

*Case No*  
**COMP/M.6212 -**  
**LVMH/ BULGARI**

Only the English text is available and authentic.

**REGULATION (EC) No 139/2004**  
**MERGER PROCEDURE**

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Article 6(1)(b) NON-OPPOSITION  
Date: 29/06/2011

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## EUROPEAN COMMISSION

Brussels, 29.6.2011

C(2011) 4823 final

In the published version of this decision, some information has been omitted pursuant to Article 17(2) of Council Regulation (EC) No 139/2004 concerning non-disclosure of business secrets and other confidential information. The omissions are shown thus [...]. Where possible the information omitted has been replaced by ranges of figures or a general description.

PUBLIC VERSION

MERGER PROCEDURE  
ARTICLE 6(1)(b) DECISION

### **To the notifying party:**

Dear Sir/Madam,

**Subject: Case No COMP/M.6212 - LVMH/ BULGARI  
Commission decision pursuant to Article 6(1)(b) of Council Regulation  
No 139/2004<sup>1</sup>**

1. On 24 May 2011, the European Commission received notification of a proposed concentration pursuant to Article 4 of the Merger Regulation by which LVMH Moët Hennessy – Louis Vuitton Group ("LVMH", France), controlled by Groupe Arnault SAS (France), acquires within the meaning of Article 3(1)(b) of the Merger Regulation control of the whole of the undertaking Bulgari S.p.A ("Bulgari", Italy) by way of purchase of shares.<sup>2</sup> LVMH and Bulgari will be hereinafter referred to as "the parties".

### **I. THE PARTIES**

2. LVMH is active in the production and sales of luxury goods (wines and spirits; fashion and leather goods, including accessories; perfumes and cosmetics; watches and jewellery; selective retailing as well as the luxury yachts industry). LVMH notably owns the following brands: Louis Vuitton, Donna Karan, Fendi, Loewe, Céline, Kenzo, Marc Jacobs, Givenchy, Berlutti, Guerlain, Tag Heuer, Chaumet,

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<sup>1</sup> OJ L 24, 29.1.2004, p. 1 ("the Merger Regulation"). With effect from 1 December 2009, the Treaty on the Functioning of the European Union ("TFEU") has introduced certain changes, such as the replacement of "Community" by "Union" and "common market" by "internal market". The terminology of the TFEU will be used throughout this decision.

<sup>2</sup> Publication in the Official Journal of the European Union No C 162, 01.06.2011, p.10.  
Commission européenne, 1049 Bruxelles, BELGIQUE / Europese Commissie, 1049 Brussel, BELGIË. Tel.: +32 229-91111.

Zenith, Hublot, Fred and De Beers Diamond Jewellers. In addition, LVMH operates in selective retailing through DFS Group (duty free shops), Miami Cruiseline (onboard retailer offering cruise ship passengers' products at tax and duty free savings) as well as Sephora (a retail beauty chain for fragrances, make-up, skincare, beauty care and accessories) and the Paris department store Le Bon Marché (including also Franck and Fils department store in Paris).

3. LVMH is controlled by Groupe Arnault, which also controls Christian Dior Couture.<sup>3</sup>
4. Bulgari operates, mainly through its brand "Bulgari", in the design and distribution of jewellery and watches, perfumes and cosmetics, leather goods and accessories. Bulgari is also active in the luxury hotels area.
5. Bulgari is controlled by Mr Paolo Bulgari, Mr Nicola Bulgari and Mr Francesco Trapani (altogether "the Bulgari Family").

## **II. THE OPERATION**

6. On 5 March 2011 the Parties entered into a Contribution Agreement pursuant to which the Bulgari Family, representing Bulgari's majority shareholders, agreed to contribute to LVMH all their Bulgari shares and thus the majority of the share capital and voting rights over Bulgari. As a result, LVMH will acquire sole control over Bulgari.<sup>4</sup>
7. The proposed transaction constitutes a concentration within the meaning of Article 3(1)(b) of the Merger Regulation.

## **III. EU DIMENSION**

8. Groupe Arnault and Bulgari have a combined aggregate world-wide turnover of more than EUR 5 000 million [Groupe Arnault: EUR [...]; Bulgari: EUR 1 069 million]<sup>5</sup>. Each of them has an EU-wide turnover in excess of EUR 250 million [Groupe Arnault: EUR [...]; Bulgari: EUR [...]], but they do not achieve more than two-thirds of their aggregate EU-wide turnover within one and the same Member State.

## **IV. COMPETITIVE ASSESSMENT**

9. Both Parties are simultaneously active in the luxury sector and, in particular, in watches and jewellery, perfumes and cosmetics, as well as fashion and leather goods, including accessories, at the production, wholesale and retail levels. In addition, LVMH owns and operates several selective distribution retail chains.
10. Therefore, and in line with the Commission' practice<sup>6</sup>, the assessment of the present transaction will be conducted by distinguishing between (i) the production and wholesale of luxury products and (ii) the retail sales of such products. The vertical

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<sup>3</sup> For the purpose of calculating LVMH's market shares, all Groupe Arnault's activities have been considered.

<sup>4</sup> Subsequent to the transaction, LVMH will be bound, under Italian stock exchange regulations, to launch a mandatory tender offer on all remaining Bulgari shares.

<sup>5</sup> Turnover calculated in accordance with Article 5(1) of the Merger Regulation and the Commission Consolidated Jurisdictional Notice (OJ C95, 16.04.2008, p1).

<sup>6</sup> See, notably, Commission's decision of 25 May 2000, M.1780-LVMH/Prada/Fendi.

links arising from LVMH' activities within the selective distribution of luxury products will be also considered.

## 1. RELEVANT MARKETS

### *Product market definition*

11. According to the notifying party, luxury products belong to a market distinct from that for mass-market goods. The notifying party further submits that all luxury products belong to the same product market, to the extent that they present homogeneous characteristics. In its opinion, all luxury products fulfill the same function - enabling customers to be part of the luxury *universe* - which prevails over their respective specific uses in the consumer's purchase decision. By contrast, the use of each product is, in the absence of any specific underlying universe, the prevailing purchase criteria for mass market goods.
12. The notifying party's main arguments in order to support its claim are as following:
  - a) from the demand-side perspective: customers of luxury products are driven by "emotional" and suggestive desires, rather than by practical needs; all luxury products are only marketed through directly owned stores or selective distribution channels presenting high-standards qualitative criteria; they are characterized by the high quality of the materials used, creative design and exceptional craftsmanship. In addition, luxury products are often purchased on special occasions or as gifts, which is an indication that they all respond to a common purpose which is not related to their specific function. Moreover, and contrary to mass market goods, the demand for luxury products presents relatively low price elasticity as consumers are hardly sensitive to their prices.
  - b) from the supply-side perspective: most of the brands have developed a wide range of products or/and are easily able to expand their existing product lines to other areas of the luxury *universe*; the consistency of luxury brands' marketing and distribution strategies contributes to ensure that all their luxury products are always sold pursuant to the same qualitative standards.
13. In its previous practice, the Commission has defined luxury products as high quality articles with a relatively high price, marketed under a prestige trademark.<sup>7</sup> In case *Artemis/Sanofi Beauté*<sup>8</sup>, although the Commission finally left open the precise product market definition, it however considered that, from the demand-side point of view, "*luxury products have a low degree of substitutability with other products falling within other segments of the same sector*".
14. With respect to perfumes and cosmetics, the Commission already envisaged in a number of decisions a segmentation between luxury perfumes and cosmetics products and mass market health and beauty products.<sup>9</sup> Within the category of luxury perfumes and cosmetics products, narrower segmentations (*i.e.* by type of products) have been also considered, although the precise market definition has been left open.<sup>10</sup>

<sup>7</sup> For example, Commission's decision of 22 July 1999, M.1534 *Pinault-Printemps-Redoute/Gucci*.

<sup>8</sup> Commission's decision of 21 June 1999, M.1533 *Artemis/Sanofi Beauté*.

<sup>9</sup> See, for instance, Commission's decision of 21 May 2008, M. 5068 *L'OREAL/YSL BEAUTE*.

<sup>10</sup> In case M.312-*Sanofi/Yves Saint Laurent* (Commission's decision of 15 March 1993), the Commission considered a possible segmentation within luxury perfumes and cosmetics products

15. The market investigation conducted in the present case confirmed the Commission previous' findings that luxury products should be distinguished from mass market goods, as they do not share the same characteristics. Indeed, luxury goods are characterized by relatively high prices, rich creative content and are marketed under a prestige trademark.
16. The results of the market investigation were not however conclusive with respect to the alleged substitutability between all luxury products, although it seems that certain degree of substitutability exist when products are purchased for a gift, or within a given price range.<sup>11</sup>
17. In the present case, the question whether the relevant market should be considered as encompassing the production and sale (at the wholesale and/or retail level) of all luxury products or a distinction should be made by distinguishing between different categories of luxury goods, such as (i) fashion and leather goods, including accessories, (ii) perfumes and cosmetics and (iii) watches and jewellery (*i.e.* the main sectors in which the Parties are active) or whether these categories should be further subdivided into narrower separate product markets<sup>12</sup> can however be left open as the transaction will not give rise to competition concerns under any plausible alternative market definition.
18. Regarding the distribution of luxury products, in the case *Artemis/Sanofi Beauté*<sup>13</sup> the Commission considered that retail of luxury products includes a number of outlets through which luxury products are sold to the final consumer and left open the question whether the precise retail distribution channels used for the sale of luxury products could lead to separate markets. In case *L'OREAL/YSL BEAUTE*, the Commission considered that a distinction should be made between the sale of luxury perfumes and cosmetics products through selective distribution networks and selective travel retail.<sup>14</sup> In this case, the Commission noted that when bought at

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by distinguishing between treatment products, women's fragrances, men's fragrances and make-up products. In case M.5068 *L'OREAL/YSL Beauté* (Commission's decision of 21 May 2008), the Commission envisaged the following product categories within luxury perfumes and cosmetics products: capillary products, make-up, sun care, face care, body care, hand care, shower and bath products, men care, deodorants, perfumes.

<sup>11</sup> For example, one respondent explained that "in some cases and within a given price range, a consumer might consider some luxury products as substitutable when the purchase is intended to be a gift; for instance, for a given price range, the consumer might be willing to choose between a high priced fragrance or a small leather item". See reply to question 9 of the Questionnaire to competitors in the markets for luxury products.

<sup>12</sup> [...]the following sub-segmentations have also been considered in the present case: jewels, high jewellery (≥ 50,000 EUR), women jewellery (5.000-50,000 EUR), bridal jewellery, women access (600-5,000 EUR), men jewellery, watches, men watches (<10,000 EUR), men watches (≥10,000 EUR), women watches (<10,000 EUR), women watches (≥10,000 EUR), unisex watches, perfumes, men perfumes, women perfumes, unisex perfumes, men care, women makeup, face makeup, eye makeup, nail makeup, lip makeup, women skin care, face care, body care, hand care, sun care products, women hair care, women shower and bath products, high-end fashion, high-end fashion for men, high-end fashion for women, leather goods, women bags, men bags, accessory leather goods for men, accessory leather goods for women, accessories, optical glasses, sunglasses and other accessories.

<sup>13</sup> Commission's decision of 21 June 1999, M.1533 *Artemis/SANOFI beauté*.

<sup>14</sup> In case M.5068-*L'OREAL/YSL Beauté* (Commission's decision of 21 May 2008), the Commission considered that travel retail encompasses the retail outlets at airports, on-board aircraft, on-board ships.

airport outlets, cosmetics may be in competition with other luxury products such as alcohols.

19. In the notifying party's opinion, selective distribution of perfumes and cosmetics encompasses all perfumes and cosmetics products sold via selective distribution networks (including multi-brand selective retails chains specialized in perfumes and cosmetic products, appointed independent perfumeries, department stores, their corresponding websites, selective distant selling and, selective travel retail outlets) and, to a very marginal extent, the brand's directly owned outlets.
20. In line with the Commission' previous findings in case *L'OREAL/YSL BEAUTE*, the distribution of luxury products through selective travel retail outlets is considered to constitute a separate product market. Regarding the selective distribution of luxury perfumes of cosmetics, the results of the market investigation tend to support the parties submission in that it would include multi-brand selective retails chains specialized in perfumes and cosmetic products, appointed independent perfumeries, department stores, their corresponding websites and selective distant selling. Therefore, for the purpose of the assessment of the present case, selective distribution of luxury perfumes and cosmetics is considered to encompass all distribution channels mentioned above.

#### *Geographic market definition*

21. The notifying party submits that the market for luxury products is worldwide or, at the very least, EEA wide mainly for the following reasons. Across the world, luxury brands offer in their local points of sale the same range of luxury products; suppliers of luxury products carry out their marketing and advertising strategies on a worldwide basis. In addition, international business and leisure travelers represent a significant part of the demand for luxury products; customers do not have any preference for their national brands and prices are, to a great extent, significantly homogenous within the EEA and also tend to be roughly converging at the worldwide level.
22. In previous cases, the Commission left open whether the geographic scope of the markets for luxury products is national or wider. However, in *LVMH/Prada/Fendi*<sup>15</sup>, the market investigation indicated that most suppliers active in the luxury market consider that the market is at least EEA wide.
23. The market investigation conducted by the Commission in the present case provides a more balanced picture than the one submitted by the notifying party. In this sense, several respondents pointed to the existence of certain differences in consumers' habits between the EEA and other territories, which suppliers of luxury products must integrate into their offer. This seems to be particularly the case, for instance, for skin care products supplied to Asian countries. Several respondents also put into question the price convergence at worldwide level as described by the notifying party, although some fluctuations seems also to exist within the EEA territory as well. Regarding the notifying party's claim that international business and leisure travelers represent a significant part of the demand for luxury products, the market investigation does not allow for a clear quantification of this part of the demand and of the percentage it represents over total sales of luxury goods. As to the alleged lack of customers' preference for national brands, the market investigation provides a

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<sup>15</sup> Commission's decision of 25 May 2000, M.1780-LVMH/Prada/Fendi.

more nuanced picture than that put forward by the notifying party. Indeed, although luxury brands are typically international, a certain preference for national brands cannot be excluded.

24. The notifying party is also on the opinion that the distribution of perfumes and cosmetics through selective distribution networks is of, at least, an EEA-wide dimension, notably because the largest suppliers (such as Chanel, The Estée Lauder Companies Inc.) are worldwide players. In Europe, these suppliers only operate a limited number of production facilities which have the capacities to supply all the European demand. Moreover, transportation costs for selective perfumes and cosmetics also account for a negligible portion of their retail price.
25. In previous cases, the Commission left open whether the geographic scope of the market for the selective distribution of perfumes and cosmetics is national or wider. However, in *LVMH/Prada/Fendi*<sup>16</sup>, the market investigation indicated that most suppliers active in the luxury market as well as their customers consider that the market is at least EEA wide.
26. Concerning luxury products sold through the travel retail distribution channel, the Commission decided in *L'OREAL/YSL Beauté*<sup>17</sup> that the geographic scope of this market is at least EEA-wide.
27. In the present case, it is however not necessary to conclude on the exact geographic market definition, as the transaction will not give rise to competition concerns under any of the plausible alternative market delineations.

## 2. COMPETITIVE ASSESSMENT

### *Horizontal aspects*

28. Wholesale sales of luxury products: Should the market be considered as encompassing all luxury products, the transaction does not lead to any affected market both worldwide (combined market share of [5-10]%, with Bulgari holding a limited market presence of [0-5]%) and at the EEA level (combined market share of [5-10]%, with Bulgari holding a limited market presence of [0-5]%). The transaction does not result in market shares over 15% in any Member State either.
29. If a distinction is to be made between (i) jewels and watches; (ii) perfumes and cosmetics and (iii) fashion and leather goods, including accessories, or even if possible narrower sub-segmentations within each of these three main sectors are considered, no affected markets arise either worldwide or EEA-wide. Only on the basis of national market definitions the parties will hold a combined market share above 15%, but still below 25%, for some EEA Member States: Belgium ("perfumes and cosmetics" as well as only "perfumes"), Greece ("perfumes and cosmetics", as well as only "cosmetics"), France ("perfumes", as well as "cosmetics"), Germany ("cosmetics"), Italy ("perfumes"), Ireland ("cosmetics") and Spain ("cosmetics"). The increment arising from Bulgari' addition to LVMH' current market share varies between less than [0-5]% and approximately [0-5]%. As indicated, this situation does

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<sup>16</sup> Commission's decision of 25 May 2000, M.1780-LVMH/Prada/Fendi.

<sup>17</sup> Commission's decision of 21 May 2008, M.5068-L'OREAL/YSL Beauté.

not significantly change if possible sub-segmentations of these main product categories were to be considered.

30. Given the limited combined market shares of the parties concerned and the small increments brought about by the transaction, as explained in the previous paragraphs, the transaction is not liable to impede effective competition in the above-referred market(s).<sup>18</sup>
31. Retail sales of luxury products: Should the market be considered as encompassing all luxury products, the transaction does not lead to any affected market irrespective of the geographical market definition: worldwide (combined market share of [5-10]%, with Bulgari holding a limited market presence of [0-5]%), EEA-wide (combined market share of [5-10]%, with Bulgari holding a limited market presence of [0-5]%) or at the national level.
32. If a distinction is to be made between (i) jewels and watches; (ii) perfumes and cosmetics and (iii) fashion and leather goods, including accessories or even narrower within each of these three main sectors (e.g. by gender or by function), affected markets arise, at EEA and world-wide level, as shown below:

	EEA			Worldwide		
	LVMH	Bulgari	Combined	LVMH	Bulgari	Combined
Women perfumes	[10-20]%	[0-5]%	[10-20]%	Not affected		
Leather goods (as a whole)	Not affected			[10-20]%	[0-5]%	[10-20]%
Women bags	[10-20]%	[0-5]%	[10-20]%	[10-20]%	[0-5]%	[10-20]%
Accessory leather goods for men	[10-20]%	[0-5]%	[10-20]%	[10-20]%	[0-5]%	[10-20]%
Accessory leather goods for women	Not affected			[10-20]%	[0-5]%	[10-20]%

Source: Parties' best estimates

33. At national level, affected markets arise as following:

	LVMH	Bulgari	Combined
<i>Perfumes and cosmetics</i>			
Belgium	[10-20]%	[0-5]%	[10-20]%
France	[20-30]%	[0-5]%	[20-30]%
Greece	[10-20]%	[0-5]%	[10-20]%
Italy	[10-20]%	[0-5]%	[10-20]%
<i>Perfumes</i>			
Belgium	[10-20]%	[0-5]%	[20-30]%

<sup>18</sup> See, in that regard, Guidelines on the assessment of horizontal mergers under the Council Regulation on the control of concentrations between undertakings (OJ C 31, 05.02.2004, p. 5), recital 18.



France	[20-30]%	[0-5]%	[20-30]%
Greece	[10-20]%	[0-5]%	[10-20]%
Italy	[10-20]%	[0-5]%	[20-30]%
Spain	[10-20]%	[0-5]%	[10-20]%
<i>High-end Jewellery and Watches</i>			
Czech Republic	[10-20]%	[0-5]%	[10-20]%
Hungary	[10-20]%	[0-5]%	[10-20]%
Iceland	[20-30]%	[0-5]%	[20-30]%
Luxembourg	[30-40]%	[0-5]%	[30-40]%
<i>High-end Watches</i>			
Czech Republic	[10-20]%	[0-5]%	[10-20]%
Hungary			About [10-20]%, with an overlap of EUR [...]

Source: Parties' best estimates

34. On all these markets, the combined market share is below 25% (with the only exception of Luxembourg, where it is [...] over 30%). It is therefore unlikely that effective competition would be significantly impeded as a result of the transaction<sup>19</sup>. Moreover, increments are relatively small (between [0-5]% and [0-5]%).
35. Wholesale sales of luxury products to travel retail distributors: no affected market arises even under a narrower market definition than that retained by the Commission in *L'OREAL/YSL Beauté*<sup>20</sup>. The transaction is thus not liable to impede effective competition in these market(s).

#### *Vertical aspects*

36. Given the parties' respective activities, two vertical links can be identified: first, between LVMH's activities in the selective distribution of perfumes and cosmetics (downstream level) and the production and wholesale supply of luxury perfumes and cosmetics (upstream level) where both parties are active; second, between LVMH's activities in the travel retail sector (downstream level) and the production and wholesale supply of luxury products (upstream level).

*(i) Selective distribution of perfumes and cosmetics (downstream) and production and wholesale supply of luxury perfumes and cosmetics (upstream)*

37. Although LVMH is active in the selective distribution of perfumes and cosmetics in twelve EEA Member States, its market shares exceed 25% only in Poland ([40-

<sup>19</sup> Ibidem. As indicated, the only market where the parties could hold together a market share above 25% is in Luxembourg, in the retail of high-end jewellery and watches, where the combined market share could be of [30-40]% (LVMH [30-40]% and Bulgari [0-5]%). However, the Parties explained that this does not reflect their real position in Luxembourg, but is the result of the accountancy methodology used (in particular, the size of the market for jewellery and watches was calculated for Luxembourg based on data from trade associations that use "export countries" which do not correspond to the "destination countries"). In the parties' opinion, it is very likely that the market share is, in reality, much smaller and possibly below 15%. In any event, the overlap is smaller than [0-5]% and the combined market share is not, in the absence of additional circumstances, liable to raise anticompetitive concerns.

<sup>20</sup> The following sub-segments have been envisaged: jewels and watches, perfumes and cosmetics, high-end fashion, leather goods and accessories.

50]), France ([20-30]), and the Czech Republic ([20-30]). At the EEA level, LVMH' market share is of [5-10].

38. At the upstream level (production and wholesale sales of perfumes and cosmetics), Bulgari is only achieving a [0-5] market share at EEA level (LVMH holds a market share of [5-10]). At national level, the parties do not hold a combined market share above 25% in any Member State, irrespective of the market definition.
39. The addition of the *de minimis* increment coming from Bulgari's sales does not lead to any significant change of LVMH position. Moreover, it is clearly in the interest of LVMH and this irrespective of its upstream market position, to be present in the highest possible number of selective retail outlets so as to maximize the exposition of its products within an adapted environment.
40. Bulgari's perfumes and cosmetics are already distributed through Sephora's selective distribution network. However, this only represents [...] of the total Bulgari's turnover in the EEA for perfumes and cosmetics. Furthermore, Bulgari represents a very small part of Sephora's activity ([...], depending on the Member State). In the three Member States where LVMH holds a market share above 25% in the selective distribution of perfumes and cosmetics, the percentage of Sephora's sales achieved with Bulgari products is [...].
41. In addition, strong competitors are active in the selective distribution of perfumes and cosmetics in France (Marionnaud and Nocibé respectively hold a [20-30] and [10-20] market share), Poland (Douglas holds a market share of [30-40]; Rossman and Marionnaud each holds a [5-10] market share) as well as in the Czech Republic (Marionnaud holds a market share of [30-40]; Fann, a local player, holds a market share of [10-20], and Douglas is present with a market share of [10-20]).
42. On the basis of the foregoing, the transaction does not raise a risk of input or customer foreclosure in the above-referred markets.

*(ii) Travel retail (downstream) and production and wholesale supply of luxury products to the travel retail distribution channel (upstream)*

43. LVMH is active in the retail travel sector via DFS Group (DFS operates essentially in airport shops, with approximately twenty international airport sites in the Asia-Pacific area, in the United States and in Japan) and Miami Cruiseline (onboard retailer offering cruise ship passengers' products at tax and duty free savings). Both DSF Group and Miami Cruiseline have however no presence in the EEA. At worldwide level, the market share of LVMH in the sector of travel retail is [0-10].
44. At the upstream level (wholesale of luxury products to the travel retail distribution channel), the Parties' hold a market share below 15% at both worldwide and at the EEA level, even if LVMH's sales of alcohols within this sector were to be considered. Therefore, no vertical affected markets arise in relation to the travel retail of luxury products.
45. Therefore, the transaction does not raise a risk of input or customer foreclosure in these markets.

## V. CONCLUSION

46. For the above reasons, the European Commission has decided not to oppose the notified operation and to declare it compatible with the internal market and with the EEA Agreement. This decision is adopted in application of Article 6(1)(b) of the Merger Regulation.

*For the Commission*  
*(Signed)*  
*Joaquín ALMUNIA*  
*Vice-President*