

JEWELRY

Tiffany CEO: There is no magic formula for mega luxury brands

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Tiffany is being courted by LVMH. Image credit: Tiffany

By SARAH JONES

NEW YORK According to the CEO of jeweler Tiffany & Co., some of the largest luxury brands have proven that it is possible to be successful inside of groups or as independent companies, and publicly listed or private.

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During a conversation with Bloomberg Businessweek co-anchor Carol Massar at Bloomberg's The Year Ahead: Luxury on Nov. 21, the executive playfully dodged questions about Tiffany's potential acquisition by LVMH, but weighed in on the strategy behind leading a multi-billion-dollar luxury brand. One of the most important elements of creating a long lasting house is thinking long-term rather than quarter-to-quarter.

"There are many luxury brands, but when you take really top luxury brands, the mega brands, you talk about a handful of brands," said Alessandro Bogliolo, CEO of **Tiffany & Co.** "And among those you have actually some of them who are extremely successful that are part of big groups consider Vuitton, consider Cartier but you have other brands that are super brands, super powerful, that are not part of big orgs consider Chanel, consider Herms.

"I don't think for this kind of level of brands there is a magic formula it can be one way, it can be the other," he said.

"What is crucial when you lead a brand like ours that has 182 years of history, at the end of the day you have to concentrate on the legacy and the beautiful product and promises that you give to your customers. This is really the key to success."

M&A proposal

In October, conglomerate LVMH Mot Hennessy Louis Vuitton made a proposal to acquire Tiffany & Co., in a move that could further the group's position in American luxury.

Tiffany's board is reviewing an unsolicited proposal from LVMH, which values the company at \$14.5 billion ([see story](#)). According to a Reuters report, LVMH has just upped the offer to \$16 billion ([see story](#)).

Mr. Bogliolo declined to say whether Tiffany would be taking LVMH up on its proposal or if the company is being courted by other firms.

The executive noted that companies including Chanel and Herms have had long-term success on their own, while others have succeeded in the portfolio of the big luxury groups.

What these houses, including Tiffany, share is a history that began with an innovator. Charles Lewis Tiffany founded the company in the 1800s with a shop in downtown Manhattan and introduced new ideas to the jewelry category, including fixed pricing.

These stories also separate brands from multi-brand retailers, who Mr. Bogliolo says are in a completely different business since they sell merchandise from other producers.

Legacy houses should also focus more on long-term vision. Even though Tiffany is public and reports its revenues on a quarterly basis, Mr. Bogliolo believes that this pressure has not led the company to make the "wrong decisions."



Tiffany diamond rings. Image credit: Tiffany

Mr. Bogliolo does not like the word "luxury," preferring to refer to Tiffany as a "legendary" brand, reflecting the company's long-term approach.

Luxury is often a category that caters to a more mature audience, but Tiffany has always been able to court millennials due to its engagement ring offerings.

Millennials make up about 80 to 85 percent of the luxury audience in China, a major investment area for Tiffany. The jeweler first entered the market about two decades ago, but its expansion in China was slow compared to its peers.

Within the last few months, Tiffany opened a Chinese ecommerce site. The brand also has an upcoming flagship store opening in Shanghai, which will include a Blue Box Caf.

Transparent touch

Along with being digitally driven, millennials want to know a lot about their luxury purchases than previous generations did. This includes wanting more information about the supply chain, particularly when it comes to diamonds.

Even before Mr. Bogliolo joined Tiffany two years ago, the company had switched to a strategy of buying all of its solitaire diamonds that are 0.18 carats and up from known mines. Tiffany also invested in cutting and polishing its own stones, enabling it to own more of the supply chain.



Tiffany and Co. puts sustainability under a magnifying glass. Image credit: Tiffany & Co.

Tiffany recently enlightened consumers on how its diamonds make their way into its blue boxes by charting the stones' path from the time they are unearthed.

The short film, "Journey of a Tiffany Diamond," travels with the gem stones as they undergo both careful refinement

and an arduous selection process before being set into the brand's jewelry. Consumers are increasingly concerned that the businesses they support take responsibility for both people and the planet, making opening up operations in this manner a way to create additional appeal for a particular label ([see story](#)).

After about 20 years of this approach, Tiffany decided to communicate more information with consumers at point of sale.

Tiffany took its commitment to sustainable sourcing a step further by disclosing the origins of its newly sourced diamonds to customers.

The Diamond Source Initiative will let customers know the country where their stones were mined, with plans to allow consumers to trace the production journey of the diamonds from mine to retail by 2020. While Tiffany has long been committed to conflict-free diamonds, this effort is aimed at providing greater transparency around its practices ([see story](#)).

"We don't want to have anything opaque in a diamond at Tiffany," Mr. Bogliolo said.

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