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## Soaring sales at LVMH prove that luxury consumers are a different breed

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*The world's largest luxury group saw double-digit growth in the third quarter thanks to local demand and recovering tourism, reflecting the resilience of the industry. Image credit: Louis Vuitton*

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It's a tough time to be in business. Thanks to spiking inflation rates, ongoing supply chain issues, overstocked inventory, and on-and-off store pandemic closures in China, companies across the apparel and beauty sectors have dimmed their outlooks for the rest of the fiscal year despite **beating analyst expectations** in previous quarters.

But luxury players aren't letting headwinds slow them down. On October 11, French conglomerate **LVMH posted a sharp rise in sales** in the third quarter, up 19 percent on a comparable basis from a year earlier to 19.8 billion euros (\$19.2 billion) a testament to the ongoing demand for high-end products around the world. In fact, the group attributed revenue growth to American tourists taking advantage of the strong dollar to splurge in Europe, as well as easing health restrictions in Asia.

That said, Louis Vuitton **sales were flat** in China during the period better than the second quarter but still far from recovery. As LVMH chief financial officer Jean-Jacques Guiony said on a call with investors, "The Chinese market is not working the normal way. We still have disruptions, both in terms of people being in lockdown, some stores are being closed. If you look at brick and mortar, the traffic in stores is still very low compared to 2019."

Given these fluctuations in the mainland, the company's biggest division, fashion and leather goods, pulled most of the weight. In the first nine months of 2022, business grew 31 percent (24 percent in organic) to 21.3 billion euros (\$20 billion), led by Louis Vuitton. In addition to a successful **men's Spring Summer 2023** LV show in China, the star label unveiled many new products, including the Tambour Twenty collector's watch. Limited to just 200 pieces, the \$17,800 timepieces went "immediately out of stock" after being released in September, the company noted.

LVMH isn't the only luxury giant turning its fortunes around. Earlier this week, Shanghai-based **Lanvin Group announced** that revenue in the first half of the year grew 73 percent year-over-year, representing "one of the highest growth rates in the global luxury industry." Although Europe and North America largely drove this performance, Greater China managed to surge 32 percent year-over-year in sales as brands expanded their presence on local e-commerce platforms such as JD.com and Xiaohongshu. (Still, the owner of Sergio Rossi **lowered its valuation** in

light of shifts in the currency and stock markets.)

As these results show, strong local demand in Europe and North America and rebounding tourism are helping global businesses to weather the storm. However, Bernstein analyst Luca Solca tells *Jing Daily* that Chinese consumers remain the most important constituency for these players. "We see in our analyses that as soon as **COVID-19 restrictions** are lifted Chinese consumers will go back to the stores."

It's also important to remember that these affluent consumers are not heavily swayed by inflationary pressures. "Luxury is not a proxy for the general economy," explained LVMH's Guiony. "We don't necessarily sell to the average household. We end up selling to affluent people and they have a behavior on their own that's not necessarily totally aligned with economic or GDP ups and downs."

As consumers getting out of the pandemic are in "carpe diem mode," luxury names can head into the holiday season with some optimism. But they're not completely out of the woods just yet: "Clearly, at one point luxury spend will normalize and converge back to fundamentals," Solca continued. "This is why we think it would be important for luxury brands to find a growth relay' between western consumers moderating their spend into FY23E and Chinese consumers accelerating." Those that do will be the ones that pull ahead of the pack.

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