Deloitte.

Global Powers of Luxury Goods 2016

Disciplined innovation

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Luxury goods in this report focuses on luxury for personal use, and is the aggregation of designer apparel and footwear (ready-to-wear), luxury bags and accessories (including eyewear), luxury jewellery and watches and premium cosmetics and fragrances.

Foreword

Welcome to the third **Global Powers of Luxury Goods**.

The report examines and lists the 100 largest luxury goods companies globally, based on the consolidated sales of luxury goods in financial year 2014 (which we define as financial years ending within the 12 months to 30 June 2015). It also provides an outlook on the global economy; an analysis of merger and acquisition activity in the industry and discusses the key forces shaping the luxury market.

The world's 100 largest luxury goods companies generated sales of $222 billion in financial year 2014, 3.6 percent higher year-on-year. The average luxury goods annual sales for a Top 100 company is now $2.2 billion.

The global luxury goods sector is expected to grow more slowly in 2016, at a rate many retailers may find disappointing. The growth rate is slowing in important markets such as China and Russia, although some markets continue to perform well and there are pockets of opportunity across the globe. India and Mexico for example are growing quickly, and the Middle East offers further growth potential.

There is a shift in the luxury path-to-purchase. Empowered by social networks and digital devices, luxury goods consumers are dictating increasingly when, where and how they engage with luxury brands. They have become both critics and creators, demanding a more personalised luxury experience, and expect to be given the opportunity to shape the products and services they consume.

Key findings from the report include:

- Discipline by design: luxury's new normal – We are now entering the second half of the 'decade of change', which is expected to be characterised by discipline.
- Demand for luxury goods is still growing profitably despite economic challenges.
- Italy is once again the leading luxury goods country in terms of number of companies.

We hope you find this report interesting and useful, and welcome your feedback.

Patrizia Arienti
EMEA Fashion & Luxury Leader
Deloitte Touche Tohmatsu Limited

Top 100 quick stats

composite year-over-year luxury goods sales growth
3.6%

US$222 billion
aggregate net luxury goods sales of Top 100 in US$

9.0%
composite return on assets

US$2.2 billion
average luxury goods sales of Top 100 luxury goods companies

compound annual growth rate in luxury goods sales, 2012-2014
6.1%

economic concentration of Top 10
47.9%

composite net profit margin
11.4%

minimum sales required to be on Top 100 list
$191 million

composite asset turnover
0.8x

Global economic outlook

In the past year the value of the US dollar has risen against most major currencies, driven by low oil prices, the relative strength of the US economy, expectations of tighter US monetary policy, and the easing of monetary policy in Europe and Japan. For luxury goods companies, the strength of the dollar has meant increased purchasing power for US consumers and higher import prices for consumers in other countries, especially those in emerging markets. However, the dollar has retreated since the start of 2016, providing relief to emerging markets that had boosted their own interest rates in response to dollar strength.

For the world's leading luxury goods companies, low oil prices have mostly been good news. Lower fuel costs have translated into increased purchasing power for consumers and higher real (inflation-adjusted) wages in most major markets. On the other hand, the sharp decline in capital spending by energy companies has had a negative impact on business investment in the US, Canada, and other major oil producing countries. Low oil prices have also resulted in weak economic growth in a number of oil-exporting countries, such as Canada, Russia, Venezuela and Malaysia.

The global luxury goods sector is expected to grow more slowly in 2016, at a rate many retailers may find disappointing. The growth rate is slowing in important markets such as China and Russia, although some markets continue to perform well and there are pockets of opportunity across the globe. India and Mexico for example are growing quickly, and the Middle East offers further growth potential.

Europe

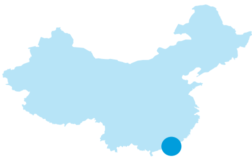
The European luxury goods market has bounced back since the difficult days of 2012-2014 but national economies are recovering at different rates. Overall, market growth is slow but steady, with both domestic shoppers and wealthy tourists cautious about spending. Entry-level products and affordable brands are set to do well, and the newer category of wearable technology, with products such as Apple's Hermès smartwatch making an impact among the super-rich, is also gaining traction.

Russia

Due to economic difficulties in Russia, including the effect of sanctions, sales of luxury goods fell significantly in 2015 as consumers tightened their belts. In the foreseeable future, this stagnation in the market is expected to continue.

United Kingdom

Wealthy tourists from the Middle East, China, the US, and Russia continue to drive a significant part of the demand in the UK's luxury goods market. It is therefore a market exposed to the risk of economic and political developments in those countries, and there have been noticeable headwinds in both inbound tourist flow and subsequent luxury spend (notably from Russian consumers) in the UK. However, the outlook for the wider UK domestic economy is improving, and a number of 'affordable luxury' and high street fashion brands are performing well. The market for male consumer goods in particular is growing. The UK is also a leader for digital developments in the market, for example through the use of social media; the emergence of wearable technology; and specific supply-side innovations. The UK corporate sector, wider economy, and political establishment have also been navigating the country's upcoming referendum vote on the UK membership of the EU, which has put much of the UK corporate investments into a 'holding pattern' pending the vote outcome on 23 June.



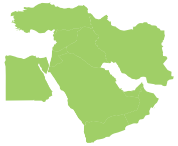
China/Hong Kong

Both mainland China and Hong Kong continue to experience a slowdown in luxury goods spending, with economic uncertainty dampening consumer confidence. The Hong Kong market has also been affected by the strained relations between China and Hong Kong, with many wealthy Chinese tourists staying away. The middle class consumers who used to visit Hong Kong mainly for shopping are now turning to overseas markets or cross-border e-retailers for better prices.

In mainland China, the slowing economy has resulted in lower spending, and government measures against luxury gifts in the corporate sector have also had an impact. The country's performance depends on how quickly the government can shift the focus of China's economy from construction and industry to consumer spending.

Rest of Asia

Over the next year growth in India will remain strong, although the country still has challenges to overcome before it becomes a major market for luxury brands. Japan is also set to perform well, particularly as it boosts tourist numbers ahead of the 2020 Tokyo Olympic Games. South Korea, meanwhile, will see further steady growth as the market matures further.



Middle East

The Middle East represents a big opportunity for luxury brands. Luxury malls in Abu Dhabi and Dubai have helped put these cities on the map for the industry, and the United Arab Emirates as a whole continue to enjoy strong growth. Well-established big-name brands perform well in the region, and tourism is a major driver of sales in Dubai. Although the region is likely to feel the impact of political unrest as well as global economic uncertainty, but further growth is expected overall.

United States

Growth in the world's largest luxury goods market slowed in 2015, hampered by a strong US dollar and a slowdown in trade from Chinese tourism. However domestic shoppers increased their consumption as US consumer spending rose. Both big name brands and newer affordable names such as Kate Spade performed well, and online sales are also growing quickly. In the coming year growth in the market is likely to continue, although the rate of growth could be affected if the dollar continues to appreciate.

Latin America

Mexico is the largest luxury goods market in Latin America followed by Brazil. With the US dollar appreciating against the Mexican peso in 2015, the price of luxury goods in the domestic market became more attractive than purchasing them overseas. Also, the cost of travelling overseas increased due to high US dollar prices and the overall cost of products were similar after taking into account the exchange rate. The outlook for luxury goods is very optimistic, driven by Mexico's fast growing middle-class and upper-middle-class who are seeking ever-more luxurious lifestyles and looking to differentiate themselves.

The luxury goods market in Brazil slowed in 2015 due to economic uncertainty. This particularly impacted the gift sales market which is a key part of luxury sales in the country. Many Brazilians are staying away from the more expensive brands, while affordable luxury brands such as Michael Kors continue to gain market share. Other than increased price-sensitivity, consumers are purchasing more discreet luxury items to avoid appearing ostentatious in light of the current economic climate and wider social issues.

Discipline by design: luxury's new normal

Key forces shaping the luxury market

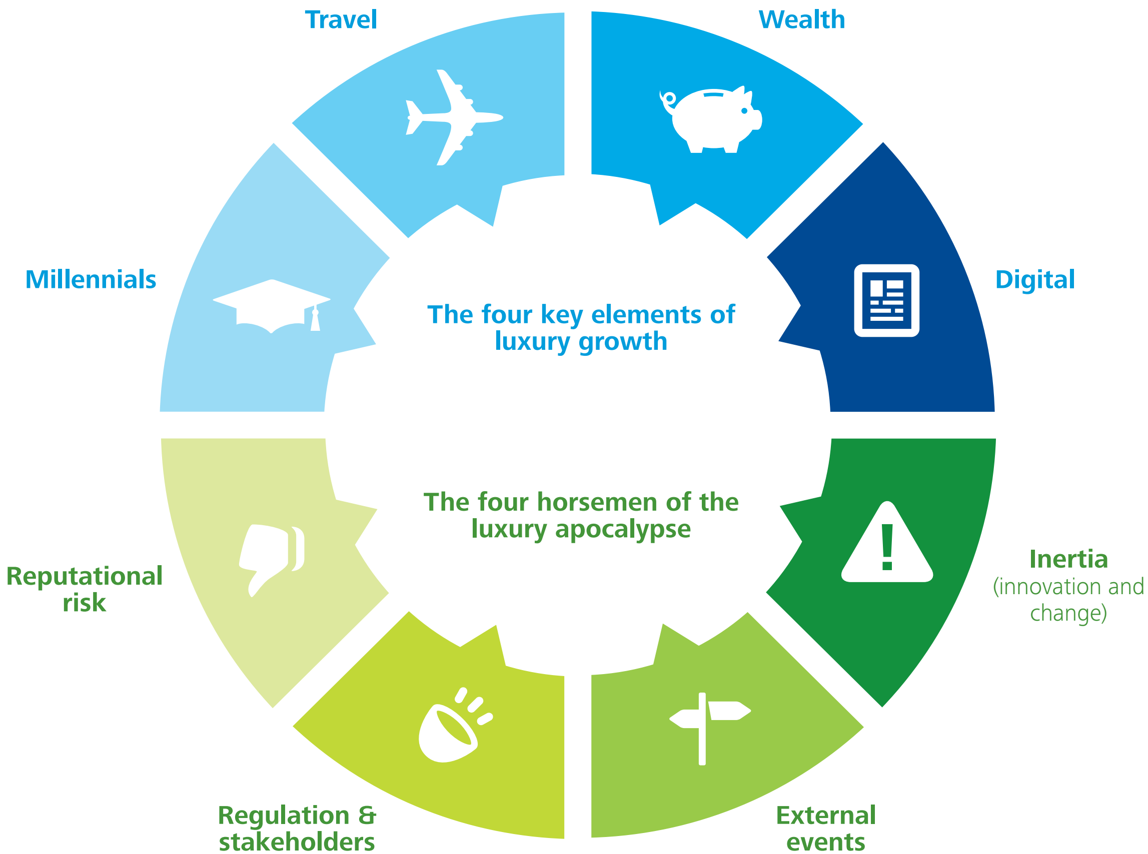
The luxury goods sector has now passed the mid-point of what we have previously termed the 'decade of change' – during which there will be a remarkable difference between 2010 and 2020.

The first half of this period was characterised by the Chinese consumer and the explosion in the use of digital technology. This period has offered strong growth, new markets and exciting channels. It brought with it an avalanche of exciting new technologies and platforms for brands to play on, and experiment with.

We are now entering the second half of the decade, which we believe should be characterised by discipline. The external environment will change in a number of crucial areas: an evolution in consumer buying behaviours; the merging of channels and business model complexity; an increase in international travel; the growing importance of the millennial consumer; and the continued impact of the global economy. All of these factors create opportunities for the luxury goods sector.

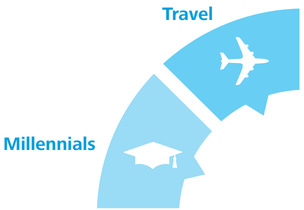
There are **four key elements of growth** for luxury goods companies, and if brands bring disciplined, long-term investment to these areas and focus on them, they will be well-placed to succeed. In addition, brands will also emerge as 'winners', in the eyes of the consumers, investors and stakeholder communities, if they manage carefully four other factors in the market: reputational risk, regulation and stakeholders, inertia and external events.

Figure 1. The key forces shaping the global luxury market



Source: Deloitte

Critical combination #1: Travel and millennials



Just as the best creative designers in the world recognise that they do not design for themselves, but for the customer, luxury executives similarly need to design the brand experience and their organisation around the end-consumer. Recent illustrative examples of this approach are Givenchy's ticketing microsite which gave fans the opportunity to attend its Spring/Summer 2016 runway show in New York and Burberry's rethink of the fashion calendar, combining men's and women's shows together in 'season-less' collections available for immediate purchase. Other brands such as Prada[1] and Tommy Hilfiger are trying to capitalise on the much-discussed 'see now, buy now'[2] trend enabling consumers to capture the excitement generated by catwalk presentations and companies to convert this into immediate sales.

Today's consumers are increasingly sophisticated and demanding. They want to experience shopping through multiple channels. This is especially true for millennials, who have their own values and communication preferences. Compared to the average population they are connected for about 30 per cent more of the time and they use a variety of touchpoints and devices – they own on average four devices each.

Millennials are an increasingly important sector of the consumer market, but they cannot be characterised easily. However, field research into millennials shows some ways in which this group of individuals differs crucially from previous generations.

First, they are aspirational and place a high value on their leisure time, holidays and work/life balance. They earn less and are burdened by more debt than previous generations at the same age. The focus of millennials on purpose and values in choosing their career has led some people to suggest that they may opt to avoid high-earning jobs. If true, this does not bode well for the luxury sector.

However, the reality would seem to be that the more that young people are exposed to, and learn about luxury goods and luxury brands, the more they want them. The challenge for luxury brand companies in serving the 'mercurial millennials' is that they are typically less loyal than previous generations and their engagement with digital technology has exposed them to more sources of information, a greater range of influences, and smaller brands.

To attract, excite and engage millennials will require a high level of brand investment. All consumers, but especially millennials, value experiences. A number of brands are adding experiential elements to their stores in order to encourage shopping. Examples are the Marc Jacobs Café in Milan and The Coffee Shop by Ralph Lauren in New York. Deloitte research also shows that millennial consumers care deeply about a brand's place in society and its effect on the environment: executives should therefore consider 'shared value' and 'tradition and culture celebration' projects in brand investments. For example, Omega's social campaign 'Omega Viva Rio' includes 12 social projects benefiting Rio de Janeiro in the run-up to the Olympic Games in July 2016; and Dior developed a web documentary series 'The quest for essence' describing the raw materials used in their fragrances through an engaging journey of discovering traditions and paying tribute to the environment.

> "Spend by people travelling accounts for 40% of the personal luxury market."[3]

A combination of two factors in consumer markets, **travel and millennials**, offers a vast opportunity for luxury brand companies to develop how a brand is seen, distributed and marketed, in order to capture more value.

In many luxury goods markets (such as France, Italy, the UK and Hong Kong), the majority of consumer spending is generated by foreign tourists. Although there were a number of factors restricting tourist spending in 2015, such as domestic economic problems, exchange rate fluctuations and political conflicts, the outlook remains positive. Globally, the transit retail channel not only accounts for 40 per cent of total luxury goods spending, but it is growing at a faster rate than the industry overall. It has grown by an average of eight per cent a year for the past ten years, compared to around six per cent for the wider luxury market.

Air traffic is expected to **double over the next 15 years – which is a big opportunity.**[4] This growth will be driven largely by an increase in travellers from emerging markets. Crucially, these travellers are much younger than travellers from developed market countries. For example, the 'age dependency ratio' (the ratio of travellers aged over 65 compared to those aged between15-64) is around 42 per cent for Japan and 33 per cent for Germany, but 10-12 per cent for Turkey, China and Brazil, and less than ten per cent for India and Indonesia.

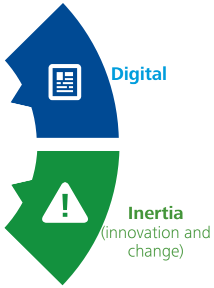
When the combination of **travel and millennials** is considered in relation to the luxury market, it is particularly important for companies to consider the Chinese consumer. Overall Chinese consumers are the travel sector's biggest spenders and they remain strategically important for luxury brands. China is still driving much of the volume growth in travel retail, and this will continue as the next generation of luxury shoppers come into the work force and start to acquire wealth. There are currently over 400 million millennials in China, which is more than the working populations of the US and Europe combined.[5] These consumers are different from their parents, who were willing to be told what to purchase by the big Western brand companies. They were keen to make large 'show-off' purchases from the big name labels in order to display their new-found wealth. Today's young Chinese luxury consumers have more confidence, prefer more subtle and sophisticated styles, and like to buy 'cool' brands.

Critical combination #2: Digital and inertia

When planning their strategies for travel and millennials, there are **two major implications** that luxury and high-end fashion brands need to consider. First, they need to target more actively the increasingly cosmopolitan 'value pools' in their domestic luxury markets. This may require a major re-think of how the brand is using its CRM, marketing and data analytics capabilities, so that they work together effectively – for instance, using technology options such as Medallia, which analyses feedback from Facebook, Twitter and other major review sites alongside solicited data from surveys and contact centres.

The second implication is that luxury goods companies need to differentiate their brands in transit and (non-city) end-tourism channels – where the current customer experience is often sadly out-of-date and uninspiring. Travel retail is an important element within the market for luxury branded goods and with rapidly-increasing traveller numbers, new transit routes and evolving consumer expectations, there is a great opportunity for the old 'airport shop' to be reinvigorated to meet the expectations of the modern luxury consumer.

"Falling footfall and prospects of dual physical/digital running costs will drag on profitability for many [consumer brands]. The luxury industry may see this most acutely."[6]



It may seem that almost every blog, column, social media feed and analyst note today revolves around the topic of '**digital**'. These items will often explain to the reader: 'how to create a digital luxury experience', 'how to engage the emerging luxury consumer online', and 'what omnichannel means for luxury'. This avalanche of opinions has created not only a vast amount of ideas for luxury brand executives, but also a significant risk of being **overwhelmed by them**, and not having a **focused and measurable digital agenda** that is consistent across the organisation.

In order to create value over the next decade, luxury brands will have some important choices to make, and probably the most significant of these is the **strategic choice around investment in digital**. In our C-suite 'Table of imperatives' (on page 11) we highlight some aspects of these choices, but first we shall explore a couple of key consumer trends.

One of these is the growth and proliferation of **connected devices**. This does not mean just smartphones – although mobile ownership and m-commerce continue to grow – but also other connected devices. For example, connected homeware, smart watches and wearable fitness trackers have already made a significant mark on the consumer mind-set, but in the luxury goods market, there are still just a few wearables. Swarovski, the crystal jewellery company is producing (in partnership with Misfit) a collection of activity-tracking jewellery, including a solar powered tracking device.[7] Other partnerships include Apple and Hermès to develop an up-scale version of the Apple watch and its accessories;[8] Google and Tag Heuer for a connected high-end watch,[9] and Fitbit and Tory Burch for a luxury and fashionable activity tracker.[10] Connected fashion products (notably handbags and some ready-to-wear items) are starting to enter the market: these offer added utility without sacrificing elegance or form and in addition can add security benefits and help combat counterfeiting.

As the shift towards omnichannel retail continues, rethinking the role of the store can be influenced by the use of in-store connectivity to drive richer experiences. Bang and Olufsen's concept store in New York, for example, has a speaker wall that can be used to play a customer's own playlist through a smartphone.

Fashion brands such as Gap, Kenzo and Eastpak have all opened digital pop-up stores, showing how some brands are rethinking the store concept by leveraging connectivity to drive brand awareness, footfall, and revenue.

A second important area of change is the **growth of connectivity itself**, both in 4G networks and in the expansion of gigabit broadband and access to Wi-Fi. As commented in Deloitte's Digital Leadership: "We're at an inflection point in retail where digital device adoption rates are accelerating toward 100 per cent. Once this happens, there will be **no such thing as offline** since consumers will be constantly connected". Consumers will expect high-quality product images, video and engaging content, and brands will be able to produce digital marketing campaigns that use greater bandwidth. Marketing content will become more focused. Recent examples are Le MANifeste campaign from Hermès, which included picture and word games, and an elegant pair of interactive dancing shoes, and Nicholas Kirkwood's video game-themed microsite – complete with a playable game of Pac Man.

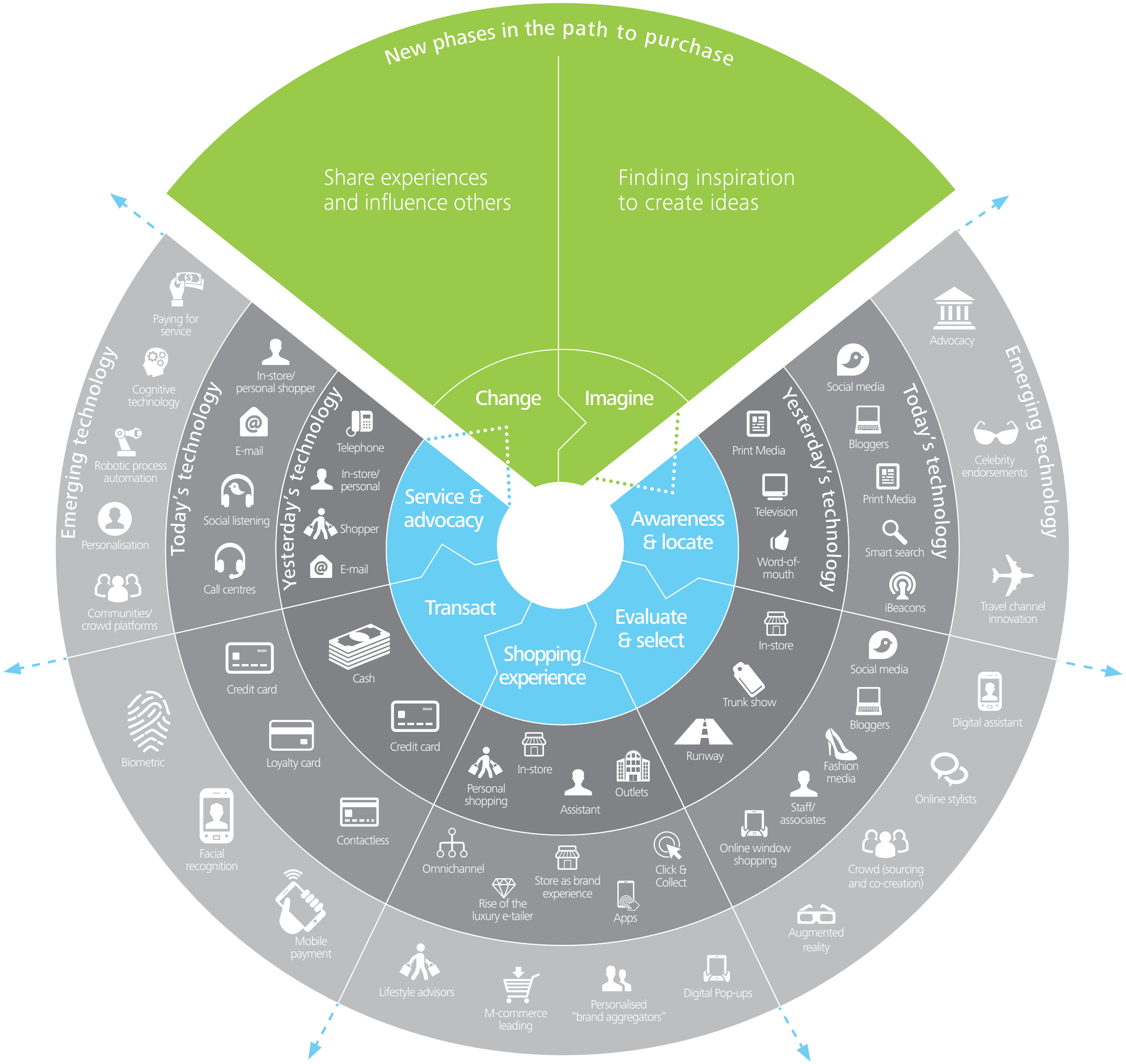
These two factors, the proliferation of connected devices and growth in connectivity, are combining to produce **changes in customer behaviour** affecting luxury brands. Consumers are now constantly connected. They interact with friends, influencers, social communities, and with brands, in different ways, and through a variety of touchpoints – changing the way they research and buy products.

The digital world continues to expand and its effects continue to proliferate. Luxury brands will need to think carefully about their response.

The changing luxury path-to-purchase

Having considered the forces at play in the market, we shall now focus on the luxury consumer and how the 'path-to-purchase' is evolving. Empowered by social networks and digital devices, luxury goods consumers are dictating increasingly when, where and how they engage with luxury brands. They have become both critics and creators, demanding a more personalised luxury experience, and expecting to be given the opportunity to shape the products and services they consume.

Figure 2. Path-to-purchase



Awareness

Enabled by digital devices and with access to extensive sources of information in real time, consumers can make better, faster decisions. As a result, they are becoming more immune to traditional marketing messages. However, this offers luxury brands new (and different) opportunities to engage their consumers, which they will need to address in order to drive brand success in the coming years.

Research by Deloitte into which sources of product information were trusted by consumers found that 60 per cent of consumers said that they trust their friends and families for product and service information, while **60 per cent trust reviews by anonymous customers**. Independent product/service experts and advisors came third (43 per cent agreement) while **brands and retailers came in at only 12 per cent and 16 per cent respectively**. Consumers are as likely to hear about a product through social media as they are through a magazine, and most shoppers are now likely to research products and services online, even if they end up buying in a store.

Personal recommendations are one of the main drivers at every stage in the purchase cycle, and this should be taken into consideration in the customer's online experience. Askourt is a plug-in platform[11] that can be easily integrated in any e-commerce website and that allows consumers to get direct and private advice about a purchase from their friends. The boundary between social media and e-commerce is blurring, as consumers are now able to shop via 'buy now' buttons that are available on Twitter, Instagram and Facebook; and platforms that fuse fashion content with social features (such as Lyst website or Net Set app) are attracting consumer interest as they provide a new and engaging way to shop.

Evaluation and selection

Many luxury products are inherently tactile due to the materials, the design and the workmanship involved in their production. In a store environment, assistants play an important role as advisors, helping customers to select products. However, this is now being supplemented by online reviews, luxury bloggers and social media feeds, as consumers have access to more information in real time. Furthermore, some cities have their own communities of 'local bloggers', such as Bon Vivant or The Luxe Life in London.

We are beginning to see the emergence of a new breed of online stylists and digital assistants (for example, Stylit and Trunk Club), whose role is to advise and assist consumers through the evaluation and selection stage of the purchase cycle, exposing consumers to new forms of influence. And, importantly, this is happening across brands rather than within brands – making the shopping experience more enjoyable and easier for consumers.

Augmented reality technology is also enhancing the luxury experience, using interactive media to provide consumers with more information on the provenance and heritage of a product.

The shopping experience

The luxury sector has not been immune to the rise of e-commerce (as demonstrated by the capture of market share by Yoox Net-a-Porter, Farfetch, Matches Fashion and others, and by the continued rise of the brand.com channel). The original challenge for luxury brands was how to replicate the luxury shopping experience online, but increasingly the more valuable investment is how to use digital technology to enhance the luxury store experience. For example, Hermès has chosen to amplify a more playful or whimsical side of their brand through an e-commerce presence, while Louis Vuitton and Burberry have focused on content, such as product showcases and catwalk shows that are only available online.

Many luxury brands have chosen to use mobile technology, but with m-commerce, there is the challenge of how to replicate the full luxury experience on a four inch screen.

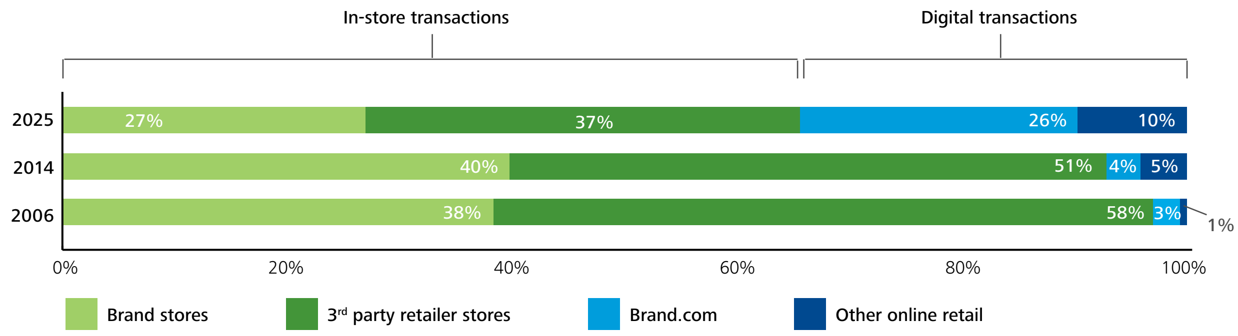
But it is the last mile, the final delivery to the home, where the true battleground exists. The luxury consumer now has a larger range of purchase and delivery options than ever before. All the brands mentioned above offer free delivery and click-and-collect or reserve-and-collect services. The challenge for the retailer is how to retain coherence and the same quality of service across different purchase and delivery channels – whilst making the economics work.

Imperatives – leadership from within and disciplined innovation

Responding to the key forces described previously, and serving the evolving expectations of the luxury consumer, will be a challenge. In order to create value over the next decade, senior executives in luxury companies will have some important choices to make. The 'Table of imperatives' in this section considers the challenges, opportunities and immediate 'moves' by function for senior executives. Underpinning this, there are three behavioural and cultural features we think will be required in forward-thinking luxury brands.

First, leadership will need to **break free from nostalgia**. Luxury is different, but not that different. Luxury is special, but not that special. The old retail model is dying fast. Figure 3 shows a forecast for the changing channel mix across branded consumer goods. The key point about this forecast is not the absolute number, but the direction of travel. The structural shift in channels is already occurring. The 'winners' will be stronger brands (with brand equity counting for more in the multi-channel age); nimble operators; those with close relationships with consumers; and masters of the 'last mile' – purchasing and delivery options. Those channels at risk of 'losing' will be traditional store-focused retailers, brands under-investing in digital, and those with trailing retail portfolios, notably in second-tier locations. The old retail business model is at risk and clinging on to nostalgia will hasten its demise.

Figure 3. Evolving share of global revenue mix across channels for consumer branded goods



Source: Goldman Sachs Equity Research (Brands of the Future - E-commerce to drive the digital divergence, 2015)

Second, luxury brands will put **leadership under more pressure** than ever before. For public companies or private-equity backed brands, there will be pressure to grow – and to grow despite a smaller contribution from Chinese consumers than in the past five to ten years. There is a risk that the pressure may result in leadership making poor choices – on key matters such as business model, brand partnerships, market entry, pricing and products – which can damage brand equity and long-term returns.

For some luxury brands, there will be different pressures which come from heritage or private/family ownership – resulting in a risk of inertia, over-control, caution and a lack of agility. The role of the executive team here should be to avoid a temptation of trying to maintain the status quo, or to sit back and 'protect' the brand's current position. Digital has lowered the barriers to entry for a wide range of nimble luxury competitors, and with luxury consumers continuing to value their buying experiences as much as the product, luxury goods executives need to provide effective leadership. Executives will have a responsibility and an opportunity to challenge traditional orthodoxies in order to win.

Finally, luxury executives will need to be **even more innovative with their brand and their business.** As consumers are given more choice and access, and as barriers to entry are lowered, the relevance and power of the brand in decision-making becomes more pronounced.

Brand innovation should be done in end-markets, and with discipline this can be controlled and executed whilst managing brand risk. We believe there are a number of areas, other than the product and the product system, in which innovation can drive measurable value. These go beyond products to platforms, business models, and entirely new customer experiences. Most unsuccessful innovations do not fail for a lack of creativity, but for a lack of discipline. Discipline will be an essential requirement for luxury executives over the second half of this decade of change.

Table of imperatives

C-suite role	Likely challenges on the road to 2020	Key opportunities to focus on	Essentials for the next 12 months
CEO + Strategy, BD	· Navigating slower growth period in the cycle · Building product / brand legitimacy with millennials · Managing business model through digital disruption · Building resilient talent and culture strategy	· Innovation strategy and enabling innovation to succeed · Bringing consumers and brand closer together · Rethinking luxury market 'value pools' (e.g. experiences) · Setting target operating model for brand in 2020	· Building buy-in with investor community of "long view" · Setting-up and spearheading innovation council · Rethinking performance measures and incentives · Putting digital uncertainty in the past – and placing bets
CFO + Tax, legal	· Responding to lower margin period of digital transition · Managing macro risk (currency, political, cyber, shock) · Governing the response to the Global Tax Reset & BEPS · Selecting investment initiatives for future growth	· Vigilant control of investments in future growth · Offensive and defensive M&A opportunities · Challenging current and future property/retail exposure · Using analytics to better enable finance function	· New approach/model for investment business cases · Creating a sustainable tax strategy as BEPS emerges · Piloting analytics projects to drive value in finance process · Margin focus: what is driving margin leakage?
COO + E-com, retail	· Shaping and executing a nimble omnichannel strategy · Optimising the fulfilment and last mile components · Setting and delivering sustainable pricing strategy · Finding and keeping the right blend of talent	· Applied analytics across retail value chain (e.g. pricing) · Portfolio optimisation as channel shift continues · Productivity of store network (staff and stock decisions) · Talent: building an irresistible work environment	· Creating strategic plan to develop analytics capabilities · Economic case for future retail options, e.g. digital pop-ups · Selection of pilot market for experimentation · Rethinking the role of the flagship store in value creation
CIO / CTO + Tech, data	· Fragmentation of tech stack with more diversified partners · "Keeping up with the Joneses" as competitors emerge · Partnering the business effectively through change · Managing cyber risk – protecting customer and brand	· Re-thinking IT ownership, cloud, and diversified buying · Improved reporting and MI focused on efficiency · Building closer 'talent link' between IT and business · Analytics: the new battleground for fashion and luxury	· Diagnosing what 2020 systems need to look like · What is the provider/partner model to optimise value · Deep dive on cyber security capabilities · Joint plan with business on CRM systems/technology
CMO +Digital / Customer / Experience	· Lower traditional A&P spend as channel shift continues · Measuring and adapting: not chasing the newest thing · Finding new customer engagements (e.g. for millennials) · New competitors (e.g. outside category) to combat	· Innovating the role of the store network as channels shift · Unlocking new luxury markets and consumer segments · Optimising A&P spend through budget changes · Rethinking value accretive brand partnerships in market	· Deep dive on current and target high income/HNW · Challenging agencies and third parties to measure value · Rethinking the role of the flagship as marketing vehicle · Challenge how to drive more value from transit channel
Chairman +NEDs, board	· Overseeing sustainable strategy and business model · Ensuring rigour of investment decisions (notably tech) · Managing brand and reputational risk · Responding to unforeseen crisis events	· Finding right mix of board talent (e.g. tech, younger NEDs) · Approach to protect brand equity during disruption · Optimising reward schemes/TIP to align with value · Proactive engagement to build shareholder loyalty	· Challenging strategy in the face of disruption ('war game') · Isolating cultural/talent requirements within executive · Bringing corporate reporting into the 21st century · Test executive on possible brand/org partnerships

Top 10

Top 10 luxury goods companies

Luxury goods sales ranking FY14	Luxury goods sales ranking FY13	Company name	Selection of luxury brands	Country of origin	FY14 Luxury goods sales (US$m)	FY14 Total revenue (US$m)	FY14 Luxury goods sales growth*	FY14 Net profit margin**	FY14 Return on assets*	FY12-14 Luxury goods sales CAGR* ***
1	1	LVMH Moët Hennessy-Louis Vuitton SA	Louis Vuitton, Fendi, Bulgari, Loro Piana, Emilio Pucci, Acqua di Parma, Donna Karan, Loewe, Marc Jacobs, TAG Heuer, Benefit Cosmetics	France	23,297	40,727	7.0%	19.9%	11.4%	3.5%
2	2	Compagnie Financiere Richemont SA	Cartier, Van Cleef & Arpels, Montblanc, Jaeger-LeCoultre, Vacheron Constantin, IWC, Piaget, Chloé, Officine Panerai	Switzerland	13,217	13,217	3.9%	12.8%	6.5%	4.0%
3	3	The Estée Lauder Companies Inc.	Estée Lauder, M.A.C., Aramis, Clinique, Aveda, Jo Malone; Licensed fragrance brands	United States	10,780	10,780	-1.7%	10.1%	13.3%	2.9%
4	5	Luxottica Group SpA	Ray-Ban, Oakley, Vogue Eyewear, Persol, Oliver Peoples; Licensed eyewear brands	Italy	10,172	10,172	4.6%	8.4%	6.7%	3.9%
5	6	The Swatch Group Ltd.	Breguet, Harry Winston, Blancpain, Longines, Omega, Rado; Licensed watch brands	Switzerland	9,223	9,530	3.1%	16.3%	11.1%	5.9%
6	7	Kering SA	Gucci, Bottega Veneta, Saint Laurent, Balenciaga, Brioni, Pomellato, Girard-Perregaux, Ulysse Nardin	France	8,984	13,344	4.5%	5.5%	2.4%	4.3%
7	4	Chow Tai Fook Jewellery Group Limited 周大福珠宝集团有限公司	Chow Tai Fook, Hearts on Fire	Hong Kong	8,285	8,292	-17.0%	8.6%	9.1%	5.7%
8	8	L'Oréal Luxe	Lancôme, Biotherm, Helena Rubinstein, Urban Decay, Kiehl's; Licensed brands	France	8,239	8,239	5.7%	15.0%	19.1%	5.5%
9	9	Ralph Lauren Corporation	Ralph Lauren, Polo Ralph Lauren, Purple Label, Black Label, Double RL, RLX Ralph Lauren	United States	7,620	7,620	2.3%	9.2%	11.5%	4.7%
10	10	PVH Corp.	Calvin Klein, Tommy Hilfiger	United States	6,441	8,241	3.9%	5.3%	4.0%	21.4%
Top 10					**106,258**	**130,162**	**2.0%**	**13.2%**	**8.8%**	**5.1%**
Top 100					**221,958**	**252,489**	**3.6%**	**11.4%**	**9.0%**	**6.1%**
Economic concentration of Top 10					**47.9%**	**51.6%**				

* Top 10 and Top 100 sales growth figures are sales-weighted, currency-adjusted composites
** Top 10 and Top 100 figures are sales-weighted composites
*** Compound annual growth rate
e = estimate
Source: Published company data and industry estimates

Top 10 luxury companies improve profitability: strong performance from global leader LVMH

There were no new entrants in 2014 to the list of the world's Top 10 luxury goods companies. There was also little change in luxury goods sales, total revenue, or economic concentration for the Top 10 as a whole, with relatively little acquisition activity by the leading companies. Kering's acquisition of Swiss watch company Ulysse Nardin in November 2014 was the only major event.

Chow Tai Fook (sometimes called ‘Asia's Tiffany & Co’), dropped three places to #7 in the rankings following a 17 per cent decline in sales. This was due largely to a spike in sales in 2013, when consumer demand for luxury goods was boosted by a ‘gold rush’ effect, driven by a slump in the international gold price.

This sharp fall in sales for Chow Tai Fook affected overall growth in luxury goods sales for the Top 10 companies. Their total sales (referred to here as ‘composite’ sales) grew by 2.0 per cent in 2014, which is less than the composite sales growth rate of 3.6 per cent for the Top 100 luxury companies. Excluding Chow Tai Fook, combined sales of the other nine companies in the Top 10 grew by 3.4 per cent. Six of these nine companies beat composite sales growth rate for the Top 100, and sales at LVMH, Luxottica, Kering and L'Oréal Luxe all grew at a faster rate than in 2013. LVMH, which accounts for over 10 per cent of the total luxury goods sales by the Top 100 companies, turned in a very strong performance: it was #1 in luxury goods sales revenue, and also #1 among the top 10 companies for luxury goods sales growth rate and net profit margin. LVMH's high 7 per cent sales growth was due to full year contributions from Q4 2013 acquisitions Loro Piana and Nicholas Kirkwood, as well as steady growth in its core business. Its 19.9 per cent net profit margin was the fifth highest out of all companies in the Top 100, but this figure was boosted by an exceptional profit of €2.677 billion from an enforced distribution of Hermès shares to LMVH shareholders during the year.

Over the two-year period 2012-2014, the compound annual growth rate in luxury goods sales was stronger, at 5.1 per cent, for the Top 10, although this was half the compound annual growth rate for this group of companies in last year's report.

Profit margins for the Top 10 companies were higher than in 2013: their composite net profit margin increased by 1.5 percentage points to 13.2 per cent, outperforming the Top 100 companies by 1.8 percentage points. All Top 10 companies were profitable, and half of the group achieved double-digit net profit margins. Swatch Group lost the #1 position as the ‘highest net profit margin Top 10 company’ that it had held for the previous two years to LVMH, but only because of the exceptional profit reported by LMVH for the Hermès shares. Excluding this exceptional profit, LVMH's net profit margin was the same as Richemont’s, at 12.8 per cent. Net profit margins at Swatch and LVMH were among the highest for all of the Top 100 companies in 2014. Both Kering and PVH Corp. enjoyed healthier profits following completion of their restructuring programmes.

Among the Top 10 companies, three are luxury conglomerates participating in multiple sectors of the luxury goods market; two are cosmetics and fragrance companies; two are jewellery and watch companies; two are apparel companies; and Luxottica is the only accessories company. The top three companies were LVMH, Richemont and Estée Lauder, which retained their positions from the previous year, despite a struggle by Estée Lauder to achieve sales growth. LVMH has more than 30 luxury brands spanning the full range of luxury goods categories in this report, and more than 60 prestigious brands in its entire portfolio (including wines and spirits, retailing and media). Three of the Top 10 are headquartered in the US, three are in France, and there are two in Switzerland and one in each of Italy and Hong Kong.

Top 100 highlights

Demand for luxury goods still growing profitably, despite economic challenges

Sales of the world's100 largest luxury goods companies ('the Top 100 Global Powers of Luxury Goods') continued to grow in 2014, although the rate of growth was less than in previous years. Profit margins were higher than in 2013. The polarisation of company performance was greater, with more high performers achieving double-digit luxury goods sales growth and profit margins, and also more companies experiencing double-digit sales decline.

Composite currency-adjusted luxury goods sales growth for the world's 100 largest luxury goods companies was 3.6 per cent in 2014. This was less than half the 8.2 per cent growth rate in 2013. For the 98 luxury goods companies in the Top 100 that reported their 2013 and 2014 luxury goods sales revenue, 75 per cent showed an increase in 2014, and thirty-nine of the Top 100 achieved higher sales growth in 2014 than in 2013. Composite sales growth was dragged down by nine companies which suffered a double-digit sales decline in 2014: five of these were China/Hong Kong-based jewellers, whose sales fell by a total of US$3.1 billion after the 'gold rush' surge in sales they had enjoyed in 2013.

Profit margins in luxury goods companies (based on their combined revenue and net income) improved on 2013. The composite net profit margin for the 80 luxury goods companies disclosing their bottom-line profits increased by more than one percentage point, to 11.4 per cent. Over half of these companies improved their net profit margin over the previous year. Only nine companies made a loss, down from twelve in last year's report. However it should be noted that the composite net profit margin for the Top 100 was boosted by 1.3 percentage points as a result of LVMH's €2.677 billion exceptional profit from the distribution of Hermès shares.

The number of all-round high performers more than doubled: 15 companies achieved double-digit growth in luxury goods sales and a double-digit net profit margin in 2014, compared to just six in last year's report.

For the 80 reporting companies, asset turnover (the ratio of sales to assets) was stable at 0.8 times, resulting in a composite return on assets of 9.0 per cent in 2014, compared to 8.6 per cent in 2013.

Sales of luxury goods by the Top 100 largest luxury goods companies in 2014 totalled US$222 billion, giving average sales ofUS$2.2 billion per company. 45 companies had luxury goods sales of more than US$1 billion, three more than last year. The threshold sales level for belonging to the Top 100 in 2014 was US$191 million.

Global Powers of Luxury Goods Top 100

Top 100 luxury goods companies

Luxury goods sales ranking FY14	Luxury goods sales ranking FY13	Company name	Selection of luxury brands	Country of origin	FY14 Luxury goods sales (US$m)	FY14 Total revenue (US$m)	FY14 Luxury goods sales growth	FY14 Net profit margin[1]	FY12-14 Luxury goods sales CAGR[2]
1	1	LVMH Moët Hennessy-Louis Vuitton SA	Louis Vuitton, Fendi, Bulgari, Loro Piana, Emilio Pucci, Acqua di Parma, Donna Karan, Loewe, Marc Jacobs, TAG Heuer, Benefit Cosmetics	France	23,297	40,727	7.0%	19.9%	3.5%
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8	8	L'Oréal Luxe	Lancôme, Biotherm, Helena Rubinstein, Urban Decay, Kiehl's; Licensed brands	France	8,239 e	8,239 e	5.7% e	15.0% e	5.5%
9	9	Ralph Lauren Corporation	Ralph Lauren, Polo Ralph Lauren, Purple Label, Black Label, Double RL, RLX Ralph Lauren	US	7,620	7,620	2.3%	9.2%	4.7%
10	10	PVH Corp.	Calvin Klein, Tommy Hilfiger	US	6,441	8,241	3.9%	5.3%	21.4%
11	12	Rolex SA	Rolex, Tudor	Switzerland	5,581 e	5,581 e	2.0% e	n/a	2.0%
12	13	Hermès International SCA	Hermès, John Lobb	France	5,475	5,475	10.0%	21.0%	8.7%
13	11	Shiseido Company, Limited	SHISEIDO, clé de peau BEAUTÉ, bareMinerals, NARS, ISSEY MIYAKE, ELIXIR, Benefique	Japan	5,114	7,077	4.5%	4.7%	11.0%
14	16	Lao Feng Xiang Co., Ltd. 老凤祥股份有限公司	Lao Feng Xiang	China	4,683	5,346	5.5%	3.7%	14.4%
15	15	Prada Group	Prada, Church's, Car Shoe, Miu Miu	Italy	4,662	4,662	-1.0%	12.9%	3.8%
16	19	Michael Kors Holdings Limited 迈克高仕控股有限公司	Michael Kors, MICHAEL Michael Kors	Hong Kong	4,371	4,371	32.0%	20.2%	41.6%

[1] Net profit margin based on total consolidated revenue and net income
[2] Compound annual growth rate
e = estimate
n/a = not available
ne = not in existence
Source: Published company data and industry estimates

Luxury goods sales ranking FY14	Luxury goods sales ranking FY13	Company name	Selection of luxury brands	Country of origin	FY14 Luxury goods sales (US$m)	FY14 Total revenue (US$m)	FY14 Luxury goods sales growth	FY14 Net profit margin[1]	FY12-14 Luxury goods sales CAGR[2]
17	17	Tiffany & Co.	Tiffany & Co., Tiffany	US	4,250	4,250	5.4%	11.4%	5.8%
18	14	Coach, Inc.	Coach, Stuart Weitzman	US	4,192	4,192	-12.8%	9.6%	-9.1%
19	18	Burberry Group plc	Burberry, Burberry Brit, Burberry London, Burberry Prorsum	UK	4,072	4,072	8.3%	13.5%	12.4%
20	20	Hugo Boss AG	BOSS, HUGO, BOSS Green, BOSS Orange	Germany	3,418	3,418	5.7%	13.0%	4.7%
21	23	Giorgio Armani SpA	Giorgio Armani, Emporio Armani, Armani, A/X Armani Exchange	Italy	3,387	3,387	16.5%	10.3%	10.4%
22	22	Swarovski Crystal Business	Swarovski	Austria	3,097	3,097	0.0%	n/a	-1.1%
23	21	Coty Inc.	Lancaster, Calvin Klein fragrance; Licensed fragrance brands: Marc Jacobs, Chloé	US	2,950	4,395	-7.4%	5.9%	-3.7%
24	28	Puig, S.L.	Carolina Herrera, Nina Ricci, Paco Rabanne, Jean Paul Gaultier, Penhaligon's; Licensed fragrance brands	Spain	2,193	2,193	10.1%	10.5%	5.3%
25	24	Chow Sang Sang Holdings International Limited 周生生集团国际有限公司	Chow Sang Sang	Hong Kong	2,184	2,483	-15.1%	5.6%	6.7%
26	35	Pandora A/S	Pandora	Denmark	2,129	2,129	32.5%	25.9%	34.0%
27	27	Christian Dior Couture SA	Christian Dior	France	2,124	2,124	17.3%	7.7%	17.4%
28	26	OTB SpA	Diesel, Maison Martin Margiela, Viktor&Rolf, Marni	Italy	2,069	2,069	0.3%	0.4%	2.5%
29	29	Clarins SA	Clarins, My Blend, Thierry Mugler, Azzaro	France	1,994[e]	1,994[e]	0.7%[e]	n/a	1.7%
30	30	Fossil Group, Inc.	Fossil, Michele, Relic, Skagen, Zodiac; Licensed brands	US	1,993	3,510	13.4%	11.0%	18.1%
31	25	Luk Fook Holdings (International) Limited 六福集团(国际)有限公司	Luk Fook	Hong Kong	1,986	2,054	-18.0%	10.2%	9.7%
32	31	Titan Company Limited	Tanishq, Titan, Zoya, Nebula, Xylys	India	1,862	1,965	8.9%	6.8%	8.1%
33	32	Max Mara Fashion Group Srl	MaxMara, SportMax, Marina Rinaldi, Max & Co, PennyBlack	Italy	1,778	1,778	3.8%	5.8%	1.7%
34	34	Salvatore Ferragamo SpA	Salvatore Ferragamo	Italy	1,756	1,770	5.9%	12.3%	7.4%
35	33	Ermenegildo Zegna Holditalia SpA	Ermenegildo Zegna, Z Zegna, Zegna Sport	Italy	1,709	1,709	1.2%	5.5%	1.0%
36	36	Safilo Group SpA	Safilo, Carrera, Oxydo, Smith Optics; Licensed eyewear brands	Italy	1,567	1,567	5.1%	3.3%	0.1%
37	-	L'Occitane International SA	L'Occitane en Provence, Melvita, erborian, L'Occitane au Brésil	Luxembourg	1,495	1,495	11.7%	10.7%	6.3%
38	39	Dolce&Gabbana S.r.l.	Dolce&Gabbana	Italy	1,381	1,381	14.6%	3.4%	7.3%
39	38	TOD'S SpA	Tod's, Hogan, Fay	Italy	1,297	1,297	-0.7%	9.9%	-0.5%
40	42	Gitanjali Gems Ltd.	Nakshatra, Gili, asmi, D'damas, Maya, Passion Stone	India	1,289	1,899	19.2%	0.8%	-12.1%
41	40	Patek Philippe SA	Patek Philippe	Switzerland	1,269[e]	1,269[e]	5.5%[e]	n/a	4.1%
42	37	Zhejiang Ming Jewelry Co., Ltd. 浙江明牌珠宝股份有限公司	MINGR	China	1,114	1,114	-20.0%	2.9%	1.4%

[1] Net profit margin based on total consolidated revenue and net income
[2] Compound annual growth rate
e = estimate
n/a = not available
ne = not in existence
Source: Published company data and industry estimates

Luxury goods sales ranking FY14	Luxury goods sales ranking FY13	Company name	Selection of luxury brands	Country of origin	FY14 Luxury goods sales (US$m)	FY14 Total revenue (US$m)	FY14 Luxury goods sales growth	FY14 Net profit margin[1]	FY12-14 Luxury goods sales CAGR[2]
43	49	Kate Spade & Company	Kate Spade, Kate Spade Saturday, Jack Spade; Licensed brands	US	1,105	1,139	48.7%	14.0%	54.7%
44	44	PC Jeweller Ltd.	PC Jeweller	India	1,041	1,051	19.2%	5.9%	25.7%
45	43	Tory Burch LLC	Tory Burch	US	1,000 e	1,000 e	11.1% e	n/a	14.7%
46	53	Graff Diamonds International Limited	Graff	UK	984	984	48.1%	15.8%	21.0%
47	41	Elizabeth Arden, Inc.	Elizabeth Arden; Licensed fragrance brands	US	971	971	-16.6%	-23.2%	-15.0%
48	50	Valentino Fashion Group SpA	Valentino, REDValentino	Italy	966	966	31.7%	4.5%	28.8%
49	47	Moncler SpA	Moncler	Italy	923	923	19.6%	18.7%	19.1%
50	45	Le Petit-Fils de L.-U. Chopard & Cie SA	Chopard	Switzerland	875 e	875 e	0.0% e	n/a	3.3%
51	46	CFEB Sisley SAS	Sisley, Hubert, Isabelle d'Ornano	France	848 e	848 e	4.8% e	n/a	4.9%
52	51	Audemars Piguet & Cie	Audemars Piguet	Switzerland	766 e	766 e	9.4% e	n/a	8.0%
53	-	Eastern Gold Jade Co., Ltd 东方金钰股份有限公司	Eastern Gold Jade	China	740	740	-23.4%	2.2%	-3.0%
54	52	Gianni Versace SpA	Versace Collection, Versus, Palazzo Versace	Italy	735	735	15.4%	5.0%	16.3%
55	48	Renown Incorporated	C'est Privee, D'Urban, Intermezzo	Japan	672	672	-4.8%	-0.2%	-2.7%
56	54	Longchamp SAS	Longchamp, Le Pliage	France	665 e	665 e	8.2% e	n/a	4.9%
57	58	Movado Group, Inc.	Concord, EBEL, Movado; Licensed watch brands	US	587	587	2.9%	8.8%	7.8%
58	66	Sungjoo D&D Inc	MCM	South Korea	547	554	27.9%	8.9%	24.7%
59	63	Tumi Holdings, Inc.	Tumi	US	527	527	12.8%	11.0%	15.0%
60	62	De Rigo SpA	Police, Lozza, Sting; Licensed eyewear brands	Italy	513	513	5.7%	3.3%	2.4%
61	59	Inter Parfums, Inc.	Lanvin, Intimate, Aziza; Licensed fragrance brands	US	499	386	-11.4%	9.7%	-12.6%
62	64	Jimmy Choo plc	Jimmy Choo	UK	494	494	6.4%	-3.6%	11.0%
63	80	Marcolin SpA	Marcolin; Licensed eyewear brands	Italy	481	481	70.6%	0.1%	30.1%
64	65	Brunello Cucinelli SpA	Brunello Cucinelli	Italy	475	475	10.8%	8.9%	12.7%
65	68	Bally International AG	Bally	Switzerland	439 e	439 e	10.0% e	n/a	n/a
66	67	Gefin SpA	Etro	Italy	431	431	7.0%	0.1%	1.8%
67	61	True Religion Apparel, Inc.	True Religion	US	430 e	430 e	-12.2% e	n/a	-4.1%
68	70	Liu Jo SpA	Liu Jo, Rebel Queen by Liu Jo	Italy	427	427	15.6%	11.2%	8.5%
69	-	Kurt Geiger Limited	Kurt Geiger London, KG Kurt Geiger, Carvela Kurt Geiger, Miss KG	UK	415	415	15.4%	4.1%	ne
70	-	Breitling SA	Breitling	Switzerland	405 e	405 e	5.7% e	n/a	11.1%

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71	69	Sociedad Textil Lonia SA	Purificación Garcia; Licensed brand : CH Carolina Herrera	Spain	397	397	5.6%	10.5%	4.4%
72	74	Joyeria Tous SA	Tous	Spain	362	362	11.5%	10.5%	4.9%
73	77	Furla SpA	Furla	Italy	360	360	18.8%	6.4%	12.8%
74	72	Aeffe SpA	Moschino, Moschino Cheap and Chic, Love Moschino, Alberta Ferretti, Philosophy	Italy	340	340	1.9%	1.6%	0.4%
75=	-	Franck Muller Group	Franck Muller	Switzerland	339 [e]	339 [e]	0.0% [e]	n/a	1.7%
75=	79	Frédérique Constant SA	Frederique Constant, Alpina, Ateliers deMonaco	Switzerland	339 [e]	339 [e]	14.8% [e]	n/a	11.4%
77	71	Trinity Limited 利邦控股有限公司	Cerruti 1881, Kent & Curwen, Gieves & Hawkes	Hong Kong	338	338	-2.7%	6.1%	-3.2%
78	76	Euroitalia S.r.l.	Licensed Fragrance brands: Naj-Oleari, Moschino, Versace, John Richmond	Italy	333	333	10.0%	12.0%	15.3%
79	-	Restoque Comércio e Confecções de Roupas S.A.	Le Lis Blanc, Dudalina, Bo.Bô., JOHN JOHN	Brazil	327	327	7.3%	-0.6%	9.7%
80	75	Willy Bogner GmbH & Co. KGaA	Bogner, Sônia Bogner, Bogner Fire + Ice	Germany	307	307	-5.3%	-n/a	-1.1%
81	82	Fashion Box SpA	Replay	Italy	305	305	12.3%	-11.8%	2.4%
82	73	Paul Smith Group Holdings Limited	Paul Smith	UK	302	302	-5.5%	3.5%	-2.7%
83	78	Falke KGaA	Falke, Burlington	Germany	295	295	-1.8%	n/a	7.8%
84	89	TWIN SET—Simona Barbieri SpA	Twin Set, SCEE, Le Coeur	Italy	290	290	12.6%	-6.3%	22.8%
85	81	Festina Lotus SA	Festina, Jaguar, Calypso, Candino, Lotus	Spain	288	297	5.6%	1.1%	-0.5%
86	83	Roberto Cavalli SpA	Roberto Cavalli, Just Cavalli, Cavalli Class	Italy	281	281	5.3%	-4.7%	7.3%
87	84	K.Mikimoto & Co., Ltd.	Mikimoto	Japan	266	266	14.5%	n/a	15.6%
88	87	Canali SpA	Canali	Italy	262	262	2.4%	8.0%	0.9%
89	90	Laboratoire Nuxe SA	Nuxe, BIO-BEAUTÉ by Nuxe	France	242 [e]	242 [e]	7.2% [e]	n/a	11.6%
90	91	Raymond Weil SA	Raymond Weil	Switzerland	241 [e]	241 [e]	10.0% [e]	n/a	10.6%
91	85	Mulberry Group plc	Mulberry	UK	240	241	-9.0%	-0.9%	-5.1%
92	88	Jeanne Lanvin SA	Lanvin	France	224	224	-9.5%	1.7%	-7.9%
93	-	Vicini SpA	Giuseppe Zanotti Design, Vicini	Italy	217	217	34.6%	13.7%	40.8%
94	95	DAMA SpA	Paul & Shark	Italy	213	213	2.1%	22.6%	-0.5%
95	-	Stefano Ricci SpA	Stefano Ricci	Italy	209	209	16.0%	17.2%	32.1%
96	93	San Patrick S.L.	Pronovias, St Patrick, La Sposa	Spain	200	200	-6.1%	17.6%	-4.1%
97	-	Russell & Bromley Limited	Russell & Bromley	UK	199	199	2.5%	16.4%	6.0%
98	92	Wolford AG	Wolford	Austria	196	196	0.9%	0.7%	0.3%
99	94	H. Stern Comercio e Indústria SA	H. Stern	Brazil	192 [e]	192 [e]	0.0% [e]	n/a	0.0%
100	97	Damiani SpA	Damiani, Salvini, Alfieri & St. John, bliss, Calderoni	Italy	191	191	4.3%	-2.4%	4.5%

Impact of exchange rates on ranking

The Top 100 Global Powers of Luxury Goods companies have been ranked according to their luxury goods sales in US dollars in their 2014 financial year. Changes in the overall ranking from year to year are generally driven by increases or decreases in sales volume. However, a company with a reporting currency that strengthened against the US dollar in 2014 may rank higher than in 2013 due to the currency movement. Equally, companies reporting in a weaker currency may rank lower. The biggest movers against the US dollar in 2014 were the Japanese yen and Brazilian real, which weakened by eight per cent and seven per cent respectively. The British pound strengthened by five per cent. Other major currencies for companies in the report saw less than five per cent change against the US dollar in 2014: the Indian rupee weakened 4.6 per cent; the South Korean won strengthened by three per cent; the Chinese yen and Swiss Franc both strengthened by about one per cent; and the euro and Hong Kong dollar were virtually unchanged. As the US dollar made strong gains in early 2015, non-US companies with their financial year ending in Q1 2015 in general experienced an unfavourable exchange rate movement: exceptions were with the the Swiss Franc (following its revaluation) and the Indian rupee.

Impact of improved data on ranking

There were nine new entrants to the Top 100 in 2014. Most of these entered because of improved data, rather than major sales growth. For more information, see the **Newcomers** section. Many luxury goods companies are privately-owned. Some of these do not report financial information. For some, estimates are made from other information sources such as press interviews and industry analysts. However a small number of companies that do not disclose any financial information cannot be included in our rankings. This year, no reasonable estimates could be made for the following companies that appeared in our top 2013 rankings: Christian Louboutin, Gerhard D. Wempe and Cole Haan, so they are not included in this year's Top 100.

Geographic analysis

Given the high concentration of luxury goods companies headquartered in Europe, the United States and China/Hong Kong, this geographic analysis focuses on individual countries. Companies are assigned to a country based on their headquarters' location, which may not always coincide with where they derive the majority of their luxury goods sales. Although many companies derive sales from outside their country of origin, 100 per cent of each company's sales are accounted for in that company's domicile country.

The seven countries analysed are:

- China/Hong Kong
- France
- Italy
- Spain
- Switzerland
- United Kingdom
- United States

This analysis is linked only to the players identified in our Top 100 analysis.

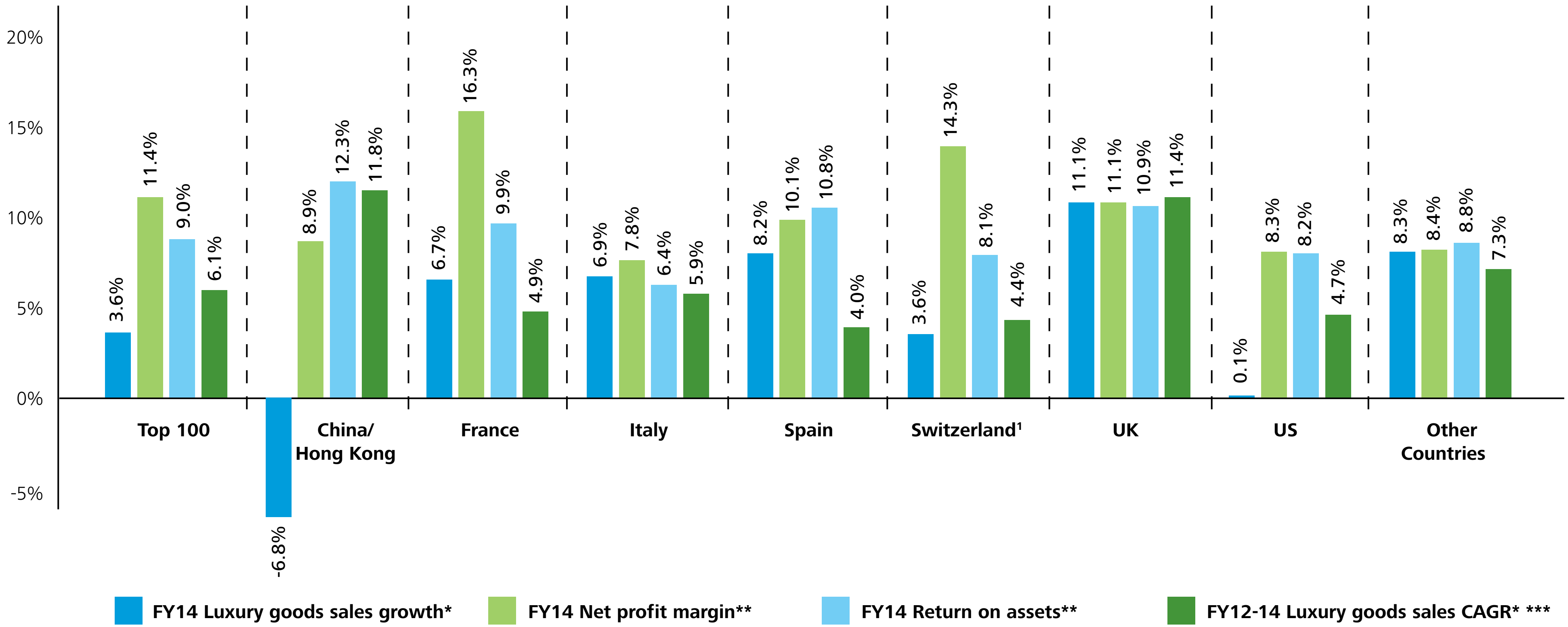
Country profiles

	Number of companies	Average luxury goods size (US$m)	FY14 Luxury goods sales growth	Share of top 100 luxury goods sales
China/Hong Kong	8	$2,963	-6.8%	10.7%
France	10	$5,209	6.7%	23.5%
Italy	29	$1,301	6.9%	17.0%
Spain	5	$688	8.2%	1.5%
Switzerland	11	$2,972	3.6%	14.7%
United Kingdom	7	$958	11.1%	3.0%
United States	14	$3,096	0.1%	19.5%
Other countries	16	$1,391	8.3%	10.0%
Top 100	100	$2,220	3.6%	100.0%

Results reflect Top 100 companies headquartered in each country

Source: Deloitte analysis of published company data and industry estimates

Performance by country

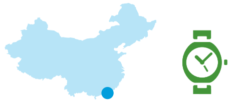


Results reflect Top 100 companies headquartered in each country
* Sales-weighted, currency-adjusted composites
** Sales-weighted composites
*** Compound annual growth rate
[1]Net profit margin and return on assets based on data from two companies

Source: Deloitte analysis of published company data and industry estimates

China/Hong Kong jewellers ‘gold rush’ comes to an abrupt end: European companies perform well

China, France, Italy, Spain, Switzerland, the UK and the US together are represented by 84 per cent of the Top 100 luxury goods companies and 90 per cent of Top 100 global luxury goods sales in 2014. Last year's runaway leading country, China/Hong Kong, experienced a decline in sales of 6.8 per cent in 2014, compared to 33.4 per cent growth in 2013. This was due to the ending of the ‘gold rush’ effect that had boosted jewellers’ sales in 2013 (see the **China/Hong Kong** entry for details). Luxury sales growth for companies in most European countries was higher than the 3.6 per cent achieved by the Top 100 as a whole: growth for companies in each of Spain, Italy, France and the UK was over six per cent. The UK was the best-performing country, achieving 11.1 per cent sales growth in luxury goods for the second year running. Sales growth in Switzerland was 3.6 per cent, just below the composite average for the Top 100. Sales growth among US companies fell by 9.3 percentage points in 2013 to just 0.1 per cent in 2014, although this composite figure includes some big winners and some big losers. Amongst other countries, companies from South Korea, Luxembourg, India and Japan all achieved double-digit sales growth, but in spite of these growth figures, there was little change in the overall country representation in our Top 100 companies compared with 2013.



China/Hong Kong

The combined fall in luxury goods sales among China/Hong Kong companies was 6.8 per cent in 2014, significantly worse than all other countries, but their compound annual growth rate between 2012 and 2014 was the highest, at 11.8 per cent. This apparent contradiction is due to the exceptionally high level of sales growth achieved in 2013 (33.4 per cent growth), which was caused mainly by a ‘gold rush’ into purchases of jewellery following a slump in the international gold price in 2013. Of the six vertically-integrated luxury and ‘accessible luxury’ jewellers in this group of companies, five saw a double-digit sales decline. However, customer demand for gold products gradually normalised during 2014, and leading jeweller Chow Tai Fook saw a reduction in the rate of decline in sales. Despite this challenging year, the composite net profit margin for China/Hong Kong-based companies improved slightly from 2013, to 8.9 per cent. Chow Tai Fook commented that the change in product mix away from gold to higher margin gem-set jewellery helped their profit margins improve.

The six luxury jewellers dominate the results for the eight China/Hong Kong luxury companies, and accounted for 10.7 per cent of total luxury goods sales in 2014 for the Top 100. The largest of these companies, Chow Tai Fook, fell three places in the rankings to #7, and Lao Feng Xiang and Chow Sang Sang both retained their Top 25 positions.

The stellar performer in this group, for the third year running, was fashion and accessories company Michael Kors. With 32 per cent growth in luxury goods and 41.6 per cent CAGR (2012- 2014), it was the second fastest-growing company in the Top 100, and moved up three places to #16 in the rankings. Growth was driven by a big increase in retail floor space (46 per cent) as well as brand growth. Although Michael Kors is headquartered in Hong Kong, 76 per cent of their sales in 2014 came from North America. The company also achieved the fourth-highest net profit margin among the Top 100 companies, which at 20.2 per cent was slightly higher than in 2013.

China/Hong Kong companies achieved the highest asset turnover ratio (1.6 times, which was twice the ATR for the Top 100 companies as a whole) and above-average return on assets of 13.6 per cent.

France

France has by far the largest average luxury goods company size at US$5.2 billion. The performance of its ten companies is dominated by the top three: LVMH, Kering and L'Oréal Luxe, whose combined sales of luxury goods accounted for 78 per cent of the total. These large multinationals feature in the Top 10 group of companies worldwide, with LVMH in the #1 position. Growth in luxury goods sales by French companies more than doubled in 2014 to 6.7 per cent. LVMH's 7 per cent growth was due to full year contributions from Q4 2013 acquisitions Loro Piana and Nicholas Kirkwood, together with steady growth in its core business. Its 19.9 per cent net profit margin was the fifth-highest out of all companies in the Top 100, boosted by the €2.677 billion from the distribution of Hermès shares to LMVH shareholders. Excluding this exceptional profit, LVMH's net profit margin in 2014 would have been 12.8 per cent. However, the composite two-year compound annual rate of growth in sales for French companies fell for the third year running, from 10.9 per cent to 4.9 per cent.

Kering completed their major business restructuring programme, stating that "2014 was our first year as a Group focused entirely on Luxury and Sport & Lifestyle". They were the only Top 100 company in 2014 to carry out a major acquisition of another luxury goods company, completing the purchase of Swiss 'haute horlogerie' watchmaker Ulysse Nardin (#86 in our 2013 rankings) in November. Kering's other major strategic move, in September 2014, was the creation of a new eyewear subsidiary, Kering Eyewear SpA, and the termination of its 20-year eyewear licensing agreement with Safilo Group. The company took full control of the eyewear value chain for Bottega Veneta, Saint Laurent, Alexander McQueen and McQ brands in June 2015, and has similar plans for Gucci from the end of 2016 (although Safilo will retain Gucci eyewear product supply). Kering report that annual sales for their eyewear brands are around €350 million. Kering's sales growth in all its luxury goods increased slightly in 2014 by 0.3 percentage points, and net profit margin increased by 4.1 percentage points, to 5.5 per cent.

Christian Dior Couture and Hermès International had the highest rate of growth in luxury goods sales among French companies in 2014, with 17.3 per cent and 10.0 per cent gains respectively. Christian Dior Couture delivered growth across all their product lines, in particular through their expanding retail network, with double-digit growth in all regions (at constant exchange rates). All other French companies achieved single-digit growth, with the exception of Jeanne Lanvin, which lost sales again. Industry commentators suggest that Lanvin (whose creative director Alber Elbaz was dismissed by owner Shaw-Lan Wang in October 2015) may need additional support and is a potential takeover target.

French luxury goods firms had the highest average profit margin in 2014. For the six French companies that reported their 2014 net profits, the composite net profit margin was 16.3 per cent, up from 11.5 per cent last year, and 4.9 percentage points higher than for the Top 100 companies in total. However, this exceptional increase was largely due to the €2.677 billion additional LVMH profit resulting from the distribution of Hermès shares. Taking out the exceptional profit item reported by LVMH, the composite net profit margin from French companies was 12.1 per cent, slightly higher than in 2013. At 9.9 per cent, their composite return on assets was also slightly higher than for the Top 100 companies in total.

Italy

Italy is the leading luxury goods country in terms of number of companies, with 29 companies in the Top 100 – more than double the number based in the United States, which has the second-largest number. The overall performance of the Italian companies is strongly influenced by the results of the top three players, Luxottica, Prada and Giorgio Armani, which accounted for nearly half of the total 2014 sales of luxury goods sales by the 29 companies.

Italian companies account for only 17 per cent of luxury goods sales by the Top 100 in 2014. These predominantly family-owned Italian luxury goods companies are smaller on average than the Top 100, with average luxury goods size of US$1.3 billion, and only one Italian company, Luxottica Group, makes it into the Top 10. Luxottica's multinational eyewear business grew by 4.6 per cent (6.1 per cent at constant exchange rates), a faster rate than in the previous year, driven primarily by growth in North America, including the acquisition of glasses.com, an advanced digital player in North America's eyewear industry.

Italy's prolific design talent and its reputation for tradition, heritage and quality underpin the cachet 'Made in Italy' as a powerful branding tool around the world for luxury goods. This luxury brand reputation is strongest in the fashion sector, as demonstrated by the fact that two-thirds of Italian companies in the Top 100 operate in the Apparel & Footwear sector. It is driven by strong family guardianship of their brand design values, with 24 of the 29 companies majority-owned and/or operated by their founding families, often with the family name on their brand. Iconic fashion brands such as Prada and Giorgio Armani (the second- and third-largest Italian companies in the group) are licensed to other luxury goods companies in the Top 100, extending their brand range into fragrance, eyewear and watches.

The rate of growth in composite sales by Italian luxury goods companies increased to 6.9 per cent in 2014, up from 4.3 per cent in the previous year. From 2012 to 2014, their compound annual growth rate in sales was almost in line with the Top 100 as a whole, at 5.9 per cent.

Italian companies included some of the best performers in the Top 100 in 2014. Eight Italian companies feature in the **Fastest 20** list – the 20 companies in the Top 100 with the fastest compound growth rate in annual sales from 2012 to 2014. Eyewear company Marcolin delivered the highest year-on-year growth among all Top 100 companies, at 70.6 per cent: this was due mainly to its December 2013 acquisition of US-based Viva International (the second-largest eyewear company in the Americas and the ninth-largest worldwide). The largest Italian company in the list is Valentino Fashion Group, with 31.7 per cent year-on-year sales growth, driven by both new store openings and brand strength in all markets. Italy is the strongest country for 'high performer' companies, making up 40 per cent of the 15 Top 100 companies achieving a benchmark of double-digit sales growth and double-digit net profit margin. The six Italian companies achieving this performance were: Giorgio Armani, Moncler, Liu Jo and Euroitalia together with newcomers Stefano Ricci and Vicini (Giuseppe Zanotti).

Bottom line performance also improved in 2014, with a composite net profit margin of 7.8 per cent, compared to 7.4 per cent in 2013. Nine of the twenty-nine Italian luxury goods companies achieved double-digit net profit margins, up from five last year. The number of companies reporting net losses halved, down to only four companies. DAMA's Paul & Shark fashion brand delivered the highest net profit margin for the second year running, increasing to 22.6 per cent from 19.4 per cent in the previous year.

Return on assets for Italian companies, at 6.4 per cent, was lower than the average for the Top 100, although their asset turnover ratio was in line with the Top 100, at 0.8.

Spain

Spain was represented in the Top 100 by the same five family-owned luxury goods companies as in the previous year. Compared with the other countries in this geographic analysis, Spanish companies were the smallest on average with average annual luxury goods sales of US$688 million.

Puig, Textil Lonia, Tous and Festina Lotus all grew faster in 2014 than in the previous year, with Puig and Tous achieving double-digit sales growth of 10 per cent and 11.5 per cent respectively. Puig is now refocusing its business on fashion and fragrance, having sold cosmetics company Payot in September 2014, and having acquired 25 per cent of Textil Lonia (from LVMH) and, in 2015, Penhaligon's London and L'Artisan Parfumeur Paris. Among the Spanish companies only bridal fashion salon San Patrick (Pronovias) continued to lose sales. As a result, the composite sales growth for Spanish companies was more than double the average for the Top 100 as a whole. At 8.2 per cent, this is a big improvement on the previous year's composite average of 0.1 per cent.

The profitability of the Spanish companies showed little change from last year, with composite net profit margin down slightly by 0.4 percentage points to 10.1 per cent. With the exception of Festina Lotus and San Patrick, all the companies had similar net profit margins of around 10.5 per cent. The profit margin of Festina Lotus was significantly lower, at just over 1 per cent and San Patrick's profit margin was significantly higher at 17.6%. The high margins of most Spanish companies, combined with robust asset turnover, produced an above average 10.8 per cent return on assets.

Switzerland

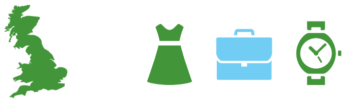
Switzerland's luxury good sales are dominated by their top three players, Richemont, Swatch, and Rolex, which together account for 85.7 per cent of 2014 luxury goods sales for the eleven Swiss companies in the Top 100. Richemont retained its #2 position in the Top 100, Swatch regained the #5 position that it lost last year, and Rolex went up one position in the rankings to #11. The top three each had sales in excess of US$5 billion, whilst the next largest of the Swiss companies, Patek Philippe, had sales of just over US$1 billion. Sales growth in luxury goods in 2014 was just below the average for the Top 100 as a whole, at 3.6 per cent, down from 5.4 per cent last year. The compound two-year average annual sales growth also fell sharply, to 4.4 per cent. The three Swiss companies achieving double-digit sales growth in 2014 were Bally International and the two smallest watchmakers, Frédérique Constant and Raymond Weil.

The total number of Swiss companies in the Top 100 was unchanged from last year, but Ulysse Nardin (acquired by Kering) and Richard Mille (too small) were replaced by Breitling and Franck Muller. These newcomers entered the rankings due to better data availability in 2014, rather than growth in sales volumes. It should be noted that data is estimated, using press interviews and industry estimates, for all of the nine private Swiss companies that do not publish any financial information.

The sales growth objective for the eleven Swiss companies became even more challenging from January 2015, when the Swiss Franc increased in value by around 15 per cent after the central bank removed the cap on the currency's exchange rate against the euro, making their brands more expensive for customers in their important export markets. **The 2015 Deloitte Swiss Watch Industry Study** of senior executive views confirms that the outlook for the Swiss watch industry worsened substantially, with 41 per cent of watch company executives expressing pessimism about the economic outlook, and 69 per cent seeing the strong Swiss Franc as a significant risk to their business. Another major concern is weaker foreign demand, especially in Hong Kong and China. The competitive threat of smartwatches is also being taken more seriously, with significant consumer interest in these rival products, particularly in China, Italy and France.

Just as Italy is the global leader in fashion, Switzerland is second to none in luxury watch-making, and the watch industry is one of Switzerland's top export sectors. Nine out of the eleven Swiss companies in our Top 100 are watchmakers, and the strength of their brands can be seen in their presence in jewellers and other distribution outlets for luxury watches around the world, as well as in their own growing store networks. Whereas jewellers have been able to develop their own luxury jewellery brands, the barriers to entry raised by the brand heritage and technical and design excellence of the Swiss luxury watchmakers are proving very hard to overcome. This has led to acquisition activity, with LVMH, Ralph Lauren and Kering all having well-known Swiss watch brands in their respective portfolios. Kering made the only major acquisition in 2014, buying last year's #86 'haute horlogerie' luxury watchmaker Ulysse Nardin in November.

Richemont and Swatch, the two public companies in this group, are the only Swiss companies to report their net profit and assets. The average net profit margin for these two companies was 14.3 per cent, higher than in all other countries with the exception of France, but down 6.4 percentage points from the previous year. Their 2014 growth rates in luxury goods sales, at one per cent and three per cent respectively, was adversely affected by the effect of the stronger Swiss Franc. These figures do not include the effect of Richemont's discontinued operation Net-a-Porter (merged with Yoox Group in 2015), since this is not included in luxury goods sales. The composite return on assets of the two companies fell by 6.2 percentage points, to 8.1 per cent, which is slightly below the average for the Top 100 companies as a whole.



United Kingdom

The UK, which is home to seven of the Top 100 luxury goods companies, achieved 11.1 per cent growth in luxury goods sales, the same as in 2013 and the highest among all the countries in 2014. Sales averaged US$958 million per company, significantly less than the average for the Top 100. Six of the seven UK companies reported luxury goods sales of less than US$1 billion in 2014. The leading luxury goods company, Burberry, had sales of more than US$4 billion, representing 61 per cent of total sales for the companies in the UK group. Growth in the UK was therefore driven largely by Burberry's 8.3 per cent growth rate, which was only half of the 16.6 per cent that the company achieved in 2013. The second largest company in the group, 'ultra-luxury' jeweller Graff Diamonds International, turned a small decline in sales in 2013 into 48.1 per cent growth in 2014, thanks to strong demand in the Middle and Far East, and a sales increase of nearly 30 per cent in its expanding retail division. Graff moved up seven places in the Top 100 to enter the Top 50. Newcomer Kurt Geiger (footwear) also achieved double-digit sales growth of 15.4 per cent. Kurt Geiger Limited is a new company, spun off from the Jones Group in April 2014 following its acquisition by Private Equity company Sycamore Partners. Jones Group's Stuart Weitzman business was also sold, to Coach in 2015. The other four UK companies either had very low growth or lost sales in 2014. Paul Smith was the biggest mover in the Top 100, dropping nine places to #82.

The UK companies delivered good performance in terms of profit and return on assets. Their composite net profit margin was 11.1 per cent, beaten only by France and Switzerland. This was attributable mainly to Burberry and Graff Diamonds, which had net profit margins of 13.5 per cent and 15.8 per cent respectively. Luxury footwear brand Russell & Bromley, a UK newcomer into the Top 100 rankings, joined these two companies in achieving a double-digit net profit margin for the third year running. Mulberry Group and Jimmy Choo, however, both posted losses in 2014. Burberry's 15.7 per cent return on assets helped the UK companies to achieve second place among the countries for composite return on assets (with a return of 10.9 per cent, supported by higher-than-average asset turnover).

United States

The US had 14 companies in the Top 100 in 2014, including three in the Top 10: Estée Lauder, Ralph Lauren and PVH Corp. The US companies are larger than the average among the Top 100, with average luxury goods sales just above US$3 billion, which is 19.5 per cent of the Top 100's total luxury goods sales. However the rate of growth in nearly all US companies fell considerably in 2014, down 9.3 percentage points to only 0.1 per cent. This is due partly to the fact that sales by PVH Corp. had increased in 2013 by 42 per cent, following its acquisition of Warnaco. The other biggest companies in the US group also experienced a slowdown in growth: at Estée Lauder luxury goods sales were down 1.7 per cent on 2013, and sales at Ralph Lauren dropped by five percentage points to 2.3 per cent.

The other US companies achieved contrasting results in 2014. Kate Spade & Company was the star performer for the third year running, becoming a billion dollar company in the process. Their luxury goods sales growth of 48.7 per cent enabled them to overtake Michael Kors and become the fastest-growing company in the Top 100 (see the **Fastest 20** section). The company's net profit margin also rose for the third year running, up nearly five percentage points to 14 per cent. Kate Spade saw significant progress along their two strategic axes of growth – geographic expansion and product category expansion. The growth was driven mainly by a large increase in retail sales space, e-commerce and organic brand growth in their four 'category pillars': women's, men's, children's and home. They continued their strategy of acquiring licensees, re-acquiring the Kate Spade business in Southeast Asia in February 2014, and announcing an agreement in January 2015 to acquire the 60 per cent of the shares in KS China that were owned by their partner E-Land. The company also set up a joint venture with Walton Brown (a subsidiary of the Lane Crawford Joyce Group) to manage the reacquired business in Hong Kong, Macau, Taiwan and China. Fossil Group and Tumi Holdings also delivered both double-digit luxury sales growth and net profit margin. At the other end of the scale, Elizabeth Arden, Coach, Inter Parfums and True Religion Apparel all saw double-digit declines in their luxury goods sales, and Coty also lost sales. Inter Parfums continued to suffer from Burberry's decision to buy out the licensing rights for Burberry products from Inter Parfums at the end of 2012. Excluding the Burberry brand sales in H1 2013, Inter Parfums year-on-year sales growth in 2014 was 15.3 per cent.

The differing fortunes of Kate Spade (48.7 per cent luxury goods sales growth, 14 per cent net profit margin) and Coach (drop of 12.8 per cent in luxury goods sales, 9.6 per cent net profit margin) are primarily the result of their strategic responses to changing dynamics in the slowing US premium handbags and accessories market. Kate Spade ensured that its brand and product offer kept pace with the shift in consumer preferences from larger bags to smaller ones, with more subtle logos, and sold at lower prices. Direct-to-consumer sales in the US were closely managed through owned retail and outlet stores and e-commerce websites, plus department and speciality retailers. Coach was much slower in responding to changes in the market, and also suffered from a loss of perceived luxury and exclusivity, with mass accessibility of their products in thousands of stores. In 2014 Coach announced a multi-year strategic 'Transformation Plan' with the objective of transforming the Coach brand and reinvigorating growth and returning the company to 'best-in-class' profitability. CEO Victor Luis commented: "We needed to gain fashion credibility to compete with the current market.". As part of this plan, Coach acquired luxury designer footwear brand Stuart Weitzman from the Jones Group towards the end of their financial year, in May 2015.

For the 12 public US companies that reported 2014 net profits the composite net profit margin was 8.3 per cent, below the average of 11.4 per cent for the Top 100 as a whole, but this was a slight improvement on the 7.4 per cent achieved in the previous year. All companies except Elizabeth Arden were profitable, with Estée Lauder, Tiffany, Fossil, Kate Spade and Tumi all reporting double-digit net profit margins. Cosmetics and fragrance group Elizabeth Arden's problems deepened in 2014-15: the company reported even higher double-digit falls in both revenue (-16.6 per cent) and net profit margin (-23.2 per cent) than in the previous year, with declining celebrity/designer fragrance sales, challenges in China and unfavourable exchange rates all contributing to the poor results. It dropped six places in the Top 100.

Return on assets is a similar story. US luxury goods companies slightly underperformed the Top 100, yielding 8.2 per cent compared to 9.0 per cent. This was due to the lower profit margins, as the composite asset turnover for US companies outperformed the Top 100 average, at 0.9.

This report does not include Michael Kors Holdings in the US geographic grouping of companies because it is headquartered in Hong Kong. However, 76 per cent of Michael Kors' 2014 sales were in North America, and the company achieved a 23 per cent revenue increase in the region. Its capture of a share in the US market for premium handbags was again a significant factor in the slowing rate of growth at competitor luxury companies in the US during 2014.

Other countries

Sixteen companies in the Top 100 are based in other countries. The largest of these, Japanese cosmetics and fragrance company Shiseido, had luxury goods sales of more than US$5 billion in 2014, and another six companies (Hugo Boss, Swarovski Crystal, Pandora, L'Occitane International, Gitanjali Gems and PC Jeweller) achieved sales of more than US$1 billion. Japan is the home country for four companies in this group, Germany and India have three companies each, Austria and Brazil two companies each, with there is one company in each of Denmark, Luxembourg and South Korea.

There were some strong performers among these 16 companies, which as a group achieved the second-highest growth rate in luxury goods sales, at 8.3 per cent. Eleven of the companies increased their luxury goods sales, with six showing double-digit gains. Danish 'affordable luxury' jeweller Pandora delivered outstanding results for the second year running: their luxury goods sales grew by 32.5 per cent, and net profit margin was 25.9 per cent. They were the second-largest riser in the Top 100 rankings, moving up nine places to #26, and the fourth fastest-growing company in the Top 100 (as measured by the CAGR in sales 2012-14). Other companies in this group appearing in the **Fastest 20** were South Korean Sungjoo (MCM) and Indian and Japanese jewellers PC Jeweller and Mikimoto. Newcomer L'Occitane joined Pandora in reporting double-digit luxury sales growth (11.7 per cent) and net profit margin (10.7 per cent), entering the Top 100 at #37.

The composite net profit margin and return on assets for this disparate group of companies were below the averages for the Top 100 composite figures, at 8.4 per cent and 8.8 per cent respectively. Nine of the eleven companies that published their financial results were profitable, with three (Pandora, Hugo Boss and L'Occitane) reporting double-digit net profit margins.

Product sector analysis

This *Global Powers of Luxury Goods* report analyses performance by luxury goods product sectors as well as by geography. Five luxury goods product sectors are used for analysis:

- Apparel and footwear
- Bags and accessories
- Cosmetics and fragrances
- Jewellery and watches
- Multiple luxury goods

A company is assigned to one of the four specific product sectors if a high percentage of its luxury goods sales are derived from that product sector. Multiple luxury goods companies are those with substantial sales in more than one of the luxury goods product sectors.

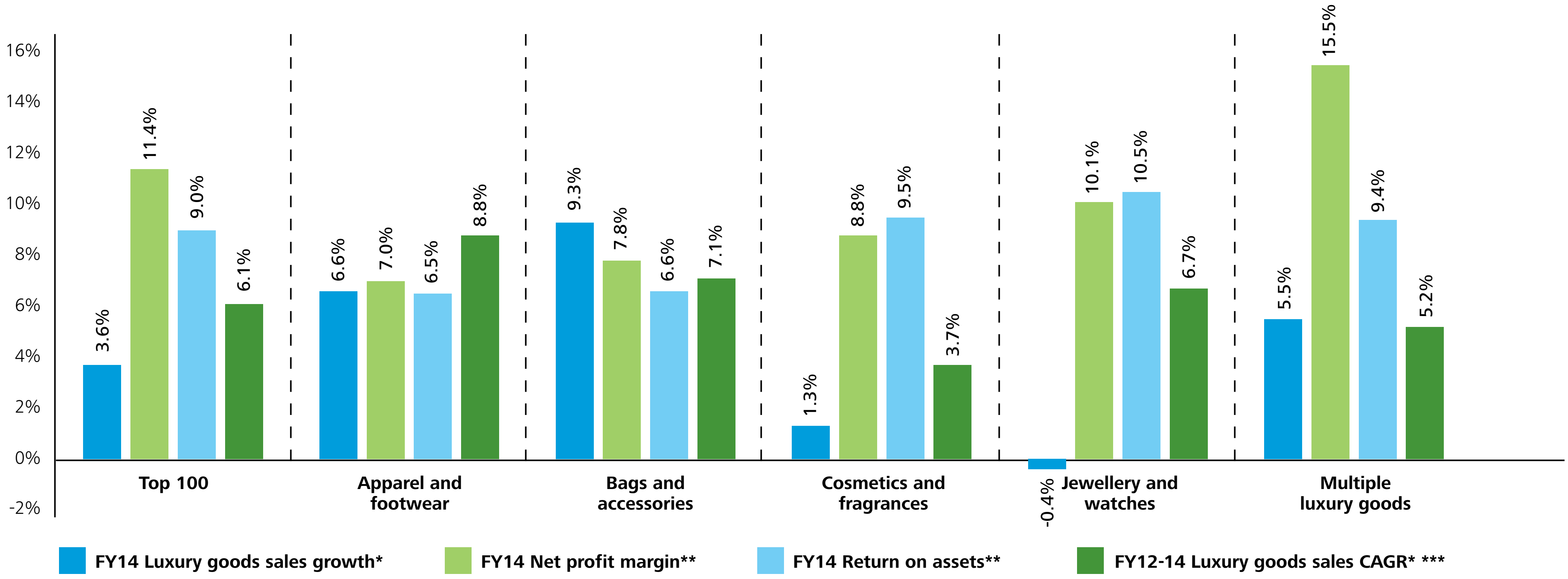
This analysis is linked only to the players identified in our Top 100 analysis.

Product sector profiles

	Number of companies	Average luxury goods sales (US$m)	FY14 Luxury goods sales growth	Share of top 100 luxury goods sales
Apparel and footwear	38	$1,100	6.6%	19%
Bags and accessories	10	$1,618	9.3%	7%
Cosmetics and fragrances	12	$2,972	1.3%	16%
Jewellery and watches	29	$1,950	-0.4%	25%
Multiple luxury goods	11	$6,524	5.5%	32%
Top 100	100	$2,220	3.6%	100.0%

Source: Deloitte analysis of published company data and industry estimates

Performance by product sector



* Sales-weighted, currency-adjusted composites
** Sales-weighted composites
*** Compound annual growth rate

Source: Deloitte analysis of published company data and industry estimates

Bags and accessories sales growth doubles; multiple luxury goods companies lead profitability again

Sales by manufacturers included in the Top 100 ranking of the luxury **apparel and footwear** sector grew more slowly in 2014 than the previous year, the composite average sales growth of 6.6 per cent was nevertheless above the average for all companies in the Top 100. This product sector had the largest number of companies in the Top 100 (38 companies), but on average they are about half the size of the Top 100 companies (as measured by annual luxury goods sales) so their share of total luxury goods sales was only 18.8 per cent. The top three companies, Ralph Lauren, PVH Corp. and Hugo Boss, accounted for 41.8 per cent of total 2014 luxury goods sales in this sector. As in last year's report, half of the apparel and footwear companies are based in Italy, with the remainder spread across nine other countries. Europe still dominates the fashion industry, with only six companies based in other countres, predominantly the US.

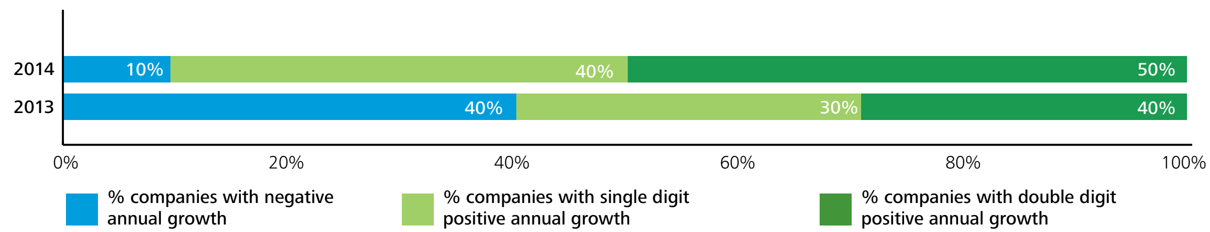
The fastest-growing apparel and footwear companies in 2014 were both based in Italy. Newcomer Vicini (Giuseppe Zanotti) increased their luxury goods sales by 34.6 per cent, and Valentino Fashion Group was up by 31.7 per cent. Both companies achieved growth through new store openings, as well as the strength of their brands winning new customers in multiple markets. Fifteen of the apparel and footwear companies achieved strong double-digit sales growth. The same number had single-digit growth, but eight companies suffered a fall in sales in 2014 – most of these were smaller companies, in the bottom third of the Top 100.

Moncler was one of the best performers in the apparel and footwear sector for the second year running, reporting both double-digit sales growth (19.6 per cent) and profit margin (18.7 per cent) in 2014. Vicini also performed well with sales growth of 34.6 per cent and a double-digit profit margin of 13.7 per cent. There were three other high-performing Italian apparel and footwear companies, which achieved both luxury goods sales growth and net profit margin in double digits: newcomer Stefano Ricci, Liu Jo and Giorgio Armani. The three biggest companies, Ralph Lauren, PVH Corp. and Hugo Boss, all saw single-digit sales growth: PVH Corp.'s growth rate fell by over 38 percentage points, as nearly all the growth from its acquisition of Warnaco in February 2013 was included in its 2013 sales growth figure.

The composite average net profit margin for the thirty-four reporting companies in this product sector was the lowest of all the product sectors, at 6.6 per cent, but it was up slightly on the previous year. Over 60 per cent of companies reported a higher profit margin than in 2013 – a turnaround from the 60 per cent that reported lower profit margins in 2013. DAMA's Paul & Shark fashion brand delivered the highest net profit margin for the second year running, with its margin increasing to 22.6 per cent from 19.4 per cent. This was the second-highest profit margin reported by any company in the Top 100. Other apparel and footwear companies with net profit margins among the ten highest for all 100 companies were Moncler, San Patrick, Stefano Ricci and Russell & Bromley. Overall, the profile of profit margins of the luxury apparel and footwear companies was similar to the previous year, with ten companies in total reporting double-digit profit margins in 2014, including Burberry (13.5 per cent), Hugo Boss (13 per cent) and Prada (12.9 per cent). The majority of companies in this product sector (eighteen companies) had single-digit profit margins, and six companies reported losses.

Bags and accessories (including eyewear) companies in the Top 100 ranking recovered well in 2014, with composite sales growth nearly doubling to 9.3 per cent, the highest growth rate among all the luxury goods product sectors. The ten companies in this sector are dominated by the biggest three: eyewear companies Luxottica Group and Safilo Group and Kate Spade, which together accounted for 79.4 per cent of 2014 luxury goods sales in their product sector. Luxottica alone made up 62.9 per cent of the total. Sales growth prospects for Safilo Group were damaged in September 2014, when Kering effectively terminated its 20-year licensing deal for eyewear with the company, two years in advance of the contractually-agreed

Figure 4. Luxury goods sales growth: Bags and accessories, 2013 & 2014

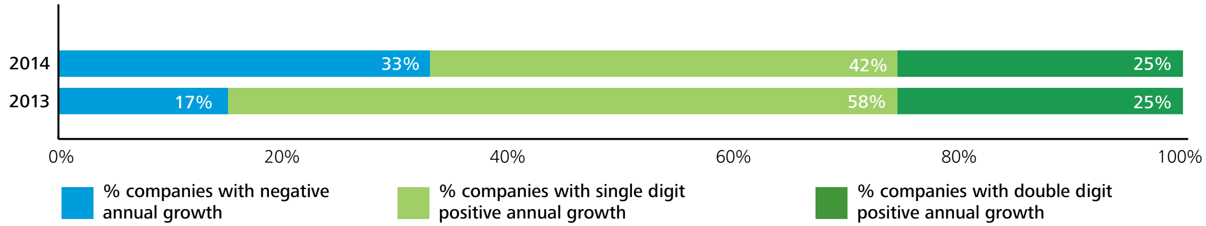


end date. Kering have created a new eyewear subsidiary, Kering Eyewear SpA, taking full control of the value chain for Bottega Veneta, Saint Laurent, Alexander McQueen and McQ brands from the end of June 2015, and intending to do the same with Gucci from the end of 2016 (although Safilo will retain Gucci eyewear product supply). Kering state that their brands' eyewear sales are around €350 million. Bags and accessories companies are geographically concentrated, with five based in Italy, two in the US, and one in each of France, South Korea and the UK.

The shift to higher sales growth in 2014 for most bags and accessories companies is shown in Figure 4. 40 per cent of companies in this product sector are in the Fastest 20 growth list, having achieved double-digit growth in luxury goods sales. The best performer, Kate Spade, overtook Michael Kors to take the #1 spot in this list, with a CAGR growth rate of 54.7 per cent between 2012 and 2014, and year-on-year sales growth of 48.7 per cent in 2014. Marcolin's 70.6 per cent 2014 growth (the highest growth rate among the Top 100) was due mainly to its December 2013 acquisition of US-based Viva International, the second-largest eyewear company in the Americas and the ninth-largest worldwide. South Korean company Sungjoo D&D (owner of the MCM - Modern Creation München brand) and US-based Tumi also continued their strong growth trend, appearing on the **Fastest 20** list at #9 and #18 respectively. Furla was the other company in this product sector achieving double-digit sales growth, at 18.8 per cent. Luxottica's multinational eyewear business improved its sales growth slightly, to 4.6 per cent (or 6.1 per cent at constant exchange rates), this growth was primarily in North America, with the acquisition of glasses.com, an advanced digital player in North America's eyewear industry.

The composite net profit margin for the nine reporting bags and accessories companies was 6.6 per cent in 2014, below the average for the Top 100 (9.0 per cent), and the same as in the previous year. Two companies were overall high performers, achieving double-digit net profit margins as well as both double-digit sales growth: Kate Spade with a net profit margin of 14 per cent, and Tumi Holdings with 11 per cent. Six companies had single-digit net profit margins, including Luxottica, which increased their profit margin by 0.9 percentage points to 8.4 per cent. Mulberry made a small loss in 2014, with net profit margin down 4.3 percentage points to minus 0.9 per cent, as its revenue fell by 9 per cent, due mainly to a 29 per cent decline in wholesale sales following conservative ordering from Asian and European partners.

Figure 5. Luxury goods sales growth: Cosmetics and fragrances, 2013 & 2014



Cosmetics and fragrances companies are larger on average than companies in the Top 100 as a whole, with average annual luxury goods sales of US$2,972million in 2014. Seven of the twelve companies in the group achieved luxury goods sales in excess of US$1billion. The top three, Estée Lauder, L'Oréal Luxe and Shiseido, all reported luxury goods sales of more than US$5 billion, and together they accounted for 67.7 per cent of total sales by companies in this product sector. Of the 12 companies, four are based in France, four in the US, and one in each of Italy, Japan, and Spain. L'Occitane International, a newcomer into the Top 100, is headquartered in Luxembourg, although it is generally perceived as a French company.

The composite luxury goods sales growth for the cosmetics and fragrances companies fell by five percentage points from 2013, to just 1.3 per cent. This is the second-lowest rate of growth among the luxury goods product sectors. However, this composite growth figure hides big differences in individual company performance, as shown in Figure 5.

Among the cosmetics and fragrances companies, Euroitalia had the highest two-year compound annual sales growth for the second year running, at 15.3 per cent, and it is the only company in this sector to appear on the **Fastest 20** list. However, the company could not sustain its high 2013 growth of 20.7 per cent, with sales growth down to 10.0 per cent in 2014. Newcomer L'Occitane International was the fastest-growing company in the sector in 2014, with 11.7 per cent sales growth, just ahead of Euroitalia and Puig (10.1 per cent). These three companies were overall high performers in 2014, and were among the fifteen Top 100 companies with both double-digit sales growth and double-digit net profit margin. L'Occitane's growth was driven primarily by new store openings and by sales in its key markets of China, Japan, Hong Kong and the US, as well as by growth of 31 per cent in online retail sales. Euroitalia enjoyed continuing success with their philosophy of creating fragrances positioned at the top end of the market, particularly through the licensed Versace brand. Puig also saw growth in its premium licensed fragrance brands Valentino and Paco Rabanne, as well as with celebrity fragrances in the 'masstige' fragrance category. Puig is re-focusing its business on fashion and fragrance, having sold cosmetics company Payot in September 2014, and acquiring 25 per cent of Textil Lonia (from LVMH) and, in 2015, buying Penhaligon's London and L'Artisan Parfumeur Paris

At the other end of the scale, Elizabeth Arden and Inter Parfums both posted a double-digit percentage fall in sales for the second year running. The decline at Inter Parfums was due to the termination of their 20-year license agreement with Burberry, with a transition agreement effective from the end of 2012. Since net sales of Burberry products accounted for 46 per cent and 23 per cent of net sales for Inter Parfums in 2012 and 2013 respectively, this was a major blow to their business. Excluding their Burberry brand sales in H1 2013, Inter Parfums actually achieved an increase of 15.3 per cent in sales in 2014. Problems at Elizabeth Arden deepened in 2014/15, with declining celebrity/designer fragrance sales, challenges in China and unfavourable exchange rates all contributing to poor results. The company reported an even bigger double-digit decline in in sales revenue (-16.6 per cent) and larger double-digit loss margins (-23.2 per cent) than in the previous year. It dropped six places in the Top 100 rankings. Coty and Estée Lauder also saw luxury goods sales drop below 2013 levels, by 7.4 per cent and 1.7 per cent, respectively. The remaining five companies in this product sector had single-digit sales growth in 2014, with the second- and third-largest companies L'Oréal Luxe and Shiseido reporting 5.7 per cent and 4.5 per cent growth respectively. Shiseido's slowdown in sales growth was due partly to a surge in retail sales in 2013 ahead of an April 2014 increase in Japan's consumption tax from five to eight per cent.

The composite net profit margin for the nine reporting companies in this group improved by one percentage point on the previous year, to 8.8 per cent, but this was 2.6 percentage points below the composite figure of 11.4 per cent for the Top 100 companies in total. Six companies improved their net profit margin in 2014, and all were profitable, except for Elizabeth Arden. L'Oréal Luxe achieved the highest profit margin among the companies in this group, 15 per cent, which was up slightly on 2013. Four other companies also achieved double-digit profit margins: Euroitalia (12 per cent), L'Occitane (10.7 per cent), Puig (10.5 per cent) and Estée Lauder (10.1 per cent). Coty returned to profit in 2014, with a 5.9 per cent net profit margin, despite a fall in sales.

Jewellery and watch companies experienced a big change in their fortunes compared to the previous year. They moved from the fastest-growing sector in 2013 to the biggest-declining sector in 2014, with a fall of 0.4 per cent in their total luxury goods sales. This was due mainly to an exceptionally high level of sales growth in 2013, caused by a 'gold rush' into purchases of jewellery following a slump in the international gold price in that year. Of the six vertically-integrated luxury and 'accessible luxury' China/Hong Kong jewellers, five saw a double-digit sales decline.

This product sector has the second largest number of companies in the 2014 Top 100, 29 per cent, but with average annual luxury goods sales of US$1,950 million per company, they are slightly smaller than for the Top 100 companies as a whole, giving them the second-largest share of total luxury goods sales for the Top 100, at 25.5 per cent. Three companies had luxury goods sales in excess of US$5 billion – Swatch Group, Chow Tai Fook and Rolex – and together they account for 40.8 per cent of the total for this product group. Just under half of the companies in this sector (fourteen companies) had luxury goods sales below US$1 billion. Swatch Group and Chow Tai Fook are both in the Top 10 of luxury goods companies, with Swatch regaining the leading jewellery and watch company title it lost last year to Hong Kong-based Chow Tai Fook.

The specialist luxury jewellery and watch companies can be grouped into three categories:

- Nine Swiss-based luxury watchmakers with iconic global brands;
- Nine vertically-integrated luxury jewellery groups with extensive retail networks, based in China/Hong Kong and India;
- Eleven predominantly jewellery companies, ranging from Graff Diamonds' specialist position claim as 'the pinnacle of luxury jewellery', and Mikimoto's global pearl brand, to the 'affordable luxury' of companies such as Denmark's Pandora and Spain's Joyeria Tous.

Nine jewellery and watch companies achieved double-digit percentage sales growth in luxury goods in 2014. The top four performers were all jewellery companies, led by Graff Diamonds International, with 48.1 per cent growth, and Pandora with 32.5 per cent. Danish vertically-integrated 'affordable luxury' jeweller Pandora was the second-largest riser in the Top 100 rankings, moving up nine places to position #26, powered by rapid expansion in their branded PANDORA stores, growth of more than 25 per cent in their core charms and charm bracelets business, successful new ranges of rings and growth in all geographic regions. Arguably, they achieved the best overall performance of any luxury goods company, with the highest net profit margin in the Top 100, at 25.9 per cent. The performance of Graff Diamonds International's in 2014 is also notable: the 'ultra-luxury' jeweller turned a small 2013 decline in sales into 48.1 per cent growth in 2014, thanks to strong demand in the Middle and Far East, and a sales increase of nearly 30 per cent in its expanding retail division. Graff also achieved the eleventh-highest net profit margin among the Top 100 companies, at 15.8 per cent, and moved up seven places in the Top 100 rankings to enter the Top 50. Indian jewellers PC Jeweller and Gitanjali Gems were the next fastest-growing companies, both increasing luxury goods sales in 2014 by 19.2 per cent. For PC Jeweller this was a continuation of consistent growth, while Gitanjali Gems turned round a sales slump of 35.4 per cent in 2013.

Pandora, PC Jeweller and Graff Diamonds all featured in the **Fastest 20** CAGR luxury goods sales growth list, together with Fossil, Mikimoto and Lao Feng Xiang. Two companies also joined Pandora and Graff Diamonds in meeting the overall 2014 high performer benchmark of double-digit sales growth and double-digit net profit margin: Fossil Group (for the second year running) and Joyeria Tous.

There were some changes in 2014 among the Swiss watch companies in the Top 100. Last year's #86 company Ulysse Nardin was acquired by Kering, and Richard Mille was too small to make it into the Top 100. These companies were replaced in the rankings by Breitling and Franck Muller. These newcomers entered due to better 2014 data availability, rather than an increase in sales volume. (It should be noted that for all eight private Swiss watch companies, which do not publish any financial information, data is estimated, using press interviews and industry estimates). Only two of these companies achieved double-digit sales growth in 2014: Frédérique Constant and Raymond Weil. Frédérique Constant's CEO Peter Stas has stated that their growth was driven by new points of sale and down-trading to their more affordable 'FC' brand from more expensive brands.

For the luxury Swiss watch companies, the challenge of increasing sales became more difficult in January 2015, when the value of the Swiss Franc increased in value by around 15 per cent after the central bank removed the cap on the exchange rate for the Swiss Franc against the euro, making their brands more expensive for customers in their important export markets. **The 2015 Deloitte Swiss Watch Industry Study** of senior executive views confirms that the outlook for the Swiss watch industry worsened substantially, with 41 per cent of watch executives expressing pessimism about the economic outlook, and 69 per cent seeing the strong Swiss Franc as a significant risk to their business. Another major concern is weaker foreign demand, especially in Hong Kong and China. The competitive threat from smartwatches is also being taken more seriously, with significant consumer interest in these rival products, particularly in China, Italy and France.

Despite the challenging sales environment in 2014 , the composite net profit margin for the eighteen jewellery and watch companies reporting net profits was the second highest of all product sectors, at 10.1 per cent, down only slightly on last year's 10.3 per cent. Nearly all companies were profitable, with seven companies in total showing double-digit profit margins, two more than last year, and only one company, Italy's Damiani S.p.A., making a loss. The largest company in the sector, Swatch Group, reported a 16.3 per cent net profit margin, 6.3 percentage points down from their strong 2013 result, and the net profit margin at second-largest company Chow Tai Fook was 8.6 per cent, only one percentage point less than in 2013, despite a 17 per cent drop in sales. Chow Tai Fook commented that the change in product mix away from gold to higher margin gem-set jewellery helped profit margins.

The eleven **multiple luxury goods** companies in this sector have by far the largest average size among the Top 100. Their average annual luxury goods sales in 2014 were US$6.5 billion, and together they accounted for 32.3 per cent of the Top 100 luxury goods sales. They include three Top 10 companies, LVMH, Richemont and Kering, whose combined US$45 billion sales represent 63.4 per cent of the total for companies in this sector, and eight Top 20 companies. This is because most of the largest companies have achieved their scale by expanding into a range of luxury goods categories. The group consists predominantly of European multinationals, with three companies based in France (LVMH, Kering and Hermès), three in Italy (Prada, Salvatore Ferragamo and Tod's), two in Switzerland (Richemont and Bally International), and one in each of Hong Kong (Michael Kors, although the majority of their sales are in the US), the UK (Burberry), and the US (Coach). Unlike other luxury goods sectors, nearly all multiple luxury goods companies are public companies, using investment to drive their growth. An exception is the smallest company in this group, Bally International, which is the only company with luxury goods sales of less than US$1 billion.

The composite net profit margin for companies in this sector was 15.5 per cent, the highest of all the product sectors, 4.1 percentage points above the average for the Top 100, and 1.9 percentage points higher than in 2013. However, this exceptional performance is largely attributable to the exceptional profit reported by LVMH from the distribution of Hermès shares to shareholders. Excluding these profits, the composite net profit margin for multiple luxury goods companies was still the highest, but at 12.4 per cent, and slightly down on last year. All ten companies reporting their results were profitable, with seven achieving double-digit net profit margins. Hermès International (20.1 per cent) and Michael Kors (20.2 per cent) achieved the highest margins for the second year running. LVMH, Burberry, Prada, Richemont, and Salvatore Ferragamo also all delivered net profit margins above the Top 100 composite average of 11.4 per cent. Kering's profit margin improved by five percentage points from 0.4 per cent margin in the previous year (which resulted from restructuring costs) as it completed the transformation of its business into a focused Luxury, Sports and Lifestyle company.

Growth in luxury goods sales for the companies in this sector was 5.5 per cent in 2014, up 0.6 percentage points on the previous year, and 1.8 percentage points higher than the growth rate for the Top 100 in total. Michael Kors was the star performer, as the sixth-fastest growing company in the whole of the Top 100 (see **Fastest 20** section for details), with sales growth of 32 per cent. It was the only multiple luxury goods company among the fifteen best-performing Top 100 companies, with both double-digit sales growth and a double-digit net profit margin. Hermès and Bally International also achieved double-digit sales growth in 2014, at 10 per cent. Burberry (8.5 per cent, and 11 per cent at constant exchange rates), LVMH (7.0 per cent) and Salvatore Ferragamo (5.9 per cent) were the next-best performers in the sector, and Richemont and Kering delivered low single-digit luxury goods sales growth. LVMH's growth was due largely to full year contributions of Q4 2013 acquisitions Loro Piana and Nicholas Kirkwood, together with steady growth in its core business. Kering was the only Top 100 company to carry out a major luxury goods acquisition in 2014, finalising the purchase of last year's #86 company, Swiss 'haute horlogerie' watchmaker Ulysse Nardin, in November. Prada and Tod's just failed to match last year's sales growth, both citing economic and market uncertainty, with particular weakness in the Asia Pacific region. The decline in sales at Coach accelerated this year, with sales down by 12.8 per cent. In 2014 Coach announced a multi-year strategic 'Transformation Plan' with the objective of transforming the Coach brand and reinvigorating growth, to enable the Company to return to 'best-in-class' profitability. CEO Victor Luis commented: "We needed to gain fashion credibility to compete with the current market." As part of this plan, Coach acquired luxury designer footwear brand Stuart Weitzman from the Jones Group toward the end of their financial year, in May 2015.

Newcomers

There were nine newcomers to the Top 100 in 2014: five apparel and footwear companies; three jewellery and watches companies; and one cosmetics and fragrances company.

Three companies were 'true' new entrants due to company reorganisation or growth in luxury goods sales. Footwear company Kurt Geiger Limited is a new company, entering the rankings in position #69. It was spun off from the Jones Group in April 2014, following its acquisition by Private Equity group Sycamore Partners. Rapidly-growing Italian fashion companies Vicini (Giuseppe Zanotti) and Stefano Ricci entered in positions #94 and #95.

The remaining six newcomers entered the rankings as a result of improved data coverage or data availability in 2014. The only newcomer entering in the Top 50 was cosmetics and fragrances company L'Occitane International SA, at #37 (it was not included in last year's Top 100 ranking). Although generally seen as a French company, their headquarters are in Luxembourg. Chinese jeweller Eastern Gold Jade, Brazilian fashion house Restoque and UK luxury footwear company Russell & Bromley were also newcomers into the Top 100 in 2014.

Each year, a small number of privately-owned luxury goods companies cannot be included in the rankings, since they do not disclose financial information and it is not possible to make a reasonable estimate of their luxury goods sales from any other source. This had been true in 2013 for this year's two newcomer Swiss watchmakers, Breitling and Franck Muller. Breitling was included in the Global Powers of Luxury Goods report two years ago, at position #58.

Newcomers to the Top 100

Luxury goods sales ranking FY14	Company name	Country of origin	Product sector	FY14 Luxury goods sales (US$m)	FY14 Luxury goods sales growth
37	L'Occitane International SA	Luxembourg	Cosmetics & fragrances	1495	11.7%
53	Eastern Gold Jade Co., Ltd 东方金钰股份有限公司	China	Jewellery & watches	740	-23.4%
69	**Kurt Geiger Limited**	**United Kingdom**	**Apparel & footwear**	**415**	**15.4%**
70	Breitling SA	Switzerland	Jewellery & watches	405 e	5.7% e
75=	Franck Muller Group	Switzerland	Jewellery & watches	339 e	0.0% e
79	Restoque Comércio e Confecções de Roupas S.A.	Brazil	Apparel & footwear	327	7.3%
94	**Vicini SpA**	**Italy**	**Apparel & footwear**	**217**	**34.6%**
95	**Stefano Ricci SpA**	**Italy**	**Apparel & footwear**	**209**	**16.0%**
97	Russell & Bromley Limited	United Kingdom	Apparel & footwear	199	2.5%

Companies in bold type are newcomers due to sales growth (in US$) or new company organisation. Other companies have entered the Top 100 due to improved data

e = estimate

Source: Published company data and industry estimates

Fastest 20

Kate Spade overtakes Michael Kors

The Fastest 20 rankings are based on compound annual growth rate (CAGR) in luxury goods sales over a two-year period. Between 2012 and 2014, composite luxury goods sales for the Fastest 20 companies increased at a compound annual rate of 24.1 per cent – six times the rate for the Top 100 as a whole, and one percentage point higher than last year. 15 of these companies could not match the high level of sales growth achieved in 2013, so the year-on-year rate of growth in luxury goods sales among the Fastest 20 was down 13 percentage points to 17.2 per cent. Half the companies in the Fastest 20 rankings have exhibited consistently high growth, and also appeared in the Fastest 20 in 2013 (shown in bold type in the table).

Michael Kors Holdings lost the #1 spot it held for the last two years to Kate Spade & Company, whose two-year CAGR was 48.7 per cent. This was the second-highest CAGR in the Top 100, beaten only by Marcolin (due its Viva International acquisition – see below). Kate Spade's net profit margin also rose for the third year running, up nearly five percentage points to 14 per cent. The company saw significant progress along their two strategic axes of growth, geographic expansion and product category expansion. Their growth was driven mainly by a big increase in retail sales space, e-commerce sales and organic brand growth in their four 'category pillars': women's, men's, children's and home. They continued their strategy of acquiring licensees, re-acquiring the Kate Spade business in Southeast Asia in February 2014, announcing an agreement in January 2015 to acquire the 6 per cent of shares in KS China owned by their partner by E-Land, and setting up a joint venture with Walton Brown (a subsidiary of the Lane Crawford Joyce Group) to manage the re-acquired business in Hong Kong, Macau, Taiwan and China. Kate Spade's 2012-14 growth was also boosted by the inclusion of Kate Spade Japan Co. (KSJ) net sales in their results for the full year in 2013, following their October 2012 acquisition of the remaining 51 per cent of this business.

Michael Kors' 32 per cent CAGR was driven by rapid growth in retail store space (46 per cent) and brand growth. Although Michael Kors is headquartered in Hong Kong, 76 per cent of their sales came from North America in 2014. Michael Kors also delivered the fourth-highest net profit margin of the Top 100 companies, 20.2 per cent, slightly higher than the margin they achieved in 2013.

Danish vertically-integrated 'affordable luxury' jeweller Pandora was the second largest riser in the Top 100, moving up nine places to #26 in the rankings, with a CAGR of 32.5 per cent, powered by rapid branded PANDORA store expansion, and growth of more than 25 per cent in their core charms and charm bracelets business, together with successful new ring ranges and growth in all geographic regions. Arguably, they achieved the best overall performance of any luxury goods company, with the highest net profit margin in the Top 100, at 25.9 per cent. Italian luxury footwear newcomer Vicini (Giuseppe Zanotti) was the other company in the Top 100 to achieve sales growth of more than 30 per cent for the second year running. The main growth drivers were their men's collection and the success of their luxury sneakers, together with growth in monobrand stores. LVMH took a 30 per cent stake in Vicini in 2014, through its private equity funds L Capital Management and L Capital Asia.

The performance of Graff Diamonds International in 2014 is also notable. The 'ultra-luxury' jeweller turned a small decline in 2013 into 48.1 per cent growth in 2014, thanks to strong demand in the Middle and Far East, and a sales increase of nearly 30 per cent in its expanding retail division. Graff moved up seven places in the Top 100 to enter the Top 50. Graff also delivered the eleventh-highest net profit margin of the Top 100 companies, at 15.8 per cent.

On average the Fastest 20 were smaller in size than the rest of the Top 100, with 2014 sales in luxury goods at US$1,462 million compared to US$2,220 million for the Top 100 as a whole. Total luxury goods sales for the Fastest 20 were down by US$12 billion in 2014 compared to the previous year, due mainly to Chow Tai Fook (US$10 billion 2013 sales) dropping out of the list. Twelve of the 20 companies had luxury goods sales of less than US$1 billion and only one, PVH Corp., has sales in excess of US$5 billion. The composite net profit margin for the Fastest 20 was just 0.3 percentage points lower than last year, at 10.3 per cent, which is below the composite margin of 11.4 per cent for the Top 100 as a whole.

Acquisitions have served as a driver of growth for many luxury goods companies over the years, although M&A activity has slowed in 2014-15. Two companies in the Fastest 20 saw their two-year CAGR for 2012 to 2014 boosted by significant acquisitions:

- PVH Corp.: February 2013 acquisition of The Warnaco Group, the intimate apparel company, reuniting the Calvin Klein apparel businesses from collection to underwear in one firm
- Marcolin: December 2013 acquisition of US-based Viva International (the second-largest eyewear company in the Americas and the ninth-largest worldwide), which reported US$190 million sales in 2012. This helped Marcolin achieve the fastest luxury goods sales growth in the Top 100 in 2014, at 70.6 per cent.

For further information on acquisitions, see the **M&A activity** section.

Italian luxury goods companies performed strongly in 2014: there were eight Italian companies in the Fastest 20 in 2014, up from three companies in 2013. The five 'affordable luxury' US companies in 2013's Fastest 20 made it again into the 2014 rankings – in fact, these consistently high-growth companies have been in the Fastest 20 since this report was first produced three years ago. The other seven companies in the Fastest 20 were based in other countries: China, Denmark, Hong Kong, India, Japan, South Korea and the UK. The strongest product sectors in the Fastest 20 were apparel and footwear (eight companies) and jewellery and watches (six companies). Bags and accessories companies made a stronger showing in the Fastest 20 this year, doubling in number to four. The cosmetics and fragrances and multiple luxury goods product sectors were each represented in the list by just one company.

20 fastest-growing luxury goods companies, FY2012-2014 CAGR[1]

CAGR ranking	Top 100 ranking	Company name	Country of origin	FY14 Luxury goods sales (US$m)	FY12-14 Luxury goods sales CAGR[1]	FY14 Luxury goods sales growth	FY14 Net profit margin
1	43	**Kate Spade & Company**	US	1,105	54.7%	48.7%	14.0%
2	16	**Michael Kors Holdings Limited**	Hong Kong	4,371	41.6%	32.0%	20.2%
3	94	Vicini SpA	Italy	217	40.8%	34.6%	13.7%
4	26	**Pandora A/S**	Denmark	2,129	34.0%	32.5%	25.9%
5	95	Stefano Ricci SpA	Italy	209	32.1%	16.0%	17.2%
6	63	Marcolin SpA	Italy	481	30.1%	70.6%	0.1%
7	48	Valentino Fashion Group SpA	Italy	966	28.8%	31.7%	4.5%
8	44	**PC Jeweller Ltd.**	India	1,041	25.7%	19.2%	5.9%
9	58	Sungjoo D&D Inc	South Korea	547	24.7%	27.9%	8.9%
10	84	**TWIN SET—Simona Barbieri SpA**	Italy	290	22.8%	12.6%	-6.3%
11	10	**PVH Corp.**	US	6,441	21.4%	3.9%	5.3%
12	46	Graff Diamonds International Limited	UK	984	21.0%	48.1%	15.8%
13	49	Moncler SpA	Italy	923	19.1%	19.6%	18.7%
14	30	**Fossil Group, Inc.**	US	1,993	18.1%	13.4%	11.0%
15	54	**Gianni Versace SpA**	Italy	735	16.3%	15.4%	5.0%
16	87	K.Mikimoto & Co., Ltd.	Japan	266	15.6%	14.5%	n/a
17	78	Euroitalia S.r.l.	Italy	333	15.3%	10.0%	12.0%
18	59	**Tumi Holdings, Inc.**	US	527	15.0%	12.8%	11.0%
19	45	**Tory Burch LLC**	US	1,000[e]	14.7%[e]	11.1%[e]	n/a
20	14	"Lao Feng Xiang Co., Ltd.	China	4,683	14.4%	5.5%	3.7%
Fastest 20* **				**29,242**	**24.1%**	**17.2%**	**10.3%**
Top 100* **				**221,958**	**6.1%**	**3.6%**	**11.4%**

Companies in bold type are also among the 20 fastest-growing luxury goods companies in 2013, based on 2011-13 CAGR

*Fastest 20 and Top 100 growth rates are sales-weighted, currency-adjusted composites
**Fastest 20 and Top 100 net profit margins are sales-weighted composites
[1]Compound annual growth rate
e = estimate
Source: Published company data and industry estimates

M&A activity

M&A activity reshapes the luxury goods market

Acquisition activity has been fairly subdued as a result of the slowdown in the luxury goods market that started in 2014 and continued into 2015. No billion-dollar mega deals were completed in either year. In 2015,[11] deals were completed with a disclosed or estimated value ofUS$100 million or more and where a controlling interest in the acquired company was transferred to the acquiring company. Only one deal had a value in excess of US$500 million: Coach's acquisition of Stuart Weitzman from private equity firm Sycamore Partners in May 2015.[12]

In 2014 only six US$100 million plus deals were completed, two of which were valued at more than US$500 million. The year's largest transaction was Brazilian fashion company Restoque Comércio's acquisition of high-end shirt maker Dudalina from Warburg Pincus and Advent International in November 2014.[13] In the year's second-largest deal, Chinese private investors Zhao Xinglong and Zhu Xiangying bought a 21.72 per cent stake in Eastern Gold Jade Co. in December 2014, increasing their holding to 54.71 per cent.[14]

Kering's acquisition of Swiss watch company Ulysse Nardin in November 2014 is not included in the deals analysis as the value was not disclosed.

Top acquisitions in luxury and premium goods sectors completed in 2014*

Deal ranking	Buyer	Buyer location	Buyer product sector	Acquired business/parent company	Acquired business location	Acquired business product sector	Deal value** (US$m)	Completion date
1	**Restoque Comércio e Confecções de Roupas S.A.**	Brazil	Apparel & accessories	Dudalina S.A. / Warburg Pincus LLC and Advent International Corporation	Brazil	Apparel	$583	21/11/2014
2	Zhao Xinglong and Zhu Xiangying	China	Private investors	**Eastern Gold Jade Co., Ltd.** (21.72% stake to achieve control of company)	China	Jewellery	$564	26/12/2014
3	Essilor International SA	France	Eyewear	Costa Inc.	US	Premium sports sunglasses	$235	03/02/2014
4	**Chow Tai Fook Jewellery Group Limited**	Hong Kong	Jewellery	Hearts On Fire Company LLC / Glenn Rothman, Hearts On Fire Holdings Trust, HOF Executive LLC, HOF Employee LLC, and Fine Diamonds S.A.	US	Jewellery	$150	01/09/2014
5	Guangdong CHJ Industry Co., Ltd.	China	Jewellery	FION Limited (87.3% stake) / Hunters Worldwide Group Limited	Hong Kong	Handbags	$114	15/03/2014
6	Catterton Partners	US	Private equity firm	John Hardy Limited / 3i Group Plc	Hong Kong	Jewellery	$100	31/07/2014

Company names in bold are 2014 Global Powers of Luxury Goods Top 100 companies

*Includes only acquisitions with a deal value of over US$100m where a controlling interest in the acquired company is transferred to the acquiring company.
**Deal value is the sum of the consideration paid by the acquirer for the equity stake in the target plus the value of the net debt in the target, where applicable (i.e., where debt will be consolidated as a result of the purchase). Net debt is defined as short-term and long-term debt minus cash and cash equivalents.
e = estimate
Source: mergermarket.com, company reports and trade press

Top acquisitions in luxury and premium goods sectors completed in 2015*

Deal ranking	Buyer	Buyer location	Buyer product sector	Acquired business/parent company	Acquired business location	Acquired business product sector	Deal value** (US$m)	Completion date
1	**Coach, Inc.**	US	Handbags & accessories	Stuart Weitzman Holdings LLC / Sycamore Partners	US	Footwear	$574	04/05/2015
2	Fiskars Corporation	Finland	Home & outdoor products	WWRD Holdings Limited / KPS Capital Partners, LP	UK	Homegoods	$437	02/07/2015
3	Varenne / Clessidra SGR SpA	Italy	Private equity firm	**Roberto Cavalli SpA**	Italy	Apparel & accessories	$430	19/05/2015
4	**Coty Inc.**	US	Cosmetics & fragrances	Bourjois cosmetics brand / Chanel S.A.	France	Cosmetics & fragrances	$374	01/04/2015
5	**Fossil Group, Inc.**	US	Fashion accessories	Misfit, Inc. / Investor group	US	Wearable technology	$236	22/12/2015
6	The Longreach Group Inc.	Japan	Private equity firm	Primo Japan Inc. / Ruby Holdings Co., Ltd., an affiliate of Baring Private Equity Asia	Japan	Jewellery & watches	$170 e	30/01/2015
7	IVEST Consumer Partners, Lion Capital Fund III LP, and Spence Diamonds management	Canada and UK	Private equity firms	Spence Diamonds Ltd.	Canada	Jewellery & watches	$125	08/04/2015
8	**Puig, S.L.**	Spain	Cosmetics & fragrances	Penhaligon's Ltd. and L'Artisan Parfumeur SA / Fox Paine & Company, LLC	UK and France	Cosmetics & fragrances	$112 e	23/01/2015
9	InvestIndustrial	UK	Private equity firm	Sergio Rossi SpA / Kering	Italy	Footwear	$109	30/12/2015
10	Interparfums S.A. / **Inter Parfums, Inc.**	France	Cosmetics & fragrances	Rochas brand / The Procter & Gamble Company	France	Cosmetics & fragrances	$108	29/05/2015
11	**The Estée Lauder Companies Inc.**	US	Cosmetics & fragrances	GlamGlow, Inc.	US	Cosmetics & fragrances	$100-$125 e	16/01/2015

Company names in bold are 2014 Global Powers of Luxury Goods Top 100 companies

*Includes only acquisitions with a deal value of over US$100m where a controlling interest in the acquired company is transferred to the acquiring company.
**Deal value is the sum of the consideration paid by the acquirer for the equity stake in the target plus the value of the net debt in the target, where applicable (i.e., where debt will be consolidated as a result of the purchase). Net debt is defined as short-term and long-term debt minus cash and cash equivalents.
e = estimate
Source: mergermarket.com, company reports and trade press

As at the beginning of 2016, three large transactions were pending. In July 2015 Coty agreed to acquire Procter & Gamble's fragrance, colour cosmetics, and hair colour businesses (collectively P&G Specialty Beauty Business) for US$12.5 billion. This mega deal is expected to reach completion in the second half of 2016. While not a pure luxury play, the acquisition includes prestige fragrances such as Hugo Boss, Dolce & Gabbana, and Gucci, enabling Coty to enlarge its position in the fine fragrance business. The company's high-end division is the licensee of fragrances created by Balenciaga, Bottega Veneta, Chloe, Chopard and Marc Jacobs, among others.[15]

In November 2015 Coty announced a new organisational structure designed to advance its global leadership position in beauty. On completion of the P&G deal, Coty's business will be organised into three divisions: Luxury, focused on fragrances and skin care; Consumer Beauty, focused on colour cosmetics, retail hair colouring and styling products and body care; and Professional Beauty, focused on salon owners and professionals in both hair and nail care. As part of the new organisational structure, the company plans to relocate its executive management offices to London. Coty will also launch a new department focused on accelerating growth, Growth and Digital, which will review the company's portfolio strategy and work with each of the three divisions to improve their capabilities in innovation, sales, and traditional and digital marketing.[16]

The second major deal involves Tod's, the Italian shoemaker and luxury leather goods group, which has agreed to purchase the Roger Vivier trademark, currently licensed to Tod's by Gousson Consultadoria e Marketing, for a purchase price of €415 million. As part of the transaction (announced in November 2015) Tod's subsidiary Roger Vivier France, acquired an option to purchase Roger Vivier Paris, the company managing the flagship store in Paris, for €20 million. The transaction will allow Tod's to have full control over the long-term planning of strategies and operations concerning the trademark, with the aim of capitalising on its growth potential and increasing value.[17]

London-based private equity firm Cinven Partners agreed to acquire London-based luxury footwear and accessories company Kurt Geiger Limited from Sycamore Partners. This pending deal, announced in December 2015, is valued at £245 million (US$373 million). The transaction will provide opportunities for growth by further developing the company's digital strategy while continuing to expand the business internationally.[18]

The majority of acquisitions in the luxury and premium goods sectors, however, are either relatively small deals (below US$100 million in value) or private transactions where the deal value is not disclosed. Many involve the acquisition of minority stakes in companies where control does not change hands. Of the Top 100 Global Powers of Luxury Goods, 16 made some type of acquisition in the luxury or premium goods markets during 2014, and nine did so in 2015.

A review of all M&A activity in the premium and luxury goods sector over the past two years shows three trends that have been the focus for most of the deal making.

- Premium and luxury goods companies are continuing to make deals in order to regain control of the design and distribution of existing brands.
- The sector is slowly but surely embracing the new digital reality and the opportunities it presents. Luxury goods companies have acquired cutting-edge technology firms in an effort to turn digital into a competitive advantage.
- Private equity firms continue to invest in the sector, with the objective of unlocking value in premium and luxury brands and capturing future growth opportunities.

Regaining control of design and distribution

Many premium and luxury goods companies are seeking to regain control over the design and distribution of their brands from licensees, franchisees, joint venture operations and distribution partners, in an effort to safeguard the integrity of their brands while boosting their sales and margins. Companies initially enter into such joint arrangements in order to establish the presence for a brand in a new geographic market or to launch the brand in a new product category. Once established however, some companies are opting to buy out their partners and assume direct control.

Eyewear is a strategic category for Kering's Luxury and Sport & Lifestyle brands. In order to maximize the potential of its eyewear brand portfolio, Kering has set up a new business entity, Kering Eyewear SpA, to take full control of the value chain from design, product development and supply chain (including a network of external manufacturing suppliers) to branding, marketing, and sales.[19] In January 2015, as part of the company's initiative to build its in-house eyewear expertise, Kering finalised its partnership agreement with Italian eyewear manufacturer Safilo Group, covering the product development, manufacturing, and supply of Gucci eyewear products. The companies jointly agreed to an early termination of the licensing agreement, in return for €90 million in compensation for Safilo Licenses for Bottega Veneta, Saint Laurent, Alexander McQueen, and McQ brands – formerly managed by Safilo – also were internalized as of 30 June 2015.[20]

Puig, the Barcelona-based fragrance and fashion company, took control of the Jean Paul Gaultier perfume business in January 2016, integrating it into Puig's portfolio of owned brands. Puig has been the majority shareholder of the Gaultier fashion house since 2011, but from 1993 to 2015, the licence for Gaultier fragrances was held by Beauté Prestige International, Shiseido's perfume subsidiary. With this integration Puig now controls the fashion and fragrance businesses of four owned houses: Carolina Herrera, Nina Ricci, Paco Rabanne and Jean Paul Gaultier.[21]

In January 2016 Tumi Holdings, a leading designer and manufacturer of premium travel bags, business cases and accessories, acquired the remaining 50 per cent stake in its Japanese joint venture, Tumi Japan. Tumi Japan operates 13 stores and distributes Tumi's products through an additional 150 points of sale in Japan. The transaction will enable Tumi to manage directly the growth opportunities in the Japanese market, further strengthening its position in the region.[22]

PVH Corp.'s global growth plans include increasing their direct control over various Calvin Klein and Tommy Hilfiger licensed businesses in geographic markets where the company believes a more fully-integrated strategy will better support the long-term growth of its top two brands.[23] In February 2016 the company announced it had bought out its joint venture partner in China for the Tommy Hilfiger business. The company spent US$172 million to acquire the 55 per cent stake from TH Asia Ltd. This transaction enables the business to operate directly in its fastest-growing market.[24]

Embracing the digital opportunity

In general, the luxury goods market has been slow to embrace the digital phenomenon that is reshaping the consumer products industry. A Deloitte study estimated that 64 per cent of all in-store retail sales in 2015 would involve digital technology, up from 49 per cent in 2014.[25] However many luxury goods companies are ill-prepared to capitalise on the digital opportunity. While e-commerce is no longer a 'dirty word' in luxury – it accounts for a rapidly-growing share of luxury goods sales – it is just one part of an overall digital strategy. Acquisitions are helping a growing number of companies to use digital technology to create a competitive advantage.

In January 2014 Luxottica Group, a leader in the design, manufacture, and distribution of fashion, luxury and sports eyewear, acquired glasses.com from WellPoint, Inc.[26] This company's website features proprietary virtual technology for trying on products, using a three-dimensional image of the customer's face so that the frame can be viewed from multiple angles. It also allows customers to send images to friends and family to get their opinion, thereby leveraging social media tools. Luxottica's acquisition is intended to be a starting point for creating a superior online shopping experience for their premium eyewear brands in North America, a crucial market for the company.

In September 2014 L'Oréal, the world's leading beauty company, acquired US-based Sayuki Custom Cosmetics, the inventor of a skincare scanning and colour-matching technology that allows women to match their skin colour to cosmetic products such as foundations and concealers. It then formulates and produces a finished customised product. The Sayuki technology is expected to be leveraged by other brands in L'Oréal's portfolio.[27]

In December 2015 Fossil, an American fashion accessories group, purchased Misfit, Inc. from an investor group for US$236 million. Misfit invents and manufactures connected wearable and smart home products including fitness trackers, sleep monitors and smart light bulbs. The deal will help to position Fossil as a leader in the convergence of fashion and technology across its product and brand portfolio. It will also enable the company to expand its market presence with new distribution channels, products and brands, and with enterprise partnerships, including music, fitness and healthcare.[28]

In October 2015 beauty and fragrance giant Coty agreed to acquire Beamly, a cutting-edge digital marketing firm based in New York and London. Beamly's main focus is to drive growth and engagement for consumer brands in digital media – and to do so as a least-cost supplier. The company's proprietary end-to-end product suite includes social data benchmarking, content creation, content optimisation, and consumer engagement tools. While Beamly will continue to serve non-Coty clients, the acquisition is expected to provide a significant boost to Coty's digital marketing capabilities, especially in social media, and accelerate the growth of its e-commerce business.[29]

The big luxury goods conglomerates have also made investments in innovative e-businesses. Moda Operandi is transforming their online luxury shopping experience for discerning consumers, by giving them the ability to pre-order designer collections straight from the catwalk. In February 2015 the company announced that it had raised a US$60 million in an investment round led by Boston-based Fidelity Investments, with participation from LVMH and other shareholders. The funds will be used by the company to increase their business presence in key markets (Europe, Asia and the Middle East); grow their loyalty program; and invest in mobile technology, customer acquisition and developing new brand relationships.[30]

Within the luxury goods sector, Kering has made e-business a strategic priority at CEO level. The company launched the Kering Digital Academy in 2011 to promote a digital culture throughout the organisation. A joint venture with Yoox, to manage and accelerate the e-commerce development of most of the company's fashion and leather goods businesses, was established in 2012. Kering was also an early investor in Fancy, a New York-based social shopping platform. Fancy is an online destination for 'trendsetters' who appreciate good taste, brilliant design and 'beautiful things'. Kering made its first investment in Fancy in 2011 and participated in a US$20 million financing round in February 2015; CEO Francois-Henri Pinault also serves on Fancy's board.[31]

Private equity's appetite for luxury goods remains strong

Private equity firms continue to invest in luxury goods companies, attracted by the growth potential in new geographic markets and consumer segments. In some cases, PE firms are choosing to take minority stakes, forgoing control in order to obtain a foothold in the relatively high-growth, high-margin sector. With the backing of private equity funds, small and mid-sized luxury businesses – many still family-owned – are being transformed into global brands.

In January 2015 Japanese private equity firm The Longreach Group bought Primo Japan, a company specialising in semi-customised bridal jewellery, from Baring Private Equity Asia for an estimated ¥20 billion (US$170 million). The acquisition was designed to provide international expansion opportunities for Primo in Asian markets, particularly mainland China. The company has been grappling with the problems of an ageing population in Japan, and more women choosing to remain single for longer.[32]

Varenne, an Italian investment holding company specialising in fashion design and retailing, purchased Florentine maison Roberto Cavalli in a management buyout transaction. The deal was completed in May 2015 for an estimated price of €390 million. In addition to its high-end line 'Roberto Cavalli', the acquired brand also includes the young casual line 'Just Cavalli', the bridge line 'Cavalli Class' and the 'Roberto Cavalli Junior' children's collection. Varenne, a newly formed company whose majority shareholder is Italian private equity fund Clessidra, holds a 90 per cent stake, while the remaining 10 per cent is held by the founder, Roberto Cavalli.[33]

In July 2015 Partners Group Holding, a Swiss private equity firm, bought a 25 per cent stake in the long-established Spanish jewellery and accessories company Joyeria Tous from the Tous family. The acquisition, with an estimated value of €130 million, will provide experience in management and international business development, and enable Joyeria Tous to implement their strategic plan for growth and expansion in the affordable luxury segment.[34]

In December 2015 Investindustrial, a UK-based private equity firm, acquired Italian luxury shoemaker Sergio Rossi SpA from Kering in a deal with an estimated valued of €100 million. This agreement will enable the Sergio Rossi brand to continue its development, with a strategic partner that can support the brand's prospects for long-term growth.[35]

French luxury giant LVMH is boosting its private equity activities through a tie-up with the US-based operations of Catterton Partners. Catterton, LVMH and Groupe Arnault announced in January 2016 that they have entered into an agreement to create L Catterton as a large global consumer-focused investment firm. The partnership will combine Catterton's North American and Latin American private equity operations with the European and Asian private equity and real estate operations of LVMH and Groupe Arnault, currently conducted under the L Capital and L Real Estate franchises. L Catterton will be 60 per cent owned by the partners of L Catterton and 40 per cent owned by LVMH and Groupe Arnault. LVMH has been a limited partner in Catterton funds since 1998.[36]

M&A outlook

As 2016 progresses, the luxury market will continue to evolve. Several trends are reshaping the sector. These include new technologies that foster the growing convergence of content and commerce; increasingly fragmented demand, especially as younger shoppers embrace new, more affordable luxury brands; the continued rationalisation of the luxury business as investors with proven capabilities continue to acquire or partner with family businesses to enhance their growth; and the desire for greater control throughout the value chain, particularly among well-established brands in pursuit of a more fully-integrated go-to-market strategy.

These shifts will continue to drive M&A activity within the premium and luxury goods sector as the industry looks to exploit its current momentum and seeks out new growth opportunities. As a result, some types of business will continue to be takeover targets: high-tech companies that know how to connect with consumers; emerging brands that successfully target millennials; family-owned brands with significant growth potential; and brand partners (such as licensees, raw materials suppliers and other companies that comprise the brand's value chain).

Study methodology and data sources

To be considered for the Top 100 Global Powers of Luxury Goods, a company must first be designated as a luxury goods company according to the definition of luxury categories included in this report.

Luxury goods in this report focuses on luxury for personal use, and is the aggregation of designer apparel and footwear (ready-to-wear), luxury bags and accessories (including eyewear), luxury jewellery and watches and premium cosmetics and fragrances. It excludes the following luxury categories: automobiles; travel and leisure services; boating and yachts; fine art and collectibles; and fine wines and spirits. Retailers who are mainly resellers of other companies' luxury brands are also excluded.

The companies considered for inclusion in the Top 100 rankings range from traditional ultra-luxury, through super premium and aspirational luxury, down to affordable/mass luxury – a relatively new luxury category of products at prices more affordable for middle class consumers but available at the higher end of retail. They all have strong consumer brands. Factors affecting the positioning of companies on this luxury spectrum include:

- Price premium
- Quality/rarity of raw materials
- Quality of craftsmanship
- Product exclusivity
- Service and personalisation
- Quality and exclusivity of points of sale

Each company is assessed to determine if the majority of its sales (a 50 per cent hurdle) are derived from luxury goods products in the four broad categories of luxury goods: designer apparel (ready-to-wear); handbags and accessories; fine jewellery and watches; and cosmetics and fragrances. Broadly defined, these are products produced for and purchased by the ultimate consumer and generally marketed under well-known luxury brands. Some companies do not disclose financial information and so could not be included in our rankings.

Companies whose primary business is the sale of luxury goods products are included among the Top 100 according to their consolidated sales of luxury goods in financial year 2014 (which we define as financial years ending within the 12 months to 30 June 2015).

A number of sources were used to develop the Top 100 list. The principal sources of financial information were annual reports, SEC filings and information found in companies' press releases, fact sheets and websites. If information from companies themselves was not available, other publicly-available sources were used, such as trade journal estimates, industry analyst reports, various business information databases and press interviews. Each year a small number of privately-owned luxury goods companies cannot be included in the ranking, because there is insufficient data from any source to make a reasonable estimate of their luxury goods sales.

In order to provide a common base from which to rank the companies, net sales for non-US companies were converted to US dollars. Exchange rates therefore have an impact on the results. OANDA.com was used as the source for exchange rates. The average daily exchange rate corresponding to each company's financial year was used to convert the company's results to US dollars. However, the growth rates and profit margins reported for individual companies are calculated in each company's local currency.

Only data linked to those players highlighted in the Top 100 ranking are used in the geographic and product sector analyses. Although they represent a substantial share of the market, it is not all-inclusive.

Group financial results

Sales-weighted, currency-adjusted composite averages are used to report the financial results of groups of companies. This means the results of larger companies contribute more to the composite average than the results of smaller companies. To calculate results for groups of companies that may report in a variety of currencies, and to facilitate comparison among groups, data must be converted to US dollars. In order to eliminate the impact of fluctuations in exchange rates over time, composite growth rates also are adjusted to adjust for currency movements.

Composites and averages for each group were based only on companies for which data was available. Not all data elements were available for all companies.

The financial information used for each company in a given year is as originally reported. Although a company may have restated prior-year results to reflect a change in its operations (for example, the disposal of a business unit) such restatements are not reflected in this data. This study is intended to provide a snapshot of the luxury goods industry at a point in time. It is also intended to reflect market dynamics and the impact on the industry over a period of time. As a result, the growth rates reported for individual companies may not correspond to other published results.

Top 100 luxury goods companies alphabetical listing

Aeffe SpA	74
Audemars Piguet & Cie	52
Bally International AG	65
Breitling SA	70
Brunello Cucinelli SpA	64
Burberry Group plc	19
Canali SpA	88
CFEB Sisley SAS	51
Chow Sang Sang Holdings International Limited	25
Chow Tai Fook Jewellery Group Limited	7
Christian Dior Couture SA	27
Clarins SA	29
Coach, Inc.	18
Compagnie Financiere Richemont SA	2
Coty Inc.	23
DAMA SpA	94
Damiani SpA	100
De Rigo SpA	61
Dolce&Gabbana S.r.l.	38
Eastern Gold Jade Co., Ltd	53
Elizabeth Arden, Inc.	47
Ermenegildo Zegna Holditalia SpA	35
Euroitalia S.r.l.	78
Falke KGaA	83
Fashion Box SpA	81
Festina Lotus SA	85
Fossil Group, Inc.	30
Franck Muller Group	75=
Frédérique Constant SA	75=
Furla SpA	73
Gefin SpA	66
Gianni Versace SpA	54
Giorgio Armani SpA	21
Gitanjali Gems Ltd.	40
Graff Diamonds International Limited	46
H. Stern Comercio e Indústria SA	99
Hermès International SCA	12
Hugo Boss AG	20
Inter Parfums, Inc.	60
Jeanne Lanvin SA	92
Jimmy Choo plc	62
Joyeria Tous SA	72
K.Mikimoto & Co., Ltd.	87
Kate Spade & Company	43
Kering SA	6
Kurt Geiger Limited	69
Laboratoire Nuxe SA	89
Lao Feng Xiang Co., Ltd.	14
Le Petit-Fils de L.-U. Chopard & Cie SA	50
Liu Jo SpA	68
L'Occitane International SA	37
Longchamp SAS	56
L'Oréal Luxe	8
Luk Fook Holdings (International) Limited	31
Luxottica Group SpA	4
LVMH Moët Hennessy-Louis Vuitton SA	1
Marcolin SpA	63
Max Mara Fashion Group Srl	33
Michael Kors Holdings Limited	16
Moncler SpA	49
Movado Group, Inc.	57
Mulberry Group plc	91
OTB SpA	28
Pandora A/S	26
Patek Philippe SA	41
Paul Smith Group Holdings Limited	82
PC Jeweller Ltd.	44
Prada Group	15
Puig, S.L.	24
PVH Corp.	10
Ralph Lauren Corporation	9
Raymond Weil SA	90
Renown Incorporated	55
Restoque Comércio e Confecções de Roupas S.A.	79
Roberto Cavalli SpA	86
Rolex SA	11
Russell & Bromley Limited	97
Safilo Group SpA	36
Salvatore Ferragamo SpA	34
San Patrick S.L.	96
Shiseido Company, Limited	13
Sociedad Textil Lonia SA	71
Stefano Ricci SpA	95
Sungjoo D&D Inc	58
Swarovski Crystal Business	22
The Estée Lauder Companies Inc.	3
The Swatch Group Ltd.	5
Tiffany & Co.	17
Titan Company Limited	32
TOD'S SpA	39
Tory Burch LLC	45
Trinity Limited	77
True Religion Apparel, Inc.	67
Tumi Holdings, Inc.	59
TWIN SET—Simona Barbieri SpA	84
Valentino Fashion Group SpA	48
Vicini SpA	93
Willy Bogner GmbH & Co. KGaA	80
Wolford AG	98
Zhejiang Ming Jewelry Co., Ltd.	42

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