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LVMH Results Spell Trouble for Luxury Sector

Fashion revenue at the Louis Vuitton, Dior and Loewe owner fell 5 percent in the third quarter, badly missing estimates.

Slipping sales at the luxury industry's biggest player—operating Louis Vuitton, Dior, Loewe and more—spell trouble ahead for the sector. (Getty Images)

By **Robert Williams**

15 October 2024

LVMH's critical fashion and leather goods division reported third-quarter sales down 5 percent on an organic basis, badly missing expectations. Analysts had predicted growth between 0 and 2 percent.

With unrivalled marketing budgets and a global edge competing for retail estate and talent, the Louis Vuitton, Dior and Loewe owner typically outperforms the wider luxury sector. Slipping sales at the conglomerate could signal even tougher times ahead for smaller rivals.

Italy's Ferragamo also reported weak third-quarter results Tuesday, with sales down 7.2 percent.

Group-wide, LVMH's third-quarter sales fell 3 percent on an organic basis to €19.1 billion ($21 billion). LVMH said the numbers represented "good resilience in the current context."

After gradually cooling from post-pandemic highs, luxury demand has dropped sharply across key regions this year. Macroeconomic headwinds and aggressive price hikes that turned off less wealthy buyers have made it hard for fashion brands to keep up momentum, particularly as consumers shift their spending back to other priorities like health, wellness and travel.

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Chief financial officer Jean-Jacques Guiony defended the price hikes: “Do you really think that if we had not increased prices the way we have done, we would be doing double digit [growth] today? I really don’t think so,” he said.

China Doldrums

Chinese customers are in focus. Sales in Asia excluding Japan fell 16 percent, while Japan — a key destination for travelling Chinese customers due to a weak yen — decelerated sharply, growing 20 percent compared to 57 percent growth in the previous quarter.

“Consumer confidence in China is back in line with the all-time lows we saw during Covid,” Guiony said.

Many Chinese customers sat out the boom in luxury sales that followed the pandemic: surging domestic sales during certain quarters never fully made up for the loss of hefty purchases Chinese shoppers used to make abroad.

Asked whether the situation in China was cyclical, or if it represented a more structural, long-term change, Guiony said: “We are still very, very strong believers in the future of luxury, in the future of the emergence of the upper middle class in China and elsewhere. We see absolutely no reason why, after a cyclical downturn, as we are experiencing today, we shall not be in a position to recover.”

A round of stimulus measures announced last month have lifted hopes for a recovery in the key market, but investors and analysts disagree on whether they will substantially impact demand. “Chinese authorities understand extremely well that consumption is a little bit of an issue today. Whether these measures will be sufficient or not, or will be complemented in the future by further measures, I don’t have a clue. But clearly it shows that they are taking the issue very seriously,” Guiony said.

Sales in the US and Europe were more resilient, growing zero and 1 percent, respectively.

Brand Challenges

Investors have questioned whether LVMH can deliver a soft landing at Christian Dior after the brand nearly quadrupled sales from 2017 to 2023. An investigation into the French couture house’s Italian supply chain risks further dragging down demand for LVMH’s second-biggest label.

LVMH does not break out sales for individual brands. When asked whether Dior had declined by double digits, Guiony remained coy, guiding only that “Vuitton’s [growth] is a little bit above the [minus 5 percent] average; Dior is a little bit below.”

LVMH’s watches and jewellery unit, which also includes Bulgari, Tag Heuer and Hublot, fell by 4 percent.

US jeweller Tiffany continues to report lacklustre growth despite hefty investment since LVMH's 2020 acquisition, including the sprawling renovation of its "Landmark" flagship in New York along with the overhaul of one-quarter of its global store network. The group will forge ahead with renovating more of the stores despite the slowdown.

"You shouldn't expect a double digit growth tomorrow. But we are seeing sequential improvement," deputy CFO Cecile Cabanis said about the brand.

LVMH's retailing division, which operates Sephora, and the perfume and cosmetics division dominated by Parfums Christian Dior both eked out modest growth, with sales rising 2 and 3 percent respectively.

LVMH's wine and spirits division was hardest hit, with sales falling 7 percent as the group struggles to get cognac sales back on track in the key Chinese market, where the product has become embroiled in a trade war with Europe. A poor champagne harvest could provide further headwinds next year.