

APPAREL AND ACCESSORIES

LVMH asserts luxury dominance with latest acquisitions

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LVMH is taking ownership of Off-White. Image credit: Off-White

By SARAH RAMIREZ

The luxury industry is experiencing a flurry of M&A activity, perhaps best exemplified by the shrewd moves and investments made by French luxury conglomerate LVMH Mot Hennessy Louis Vuitton.

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LVMH showed that it was ready for a new round of acquisitions in 2019, when the group opened its pockets to make an offer to U.S. jeweler **Tiffany & Co.** Since then, in the challenging climate of the COVID-19 era, luxury conglomerates have been paying up for new opportunities to increase market share with LVMH building its dominance over rivals **Kering** and **Richemont**.

"LVMH is an extremely savvy company that has had a busy year, indeed, watching global markets, consumers, trends and brands that best deliver on its desired fronts," said Rebecca Miller, founder/CEO of **ARTful Communication**, New York.

"It has strategically built a portfolio of brands that are or have been relevant to its intended audiences, existing or desired," she said. "It has watched, waited and acted at the most advantageous moments to approach, invest in and or acquire brands who have achieved a level of status in each niche, the common thread, that strengthens the overarching LVMH brand."

Money moves

In a major announcement, LVMH is expanding its relationship with Virgil Abloh, artistic director of menswear at **Louis Vuitton**, which includes, in part, the luxury group acquiring a majority stake in the designer's streetwear label, **Off-White**.

The acquisition, which is still subject to regulatory approval, was revealed on July 20. Financial figures have not been disclosed.



Virgil Abloh seeking inspiration for his spring/summer 2020 collection runway show. Image credit: Louis Vuitton

Mr. Abloh, founder and CEO at Off-White, will maintain a 40 percent interest in the company, while LVMH owns a 60 percent interest in the trademark. Mr. Abloh will continue as creative director of Off-White and as artistic director at Louis Vuitton, with new projects from the partnership on the horizon ([see story](#)).

LVMH and Mr. Abloh also plan to launch new brands and partner with existing labels outside of the fashion sector, though specific details have not been revealed.

While those plans will materialize in the coming months and years, by taking a controlling stake in Off-White and giving Mr. Abloh a larger role beyond Louis Vuitton, LVMH is ensuring that one of fashion's most influential and consequential designers and former Fendi intern is not tempted to go elsewhere.

As LVMH's flagship, Louis Vuitton is consistently a strong performer in the conglomerate's most valuable sector.

In the first quarter of 2021, LVMH's fashion and leather goods category saw its revenues increase by 52 percent y-o-y, and 37 percent from Q1 2019, to 6.74 billion euros, or \$8.05 billion ([see story](#)). The group is set to announce its first half results on July 26.

The Off-White announcement came the day after [L Catterton](#), the consumer-focused private equity firm backed by LVMH and Groupe Arnault, agreed to take a majority stake in Italian fashion [Etro](#).



Milan-based Etro is known for its colorful prints. Image credit: Etro

While terms of the transaction were not disclosed, the Etro family will retain a significant minority share. Gerolamo Etro, who founded the label in 1968, will be named chairman.

L Catterton will support Etro which has both monobrand boutiques and valuable wholesale retail partnerships in becoming a leading high-end brand by enhancing its digital presence, courting younger consumers and expanding its global presence, with a focus on Asia.

"We are confident that with our broad global network and experience building fashion brands, Etro will be well positioned to become an international powerhouse and a leader in its category," said Luigi Feola, managing partner and head of Europe at L Catterton, in a statement.

Etro is not the only Italian label LVMH is spending money on recently. In April, the luxury conglomerate increased its stake in [Tod's](#) from 3.2 percent to 10 percent ([see story](#)).

In a February 2021 deal, L Catterton also acquired a majority stake in German footwear brand Birkenstock ([see](#)

story).

The luxury giant is seemingly taking advantage of an uncertain business environment to expand market share in key categories and geographic regions by targeting mid-sized brands. Some, such as Off-White and Birkenstock, are thriving and driving trends, while Tod's struggles have only been worsened by the pandemic.

"LVMH appears to have an insatiable appetite for brand acquisition," Ms. Miller said. "COVID opened the flood gates to this path, beginning with investing in established, respected, focused brands where one may assume it might lead to a buyout in the future."

Bernard Arnault, chairman and CEO of LVMH, has a well-earned reputation for aggressive acquisitions, even pursuing unsuccessful bids for Gucci and Herms ([see story](#)).

However, LVMH's acquisition of Tiffany & Co. which was negotiated in part through press releases and court filings ([see story](#)) may have marked a turning point. When the sale finally closed earlier this year for the discounted price of \$15.8 billion ([see story](#)), it became the group's most expensive acquisition and most American asset.



Since the acquisition, Tiffany & Co. has taken a more upscale approach. Image credit: Tiffany & Co.

While headquartered in Milan, Off-White also has a uniquely American sensibility due to the creative direction from Mr. Abloh, a Chicago native.

Certainly, not all of LVMH's investments have been successful.

Earlier this year, the group "paused" ready-to-wear label Fenty, led by pop star and entrepreneur Robyn Rihanna Fenty, after it failed to find its footing. L Catterton continues backing Rihanna's inclusive lingerie label, [Savage X Fenty](#) ([see story](#)).

That misstep has not dissuaded LVMH from investing in new brands. The conglomerate was recently announced as a minority investor in an upcoming clothing and accessories label from British designer Phoebe Philo, former creative director of LVMH's Celine.

"There sits in the balance the idea of corporate bloat," Ms. Miller said. "Will it be revered as astute or greedy? A delicate threshold that LVMH must weigh carefully."

More M&A to come?

LVMH is not alone in the luxury industry with its renewed focus on M&A consolidation.

In June, Swiss luxury group Richemont acquired 100 percent of Belgian handbag house Delvaux, strengthening its soft goods portfolio ([see story](#)). In addition to several investments in the circular fashion space, French luxury conglomerate Kering acquired Danish luxury optical brand Lindberg earlier this month as it looks to further grow its eyewear business ([see story](#)).

Meanwhile, Italian menswear company Ermenegildo Zegna Group is planning to become a publicly-traded company on the New York Stock Exchange as it looks to raise capital for future acquisitions. The fashion group has been accelerating its own investments in key brands and factories to strengthen its positioning ([see story](#)).

Other luxury independent brands that have been suspected of being targeted for acquisition have surprised industry watchers with recent developments.

Italy's Salvatore Ferragamo is set to welcome Marco Gobbetti as CEO and general manager once he has fulfilled his contractual obligations to British fashion brand Burberry, where he has been chief executive since 2017 ([see story](#)).

French-Italian outwear brand Moncler also surprised earlier this year with its acquisition of acquiring the owner of popular streetwear label Stone Island. The move indicated the luxury label plans be a buyer, not a seller despite a brief flirtation with Kering ([see story](#)).

Mid-sized and independent labels such as Zegna and Moncler can have both advantages and disadvantages compared to the major luxury groups.

"Smaller artisanal brands do not have the financial prowess to compete with an entity like LVMH," Ms. Miller said. "There is a significant price they pay to participate.

"Typically, they will no longer have the final decisions on many aspects of their business, but they most likely will enjoy the exposure and revenue increase they may not have been able to achieve as an independent brand," she said.

Regardless of the ambitions of several luxury groups from Kering and Richemont to smaller U.S.-based conglomerates Tapestry, Inc. and Capri Holdings LVMH remains in the lead.

"As to what LVMH has in mind next is anyone's guess," said ARTful Communication's Ms. Miller. "What you can bank on, however, is it will continue to keep a close watch on global markets, trends, consumers and brands that could benefit from its financial and marketing expertise to thrive."

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