



EUROPEAN COMMISSION
DG Competition

Case M.11288 - TAPESTRY / CAPRI

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

Article 6(1)(b) NON-OPPOSITION
Date: 15/04/2024

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EUROPEAN COMMISSION

Brussels, 15.4.2024
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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 Where possible the information omitted has been replaced by ranges of figures or a general description.

Tapestry, Inc.
10 Hudson Yards
NY 10001 New York
United States of America

Subject: Case M.11288 – TAPESTRY / CAPRI
Commission decision pursuant to Article 6(1)(b) of Council Regulation No 139/2004¹ and Article 57 of the Agreement on the European Economic Area²

Dear Sir or Madam,

- (1) On 6 March 2024, the European Commission received notification of a proposed concentration pursuant to Article 4 of the Merger Regulation by which Tapestry, Inc. (“**Tapestry**” or the “**Notifying Party**”, United States) acquires, within the meaning of Article 3(1)(b) of the Merger Regulation, sole control of the whole of Capri Holdings Limited (“**Capri**”, United Kingdom) (the “**Transaction**”). The Transaction is accomplished by way of purchase of shares. Tapestry and Capri are hereinafter referred to as the “**Parties**” or post-Transaction, the “**Merged Entity**”.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 OJ C, C/2024/2185, 14.3.2024.

1. THE PARTIES

- (2) **Tapestry** is a publicly listed company headquartered in New York, United States of America. Tapestry is a luxury fashion group consisting of the brands Coach, Kate Spade New York (“**Kate Spade**”) and Stuart Weitzman. Products sold under Tapestry’s brands include bags, small leather goods (“**SLGs**”), clothing, shoes, and accessories such as watches, sunglasses, jewellery and fragrances.
- (3) **Capri** is a publicly listed company headquartered in London, United Kingdom. Capri is a luxury fashion group that designs and manufactures luxury fashion products, including apparel, footwear and accessories such as bags and SLGs. Capri’s portfolio consists of the following three brands: Versace, Jimmy Choo and Michael Kors.

2. THE CONCENTRATION

- (4) On 10 August 2023, the Parties entered into an agreement and plan of merger (the “**Agreement**”), pursuant to which Tapestry will acquire the entire share of capital of Capri, representing 100% of the total voting rights. Under the terms of the Agreement, Capri shareholders will receive USD 57.00 per share in cash for a total enterprise value of approximately USD 8.5 billion (approximately EUR 7.7 billion). Upon completion of the Transaction, Capri will become a wholly-owned subsidiary of Tapestry.
- (5) Tapestry will therefore solely control Capri within the meaning of Article 3(1)(b) of the Merger Regulation.

3. UNION DIMENSION

- (6) Tapestry and Capri have a combined aggregate worldwide turnover of more than EUR 2 500 million (Tapestry: EUR 6 363.2 million,⁴ Capri: EUR 5 397.7million⁵). In each of at least three Member States, the Parties’ combined aggregate turnover exceeds EUR 100 million ([...]). In each of these three Member States, the aggregate turnover of each of the Parties exceeds EUR 25 million ([...]). The aggregate Union-wide turnover of each of the Parties exceeds EUR 100 million (Tapestry: EUR [...], Capri: EUR [...]) and neither of them achieves more than two-thirds of its aggregate EU-wide turnover within one and the same Member State.
- (7) The Transaction therefore has an EU dimension pursuant to Article 1(3) of the Merger Regulation.

4. PARTIES’ ACTIVITIES

- (8) Tapestry and Capri are both active in the manufacture and supply of luxury goods, including luxury leather goods, shoes, clothing, eyewear, watches, jewellery, beauty and fragrances, home and lifestyle, and travel goods. The Transaction will bring together: (i) Tapestry’s brands: Coach, Kate Spade and Stuart Weitzman, and (ii) Capri’s brands: Michael Kors, Versace, and Jimmy Choo.

⁴ Turnover for the period of 3 July 2022 - 1 July 2023.

⁵ Turnover for the period of 2 April 2022 - 1 April 2023.

- (9) As a result of the Parties' overlapping activities and considering all plausible product and geographic markets (as described in Section 5 below), the Transaction gives rise to two horizontally affected markets:
- (a) An EEA-wide market for premium bags, such as handbags, backpacks, duffel bags, cross-body bags, business bags and other small bags, etc.; and
 - (b) An EEA-wide market for premium SLGs, such as wallets, coin pouches or coin purses, business card and payment card holders, etc.⁶
- (10) The Transaction also results in horizontal overlaps and vertical links on a number of other markets.⁷ None of these overlaps or links give rise to affected markets within the meaning of recital 25(g) Annex I to Regulation (EU) 2023/914,⁸ as they meet the conditions for review under points 5(d)(i)(aa) and 5(d)(ii)(aa) of the Notice on Simplified Treatment.⁹ and will therefore not be assessed in detail in this decision.¹⁰

5. MARKET DEFINITION

5.1. Product market definition

5.1.1. *The Commission's precedents*

- (11) In the past, 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.¹¹
- (12) The Commission has also previously assessed, but ultimately left open, whether the relevant market should be considered as encompassing all luxury products or whether it should be further segmented. In terms of further segmentation, the Commission has considered different categories of luxury goods, such as: (i) luxury fashion and leather goods; (ii) luxury fashion accessories and eyewear;

⁶ The Commission notes that these markets are also affected on a global basis, but the Commission will undertake its assessment on the narrowest possible basis and limit its assessment to the effects of the transaction on the EEA markets. As described below at Section 5, these markets may potentially be further segmented based on gender and/or sales channel; and the geographic scope of a plausible retail segment may be narrower than EEA-wide. However, the Commission understands that the Parties' market shares and the competitive dynamics are similar regardless of such further sub-segmentation and therefore, the assessment provided below is equally applicable to each plausible sub-segment.

⁷ The Parties overlap in the supply of clothing, footwear, eyewear, other accessories, watches, jewellery, beauty and fragrance, home and lifestyle and travel goods and are both also active in the licensing of IP for the manufacture and supply of consumer products. The Transaction also gives rise to a vertical link between the activities of the Parties: (i) on the wholesale supply of luxury products (upstream); and (ii) on the retail supply of luxury products (downstream). In addition, the Parties have marginal manufacturing capabilities for footwear.

⁸ Commission Implementing Regulation (EU) 2023/914 of 20 April 2023 implementing Council Regulation (EC) No 139/2004 on the control of concentrations between undertakings and repealing Commission Regulation (EC) No 802/2004, OJ L 119, 5.5.2023, p. 22.

⁹ Commission Notice on a simplified treatment for certain concentrations under Council Regulation (EC) No 139/2004 on the control of concentrations between undertakings 2023/C 160/01, OJ C 160, 5.5.2023, p. 1.

¹⁰ *Ibid*, paragraph 32.

¹¹ Case M.9695 - *LVMH / TIFFANY*, decision of 26 October 2020, paragraph 10; Case COMP/M.6212 - *LVMH / BULGARI*, decision of 29 June 2011, paragraph 15.

(iii) luxury watches and jewellery; (iv) luxury perfumes and cosmetics; and (v) luxury home products. The Commission has considered but left open whether these categories should be further subdivided into narrower distinct product markets,¹² such as separate markets within an overall market for luxury leather goods for: (i) luxury accessories; (ii) luxury bags; (iii) luxury shoes; and (iv) luxury SLGs.¹³

- (13) The Commission has also considered segmenting personal luxury goods by: (i) price point;¹⁴ (ii) gender;¹⁵ and/or (iii) sales channel,¹⁶ into: (a) brick and mortar retail, (b) online retail, (c) travel retail, and (d) wholesale / intermediaries.

5.1.2. *The Notifying Party's view*

- (14) The Notifying Party submits that the relevant product market should consist of personal luxury products as a whole, including: (i) all sales channels; and (ii) all luxury products, irrespective of product categories.¹⁷

- (15) In particular, according to the Notifying Party,¹⁸ there is significant supply-side substitutability between the different categories of luxury products with most brands offering a wide range of products. Similarly, from a demand-side perspective, there is a large degree of substitutability because end customers are often attracted by the brand, rather than by a practical need for a particular item. Furthermore, the Notifying Party submits that the luxury markets should not be segmented on the basis of price points, given that suppliers generally offer different price points, while end customers value a lot of different factors other than price, such as aesthetics, brand recognition, *etc.*

5.1.3. *The Commission's assessment*

5.1.3.1. Luxury goods

- (16) The market investigation 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.¹⁹

5.1.3.2. Luxury fashion and leather goods; luxury bags and luxury SLGs

- (17) The market investigation in the present case also confirmed the Commission's prior consideration of a further plausible segmentation of the luxury goods market into

¹² Case M.9695 - *LVMH / TIFFANY*, decision of 26 October 2020, paragraphs 10 and 25; Case COMP/M.7020 - *LVMH / Loro Piana*, decision of 15 November 2013, paragraph 11; Case COMP/M.6212 - *LVMH / BULGARI*, decision of 29 June 2011, paragraph 17.

¹³ See Case COMP/M.7020 - *LVMH / Loro Piana*, decision of 15 November 2013, paragraph 12 and footnote 19.

¹⁴ Case M.10926 - *FARFETCH / RICHEMONT / YNAP*, decision of 20 October 2023, paragraph 68; Case M.9695 - *LVMH / TIFFANY*, decision of 26 October 2020, paragraphs 33 *et seq.*

¹⁵ Case COMP/M.7020 - *LVMH / Loro Piana*, decision of 15 November 2013, paragraphs 12 and 18.

¹⁶ Case M.10926 - *FARFETCH / RICHEMONT / YNAP*, decision of 20 October 2023, paragraphs 70 *et seq.*; Case M.9695 - *LVMH / TIFFANY*, decision of 26 October 2020, paragraphs 53 *et seq.*; Case COMP/M.7020 - *LVMH / Loro Piana*, decision of 15 November 2013, paragraph 18 and footnote 20.

¹⁷ Form CO, paragraph 100.

¹⁸ Form CO, paragraphs 91-130.

¹⁹ Responses to question C.1 of Questionnaire Q1 to Competitors; and responses to question C.1 of Questionnaire Q2 to Customers.

different categories of luxury goods, such as: (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.

- (18) The majority of respondents to the Commission’s market investigation indicated that such categories should be considered as distinct product markets due to their limited substitutability in terms of product characteristics, function, purpose and/or price.²⁰
- (19) The replies to the Commission’s market investigation were mixed²¹ as to whether there are separate markets for: (i) luxury bags; and (ii) luxury SLGs; within the luxury fashion and leather goods segment. On the one hand, market participants noted that luxury bags and luxury SLGs have limited substitutability on the demand side, whereas on the other hand, they acknowledged that the suppliers and the distribution network for both products are generally the same.
- (20) On balance, the outcome of the Commission’s market investigation points towards the existence of a plausible distinct market for luxury fashion and leather goods, with plausible separate markets for: (i) luxury bags; and (ii) luxury SLGs.

5.1.3.3. Premium or accessible luxury vs high-end luxury

- (21) Respondents to the Commission’s market investigation consistently identified a separate plausible market at the lower end of the luxury market referred to as “accessible luxury” or “premium”.²²
- (22) One competitor explained: “[t]he defining characteristics of luxury products are price and desirability. Mass market products are more functional products, where the imagery aspects are less important than for luxury products, and prices are lower. Premium goods sit below luxury goods and above mass market goods”.²³ Another competitor made similar remarks noting that “within [the fashion] industry there are different segments – namely (i) high-end luxury; (ii) premium/accessible luxury; and (iii) mass-market. All of these segments make or procure apparel and related accessories and then sell (either themselves or via a third party) those products to consumers. But, each of these segments have different operating models, which in turn affects the price at which these segments sell their products to consumers.”²⁴

²⁰ Responses to questions C.3 and C.4 of Questionnaire Q1 to Competitors; and responses to question C.3 of Questionnaire Q2 to Customers.

²¹ Responses to question C.5 of Questionnaire Q1 to Competitors and responses to question C.5 of Questionnaire Q2 to Customers.

²² Responses to questions C.7 and C.8 of Questionnaire Q1 to Competitors; and responses to question questions C.7 and C.8 of Questionnaire Q2 to Customers. Also, non-confidential minutes of the conference call with a competitor held on 30 January 2024, paragraph 4; non-confidential minutes of the conference call with a competitor held on 9 February 2024, paragraph 3, 6 and 14; non-confidential minutes of the conference call with a wholesale customer held on 30 November 2023, paragraphs 7, 11 and 12; non-confidential minutes of the conference call with a wholesale customer held on 4 December 2023, paragraph 6 and non-confidential minutes of the conference call with a wholesale customer held on 5 December 2023, paragraph 8.

²³ Response to question C.2 of Questionnaire Q1 to Competitors.

²⁴ Response to question C.2 of Questionnaire Q1 to Competitors.

- (23) The Parties' internal documents also reflect this, referring to Michael Kors, Coach and Kate Spade as competing in "[...]"²⁵ or "[...]"²⁶ or the "[...]"²⁷ while positioning this against "[...]"²⁸ or "[...]"²⁹.
- (24) Respondents to the market investigation explain that this premium market differs from higher-end luxury products in terms of the price point, the quality of the materials, the brand positioning, the aesthetics, the distribution channels, the customer experience, etc.³⁰ For example one retailer has described *"the 'accessible luxury' segment to be completely different to the rest of the European luxury market"* noting that *"in the higher end, Kering and LVHM are extremely powerful and able to price their bags at over EUR 2,000. Therefore, such luxury brands are not comparable cannot really be [SIC] to Michael Kors or Coach, which remain well below EUR 1,000"*.³¹
- (25) Another retailer explained: *"in relation to luxury bags and luxury small leather goods, the characteristics that define 'premium' or 'accessible' luxury products are generally lower price architecture, wider retail accessibility (generally via wider wholesale retail footprint) and higher penetration of discount and promotional activity when compared to high-end luxury products"*.³² And, another retailer explained that: *"'Premium' or 'accessible' luxury products, often referred to as 'affordable luxury,' occupy a space between high-end (or 'true' luxury) and mass-market items. These products offer a taste of luxury to consumers who are willing to invest in higher quality and brand value than mass-market goods provide but at a more accessible price point than high-end luxury items. Overall, premium or accessible luxury products offer a blend of quality, brand reputation, and design that is a step above mass-market items but remains more attainable than high-end luxury goods. They cater to consumers seeking a luxury experience at a more accessible price point, with some trade-offs in exclusivity, materials, and production methods."*³³

²⁵ Form CO, Attachment 97 - [Title of the Parties' internal document, page and date]; Form CO, Attachment 115 - [Title of the Parties' internal document, page and date]; Form CO, Attachment 117 - [Title of the Parties' internal document, page and date]; Form CO, Attachment 57 - [Title of the Parties' internal document, page and date].

²⁶ Form CO, Attachment 52 - [Title of the Parties' internal document, page and date].

²⁷ Form CO, Attachment 43 - [Title of the Parties' internal document, page and date].

²⁸ Form CO, Attachment 40 - [Title of the Parties' internal document, page and date]; Form CO, Attachment 45 - [Title of the Parties' internal document, page and date].

²⁹ Form CO, Attachment 115 - [Title of the Parties' internal document, page and date].

³⁰ Responses to questions C.7 and C.9 of Questionnaire Q1 to Competitors; responses to questions C.7, C.8 and C.9 of Questionnaire Q2 to Customers. See also non-confidential minutes of the conference call with a competitor held on 22 January 2024, paragraphs 6 and 10; non-confidential minutes of the conference call with a competitor held on 30 January 2024, paragraph 4; non-confidential minutes of the conference call with a competitor held on 9 February 2024, paragraph 6; non-confidential minutes of the conference call with a wholesale customer held on 30 November 2023, paragraphs 11 and 12; non-confidential minutes of the conference call with a wholesale customer held on 4 December 2023, paragraph 6 and non-confidential minutes of the conference call with a wholesale customer held on 5 December 2023, paragraph 8.

³¹ Non-confidential minutes of the conference call with a wholesale customer held on 30 November 2023, paragraph 11.

³² Response to question C.8 of Questionnaire Q2 to Customers.

³³ Response to question C.8 of Questionnaire Q2 to Customers.

- (26) While a range of factors were identified as distinguishing premium bags and SLGs from other luxury bags and SLGs, being priced significantly lower than other luxury products was the most consistent feature referred to. The market investigation was however inconclusive as to at what price bags and SLGs cease to be mass market goods, and at which price they go beyond being a premium or accessible luxury product and become a high-end or true luxury product.
- (27) For example, one competitor noted that the premium market for bags would be “*in the range of 200-500€*”, while mass market would be “*below 200€*”.³⁴ In the same vein, a retailer mentioned that in its “*premium*” section, the average selling price would be “*300 euros*”.³⁵ As noted above, one retailer explained that “*in the higher end, Kering and LVHM are extremely powerful and able to price their bags at over EUR 2,000*” while the Parties’ brands Michael Kors or Coach are priced “*well below EUR 1,000*”.³⁶ A customer explained: “*the premium (or ‘accessible luxury’) handbag segment refers to quality handbags, which are priced in the range of hundreds compared to the luxury handbags, which are priced in the range of thousands*”.³⁷
- (28) The Commission observes that respondents to the market investigation consistently considered the Parties’ Michael Kors, Coach and Kate Spade brands to be in the luxury market while in fact, the Parties’ sales data indicates that [...] of their sales for bags are in the EUR 0 – 200 price bracket and EUR 0 – 100 for SLGs. This and the lack of consensus on what the relevant price range would be suggests that price is only one factor relevant to defining the luxury market.
- (29) For the purpose of preparing market share data, the Commission has used the price range of EUR 200 – 1,000 as a proxy for the premium bag market and EUR 100 – 250 as a proxy for the premium SLGs market.
- (30) With regard to supply side substitution between different levels of the luxury market, the Commission’s market investigation was inconclusive in relation to the Notifying Party’s submission that players offer products across a whole price range.
- (31) The majority of competitors responding to the market investigation consider that suppliers of high-end luxury bags and SLGs are generally capable of switching or expanding their existing production lines to produce premium bags and SLGs. However, market participants noted that it may not be in a luxury brand’s interest to supply a more affordable line, which could conflict with their master brand(s).³⁸ On the other hand, market participants consider that repositioning from a premium brand to a high-end brand is generally more difficult due to brand perception.³⁹ The lack of supply of side substitutability is also evidenced by the fact that, the majority

³⁴ Response to question C.2 of Questionnaire Q1 to Competitors.

³⁵ Response to questions C.2 and C.8 of Questionnaire Q2 to Customers.

³⁶ Non-confidential minutes of the conference call with a wholesale customer held on 30 November 2023, paragraph 11.

³⁷ Non-confidential minutes of the conference call with a wholesale customer held on 5 December 2023, paragraph 8.

³⁸ Responses to questions C.14 and C.15 of Q1 to Competitors; responses to questions F.2 and F.3 of Questionnaire Q2 to Customers.

³⁹ Responses to question C.15 of Q1 to Competitors: responses to question F.2 of Questionnaire Q2 to Customers.

of responding competitors do not in fact sell their portfolio of luxury bags and SLGs at a broad range of price points.⁴⁰

- (32) On the basis of the above, the Commission considers for the purposes of this case there to be two plausible separate product markets for: (i) premium bags;⁴¹ and (ii) premium SLGs, which are distinct from both mass market products and from high-end or true luxury products.

5.1.3.4. Luxury goods by gender

- (33) The market investigation in the present case did not provide any indication that would require the Commission to depart from its previous decisional practice with regard to considering a further plausible segmentation of the luxury goods market(s) on the basis of gender.

- (34) Ultimately, and taking into consideration that the Parties' market shares and competitive conditions appear to be similar regardless of further segmentation based on gender,⁴² the definition of the relevant product market for the assessment of the competitive impact of the Transaction by gender can be left open, since serious doubts as to its compatibility with the internal market or the functioning of the EEA agreement do not arise irrespective of the exact product market definition.

5.1.3.5. Luxury goods by sales channel

- (35) The market feedback has been mixed as to whether a further segmentation of the luxury goods markets(s) is needed on the basis of sales channels, namely into: (i) brick and mortar retail; (ii) online retail; (iii) travel retail; and (iv) wholesale / intermediaries. On the one hand, in particular competitors contacted consider the plausible segmentation per sales channel to still be relevant, at least to some extent.⁴³ On the other hand, several competitors and retailers explained that luxury products are generally sold through different channels and that end customers are increasingly shopping omnichannel.⁴⁴

- (36) Ultimately, and taking into consideration that the Parties' market shares and competitive conditions appear to be similar regardless of further segmentation by sales channel,⁴⁵ the definition of the relevant product market for the assessment of the competitive impact of the Transaction on the different sales channels can be left open since serious doubts of its compatibility with the internal market or the functioning of the EEA agreement do not arise irrespective of the exact product market definition.

⁴⁰ Responses to question C.12 of Questionnaire Q1 to Competitors.

⁴¹ While luxury bags are generally made from leather, premium bags and SLGs as defined by the Commission for the purposes of this case may also be produced from other materials, which is why the Commission has not limited the markets to bags and SLGs produced only from leather.

⁴² Form CO, paragraph 159.

⁴³ Responses to question C.16 of Questionnaire Q1 to Competitors.

⁴⁴ Responses to question C.17 of Questionnaire Q1 to Competitors and responses to question C.14 of Questionnaire Q2 to Customers.

⁴⁵ Form CO, paragraph 159.

5.1.4. *Conclusion on product market definition*

- (37) In view of the above, the Commission will, for the purposes of this decision, assess the narrowest plausible product markets identified, namely the markets for: (i) premium bags, and (ii) premium SLGs, which as noted above may potentially be further segmented based on sales channel and/or gender. In any event, the exact product market definition can be left open since the Transaction does not raise serious doubts as to its compatibility with the internal market or the functioning of the EEA agreement under any plausible product market definition, *i.e.* irrespective of any further segmentation of the markets for premium bags and premium SLGs on the basis of gender or sales channel.

5.2. **Geographic market definition**

5.2.1. *The Commission's precedents*

- (38) In its previous decisions,⁴⁶ the Commission has left open whether the geographic scope of the market(s) for luxury goods is national, EEA-wide or wider. More recently, while ultimately leaving the precise geographic market definition open, the Commission noted that the market: “*converges towards an at least EEA-wide scope*” irrespective of the trade channel.⁴⁷

5.2.2. *The Notifying Party's view*

- (39) The Notifying Party submits that because of the characteristics and features of the luxury market, the relevant geographic market for retail and wholesale of personal luxury products should be worldwide in scope.⁴⁸

5.2.3. *The Commission's assessment*

- (40) The Commission's market investigation indicated that while competitive conditions in the overall luxury market may be similar on a worldwide basis, the plausible markets for premium bags and premium SLGs present more local characteristics, mainly due to the existence of different local brands in the different regions of the world.

- (41) For example, one competitor explained that there is a difference between “luxury” and “accessible”: “*Luxury brands can be found in almost all relevant countries with consumers showing different preferences but with all being present to some extent [sic] whereas for Accessible there are more national or local champions that excel in 1-2 markets but have not reached an international acumen or presence with the exception of some international or Global Brands*”.⁴⁹ In the same vein, a customer noted that: “*while there may be some similarities in competitive conditions within a country or across the EEA, significant variations exist globally, influenced by factors such as supplier networks, brand recognition, pricing strategies, and consumer preferences*”.⁵⁰

⁴⁶ Case M.9695 - *LVMH / TIFFANY*, decision of 26 October 2020, paragraphs 64-72; Case COMP/M.7020 - *LVMH / Loro Piana*, decision of 15 November 2013, paragraphs 14-16; Case COMP/M.6212 - *LVMH / BULGARI*, decision of 29 June 2011, paragraphs 23-27.

⁴⁷ Case M.9695 - *LVMH / TIFFANY*, decision of 26 October 2020, paragraph 72.

⁴⁸ Form CO, paragraph 129.

⁴⁹ Response to question C.19 of Questionnaire Q1 to Competitors.

⁵⁰ Response to question C.16 of Questionnaire Q2 to Customers.

- (42) This can be seen in the Parties' internal documents, further analysed in Section 6 below, which show that: [...].⁵¹
- (43) Finally, no indication emerged as part of the Commission's market investigation that competitive conditions in the various plausible product markets (*i.e.* on the basis of product categories, price point, gender or sales channel) would be different at Member State level within the EEA.

5.3. Conclusions on market definition

- (44) On the basis of the above considerations, the Commission will, for the purposes of this decision, assess the narrowest plausible product markets for: (i) premium bags, and (ii) premium SLGs, on an EEA-wide market. In any event, the exact geographic market definition can be left open since the Transaction does not raise serious doubts as to its compatibility with the internal market or the functioning of the EEA agreement under any plausible geographic market definition, *i.e.* national, EEA-wide or global.

6. COMPETITIVE ASSESSMENT

6.1. Legal framework

- (45) 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 (non-coordinated and/or coordinated) and/or non-horizontal effects.⁵²

6.1.1. Horizontal non-coordinated effects

- (46) The Horizontal Merger Guidelines describe horizontal non-coordinated effects as follows: *"A merger may significantly impede effective competition in a market by removing important competitive constraints on one or more sellers, who consequently have increased market power. The most direct effect of the merger will be the loss of competition between the merging firms. For example, if prior to the merger one of the merging firms had raised its price, it would have lost some sales to the other merging firm. The merger removes this particular constraint. Non-merging firms in the same market can also benefit from the reduction of competitive pressure that results from the merger, since the merging firms' price increase may switch some demand to the rival firms, which, in turn, may find it profitable to increase their prices. The reduction in these competitive constraints could lead to significant price increases in the relevant market"*.⁵³
- (47) The Horizontal Merger Guidelines list a number of factors which may influence whether or not significant horizontal non-coordinated effects are likely to result from a merger, such as the large market shares of the merging firms, the fact that

⁵¹ Form CO, Attachment 96 – [Title of the Parties' internal document, page and date]; and Form CO, Attachment 134 - [Title of the Parties' internal document, page and date].

⁵² Non-horizontal effects will not be assessed in detail in this decision for the reasons set out in paragraph 10 above.

⁵³ Guidelines on the assessment of horizontal mergers under the Council Regulation on the control of concentrations between undertakings, OJ C 31, 5.2.2004, p. 5 – 18 ("Horizontal Merger Guidelines"), paragraph 24.

the merging firms are close competitors, the limited possibilities for customers to switch suppliers, or the fact that the merger would eliminate an important competitive force.⁵⁴ Not all of these factors need to be present to make significant non-coordinated effects likely and it is not an exhaustive list.⁵⁵

- (48) Finally, the Horizontal Merger Guidelines describe a number of factors, which could counteract the harmful effects of the merger on competition, including the likelihood of buyer power, the entry of new competitors into the market, and efficiencies.⁵⁶

6.2. Horizontal overlaps

- (49) The Transaction gives rise to two affected horizontal markets:

- (a) **EEA-wide market for premium bags;** and
- (b) **EEA-wide market for premium SLGs.**⁵⁷

- (50) The Parties' market shares are set out in Table 1 below.

Table 1 - Parties' market shares for premium bags and premium SLGs 2022, by value

Product market	EEA		
	Tapestry	Capri	Combined
Premium bags	[0-5]%	[20-30]%	[20-30]%
Premium SLGs	[0-5]%	[10-20]%	[20-30]%

Source: The Parties' estimates based on data from [third-party report]⁵⁸

- (51) As the competitive dynamics of the plausible markets for premium bags and premium SLGs largely mirror each other, the effects of the Transaction on these markets will be assessed together in the following Sections. The Commission considers that the arguments presented below would be applicable even if these markets were further segmented based on gender, sales channel or if looking at national markets (for retail) as the Commission understands that the Parties' market shares would not materially differ and that the competitive dynamics for the products in question are similar in the various plausible sub-segments presented in Section 5. Therefore, the assessment provided below is equally applicable to each plausible sub-segment.

⁵⁴ Horizontal Merger Guidelines, paragraphs 27 ff.

⁵⁵ Horizontal Merger Guidelines, paragraph 26.

⁵⁶ Horizontal Merger Guidelines, paragraphs 64 ff.

⁵⁷ See above footnote 6.

⁵⁸ The Notifying Party considers these estimates to be "plausible upper limits of the Parties' shares" and notes that these estimates are based on a conservative methodology assuming that the plausible premium market consists of 50% of the total luxury product market size (as provided by [third-party report]) for each identified product segment and allocating the totality of the Parties' revenues to the identified segments (Form CO, paragraph 159). According to the Notifying Party, the Parties' shares are unlikely to be materially different at national level as compared to EEA level (Form CO, paragraph 137) or if the segments were further split by gender or sales channel (Form CO, paragraph 159).

6.2.1. *The Notifying Party's view*

- (52) The Notifying Party claims that the Parties are competing on an overall market for personal luxury products in which the Parties' combined market shares are below 5% both globally and in the EEA. According to the Notifying Party, in this context the Transaction could not significantly impede effective competition.
- (53) The Notifying Party submits that in any case, even if the competitive assessment was carried out on another plausible basis, including distinct markets for premium bags and premium SLGs, the Transaction would not substantially impede effective competition for the following reasons:⁵⁹
- (a) The Parties, especially Tapestry, have a limited presence in the EEA;
 - (b) Under any definition of premium bags and premium SLGs the Parties are, and the Merged Entity will remain post-Transaction, constrained by numerous competitors in the EEA including: (i) large European fashion conglomerates, such as LVMH, Kering, and Richemont; (ii) other large European brands that may be perceived, or position themselves, as "accessible luxury", such as [...]; (iii) other independent European brands with a strong presence in the EEA including Lancel, Pinko, Bimba y Lola, Vanessa Bruno, Moschino, Coccinelle, APC, Sandro, Maje, Claudie Pierlot, Zadig & Voltaire and The Kooples; (iv) international brands, which are also active in the EEA such as Tory Burch, Polo Ralph Lauren, and Fossil; and (v) recent entrants, such as Polène, Sézane, and Strathberry;
 - (c) The relatively small size of some of these competitors does not affect their ability to constrain the Parties as suppliers do not require economies of scale or need to be of a particular size in order to effectively compete because: (i) manufacturing capabilities are not necessary to compete as most competitors outsource manufacturing to third parties; (ii) a network of physical stores is no longer needed to be able to effectively compete; and (iii) there are various alternatives to traditional advertising to reach customers' attention e.g. social media, influencers and pop-up stores.
 - (d) The Merged Entity will face out-of-market constraints from both: (i) luxury suppliers pricing towards the higher end of the markets for luxury bags and luxury SLGs, such as Louis Vuitton, Chanel, Hermès; and (ii) higher-priced mass market competitors, such as [...].
 - (e) The markets are constantly evolving and characterised by low barriers to entry and frequent entry of new players.

6.2.2. *The Commission's assessment*

- (54) As explained in further detail below, the Commission finds that the Transaction does not raise serious doubts as to its compatibility with the internal market for the following reasons:
- (a) The Transaction will lead to moderate market shares in the EEA (Section 6.2.2.1).
 - (b) The role of the Parties in the EEA is limited or declining (Section 6.2.2.2).

⁵⁹ Form CO, paragraphs 197 *et seqq.*

- (c) Numerous competitors in the EEA will remain capable of exercising a competitive constraint on the Merged Entity post-Transaction (Section 6.2.2.3).
- (d) The EEA markets for premium bags and premium SLGs are dynamic with several new competitors having recently entered the market (Section 6.2.2.4).
- (e) The Transaction is unlikely to have a negative impact (Section 6.2.2.5).

6.2.2.1. The Transaction will lead to moderate market shares in the EEA

- (55) According to the estimates provided by the Notifying Party, the EEA-wide market for premium bags is valued at EUR [...] and the EEA-wide market for premium SLGs at EUR [...]. As set out in the Table 1 above, the Parties' combined market shares would be [20-30]% for premium bags and [20-30]% for premium SLGs.⁶⁰
- (56) While the Notifying Party claims to be unable to prepare accurate estimates for its competitors, based on its market investigation, the Commission understands that Capri (through its brand Michael Kors) is, and the Merged Entity will become, the largest player in the plausible markets for premium bags and premium SLGs in the EEA in terms of sales.⁶¹
- (57) Nevertheless, the Commission observes that these post-Transaction market shares remain modest at <30%. Moreover, the increment brought by the Transaction is limited, at below [0-5]% in the EEA.
- (58) Therefore, the Commission finds that the Parties' market shares in the EEA with respect to premium bags and premium SLGs are not indicative of the Merged Entity holding or gaining such market power post-Transaction that could result in a significant impediment of effective competition in the internal market.

6.2.2.2. The role of the Parties' brands in the EEA is limited or declining

- (59) The Commission's market investigation indicates that the Parties' key brands that are active in the plausible markets for premium bags and premium SLGs, namely Michael Kors (Capri), Coach and Kate Spade (both Tapestry)⁶², have a more limited role in the EEA than in other parts of the world.⁶³ More specifically, within

⁶⁰ See above footnote 58.

⁶¹ Capri's sales in the EEA (2022) were EUR [...] for bags and EUR [...] for SLGs.

⁶² The Commission notes that while Capri's brands Versace and Jimmy Choo also supply bags and SLGs, their sales in these product categories are [...] compared to those of Michael Kors (Form CO, tables 17, 19, 21 and 23). Furthermore, these brands are generally portrayed as more high-end luxury brands, which according to several market participants are not considered to be directly competing with Michael Kors, Coach and Kate Spade (for example, response to question H.3 of the Questionnaire Q1 to Competitors; non-confidential minutes of the conference call with a wholesale customer held on 30 November 2023, paragraph 7; non-confidential minutes of the conference call with a wholesale customer held on 4 December 2023, paragraph 7; and non-confidential minutes of the conference call with a competitor held on 22 January 2024, paragraph 6. Also, internal documents, for example, Form CO, Attachment 38 - [Title of the Parties' internal document, page and date]; Attachment 54 - [Title of the Parties' internal document, page and date]; and Attachment 106 - [Title of the Parties' internal document, page and date]). Tapestry's Stuart Weitzman, on the other hand, is mainly a supplier of footwear with [...] sales in bags and SLGs (Form CO, tables 17, 19, 21 and 23).

⁶³ Responses to questions E.3 and H.2 of the Questionnaire Q1 to Competitors; non-confidential minutes of the conference call with a competitor held on 9 February 2024, paragraphs 10 and 11; non-confidential minutes of the conference call with a competitor held on 22 January 2024, paragraph 8.

the EEA Coach and Kate Spade have a limited market presence and brand recognition, and the relevance of Michael Kors is declining.

- (60) Market participants have explained that European consumers tend to have a preference for European (or even local) brands. As a consequence, European brands generally have a stronger presence in the EEA than on a worldwide level and, on the other hand, non-European brands sometimes struggle to penetrate the European market.⁶⁴ For example, one competitor described that “*American brands face an uphill battle in the European market*”⁶⁵ whereas another has noted that “*Furla, Hugo Boss, and other European brands have a stronger presence in Europe than on a worldwide level*”.⁶⁶
- (61) Regional differences in the competitive dynamics are recognised in the Parties’ internal documents, which show [...].⁶⁷ Also, in their internal reporting the Parties [...].⁶⁸
- (62) The Parties’ limited brand penetration in Europe is also reflected in these internal documents. Figure 1 for example shows that [...].⁶⁹

Figure 1 - [Title of the figure]

[...]

Source: Form CO, Attachment 57 – [Title of the Parties’ internal document, page and date].

- (63) Further evidence of the Parties’ limited role in the EEA can be found for example in Figure 2 below, a Tapestry internal document which shows that [...].

Figure 2: [Title of the figure]

[...]

Source: Form CO, Attachment 8 - [Title of the Parties’ internal document, page and date]

- (64) With regard to Tapestry’s role in the European market, the increment brought about by Tapestry is below [0-5]% in the EEA. Tapestry’s limited EEA presence is also illustrated by its relatively small number of brick-and-mortar retail locations in the EEA ([...] in total, of which [...] are concessions in department stores with the vast majority of the others being outlet stores).⁷⁰

⁶⁴ Responses to questions E.3, E.7 and H.5 of Questionnaire Q1 to Competitors.

⁶⁵ Non-confidential minutes of the conference call with a competitor held on 9 February 2024, paragraph 10.

⁶⁶ Response to question E.7 of Questionnaire Q1 to Competitors.

⁶⁷ Form CO, Attachment 57 - [Title of the Parties’ internal document, page and date]; Form CO, Attachment 96 [Title of the Parties’ internal document, page and date]; and Form CO, Attachment 134 – [Title of the Parties’ internal document, page and date].

⁶⁸ For example, Form CO, Attachment 8 - [Title of the Parties’ internal document, page and date] assesses [...]; Form CO, Attachment 107 - [Title of the Parties’ internal document], refers to [...] and in Form CO, Attachment 45 - [Title of the Parties’ internal document, page and date] it is noted that Coach’s product focus will be [...]. Also on a more general level, one competitor commented that “*discounting is more frequent and aggressive in the American market than in Europe*” (Non-confidential minutes of the conference call with a competitor held on 19 March 2024).

⁶⁹ Responses to question E.5 of Questionnaire Q1 to Competitors and responses to question D.4 of Questionnaire Q2 to Customers and non-confidential minutes of the conference call with a competitor held on 4 December 2023, paragraph 8.

⁷⁰ Form CO, paragraph 199 and Annex 17.

- (65) While the replies of the market investigation regarding Coach’s role in the EEA were mixed,⁷¹ several market participants have explicitly stated that Coach’s market presence in Europe is limited.⁷² For Kate Spade, the feedback from the market investigation was relatively clear that Kate Spade is a “fringe player” in the EEA.⁷³
- (66) The Commission notes that the geographic footprint of Tapestry is strongly focused on the Americas (65% of its sales) and Asia (29% of its sales), with sales from the EEA representing less than [0-5]% of its revenues in 2023⁷⁴. Tapestry’s limited EEA presence is further evidenced in Tapestry’s internal documents, which show that [...] (see for example Figure 1 above).⁷⁵ Moreover, in Tapestry’s internal documents, it is specifically noted that [...] and [...].⁷⁶
- (67) Tapestry’s internal documents also clearly show that its brands Coach and Kate Spade [...].⁷⁷ For example, as shown in the Figure 3 below [...].

Figure 3: [Title of the figure]

[...]

Source: Form CO – Attachment 8 - [Title of the Parties’ internal document, page and date].

- (68) Regarding Capri’s Michael Kors, the Commission’s market investigation indicated that the majority of competitors and wholesale customers (i.e. retailers) consider Michael Kors to be “quite an important” or a “major” player as a supplier of luxury bags and luxury SLGs in the EEA. This said, the majority also consider Michael Kors’ trend in the EEA to be declining.⁷⁸
- (69) The Parties’ internal documents reflect that [...].⁷⁹ These documents also note that [...].⁸⁰ For example, in one internal document it is stated that [...].⁸¹ Internal documents also show that [...].⁸²
- (70) In light of the above, the Commission finds that within the EEA the role of Tapestry (Coach and Kate Spade) is limited, and the relevance of Michael Kors is

⁷¹ Responses to question E.2 of Questionnaire Q1 to Competitors and question D.2 of Questionnaire Q2 to Customers.

⁷² Non-confidential minutes from the conference call with a competitor held on 30 January 2024, paragraph 8; non-confidential minutes from the conference call with a competitor held on 30 January 2024, paragraph 21.

⁷³ Responses to question E.2 of Questionnaire Q1 to Competitors and question D.2 of Questionnaire Q2 to Customers.

⁷⁴ Form CO, paragraph 331.

⁷⁵ Form CO, Attachment 43 - [Title of the Parties’ internal document, page and date]; and Attachment 48 - [Title of the Parties’ internal document, page and date].

⁷⁶ For example, Form CO, Attachment 8 - [Title of the Parties’ internal document, page and date].

⁷⁷ Form CO, Attachment 8 - [Title of the Parties’ internal document, page and date]; Attachment 44 - [Title of the Parties’ internal document, page and date]; Form CO, Attachment 45 - [Title of the Parties’ internal document, page and date]; and Form CO, Attachment 91 - [Title of the Parties’ internal document, page and date].

⁷⁸ Responses to question E.2 of Questionnaire Q1 to Competitors and question D.2 of Questionnaire Q2 to Customers.

⁷⁹ Form CO, Attachment 8 – [Title of the Parties’ internal document, page and date] and Attachment 92 [Title of the Parties’ internal document, page and date].

⁸⁰ Form CO, Attachment 8 – [Title of the Parties’ internal document, page and date].

⁸¹ Form CO, Attachment 8 – [Title of the Parties’ internal document, page and date].

⁸² Attachment 120 – [Title of the Parties’ internal document, page and date].

declining. Therefore, the Commission does not consider that the Transaction would eliminate an important competitive force from the EEA markets.

6.2.2.3. Numerous competitors in the EEA will remain capable of exercising a competitive constraint on the Merged Entity post-Transaction

- (71) The Commission’s market investigation shows that the Michael Kors, Coach and Kate Spade are competing against each other as well as numerous other brands active in the plausible markets for premium bags and premium SLGs in the EEA, and that the Merged Entity will continue to face competition post-Transaction.
- (72) The clear majority of competitors and wholesale customers (i.e. retailers) responding to the Commission’s market investigation view the markets for premium bags and premium SLGs in the EEA as competitive or very competitive.⁸³ Both the wholesale customers and competitors that responded to the Commission’s market investigation highlighted that the markets for premium bags and premium SLGs are populated with numerous competitors. One important European retailer explained that there are: “*no brands monopolizing the market*”⁸⁴ and another that: “[*t*]here is a large number of competitors in the premium segment, making it difficult to list them all”.⁸⁵ Similar views were also voiced by competitors. For example, one competitor noted that: “*there are a number of premium/accessible luxury bag brands selling in the EEA*”⁸⁶ with another competitor echoing that: “[*t*]he market is deeply segmented and full of different competitors”.⁸⁷
- (73) These views are further confirmed by the fact that respondents to the market investigation listed numerous companies/brands which they consider to compete with Michael Kors, Coach and Kate Spade in the markets for premium bags and premium SLGs.⁸⁸ In line with what the Notifying Party has presented,⁸⁹ the Commission also notes that the assortments of key European retailers such as Farfetch, Galeries Lafayette and Zalando generally include bags and SLGs from numerous brands at different price ranges.⁹⁰
- (74) Although market feedback [...] show the Parties’ brands Michael Kors and Coach, as well as Kate Spade to some extent, to be competing closely in the plausible markets for premium bags and premium SLGs⁹¹, the Commission finds there to be several other comparable brands available in the EEA which are competing equally closely with the Parties’ brands. Indeed, market participants have listed various

⁸³ Responses to question E.1 of Questionnaire Q1 to Competitors and responses to question D.1 of Questionnaire Q2 to Customers.

⁸⁴ Response to question D.1 of Questionnaire Q2 to Customers.

⁸⁵ Response to question D.5. of Questionnaire Q2 to Customers.

⁸⁶ Response to question E.1 of Questionnaire Q1 to Competitors.

⁸⁷ Responses to question E.1 of Questionnaire Q2 to Competitors.

⁸⁸ Responses to questions E.5 and E.6. of Questionnaire Q1 to Competitors, and responses to questions D.4 and D.5 of Questionnaire Q2 to Customers.

⁸⁹ Form CO, paragraph 164.

⁹⁰ Websites of Farfetch (available at: <https://www.farfetch.com/be/shopping/women/items.aspx>); Galeries Lafayette (available at: <https://www.galerieslafayette.com>); and Zalando (available at: <https://en.zalando.de>).

⁹¹ Responses to questions E.5 and E.6 of Questionnaire Q1 to Competitors and responses to questions D.4 and D.5 of Questionnaire Q2 to Competitors; as well as Form CO, Attachment 36 – [Title of the Parties’ internal document, page and date]; Attachment 43 – [Title of the Parties’ internal document, page and date]; Attachment 44 - [Title of the Parties’ internal document, page and date]; and Attachment 53 - [Title of the Parties’ internal document, page and date].

other brands which they consider to also compete closely with Michael Kors, Coach and Kate Spade due to similar pricing, quality, brand perception and/or customer base. Brands mentioned by market participants include for example Aigner, Coccinelle, Furla, Lancel, Longchamp, Marc Jacobs, Mulberry, Ralph Lauren, Zadig & Voltaire.⁹² Also, the Parties' internal documents show that, [...].⁹³

- (75) The Commission's market investigation has confirmed that smaller competitors are able to, either collectively or because of their significant role at a national level, exercise a competitive constraint despite having limited market shares at the EEA or worldwide level.⁹⁴ According to one competitor: "*even a new, non-famous local brand could menace a big player*"⁹⁵ and another stated that "*there are many small brands competing at the local level, which, collectively, can exercise an effective competitive constraint on the bigger brands*".⁹⁶ One competitor further explained that in some EEA member states, smaller companies often have the advantage of being "*local heroes*" and benefit from their regional popularity.⁹⁷ Also, one of the retailers noted that: "*smaller brands often offer something which the bigger commercial brands do not, whether through design, position, brand heat, etc.*"⁹⁸
- (76) In light of the feedback to the market investigation and evidence available to it, the Commission finds that there would remain numerous competitors in the EEA that are able to constrain the Merged Entity and that in the EEA consumers would continue to have access to various alternatives post-Transaction.

6.2.2.4. The EEA markets for premium bags and premium SLGs are dynamic and several new competitors have recently entered the market

- (77) The feedback the Commission has received from market participants suggests that the markets premium bags and premium SLGs are: "*wide and diverse*"⁹⁹ and "*dynamic*",¹⁰⁰ with brands experiencing increases and decreases in popularity depending on the desirability of their latest collection. This means that both new and established brands need to compete with each new collection they launch to attract and retain a customer base on their own merits.¹⁰¹ One department store explained that post-Transaction the markets: "*will still be open for new players and*

⁹² Responses to questions E.5 and E.6 of Questionnaire Q1 to Competitors. Non-confidential minutes of the conference call with a competitor held on 22 January 2024, paragraph 8; non-confidential minutes of the conference call with a competitor held on 5 December 2023, paragraph 8.

⁹³ Form CO, Attachment 36 - [Title of the Parties' internal document, page and date]; Attachment 43 - [Title of the Parties' internal document, page and date]; Attachment 44 - [Title of the Parties' internal document, page and date]; Attachment 48 - [Title of the Parties' internal document, page and date]; Attachment 53 - [Title of the Parties' internal document, page and date]; Attachment 117 - [Title of the Parties' internal document, page and date]; Attachment 134 - [Title of the Parties' internal document, page and date].

⁹⁴ Responses to questions H.4 and H.5 of Questionnaire Q1 to Competitors; responses to G.4 and G.5 of Questionnaire Q2 to Customers; non-confidential minutes of the conference call with a competitor held on 9 February 2024, paragraph 14; non-confidential minutes of the conference call with a competitor held on 19 March 2024, paragraph 9.

⁹⁵ Responses to question E.1 of Questionnaire Q1 to Competitors.

⁹⁶ Non-confidential minutes of the conference call with a competitor held on 19 March 2024, paragraph 9.

⁹⁷ Response to question H.5 of Questionnaire Q1 to Competitors.

⁹⁸ Response to question G.5 of Questionnaire Q2 to Customers. The Commission understands "brand heat" to mean popularity.

⁹⁹ Response to question H.2 of Questionnaire Q1 to Competitors.

¹⁰⁰ Response to question H.2 of Questionnaire Q1 to Competitors.

¹⁰¹ Form CO, paragraph 185(a). Response to question H.2 of Questionnaire Q1 to Competitors.

new products since the fashion market evolves and changes according to new trends,"¹⁰² with another department store confirming that the dynamic nature of the markets offers: "*opportunities for both established and emerging players.*"¹⁰³

- (78) The Commission's investigation further confirms that there has been new market entry into the markets for premium bags and premium SLGs in the EEA in recent years, with respondents providing several examples of brands successfully launching and expanding in this area, including Balzac, Ganni, Jacquemus, Mansur Gavriel, Polène, and Wandler.¹⁰⁴
- (79) Some wholesale customers and competitors stated that independent brands and new entrants would be able to compete effectively with the Parties' post-merger, with one competitor explaining that: "*the recent rise of independent brands in the premium/affordable luxury space reflects shifting consumer preferences towards authenticity, sustainability, and value-driven purchases. Their ability to offer unique designs, transparency, community engagement, and quality craftsmanship positions them as compelling alternatives to mainstream luxury brands, driving their growth and success in the market.*"¹⁰⁵
- (80) Therefore, given the dynamic nature of these markets in the EEA, the Commission finds that the Merged Entity would still face competition in the plausible markets for premium bags and premium SLGs post-Transaction, and would not be in a position to hinder new market entry in the EEA.

6.2.2.5. Respondents to the market investigation do not consider that the Transaction is likely to have a negative impact

- (81) On the basis of the evidence presented above and the results of the market investigation, the Commission considers that the Transaction is unlikely to have a significant impact on the plausible markets for premium bags and premium SLGs in the EEA.
- (82) The clear majority of market participants that have responded to the Commission's market investigation expect the Transaction to have a neutral or even positive impact in the EEA.¹⁰⁶ When asked specifically about the impact of the Transaction on the plausible markets for premium bags and premium SLGs, none of the wholesale customers (i.e. retailers) surveyed raised any concerns,¹⁰⁷ with all stating that there would be a sufficient number of comparable alternatives to the Parties' products post-Transaction.¹⁰⁸ One online retailer specifically noted that the Transaction would be unlikely to have a negative impact because the Parties would not be able to significantly increase their prices post-Transaction without losing their established customer base.

¹⁰² Responses to question G.5 of Questionnaire Q2 to Customers.

¹⁰³ Responses to question G.2 of Questionnaire Q2 to Customers.

¹⁰⁴ Responses to question G.3 of Questionnaire Q1 to Competitors; responses to question F.3 of Questionnaire Q2 to Customers and non-confidential minutes of the conference call with a competitor held on 19 March 2024, paragraph 10.

¹⁰⁵ Response to question H.5 of Questionnaire Q1 to Competitors.

¹⁰⁶ Responses to question H.3-1 of Questionnaire Q1 to Competitors and responses to question G.1 of Questionnaire Q2 to Customers.

¹⁰⁷ Responses to question G.3-1 of Questionnaire Q2 to Customers.

¹⁰⁸ Responses to question G.3-2 of Questionnaire Q2 to Customers.

- (83) Only two competitors voiced some concerns about the Transaction. One explained that post-Transaction, the Parties’ *“bargaining power with Department Stores for instance will be increased, also with other stakeholders. Their capability to integrate and reduce costs will be significant.”*¹⁰⁹ Another competitor also highlighted that in its view, the Parties’ combined size and strength could make it harder for competitors to find manufacturers for their products and to secure store locations.¹¹⁰
- (84) The Parties have confirmed that [...] ¹¹¹ manufacturing is outsourced to a large number of companies predominantly based in Asia.¹¹² They [...] with these manufacturers, who *“strive to build a diverse customer portfolio by serving multiple brands and make strategic investments in nascent and up and coming brands”*.¹¹³ Indeed, the vast majority of competitors responding to the market investigation did not believe that sourcing raw materials and manufacturing capacity or accessing sales channels would become harder as a result of the Transaction.¹¹⁴ One competitor explicitly noted that: *“the merger would not limit”* smaller competitors’ *“access to production or sales channels.”*¹¹⁵ Another competitor also confirmed that competitors will still have access to floor space in stores.¹¹⁶ Wholesale customers participating in the market investigation also confirmed that consumers like to see a variety of brands carried in store.¹¹⁷
- (85) Furthermore, respondents to the Commission’s investigation have explained that a number of brands operating in the EEA are now becoming successful using innovative materials, sustainable manufacturing processes and direct to consumer business models, selling purely on-line or through exclusive boutiques, backed by social media marketing.¹¹⁸ According to one competitor, nowadays: *“many independent brands leverage direct-to-consumer business models,”* as *“by bypassing traditional retail channels, they can offer high-quality products at more affordable price points, eliminating markups associated with intermediaries and providing better value to consumers.”*¹¹⁹
- (86) Finally, one competitor noted that the Transaction would have a neutral impact, on the basis that post-Transaction the Parties’ brands will continue to compete with each other as these *“brands will still need to attract its [sic]customer base on their own merits”*.¹²⁰

¹⁰⁹ Responses to question H.2 of Questionnaire Q1 to Competitors.
¹¹⁰ Responses to question H.3-3 of Questionnaire Q1 to Competitors.
¹¹¹ Form CO, paragraphs 227 and 255-257.
¹¹² Form CO, paragraph 263.
¹¹³ Form CO, paragraph 296.
¹¹⁴ Responses to question H.3 of Questionnaire Q1 to Competitors.
¹¹⁵ Response to question H.5 of Questionnaire Q1 to Competitors.
¹¹⁶ Response to question H.5 of Questionnaire Q1 to Competitors.
¹¹⁷ Response to question G.2 of Questionnaire Q1 to Competitors.
¹¹⁸ Responses to question H.5 of Questionnaire Q1 to Competitors.
¹¹⁹ Responses to question H.5 of Questionnaire Q1 to Competitors.
¹²⁰ Responses to question H.2 of Questionnaire Q1 to Competitors.

6.2.2.6. *Conclusion*

(87) In light of these considerations, the Commission concludes that the Transaction does not give rise to serious doubts as to its compatibility with the internal market or the functioning of the EEA Agreement.

7. CONCLUSION

(88) For the above reasons, the European Commission has decided not to oppose the notified operation and to declare it compatible with the internal market and with the EEA Agreement. This decision is adopted in application of Article 6(1)(b) of the Merger Regulation and Article 57 of the EEA Agreement.

For the Commission

(Signed)
Margrethe VESTAGER
Executive Vice-President