

JEWELRY

LVMH's \$16.2B takeover of Tiffany opens opportunity for brand and line extensions

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Tiffany says "I do" to LVMH for \$16.2 billion. Image credit: LVMH

By MICKEY ALAM KHAN

With LVMH's \$16.2 billion offer for Tiffany & Co. saluted this morning by both companies' board of directors, the world is the oyster for Bernard Arnault, the man behind the deal.

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With Tiffany's retail network, name recognition and 182-year heritage, Mr. Arnault, chairman/CEO of LVMH and arguably the most successful luxury marketer of them all, can be pleased with the potential to expand the crown jewel of American hard luxury into adjacent areas, as he has done with other brands in his conglomerate. No wonder Mr. Arnault was exultant in his remarks after news of the done deal was confirmed.

"We are delighted to have the opportunity to welcome Tiffany, a company with an unparalleled heritage and unique position in the global jewelry world, to the LVMH family," Mr. Arnault said in a statement.

"We have an immense respect and admiration for Tiffany and intend to develop this jewel with the same dedication and commitment that we have applied to each and every one of our maisons," he said. "We will be proud to have Tiffany sit alongside our iconic brands and look forward to ensuring that Tiffany continues to thrive for centuries to come."

LVMH's specialty is taking in heritage brands, spiffing them up and then spreading their pixie dust in adjacent categories without damaging the overall equity. That could very well be the genesis of the largest luxury deal ever concluded.

Sparkling deal

Reuters first reported on the LVMH interest in Tiffany in late October, with a confirmation a few days later from the French company that owns Louis Vuitton, Dior and Bulgari. However, Tiffany felt the offer was undervaluing the company ([see story](#)).

Buying Tiffany would give LVMH heft in the bridal, jewelry and diamonds businesses in the United States ([see story](#)).

LVMH owns 75 brands such as Louis Vuitton, Christian Dior, Celine, Givenchy, Fendi, Loro Piana and Fenty. Its

jewelry and watches division includes Hublot, Tag Heuer and Bulgari, whose 2011 is its biggest purchase at \$5.2 billion.

Mr. Arnault can now look Richemont in the eye and say, en garde, Cartier.

Other players in the jewelry space watching these developments keenly are Van Cleef & Arpels and Graff, as well as an assortment of smaller brands that do not have the retail network, access to raw material, marketing clout or even extensive creative and artistic talent as, say, a Tiffany or Bulgari or even Cartier.

Where can Mr. Arnault take Tiffany? More into watches, more into high jewelry, more into perfumes, more stores in Asia, better presence in travel retail and even luggage. Why, even fashion is a logical extension of Tiffany, as well as what generates the most revenue for luxury brands, leather goods and accessories.

LVMH's serious foray into watches and jewelry is recent. That division last year accounted for 9 percent of LVMH's revenue and 7 percent of its earnings, which is a fifth the size of fashion and handbag segment.

Rise and shine

Jewelry is one of the strongest-performing segments of the luxury business. Bain & Co. forecasts that jewelry sales will grow 7 percent this year to \$20 billion.

Tiffany is one of the few major homegrown U.S. luxury brands.

Under CEO Alessandro Bogliolo, the New York-based jeweler has rebounded its sales, grown its ecommerce business and wooed new shoppers with more affordable earrings, pendants and new designs.

LVMH believes that Tiffany needs to spend more on reinventing and marketing its brands and can do this only as a division of the French company.

"Tiffany has been focused on executing on our key strategic priorities to drive sustainable long-term growth," Mr. Bogliolo said in a statement. "This transaction, which occurs at a time of internal transformation for our legendary brand, will provide further support, resources and momentum for those priorities as we evolve towards becoming The Next Generation Luxury Jeweler."

"As part of the LVMH group, Tiffany will reach new heights, capitalizing on its remarkable internal expertise, unparalleled craftsmanship and strong cultural values," he said.