

# *Mergers and Acquisitions Strategies in the Globalization of Luxury--Using the LVMH Group as a Case Study*

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**Abstract:** Using a combination of quantitative and qualitative inquiry, this paper used LVMH group development as a case study to examine how the frequent mergers and acquisitions of luxury goods groups have had an impact on the globalization of their brands. Through the study, this article finds that the number of brands owned by the group and the number of shops worldwide are highly correlated and therefore it can be determined that mergers and acquisitions has had a significant impact in the globalization of their brands.

## 1. Introduction

Most of the current research on corporate M&A has focused on Industrial sector, while M&A in the luxury sector is often overlooked [1]. In fact, luxury groups' acquisitions are important for their own development. From 2014 to 2018, luxury goods showed a compound annual growth rate of 5% [2]. But previous studies have not linked M&A strategies to the globalization of luxury brands, seemingly assuming that these were originally global brands [3].

In this study, the case of the famous luxury goods group Louis Vuitton Moët Hennessy (referred to as LVMH in this paper) is used to examine the impact of mergers and acquisitions on its development, and the correlation between the number of brands owned by LVMH and the number of its shops worldwide is investigated using statistical methods. Specifically, this study examines whether M&A has had a positive or negative impact on the history of the luxury group's global expansion and whether there is a statistically significant correlation between brand ownership and the number of shops worldwide in order to determine how M&A has influenced the luxury group's globalization process. Overall, this study examines the value of M&A strategies for luxury brands in the context of a wave of brand globalization.

## 2. M&a and LVMH Group

The LVMH Group, one of the world's largest luxury goods groups, was founded in Paris, France, in 1854. It has achieved further growth for the Group through acquisitions and brand diversification [4]. In 1987, Louis Vuitton and Moët Hennessy merged to create the LVMH luxury group [5]. By analyzing the history of the LVMH Group, this study found that the act of mergers and acquisitions is one of the common strategies of the LVMH Group in its development process. According to the latest statistics on the official website, the LVMH group currently owns a total of 75 brands [5]. By

analyzing the existing brands, this study found that many of the brands owned by the LVMH group were founded earlier than Louis Vuitton and Moët Hennessy. For example, the Château d'Yquem wine brand was founded in 1593[5]. Therefore, we can find that the LVMH group has acquired many old brands in the course of its operations. In fact, through a review and study of the relevant literature, we found that after the establishment of LVMH, the group did diversify its brands in the 1990s through an acquisition strategy [5].

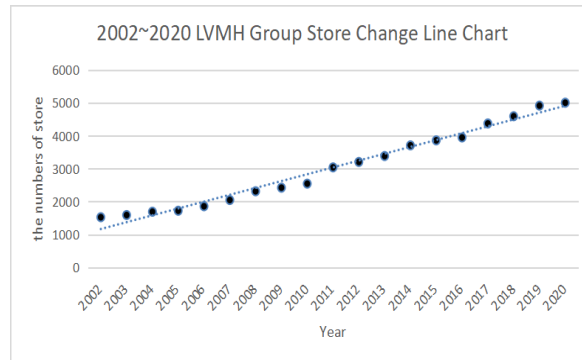


Figure 1: 2002-2020 LVMH Group Store Change Line Chart

Since LVMH has been publishing its annual reports since 2002, this study has chosen to analyze data from 2002 to 2020 in order to ensure the accuracy of the data. In Figure 1, this study finds that the number of LVMH stores worldwide has been on an increasing trend since 2002. It rose from the initial 1,526 stores to 5,003 stores. And in the period from 2002 to 2020, LVMH has not stopped acquiring other brands, with the number of brands increasing from around 40 in 2002 to 75 brands in 2020. This means that since 2002, the LVMH group has been advancing the process of globalizing its brands, opening new shops in different parts of the world.

This study shows the expansion of the LVMH brands using a line graph of shop growth and a statistical analysis of the correlation between brands and shops in Figures 2 and 3. The following two charts will illustrate whether LVMH's continued acquisition of other brands has advanced the Group's globalization.

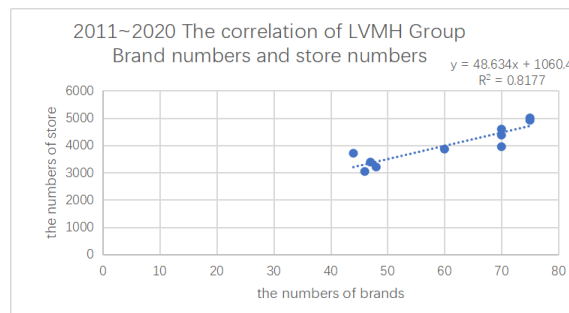


Figure 2: 2011-2020 the Correlation of LVMH Group Brand Number and Store Numbers

In Figures 2 and 3 this study sets the number of brands as the independent variable and the number of shops as the dependent variable. This study finds a statistical relationship between the two, which implies that LVMH's acquisition strategy has had an impact on its global expansion.

Since the company's annual reports do not explicitly announce the brands it owns until 2011, the data from 2011 to 2020 are used in this study for the relevant calculations. In Figure 2, because the R-value is greater than 80, a high positive correlation was found between the number of brands owned by LVMH and the growth in the number of stores. To ensure statistical rigor, we have recalculated the analysis related to the number of brands and global stores from 2015 to 2020, as

starting in 2015, LVMH publishes its exact number of brands in its annual reports. We found that although there was a decrease in the R-value, there was still a positive strong correlation.



Figure 3: 2015-2020 the Correlation of LVMH Group Brand Umber and Store Numbers

### 3. Discussion

The LVMH group itself was born from the merger of two companies in completely different fields, and since the group's creation in the nineties, LVMH has now successfully acquired more than 70 luxury brands [5]. Its range of acquisitions is very broad, covering bags, wine, clothing and cosmetics. It is worth noting that between 1996 and 1997, LVMH spent \$3 billion to create the watch and jewelry division by acquiring other brands that did not exist at the time of the group's creation [4]. This shows that LVMH has diversified its brands by acquiring different kinds of brands through customs. This consolidation has enabled LVMH to achieve economies of scope and enhance its position in the industry [4].

In this research that found that there are other implications of M&A in the luxury industry, especially for brand globalization. Most of the brands owned by LVMH are located in Europe and the Americas [5]. And LVMH has established a number of shops in several countries in the Asian market, but has never acquired any companies in this region. This shows that the multi-brand strategy is driving the expansion of the LVMH group in the world market. And this also suggests that luxury groups are driving their growth in developing markets by acquiring other brands with longer histories.

The diversification operation of luxury groups through mergers and acquisitions [4]. More brands give the Group more opportunities for growth and better adaptability. For example, in places where bags are not popular, but people like champagne, LVMH can promote its champagne in the region without losing this business opportunity. In fact, the high correlation between the number of brands and the number of shops also shows that the LVMH group can satisfy different needs and regions with different styles of brands. A multi-brand strategy will enable the Group to develop a global corporate image and thus help it to grow globally. Because with the rise of globalization of brands, consumers no longer rely on objective factors to choose a brand but are more interested in the culture and image of the brand [2].

### 4. Conclusion

This article demonstrates how mergers and acquisitions in the luxury sector are having an impact on luxury group groups. By looking at the number of brands and the number of LVMH Group shops worldwide, this study finds that as the number of brands increases the number of shops also shows an increase. At the same time, diversifying brand acquisitions can help the LVMH Group to better adapt to different market environments and local consumers' buying habits.

Thus, even though the number of brands remains the same from 2017 to 2020, the number of shops is still growing. At the same time, through the integration of resources related to sales channels, LVMH offers efficient distribution channels for its products. By expanding its sales territories and increasing its customer base, this allows the luxury group to accumulate more resources for expansion. Thus, a good cycle of growth is created with mergers and acquisitions as a starting point.

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