



Global Economy of the Luxury Industry

Pr. F.Asenkat
franck.asenkat@external.hec.fr

HEC - YALE x GNAM Course
Fall Session
October, 2024

Slides Part One

Sources :
Bain & Company, BCG, Deloitte, JP Morgan, McKinsey, NPD, Beauty Inc,
BNP Exane, Bartley Intel., Comité Colbert, Forbes, FT, Altagamma, Statista, Gartner,
Bloomberg, Xerfi, and brands own financial reports (LVMH, Kering, Richemont, Lauder,
Loreal, etc.)

Slides are reputed Confidential and for your own personal usage.
Any distribution is prohibited.



GLOBAL ECONOMY OF THE LUXURY INDUSTRY

The **Six Sectors** of the Luxury Industry

1. **The Cultural Market**

>The Art Market (public & private)

2. **Transportation**

>Luxury Cars
>Yachts
>Jets

3. **Personal Luxury Goods (or P.L.G.)**

>Fashion
>Cosmetics
>Hard Luxury
>Accessories



The **Six Sectors** of the Luxury Industry

4. **The Leisures Market**

>Hospitality
>Cruises
>Private Clubs
>Sports (polo, hunting etc.)

5. **Homeware**

>Homeware Design
>Furniture Design
>Cristalware / Silverware
>Porcelain / Earthenware



The **Six Sectors** of the Luxury Industry

6. **Food & Beverages Industry**

- >Wines & Spirits
- >Deluxe delis
- >Starred Restaurants



Global Luxury Market

1.5
Trillion
Euros
for
2023
(est.)

All Sectors	World	%
Transportations	664	44%
PLG	362	24%
Leisures	217	14.4
Food & Beverages	169	11.3%
Homeware Design	53	3.5%
Cultural Market	42	2.8%



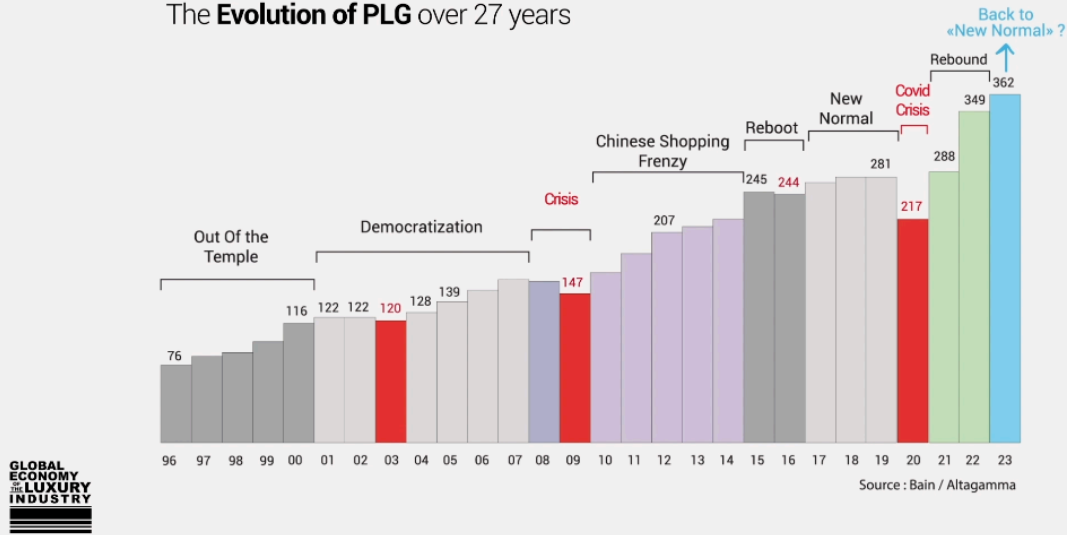
PLG Market

362
billions
Euros
for
2023
(est.)

PLG Sectors	World	%
Accessories	109	30%
Hard Luxury	84	23.3%
Fashion	75	20.7%
Cosmetics	72	20%
Other Accessories	22	6%



The Evolution of PLG over 27 years



PLG Business / Sources of 25-year Growth

Main Factors

- > Market Globalization
- > Players Consolidations
- > The Online Opportunity

>>>>>but also PRICE HIKES...

Predictions for PLG / World



PLAYERS FEATURES

TOP15 PLAYERS WORLDWIDE FOR PLG - 2023

Almost All Revenues on the List have Grown in 2023.

3 out of 5 top players are French corporates. LVMH remains a distant first.



1. LVMH	B€ 86.2	Vuitton, Dior, Tiffany's, Guerlain...
2. RICHEMONT	B€ 20.2	Cartier, Chloé, Van Cleef...
3. KERING	B€ 19.55	Gucci, YSL, Bottega Veneta...
4. CHANEL	B€ 18.2	Chanel, Chanel Beauty, Erès...
5. LOREAL LUXE	B€ 14.92	Lancôme, Armani Beauty, Kiehls...

Sources : Company financial reports, Xerfi, Statista. All revenues have been converted in Euros at the currency rates applied between Mar 2023 and Nov 2023. Some companies end their fiscal year in April or in June while the majority ends in December.

PLAYERS FEATURES

TOP15 PLAYERS WORLDWIDE FOR PLG - 2023

Almost All Revenues on the List have Grown in 2023.

3 out of 5 top players are French corporates. LVMH remains a distant first.



6. LAUDER	B€ 14.8	Lauder, La Mer, Jo Malone...
7. HERMES	B€ 13.42	Hermès, St Louis Cristals....
8. CHOW TAI FOOK	B€ 11.3	CTF Jewelry (Monologue, Enzo..)
9. ROLEX	B€ 10.34	Rolex, Tudor
10. SWATCH	B€ 8.12	Harry Winston, Omega, Longines...
11. TAPESTRY	B€ 6.24	Coach, Kate spade, Weitzman

Sources : Company financial reports, Xerfi, Statista. All revenues have been converted in Euros at the currency rates applied between Mar 2023 and Nov 2023. Some companies end their fiscal year in April or in June while the majority ends in December. Figures for 2023 to be updated by June 2024 with Chanel Corp.

PLAYERS FEATURES

TOP15 PLAYERS WORLDWIDE FOR PLG - 2023

Almost All Revenues on the List have Grown in 2023.

3 out of 5 top players are French corporates. LVMH remains a distant first.



12. RALPH LAUREN	B€ 6.04	RL, Purple, Polo, Chaps...
13. SHISEIDO	B€ 5.9	Shiseido, Clé de Peau, Nars, Drunk Elephant
14. CAPRI HOLDINGS	B€ 5.27	Versace, Jimmy Choo, Kors...
15. PRADA GROUP	B€ 4.7	Prada, Miu Miu, Church's...
16. PUIG	B€ 4.3	Gaultier, Tillbury, Rabanne, Penhaligons, Ricci
17. BURBERRY	B€ 3.60	Burberry
18. COTY PRESTIGE	B€ 3.20	BOSS Parfums, Gucci Beauty, Calvin Klein Beauty...

Sources : Company financial reports, Xerfi, Statista. All revenues have been converted in Euros at the currency rates applied between Mar 2023 and Nov 2023. Some companies end their fiscal year in April or in June while the majority ends in December. Figures for 2023 to be updated by June 2024 with Chanel Corp.

PLAYERS FEATURES
M&A Above B\$ 2 - 2023



Mergers & Acquisitions have slowed down in 2023 but Prices and Valuations remain High

KERING	B€ 5.2	Creed (3.5), Valentino (30% for 1.7)
LAUDER	B€ 2.25	Tom Ford
L'OREAL	B€ 2.3	Aesop
ROLEX	B€ 5.2 EST	Bücherer
TAPESTRY	B\$ 8.5 EXP	Capri Holdings (Kors, Versace, Choo)



Sources : Company financial reports, Bloomberg, Forbes, Gartner, Xerfi, Statista.

PLAYERS FEATURES
CONTRASTING EBITs AMONG PLAYERS



Operating Costs impact the Bigger Players, even more so in 2023

HERMES	42%
KERING	33.6%
LVMH	26.5%
RICHEMONT	25.2%
PRADA	22%



PLAYERS FEATURES
ADVERTISING & MKG BUDGETS ON THE RISE



Marketing Activities Spendings kept increasing in 2023 accross the Board

LVMH (80 brands)	B€ 10.33 (12% of sales)
RICHEMONT (28)	B€ 1.94 (9.7% of sales)
KERING (19)	B€ 1.55 (7.9% of sales)
CHANEL (1)	B€ 1.50 (9% of sales) EST
ROLEX (2)	B€ 1.01 (10% of sales) EST
HERMES(4)	B€ 0.62 (4.7% of sales)
PRADA(3)	B€ 0.42 (8.9% of sales)

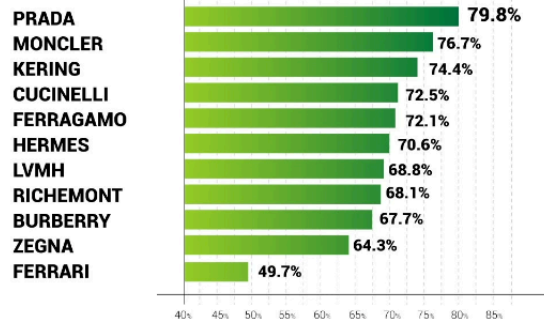


Sources : Company financial reports, MI

MARKET PLAYERS

GROSS MARGINS - H1 2024

PRADA's MIUMIU popularity and nylon-based items boosted its GMs
Most brands routinely maintain really high GMs

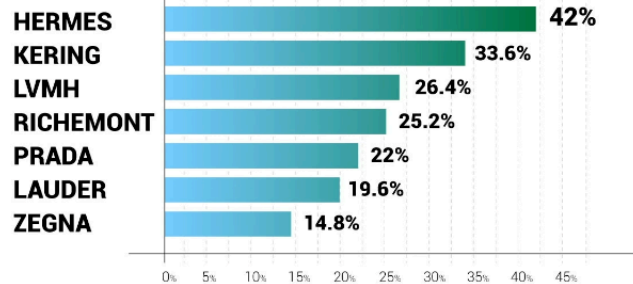


Sources : Brand Reports / D. Younis / Design : Bartley
January to June 2024 at constant exchange rates, except for Zegna, Burberry (FY23), and for Richemont (FY24)

MARKET PLAYERS

EBITDA - 2023

HERMES REMAINS A STRONG LEADER BEFORE TAXES
2023 was a very favorable year for most players

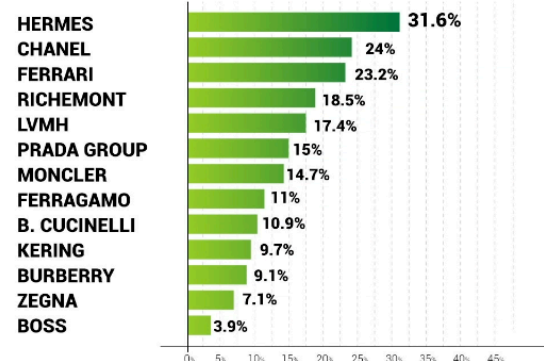


Sources : Brand Reports / Design : Bartley
January to December 2023 at constant exchange rates

MARKET PLAYERS

NET PROFIT MARGINS - H1 2024

HERMES's NPM still leads entering 2024
Kering falls sharply for the first six months



Sources : Brand Reports / Design : Bartley
January to June 2024 at constant exchange rates, except for Chanel, Zegna, Burberry (FY23), and for Richemont (FY24)

LVMH

2023 Revenues
B€ 86.2

EBIT
26.5%

SALESPPOINTS
6,097 DOS

WORKFORCE
213,000



PLAYERS FEATURES
LVMH GROUP - 2023

Half of the Revenue comes from Fashion & Accessories

The only top performer whose Revenues are coming from all of the 6 sectors

**Fashion
&Leather**
49%

**Distribution &
Hospitality**
21%

Hard
13%

Beauty
9%

**Wines &
Spirits**
8%



Sources : Reports / Design : Bartley

KERING

2023 Revenues
B€ 19.55 (-4%)

EBIT
33.6%

SALESPPOINTS
1,771 DOS

WORKFORCE
48,964



MARKET FEATURES

KERING GROUP - 2023 RESULTS

A shift in Artistic Direction by Gucci has negatively impacted results

Troubled times from France's 2nd largest Luxury player, which maintains sound foundations for a better mid-term outlook



RICHEMONT

2023 Revenues

B€ 20.2 (+19%)

EBIT

25%

SALESPPOINTS

2,341DOS

WORKFORCE

33,959



PLAYERS FEATURES

RICHEMONT GROUP - 2023

A Year of Sustained Growth from the Top #2 player

The most Hard-Luxury-Focused Group still benefited from the rebound

