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***Case No COMP/M.7020 - LVMH/ LORO PIANA***

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

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Article 6(1)(b) NON-OPPOSITION

Date: 15/11/2013

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## EUROPEAN COMMISSION

Brussels, 15.11.2013  
C(2013) 8141 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 Where possible the information omitted has been replaced by ranges of figures or a general description.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

### To the notifying party:

Dear Sir/Madam,

**Subject: Case No COMP/M.7020 - LVMH/ Loro Piana  
Commission decision pursuant to Article 6(1)(b) of Council Regulation  
No 139/2004<sup>1</sup>**

- (1) On 11 October 2013, the European Commission received a notification of a proposed concentration pursuant to Article 4 of Council Regulation (EC) No 139/2004<sup>2</sup> by which LVMH Moët Hennessy – Louis Vuitton S.A. ('LVMH', France), indirectly controlled by Groupe Arnault SAS ('Groupe Arnault'), acquires within the meaning of Article 3(1)(b) of the Merger Regulation sole control over Loro Piana S.p.A. ('Loro Piana', Italy). LVMH is hereinafter referred to as the 'Notifying Party' whereas LVMH and Loro Piana are collectively referred to as the 'Parties'.

### **I THE PARTIES**

- (2) LVMH is active in the production and sale of luxury goods (wines and spirits; fashion and leather goods, including accessories; perfumes and cosmetics; watches and jewellery; selective

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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> OJ C 303, 19.10.2013, p. 27.

retailing as well as the luxury yachts industry). Groupe Arnault<sup>3</sup> – the ultimate parent company of LVMH – also controls Christian Dior Couture (luxury fashion, leather goods, watches and jewellery), Moynat brand (luxury leather goods) and Vermont brand (luxury handmade embroidery).

- (3) Loro Piana manufactures and distributes men's and women's luxury fashion goods, leather goods, accessories and shoes. It also produces high range textiles, fabrics and yarns (in particular cashmere) for the production of men's and women's fashion goods and for interior decorations and furnishings.

## II THE OPERATION AND CONCENTRATION

- (4) Pursuant to the Share Purchase Agreement dated 4 July 2013, LVMH will purchase 77.1296% of the share capital of Loro Piana. The remaining shares will be held by the Loro Piana company itself (3.59%) and by two members of the Loro Piana family – Mr Sergio Loro Piana (9.65%) and Mr Pier Luigi Loro Piana (9.65%). Decisions at the shareholders' meeting and within the board of directors of Loro Piana are taken with the favourable vote of the majority of shareholders or directors present and there are no quorum requirements. As a result, the minority shareholders of Loro Piana will not hold any veto rights enabling them to exercise decisive influence over the strategic decisions of Loro Piana. Following the transaction LVMH will thus solely control Loro Piana.
- (5) Based on above, the proposed transaction constitutes a concentration within the meaning of Article 3(1)(b) of the Merger Regulation.

## III EU DIMENSION

- (6) The undertakings concerned have a combined aggregate world-wide turnover of more than EUR 2,500 million<sup>4</sup> (Groupe Arnault:<sup>5</sup> EUR [...] million, Loro Piana: EUR [...] million). In each of France<sup>6</sup>, Italy<sup>7</sup> and the United Kingdom<sup>8</sup> the combined aggregate turnover of the undertakings concerned is more than EUR 100 million and the aggregate turnover of at least two of the undertakings concerned is more than EUR 25 million. The aggregate EU-wide turnover of each of the undertakings concerned is more than EUR 100 million (Groupe Arnault: EUR [...] million; Loro Piana: EUR [...] million), but they do not achieve more than two-thirds of their aggregate EU-wide turnover within one and the same Member State.

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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> 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>5</sup> Including LVMH.

<sup>6</sup> Groupe Arnault: EUR[...] million; Loro Piana: EUR [...] million.

<sup>7</sup> Groupe Arnault: EUR [...] million; Loro Piana: EUR [...] million.

<sup>8</sup> Groupe Arnault: EUR [...] million; Loro Piana: EUR [...] million.

- (7) The notified operation therefore has an EU dimension within the meaning of Article 1(3) of the Merger Regulation.

#### IV COMPETITIVE ASSESSMENT

- (8) The Parties' activities overlap in the production and sale of luxury goods.
- (9) There is a vertical relationship between Loro Piana's production and sale of high-range textiles (fabrics and yarns) and the Parties' activities in the production and sale of luxury goods. However this vertical relationship does not lead to any affected market.

##### 1. Relevant market definitions

###### Relevant product markets

- (10) The Notifying Party submits that the relevant product market is the production and sale of all luxury products and that no further segmentation into different categories of luxury goods should be made.
- (11) In a previous decision,<sup>9</sup> the Commission analysed the market for luxury goods and its potential categories of: (i) fashion and leather goods including accessories, (ii) perfumes and cosmetics and (iii) watches and jewellery. However ultimately the market definition was left open.<sup>10</sup> The Commission has also previously considered whether a distinction between wholesale and retail sales of luxury products should be made.<sup>11</sup>
- (12) The data collected during the market investigation in the present case seem to militate in favour of the consideration that luxury leather goods constitute a separate segment within luxury products.<sup>12</sup> The market investigation was, however, inconclusive whether further subdivision of the market should be made on the basis of gender<sup>13</sup> or between the categories of (i) luxury accessories (such as belts, gloves etc.), (ii) luxury bags and (iii) luxury shoes.<sup>14</sup> One of the respondents also mentioned a potential category of small leather goods, which would include small bags, wallets or credit card holders.<sup>15</sup>

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<sup>9</sup> Case No COMP/M.6212 – *LVMH/Bulgari*, Commission Decision of 29.06.2011, paragraph 15.

<sup>10</sup> The following potential sub-segments of the fashion and leather goods category were also considered, among others: (i) leather goods, (ii) women bags, (iii) men bags, (iv) accessory leather goods for men, (v) accessory leather goods for women - Case No COMP/M.6212 – *LVMH/Bulgari*, *ibidem*, paragraph 17, footnote 12.

<sup>11</sup> Case No COMP/M.6212 – *LVMH/Bulgari*, *ibidem*, paragraph 17.

<sup>12</sup> Responses to question 5 of the Questionnaire to competitors.

<sup>13</sup> Responses to question 7 of the Questionnaire to competitors.

<sup>14</sup> Responses to question 6 of the Questionnaire to competitors.

<sup>15</sup> Response to question 6.1 of the Questionnaire to competitors.

- (13) The Commission considers that it is not necessary to conclude on the exact product market definition in the present case since the proposed transaction does not give rise to competition concerns under any of the plausible market delineations.

### **Relevant geographic markets**

- (14) The Notifying Party submits that the relevant geographic market for luxury products is worldwide, or at very least EEA-wide, and that it should not be subdivided into national markets.
- (15) In the previous decisions, the Commission has left it open whether the geographic scope of the market(s) for luxury products was national, EEA-wide or worldwide.<sup>16</sup>
- (16) For the purposes of the present case, the Commission considers that it is not necessary to conclude on the exact geographic market definition since the proposed transaction does not give rise to competition concerns under any plausible market definitions.

## **2. Competitive assessment**

- (17) If the potential market is to encompass all luxury products, the transaction does not lead to any affected market, irrespective of the geographic market definition.<sup>17</sup> Also if a distinction is made between: (i) jewels and watches; (ii) perfumes and cosmetics and (iii) fashion and leather goods, including their potential narrower segments, no affected markets arise.<sup>18</sup>
- (18) Should it be considered that the potential total market for leather goods was to be divided into (i) men's bags, (ii) women's bags, (iii) accessory leather goods for men, (iv) accessory leather goods for women, (v) shoes for men, (vi) shoes for women,<sup>19</sup> the proposed transaction would lead to an affected market in 'accessory leather goods for women' at the EEA-level. The combined market share of the Parties would amount to [10-20]% (Groupe Arnault: [10-20]%, Loro Piana: [0-5]).<sup>20</sup>

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<sup>16</sup> Case No COMP/M.6212 – *LVMH/Bulgari*, Commission Decision of 29.06.2011, paragraph 27; Case No COMP/M.1780 – *LVMH/Prada/Fendi*, Commission Decision of 25.05.2000; paragraph 14; Case No COMP/M.1534 – *Pinault-Printemps-Redoute/Gucci*, Commission Decision of 22.07.1999, paragraph 12.

<sup>17</sup> In the overall production and sale of luxury goods, the Parties reached a combined market share of [5-10]% (Groupe Arnault: [5-10]%, Loro Piana: [0-5]%) at the worldwide level and [5-10]% (Groupe Arnault: [5-10]%, Loro Piana: [0-5]%) at the EEA-level in 2012. At the national level, the highest market share in 2012 was reached in France where the Parties achieved a combined market share of [10-20]%.

<sup>18</sup> In particular, the combined market share of the Parties in fashion and leather goods is: [5-10]% worldwide and [5-10]% in the EEA. At the national level, the highest market share in 2012 was reached in Italy where the Parties achieved a combined market share of [10-20]%. Loro Piana is not active in jewels, watches, perfumes or cosmetics.

<sup>19</sup> A further category considered during the assessment was that of small leather items.

<sup>20</sup> The market shares are the Parties' best estimates on the basis of retail data. Due to the fact that the Parties are to a large extent vertically integrated, the Notifying Party claims that their market shares at wholesale level are not greater than at the retail level

- (19) Additionally, on the basis of potential national market definitions, the proposed transaction would lead to affected markets in the market for leather goods in Italy (combined market shares of [10-20]%) and France (combined market shares of [10-20]%). In both of these potential national markets, the increment in market share equals to [0-5]%.
- (20) Therefore, post-transaction the competitive landscape described above will not be altered to an appreciable extent as the transaction will only lead to very limited increments in market shares, i.e. of less than one percentage-point.
- (21) In addition, in the affected markets, the combined entity will continue to face competition from established fashion houses, such as Gucci, Prada, Chanel, Hermès and Richemont. These competitors are active at the EEA-level in the potential market for accessory leather goods for women with market shares of [5-10]% for Gucci, [5-10]% for Prada, [5-10]% for Chanel, [0-5]% for Hermès and [0-5]% for Richemont. These competitors are also active at national level. In Italy, the merged entity will face the following competitors Gucci ([10-20]%), Chanel ([5-10]%), Prada ([5-10]%), Hermès ([5-10]%) and Tod's ([0-5]%). A similar competitive landscape exists in France, including the following competitors in the potential market for leather goods: Gucci ([10-20]%), Chanel ([10-20]%), Prada ([5-10]%), Hermès ([5-10]%) and Richemont ([0-5]%).
- (22) In view of the above, the Commission considers that the proposed transaction does not raise serious doubts as to its compatibility with the internal market in the affected markets for accessory leather goods for women in the EEA and leather goods in Italy and in France.

## V CONCLUSION

- (23) For the above reasons, the Commission has decided not to oppose the notified operation and to declare it compatible with the internal market and with the functioning of 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*