EUROPEAN COMMISSION
DG Competition

Case M.9695 - LVMH / TIFFANY

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REGULATION (EC) No 139/2004
MERGER PROCEDURE

Article 6(1)(b) NON-OPPOSITION
Date: 26/10/2020

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PUBLIC VERSION

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 Where possible the information omitted has been replaced by ranges of figures or a general description.

LVMH Moët Hennessy Louis Vuitton SE
22 avenue Montaigne
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Subject: **Case M.9695 – LVMH/Tiffany**
Commission decision pursuant to Article 6(1)(b) of Council Regulation No 139/2004[1] and Article 57 of the Agreement on the European Economic Area[2]

Dear Sir or Madam,

(1) On 21 September 2020, the European Commission received notification of a concentration pursuant to Article 4 of the Merger Regulation resulting from a proposed transaction whereby LVMH Moët Hennessy Louis Vuitton ('LVMH' or the 'Notifying Party', France) intends to acquire control, within the meaning of Article 3(1)(b) of the Merger Regulation, of the whole of Tiffany & Co. ('Tiffany', USA) by way of purchase of shares (the 'Transaction'). LVMH and Tiffany are referred to hereinafter as the 'Parties'[3].

1 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.

2 OJ L 1, 3.1.1994, p. 3 (the "EEA Agreement").

3 Publication in the Official Journal of the European Union No C 321, 29.9.2020, p. 43.

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1. THE PARTIES

(2) **LVMH** is active worldwide in the manufacture and supply of luxury goods and operates a portfolio of 75 brands in the following areas: (i) wines and spirits; (ii) fashion and leather goods; (iii) perfumes and cosmetics; (iv) watches and jewellery (with brands such as Bulgari, Fred, Chaumet, Repossi, TAG Heuer, Zenith, Hublot, Louis Vuitton, Christian Dior); and (v) selective retailing. LVMH also engages to a lesser extent in certain other activities, including the luxury yachts, media, and hospitality industries. Each LVMH business group includes a range of brands, known as '*Maisons'*. LVMH's ultimate parent entity is Groupe Arnault SEDCS (France).

(3) **Tiffany** is active worldwide in the design, production, and distribution of luxury jewellery. Tiffany also has limited activities in other luxury goods, including watches, fragrance products, leather goods, eyewear, as well as home products and accessories. No shareholder holds an interest in Tiffany that is sufficient to confer control.

2. THE OPERATION

(4) The Transaction will be implemented pursuant to an Agreement and Plan of Merger (the 'Merger Agreement') entered into on 24 November 2019 according to which an indirect 100% subsidiary of LVMH will be merged with and into Tiffany,[4] resulting in Tiffany as the surviving legal entity under LVMH's sole indirect ownership, with Tiffany's existing shareholders receiving a cash consideration of USD 135 per share. Upon completion of the Transaction, Tiffany will become a wholly-owned indirect subsidiary of LVMH.

(5) As a result, the proposed Transaction qualifies as a concentration pursuant to Article 3(1)(b) of the Merger Regulation.

3. EU DIMENSION

(6) The combined aggregate worldwide turnover of LVMH and Tiffany exceeded EUR 5 000 million in 2018 (LVMH: EUR […], Tiffany: EUR […]). Each of the Parties had a Union wide turnover in excess of EUR 250 million in 2018 (LVMH: EUR […], Tiffany: EUR […]), and they did not achieve more than two-thirds of their aggregate Union-wide turnover within the same Member State.

(7) As a result, the proposed Transaction has a Union dimension pursuant to Article 1(2) of the Merger Regulation.

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4 Pursuant to the Merger Agreement, upon consummation of the merger, at the shareholder level, all Tiffany shares (other than those owned by Tiffany or LVMH, or either of their respective wholly-owned subsidiaries) will be converted into the right to receive an amount in cash equal to USD 135. At the corporate level, all shares of the indirect 100% subsidiary of LVMH merging with and into Tiffany will be converted into Tiffany shares (as the surviving corporation), which will then be the only outstanding Tiffany shares (because the original Tiffany shares were converted into cash). As a result, after the merger, Tiffany will become a wholly owned indirect subsidiary of LVMH.

4. MARKET DEFINITION

(8) LVMH and Tiffany are both active worldwide in the manufacture and supply of luxury goods, including jewellery, watches, perfumes, leather goods, eyewear, accessories and home products, although Tiffany mainly manufactures and sells luxury jewellery and has limited activities in other luxury good categories.[5]

4.1. Product market definition

(9) According to the Notifying Party, luxury goods are products that can be defined by tangible characteristics like high quality, design, a rich creative content, high prices, as well as intangible characteristics, such as an aura of exclusivity and a prestigious image.[6]

4.1.1. The Commission's precedents

(10) In the past,[7] the Commission has considered that luxury products should be distinguished from mass-market goods, as they do not share the same characteristics (luxury goods are characterized by relatively high prices, rich creative content and are marketed under a prestige trademark). The Commission has also previously assessed whether the relevant market should be considered as encompassing all luxury products, whether a distinction should be made between different categories of luxury goods such as (i) fashion and leather goods, including accessories, (ii) perfumes and cosmetics and (iii) watches and jewellery, or whether these categories should be further subdivided into narrower distinct product markets.[8] The Commission has ultimately left the market definition open in this regard.

(11) As to the production and sale of luxury jewellery, the following sub-segmentations have been considered by the Commission in the past:[9] jewels, women high jewellery (≥ EUR 50 000), women jewellery (EUR >5 000 - <50 000), bridal jewellery, women access jewellery (EUR >600 - <5 000) and men jewellery.

(12) As to the production and sale of luxury watches, the following sub-segmentations have been considered by the Commission in the past:[10] watches, men watches (EUR <10 000), men watches (EUR ≥10 000), women watches (EUR <10 000), women watches (EUR ≥10 000) and unisex watches.

(13) In De Beers/LVMH,[11] respondents to the market investigation stated that the precise market definition could be a market for fine jewellery, which would include jewels with precious gem set (diamond, ruby, emerald, sapphire in platinum or gold setting)

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5 Tiffany's revenues (EUR thousands) per product category for 2019 are: all luxury products (EUR […] worldwide, EUR […] in the EEA), watches and jewellery (EUR […] worldwide, EUR […] in the EEA), jewellery (EUR […] worldwide, EUR […] in the EEA) and watches (EUR […] worldwide, EUR […] in the EEA), perfumes and cosmetics (EUR […] worldwide, EUR […] in the EEA), fashion and leather products (EUR […] worldwide, EUR […] in the EEA) and home products (EUR […] worldwide, EUR […] in the EEA) (Source: Annex RFI1.4 to the Form CO – Parties Shares).

6 Form CO, paragraph 6.46.

7 Case M.6212 – *LVMH/Bulgari*, Commission decision of 29 June 2011, para. 15.

8 Case M.6212 – *LVMH/Bulgari*, Commission decision of 29 June 2011, para. 17.

9 Case M.6212 – *LVMH/Bulgari*, Commission decision of 29 June 2011, footnote 12.

10 Case M.6212 – *LVMH/Bulgari*, Commission decision of 29 June 2011, footnote 12.

11 Case M.2333 – *De Beers/LVMH*, Commission decision of 25 July 2001, para. 28.

different from semi-precious jewels (such as amethyst, aquamarine, tourmaline in gold or silver setting) and costume jewellery (imitation stones in base metals, gold-plated settings).[12] Furthermore, the Commission assessed whether diamond jewellery manufactured using polished diamonds of higher quality represents a separate relevant market and whether there exists a separate relevant market for branded diamond jewellery within a wider market for diamond jewellery (but did not gather sufficient evidence to be able to reach a conclusion in that regard).[13] The Commission also considered whether there exists a separate relevant market for branded diamond jewellery but finally concluded that the relevant product market in that case was the retail of diamond jewellery since the competition assessment would remain the same irrespective of the definition chosen (branded/unbranded).

(14) Regarding the distribution of luxury products, the Commission has considered in past cases that the distribution of luxury products through selective travel retail outlets (retail outlets at airports, on-board aircraft, on-board ships) constitutes a separate product market distinct from other selective distribution networks.[14]

4.1.2. The Notifying Party's view

(15) According to LVMH, luxury goods should generally be distinguished from mass-market products. The Notifying Party further submits that all luxury goods belong to the same product market as they present homogeneous characteristics and fulfil the same function, *i.e.*, to establish a relationship to the luxury universe.[15] In addition, LVMH submits that luxury goods are characterised by the same commercial strategies as:

(a) all luxury goods are only marketed through directly owned stores or selective distribution channels presenting high-standard qualitative criteria, which preserve the exclusive image of the products;

(b) luxury good are very qualitative in terms of the materials used, the creative design and craftsmanship; and

(c) all luxury goods are sold under distinguishing exclusive and prestige image and monetary value.

(16) As a result, LVMH argues that, from a demand-side perspective, consumers always adhere to the luxury universe of the corresponding luxury goods player and perceive the same distinguishing values regardless of the specific type of good that they purchase, and regardless of their practical function. LVMH submits that consumers of luxury goods are driven by "emotional" and suggestive desires, rather than by practical needs.[16]

(17) LVMH further argues that, from a supply-side perspective, the different categories of luxury goods are complementary. According to LVMH, once a luxury player has

12 The difference being in the distribution and sales channels since fine jewellery or diamond jewellery is mostly exclusively sold through high-end independent sellers or exclusive jewellery chain stores.

13 Case M.2333 – *De Beers/LVMH*, Commission decision of 25 July 2001, paras. 30-31.

14 Cases M.5068 *L'Oréal/YSL Beauté*, Commission's decision of 21 May 2008, para. 15 and M.6212 – *LVMH/Bulgari*, Commission decision of 29 June 2011, para. 20.

15 Form CO, paragraph 6.46.

16 Form CO, paragraphs 6.46 – 6.48.

been established, extending the range of products is usually not very costly and most luxury goods players have indeed developed a wide range of heterogeneous products, including in particular watches and jewellery. Moreover, LVMH argues that there is consistency in luxury players' marketing and distribution strategies across all luxury products offered, which ensures that all their luxury goods are always sold pursuant to the same qualitative standards.[17]

(18) Accordingly, the Notifying Party submits that a single product market encompassing all luxury goods should be retained for the purposes of assessing the Transaction. In any case, LVMH considers that the relevant product market can be left open, as the Transaction would not raise any competitive concerns even if the market for luxury goods were to be sub-segmented.[18]

4.1.3. The Commission's assessment

4.1.3.1. Luxury goods

(19) The market investigation conducted in the present case confirmed the Commission's findings in previous cases that luxury products should be distinguished from mass-market goods, as they do not share the same characteristics.

(20) An overwhelming majority of the Parties' customers[19] and competitors who expressed an opinion in the market investigation on this point submitted that luxury goods are distinct from mass-market goods.[20] As one competitor stated: '*[l]uxury goods differ from mass market ones in terms of creation and design, nature and value of the materials used, high quality of the manufacturing, price level, brand's image and prestige, customers' expectations as well as level of service rendered to them. Luxury goods have thus a low level of substitutability with mass markets goods'*.[21] Another competitor indicated that '*[l]uxury goods, including luxury jewellery and watches, differ from mass market goods with regards to (i) price, (ii) quality and (iii) image. Luxury products are sold at relatively high prices, and this higher pricing as compared to mass market goods is the result of their high quality and cost - including the quality of materials used, manufacturing processes, and the uniqueness of designs and contents -, and the prestige and exclusivity aura of the trademarks under which these products are marketed*'.[22]

(21) Customers responding to the market investigation share the same view: '*[l]uxury goods market is represented with higher value and quality goods. Luxury goods brand positioning, visualisation and sales environment is clearly defined and highly organized. Personal service and personality of goods is very important*'; '*[l]uxury goods are defined by their price, distribution channels, in-house, hand-*

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17 Form CO, paragraph 6.54.

18 Form CO, paragraph 6.59.

19 For the purposes of describing the results of the market investigation that led to this decision, references to the Parties' customers are to independent retailers of luxury products.

20 Questionnaire to competitors, question 4; questionnaire to customers, question 6.

21 Questionnaire to competitors, question 4.2.

22 Questionnaire to competitors, question 4.2.

manufacturing, the use of precious materials, their design and overall technicity/high-quality'.[23]

(22) In addition, the majority of the Parties' competitors and an overwhelming majority of customers consider that, from a demand-side perspective, it is appropriate to distinguish separate product markets for:[24] (i) luxury fashion and leather goods; (ii) luxury fashion accessories and eyewear; (iii) luxury watches and jewellery; (iv) luxury perfumes and cosmetics; and (v) luxury home products, due to their limited substitutability in terms of e.g. product characteristics, function, purpose and/or prices.

(23) At least as far as jewellery and watches are concerned, the outcome of the market investigation therefore does not support a finding of interchangeability across luxury products (bags, jewellery), as advocated by the Notifying Party, or even between tangible luxury products and luxury experiences (fine dining, wine tasting, cruises and other luxury travels) or art pieces.[25] Rather, although there might be a diversity of individual preferences in that respect,[26] consumers tend to view luxury jewellery and watches as a distinctive product category on its own. Moreover, as one competitor indicated: '*[t]he purchase experience is (...) different across segments; traditionally, customers purchase ready-to-wear or leather goods for their own use, whereas purchases of jewellery and watches are also designed as gifts'*.[27]

(24) From the supply-side perspective, the replies to the market investigation are mixed as to whether suppliers of luxury goods are generally capable of offering a wide range of heterogeneous products and/or are easily able to expand their existing product lines to other areas of the luxury industry.[28] One competitor explained that '*[i]t is difficult for suppliers of luxury goods to expand to other areas of the luxury industry especially luxury jewellery and watches*'.[29] Another competitor explained that brands that originally sell leather or ready-to-wear fashion can relatively easily expand their offering and cover most market segments within luxury, whereas brands with a different origin (shoes, jewellery) will typically experience more difficulty moving into other luxury categories (such as leather or ready-to-wear fashion).[30] The same competitor indicated that '*[j]ewellery and watchmaking are very specific activities and most luxury brands originally active in leather of ready-to-wear that have tried to enter these markets have not had great success (...), as of now, consumers tend to favor pure player brands for hard luxury products, especially for watches*'.[31] However, a third competitor explained that '*[t]here are numerous examples of luxury goods suppliers which have been able to expand their offering to a wide range of heterogeneous products such as Chanel (from fashion, to*

23 Questionnaire to customers, question 6.2.

24 Questionnaire to competitors, question 7; questionnaire to customers, question 11.

25 Minutes of a call with a competitor, 17 July 2020.

26 Questionnaire to competitors, question 7.1: '*[w]hilst some purchasers' primary objective is simply to purchase a luxury item (which may be a designer handbag, a fashion item, a fashion accessory, a watch or a piece of jewellery), others specifically wish to purchase a piece of a certain product category (e.g. a piece of jewellery or a designer handbag)*'.

27 Minutes of a call with a competitor, 2 July 2020.

28 Questionnaire to competitors, question 20.

29 Questionnaire to competitors, question 20.1.

30 Minutes of a call with a competitor, 2 July 2020.

31 Questionnaire to competitors, question 20.1.

perfumes, to bags to jewellery), Gucci, Louis Vuitton, Christian Dior, etc.' and '*[t]hey are typically able to do this thanks to having a strong brand equity (i.e. trust and desire in the eyes of the consumer) which is credibly applied to a range of products*'.[32]

(25) On balance, taking also into account the considerations summarized in the next section 4.4.2., the outcome of the market investigation points towards the existence of distinct markets for luxury jewellery and/or watches. However, since the Transaction does not raise competition concerns irrespective of the exact product market definition, it can be left open whether (i) luxury fashion and leather goods; (ii) luxury fashion accessories and eyewear; (iii) luxury watches and jewellery; (iv) luxury perfumes and cosmetics; and (v) luxury home products, should be considered as separate product markets within the luxury goods category. In any event, as Tiffany has limited activities in luxury fashion and leather goods, luxury fashion accessories and eyewear, luxury perfumes and cosmetics and luxury home products, these products are not further discussed in this Section.[33]

4.1.3.2. Luxury watches and jewellery

(26) Within luxury watches and jewellery, a predominant number of competitors and the majority of customers who expressed an opinion distinguish separate product markets for luxury jewellery, on the one hand, and luxury watches, on the other hand, due to their limited substitutability (in terms of e.g. product characteristics, function, purpose and/or prices).[34]

(27) From a demand-side perspective, luxury jewellery and watches have different functionalities, although they both can be high quality articles with a relatively high price and confer an aura of exclusivity and a prestigious image. From a supply-side perspective, the manufacturing skills and expertise required to produce luxury jewellery and watches seem to also differ significantly.

(28) In this regard, a competitor explained that '*[w]hile luxury watches and luxury jewellery are probably more closely related between themselves than with other 'soft' luxury products, they differ in several ways: [f]irst, the manufacturing skills and expertise required to produce them differ significantly (...)'* and *'in watchmaking, a significant added value is linked to the movement, which is both a combination of high-tech industrial production processes to produce the different components of the movement and of craftsmanship when it comes to the assembly of the movement'*.[35] The same competitor further explained that '*watches have a functional and practical purpose that is absent in jewellery which are purely decorative and symbolical'; '[jewellery] is still a predominantly women product, while watches are still more targeted towards men'; 'the watch market tends to be more brand driven in general than the jewellery one'*. In conclusion, this competitor

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32 Questionnaire to competitors, question 20.1.

33 Tiffany's market shares in the EEA, based on the sales figures referred to in footnote 5, for the respective product categories are: (i) [0-5]% for luxury fashion and leather goods (including accessories and eyewear); (ii) [0-5]% for luxury perfumes and cosmetics; and (iii) [0-5]% for luxury home products. In 2019, these activities collectively accounted for c. […]% of Tiffany's worldwide revenues, and less than […]% of its EEA revenues (Source: Annex RFI1.4 to the Form CO – Parties Shares).

34 Questionnaire to competitors, question 8; questionnaire to customers, question 12.

35 Questionnaire to competitors, question 8.1.

explained that *'[t]hese elements tend to indicate that the two types of product most probably cannot be considered as substitutes both from an offer and demand perspective.'*

(29) Customers have voiced similar considerations in response to the market investigation. As one customer explained,[36] '*[t]he intrinsic value may be driven by different elements in watches compared to jewellery. For example, the materials used in jewellery (the underlying precious metals and gemstones), complexity of design and rarity of product all influence both the value and demand for particular products. For watches, the complexity and craftsmanship involved in their manufacture, heavily influence the desirability – in many cases a non-precious metal (stainless steel) will be used. In some designs precious metals and gemstones will also be used, which adds further value*'.

(30) In general, the Parties' customers that responded to the market investigation suggest that the supply of luxury jewellery and watches is adjacent but separate for multiple reasons: the products are definitely different; the targeted clients are also different (even if the target group remains, for both, wealthy individuals, luxury watches are more focused on men and jewellery is more focused on women); buying occasions (i.e. the moments in life at which and reasons for which either product is bought) often are different; and finally, few brands have a well balanced portfolio between luxury watches and jewellery: most are primarily specialized on one of these two categories.[37]

(31) The results of the market investigation therefore points towards the existence of distinct markets for luxury watches, on the one hand, and luxury jewellery, on the other hand. However, since the Transaction does not raise competition concerns irrespective of any distinction between luxury watches and jewellery, the exact market definition can be left open in the present case.

4.1.3.3. Luxury jewellery

(32) Customers generally consider that the main elements defining luxury jewellery are the use of precious metals and gemstones, high prices, design, quality, as well as '*[e]xclusivity of materials (gold alloy, 4C of diamonds, usage of gemstones) and craftsmanship*' and '*[m]aterial, uniqueness, exclusivity, availability*'.[38]

(33) A majority of customers that responded to the market investigation consider that the relevant price point above which jewellery can be considered as 'luxury' is EUR 1 000.[39]

(34) However, the responses of the Parties' competitors are mixed in this regard.[40] One competitor explained that '*[w]hile luxury jewellery is priced higher than mass market jewellery, it is difficult to identify a specific price point below which a jewellery piece cannot be considered as luxury*'.[41] According to such competitor

36 Questionnaire to customers, question 12.1.
37 Questionnaire to customers, question 12.1.
38 Questionnaire to customers, question 9.
39 Questionnaire to customers, question 10.
40 Questionnaire to competitors, question 6.
41 Questionnaire to competitors, question 6.1.

'[s]ome luxury pieces are sold at relatively low prices (e.g. below €500)' and '*[t]he main differentiator between luxury and mass market is the luxury positioning of the brand/supplier on the market, and this positioning has an impact on the price of the pieces, especially for branded jewellery*'. However, the same competitor also explained that '*there is clearly a distinct market for [jewellery] pieces above €50 000*'.[42] Another competitor explained that '*[t]here is no clearly identifiable price point above which jewellery can be considered as "luxury"* as *'[w]hat is "luxury" is ultimately a matter of intangible consumer preferences and their perception of the aspirational nature of any brand and its positioning, including price*'.[43]

(35) According to the Notifying Party, LVMH's brands selling luxury jewellery set out different entry price levels, all of which are nonetheless above EUR 600.[44] Unlike LVMH's brands, Tiffany seem to have significant luxury jewellery sales below EUR 600 (c. […]% worldwide and c. […]% in the EEA in 2019). Internal reports of Tiffany show that Tiffany uses price thresholds around or below […] in categorizing its competitors' luxury goods offerings.[45]

(36) The market investigation also revealed that there seems to be at least one category of jewellery between mass-market and luxury jewellery, known as 'demi-fine', 'premium fashion' or 'costume' jewellery, with pieces made of gold vermeil, gold plated silver, pearls and semi-precious gemstones. However, the results of the market investigation are not conclusive as to the price points for such intermediate category of products.[46]

(37) The results of the market investigation also suggest that it is appropriate to further segment the supply of luxury jewellery to better define the specific competitive dynamics of different products included therein. However, the replies obtained from customers and competitors are not conclusive as to the most appropriate segmentation.[47] While some market participants suggest a market segmentation between branded/unbranded jewellery, others make a distinction according to price points (e.g. fine and high jewellery), bridal/non bridal, silver/gold/other and by end use (e.g. earrings, bracelets, necklaces, rings, etc.).[48]

(38) As to the distinction between branded and unbranded jewellery, specifically, a majority of competitors and an overwhelming majority of customers consider that it is appropriate to distinguish separate product markets for branded luxury jewellery, on the one hand, and unbranded luxury jewellery, on the other hand.[49]

(39) The market investigation has revealed that, from a supply-side perspective, the materials used and the quality of manufacturing may be equivalent in branded and unbranded jewellery. However, branded and unbranded luxury jewellery have

42 Minutes of a call with a competitor, 2 July 2020.
43 Questionnaire to competitors, question 6.1.
44 Form CO, paragraph 6.73.
45 Form CO, paragraph 6.75 and Annex RFI1.30 to the Form CO, 'Tiffany, RTT Competitive Analysis, August 5, 2019'.
46 Questionnaire to competitors, question 6.2.
47 Questionnaire to competitors, question 13, questionnaire to customers, question 16.
48 Questionnaire to competitors, question 13.1, questionnaire to customers, question 16.1.
49 Questionnaire to competitors, question 14, questionnaire to customers, question 17.

different cost structures as manufacturers of unbranded luxury jewellery have lower expenses and fixed costs than brands, including those related to marketing support or operation of stores networks. In addition, the market dynamics seem to be different for branded and unbranded luxury jewellery: as one competitor explained,[50] '*[w]hile non-branded luxury jewellery exerts some competitive pressure on similar branded jewellery, the consumption pattern is essentially not the same for somebody buying branded and unbranded jewellery*'; '*the reality is that someone buying branded jewellery is buying the brand (...)*'. The same competitor explained that '*[b]randed products are mainly driven by brand image through communication, marketing, retail locations and identifiable designs, whereas the demand of non-branded products is essentially driven by product characteristics and price*' and '*[t]here is also a difference in pricing power: for branded products, higher prices can be charged because consumers will still want to buy the brand*'. Lastly, the same competitor added that '*branded jewellery is operated by companies active on a regional or worldwide basis whereas unbranded jewellery is usually operated by individual stores with a local presence*'. For completeness, another competitor also explained that '*although brand is very important overall in luxury jewellery, what is a brand and what is not is becoming increasingly blurred and for some jewellery types, e.g. in bridal/diamond rings, brand has little influence*'.[51]

(40) As to whether a separate product market for luxury diamond jewellery should be identified, the majority of responding competitors and a significant number of customers considered that such distinction is not appropriate.[52]

(41) As to whether a separate product market for bridal jewellery should be identified, a predominant number of competitors and the majority of customers considered that such distinction is not appropriate.[53] The results of the market investigation suggest that, although from a demand-side perspective bridal and non-bridal jewellery can be considered as distinct products, most suppliers of luxury jewellery offer both types of jewellery. One competitor explained that '*[f]rom a purchase occasion point of view, bridal and non-bridal jewellery are generally considered as distinct segments*'.[54] However, according to the same competitor, '*luxury jewellery houses typically offer selections of both bridal and non-bridal jewellery*' and '*[c]onsumers are increasingly choosing a wider range of jewellery types to mark a bridal occasion (e.g. same sex couples may choose a different look to the traditional heterosexual bridal jewellery ring) and purchasing both bridal and non-bridal pieces to complement the wedding wardrobe'*.

(42) Finally, the results of the market investigation in the present case reveal that a predominant number of competitors and the majority of customers consider that, for the purpose of assessing the relevant competitive dynamics, a segmentation of luxury jewellery according to price thresholds or brackets is relevant.[55] However, the

50 Questionnaire to competitors, question 14.1.
51 Minutes of a call with a competitor, 17 July 2020.
52 Questionnaire to competitors, question 15; questionnaire to customers, question 18.
53 Questionnaire to competitors, question 16; questionnaire to customers, question 19.
54 Questionnaire to competitors, question 16.1.
55 Questionnaire to competitors, question 17; questionnaire to customers, question 20.

views of the different market participants differ on the most appropriate price points.[56]

(43) In particular, one competitor explained that '*segmentations based on price points can be relevant for luxury jewellery, at least for the traditional distinction between 'high jewellery' (usually priced above €50 000) and other pieces*'.[57] However, '*[f]urther segmentations based on prices/entry points are not necessarily relevant*'. Another competitor explained that '*[t]he same consumers will generally shop across the different value thresholds as other factors also drive affordability and choice: the design, the emotional appeal of the piece, the type of gem, the size of the gem, etc*.'.[58]

(44) According to LVMH, the price points used internally by LVMH's luxury jewellery brands to track their collections, as well as their competitors' luxury jewellery offerings differ between brands. In internal reports benchmarking competitors' products, Tiffany used the following price range classification: under […], between […] and […], between […] and […], between […] and […], between […] and […] and above […]. However, Tiffany does not systematically use such specific price ranges and instead uses a variety of price thresholds when categorizing competitors' luxury goods offerings according to their collections.

Figure 1 – Tiffany's internal reporting on LVMH's Louis Vuitton brand fine jewellery by product type and price point

[…]

Source: Annex RFI1.30 to the Form CO, 'Tiffany, RTT Competitive Analysis, August 5, 2019', page 20.

(45) The market investigation also revealed that most luxury jewellery brands cover all price ranges from entry to high end, even though they may focus on some price ranges depending on their overall brand positioning.[59] However, a predominant number of competitors indicated that it is moderately difficult for a supplier of luxury jewellery to expand its portfolio across different price points (in terms of, e.g. investment, know-how, time).[60] The reasons provided for this are several. While a competitor explained that '*the main barrier is the provisioning of more expensive materials*',[61] another competitor explained that '*time and money need to have been invested in the brand (its positioning, target consumers, ability to address consumer needs, and demonstrating an ability to meet those needs) before any portfolio expansion*'.[62]

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56 While the questionnaires proposed, as an example, thresholds above/below EUR 5 000, EUR 10 000, EUR 50 000, and EUR 100 000, one competitor suggested thresholds above/below EUR 500 000; a second competitor suggested thresholds between EUR 1 000 - 3 000, EUR 3 000 - 10 000 and EUR 10 000 - 50 000 and over EUR 50 000; and a third competitor suggested a distinction between high jewellery priced above EUR 50 000 and other pieces. One customer indicated a threshold of EUR >5 000 for luxury jewellery and EUR >10 000 for high luxury jewellery. Other market participants did not specify any particular thresholds.

57 Questionnaire to competitors, question 17.1.

58 Questionnaire to competitors, question 17.1.

59 Questionnaire to competitors, question 18; questionnaire to customers, question 21.

60 Questionnaire to competitors, question 19.

61 Questionnaire to competitors, question 19.1.

62 Questionnaire to competitors, question 19.1.

(46) Ultimately, the definition of the relevant product market for the assessment of the competitive impact of the Transaction in the luxury jewellery segment can be left open since serious doubts of its compatibility with the internal market do not arise irrespective of the exact product market definition.

4.1.3.4. Luxury watches

(47) Customers consider that design, quality, price, scarcity, uniqueness and brand image are among the features that define luxury watches: '*[u]niqueness, [l]imited availability due to limited distribution, [h]igh quality and exclusive craftsmanship, [h]igh price points, [s]trong heritage and history, [s]trong branding, [s]mall [a]ssortments, [n]o [s]easonality, [l]imited number of novelties per year*'; '*[h]ighly skilled craftsmanship (including watchmaking and jewellery design/production), quality of materials (precious metals, gemstones); '[l]ongevity of individual pieces and limited nature of production'; '[g]oods tend to hold their value or appreciate over time'; '[g]oods will come with a warranty / guarantee and aftercare service'; '[a]rtisans undergo extensive training and due diligence to become experts in their respective fields*'.[63]

(48) When considering further segmentations within luxury watches, customers' opinions were divided but a predominant number of competitors consider that a further segmentation is appropriate,[64] mostly considering price: '*[s]hould separate categories be identified among luxury watches, we consider that it should be essentially made according to price levels*'.[65]

(49) In addition, when considering a further segmentation of luxury watches according to price thresholds or brackets, the views of a majority of responding customers and competitors in the market converged with the suggested thresholds (i.e., above/below EUR 5 000, 10 000, 50 000, 100 000).[66] As a competitor stated: '*[t]he segmentation defines the customer groups, their expectations in customer service (incl. after sales service) and the complexity of the watch. Hence, we consider such a segmentation relevant for the purpose of assessing competitive dynamics. EUR 1'000 to 5'000: Accessible luxury watches (brands like Hermès, Longines, Montblanc, Tag Heuer, Tudor etc.); EUR 5'000 to 10'000: Luxury watches (brands like Breitling, Cartier, Chopard, Omega, Rolex etc.); and Above EUR 10'000: Prestige luxury watches (brands like Audemars Piguet, Breguet, Hublot, Patek Philippe, Vacheron Constantin etc.)*'.[67]

(50) In turn, the results of the market investigation are inconclusive as to whether suppliers typically offer a portfolio of luxury watches covering all or a broad range of price points. On the competitors side, the same number of respondents consider that suppliers tend to focus on specific price points and that suppliers tend to cover a

63 Questionnaire to customers, question 6.2.
64 Questionnaire to competitors, question 9; questionnaire to customers, question 13.
65 Questionnaire to competitors, question 9.1.
66 Questionnaire to competitors, question 10; questionnaire to customers, question 14.
67 Questionnaire to competitors, question 10.1.

broad price range.[68] Conversely, an overwhelming majority of customers sell a portfolio of luxury watches covering all or a broad range of price points.[69]

(51) In this regard, from a supply-side perspective, the majority of the Parties' competitors consider that it is moderately to very difficult (in terms of, e.g. investment, know-how, and time) to expand their portfolio of luxury watches across different price points.[70] The results of the market investigation suggest that, as one competitor stated, '*[t]he difficulty lies more with the brand perception than with the technical aspects. What makes the watches more expensive is the quality of the material used, like gold and diamonds. The brand has to be sufficiently legitimate to convince consumers to make such a significant investment into a watch*'.[71] In addition, as another competitor indicated, '*[t]he more the range price is high the more the models require technicality and therefore expertise which are difficult to find today as some professions and know-how are belonging to few groups of competitors or are currently disappearing*'.[72]

(52) Ultimately, the definition of the relevant product market for the assessment of the competitive impact of the Transaction in the luxury watches segment can be left open since serious doubts of its compatibility with the internal market do not arise irrespective of the exact product market definition.

4.1.3.5. Luxury goods per sales channel

(53) As part of the market investigation, a majority of competitors and customers indicated that, for the supply of luxury goods, it is appropriate to distinguish between different sales channels, namely: (i) brick and mortar retail; (ii) online retail; (iii) travel retail; and (iv) wholesale/intermediaries, and particularly so for luxury watches and jewellery because the competitive dynamics, service, reach and customer interaction are different.[73]

(54) As one competitor explained, '*[i]t is relevant to distinguish between (i) the wholesale sales and (ii) the retail sales of luxury products, including for jewellery and watches*' and '*[w]ithin the retail sales channel, it may also be relevant to distinguish selective distribution networks (including brand directly operated stores and third-party authorized retailers) from travel retail (including retal outlets at airports, on-board aircraft, on-board ships) as the latter channel specifically targets international travelers and usually offers a more limited range of products at more accessible price points*'.[74]

(55) For completeness, certain respondents have voiced somewhat different views and emphasised, *e.g.*, the '*increasingly omnichannel*' journey of luxury goods consumers,[75] the prevalence of a distinction between '*own distribution network*' (or '*direct to consumer*' channel, including online) and '*third parties' distribution*'

68 Questionnaire to competitors, question 11.
69 Questionnaire to customers, question 15.
70 Questionnaire to competitors, question 12.
71 Questionnaire to competitors, question 12.1.
72 Questionnaire to competitors, question 12.1.
73 Questionnaire to competitors, question 21, questionnaire to customers, question 23.
74 Questionnaire to competitors, question 21.1.
75 Questionnaire to competitors, question 21.1.

(including department stores),[76] or the importance for brands of ensuring a consistency in image and experience regardless of the sales channel.[77]

(56) Within the wholesale supply of luxury goods, specifically, the market investigation also revealed that a majority of competitors and customers consider it appropriate to distinguish different product markets for different customer groups in view of the different supply-demand dynamics applicable.[78] Thus, whereas a smaller brand with reduced assortment may not differentiate its product offering per channel, an established brand may have a wider range of products and differentiate the product offering for own stores/small local stores, department stores and travel retailers.[79] In addition, department stores usually offer a wider product range than travel retailers, which usually carry fewer products and at more accessible price points.[80]

(57) Ultimately, the definition of the relevant product market for the assessment of the competitive impact of the Transaction in the different sales channels can be left open since serious doubts of its compatibility with the internal market do not arise irrespective of the exact product market definition.

4.1.4. Conclusion on product market definition

(58) The Commission concludes that, as the Transaction does not raise serious doubts as to its compatibility with the internal market irrespective of the exact product market definition, the question of whether luxury watches and jewellery constitute separate product markets within luxury goods can be left open. For the same reason, it can be left open whether further segmentations of each of luxury watches (by price points, branded/unbranded) and jewellery (by price points, branded/unbranded, bridal/non-bridal, silver/gold/other and by end use (e.g. earrings, bracelets, necklaces, rings, etc.)) are appropriate. Similarly, the question of whether the supply of luxury goods, including luxury watches and jewellery, through different sales channels (brick and mortar retail, online retail, travel retail and wholesale/intermediaries) constitute separate product markets can also be left open.

4.2. Geographic market definition

4.2.1. The Commission's precedents

(59) In previous cases, the Commission left open whether the geographic markets for the supply of luxury products are national, EEA-wide or wider in scope.[81]

(60) In *De Beers/LVMH*, the Commission concluded that the retail market for diamond jewellery is at most EEA-wide, if not national or local in scope, while the supply of branded diamond jewellery could be global in scope.[82]

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76 Questionnaire to competitors, question 21.1.

77 Questionnaire to customers, question 23.1.

78 Questionnaire to competitors, question 22, questionnaire to customers, question 24.

79 Questionnaire to competitors, question 22.1.

80 Questionnaire to competitors, question 22.1.

81 See for instance cases M.1780 – *LVMH/Prada/Fendi*, Commission decision of 25 May 2000, paras. 13-14 and M.6212 – *LVMH/Bulgari*, Commission decision of 29 June 2011, para. 27.

82 Case M.2333 – *De Beers/LVMH*, Commission decision of 25 July 2001, para. 39.

(61) In *L'Oréal/YSL Beauté*, the Commission considered that the geographic scope of the travel retail distribution of luxury products was at least EEA-wide.[83]

4.2.2. The Notifying Party's view

(62) LVMH considers a worldwide geographic market for luxury goods (including for any plausible narrower product markets) as the most appropriate frame of reference for any competitive assessment. According to LVMH, from a demand-side perspective, the market for luxury goods is influenced by macro-economic factors such as the performance of worldwide financial markets, while foreign purchasers (in particular tourists) represent a considerable part of the demand for luxury goods and consumers tend not to have strong preferences for national/domestic brands. LVMH further argues that, from a supply-side perspective, the nature and characteristics of luxury goods do not vary according to geographic area and suppliers do not materially differentiate their offerings according to any perceived differences in customers' preferences or taste in different geographies. In addition, LVMH argues that advertising strategies and marketing campaigns are organised on a worldwide basis and many leading luxury goods players export on a worldwide or larger than national basis.[84]

(63) LVMH therefore concludes that the Transaction should be reviewed on the basis of a worldwide market for luxury goods, but submits that the relevant geographic market definition can be left open as the Transaction will not give rise to any competitive concerns, irrespective of the market definition.[85]

4.2.3. The Commission's assessment

4.2.3.1. Luxury goods

(64) The market investigation revealed that, for a majority of competitors and customers, competitive conditions (suppliers, brands, prices, etc.) in the luxury industry are generally (and increasingly) the same on a worldwide level.[86] Moreover, large brands tend to develop a coherent approach globally to achieve homogenized perception. Alongside these global brands, there are local brands that may be relevant in a region but not at the global level.

4.2.3.2. Luxury jewellery

(65) In response to the market investigation, an overwhelming majority of competitors indicated that their luxury jewellery activities extended worldwide.[87] In this regard, one competitor explained that *'the markets for unbranded jewellery are local and the branded side of the market is global'*, although *'the market for branded jewellery could [also] be considered EEA-wide as there are some particularities in the preferences of Europeans'*.[88]

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83 Case M.5068 *L'Oréal/YSL Beauté*, Commission's decision of 21 May 2008, para. 36.

84 Form CO, paragraph 6.190.

85 Form CO, paragraph 6.206.

86 Questionnaire to competitors, question 23; questionnaire to customers, question 25.

87 Questionnaire to competitors, question 27.

88 Minutes of a call with a competitor, 2 July 2020.

(66) In turn, when asked about whether end-consumers of luxury jewellery have different preferences in different regions of the world, a predominant number of competitors and a majority of customers replied positively.[89] Conversely, a majority of competitors and customers indicated that consumer preferences of luxury jewellery are not different across countries within the EEA.[90]

4.2.3.3. Luxury watches

(67) Regarding luxury watches, a majority of respondents to the market investigation, customers and competitors alike, consider that the main geographic scope of their activities is worldwide.[91] However, a predominant number of competitors and a majority of customers consider that end-consumers have different preferences in different world regions.[92] For example, a travel retailer explained that, depending on their origins, customers may prefer leather, precious skins or metal, gold or silver for the bracelet of their watch.[93] In addition, several customers indicated that materials, sizes, brands and price points are different across regions.[94] Moreover, one competitor explained that European customers do not demand yellow and pink gold as much as customers in other regions of the world.[95]

(68) Conversely, the results of the market investigation were inconclusive as to whether suppliers of luxury watches typically offer a similar product portfolio across different regions of the world.[96] In contrast, a majority of customers and competitors agree that watches portfolios tend to be similar across EEA countries.[97]

4.2.3.4. Luxury goods per sales channel

(69) As explained, the outcome of the market investigation revealed that for customers and competitors alike, competitive conditions in the luxury industry, including in the luxury jewellery and watches segments, are generally the same worldwide and at least at EEA level.[98]

(70) Conversely, no indication emerged as part of the market investigation that competitive conditions in the luxury industry (respectively for travel retail, brick and mortar, and online sales, or wholesale supply) would be different at country level within the EEA. For instance, one brick and mortar customer explained that, although the company has brick and mortar stores in one country only, its clientele is highly international.[99] In addition, a travel retailer also explained that, although it may sometimes have different product offerings in different airports across the same

89 Questionnaire to competitors, question 28, questionnaire to customers, question 30.
90 Questionnaire to competitors, question 28.2, questionnaire to customers, question 30.2.
91 Questionnaire to competitors, question 24; questionnaire to customers, question 26.
92 Questionnaire to competitors, question 25; questionnaire to customers, question 27.
93 Questionnaire to customers, question 27.1.
94 Questionnaire to customers, question 27.1.
Questionnaire to competitors, question 25.1.
96 Questionnaire to competitors, question 26; questionnaire to customers, question 28.
97 Questionnaire to competitors, question 26.2, questionnaire to customers, question 28.2.
98 Questionnaire to competitors, question 23; questionnaire to customers, question 25.
99 Questionnaire to customers, question 26.1.

world region,[100] '*luxury business is a global business, especially in travel retail*' and '*consumers expect to see the same level of service and brands around the world*'.[101]

(71) As a result, the Commission will not distinguish between sales channels when referring to potential national markets in this decision. Generally, irrespective of the applicable geographic market definition, a level of geographic differentiation in the conditions of competition prevailing in certain parts of the EEA or within specific Member States, e.g., at the retail level of trade, cannot be excluded.

4.2.4. Conclusion on geographic market definition

(72) As apparent from the above and in line with precedents, the outcome of the market investigation carried out in the present case converges towards an at least EEA-wide scope of the supply of luxury goods and jewellery and watches in particular, irrespective of the trade channel. However, the definition of the relevant geographic markets for the assessment of the competitive impact of the Transaction can be left open since serious doubts as to its compatibility with the internal market do not arise irrespective of geographic scope in question.

5. COMPETITIVE ASSESSMENT

(73) Generally, in addition to growing its presence in the US (Tiffany generated […]% of its revenues in the US in 2019 compared to c. 8% for LVMH luxury jewellery and watches brands), LVMH submits that the acquisition of Tiffany will enable it to strengthen its presence in luxury jewellery with a global luxury brand. According to LVMH, the area of luxury watches and jewellery is one of the fastest growing areas in the global luxury industry, with expected growth of c. […]% globally year-on-year through 2024 according to Euromonitor estimates.[102]

(74) The competitive assessment of the Transaction is structured as follows:

(a) Section 5.1 outlines the legal framework for the assessment;

(b) Section 5.2 discusses the market structure, the horizontal and non-horizontal overlaps between the Parties' activities, and the affected markets arising from the Transaction. It also provides a reasoning why certain affected markets do not need to be discussed further;

(c) Section 5.3 assesses horizontal non-coordinated effects with respect to luxury jewellery under any plausible market definition;

(d) Section 5.4 assesses horizontal coordinated effects with respect to luxury jewellery under any plausible market definition;

(e) Section 5.5 assesses non-horizontal effects.

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100 Questionnaire to customers, question 28.2.1.

101 Minutes of a call with a customer, 29 June 2020.

102 Form CO, paragraphs 1.4 and 1.5.

5.1. Legal framework

(75) Under Article 2(2) and (3) of the Merger Regulation, the Commission must assess whether a proposed concentration would significantly impede effective competition in the internal market or in a substantial part of it, in particular through the creation or strengthening of a dominant position. In this respect, a merger can entail horizontal and/or non-horizontal effects.

5.1.1. Horizontal non-coordinated effects

(76) Horizontal effects are those deriving from a concentration where the undertakings concerned are actual or potential competitors of each other in one or more of the relevant markets concerned. The Commission appraises horizontal effects in accordance with the Horizontal Merger Guidelines.[103]

(77) According to paragraph 26 of the Horizontal Merger Guidelines, a non-exhaustive list of relevant factors need to be assessed in order to determine whether significant non-coordinated effects are likely to result from a concentration.

(78) Accordingly, Section 5.3.2 assesses market shares, closeness of competition between the Parties, important dynamics of the markets where the Parties' activities overlap, the alternatives to the Parties, barriers to entry, as well as evidence of new entrants and the constraint by competitors. Based on all these factors considered together, conclusions on horizontal non-coordinated effects are drawn in Section 5.3.3.

5.1.2. Horizontal coordinated effects

(79) According to paragraph 39 of the Horizontal Merger Guidelines, in some markets the structure may be such that firms would consider it possible, economically rational, and hence preferable, to adopt on a sustainable basis a course of action on the market aimed at selling at increased prices through a coordination of their behaviour.[104]

(80) A concentration may significantly impede effective competition by increasing the likelihood that firms are able to coordinate their behaviour and raise prices, even without entering into an agreement or resorting to a concerted practice within the meaning of Article 101 TFEU. A merger may also make coordination easier, more stable or more effective for firms that were already coordinating before the merger, either by making the coordination more robust or by permitting firms to coordinate on even higher prices.[105]

(81) In assessing the likelihood of coordinated effects, the Commission takes into account all available relevant information on the characteristics of the markets concerned, including both structural features and the past behaviour of firm.[106]

(82) The Commission's assessment as to whether the Transaction raises serious doubts due to horizontal coordinated effects is discussed in Section 5.4.2, with conclusions drawn in Section 5.4.3.

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103 Guidelines on the assessment of horizontal mergers under the Council Regulation on the control of concentrations between undertakings ('Horizontal Merger Guidelines'), OJ C 31, 5.2.2014.

104 Horizontal Merger Guidelines, paragraph 39.

105 Horizontal Merger Guidelines, paragraph 39.

106 Horizontal Merger Guidelines, paragraph 43.

5.1.3. Non-horizontal effects

(83) Non-horizontal effects relate to the foreclosure of competitors that can arise from vertical or conglomerate integration. In general, vertical integration is the consequence of the combination of products, services or businesses across different levels of the same supply chain. Conglomerate integration relates to the combination of complementary products or services that are generally purchased by the same set of customers.

(84) Pursuant to the Non-Horizontal Merger Guidelines,[107] vertical integration may result in two forms of foreclosure: input foreclosure, where the concentration is likely to raise costs of downstream rivals by restricting access to an important input or deteriorating supply conditions, and customer foreclosure, where the concentration is likely to foreclose upstream rivals by restricting their access to a sufficient customer base.

(85) In turn, foreclosure effects may arise from conglomerate integration when the combination of products in related markets may confer on the merged entity the ability and incentive to leverage a strong market position from one market to another closely related market by means of tying or bundling or other exclusionary practices.

(86) In assessing the likelihood of foreclosure scenarios, the Commission examines, first, whether the merged firm would have the ability to foreclose its rivals, second, whether it would have the economic incentive to do so and, third, whether a foreclosure strategy would have a significant detrimental effect on competition, thus causing harm to consumers. In practice, these factors are often examined together as they are closely intertwined.

(87) Eventually, for foreclosure to lead to consumer harm, it is not necessary that the merged entity's rivals are forced to exit the relevant market but it is sufficient that their costs are increased in a way that is likely to lead to higher prices for consumers.

5.2. Market structure

5.2.1. Horizontal overlaps

(88) According to the information provided by the Notifying Party, the Transaction would give rise to a number of horizontal overlaps in the supply of luxury goods, as well as in certain segments and sub-segments thereof, primarily in luxury jewellery and watches. In addition, there are a number of *de minimis* horizontal overlaps between the Parties' activities, namely in the supply of (i) luxury perfumes and cosmetics; (ii) luxury fashion and leather goods, including accessories; and (iii) luxury home products.

(89) Based on the data provided by the Notifying Party, the global supply of luxury goods is valued at EUR [350-400], including EUR [100-150] in the EEA.[108]

(90) The Notifying Party provided estimates of the Parties' market shares for years 2017, 2018 and 2019 on a worldwide, EEA-wide and national basis.

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107 Guidelines on the assessment of non-horizontal mergers under the Council Regulation on the control of concentrations between undertakings. OJ C 265, 18.10.2008, p. 6.

108 Annex to the Form CO, Annex RFI1.4 (Revised Annex 6.1) – Parties Shares.

(91) Table 1 below provides an overview of the Parties' 2019 market shares based on the value of retail (including travel retail) sales in the EEA and worldwide.

Table 1 – The Parties' retail value market shares in the EEA and worldwide for year 2019

Product market	Worldwide (2019)			EEA (2019)		
	LVMH	Tiffany	Combined	LVMH	Tiffany	Combined
Luxury goods	[10-20]%	[0-5]%	[10-20]%	[10-20]%	[0-5]%	[10-20]%
Luxury watches and jewellery	[5-10]%	[0-5]%	[10-20]%	[5-10]%	[0-5]%	[5-10]%
Luxury jewellery	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
Branded luxury jewellery	[0-5]%	[5-10]%	[10-20]%	[5-10]%	[0-5]%	[5-10]%
Luxury diamond jewellery	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
Branded luxury diamond jewellery	[0-5]%	[10-20]%	[10-20]%	[0-5]%	[5-10]%	[5-10]%
Luxury engagement and bridal jewellery	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%
Branded luxury engagement and bridal jewellery	[0-5]%	[10-20]%	**[20-30]%**	[0-5]%	[5-10]%	[10-20]%
Luxury watches	[5-10]%	[0-5]%	[5-10]%	[5-10]%	[0-5]%	[5-10]%
Luxury perfumes and cosmetics	[10-20]%	[0-5]%	[10-20]%	[10-20]%	[0-5]%	[10-20]%
Luxury fashion and leather goods and accessories	[10-20]%	[0-5]%	[10-20]%	[10-20]%	[0-5]%	[10-20]%
Luxury home	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%	[0-5]%

Source: LVMH's estimates - Annex to the Form CO, Annex RFI1.4 (Revised Annex 6.1) – Parties Shares

(92) In addition to the overlaps listed in Table 1, the Parties' activities also overlap in the United Kingdom and in the following Member States where Tiffany is active:[109] Austria, Belgium, the Czech Republic, Denmark, France, Germany, Ireland, Italy, the Netherlands and Spain.

(93) However, on a national level, there is only one potentially affected market:– the market for the retail (including travel retail) of luxury watches in the Czech Republic, where the Parties' combined market share amounts to [30-40]%, with a marginal increment of [0-5]% coming from Tiffany.[110]

(94) As can be seen from Table 1, Tiffany's activities in the manufacture and supply of luxury perfumes and cosmetics, luxury fashion and leather goods and accessories, and luxury home products are very limited.

109 Annex to the Form CO, Annex RFI1.4 (Revised Annex 6.1) – Parties Shares.
110 Annex to the Form CO, Annex RFI1.4 (Revised Annex 6.1) – Parties Shares.

(95) Tiffany's market share in the supply of luxury perfumes and cosmetics and in the supply of luxury fashion and leather goods and accessories is [0-5]% in the EEA and only [0-5]% worldwide. Similarly, Tiffany's market share in the supply of luxury home products is [0-5]% in the EEA and only [0-5]% worldwide. Thus, the increment brought about by the Transaction in these segments is negligible.

(96) Therefore, the horizontal overlaps in the supply of luxury perfumes and cosmetics, luxury fashion and leather goods and accessories, and luxury home products are not discussed further in this Section 5.

(97) Moreover, the Notifying Party submitted estimates of the Parties' market shares in the EEA and worldwide segmented by sales channel, distinguishing between (i) brick and mortar; (ii) online retail; and (iii) travel retail.[111]

(98) Based on such sales channel segmentation, the Transaction would give rise to one affected market, namely in the brick and mortar retail sale of branded luxury bridal and engagement jewellery worldwide, where the Parties' combined market share would amount to [20-30]% (LVMH [0-5]% and Tiffany [20-30]%). In addition, the Parties would have a combined market share of [10-20]% (LVMH [5-10]% and Tiffany [10-20]%), i.e. just below the threshold of an affected market, in the travel retail sale of luxury diamond jewellery and branded luxury diamond jewellery worldwide.

(99) In addition, with respect to jewellery, the Notifying Party provided more granular revenue data and estimates of the Parties' market shares on a worldwide, EEA and national basis for the sub-segments of men's jewellery and jewellery segmentation by the following price points: (i) jewellery below EUR 600; (ii) access jewellery (EUR 600 – EUR 5 000); (iii) fine jewellery (EUR 5 000 – 50 000); (iv) high jewellery (above EUR 50 000); and (v) jewellery above EUR 250 000.[112]

(100) The Notifying Party also provided market share estimates on a worldwide, EEA and national basis in the overall luxury jewellery segmented by the following price points: (i) EUR 5 000 – 10 000; (ii) EUR 10 000 – 25 000; and (iii) above EUR 250 000.[113]

(101) Based on a segmentation according to the above-mentioned price points, the Transaction would give rise to additional horizontal overlaps and several plausible affected markets listed in Table 2 below.

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[111] Annex to the Form CO, Annex RFI 2.6 - Brick and Mortar, Online, Travel Retail Shares Estimates.

[112] Annex to the Form CO, Annex RFI 3.2 (Revised Annex RFI1.6 and Annex 6.2) – Parties Sales – Jewelry.

[113] Annex to the Form CO, Annex RFI 3.2 (Revised Annex RFI1.6 and Annex 6.2) – Parties Sales – Jewelry.

(102) Finally, as regards the Parties' activities at the wholesale level, Tiffany predominantly sells its products through directly owned stores (*i.e.*, at retail level) and only marginally via selective distributors (*i.e.*, at wholesale level). Based on the data provided by the Parties, of Tiffany's total 2019 revenues, only […]% of its EEA revenues and […]% of its worldwide revenues were from wholesale sales of luxury end-products. More specifically, Tiffany's 2019 wholesale jewellery sales in the EEA amounted to EUR […] while its total EEA jewellery revenues amounted to EUR […]. Thus, Tiffany's 2019 wholesale sales of jewellery in the EEA are limited to […]% of Tiffany's overall jewellery revenue.[114]

(103) Therefore, the data underlying the horizontal assessment of the Transaction relates to retail sales, which is where competition between the Parties primarily takes place. However, the market investigation was also directed at wholesale customers and most of the qualitative evidence gathered over the course of the investigation, and the resulting findings drawn from them, are equally valid for the retail and wholesale levels of trade.

5.2.2. Horizontal affected markets

(104) As apparent from Table 1, the Transaction would lead to an affected market in the retail (including travel retail) supply of branded luxury engagement and bridal jewellery worldwide where the Parties' combined market share amounts to [20-30]% (LVMH [10-20]% and Tiffany [0-5]%). In contrast, in the EEA the Parties' combined market share is limited to [10-20]% (LVMH [0-5]% and Tiffany [5-10]%).

(105) If a distinction was to be made among the sales channels, the Transaction would give rise to one affected market, namely in the brick and mortar retail sale of branded luxury bridal and engagement jewellery worldwide, where the Parties' combined market share would amount to [20-30]% (LVMH [0-5]% and Tiffany [20-30]%). In the EEA, however, the Parties' combined market share is limited to [10-20]% (LVMH [0-5]% and Tiffany [5-10]%).[115]

(106) Moreover, if a narrower market definition were to be considered for luxury jewellery based on price points, the Transaction would lead to the additional affected markets listed in Table 2.

114 Form CO, paragraph 6.150, Table RFI1.5 and Table RFI1.6.

115 Annex to the Form CO, Annex RFI 2.6 - Brick and Mortar, Online, Travel Retail Shares Estimates.

Table 2 – Affected markets in the retail[116] of luxury jewellery based on a segmentation by price points for years 2017-2019

Affected product market	Country	Year	LVMH share	Tiffany share	Combined share
Retail of branded high jewellery (above EUR 50 000)	France	2017	[20-30]%	[0-5]%	**[20-30]%**
Retail of branded high jewellery (above EUR 50 000)	France	2018	[20-30]%	[0-5]%	**[20-30]%**
Retail of branded jewellery below EUR 600	UK	2017	[0-5]%	[20-30]%	**[20-30]%**
Retail of branded jewellery below EUR 600	UK	2018	[0-5]%	[20-30]%	**[20-30]%**
Retail of branded jewellery below EUR 600	UK	2019	[0-5]%	[20-30]%	**[30-40]%**
Retail of branded fine jewellery (EUR 5 000 – 50 000)	UK	2017	[10-20]%	[10-20]%	**[20-30]%**
Retail of branded fine jewellery (EUR 5 000 – 50 000)	UK	2018	[10-20]%	[5-10]%	**[20-30]%**
Retail of branded fine jewellery (EUR 5 000 – 50 000)	UK	2019	[10-20]%	[5-10]%	**[20-30]%**
Retail of branded fine jewellery (EUR 5 000 – 10 000)	UK	2017	[5-10]%	[10-20]%	**[20-30]%**
Retail of branded fine jewellery (EUR 5 000 – 10 000)	UK	2019	[10-20]%	[10-20]%	**[20-30]%**
Retail of branded fine jewellery (EUR 10 000 – 25 000)	UK	2017	[10-20]%	[10-20]%	**[20-30]%**
Retail of branded fine jewellery (EUR 10 000 – 25 000)	UK	2018	[10-20]%	[5-10]%	**[20-30]%**
Retail of branded fine jewellery (EUR 10 000 – 25 000)	UK	2019	[10-20]%	[5-10]%	**[20-30]%**
Retail of branded high jewellery (above EUR 50 000)	UK	2017	[20-30]%	[0-5]%	**[20-30]%**

Source: LVMH's estimates, Annex to the Form CO – Annex RFI 3.2 (Revised Annex RFI1.6 and Annex 6.2) – Parties Sales – Jewelry.

(107) As can be seen from the figures in Table 2, while the Transaction gives rise to a number of plausible affected markets in different price points in the retail of luxury jewellery in France and the UK for years 2017-2019, the 2019 market shares only

116 The retail shares include all forms of retail sales, including travel retail. The Notifying Party did not provide travel retail shares separately on national basis.

give rise to four additional plausible affected markets in the UK based on price points.

(108) The assessment of the plausible affected markets in luxury jewellery is further discussed in Section 5.3.2.

(109) In addition, the Transaction gives rise to an affected market in the retail (including travel retail) sales of luxury watches in the Czech Republic. However, as Tiffany's 2019 sales of luxury watches in the Czech Republic amounted to only EUR […][117] the increment brought about by the Transaction in the retail sales of luxury watches in the Czech Republic is very limited, namely less than [0-5]%. Thus, it is unlikely that with an increment of this magnitude the Transaction could lead to a significant impediment to effective competition in the plausible market for the retail sales of luxury watches in the Czech Republic.

(110) Therefore, the horizontal affected market in the retail (including travel retail) sales of luxury watches in the Czech Republic is not discussed further in this Decision.

5.2.3. Non-horizontal overlaps

(111) In addition, the proposed Transaction gives rise to vertical relations due to LVMH's activity as a purchaser at the luxury goods wholesale level through its travel retail subsidiaries Duty Free Shoppers ('DFS') and Starboard Cruise Services, as well as its department stores business (e.g., Le Bon Marché and La Samaritaine in Paris).

(112) For completeness, the Commission also notes that Tiffany, but not LVMH, is active upstream in sales of rough and polished diamonds. However, on the basis of the data provided by the Parties, this potential vertical relation is of a *de minimis* character and thus is not discussed further in this Decision.[118]

5.2.4. No non-horizontal affected markets

(113) According to the data provided by the Parties and presented in Table 1, the merged entity's upstream market shares do not exceed 30% under any plausible market definition. Thus, the Transaction does not give raise to any vertically affected markets.

(114) With regard to downstream activities, LVMH, through DFS and Starboard, is active in the travel retail business, with 2019 sales of EUR […] worldwide (of which just EUR […], *i.e.*, less than […]%, in the EEA).[119] As reflected in Table 3, LVMH's shares in the travel retail segment of luxury goods are estimated to be well below 30%, including on the narrow potential sub-segment for the travel retail of luxury watches and jewellery.

117 Form CO, footnote 288 and Annex RFI1.4 (Revised Annex 6.1) – Parties Shares.

118 Form CO, paragraph 7.147, '*In 2019, Tiffany had worldwide sales of just EUR [...] of rough diamonds and EUR [...] of polished diamonds, whereas the total worldwide market for rough diamonds is estimated to be roughly USD 15-16 billion, and the worldwide polished diamond market size is estimated to be even larger.543 Tiffany's upstream share for the supply of rough and polished diamonds is therefore less than [0-5]%.*' The market investigation did not give rise to any concerns or comments in that regard.

119 Form CO, paragraph 7.145.

Table 3 - LVMH Travel Retail Shares (2019)[120]

Geography	Travel Retail Segment	LVMH Share
Worldwide	Luxury Goods	[5-10]%
Worldwide	Luxury Watches & Jewelry	[10-20]%
EEA	Luxury Goods	[0-5]%
EEA	Luxury Watches & Jewelry	[0-5]%

Source: LVMH: Revenues; Generation Research: Segment Size estimates

(115) With regard to the remaining selective retail activities of LVMH in the supply of luxury goods, they are limited to the operation of a single department store (Le Bon Marché in Paris, since La Samaritaine has not reopened yet[121]) and an online retailer with limited revenues (24S).[122]

(116) The Notifying Party submits that the LVMH's selective retailing entities - Le Bon Marché and 24S do not sell any Tiffany products.[123] In fact, only a small portion of Tiffany's overall sales are wholesales to third-party retailers.[124] In 2019, wholesale sales of luxury goods accounted for around […]% (around EUR […]) of Tiffany's worldwide revenues, only around […]% (EUR […]) of which were to LVMH retail entities (DFS and Starboard).

5.3. Horizontal non-coordinated effects

(117) In view of the above and the *de minimis* nature of the other overlaps, this Section focuses on the horizontal non-coordinated effects of the Transaction in the luxury jewellery segment and all plausible sub-segments.

5.3.1. The Notifying Party's view

(118) The Notifying Party submits that the Transaction will not give rise to any competitive concerns regardless of market definition.[125] In particular, it argues that the Transaction will not lead to any horizontal non-coordinated effects due to the following reasons:[126]

(a) The Transaction will not result in material market shares on any plausible market. The Parties' activities overlap in the EEA market for the retail sale of luxury goods, as well as in certain segments and sub-segments, primarily in the luxury watches and jewellery segment and the luxury jewellery sub-segment. However, the Parties' combined shares are negligible to low and only slightly exceed 20% base on a narrow market sub-segmentation (with an increment below 5%);

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120 Form CO, Table RFI 1.15, page 233. The table contains worldwide and EEA-wide shares, as estimated by the Notifying Party, on the segment of travel retail of luxury goods that include LVMH's sales of DFS and Starboard and LVMH's *Maisons* sales from directly operated travel retail stores.

121 La Samaritaine is a department store owned by LVMH. It has been closed since 2005 and it is currently undergoing renovation.

122 Form CO, footnote 528.

123 Form CO, paragraph 7.135.

124 Form CO, paragraph 7.135.

125 Form CO, paragraph 6.206.

126 Form CO, paragraph 1.10.

(b) Post-Transaction, the Parties will continue to face pressure from established players in the EEA luxury sector, including in the luxury watches and jewellery segment, and the further sub-segment for luxury jewellery, which are highly fragmented and composed of both several international players and numerous independent companies;

(c) The Parties are not particularly close competitors.

(119) In addition, the Notifying Party submits that the Transaction cannot plausibly raise any competitive concerns in branded luxury bridal and engagement jewellery because: (i) the Parties' market shares are low; (ii) the Parties are not particularly close competitors; (iii) the Parties are, and will remain, constrained by the plethora of competitors active across the globe; (iv) barriers to entry are moderate to low; and (v) customers can switch easily to other suppliers.[127]

(120) Regarding the affected markets in the retail sale of fine jewellery and jewellery below EUR 600 in the UK, the Notifying Party submits that a further segmentation of the luxury jewellery segment by price points does not correspond to plausible relevant markets. To LVMH's knowledge, no industry reports provide off-the-shelf share data for jewellery by price points and there are no commonly agreed price points in the industry, including internally at LVMH and Tiffany.[128]

(121) Nevertheless, the Notifying Party submits that competitive concerns can be excluded for each of the four UK hypothetical sub-segmentations because they reflect the same dynamic competition as observed in the luxury jewellery market overall and in the other luxury jewellery segments, such as the segment for branded luxury bridal and engagement jewellery.[129]

(122) Finally, as regards 'premium' jewellery, to the extent that some of LVMH *Maisons'* costume jewellery would qualify as 'premium' jewellery, Tiffany considers that these jewellery items would compete with Tiffany's lower-range products. However, the Notifying Party submits that opening the scope of the market to 'premium' and/or 'fashion' jewellery at the lower-end of the jewellery spectrum would in any event only decrease the Parties' market shares given the larger market volume and higher market fragmentation for these lower-end segments. According to the Notifying Party, this would not have any material impact on the assessment of the Transaction. Furthermore, the Notifying Party argues that there are no grounds to support a segmentation between premium and luxury jewellery. In any event, the Transaction will not give rise to competitive concerns on any of the by-price segmentations considered (with just a limited number of hypothetically affected segments at national level).[130]

5.3.2. The Commission's assessment

(123) As explained further in this Section, the Commission finds that the Transaction does not raise serious doubts as to its compatibility with the internal market in relation to horizontal non-coordinated effects in the production and supply of luxury jewellery,

127 Form CO, paragraph 7.4.
128 Form CO, paragraph 6.217.
129 Form CO, paragraph 6.218.
130 Form CO, paragraphs 6.68 - 6.70.

including branded luxury bridal and engagement jewellery, under any plausible market definition because of the following reasons:

(a) The Transaction will lead to low to moderate market shares and the increment brought about by the Transaction is limited;

(b) While the Parties are considered close competitors in some categories of luxury jewellery, a number of competitors are equally close or even closer to each of the Parties;

(c) There will remain numerous competitors capable of exercising competitive constraint on the merged entity post-Transaction;

(d) Customers will retain a number of alternatives available post-Transaction;

(e) In the past three years, several new competitors entered the market(s) for luxury jewellery in different segments and new players are likely to enter during the next three years;

(f) The market investigation confirmed that the Transaction is unlikely to lead to harmful effects on prices, innovation, choice, and other factors.

(124) **First, the Transaction will lead to low to moderate market shares and the increment brought about by the Transaction is limited**.

(125) The Transaction gives rise to a number of horizontal overlaps in luxury jewellery. However, as can be seen from the market shares presented in Section 5.2, the Parties' combined market shares remain low or moderate and/or the increment brought about by the Transaction is limited under any plausible market definition.

(126) As shown in Table 1, the Transaction does not give rise to affected markets with respect to luxury jewellery in the EEA or worldwide under the following plausible product market definitions: (i) the overall luxury goods market, (ii) the luxury watches and jewellery market, (iii) luxury jewellery market consisting of both branded and unbranded luxury jewellery, (iv) branded luxury jewellery, (v) luxury diamond jewellery, (vi) branded luxury diamond jewellery, or (vii) luxury bridal and engagement jewellery.

(127) As already mentioned in Section 5.2.2, according to the Notifying Party's market share estimates for the last year available (2019), the Transaction gives rise to affected markets with respect to luxury jewellery under the following plausible market definitions:

(a) Retail (including travel retail) sale of branded luxury bridal and engagement jewellery worldwide, where the Parties' combined markets shares amount to **[20-30]%**, with an increment of **[0-5]%** brought about by LVMH;

(b) Brick and mortar retail sale of branded luxury bridal and engagement jewellery worldwide, where the Parties' combined market share amount to **[20-30]%**, with an increment of **[0-5]%** brought about by LVMH;

(c) Retail of jewellery below EUR 600 in the United Kingdom, where the Parties' combined market shares amount to **[30-40]%**, with an increment of **[0-5]%** brought about by LVMH;

(d) Retail of fine jewellery (EUR 5 000 – EUR 50 000) in the United Kingdom, where the Parties' combined market shares amount to **[20-30]%**, with an increment of **[5-10]%** brought about by Tiffany;

(e) Retail of fine jewellery (EUR 5 000 – EUR 10 000) in the United Kingdom, where the Parties' combined market shares amount to **[20-30]%**, with an increment of **[10-20]%** brought about by Tiffany;

(f) Retail of fine jewellery (EUR 10 000 – EUR 25 000) in the United Kingdom, where the Parties' combined market shares amount to **[20-30]%**, with an increment of **[5-10]%** brought about by Tiffany.

(128) Nevertheless, the Parties' market position in the affected markets remains modest and only slightly above the threshold of affected markets (the Parties' combined shares are under [20-30]%) in all but two of the plausible affected markets.

(129) While in retail of jewellery below EUR 600 in the UK the Parties' combined market shares amount to [30-40]%, the increment brought about by the Transaction is only [0-5]% in that potential market.

(130) In brick and mortar retail sale of branded luxury bridal and engagement jewellery worldwide the Partiers' market share are moderate amounting to [20-30]%, with an increment of [0-5]%.

(131) Therefore, the Parties' market shares with respect to luxury jewellery are not indicative of the merged entity holding or gaining market power post-Transaction that could result in a significant impediment of effective competition under any plausible market definition.

(132) **Second, while the Parties are considered close competitors in some categories of luxury jewellery, a number of competitors are equally close or even closer to each Party**.

(133) LVMH's activities in luxury jewellery are mainly carried out through the jewellery *Maisons* that are part of the LVMH group. The LVMH jewellery *Maisons* predominantly active in the production and sale of luxury jewellery include Bulgari, Chaumet, Fred and Repossi. In addition, two of LVMH's fashion brands, namely Louis Vuitton and Christian Dior, also have an offering of luxury jewellery products as part of their product portfolio. However, Louis Vuitton and Christian Dior are fashion brands predominantly focused on the production and sale of luxury fashion and leather goods and accessories[131]

(134) Tiffany's core activity, representing about 92% of its worldwide revenues in 2019, is the production and distribution of luxury jewellery. Tiffany's product portfolio

131 Form CO, paragraph 6.5.

includes bridal and engagement jewellery, jewellery collections, and designer jewellery.[132]

(135) Based on the information provided by the Notifying Party, LVMH and Tiffany's geographic presence seems to be focused on different regions of the world. Tiffany's home territory is the United States, where LVMH has a more limited presence. Tiffany's revenues achieved in Europe represent only c. […]% of its total worldwide revenues.[133] On the other hand, LVMH's sales seem to be focused on Asia and the EEA.[134]

(136) The feedback received during the Commission's market investigation with respect to the competition between LVMH's brands (Bulgari, Chaumet, Fred, Repossi, Louis Vuitton and Christian Dior) and Tiffany in luxury jewellery has been mixed.

(137) While the majority of competitors considers LVMH's brands such as Bulgari, Chaumet, Fred, Repossi, Louis Vuitton and Christian Dior to closely compete with Tiffany,[135] a significant number of customers responding to the Commission's market investigation do not consider LVMH's brands to compete directly with Tiffany in luxury jewellery or they consider them to compete only marginally.[136]

(138) The diverging views are also evident from the comments provided by market participants. One competitor stated that "*They don't compete in the brand positioning clearly differentiating from each other, yet some product offerings, which by nature have little potential for design adaptations may compete (e.g. engagement and bridal offerings – solitaire rings and alliances/wedding bands.*", while another competitor commented: "*Bulgari may be a competitor of Tiffany as far as product's characteristics, segmentation, distribution model and general look and feel are concerned.*" A different competitor considered "*All LVMH brands active in the luxury jewellery market compete with Tiffany. However, 'pure jewellers' (Most notably Bulgari and Chaumet) compete more closely with Tiffany.*"[137]

(139) On the customer side, a customer active in duty free retail explained: "*Tiffany is considered as a fine jewellery brand – therefore no direct competition with luxury Maisons such as Bvlgari or/and Fashion Luxury brands as LV [Louis Vuitton] and CD [Christian Dior].*" However, a different customer active in duty free retail considered that "*Bvlgari, Chaumet, Fred compete with Tiffany on certain categories and price brackets*." In addition, a customer active in retail noted: "*Based on the products in LTR's portfolio, Tiffany competes only marginally with LVMH, because Tiffany's products are overall more affordable (in particular its access range) and do not target the same customers: Tiffany has a US approach to luxury products, that is more demure, less colourful and arty and LVHM's European approach of the same*." On the other hand, another customer active in retail was of the opinion that

132 Form CO, paragraph 6.23.
133 Form CO, paragraph 6.27.
134 Form CO, paragraph 7.10.
135 Questionnaire to competitors, question 31.
136 Questionnaire to customers, question 33.
137 Questionnaire to competitors, question 31.1.

"*Tiffany is the biggest independent player in this category and clearly compete with Bulgari, Chaumet and Fred*."[138]

(140) Moreover, the market investigation revealed that a majority of competitors and customers consider Cartier to be the closest competitor of Tiffany in luxury jewellery and its sub-segments, including in luxury branded jewellery overall, luxury branded diamond jewellery and luxury branded bridal and engagement jewellery.[139] According to the customers and competitors that responded to the Commission's market investigation, the second closest competitor of Tiffany in luxury jewellery would be Van Cleef & Arpels, and according to some competitors, also Harry Winston in luxury branded bridal and engagement jewellery.[140]

(141) As regards the LVMH brands, taken together, Cartier appears to be the closest competitor of LVMH in luxury jewellery according to the competitors and customers that responded to the Commission's market investigation.[141]

(142) More specifically, a majority of competitors consider Cartier to be the closest competitor of Bulgari in luxury jewellery and its sub-segments, followed by Tiffany.[142] From the customers' perspective, Cartier is also the closest and second closest competitor of Bulgari in luxury jewellery and its sub-segments, with the exception of luxury branded bridal and engagement jewellery, where the majority of customers expressing a view considered Tiffany to be the closest competitor of Bulgari.[143]

(143) With respect to LVMH's brand Chaumet, the majority of competitors consider Cartier to be the closest competitor of Chaumet in luxury jewellery and its sub-segments, followed by Tiffany.[144] The majority of customers expressing a view also consider Cartier to be the closest competitor of Chaumet in luxury jewellery, with the exception of luxury branded bridal and engagement jewellery, where the majority of customers expressing a view considered Tiffany to be the closest competitor of Chaumet (and Cartier as number two). In addition, customers view Piaget and Chopard as the number two competitor of Chaumet in some jewellery categories.[145]

(144) Competitors also consider Cartier to be the closest competitor of Fred, and LVMH brand, in luxury jewellery, while Van Cleef & Arpels seems to be the number two competitor of Fred in luxury branded bridal and engagement jewellery according to competitors.[146] The customers' feedback with respect to Fred did not reveal clear results. Brands like Repossi, Cartier and Tiffany seem to be among the top competitors of Fred according to the customers that expressed a view.[147]

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138 Questionnaire to customers, question 33.1.

139 Questionnaire to competitors, question 32; questionnaire to customers, question 34.

140 Questionnaire to competitors, question 32; questionnaire to customers, question 34.

141 Questionnaire to competitors, questions 33.1-33.6; questionnaire to customers, question 35.1-35.6.

142 Questionnaire to competitors, question 33.1.

143 Questionnaire to customers, question 35.1.

144 Questionnaire to competitors, question 33.2.

145 Questionnaire to customers, question 35.2.

146 Questionnaire to competitors, question 33.3.

147 Questionnaire to customers, question 35.3.

(145) As regards LVMH's brand Repossi, competitors view Messika, Cartier and Tiffany among the top two competitors of Repossi, but the overall feedback received was mixed with other brands being considered by different respondents.[148] The feedback from customers did not reveal a single competitor that would be the clear number one competitor of Repossi in luxury jewellery.[149]

(146) The market investigation also seems to have underlined the somewhat different nature of two of LVMH's *Maisons* - Louis Vuitton and Christian Dior – them being luxury fashion houses not predominantly focused on luxury jewellery. It seems that the close competitors of these two brands in luxury jewellery are not only luxury jewellery brands, but also other fashion houses such as Chanel. A significant number of competitors that expressed a view considered Dior, Cartier and Chanel to be the top competitors of Louis Vuitton in luxury jewellery.[150] A significant number of customers thought Chanel, Dior, Bulgari and Tiffany were among the closest competitors of Louis Vuitton in luxury jewellery.[151] As regards Christian Dior, a significant number of competitors that expressed a view considered Chanel, Louis Vuitton, Cartier and Van Cleef & Arpels as the closest competitors of Christian Dior in luxury jewellery.[152] The customers' feedback was less clear, but the majority of customers that expressed a view thought that Chanel, Louis Vuitton, Cartier and Tiffany were among the top close competitors of Christian Dior in luxury jewellery.[153]

(147) The feedback from the market investigation also seems to be in line with market analysts' reports. For instance, as shown in Figure 2 below, the top players in the luxury jewellery segment according to a […] analysis include the players that the respondents to the Commission's investigation identified among the closest competitors of the Parties.

Figure 2 – […] analysis of the top players in the (luxury) jewellery industry

[…]

Source: Notifying Party's submission of 13 December 2019, "[…] ", slide 4.

(148) Finally, for completeness, the feedback from the market investigation suggests that both Tiffany and LVMH brands are significant suppliers of premium (non-luxury) jewellery. The majority of customers and competitors that expressed a view considered the Parties as important suppliers of premium (non-luxury) jewellery.[154] However, a majority of customers that expressed a view did not consider the Parties and their brands to compete in the supply of premium (non-luxury) jewellery.[155] Conversely, a majority of competitors thought the Parties and their brands did compete in premium jewellery.[156] One customer explained: "*The price point of fashion jewellery from Dior etc., i.e. predominantly fashion brands, will sometimes*

148 Questionnaire to competitors, question 33.4.
149 Questionnaire to customers, question 35.4.
150 Questionnaire to competitors, question 33.5.
151 Questionnaire to customers, question 35.5.
152 Questionnaire to competitors, question 33.6
153 Questionnaire to customers, question 35.6.
154 Questionnaire to competitors, question 34.1.2; questionnaire to customers, question 36.1.2.
155 Questionnaire to customers, question 36.1.
156 Questionnaire to competitors, question 34.1.

compete with the entry price point jewellery from Tiffany (e.g. sterling silver jewellery)."[157]

(149) However, taking into account the feedback from the market investigation and the fact that the Parties' combined market shares in jewellery below EUR 600 are limited,[158] it seems that while the Parties both offer jewellery pieces that could be categorized as 'premium', they are unlikely to be considered as close competitors.

(150) Therefore, the Commission's market investigation and the evidence available to it showed that while LVMH's luxury brands and Tiffany are considered to compete closely in some segments of luxury jewellery, a number of competitors are equally close, if not closer, competitors to each Party. In particular, Cartier seems to be the closest competitor of the Parties and brands like Van Cleef & Arpels, Harry Winston, Piaget, Chopard, Chanel and Messika are also considered to be close competitors.

(151) **Third, there will remain numerous competitors capable of exercising a competitive constraint on the merged entity post-Transaction**.

(152) Based on the information provided by the Notifying Party, there are a number of large international luxury groups offering a wide selection of luxury jewellery, as well as numerous independent jewellery houses and artisan boutique jewellers, which may exercise competitive constraint on the merged entity post-Transaction.

(153) The main competitors of the Parties with a portfolio of branded luxury jewellery include the following companies:[159]

(a) Compagnie Financière Richemont SA (Richemont) – one of the leading luxury goods groups globally with luxury jewellery brands such as Cartier, Van Cleef & Arpels, as well as Piaget. Richemont's 2019 revenues from luxury jewellery represented EUR 6.5 billion.

(b) Kering – a French luxury goods group active globally with luxury jewellery brands such as Boucheron, Pomellato and Gucci.

(c) Chopard – privately owned Swiss luxury watches and jewellery manufacturer with a global footprint.

(d) Graff – a British-based luxury jeweller with a global footprint, with a luxury jewellery offerings characterised by the use of diamonds and rare gemstones.

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157 Questionnaire to customers, question 36.1.1.

158 Affected market only arises in the UK, where the Parties' combined share amounts to [30-40]% with an increment of [0-5]% (see Table 2). Under all other plausible geographic market definitions (worldwide, EEA, national), the Parties' combined market shares remain below 10% with a low increment of [0-5]% - [0-5]%. The only exception is Italy, where the Parties' combined market share amounts to [10-20]% with an increment of [0-5]%, yet well below the threshold of an affected market; (source: Annex to the Form CO, Annex RFI 3.2 (Revised Annex RFI1.6 and Annex 6.2) – Parties Sales – Jewelry).

159 Form CO, paragraph 7.24.

(e) De Beers Group – one of the world's leading diamond companies, active in the exploration and sale of diamonds as well as in the production and sale of diamond-based luxury jewellery products.

(f) Harry Winston – an American luxury goods provider that is part of the Swatch Group and offering a portfolio of luxury jewellery characterised by the use of diamonds and gemstones.

(g) Hermès – a French manufacturer of luxury goods with a global footprint and active also in luxury jewellery.

(h) Damiani – an Italian manufacture of luxury jewellery and watches active globally.

(i) Messika – a luxury boutique jeweller founded in 2005 in Paris, which has since expanded internationally.

(j) Asian luxury jewellery groups such as Chow Tai Fook, Lao Feng Xiang, Laomiao, Chow Sang Sang and Luk Fook. However, the activities of these groups seem to be focused on Asia and North America.

(154) The feedback from the Commission's market investigation also suggests that the merged entity will continue facing competition from several competitors active in the production and supply of luxury jewellery. In effect, a majority of competitors responding to the Commission's market investigation view the level of competition in luxury branded jewellery as well as luxury branded diamond jewellery as very competitive. Moreover, a strong majority of competitors consider the luxury branded bridal and engagement jewellery market/segment to be very competitive.[160]

(155) The customers' feedback echoes that of the competitors. A predominant number of customers expressing a view stated that luxury branded jewellery, luxury branded diamond jewellery as well as luxury branded bridal and engagement jewellery are very competitive markets.[161]

(156) The feedback from the market investigation is also in line with market analysts' reports. For instance, according to […], the branded jewellery market is fragmented […].

Figure 3 – […] analysis of market shares of players active in the branded jewellery market

[…]

Source: Notifying Party's submission of 13 December 2019, "[…]", slide 11.

(157) Therefore, the Commission's market investigation and the evidence available to it confirmed that there would remain numerous competitors, including international luxury brands, independent jewellery houses and artisan boutique jewellers that may constrain the merged entity post-Transaction. Moreover, unbranded luxury jewellery producers may also exercise some level of competitive constraint on the merged entity, at least in certain segments.

160 Questionnaire to competitors, question 35.
161 Questionnaire to customers, question 37.

(158) **Fourth, customers will retain a number of alternatives available post-Transaction**.

(159) In its market investigation, the Commission also verified whether the end customers, i.e. consumers, of luxury jewellery would have a sufficient number of comparable alternatives available post-Transaction. The feedback from market participants on this point was very clear. All competitors and an overwhelming majority of customers that expressed a view submitted that consumers would have access to a sufficient number of comparable alternatives of luxury jewellery products to those offered by the Parties post-Transaction.[162]

(160) One competitor explained: *"Consumers of luxury branded jewellery will have a sufficient number of (comparable) alternatives available post-Transaction: (i) [t]he market in which luxury branded jewellery is sold is very fragmented, as such a multitude of brands are, and will remain, available to consumers; (ii) LVMH being a house of brands, and Tiffany being a brand with strong consumer appeal worldwide, it is to be expected that LVMH will retain Tiffany's own brand identity and product development process post-Transaction, and hence will be able to continue delivering quality and innovative products to its consumers*."[163] Another competitor added: "*Other players in the jewellery and watch markets like the brands belonging to the groups Richemont and Kering are able to compete with LVMH."*[164]

(161) In addition, a customer active in department store retail stated: "*There is so much consumer choice across the jewellery and watch sectors, including within the luxury groups - i.e. brands within LVMH and Richemont groups all offer distinct collections for their clients, despite being within the same overall group*."[165] In effect, different sources converge to also highlight the competitive nature of the relationships between brands belonging to the same group.[166]

(162) Therefore, based on the results of the Commission's market investigation, consumers will likely retain access to a sufficient number of comparable alternatives post-Transaction.

(163) **Fifth, in the past three years, several new competitors entered the market(s) for luxury jewellery in different segments and new players are likely to enter over the next three years**.

(164) As regards barriers to entry, the majority of competitors that expressed a view consider there to be moderate barriers to entry or expansion in branded luxury jewellery.[167]

(165) As one competitor explained: "*There are two main difficulties: [(i)] [t]he know how needed to be acquired in order to manufacture internally the products. Nevertheless, as already indicated contract manufacturing is always available (with the*

162 Questionnaire to competitors, question 36; questionnaire to customers, question 38.
163 Questionnaire to competitors, question 36.1.
164 Questionnaire to competitors, question 36.1.
165 Questionnaire to customers, question 38.1.
166 See, e.g., Form CO, paragraph 7.63 and minutes of a call with a customer, 13 October 2020.
167 Questionnaire to competitors, question 38.

constraints identified […]); [(ii)] [t]he brand image and notoriety in order to be perceived as a luxury player."[168]

(166) A different competitor noted that "*[…] it is difficult for a supplier to enter/expand into the luxury branded jewellery market. It is a long-term strategy that requires time and investment. […] luxury jewellery require notably technicality, experts and know-how.*"[169]

(167) On the other hand, another competitor's view was that the barriers to entry in general were low, but the barriers to expand and grow globally remained relatively high: "*Barriers to enter into the luxury branded jewellery sector are generally low – and have become even lower with the increase of e-commerce, digital marketing and social media. However, barriers to expand and grow globally remain relatively high, such as: [(i)] [b]uilding a strong brand equity – this takes time and investment behind communication and promotion; [(ii)] [d]eveloping a presence at retail, in the right locations, through own stores or through franchise, and wholesale distribution; [(iii)] [b]uilding an international presence, either through physical store locations, websites or both; [(iv)] [h]aving access to the right raw materials and product development capabilities with global and aspirational appeal*."[170]

(168) From a customer perspective, however, the barriers to entry are high. An overwhelming majority of those expressing a view consider there to be high barriers to entry or expansion in branded luxury jewellery.[171]

(169) A customer active in duty free retail noted that "*history, brand recognition, craftsmanship, retail network and available capital*" are the pre-requisites necessary for a company to establish itself in the branded luxury jewellery market.[172] Another customer commented: "*[d]epending [on] the brand history for each segment a certain legitimacy needs to be developed and this can take decades*."[173]

(170) Nevertheless, despite the perception of moderate to high barriers of entry or expansion to the branded luxury jewellery market, an overwhelming majority of both customers and competitors responding to the Commission's market investigation confirmed that there has been an entry of new suppliers in branded luxury jewellery over the last three years.[174]

(171) One competitor provided an extensive list of recent entrants into luxury branded jewellery, luxury branded diamond jewellery and luxury branded bridal and engagement jewellery, including CELINE, KOVA Jewels, Maison Dauphin, Dolce & Gabbana, Gucci, Vashi, Milamore, Prounis, Katkim, Maison coco and Auverture.[175]

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168 Questionnaire to competitors, question 38.1.

169 Questionnaire to competitors, question 38.1.

170 Questionnaire to competitors, question 38.1.

171 Questionnaire to customers, question 40.

172 Questionnaire to customers, question 40.1.

173 Questionnaire to customers, question 40.1.

174 Questionnaire to competitors, question 39; questionnaire to customers, question 41.

175 Questionnaire to competitors, question 39.1.

(172) According to another competitor, Prada, Gucci and Giorgio Armani also entered the luxury jewellery segment (including diamond jewellery) in the last three years.[176]

(173) Customers also identified a number of new entrants in luxury jewellery, mainly Messika, Gucci, and Maria Tash. One customer active in department store retail noted that they have stocked a number of new brands over the last three years, such as Fred and Eera in luxury jewellery.[177]

(174) As regards expected entry of new suppliers in luxury jewellery, an overwhelming majority of customers as well as competitors are of the view that there will be new suppliers entering the branded luxury jewellery market over the next three years. Similarly, a majority of competitors expect an entry of new suppliers in the luxury branded diamond jewellery as well as the luxury branded bridal and engagement jewellery. The majority of customers also expect entry of new suppliers in the luxury branded bridal and engagement jewellery segment in the next three years.[178]

(175) One competitor explained: "*Certain consumers of luxury jewellery increasingly prefer personalization, customization, distinctiveness and a closer relationship with the jeweller. Given the accessibility of social media and online channel distribution, barriers to entry for luxury jewellery are lower. As such, and given the highly competitive nature of luxury retail, [the company] anticipates that there will be new suppliers in each of the three categories crossed above in the next three years. In addition, fashion brands that already have a fashion jewellery offer will likely extend their range to fine jewellery. However, [the company] is currently unable to specifically identify new entrants*."[179]

(176) A customer active in department store retail noted: "*Based again on [the company] only, we anticipate that additions will be made in luxury jewellery, whereas the watches and diamond/bridal jewellery portfolios are more established and unlikely to change*."[180]

(177) Thus, even though the market participants view the barriers to entry and expansion to be moderate to high, there is evidence that several new players did enter the luxury jewellery market in the last three years and that more players are expected to enter in the course of the next three years.

(178) Therefore, in addition to being constrained by competitors already active in the luxury jewellery industry today, the merged entity is also likely to face competition from recent new entrants and additional new players expected to enter the market in the next three years.

(179) **Sixth, the market investigation confirmed that the Transaction is unlikely to lead to harmful effects on prices, innovation, choice, and other factors**.

(180) As regards the potential impact of the Transaction in the EEA or a particular Member State, market participants expect the Transaction to have a neutral impact as

176 Questionnaire to competitors, question 39.1.
177 Questionnaire to customers, question 41.1.
178 Questionnaire to competitors, question 40; questionnaire to customers, question 42.
179 Questionnaire to competitors, question 40.1.
180 Questionnaire to customers, question 42.1.

regards the prices, quality, choice and innovation in the branded luxury jewellery market and its sub-segments.

(181) More specifically, an overwhelming majority of competitors see the potential impact on prices of branded luxury jewellery as neutral, and a majority of competitors expect a neutral impact also on quality, choice and innovation in branded luxury jewellery.[181] One competitor noted that the Transaction "*will in any case not affect (or only marginally) the EEA market for luxury branded jewellery which will remain highly competitive post-transaction*."[182]

(182) Customers echo the same view. An overwhelming majority of customers that expressed a view expect a neutral impact on prices and quality of branded luxury jewellery and a majority of customer respondents who expressed a view also view the potential impact on choice and innovation in branded luxury jewellery as neutral.[183]

(183) Moreover, a majority of competitors and a majority of customers also do not expect the Transaction to have any impact on their company regarding the procurement and sale (customers), and production and supply (competitors) of luxury goods, including luxury jewellery.[184]

(184) On balance, the market investigation confirmed that the impact of the Transaction on branded luxury jewellery market(s) in the EEA and the Member States will be neutral. Moreover, the majority of competitors and customers do not expect the Transaction to have an impact on their company's business in luxury goods, including luxury jewellery. Therefore, the majority of market participants do not think the Transaction would lead to a negative impact as regards prices, quality, choice, and innovation with respect to luxury jewellery. In fact, some market participants expect an increase in innovation, choice and quality of luxury jewellery post-Transaction.

(185) **Finally, the assessment set forth in this Section 5.3.2 also applies to the plausible affected markets in the UK**.

(186) As regards the plausible affected markets in the UK listed in paragraph (127), the market investigation did not reveal evidence suggesting that the competitive conditions in the UK are appreciably different from the rest of Europe or the EEA.

(187) In the first place, the market investigation showed that a majority of competitors and customers considered the competitive conditions in terms of suppliers, brands, prices and other factors to be generally the same across the world.[185] A UK-based customer explained: "*Luxury brands tend to operate globally and therefore generally align their prices globally, so there is parity across different markets, given the international nature of the luxury consumer. Whilst there may be minor trend*

181 Questionnaire to competitors, question 52.
182 Questionnaire to competitors, question 52.1.
183 Questionnaire to customers, question 54.
184 Questionnaire to competitors, question 50; questionnaire to customers, question 52.
185 Questionnaire to competitors, question 23; questionnaire to customers, question 25.

differences by market, luxury brands tend to create homogeneity of range across all markets."[186]

(188) In the second place, a majority of competitors and customers did not observe different consumer preferences regarding luxury jewellery across countries within the EEA, including the UK.[187] As one competitor explained: "*In contrast with world regions, it is difficult to identify different consumer preferences across countries within the EEA.*"[188]

(189) In the third place, the combined market shares of the Parties in the UK in the various affected price segments do not suggest that the Transaction will enable the Parties to gain or strengthen market power (combined market shares of the Parties are only slightly above 20%, each Party having about [10-20]% in each of the segments except for jewellery under EUR 600, where the combined market share of the Parties is [30-40]%, but with a small increment of [0-5]%). On the contrary, market shares suggest that between [70-80]-[80-90]% of the respective segments is covered by the offering of other players. Thus, the merged entity will be constrained in the UK by other luxury jewellery suppliers, including large international groups, local players, as well as independent artisan jewellers.

(190) In the fourth place, UK-based customers confirmed that a sufficient number of comparable alternative luxury jewellery suppliers would remain available to consumers post-Transaction. One UK-based customer stated: "*There is so much consumer choice across the jewellery and watch sectors, including within the luxury groups - i.e. brands within LVMH and Richemont groups all offer distinct collections for their clients, despite being within the same overall group*.", while another UK-based customer commented: "*We believe that the market will remain competitive.*"[189]

(191) Moreover, UK department stores also seem to add new brands to their portfolio of luxury jewellery as new players enter the market. One department store active in the UK explained: "*Specifically in relation to new brands that we have stocked at [the company] over the last three years, we have introduced small new brands into […] the luxury jewellery department, including FRED and Eera*."[190] UK customers also expect the entry of new players in the next three years. One department store explained: "*[…] we anticipate that additions will be made in luxury jewellery […].*"[191]

(192) Finally, as regards the potential impact of the Transaction in the EEA or a particular Member State, including the UK as a former Member State, the market participants expect the Transaction to have a neutral impact as regards the prices, quality, choice and innovation in the branded luxury jewellery market and its sub-segments.[192] None of the respondents singled out the UK as a country where the Transaction could have a negative impact.

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186 Questionnaire to customers, question 25.1.

187 Questionnaire to competitors, question 28.2; questionnaire to customers, question 30.2.

188 Questionnaire to competitors, question 28.2.

189 Questionnaire to customers, question 38.1.

190 Questionnaire to customers, question 41.1.

191 Questionnaire to customers, question 42 and 42.1.

192 Questionnaire to competitors, question 52; questionnaire to customers, question 54.

5.3.3. *Conclusion on horizontal non-coordinated effects*

(193) Based on the considerations presented in paragraphs (92) - (96), (109) - (110), (123) - (192) and in view of the results of the market investigation and of all evidence available to it, the Commission considers that the Transaction under any plausible market definition is unlikely to significantly impede effective competition in the internal market or in the EEA, in particular as a result of the creation or strengthening of a dominant position, with respect to horizontal non-coordinated effects under any plausible market definition.

5.4. Horizontal coordinated effects

5.4.1. *The Notifying Party's view*

(194) The Notifying Party submits that the Transaction will not give rise to coordinated effects in the branded luxury jewellery market due to the following reasons.

(195) First, according to the Notifying Party, there is no evidence of coordination currently at play in the luxury jewellery segment. At the outset, LVMH does not currently enable coordination of its own *Maisons* selling luxury jewellery. If such coordination was possible and profitable, LVMH would have every incentive to ensure such coordination within LVMH. The fact that it does not highlights the lack of incentives to coordinate in the luxury jewellery segment.[193]

(196) Second, the Notifying Party argues that there is no evidence that Tiffany plays a significant role in disrupting potential coordination between LVMH and other large competitors such as, e.g., Richemont currently, such that its removal as a stand-alone competitor would allow coordinated effects to arise.[194]

(197) Third, the Notifying Party submits that the luxury jewellery segment is not prone to coordination as it is characterised by low concentration, a high number of asymmetric competitors, strong competition across many non-price factors. The Transaction will not change any of these features of the luxury jewellery segment.[195]

(198) Fourth, according to the Notifying Party, post-Transaction, large luxury jewellery groups will continue to be heavily constrained by the broad range of branded and unbranded luxury jewellery competitors.[196]

(199) Fifth, according to the Notifying Party, post-Transaction, the substantial heterogeneity in the product offerings across luxury jewellery firms, along with very low levels of price transparency and substantial competition across a number of non-price dimensions would render any attempt to monitor a coordinated outcome impossible.[197]

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193 Form CO, paragraph 7.131.
194 Form CO, paragraph 7.131.
195 Form CO, paragraph 7.131.
196 Form CO, paragraph 7.131.
197 Form CO, paragraph 7.131.

(200) Sixth, the Notifying Party submits that post-Transaction, deviation from a hypothetical coordinated outcome would be profitable and any punishment for such deviation would cause substantial long-term harm to the retaliating firm.[198]

5.4.2. The Commission's assessment of horizontal coordinated effects

(201) The Commission finds that the Transaction does not raise serious doubts in relation to coordinated effects because of the following reasons.

(202) First, the Commission did not come across evidence of existing coordination in luxury jewellery pre-Transaction.

(203) Second, the increment brought about by the Transaction in luxury jewellery and its sub-segments does not seem to suggest that the structure of the market would change to an appreciable extent as a result of the Transaction, so as to change the incentives of LVMH. A customer responding to the Commission's market investigation noted that LVMH had not engaged in coordination following their (numerous) past acquisitions. Therefore, that customer does not expect the current Transaction to enable or facilitate upward pricing coordination.[199]

(204) Third, the luxury jewellery market consists of differentiated products where, in addition to different prices, the products also differ in their characteristics, precious metals and stones used, quality, design, as well as brand image. As explained by a competitor, "*[p]ricing for luxury branded jewellery lies in the emotional value that the product has for the consumer, mostly a factor of the brand equity and image built up over time.*"[200] As acknowledged by the Horizontal Merger Guidelines, reaching the terms of coordination in differentiated product markets is more difficult than in markets with homogeneous products.[201]

(205) Fourth, the market investigation showed that while customers consider retail prices to be transparent in the luxury branded jewellery industry, competitors' view is more nuanced.[202] One competitor explained: "*Retail prices are fairly transparent, especially with the development of e-commerce. Wholesale prices are not transparent as they are only known by the brand and its customer(s).*"[203]Moreover, even with respect to retail prices of luxury jewellery, one competitor noted that "*many times, prices are communicated upon request only to potential customers*" and another competitor added that prices are transparent for "*product categories with comparable and generic design, not for unique design collections.*"[204]

(206) In addition, an overwhelming majority of customers expressing a view do not consider there to be pricing benchmarks/reference points used by suppliers across the luxury branded jewellery industry.[205] The competitor's feedback was less clear, but one competitor noted "*The prices of precious metals and stones used to manufacture*

198 Form CO, paragraph 7.131.
199 Questionnaire to customers, question 47.1.
200 Questionnaire to competitors, question 45.1.
201 Horizontal Merger Guidelines, paragraph 45.
202 Questionnaire to customers, question 46; questionnaire to competitors, question 44.
203 Questionnaire to competitors, question 44.1.
204 Questionnaire to competitors, question 44.1.
205 Questionnaire to customers, question 45.

luxury jewellery constitute obvious reference points for the pricing of jewellery pieces."[206]

(207) Finally, an overwhelming majority of customers and competitors expressing a view in response to the market investigation dismissed the possibility that the Transaction could change the structure of the luxury branded jewellery industry so as to enable or facilitate upward pricing coordination between (the main) suppliers.[207]

5.4.3. Conclusion on horizontal coordinated effects

(208) Based on the considerations presented in paragraphs (201) - (207) and in light of the results of the market investigation and of all evidence available to it, the Commission considers that, the Transaction is unlikely to significantly impede effective competition in the internal market or in the EEA, in particular as a result of the creation or strengthening of a dominant position, with respect to horizontal coordinated effects under any plausible market definition.

5.5. Non-horizontal effects

(209) As stated in Section 5.2.3 (Non-horizontal overlaps), the Transaction gives rise to limited vertical relations between LVMH's retail activities (travel retail and department stores) and Tiffany's manufacture and wholesale supply of luxury jewellery and watches, in particular. Based on the market shares submitted by the Parties and discussed in Section 5.2.4, none of these relations gives rise to affected markets.

(210) Nonetheless, LVMH is one of the worldwide leaders in the supply of luxury goods overall, including watches and jewellery, with renowned brands such as Bulgari, Fred, Chaumet, Repossi, TAG Heuer, Zenith, Hublot, Louis Vuitton and Christian Dior. Moreover, the Transaction will enable LVMH to acquire an additional sizeable and iconic independent jewellery brand. Hence, the merged entity will control a large portfolio of successful and sought after luxury brands translating into a significant market position, especially towards certain intermediate customer groups including, *e.g.*, independent retailers such as department stores.[208]

5.5.1. The Notifying Party's view

(211) The Notifying Party submits that the merged entity will have no ability to engage in input foreclosure.[209] Tiffany represents a limited share of sales of luxury goods overall and luxury jewellery in particular, with shares below [10-20]% globally and in the EEA. Moreover, there are numerous other players, e.g. Richemont and Kering, to which retailers could turn to if the Notifying Party were to foreclose access to Tiffany products. The Notifying Party further submits that is has no incentive to engage in input foreclosure – on the contrary, LVMH will be incentivised to grow

206 Questionnaire to competitors, question 43.

207 Questionnaire to competitors, question 45; questionnaire to customers, question 47.

208 In its response to the pre-notification Request for Information 3 of 28 August 2020, the Notifying Party submitted that '*[...].*' However, the Commission has collected data from a number of department stores pointing to shares of sales by LVMH and Tiffany that are materially higher than their overall market share.

209 Form CO, paragraph 7.136.

the successful and profitable Tiffany business, including through sales to competing retails (as it is the case for other LVMH brands).

(212) Likewise, the Notifying Party submits that the merged entity will have no ability or incentive to engage in customer foreclosure.[210] The fact that LVMH may potentially purchase more Tiffany products will not restrict competing luxury companies' access to an important customer, pushing them out from the retail segment. LVMH's sales of third party luxury jewellery at the retail level, amounting to around EUR […] globally and EUR […] in the EEA, represent less than [0-5]% of the total luxury jewellery segment size globally, and less than [0-5]% in the EEA. Thus, LVMH does not constitute an essential route to market for suppliers of luxury jewellery, whether globally or in the EEA.

(213) In addition, LVMH submits that it would have no incentive to foreclose its upstream or downstream competitors post-merger because the presence of multiple competing products/brands at independent retailer points of sales is a factor contributing to its own sales as it ensures consumer attractiveness and generates traffic.[211] In that respect, LVMH represents that its department store Le Bon Marché offers a large selection of non-LVMH brands, with around […]% of Le Bon Marché's luxury jewellery revenue in 2019 originating from non-LVMH brands. Moreover, the increment brought about by the Transaction is small and Tiffany is not a must have product in the offering of department stores.

(214) Finally, the Notifying Party submits that there is no scope for any conglomerate concerns resulting from the Transaction because the Parties' products are substitutable with, not complementary to, one another, LVMH would not have the ability or incentive to bundle or tie products, and LVMH has no history of implementing bundling or tying strategies.[212]

5.5.2. The Commission's assessment

(215) Over the course of the market investigation, the Commission investigated in particular possible non-horizontal effects arising from deteriorations in supply conditions of LVMH's brands (including Tiffany) to competing retailers and a related risk of LVMH leveraging the strength of its brand portfolio in, *e.g.*, negotiating commission rates and brand positioning.

(216) Concerns emerged over the course of the market investigation about a risk of foreclosure arising from LVMH's increased market position and a possible change in incentives towards independent retailers, as follows:[213]

(a) the proposed acquisition will further strengthen LVMH's position and affect independent retailers' ability to freely decide on the brand offering available in their retail stores due to the centralisation of price and assortment negotiations, including beyond the jewellery/watches category, leading to an

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210 Form CO, paragraph 7.137.

211 Form CO, paragraph 7.155.

212 Form CO, paragraphs 7.148 – 7.170.

213 Non-confidential version of the observations submitted by an independent retailer on 28 August 2020. Non-confidential version of the minutes of a call of 1 September 2020 with this independent retailer.

overrepresentation of LVMH brands to the detriment of independent houses and a corollary limitation of customer choice; and

(b) a weakening of independent retailers' competitive position vis-à-vis LVMH retail arm due to pressures exercised at the level of the financial conditions available from LVMH for the supply of luxury jewellery and other luxury products, enabled by exchanges of information among LVMH supply and retail businesses and centralised negotiations across brands.

(217) The remainder of this section assesses successively the ability and incentives of LVMH to engage into such foreclosure strategies, and the likely effects thereof.

(218) At the outset, however, the results of the market investigation reveal that, for an overwhelming majority of responding customers, the Transaction will not give LVMH the ability and incentive to restrict competing retailers' access to Tiffany and other LVMH luxury branded jewellery products.[214] Likewise, a majority of consumers considers that the Transaction will not give LVMH the ability and incentive to condition/bundle the supply of products of certain of its other luxury brands to/with the supply of Tiffany products towards, e.g., retail distribution customers.[215] Hence, at least at a general level, the outcome of the market investigation does not point to a significant risk of non-horizontal effects.

5.5.2.1. Ability to foreclose

(219) In spite of the merged entity's relatively modest market position in all plausible luxury goods and luxury jewellery markets, as apparent from the overall limited number of horizontally affected markets, as well as its limited presence in retail distribution, a majority of both customers and competitors who responded to the Commission's market investigation finds that LVMH does derive a competitive advantage due to its large portfolio of luxury brands,[216], notably in terms of brand management and negotiating power vis-à-vis third parties, including independent retailers.[217]

(220) For instance, one customer points that through successive brand acquisitions, LVMH has been increasing its commercial weight, which it can later benefit from.[218] Another customer explains that its brand portfolio '*could give LVMH a preference for the best locations in department stores for example*'.[219] Similarly, competitors also mention advantages in the form of, e.g., greater negotiating power and point to benefits relating to '*scouting of best locations in shopping malls*'.[220] Overall, the Commission notes that statements conveying concerns gathered over the course of the market investigation have originated mainly from either department stores or independent brands (brands not belonging to any group).

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214 Questionnaire to customers, question 48.

215 Questionnaire to customers, question 51.

216 Questionnaire to customers, question 50 and Questionnaire to competitors, question 48.

217 Questionnaire to customers, question 50.1 and Questionnaire to competitors, question 48.1.

218 Non-confidential version of the minutes of a call of 13 October 2020 with a department stores group.

219 Questionnaire to customers, question 50.1.

220 Questionnaire to competitors, question 48.1.

(221) However, in practice, it is unclear whether these concerns are current or likely to materialise. In particular, independent retailers that expressed concerns generally acknowledge that negotiations with LVMH are, in normal circumstances, undertaken at the level of each *Maison* or brand.[221] Conversely, instances of cross-branding strategies appear to have been relatively limited up until now and it is unclear whether and to what extent the Transaction is likely to materially modify this reality, in particular given Tiffany's market position in the EEA. Moreover, data collected over the course of the market investigation indicates that, in spite of the group's size and important brand portfolio, commission rates secured by LVMH luxury jewellery brands with department stores are not particularly advantageous.[222] In contrast, the data tends to demonstrate that particularly prestigious and exclusive independent brands are capable of securing equally favourable commercial conditions from retailers, including from LVMH retail businesses.[223]

(222) In line with these observations, several submissions of the Notifying Party state that the independence of its brands or *Maisons* lays at the heart of LVMH's corporate philosophy[224] and that the group's '*operating model* [is] *based in particular on an agile decentralized organization which allows and guarantees that each of its Maisons stays autonomous and which favours competition between them.*'[225] In particular, LVMH's Universal Registration Document states that '[t]*he structure and operating principles adopted by LVMH ensure that Maisons are both autonomous and responsive. As a result, they are able to build close relationships with their customers, make fast, effective and appropriate decisions, and motivate Group employees for the long term by encouraging them to take an entrepreneurial approach.*'[226] Further, '[t]*he commercial, distribution, marketing, and other strategic decisions of each Maison are defined and implemented at the Maison level*'.[227]

(223) According to the Notifying Party's submissions, the group-level involvement is limited to generating synergies, which '*aim at giving each Maison the means to support their autonomous development.*'[228] These synergies relate to '*[…]*'.[229] Importantly, '*none of the synergies created at Group level involve the LVMH Group*

221 Non-confidential version of the observations submitted by an independent retailer on 28 August 2020. Non-confidential version of the minutes of a call of 1 September 2020 with this independent retailer. Non-confidential version of the minutes of a call of 13 October 2020 with a department stores group.

222 Reply to the Request for Information of 7 October of an independent retailer; Non-confidential version of the minutes of a call of 13 October 2020 with a department stores group.

223 Reply to the Request for Information 3 of 25 September 2020; Reply to the Request for Information of 7 October of an independent retailer; Non-confidential version of the minutes of a call of 13 October 2020 with a department stores group.

224 Form CO, paragraph 7.151, Reply to the Request for Information 3 of 25 September 2020 and Supplementary Paper for the European Commission submitted by the Notifying Party on 13 October 2020.

225 Supplementary Paper for the European Commission submitted by the Notifying Party on 13 October 2020, paragraph 2.1.

226 Supplementary Paper for the European Commission submitted by the Notifying Party on 13 October 2020, paragraph 2.2.

227 Reply to the Request for Information 3 of 25 September 2020, paragraph 1.4.

228 Supplementary Paper for the European Commission submitted by the Notifying Party on 13 October 2020, paragraph 2.5.

229 Supplementary Paper for the European Commission submitted by the Notifying Party on 13 October 2020, paragraph 2.5

defining or influencing the Maisons' commercial, distribution, and marketing (including retail) strategies.'[230]

(224) In addition, the Notifying Party explains that the aforementioned independence and autonomy of brands within the LVMH group also apply to its retail activities and the latter's relations with the *Maisons*. In its submissions, LVMH confirms that '*there is no scope for the exchange of confidential information between LVMH's selective distribution businesses and the Maisons engaged in the design, production, and sale of luxury goods*',[231] with such exchanges being contractually prohibited. The Notifying Party further submits that also for its own retail activities '[n]*egotiations with the Maisons on terms and conditions are (...) made at arms' length*'.[232]

(225) The operational autonomy of the different LVMH brands is confirmed by several market participants, including a travel retailer,[233] a department stores group,[234] as well as a competing luxury brands group.[235] It appears moreover corroborated by data on the different commission rates negotiated by LVMH individual brands with different retailers. Even LVMH's own department store, Le Bon Marché, applies different commission rates to individual LVMH brands.[236] Thus, as illustrated by the example of Bulgari developed in Table 4 - Current commission rates negotiated by Bulgari with department stores in the EEA, individual LVMH brands enjoy different commercial conditions in dealings with different retailers, without the conditions offered by Le Bon Marché automatically being the most favourable ones.

Table 4 - Current commission rates negotiated by Bulgari with department stores in the EEA[237]

[…]

(226) Finally, over the course of the market investigation, LVMH produced a recent internal group communication reflecting its commitment to a decentralised organisational model, referred to as '*one of the key pillars of the LVMH Group business philosophy*', and the operational independence of each *Maison*, '*in particular with regards to their product, distribution, commercial and marketing strategy, so that each one can make the choices they feel right for their business*.'[238] That communication also restated the relevant rules prohibiting the exchange of *'product development, communication or commercially sensitive information between the Maisons',* including '*in particular absence of sharing of commercially sensitive information between LVMH's selective retailing Maisons and the other LVMH Maisons*.'[239] It further reiterates the requirements applicable to these selective

230 Supplementary Paper for the European Commission submitted by the Notifying Party on 13 October 2020, paragraph 2.7.
231 Supplementary Paper for the European Commission submitted by the Notifying Party on 13 October 2020, paragraph 1.1.
232 Reply to the Request for Information 3 of 25 September 2020, paragraph 5.2.
233 Non-confidential minutes of the call of 29 June 2020 with a travel retailer.
234 Non-confidential minutes of the call of 13 October 2020 with a department stores group.
235 Questionnaire to competitors, question 49.1
236 Reply to the Request for Information 3 of 25 September 2020, paragraph 4.6 (e.g., […]% for Celine and […]% for Louis Vuitton).
237 Reply to the Request for Information 3 of 25 September 2020, paragraph 5.4.
238 See Annex to email from LVMH counsel, 15 October 2020.
239 Ibid.

retailing businesses to preserve the confidentiality of commercially sensitive information of non-group clients and to ensure the arms' length nature of negotiations with LVMH's *Maisons*.

5.5.2.2. Incentives to foreclose

(227) The Notifying Party submits that its decentralised operational model founded upon independence and autonomy of individual *Maisons* does not result from *'any legal or internal restraint, but because LVMH is convinced that this is the most optimal way to structure its operations.'*[240]

(228) This lack of incentive for the Notifying Party to move towards centralisation and leverage its group strength is further corroborated by the results of the Commission's market investigation. In particular, as stated in paragraph (218), responding customers see no incentive for LVMH to restrict competing retailers' access to Tiffany and other LVMH luxury branded jewellery products post-Transaction[241] or to condition/bundle the supply of products of certain of its other luxury brands to/with the supply of Tiffany products towards e.g. retail distribution customers.[242]

(229) For instance, when asked about the risk of bundling/tying, one customer states that '*LVMH already owns a strong portfolio of brands and does not apply this strategy*.'[243] Considering the modest presence of Tiffany in Europe, including in terms of sales to independent retailers, the Transition is unlikely to change LVMH's incentives and thus alter its current policies.

(230) Similarly, one competitor, while acknowledging a potential ability of LVMH to implement bundling/tying strategies and impossibility of excluding a future change in its behaviour, notes that '*LVMH will not have an incentive to do so, due to the independent strength of each of its brands.*'[244]

(231) Furthermore, one department stores group also confirms that in normal market conditions, maintenance of independence of brands is the strategy that is the most beneficial for all parties, i.e. groups, brands and retailers.[245] Importantly, this department stores group further reports that it does not consider the Transaction to endanger its business model, consisting of providing brands with a sales platform that is considerably less costly than an own retail network.[246] Another department stores group also adds that its flagship store is '*one of the most productive (in terms of turnover per square meter) point of sales worldwide for certain brands and a very attractive one in terms of brand positioning and image*'.[247]

(232) As for the customer foreclosure concerns, the Notifying Party submits that '*LVMH's selective retailers would have no incentive to favour LVMH's Maisons as this would undermine their business model which is to present an offer which includes an as*

240 Supplementary Paper for the European Commission submitted by the Notifying Party on 13 October 2020, paragraph 2.9.

241 Questionnaire to consumers, question 48.

242 Questionnaire to consumers, question 51.

243 Questionnaire to consumers, question 51.1.

244 Questionnaire to competitors, question 49.1.

245 Non-confidential version of the minutes of a call of 13 October 2020 with a department stores group.

246 Ibid.

247 Non-confidential version of the minutes of a call of 1 September 2020 with an independent retailer.

large as possible portfolio of luxury brands with a view to increase their legitimacy, traffic drivers and attractiveness.'[248]

(233) The lack of incentive to limit the range of brands offered by its selective retailing *Maisons* is also reflected in the data submitted by the Notifying Party, demonstrating that the majority of LVMH's own retail businesses' revenues are generated from non-LVMH products.

Table 5 - Selective Retailing *Maisons*' % of revenue from non-LVMH products[249]

Geography	Maison	Product Category	Revenue % from Non-LVMH Products
WORLDWIDE	DFS	TOTAL	[…]
WORLDWIDE	DFS	FASHION + LEATHER GOODS	[…]
WORLDWIDE	DFS	HOME	[…]
WORLDWIDE	DFS	PERFUMES + COSMETICS	[…]
WORLDWIDE	DFS	WATCHES + JEWELLERY	[…]
EEA	LE BON MARCHE	TOTAL	[…]
EEA	LE BON MARCHE	FASHION + LEATHER GOODS	[…]
EEA	LE BON MARCHE	HOME	[…]
EEA	LE BON MARCHE	PERFUMES + COSMETICS	[…]
EEA	LE BON MARCHE	WATCHES + JEWELLERY	[…]
EEA	DFS	TOTAL	[…]
EEA	DFS	FASHION + LEATHER GOODS	[…]
EEA	DFS	HOME	[…]
EEA	DFS	PERFUMES + COSMETICS	[…]
EEA	DFS	WATCHES + JEWELLERY	[…]

Source:LVMH

5.5.2.3. Effects on competition

(234) While based on the considerations developed in Sections 5.5.2.1 and 5.5.2.2, the merged entity will have limited ability and incentive to engage in foreclosure strategies, such conduct is unlikely to have material effects on competition due to its limited share of sales through department stores and other intermediary customers and to the fragmented nature of the industry, as pointed above in the section 5.3 on horizontal non-coordinated effects.

5.5.3. Conclusion on non-horizontal effects

(235) Based on the considerations set out in Section 5.5.2 and in view of the results of the market investigation and all evidence available to it, the Commission considers that, on balance, the Transaction is unlikely to significantly impede effective competition in the internal market or in the EEA, in particular as a result of the creation or strengthening of a dominant position, with respect to non-horizontal effects.

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248 Supplementary Paper for the European Commission submitted by the Notifying Party on 13 October 2020, paragraph 1.1.

249 Supplementary Paper for the European Commission submitted by the Notifying Party on 13 October 2020, paragraph 3.17.

6. CONCLUSION

(236) 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 EEA Agreement. This decision is adopted in application of Article 6(1)(b) of the Merger Regulation and Article 57 of the EEA Agreement.

For the Commission

(Signed)
Margrethe VESTAGER
Executive Vice-President