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Mergers and Acquisitions Strategies in the Globalization of Luxury – Taking LVMH Group as a Case Study

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Abstract: Using a combination of quantitative and qualitative inquiry, the development of LVMH Group is taken 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 this study, it is found that the number of brands owned by the group and the number of shops worldwide are strongly correlated. Therefore, it can be concluded that mergers and acquisitions have had a significant impact on the globalization of their brands.

Keywords: Mergers and acquisitions; Brand globalization; Luxury

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1. Introduction

Most of the current researches on corporate M&A focus on the industrial sector, while those in the luxury sector are often overlooked [1]. In fact, the acquisitions of luxury groups are important for their own development. From 2014 to 2018, luxury goods showed a compound annual growth rate of 5% [2]. However, previous studies have not linked M&A strategies to the globalization of luxury brands as these brands have been seemingly assumed as originally global brands [3].

In this study, the case of the well-known 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; in addition, the correlation between the number of brands owned by LVMH and the number of shops it owns worldwide is investigated using statistical methods. Specifically, this study examines whether mergers and acquisitions have had a positive or negative impact on the history of the global expansion of luxury groups and whether there is a statistically significant correlation between brand ownership and the number of shops worldwide, in order to determine how M&A have had influenced their 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 through acquisitions and brand diversification [4]. In 1987, Louis Vuitton and Moët Hennessy merged to create the LVMH luxury group [5]. By analyzing its history, this study found that the act of mergers and acquisitions is one of the common strategies of LMVH in its development process.

According to the latest statistics on its official website, 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 LVMH were founded earlier than Louis Vuitton and Moët Hennessy. For example, Château d'Yquem, a wine brand, was founded in 1593 [5]. Therefore, it can be appreciated that LVMH has acquired many old brands in the course of its operations. In fact, through a review and study of relevant literatures, we found that after the establishment of LVMH, the group diversified its brands in the 1990s through the acquisition strategy [5].

In consideration that LVMH has been publishing its annual reports since 2002, this study has chosen to analyze the data available from 2002 to 2020 in order to ensure the accuracy of data. From **Figure 1**, it can be seen that the number of LVMH stores worldwide has been on an increasing trend since 2002, rising from an initial number of 1,526 stores to 5,003 stores. From 2002 to 2020, LVMH has not stopped acquiring other brands, in which the number has been increasing from around 40 in 2002 to 75 brands in 2020. This means that since 2002, LVMH Group has been advancing the process of globalizing its brands, opening new shops in different parts of the world.

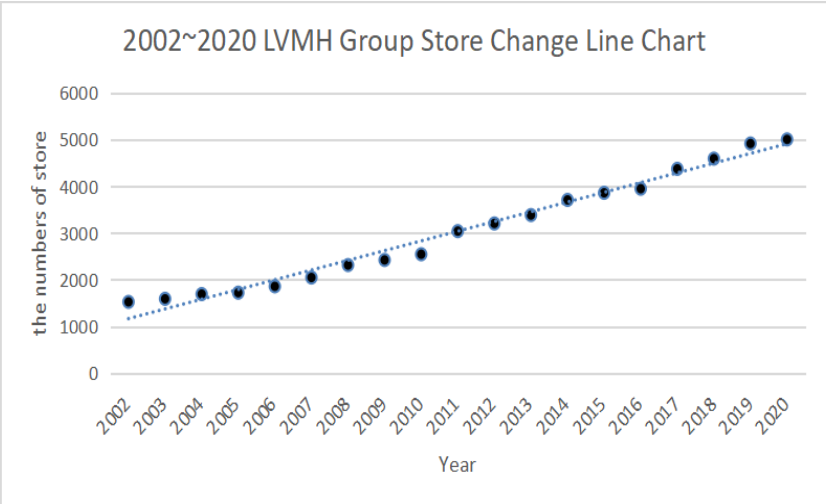

Figure 1. Line chart showing the number of LMVH stores from 2002 to 2020

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

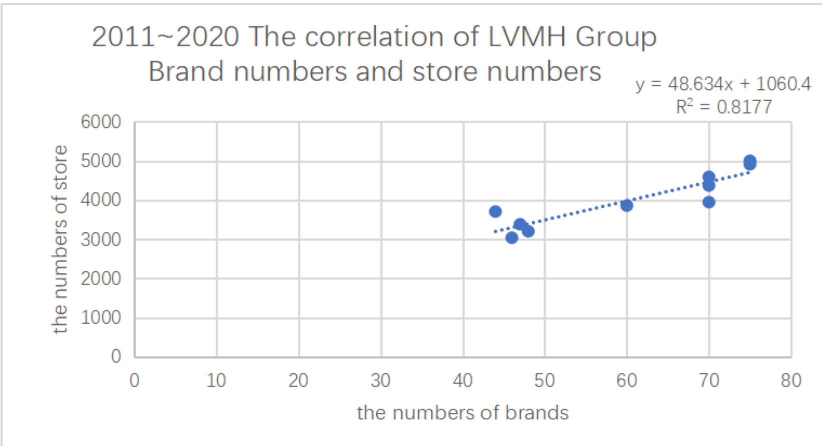

Figure 2. The correlation of LVMH Group brand numbers and store numbers from 2011 to 2020

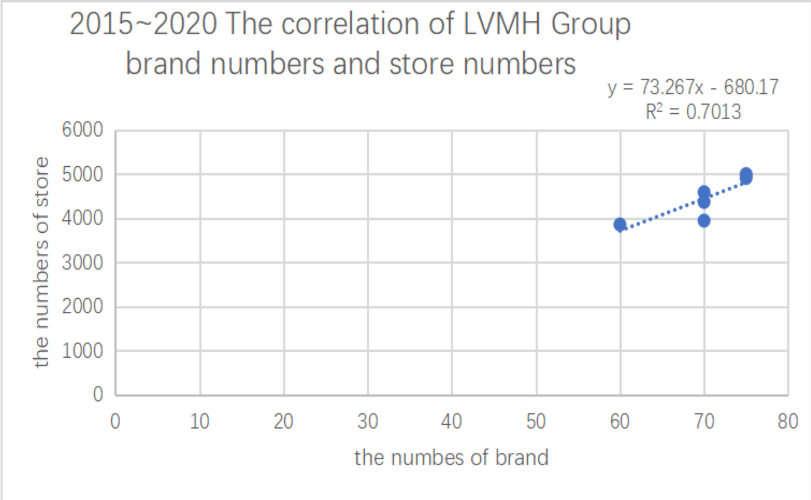

Figure 3. The correlation of LVMH Group brand numbers and store numbers from 2015 to 2020

This study has set the number of brands as the independent variable and the number of shops as the dependent variable. There is a statistical relationship between the two, which implies that LVMH's acquisition strategy has had an impact on its global expansion.

Since the LMVH's annual reports do not explicitly announce the brands it owns until 2011, the data from 2011 to 2020 have been used in this study for the relevant calculations. In **Figure 2**, as the R-value is greater than 80, there is a strong positive correlation between the number of brands owned by LVMH and the growth in the number of stores. In order to ensure statistical rigor, we have recalculated the analysis related to the number of brands and global stores from 2015 to 2020, as LVMH has begun publishing the exact number of brands in its annual reports beginning from 2015. We found that although there is a decrease in the R-value, there is still a strong positive correlation.

3. Discussion

LVMH Group itself was born from the merging of two companies from completely different fields, and since its creation in the nineties, LVMH has now successfully acquired more than 70 luxury brands [5]. Its range of acquisitions is extremely broad, covering bags, wine, clothing, and cosmetics. It is worth noting that between 1996 and 1997, LVMH spent $3 billion to set up a watch and jewelry division by acquiring other brands that did not exist at the time of its 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].

This research 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 America [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 LVMH Group in the world market. This also suggests that luxury groups are driving their growth in developing markets by acquiring other brands with longer histories.

This study also shows the diversification operation of luxury groups through mergers and acquisitions [4]. More brands provide more opportunities for growth and better adaptability. For example, in places where bags are not popular, but rather champagnes are, LVMH can promote its champagne in the region without losing this business opportunity. In fact, the strong correlation between the number of brands and the number of shops also shows that LVMH Group can satisfy different needs and regions with different styles of brands. The multi-brand strategy enables the group to develop a global corporate image, thus helping it to grow globally. With the globalization of brands, consumers no longer rely on objective factors in choosing 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 impacting luxury groups. By looking at the number of brands and the number of LVMH shops worldwide, this study finds that as the number of brands increases, the number of shops also increases. At the same time, diversifying brand acquisitions can help LVMH Group to better adapt to different market environments and the buying habits of local consumers.

Therefore, although the number of brands has not changed from 2017 to 2020, the number of shops has grown. 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 creating a cycle of growth with mergers and acquisitions as its starting point.

Disclosure statement

The author declares no conflict of interest.

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