Deloitte.

Global Powers of Luxury Goods 2018

Shaping the future of the luxury industry

Contents

Luxury goods in this report focuses on luxury for personal use, and is the aggregation of designer clothing and footwear (ready-to-wear), luxury bags and accessories (including eyewear), luxury jewellery and watches and premium cosmetics and fragrances.

Foreword

Welcome to the fifth **Global Powers of Luxury Goods**.

The report examines and lists the 100 largest luxury goods companies globally, based on the consolidated sales of luxury goods in FY2016 (which we define as financial years ending within the 12 months to 30 June 2017). It also discusses the key trends shaping the luxury market and provides a global economic outlook.

The world's 100 largest luxury goods companies generated personal luxury goods sales of US$217 billion in FY2016. At constant currency, the growth rate was 1 per cent, 5.8 percentage points lower than the 6.8 per cent currency-adjusted growth achieved by these companies in the previous year. The average luxury goods annual sales for a Top 100 company is now US$2.2 billion.

The luxury market has bounced back from economic uncertainty and geopolitical crises, edging closer to annual sales of US $1 trillion at the end of 2017. There were major winners and losers within the Top 100: 57 companies increased their luxury goods sales year-over-year, with 22 achieving double-digit growth, and nearly one-third of the Top 100 achieved a higher rate of sales growth in FY2016 than in FY2015. Growth among the Top 100 was dragged down in particular by the ten companies suffering a doubledigit sales decline in FY2016, including two Top 10 players - Swatch Group and Ralph Lauren. However, FY2016 seems to mark the bottom of the downturn in luxury goods sales growth for most companies.

Key findings from the report include:

- Italy is once again the leading luxury goods country in terms of number of companies, while companies based in France have the highest share of sales.
- Cosmetics and fragrances was the top-performing sector in FY2016, and the only sector with improving composite luxury goods sales growth, at 7.6 per cent.
- The eleven multiple luxury goods companies have by far the largest average size among the Top 100. Their average annual luxury goods sales in FY2016 were US$6.3 billion, and together they accounted for 32.2 per cent of the Top 100 luxury goods sales.

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

Patrizia Arienti
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Top 100 quick statistics

Composite year-over-year Top 100 luxury goods sales growth
1.0%

Aggregate net luxury goods sales of Top 100
US$217 billion

Composite return on assets
6.9%

FY2014-16 Compound annual growth rate in luxury goods sales
3.9%

Average luxury goods sales of Top 100 companies
US$2.2 billion

Economic concentration of Top 10
47.2%

Minimum sales required to be on Top 100 list
US$211 million

Composite asset turnover
0.8x

Composite net profit margin
8.8%

Shaping the future of the luxury industry

The luxury goods industry has faced a number of changes over the past two decades. Currently, varying economic trends, rapid digital transformation and evolving consumer preferences and tastes are creating a **new competitive landscape** where traditional corporate strategies are under threat.

Whether total global market growth is in single or double digits will depend on many factors, including larger geopolitical factors and their impact on tourism. Even so, **growth in the luxury goods industry will continue**, unlike in several other industries.

However, to **return to a steady and solid rate of sales growth**, luxury players have to face up to **new challenges** and deal with them in a decisive way.

Will Europe, the US, China and Japan continue to dominate the luxury goods industry?

The supply chain and retail network for the luxury goods industry have spread globally. However, Europe and the US have continued to account for a disproportionate share of sales. Although historically the industry has operated on a "**West versus the Rest**" basis, recent trends underline the growing importance of Asia, the Middle East, Latin America and Africa.

Total sales of clothing and footwear in Europe and North America will fall from more than 50 per cent of the global market in 2017 less than half in 2018, while sales in Asia, Latin America, the Middle East and Africa combined will rise above 50 per cent and continue to increase in subsequent years.

Most industry observers attribute this development not just to growing sales in emerging markets, but also to innovative retail concepts and business models adopted in these regions.

The **growing importance of non-western markets** for the luxury goods industry **has been supported by supply chain leadership, technological innovation and international investment**. These factors will help maintain further strong growth in these geographical markets.

Luxury brands have refocused their business strategies to capitalise on these changes. For example, **Giorgio Armani** is engaged in an in-store installation collaboration agreement with Colombian artist Marta Luz Gutiérrez, while **Louis Vuitton** is conducting an advertising campaign using a building designed by the late Mexican architect Luis Barragán.

Rising prosperity in major cities and growing formal market power over the black market will ensure sustained Rest of the World (ROW) demand for luxury goods. To succeed in this context, luxury players should **focus their investments on digital connectivity, upwardly mobile consumers and bold business models**, which are key components of the personal luxury industry today.

Case 1 - Gucci

In 2017, Gucci's ecommerce sales rose by 86 per cent. Millennials accounted for about 50 per cent of revenues. Total Gucci brand sales increased by 42 per cent to €6.2 billion.[1]

Growth reflected synergies from the brand's reinvention for millennial customers (known as "geek-chic") and its online experience.

Gucci's omnichannel integration of its online and in-store brand experience helped it win L2's Digital IQ Index: Fashion US in both 2016 and 2017.[2]

Also, the company launched its boutiques modelled under the "New Store Concept" in 2015, integrating online and in-store shopping experiences.

Further, in 2017 Gucci launched online stores in key markets such as China and the Middle East. They also launched a re-designed website in October 2016, providing visual presentations and stories, and offering personalised customer service by webchat, e-mail and phone. For their spring/summer 2018 collection, Gucci's flagship stores became interactive art galleries. The company has also introduced a new digital campaign for its spring 2018 collection, featuring scannable ads, and augmented and virtual reality experiences.[3]

Will digital techniques such as AR and AI help independent luxury brands compete with large groups?

The internet has become an integral part of the purchasing habits of various groups of consumers worldwide. However currently, luxury sales growth is being driven by **millennials** and **Generation Z**. With different expectations, younger shoppers seek a **personalised shopping experience** that seamlessly integrates both online and offline platforms.

This shift has motivated demand for connective technology such as **Augmented Reality** (AR) and **Artificial Intelligence** (AI). By using AR and AI technologies, luxury brands can provide a personalised consumer experience, reach a wider audience, deepen product experience, and build stronger customer relationships. In parallel, the development of technologies such as voice commerce and the **Internet of Things** (IoT) are reshaping the entire luxury industry.

Luxury brands positioned as **reliable sources of AI-driven recommendations** are improving how they engage with consumers. More widespread adoption of AI is also making consumers increasingly reliant on suggestions and advice provided by their various devices, rather than making decisions based on personal experience. In January 2018, **Estée Lauder**-owned Smashbox Cosmetics launched its first Messenger bot for UK customers to help explore new products, read usage instructions, and locate the nearest stocked store. In December 2017, **LVMH** launched a "virtual adviser" on Facebook Messenger for US clients. The chatbot answers queries relating to Louis Vuitton products, such as searching the brand's online catalogue, detailing the brand's history, and providing advice on product maintenance.

Further, luxury brands are also **using AR** in combination with their **physical retail stores** to enhance the **shopping experience** of their customers. This technology helps consumers visualise and "try" new products at home before making a purchase. For example, in July 2017 **Estée Lauder** announced the launch of a conversational AR lipstick advisor that helps potential customers identify their ideal lip shade. **L'Oréal** is increasingly focusing on AR to enhance customer experience: in March 2018 they acquired ModiFace, an internationally recognised leader in AR and AI applications used by the beauty industry. **YOOX**'s "Try, Share and Shop" initiative partnered with Lumyer in 2017 to produce an AR camera app that enables users to try handbags, sunglasses and jewelry from YOOX in virtual reality. **Burberry** has used ARkit by Apple as part of its digital marketing strategy through immersive story-telling.

So far, relatively few personal luxury brands have used AR apps, with the **most widespread use taking place in the makeup sector**. The adoption of the AI- and AR-driven technology for the whole luxury sector is not so fast as the market was expecting, because the larger players have complex cost structures and the return on these technologies could not outweigh the cost of investment in them. Despite this, **big luxury groups should be aware of digital transformation in retail technology**, which is changing how affluent consumers shop and driving growth of independent luxury brands.

How does the millennial state-of-mind and loyalty towards personal luxury goods affect the industry and communications and sales strategies of luxury brands?

Luxury goods industry sales growth and profitability have underperformed in recent years, partly because of its problems in adjusting to changed demographics. The sector has lagged other consumer industries in recognising the increasing purchasing power of technologically-sophisticated millennials.

Collectively **millennials and Generation Z will represent more than 40 per cent of the overall luxury goods market** by 2025, compared with around 30 per cent in 2016.

Unlike Baby Boomers, many millennial luxury consumers expect to interact with brands across a range of **digital platforms**, rather than only through traditional channels. Millennial consumers are also important for **in-store shopping** and expect a **high-value**, **customised experience**. Luxury brands should seek to change their business models to meet this demand, for example by providing more loyalty programmes and invitations to in-store events.

Further, for millennials the emotional and personal context within which luxury brands appeal to consumers has widened considerably. Luxury brands are supplementing traditional attributes such as quality and scarcity with lifestyle values including **sustainability** to attract millennial consumers. The emphasis on sustainability is visible in many areas especially in advertisements. Luxury brands have begun to highlight their use of renewable and organic materials, and now emphasise their efforts to lessen the environmental impact of their production.

The future success of the industry will depend on its success in permeating and proactively **reaching out to the younger generation**. A good communication strategy can be a lever.

Historically, in terms of **communication**, luxury fashion brands have based their identity on exclusivity, prestige and impeccable service, retaining a dignified distance between themselves and their customers. However, as sales have slowed, they have been compelled to engage with consumers via social media.

Luxury brands previously viewed **social media** as "mass market", but today it has become an increasingly important marketing tool for them.

Burberry is an excellent example of a luxury brand that realised early on the power and influence of social media. According to an article on SocialWall, the brand dedicates around 60 per cent of its marketing budget to digital platforms, engaging customers on Facebook, Twitter, Tumblr, Pinterest, Instagram and YouTube.

In recent years, luxury brands have engaged with more consumers on social media through digital marketing and web listening data analytics to gain insights into customer behavior. **Instagram** is emerging as the leading social media platform for fashion designers. **Gucci** more than doubled its Instagram followers between 2016 and March 2018, with successful Insta-campaigns such as #TFWGucci.

In future, **the biggest challenge for luxury brands will be to make optimum use of social media without compromising their brand values**. The success of a **social media strategy** will be converting "likes" into an **interactive and engaging experience** for customers.

Followers of Luxury Brands on Social Media (millions), as at March 19, 2018

Brands	Instagram	Facebook	Twitter
Louis Vuitton	22.4	20.7	7.3
Gucci	22.3	16.7	5.5
Dior	18.8	16.1	8.3
D&G	16.2	11.1	5.3
Prada	14.9	6.3	1.0
Calvin Klein	11.9	12.2	3.6
Versace	11.7	5.0	4.5
Burberry	11.2	17.0	8.6
Ralph Lauren	7.6	8.9	2.3

Case 2 - Farfetch

Farfetch plans to launch a new technological application, to revolutionise in-store shopping.[4] Unveiled in April 2017, "Store of the Future" forms part of the firm's Augmented Retail strategy, to connect online and offline retail activities.

By focusing on individual human traits and other behavioural attributes, it seeks to offer an individualised customer service and also empower store staff. Initially, target consumers are "recognised", with staff alerted when a customer with the Farfetch app enters an affiliated boutique. Sensors are used to create an in-store wish list. Next, in the interactive fitting room, which uses smart mirror technology, store staff are able to access Farfetch's database of each consumer's past purchases, preferred brands and in-store browsing behaviour, to better personalise the in-store shopping experience.

The platform will also help stores improve their management of inventory and order fulfillment and drive foot traffic, by offering buy online, pick-up in-store, and in-store return options. The pilot was launched in October 2017, at Browns (a boutique in London, which Farfetch bought in 2015). The company plans a full commercial roll-out to selected partners in 2018.

Are digital and off-price strategies still the best way forward?

For much of the past decade, luxury fashion brands have struck a sensible **balance between exclusivity and accessibility** resulting in strong financial results. They were slow to adopt digital media to grow sales, fearing they might become too visible. However, as luxury consumers began spending more online, brands were left with no choice but to adapt to their customers' new purchasing patterns.

With so much availability, mass reach and lower prices, **brands are now concerned they may be compromising their exclusivity**.

Luxury brands have begun to focus on **changing their portfolio structure** to increase scarcity, helping maintain their aura of prestige. Examples of strategies adopted by luxury fashion brands include reducing the number of entry-level products, physically distancing off-price outlets from city centre stores and re-orienting perceptions to emphasise higher-priced, iconic products with more subtle brand signifiers. For example, **Dior** in Paris holds sales only twice a year and for very short periods, and at separate rented locations, never in their flagship store on Avenue Montaigne.

For **high-end watch brands**, the desire for exclusivity led to a reduction in the number of authorised dealers. According to the Deloitte Swiss Watch Industry Study 2017, only 24 per cent of watch executives consider shop-based authorised dealers to be their most important sales channel, compared to 83 per cent in 2014. However, a record high of 67 per cent of respondents said they would focus on e-boutiques.

This new approach by luxury fashion brands may impact brand sales and profits. However **by limiting their availability, brands can restore their exclusivity and desirability**, helping to stimulate demand once more.

If the goal of luxury fashion brands is to drive sales then **digital and off-price strategies** are well-balanced, but if the goal is to remain luxury, then it is **time to revisit them**.

How does the need to operate in an omnichannel world affect operations?

Since the internet began, luxury brands have struggled to provide digitally the same high-end personalised customer experiences that they offer to in-store clients. Today, as well as delivering a lively digital presence, they must also operate in an omnichannel world.

A true omnichannel global market environment would require luxury brands to close gaps in **customer experiences across channels**, to offer a seamless, unified brand experience irrespective of the device or physical touchpoint used. Therefore, each channel needs to interact with and support others to establish a single brand presence.

Demand for an omnichannel approach is a natural development from the spread of digital technology and ecommerce markets. During this process of change, **the ability** of luxury brands **to leverage available inventory** will be a key differentiator.

In order to meet the requirements imposed by omnichannel operations, brands must provide a **centralised system** within which information on all aspects of their products is available instantly. Meeting this challenge requires a complete overhaul of existing systems and processes.

Enabling stores to accept ecommerce returns from different regions, or to book a direct shipment using inventory located in a different country, can now be managed seamlessly with an **Order Management System** (OMS). Wholesale reorders, store transfers, ecommerce orders and store reservation can leverage one single engine that **provides what the omnichannel promises**, bringing full inventory visibility, Available-to-Promise (ATP) capabilities and full Enterprise Resource Planning (ERP) integration.

Moreover, a new generation of software applications are supporting real-time omnichannel processes, with a global reach and connectivity to multiple sources of data. These assets provide a foundation for streamlining processes, turning **Internet of Things (IoT) data** into information and automated actions, using **machine learning** to automate processes, unlock **new insights**, and improve decision-making across the enterprise - all to transform the enterprise and address evolving demands.

Merchandise plan, assortment, in-season planning, ecommerce investments can be managed seamlessly across channels, to realize the omnichannel company that the customer is expecting when searching for and buying a product. This usually goes with a stronger and centralised view on assortment management, reshaping the role of regions towards more focused attention on sales and customers, increasing the governance of the portfolio across channels and geographies, leveraging **stock mutualisation**, increasing **assortment commonalities** and **reducing complexity**.

In conclusion, given ever-evolving customer preferences and increasing use of mobile platforms, the ability to switch seamlessly among different channels has become essential for personal luxury brands: **luxury brands slow to implement digital supply networks risk being left behind**.

Case 3 – YNAP and Valentino [5,6]

Luxury brand Valentino and Yoox Net-a-Porter Group (YNAP) have partnered to create a new omnichannel business model called Next Era, to be launched in 2018, designed to improve each customer's retail experience. The new platform will provide Valentino customers unprecedented online access to inventory from Valentino's boutiques and logistic centres, as well as YNAP's global fulfilment centre network.

Next Era combines YNAP's state-of-the-art technology with an innovative order management system, which offers Valentino an integrated overview of its inventory and a complete profile of its customer base. YNAP's data-driven inventory management offers global visibility of inventory, operational efficiency and enhanced geographical scalability.

Further, YNAP is expanding its onmichannel model by offering customers several options such buy online and pay and collect in store; buy online and return in store; buy over the phone; and phone and live chat assistance while online shopping. According to YNAP, the new model will redesign valentino.com entirely, using knowledge of online luxury customer behaviour, to create a superior retail experience with a mobile-centric interface, new appearance and aesthetics; and innovative functionality will be powered by AI focusing on on-site personalisation and contextual searches.

Global Economic Outlook

Overview

The global economy is currently enjoying a period of relatively strong growth and favourable conditions. There are indicators of stronger growth in Japan and in the euro area, and growth has finally stabilised in China and the US, and revived in many emerging markets. Conditions are so good that talk about uncertainty has lessened, and the fear of a new crisis seems far behind. In truth, there are a number of clearly visible risks, both economic and political, that have to be taken into account for a proper scenario analysis: possible asset price bubbles, an untimely tightening of monetary policy in several countries, a rise in the protectionist sentiment, political instability and fragmentation, and geopolitical tensions. Moreover, consumer spending in some key markets (especially Japan and the UK) is weak, and is hampering growth.

The luxury market has bounced back from economic uncertainty and geopolitical crises, edging closer to annual sales of US $1 trillion at the end of 2017. The outlook for 2018 is quite positive, although volatility could threaten market expansion. In this report, we look at the economic outlook for the major luxury markets and the challenges that brands are likely to face in the coming year.

Europe

The confidence indicator for the euro area is improving for the first time since the financial crisis, a notable change from the previous two years. The Eurozone economy is growing and the uncertainties that marked previous years are decreasing. On a per capita basis, GDP is actually growing more rapidly than in the US. Germany, Spain and The Netherlands are the highest growth countries. France is rebounding and Italy is starting to show signs of improvement.

These positive results reflect the effectiveness of the aggressive monetary policy adopted by the European Central Bank (ECB). Lower interest rates reduced the value of the euro, improving European exports. Given the current low rate of inflation, it seems likely that the ECB will continue with a relatively easy monetary policy in 2018. Aside from economic issues, the biggest risk to the region is political. Extremist parties won a higher share of votes in recent elections in a number of countries, making it difficult to form coalitions and give political stability. The next months will be crucial for the political outcome of Italy. The prospects for structural reforms in the Eurozone are therefore not good, which does not bode well for its ability to react effectively to the next crisis, whenever this occurs.

Western Europe remains one of the top geographic areas by size for revenue generation in the luxury segment. Tourism has supported the luxury market in Spain and France, even though continental Europe has seen the biggest price increases in the global luxury market over the past year. A stronger euro and foreign exchange volatility have driven up prices in Italy and France by 13.5 per cent in dollar terms[7]. Moreover, local demand has strengthened, particularly in Germany, thanks to the positive economic climate re-established after the global crisis. In Switzerland, there are finally signs of recovery in the luxury watch industry: exports rose throughout 2017, with China being the number one importer. There are positive expectations for growth in the luxury watches industry, as millennials appear to favour luxury mechanical watches rather than digital watches. Eastern Europe is expected to become one of the fastest growing markets for luxury goods expenditure over the next few years. Overall, considering the positive sentiment in Europe, the luxury goods market is expected to grow steadily over the coming months.

United Kingdom

Uncertainty looms large over the United Kingdom. Economic growth is likely to be restricted as consumers, already battling with rising inflation, cut back on spending, due to the decline in the value of the pound and rising import prices. The purchasing power of British consumers is declining and the shaky political and economic landscape is not helping the recovery. The growth outlook for the UK is modest at best.

The general situation for the British luxury market is still unclear due to the high level of uncertainty surrounding Brexit. One of the most important drivers for a flourishing luxury goods market in the next year will be tourists, who are travelling to the UK in large numbers, and taking advantage of the weak pound sterling and favourable exchange rates. Another favourable trend for the British luxury market is that domestic luxury customers are reducing their shopping abroad because of the unfavourable exchange rates, which are making it more convenient to spend in the UK. Overseas shoppers looking for a bargain benefit from travelling to London because, compared with China, prices are on average 22.0 per cent cheaper in the UK, narrowly beating Italy (21.6 per cent cheaper) and France (21.4 per cent).[8] Given current conditions, the UK is fast becoming the most affordable luxury market in the western world.

Russia

Russia's economy seems to be on the path to recovery, registering modest but uneven growth, which is far from being robust, but enough to achieve macroeconomic stability. Industrial production grew quite steadily until last spring. Real retail sales, after a decline for more than two years, accelerated in 2017; and growth in real disposable income has gathered pace.

Consequently, there has been an improvement in consumer demand, as well as in the business environment. According to the World Bank, growth is likely to be positive for the next two years.

The country's luxury market has recovered after two consecutive years of poor performance, helped mainly by an increase in domestic demand and rising sales to tourists, which will receive a further boost thanks to a "tax-free" scheme scheduled for 2018. Department stores are the main retail channel for luxury products, thanks to their competitive prices and wide product range. International brands and imports dominate the Russian market for luxury goods, which is therefore strongly dependent on the exchange rate. If the economic situation remains stable over 2018, growth in the luxury market will continue, as the purchasing power of middle class consumers increases.

United States

The economic situation in the US is surprisingly positive. Economic growth has been modest but sufficient to bring full employment. Inflation and borrowing costs remain low, and asset prices have risen steadily with only limited volatility. However, there are some potential risks. First, consumer spending has been growing much faster than household income, due mainly to reduced rates of saving and higher levels of borrowing. This growth cannot be sustained indefinitely. The danger is that, unless growth in wages begins to accelerate, the spending on luxury goods and other leisure goods will be cut back. Moreover, some analysts warn of the risk of a potential bubble in asset prices, and predict that if the Federal Reserve increases interest rates sufficiently, asset prices will fall. The result would be a drop in the wealth of consumers and increased stress in credit markets. At the time of writing, the US administration seems intent on introducing significant protectionist measures to save jobs, but the outcome would likely be an increase in consumer prices and a fall in consumer purchasing power. Moreover, protectionism aimed at China could provoke severe retaliation, hurting trade and damaging economic growth on both sides of the Pacific.

Although growth in 2017 has been slower compared with other countries, the US remains the world largest luxury goods market and it is expected to remain the world leader through 2018, reinforcing its strategic importance within the global industry. The US luxury market remains competitive and diverse, with a wide range of players, both national and international. The major players are trying to diversify their product portfolios in an attempt to maintain a competitive advantage. Notably, online sales of luxury goods are growing strongly, thanks to growing numbers of digitally-savvy consumers.

China

China's economy has been growing recently at an annual rate of around 6.5 per cent, quite modest by the country's standards. Currently, it seems that cyclical upswings are emerging thanks to a synchronised global recovery and the government's efforts to cut over-capacities, which in turn are boosting corporate profits. However, in the medium to longer term, the current growth rate is unlikely to be sustained because of challenges in attempting to reduce borrowing and reducing leverage (among firms and local governments), less favourable demographic profiles and possible risks relating to trade protectionism and geopolitical issues. However consumption is expected to buck the trend, despite a weak social safety net that encourages a high level of saving.
The volume of spending on luxury goods was solid in 2017 compared with most other major economies. In fact, China is one of the fastest-growing countries for luxury goods and this will continue in 2018. Chinese luxury consumers represent a high proportion of the global luxury market and the rapid rise of a more affluent and fashion-savvy middle class is bolstering luxury consumption. In terms of per capita spending, China is one of the leading countries, thanks to the rising purchasing power of young millennials and Generation Z. Because of the young luxury customer base, online sales of luxury goods experienced their fastest growth last year, although store-based retailing is still the preferred channel for purchases because it allows customers to check products physically and enjoy the customer experience of the brand. Europe is the main foreign luxury shopping destination for Chinese consumers, followed by the United States, while Hong Kong SAR and Macau SAR are the main domestic centres. In fact, mainland Chinese tourists are the key consumers of luxury goods in Hong Kong SAR and the growth in their spending in 2017 brought a positive and steady performance to the personal luxury market throughout the year. The latest trend among Hong Kong SAR luxury consumers is to look for niche luxury brands in order to create a unique personal style.

Rest of Asia

The rest of Asia registered a strong increase in sales over the course of 2017. Forecasts for the near future are that the growth rate in the Fashion and Luxury markets will be higher in that Asia and the Middle East than in other countries.

India

After a year of disruption and slowdown in growth, the Indian economy is consolidating gains from recent reforms, and it is expected to stabilise in the course of this year, and maintain a positive trend in the future. Forecasts for inflation and economic conditions are good, with the prospect of general macroeconomic stability. The rupee has strengthened against the US dollar, contributing to a low inflation scenario. The biggest risks are now associated with the recovery in private investment which is still facing domestic impediments such as the corporate debt overhang and various regulatory and policy challenges. Another risk is the possible imminent increase in US dollar interest rates.

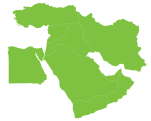
In India the luxury goods sector is still in the early stages of development, with a slow but constant growth and presenting many opportunities for investing companies. Demand for luxury goods is expected to remain strong over the next year, although there will be challenges, one of which is to gain the government's support. Also problematic are the high import duties on luxury goods, which constitute a barrier to price parity with other countries. Further, demonetisation and the introduction of GST dampened the luxury goods segment. The positive economic prospects for the country seem sufficient for a rise in aspirations among urban consumers with higher disposable income to invest in luxury products.

Japan

In Japan, growth in the economy seems to be accelerating. The recovery is due mainly to the economic programme and monetary policy since 2013 of the government of Prime Minister Shinzō Abe, which have led to low unemployment and strong export growth. Global demand for Japanese exports has increased over the course of the past seven quarters. The economic outlook for Japan for the next year is optimistic.

Japan's luxury goods market, one of the largest in the world, is growing steadily again, after a long period of global and domestic crisis, and is expected to grow further over the next years thanks to rising consumer confidence and the purchasing power of the younger generations, creating prospects for an increase in spending for luxury goods. Moreover, purchases by inbound tourists have a substantial effect on sales in the luxury goods market, and as the number of tourists is expected to rise in 2018, a boost in the luxury market is expected too.

Middle East



In 2017 growth in the Middle East was almost flat due to the high level of economic uncertainty, but it is expected to jump to 3 per cent in 2018 from 1.8 per cent in 2017 (as reported by the World Bank). Geopolitical tensions, conflicts, and shrinking oil prices are the main factors putting the stability of the whole area at risk. Oil prices are set to stay firm thanks to an easing of fiscal constraints and there are expectations of reforms across the region, favouring economic growth. Tourism is also a strong source of economic growth for those countries in the region that do not rely on oil exports.

The dynamics of the luxury goods market in the region, unlike other countries, are strongly linked to oil prices, and as long as these remain stable, there is room for growth. Dubai remains in 2017 one of the top luxury destinations for Middle Eastern consumers, as well as for Chinese and European visitors. Dubai is among the best cities in the world for luxury shopping and a crucial spending hub for the region, with high-end shoppers coming from around the world. One of the main challenges to growth in the luxury industry in the Middle East is retaining shoppers who might otherwise buy luxury goods elsewhere, mainly in European cities. The Middle East has one of the largest young populations in the world and millennials in the Middle East are richer than the average and their willingness to buy is stronger. Addressing the new Arab luxury audience represents an opportunity to create brand loyalty, fuel luxury spending, and foster market growth.

United Arab Emirates

Growth in the luxury products market has been relatively slow in 2017, in keeping with the general slowdown in the region. The critical situation of the luxury market in the UAE is also due to a fall in demand resulting from the country's rising rent and education costs, as well as from a newly-introduced Value Added Tax from January 2018. The high costs of rents and education, added to the uncertainty in the job market, are the main reasons for consumers to save money and reduce their frequency of purchases. The United Arab Emirates is one of the most attractive countries in the Middle East for luxury brands, and is a strategic centre for companies deciding to enter the regional market. Therefore, competition among players is very strong, intensified by the growth in online shopping. Notwithstanding the modest results in 2017, forecasts for the future are positive as the luxury goods market matures and adjusts to global trends.

Latin America

The growth forecasts for the region are positive for 2018, although economic recovery is still fragile and uneven across states. Political uncertainty, combined with natural disasters, a deterioration in domestic fiscal conditions, and US protectionism, have hampered economic stability over the course of 2017 and could remain a risk over the next year. Private consumption has been the main driver of the economy in the region, while shrinking investment damaged growth for the fourth consecutive year. The hope for 2018 is for an increase in private consumption and investment, mainly among the commodity exporting economies, to foster growth. Growth in the Mexican economy is expected to accelerate this year and Brazil, which experienced a deep and prolonged recession, is now expected to grow slowly in 2018, after a modest performance in 2017.

Brazil

2016 had been a very challenging year for the Brazilian luxury market and the expected growth that many companies and retailers had been hoping for failed to materialise in 2017. Because of political and economic crises, Brazilian consumers adopted a conservative attitude, preferring in general to cut their purchases of luxury items and expensive goods. Sales of luxury goods fell for the second year in a row, with entry-price luxury products being the most affected by the slowdown in consumption. 2018 is expected to present a better economic scenario for sales of luxury goods.

Mexico

Mexico is the most attractive market for luxury brands in Latin America. Despite challenging economic circumstances, the consumption of luxury goods is expected to grow over the next few years, thanks mainly to the rising numbers of millionaires living in the country and to more affluent middle-income consumers. Moreover, Mexicans generally prefer branded products, which is an incentive for luxury brands to invest in the country. The most effective retail channel is flagship stores and big multi-brand malls where it is possible to buy luxury items from cars to clothing and jewellery.

Argentina

The luxury goods market in Argentina is benefitting from changes in economic policy implemented in 2016 and many brands that left the country during the previous economic crisis are slowly returning to the country. The Argentinian market is currently very attractive for brands, given the high demand for luxury goods and a scarcity of supply. Many high income Argentinians have chosen willingly to shop for luxury goods in neighbouring Chile and Brazil, thanks to the wider variety of products on offered in these markets. Finding an appropriate location to open a store is a major difficulty for luxury brands wanting to enter the Argentinian market. Overall, forecasts for 2018 are positive: and some growth in luxury sales is expected over the year, boosted by an increase in supply.

Top 100 highlights

Luxury goods sales growth bottoms out: profit margins resilient under pressure. M&A activity heats up

The world's 100 largest luxury goods companies generated personal luxury goods sales of US$217 billion in FY2016. At constant currency, the growth rate was 1 per cent, 5.8 percentage points lower than the 6.8 per cent currency-adjusted growth achieved by these companies in the previous year.

There were major winners and losers within the Top 100: 57 companies increased their luxury goods sales year-over-year, with 22 achieving double-digit growth, and nearly one-third of the Top 100 achieved a higher rate of sales growth in FY2016 than in FY2015. Growth among the Top 100 was dragged down in particular by the ten companies suffering a double-digit sales decline in FY2016, including two Top 10 players - Swatch Group and Ralph Lauren. However, FY2016 seems to mark the bottom of the downturn in luxury goods sales growth for most companies. Early FY2017 results indicate improved performance.

Profit margins among luxury goods companies (based on their combined total revenue and net income) were down only slightly in FY2016. The composite net profit margin for the 80 luxury goods companies disclosing their bottom-line profits fell by just by 0.7 percentage points, to 8.8 per cent. More than half these companies improved their net profit margin over the previous year. Many of the largest luxury goods companies achieved strong bottom line performance.

The 19 companies with double-digit net profit margins included nine of the Top 20 luxury goods companies, including the top three - LVMH, Estée Lauder and Richemont. Eleven companies made a loss, up slightly on the nine in last year's report.

The number of "all-round high achievers" dropped back again in FY2016: only five companies achieved both double-digit growth in luxury goods sales and a double-digit net profit margin, compared to eight in last year's report. Pandora and Moncler are the most notable high achievers: these two companies have delivered double-digit growth and profit margins in all years FY2014-16. UK-based fashion companies Burberry and Barbour, together with Kate Spade (prior to its acquisition by Coach), were the other high achievers in FY2016.

For the 79 companies reporting total assets, asset turnover (the ratio of total company sales to assets) was stable, at 0.8 times. The composite return on assets was down 1 percentage point on FY2015, at 6.9 per cent.

Total sales of luxury goods by the Top 100 luxury goods companies in FY2016 were US$217 billion, an average of US$2.2 billion per company. The threshold level of sales for belonging to the Top 100 in FY2016 was up by US$31 million, at US$211 million.

49 of the Top 100 companies had luxury goods sales of more than US$1 billion, nine more than in FY2015. Nearly all the twelve luxury giants, with luxury goods sales of more than US$5 billion, are based in Europe and the US. Two-thirds of the 39 smaller companies, with luxury goods sales of less than US$500 million, are family-owned.

Merger and acquisition activity had a major impact on four Top 100 luxury goods companies in FY2016:

- Coty completed their US$12.5 billion acquisition of the Procter & Gamble beauty business in October 2016. Coty's newly formed Luxury Division reported for the first time in FY2016.
- Elizabeth Arden, Swiss luxury watchmaker Frédérique Constant, and bag company Tumi dropped out of the Top 100, as a result of acquisition.

There were many other significant acquisitions, disposals and partnerships by luxury goods companies near the end of FY2016 and since then.

- The complex ownership structure of LVMH and Christian Dior was simplified by the Arnault family's €12.1 billion decision to integrate Christian Dior Couture into LVMH from July 2017.

- LVMH acquired 80 per cent of high-end luggage manufacturer Rimowa in January 2017, and sold the Donna Karan brand to G-III in December 2016. PVH's 2017 licence agreement with G-III means that PVH will design and distribute menswear for the DKNY brand in North America. This strengthens the existing partnership between PVH and G-III, which included G-III taking over the licence for Tommy Hilfiger womenswear in North America at the end of 2016.
- LVMH and Marcolin set up a joint venture, 51 per cent owned by LVMH and 49 per cent by Marcolin S.p.A., for the production, distribution and promotion of sunglasses and eyeglasses of some brands of the LVMH group. The first brand to be licensed to the new company by the LVMH group is Céline.
- Richemont offered €2.7 billion for full control of luxury online player Yoox Net-a-Porter in January 2018. It already owns 50 per cent of the company. Richemont also sold Hong Kong SAR luxury fashion house Shanghai Tang in 2017.
- Kering moved further towards its goal of becoming a leading pure player in luxury goods with an announcement in January 2018 that it would distribute around 70 per cent of Puma shares, (out of the 86.3 per cent owned by the Group) to its shareholders. It had previously disposed of the non-luxury Electric brand.
- Estée Lauder invested in three prestige beauty brands targeted at the millennial consumer, paying US$1.45 billion for Too Faced and US$200 million for Becca Cosmetics towards the end of 2016, and making a minority investment in DECIEM in 2017.
- L'Oréal Luxe paid US$1.2 billion for IT Cosmetics, one of the fastest-growing prestige beauty (skincare) brands in the United States, in 2017.
- Coach, Inc acquired Kate Spade for US$2.4 billion in July 2017, and changed its name to Tapestry, to reflect the growing portfolio of luxury brands owned by the company.
- Michael Kors bought Jimmy Choo from JAB Luxury for £1.35 billion in November 2017. JAB is selling all of its luxury goods companies to focus on consumer goods: Belstaff was sold to INEOS in December 2017, and Shandong Ruyi expanded its luxury fashion footprint by agreeing to buy a controlling stake in Bally in February 2018. This follows the Chinese textile manufacturer's acquisition of two Top 100 luxury goods companies - SMCP in 2016, and Hong Kong SAR menswear group Trinity in 2017.
- Shiseido acquired Gurwitch Products, the US owner of the Laura Mercier and RéVive brands, and won the licence for Dolce & Gabbana cosmetics & fragrance (previously licensed to P&G Prestige, but not transferred in the Coty acquisition).
- Luxottica's €50 billion merger with lens maker Essilor gained antitrust approval in the EU, US and a number of other countries in early 2018. Luxottica also acquired two major optical chains: Italy's Salmoiraghi & Viganò, and Óticas Carol, one of the largest optical franchisors in Brazil.

Global Powers of Luxury Goods Top 100

Top 100 luxury goods companies by sales

FY2016 Luxury goods sales ranking	FY2015 Luxury goods sales ranking	Company name	Selection of Luxury Brands	Country of origin	FY2016 Luxury goods sales (US$ m)	FY2016 Total revenue (US$m)	FY2016 Luxury goods sales growth	FY2016 Net profit margin [1]	FY2014-16 Luxury goods sales CAGR [2]
1 ↔	1	LVMH Moët Hennessy-Louis Vuitton SE	Louis Vuitton, Fendi, Bulgari, Loro Piana, Emilio Pucci, Acqua di Parma, Loewe, Marc Jacobs, TAG Heuer, Benefit Cosmetics	France	23,447	41,593	5.0%	11.6%	10.0%
2 ↑	3	The Estée Lauder Companies Inc.	Estée Lauder, M.A.C., Aramis, Clinique, Aveda, Jo Malone; Licensed fragrance brands	US	11,824	11,824	5.0%	10.6%	4.7%
3 ↓	2	Compagnie Financière Richemont SA	Cartier, Van Cleef & Arpels, Montblanc, Jaeger-LeCoultre, Vacheron Constantin, IWC, Piaget, Chloé, Officine Panerai	Switzerland	11,677	11,677	-3.9%	11.4%	1.1%
4 ↔	4	Luxottica Group SpA	Ray-Ban, Oakley, Vogue Eyewear, Persol, Oliver Peoples; Licensed eyewear brands	Italy	10,051	10,051	2.8%	9.4%	9.0%
5 ↔	5	Kering SA	Gucci, Bottega Veneta, Saint Laurent, Balenciaga, Brioni, Sergio Rossi, Pomellato, Girard-Perregaux, Ulysse Nardin	France	9,369	13,700	7.7%	7.0%	11.9%
6 ↑	7	L'Oréal Luxe	Lancôme, Biotherm, Helena Rubinstein, Urban Decay, Kiehl's; Licensed brands	France	8,476 [e]	8,476 [e]	6.0%	n/a	11.2%
7 ↓	6	The Swatch Group Ltd.	Omega, Longines, Breguet, Harry Winston, Rado, Blancpain; Licensed watch brands	Switzerland	7,413	7,665	-10.7%	7.9%	-6.9%
8 ↔	8	Ralph Lauren Corporation	Ralph Lauren, Polo Ralph Lauren, Purple Label, Double RL, Club Monaco	US	6,653	6,653	-10.2%	-1.5%	-6.6%
9 ↑	10	PVH Corp.	Calvin Klein, Tommy Hilfiger	US	6,646	8,203	5.6%	6.7%	1.6%
10 ↓	9	Chow Tai Fook Jewellery Group Limited 周大福珠宝集团有限公司	Chow Tai Fook, CHOW TAI FOOK T MARK, Hearts on Fire	Hong Kong SAR	6,604	6,604	-9.4%	6.1%	-10.7%
11 ↑	12	Hermès International SCA	Hermès, John Lobb	France	5,755	5,755	7.5%	21.2%	12.4%
12 ↓	11	Rolex SA	Rolex, Tudor	Switzerland	5,379 [e]	5,379 [e]	-3.6%	n/a	1.9%

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Source: Published company data and industry estimates.

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13 ↔	13	Lao Feng Xiang Co., Ltd. 老凤祥股份有限公司	Lao Feng Xiang	China	4,768	5,262	2.1%	3.9%	4.9%
14 ↔	14	Michael Kors Holdings Limited 迈克高仕控股有限公司	Michael Kors, MICHAEL Michael Kors	UK	4,494	4,494	-4.6%	12.3%	1.4%
15 ↔	15	Coach, Inc. (now Tapestry, Inc.)	Coach, Stuart Weitzman	US	4,488	4,488	-0.1%	13.2%	3.5%
16 ↔	16	Tiffany & Co.	Tiffany & Co., Tiffany	US	4,002	4,002	-2.5%	11.1%	-3.0%
17 ↑	-	Shiseido Prestige & Fragrance	SHISEIDO, clé de peau BEAUTÉ, bareMinerals, NARS, IPSA, Laura Mercier; Licensed fragrance brands	Japan	3,736 [e]	3,736 [e]	8.7%	n/a	ne
18 ↔	18	Burberry Group plc	Burberry	UK	3,603	3,603	10.0%	10.4%	4.7%
19 ↓	17	Prada Group	Prada, Miu Miu, Church's, Car Shoe	Italy	3,515	3,515	-10.3%	8.9%	-5.3%
20 ↑	24	Pandora A/S	Pandora	Denmark	3,013	3,013	21.2%	29.7%	30.3%
21 ↓	19	Hugo Boss AG	BOSS, HUGO	Germany	2,979	2,979	-4.1%	7.2%	2.3%
22 ↓	20	Fossil Group, Inc.	Fossil, Michele, Relic, Skagen, Zodiac, Misfit; Licensed brands	US	2,929 [e]	3,042	-5.8%	2.8%	-7.1%
23 ↓	22	Swarovski Crystal Business	Swarovski	Austria	2,876	2,876	0.0%	n/a	5.6%
24 ↓	21	Giorgio Armani SpA	Giorgio Armani, Emporio Armani, Armani, A|X Armani Exchange	Italy	2,791	2,791	-5.3%	10.7%	-0.5%
25 ↓	23	Coty Luxury	Philosophy, JOOP!, Lancaster, Calvin Klein fragrance; Licensed fragrance brands: Hugo Boss, Gucci etc	US	2,567	2,567	39.7%	n/a	15.1%
26 ↔	26	Christian Dior Couture SA	Christian Dior	France	2,142 [p]	2,142 [p]	8.5%	n/a	9.1%
27 ↔	27	Puig S.L.	Carolina Herrera, Nina Ricci, Paco Rabanne, Jean Paul Gaultier, Penhaligon's; Licensed fragrance brands	Spain	1,980	1,980	8.8%	8.7%	8.9%
28 ↑	31	Titan Company Limited	"Tanishq, Zoya, Nebula, Xylys, Titan"	India	1,905	1,961	16.0%	5.3%	4.6%
29 ↑	-	Onward Holdings Co., Ltd.	Nijyusanku, Joseph, Jil Sander, gotairiku	Japan	1,842	2,260	-1.5%	1.9%	-3.2%
30 ↓	25	Chow Sang Sang Holdings International Limited 周生生集团国际有限公司	Chow Sang Sang	Hong Kong SAR	1,809	2,073	-16.0%	4.6%	-8.9%

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Christian Dior Couture changed fiscal year end from June 2016 to December 2016.
As a result, Luxury goods sales growth shown is for 6 months only; CAGR is for 18 months only.

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31 ↓	29	OTB SpA	Diesel, Marni, Maison Margiela, Viktor&Rolf	Italy	1,747	1,747	-0.7%	0.2%	0.7%
32 ↔	32	Clarins SA	Clarins, My Blend, Mugler, Azzaro	France	1,684	1,684	1.2%	5.1%	0.7%
33 ↑	34	Max Mara Fashion Group Srl	MaxMara, SportMax, Marina Rinaldi, Max & Co, PennyBlack	Italy	1,610	1,610	3.7%	7.5%	4.3%
34 ↓	33	Salvatore Ferragamo SpA	Salvatore Ferragamo	Italy	1,576	1,591	0.6%	13.8%	3.9%
35 ↓	28	Luk Fook Holdings (International) Limited 六福集团(国际)有限公司	Luk Fook	Hong Kong SAR	1,572	1,651	-13.1%	8.0%	-11.0%
36 ↑	39	Dolce & Gabbana	Dolce&Gabbana	Italy	1,549	1,549	14.3%	5.7%	13.9%
37 ↑	-	Kalyan Jewellers India Pvt. Limited	Mudhra, Tejasvi, Glo, Sankalp	India	1,464 [e]	1,464 [e]	-7.0%	n/a	6.5%
38 ↔	38	L'Occitane International SA	L'Occitane en Provence, Melvita, Erborian, L'Occitane au Brésil	Luxembourg	1,451	1,451	3.2%	10.0%	6.0%
39 ↓	37	Safilo Group SpA	Safilo, Carrera, Oxydo, Smith; Licensed eyewear brands	Italy	1,386	1,386	-2.0%	-11.3%	3.1%
40 ↑	41	Kate Spade & Company	kate spade new york, JACK SPADE	US	1,358	1,381	11.4%	11.1%	10.8%
41 ↑	-	Pola Orbis Holdings Inc.	Pola, Orlane Paris, Jurlique, Three	Japan	1,348	2,008	1.7%	8.0%	5.3%
42 ↑	43	Valentino SpA	Valentino, REDValentino	Italy	1,294	1,294	11.7%	8.7%	26.9%
43 ↑	44	PC Jeweller Ltd.	PC Jeweller, AZVA	India	1,263	1,277	15.7%	5.3%	15.5%
44 ↓	35	Ermenegildo Zegna Holditalia SpA	Ermenegildo Zegna, Z Zegna, Zegna Sport	Italy	1,260	1,260	-11.5%	1.8%	-5.9%
45 ↓	40	Patek Philippe SA	Patek Philippe	Switzerland	1,192 [e]	1,192 [e]	-1.3%	n/a	0.6%
46 ↔	46	Moncler SpA	Moncler	Italy	1,151	1,151	18.2%	18.9%	22.4%
47 ↓	42	TOD'S SpA	Tod's, Hogan, Fay, Roger Vivier	Italy	1,150	1,150	-0.8%	8.9%	3.2%
48 ↓	45	Tory Burch LLC	Tory Burch, Tory Sport	US	1,050 [e]	1,050 [e]	0.0%	n/a	2.5%
49 ↑	-	Joyalukkas India Pvt. Limited	Zenina, Veda, Pride, Eleganza	India	1,001 [e]	1,001 [e]	16.2%	1.8% [e]	13.9%

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50 ↓	36	Eastern Gold Jade Co., Ltd	Eastern Gold Jade	China	992	992	-25.6%	3.8%	20.5%
51 ↓	50	Audemars Piguet & Cie	Audemars Piguet	Switzerland	888 [e]	888 [e]	6.7%	n/a	10.2%
52 ↓	51	SMCP SAS	Sandro, Maje, Claudie Pierlot	France	870 [p]	870 [p]	16.4%	2.8% [p]	24.3%
53 ↓	49	Le Petit-Fils de L.-U. Chopard & Cie SA	Chopard	Switzerland	771 [e]	771 [e]	-5.0%	n/a	-2.5%
54 ↓	53	Gianni Versace SpA	Versace, Versace Collection, Versus Versace	Italy	746	746	3.7%	-1.1%	10.4%
55 ↓	54	Ted Baker plc	Ted Baker	UK	708	708	16.4%	8.8%	17.0%
56 ↑	-	Sanyo Shokai Ltd.	Mackintosh, Paul Stuart	Japan	622	622	-30.6%	-16.8%	-22.0%
57 ↓	56	Longchamp SAS	Longchamp, Le Pliage	France	612 [e]	612 [e]	-2.3%	n/a	5.2%
58 ↑	60	Cole Haan LLC	Cole Haan	US	600 [e]	600 [e]	2.6%	n/a	n/a
59 ↓	55	Graff Diamonds International Limited	Graff	UK	570	570	-9.6%	2.8%	-19.7%
60 ↓	57	Movado Group, Inc.	Concord, EBEL, Movado; Licensed watch brands	US	553	553	-7.1%	6.3%	-3.0%
61 ↑	65	Inter Parfums, Inc.	Lanvin, Rochas; Licensed fragrance brands	US	521	521	11.2%	8.3%	2.2%
62 ↓	59	Gerhard D. Wempe KG	Wempe, Wempe Glashütte, By Kim	Germany	515 [e]	515 [e]	-12.1%	n/a	0.0%
63 ↑	67	Brunello Cucinelli SpA	Brunello Cucinelli	Italy	506	506	10.1%	8.1%	13.1%
64 ↓	48	Zhejiang Ming Jewelry Co., Ltd. 浙江明牌珠宝股份有限公司	MINGR, VI	China	504	504	-36.1%	1.3%	-30.0%
65 ↓	62	Sungjoo D&D Inc	MCM	South Korea	497	497	2.9%	8.1%	0.3%
66 ↓	63	Jimmy Choo plc	Jimmy Choo	UK	492	492	14.5%	4.2%	10.2%
67 ↓	64	Marcolin Group	Marcolin; Licensed eyewear brands	Italy	489	489	1.6%	2.8%	10.5%
68 ↑	72	Furla SpA	Furla	Italy	474	474	24.5%	6.7%	25.8%

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69	↓	66	De Rigo SpA	Police, Lozza, Sting; Licensed eyewear brands	Italy	467	467	1.5%	-0.1%	4.6%
70	↓	68	MARC O'POLO AG	MARC O'POLO	Germany	441 [e]	441 [e]	-1.3%	n/a	-0.7%
71	↑	-	Tse Sui Luen Jewellery (International) Limited	TSL｜謝瑞麟	Hong Kong SAR	440	440	-3.6%	0.7%	-6.1%
72	↑	-	Chow Tai Seng Jewellery Co., Ltd.	Chow Tai Seng	China	437	437	6.3%	14.7%	4.4%
73	↓	71	Breitling SA	Breitling	Switzerland	424 [e]	424 [e]	1.7%	n/a	0.1%
74	↓	69	Kurt Geiger Limited	Kurt Geiger London, KG Kurt Geiger, Carvela Kurt Geiger, Miss KG	UK	413 [e]	413 [e]	10.1%	6.5% [e]	11.0%
75	↓	70	True Religion Apparel, Inc.	True Religion	US	370 [e]	370 [e]	-7.6%	n/a	-7.3%
76	↑	78	S Tous SL	Tous	Spain	368	368	11.3%	7.6%	10.6%
77	↓	73	Sociedad Textil Lonia SA	Purificación García; Licensed brand: CH Carolina Herrera	Spain	365	365	-0.5%	11.2%	4.1%
78	↓	76	Liu.Jo SpA	Liu.Jo	Italy	351	351	3.9%	10.8%	-0.7%
79	↓	75	Gefin SpA	Etro	Italy	339	339	-3.1%	-1.6%	-2.7%
80	↓	74	Restoque Comércio e Confecções de Roupas S.A.	Le Lis Blanc, Dudalina, Bo.Bô., JOHN JOHN	Brazil	322	322	-5.3%	-5.5%	21.3%
81	↓	79	Aeffe SpA	Moschino, Pollini, Alberta Ferretti, Philosophy	Italy	318	318	4.9%	1.5%	6.0%
82	↓	81	Euroitalia S.r.l.	Reporter, Naj-Oleari Licensed Fragrance brands: Moschino, Versace, Missoni	Italy	312	312	6.0%	13.5%	6.1%
83	↑	-	Canada Goose Holdings Inc.	Canada Goose	Canada	307	307	38.8%	5.4%	36.0%
84	↓	83	Marc Cain Holding GmbH	Marc Cain	Germany	281	281	0.1%	8.6%	2.2%
85	↔	85	TWINSET - Simona Barbieri SpA	Twin Set, SCEE	Italy	271	271	-0.2%	-1.4%	6.0%
86	↓	80	Franck Muller Group	Franck Muller	Switzerland	269 [e]	269 [e]	-7.0%	n/a	-7.5%

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87	↓	82	Paul Smith Group Holdings Limited	Paul Smith	UK	265	265	-6.8%	4.4%	-6.1%
88	↓	86	Charles Tyrwhitt Shirts Limited	Charles Tyrwhitt	UK	257	257	1.5%	2.5%	10.2%
89	↑	-	Tribhovandas Bhimji Zaveri Limited	Tbz	India	254	254	3.2%	0.9%	-6.0%
90	↓	84	Festina Lotus SA	Festina, Lotus, Jaguar, Candino, Calypso	Spain	250	250	-8.8%	0.3%	2.1%
91	↔	91	K.Mikimoto & Co., Ltd.	Mikimoto	Japan	247	247	1.0%	8.1%	1.6%
92	↓	87	Fashion Box SpA	Replay	Italy	246	246	-6.4%	-7.9%	-1.4%
93	↓	92	J Barbour & Sons Ltd	Barbour	UK	239	239	19.5%	13.0%	5.2%
94	↑	-	Laboratoire Nuxe SA	Nuxe, BIO-BEAUTÉ by Nuxe	France	231 e	231 e	5.6%	n/a	7.2%
95	↓	89	Trinity Limited 利邦控股有限公司	Cerruti 1881, Kent & Curwen, Gieves & Hawkes	Hong Kong SAR	229	229	-7.2%	-24.8%	-17.7%
96	↑	97	Richard Mille SA	Richard Mille	Switzerland	228	228	21.6%	n/a	21.7%
97	↑	-	Finos SpA	Trussardi	Italy	225	225	36.6%	-3.7%	19.3%
98	↓	90	Mulberry Group plc	Mulberry	UK	219	220	7.9%	3.0%	6.3%
99	↓	88	Falke KGaA	Falke, Burlington	Germany	215	216	2.7%	6.0%	1.7%
100	↓	99	Acne Studios Holding AB	Acne Studios	Sweden	211	211	22.2%	9.5%	23.0%

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Impact of exchange rates on ranking

The Top 100 Global Powers of Luxury Goods companies have been ranked according to their FY2016 luxury goods sales in US dollars (US$). Changes in the rankings from year to year are generally driven by increases or decreases in company sales. However, a stronger currency vis-à-vis the dollar in FY2016 means that companies reporting in that currency may rank higher in FY2016 than they did in FY2015, all other things being equal.

Conversely, companies reporting in a weaker currency may rank lower. FY2016 saw the Brexit-affected British pound weakening significantly against the US$, down 11.7 per cent, while the Japanese yen strengthened by 11.2 per cent. The Chinese yuan and Brazilian real weakened, by 6.5 per cent and 6.3 per cent respectively. Other major currencies for companies in the report saw a change of less than 5 per cent vs. the US$ in 2016: the euro, Danish krone and Hong Kong SAR dollar were virtually unchanged (<-0.5 per cent change), while other currencies weakened slightly, by between 2 per cent and 4.9 per cent.

For companies, the impact of these exchange rate movements on sales depends on both their reporting currency, and the geographic spread of their business (and resulting exposure to different currencies).

Impact of data availability on ranking

There were twelve newcomers and re-entrants to the Top 100 in FY2016. Most of these were due to improved availability of data, rather than major company sales changes.

For more information, see the Newcomers section. Many luxury goods companies are privately owned. Some of these file official reports containing financial information; for others, estimates are made from information sources such as press interviews and industry analysts.

A small number of companies do not disclose any financial information, and so cannot be included in the Top 100.

Top 10 highlights

Top 10 luxury companies: working through the luxury goods downturn

The world's Top 10 luxury goods companies were the same in FY2016 as in the previous three years, although six companies swapped places within this elite group. They contributed just under half of the total Luxury Goods Top 100 company sales, similar to previous years.

The top three luxury goods powerhouses, LVMH, Estée Lauder and Richemont, have reported double-digit profits every year for the past five years. Sales growth slowed for most companies, due partly to comparison with FY2015's currency-boosted high growth rates, but also reflecting the challenging economic environment and weakness in consumer demand for luxury goods. For the second year in succession, Swatch, Ralph Lauren and Chow Tai Fook reported lower sales.

There is evidence that 2016 marked the end of the slowdown in luxury goods sales growth for most of these companies. Early full year results for FY2017 are generally up: LVMH reported an impressive 17.2 per cent growth in luxury goods sales (around 14 per cent on a constant consolidation scope and currency basis); Swatch Group turned round their FY2016 decline to deliver 6.9 per cent growth in luxury goods sales; Kering nearly quadrupled their luxury sales growth to 27.5 per cent, passing the €10 billion milestone for the first time. Interim FY2017 results for Estée Lauder, Richemont, L'Oréal Luxe, and Chow Tai Fook also show significantly higher growth rates.

There was more M&A activity by the leading companies, although this did not have a major impact on FY2016 sales. Key activities include:

- LMVH took an 80 per cent stake in Rimowa, a leader in high-quality luggage, and the first German brand to join the LVMH group. and they sold the Donna Karan brand to US group G-III in December 2016. In FY2017 they are consolidating Christian Dior Couture in their results for the first time (from July 2017).
- Estée Lauder acquired two fast-growing makeup brands towards the end of 2016 - Too Faced and BECCA, and made a minority investment in DECIEM, a fast-growing multi-brand beauty company, in 2017.
- Richemont offered €2.7 billion for full control of luxury online player Yoox Net-a-Porter in January 2018. It already owns 50 per cent of the company.
- Luxottica's planned €50 billion merger with lens maker Essilor was approved by EU and US competition authorities at the beginning of March 2018. Luxottica continued to expand their retail network, exercising an option to acquire the remaining 63.2 per cent stake in Italian optical chain Salmoiraghi & Viganò in November 2016, and completing the acquisition of Óticas Carol, one of the largest optical franchisors in Brazil, in July 2017.
- PVH's Tommy Hilfiger achieved greater direct control over their business, with the integration of the brand's China business (acquired in April 2016) and transition of their business in Mexico from a licence to a joint venture in November 2016. PVH also extended their partnership with G-III Apparel Group in US and Canada, licensing DKNY menswear from G-III, and licensing Tommy Hilfiger womenswear to G-III.

LVMH still reigned supreme as the leader in personal luxury goods in FY2016, with an 11 per cent share of total Top 100 luxury goods sales, and more than a quarter of total reported Top 100 profits. Their profit margin improved slightly, but growth year-over-year more than halved from FY2015's currency-boosted performance. All LVMH's personal luxury goods segments achieved sales growth. Fashion and Leather Goods, which contribute 60 per cent of LVMH's personal luxury goods sales, were up 3 per cent, with solid momentum achieved by their star brand, Louis Vuitton (including the launch of Louis Vuitton perfumes) as well as by Kenzo, Fendi, Loewe, Céline and Berluti. Fendi sales passed the €1 billion milestone for the first time. This segment reported the highest growth in profit, up 10 per cent. Perfumes and Cosmetics showed the highest sales growth, 6 per cent, including 10 per cent growth in makeup which became the largest sub-segment for the first time.

Digital initiatives supported growth for Benefit Cosmetics, which launched a new website in 24 countries, and for Make Up For Ever. Watches and Jewellery also gained market share in a challenging economic environment, with sales up 5 per cent, driven by strong performances by TAG Heuer, Chaumet, Fred and Bulgari.

LVMH's sales are more than double those of second placed Estée Lauder, whose Strategic Modernization Initiative continues to bear fruit. Sales were up 5 per cent, the eighth consecutive year of organic growth. Growth came from Estée Lauder, Tom Ford and Smashbox, as well as from their newly-acquired brands, Too Faced and BECCA. Artisanal and Luxury Fragrances were reported to be a profitable new engine for growth, with their ultra-prestige fragrance portfolio sales up 10 per cent. They continued their e-commerce success, with online sales up a third at constant currency, to 11 per cent of their total net sales. Travel retail was another highlight, with sales up 22 per cent.

Richemont dropped from second to third place for the first time. FY2016 sales were down 4 per cent (2 per cent at constant exchange rates excluding the impact of exceptional inventory buy-backs), due primarily to continued decline in their Specialist Watchmakers business (down 10.7 per cent) and a smaller fall (2 per cent) in their jewellery business, which contributed 56 per cent of total sales. The share of sales through directly-operated boutiques and e-commerce jumped 5 percentage points to 60 per cent, as wholesale sales fell 14 per cent. Richemont's net profit fell by 46 per cent compared with FY2015, due mainly to a number of non-recurring events. Despite this, Richemont's 11.4 per cent net profit margin was still the 11th highest in the Top 100 in FY2016.

Luxottica's multinational eyewear business grew by 2.8 per cent in FY2016, down 12.7 percentage points on the currency-boosted FY2015 growth. At constant exchange rates, growth was 3.9 per cent, down only 0.4 per cent on the previous year.

They added around 1,000 new stores to their global network, thanks to the acquisition of the remaining 63.2 per cent shares in Italian chain Salmoiraghi & Viganò and collaboration with brands such as Macy's and Galeries Lafayette. The net profit margin improved slightly, to 9.4 per cent. Luxottica's €50billion merger with French lens maker Essilor has now gained antitrust approval in the EU and most other major countries and is expected to complete in the first half of 2018. Owner and Chairman Leonardo del Vecchio is recruiting a new chief executive for the merged group, having parted company with four chief executives in the past three years.

Kering had the strongest FY2016 growth in luxury goods sales in the Top 10, up 7.7 per cent. They appeared in the Fastest 20 list for the first time, with FY2014-16 CAGR of 11.9 per cent. They outperformed their market, with growth picking up pace in the second half of the year, coming in at 11.3 per cent (versus 4.0 per cent in the first half). Retail sales in directly operated stores and online grew by over 10 per cent during the year, across all regions. These channels contributed nearly three-quarters of Kering's luxury goods sales. Leading brand Gucci's online sales recorded substantial growth, driven by the roll-out of the new gucci.com website, and other digital initiatives. Saint Laurent also had another strong year, with social media initiatives performing exceptionally well. Overall, online sales by Kering’s luxury brands increased by 22 per cent in 2016. Kering's refocus as a pure play luxury goods group is reaching the final chapter, with the announcement in January 2018 that it plans to spin off Puma to its own shareholders.

L'Oréal Luxe had the second highest FY2014-16 CAGR in the Top 10, overtaking Swatch Group. They also appeared in the Fastest 20 for the first time, although year-over-year growth dropped back to 6 per cent from FY2015's currency-boosted16.7 per cent. Growth came from makeup (28.8 per cent) and fragrances (12.7 per cent) in most markets, as well as online sales.

Their licensed Yves Saint Laurent brand sales passed €1 billion for the first time, with Giorgio Armani, Lancôme, and alternative lifestyle brands Urban Decay and Kiehl's also growing strongly. L'Oréal acquired niche perfumery business Atelier Cologne in 2016, and IT Cosmetics, one of the fastest growing prestige beauty brands in the US, for US$1.2 billion in 2017.

Swatch Group reported the biggest fall in luxury goods sales, down 10.7 per cent to levels last seen in 2011. They continued to suffer from the impact of the strength of the Swiss franc on the 90 per cent of their business which is outside Switzerland, and a fall in store and tourist traffic.

Ralph Lauren lost sales for the second year in succession - its FY2016 fall of 10.2 per cent, and declining profitability (a minus 1.5 per cent net profit margin) made it the poorest-performing company in the Top 10. Ralph Lauren's problems are primarily in North America, which represents 57 per cent of their net sales. Struggling US department stores have been trying to attract shoppers by selling luxury brands at deep discounts. To avoid damage to their brands' exclusive reputations, many luxury companies have been closing wholesale doors and attempting to limit their participation in promotional markdowns. Ralph Lauren exited around a quarter of their North American department stores, and lost sales from a strategic reduction in shipments, and in e-commerce. In June 2016 they announced their "Way

Forward Plan" to reverse the decline - restructuring to deliver sustainable profitable sales growth and long-term value creation for shareholders. The plan includes a refocus on core brands, disciplined execution of their multi-channel distribution strategy, and streamlining to right-size their cost structure and implement a ROI-driven financial model. CEO Stefan Larsson was replaced by Patrice Louvet in 2017.

PVH grew luxury goods sales by 5.6 per cent in FY2016, overtaking Chow Tai Fook to gain ninth place in the Top 10. Their Calvin Klein and Tommy Hilfiger brands saw strong international growth in Europe and China, following the completion of their TH China acquisition in April 2016. Calvin Klein also achieved growth in their home market through wholesale, but Tommy Hilfiger lost sales in North America, due to weak traffic and consumer spending in stores in international tourist locations, and the discontinuation of their directly-operated womenswear wholesale, after licensing the business to G-III.

Hong Kong SAR-based jeweller Chow Tai Fook dropped to tenth place, reporting lower luxury goods sales for the third year in succession, down 9.4 per cent. Weak consumer sentiment and changes in tourist purchase behaviour continued to depress sales. Sales growth finally returned in the second half of FY2016 (up 4.4 per cent), following a poor first half performance (down 23.5 per cent). Strong growth in e-commerce in mainland China also accelerated in the second half of the year, thanks mainly to partnerships with major online platforms, such as online order distribution initiatives with JD.com and Tmall.

Looking at the Top 10 together, their composite two-year compound annual growth rate (CAGR) in luxury goods sales (in the period FY2014-16) was down 2.8 percentage points, at 4 per cent. This was just above the 3.9 per cent CAGR for the Top 100 companies as a whole. The Top 10 composite FY2016 net profit margin fell by 1.8 percentage points, to 9.6 per cent. The leading luxury goods companies continued to outperform the Top 100, contributing nearly two-thirds of the total Top 100 profits. All Top 10 companies except Ralph Lauren were profitable, with the top three companies achieving double-digit net profit margins.

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

Top 10 luxury goods companies by sales

FY2016 Luxury goods sales ranking	FY2015 Luxury goods sales ranking	Company name	Selection of Luxury Brands	Country of origin	FY2016 Luxury goods sales (US$ m)	FY2016 Total revenue (US$m)	FY2016 Luxury goods sales growth*	FY2016 Net profit margin[1] **	FY2016 Return on assets**	FY2014-16 Luxury goods sales CAGR[2] *
1 ↔	1	LVMH Moët Hennessy-Louis Vuitton SE	Louis Vuitton, Fendi, Bulgari, Loro Piana, Emilio Pucci, Acqua di Parma, Loewe, Marc Jacobs, TAG Heuer, Benefit Cosmetics	France	23,447	41,593	5.0%	11.6%	11.6%	10.0%
2 ↑	3	The Estée Lauder Companies Inc.	Estée Lauder, M.A.C., Aramis, Clinique, Aveda, Jo Malone; Licensed fragrance brands	US	11,824	11,824	5.0%	10.6%	10.6%	4.7%
3 ↓	2	Compagnie Financière Richemont SA	Cartier, Van Cleef & Arpels, Montblanc, Jaeger-LeCoultre, Vacheron Constantin, IWC, Piaget, Chloé, Officine Panerai	Switzerland	11,677	11,677	-3.9%	11.4%	11.4%	1.1%
4 ↔	4	Luxottica Group SpA	Ray-Ban, Oakley, Vogue Eyewear, Persol, Oliver Peoples; Licensed eyewear brands	Italy	10,051	10,051	2.8%	9.4%	9.4%	9.0%
5 ↔	5	Kering SA	Gucci, Bottega Veneta, Saint Laurent, Balenciaga, Brioni, Sergio Rossi, Pomellato, Girard-Perregaux, Ulysse Nardin	France	9,369	13,700	7.7%	7.0%	7.0%	11.9%
6 ↑	7	L'Oréal Luxe	Lancôme, Biotherm, Helena Rubinstein, Urban Decay, Kiehl's; Licensed brands	France	8,476 [e]	8,476 [e]	6.0%	n/a	n/a	11.2%
7 ↓	6	The Swatch Group Ltd.	Omega, Longines, Breguet, Harry Winston, Rado, Blancpain; Licensed watch brands	Switzerland	7,413	7,665	-10.7%	7.9%	7.9%	-6.9%
8 ↔	8	Ralph Lauren Corporation	Ralph Lauren, Polo Ralph Lauren, Purple Label, Double RL, Club Monaco	US	6,653	6,653	-10.2%	-1.5%	-1.5%	-6.6%
9 ↑	10	PVH Corp.	Calvin Klein, Tommy Hilfiger	US	6,646	8,203	5.6%	6.7%	6.7%	1.6%
10 ↓	9	Chow Tai Fook Jewellery Group Limited 周大福珠宝集团有限公司	Chow Tai Fook, CHOW TAI FOOK T MARK, Hearts on Fire	Hong Kong SAR	6,604	6,604	-9.4%	6.1%	6.1%	-10.7%

Top 10	**102,160**	**126,447**	**0.6%**	**9.6%**	**6.7%**	**4.0%**
Top 100	**216,579**	**243,008**	**1.0%**	**8.8%**	**6.9%**	**3.9%**
Economic concentration of Top 10	**47.2%**	**52.0%**				

1 Net profit margin based on total consolidated revenue and net income.
2 Compound annual growth rate.
e = estimate   p= pro forma   n/a = not available   ne = not in existence
*Top 100 sales growth rates are sales-weighted, currency-adjusted composites
**Top 100 net profit margin, return on assets and asset turnover ratio are sales-weighted composites
Source: Published company data and industry estimates.

Fastest 20

New leaders: Canada Goose flies, Pandora shines

The Fastest 20 rankings are based on the compound annual growth rate (CAGR) in luxury goods sales over a two-year period. Between FY2014 and FY2016, composite luxury goods sales for the Fastest 20 companies increased at a compound annual rate of 15.1 per cent – nearly four times the rate for the Top 100 as a whole, but 7.1 percentage points down on the previous year. Only six of these companies grew sales in FY2016 faster than in FY2015, so the year-over-year rate of growth in luxury goods sales among the Fastest 20 was down 13.5 percentage points to 10.5 per cent. 12 of the companies in the Fastest 20 rankings have exhibited consistently high growth, having also appeared in the Fastest 20 in FY2015. (They are shown in bold type in the Fastest 20 list).

For the first time in four years, previous leaders Kate Spade and Michael Kors dropped out of the Fastest 20 list. Kate Spade only just failed to make the grade, achieving 22nd place, but Michael Kors' FY2016 sales declined. Last year's leader, Marcolin, also dropped out of the Fastest 20 (to position 24) as it lost the boost in sales from its December 2013 Viva acquisition.

The #1 position was taken by newcomer Canada Goose, driven by impressive organic growth in their premium outerwear brand. Sales in their home market jumped by 63 per cent in FY2016.Their luxury jackets (which come with a lifetime warranty) are sold primarily in North America and Europe. Bain Capital continue to control a majority of the company's voting shares after initial and secondary public offerings in 2017.

Danish vertically-integrated "affordable luxury" jeweller Pandora has shown the most consistent growth, appearing in the Fastest 20 list for the past four years. It was the second-fastest growing company, with a CAGR of 30.3 per cent. Their growth strategies focused on rapid expansion of branded PANDORA stores (net 336 new concept stores and acquisition of the PANDORA store network in Singapore and Macau SAR in FY2016), and eSTORES launches in Canada, China and New Zealand, together with product diversification (from Charms and Bracelets and Rings into Earrings). Arguably, Pandora yet again achieved the best overall performance of any luxury goods company, with the highest net profit margin in the Top 100, at 29.7 per cent.

Italian companies Valentino and Furla also reported sales growth of more than 25 per cent in FY2016. Valentino broke through the €1 billion sales barrier with growth attributed to excellence in luxury fashion design and management, driven by CEO Stefano Sassi and creative designer Pierpaolo Piccioli, together with omnichannel network expansion. Furla's accessible luxury bags and accessories saw strong growth in its biggest market, Japan, as well as in Europe and in travel retail.

Average sales for the Fastest 20 companies were only slightly less (at US$2,014 million) than for the rest of the Top 100. There were more top luxury goods companies in the list than in previous years - Kering and L'Oréal Luxe both appeared in the Fastest 20 list for the first time, joining Hermès which also featured last year. Exactly half of the 20 companies had luxury goods sales of more than US$1 billion. The composite net profit margin for the Fastest 20 was 2.6 percentage points higher than the composite margin of 8.8 per cent for the Top 100 in FY2016, down only 0.9 percentage points on the previous year.

For the third year running, Italy was home to the greatest number of fast-growing luxury goods companies: there were six Italian companies in the Fastest 20 in FY2016, the same number as in FY2015. There were four French companies, with SMCP and Hermès joined by luxury leaders Kering and L'Oréal Luxe. Fast-growing Indian jeweller PC Jeweller was joined by newcomer Joyalukkas. The other eight companies in the Fastest 20 are all based in different countries around the world: Brazil, Canada, China, Denmark, Sweden, Switzerland, the UK and the United States - six of these companies also appeared in last year's list.

The strongest product sectors in the Fastest 20 were again clothing and footwear (ten companies) and jewellery and watches (five companies). The cosmetics and fragrances product sector was represented by L'Oréal Luxe and Coty's newly formed Luxury Division, whose growth was driven by their US$12.5 billion acquisition of the Procter & Gamble beauty business in October 2016. There were two multiple luxury goods companies (Kering and Hermès), and just one bags and accessories company - Furla – which substantially outperformed the slowing accessible luxury bags market.

20 fastest-growing luxury goods companies, FY2014-16 CAGR[2]

CAGR ranking	Top 100 ranking	Company name	Country of origin	FY2016 Luxury goods sales (US$ m)	FY2014-16 Luxury goods sales CAGR[2]	FY2016 Luxury goods sales growth	FY2016 Net profit margin[1]
1	83	Canada Goose Holdings Inc.	Canada	307	36.0%	38.8%	5.4%
2	20	**Pandora A/S**	Denmark	3,013	30.3%	21.2%	29.7%
3	42	**Valentino SpA**	Italy	1,294	26.9%	11.7%	8.7%
4	68	**Furla SpA**	Italy	474	25.8%	24.5%	6.7%
5	52	**SMCP SAS**	France	870 p	24.3%	16.4%	2.8% p
6	100	**Acne Studios Holding AB**	Sweden	211	23.0%	22.2%	9.5%
7	46	**Moncler SpA**	Italy	1,151	22.4%	18.2%	18.9%
8	96	**Richard Mille SA**	Switzerland	228	21.7%	21.6%	n/a
9	80	**Restoque Comércio e Confecções de Roupas S.A.**	Brazil	322	21.3%	-5.3%	-5.5%
10	50	**Eastern Gold Jade Co., Ltd**	China	992	20.5%	-25.6%	3.8%
11	97	Finos SpA	Italy	225	19.3%	36.6%	-3.7%
12	55	**Ted Baker plc**	UK	708	17.0%	16.4%	8.8%
13	43	**PC Jeweller Ltd.**	India	1,263	15.5%	15.7%	5.3%
14	25	Coty Luxury	US	2,567	15.1%	39.7%	n/a
15	36	Dolce & Gabbana	Italy	1,549	13.9%	14.3%	5.7%
16	49	Joyalukkas India Pvt. Limited	India	1,001 e	13.9%	16.2%	1.8% e
17	63	Brunello Cucinelli SpA	Italy	506	13.1%	10.1%	8.1%
18	11	**Hermès International SCA**	France	5,755	12.4%	7.5%	21.2%
19	5	Kering SA	France	9,369	11.9%	7.7%	7.0%
20	6	L'Oréal Luxe	France	8,476 e	11.2%	6.0%	n/a

**Fastest 20* ** **	**40,280**	**15.1%**	**10.5%**	**11.4%**
**Top 100* ** **	**216,579**	**3.9%**	**1.0%**	**8.8%**

[1] Net profit margin based on total consolidated revenue and net income.
[2] Compound annual growth rate.
e = estimate p= pro forma n/a = not available ne = not in existence
*Top 100 sales growth rates are sales-weighted, currency-adjusted composites
**Top 100 net profit margin, return on assets and asset turnover ratio are sales-weighted composites
Source: Published company data and industry estimates.

Companies in **bold** type were also among the 20 fastest-growing luxury goods companies in FY2015, based on FY2013-2015 CAGR.

Product sector analysis

This Global Powers of Luxury Goods report analyses performance by luxury goods product sectors as well as by geography. Five luxury goods product sectors are used for analysis:

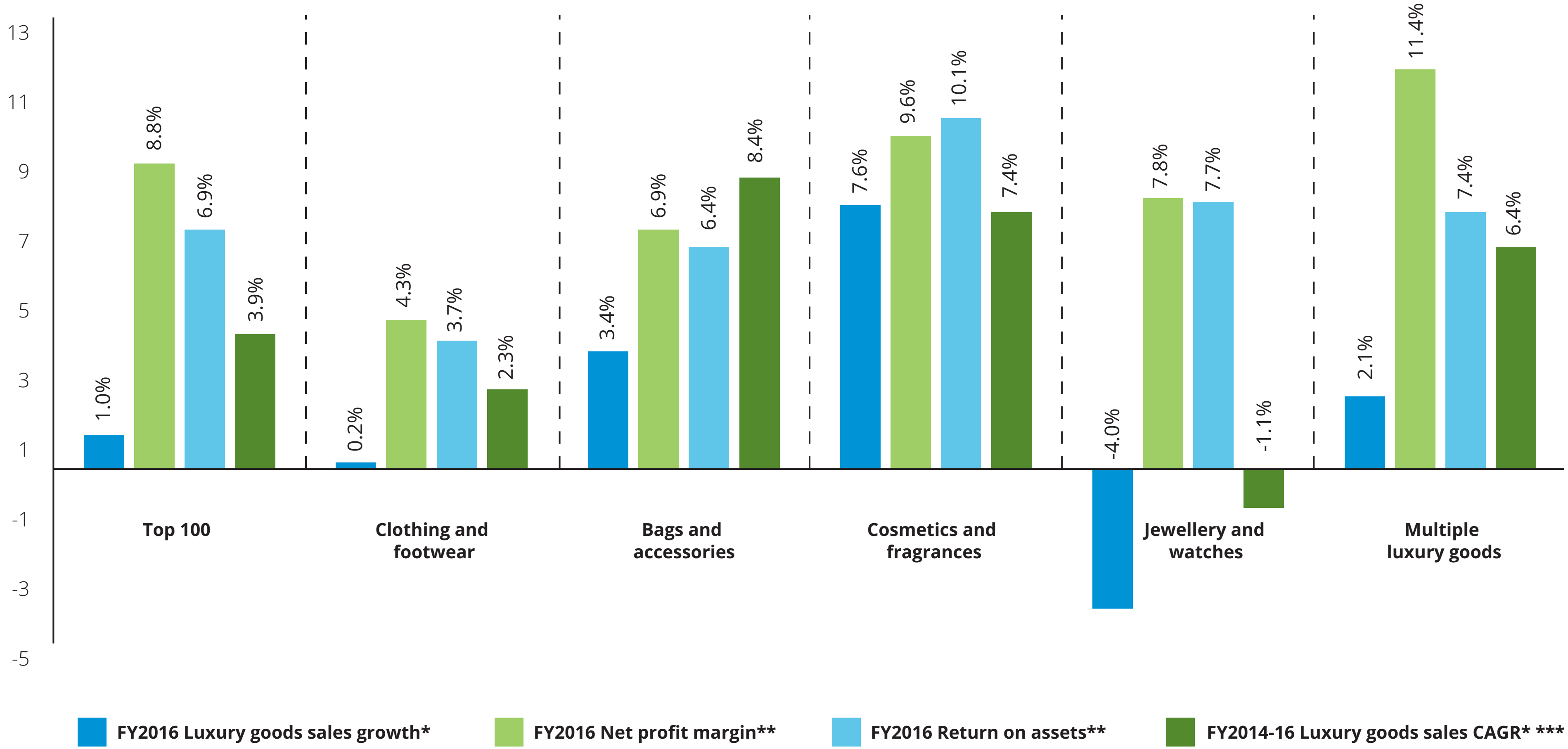
- Clothing and footwear
- Bags and accessories
- Cosmetics and fragrances
- Jewellery and watches
- Multiple luxury goods

A company is assigned to one of the four specific product sectors if a high percentage of its luxury goods sales are derived from that product sector. Multiple luxury goods companies are those with substantial sales in more than one of the luxury goods product sectors.

This analysis is based only on the companies identified in our Top 100 analysis.

Product sector profiles	Number of companies	Average size of companies by luxury goods sales (US$m)	FY2016 Luxury goods sales growth	Share of top 100 luxury goods sales
Clothing and footwear	38	$1,114	0.2%	19.5%
Bags and accessories	9	$1,728	3.4%	7.2%
Cosmetics and fragrances	11	$3,103	7.6%	15.8%
Jewellery and watches	31	$1,771	-4.0%	25.3%
Multiple luxury goods	11	$6,334	2.1%	32.2%
Top 100	**100**	**$2,166**	**1.0%**	**100.0%**

Performance by product sector



* Sales-weighted, currency-adjusted composites.
** Sales-weighted composites.
*** Compound annual growth rate.

Source: Deloitte analysis of published company data and industry estimates.

Cosmetics growth driven by "camera-ready" beauty; watches still running slow

Sales by companies in the luxury **clothing and footwear** sector were 0.2 per cent lower in FY2016 than in the previous year, although currency-adjusted sales grew by 0.2 per cent. Both sales growth rates and net profit margin fell for the second year in succession. The FY2014-16 CAGR, at 2.3 per cent, was below the average for companies in the Top 100. With 38 companies, this product sector has by far the largest number of companies in the Top 100. On average they are just over half the size of the Top 100 companies (as measured by annual luxury goods sales) and their share of total luxury goods sales was 19.5 per cent. The top three companies, Ralph Lauren, PVH Corp. and Hugo Boss, accounted for 38.5 per cent of FY2016 luxury goods sales in this sector, 2.2 percentage points down on the previous year, as both Ralph Lauren and Hugo Boss lost sales. Around 40 per cent of clothing and footwear companies are based in Italy, with the remainder spread across ten other countries. Europe still dominates the luxury fashion industry, with only nine companies based in other regions, predominantly the US.

Many of the smaller clothing and footwear companies posted very good results. Companies from this product sector made up half of the **Fastest 20** and two out of the five high achievers, with double-digit sales growth and net profit margin. Twelve companies achieved strong double-digit sales growth. The fastest-growing clothing and footwear company in FY2016 was Canadian newcomer Canada Goose, which grew by 38.8 per cent, driven by continued impressive organic sales growth in their premium outerwear brand. Their luxury jackets (which come with a lifetime warranty), are sold primarily in North America and Europe, and doubled their global sales over the period FY2013-16. Bain Capital continue to control a majority of the company's voting shares after initial and secondary public offerings in 2017. Swedish fashion house Acne Studios has also doubled its sales FY2014-16. Founder and Creative Director Jonny Johannson's contemporary collections feature an eclectic use of materials and custom-developed fabrics. Acne achieved growth in nearly all regions, with continued expansion of their store network. Italy's Finos re-entered the Top 100 as their Trussardi brand bounced back in FY2016. A major company reorganisation, including the end of the Tru Trussardi line, an increase in capital, and rationalisation of unprofitable shops, helped to deliver 36.6 per cent sales growth, with Russia performing particularly well. UK-based Barbour's 19.5 per cent increase in sales was also the result of strategic changes, particularly in improved product ranges, collaboration with key customers, and a new real-time stock information system. Four Italian and two UK companies joined Canada Goose and Acne Studios in achieving double-digit sales growth in every year FY2014-16: Moncler, Dolce & Gabbana, Valentino, Brunello Cucinelli, Ted Baker and Kurt Geiger. Moncler was one of the best performers in the clothing and footwear sector for the fourth year in succession, reporting both double-digit sales growth (18.2 per cent) and profit margin (18.9 per cent) in FY2016.

At the other end of the spectrum, sixteen luxury fashion companies experienced a fall in reported sales in FY2016. This group included the three of the top five companies in this sector: Ralph Lauren, Hugo Boss and Giorgio Armani. The slowdown in US retail (particularly in department stores), slower growth in China and refocusing omnichannel strategies in response to the rise in online shopping, were cited as the main reasons for the decline. North America was the problem market for Ralph Lauren, with a 15.6 per cent sales drop, due primarily to lower wholesale volume from the troubled department stores, and a strategic reduction in shipments as part of their "Way Forward Plan" restructuring. Hugo Boss also saw a significant fall in Americas wholesale sales. Giorgio Armani responded to its first drop in sales since 2009 with plans to rationalise its store network, and reduce the number of brands from seven down to the core Giorgio Armani, Emporio Armani and A/X Armani Exchange labels. Struggling Hong Kong SAR-based Trinity (owner of luxury brands Cerruti, Kent & Curwen and Gieves & Hawkes) was acquired by Chinese textile maker Shandong Ruyi in 2017, having lost sales for the fourth year in succession. Japan's Sanyo Shokai recorded the biggest fall in sales (31 per cent), after Burberry terminated their 45-year licence to start their own operations in Japan. The other Japanese newcomer, Onward Holdings (the owner of the Joseph and Jil Sander brands, as well as major Japanese accessible luxury brand Nijyusanku) reported a small drop in sales.

The composite average net profit margin for the thirty-eight reporting fashion companies dropped by 1.9 percentage points, to 4.3 per cent, reflecting the challenging luxury environment in FY2016. The majority of this fall came from Ralph Lauren, whose net profits were down nearly US$500 million, due primarily to restructuring costs associated with their "Way Forward Plan": a refocus on core brands, disciplined execution of a multi-channel distribution strategy, and streamlining to right-size cost structures and their ROI-driven financial model. There were more winners than losers in this product sector: more than half of these companies reported increased profit margins in FY2016. Moncler again delivered the highest net profit margin, at 18.9 per cent. This was the third-highest profit margin reported by any company in the Top 100. Four companies joined Moncler in reporting double-digit profit margins in FY2016: Barbour (13 per cent), Textil Lonia (11.2 per cent), Liu.Jo (10.8 per cent) and Giorgio Armani (10.7 per cent). Overall, profit margins of the luxury clothing and footwear companies deteriorated only slightly compared to FY2015. The majority of companies in this product sector (20 companies) had single-digit profit margins, and nine companies reported losses.

Bags and accessories (including eyewear) companies in the Top 100 recorded the highest FY2014-16 CAGR, and the second highest composite FY2016 sales growth among all the luxury goods product sectors, at 3.4 per cent. This was a drop of 10 percentage points from the currency-boosted FY2015 performance. The nine companies in this sector are dominated by the biggest three: eyewear companies Luxottica Group and Safilo Group, and Kate Spade, which together accounted for 82.3 per cent of FY2016 luxury goods sales in this sector. Luxottica alone made up 64.6 per cent of the total. The other six companies all had sales of less than US$650 million.

Tumi disappeared from the Top 100 following its US$1.8 billion acquisition by Samsonite in August 2016. There was increased acquisition and joint venture activity in this sector in 2017. Coach acquired Kate Spade for US$2.4 billion in July, and changed its name to Tapestry, to reflect the growing portfolio of luxury brands owned by the company. A number of companies acquired distribution networks, including Furla in Portugal and Australia, and Mulberry in Australia, China, Hong Kong SAR and Taiwan. Marcolin announced a design and manufacturing joint venture with LVMH in January 2017. The new company, named Thelios, 49 per cent owned by Marcolin and 51 per cent by LVMH, will start with design and manufacture of eyewear for the Céline brand in 2018, and plans to be the preferred partner for LVMH in the eyewear business.

At constant exchange rates, Luxottica's FY2016 sales growth was only slightly down on FY2015, at 3.9 per cent. However, reported sales growth was down nearly 13 percentage points, due to their currency-boosted FY2015 performance. Luxottica's 6 per cent growth in retail offset the decline in their wholesale/ manufacturing segment.

They added around 1,000 new stores to their global network, thanks to the acquisition of the remaining 63.2 per cent shares in Italian chain Salmoiraghi & Viganò and collaborations with brands such as Macy's and Galeries Lafayette. This expansion continued in 2017 with the July acquisition of Óticas Carol, one of the largest optical franchisors in Brazil. Net profit margin again improved slightly, to 9.4 per cent, the second highest margin in this product sector. Luxottica's €50billion merger with French lens maker Essilor has now gained antitrust approval in the EU and most other major countries and is expected to complete in the first half of 2018. Owner and Chairman Leonardo del Vecchio is recruiting a new chief executive for the merged group, having parted company with four chief executives in the past three years.

Italy is the global centre for luxury bags and accessories, with five out of the nine companies in this sector. The other four companies are based in France, South Korea, the UK and the US.

Furla was again the star performer in the sector, with the fastest sales growth in FY2016, at 24.5 per cent. Their sales in the period FY2013-16 have grown by nearly 90 per cent. They reported growth in all regions, with particularly strong performance in Asia Pacific and Japan. Their focus on travel retail, particularly in airports, also continued to pay off, with sales up 40 per cent in this growing luxury channel. Family-owned Furla says the key factors behind its exceptional performance are a growing appreciation by international consumers for the brand and its collections, significant investment in marketing, and a strong focus on developing their distribution network. They are the only bags and accessories company on the **Fastest 20** list, appearing in fourth place. They maintained net profit margin in FY2016, at 6.7 per cent.

Furla's competitor, US-based Kate Spade & Company, was the other bags and accessories company achieving double digit growth in FY2016. Growth in luxury goods sales was up slightly, at 11.4 per cent, driven primarily by sales in North America, Europe and Japan. Nearly all the 9.1 per cent growth in kate spade new york direct-to-consumer sales came from e-commerce. Their net profit margin recovered strongly in FY2016, up nearly 10 percentage points from FY2015 (which was affected by restructuring and wind-down costs). With a net profit margin of 11.1 per cent, Kate Spade was one of only five high achievers in the Top 100 reporting both double-digit sales growth and net profit. This is the last year Kate Spade will appear as a separate company in this report, following its acquisition by Coach.

Sungjoo D&D (the South Korean owner of the MCM brand), Mulberry, Marcolin and De Rigo all reported single-digit growth and Longchamp and Safilo both lost sales. Safilo are in the second year of a five-year planned turnround, following the loss of the Kering brand licences. Their 2 per cent sales decline in FY2016 was mainly the result of the double-digit decline of Gucci in its last year as Safilo's licensed brand. Q4 shipments of the first significant volumes under the strategic product partnership agreement signed with Kering were not enough to offset this. Performance of their other licensed brands was strong, particularly in Europe. Safilo's reported loss was entirely due to the €150m non-recurring impairment loss on goodwill allocated to the Far East cash-generating unit. Excluding non-recurring items, Safilo made a small profit.

The composite net profit margin for the eight reporting bags and accessories companies showed a slight increase in FY2016. At 6.9 per cent, it was below the average for the Top 100 (8.8 per cent). Kate Spade had the highest margin, and all other companies reported single-digit net profit margins, except for eyewear companies De Rigo and Safilo, which both reported losses.

Cosmetics and fragrances companies are larger on the whole than other companies in the Top 100, with average annual luxury goods sales of US$3,103 million in FY2016. Eight of the eleven companies in the group achieved luxury goods sales in excess of US$1billion. The top three, Estée Lauder, L'Oréal Luxe and Shiseido Prestige & Fragrance, together accounted for over 70 per cent of FY2016 luxury goods sales by companies in this sector. Of the eleven companies, three are based in each of the US and France, two in Japan, and one in each of Luxembourg, Italy and Spain.

Shiseido and Coty sales in this year's report reflect their newly-restructured reporting of luxury goods sales. Figures for luxury goods sales in this report for these two companies and for L'Oréal Luxe are for their Luxury/Prestige segments only: net profits for these segments are not reported. Coty set up a Luxury Division following their US$12.5 billion acquisition of the Procter & Gamble beauty business in October 2016. The Burberry beauty brand, licensed in 2017, will also be included in Coty Luxury. Shiseido reported its Prestige & Fragrances sales for the first time in FY2016, so re-entered the Top 100. Shiseido's Japanese competitor Pola Orbis was included in the Top 100 for the first time. This company's historical direct selling and internet marketing distribution model for its prestige brands, including Pola and H2O Plus Beauty, is transforming from traditional door-to -door to sales to POLA THE BEAUTY stores and Esthe-inn. Elizabeth Arden dropped out of the Top 100, following the completion of its US$870m acquisition by Revlon in September 2016.

Cosmetics and fragrances was the top-performing sector in FY2016, and the only sector with improving composite luxury goods sales growth, at 7.6 per cent. This was by far the highest growth rate for any sector, and outperformed the 4 to 5 per cent market growth in global prestige beauty. Estée Lauder commented in their 2017 Annual Report: "With a desire to always be camera-ready, consumers' appetites for beauty products is intensifying, particularly in the luxury arena. The playing field for high-end cosmetics continues to expand as the barriers to entry have come down, largely due to digital commerce and social media." Every company in the sector reported growth, with around a quarter of the total sector growth coming from Coty's Procter & Gamble beauty business acquisition.

Unsurprisingly, Coty Luxury was the fastest-growing company in the sector (both year-over-year and for FY2014-16 CAGR), and took the #14 position in the Fastest 20. Reported sales were up 40 per cent, with around 33 per cent of this growth due to the acquisition of the Procter & Gamble beauty business. Of the more than 40 brands and licences acquired by Coty, the luxury brands were fine fragrances, including the top fragrance brands (by percentage of net revenues) Hugo Boss and Gucci.

L'Oréal Luxe had the second-highest FY2014-16 CAGR, appearing in 20th place in the Fastest 20, although year-over-year growth dropped back to 6 per cent from FY2015's currency-boosted 16.7 per cent. Growth came from makeup (28.8 per cent) and fragrances (12.7 per cent) in most markets, as well as from e-commerce. Their Yves Saint Laurent brand sales passed €1 billion for the first time, with Giorgio Armani, Lancôme, and alternative lifestyle brands Urban Decay and Kiehl's also growing strongly. L'Oréal acquired niche perfumery Atelier Cologne in 2016, and IT Cosmetics, one of the fastest growing prestige beauty brands in the US, for US$1.2 billion in 2017.

Inter Parfums rebounded from FY2015's currency headwinds and the loss of licensed Burberry brand sales, reporting the second highest year-over-year luxury sales growth in FY2016, at 11.2 per cent. Their largest fragrance brand, Montblanc, continued to lead the way in sales growth, up 25 per cent. although their next largest brands, Jimmy Choo and Lanvin, struggled, partly due to the economic slowdown in Russia and China.

Travel retail continues to be an important source of growth for the largest companies in the sector, representing 14 per cent of sales for both Coty Luxury and Estée Lauder in FY2016, while L'Oréal call travel retail their "Sixth Continent". Shiseido launched their new Singapore-based company, Shiseido Travel Retail, in May 2016 as part of their Vision 2020 plan.

All other luxury beauty companies reported single-digit sales growth in FY2016. Industry leader Estée Lauder's sales were up 5 per cent, their eighth consecutive year of organic growth. Growth came from Estée Lauder, Tom Ford, and Smashbox, as well as their newly-acquired brands, Too Faced and BECCA. Artisanal and Luxury Fragrances were reported to be a profitable new growth engine, with their ultra-prestige fragrance portfolio sales up10 per cent. Online sales grew by 33 per cent (at constant currency) and now represent 11 per cent of total net sales - mostly in the US and UK. Their net profit margin of 10.6 per cent was the second highest reported in the sector.

The composite net profit margin for the seven reporting companies in this group was again the second highest of all product sectors in FY2016. It was almost the same as in the previous year, at 9.6 per cent, and 0.8 percentage points higher than the composite figure for the Top 100 companies. All companies were profitable, with Euroitalia (13.5 per cent) and L'Occitane (10 per cent) joining Estée Lauder in reporting double-digit net profit margins. Cosmetics and fragrances companies again had the highest return on assets of all product sectors, at 10.1 per cent.

Jewellery and watches companies in FY2016 had the lowest rate of growth in luxury goods sales of all product sectors, losing 4 per cent of sales.

The 31 jewellery and watch companies had average annual luxury goods sales of US$1,771 million in FY2016, giving them the second-largest share of total luxury goods sales for the Top 100, at 25.3 per cent. The three leading companies – Swatch Group, Chow Tai Fook and Rolex (estimated) – had luxury goods sales in excess of US$5 billion, 35.3 per cent of the total for this product group. Nearly half of the companies in this sector had luxury goods sales greater than US$1 billion.

The specialist luxury jewellery and watch companies can be grouped into three categories:

- Eight Swiss-based luxury watchmakers with iconic global brands.
- Thirteen vertically-integrated luxury jewellery groups with extensive retail networks, based in China/Hong Kong SAR and India.
- Ten predominantly jewellery companies, ranging from Graff Diamonds (with its specialist position claim as "the pinnacle of luxury jewellery",) and Mikimoto's global pearl brand, to the "affordable luxury" of companies such as Denmark's Pandora and Spain's Tous.

The number of Indian/Chinese jewellery companies included in the Top 100 increased this year, reflecting improved data and the importance of these two countries within the global precious jewellery market, both in terms of domestic consumption and exports. India claims that it is the processing hub for the global jewellery market, exporting around three-quarters of the world's polished diamonds.

Domestically, the jewellery sector has historically been very fragmented and commoditised, but a number of organised vertically integrated jewellery chains with luxury brands are growing rapidly in this large market. Three family-owned jewellers - Kalyan Jewellers, Joyalukkus and Tribhovandas Bhimji Zaveri (tbz) - have all been identified as deserving a place in the Top 100. They are joined by China/Hong Kong SAR jewellers Tse Sui Luen (TSL) and Chow Tai Seng. Accessible luxury Swiss watchmaker Frédérique Constant dropped out of the Top 100 after its acquisition by Japan's Citizen Watch Co in May 2016.

Six jewellery and watch companies achieved double-digit percentage sales growth in luxury goods in FY2016. Swiss watchmaker Richard Mille, whose annual sales have doubled in the four years FY2012-16, reported the fastest growth in the sector, 21.6 per cent in FY2016. This growth is all the more impressive against the background of weak foreign demand and the strength of the Swiss franc which has negatively impacted most Swiss watchmakers. Mille claims this success is due to the high luxury positioning and quality of the brand, and prudent strategic choices to divide sales evenly among geographic regions.[9]

Danish vertically-integrated "affordable luxury" jeweller Pandora has shown the most consistent growth, being in the top three growth companies in this sector in each year FY2014-16. It was the second-fastest growing company in FY2016, with 21.2 per cent sales growth, and a two-year CAGR of 30.3 per cent. Their growth strategies focused on rapid branded PANDORA store expansion (net 336 new concept stores and acquisition of the PANDORA store network in Singapore and Macau SAR in FY2016), and eSTORES launches in Canada, China and New Zealand, together with product diversification (from Charms and Bracelets and Rings core categories into Earrings). Arguably, Pandora yet again achieved the best overall performance of any luxury goods company, with the highest net profit margin in the Top 100, at 29.7 per cent. The next three fastest-growing companies are all Indian jewellers, with sales growth of around 16 per cent in FY2016: Titan, PC Jeweller and privately-owned newcomer Joyalukkas. Spain's affordable luxury jeweller, Tous, also reported double digit sales growth in FY2016, of 11.3 per cent.

Only three Swiss watch companies grew in FY2016. High-end watchmakers Richard Mille (21.6 per cent growth) and Audemars Piguet (6.7 per cent estimated growth) were the fastest-growing companies for the second year in succession. Both have lower exposure to the troubled Asian markets than many of their competitors, and a strong focus on their "haute horlogerie" brand positioning and exclusivity. Audemars Piguet have been reducing their number of points of sale since 2011, to improve the quality of interaction with their customers. Breitling was the other Swiss watch company with increased sales in FY2016: it was acquired by CVC Capital partners in April 2017, and Georges Kern left his role as head of Richemont's watch division to take the CEO role (and a 5 per cent share of Breitling) in August 2017. Leading company Swatch Group continued to suffer from the effect of the strength of the Swiss franc on the 90 per cent of their business which is outside Switzerland, reporting a 10.7 per cent decline in luxury goods sales.

It should be noted that sales are estimated, using press interviews and industry estimates, for all of the six private Swiss watchmakers, including Rolex, that do not publish any financial information.

The **2017 Deloitte Swiss Watch Industry Study** reported that 2016 appeared to mark the bottom of the downturn.[10] After eight consecutive quarters of falling declining rates, exports of Swiss watches rose in Q2 2017, with a particularly strong recovery in exports to China. 52 per cent of watch executives surveyed said that they were optimistic about the outlook for the Swiss watch industry over the next 12 months, compared to only 2 per cent in 2016. Early FY2017 results suggest that this confidence was justified: Richemont and Swatch Group both turned around their FY2016 decline to deliver growth of 6.7 and 6.9 respectively in luxury goods sales.

Overall, 19 jewellery and watch companies reported FY2016 luxury goods sales down on FY2015. This included the three largest companies, Swatch, Chow Tai Fook and Rolex (estimated). Hong Kong SAR-based Chow Tai Fook reported lower luxury goods sales for the third year in succession: this was due mainly to a poor first half performance, with sales growth finally returning in the second half of the fiscal year. Four of the six companies with double-digit sales declines were luxury jewellers based in China/Hong Kong SAR, as a result of the economic slowdown, reduced tourism, and a switch by investors from gold jewellery to gold bars.

Despite the challenging sales environment in FY2016, the composite net profit margin for the 21 jewellery and watch companies reporting net profits was remarkably resilient. In FY2016 the net profit margin was down only 0.3 percentage points on FY2015, at 7.8 per cent. All companies were profitable, with three companies reporting double-digit net profit margins, the same as in FY2015. Pandora again delivered the highest net profit margin, at 29.7 per cent, while Chow Tai Seng reported a 14.7 per cent net profit margin, 1.8 percentage points down from the previous year. Tiffany's net profit margin was stable, at 11.2 per cent. The composite return on assets for all the reporting companies in this product sector was 0.8 percentage points above the composite average for the Top 100, at 7.7 per cent.

The eleven **multiple luxury goods** companies in this sector have by far the largest average size among the Top 100. Their average annual luxury goods sales in FY2016 were US$6.3 billion, and together they accounted for 32.2 per cent of the Top 100 luxury goods sales. This sector again achieved the highest net profit margin, and the second-highest year-over-year luxury sales growth.

The companies in this sector are the same as in FY2015. It includes three Top 10 companies, LVMH, Richemont and Kering, whose combined US$44 billion sales represent 63.9 per cent of the total for the companies in this sector, and eight Top 20 companies. This is because most of the largest companies have achieved their scale by expanding into a range of luxury goods categories. The group consists predominantly of European multinationals, with three companies based in France (LVMH, Kering and Hermès), three in Italy (Prada, Salvatore Ferragamo and Tod's), two in the UK (Burberry and Michael Kors), two in the US (Coach, now renamed Tapestry, and Cole Haan) and one in Switzerland (Richemont). Unlike other luxury goods sectors, nearly all multiple luxury goods companies are public companies, using investment to drive their growth. The exception is the smallest company in this group, Cole Haan, which is owned by private equity group Apax Partners.

Sales growth for the multiple luxury goods companies in FY2016 was 2.1 per cent, sharply down from the currency-boosted 10.8 per cent growth reported in FY2015.

Hermès International was the best overall performer in this group in FY2016, with the fastest FY2014-16 CAGR (12.4 per cent) and the highest net profit margin (21.2 per cent). The company's largest "Metier", Leather Goods and Saddlery, grew sales by 14.5 per cent in FY2016, driven by sustained demand and increased production capacity. All regions except Japan contributed to the company's organic growth. Hermès again had the second-highest net profit margin of all companies in the Top 100, and have consistently posted net profit margins greater than 20 per cent for the six years FY2011-16.

Kering joined Hermès in the **Fastest 20** list, with FY2014-16 CAGR of 11.9 per cent. Their FY2016 7.7 per cent growth in luxury goods sales outperformed the market, and picked up pace in the second half of the year, coming in at 11.3 per cent (versus 4.0 per cent in the first half). Retail sales in directly-operated stores and online grew over 10 per cent during the year, across all regions. These channels contributed nearly three-quarters of Kering's luxury goods sales. Their refocus as a pure play luxury goods group is reaching the final chapter, with the announcement in January 2018 that they plan to spin off Puma to its own shareholders.

Burberry reported the highest year-over-year FY2016 growth in the sector, at 10 per cent. This was driven by the Brexit-affected weakness of the British pound. At constant exchange rates, sales were down 2 per cent, which they attributed to the challenging global macroeconomic and geopolitical environment. Burberry saw performance improve at the beginning of 2017 in China and Europe, but still saw challenges in their key markets of US and Hong Kong SAR. It was the only company in this sector to report both double-digit growth and net profit margin in FY2016.

Prada also reported that FY2016 was a challenging year, with sales down over 10 per cent. All regions lost sales, with Asia Pacific and the Americas the worst-performing. They saw some recovery in consumption in Italy, China and Russia, but the growth in these markets did not compensate for the decline in cross-border tourism. Group net profit margin in FY2016 was the lowest in six years, but still a respectable 8.9 per cent.

The composite net profit margin for multiple luxury goods companies in FY2016 was again the highest of all the product sectors, at 11.4 per cent. This was a drop of only 1.1 per cent on FY2015. All ten companies reporting their results were profitable, with the same seven companies achieving double-digit net profit margins as in FY2015. Hermès International (21.2 per cent), Ferragamo (13.8 per cent) and Coach (13.2 per cent) reported the highest margins. Michael Kors, Richemont, LVMH and Burberry also all delivered double-digit net profit margins. Return on assets for this high-performing group was above the Top 100 composite average, at 7.4 per cent.

Geographic analysis

This Global Powers of Luxury Goods report analyses performance by luxury goods product sectors as well as by geography. Five luxury goods product sectors are used for analysis:

- Clothing and footwear
- Bags and accessories
- Cosmetics and fragrances
- Jewellery and watches
- Multiple luxury goods

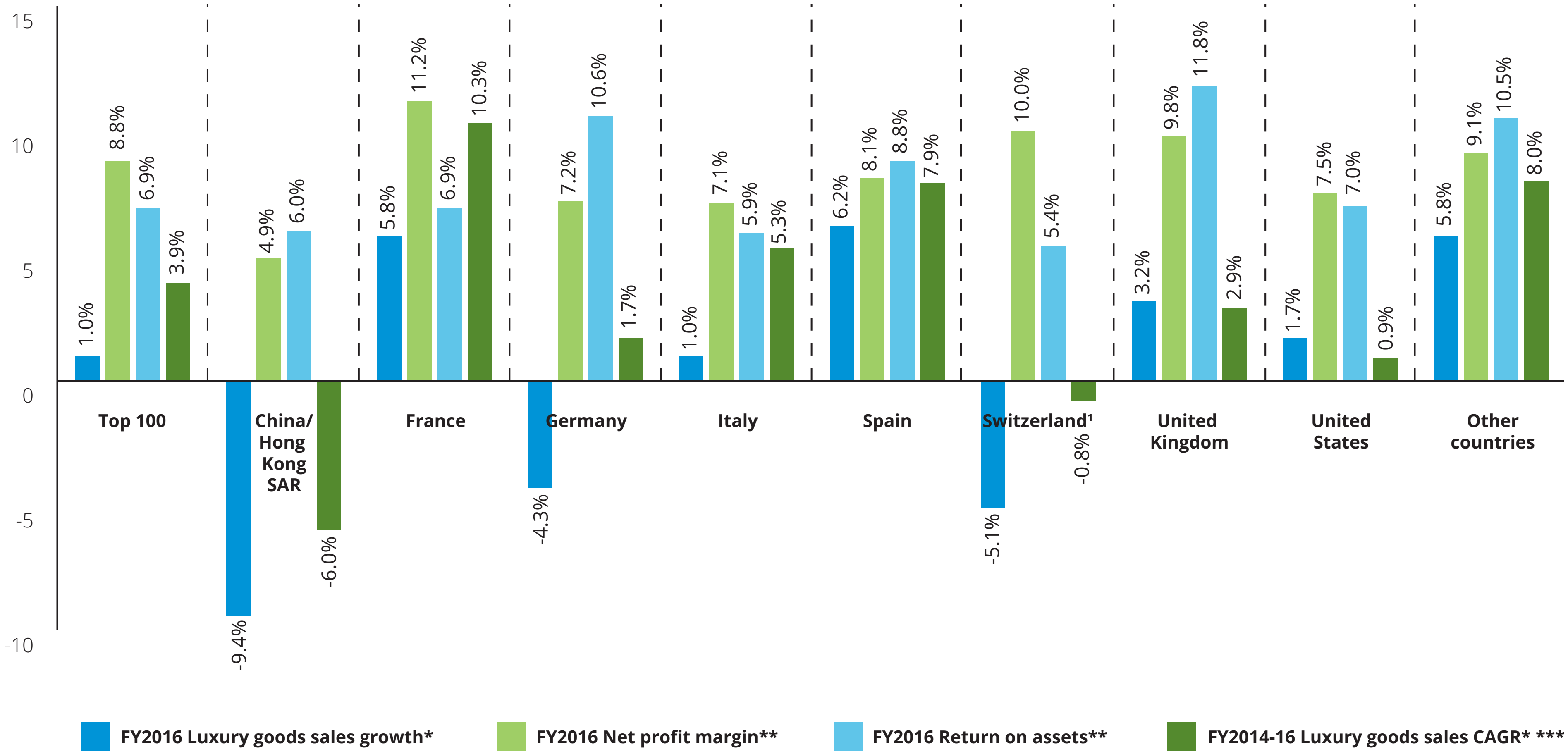
A company is assigned to one of the four specific product sectors if a high percentage of its luxury goods sales are derived from that product sector. Multiple luxury goods companies are those with substantial sales in more than one of the luxury goods product sectors.

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

Country profiles	Number of companies	Average size of companies by luxury goods sales (US$m)	FY2016 Luxury goods sales growth	Share of top 100 luxury goods sales
China	9	$1,928	-9.4%	8.0%
France	9	$5,843	5.8%	24.3%
Germany	5	$886	-4.3%	2.0%
Italy	24	$1,409	1.0%	15.6%
Spain	4	$741	6.2%	1.4%
Switzerland	9	$3,138	-5.1%	13.0%
United Kingdom	10	$1,126	3.2%	5.2%
United States	13	$3,351	1.7%	20.1%
Other countries	17	$1,351	5.8%	10.3%

Results reflect Top 100 companies headquartered in each country.
Source: Deloitte analysis of published company data and industry estimates.

Performance by country



Results reflect Top 100 companies headquartered in each country.

* Sales-weighted, currency-adjusted composites.

** Sales-weighted composites.

*** Compound annual growth rate.

[1] Net profit margin and return on assets based on data from two companies.

Source: Deloitte analysis of published company data and industry estimates.

Spain and France are top performers in sales growth and profit margin; China woes continue

In FY2016, China, France, Germany, Italy, Spain, Switzerland, the UK and the US together made up 83 per cent of the Top 100 luxury goods companies and 90 per cent of Top 100 global luxury goods sales.

Spain and France reported the highest rate of growth in luxury sales in FY2016. Growth in the US and UK ticked up mainly due to currency effects. Italian company sales were slightly higher than in FY2015. Companies based in China/ Hong Kong SAR, Switzerland and Germany experienced falls in sales. Companies based in other countries had continuing sales growth, although at a lower rate than in previous years.

Spain was the best-performing country, achieving 6.2 per cent sales growth in luxury goods in FY2016, followed by France and the group of companies based in "other countries", both with 5.8 per cent growth. The UK and US both grew at a faster rate than the Top 100 composite average. Weakness in Asia Pacific markets, the continuing strength of the Swiss franc, and US department store woes led to companies in Switzerland and Germany reporting lower year-over-year luxury goods sales for the first time since publication of this annual report began. China/Hong Kong SAR company sales declined for the third year in succession.

Asian markets increased their representation in the Top 100 companies in FY2016, with the inclusion of three more companies from Japan, and two more companies from each of China/Hong Kong SAR and India. US companies Elizabeth Arden and Tumi disappeared from the Top 100, following their acquisition by Revlon and Samsonite respectively.

China

Companies based in China China/ Hong Kong SAR (8 out of 9 being part of the Jewellery and Watches product sector) saw falling luxury goods sales for the third year in succession in FY2016.

Sales fell by 9.4 per cent, and their 2014-16 CAGR was minus 6.0 per cent.

Despite the challenging environment, all the jewellers were profitable. The composite net profit margin for China/Hong Kong SAR-based companies improved slightly to 4.9 per cent. The top three luxury jewellers dominate the results for the nine China/ Hong Kong SAR luxury companies, which represented 8 per cent of Top 100 luxury goods sales in FY2016. The largest of these companies, Chow Tai Fook, fell one further place in the rankings to #10, but reported improving sales in the second half of the year. China-based Lao Feng Xiang saw limited growth, but Hong-Kong SAR based Chow Sang Sang's sales fell by 16 per cent, primarily in Hong Kong SAR/Macau SAR.

Struggling menswear group Trinity was acquired by Chinese textile maker Shandong Ruyi in 2017, having lost sales for the fourth year in succession. The best performer in this group was family-owned Chinese jeweller Chow Tai Seng. Their 6.3 per cent growth in sales was due to expansion of their mainly franchised network of over 2,000 stores. They also reported the highest FY2016 net profit margin, 14.7 per cent, in their 2017 listing on the Shenzhen Stock Exchange.

France

France had the highest FY2014-16 CAGR and second highest year-on-year growth in luxury good sales, at 10.3 and 5.8 per cent, respectively. French companies also reported the highest composite net profit margin in FY2016, at 11.1 per cent, almost the same as in FY2015. The four largest French luxury goods powerhouses, LVMH, Kering, L'Oréal Luxe and Hermès, all with more than US$5 billion in luxury goods sales, represent nearly 90 per cent of sales for Top 100 companies based in France, with the remaining five companies contributing just over 10 per cent. As a result, France has by far the largest average size of luxury goods company, US$5.8 billion, and the highest share (24.3 per cent) of Top 100 luxury goods sales in FY2016.

Four French companies feature in the **Fastest 20** list: SMCP, Hermès, Kering and L'Oréal Luxe all had double-digit FY2014-16 CAGR. SMCP, the owner of the Sandro, Maje and Claudie Pierlot brands, reported the fifth-fastest FY2014-16 CAGR in the Top 100, at 24.3 per cent. Growth came from all brands and regions, the success of the "M" bag, Maje's hit bag, new store expansion, and nearly 80 per cent growth in e-commerce, which reached almost 10 per cent of their global sales in FY2016. Although they were acquired by Shandong Ruyi in 2016, they are still operating as an independent company. They were the only French company with double-digit sales growth in FY2016, and were the fastest-growing company for the second year in succession. All other companies reported single-digit growth, except for affordable luxury company Longchamp, whose sales fell 2.3 per cent after achieving 13.2 per cent growth in FY2015. Jeanne Lanvin lost sales for the fourth year in succession, dropping out of the Top 100. The brand is seen as being in crisis since the resignation of artistic director Alber Elbaz in March 2016.

Replacement Bouchra Jarrar was fired in July 2017.

Hermès was arguably the best overall performer based in France, with FY2014-16 CAGR growth of 12.4 per cent, and the second-highest net profit margin in the Top 100, 21.2 per cent. In FY2016 they achieved sales growth of over 20 per cent in Japan, and 5-6 per cent in all other regions, with the strongest growth (14.5 per cent) coming from their Leather Goods and Saddlery "Metier". LVMH, the world's leading luxury goods company, had the tenth-highest net profit margin in the Top 100, at 11.6 per cent, a small improvement on the previous year.

For the four French companies that reported their FY2016 net profits, the composite net profit margin was 11.2 per cent, the same as in the previous year, and 2.4 percentage points higher than the composite average for the Top 100. At 6.9 per cent, their composite return on assets was the same as the composite average for the Top 100 companies.

Germany

Compared with the other countries in this geographic analysis, German companies were the second smallest, with average annual luxury goods sales of US$873 million. There are five German companies in the top 100, one fewer than in FY2015. Ski/sportswear specialist Bogner dropped out of the Top 100, with a fall in sales for the third year in succession. All except jeweller Wempe are fashion companies.

Germany's results are dominated by the only public company in this group, Hugo Boss, which represents over two-thirds of all sales. Hugo Boss reported a 4.1 per cent fall in sales in FY2016 (a fall of 2 per cent at constant exchange rates). US department store troubles led the company to "part ways with wholesale partners who were largely driven by discounts and therefore had a negative effect on our brand image". Prices in China were adjusted to bring them more in line with those in Europe and the Americas, leading to a 20 per cent jump in comparable store sales in China in Q4 FY2016. Their turnaround strategy focuses on their two core brands: upper premium BOSS, and entry level (younger) HUGO, priced around 30 per cent lower than BOSS. BOSS Orange and BOSS Green brands are being integrated into the core BOSS range. Global price harmonisation, consolidation of wholesale distribution and a stronger focus on online, with an updated website and new mobile app, are other key pillars of their turnaround strategy.

Socks & Stockings specialist Falke was the best performer, with 2 per cent sales growth, and Marc Cain maintained sales year-over-year, but MARC O'POLO sales fell by 1.3 per cent. Wempe's sales slumped 12.1 per cent, driven by the collapse of sales in China and more general economic weakness.

Premium fashion company Marc Cain reported the highest net profit margin of 8.6 per cent, and Falke also reported an increased profit margin of 6 per cent. Hugo Boss's net profit margin was down 4.2 percentage points in FY2016, at 7.2 per cent. Wempe and MARC O'POLO have not reported FY2016 profits. Overall, composite sales growth for the German companies was the third-lowest among the Top 100, with a fall of 4.3 per cent.

Italy

Italy was again the leading luxury goods country in terms of number of companies, with 24 companies in the Top 100. Luxury goods sales grew by 1 per cent in FY2016, down 5.7 percentage points from the currency-boosted growth in the previous year. The overall performance of the Italian companies is strongly influenced by the results of the top three players, Luxottica, Prada and Giorgio Armani, which represented nearly half of the country's FY2016 sales of luxury goods among the Top 100 companies.

Italy's predominantly family-owned luxury goods companies are smaller on average than the Top 100, with average sales of US$1.4 billion; and only one Italian company, Luxottica Group, appears in the Top 10. We still do not know whether Luxottica's planned €50billion merger with French lens maker Essilor will see their headquarters remain in Milan or move to Paris. Luxottica's multinational eyewear business grew by 2.8 per cent in FY2016, down 12.7 percentage points on the currency-boosted FY2015 growth. At constant exchange rates, growth was 3.9 per cent, down only 0.4 per cent on the previous year. Luxottica saw 6 per cent growth in retail as they expanded their global network, adding around 1,000 new stores with the acquisition of Italian optical chain Salmoiraghi & Viganò and collaboration with other retailers. There were large year-over-year sales declines in Prada (down 10.3 per cent) and Giorgio Armani (down 5.3 per cent). Prada's recovery plan includes restructuring and refreshing its product range, renovating its retail network, and investing more in e-commerce and digital marketing. Giorgio Armani responded to its first drop in sales since 2009 with plans to rationalise its store network, and reduce the number of brands from seven down to the core high-end Giorgio Armani, mid-range Emporio Armani and accessible, youth-oriented A/X Armani Exchange labels.

Italy's design talent and its reputation for tradition, heritage and quality underpin the cachet "Made in Italy" as a powerful branding tool around the world for luxury goods. This luxury brand reputation is strongest in the fashion sector, as demonstrated by the fact that more than two-thirds of Italian companies in the Top 100 operate in the Clothing & Footwear sector. The majority of the Bags & Accessories companies in the Top 100 are also Italian. This is driven by strong family guardianship of their brand design values, with 20 of the 24 companies majority-owned and/or operated by their founding families, often with the family name on their brand.

Smaller Italian companies performed better, on average, than their larger compatriots, and included some of the best performers in the Top 100 in FY2016. Six Italian companies again feature in the **Fastest 20** list, three of which were also on last year's list. Valentino's sales have more than doubled in the three years FY2013-16, and grew by 11.7 per cent in FY2016, passing the €1 billion milestone for the first time. Designer Pierpaolo Piccioli is credited with the continued strength of the ultra-high-end Valentino brand, while focus on development in 2017 turned towards Japan, e-commerce and digital integration. Furla was the only Bags & Accessories company in the Fastest 20; its FY2016 sales growth of 24.5 per cent was the fourth-highest of all the Top 100 companies. Furla's accessible luxury bags and accessories saw strong growth in its biggest market, Japan, as well as in Europe and in travel retail.

Moncler was one of only five all-round high performers in the Top 100, achieving both double digit sales growth (18.2 per cent) and net profit margin (18.9 per cent). They also reported sales of more than €1 billion for the first time in FY2016, with growth driven by organic brand strength and the continued development of their network of monobrand retail stores. Finos re-entered the Top 100, following a major company reorganisation (including the end of the Tru Trussardi line), an increase in capital, and rationalisation of unprofitable shops, which delivered 36.6 per cent sales growth in the Trussardi brand in FY2016, with Russia performing particularly well. Dolce & Gabbana and Brunello Cucinelli also reported double-digit growth in FY2016, of 14.3 per cent and 10.1 per cent respectively.

Nine companies reported single-digit FY2016 sales growth, while nine lost sales. These included some of the most well-established luxury fashion brands: Prada, Armani, OTB (Diesel), Zegna and TOD's. The 2017 Deloitte research study of millennial consumers in Italy, the US, UK, and China Bling it on: What makes a millennial spend more?[11] found that millennials are much less brand loyal than older luxury purchasers, and heritage and aspirational qualities are less important to them - they look for quality and uniqueness. The one factor that features in almost every aspect of consumption by millennials is the rise of online - for information and advice, as well as sales. While there are many economic, creative and other influences on the downturn of these powerful brands, the slowness of some companies in responding to the changing luxury consumer must play a part.

Bottom line performance improved slightly, with a composite net profit margin of 7.1 per cent in FY2016, compared to 7.0 per cent in FY2015. Five Italian luxury goods companies achieved double-digit net profit margins: Moncler, Ferragamo, Euroitalia, Liu.Jo and Giorgio Armani. Seven companies reported net losses, two more than last year.

The return on assets for Italian companies, at 5.8 per cent, was lower than the composite average for the Top 100.

Spain

Spain is represented in the Top 100 by four family-owned luxury goods companies. Compared with the other countries in this geographic analysis, Spanish companies were the smallest, with average annual luxury goods sales of US$741 million. They reported the highest composite FY2016 sales growth, of 6.2 per cent, 5.2 percentage points above the composite average for the Top 100.

Puig is by far the largest luxury goods company based in Spain, with 67 per cent of the sales of this group of companies. Their reported sales were up 8.8 per cent in FY2016, and by 5 per cent on a like-for-like constant currency basis. Growth was driven by the integration of the Jean Paul Gaultier fragrance, following the termination of the licence held by Shiseido at the end of 2015, and by new product launches including the outstanding success of Good Girl by Carolina Herrera. Puig continued their acquisition strategy, taking minority stakes in EB Florals (a niche fragrance company) and Granado (a Brazilian pioneer in the production of high-quality natural preparations) in 2016, and a majority stake in the Greek brand Apivita in 2017. Affordable luxury jeweller Tous also had a successful FY2016, with sales up 11.3 per cent, but fashion company Textil Lonia and watchmaker Festina Lotus both lost sales, down 0.5 and 8.8 per cent respectively.

All the Spanish companies were profitable in FY2016, with Textil Lonia reporting the highest net profit margin of 11.2 per cent, up 1.5 percentage points. Tous also improved its net profit margin, to 8.7 per cent. The composite average profit for Spain was dragged down by Festina Lotus, which only just stayed in profit.

Switzerland

There were nine Swiss companies in the Top 100 this year, one less than in FY2015. Accessible luxury watchmaker Frédérique Constant dropped out of the Top 100 after its acquisition by Japan's Citizen Watch Co in May 2016. Citizen stated that this was part of "a multi-brand strategy seeking to complete its brand portfolio by acquiring Swiss brands". It should be noted that sales are estimated, using press interviews and industry estimates, for all of the seven private Swiss companies that do not publish any financial information.

Switzerland's luxury goods sales are dominated by their top three players, Richemont, Swatch, and Rolex (estimated), which together account for 87 per cent of FY2016 luxury goods sales for the nine Swiss companies in the Top 100. All three luxury goods giants, each with sales in excess of US$5 billion, lost sales and dropped one place in the ranking, to #3, #7 and #12 respectively. Swatch Group reported the biggest fall in luxury goods sales, down 10.7 per cent, as they continued to suffer from the impact of the strength of the Swiss franc on the 90 per cent of their business which is outside Switzerland, and a decrease in tourist traffic. Swiss companies had the second-worst composite luxury goods sales performance in FY2016, with sales down 5.1 per cent.

Only three Swiss watch companies grew in FY2016. High-end watchmakers Richard Mille (21.6 per cent growth) and Audemars Piguet (6.7 per cent estimated growth) were the fastest-growing companies for the second year in succession. Both have lower exposure to the troubled Asian markets than many of their competitors, and a strong focus on their "haute horlogerie" brand positioning and exclusivity. Audemars Piguet has been reducing the number of points of sale since 2011, to improve the quality of interaction with their customers. Breitling was the other Swiss watch company with increased sales in FY2016, up 1.7 per cent; they were acquired by CVC Capital partners in April 2017, and Georges Kern left his role as head of Richemont's watch division to take the CEO role (and a 5 per cent share of Breitling) in August 2017.

The **2017 Deloitte Swiss Watch Industry Study** reported that 2016 appeared to mark the bottom of the downturn.[10] After eight consecutive quarters of declining growth, exports of Swiss watches rose in Q2 2017, with a particularly strong recovery in exports to China. 52 per cent of watch executives surveyed said that they were optimistic about the outlook for the Swiss watch industry for the next 12 months, compared to only 2 per cent in 2016. Early FY2017 results suggest that this optimism was justified: Richemont's luxury goods sales were up 6.7 per cent, and Swatch Group's 6.9 per cent growth in Watches & Jewellery (excluding Production) accelerated during the year, with second half 2017 growth of 12.2 per cent.

Just as Italy is the global leader in fashion, Switzerland is second to none in luxury watch-making, and the watch industry is one of Switzerland's top export sectors. Eight out of the nine Swiss companies in our Top 100 are watchmakers, and the strength of their brands can be seen in their presence in jewellers and other distribution outlets for luxury watches around the world, as well as in their own growing store networks and online presence. Multiple luxury goods company Richemont also gets nearly 30 per cent of its sales from its portfolio of luxury watch brands such as Piaget. The barriers to entry raised by the brand heritage and technical and design excellence of the Swiss luxury watchmakers have proved very hard to overcome. This has led to acquisition activity, with LVMH and Kering each having well-known Swiss watch brands in their respective portfolios.

Richemont and Swatch, the two public companies in this group, are the only Swiss companies to report their net profit and assets. Although the average net profit margin for these two companies was down 7.3 percentage points, to 10 per cent, this was still the second-highest level of profitability among all countries. Richemont's net profit fell by 46 per cent compared with FY2015, primarily due to a number of non-recurring events: non-recurrence of FY15 €639 million non-cash gain from the merger of The NET-A-PORTER GROUP with YOOX Group; FY2016 charges from an adjustment of fixed cost bases and manufacturing structures to a sustainable level of demand; and a reversal in net finance costs due mainly to currency hedging. Despite this, Richemont's 11.4 per cent net profit margin was still the eleventh highest among the Top 100 in FY2016.

United Kingdom

The same ten UK-based luxury goods companies featured in the Top 100 as in FY2016. Sales averaged US$1,126 million per company, significantly less than the average for the Top 100. The group's results are dominated by Michael Kors and Burberry, with over 70 per cent of total sales. The other eight UK companies reported luxury goods sales of less than US$700 million in FY2016.

Composite luxury goods sales growth improved 0.8 percentage points, to 3.2 per cent. This was driven partly by the Brexit-related weakness of the British pound, with double-digit growth reported by five companies. Burberry and Barbour were two of the five high performers in the Top 100 in FY2016, achieving both double-digit year-over-year sales growth (10 and 19.5 per cent, respectively) and net profit margin. Ted Baker and Kurt Geiger reported double-digit sales growth for the third year in succession; Ted Baker was the only UK-based company in the **Fastest 20**, with FY2014-16 CAGR of 17.1 per cent. Their e-commerce sales jumped by 35.1 per cent, to nearly 14 per cent of their total sales. Jimmy Choo's 14.5 per cent growth was driven mainly by growth in retail and Asia. At constant exchange rates, Ted Baker grew by 10.8 per cent and Jimmy Choo by 1.6 per cent, while Burberry's sales were down 2 per cent.

Three companies reported falling sales in FY2016. Michael Kors and Graff Diamonds both have their headquarters in the UK, but report in US dollars, so their reported results were adversely affected by sterling's weakness. Michael Kors' overall sales decline was 4.6 per cent: retail sales grew by 7.4 per cent, but wholesale sales fell by 17.2 per cent, as they began strategically to limit shipments to decrease promotional activity and support their brand's long-term positioning. They acquired their licensees in China, Hong Kong SAR, Macau SAR, Taiwan and South Korea in 2016, to allow direct management control of their planned growth strategies in the region. Michael Kors bought Jimmy Choo from JAB Luxury for £1.35 billion in November 2017. Graff Diamonds and Paul Smith both lost sales for the second year in succession.

The UK companies had the second-highest net profit margin (9.8 per cent) in FY2016 among the Top 100. All companies were profitable, with nearly 84 per cent of their composite net profit contributed by Michael Kors and Burberry. These leading companies were joined by Barbour in achieving double-digit net profit margins. Barbour and Michael Kors had the 8th and 9th highest net profit margins in the Top 100. UK companies had the highest composite return on assets, at 11.8 per cent.

United States

The US had 13 companies in the Top 100 in FY2016, including three in the Top 10: Estée Lauder, Ralph Lauren and PVH Corp. The US companies are larger than the average among the Top 100, with average luxury goods sales of US$3,351 million, and the second-largest share of total luxury goods sales (20.1 per cent) among the Top 100.

Merger and acquisition activity had a significant impact on US luxury companies in FY2016 and 2017. Two US companies dropped out of the Top 100: Tumi was bought by Samsonite for US$1.8 billion in August 2016, and Elizabeth Arden was acquired by Revlon for US$870m in September 2016. Coty set up a Luxury Division following their US$12.5 billion acquisition of the Procter & Gamble prestige beauty business in October 2016. In 2017, Coach acquired Kate Spade for US$2.4 billion in July, and changed its name to Tapestry, to reflect the growing portfolio of luxury brands owned by the company.

US composite luxury goods sales grew by 1.7 per cent in FY2016, 2 percentage points better than the currency-affected decline of the previous year. These US companies are equally divided into six growing and six declining companies.

The growth companies were led, unsurprisingly, by Coty Luxury, the fastest-growing company in the Top 100 due to its Procter & Gamble prestige beauty acquisition. Reported sales were up 40 per cent, and of this around 33 per centage points was acquisition-related growth. It was the only US-based company in the **Fastest 20**, taking 14th place with FY2014-16 CAGR of 15.1 per cent. Kate Spade was the sole US representative in the high achievers group, with both double-digit sales growth (11.4 per cent) and net profit margin (11.1 per cent).

Growth was driven primarily by higher sales in North America, Europe and Japan, with strong e-commerce growth in kate spade new york. Inter Parfums also achieved double-digit sales growth of 11.2 per cent, led by their largest brand, Montblanc (licensed from Richemont), with sales up 25 per cent.

The three largest companies in the US group, Estée Lauder, Ralph Lauren and PVH Corp., account for 58 per cent of total FY2016 sales among the US group. Estée Lauder and PVH both increased their reported rate of growth, to 5 per cent and 5.6 per cent respectively. Estée Lauder invested in three prestige beauty brands targeted at the millennial consumer, acquiring Too Faced and Becca Cosmetics in 2016, and making a minority investment in DECIEM in 2017. They continued their e-commerce success, with online sales up a third at constant currency, to 11 per cent of their total net sales. Travel retail was another highlight, with sales up 22 per cent. PVH saw strong international growth in Europe and China with their Calvin Klein and Tommy Hilfiger brands. Calvin Klein also achieved growth in their home market through wholesale, but Tommy Hilfiger lost sales in North America, due partly to weak tourist spending, and the discontinuation of their directly-operated womenswear wholesale, after licensing the business to G-III.

Ralph Lauren lost sales in FY2016 for the second year in succession. Their fall in sales of 10.2 per cent, and declining profitability (minus 1.5 per cent net profit margin) made it the poorest-performing US company. Struggling US department stores have been trying to entice shoppers by selling luxury brands at deep discounts. To avoid damage to their brands' exclusive reputations, many luxury companies have been reducing wholesale sales and attempting to limit their participation in promotional markdowns. Ralph Lauren and Coach have both exited around a quarter of their North American department stores. Ralph Lauren also lost sales as a result of a strategic reduction in shipments as part of their Way Forward restructure plan, and in e-commerce. Coach, Tiffany, Fossil, Movado and True Religion were all affected by the challenging US retail market, reporting single-digit sales declines in FY2016. True Religion filed for Chapter 11 bankruptcy protection in July 2017, emerging only three months later.

Among the nine US companies that reported FY2016 net profits, margins held up well in the challenging environment. Their composite net profit margin was unchanged at 7.5 per cent, only 1.3 percentage points below the average of 8.8 per cent for the Top 100 as a whole. All companies except Ralph Lauren were again profitable, with Coach, Tiffany, Kate Spade and Estée Lauder all reporting double-digit net profit margins. Coach's 13.2 per cent net profit margin was the seventh highest in the Top 100.

US luxury goods companies just managed to beat the composite Top 100 for return on assets, yielding 7 per cent compared to 6.9 per cent in FY2016.

This report does not include Michael Kors Holdings in the US geographic grouping of companies because it is headquartered in London. However, 70 per cent of Michael Kors' FY2016 sales were in North America.

Other countries

17 companies in the Top 100 are based in "other countries", five more than in FY2015. The largest company in the group, Japanese cosmetics and fragrance maker Shiseido, returned to the Top 100 in FY2016 - it was excluded from last year's report as their luxury goods sales could not be estimated following a restructuring of their business segments. The luxury sales reported in FY2016 are for their Prestige & Fragrance business.

Most of the newcomers to the Top 100 are in the "other countries" group, as the quality of the data for luxury companies, particularly in Asian markets, improved: newcomers were Japanese affordable luxury fashion companies Onward Holdings and Sanyo Shokai, and the prestige beauty business of Pola Orbis; Indian luxury jewellers Kalyan, Joyalukkas and TBZ, and the fastest-growing company in the Top 100, Canada Goose.

Ten companies reported luxury goods sales of more than US$1 billion: Jewellers Pandora, Swarovski, Kalyan, Titan, PC Jeweller and Joyalukkas, Cosmetics & Fragrances companies Shiseido, L'Occitane International and Pola Orbis, and Fashion company Onward Holdings (owner of premium brands including Jil Sander, Joseph and Nijyusanku).

Overall, Japan and India are each represented by five companies, and there is one company from each of Austria, Brazil, Canada, Denmark, Luxembourg, South Korea and Sweden.

There were some very strong performers among these 17 companies, which as a group tied with France for second highest year-over-year growth in luxury goods sales (5.8 per cent). Twelve of the companies increased their luxury goods sales, and five of the six reporting double-digit gains were among the **Fastest 20**. Canada Goose had the highest FY2014-16 CAGR, 36 per cent, and Pandora was second highest, with 30.3 per cent. Sweden's Acne Studios and Indian jewellers PC Jeweller, Joyalukkas and Titan all reported year-over-year FY2016 growth of more than 15 per cent. The precious jewellery sector in India has historically been very fragmented and commoditised, but a number of organised vertically integrated jewellery chains with luxury brands are growing rapidly in this very large market, as well as internationally.

Danish "affordable luxury" jeweller Pandora delivered outstanding results for the fourth year in succession: their luxury goods sales grew by 21.2 per cent in FY2016, with performance driven by their branded store network development, geographical expansion and product diversification from their charms and bracelets core category. Ecommerce was up 65 per cent from their growing eSTORE presence in 17 countries. Arguably, they again achieved the best overall performance of any luxury goods company, with the highest net profit margin in the Top 100, at 29.7 per cent.

All other companies reported single digit sales growth except for Brazil's Restoque, Japan's Sanyo Shokai and Onward Holdings and India's Kalyan Jewellers, which lost sales. Sanyo Shokai has been struggling to rebuild its business, following the loss of their long-term licence for Burberry in Japan in mid-2015. FY2016 sales slumped, down 30.6 per cent. Restoque and Sanyo Shokai were the only companies reporting a net loss.

Overall, the composite net profit margin for this disparate group of companies was slightly higher than the composite average for the Top 100, at 9.1 per cent. Two of the fourteen companies reporting net profits achieved a double digit margin - Pandora and beauty company L'Occitane. Ten other companies reported single-digit net profit margins.

Newcomers

There were twelve newcomers to the Top 100 in 2016: five jewellery and watches companies; four clothing and footwear companies; and three cosmetics and fragrances companies.

Three companies were "re- entrants" that have previously appeared in the Global Powers of Luxury Goods Top 100. Beauty companies Shiseido and Laboratoire Nuxe re-appeared after missing data for luxury goods sales excluded them from last year's rankings. Italian fashion company Finos grew strongly to re-enter at #97.

The remaining nine newcomers entered the Top 100 as a result of improved data coverage and availability, particularly in China/Hong Kong SAR, India and Japan. Canada Goose, entering at #84, is the fastest-growing company (FY2014-16 CAGR) in the Top 100. Its premium outwear brand is sold in 37 countries around the world. Private equity firm Bain Capital still hold a controlling interest in Canada Goose after initial and secondary public offerings of company shares in 2017.

India and China are the largest markets in the world for precious jewellery. India claims that it is the hub of the global jewellery market, exporting around three-quarters of the world's polished diamonds. Domestically, the jewellery sector has historically been very fragmented, but a number of organised vertically integrated jewellery chains with luxury brands are growing rapidly in this large market. Three family-owned jewellers - Kalyan Jewellers, Joyalukkus and Tribhovandas Bhimji Zaveri (tbz) - have all been identified for inclusion in the Top 100. They are joined by China/Hong Kong SAR jewellers Tse Sui Luen (TSL) and Chow Tai Seng.

The remaining three newcomers are from Japan. Onward Holdings and Sanyo Shokai are both premium fashion companies. Onward's brands include Nijyusanku in Japan, and Joseph and Jil Sander overseas; and Sanyo Shokai was the licence holder for Burberry in Japan until 2015. Pola Orbis Holdings' prestige brands are sold primarily in their home market. Their flagship brand, Pola, is gradually transforming their direct-to consumer distribution model from traditional door-to-door to sales through POLA THE BEAUTY stores and Esthe-inn.

FY2016 Luxury goods sales ranking	Company name	Country of origin	Product sector	FY2016 Luxury goods sales (US$ m)	FY2016 Luxury goods sales growth
17	**Shiseido Prestige & Fragrance**	**Japan**	**Cosmetics and fragrances**	**3,736 e**	**8.7% e**
29	Onward Holdings Co., Ltd.	Japan	Clothing and footwear	1,842	-1.5%
37	Kalyan Jewellers India Pvt. Limited	India	Jewellery and watches	1,464	-7.0%
41	Pola Orbis Holdings Inc.	Japan	Cosmetics and fragrances	1,348	1.7%
49	Joyalukkas India Pvt. Limited	India	Jewellery and watches	1,001 e	16.2% e
56	Sanyo Shokai Ltd.	Japan	Clothing and footwear	622	-30.6%
71	Tse Sui Luen Jewellery (International) Limited	Hong Kong SAR	Jewellery and watches	440	-3.6%
72	Chow Tai Seng Jewellery Co., Ltd.	China	Jewellery and watches	437	6.3%
83	Canada Goose Holdings Inc.	Canada	Clothing and footwear	307	38.8%
89	Tribhovandas Bhimji Zaveri Limited	India	Jewellery and watches	254	3.2%
94	**Laboratoire Nuxe SA**	**France**	**Cosmetics and fragrances**	**231 e**	**5.6% e**
97	**Finos SpA**	**Italy**	**Clothing and footwear**	**225**	**36.6%**

Companies in **bold** type are newcomers due to sales growth (in US$) or new company organisation, or appeared in the Top 100 in previous reports. Other companies have entered the Top 100 due to improved data.

e = estimate
Source: Published company data and industry estimates.

Study methodology and data sources

"Luxury goods" in this report refers to luxury for personal use, and is the aggregation of designer clothing and footwear (ready-to-wear), luxury bags and accessories (including eyewear), luxury jewellery and watches and premium cosmetics and fragrances. The term excludes the following luxury categories: automobiles; travel and leisure services; boating and yachts; fine art and collectibles; and fine wines and spirits. Retailers who are mainly resellers of other companies' luxury brands are also excluded.

To be considered for the Global Powers of Luxury Goods Top 100, a company must first be designated as a luxury goods company according to the definition of luxury categories included in this report.

The companies considered for inclusion in the Top 100 rankings range from traditional ultra-luxury, through super premium and aspirational luxury, down to affordable/accessible luxury – a relatively new luxury category of products at prices more affordable for middle class consumers but available at the higher end of retail. They all have strong consumer brands. Factors affecting the positioning of companies on this luxury spectrum include:

- Price premium.
- Quality/rarity of raw materials.
- Quality of craftsmanship.
- Product exclusivity.
- Service and personalisation.
- Quality and exclusivity of points of sale.

Each company is assessed to determine if the majority of its sales (a 50 per cent hurdle) are derived from luxury goods products in the four categories of luxury goods: designer clothing (ready-to-wear); handbags and accessories; fine jewellery and watches; and cosmetics and fragrances.

Broadly defined, these are products made for and purchased by the ultimate consumer and generally marketed under well-known luxury brands. Companies which report sales for a large luxury segment (e.g. L'Oréal Luxe) are also included. Some companies do not disclose financial information and so cannot be included in the rankings.

Companies whose primary business is the sale of luxury goods products are included among the Top 100 according to their consolidated sales of luxury goods in financial year 2016 (which we define as financial years ending within the 12 months to 30 June 2017).

A number of sources are consulted to develop the Top 100 list. The principal sources of financial and other company information are annual reports, SEC filings and information found in company press releases and fact sheets or on company websites. If company-issued information is not available, other sources in the public domain are used, including trade journal estimates, industry analyst reports, various business information databases and press interviews. Each year a small number of privately-owned luxury goods companies cannot be included in the ranking, because there is insufficient data from any source to make a reasonable estimate of their luxury goods sales.

In order to provide a common base from which to rank companies, net sales for non-US companies are converted to US dollars. Exchange rates, therefore, have an impact on the results. OANDA.com is the source for the exchange rates. The average daily exchange rate corresponding to each company's financial year is used to convert that company's results to US dollars. Individual companies' FY2016 year-over-year growth rate and FY2014-2016 compound annual growth rate (CAGR), however, are calculated in each company's local currency.

Only data linked to those players highlighted in the Top 100 ranking are used in the geographic and product sector analyses. Although they represent a substantial share of the market, they are not all-inclusive.

Group financial results

This report uses sales-weighted composites rather than simple arithmetic averages as the primary measure for understanding group financial results. Therefore, results of larger companies contribute more to the composite than do results of smaller companies. Because the data is converted to US dollars for ranking purposes, and to facilitate comparison among groups, composite growth rates are also adjusted to correct for currency movement. While these composite results generally behave in a similar fashion to arithmetic averages, they provide better representative values for benchmarking purposes.

Group financial results are based only on companies with data. Not all data elements are available for all companies.

It should also be noted that the financial information used for each company in a given year is accurate as of the date the financial report was originally issued. Although a company may have restated prior year results to reflect a change in its operations or as a result of an accounting change, such restatements are not reflected in this data.

This study is not an accounting report. It is intended to provide a reflection of market dynamics and the impact on the luxury goods industry over a period of time. As a result of these factors, growth rates for individual companies may not correspond to other published results.

Top 100 luxury goods companies alphabetical listing

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