attract acquisition interest - Mergers and acquisitions do not weaken the characteristics of the luxury industry, but can even improve storytelling and promote the perception of exclusivity due to the interrelationships between brands	will gain a competitive edge in the luxury sector. Expert B and C: One brand rather supports the storytelling and heritage of another brand making it even stronger without merging their images

***Table 2**: Interview Codes and Result Presentation*

5.1.1 The Internal Perspective 3 Tiffany & Co.

The main strategic objectives of M&A are to expand portfolios, conquer new market segments and strengthen global positioning, besides a boost in terms of revenue. Acquisitions usually secure traditional brands with strong brand equity, high market recognition and promote long-term growth, according to Expert A. This is also due, among other things, to geographic expansion, particularly in emerging markets.

This plays a crucial role in attracting affluent consumers, as emerging markets, particularly in Asia, have experienced significant economic growth, leading to the rise of an affluent middle and upper class. Countries such as China, India and the Gulf States have a rapidly growing population of high-net-worth individuals (HNWIs). This newfound wealth is driving increased demand for luxury goods as consumers in these regions seek to express their status, sophistication and success through high-quality brands, which in turn has a positive impact on the brands financial position and global popularity. New markets offer new opportunities, as long as brands can ensure that the diverse needs of customers are met, as Expert A states.

For luxury conglomerates like LVMH, expanding their brand portfolio is an important driver for acquisitions. The 2021 acquisition of Tiffany & Co. was a strategic move to strengthen LVMH's presence in the W&J sector, which was considered their weakest sector just a few years ago, and complement existing brands in their portfolio like Bulgari and TAG Heuer. As the Senior Marketing Manager at Tiffany noted,

<Tiffany filled a crucial gap in LVMH's jewelry division, particularly in the engagement jewelry space. Through this step, we were able to tap into a broader customer base, from younger audiences looking for more or less accessible luxury to high-net-worth customers buying bespoke pieces. There are no limitations anymore and so we also have way more flexibility. Also, the younger generation tends to have a preference for materialism, which makes post-merger integration easier from a marketing perspective.=

(Interviewee: 00:13:56)

Brand image is a huge issue with high significance in the luxury industry. In fact, LVMH, especially through the acquisition of other companies, is strengthening its image as a conglomerate by incorporating many well-known fashion houses or firmly established companies in the luxury industry. Since storytelling is a key component of marketing in the luxury industry, according to expert A, LVMH can use this to better raise new brands and establish them in society. A good example of this is LVMH's latest investment in the leather goods brand Polène. In mid-2024, media reported that the CEO, Arnault, had acquired a minority stake in the French company. Polène may be certainly popular among the younger generation, but it is most likely possible for a brand to make the leap into the luxury market, if it is directly connected to another, more established company, as Expert A states. *"If you know LVMH, you will eventually know Polène=*, believes Expert A.

<Acquiring a brand means not only buying a company, but also embracing its history and legacy. This is not common in other industries, but in the luxury sector it is essential to maintain exclusivity and authenticity at all costs. For this reason, [...] the values of the brands often merge, allowing one brand's image to benefit from the other. This in return, has a positive outcome for LVMH as a whole=

(Interviewee A: 00:31:02)

5.1.2 The External Perspective 3 Retailer in the W&J Sector

Exclusivity and emotional brand loyalty are the most important ingredients for success in the luxury industry, as Expert B and C acknowledge. As an independent family business, Germany's largest luxury jeweler observes M&A from an external perspective, not integrating the strategy in its core expansion business but still being affected by it. While corporations like LVMH expand through acquisitions, the company focuses on exclusive partnerships, tailor-made experiences and long-term customer relationships, that most likely fall under the category of organic growth, as Expert B explains. Nevertheless, they are aware of the influence of large corporations like LVMH.

<For independent jewelers, market consolidation through M&A means a greater challenge to differentiate and standing out of the crowd, still being recognized. However, it always depends on the respective brand. As retailers, we have ongoing partnerships with some brands from LVMH's portfolio. TAG Heuer, for example, has gained recognition through LVMH, a brand that we also sell. On the other hand, Tiffany & Co. is not interested in any partnerships with any retailer. Even if they belong to one big company, each brand still makes their own rules.=

(Interviewee C: 00:23:19)

The limited availability of premium brands after acquisitions is one of the most direct effects of M&A on independent merchants. Conglomerates commonly prioritize direct-to-consumer (DTC) business models when acquiring brands, focusing on growing their own network of flagship locations and online channels. This change lessens the dependence on other merchants, which results in fewer joint ventures and restricts, or at least limits, independent jewelers' capacity to stock well-known luxury goods. This consolidation reduces the number of independent brands, meaning that retailers will increasingly have to compete with large, vertically integrated corporations.

<After LVMH acquired Tiffany & Co., the group established exclusive store concepts worldwide. As a result, independent jewelers who sold Tiffany products have become increasingly irrelevant. In many cases, LVMH is reducing the number of external distribution partners and focusing more on expanding its own flagship stores.=

(Interviewee B: 00:25:57)

Furthermore, by acquiring its direct competitors, LVMH reduces the number of competitors relevant to it, while increasing its market share, which is one of the main strategies of LVMH. This approach reduces overall competition for the company, while the competitive situation for external and independent businesses remains at least as intense. As a result, LVMH is consolidating its leading position in the luxury market with less competition, while also gaining power. This in return gives them more opportunities to multiply margin and revenue, which is reflected, for example, in rapid price adjustments, thus driving the market and the possibility of repositioning a certain brand in the high-end segment. The bigger the company, the more popular the name. In today's generation, status symbols often come first, and this also influences consumers' willingness to buy, as expert C reports. Meaning, a higher price also tends to be seen as higher status in the eyes of society, which supports this phenomenon. This collaborative environment, where individual brands operate autonomously while benefiting from the financial and operational strength of the parent company, has become a hallmark of luxury M&A strategy.

Despite the many challenges, M&A by larger corporations also creates opportunities for independent companies to position themselves. While large corporations operate on a global scale and offer standardized luxury products, independent retailers can win customers over with customized experiences, individual designs, and local ties. The keyword here is personalization, according to experts B and C.

5.2 Reinforcing Prestige - M&A as a Catalyst for Strengthening Brand Image

Contrary to the fear that M&A in the luxury goods industry will dilute brand image, the results of the previously discussed interviews with senior executives suggest that, when strategically executed, M&A can improve brand image and even deepen customer relationships. For this reason, acquisitions are not seen as a threat to brand exclusivity, but as an opportunity to strengthen heritage, but especially to expand influence and drive cross-brand synergies that add value to the entire portfolio. One of the key insights from the interviews is that large luxury conglomerates place a high value on preserving the core identity of acquired brands.

<LVMH's acquisition of Tiffany & Co. did not diminish the brand's prestige 3 instead, its exclusivity was rather enhanced through strategic store redesigns, refreshed marketing and curated collaborations.=

(Interviewee A: 00:09:37)

This approach reflects a broader trend in which luxury conglomerates are investing heavily in revitalizing brands to ensure that their heritage is preserved while adapting them to current consumer expectations.

<[…]each brand under a conglomerate's umbrella maintains its creative independence, which is critical to preserving unique brand DNA. The acquisition simply unlocks resources that smaller brands might not have access to otherwise, enabling them to innovate and grow without losing their core essence.=

(Interviewee C: 00:29:45)

Another important finding is the interaction that acquisitions can have on a brand's reputation. The interviews revealed that when a smaller brand is acquired by a conglomerate known for prestigious names, customers' trust in the acquired brand often increases. Expert C explains this as follows:

<When customers see Tiffany & Co. as part of the LVMH family, they associate it with the same craftsmanship and excellence they find at Louis Vuitton, Bulgari and Dior. All of these are big names, significant brands. This halo effect reinforces the idea that all brands within the group share the highest standards of quality and exclusivity, possibly even apart from their previous reputation.=

(Interviewee C: 00:38:21)

This strategy of networked brand building creates synergies in which the positive reputation of one brand enhances other brands within the conglomerate. Expert B adds that customers tend to view such acquisitions more positively, seeing it as an assurance that the brand is in the hands of a trusted luxury powerhouse.

In addition, vertical integration is also at the center of many M&A strategies. Luxury companies are seeking to secure control over their entire value chain 3 from the procurement of raw materials to production and distribution, according to expert B. By acquiring production facilities, suppliers and exclusive boutiques, companies can stabilize their supply chains, ensure quality standards and maximize margins, explained expert A.

<By acquiring production facilities, suppliers and exclusive boutiques, corporations can stabilize their supply chains, ensure quality standards and maximize margins. […] LVMH lets its brands flourish independently. The acquisition gave Tiffany expanded resources, but the creative spirit and brand heritage remained intact.=

(Interviewee B: 00:39:54)

6 Conclusion

6.1 Possible Evolution of the Market

When evaluating history, it is clear to admit that a number of powerful, primarily French multinational corporations (e.g. LVMH and Kering) replaced an industry controlled by a number of family-owned enterprises in the 1980s, marking a significant shift in the luxury goods market since the 1987 merger that provided the formation of LVMH. While the operational management of the businesses that comprise these groups remains independent and decentralized, the centralization of distribution networks, brand portfolio management, and financial resources is the foundation of this change in the industrial organization structure that is still in place today (Donzé, 2015, p. 826). Since the merger that created LVMH in 1987, the 1980s were a period of dramatic change in the luxury goods sector, with a few strong multinationals replacing an industry dominated by a collection of family-owned businesses. This shift in the industrial organization structure, which continues to this day, is based on the centralization of distribution networks, brand portfolio management and financial resources, while the operational management of the companies that make up these groups remains independent and decentralized *(Donzé, 2015, p. 826).* However, from a historical perspective, this beginning lies far back in the past.

Nevertheless, a 2023 article in the Financial Times already speaks of a <relentless demand for extravagance=, as mentioned in chapter 3.4.1. This means that the forecast for demand for luxury, especially from Chinese and other Asian customers, will continue to rise. Although, since the luxury sector is global, a decline in demand in one place is offset by an increase in demand elsewhere in the world (Klasa et al., 2023). Back in chapter 4.1, *Figure 1* shows a diagram that illustrates the continuous growth of the luxury goods market in recent years and that this growth is also expected to continue in the years to come, at least until the year 2029 (*Statista, 2024).* This growth is expected to continue in the coming years, as not only wealthy

people have a greater demand for luxury goods, but especially the upper middle class, which is an represents an increasing group. In China, for example, 25% of the population belongs to the upper middle class, which is more than the total population of the United States of America.

Obviously, further trends of the new generation will be likely to reshape the luxury industry (Expert B and C). These may include factors such as sustainability and digitalization, although these aspects are already part of the luxury industry. Furthermore, the market for luxury goods is likely to see a ongoing increase in prices, despite Arnault claims that this will not lead to a decline in demand. As long as quality and experience are available, people are likely to be open to anything. Obviously, prices have increased dramatically over the past five years. To illustrate: the price of Chanel handbags has increased by 74% since 2019 and are forecasted to reach its absolute peak in 2025 (*Klasa, Indvik & Agnew, 2023).*

6.2 Final Statement

This research has revealed a multifaceted story of growth, resilience and brand reinforcement. LVMH's acquisition of Tiffany & Co. serves as a case study illustrating how strategic M&A can change market dynamics, strengthen brand portfolios, and deepen consumer engagement without diluting brand identity.

To conclude, while M&A is a **financial maneuver**, it is also a carefully orchestrated process that aims to **enhance brand reputation and expand market presence**. Luxury no longer works if the industry is stripped of its own characteristics, which include exclusivity, status, and prestige, among other things, and are represented by brand image and storytelling. Luxury conglomerates such as LVMH use acquisitions to diversify their portfolios, minimize risk e.g. of competition, and enter new markets, particularly in high-growth regions such as Asia and North America. This diversification not only stabilizes revenue streams, but also strengthens the resilience of luxury conglomerates to economic fluctuations. This does not mean that there are no unsuccessful acquisitions or mergers, as the example of Hermès is illustrated. Furthermore, the results underscore the two-pronged impact of M&A on independent jewelers and retailers from a retailer perspective. While market consolidation often makes it more difficult for independent players to access coveted brands, it also forces them to sharpen their differentiation strategies through craftsmanship, personalization and customized offers. This evolving landscape is fostering innovation and pushing retailers to focus on unique value propositions, for which large conglomerates must take increased measures to control.

Crucially, interviews with luxury industry executives challenge the perception that mergers and acquisitions dilute brand image. On the contrary, acquisitions in the luxury sector can enhance brand equity by fostering cross-brand synergies, pooling creative resources, and bolstering heritage stories. The integration of Tiffany & Co. into the LVMH ecosystem is an example of how acquired brands can benefit from association with established luxury companies by gaining access to broader consumer bases and new innovation capabilities.

Additionally, M&A allows luxury brands to adapt to changing consumer trends, particularly the increasing influence of millennials and Gen Z. By combining tradition with modernity, acquired brands can appeal to younger target groups without alienating their traditional customers. This dual approach ensures that luxury brands remain desirable across generations and ensures long-term customer loyalty.

6.3 Limitations and Possibilities for Future Research

Nevertheless, every theory comes with certain boundaries. In the following limitations are listed and reasoned, which allow room for potential future research.

The most crucial limitation of this dissertation is most likely to be the constrained access to a high number of industry experts, which as presented in the methodology in more detail, is due to the fact that most professionals are bound by formal confidentiality agreements. For this reason, it is not entirely possible for the parties involved to share all the data, especially those based on numbers and financials. Thus, this specifically was not included in the dissertation, however, the focus was put on rather strategic decisions and its impact. Furthermore, there is a possibility that the interviewees purposefully presented themselves or their company in a positive light and therefore the complete truth could be questioned. This may have been different by a significantly higher number of interviewees but could still not be guaranteed.. This illustrates one of the disadvantages of a qualitative approach.

Additionally, the research relied primarily on qualitative data and case studies or industry examples. If more numerical data had been included, it might have allowed a more accurate analysis, especially regarding the financial development of the LVMH group. However, due to the layout requirements, the author refrained from doing so.

An additional interesting area of research could be to what extent companies can determine the influence an acquisition on performance. Case studies and literature on friendly and hostile takeovers would be the correlations in this case. At this point, I would like to refer to the example of Hermès, presented in the <Data Analysis= chapter: In October 2010, LVMH announced that it had acquired a 14.2 percent stake in Hermès, which had risen to 23.1 percent by 2013. Nevertheless, Hermès wanted to protect itself from a hostile takeover by LVMH by setting up a family holding company in 2011. Similar or related cases could be interesting to examine how LVMH's M&A strategy is viewed from the perspective of the domestic market. However, this would have gone way beyond the scope of this dissertation and was thus not considered in detail.

Furthermore, the relationship between organic and inorganic growth of companies is an interesting future research approach. In the case used in this dissertation, it would be interesting to examine how organic and inorganic growth strategies could complement or threaten each other within one industry. However, this dissertation deliberately excluded inorganic growth strategies to ensure straightforward research, with the aim to successfully answer the research question.

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Appendix A

Data Analysis

The following table serves a comparison of LVMH`s and Kering`s financial situation in order to contextualize their competitive nature and market sizes. Figure & portraits Kering`s current brand portfolio, as an addition to the chapter <Data Analysis=.

	LVMH	**Kering S.A.**
2023 (Half Year Results)		
Revenue *(Euro millions)*	42 240	10 135
Change in Revenue *(in %) in comparison with 2022*	+15	+2
Profit *(Euro millions)*	11 574	2 739
Change in Profit *(in %) in comparison with 2022*	+13	-3
2022		
Revenue *(Euro millions)*	79 184	20 351
Change in Revenue *(in %) in comparison with 2021*	+23	+15
Profit *(Euro millions)*	21 055	5 589
Change in Profit *(in %) in comparison with 2021*	+23	+11
2021		
Revenue *(Euro millions)*	64 215	17 645
Change in Revenue *(in %) in comparison with 2020*	+44	+13
Profit *(Euro millions)*	17 151	5 017
Change in Profit *(in %) in comparison with 2020*	+107	+60

***Table 3**: Comparison of LVMH and Kering S.A in Financial Terms*

***Figure 5**: Timeline of Kering S.A.`s Most Notable Acquisitions (Source: LinkedIn, 2024)*

***Figure 6**: Code-Cloud (MAXQDA)*

Appendix B

Interview Guide

Catogory	Interview Questions
Understanding of the Luxury Sector	1. What do you think are the most crucial aspects of the luxury goods industry? How would you describe its difference compared to any other industry? 2. In your experience, how do factors like brand heritage, exclusivity, and craftsmanship influence the perception of a brand's image? 3. How does due diligence differ in the luxury industry compared to other sectors? 4. How important is brand portfolio diversification as a motivator for luxury firms? (Either as a retailer or as a conglomerate) 5. Does brand cross-collaboration (e.g., limited editions, joint ventures) become more common in the luxury industry? If so, why do you think that is and how do you manage to maintain securing trends?
M&A Execution and Strategy	6. Can you share examples where creative synergies between acquired brands resulted in new products or collections? Does this usually happen at all? 7. How do major players (e.g., LVMH, Kering, Richemont) impact smaller luxury firms in the market? (E.g. regarding market entries) 8. What are the key challenges luxury firms face during the integration process following an acquisition?

	9. What do you think is most important to preserve the acquired company's brand identity and heritage while integrating it into a larger luxury conglomerate? How can company`s ensure this? 10. Are acquisitions increasingly focused on tech-driven luxury brands, or do firms prioritize craftsmanship and physical assets? 11. How is the balance between creative independence and corporate oversight maintained during integration? How does the rise of digital channels (e-commerce, virtual fashion) influence M&A decision-making?
Impact on the Industry and Competitors	12. How do you think the luxury industry will evolve within the next decade, considering the changing dynamics from the past few years, especially since Covid-19? 13. In what ways do M&A activities reshape consumer perceptions of luxury brands? 14. What emerging trends (e.g., sustainability, digital fashion, well-ness) will shape future acquisitions? 15. Will luxury firms continue to focus on heritage brands, or will acquisitions of innovative start-ups become more prominent?

Table 4*: Interview Guide for all Experts*

**semi-structured approach, which means that interview questions differed in each interview depending on the relevant topic and company*

Appendix C

Color-coding Sampling of the second Interview with Expert B and C

Question 7: How do major players (e.g., LVMH, Kering, Richemont) impact smaller luxury firms in the market? Does it barrier entries of new markets? How would you define this considering your company?

Respective Codes:

Distribution Shift 3 Highlight references to the shift from third-party retailers to direct-to-consumer models through flagship stores and online sales.

Competitive Differentiation 3 Emphasize how smaller firms leverage craftsmanship, bespoke services, and intimate customer experiences to compete. while corporate groups might have difficulties controlling this.

Brand Prestige Elevation 3 Mark mentions of how conglomerate acquisitions boost the overall luxury market and consumer perception.

Strategic Adaptation 3 Focus on discussions of how smaller retailers pivot towards niche offerings and emerging luxury brands to maintain relevance.

Dual Impact 3 Identify the balance between challenges (losing access to brands) and opportunities (greater focus on personalized luxury and exclusivity).

Industry-Wide Growth 3 Highlight how conglomerate expansion contributes to the overall growth and aspiration within the luxury sector.

„*The influence of major luxury conglomerates is undeniable. It is transformative for the entire luxury goods ecosystem, for sure. On one hand, their acquisitions and expansions raise the profile and desirability of the brands they own, which benefits the industry by elevating overall consumer interest in luxury goods. However, this shift often sidelines independent retailers and smaller luxury firms.*

One of the most noticeable changes is the shift in distribution models. When a conglomerate acquires a luxury brand, their priority frequently becomes the expansion of direct-to-consumer channels through flagship stores, online platforms, and exclusive boutiques. That is what they tend to persue. So, smaller retailers and jewelers who previously had access to sell these brands may find their partnerships reduced or even terminated. We've *seen this happen firsthand with brands that were part of our portfolio for years but were pulled after acquisitions as conglomerates streamlined their operations.*

That said, consolidation is not purely negative. It forces independent retailers to pivot, and for many, this has led to a deeper focus on craftsmanship, bespoke offerings, and personalized customer experiences and so on 3 areas where smaller luxury firms can excel. Unlike large conglomerates, we can offer intimate consultations, custom jewelry, and tailor-made designs that speak to the individual preferences of our clients. Of course, that is way harder for bigger groups, than for me as the CEO to ensure. This is not something easily replicated by global giants at scale, and it becomes a point of differentiation for smaller firms.

Even though we might lose access to distributing certain brands, the luxury sector grows stronger and more aspirational.

However, it remains a balancing act. Smaller retailers must stay vigilant, watching for emerging luxury brands that haven't yet been acquired by conglomerates. By fostering partnerships with these brands early, we can create new opportunities for our own growth and of course, differentiation.

Ultimately, the presence of these conglomerates reshapes the luxury market, but it also pushes independent jewelers and retailers to elevate their offerings. This is both a challenge and a catalyst for innovation."