

LUXURY

# How Big Luxury Is Rewiring for the Future

Under scrutiny from top managers and investors, LVMH, Kering and Richemont are re-examining their brand portfolios, organisational structures and store networks.



Louis Vuitton unveils its monumental ship-shaped structure, a new conceptual landmark, at Taikoo Hui Wujiang junction on June 25, 2025 in Shanghai, China. (Getty Images)

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### KEY INSIGHTS

- A prolonged downturn and leadership succession have prompted Europe's luxury giants to recalibrate the expansionist strategies that propelled past growth.
- Underperforming brands, organisational structures and sprawling store networks are all under review.
- LVMH is sharpening its focus, while Kering undergoes a deep restructuring and Richemont makes finer adjustments even as it outperforms the sector.

A deep slump in demand has prompted Europe's big three luxury giants to dial back on the expansionist strategies that propelled past growth and take a fine-tooth comb to their holdings.

For decades, **LVMH**, **Kering** and **Richemont** drew on scale to grow even larger, gaining distance on rivals by leaning on the success of cash cows **Louis Vuitton**, **Gucci** and **Cartier** — and the leverage they provided with real estate developers, mall operators, magazines and others in the fashion ecosystem — to fund aggressive retail expansion and boost the smaller labels in their portfolios.

Over two years into a sharp downturn, however, that growth formula has come under strain, drawing scrutiny from investors and top management.

Some of the pain is self-inflicted. Aggressive price hikes without corresponding product innovation has pushed shoppers to question big luxury's value proposition. Groups have responded with sweeping creative revamps and renewed pricing architectures. But they are also under pressure from external factors, from volatile stock markets in the US to the lingering effects of a property crisis in China. And the complicated trading environment has forced them to re-examine underperforming brands, management structures and vast fleets of stores as they seek out ways to improve efficiency and cut costs.

At LVMH, the size of a portfolio that spans more than 80 brands, from wines and spirits to high-end hotels, has raised questions about priorities as management works to reignite growth at its main profit centres Louis Vuitton and **Dior**, and chairman and CEO **Bernard Arnault**, 77, contemplates succession.

Kering, whose star label Gucci has struggled to stem sliding sales since 2022, is undergoing a broad overhaul: new CEO **Luca de Meo**, recruited from the car sector to bring a fresh approach to the conglomerate's model, is taking a hard look at all of its brands and activities.

The strength of Richemont's top jewellery houses **Cartier** and **Van Cleef & Arpels**, meanwhile, has helped insulate the group from the gloom. It is under less pressure than rivals to address underperformance at its watch brands or fashion labels Chloé, Dunhill and Delvaux. Still, former Van Cleef chief **Nicolas Bos**, who took the reins as group CEO in 2024, is giving the portfolio a full look over.

## Pruning LVMH

LVMH, which practically wrote the textbook on scale benefits in the luxury sector, has tightened its purse strings as the performance of its biggest brands has stalled, putting a strain on resources. The matter of Arnault's succession has only ratcheted up scrutiny of its sprawling portfolio.

After decades of operating with the same core group of lieutenants, Arnault has refreshed top management, bringing in managing director Stéphane Bianchi and finance chief Cécile Cabanis, who are driving a culture change and bringing in a more disciplined approach, analysts say.

"I think [Arnault] has been a hoarder," said Erwan Rambourg, analyst at HSBC. "Do I leave 90 assets, 80 of which are a waste of time and money, or do I leave 60, half of which have a chance of delivering sustainable value for the group? I think they will have fewer assets in two years than they have today."

Still, adjustments to the group's portfolio are likely to remain peripheral, as seen with the shedding of LVMH's travel retail business in China earlier this year. "One wouldn't expect any radical changes," said Ariane Hayate, European fund manager at Edmond de Rothschild.

LVMH has reshuffled management at its Fashion Group and beauty division — where lagging brands said to have faced scrutiny include Marc Jacobs, Make Up For Ever and Fenty — by broadening the mandates of Louis Vuitton chief **Pietro Beccari** and Parfums Christian Dior CEO Véronique Courtois.

The group's troubled wines and spirits division has also drawn scrutiny, but analysts expect targeted streamlining from former group finance chief Jean-Jacques Guiony and Arnault's son **Alexandre Arnault**.

## Kering Under Review

Kering may be in for a more forceful overhaul. “We can question everything from scratch,” CEO Luca de Meo told investors in February. Early in his tenure, De Meo sold off its nascent beauty division. Now, he is scrutinizing the rest of the group’s portfolio as well as its structure, and finding ways to pool resources.

Kering recently announced a decision to house its jewellery brands and suppliers under the direction of chief operating officer **Jean-Marc Duplaix**. It’s also creating two new company-wide “centers of excellence” — one for manufacturing and supply chain; another for product, pricing, marketing and data — and recruited executives from the automotive and e-commerce sectors to lead them.

The moves come with risk. “You run the risk that you have frustrations within the brand that things are not done as wished by the managers of a particular brand,” said Caroline Reyl, head of premium brands at Pictet Asset Management. “It’s not a simple topic.”

Kering is also scaling back retail with plans to cut 100 stores this year — mostly Gucci locations in Asia — after culling 75 stores last year. The shift from flag-planting network growth to refocusing on expanding and improving a smaller number of stores has become a goal industry-wide.

As for Kering’s brand portfolio, De Meo has delayed an option to purchase Italian couture house Valentino. In November, Kering denied that McQueen, one of its smallest fashion labels, was for sale, though that hasn’t put a stop to market speculation that the brand may indeed change hands.

Further details are expected at a capital markets day on April 16.

## Richemont Fine-Tuning

At Richemont, the success of Cartier and Van Cleef & Arpels amid buoyant jewellery sales, a rare bright spot in a troubled luxury market, has limited pressure on management to make big changes.

“There could be potential — at the margins — for portfolio adjustment, but the company operates in territory that is very, very well-oriented — and has been for several quarters,” said Hayate.

Jewellery is a key priority, signalled by 75-year-old chairman **Johann Rupert**’s choice of Bos to run the group. But its stable of watchmakers — which has suffered along with the rest of the Switzerland-based industry, hit by the rise of the Apple watch, tariffs and currency swing — recently returned to growth after two years of decline, even if recovery is set to be uneven, weighed down by war in the Middle East.

The group’s mid-tier watch brands are struggling to compete with heavyweights Rolex, Patek Philippe and Audemars Piguet as shoppers flock to the biggest names. Richemont’s IWC and Jaeger LeCoultre, which carry less prestige than Vacheron Constantin are most exposed. And the group recently sold off more downmarket Baume and Mercier to Italian group Diamiani. In a recent interview with Business of Fashion, former Richemont CEO Jerome Lambert declined to comment on reports that he was looking into a management buyout of Jaeger LeCoultre, which he now runs.

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