

Press release

Zurich/Geneva, 3 December 2020

Global Powers of Luxury Goods: Swiss luxury goods companies started the year of crisis on a high

With the highest net profit margin, Swiss luxury goods companies outperformed their international competitors in 2019, which gave them a head start into a difficult 2020. Especially in the subcategory for jewellery and watches, Swiss companies continue to shine, accounting for 32% of all companies in this sector in this year's [Deloitte Global Powers of Luxury Goods Top 100](#) ranking. With two companies in the top 10 and a total of 10 companies, one up from the previous year, Switzerland generated 13.2% of luxury goods sales of the top 100 companies. While almost all the Swiss companies continued to grow, Swatch Group saw negative growth of 3% and dropped from 8th to 10th place in this year's ranking. At the same time, Swiss luxury watchmaker Richard Mille raced to the top of the 20 fastest-growing companies, recording impressive growth of 200%.

The COVID-19 pandemic has walloped luxury goods manufacturers. Travel restrictions and shops closures across the globe during the lockdown caused massive falls in traditional retail sales. Despite the promising news of several effective vaccines on the horizon, a rapid end to the crisis seems unlikely. The good news, however, is that 2019 was a good year for luxury goods companies in Switzerland, giving them a good starting position for a difficult 2020. At 16.2%, Switzerland had the highest net profit margin out of all the countries in the top 100 and recorded a year-on-year luxury goods sales growth rate of 6.9%, an increase of 1.8 percentage points on the previous year.

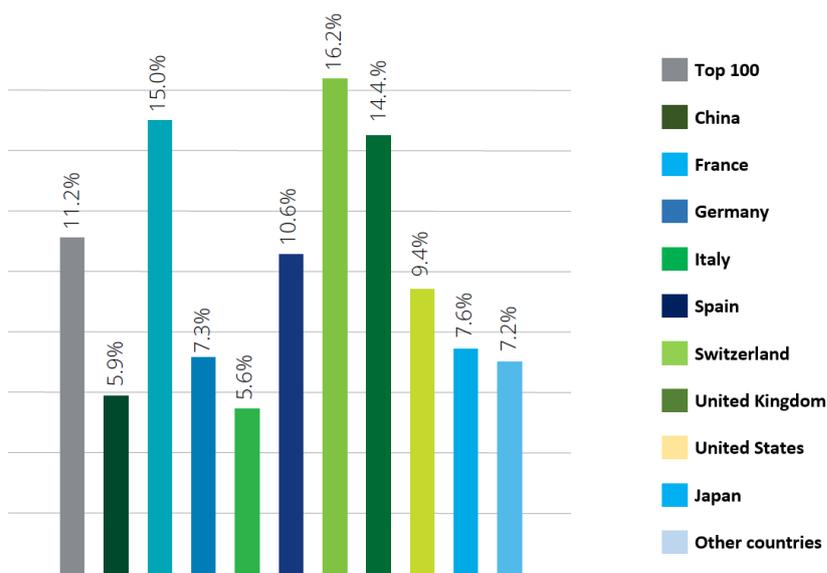


Figure 1: Net profit margin by country, FY2019

From a global perspective, FY2019 saw the world's top 100 luxury goods

companies generate aggregated revenues of US\$281 billion, up from US\$247 billion in the previous year (an increase of US\$34 billion), representing composite growth of 8.5%, according to the 2020 edition of Global Powers of Luxury Goods. The top 100 luxury goods companies based in China, Japan and the US saw their composite year-on-year rate of sales growth drop sharply in FY2019, while companies based in Europe saw an increase in their growth rate, except in the UK, where companies experienced a slight fall. The concentration process intensified and for the first time, the top 10 luxury goods companies contributed more than half (51.2%) of the total luxury goods sales of the top 100 companies.

Richemont continues to be no. 1 in the jewellery and watch sector

Switzerland is the undisputed leader in the jewellery and watches sector, accounting for 32% of all the companies in this sector. This sector, a subcategory of the luxury goods market, in turn makes up 27.1% of all luxury goods sales worldwide. The ten Switzerland-based companies featuring in the top 100 are all jewellery and watch companies. In Switzerland, Richemont has the biggest share in luxury goods sales, accounting for over a third (37%), followed by Swatch Group (22%) and Rolex (18%). From a global perspective, Switzerland is the home country for 10 of the 31 companies in the jewellery and watches sector, with Richemont accounting for 18% of jewellery and watches sales in FY2019 and Swatch Group for 11%.

"As is the case in most countries, COVID-19 has hit the Swiss luxury goods industry hard", says Karine Szegedi, Partner and Head of Fashion & Luxury at Deloitte Switzerland. "The collapse of global tourism due to travel restrictions alongside a drop in domestic demand and cautious spending habits are having a direct impact on these companies, as we have been able to highlight in our latest [Deloitte Swiss Watch Industry Study](#). The fact that the Swiss jewellery and watch industry entered this crisis-riddled year from a stronger position than many others should be seen as a positive."

Swatch Group is losing more ground while Richard Milles races to the top

Despite its position in the top 10, Swatch Group dropped down the luxury goods ranking for the fourth year in a row. Swatch Group was the only company in the top 10 to record a decline in luxury goods net sales, falling by 3.0%. "The weakening of major currencies such as the US dollar and the euro against the Swiss franc hurt the company's results", explains Karine Szegedi. "Added to this, we have a slowdown in sales in Hong Kong and a reduction of the company's worldwide store network."

| FY2019 Luxury goods sales ranking | Change in ranking from FY2018 | Name of company | Country of origin | Selection of luxury brands | FY2019 Luxury goods sales (US\$M) | FY2019 Total revenue (US\$M) | FY2019 Luxury goods sales growth | FY2019 Net profit margin ¹ | FY2016-2019 Luxury goods CAGR ² |
|-----------------------------------|-------------------------------|--|-------------------|---|-----------------------------------|------------------------------|----------------------------------|---------------------------------------|--|
| 1 | ↔ 0 | LVMH Moët Hennessy-Louis Vuitton SE | France | Louis Vuitton, Christian Dior Couture, Fendi, Bvlgari, Loro Piana, Emilio Pucci, Acqua di Parma, Loewe, Marc Jacobs, TAG Heuer, Benefit Cosmetics | 37,468 | 60,069 | 16.8% | 14.5% | 16.5% |
| 2 | ↔ 0 | Kering SA | France | Gucci, Saint Laurent, Bottega Veneta, Balenciaga, Alexander McQueen, Pomellato, Girard-Perregaux, Boucheron, Ulysse Nardin | 17,777 | 17,777 | 16.2% | 14.7% | 23.3% |
| 3 | ↔ 0 | The Estée Lauder Companies Inc. | United States | Estée Lauder, Bobbi Brown, La Mer, Jo Malone London, Aveda; Licensed beauty & fragrance brands inc Tom Ford Beauty | 14,863 | 14,863 | 8.6% | 12.1% | 9.7% |
| 4 | ↔ 0 | Compagnie Financière Richemont SA | Switzerland | Cartier, Van Cleef & Arpels, Montblanc, Jaeger-LeCoultre, Vacheron Constantin, IWC, Piaget, Chloé, Officine Panerai | 13,822 | 16,188 | 8.5% | 19.9% | 2.4% |
| 5 | ↑ 1 | L'Oréal Luxe | France | Lancôme, Kiehl's, Biotherm, Urban Decay, IT Cosmetics; Licensed brands including Giorgio Armani, Yves Saint Laurent, Valentino | 12,334 | 12,334 | 17.6% | n/a | 12.9% |
| 6 | ↓ -1 | Chanel Limited | United Kingdom | Chanel | 12,273 | 12,273 | 10.4% | 19.6% | 12.5% |
| 7 | ↔ 0 | EssilorLuxottica SA | Italy | Ray-Ban, Oakley, Vogue Eyewear, Persol, Oliver Peoples; Licensed eyewear brands | 10,624 | 19,463 | 6.0% | 6.8% | ne |
| 8 | ↑ 1 | Chow Tai Fook Jewellery Group Limited 周大福珠宝集团有限公司 | China/HK SAR | Chow Tai Fook, CHOW TAI FOOK T MARK, Hearts on Fire, Monologue, SoInlove | 8,411 | 8,500 | 13.9% | 7.0% | 5.2% |
| 9 | ↑ 1 | PVH Corp. | United States | Calvin Klein, Tommy Hilffiger | 8,076 | 9,657 | 9.8% | 7.7% | 8.7% |
| 10 | ↓ -2 | The Swatch Group Ltd. | Switzerland | Omega, Longines, Breguet, Harry Winston, Rado, Blancpain; Licensed watch brands | 8,014 | 8,294 | -3.0% | 9.1% | 2.9% |

Figure 2: Global Powers of Luxury Goods Top 10, FY2019

The Canadian fashion brand Canada Goose lost its top position as the fastest-growing company, which it held for the previous two years, to the Swiss luxury watchmaker Richard Mille. The sharp rise in estimated FY2019 sales was due mainly to the full integration of Richard Mille's retail operations. Excluding this reorganisation, Richard Mille's organic sales growth was around 20%. The fastest 20 rankings are based on the compound annual growth rate (CAGR) in luxury goods sales over a three-year period. For this year's study, the top 100 companies have been ranked based on their FY2016-2019 CAGR. Richard Mille saw growth of 200% in luxury goods sales, jumping from sixth to first place.

The pandemic crisis as an accelerator

With 2020 expected to be a challenging year for many companies in the luxury goods industry, the pandemic is proving to be an accelerator for brands to adopt new paradigms of value creation. Luxury goods companies are leveraging digital technologies to augment the existing retail experience for their customers. "Luxury goods companies have been investing significantly in sustainable technologies and other measures, such as carbon offsetting to fight against climate change", says Karine Szegedi. "While this is not limited to innovation in the supply chain, embracing new values and perspectives in response to the evolving needs of consumers and the environment can act as a game-changer."

Contact: Karine Szegedi
 Title: Partner, Head of Fashion & Luxury
 Tel: +41 58 279 82 58
 Email: kszegedi@deloitte.ch

Contact: Adrian Zebib
 Title: External Communications Specialist
 Tel: +41 58 279 61 42
 Email: azebib@deloitte.ch

About Global Powers of Luxury Goods

The report identifies the 100 largest luxury goods companies globally, based on the consolidated sales of luxury goods in FY2019 (for fiscal years ending through 31 December 2019)*, using publicly available data, and evaluates their performance across geographies and product sectors. It also discusses the key trends shaping the luxury market.

* Since the first Global Powers of Luxury Goods report was produced in 2014, a mid-year fiscal year has been used, i.e. for the Global Powers of Luxury Goods 2019 report, FY2017 meant fiscal year end dates from 1 July 2017 to 30 June 2018. For the Global Powers of Luxury Goods 2020 report, we have changed to a calendar year fiscal year definition, i.e. FY2019 means fiscal year end dates from 1 January to 31 December 2019. Growth calculations (CAGR and year-on-year) are also based on calendar year data for financial years FY2016 to FY2019.