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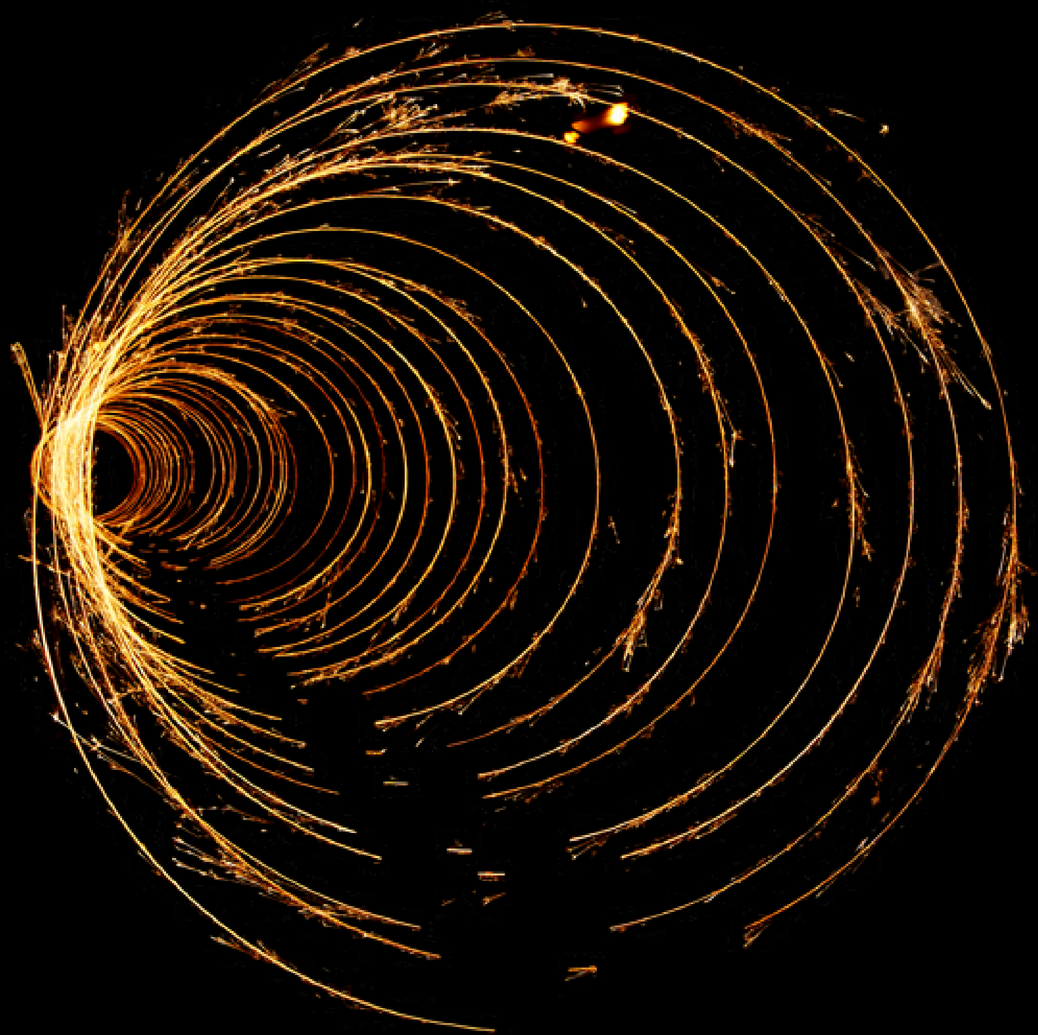

Global Powers of Luxury Goods 2017

The new luxury consumer

Contents

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.

In this publication, references to Deloitte are references to Deloitte Touche Tohmatsu Limited

Foreword

Welcome to the fourth **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 FY2015 (which we define as financial years ending within the 12 months to 30 June 2016). It also discusses the key trends shaping the luxury market and provides a global economic outlook.

The world's 100 largest luxury goods companies generated sales of US$212 billion in FY2015, 4.5 per cent down year-on-year. The average luxury goods annual sales for a Top 100 company is now US$2.1 billion.

Consumers in emerging markets continue to drive luxury market growth. In China, Russia and the United Arab Emirates, markets that we have categorised as emerging luxury markets, the percentage of consumers claiming to have increased their spending stood at 70 per cent, compared to 53 per cent in the more mature markets (EU, US and Japan).

Travel/tourism is still the great growth opportunity. Almost half of luxury purchases are made by consumers who are travelling, either in a foreign market (31 per cent) or while at the airport (16 per cent). This proportion rises to 60 per cent among consumers from emerging markets, who typically do not have access to the same range of products and brands that can be found in more mature markets.

Key findings from the report include:

- Luxury goods sales growth is accelerated by currency volatility – sales for the world's 100 largest luxury goods companies grew by more than 3 percentage points in FY2015. Most currencies weakened significantly against the US dollar, which benefited many multinational companies based in other regions who experienced favorable currency effects, driving up reported sales.
- Italy is once again the leading luxury goods country in terms of number of companies, while France has the highest share of sales.
- Multiple luxury goods companies double sales growth and lead profitability, while bags and accessories continues to be the fastest growth sector.

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

Patrizia Arienti
EMEA Fashion & Luxury Leader
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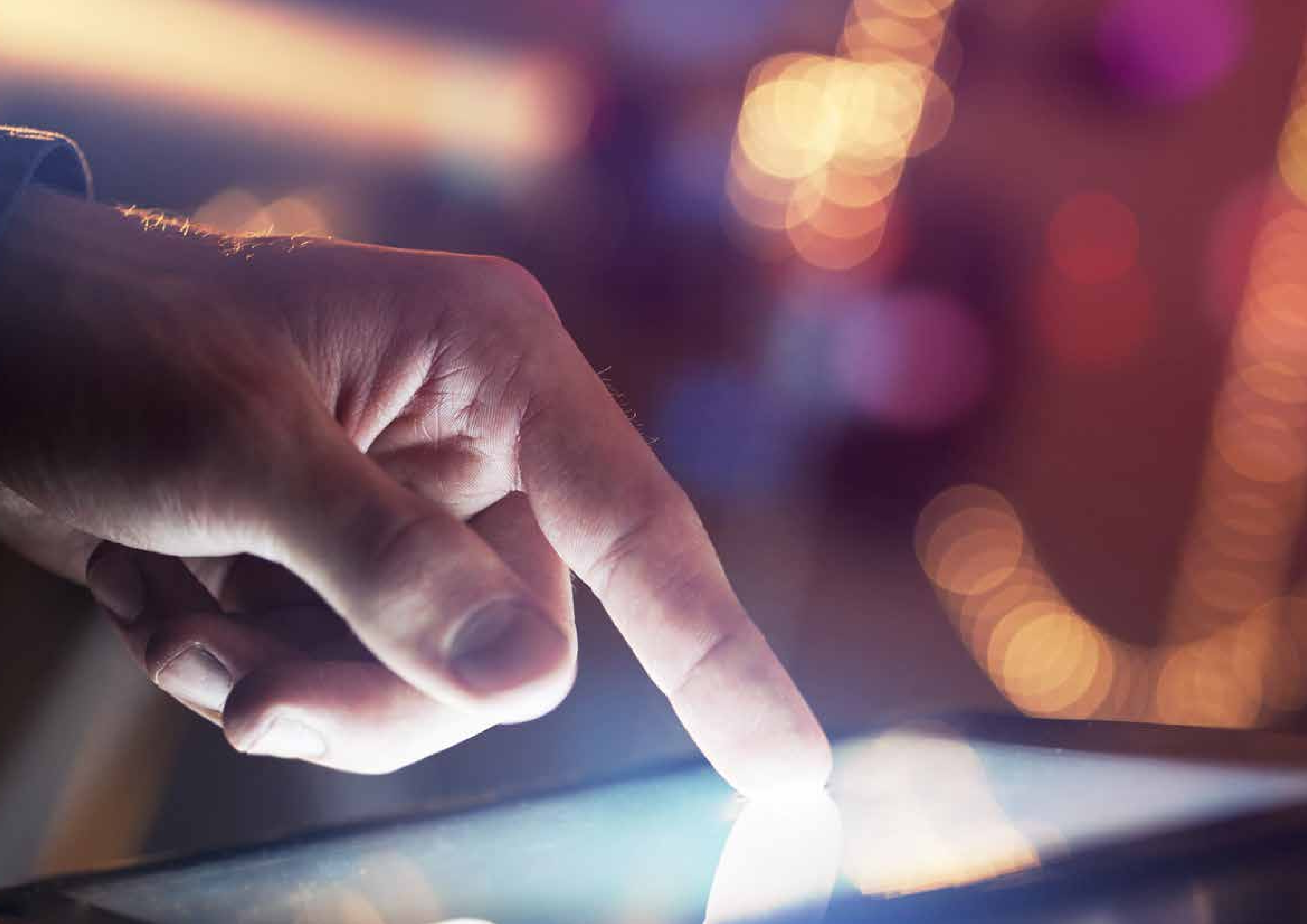


Top 100 quick statistics

Composite year-over-year luxury goods sales growth
6.8%

Aggregate net luxury goods sales of Top 100
US$212 billion

Composite return on assets
7.9%

Average luxury goods sales of Top 100 companies
US$2.1 billion

Economic concentration of Top 10
48.1%

FY2013-15 Compound annual growth rate in luxury goods sales
5.2%

Composite net profit margin
9.7%

Minimum sales required to be on Top 100 list
US$180 million

Composite asset turnover
0.8x

The new luxury consumer: key forces shaping the luxury market

The decade of change

In last year's edition of Global Powers of Luxury Goods, we looked at 'luxury's new normal', mid-way through 'the decade of change', and we discussed the opportunities created by changing consumer behaviours, the blurring of channels to market, increasing international travel, and the emergence of the millennial luxury consumer. This year, we pick up on the key theme of changing shopper behaviour and the new luxury consumer, focusing on two of the main trends that are driving change in the market, and exploring some of the implications for luxury brands and retailers.

Figure 1. In the last 5 years, would you say your inclination towards purchasing luxury products has...

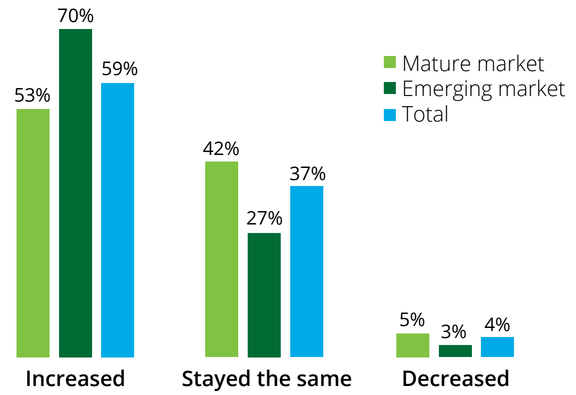
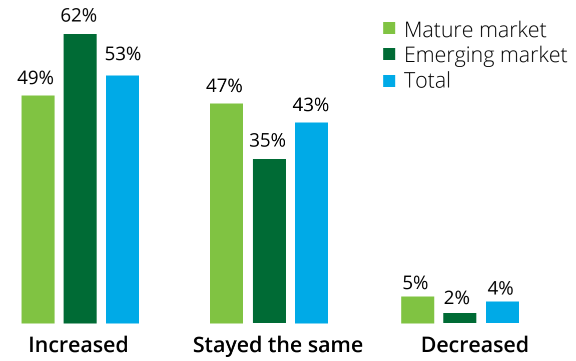


Figure 2. And in the last 12 months such an inclination has...



Percentages may not add up to 100% due to rounding
Source: Deloitte Luxury Multicountry Survey for Global Powers of Luxury Goods 2017

Consumers in emerging markets continue to drive luxury market growth

In February 2017 Deloitte surveyed over 1,300 luxury consumers across 11 countries to explore their attitudes to luxury goods and their purchase behaviour.[1] Our analysis found that over the last five years consumer spending on luxury goods has remained relatively robust, with only a small proportion (4 per cent) claiming to have cut back on their spending.

Growth continues to be driven by consumers in emerging markets. In China, Russia and the United Arab Emirates (UAE), markets that we have categorised as emerging luxury markets, the percentage of consumers claiming to have increased their spending stood at 70 per cent, compared to 53 per cent in the more mature markets (EU, US and Japan).

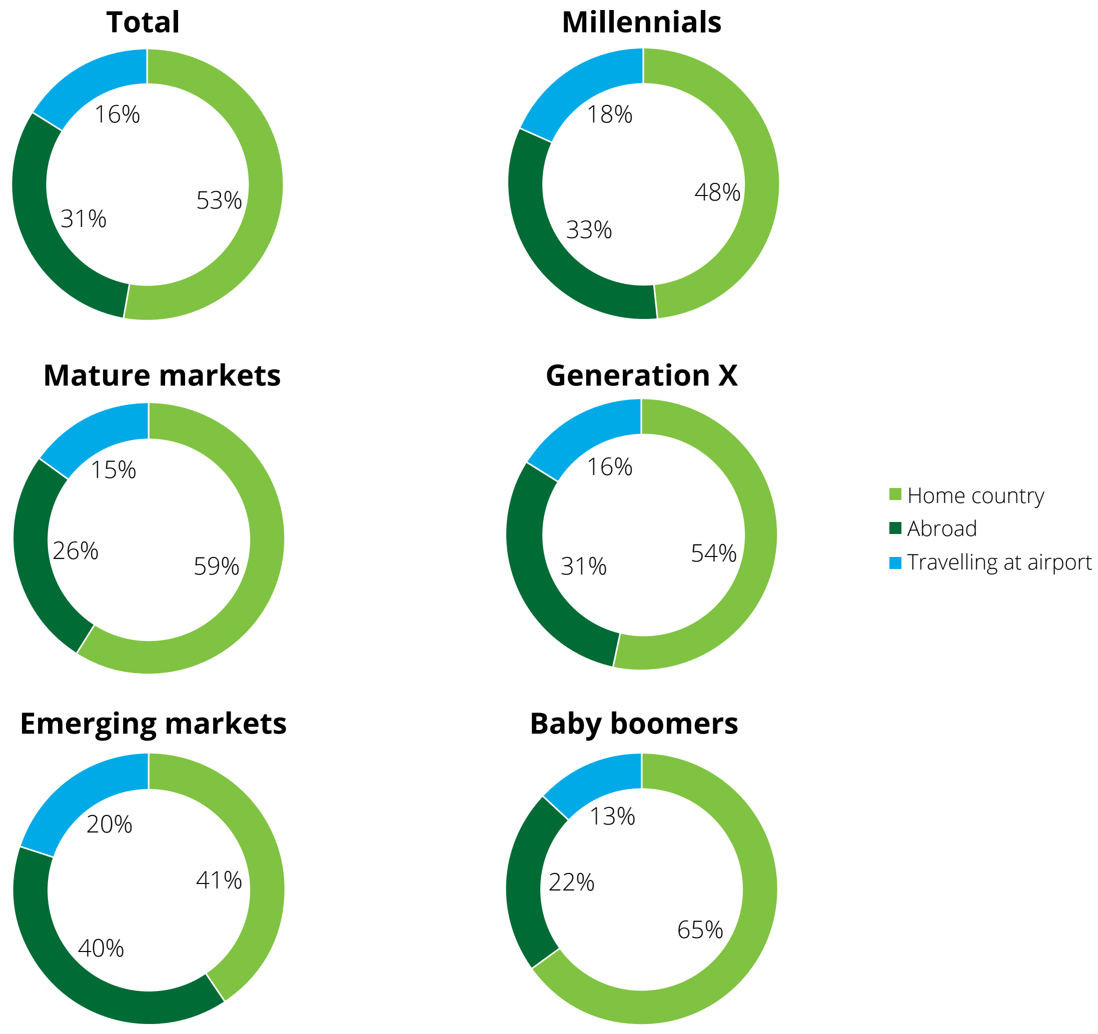
When we look at spending in the last 12 months we can see a slight slow-down. The percentage of consumers spending more than in the previous year fell to just over half, while the percentage stating that they spent the same amount rose to 43 per cent. However, the proportion that stated they had been cutting back remained the same.

Our analysis of purchases by category shows there is a relatively even spread across the six product sectors considered in the survey (cosmetics and fragrances, watches, jewellery, bags and accessories, shoes and clothes) with one in five consumers making a purchase of luxury jewellery or cosmetics and fragrances. However, there were big differences between consumers in emerging luxury markets and those in the more mature markets, with watches and jewellery favoured much more by those in emerging markets, particularly in Russia and the UAE.

Travel/tourism still the great growth opportunity

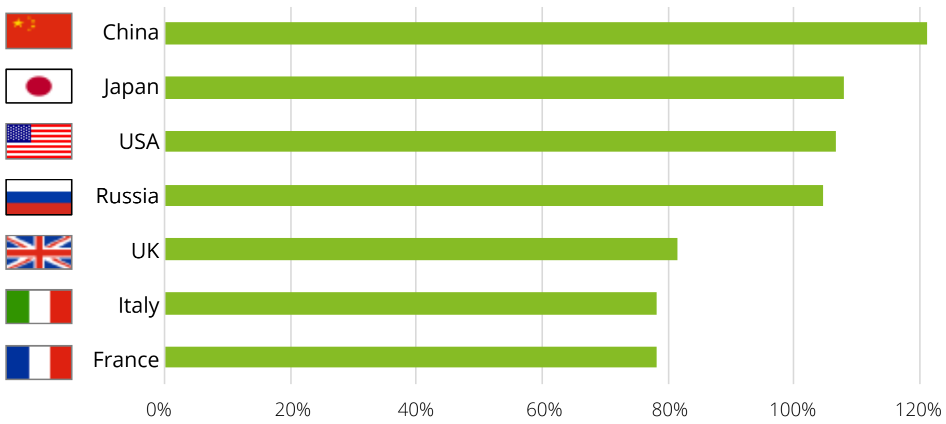
Almost half of luxury purchases are made by consumers who are travelling, either in a foreign market (31 per cent) or while at the airport (16 per cent). This proportion rises to 60 per cent among consumers from emerging markets, who typically do not have access to the same range of products and brands that can be found in more mature markets. Looking at this buying behaviour by generation, we can see that the propensity to buy luxury products in the domestic marketplace rises with age, peaking with the affluent and asset rich baby boomers. Greater affordability is a driver of luxury purchases outside the domestic market for 43 per cent of consumers. Other benefits associated with making luxury purchases abroad are access to a wider range of products (43 per cent) and the ability to buy products that are not available in the domestic market (65 per cent).

Figure 3. Consider the last 12 months. How many of your luxury products purchases took place in your home country, abroad or at an airport while travelling?



Percentages may not add up to 100% due to rounding
Source: Deloitte Luxury Multicountry Survey for Global Powers of Luxury Goods 2017

Figure 4. Price Index (global average = 100%)
Like-for-like products, US$ equivalent prices



Scope: all full price products in the BenchMarque database which are listed in all seven countries

Index values represent the median US$-equivalent price in that region relative to the global average

FX rates as reported by the Bank of England, at 13 March 2017

Source: BenchMarque - Deloitte's luxury pricing analytics suite. Each week, BenchMarque captures online prices for over 100,000 items, across 30 of the leading brands, in seven key luxury markets. A series of interactive data visualisations draws out key market trends, enabling decision makers to deploy responsive, evidence-based pricing strategies.

Luxury is a genuinely global market; this poses a challenge for both the luxury brands and luxury shoppers, particularly those who travel extensively. Prices, stock levels and ranges differ from market to market and between cities, making it difficult to optimise pricing strategies.

Data from BenchMarque, Deloitte's luxury pricing analytics suite, shows that luxury goods companies respond to currency movements in order to maintain their pricing structures between countries. In the weeks following the UK's EU membership referendum in June 2016, the pound fell by 18 per cent against the US dollar. Brands responded by raising their prices; by March 2017 headline prices in the UK were 5 per cent higher for like-for-like items, and a further effective 5 per cent rise was achieved by replacing existing inventory with higher-priced products. Conversely, when the rouble appreciated during 2016, companies cut the prices of their luxury goods in Russia by over 11 per cent, to remain competitive.

However, there remains significant regional price disparities within the luxury goods market. BenchMarque data reveals that despite increasing internationalisation, US dollar-adjusted prices for equivalent items are on average over 50 per cent higher in China than in Italy and France. This presents a clear arbitrage opportunity for travellers from Asia, and maintains the pre-eminence of European brands' home markets as shopping destinations. Although a premium is charged in Asian markets for all brands, pricing strategies vary, and the price difference between China and France varies from just 20 per cent to over 70 per cent, depending on the brand. The highest premium is for watches and jewellery (55 per cent on average) and the lowest is for bags (40 per cent on average).[2]

This suggests that luxury goods companies still have an opportunity to optimise their range and prices for local markets, to meet demand and ensure balanced growth globally. Customer data and analytics can play a key role in allowing brands to maximise sales at the optimum range and price points for each market.

Luxury market trends

Deloitte has identified two key interconnected trends that we believe will characterise the luxury goods markets in 2017:

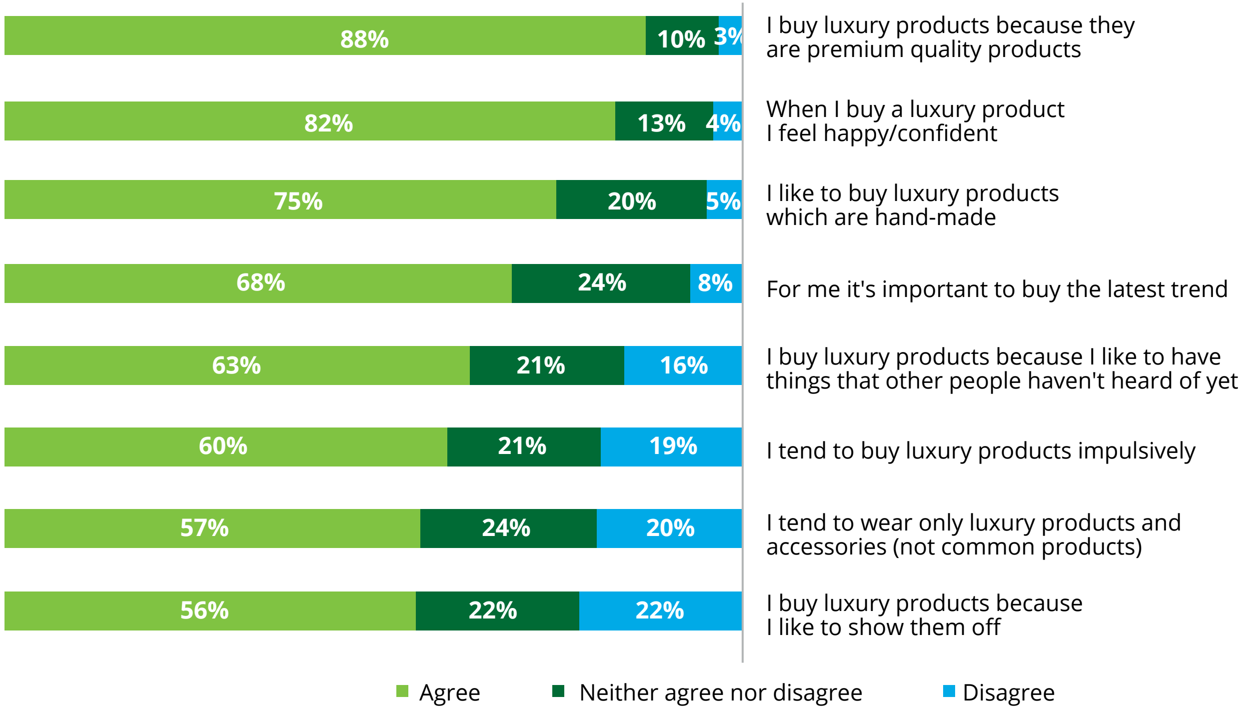
1. **From physical products to digital experiential** – the essence of luxury is changing from an emphasis on the physical to a focus on the experiential and how luxury makes you feel. However premium quality remains a 'must have' and consumers retain a keen eye for craftsmanship and hand-made products.
2. **From standardisation to personalisation** – expansion through globalisation necessitated a one-size-fits-all approach. However, changing luxury shopper behaviour demands a different, more personalised response.

From physical products to digital experiential

Quality continues to be the key driver of luxury purchases across all the markets we surveyed. Wealthy Chinese are the top spenders when it comes to quality: 93 per cent buy luxury products because of their premium quality, and 90 per cent like to buy luxury products which are hand-made. 89 per cent avoid buying luxury products that do not respect ecological sustainability.

Another important issue is how luxury products make consumers feel. This relates to the intangible quality that luxury goods possess. More than half of the consumers in our survey admit to conspicuous consumption or buying luxury products purely for the status that comes with possession of certain objects. Status has now become less about 'what I have' and much more about 'who I am': more ethical, tasteful and discerning. Consumers are also clear that they see the future of luxury as digital. When asked how they see the luxury sector developing in their respective countries, almost half (48 per cent) said that e-commerce and m-commerce will become more widespread, while over a third (37 per cent) feel that luxury products and technology will become more closely linked.

Figure 5. Here is a list of statements about the relation you might or might not have with luxury products, please let us know to what extent you agree with each of them.



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Source: Deloitte Luxury Multicountry Survey for Global Powers of Luxury Goods 2017

A significant challenge for luxury goods companies is to find ways of incorporating digital technology into their products without losing their heritage or their focus on traditional materials and methods of manufacturing. We have seen some attempts at the 'premiumisation' of technology, such as the Pierre Hardy-designed Hermès strap option on the Apple Watch[3] and attempts at fusion such as the Samsung collaboration with Grisogono.[4]

Disruption in the luxury sector is set to continue as the next wave of digital technologies are adopted, such as iterative manufacturing (3D printing), artificial intelligence, robotics and augmented reality/virtual reality. Our survey found that the majority of luxury goods buyers expect the market to be further disrupted. However, there was a difference of opinion about how quickly the disruption would happen, with 22 per cent believing that it would take more than six years.

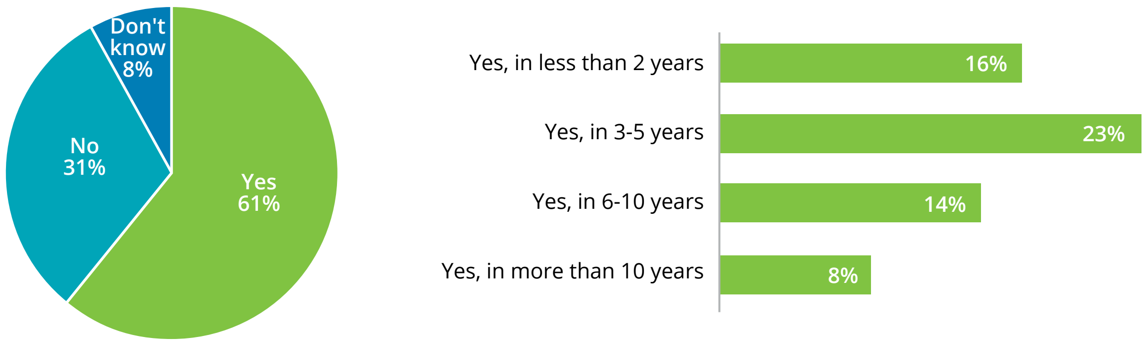
Another significant challenge for luxury goods companies is how to transition to a more digitally-led distribution model while retaining the all-important element of quality.

Omnichannel distribution will emerge as the dominant model in luxury retail, as it has done already in the mainstream retail market. While e-commerce continues its relentless rise, our research shows that 63 per cent of luxury goods purchases still take place in a physical store, with luxury consumers in mature markets more likely than average to shop in store, although consumers in emerging market are more likely to shop on a mobile device. Millennials are the most digitally-influenced luxury consumers, with 42 per cent of their purchases made either by computer or via mobile devices, which are becoming more popular with all generations. This figure for Millennials compares with 35 per cent for Generation X and 28 per cent for Baby boomers.

From standardisation to personalisation

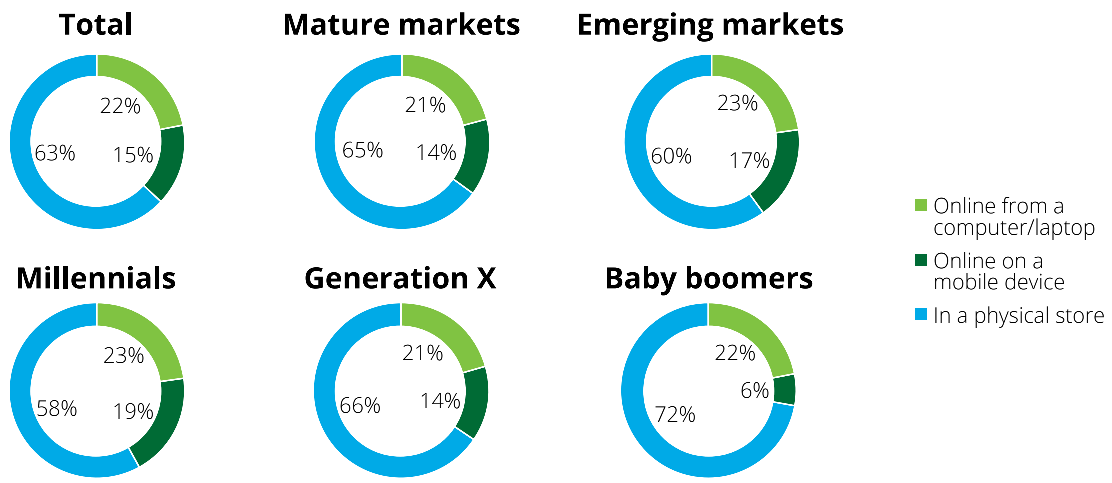
Multi-brand stores for luxury goods now account for 78 per cent of online purchases, whereas mono-brand stores dominate in the physical environment. This partly reflects the dominance of online specialists (such as Yoox Net-A-Porter) compared to the relative lack of investment online channels by many of the major brands. It also reflects the fact that for much of the past ten years, luxury brands have focused on expanding their physical store networks into new markets and territories.

Figure 6. Do you think the luxury world will be disrupted by emerging technologies such as robotics, artificial intelligence and 3D printing?



Source: Deloitte Luxury Multicountry Survey for Global Powers of Luxury Goods 2017

Figure 7. How many of your luxury products purchases take place in a physical store, online from a computer/laptop or online on a mobile device?



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Source: Deloitte Luxury Multicountry Survey for Global Powers of Luxury Goods 2017

The luxury sector has been through a period of expansion, as companies have grown by extending the reach of their distribution networks and opening new stores in new territories.

During this period of physical expansion the focus has been on consistency and standardisation of experience which in turn has led to generic stores and generic (albeit premium) experiences.

However, consumer expectations from a luxury retail experience are changing. Our consumer survey shows that luxury consumers now want:

- more shopping channels – 39 per cent are asking for home delivery
- more reward for their loyalty – 44 per cent are expecting rewards through gifts
- more personalisation – 45 per cent are asking for personalised products and services

Digital channels are creating a need for large-scale high-quality personalised content. Creating customised online content to engage large numbers of consumers is a highly-demanding challenge, and some luxury goods companies have started to open up a dialogue with consumers and involve them in the marketing process.

Engaging with the new luxury consumer is an opportunity for companies to move the conversation on from price and status, to a deeper connection focused on experiences and the feelings that luxury products can evoke in their purchasers.

Which person do you consider as the 'top influencer' of the luxury world?

Source: Deloitte Luxury Multicountry Survey for Global Powers of Luxury Goods 2017

Global economic outlook

Overview

The economic environment for luxury brands continues to be challenging, with slow growth in major developed economies, high levels of debt in emerging markets, deflation or low inflation in rich countries, a protectionist backlash against globalisation, troubled credit markets in a number of countries, and worsening demographics in many. Yet despite the economic headwinds, the sector is resilient and consumers are still making luxury purchases, especially in emerging markets.

The US is the leading luxury goods market, and with the slowdown in sales in China, it is expected to remain so for the next few years. An important influence affecting several markets over the past year has been China and the Chinese luxury consumer. A backdrop of uncertainty – the new US government, Brexit and terrorist attacks in several European cities – has deterred many potential Chinese buyers from travelling to key shopping destinations in the US and Europe.

In this section, we look at the economic outlook for the major luxury markets and the potential impact this may have on brands.

Europe

The Eurozone economy is growing at a moderate pace. Yet despite the aggressive monetary policy of the European Central Bank, investment remains weak and unemployment high. Although the European luxury goods market has moved on from the most difficult years, national economies are recovering at different rates, with countries in southern Europe still suffering from chronic unemployment and low consumer confidence. Overall market growth is slow but steady, with both domestic shoppers and wealthy tourists cautious about spending. Against a backdrop of further uncertainty, with upcoming elections in the UK (June) and in Germany (September), and safety concerns after terrorist attacks in several European cities, many potential overseas shoppers are being deterred from travelling to key shopping destinations in Europe. For now, Europe's luxury sector is likely to remain on a modest growth trajectory.

Russia

The Russian economy has been in recession, still suffering from the effects of economic sanctions among other factors, and sales of luxury goods slowed down as middle class consumers tightened their belts. As their purchasing power decreased, a significant number of them have sought out lower-priced products. Looking ahead, the local currency is showing signs of stabilisation and moderate growth is expected in the market. However if the political and business environment worsens, sales from even the most affluent consumer segment will be adversely affected.

United Kingdom

One of the biggest news items of the past year was the UK's vote to exit the European Union (EU). The 'Brexit' decision led to a sharp decline in the value of the pound due to an expectation that Brexit might reduce inbound investment into the UK and initiate an economic slowdown. Some of these fears may not have materialised, but at the time of this report it is still unclear what type of Brexit deal will be agreed, or even whether the UK and the EU can successfully come to a mutually acceptable separation. This uncertainty will remain for some time to come.

In the months following the Brexit vote, luxury prices rose by as much as 10%-15% to adjust to sterling devaluation – and UK luxury companies continue to assess how to adjust their business models in other areas (notably in sourcing, supply chain and talent) in the face of the fall-out from Brexit. Wealthy tourists from the Middle East, China, the US and Russia continue to drive a significant proportion of demand in the UK luxury goods market, which is therefore exposed to the risk of economic and political developments in these countries. However, inbound tourist numbers, and consequently luxury goods spending, has been even stronger than usual (notably by Chinese visitors) as the UK became the most affordable luxury market in the world in which to shop.

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 is still affected by the strained relations with the mainland, with many wealthy Chinese tourists staying away and choosing to travel to other Asian cities for their shopping.

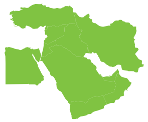
In mainland China, the slowing economy has resulted in lower spending, and the central government's crackdown on luxury gifts in the corporate sector continues to have an impact. Nevertheless demand remains steady among the country's expanding middle class, with their increasing disposable incomes, as they continue to buy better quality products and showcase their social status. In addition, as in other emerging markets, prices of luxury goods in China are being adjusted downwards to bring them in line with global markets. This is encouraging more Chinese consumers to purchase luxury brands in their domestic market.

Rest of Asia

Strict measures by the Indian government in 2016, such as demonetisation, an excise duty on gold and diamond jewellery, and the tax on luxury goods to curb 'black money', have significantly affected luxury good sales in the country. However, India remains the bright spot among Asian and BRIC countries, and demand for luxury goods is expected to remain strong. The long-term economic prospects and demographics are very favourable: a rapidly rising urban middle class with increasing disposable incomes is expected to drive sales of luxury goods. But India still has many challenges to overcome before it becomes a major market for luxury brands. Facilitating market entry for new brands would help drive growth and ease some of the current challenges brands face.

Despite the economic difficulties in Japan, the luxury sector experienced moderate growth in 2016, due to a steady supply of affluent consumers who continued to spend and also to a boost from increasing tourist numbers ahead of the 2020 Tokyo Olympic Games. Part of the economic problem is demographics – even after several years of an unusually easy monetary policy, the economy is barely growing. On a per worker basis, Japan's economy has actually been growing at the same pace as the US, yet the number of workers is declining, and this is contributing to slow growth. The strong yen and China's slowing economy remain key constraints on exports. However consumer confidence is rising, and the sector is likely to continue its moderate rate of growth.

Although the global economic downturn and local political instability have affected several industries in South Korea, luxury goods have prospered, with consumers showing increasingly sophisticated tastes. And as the market matures further, we are likely to see healthy growth in the coming year. The country continued to benefit from an inflow of Chinese tourists, who have shifted their purchasing preferences towards higher value products such as jewellery and watches. With sales of luxury goods in neighbouring China and Japan coming under political pressure, South Korea continues to be the most popular luxury shopping destination in Asia.



Middle East

The market in the Middle East continues to represent a big opportunity for luxury brands: luxury malls in Abu Dhabi and Dubai have helped to promote these cities as desirable shopping destinations. Well-established big-name brands have performed well in the region, and tourism is a major driver of sales in Dubai. However, the market saw a significant slowdown in 2016, caused by the low oil prices, higher gold prices and an increase in the cost of living. Another factor was the currency effect: the dirham is pegged to the US dollar, and this effectively made the price of luxury goods higher for tourists from Europe, whose currencies have devalued against the dollar. In addition, higher relative costs meant that local residents found it more attractive to make their luxury purchases while travelling abroad in Europe. The region is likely to feel the impact of political unrest as well as global economic uncertainty, but further growth is nevertheless expected as Dubai and Abu Dhabi continue to be attractive shopping destinations.

United States

The rate of growth in the world's largest luxury goods market slowed in 2016, hampered by a strong US dollar and a slowdown in trade from foreign tourists, in particular from China. However the high value of the dollar has been beneficial for the domestic market, helping to keep down the prices of imported goods, and thereby boosting consumer purchasing power. However although the improved jobs market and rising pay have supported local consumption, US consumers are starting to cut back on discretionary spending on clothing and other personal accessories, in the light of uncertainty about where the government's policies are heading. 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. Finally, there is a risk of protectionist measures that would boost import prices, something that would probably curtail the growth in luxury goods spending.

Latin America

Mexico is the largest luxury goods market in Latin America, followed by Brazil. Over the past year, it has benefited from relatively attractive prices for luxury goods in the domestic market compared to purchasing them overseas. However it is now under pressure following the devaluation of the Mexican peso, which has been hitting historical lows against the US dollar. The tactic adopted by luxury brands in the past has been to absorb the exchange rate differences, but this is not sustainable in the long term, and many companies will have to pass on the higher prices to consumers. Economic growth is expected to slow down in 2017, with deteriorating business confidence and tighter financial conditions having an impact on consumer spending. In addition, the new US government's attitudes towards immigration and the North American Free Trade Agreement (NAFTA) could pose serious problems for the Mexican economy. Despite this backdrop of economic and political uncertainty, the outlook for luxury goods is optimistic, driven by Mexico's fast-growing middle class who value quality at the right price, and by the upper-middle class who are seeking ever-more luxurious lifestyles to differentiate themselves.

With a weak economy and widespread government corruption, the dire state of affairs in Brazil is having a dampening effect on the luxury market, and consumers are becoming more conservative with their purchases. The gift sales market, which is a key part of luxury sales in the country, is seeing consumers trade down to 'affordable luxury' when buying presents, due to weakening purchasing power and a wish to avoid seeming ostentatious in the light of the current economic climate and wider social concerns. Many Brazilian consumers, who in the past did their luxury shopping abroad, are now doing more of their shopping at home as they are travelling less. Also, prices of luxury brands in Brazil have started to adjust to bring them more into line with global prices, making the savings from overseas purchases less worthwhile. Brazil continues to be an important market for luxury goods as it is home to a large number of wealthy people, and as the market is not yet mature, there is still a lot of potential for growth.

Top 100 highlights

Luxury goods sales growth accelerated by favourable currency effects: profit margins stabilise

Growth in reported sales of the world's 100 largest luxury goods companies (the 'Top 100') jumped by more than three percentage points in FY2015, due primarily to favourable currency effects.

Composite currency-adjusted luxury goods sales growth for the world's Top 100 luxury goods companies was 6.8 per cent in FY2015. This was a significant improvement on the 3.7 per cent growth rate in FY2014. For the 99 companies in the Top 100 that reported their FY2014 and FY2015 luxury goods sales revenue, 67 per cent showed an increase in FY2015, and 49 of the Top 100 achieved higher sales growth in FY2015 than in FY2014. Only six companies suffered a double-digit sales decline in FY2015: half of these were jewellers, which continued to experience volatile demand.

There was no significant impact from mergers or acquisitions on the Top 100 luxury goods companies in FY2015. The major M&A activity all happened after the end of FY2015:

- Coty acquired Procter & Gamble's global fine fragrances, salon professional, cosmetics and retail hair colour businesses, along with some hair styling brands, completed in October 2016.
- Elizabeth Arden was acquired by Revlon, completed September 2016.
- Luxottica agreed to merge with French lens maker Essilor in January 2017. The deal is expected to close in the second half of 2017.
- Swiss luxury watchmaker Frédérique Constant was acquired by Citizen Watch Co in May 2016.

Profit margins in luxury goods companies (based on their combined total revenue and net income) were down in FY2015. The composite net profit margin for the 80 luxury goods companies disclosing their bottom-line profits fell by 1.7 percentage points, to 9.7 per cent. However the composite net profit margin for the Top 100 in the previous year was boosted by LVMH's €2.6 billion exceptional profit from the distribution of Hermès shares. Excluding this effect, the net profit margin for the Top 100 in FY2015 was nearly the same as in FY2014.

Around a quarter of these companies improved their net profit margin over the previous year. Only nine companies made a loss, the same number as in last year's analysis.

The number of all-round high performers dropped back this year: eight companies achieved both double-digit growth in luxury goods sales and a double-digit net profit margin in FY2015, compared to 15 in last year's report.

For the 80 companies reporting their net profits, asset turnover (the ratio of net sales to average total assets) was stable at 0.8 times. The composite return on assets, at 9.7 percent, was lower than in FY2014, but again, this was largely due to LVMH's exceptional profit in that year.

Sales of luxury goods by the Top 100 largest luxury goods companies in FY2015 totalled US$212 billion, giving average sales of US$2.1 billion per company; and 40 companies had luxury goods sales of more than US$1 billion, five less than last year. The threshold sales level for belonging to the Top 100 in FY2015 was US$180 million, less than in FY2014 due mainly to the strengthening of the US dollar.

Global Powers of Luxury Goods Top 100

Top 100 luxury goods companies by sales

FY2015 Luxury goods sales ranking		FY2014 Luxury goods sales ranking	Company name	Selection of luxury brands	Country of origin	FY2015 Luxury goods sales (US$m)	FY2015 Total revenue (US$m)	FY2015 Luxury goods sales growth	FY2015 Net profit margin[1]	FY2013-15 Luxury goods sales CAGR[2]
1	↔	1	LVMH Moët Hennessy-Louis Vuitton SE	Louis Vuitton, Fendi, Bulgari, Loro Piana, Emilio Pucci, Acqua di Parma, Donna Karan, Loewe, Marc Jacobs, TAG Heuer, Benefit Cosmetics	France	22,431	39,615	15.2%	11.2%	11.0%
2	↔	2	Compagnie Financière Richemont SA	Cartier, Van Cleef & Arpels, Montblanc, Jaeger-LeCoultre, Vacheron Constantin, IWC, Piaget, Chloé, Officine Panerai	Switzerland	12,232	12,232	6.4%	20.1%	5.1%
3	↔	3	The Estée Lauder Companies Inc.	Estée Lauder, M.A.C., Aramis, Clinique, Aveda, Jo Malone; Licensed fragrance brands	US	11,262	11,262	4.5%	10.0%	1.3%
4	↔	4	Luxottica Group SpA	Ray-Ban, Oakley, Vogue Eyewear, Persol, Oliver Peoples; Licensed eyewear brands	Italy	9,815	9,815	15.5%	9.1%	9.9%
5	↑	6	Kering SA	Gucci, Bottega Veneta, Saint Laurent, Balenciaga, Brioni, Sergio Rossi, Pomellato, Girard-Perregaux, Ulysse Nardin	France	8,737	12,867	16.4%	6.2%	10.3%
6	↓	5	The Swatch Group Ltd.	Omega, Longines, Breguet, Harry Winston, Rado, Blancpain; Licensed watch brands	Switzerland	8,508	8,795	-3.0%	13.2%	0.0%
7	↑	8	L'Oréal Luxe	Lancôme, Biotherm, Helena Rubinstein, Urban Decay, Kiehl's; Licensed brands	France	8,031 [e]	8,031 [e]	16.7%	15.2% [e]	11.0%
8	↑	9	Ralph Lauren Corporation	Ralph Lauren, Polo Ralph Lauren, Purple Label, Double RL, Club Monaco	US	7,405	7,405	-2.8%	5.3%	-0.3%
9	↓	7	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	7,295	7,295	-11.9%	5.3%	-14.5%
10	↔	10	PVH Corp.	Calvin Klein, Tommy Hilfiger	US	6,292	8,020	-2.3%	7.1%	0.7%
11	↔	11	Rolex SA	Rolex, Tudor	Switzerland	5,724 [e]	5,724 [e]	7.8%	n/a	4.9%
12	↔	12	Hermès International SCA	Hermès, John Lobb	France	5,377	5,377	17.5%	20.2%	13.7%
13	↑	14	Lao Feng Xiang Co., Ltd. 老凤祥股份有限公司	Lao Feng Xiang	China	4,994	5,747	7.9%	4.0%	6.7%

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[2] Compound annual growth rate
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n/a = not available
ne = not in existence
Source: Published company data and industry estimates
*Top 100 sales growth rates are sales-weighted, currency-adjusted composites
**Top 100 net profit margin, return on assets and asset turnover ratio are sales-weighted composites

FY2015 Luxury goods sales ranking		FY2014 Luxury goods sales ranking	Company name	Selection of luxury brands	Country of origin	FY2015 Luxury goods sales (US$m)	FY2015 Total revenue (US$m)	FY2015 Luxury goods sales growth	FY2015 Net profit margin[1]	FY2013-15 Luxury goods sales CAGR[2]
14	↑	16	Michael Kors Holdings Limited 迈克高仕控股有限公司	Michael Kors, MICHAEL Michael Kors	UK	4,712	4,712	7.8%	17.8%	19.3%
15	↑	18	Coach, Inc.	Coach, Stuart Weitzman	US	4,492	4,492	7.2%	10.3%	-3.3%
16	↑	17	Tiffany & Co.	Tiffany & Co., Tiffany	US	4,105	4,105	-3.4%	11.3%	0.9%
17	↓	15	Prada Group	Prada, Miu Miu, Church's, Car Shoe	Italy	3,917	3,917	-0.1%	9.4%	-0.6%
18	↑	19	Burberry Group plc	Burberry	UK	3,794	3,794	-0.3%	12.5%	3.9%
19	↑	20	Hugo Boss AG	BOSS, HUGO, BOSS Green, BOSS Orange	Germany	3,120	3,120	9.2%	11.4%	7.5%
20	↑	30	Fossil Group, Inc.	Fossil, Michele, Relic, Skagen, Zodiac, Misfit Licensed brands	US	3,107[e]	3,229	-8.4%	7.1%	-0.7%
21	↔	21	Giorgio Armani SpA	Giorgio Armani, Emporio Armani, Armani, A|X Armani Exchange	Italy	2,961	2,961	4.6%	9.0%	10.4%
22	↔	22	Swarovski Crystal Business	Swarovski	Austria	2,888	2,888	11.6%	n/a	5.6%
23	↔	23	Coty Inc.	philosophy, JOOP!, Lancaster, Calvin Klein fragrance; Licensed fragrance brands: Marc Jacobs, Chloé, DAVIDOFF	US	2,706	4,349	-8.3%	4.1%	-7.8%
24	↑	26	Pandora A/S	Pandora	Denmark	2,492	2,492	40.2%	22.0%	36.3%
25	↔	25	Chow Sang Sang Holdings International Limited 周生生集团国际有限公司	Chow Sang Sang	Hong Kong	2,157	2,460	-1.2%	5.9%	-8.4%
26	↑	27	Christian Dior Couture SA	Christian Dior	France	2,058	2,058	5.0%	6.1%	11.0%
27	↓	24	Puig S.L.	Carolina Herrera, Nina Ricci, Paco Rabanne, Jean Paul Gaultier, Penhaligon's; Licensed fragrance brands	Spain	1,827	1,827	9.1%	8.0%	4.8%
28	↑	31	Luk Fook Holdings (International) Limited 六福集团(国际)有限公司	Luk Fook	Hong Kong	1,809	1,809	-8.9%	6.9%	-13.5%
29	↓	28	OTB SpA	Diesel, Maison Margiela, Viktor&Rolf, Marni	Italy	1,766	1,766	2.2%	0.2%	1.2%
30	↑	40	Gitanjali Gems Ltd.	Gili, Nakshatra, Sangini, Asmi, Passion Stone	India	1,724	2,168	43.1%	1.0%	30.6%
31	↑	32	Titan Company Limited	Tanishq, Titan, Zoya, Nebula, Xylys	India	1,690	1,738	-5.6%	6.1%	1.5%
32	↓	29	Clarins SA	Clarins, My Blend, Thierry Mugler, Azzaro	France	1,666[e]	1,666[e]	0.0%	n/a	0.3%
33	↑	34	Salvatore Ferragamo SpA	Salvatore Ferragamo	Italy	1,574	1,588	7.3%	12.2%	6.6%
34	↓	33	Max Mara Fashion Group Srl	MaxMara, SportMax, Marina Rinaldi, Max & Co, PennyBlack	Italy	1,558	1,558	4.9%	6.0%	4.3%

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35	↔	35	Ermenegildo Zegna Holditalia SpA	Ermenegildo Zegna, Z Zegna, Zegna Sport	Italy	1,429	1,429	0.1%	3.5%	0.6%
36	↑	53	Eastern Gold Jade Co., Ltd 东方金钰股份有限公司	Eastern Gold Jade	China	1,426	1,426	95.1%	3.4%	22.3%
37	↓	36	Safilo Group SpA	Safilo, Carrera, Oxydo, Smith Optics; Licensed eyewear brands	Italy	1,421	1,421	8.5%	-4.1%	6.8%
38	↓	37	L'Occitane International SA	L'Occitane en Provence, Melvita, erborian, L'Occitane au Brésil	Luxembourg	1,417	1,417	8.9%	8.9%	10.3%
39	↓	38	Dolce&Gabbana S.r.l.	Dolce&Gabbana	Italy	1,306	1,306	8.7%	1.5%	11.6%
40	↑	41	Patek Philippe SA	Patek Philippe	Switzerland	1,238 e	1,238 e	2.6%	n/a	4.0%
41	↑	43	Kate Spade & Company	kate spade new york, JACK SPADE	US	1,219	1,243	10.3%	1.4%	28.1%
42	↓	39	TOD'S SpA	Tod's, Hogan, Fay, Roger Vivier	Italy	1,165	1,165	7.4%	8.8%	3.3%
43	↑	48	Valentino Fashion Group SpA	Valentino, REDValentino	Italy	1,163	1,163	44.1%	7.0%	37.8%
44	↔	44	PC Jeweller Ltd.	PC Jeweller, AZVA	India	1,123	1,130	15.2%	5.4%	17.3%
45	↔	45	Tory Burch LLC	Tory Burch, Tory Sport	US	1,050 e	1,050 e	5.0%	n/a	8.0%
46	↑	49	Moncler SpA	Moncler	Italy	978	978	26.8%	19.1%	23.1%
47	↔	47	Elizabeth Arden, Inc.	Elizabeth Arden; Licensed fragrance brands	US	967	967	-0.4%	-7.6%	-8.9%
48	↓	42	Zhejiang Ming Jewelry Co., Ltd. 浙江明牌珠宝股份有限公司	MINGR	China	843	843	-23.4%	1.2%	-21.7%
49	↑	50	Le Petit-Fils de L.-U. Chopard & Cie SA	Chopard	Switzerland	833 e	833 e	0.0%	n/a	0.0%
50	↑	52	Audemars Piguet & Cie	Audemars Piguet	Switzerland	833 e	833 e	14.3%	n/a	11.8%
51	↑	-	SMCP SAS	Sandro, maje, Claudie Pierlot	France	750	750	32.8%	1.2%	26.5%
52	↓	51	CFEB Sisley SAS	Sisley	France	745 e	745 e	5.2%	n/a	5.0%
53	↑	54	Gianni Versace SpA	Versace Collection, Versus Versace, Palazzo Versace	Italy	722	722	17.6%	2.6%	16.5%
54	↑	-	Ted Baker plc	Ted Baker	UK	695	695	17.7%	9.7%	19.1%
55	↑	46	Graff Diamonds International Limited	Graff	UK	630	630	-28.7%	7.4%	-3.8%
56	↔	56	Longchamp SAS	Longchamp, Le Pliage	France	629 e	629 e	13.2%	n/a	10.7%

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57	↔	57	Movado Group, Inc.	Concord, EBEL, Movado; Licensed watch brands	US	595	595	1.4%	7.7%	2.1%
58	↓	55	Renown Incorporated	C'est Privee, D'Urban, Intermezzo	Japan	590	590	-1.4%	0.8%	-3.1%
59	↑	-	Gerhard D. Wempe KG	Wempe, Wempe Glashütte, By Kim	Germany	589 [e]	589 [e]	1.9%	n/a	8.2%
60	↑	-	Cole Haan LLC	Cole Haan	US	585 [e]	585 [e]	n/a	n/a	-2.1%
61	↓	59	Tumi Holdings, Inc.	Tumi	US	548	548	3.9%	11.5%	8.2%
62	↓	58	Sungjoo D&D Inc	MCM	South Korea	497	499	-2.3%	6.7%	11.8%
63	↓	62	Jimmy Choo plc	Jimmy Choo	UK	486	486	6.1%	6.1%	6.3%
64	↓	63	Marcolin Group	Marcolin; Licensed eyewear brands	Italy	483	483	20.1%	-0.6%	43.1%
65	↓	61	Inter Parfums, Inc.	Lanvin, Rochas, Intimate, Aziza; Licensed fragrance brands	US	469	469	-6.2%	8.3%	-8.8%
66	↓	60	De Rigo SpA	Police, Lozza, Sting; Licensed eyewear brands	Italy	462	462	7.7%	3.3%	6.7%
67	↓	64	Brunello Cucinelli SpA	Brunello Cucinelli	Italy	461	461	16.1%	7.9%	13.4%
68	↑	-	Marc O'Polo AG	MARC O'POLO	Germany	455 [e]	461 [e]	-0.1%	n/a	2.4%
69	↔	69	Kurt Geiger Limited	Kurt Geiger London, KG Kurt Geiger, Carvela Kurt Geiger, Miss KG	UK	431	431	11.9%	7.2%	13.6%
70	↓	67	True Religion Apparel, Inc.	True Religion	US	400 [e]	400 [e]	-7.0%	n/a	-9.6%
71	↓	70	Breitling SA	Breitling	Switzerland	385 [e]	385 [e]	0.0%	n/a	2.8%
72	↑	73	Furla SpA	Furla	Italy	382	382	27.2%	6.8%	22.9%
73	↓	71	Sociedad Textil Lonia SA	Purificación García; Licensed brand: CH Carolina Herrera	Spain	368	368	8.8%	9.7%	7.2%
74	↑	79	Restoque Comércio e Confecções de Roupas S.A.	Le Lis Blanc Deux, Dudalina, Bo.Bô., JOHN JOHN	Brazil	363	363	55.2%	-1.4%	29.1%
75	↓	66	Gefin SpA	Etro	Italy	352	352	-2.1%	-0.6%	2.3%
76	↓	68	Liu.Jo SpA	Liu.Jo	Italy	339	339	-5.1%	9.4%	4.7%
77	↓	76	Frédérique Constant SA	Frederique Constant, Alpina, Ateliers deMonaco	Switzerland	333 [e]	333 [e]	3.2%	n/a	8.9%
78	↓	72	S Tous SL	Tous	Spain	332	332	9.9%	8.5%	10.7%
79	↓	74	Aeffe SpA	Moschino, Pollini, Alberta Ferretti, Philosophy	Italy	304	304	7.1%	0.6%	4.5%
80	↓	75	Franck Muller Group	Franck Muller	Switzerland	297 [e]	297 [e]	-8.1%	n/a	-4.1%

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81	↓	78	Euroitalia S.r.l.	Reporter, Naj-Oleari; Licensed Fragrance brands: Moschino, Versace, Missoni	Italy	296	296	6.2%	10.2%	8.1%
82	↔	82	Paul Smith Group Holdings Limited	Paul Smith	UK	285	285	-5.5%	3.5%	-2.7%
83	↑	-	Marc Cain Holding GmbH	Marc Cain	Germany	282	288	4.3%	7.0%	0.3%
84	↑	85	Festina Lotus SA	Festina, Lotus, Jaguar, Candino, Calypso	Spain	275	275	14.5%	2.8%	10.0%
85	↓	84	TWIN SET—Simona Barbieri SpA	Twin Set, SCEE, Le Coeur	Italy	273	273	12.6%	-4.2%	12.6%
86	↑	-	Charles Tyrwhitt LLP	Charles Tyrwhitt	UK	271	271	19.6%	10.7%	19.9%
87	↓	81	Fashion Box SpA	Replay	Italy	264	264	3.8%	-11.1%	8.0%
88	↓	83	Falke KGaA	Falke, Burlington	Germany	250 [e]	250 [e]	1.4%	n/a	-0.2%
89	↓	77	Trinity Limited 利邦控股有限公司	Cerruti 1881, Kent & Curwen, Gieves & Hawkes	Hong Kong	247	247	-27.0%	-4.6%	-15.7%
90	↑	91	Mulberry Group plc	Mulberry	UK	235	237	4.9%	1.7%	-2.3%
91	↓	87	K.Mikimoto & Co., Ltd.	Mikimoto	Japan	235	235	2.2%	n/a	8.2%
92	↑	-	J Barbour & Sons Ltd	Barbour	UK	233 [e]	233 [e]	-7.4%	9.7% [e]	0.9%
93	↓	80	Willy Bogner GmbH & Co. KGaA	Bogner, Sônia Bogner, Bogner Fire + Ice	Germany	230 [e]	230 [e]	-11.3%	n/a	-8.4%
94	↓	93	Vicini SpA	Guiseppe Zanotti Design, Vicini	Italy	203	203	10.7%	12.0%	22.1%
95	↓	88	Canali SpA	Canali	Italy	200	200	-8.8%	6.7%	-3.4%
96	↓	86	Roberto Cavalli SpA	Roberto Cavalli, Just Cavalli, Cavalli Class	Italy	195	195	-17.0%	18.6%	-6.5%
97	↑	105	Richard Mille SA	Richard Mille	Switzerland	193	193	21.7%	n/a	18.4%
98	↓	92	Jeanne Lanvin SA	Lanvin	France	186	186	-0.6%	1.7%	-5.1%
99	↑	103	Acne Studios Holding AB	Acne Studios	Sweden	181	181	23.7%	12.9%	27.6%
100	↓	98	Wolford AG	Wolford	Austria	180	188	3.2%	-3.7%	2.1%

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Impact of exchange rates on ranking

The Top 100 Global Powers of Luxury Goods have been ranked according to their FY2015 luxury goods sales in US dollars (US$). Changes in the overall rankings from year to year are generally driven by increases or decreases in company sales. However, a stronger reporting currency vis-à-vis the US$ in FY2015 means that a company may rank higher in FY2015 than it did in FY2014, all other things being equal. Conversely, companies reporting in a weaker currency may rank lower. FY2015 saw nearly all currencies weakening significantly against the US$. The Brazilian real weakened the most, by 28%. Next were the Swedish krona, down by 19% and the euro and Danish krone, both down by 16%. The Japanese yen weakened by 13%, and the British pound and South Korean won by 7%. Other major currencies for companies in this report saw a change of less than 5% against the US$ in FY2015: the Swiss franc and Indian rupee weakened by just under 5%, and the Chinese yen by 1%, while there was virtually no change in the US$-pegged Hong Kong dollar. For companies, the impact of these exchange rate movements on sales depends on both their reporting currency, and the geographic spread of their business and resulting exposure to different currencies.

Impact of data availability on ranking

There were ten new entrants to the Top 100 in FY2015. Most of these were due to improved data, rather than major company sales changes. For more information, see the Newcomers section. Many luxury goods companies are privately owned. Some of these file official reports containing financial information; for others, estimates are made from information sources such as press interviews and industry analysts. A small number of companies do not disclose any financial information, and so cannot be included in our rankings. This year, no reasonable estimates could be made for the following companies appearing in last year's FY2014 ranking: Shiseido, Bally International and Laboratoire Nuxe - so they are not included in this year's Top 100.

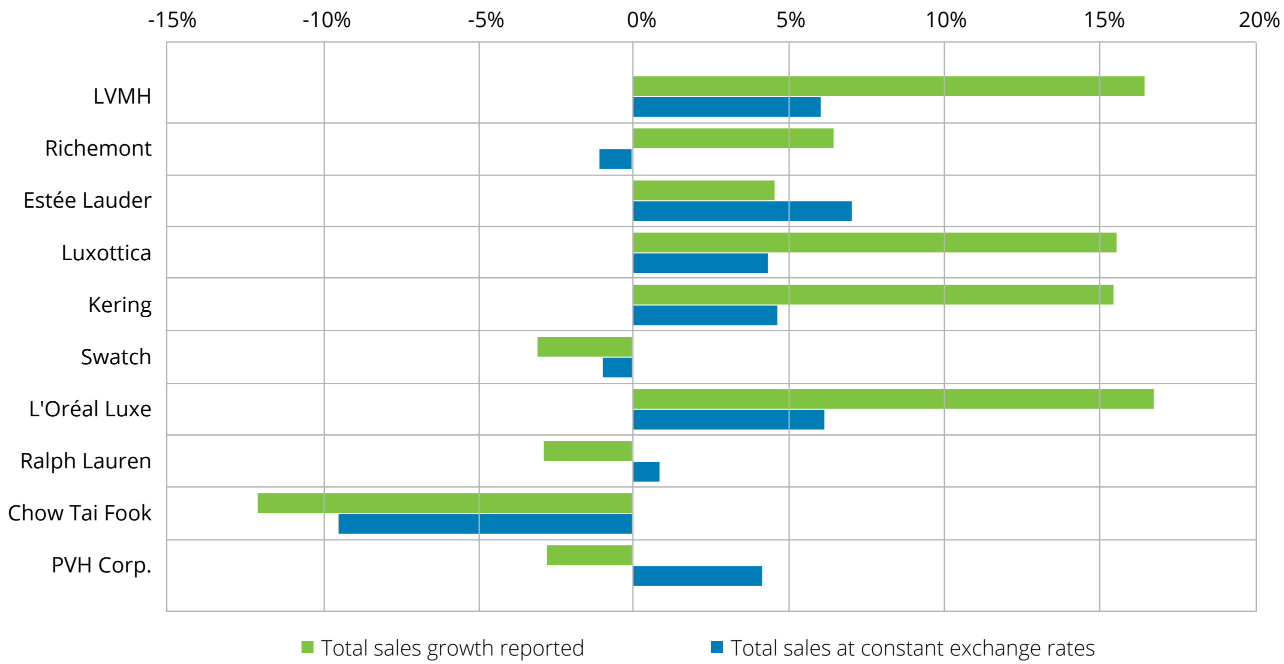
Top 10 highlights

Top 10 luxury companies: winners and losers shaped by currency volatility

The world's Top 10 luxury goods companies were the same in FY2015 as in FY2014, with little acquisition activity by the leading companies during the year. The major M&A event – the €50 billion merger of Italy's Luxottica and France's Essilor – was announced in January 2017. The top three companies, LVMH, Richemont and Estée Lauder, retained their leading positions.

The Top 10 saw a 7.6 percentage point jump in reported sales growth to 9.6 per cent, although much of this was due to changes in currency exchange rates. The volatility in currencies had significantly different impacts on Top 10 companies, depending on their reporting currency and their geographic spread of business around the world (see Figure 1). Companies reporting in euros (LVMH, Richemont, Luxottica, Kering and L'Oréal Luxe) saw sales growth higher by 7 to 11 percentage points, when compared with sales growth at constant currency. Currency exchange rate movements were unfavourable for the other Top 10 companies: US-based Estée Lauder, Ralph Lauren and PVH suffered from the strength of the dollar in international sales, and softness in retail and tourist sales in their domestic market. Swatch was hit by the January 2015 decision to unpeg the Swiss franc/euro fixed exchange rate, resulting in a "massively overvalued Swiss franc" according to Swatch. Their 3 per cent decline in sales in Swiss francs would have been growth of 10.3 per cent if reported in euros. Hong Kong-based Chow Tai Fook's continued sales decline was also exacerbated by unfavourable currency exchange rates.

Figure 8: Impact of exchange rates on growth of Top 10 companies



Source: Deloitte analysis, 2017

Thanks in part to these currency effects, L'Oréal Luxe and LVMH were two of only eight luxury goods 'high achievers' in the Top 100, with double-digit growth in luxury goods sales, and double-digit profit margins. Sales at LVMH, Richemont, Estée Lauder, Luxottica, Kering and L'Oréal Luxe all grew at a faster rate than in FY2014. Leading luxury goods company LVMH, which accounts for over 10 per cent of total luxury goods sales by the Top 100 companies, delivered record revenues and operating profit in FY2015: its luxury goods sales were up 6 per cent at constant exchange rates and net profit margin was similar to last year (excluding the exceptional profit of €2.6 billion from an enforced distribution of Hermès shares in FY2014).

Richemont’s sales dropped slightly, at constant exchange rates, as its Swiss-based luxury watch companies felt the impact of the Swiss franc revaluation on its international sales, but it achieved the highest net profit margin in the Top 10. This was partly due to a non-cash gain in October 2015 from the merger of Net-A-Porter Group with Yoox Group.

Estée Lauder's Strategic Modernization Initiative started to bear fruit, as it returned to sales growth while maintaining net profit margin. Its growth at constant exchange rates, 7 per cent, was the highest in the Top 10. Investments in the luxury end of its portfolio, including the acquisition of prestige fragrance brand 'By Kilian' in February 2016, helped drive strong growth in make-up and luxury fragrance. It also passed the US$1 billion milestone for online sales through both company and retailer e- and m-commerce platforms.

Luxottica saw growth in all regions and distribution channels, and improved net profit margin slightly. The balanced brand portfolio of Kering's Luxury Division, plus favourable currency effects, helped it to achieve higher growth than any other Top 10 company. Luxury goods sales were up nearly 12 percentage points, supported by momentum in the directly-operated store network and high tourist numbers in Western Europe and Japan, plus the full-year consolidation of its Ulysse Nardin acquisition in FY2014. Net profit margin was also up, although this hid a big drop in consolidated net income from continuing operations. Kering started FY2015 by finalising the sale of the last Redcats companies, and finished it by completing the sale of luxury shoemaker Sergio Rossi.

Swatch maintained its long-term strategy of favouring a defensive price adjustment policy over short-term profit making, despite the impact of the Swiss franc revaluation on sales, which created a marked distortion of the international pricing structure. It delivered the eighth-highest net profit margin among the Top 100 companies, losing only three percentage points to 13.2 per cent.

L'Oréal Luxe was the best performer in the Top 10. Like its competitor Estée Lauder, it saw strong growth in make-up and fragrances, as well as e-commerce. It also achieved an estimated double-digit net profit margin, at a similar level to FY2014.

US-based fashion companies Ralph Lauren and PVH both saw reported sales fall by 2 to3 per cent. Sales at constant exchange rates were higher than in FY2014, despite soft demand for apparel in the US, their largest market, and a decline in foreign tourist traffic. PVH exited its Izod retail business in 2015, and in April 2016 concluded the acquisition of the 55 per cent interest in TH Asia Ltd, its joint venture for Tommy Hilfiger in China that it did not already own. This has enabled PVH to operate directly in Asia, its fastest growing market. Ralph Lauren's net profit margin dropped nearly four percentage points, whereas PVH's profit margin continued to improve, as charges associated with the integration of the 2013 Warnaco acquisition and pension costs both decreased.

Asian jeweller Chow Tai Fook's sales continued to drop back to levels last seen in 2012, due to the strength of the US dollar, a drop in tourist visits to Hong Kong/Macau (partly caused by a change to the 'Individual Visiting Scheme' in Mainland China) and continuing economic slowdown in the region.

Looking at the Top 10 as a group, their composite compound annual growth rate (CAGR) in luxury goods sales in the period FY2013-15 was up 1.7 percentage points, at 6.8 per cent. This was higher than the 5.2 per cent CAGR for the Top 100 companies. Although the Top 10 composite net profit margin dropped 1.8 percentage points, to 11.4 per cent, this was due to the effect of LVMH's exceptional profit from the distribution of Hermès shares in FY2014. Excluding this effect, the composite net profit margin improved slightly. The leading luxury goods companies continued to outperform the Top 100, contributing nearly two-thirds of the total Top 100 profits. All Top 10 companies were profitable, and half achieved double-digit net profit margins.

Among these Top 10 companies, three are conglomerates participating in multiple sectors of the luxury goods market, two are cosmetics and fragrance companies, two are jewellery and watch companies, two are fashion companies, and global eyewear leader Luxottica is the only accessories company. Three are headquartered in the US, three in France, two in Switzerland and one in each of Italy and Hong Kong.

Top 10 luxury goods companies by sales

FY2015 Luxury goods sales ranking		FY2014 Luxury goods sales ranking	Company name	Selection of luxury brands	Country of origin	FY2015 Luxury goods sales (US$m)	FY2015 Total revenue (US$m)	FY2015 Luxury goods sales growth*	FY2015 Net profit margin**	FY2015 Return on assets*	FY2013-15 Luxury goods sales CAGR*^
1	↔	1	LVMH Moët Hennessy-Louis Vuitton SE	Louis Vuitton, Fendi, Bulgari, Loro Piana, Emilio Pucci, Acqua di Parma, Donna Karan, Loewe, Marc Jacobs, TAG Heuer, Benefit Cosmetics	France	22,431	39,615	15.2%	11.2%	6.9%	11.0%
2	↔	2	Compagnie Financière Richemont SA	Cartier, Van Cleef & Arpels, Montblanc, Jaeger-LeCoultre, Vacheron Constantin, IWC, Piaget, Chloé, Officine Panerai	Switzerland	12,232	12,232	6.4%	20.1%	11.1%	5.1%
3	↔	3	The Estée Lauder Companies Inc.	Estée Lauder, M.A.C., Aramis, Clinique, Aveda, Jo Malone; Licensed fragrance brands	US	11,262	11,262	4.5%	10.0%	12.2%	1.3%
4	↔	4	Luxottica Group SpA	Ray-Ban, Oakley, Vogue Eyewear, Persol, Oliver Peoples; Licensed eyewear brands	Italy	9,815	9,815	15.5%	9.1%	8.4%	9.9%
5	↑	6	Kering SA	Gucci, Bottega Veneta, Saint Laurent, Balenciaga, Brioni, Sergio Rossi, Pomellato, Girard-Perregaux, Ulysse Nardin	France	8,737	12,867	16.4%	6.2%	3.0%	10.3%
6	↓	5	The Swatch Group Ltd.	Omega, Longines, Breguet, Harry Winston, Rado, Blancpain; Licensed watch brands	Switzerland	8,508	8,795	-3.0%	13.2%	8.4%	0.0%
7	↑	8	L'Oréal Luxe	Lancôme, Biotherm, Helena Rubinstein, Urban Decay, Kiehl's; Licensed brands	France	8,031[e]	8,031[e]	16.7%	15.2%[e]	21.0%	11.0%
8	↑	9	Ralph Lauren Corporation	Ralph Lauren, Polo Ralph Lauren, Purple Label, Double RL, Club Monaco	US	7,405	7,405	-2.8%	5.3%	6.4%	-0.3%
9	↓	7	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	7,295	7,295	-11.9%	5.3%	5.4%	-14.5%
10	↔	10	PVH Corp.	Calvin Klein, Tommy Hilfiger	US	6,292	8,020	-2.3%	7.1%	5.4%	0.7%
Top 10						**102,009**	**125,339**	**9.6%**	**11.4%**	**7.9%**	**6.8%**
Top 100						**212,029**	**238,739**	**6.8%**	**9.7%**	**7.9%**	**5.2%**
Economic concentration of Top 10						**48.1%**	**52.5%**				

* 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 = estimated from company source
Source: Published company data and industry estimates

Fastest 20

Marcolin and Valentino topple Kate Spade and Michael Kors

The Fastest 20 rankings are based on compound annual growth rate (CAGR) in luxury goods sales over a two-year period. Between FY2013-15, composite luxury goods sales for the Fastest 20 companies increased at a compound annual rate of 22.2 per cent – more than four times the rate for the Top 100 as a whole, but 1.9 percentage points down on last year. 11 of these 20 companies grew sales faster than in FY2014, so the year-on-year rate of growth in luxury goods sales among the Fastest 20 was up 6.8 percentage points, to 24 per cent. Nine of the companies in the Fastest 20 rankings have exhibited consistently high growth, having also appeared in the Fastest 20 in FY2014 (shown in bold type in the Fastest 20 list).

Kate Spade and Michael Kors had held the top two positions in this table for the previous three years. In FY2015, their growth rate dropped dramatically from the 30-60 per cent year-on-year increases they achieved in previous years, down to 8 -10 per cent. As Michael Kors commented in its Annual Report: "the accessible luxury retail and wholesale industry has been recently challenged by lower consumer traffic trends, a promotional selling environment resulting from a channel shift, a decrease in tourist travel, restrained consumer spending, and other factors". Both companies obtain more than 70 per cent of their sales from the US market, and were involved in restructuring their distribution in other markets. Despite these headwinds, they still appear in the Fastest 20 at positions #6 and #14.

The #1 position was taken by Marcolin, with a CAGR of 43.1 per cent, due primarily to its December 2013 acquisition of US-based Viva International (the second-largest eyewear company in the Americas and the ninth-largest worldwide). Its 20.1 per cent growth in FY2015 was assisted by favourable exchange rates, and came from new licensed brands (Zegna, Pucci) and markets in Europe and the US.

Valentino Fashion Group moved into the #2 spot, with a 2013-15 CAGR of 37.8 per cent, reaching the milestone of US$1 billion annual sales two years ahead of plan. Growth accelerated in FY2015 due to favourable exchange rates (the US is its biggest market), brand strength and good performance in retail, with sales per square metre up 20 per cent, and 30 new store openings.

Danish vertically-integrated 'affordable luxury' jeweller Pandora has shown the most consistent growth, more than 30 per cent in each of the last three years. It moved up one place to become the third-fastest growing company, with a CAGR of 36.3 per cent. This was powered by rapid branded Pandora store expansion, taking over 77 concept store leaseholds in Germany from BiBa, and launching eSTOREs in US, Australia, Denmark, Hong Kong and Sweden. In July 2015 it started joint distribution in China. Pandora sales grew in all regions, assisted by favourable exchange rates. Arguably, it achieved the best overall performance of any luxury goods company, with the highest net profit margin in the Top 100, at 22 per cent.

Three other companies reported sales growth of more than 40 per cent in FY2015. Brazilian fashion company Restoque grew by 55.2 per cent, due entirely to the full-year consolidation of competitor Dudalina, acquired in November 2014. The other high-growth companies were both jewellers: this product sector has shown volatile performance in recent years, due to rapid shifts in raw materials pricing and currencies, as well as economic uncertainty, particularly in Asia. Chinese jeweller Eastern Gold Jade saw growth of more than 90 per cent, due to a rebound in jade wholesale and growth in investment demand for gold bars. India's Gitanjali Gems jewellery sales were up 43 per cent, as it continued its rapid store/shop in shop expansion, increasing its market share in Modern Retail in India from 58 per cent to 72 per cent, as well as continuing expansion of its international chains, such as Samuels in the US.

On average, the Fastest 20 were smaller in size than the rest of the Top 100, with average sales in luxury goods of US$1,244 million in FY2015, compared to US$2,120 million for the Top 100 as a whole. Twelve of the 20 companies had luxury goods sales of less than US$1 billion and only one, Hermès International, had sales in excess of US$5 billion. The composite net profit margin for the Fastest 20 was two percentage points higher than last year, at 12.3 per cent, and above the composite margin of 11.4 per cent for the Top 100. Italy was again home to the greatest number of fast-growing luxury goods companies in FY2015: there were six Italian companies in the Fastest 20, down from eight companies in FY2014. The four UK-based companies included two newcomers (Charles Tyrwhitt and Ted Baker) and one reclassification, with Michael Kors moving its headquarters from Hong Kong to London. Of the five 'affordable luxury' US-based companies which have been in the Fastest 20 for the last three years, only Kate Spade made the list in FY2015. Currency headwinds also affected Swiss companies – Richard Mille was the only Swiss-based company. Of the other eight companies in the Fastest 20, France and India each had two representatives, with others from Brazil, China, Denmark and Sweden. The strongest product sectors in the Fastest 20 were apparel and footwear (ten companies) and jewellery and watches (five companies). There were three bags and accessories companies and two multiple luxury goods companies. For the first time, there were no companies from the cosmetics and fragrances product sector in the Fastest 20.

20 fastest-growing luxury goods companies, FY2013-15 CAGR[1]

CAGR ranking	Top 100 ranking	Company name	Country of origin	FYF015 Luxury goods sales (US$m)	FY2013-15 Luxury goods sales CAGR[1]	FY2015 Luxury goods sales growth	FY2015 Net profit margin
1	64	**Marcolin Group**	Italy	483	43.1%	20.1%	-0.6%
2	43	**Valentino Fashion Group SpA**	Italy	1,163	37.8%	44.1%	7.0%
3	24	**Pandora A/S**	Denmark	2,492	36.3%	40.2%	22.0%
4	30	Gitanjali Gems Ltd.	India	1,724	30.6%	43.1%	1.0%
5	74	Restoque Comércio e Confecções de Roupas S.A.	Brazil	363	29.1%	55.2%	-1.4%
6	41	**Kate Spade & Company**	US	1,219	28.1%	10.3%	1.4%
7	99	Acne Studios Holding AB	Sweden	181	27.6%	23.7%	12.9%
8	51	SMCP SAS	France	750	26.5%	32.8%	1.2%
9	46	**Moncler SpA**	Italy	978	23.1%	26.8%	19.1%
10	72	Furla SpA	Italy	382	22.9%	27.2%	6.8%
11	36	Eastern Gold Jade Co., Ltd	China	1,426	22.3%	95.1%	3.4%
12	94	**Vicini SpA**	Italy	203	22.1%	10.7%	12.0%
13	86	Charles Tyrwhitt LLP	UK	271	19.9%	19.6%	10.7%
14	14	**Michael Kors Holdings Limited**	UK	4,712	19.3%	7.8%	17.8%
15	54	Ted Baker plc	UK	695	19.1%	17.7%	9.7%
16	97	Richard Mille SA	Switzerland	193	18.4%	21.7%	n/a
17	44	**PC Jeweller Ltd.**	India	1,123	17.3%	15.2%	5.4%
18	53	**Gianni Versace SpA**	Italy	722	16.5%	17.6%	2.6%
19	12	Hermès International SCA	France	5,377	13.7%	17.5%	20.2%
20	69	Kurt Geiger Limited	UK	431	13.6%	11.9%	7.2%
**Fastest 20* ** **				**24,889**	**22.2%**	**24.0%**	**12.3%**
**Top 100* ** **				**212,029**	**5.2%**	**6.8%**	**11.5%**

Companies in bold type were also among the 20 fastest-growing luxury goods companies in FY2014, based on FY2012-14 CAGR

[1]Compound annual growth rate
e = estimated from company source
Source: Published company data and industry estimates
*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

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 sector. Multiple luxury goods companies are those with substantial sales in more than one product sector.

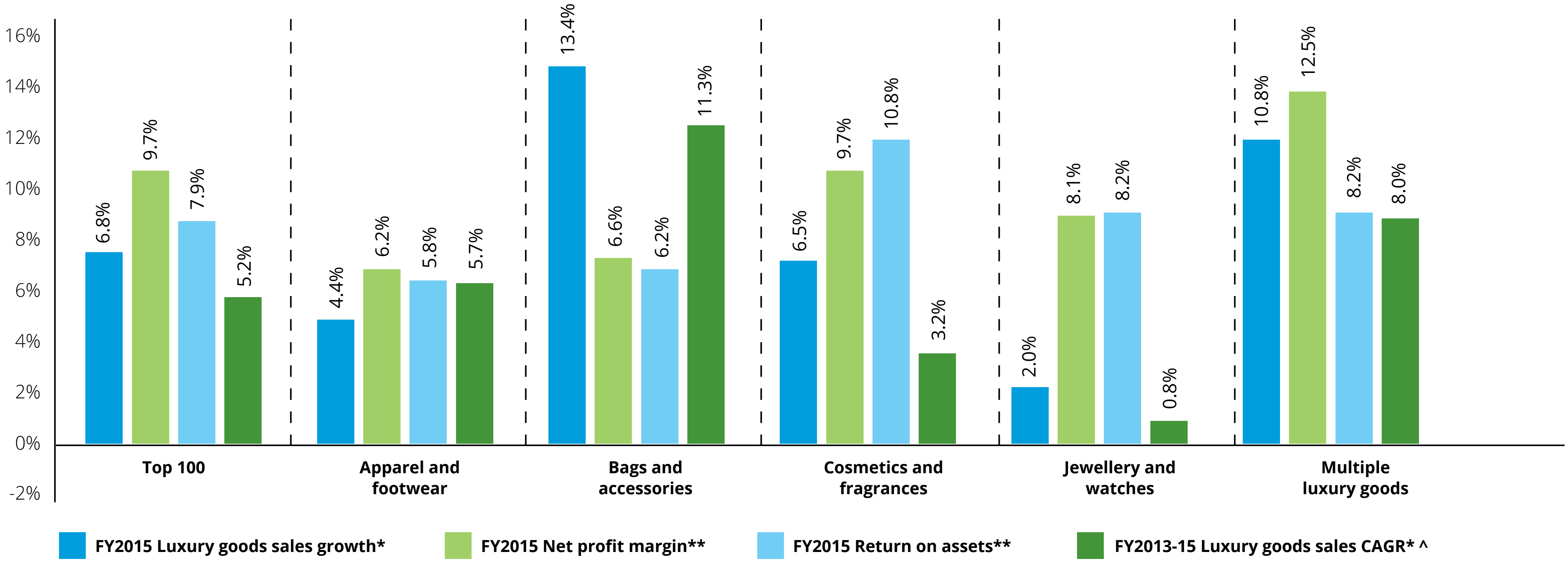
This analysis is linked only to the companies in our Top 100 analysis.

Product sector profiles

	Number of companies	Average size of companies by luxury goods sales (US$m)	FY2015 Luxury goods sales growth	Share of Top 100 luxury goods sales
Apparel and footwear	**41**	**$1,007**	**4.4%**	**19.5%**
Bags and accessories	**10**	**$1,569**	**13.4%**	**7.4%**
Cosmetics and fragrances	**10**	**$2,939**	**6.5%**	**13.9%**
Jewellery and watches	**28**	**$2,023**	**2.0%**	**26.7%**
Multiple luxury goods	**11**	**$6,274**	**10.8%**	**32.5%**
Top 100	**100**	**$2,120**	**6.8%**	**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

Multiple luxury goods companies double sales growth and lead profitability: bags and accessories still the fastest growth sector

Sales by companies in the luxury **apparel and footwear** sector grew more slowly in FY2015 than in the previous year. Nevertheless, the 2013-15 CAGR of 5.7 per cent was above the average for companies in the Top 100. With 41 entries, three more than the previous year, this product sector had by far the largest number of companies in the Top 100. On average they are less than 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 19.5 per cent. The top three companies, Ralph Lauren, PVH Corp. and Hugo Boss, accounted for 40.7 per cent of total FY2015 luxury goods sales in this sector. Around 40 per cent of apparel and footwear companies are based in Italy, with the remainder spread across ten other countries. Europe still dominates the fashion industry, with only seven companies based in other countries, predominantly the US.

Many of the smaller apparel and footwear companies posted very good results. They made up half of both the Fastest 20 and the list of high performers, with double-digit sales growth and double-digit net profit margin. Twelve companies achieved strong double-digit sales growth. The fastest-growing apparel and footwear company in FY2015 was Brazilian fashion company Restoque, which grew by 55.2 per cent, due entirely to the full-year consolidation of competitor Dudalina, acquired in November 2014. Valentino Fashion Group continued its rapid organic growth, reaching the milestone of US$1 billion annual sales two years ahead of plan. Sales growth accelerated to 44.1 per cent in FY2015 due to favourable exchange rates (the US is its biggest market), brand strength and good performance in retail, with sales per square metre up 20 per cent, and 30 new store openings. It is the only fashion company with annual growth of more than 25 per cent in each of the last three years. Three more rapidly-growing Italian companies improved their sales growth in FY2015: Moncler, Gianni Versace and Brunello Cucinelli. Moncler was one of the best performers in the apparel and footwear sector for the third year running, reporting both double-digit sales growth (26.8 per cent) and double-digit profit margin (19.1 per cent). Vicini also continued its success, with sales growth of 10.7 per cent and a profit margin of 12.0 per cent.

Four of the seven apparel and footwear newcomers increased sales in FY2015 by between 17 and 33 per cent: SMCP (the French owner of the Sandro, maje, and Claudie Pierlot fashion brands, which was acquired by Chinese textile maker Shandong Ruyi in 2016), Sweden's Acne Studios and UK-based fashion companies Ted Baker and Charles Tyrwhitt.

At the other end of the spectrum, over one-third of the luxury fashion companies (more than in the previous year) experienced a fall in reported sales. This group included the top two US-based companies, Ralph Lauren and PVH Corp. The strength of the US dollar turned constant currency sales growth, of 0.8 and 4.1 per cent respectively, into reported sales declines. Hong Kong-based Trinity (owner of luxury brands Cerruti, Kent & Curwen and Gieves & Hawkes) restructured to reduce its costs, after experiencing a big fall in sales (27 per cent), due mainly to depressed consumer spending in its Asian markets.

The composite average net profit margin for the thirty-six reporting companies in this product sector was the lowest of all the product sectors, at 6.2 per cent, down slightly on the previous year. Over 60 per cent of these companies reported a lower profit margin than in FY2014.

Moncler delivered the highest net profit margin, at 19.1 per cent. This was the fourth-highest profit margin reported by any company in the Top 100. Other apparel and footwear companies with net profit margins among the ten highest largest in the Top 100 were Roberto Cavalli and Acne Studios. Overall, the profile of profit margins for the luxury apparel and footwear companies was similar to the previous year, except for a smaller number of companies reporting the highest profit margins. Six companies in total reported double-digit profit margins in FY2015, including Vicini (12 per cent), Hugo Boss (11.4 per cent) and Charles Tyrwhitt (10.7 per cent). The majority of companies in this product sector (twenty-four companies) had single-digit profit margins, and six companies reported losses.

Bags and accessories (including eyewear) companies in the Top 100 continued their recovery in FY2015, with composite sales growth jumping to 13.4 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 FY2015 luxury goods sales in the sector. Luxottica alone made up 62.6 per cent of the total. The other seven companies all had sales of less than US$650 million.

Luxottica reported strong FY2015 results, due primarily to favourable exchange rates of other currencies against the euro. Its reported sales growth of 15.5 per cent was more than three times its growth at constant exchange rates (4.3 per cent). It achieved growth in all regions and distribution channels. Net profit margin was also up slightly, to 9.1 per cent, the second-highest margin among companies in this product sector.

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.

Italian global eyewear company Marcolin had the fastest 2013-15 CAGR, taking the #1 spot on the Fastest 20 list from Kate Spade. Its reported sales grew by 20.1 per cent year-on-year (11 per cent at constant exchange rates). Marcolin completed the restructuring and integration of its 2013 Viva acquisition and the Viva distributors in France and Brazil, acquired in FY2014. Growth came mainly from distribution of new luxury licensed brands (Zegna, Pucci), and improved sales in Europe and its biggest market (with over 40 per cent of sales), the US. The costs of non-recurring organisational and corporate rationalisation activities led to a small reported loss in FY2015.

Compatriot Furla had the fastest growth in FY2015 among companies in this sector, at 27.2 per cent, with growth from its accessible luxury brand in all regions and retail channels. Family-owned Furla has recently expanded from its core business of women's handbags into women's shoes, men's bags and an eyewear licence with De Rigo. It has also focused on travel retail, particularly in airports, a rapidly-growing channel for luxury goods. It appears in the #10 position on the Fastest 20 list, and also improved its net profit margin to 6.8 per cent. CEO Eraldo Poletto moved from Furla to Salvatore Ferragamo in 2016.

Furla's competitor, US-based Kate Spade saw its historically sector-leading growth rate drop in FY2015 due to unfavourable exchange rates and restructuring. Its luxury goods sales growth of 10.3 per cent was 38.4 percentage points down on the remarkable growth it achieved in FY2014. E-commerce now represents over 20 per cent of company sales, and continues its strong double-digit growth. The company restructured its brand portfolio, discontinuing Kate Spade Saturday as a standalone business and changing the distribution business model for Jack Spade. Reported adjusted comparable total sales were up 20.6 per cent. Kate Spade reported a big drop in net profit margin, down to 1.4 per cent, due mainly to one-off effects in both FY2015 (restructuring/wind-down costs) and FY2014 (benefit of released tax reserves).

Another company achieving double-digit sales growth was the accessible luxury bags company, Longchamp. Sales were up 13.2 per cent, driven by new stores in Asia and solid demand in Europe. The Chinese are now its second-biggest customers, behind the French. Safilo, De Rigo, Mulberry and Tumi all reported single-digit growth. The South Korean owner of the MCM brand, Sungjoo D&D, was the only company to experience a drop in sales, with growth down 30.1 percentage points to minus2.3 per cent. This was due to unfavourable currency effects: in constant currency, it saw sales growth of 14 to 15 per cent.

The composite net profit margin in FY2015 for the nine reporting bags and accessories companies was 6.6 per cent, below the average for the Top 100 (9.7 per cent), and the same as in the previous two years. Tumi had the highest margin, at 11.5 per cent. The other companies all reported single-digit net profit margins, except for eyewear companies Marcolin and Safilo.

FY2015 was the first year of a five-year planned turnaround strategy for Safilo, which earns 75 per cent of its turnover from licensed brands. Kering brand Gucci and three smaller brands dropped out of its portfolio in FY2015, as Kering terminated its licences to start its own eyewear business. Safilo gained licences for other brands, including Givenchy and Swatch. Its 4.1 per cent loss was mainly due to non-recurring restructuring and goodwill write-down costs.

Cosmetics and fragrances companies are larger on the whole than other companies in the Top 100, with average annual luxury goods sales of US$2,939 million in FY2015. Six of the ten companies in this product sector achieved luxury goods sales in excess of US$1billion. The top three, Estée Lauder, L'Oréal Luxe and Coty, all reported luxury goods sales of more than US$4 billion, and together they accounted for nearly three-quarters of luxury goods sales by companies in the sector. Of the ten companies, four are based in the US, three in France, and one in each of Luxembourg, Italy and Spain.

Two companies appearing in last year's report, Japan's Shiseido and France's Laboratoire Nuxe, were excluded this year, because no reliable estimate of their luxury goods sales could be made.

The two-year CAGR for the cosmetics and fragrances companies recovered in FY2015, to 6.5 per cent, just below the composite average for the Top 100. However, this composite growth figure hides big differences in individual company performance.

L'Oréal Luxe was the star performer in the sector in FY2015, with reported luxury goods sales up 16.7 per cent. Like its competitor Estée Lauder, it saw strong growth in make-up and fragrances, as well as e-commerce, which already accounts for more than eight per cent of sales. Its Yves Saint Laurent brand grew by 18.4 per cent (like-for-like) and it gained market share in all regions, particularly Western Europe. The impact of the volatile currency exchange rates in FY2015 differed for Estée Lauder and L'Oréal Luxe. US-based Estée Lauder achieved higher growth (7 per cent) at constant exchange rates than L'Oréal Luxe (6.1 per cent), but reported lower sales growth of 4.5 per cent because of the strength of the US dollar. Both companies saw little change in their strong net profit margins.

All other Europe-based cosmetics and fragrances companies reported single-digit sales growth, except for Inter Parfums, which was hit by currency headwinds. At constant exchange rates, its luxury goods sales grew by 1.5 per cent, but reported net sales fell by 6.2 per cent. It extended its licence agreement with its largest fragrance brand, Montblanc, acquired Rochas from Procter & Gamble, and added new licences for Coach and French Connection to its brand portfolio, as part of its strategy to replace the loss of licensed Burberry brand sales.

Puig and L'Occitane were the second and third-best performing cosmetics and fragrance companies, with sales growth around nine per cent. Puig benefitted from its FY2015 fragrance acquisitions, Penhaligon's London and L'Artisan Parfumeur Paris. Its goal, to be the #3 fragrance company, will be boosted by its 2016 integration of the Jean Paul Gaultier brand, which is forecast to be about ten per cent of company revenues. L'Occitane's growth was fuelled by its omnichannel strategy (e-commerce is nearly ten per cent of retail sales) and strong growth in China and from its emerging brands Melvita and L'Occitane au Brésil.

The remaining two US-based beauty companies, Coty and Elizabeth Arden, both saw reported sales declines. These companies were involved in large acquisitions after the end of FY2015. Coty became the third-largest global beauty business, with predicted revenue of around US$9 billion, following its US$11.6 billion acquisition of Procter & Gamble's Specialty Beauty business, including global fine fragrances, salon professional, cosmetics and retail hair colour businesses, along with several hair-styling brands. This was followed by a number of smaller acquisitions: Hypermercas' beauty & personal care business, GHD's premium hair straighteners & appliances, and online cosmetics retailer Younique.

Poorly-performing Elizabeth Arden was acquired by Revlon in 2016, in a move seen as an attempt to revive the popularity of both these declining beauty companies. Elizabeth Arden's premium portfolio will help Revlon enter the luxury segment, and gain access to channels such as travel retail – one of the most popular distribution channels for luxury beauty items.

The composite net profit margin for the eight reporting companies in this group was the second-highest of all product sectors. It improved by around one percentage point on the previous year, to 9.7 per cent, the same as the composite figure for the Top 100 companies. All companies in this sector were profitable, except for Elizabeth Arden. L'Oréal Luxe achieved the highest profit margin among the companies in the group, at 15.2 per cent, and was one of only eight companies in the Top 100 to report both double-digit sales growth and a double-digit estimated net profit margin in FY2015. Cosmetics and fragrances companies had the highest return on assets of all product sectors, at 10.8 per cent.

Jewellery and watch companies had the lowest luxury goods sales growth of all sectors in FY2015. At 2 per cent, this was an improvement on FY2014, when composite sales fell by 0.4 per cent. Economic and currency effects were particularly strong in FY2015 for two sub-groups of companies:

- the impact of the strong Swiss franc on exports of Swiss luxury watchmakers
- the impact of economic and market weakness in Asia, particularly China and Hong Kong/Macau, on companies with a significant proportion of their sales in this region

The 28 jewellery and watch companies had average annual luxury goods sales of US$2,023 million in FY2015, giving them the second-largest share of total luxury goods sales for the Top 100, at 26.7 per cent. The three leading companies – Swatch Group, Chow Tai Fook and Rolex – had luxury goods sales in excess of US$5 billion, 38 per cent of the total for this product group. Just under half the companies in this sector (thirteen companies) had luxury goods sales below US$1 billion.

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

- ten predominantly jewellery companies, ranging from Graff Diamonds' specialist position (with its claim to be 'the pinnacle of luxury jewellery') and Mikimoto's global pearl brand, to the 'affordable luxury' companies such as Denmark's Pandora and Spain's Tous.

Eight jewellery and watch companies achieved double-digit percentage sales growth in luxury goods in FY2015. The top three performers were all vertically-integrated jewellery companies, led by Eastern Gold Jade, which had the fastest growth in the Top 100, at 95.1 per cent, due to a rebound in the wholesale business of jade, and growth in investment demand for gold bars. India's Gitanjali Gems and Denmark's Pandora both posted over 40 per cent growth in FY2015, improving on their previous year's strong growth, and taking positions #3 and #4 in the Fastest 20 rankings. Gitanjali Gems continued its rapid store/shop-in-shop expansion, increasing its market share in Modern Retail in India from 58 per cent to 72 per cent, as well as continuing expansion of its international chains, such as Samuels in the US. India is seen as the hub of the global luxury jewellery market because of its low costs and availability of high-skilled labour. 'Affordable luxury' jeweller Pandora's growth was powered by rapid expansion in its branded Pandora stores, and growth in all regions, boosted by favourable exchange rates. Arguably, it achieved the best overall performance of any luxury goods company, with the highest net profit margin in the Top 100. Other jewellers achieving double-digit luxury goods sales growth in FY2015 were India's PC Jeweller, Spain's Festina Lotus and Austria's Swarovski Crystal.

Only two Swiss watch companies achieved double-digit luxury goods sales growth in FY2015, both with lower exposure to the troubled Asian markets than many of their competitors. Richard Mille's 21.7 per cent growth brought it back into the Top 100 at position #97, and high-end watchmaker Audemars Piguet saw sales increase by 14.3 per cent. Rolex's sales also appear to have been fairly resilient to the downturn, with sales revenues up around eight per cent. Nearly all the other specialist luxury watchmakers achieved single-digit growth, despite the challenging environment. (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.) Accessible luxury watchmaker Frédérique Constant was acquired by Japan's Citizen Watch Co., Ltd. in May 2016.

The 2016 Deloitte Swiss Watch Industry Study found that the number of senior executives who are pessimistic about the outlook for the Swiss watch industry had doubled since FY2015, at 82 per cent. Weaker foreign demand was seen as the most significant risk, especially in Hong Kong, the most important export market for Swiss watches. This concern exceeded worries about the strength of the Swiss franc. Swiss watch exports faltered in FY2015, primarily due to a sharp fall in sales to Asia.

At the other end of the spectrum, nine jewellery and watch companies reported luxury goods sales down on the previous year. They included the two largest companies, Swatch and Chow Tai Fook. Swatch was affected by the shock January FY2015 decision to unpeg the Swiss franc/euro fixed exchange rate, resulting in a "massively overvalued Swiss franc" according to Swatch. Its three per cent decline in sales in Swiss francs would have been growth of 10.3 per cent if reported in euros. Hong Kong-based Chow Tai Fook's continued sales decline (11.9 per cent in FY2015) was also exacerbated by unfavourable currency exchange rates. The other seven companies with falling sales were nearly all luxury jewellers, which tend to have more volatile sales than other product sectors. 'Ultra-luxury' jeweller Graff Diamonds International saw reported sales drop 28.7 per cent, after growing sales by 48.1 per cent in FY2014.

Despite the challenging sales environment in FY2015, the composite net profit margin for the seventeen jewellery and watch companies reporting net profits was again the second highest of all product sectors, at 8.1 per cent, down two percentage points on the previous year. All companies were profitable, with three companies reporting double-digit net profit margins, four fewer than last year. Pandora delivered the highest net profit margin, at 22 per cent, while Swatch Group reported a 13.2 per cent net profit margin, 3.1 percentage points down from the previous year, and Tiffany's net profit margin was stable at 11.3 per cent. Composite return on assets was also the second-highest of all the product sectors, at 8.2 per cent.

The 11 **multiple luxury goods** companies have by far the largest average size among the Top 100. Their average annual luxury goods sales in FY2015 were US$6.3 billion, and together they accounted for 32.5 per cent of total sales for the Top 100 companies. This sector achieved the highest net profit margin, and the second-highest sales growth and CAGR.

This group includes three Top 10 companies, LVMH, Richemont and Kering, whose combined US$43 billion sales represent 62.9 per cent of the total for the eleven companies in this group, and eight Top 20 companies. This is because most of the largest companies have achieved their scale by expanding into a range of different luxury goods categories. This 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 the UK (Burberry and Michael Kors), two in the US (Coach and Cole Haan) and one in Switzerland (Richemont). Nearly all multiple luxury goods companies are public companies, using investment to drive their growth. The exception is the smallest company in this group, Cole Haan, which is owned by PE group Apax Partners.

The multiple luxury goods companies reported sales growth in FY2015 nearly double that achieved in the previous year, at 10.8 per cent, although much of this was due to changes in currency exchange rates. The volatility in currencies had substantially different impacts depending on the company's reporting currency and geographic spread of business around the world. The seven companies reporting in euros (LVMH, Richemont, Kering, Hermes, Prada, Ferragamo and TOD's) saw sales growth higher by 5 to 11 percentage points compared with growth at constant currency. The remaining three companies experienced an unfavourable currency impact of one to four percentage points, due to the relative strength of the US dollar and British pound in FY2015.

Hermès International was the best performer in this group in FY2015, with the fastest sales growth (17.5 per cent) and the highest net profit margin (20.2 per cent). The company achieved growth in nearly all product segments and regions, with growth in leather goods and saddlery of 13 per cent at constant exchange rates driven by sustained demand and an increase in production capacity. Hermès had the second-highest net profit margin of all companies in the Top 100, and has consistently posted net profit margins greater than 20 per cent in each of the past five years.

Kering and LVMH also reported strong double-digit sales growth in FY2015. LVMH's highlights include the success of both iconic and new products at Louis Vuitton; progress in fashion brands Fendi, Céline, Givenchy and Kenzo; global market share gains by Christian Dior; and excellent results at Bulgari. Kering's luxury goods sales were up nearly 12 percentage points, supported by momentum in the directly-operated store network, and high tourist numbers in Western Europe and Japan, plus the full-year consolidation of its Ulysse Nardin acquisition in FY2014.

Michael Kors had the highest rate of growth at constant exchange rates. Michael Kors is now headquartered in London, but reports in US dollars and gets 70 per cent of its sales from the US market. Although its reported growth dropped by 24.2 percentage points in FY2015, it still features in the Fastest 20 list, together with Hermès. Growth came primarily from continued retail expansion, with a 27 per cent increase in stores and concessions, including acquisitions in South Korea and Panama during FY2015. Coach's strategic 'Transformation Plan', with the objective of transforming the Coach brand and reinvigorating growth, finished its first year with sales growth up 20 percentage points, at plus 7.2 percent, generated entirely by the full-year consolidation of its Stuart Weitzman luxury footwear acquisition.

For Prada and Burberry, the Asia Pacific region contributes the highest proportion of sales. Market weakness, particularly in Hong Kong and Macau, turned growth in other geographic regions into an overall decline in sales.

The composite net profit margin for multiple luxury goods companies was again the highest of all the product sectors, at 12.5 per cent. This is a slight increase on FY2014, (excluding the large exceptional LVMH profit from Hermès shares in that year). All ten companies reporting their results were profitable, with seven achieving double-digit net profit margins. Hermès International (20.2 per cent) and Richemont (20.1 per cent) achieved the highest margins. Richemont's profits were boosted by a non-cash gain in October 2015, from the merger of the Net-A-Porter Group with Yoox Group. Michael Kors, Burberry, Salvatore Ferragamo, LVMH and Coach also all delivered double-digit net profit margins. Return on assets for this high-performing group was above the Top 100 composite average, at 8.2 per cent.

Geographic analysis

Given the high concentration of luxury goods companies with headquarters in Europe, the United States and China/Hong Kong, this geographic analysis focuses on individual countries. Companies are assigned to a country according to the location of their headquarters, which may not always coincide with where they derive the majority of their luxury goods sales.

Although sales for many companies come from outside their country of origin, for the purpose of this analysis 100 per cent of each company's sales are attributed to that company's domicile country.

The eight countries analysed here are:

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

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

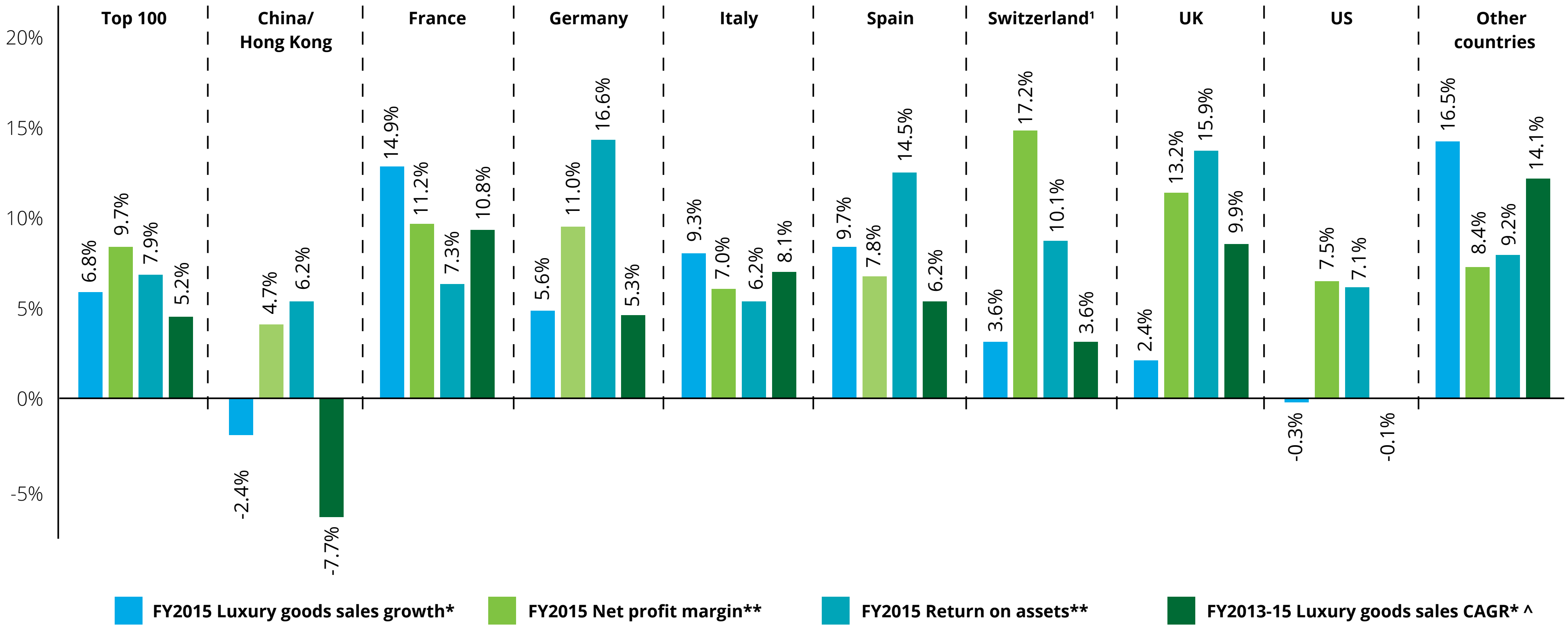
Country profiles

	Number of companies	Average size of companies by luxury goods sales (US$m)	FY2015 Luxury goods sales growth	Share of Top 100 luxury goods sales
China/Hong Kong	**7**	**$2,682**	**-2.4%**	**8.9%**
France	**10**	**$5,061**	**14.9%**	**23.9%**
Germany	**6**	**$821**	**5.6%**	**2.3%**
Italy	**26**	**$1,307**	**9.3%**	**16.0%**
Spain	**4**	**$701**	**9.7%**	**1.3%**
Switzerland	**10**	**$3,057**	**3.6%**	**14.4%**
United Kingdom	**10**	**$1,177**	**2.4%**	**5.6%**
United States	**15**	**$3,013**	**-0.3%**	**21.3%**
Other countries	**12**	**$1,349**	**16.5%**	**6.3%**
Top 100	**100**	**$2,120**	**6.8%**	**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
¹Net profit margin and return on assets based on data from two companies

Source: Deloitte analysis of published company data and industry estimates

France and Italy lead European top performers with currency-boosted growth

In FY2015, China, France, Germany, Italy, Spain, Switzerland, the UK and the US together made up 88 per cent of the Top 100 luxury goods companies and 94 per cent of Top 100 global luxury goods sales. Germany has been added to our analysis this year, as it is the country with the seventh-largest number of companies in the Top 100.

Reported luxury sales grew for companies in most European countries, but declined in the US and China/Hong Kong, due primarily to favourable/unfavourable currency effects, respectively. The companies in "other countries" achieved the highest growth, with 16.5 per cent – more than double the composite average growth rate for the Top 100 as a whole.

France was the best-performing country, achieving 14.9 per cent sales growth in luxury goods, while Italy was again the leading luxury goods country in terms of number of companies, with 26 companies in the Top 100. In terms of growth, France was followed by Spain and Italy with just over 9 per cent sales growth. The other European countries (Germany, Switzerland and UK) all grew at a slower rate than the Top 100 composite average. The weak growth (0.1 per cent) for US companies in FY2014 turned into a small decline of 0.3 per cent in FY2015. China/Hong Kong companies declined again this year, partly due to the reclassification of Michael Kors as a UK company, following the move of its headquarters to London.

Overall, there was relatively little change in country representation among our Top 100 companies compared with FY2014. Italy was represented by three fewer companies, as Dama, Stefano Ricci and Damiani dropped below the Top 100 threshold, while the UK gained three companies.

China/Hong Kong

Companies in China/Hong Kong again saw falling luxury goods sales in FY2015, with the poorest performance among the eight countries. Sales fell by 2.4 per cent and their CAGR between FY2013-15 was minus 7.7 per cent.

The strengthening US dollar; economic slowdown in China; a continuing weak retail environment and decline in tourist visits and spending in Hong Kong and Macau; together with a fall in the price of gold, all contributed to declining sales for four of the of six luxury jewellers in this group, and also for fashion company Trinity. The composite net profit margin for China/Hong Kong-based companies also dropped, to 4.7 per cent. Despite the challenging environment, all the jewellers remained in profit. Composite sales growth and profit figures were also dragged down by the departure of top performer Michael Kors from this geographic group.

The top three luxury jewellers dominate the results for the seven China/ Hong Kong luxury goods companies, who represented 8.9 per cent of Top 100 luxury goods sales in FY2015. The largest of these companies, Chow Tai Fook, fell two places in the rankings to #9, while Lao Feng Xiang and Chow Sang Sang both retained their Top 25 positions.

The stellar performer in this group was Chinese jeweller Eastern Gold Jade. With 95 per cent growth in luxury goods sales and 22.3 per cent CAGR (2013-15), it was the fastest-growing company in the Top 100, moving up 17 places to #36 in the rankings. Growth was driven by a rebound in jade wholesale and growth in investment demand for gold bars.

France

France had the highest growth in luxury goods sales and in CAGR in FY2015. The growth rate in luxury goods sales by French companies more than doubled, for the second year in succession, to 14.9 per cent, and the CAGR increased to 10.8 per cent. This was due partly to favourable currency effects, particularly for the three largest multinationals, LVMH, Kering and L'Oréal Luxe. These three Top 10 players represent over three-quarters of luxury goods sales for companies based in France, with the remaining seven companies contributing less than a quarter. The French companies have by far the largest average luxury goods size among the Top 100, at over US$5 billion, and the highest share (23.9 per cent) of Top 100 luxury goods sales.

Three large French multinationals were in the select group of 'high achievers', with double-digit growth in luxury goods sales and double-digit net profit margin: LVMH, L'Oréal Luxe, and Hermès. Sales growth for these companies was boosted, by some ten percentage points, by favourable currency exchange rates, but they also delivered solid underlying growth. Hermès was the only French company in the Fastest 20 list, with a CAGR of 13.7 per cent for 2013-15. LVMH, the world's leading luxury goods company, grew luxury goods sales by 15.2 per cent in FY2015. Like Hermès and L'Oréal Luxe, it achieved growth across nearly all product sectors and regions, with strong performances from individual brands, including the world's largest luxury brand, Louis Vuitton. LVMH's net profit margin of 11.2 per cent was down only slightly on last year (excluding the effect of its exceptional profit in FY2014 from the Hermès share distribution).

Kering, newcomer SMCP, and Longchamp also achieved double-digit sales growth, of 16.4, 32.8 and 13.2 per cent respectively. Kering built on its new 'Luxury and Sport & Lifestyle' business focus, with growth of over seven per cent in its directly-operated stores and online sales, representing over 70 per cent of its FY2015 luxury goods sales. It launched its first Kering Eyewear collections in June 2015, and set up new Couture & Leather Goods and Watches & Jewellery luxury divisions.

SMCP had the highest rate of growth in luxury goods sales among French companies in FY2015, driven by 139 new store openings outside France. All other French companies achieved single-digit growth, with the exception of Jeanne Lanvin, where sales fell for the third year running. It remains to be seen if new creative director Bouchra Jarrar can turn the company's fortunes around.

For the seven French companies that reported their FY2015 net profits, the composite net profit margin was 11.2 per cent, down slightly from last year's 12.1 per cent (excluding the exceptional LVMH Hermès shares profit), but higher than the composite average for the Top 100. At 7.3 per cent, their composite return on assets was slightly lower than for the Top 100 company average.

Italy

Italy was again the leading luxury goods country in terms of number of companies, with 26 companies in the Top 100. It also achieved the third-highest growth in sales in FY2015, 9.3 per cent, up from 6.7 per cent the previous year. The overall performance of the Italian companies is strongly influenced by the results of the top three players, Luxottica, Prada and Giorgio Armani, which represented nearly half of FY2015 sales of luxury goods by the Italian group of companies.

Italy's predominantly family-owned luxury goods companies are smaller on average than the rest of the Top 100, with average sales of US$1.3 billion; and only one Italian company, Luxottica Group, makes it into the Top 10. We do not yet know whether, following Luxottica's 2017 proposed merger with French lens maker Essilor, its headquarters will remain in Milan or move to Paris. Luxottica's multinational eyewear business grew faster than in FY2014, by 15.3 per cent, due mainly to strengthening of other currencies against the euro. Its growth at constant exchange rates was 4.3 per cent.

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 its luxury goods. This brand reputation is strongest in fashion, as demonstrated by the fact that two-thirds of Italian companies in the Top 100 operate in the apparel and footwear sector. Half the bags and accessories companies in the Top 100 are also Italian. This reputation is driven by strong family guardianship of brand design values, with 20 of the 26 companies majority-owned and/or operated by their founding families, often with the family name on the 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.

Both the rate of growth in composite sales by the Italian luxury goods companies, and their 2013-15 CAGR in sales (8.1 per cent), were higher than the Top 100 composite average, assisted by favourable exchange rates.

Italian companies were among the best performers in the Top 100 in FY2015. Six Italian companies feature in the Fastest 20 list, and five of these were also on last year's list. Eyewear company Marcolin delivered the highest CAGR among all Top 100 companies, at 43.1 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), supported by 20 per cent growth in FY2015. An Italian company also took second place in this list: sales growth in FY2015 for Valentino Fashion Group was an impressive 44.1 per cent, driven by both new store openings and brand strength in all markets. Furla was the only Italian newcomer to the Fastest 20 list, joining consistent performers Moncler, Vicini and Gianni Versace. Moncler and Vicini also made the list of overall high achievers, with double-digit sales growth and double-digit net profit margin.

Bottom line performance was down slightly, with a composite net profit margin of 7 per cent in FY2015, compared to 7.8 per cent in FY2014. For the second year running, nine Italian luxury goods companies achieved double-digit net profit margins. Five companies reported net losses, one more than last year.

Return on assets for Italian companies, at 6.2 per cent, was lower than the average for the Top 100.

Germany

Germany is included in our geographic analysis for the first time this year. Newcomer premium fashion companies Marc O'Polo and Marc Cain, and the re-entry of luxury watchmaker and jeweller Gerhard D. Wempe, take the number of German companies in the Top 100 to six. Compared with the other countries in this geographic analysis, German companies were the second smallest, with average annual luxury goods sales of US$821 million. All except Wempe are fashion companies, including ski/sportswear specialist Bogner and socks and stockings specialist Falke.

Germany's results are dominated by the only public company in this group, Hugo Boss, which represents nearly two-thirds of all sales. Hugo Boss was significantly the best performer among the German companies, with sales growth of 9.2 per cent, mainly due to increased sales in its company-owned stores, and assisted by favourable exchange rates. However it had a 'challenging' second half of the year particularly in China and the US. Marc Cain was the second-best performer, with 4.3 per cent sales growth, while growth in the other German companies was either subdued or non-existent. Falke and Wempe grew sales by 1 to 2 per cent, Marc O'Polo sales were flat for the first time in years, and Bogner sales fell by 11.3 per cent. Russia is an important market for Bogner, and the economic crisis and collapse of the rouble led to a slump in its FY2015 sales.

Hugo Boss's net profit margin of 11.4 per cent was down slightly on previous years, but higher than the only other company reporting its profits, Marc Cain (7 per cent net profit margin). Overall, the CAGR for the German companies was slightly below the average for the Top 100, at 5.6 per cent.

Spain

Spain is represented in the Top 100 by four family-owned luxury goods companies. Compared with the other countries in this geographic analysis, Spanish companies were the smallest on average with average annual luxury goods sales of US$701 million.

Puig, Textil Lonia, Festina Lotus all grew faster in FY2015 than in the previous year, with Festina Lotus achieving double-digit sales growth of 14.5 per cent. Puig is by far the largest luxury goods company based in Spain, with 65 per cent of the total sales of this group of companies. Its 9.1 per cent sales growth was assisted by favourable currency effects. Sales were up two per cent on a like-for-like constant currency basis, including its FY2015 acquisitions, Penhaligon's London and L'Artisan Parfumeur Paris. It fully integrated its Jean Paul Gaultier fragrance from the beginning of 2016, following the termination of the licence held by Shiseido.

All the Spanish companies were profitable, although only Festina Lotus increased its net profit margin in FY2015.

Switzerland

There were ten Swiss companies in the top 100 this year, one less than in FY2014. There was one re-entrant to the group, rapidly-growing Richard Mille, and two departures, Raymond Weil (below ranking threshold) and Bally International (no sales data). It should be noted that data is estimated, using press interviews and industry estimates, for all eight private Swiss companies that do not publish any financial information.

Switzerland's luxury good sales are dominated by their top three players, Richemont, Swatch, and Rolex, which together account for 87 per cent of FY2015 luxury goods sales for the ten Swiss companies in the Top 100. Richemont retained its #2 position in the Top 100, Swatch was overtaken by Kering and pushed back to #6, while Rolex retained its #11 position. 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 FY2015, at 3.6 per cent, was the same as in FY2014, but below the average for the Top 100 as a whole. The CAGR (2013-15) fell to 3.6 per cent. The two Swiss companies achieving double-digit sales growth in FY2015 were watchmakers Audemars Piguet and Richard Mille.

This sales growth was a remarkable achievement, in the context of the 15 per cent rise in value of the Swiss franc in January FY2015, making their brands more expensive for customers in their important export markets. Richard Mille commented that this resilience was due to its positioning as an all-rounder in contemporary fine watchmaking and its strategy of dividing sales evenly among geographic regions.[5]

The 2016 Deloitte Swiss Watch Industry Study found that the number of senior executives who are pessimistic about the outlook for the Swiss watch industry had doubled since FY2015, at 82 per cent. Weaker foreign demand was seen as the most significant risk, especially in Hong Kong, the most important export market for Swiss watches. This concern exceeded worries about the strength of the Swiss franc. Swiss watch exports faltered in FY2015, primarily due to a sharp fall in sales to Asia.

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 ten 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. Multiple luxury goods company Richemont also obtains nearly 30 per cent of its sales from its portfolio of luxury watch brands such as Piaget. The barriers to entry created 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 and Kering each having well-known Swiss watch brands in their respective portfolios. Accessible luxury watchmaker Frédérique Constant was acquired by Japan's Citizen Watch Co., Ltd. in May 2016. Citizen stated that this was part of "a multi-brand strategy, seeking to complete its brand portfolio by acquiring Swiss brands".

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 rose by 2.9 percentage points in FY2015, to 17.2 per cent. They were some of the most profitable companies in the Top 100 (third and eighth, respectively). Richemont's profit was boosted by a non-cash gain in October 2015, from the merger of the Net-A-Porter Group with Yoox Group. Both saw a fall in sales of around one per cent in FY2015, at constant exchange rates. However while Swatch reported sales in Swiss francs down three per cent, sales of Richemont, reporting in euros, were up 6.4 per cent. The composite return on assets of the two companies rose by two percentage points, to 10.1 per cent, higher than the average for the Top 100 companies as a whole.

United Kingdom

There were three more UK-based luxury goods companies in the Top 100 than in FY2014, taking the total to ten. Michael Kors was reclassified as a UK-based company, following the move of its headquarters from Hong Kong to London, although 70 per cent of its sales in FY2015 came from North America. There were three newcomers: fashion company Ted Baker, shirt maker Charles Tyrwhitt, and the owner of the iconic waxed jacket brand, Barbour. Russell & Bromley slipped out of the Top 100, with lower turnover.

The FY2013-15 CAGR for the UK companies was 2.4 per cent, an 8.7 percentage point drop from the high growth achieved in FY2013 and FY2014. There were some big winners and losers, with Charles Tyrwhitt, Kurt Geiger and Ted Baker all achieving double-digit growth for the second year running. These three companies all feature in the Fastest 20 list, together with Michael Kors. Companies losing sales included Paul Smith, Barbour and 'ultra-luxury' jeweller Graff Diamonds. Graff, with over 90 per cent of its revenues from outside the UK, saw sales drop 28.7 per cent as demand for diamonds slowed, particularly in Hong Kong and China.

Sales in FY2015 averaged US$1,107 million per company, significantly less than the average for the Top 100 as a whole. Eight of the ten UK companies reported luxury goods sales of less than US$1 billion. Results are dominated by Michael Kors and Burberry, with over 70 per cent of total sales of the UK group of companies. Growth dropped for both these companies: Burberry saw a small decline in reported sales, and for Michael Kors growth was down 24.2 percentage points, at 7.8 per cent. The remaining two UK companies, Mulberry and Jimmy Choo, achieved growth of 4.9 and 6.1 per cent respectively.

The UK companies delivered good performance in terms of profit and return on assets. Their two-year CAGR was up 2.1 percentage points to 13.2 per cent, a rate beaten only by companies in Switzerland. All UK companies were profitable in FY2015, with nearly 85 per cent of the composite net profit contributed by Michael Kors and Burberry. These leading companies were joined by Charles Tyrwhitt in achieving double-digit net profit margins. UK companies achieved second place among the countries for composite return on assets, which was up five percentage points at 15.9 per cent.

United States

The US had 15 companies in the Top 100 in FY2015, 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, and 21.3 per cent of the Top 100's total luxury goods sales.

Unfavourable currency effects were the main factor in the poor growth performance of the US companies, as the strong US dollar took its toll on reported global sales. Sales declined by 0.3 per cent in FY2015, 0.4 percentage points lower than the previous year. Eight companies reported lower sales, with only Kate Spade still achieving double-digit growth.

The three largest companies in the US group, Estée Lauder, Ralph Lauren and PVH Corp, all achieved single-digit growth in luxury goods sales at constant exchange rates, but unfavourable currency effects of 3 to7 per cent turned these growth rates into reported sales declines for Ralph Lauren and PVH. PVH was affected more by the impact of currency movements, while both companies experienced soft demand for apparel in the US, their largest market, and a decline in foreign tourist traffic.

The biggest turnaround stories were Estée Lauder and Coach, which both grew sales after experiencing declines in FY2014. Estée Lauder capitalised on shifting consumer preferences across categories and regions to fuel growth in makeup and fragrances: its sales growth at constant exchange rates was seven per cent. It also saw strong performance from online, specialty multi- and freestanding store channels, passing the US$ 1billion milestone for online sales through both company and retailer e- and m-commerce platforms. The company stated that its "creative approach to digital engagement, particularly across social media, contributed to these changes, driving consumption both in-store and online." Coach's 7.2 per cent sales growth was due primarily to the full year consolidation of its acquisition of luxury designer footwear brand Stuart Weitzman in FY2014. Coach's international growth, mainly in Europe and Asia, was driven by an expanded distribution network and higher comparable store sales. This offset declines in North America and Hong Kong/Macau. Both Estée Lauder and Coach reported some of the highest net profit margins in the group of US companies, at around ten per cent.

Kate Spade, Tory Burch, Tumi and Movado were the other US-based companies reporting sales growth in FY2015. Kate Spade was the star performer for the fourth year running, although its luxury goods sales growth of 10.3 per cent was 38.4 percentage points down on the remarkable growth that it achieved in FY2014. Kate Spade was the only US-based company on the Fastest 20 list. Its North America segment achieved 15.6 per cent growth, driven primarily by increased Kate Spade New York direct-to-consumer sales. This was offset by an 11.9 per cent decline in Kate Spade International, reflecting a combination of the conversion of the Hong Kong, Macau and Taiwan territories to a joint venture and unfavourable exchange rates. E-commerce now represents over 20 per cent of company sales, and continues with strong double-digit growth. The company restructured its brand portfolio, discontinuing Kate Spade Saturday as a standalone business and changing the distribution business model for Jack Spade.

The shape of the US beauty industry was changed markedly in 2016, with two major acquisitions. Coty completed the US$11.6 billion acquisition of Procter & Gamble's Specialty Beauty business, including global fine fragrances, salon professional, cosmetics and retail hair colour businesses, along with some hair-styling brands. It followed this up with a number of smaller acquisitions: Hypermercas' beauty & personal care business, GHD's premium hair straighteners & appliances and online cosmetics retailer Younique. Poorly-performing Elizabeth Arden was acquired by Revlon, in a move seen as an attempt to revive the popularity of both these declining beauty companies. Elizabeth Arden's premium portfolio will help Revlon enter the luxury segment, as well as giving access to channels such as travel retail – one of the most popular distribution channels for luxury beauty items.

For the 12 public US companies in this group that reported FY2015 net profits, margins held up well in the challenging environment. Their composite net profit margin was 7.5 per cent, down only slightly on the 8.3 per cent achieved in the previous year, but below the average of 9.7 per cent for the Top 100 as a whole. All companies except Elizabeth Arden were profitable, with Coach, Tiffany and Tumi all reporting double-digit net profit margins. Kate Spade reported a big drop in net profit margin, down to 1.4 per cent, due mainly to one-off effects in both FY2015 (restructuring/wind-down costs) and FY2014 (benefit of released tax reserves).

Return on assets shows a similar story. US luxury goods companies slightly underperformed the Top 100 average, yielding 7.1 per cent compared to 7.9 per cent. This was due to the lower profit margins, as the composite asset turnover for US companies, at 0.9, outperformed the Top 100 average.

This report does not include Michael Kors Holdings in the US geographic grouping of companies, because it is headquartered in London. However, 70 per cent of Michael Kors' FY2015 sales were in North America, and the company achieved a 2.6 per cent revenue increase in the region.

Other countries

Twelve companies in the Top 100 are based in other countries. The largest in FY2014, Japanese cosmetics and fragrance company Shiseido, was excluded from the Top 100 this year. Its luxury goods sales could not be estimated following a restructure of its business segments. The new entrant was rapidly-growing Swedish fashion company Acne Studios.

India is represented in this group by three jewellers, Austria and Japan have two companies each, while there is one company from each of Brazil, Denmark, Luxembourg, South Korea and Sweden. Six companies achieved sales of more than US$1 billion: jewellers Swarovski, Pandora, Gitanjali Gems, Titan and PC Jeweller, plus cosmetics and fragrances company L'Occitane International.

There were some very strong performers among the 12 companies, which as a group achieved the highest growth among the Top 100 in luxury goods sales over both one year (16.6 per cent) and two years (composite compound annual growth of 14.1 per cent). Nine of the companies increased their luxury goods sales in FY2015, with six showing double-digit gains. Brazilian fashion company Restoque grew by 55.2 per cent, due entirely to the full year consolidation of competitor Dudalina, acquired in November 2014. Leading Indian jeweller Gitanjali Gems saw its jewellery sales increase by 43 per cent, as it continued its rapid store/shop-in-shop expansion, increasing its market share in Modern Retail in India from 58 per cent to 72 per cent, as well as continuing expansion of its international chains, such as Samuels in the US. India is seen as the hub of the global jewellery market because of its low costs and availability of high-skilled labour.

Danish 'affordable luxury' jeweller Pandora delivered outstanding results for the third year running: its luxury goods sales increased by 40.1 per cent, with strong growth from its branded store network in all regions, and boosted by favourable exchange rates. Arguably, it achieved the best overall performance of any luxury goods company, with the highest net profit margin in the Top 100, at 22 per cent. It was the third fastest-growing company in the Top 100 (as measured by the CAGR in sales 2013-15). Other companies appearing in the Fastest 20 were Gitanjali Gems, Restoque and newcomer Acne Studios. Acne joined fellow Scandinavian company Pandora in reporting both double-digit luxury sales growth (23.7 per cent) and double-digit net profit margin (12.9 per cent), entering the Top 100 at #99.

The composite net profit margin for this disparate group of companies was below the average for the Top 100, at 8.4 per cent. Eight of the ten companies that published their financial results were profitable, with only Brazil's Restoque and Austria's Wolford reporting losses.

Newcomers

There were ten newcomers to the Top 100 in FY2015, all privately-owned: seven apparel and footwear companies, two jewellery and watches companies, and one multiple luxury goods company.

Three companies were 're-entrants', which were included in the Global Powers of Luxury Goods Top 100 two years ago. Swiss luxury watchmaker Richard Mille grew strongly to re-enter at position #97. German watchmaker and jeweller Gerhard D. Wempe and US-based multiple luxury goods company Cole Haan re-appeared after exclusion from last year's rankings due to unavailable sales data. 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.

Swedish fashion house Acne Studios appeared for the first time, due to sales growth of 24 per cent, entering in position #99. The remaining six newcomers entered the Top 100 as a result of improved data coverage or data availability in FY2015. Three of these also achieved impressive growth in luxury goods sales. SMCP (the French owner of the Sandro, maje, and Claudie Pierlot fashion brands), and UK-based fashion companies Ted Baker and Charles Tyrwhitt join Acne Studios and Richard Mille on the Fastest 20 list. SMCP was sold by private equity company KKR to Chinese textile maker Shandong Ruyi in 2016. Three more fashion companies complete the newcomers list: Germany-based Marc O'Polo and Marc Cain, and the UK's iconic maker of waxed jackets, Barbour.

Newcomers to the Top 100

FY2015 Luxury goods sales ranking	Company name	Country of origin	Product sector	FY2015 Luxury goods sales (US$m)	FY2015 Luxury goods sales growth
51	SMCP SAS	France	Apparel and footwear	750	32.8%
54	Ted Baker plc	UK	Apparel and footwear	695	17.7%
59	Gerhard D. Wempe KG	Germany	Jewellery and watches	589 e	1.9% e
60	Cole Haan LLC	US	Multiple LG categories	585	n/a
68	Marc O'Polo AG	Germany	Apparel and footwear	455	-0.1%
83	Marc Cain Holding GmbH	Germany	Apparel and footwear	282	4.3%
86	Charles Tyrwhitt LLP	UK	Apparel and footwear	271	19.6%
92	J Barbour & Sons Ltd	UK	Apparel and footwear	233	-7.4%
97	**Richard Mille SA**	**Switzerland**	**Jewellery and watches**	**193**	**21.7%**
99	**Acne Studios Holding AB**	**Sweden**	**Apparel and footwear**	**181**	**23.7%**

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 = estimated from company source

Source: Published company data and industry estimates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Study methodology and data sources

To be considered for the Global Powers of Luxury Goods Top 100, 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 refers to 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. The term 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.

Deloitte Luxury Multicountry Survey for Global Powers of Luxury Goods 2017

For the analysis in "The new luxury consumer" section of the report, in February 2017, Deloitte conducted an online survey to over 1,300 consumers in 11 countries (China, France, Germany, Italy, Japan, Russia, Spain, Switzerland, UAE, UK and US) to explore their attitudes to luxury goods and their purchase behaviour. Respondents declared themselves to be above the national average in terms of total family annual income. Participants had to have made a purchase in one or more of the following luxury categories in the last six months: apparel and footwear, bags and accessories, cosmetics and fragrances, jewellery and watches.

Top 100 ranking methodology

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 whether 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 FY2015 (which we define as financial years ending within the 12 months to 30 June 2016).

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 rankings, 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. There were much larger changes than usual in exchange rates in FY2015, with the greatest impact coming from the strength of the US dollar and the Swiss franc. These have had a significant effect on reported results, compared to constant currency results, for many companies.

Only data for the companies in the Top 100 ranking are used in the geographic and product sector analyses. Although they represent a substantial share of the market, they are 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 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

Acne Studios Holding AB	99
Aeffe SpA	79
Audemars Piguet & Cie	50
Breitling SA	71
Brunello Cucinelli SpA	67
Burberry Group plc	18
Canali SpA	95
CFEB Sisley SAS	52
Charles Tyrwhitt LLP	86
Chow Sang Sang Holdings International Limited	25
Chow Tai Fook Jewellery Group Limited	9
Christian Dior Couture SA	26
Clarins SA	32
Coach, Inc.	15
Cole Haan LLC	60
Compagnie Financière Richemont SA	2
Coty Inc.	23
De Rigo SpA	66
Dolce&Gabbana S.r.l.	39
Eastern Gold Jade Co., Ltd	36
Elizabeth Arden, Inc.	47
Ermenegildo Zegna Holditalia SpA	35
Euroitalia S.r.l.	81
Falke KGaA	88
Fashion Box SpA	87
Festina Lotus SA	84
Fossil Group, Inc.	20
Franck Muller Group	80
Frédérique Constant SA	77
Furla SpA	72
Gefin SpA	75
Gerhard D. Wempe KG	59
Gianni Versace SpA	53
Giorgio Armani SpA	21
Gitanjali Gems Ltd.	30
Graff Diamonds International Limited	55
Hermès International SCA	12
Hugo Boss AG	19
Inter Parfums, Inc.	65
J Barbour & Sons Ltd	92
Jeanne Lanvin SA	98
Jimmy Choo plc	63
K.Mikimoto & Co., Ltd.	91
Kate Spade & Company	41
Kering SA	5
Kurt Geiger Limited	69
Lao Feng Xiang Co., Ltd.	13
Le Petit-Fils de L.-U. Chopard & Cie SA	49
Liu.Jo SpA	76
L'Occitane International SA	38
Longchamp SAS	56
L'Oréal Luxe	7
Luk Fook Holdings (International) Limited	28
Luxottica Group SpA	4
LVMH Moët Hennessy-Louis Vuitton SE	1
Marc Cain Holding GmbH	83
Marc O'Polo AG	68
Marcolin Group	64
Max Mara Fashion Group Srl	34
Michael Kors Holdings Limited	14
Moncler SpA	46
Movado Group, Inc.	57
Mulberry Group plc	90
OTB SpA	29
Pandora A/S	24
Patek Philippe SA	40
Paul Smith Group Holdings Limited	82
PC Jeweller Ltd.	44
Prada Group	17
Puig S.L.	27
PVH Corp.	10
Ralph Lauren Corporation	8
Renown Incorporated	58
Restoque Comércio e Confecções de Roupas S.A.	74
Richard Mille SA	97
Roberto Cavalli SpA	96
Rolex SA	11
Safilo Group SpA	37
Salvatore Ferragamo SpA	33
SMCP SAS	51
Sociedad Textil Lonia SA	73
S Tous SL	78
Sungjoo D&D Inc	62
Swarovski Crystal Business	22
Ted Baker plc	54
The Estée Lauder Companies Inc.	3
The Swatch Group Ltd.	6
Tiffany & Co.	16
Titan Company Limited	31
TOD'S SpA	42
Tory Burch LLC	45
Trinity Limited	89
True Religion Apparel, Inc.	70
Tumi Holdings, Inc.	61
TWIN SET—Simona Barbieri SpA	85
Valentino Fashion Group SpA	43
Vicini SpA	94
Willy Bogner GmbH & Co. KGaA	93
Wolford AG	100
Zhejiang Ming Jewelry Co., Ltd.	48

Endnotes

1. Deloitte Luxury Multicountry Survey for Global Powers of Luxury Goods 2017. February 2017.
   Deloitte conducted an online survey to over 1,300 consumers in 11 countries (China, France, Germany, Italy, Japan, Russia, Spain, Switzerland, UAE, UK and US) to explore their attitudes to luxury goods and their purchase behaviour. Respondents declared themselves to be above the national average in terms of total family annual income. Participants had to have made a purchase in one or more of the following luxury categories in the last six months: apparel and footwear, bags and accessories, cosmetics and fragrances, jewellery and watches.

2. This data is sourced from BenchMarque, Deloitte's luxury pricing analytics suite. Each week, BenchMarque captures online prices for over 100,000 items, across 30 of the leading brands, in nine key luxury markets. A series of interactive data visualisations draws out key market trends, enabling decision makers to deploy responsive, evidence-based pricing strategies.
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