



Vaasan yliopisto
UNIVERSITY OF VAASA

Josephine Linnéa Mirjam Moslemie

Do Brand Collaborations Signal Value to Investors?

An Event Study of Louis Vuitton Collaboration Announcements and the
Effect on LVMH (MC.PA) Stock Returns, 2017–2025

School of Accounting and Finance
Master's thesis in Finance
Master's Degree Programme in Finance

Vaasa 2026

UNIVERSITY OF VAASA**School of Accounting and Finance**

Author: Josephine Linnéa Mirjam Moslemie
Title of the Thesis: Do Brand Collaborations Signal Value to Investors? An Event Study of Louis Vuitton Collaboration Announcements and the Effect on LVMH (MC.PA) Stock Returns, 2017-2025
Degree: Master of Science in Economics and Business Administration
Programme: Master's Degree Programme in Finance
Supervisor: Rizwan Ahmed
Year: 2026 Sivumäärä: 85

ABSTRACT:

Brand collaborations have become a prominent strategic tool in the luxury fashion industry. Despite their growing prevalence, the financial market implications of such announcements have remained underexplored. Most existing research has focused on consumer behaviour and brand perception, leaving a gap in understanding of how investors interpret these events.

This study examines whether financial markets reward or penalize Louis Vuitton's brand collaborations, using the stock price of its parent company LVMH Moët Hennessy Louis Vuitton SE (MC.PA) as a measure of investor response. It is asked whether collaboration announcements generate abnormal returns in LVMH (MC.PA) and whether those returns are influenced by the level of surprise or the industry of the collaboration partner.

The theoretical foundation is built on three frameworks. The efficient market hypothesis is used to understand how new information is reflected in stock prices. Signaling theory is applied to interpret collaboration announcements as strategic signals that reduce or amplify information asymmetry. Branding theory, particularly concepts related to brand equity, consistency, and luxury identity, is drawn upon to contextualise these dynamics within the luxury industry.

An event study methodology has been applied as the primary empirical approach. A sample of 30 announcements involving Louis Vuitton between 2017 and 2025 has been examined. Cumulative abnormal returns in LVMH (MC.PA) have been calculated over a five-day event window using the market model as the expected return benchmark. A cross-sectional regression analysis has been conducted to test whether surprise and partner industry explain variation in abnormal returns.

Collaboration announcements are generally associated with positive abnormal returns, though the effect is not statistically significant in aggregate. Most importantly, greater surprise is found to be associated with lower cumulative abnormal returns, indicating that unexpected collaborations are interpreted as signals of uncertainty rather than value creation. The industry of the collaboration partner is not found to have a significant effect. These results suggest that strategic consistency and brand coherence are valued by financial markets, not just consumers, and that investor perception is a critical element of luxury brand strategy.

KEYWORDS: event study, CAR, brand collaboration, luxury fashion, signaling theory, brand equity, LVMH, investor perception

Vaasan yliopisto**Laskentatoimen ja rahoituksen yksikkö**

Tekijä:	Josephine Linnéa Mirjam Moslemie
Tutkielman nimi:	Viestivätkö brändiyhteistyöt lisäarvoa sijoittajille? Tapahtumatutkimus Louis Vuittonin yhteistyöilmoitusten vaikutuksesta LVMH:n (MC.PA) osakekurssiin vuosina 2017–2025
Tutkinto:	Kauppätieteiden maisteri
Oppiaine:	Rahoitus
Ohjaaja:	Rizwan Ahmed
Vuosi:	2026 Sivumäärä: 85

ABSTRACT:

Brändiyhteistyöt ovat vakiintuneet merkittäväksi strategiseksi työkaluksi luksusmuotiteollisuudessa. Niiden yleistymisestä huolimatta tällaisten ilmoitusten rahoitusmarkkinavaikutuksia on tutkittu vain vähän. Suurin osa olemassa olevasta tutkimuksesta on keskittynyt kuluttajakäyttäytymiseen ja brändimielikuviin, jättäen aukon ymmärrykseen siitä, miten sijoittajat tulkitsevat näitä tapahtumia.

Tutkimuksessa tarkastellaan, palkitsevatko vai reagoivatko rahoitusmarkkinat negatiivisesti Louis Vuittonin brändiyhteistyöihin, käyttäen LVMH:n (MC.PA) osakekurssia sijoittajareaktioiden mittarina. Erityisesti kysytään, tuottavatko yhteistyöilmoitukset epänormaaleja tuottoja ja vaikuttavatko niihin ilmoituksen yllätyksellisyys tai kumppanin toimiala.

Teoreettinen perusta rakentuu kolmen viitekehyksen varaan. Tehokkaiden markkinoiden hypoteesia käytetään ymmärtämään, miten uusi tieto heijastuu osakekursseihin. Signaalointiteoriaa sovelletaan tulkitsemaan yhteistyöilmoituksia strategisina signaaleina, jotka vähentävät tai vahvistavat informaatioepäsymmetriaa. Bränditeorian, erityisesti brändiarvoon, johdonmukaisuuteen ja luksusidentiteettiin liittyvien käsitteiden, avulla nämä dynamiikat kontekstualisoidaan luksusmuotiteollisuuden erityispiirteiden puitteisiin.

Ensisijaisena empiirisenä menetelmänä on sovellettu tapahtumatutkimusta. Tutkimuksessa on tarkasteltu 30 Louis Vuittonin yhteistyöilmoitusta vuosien 2017 ja 2025 välillä. Kumulatiiviset epänormaali tuotot LVMH:n osakkeessa (MC.PA) on laskettu viiden päivän tapahtumaikkunan ajalta käyttäen markkinamalla odotettujen tuottojen vertailukohtana. Poikkileikkausregressioanalyysi on toteutettu sen testaamiseksi, selittävätkö yllätyksellisyys ja kumppanin toimiala vaihtelua epänormaaleissa tuotoissa.

Yhteistyöilmoitukset yhdistyvät yleisesti positiivisiin epänormaaleihin tuottoihin, vaikka vaikutus ei ole tilastollisesti merkitsevä kokonaisuutena. Tärkeimpänä tuloksena havaitaan, että yllätyksellisyys on yhteydessä matalampiin kumulatiivisiin epänormaaleihin tuottoihin, mikä viittaa siihen, että odottamattomat yhteistyöt tulkitaan epävarmuuden signaaleiksi. Yhteistyökumppanin toimialalla ei havaita merkitsevää vaikutusta. Tulosten perusteella strateginen johdonmukaisuus ja sijoittajamielikuvien hallinta ovat keskeisiä tekijöitä luksusbrändien strategiassa.

AVAINSANAT: tapahtumatutkimus, kumulatiivinen epänormaali tuotto, brändiyhteistyö, luksusmuoti, signaalointiteoria, brändin arvo, LVMH, sijoittajamielikuva

Acknowledgements

This thesis concludes my Master's studies in Finance at the University of Vaasa. Its completion was made possible by the support and guidance of several people, to whom I owe sincere gratitude.

First, I thank my supervisor, Rizwan Ahmed, for his guidance, feedback, and support. His input greatly contributed to the development of this thesis.

I also thank my family and loved ones for their constant encouragement and support. Their belief in me throughout my studies has meant more than I can fully express.

Finally, I thank my friends for their encouragement, understanding, and the light moments that made this journey enjoyable.

Grammarly was used during the writing process to support proofreading and language consistency. All content, analysis, and conclusions reflect my own work.

2026

Josephine Linnéa Mirjam Moslemie

Contents

1	Introduction	8
1.1	Purpose of the study	9
1.2	Hypothesis development	10
1.3	Research scope and delimitations	12
1.4	Definitions of key terms	13
1.4.1	Financial and methodological concepts	13
1.4.2	Theoretical concepts	14
1.4.3	Strategic and collaboration-related concepts	15
1.4.4	Luxury-specific concepts	15
1.5	Structure of the study	17
2	Theoretical framework	18
2.1	Efficient market hypothesis (EMH)	18
2.2	Mergers and acquisitions (M&A) perspective	20
2.3	Signalling theory	22
2.4	Information asymmetry	25
2.5	Theoretical synthesis	26
3	Industry and case context	28
3.1	Macro-level industry characteristics	28
3.1.1	Market size and long-term growth	29
3.1.2	Globalization of demand	31
3.1.3	Consumer behaviour and demographic shifts	34
3.1.4	Industry and media visibility	36
3.2	Market structure	39
3.3	Case context: LVMH — Moët Hennessy Louis Vuitton	41
3.3.1	Brand portfolio strategy	44
3.3.2	Strategic risk dimension	45
3.3.3	Event sample context	48
4	Data and methodological framework	50
4.1	Data description	50

4.1.1	Sample selection	51
4.1.2	Variables	54
4.1.3	Descriptive statistics	56
4.2	Methodology	58
4.2.1	Event study	59
4.2.2	Multiple linear regression model	61
4.2.3	Methodological limitations	63
4.2.4	Robustness checks	64
5	Results	67
5.1	Regression analysis	67
5.2	Interpretation of regression coefficients	67
6	Discussion	70
6.1	Limitations	72
6.2	Future research proposal	73
6.3	LVMH stock - buy or not?	75
7	Conclusion	77
8	References	79

Figures

Figure 1. From signal to market outcome.	27
Figure 2. Global personal luxury goods market development, 1996-2023.	31
Figure 3. Regional variation in the global luxury goods market, 2010-2023.	33
Figure 4. LVMH revenue distribution by geographic region (%), 2022–2024.	33
Figure 5. Generational and channel distribution, 2019–2030F.	36
Figure 6. Financial highlights of LVMH, 2022–2024.	43
Figure 7. Distribution of cumulative abnormal returns (CAR).	58

Tables

Table 1. Louis Vuitton collaboration events included in the sample (2017–2025).	53
Table 2. Descriptive statistics of the main variables.	57
Table 3. Distribution of collaboration events by category.	57
Table 4. CAR comparison across event windows by surprise classification.	65
Table 5. Mean CAR by surprise classification across the main (-5, +5) and alternative (-3, +3) event windows. n = 30.	66
Table 6. Regression coefficients (β) by variable.	68

Abbreviations

LVMH	Moët Hennessy Louis Vuitton
CAR	Cumulative Abnormal Returns
AR	Abnormal Returns
EMH	Efficient Market Hypothesis
M&A	Mergers and Acquisitions

1 Introduction

The luxury fashion industry has undergone a significant transformation over the past decade, driven by rising global wealth, expanding emerging markets, and shifting consumer preferences (Kapferer, 2015; Bain & Company, 2023). To remain competitive, luxury brands have increasingly turned to collaborations with designers, artists, and other brands to reach new audiences, refresh brand associations, and balance heritage with innovation (Ko et al., 2019). Louis Vuitton, the flagship brand of the LVMH group, exemplifies this trend: its portfolio of high-profile collaborations spanning artists, streetwear labels, and global sports organizations makes it a particularly suitable empirical setting for examining how such announcements are received by financial markets.

Despite the growing strategic importance of brand collaborations, their direct financial market implications remain poorly understood. This study specifically asks: Do collaboration announcements by luxury brands generate abnormal stock returns? Further, does the type or depth of collaboration influence the magnitude of market reactions, and under what conditions do firm- and collaboration-level characteristics drive cross-sectional variation in these reactions? These questions are significant in the luxury sector, where firm value depends on intangible assets not directly observable in financial statements (Lev, 2001), making observable signals critical for investors' valuation updates.

This study addresses these gaps by applying an event study methodology to Louis Vuitton collaboration announcements, examining whether they generate cumulative abnormal returns (CAR) and what drives variation in those returns across events (MacKinlay, 1997; Fama et al., 1969). The theoretical framework integrates three perspectives: the efficient market hypothesis, which predicts that value-relevant information is rapidly incorporated into stock prices (Fama, 1970); signalling theory, which explains why costly and observable corporate actions function as credible signals of strategic intent (Spence, 1973; Ross, 1977); and the M&A literature, which provides a

theoretical and methodological precedent for interpreting strategic announcements as information events (Jensen & Ruback, 1983; Andrade et al., 2001). Together, these perspectives suggest that collaboration announcements convey strategic signals that investors must interpret under conditions of significant information asymmetry, a challenge that is further amplified in luxury markets, where brand value dominates firm valuation.

Building on this methodological and theoretical approach, the study makes three contributions that distinguish it from prior event study research. First, it extends the event study methodology beyond traditional corporate actions to a class of non-financial, brand-driven strategic signals that have not been systematically examined in the luxury context. Second, it introduces collaboration depth and partner type as theoretically motivated moderators of market reactions, moving beyond the binary question of whether announcements matter to examine when and why they matter. Third, by focusing on a single iconic brand within a diversified luxury group, the study provides evidence on how brand-level strategic decisions translate into group-level investor responses, a dynamic that portfolio-level studies cannot capture.

1.1 Purpose of the study

This study asks: Do Louis Vuitton's brand collaboration announcements convey information that is reflected in LVMH's stock price? Using an event study on 30 such announcements from 2017–2025, it assesses whether these trigger abnormal returns and examines which collaboration and firm-level factors explain the variations in those returns. The study contributes to financial economics by linking brand-driven strategic decisions to capital market outcomes, showing how non-financial corporate actions are valued by investors in an industry dominated by intangible assets.

1.2 Hypothesis development

Corporate announcements function as information events through which investors update their expectations about future cash flows and firm value (MacKinlay, 1997). Strategic actions, e.g., alliances, partnerships, and mergers, are routinely interpreted as signals of a firm's strategic direction, growth opportunities, and competitive positioning (Spence, 1973; Ross, 1977). Brand collaboration announcements fit within this framework: in the luxury sector, where firm value is strongly tied to intangible assets such as brand equity and cultural relevance (Kapferer, 2015; Keller, 2013), they may carry particularly high informational content. At the same time, their implications are inherently ambiguous, as collaborations can signal innovation and market expansion but also introduce uncertainty about brand dilution, strategic misalignment, or execution risk. The hypotheses below are designed to test both the existence of market reactions and the conditions that make those reactions more or less positive.

The first hypothesis examines whether collaboration announcements generate abnormal returns. If these announcements convey value-relevant information about future cash flows and markets are informationally efficient, stock prices should adjust within a short event window. In the luxury context, high information asymmetry and the dominance of intangible assets in firm valuation amplify the signal content of such announcements, making positive abnormal returns the expected baseline outcome.

***H1:** Collaboration announcements generate statistically significant positive cumulative abnormal returns (CAR) around the announcement date, reflecting the incorporation of value-relevant strategic information into stock prices.*

The second hypothesis examines whether the magnitude of market reactions varies with the level of collaboration. Signaling theory predicts that signal credibility increases with commitment cost: deeper collaborations involving greater resource integration, longer-term arrangements, and higher reputational exposure are costlier to initiate without genuine strategic confidence and should therefore generate stronger positive reactions.

Conversely, lower-tier or superficial partnerships carry weaker signal intensity and are expected to generate more muted responses.

***H2:** Higher-tier collaborations are associated with larger positive cumulative abnormal returns than lower-tier collaborations, reflecting the greater signal credibility of deeper strategic commitments.*

The third hypothesis investigates whether particular features of the collaboration and the firms involved help explain differences in abnormal returns beyond the depth of the collaboration. The identity of the partner is especially important: luxury-to-luxury collaborations help maintain exclusivity and indicate a unified strategy, likely leading to stronger positive reactions than collaborations between luxury brands and firms from unrelated industries, which may cause concerns about weakening the brand or confusion about the collaboration's goals. High visibility of the announcements is expected to enhance their impact on the market, while the firm's size and past performance shape how investors view its baseline value.

***H3:** Collaboration-specific characteristics — particularly partner type and visibility — explain cross-sectional variation in abnormal returns, with luxury-to-luxury partnerships and higher-visibility announcements expected to generate more positive market reactions than cross-industry pairings and lower-visibility events.*

1.3 Research scope and delimitations

This study examines stock market reactions to brand collaboration announcements in the luxury fashion industry, using Louis Vuitton as the primary case brand. To ensure a focused and methodologically consistent analysis, several delimitations apply:

First, the study is restricted to collaboration announcements involving only Louis Vuitton within the LVMH group. This controlled empirical setting reduces firm-level heterogeneity but limits generalisability to other brands and industries where differences in brand equity, market positioning, and investor attention may produce different market responses.

Second, since Louis Vuitton is not independently listed, investor reactions are measured through the stock price of its parent company, LVMH (MC.PA). This means that observed abnormal returns reflect group-level price movements rather than brand-specific effects. Although screening for confounding events was applied, the possibility that other group-level information influenced the measured returns cannot be fully ruled out.

Third, the study focuses on short-term stock market reactions using an event study methodology. While this approach is well-established for identifying the immediate impact of new information (MacKinlay, 1997), it does not capture long-term performance effects or broader strategic outcomes, nor does it address whether collaborations generate sustained value over time.

Fourth, the analysis focuses on collaboration-specific characteristics, particularly partner type and surprise, as key determinants of variation in abnormal returns. Other potentially relevant factors, including detailed firm-level financial characteristics or consumer-level responses, are not explicitly incorporated in order to maintain a clear focus on the signalling role of collaboration announcements.

Fifth, the study does not directly measure consumer perception, brand equity dynamics, or marketing effectiveness. The analysis is confined to financial market reactions, focusing on how investors interpret collaboration announcements rather than on how consumers respond to them.

1.4 Definitions of key terms

This section defines key concepts used in the study. Because this research combines financial economics, strategic management, and branding, several terms are clarified to ensure consistency.

1.4.1 Financial and methodological concepts

Abnormal Returns (AR)

Refer to the difference between a stock's actual return and its expected return based on a benchmark model. Abnormal returns capture price movements attributable to firm-specific information events (MacKinlay, 1997) and serve as the fundamental measure in event studies to assess market response to particular announcements.

Cumulative Abnormal Returns (CAR)

Aggregate abnormal returns over a specified event window. This measure reflects the overall market reaction to an announcement by summing the impact of abnormal returns across the event period.

Event study

An empirical methodology used to assess the impact of specific events on stock prices by analyzing abnormal returns around announcement dates (Fama et al., 1969).

Event window

Refers to the period—often spanning a set number of days before and after the event date—during which stock price reactions to the event are measured. For example, a typical event window may cover five days before and five days after an announcement.

1.4.2 Theoretical concepts

Efficient Market Hypothesis (EMH)

Posits that in its semi-strong form, stock prices reflect all publicly available information, including corporate announcements. This concept underpins event studies, as it implies that price adjustments to new information are both rapid and systematic (Fama, 1970, 1991).

Signalling theory

Explains how firms convey private information to the market in the presence of information asymmetry. Corporate actions serve as signals of a firm's underlying quality, strategic intentions, or prospects. In the context of event studies, these signals manifest as abnormal returns when they are credible enough to affect investor perceptions (Spence, 1973; Ross, 1977).

Information asymmetry

Refers to the differential between what firm management knows about the firm's strategic position and prospects and what external investors can observe, a gap that gives rise to the signaling effect.

1.4.3 Strategic and collaboration-related concepts

Brand collaboration

A strategic partnership between brands for joint product development, co-branded collections, or creative projects typically aimed at combining brand identities, expanding market reach, and enhance cultural relevance (Kapferer, 2015; Ko et al., 2019).

Collaboration announcement

A publicly disclosed communication regarding such a partnership — typically released through press statements or media coverage — serving as the identifiable information event in event study analysis.

Partner type

Partner type refers to the category of the collaboration partner — such as a luxury brand, designer, artist, or mass-market brand — and shapes how investors perceive the strategic fit and signal credibility of the collaboration.

Visibility

Visibility refers to the attention an announcement receives in media and public discourse; greater visibility increases information spread and may heighten investor reactions (Tetlock, 2007; Fang & Peress, 2009).

1.4.4 Luxury-specific concepts

Brand equity

The value associated with a brand name, arising from consumer perceptions, associations, and loyalty, brand equity is a critical driver of pricing power and long-term profitability in luxury markets (Keller, 2013; Aaker, 1991).

Brand dilution

A reduction in a brand's perceived exclusivity or prestige, often resulting from overexposure or inconsistent positioning, brand dilution is a key risk in cross-industry collaborations (Kapferer, 2015).

Intangible assets

Non-physical assets controlled by a firm from which future economic benefits are expected to flow, including patents, trademarks, goodwill, and intellectual property (IASB, 2004; Lev, 2001).

Reputation spillover

The transfer of brand associations between collaboration partners: positive spillovers can enhance brand perception, while negative spillovers may harm reputation if the partner is perceived as misaligned (Simonin & Ruth, 1998; Rao & Ruekert, 1994).

Strategic fit

The degree of alignment between collaborating brands in terms of positioning, values, and target markets; strong fit is associated with more favorable investor responses, while misalignment increases perceived risk (Park et al., 1996; Das & Teng, 2000).

Flagship brand

The leading brand within a firm's portfolio, a flagship brand decisively shapes corporate identity and drives investor perceptions. Within LVMH, Louis Vuitton exemplifies this role.

1.5 Structure of the study

This thesis is structured into seven chapters. Chapter 1 introduces the study by outlining the research background, purpose, hypothesis development, and research scope, and defines the key concepts used throughout. Chapter 2 develops the theoretical framework by drawing on the efficient market hypothesis, signaling theory, information asymmetry, and the M&A literature, and concludes with a conceptual framework guiding the empirical analysis. Chapter 3 provides the industry and case context, analyzing the macro-level characteristics of the global luxury fashion industry and introducing LVMH and Louis Vuitton as the empirical setting, with particular attention to the brand's strategic role and collaboration history. Chapter 4 presents the data and methodological framework, describing the sample selection, variable construction, event-study methodology, and regression model, as well as the approach's methodological limitations. Chapter 5 reports the empirical results, presenting the findings of the event study and regression analysis and examining how collaboration characteristics influence stock market reactions. Chapter 6 discusses the findings in relation to the hypotheses and existing literature, outlines the study's limitations and directions for future research, and considers the practical implications of the results for investors evaluating LVMH stock. Chapter 7 concludes by summarising the key findings and their implications for both theory and practice.

2 Theoretical framework

This chapter develops a theoretical framework for understanding how investors respond to announcements of luxury brand collaborations. The framework draws on the efficient market hypothesis, signaling theory, and research on strategic corporate actions to explain how these announcements carry value-relevant information to capital markets. Rather than applying these theories separately, the chapter brings them together: market efficiency tells us under what conditions new information is quickly incorporated into prices, while signaling theory helps explain why some collaboration announcements are seen as more credible than others. Three hypotheses follow from this reasoning. H1 asks whether collaboration announcements produce abnormal returns; H2 whether the level of the collaboration affects how large those returns are; and H3 whether differences in returns across firms can be traced to firm- and collaboration-specific characteristics. These hypotheses provide the empirical backbone of the event study in Chapter 4.

2.1 Efficient market hypothesis (EMH)

The efficient market hypothesis (EMH) offers a straightforward starting point. In its semi-strong form, the EMH holds that stock prices always reflect all publicly available information and adjust rapidly to new information (Fama, 1970, 1991). This has a clear implication for strategic announcements. If a collaboration announcement provides genuinely new information about a firm's future cash flows or competitive position, that information should be seen in abnormal stock returns within a short period after the announcement (MacKinlay, 1997; Kothari & Warner, 2007). This is the basic logic behind H1.

However, EMH explains when and how prices adjust, not why collaboration announcements matter in the first place. That question needs a different approach. Managers usually know much more about the firm's situation than external investors

do. This information gap matters most in industries where firm value depends on assets that can't be directly seen in a balance sheet. Examples include brand equity, customer relationships, and reputation (Lev, 2001; Corrado et al., 2009). This idea underlies the theory that collaboration announcements are expected to generate abnormal returns, as stated in H1.

Signaling theory, introduced by Spence (1973) and later applied to corporate finance (Jensen & Meckling, 1976; Ross, 1977), addresses a key problem: how can a firm credibly convey information that outsiders cannot verify? The main argument is that actions matter most when they are costly. A signal is credible only if it is sufficiently costly, whether financially, reputationally, or strategically, that a firm lacking the underlying quality would not send it. Cheap signals can be copied by anyone and therefore carry little information.

For collaboration announcements, this logic applies clearly. Entering a partnership that risks brand exposure or reputation is never costless. Failure or misalignment brings real costs: damage to brand, loss of consumer trust, or weaker market position. A firm unsure of its own strength would avoid this risk. The fact that the signal is costly makes investors take it seriously. The announcement reveals management's private view of the firm's position that would otherwise remain hidden (Connelly et al., 2011; Rao et al., 1999).

Strategic corporate actions add another dimension. Collaborations can be seen as external growth; like acquisitions, they let firms access complementary resources such as capabilities, channels, or brand associations without having to build them internally (Penrose, 1959; Capron & Mitchell, 2012; Barney, 1991). However, unlike acquisitions, collaborations do not involve ownership transfer or full integration. This limits financial commitment and signal strength. Thus, collaborations are an interesting middle ground; they have strategic meaning, but signaling varies based on collaboration depth and partner (Das & Teng, 2000).

These three theories work together. H1 relies on both market efficiency and signaling logic. If collaboration announcements are credible signals, they should lead to abnormal price movements. The luxury sector makes this clearer: more intangible value in firm capitalization leads investors to rely on such signals. H2 comes from costly signaling logic: deeper integration, longer commitment, or shared brand exposure make it harder to enter a collaboration without real confidence in its fit. Investors know this. Superficial co-marketing arrangements lack credibility and offer little new information. Thus, ambitious collaborations are more credible, not just better news. Credibility drives the market reaction.

Even at the same level of collaboration, announcements may elicit different reactions. Partner type creates variation. A luxury brand working with another luxury firm signals exclusivity, unlike pairing with a mass-market retailer. The latter suggests broader markets but also dilution risk. Investors' views depend on the firm's position and finances. Size and past performance affect how big the deal seems and investor expectations. H3 tests whether these elements explain return variation not covered by H1 and H2.

The three hypotheses build on each other. H1 asks if collaboration announcements matter to markets at all. H2 asks if greater strategic commitment makes them matter more. H3 asks what else affects investor reactions after collaboration depth. Together, they turn the theory into empirical questions, which Chapter 3's event-study method will answer.

2.2 Mergers and acquisitions (M&A) perspective

Mergers and acquisitions offer a theoretical framework for interpreting investor responses to brand collaboration announcements. However, the analogy is limited: investor reactions to brand collaborations do not always reflect those in M&A, and such collaborations may not imply the same strategic repositioning. In M&A research, major

strategic announcements prompt investors to reassess expected cash flows and risk, as indicated by abnormal stock returns (Jensen & Ruback, 1983; MacKinlay, 1997; Andrade et al., 2001). Crucially, these announcements are valued not just for their scale or visibility, but because they reveal management's private evaluation of the firm's strategic direction—specifically, where and how value can be created.

LVMH's 2021 acquisition of Tiffany & Co. was more than a transaction—it signaled LVMH's confidence in the American luxury jewelry market and its consolidation strategy for high-end retail. M&A research informs this view by offering a methodological template for event studies and by setting a precedent for predicting market reactions to strategic announcements. In this context, if collaboration announcements send similar strategic signals, abnormal returns should follow, as predicted by H1. This is because both collaborations and acquisitions are forms of external growth: instead of building capabilities internally, firms access complementary resources, brand associations, distribution reach, and creative talent through partnerships (Penrose, 1959; Capron & Mitchell, 2012; Barney, 1991).

Both actions can signal strategic repositioning, communicating to investors a shift in market focus or long-term growth not visible from financial statements alone (Haspeslagh & Jemison, 1991). For example, Louis Vuitton's 2023 collaboration with Japanese artist Yayoi Kusama signaled a move toward art-world capital and a younger, globally minded consumer base. Investors could factor this repositioning into their assessment of the brand's long-term trajectory, much as they would treat a strategic acquisition as evidence of management's intent. However, the two approaches differ sharply: acquisitions involve ownership transfer and managerial integration, concentrating risk and providing a strong, unambiguous commitment signal. Collaborations, by contrast, lack both; without ownership stakes or formal control, structural commitment and its signal are weaker on average (Williamson, 1985).

A limited-edition product drop, for instance, requires little integration and can be reversed at low cost. In contrast, a full acquisition or long-term licensing agreement involves deeper, harder-to-reverse commitments, signaling far greater strategic intent. However, while collaboration announcements are not meaningless, their informational value is more variable, depending primarily on qualitative factors that investors must interpret—chief among these are partner type and perceived strategic fit. For M&A, investor evaluations hinge on uncertainty about managerial quality and integration risk (Shi et al., 2020; Gregory & O'Donohoe, 2014), whereas in collaborations, key uncertainties center on brand compatibility and reputational alignment. Investors must therefore assess whether the partnership reinforces or dilutes the firm's brand identity, and whether the partner's associations enhance or undermine positioning (Rao et al., 1999; Loken & John, 1993; Das & Teng, 2000; Gulati, 1998).

The 2017 collaboration between Louis Vuitton and Supreme illustrates the risks: pairing a storied luxury house with a streetwear brand posed real dilution risk for Vuitton's exclusivity, yet signaled intent to reach a new generation of luxury consumers. Whether investors viewed this signal positively or negatively depended on beliefs about the brand's strategy, a qualitative judgment that financial metrics cannot resolve. Unlike integration risk in M&A, these partnership risks cannot be reduced by more financial commitment; instead, they depend on how consumers and investors perceive the match. Thus, variation in abnormal returns is likely driven more by collaboration depth and partners' characteristics than by deal size or structure. This underpins both H2 and H3.

2.3 Signalling theory

The starting point for signaling theory is a practical problem: managers know things that outside investors do not. A firm's true strategic position, the quality of a partnership it has negotiated, or its confidence in a new market—none of these is reliably conveyed through financial statements alone. Signaling theory, developed by Spence (1973) and

extended to corporate finance by Ross (1977) and others, addresses this by asking what kinds of observable actions can credibly communicate private information to the market. The answer turns on cost: a signal is credible only when it is expensive enough that a firm without the underlying quality would not rationally send it (Connelly et al., 2011; Kirmani & Rao, 2000).

This logic applies directly to brand collaboration announcements. Entering a publicly announced partnership is not a costless decision. It requires marketing investment, operational coordination, and exposure to reputational risk. If the collaboration proves misaligned with the brand's identity, the consequences are tangible: brand dilution, erosion of consumer trust, and damage to the exclusivity that underpins luxury pricing power (Loken & John, 1993; Rao et al., 1999). Louis Vuitton's partner selection illustrates this asymmetry well. The brand has historically pursued collaborations with artists, designers, and cultural figures whose associations reinforce rather than dilute its positioning. This was visible when LVMH appointed Virgil Abloh as Men's Artistic Director in 2018. That move signaled not just a creative shift but a deliberate strategic bet on the intersection of luxury and streetwear culture. It was made from a position of sufficient brand confidence to absorb the risk of that repositioning.

A firm less certain of its strategic footing would face a different calculus: the short-term revenue from a high-visibility partnership might outweigh the reputational risk, precisely because it has less exclusivity to protect. It is this asymmetry, between firms that can afford to be selective and those that cannot, that gives collaboration announcements their informational content. If investors read the signal as credible and value-enhancing, it should be incorporated into stock prices, which provides the signaling-based rationale for H1. Beyond the baseline prediction, signaling theory also helps explain why not all collaboration announcements generate the same market reaction. The strength of a signal depends on the magnitude of the commitment it implies.

Louis Vuitton's partnership with the NBA, launched in 2020, illustrates what deep collaboration commitment looks like in practice. The partnership spanned multiple seasons, encompassed custom trophy cases, co-branded accessories, and a global campaign infrastructure. This arrangement involved substantial resource integration and reputational exposure. It would have been difficult and costly to exit. Investors evaluating that announcement faced a fundamentally different signal than they would from a single capsule collection. It implied a durable strategic bet on sports culture and a specific demographic, rather than a contained, reversible experiment.

Luxury brands are also unlikely to enter partnerships without careful evaluation of strategic fit, since the downside of a misaligned collaboration is particularly severe in markets where brand identity is the primary source of value (Stuart et al., 1999; Gulati, 1998). This screening process itself reinforces signal credibility: the announcement of a partnership conveys the implicit message that due diligence has been conducted. Variation in collaboration depth and partner selection, therefore, produces variation in signal strength, which translates into variation in abnormal returns. This is the theoretical basis for H2.

Signaling theory is not without its limits, and acknowledging them sharpens rather than weakens the argument. Investors do not interpret signals uniformly. When the strategic implications of a collaboration are ambiguous, as they often are in the luxury sector, where the line between brand-enhancing and brand-diluting partnerships is not always obvious, market reactions will reflect heterogeneous beliefs rather than a single consensus reading (Miller, 1977; Connelly et al., 2011). The Louis Vuitton x Supreme collaboration is again instructive here: some investors would have read it as a bold repositioning signal; others as a risk to Vuitton's core exclusivity.

Neither interpretation was straightforwardly wrong, because the strategic value of such a partnership depends on assumptions about consumer behavior and brand elasticity that cannot be directly observed. A shorter-term or more contained collaboration, such

as a single capsule collection with a mid-market retailer, would have generated a narrower range of interpretations, precisely because the strategic stakes and reputational exposure are lower and easier to assess. This interpretive variation implies that abnormal returns will differ systematically across announcements, shaped by firm-level characteristics and collaboration-specific features that condition how investors read the signal. That cross-sectional heterogeneity is what H3 is designed to capture.

2.4 Information asymmetry

Markets assume prices reflect all available knowledge, but insiders and outsiders know different things. Information asymmetry refers to the situation in which managers have greater insight into a firm's strategy, performance, and prospects than investors do, based on public disclosures (Akerlof, 1970; Jensen & Meckling, 1976). This imbalance makes corporate actions, including collaboration announcements, important signals. This section is therefore crucial to the broader framework.

This gap is even more pronounced for firms whose value comes mainly from intangible assets. While physical capital or cash flows can be benchmarked against observable metrics, intangibles cannot. For example, a luxury brand's collaboration with a streetwear label or a contemporary artist cannot be evaluated as a capital expenditure. Instead, its value depends on beliefs about brand elasticity, consumer perception, and long-term positioning, factors that external investors can only partially observe. For luxury groups with diversified brand portfolios, the problem is greater: investors have limited visibility into internal capital allocation, inter-brand synergies, and group-wide strategic priorities (Stein, 1997; Maksimovic & Phillips, 2002).

When LVMH announces a collaboration under one of its houses, investors must infer both the logic of the partnership and its place within a partially visible portfolio. As a result, such announcements both reduce information asymmetry by revealing a strategic decision and introduce uncertainty about its broader meaning. This duality,

acting as both signal and source of new ambiguity, makes them analytically interesting and forms the foundation for H1.

Investors interpret that signal differently. Analytical skills, information access, and brand beliefs all shape how they view announcements (Miller, 1977; Hong & Stein, 1999). Rather than showing consensus, market prices reflect these varied expectations (Varian, 1989), complicating the information asymmetry framework described above. The 2017 Louis Vuitton x Supreme announcement is a good example. Some investors were confident that Vuitton could absorb streetwear influences. They saw this as a strong repositioning signal. Others were skeptical of the brand fit and saw dilution risk. The net price movement reflected neither view perfectly. It showed the market's aggregate beliefs. When the collaboration type varies, such as deep or shallow partnerships and luxury-to-luxury versus cross-industry pairings, the distribution of beliefs shifts. This produces variation in abnormal returns by collaboration type and is the informational mechanism behind H2.

The challenge is greatest for qualitative collaboration characteristics that are hard to benchmark. Financial transactions provide valuation anchors such as deal size, price multiples, and leverage. In contrast, collaborations are judged through indirect signals: the partner's cultural standing, the perceived fit between brands, and the credibility of the pairing (Rao et al., 1999; Das & Teng, 2000; Connelly et al., 2011). Louis Vuitton's 2023 collaboration with Yayoi Kusama shows this. Its value did not come from financial metrics. Instead, it depended on investor beliefs about whether art-world capital would create commercial relevance and brand desirability.

2.5 Theoretical synthesis

The four theoretical foundations, the efficient market hypothesis, the M&A literature, signaling theory, and information asymmetry, establish why collaboration announcements carry credible informational content and how that content enters stock

prices. These feed into the collaboration characteristics in the middle column: the announcement itself, collaboration depth, partner type, and firm-level attributes, all of which condition how investors interpret the signal. Those characteristics in turn determine the predicted market outcomes on the right: H1 expects abnormal returns from the announcement alone; H2 expects larger returns from deeper collaborations; and H3 expects cross-sectional variation driven by partner type and firm characteristics. No single theory produces all three predictions; it is their combination that gives the framework its explanatory reach.

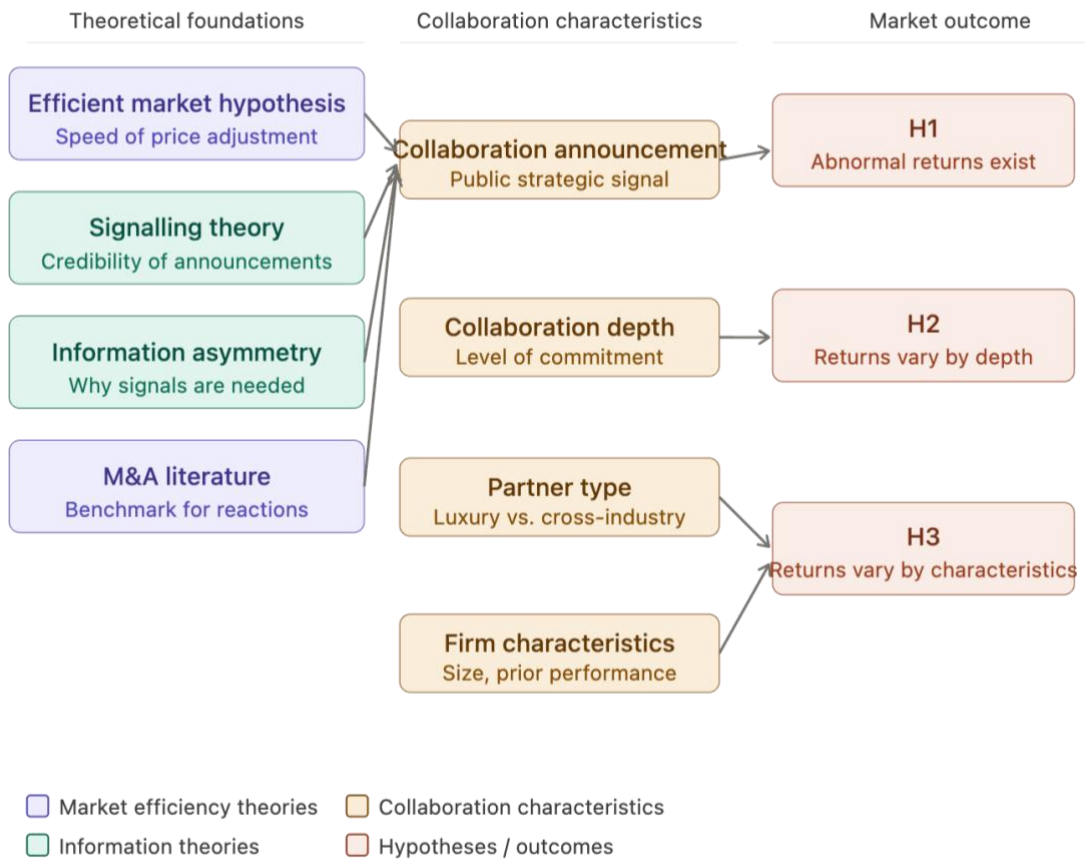


Figure 1. From signal to market outcome.

Figure 1. above maps the chapter's argument in three stages. The following chapter grounds this empirically by introducing the context of LVMH.

3 Industry and case context

This chapter provides the industry and company context for the empirical analysis. It builds on the theoretical framework from Chapter 2. The chapter examines brand collaboration announcements from a financial economics perspective. It explores how industry characteristics, the economic logic of luxury brands, and firm-level strategic positioning influence investors' interpretation of these initiatives. Brand collaboration is often studied from a marketing perspective. However, this study emphasizes its informational role in financial markets. Collaboration announcements may signal a firm's future growth opportunities, brand positioning, and strategic direction.

The chapter first situates LVMH in the broader context of luxury fashion, clarifying how its environment differs from that of other sectors. It then analyzes the company's strategic position, outlining distinctions in strategic role, brand visibility, and the investor risks and benefits of its collaborations compared to industry norms. The text highlights when findings align with or diverge from sector patterns and clarifies how the company's scale and visibility affect generalizability. Together, the subchapters establish the context for the empirical analysis in Chapter 4.

3.1 Macro-level industry characteristics

The luxury fashion industry operates within a broader macro context that needs to be understood before considering specific strategic decisions. Global demand, changing consumer habits, and media exposure across both traditional and digital platforms define the environment in which luxury brands navigate. Unlike most consumer industries, luxury brands do not primarily derive its value from a product's functionality. In fact, brand equity, heritage, and exclusivity are the most essential factors. These are not decorative additions to a business model, but mechanisms by which companies strengthen their market position, defend it against competitors, and transform it into sustainable returns over time. They also explain why collaboration announcements carry

real informational weight. Because investors lack a direct window into the quality of intangible assets, they rely on observable strategic signals to update their expectations. In this sense, a collaboration announcement is never just a marketing event but rather serves as a signal of a brand's direction and priorities.

Generalizability is also a factor to consider when comparing brands. Louis Vuitton is not a typical player in the luxury sector, as it is at the forefront of brands in terms of awareness, media exposure, and globality. For example, when looking at the Kusama collaboration in 2023, its visibility spread across fashion, business, and general press worldwide almost immediately. Conversely, for example, a mid-range luxury house with a similar campaign would simply not generate such visibility. This focus of attention is almost certain to shape market reactions. To the extent that Louis Vuitton's actions reflect the dynamics of the wider luxury sector, the results of this study may be reasonably generalizable.

The following sections examine the macro-level dynamics: market size and growth, the geographic distribution of luxury demand, and changing consumer demographics. The sector's public profile is also covered. Each factor influences why brands pursue collaborations and how investors view them at the time of announcement.

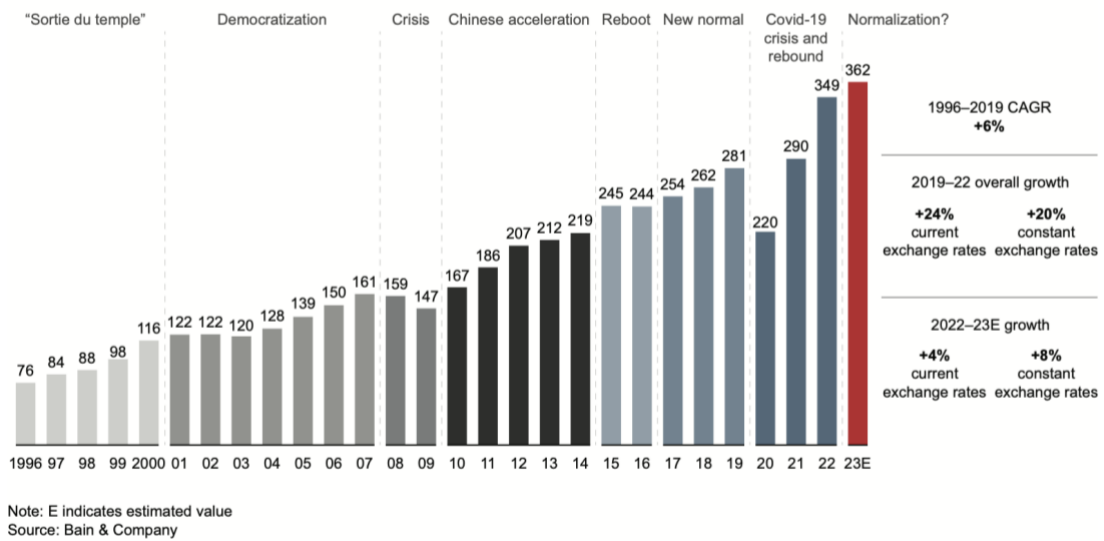
3.1.1 Market size and long-term growth

The global luxury fashion sector has grown significantly over the past few decades and is now one of the most valuable segments of the global consumer market. According to Bain & Company (2024), the market for personal luxury goods—fashion, leather goods, jewelry, and watches—was worth about €362 billion in 2023 (Figure 2). The sector has shown strong long-term growth despite periodic economic uncertainty. This growth stems from rising global wealth, internationalized consumption, and the growing visibility of leading fashion houses. Forecasts suggest this trend will continue, as

emerging markets, especially Asia, are expected to make up a greater share of global luxury consumption in the coming years.

A key characteristic of luxury markets is their relative resilience to cyclical fluctuations. Although demand may temporarily weaken during downturns, consumption is supported by high-income consumers and geographical diversification of markets (Kapferer & Bastien, 2012; Bain & Company, 2024). Many luxury brands have increased their average selling prices without a significant decline in demand, further strengthening profitability and long-term financial sustainability (McKinsey & Company, 2023). LVMH serves as a good example: despite global supply chain disruptions in 2021, the group reported record revenue growth, driven in part by Louis Vuitton's continued pricing power and strong demand from affluent consumers.

Looking further into this, one could also consider how external shocks, such as COVID-19 in 2020–2021, affected market conditions. During the lockdown, consumer behavior changed significantly, as physical retail was largely closed and digital channels became more important. Interestingly, some luxury brands used this period to accelerate their digital strategies by launching online stores and virtual collaborations. It is possible that collaborations announced during this period received different attention from both consumers and investors than those announced during normal market conditions. Reduced customer volumes, supply chain disruptions, and increased economic uncertainty may have changed how the market treated strategic announcements overall. This is of course also true for other luxury brands, not just Louis Vuitton. More broadly, it raises the question of whether the results of this study are partly a function of the period under review and whether they would look different in more stable macroeconomic conditions.

Figure 2. Global personal luxury goods market development, 1996-2023.

(€ billions)

(Source: Bain & Company, 2024)

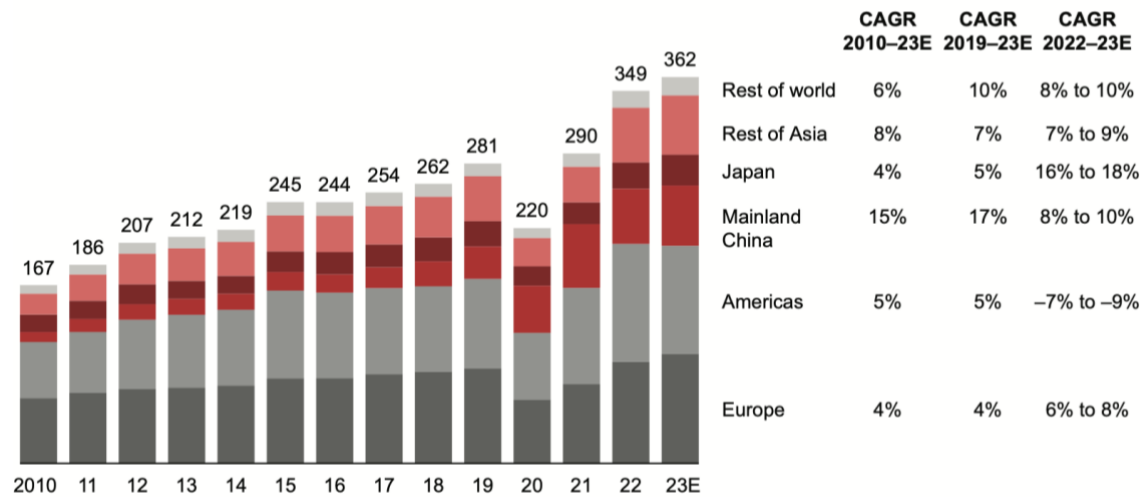
3.1.2 Globalization of demand

One of the main drivers of growth in the luxury market has been the globalization of demand. The market grew from approximately EUR 167 billion in 2010 to approximately EUR 362 billion in 2023, and the regional composition of demand changed significantly as consumption expanded into new markets (Figure 3). Mainland China has been one of the fastest-growing luxury markets, with an annual growth rate of approximately 15% between 2010 and 2023, accelerating to approximately 17% between 2019 and 2023, which is significantly higher than in Europe. In Europe, growth was approximately 4% per year in both periods, and in the Americas, it averaged approximately 5% per year between 2010 and 2023 (Bain & Company, 2024). Japan and the rest of Asia also saw steady growth of around 4% and 8% per year between 2010 and 2023, clearly showing the broader shift in luxury consumption toward Asian markets. This geographical

rebalancing has not been a temporary trend but represents a structural shift in the origins of luxury consumption.

This shift is directly reflected at the corporate level. As shown in Figure 4, the distribution of LVMH's revenue across geographical regions confirms Asia's dominance: Asia (excluding Japan) accounted for 36% of total revenue in both 2022 and 2024, peaking at 39% in 2023. Europe (excluding France) saw moderate growth from 17% in 2022 to 19% in 2024. The US share fell slightly from 21% in 2022 to 17% in both 2023 and 2024. Japan's share increased from 9% in 2022 to 12% in 2024, the most significant regional change over the period. France's share remained stable at 7% throughout, and other markets remained stable between 9% and 10% (LVMH, 2025). Taken together, these figures suggest that no single region dominates LVMH's revenue base. On the contrary, the trend shows the group's conscious strategy of maintaining a broad geographical presence rather than being heavily dependent on a single market.

Louis Vuitton's exceptional global reach means that partnerships with brands attract investor attention in multiple markets simultaneously. This situation may not necessarily apply equally to luxury brands with a stronger regional consumer focus. For example, Louis Vuitton's partnership with the NBA in 2020 could be seen as an effort to deepen the brand's relevance in North America and among young Asian consumers, two demographic groups with growing spending power in the luxury market. The choice of partner in that case was not random; it was a clear intention to reach customers interested in both sportswear and luxury products. Conversely, a brand like Brunello Cucinelli, whose consumer base is largely wealthy European and American consumers, would likely experience a more limited reaction to a similar partnership announcement. This is not simply a matter of scale. The informational value of a collaboration signal depends heavily on how broadly it is received — the more markets it reaches, the more investor attention it is likely to draw. That said, a more regionally focused brand announcing a similar partnership would not necessarily see a smaller market reaction; the reaction may just be more concentrated within specific geographies rather than spread across global markets.

Figure 3. Regional variation in the global luxury goods market, 2010-2023.**Note:**

Mainland China recorded the highest compound annual growth rate of approximately 15% between 2010 and 2023, accelerating to 17% between 2019 and 2023, making it the fastest-growing regional market over the period. Europe and the Americas recorded more modest growth of 4% and 5%, respectively, over the same period.

(€ billions)

(Source: Bain & Company, 2024)

Figure 4. LVMH revenue distribution by geographic region (%), 2022–2024.

	2024	2023	2022
Revenue (EUR millions)	41,060	42,169	38,648
Revenue by geographic region of delivery (%)			
France	7	7	7
Europe (excl. France)	19	18	17
United States	17	17	21
Japan	12	10	9
Asia (excl. Japan)	36	39	36
Other markets	9	9	10

Note:

Asia (excluding Japan) is LVMH's top market, accounting for 36% of revenue in both 2022 and 2024, with a sharp peak of 39% in 2023. Japan saw the most pronounced growth, jumping from 9% in 2022 to 12% in 2024. Conversely, the US share fell from 21% to 17%, while Europe (excluding France) edged up from 17% to 19%.

(Source: LVMH, Universal Registration Document, 2024)

3.1.3 Consumer behaviour and demographic shifts

Luxury goods have symbolic value beyond functional quality. Consumers buy them to express identity and signal status. These purchases connect to cultural codes (Ko et al., 2019). For younger consumers, this effect is stronger—a purchase makes a statement. Social media has overtaken traditional advertising as the main way young consumers discover brands (McKinsey & Company, 2025). Collaborations now help luxury houses build cultural relevance with audiences that standard campaigns rarely reach. These factors underscore the importance of cultural signaling and collaboration in capturing next-generation luxury demand.

This generational focus is evident in the pace of turnover in luxury demand, as shown in Figure 5. In 2019, Millennials held 36% of the personal luxury market, Gen X 30%, and Gen Z just 8%. By 2023, Gen Z's share climbed to 20%, and Gen Y accounted for 45%. By 2030, these cohorts are projected to hold 75% of the market combined, with Gen Z alone reaching 25–30% (Bain & Company, 2024). Gen Z achieved this in under a decade, while earlier generations took much longer.

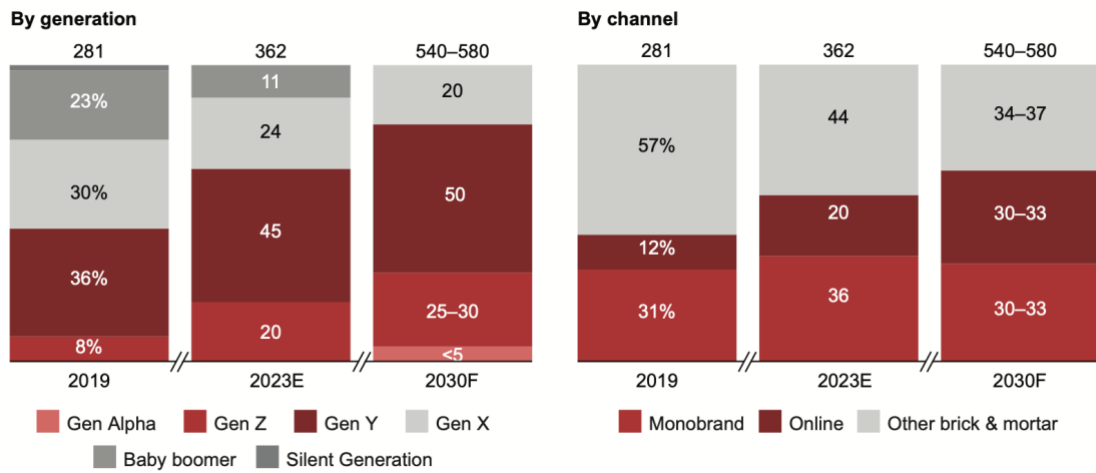
This shift in the generational landscape is driving luxury brands to adapt. The 2017 Supreme collaboration and Virgil Abloh's 2018 appointment as men's artistic director marked Louis Vuitton's most visible moves in response to this shift. Both initiatives signaled deliberate repositioning toward younger consumers while preserving the

brand's identity. Abloh played a critical role as both a designer and a prominent figure in street fashion, music, and art. His appointment clarified the brand's intentions more effectively than a conventional hire could. Louis Vuitton's cultural authority allowed it to manage reputational risks. Brands that lack this standing face a harder trade-off: collaborations may indicate growth ambitions, but investors are less likely to believe these claims when brands have not established credibility with young audiences.

These changing consumer profiles also influence distribution strategies. Channel mix follows this demographic logic. From 2019–2023, single-brand stores grew from 31% to 36% of luxury sales. Online stores rose from 12% to 20%. Other brick-and-mortar fell from 57% to 44%. By 2030, online retail is expected to reach 30–33% of luxury sales. Single-brand stores will likely remain stable. Multi-brand physical retail may drop to 34–37% (Bain & Company, 2024). These changes mean brand-controlled and digital formats are gaining, while wholesale and multi-brand retail are declining. The key takeaway is that digital transformation and direct-to-consumer formats are structural trends in the luxury industry.

Consequently, the shift toward digital and brand-controlled channels creates methodological implications. Collaboration announcements now move faster and reach more investors than they once did through traditional media. This fact supports the assumption that event study information days align with real market signals. The media dynamics around Louis Vuitton's collaborations further reinforce this. In a distribution environment where digital platforms dominate, the market responds more reliably to a collaboration announcement as a proxy for investor sentiment than before.

Figure 5. Generational and channel distribution, 2019–2030F.



Where:

F denotes forecast values

Note:

Generation Y (Millennials) is the largest consumer segment, not only maintaining dominance with about 45% of the market in 2023 but projected to increase to around 50% by 2030—indicating its persistent influence on market trends. Generation Z, having grown from 8% in 2019 to about 20% in 2023, is expected to reach 25–30% by 2030, underscoring its growing significance as a key driver of future luxury demand.

(Source: Bain & Company, 2024)

3.1.4 Industry and media visibility

Strategic visibility has become a key competitive mechanism in luxury fashion. Brands increasingly rely on collaborations with artists, designers, and non-luxury partners to maintain desirability among young, digitally engaged consumers (Kapferer & Bastien, 2012; McKinsey & Company, 2023, 2025). This reflects a broader structural change in how luxury brands compete: unlike in the past, when heritage and product quality were

sufficient to sustain brand desirability, the migration of consumer attention to digital platforms has made ongoing cultural engagement a strategic imperative. What this means in practice is that a brand's ability to generate culturally resonant moments has become as important to long-term brand health as the quality of its products.

The 2020 NBA partnership illustrates this well. It garnered immediate coverage from fashion, financial, and sports publications, reached diverse investors within hours, and generated an estimated \$50 million in media value in the first week. Similarly, the 2023 Yayoi Kusama collaboration generated coordinated global press coverage across 30+ countries, timed with the product launch, and social media impressions exceeded 1 billion in the first month. This broad reach ensures collaboration announcements engage both fashion consumers and a wider institutional and retail investor base.

Industry data highlights three key findings that provide context for why Louis Vuitton's announcements function as reliable media events. First, Bain & Company (2023) reports that high-end luxury brand activations can generate media value 10 to 20 times their marketing spend. Second, the top 10 luxury collaborations in 2022 generated a combined earned media value of over €2 billion. Third, McKinsey & Company (2025) notes that social media engagement with major luxury collaborations has grown by about 25% per year since 2019, driven by digital platforms in brand discovery and consumer engagement. These findings underscore that the informational reach of collaboration announcements is growing and dynamic, which impacts how this study's results should be interpreted. The combined effects of traditional press and digital dissemination ensure that collaboration announcements reach a broad investor audience, generating observable market reactions necessary for the event study design described in Chapter 4.

Empirical research confirms that the speed and magnitude of stock price changes depend in part on how widely new information reaches investors (Tetlock, 2007; Fang & Peress, 2009; Huberman & Regev, 2001). When an announcement receives media

attention across hundreds of channels within 24 hours, the probability that the event window correctly captures the full price adjustment is significantly higher than for announcements that disseminate slowly or unevenly. This is one reason why Louis Vuitton's collaboration announcements are particularly well-suited to event study methodology. The speed and breadth of their media coverage reduce the risk that meaningful price movements occur outside the defined event window. In this study, media reports were used to identify and confirm the announcement dates of Louis Vuitton collaborations.

However, this level of visibility also raises concerns for external validity. Louis Vuitton's media presence is exceptional even within the luxury sector: its collaboration announcements routinely generate coverage that other LVMH houses, such as Celine and Loewe, both of which have pursued active collaboration strategies, would be unlikely to match for comparable partnerships. Bain & Company (2023) estimates that the five largest global luxury brands account for around 60% of the luxury industry's total media coverage, despite representing a much smaller share of the total number of brands active globally. Louis Vuitton alone commands a disproportionate volume of fashion media mentions each year, a share that exceeds even close competitors such as Gucci or Chanel. This gap goes beyond brand size. Media attention tends to build on itself; when a brand consistently generates coverage at this scale, journalists and investors begin to anticipate its next move, meaning future announcements start with a built-in audience before they are even made public. Over time, this compounds into a visibility advantage that is increasingly difficult for competitors to close.

This concentration shapes the interpretation of the study's key finding: Louis Vuitton's global media presence ensures that its collaboration announcements prompt rapid, pronounced market reactions due to broad, instant investor exposure. In contrast, less visible luxury brands making similar announcements would likely see weaker, slower market impacts because their news reaches fewer investors and gains media attention more gradually. Thus, while the underlying market mechanism is consistent, the

circumstances differ, underscoring the importance of brand visibility when drawing broader conclusions from these findings.

3.2 Market structure

The global luxury fashion industry is highly concentrated. A few large multinational conglomerates control most market revenue, brand visibility, and investor attention. This concentration shapes how financial markets interpret brand collaborations and limits how far findings from a single-brand study can be generalized.

Building on this, the industry is dominated by three conglomerates: LVMH, Kering, and Richemont. These three control many of the world's top luxury brands, such as Louis Vuitton, Gucci, and Cartier. According to Bain & Company (2023), the ten largest luxury groups generate about 35–40% of total personal luxury goods revenue, even though hundreds of smaller, independent brands also compete. Brand-level concentration is even higher. Just a few names, including Louis Vuitton, receive a disproportionate share of media, consumer, and investor attention compared to the number of brands they represent in the sector. This imbalance is not only due to historical prestige but also to strategic investments in brand-building, global reach, and cultural partnerships that smaller brands cannot match.

This structure shapes how collaboration announcements function as information events. Large conglomerates have the financial resources to back collaborations with global campaigns, exclusive product launches, and partnerships with internationally recognized artists and cultural figures. The scale of these activations means the informational content of an announcement extends beyond the collaboration itself. It also signals something about the conglomerate's strategic direction and its willingness to commit significant resources to brand development. There is also another layer of complexity. When Louis Vuitton announces a collaboration, investors are not only assessing that specific partnership. They are also considering what it means for LVMH's

broader portfolio and group-level performance. That consideration does not arise for independent luxury brands, where announcements can be read on their own terms.

Louis Vuitton sits at the very top of the luxury hierarchy. It is consistently ranked among the world's most valuable fashion brands, with an estimated brand value exceeding \$20 billion (Interbrand, 2023). That positioning means the findings of this study reflect unusual circumstances. They should not be taken as representative of the broader luxury sector. Smaller brands — Bottega Veneta, Berluti, or independent houses like Brunello Cucinelli — operate in a meaningfully different environment. Media exposure is more limited, investor coverage is thinner, and the credibility of strategic signals is less established. Collaboration announcements by these brands are likely to elicit smaller, more varied market reactions, even when the type of collaboration and the nature of the partners are broadly comparable to those examined here. It is also worth noting that for less-covered brands, the market may take longer to price in the information content of an announcement, with implications for how event windows should be defined in future research.

That said, the conglomerate structure does provide some basis for cautious generalization. LVMH encompasses 75 distinct brands across fashion, leather goods, perfumes, watches, and wines and spirits, many of which pursue active collaboration strategies (LVMH, 2025). If the mechanisms identified here hold for Louis Vuitton, they are likely to hold for other prominent luxury brands operating under similar structures. The underlying logic is not specific to Louis Vuitton. It is about how investors respond to strategic signals when obtaining direct information about intangible asset quality is difficult. That condition applies across the luxury sector, even if the speed and strength of the market response vary. The findings are therefore most applicable to large, publicly traded luxury brands with diversified portfolios and strong investor coverage. They are least applicable to independent or mid-tier brands, where the conditions for signal credibility and information diffusion look quite different.

In summary, understanding this market structure is essential for interpreting the empirical strategy and the scope of the results that follow. The next section introduces LVMH and Louis Vuitton in more detail and sets out the firm-level context in which the empirical analysis is conducted.

3.3 Case context: LVMH — Moët Hennessy Louis Vuitton

This study uses LVMH – Moët Hennessy Louis Vuitton as the company context. LVMH is a large luxury conglomerate that manages over 75 brands in fashion, leather goods, wines and spirits, perfumes and cosmetics, watches and jewelry, and select retail (LVMH, 2025; Bain & Company, 2023). Within this group, Louis Vuitton is the most valuable and visible brand, noted for its history of high-profile collaborations. This makes it a suitable case for investigating how financial markets respond to strategic brand collaboration announcements.

LVMH was founded in 1987 through the merger of fashion house Louis Vuitton and wine and spirits producer Moët Hennessy. Since then, LVMH has expanded significantly through acquisitions and organic brand development, building a presence in all major luxury segments. Notable acquisitions include Bulgari in 2011, Loro Piana in 2013, and Tiffany & Co. in 2021, the latter of which was one of the largest transactions in luxury industry history at approximately \$15.8 billion.

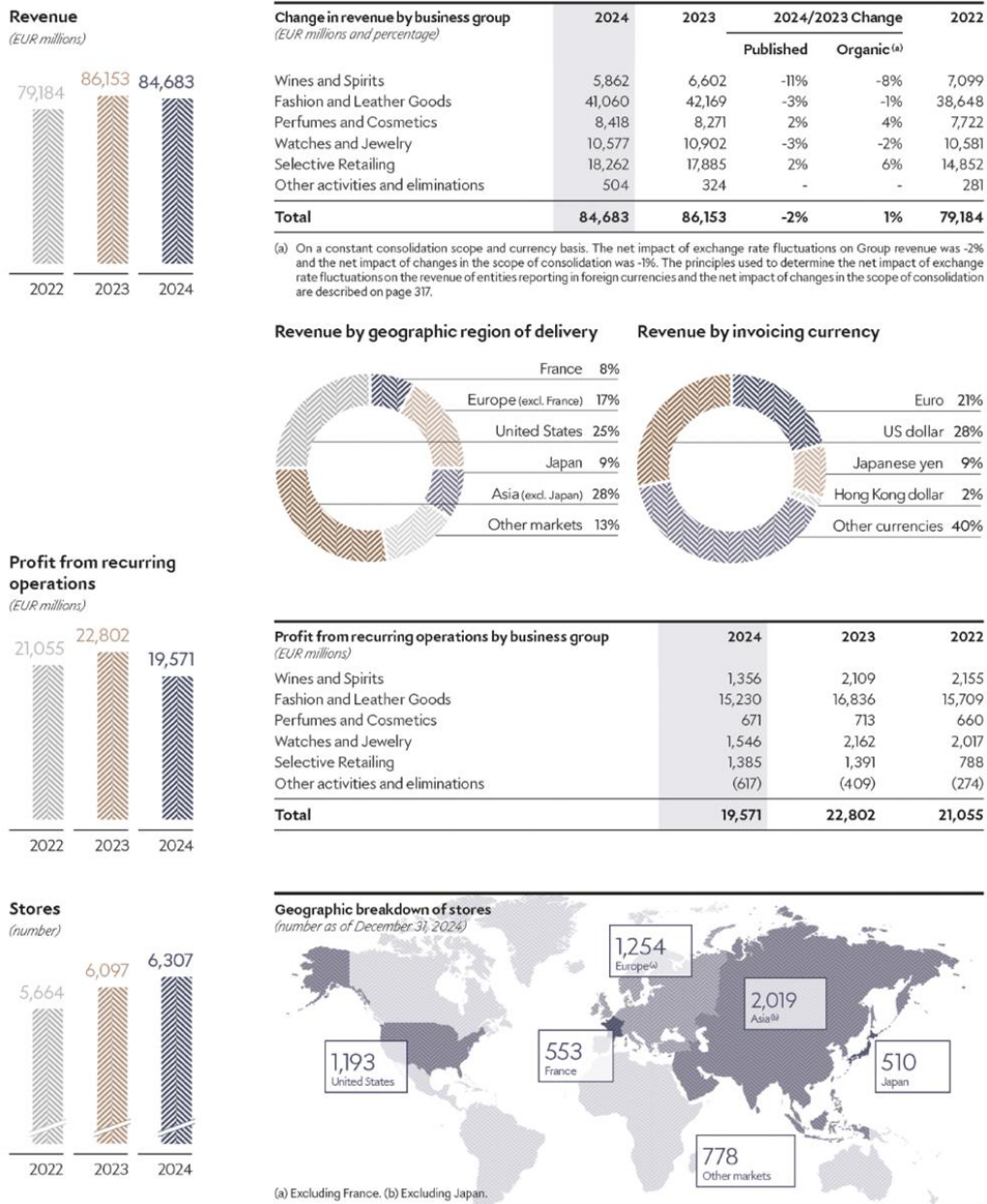
As shown in Figure 6, total group revenue reached €86.2 billion in 2023 before declining slightly to €84.7 billion in 2024, reflecting a broader softening in luxury demand across key markets. The Fashion and Leather Goods division remained the group's largest and most profitable segment throughout, generating €41.1 billion in revenue and €15.2 billion in profit from recurring operations in 2024, despite a 3% decline from the prior year. The group operates 6,307 stores globally, with Asia accounting for the largest share at 2,019 locations, followed by Europe at 1,254 and the United States at 1,193 (LVMH, 2025). Geographically, Asia (excluding Japan) represents the single largest revenue

market at 28%, followed by the United States at 25%, underscoring the group's dependence on continued growth in Asian consumer spending. LVMH's market capitalization has exceeded €400 billion in recent years, placing it among the most valuable listed companies in Europe.

From an investor's perspective, individual brand collaborations should be interpreted in the context of LVMH's overall strategy. Such announcements not only reveal the direction of a specific Maison but also indicate potential impacts on group-level revenue and the strategic positioning of the Fashion and Leather Goods division. This broader perspective is important for understanding the contribution of collaborations to both brand and group performance.

Louis Vuitton's multi-brand structure is shared by few global companies, notably Kering and Richemont. For investors, assessing a Louis Vuitton collaboration centers on whether it enhances the brand's equity and what it signals about the group's strategy and prospects. This adds layers of analysis compared to standalone brands, where collaborations are evaluated in isolation. Even with structurally similar announcements, a Louis Vuitton collaboration signals more due to the group context. Thus, market reactions in this study may reflect both brand- and group-level judgments. Interpret these findings with the group's structural complexity in mind. The next section examines LVMH's portfolio strategy and its impact on competitive positioning and investor evaluation.

Figure 6. Financial highlights of LVMH, 2022–2024.



Key concepts: revenue, profit from recurring operations, business group performance, geographic revenue distribution, and global store network.

(Source: LVMH, Universal Registration Document 2024)

3.3.1 Brand portfolio strategy

A key element of LVMH's strategy is its diverse luxury brand portfolio. Each Maison operates with creative autonomy, leveraging the group's strategic resources and global infrastructure (LVMH, 2025; Chevalier & Mazzalovo, 2012). This model helps each brand preserve its heritage, design identity, and market position while boosting operational efficiency (Kapferer & Bastien, 2012). The maison structure addresses a central tension in luxury management: scaling without diluting desirability. Investors should interpret Louis Vuitton's collaborations in light of both the brand's strategy and LVMH's resource allocation, as these factors drive decisions and outcomes.

Within the portfolio, individual brands hold distinct positions across product categories, consumer segments, and price points. Some brands focus on specific luxury categories, such as leather goods, fashion, jewelry, or wines and spirits, which allows the group to have a broad and diversified presence in the global luxury market (LVMH, 2025; Kapferer, 2015). This portfolio breadth serves as a key value-creation mechanism, allowing LVMH to exploit demand across multiple luxury segments simultaneously while maintaining the distinct positioning of individual brands (Kapferer, 2015; Chevalier & Mazzalovo, 2012). It also provides a natural hedge; when one segment faces headwinds, the strength of another segment can offset the impact at the group level. For investors, this diversification means that the financial impact of a single brand's collaboration announcement is not assessed in isolation, but in relation to how it affects the balance and earnings performance of the group's overall portfolio.

At the group level, portfolio strategy shapes capital and strategic investment allocation across brands. LVMH allocates resources to brands with the greatest growth potential, the strongest market position, or the greatest strategic importance for entering new markets (LVMH, 2025; Koller et al., 2020). Centralized capital allocation gives brands a stable financial foundation for long-term investments in design, marketing, and expansion. For Louis Vuitton, this means continued investment in flagship stores, artistic collaborations, and global campaigns.

From a financial perspective, this approach helps the group balance short-term performance with long-term brand equity (Koller et al., 2020). For investors, Louis Vuitton's collaboration announcements highlight LVMH's current strategic investment areas, offering clear indicators of where growth priorities lie. Portfolio management informs how investors gauge the group's value and growth trajectory. Investors and analysts assess individual brand results as concrete measures of the group's strategic strength (Keller, 2013; Lev, 2001).

In diversified luxury groups, some brands disproportionately impact valuation. For investors, the key point is that Louis Vuitton generates most of LVMH's fashion and leather goods revenue and profit, so its strategic decisions and announcements weigh more heavily. Analysts and institutional investors pay closer attention to Louis Vuitton than to other maisons, amplifying its influence. This concentration makes Louis Vuitton analytically compelling but limits the direct applicability of its findings to other LVMH group companies or brands.

3.3.2 Strategic risk dimension

Brand collaborations create visibility and foster creative energy, but for investors, they introduce strategic uncertainty that demands immediate assessment once announced. Investors must quickly evaluate the unpredictable outcomes driven by external partners, whose traits and market interpretations shape results (Park et al., 1996). Each announcement is an information-rich event requiring investors to judge brand compatibility, reputational alignment, and strategic fit despite limited information (Spence, 1973; Ross, 1977). For investors, a collaboration announcement resembles a strategic gamble, unlike routine earnings reports, as its success depends on hidden factors. The following risks and benefits are crucial variables investors consider when interpreting abnormal returns, which H2 and H3 analyze.

The main risk in luxury brand collaborations is brand dilution. Luxury brands' value relies on intangible assets—brand equity, heritage, and exclusivity. These assets are hard to restore once damaged (Kapferer & Bastien, 2012; Keller, 2013). Collaborations with non-traditional partners or those that increase product accessibility can weaken exclusivity. Louis Vuitton's 2017 partnership with Supreme shows this. It attracted media attention and commercial success but also risked diluting the brand by linking it with a mass-market label. Investors faced uncertainty over whether long-term reputational harm would outweigh short-term gains. This was unclear at the announcement and surfaced as consumer reactions, resale trends, and brand performance data emerged. Financially, concerns about dilution affect expectations for pricing power and future cash flows, both of which are key to company valuation (Koller et al., 2020). This risk is most important for brands where exclusivity drives premium prices. This helps explain why heritage luxury brands may elicit more negative investor reactions than accessible brands.

Closely related to dilution risk are reputation spillover effects. Three key risks stand out: (1) Reputation transfer—when brands collaborate, consumers and investors may shift their positive or negative perceptions between partners, meaning a partner's uncertainty or value misalignment can weaken the luxury brand's valuation (Simonin & Ruth, 1998; Park et al., 1996). (2) Demand diversion—collaborative products that are lower-priced or more widely available can divert demand from high-margin core items, reducing profitability (Desai & Keller, 2002; Kapferer, 2015). (3) Investor uncertainty—collaborations often cause investors to question whether short-term boosts from new customers (as in the Supreme collaboration) will lead to sustained long-term demand, especially compared to traditional Louis Vuitton patrons. These risks increase uncertainty around the brand's long-term margin profile and can lead to more variable abnormal returns, particularly across different types of collaborations, such as luxury-to-luxury versus cross-industry pairings.

A third risk concerns strategic misalignment between the collaboration partner and the luxury brand's identity. Luxury brands are built on coherent brand narratives, aesthetic consistency, and carefully curated creative direction (Kapferer, 2015; Keller, 2013). Partnerships that seem inconsistent with these elements create uncertainty about the brand's strategic positioning and long-term identity (Simonin & Ruth, 1998). This risk is especially pronounced for globally recognized brands such as Louis Vuitton, which are highly visible cultural actors. A collaboration that appears to conflict with the brand's heritage or design philosophy can provoke a strong public reaction. These responses can simultaneously affect consumer perceptions and investor confidence. Collaborations also introduce operational execution risks. These include supply chain complexity, quality management challenges, and the risk of delays in limited-edition production. Such issues may undermine consumer experience and increase short-term investor uncertainty, regardless of strategic fit (Caniato et al., 2011; Brun & Castelli, 2008). These execution risks are often overlooked but are real. A poorly executed limited-edition drop—through stock shortages, quality inconsistencies, or logistical failures—can damage consumer trust in ways that outlast the collaboration itself.

Against these risks, collaborations can convey strong, positive signals. In the luxury sector, brands must balance heritage and creative renewal. Collaborations with artists, designers, or influential partners signal three dynamics. First, a brand's ability to evolve and stay relevant in a changing fashion environment (Kapferer, 2015; Ko et al., 2019). Second, opportunities for market expansion, especially reaching younger or underrepresented markets. Third, brand revitalization as a creative influence boosts demand. The Kusama collaboration in 2023 demonstrates these effects. By partnering with a renowned artist, Louis Vuitton signaled cultural ambition, creative confidence, and commitment to artistic dialogue. Investors may see well-aligned collaborations as credible evidence of ongoing cultural relevance and competitiveness. Such collaborations can yield positive abnormal returns, reflecting higher expected future cash flows.

The balance between dilution risk and growth signal assigned by investors is likely to differ between established brands like Louis Vuitton and lesser-known luxury brands. Louis Vuitton's long record of selective collaborations, such as with Stephen Sprouse and Yayoi Kusama, provides high signaling credibility and strategic discipline. This shapes how investors interpret even unconventional collaborations. In contrast, less established brands lack this history. Investors then place greater emphasis on potential downside risk. While collaboration announcements can yield positive abnormal returns if the growth signal exceeds dilution risk, brands without Louis Vuitton's established credibility face a higher threshold for positive valuation effects.

Taken together, these points show that luxury brands' collaboration announcements are strategically ambiguous information events. They may signal innovation, market expansion, and cultural relevance. They may also pose risks such as brand dilution, reputation spillover, misalignment, and operational execution hurdles. This dual signaling makes collaborations suitable for event study analysis. The cross-sectional variation in abnormal returns reflects the market's full assessment of competing signals. This provides the empirical basis for testing H2 and H3 in the following analysis.

3.3.3 Event sample context

Over time, Louis Vuitton has strategically collaborated with designers, artists, and brands to launch limited-edition collections and projects. These collaborations maintain the brand's cultural relevance and drive innovation in luxury fashion (LVMH, 2025). Public announcements, multi-channel media coverage, and international launches consistently make these events highly visible to consumers and financial market participants.

From a research perspective, Louis Vuitton's collaboration announcements provide a prime setting for event study analysis. The brand's high media visibility ensures these announcements are quickly and widely observed, fulfilling the informational efficiency

assumption of event studies (MacKinlay, 1997; Fama, 1970). As LVMH's flagship brand, Louis Vuitton attracts intense investor and analyst attention, making market reactions more measurable. Focusing on a single brand reduces sample heterogeneity, allowing market effects to be more confidently linked to the announcements themselves.

The empirical event dataset covers publicly announced Louis Vuitton collaboration launches from 2017–2025 that satisfy strict inclusion criteria. Events must represent strategic collaborations, feature clearly time-stamped media evidence, and receive enough media coverage to qualify as information events for event study purposes. These requirements ensure the selection of events that are both significant and well-defined, so their effects can be robustly measured through abnormal returns (MacKinlay, 1997). The time frame spans several market conditions, including both pre- and post-pandemic periods, enabling more generalizable and resilient findings.

Focusing on a single brand brings limits to external validity. Analyzing only Louis Vuitton controls for firm-specific heterogeneity but restricts findings to similar brands. Louis Vuitton's unique media reach, signaling power, and integration in a major conglomerate are not typical of all luxury brands. A multi-brand analysis would be needed to test whether these findings generalize beyond these brands. Thus, this study provides a clear upper bound for collaboration announcement effects on investor expectations—smaller, more variable results likely exist for brands with less visibility or experience. Chapter 4 details the event selection, estimation period, and methodological approach for examining stock market reactions.

4 Data and methodological framework

This chapter presents the data and methods used to examine investor reactions to Louis Vuitton collaboration announcements. The empirical design draws on signaling theory and the semi-strong form of the Efficient Market Hypothesis, both discussed in the theoretical framework. First, the chapter introduces the data and constructs the sample, justifying their suitability. Then, it defines variables and presents descriptive statistics. It next outlines methodological choices: the event study framework and the cross-sectional regression model. The chapter explains why each method is suited to the research questions. It addresses limitations and presents robustness checks at the end.

4.1 Data description

This study uses event-level, market-level, and firm-level data to evaluate investor reactions to Louis Vuitton collaboration announcements through an event-study framework. Event-level data shows the exact timing of each announcement, which helps identify information shocks. Market-level data detects abnormal returns during announcement windows. Firm-level data support cross-sectional analysis to find drivers of observed returns. Each collaboration announcement is treated as a separate event that may shift investor expectations. Since Louis Vuitton is not publicly listed, reactions are assessed through the stock price of its parent, LVMH Moët Hennessy Louis Vuitton SE (*Euronext Paris: MC*). This proxy allows inference about Louis Vuitton's impact on investor opinion, given LVMH's significant exposure to the brand.

The dataset contains announcement dates, daily LVMH stock prices, and market index returns. Stock prices came from a financial data provider. Market index returns are used to estimate expected returns in the event study. Because LVMH is mainly listed on Euronext Paris, the CAC 40 was chosen as it reflects large-cap French equities. The analysis covers collaboration events from 2017 to 2025. This period yields 30 events and maintains relative market homogeneity. During this time, the luxury industry saw no

structural shift, and LVMH's disclosure practices remained consistent. This supports event comparability.

4.1.1 Sample selection

This study's sample includes 30 Louis Vuitton collaboration announcements from 2017 to 2025. These were identified through systematic searches of public sources, including company press releases, LVMH investor updates, and established industry media such as WWD and Vogue Business. To ensure full coverage, keywords such as "Louis Vuitton collaboration," "Louis Vuitton x," and "Louis Vuitton partnership" were used. Google AI search tools helped identify potential announcements, which were then verified with primary sources.

For this study, a brand collaboration is a public, strategic initiative. Louis Vuitton teams with an external, independently identifiable partner to develop, co-create, or co-brand a product, collection, or other brand-linked concept. These collaborations are clear, public, and involve partners whose reputation, expertise, or resources add value. All announcements were initially recorded as candidate events before applying the final selection criteria.

An event was included in the final sample if it met all criteria: (i) Louis Vuitton is the focal brand with at least one external partner; (ii) the event is publicly announced through the company's channels or a reliable third-party media source; (iii) the announcement is for a new collaboration, not a continuation or reissue; and (iv) a clear announcement date aligns with stock market trading days.

If the announcement fell on a non-trading day, the event date was set to the next trading day to ensure consistency with stock market data. An event was excluded from the final sample if any of the following conditions applied: (i) the initiative did not involve an external partner, such as purely internal creative projects or solo brand campaigns; (ii)

the event was a reissue, anniversary release, or continuation of a previous collaboration rather than a new partnership; or (iii) the announcement coincided with major firm-level disclosures, including earnings announcements, mergers and acquisitions, significant guidance updates, or executive changes.

To further reduce overlapping information effects, collaboration announcements were excluded if any confounding firm-level events occurred within a window of five trading days before or after the announcement date. This event window was defined as ± 5 trading days. This restriction aimed to strengthen internal validity, ensuring that observed abnormal returns could be attributed more reliably to collaboration announcements than to other corporate news.

Table 1. lists all 30 final-sample collaboration events. For each event, the table shows the partner, announcement year, CAR over a ± 5 trading-day window, surprise classification, and partner category used in the regression.

Table 1. Louis Vuitton collaboration events included in the sample (2017–2025).

COLLABORATION	YEAR	CAR	SURPRISE	CATEGORY
LV x Kari Voutilainen	2025	-0.041	Yes	Artists & Culture
LV x Takashi Murakami	2025	-0.007	No	Artists & Culture
LV x Pat McGrath	2025	-0.105	Yes	Fashion Brands
LV x Real Madrid	2025	-0.015	Yes	Sports & Competitions
LV x Sun Yitian	2024	-0.177	Yes	Artists & Culture
LV x Timberland	2024	-0.024	Yes	Fashion Brands
LV x Tyler the Creator	2024	-0.053	Yes	Music & Pop-Culture
LV x America's Cup	2024	-0.046	No	Sports & Competitions
LV x Formula 1	2024	-0.025	No	Sports & Competitions
LV x Pharrell Williams	2023	0.009	No	Artists & Culture
LV x Frank Gehry	2023	0.021	No	Artists & Culture
LV x Dan Carter	2023	-0.068	Yes	Sports & Competitions
LV x Yayoi Kusama	2023	0.036	No	Artists & Culture
LV x NBA	2022	0.050	No	Sports & Competitions
LV x Nike Air	2022	-0.006	No	Fashion Brands
LV x NBA Capsule	2021	-0.008	Yes	Sports & Competitions
LV x Fornasetti	2021	-0.053	No	Artists & Culture
LV x BTS	2021	0.005	Yes	Music & Pop-Culture
LV x Artycapucines (3)	2021	0.006	No	Artists & Culture
LV x Nigo	2020	0.035	No	Fashion Brands
LV x Artycapucines (2)	2020	-0.019	No	Artists & Culture
LV x Urs Fischer	2020	0.041	No	Artists & Culture
LV x Riot Games	2019	-0.054	Yes	Sports & Competitions
LV x Alex Israel	2019	0.022	No	Artists & Culture
LV x Artycapucines (1)	2019	0.014	No	Artists & Culture
LV x FIFA World Cup	2018	0.034	No	Sports & Competitions
LV x Grace Coddington	2018	0.013	No	Fashion Brands
LV x Hiroshi Fujiwara	2017	0.041	No	Fashion Brands
LV x Supreme	2017	0.052	Yes	Fashion Brands
LV x Jeff Koons	2017	0.045	No	Artists & Culture

4.1.2 Variables

This study uses one dependent and several event-specific explanatory variables to assess how collaboration announcements signal information to the market. Variable selection is guided by signaling theory, which holds that firms' observable strategic actions communicate information about firm quality, strategic direction, and management expectations amid asymmetric information (Spence, 1973).

The dependent variable, *cumulative abnormal return (CAR)*, measures the stock market's reaction to collaboration announcements. CAR is the sum of abnormal returns within a set window around the announcement date. Abnormal return is the difference between the firm's actual and expected stock returns, as estimated by a chosen market model. From a signaling perspective, CAR shows how investors interpret the announcement: a positive reaction signals credibility and value, while a negative or insignificant reaction suggests perceived weakness or uncertainty.

The main explanatory variables capture features of the collaboration announcements that may affect their signaling strength. Collaborations act as strategic signals through which a firm communicates partner choice, strategic fit, and possible future development. According to signaling theory, the effect of these signals varies with how new, visible, and unexpected the information is (Spence, 1973).

One key event-level variable captures the degree of *surprise* for each announcement. This binary indicator equals 1 if no prior news, leaks, or related information about the collaboration was found within a ± 5 trading-day window before the official announcement, and 0 if the announcement was preceded by media coverage, rumors, or other signals that may have prepared investors. Coding followed a structured procedure: systematic keyword searches were conducted across the same media sources used for sample collection within the ± 5 trading-day pre-announcement window. Events were coded as surprise (1) if no relevant coverage was found, and as non-surprise (0) if at least one article reporting or speculating about the collaboration

appeared beforehand. All coding decisions were documented and reviewed for consistency. Although this measure cannot directly observe individual investor expectations, it provides a replicable and transparent proxy for informational novelty. This distinction is central in event study research, as only genuinely new information is expected to elicit a stronger price reaction. Thus, the surprise variable serves as a structured proxy for the market's likely perception of the announcement's unexpectedness.

In addition, the analysis considers each collaboration announcement's *media visibility*. Media visibility, reflecting the public attention an event receives, may strengthen an announcement's signaling effect by increasing investor awareness and perceived importance. Media visibility is quantified as the number of news articles covering the collaboration within a ± 5 trading day window of the announcement date. Articles were found through systematic searches of international business and fashion media. Only articles with collaboration as a central or clearly identifiable topic are included; duplicates and brief, unsubstantial mentions are excluded.

While media visibility does not directly measure investor attention, it reasonably proxies how prominently an announcement is presented. Events with broader media coverage are more likely to attract investor and analyst attention, potentially increasing their impact on stock prices. This measure inevitably involves judgment when identifying relevant articles and assessing coverage intensity, which should be kept in mind when interpreting results.

Together, the three variables create a coherent measurement framework that directly reflects the theoretical model. CAR is the outcome variable predicted by theory to respond to strong signals, while surprise and media visibility are signal characteristics expected to moderate that response. This deliberate theory-measurement alignment ensures that regression results can be interpreted within the signaling framework rather than as merely descriptive associations.

4.1.3 Descriptive statistics

Table 2. presents descriptive statistics for the main variables. The mean CAR of -0.009 is slightly negative but very close to zero. This is broadly consistent with the semi-strong EMH: in an efficient market, publicly announced collaborations should not, on average, generate systematic positive abnormal returns, as the market cannot be repeatedly surprised by the same type of event. From a signaling theory perspective, the near-zero mean further suggests that collaboration announcements as a class do not carry a uniformly strong signal. The market appears to distinguish between events rather than react uniformly, a pattern that motivates examining cross-sectional variation rather than simply testing whether the average CAR differs from zero.

The standard deviation of 0.051 is the key figure here. It shows that individual events produce meaningfully different market outcomes, with CAR values ranging from -0.177 to $+0.052$. Signaling theory predicts exactly this kind of heterogeneity: signal strength depends on novelty, visibility, and credibility, all of which vary across announcements. The large negative outliers, visible in Figure 7, are consistent with events where the market interpreted the collaboration as a weak or value-destroying signal, perhaps because it was anticipated, leaked in advance, or perceived as strategically misaligned. Roughly 37% of announcements are classified as surprise events, showing a mix of anticipated and unanticipated collaborations.

This split provides the variation needed for the regression to detect differences between the two groups. In signaling terms, the expectation is that the 37% of genuinely surprising announcements carry stronger informational content and therefore produce larger absolute CAR values than anticipated events. The descriptive data are consistent with this prediction, though the regression analysis in the following chapters formally tests it.

Table 2. Descriptive statistics of the main variables.

Variable	Mean	Std.Dev.	Min	Max
CAR	-0.009	0.051	-0.177	0.052
Surprise	0.367	0.490	0	1

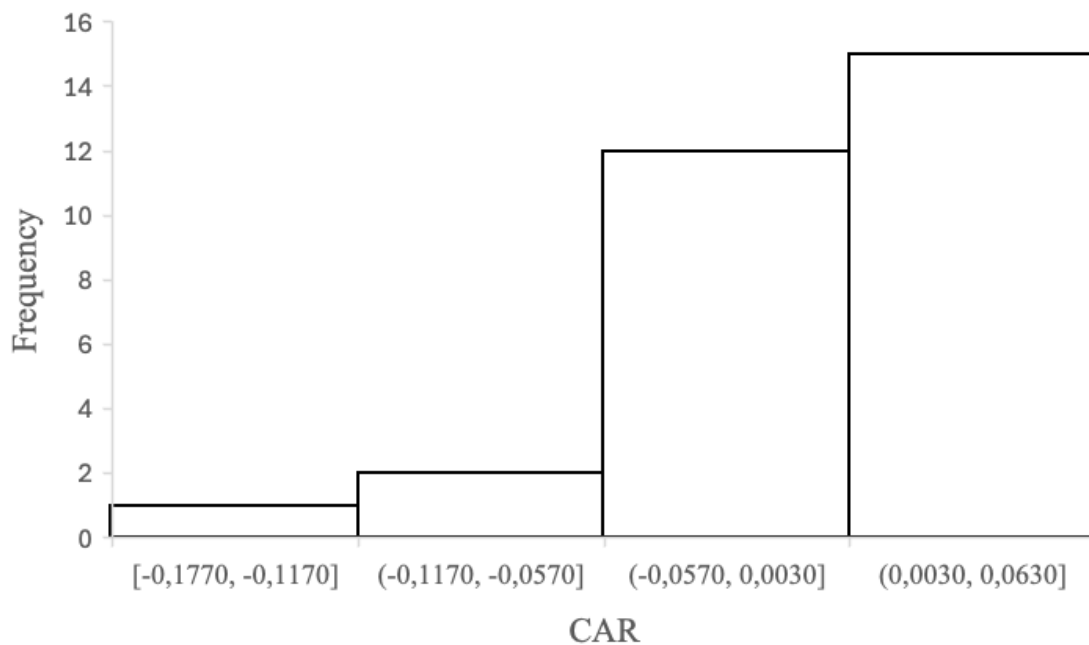
Table 3. presents the distribution of events across four partner categories: Fashion Brands (7), Artists & Culture (13), Music & Pop-Culture (2), and Sports & Competitions (8). Artists & Culture collaborations, the most common, reflect Louis Vuitton’s well-documented strategy of associating with contemporary art to reinforce brand prestige (Kapferer & Bastien, 2012). The unequal distribution is notable, as the Music category contains only two events. Consequently, the regression coefficient for Music is not statistically reliable, so conclusions about the impact of Music collaborations should be regarded with caution, as discussed in the limitations section.

Table 3. Distribution of collaboration events by category.

Category	Number of events
Fashion Brands	7
Artists & Culture	13
Music & Pop-Culture	2
Sports & Competitions	8
Total	30

Figure 7. shows the distribution of CAR values across the full sample. The distribution is roughly centred near zero with a slight left skew, driven by a small number of events with large negative abnormal returns. This pattern reinforces the descriptive statistics: most collaboration announcements generate only modest price reactions, while a few events produce pronounced negative returns. Identifying these outliers is relevant both for interpreting the regression results and for the robustness checks discussed in section 4.2.4.

Figure 7. Distribution of cumulative abnormal returns (CAR).



4.2 Methodology

This study uses two methods to examine investor reactions to brand collaboration announcements. First, the event study, a standard tool in financial economics, isolates stock price movements tied to specific informational events (Brown & Warner, 1985; MacKinlay, 1997). Here, it captures changes in LVMH's stock price around Louis Vuitton collaboration announcements. Next, cross-sectional regression analyses examine why

reactions differ, assessing whether factors such as surprise or media coverage systematically relate to abnormal returns. The event study shows whether a market reaction exists; the regression identifies its drivers. Together, these approaches yield findings relevant to academic research on brand signaling and practical decisions by luxury brand managers and investors.

4.2.1 Event study

The event study methodology is used to measure the stock market reaction to brand collaboration announcements by identifying abnormal returns around the announcement date. Abnormal returns represent the portion of stock returns that cannot be explained by general market movements and are therefore interpreted as the market's response to new information (MacKinlay, 1997).

The abnormal return (AR) for firm i on day t is defined as the difference between the observed return and the expected return.

$$AR_{it} = R_{it} - E(R_{it})$$

Where:

R_{it} denotes the actual return of firm i on day t ;

$E(R_{it})$ represents the expected return estimated

Cumulative abnormal returns (CARs) capture the total market reaction over a given period. CAR is the sum of abnormal returns during the event window.

$$CAR_I(t_1, t_2) = \sum_{t=t_1}^{t_2} AR_{it}$$

Cumulative abnormal returns provide a measure of the total price effect associated with the event and are commonly used to assess the economic significance of market reactions in event study analyses (Brown & Warner, 1985). Expected returns are estimated using the market model, which assumes a linear relationship between the return of an individual stock and the market portfolio.

The market model is specified as follows:

$$E(R_{it}) = \alpha_i + \beta_i R_{mt}$$

Where:

R_{mt} denotes the return on the market index on day t ;
 α_i and β_i are firm-specific parameters estimated using ordinary least squares regression over the estimation window.

The market model is a standard approach in event study research because it controls for market-wide movements while remaining parsimonious and empirically robust (MacKinlay, 1997).

The event study relies on the semi-strong form of the Efficient Market Hypothesis (EMH). This hypothesis holds that stock prices promptly incorporate all publicly available information (Fama, 1970; Fama, 1991). It provides a sound theoretical foundation for interpreting abnormal returns. Under the EMH, a positive CAR following a collaboration announcement reflects genuine value creation. Conversely, a near-zero CAR suggests the information was already anticipated or deemed immaterial.

The market model is deliberately chosen over simpler models, such as the mean-adjusted return model, because it accounts for LVMH's systematic risk exposure (beta) and reflects how LVMH, as a large-cap stock, moves with the overall market. This

prevents overstating abnormal returns and ensures accurate conclusions (Fama, 1970; Fama, 1991).

Publicly announced brand collaborations should be incorporated into stock prices without systematic delay. Abnormal returns observed near the announcement date can be interpreted as the market's response to the information. Focusing on a short time window around the event helps capture investor reactions. It also reduces the chance that unrelated news will affect the results. We set the estimation window from -250 to -30 trading days relative to the announcement date. This length follows standard practice in event study research and provides enough data points to reliably estimate the market model parameters using OLS (Brown & Warner, 1985).

The buffer window is the period from the end of the estimation window (-30) to the start of the event window (-5). This buffer prevents pre-announcement price movements from influencing estimates for abnormal returns. The event window covers ± 5 trading days around the announcement, from five days before (-5) to five days after ($+5$) the announcement. This choice is motivated by three factors. First, it is long enough to capture price reactions from information leakage or early media coverage. Second, it accommodates investors' gradual responses after the announcement, reflecting the nature of collaborative news. Third, a 11-day window reduces the risk that unrelated corporate events affect abnormal returns. The ± 5 window is standard in event studies of corporate communication events (Brown & Warner, 1985; MacKinlay, 1997), supporting its use in this study.

4.2.2 Multiple linear regression model

To examine what drives variation in abnormal returns across events, a cross-sectional multivariate regression model, estimated by ordinary least squares (OLS), is used. Each observation is a single collaboration announcement. OLS is appropriate because the dependent variable, cumulative abnormal return (CAR), is continuous and the sample

has no panel structure. The dependent variable, CAR, refers to the cumulative abnormal return over the event window (-5, +5). The main explanatory variables are the surprise indicator, which equals 1 if the announcement was unexpected under predefined criteria, and dummy variables for the collaboration partner's industry. Dummy coding is used because the industry variable is nominal; treating it as ordered would impose an arbitrary ranking.

The classification of collaboration partners into Fashion Brands, Artists & Culture, Music & Pop-Culture, and Sports & Competitions is intentionally broad. This structure may not fully capture nuanced differences in strategic fit, collaboration depth, or brand positioning, but it provides a consistent and workable framework for empirical analysis. A more detailed categorization could offer additional insights. However, with a small sample size, broader groupings help ensure that each category contains enough observations to support meaningful statistical analysis.

The model is specified as follows:

$$CAR_i = \beta_0 + \beta_1 Surprise_i + \beta_2 Artist_i + \beta_3 Music_i + \beta_4 Sports_i + \varepsilon_i$$

Where:

CAR_i = cumulative abnormal return for event i ;

$Surprise_i$ = dummy variable that equals 1 if the collaboration was unexpected, and 0 otherwise;

$Artist_i$, $Music_i$, $Sports_i$ = Dummy variables representing the collaboration category;

β_0 = intercept;

$\beta_1 \dots \beta_4$ = estimated regression coefficients

ε_i = error term capturing unobserved heterogeneity.

The industry variable is categorical, so it was transformed into a set of dummy variables for the analysis. To avoid perfect multicollinearity, one category was excluded from the regression and used as the reference group. In this study, *fashion* serves as the baseline category, meaning that the coefficients for the other industries reflect differences in CAR compared to fashion collaborations.

The intercept, β_0 , represents the expected CAR when the collaboration falls within the reference category (Fashion), and the release is not considered surprising (Surprise = 0). The coefficient β_1 captures the average effect of surprise on CAR while holding other factors constant. In turn, the coefficients β_2 , β_3 , and β_4 describe the average differences in CAR relative to the fashion category.

The model parameters were estimated using OLS. The method minimizes the sum of squared residuals between observed and fitted values. Statistical significance was evaluated using t-tests for individual coefficients and an F-test for the model's overall explanatory power. Model fit was examined using both the R^2 and the adjusted R^2 .

4.2.3 Methodological limitations

One limitation of the empirical design is the small sample size ($n = 30$). Although this is common in event-based research focusing on specific corporate announcements (MacKinlay, 1997; Brown & Warner, 1985), it may reduce statistical power and make it harder to detect small effects, especially when multiple explanatory variables are included. The limited observations also limit how collaboration characteristics can be categorized without weakening the reliability of the estimates (Cohen, 1988).

The analysis also focuses on a single parent company, LVMH, which may limit the generalizability of the findings to other firms or industries. Some explanatory variables, such as surprise and media visibility, use observable proxies to approximate investor expectations and public attention, rather than measuring them directly. While these

measures offer a practical way to capture hard-to-measure concepts, some simplification is inevitable and common in empirical research based on signaling theory (Spence, 1973).

Although care was taken to exclude announcements overlapping with major firm-level news, some overlapping information effects may remain. This is a recognized challenge in event study designs (McWilliams & Siegel, 1997; MacKinlay, 1997). The strict event selection process and careful screening of potentially confounding announcements were intended to strengthen internal validity. The final sample represents a balance between data availability, rigorous event identification, and the need for a clean empirical setting. Findings can be considered internally valid within the LVMH context, but should not be over-generalized to other firms or sectors without replication (MacKinlay, 1997).

4.2.4 Robustness checks

As a robustness check, the analysis was repeated using an alternative event window of (-3, +3), comprising seven trading days around the announcement date. The same estimation window and market model parameters were applied in both specifications, ensuring a clean comparison. The results are consistent with the main findings across all three dimensions examined.

First, the directional pattern in mean CARs is preserved. Surprising collaboration announcements remain associated with negative cumulative abnormal returns (-4.44% in the main window, -2.11% in the alternative), while non-surprising announcements continue to generate positive returns (+1.11% and +0.94%, respectively). Importantly, the difference between the two groups remains statistically significant in both windows ($t = -2.85$ and $t = -2.29$). As expected, the magnitudes are smaller in the narrower window, reflecting the reduced accumulation period.

Second, the proportion of positive and negative CARs reinforces this pattern. In the main window, 82% of surprising announcements produced negative CARs compared to only 32% of non-surprising ones. In the alternative window, the gap narrows but persists: 55% of surprising events produce negative CARs, compared with 32% for non-surprising events. Non-surprising announcements are positive in 68% of cases in both windows, suggesting a stable underlying pattern.

Third, the scatter plot of individual event CARs across both windows shows broad directional consistency, with most surprising events clustering in negative territory and non-surprising events more evenly distributed across positive values. Taken together, these findings support the robustness of the results to event window specification.

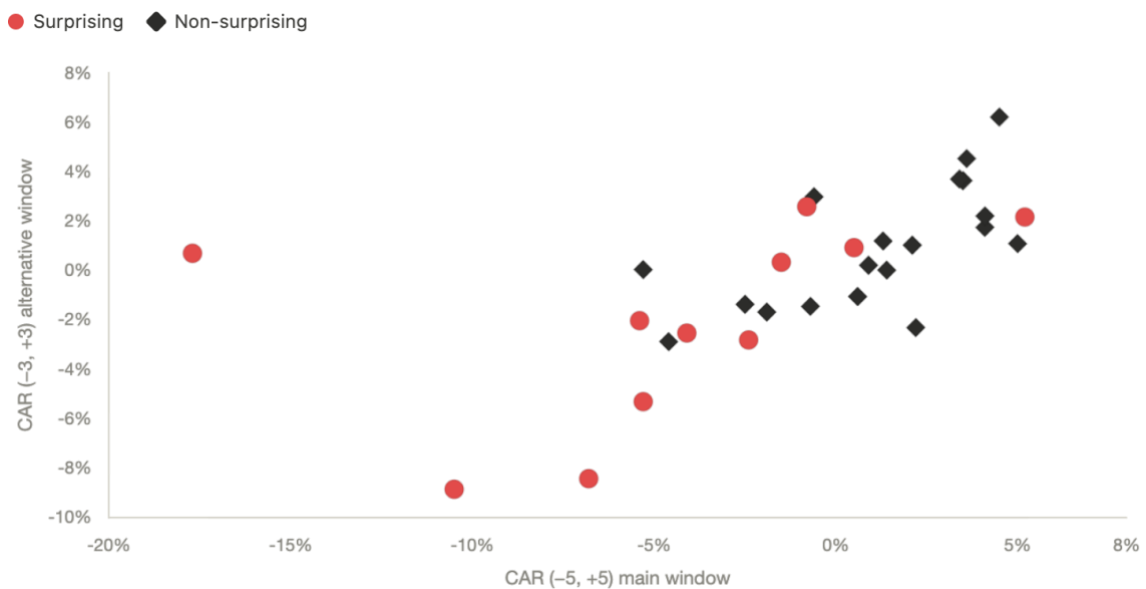


Table 4. CAR comparison across event windows by surprise classification.

Table 4. contrasts individual event CARs for the main (-5, +5) and alternative (-3, +3) windows. Each point marks a collaboration announcement, color-coded by surprise classification. Surprising events (circles) cluster chiefly in negative territory, while non-surprising events (diamonds) concentrate on positive values in both windows.

Table 5. summarises the mean CAR for each group across both windows. Surprising collaborations produce negative average returns in both specifications (-4.44% and -2.11%), while non-surprising collaborations generate positive average returns ($+1.11\%$ and $+0.94\%$), confirming that the directional pattern is robust to event window specification.

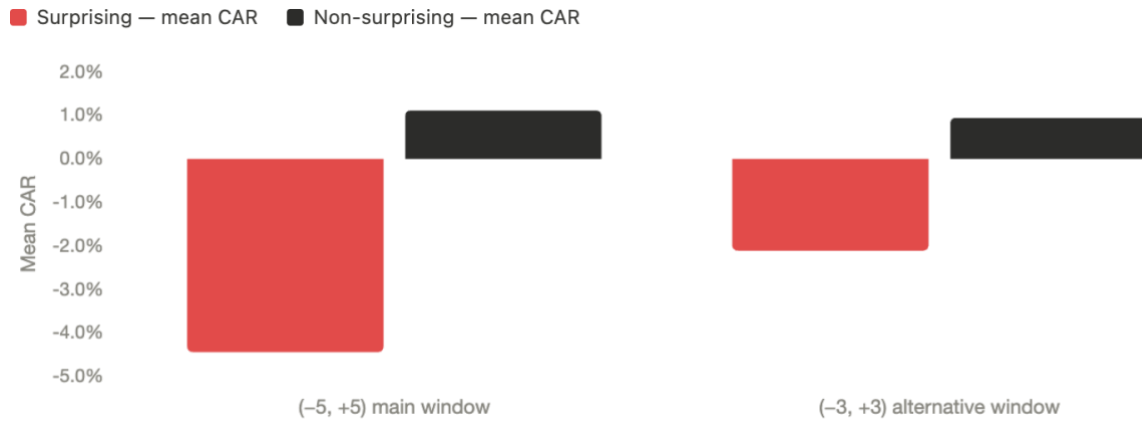


Table 5. Mean CAR by surprise classification across the main (-5, +5) and alternative (-3, +3) event windows. n = 30.

5 Results

This chapter presents the findings of the regression analysis. The aim is to examine whether the level of surprise in Louis Vuitton's collaboration announcements, and the industry of the collaboration partner, help explain differences in cumulative abnormal returns (CAR). The chapter covers the model's overall explanatory power, the estimated coefficients, and the statistical significance of each variable.

5.1 Regression analysis

The regression model explains a moderate share of the variation in CAR values. The coefficient of determination is $R^2 = 0.343$, meaning that approximately 34% of the variation in market reactions is accounted for by the level of surprise and the industry of the collaboration partner. The overall model is statistically significant (F-test p-value = 0.028), confirming that the explanatory variables jointly carry meaningful predictive power.

The intercept represents the expected CAR when the collaboration falls within the reference category (fashion) and is not classified as surprising. Its estimated value is positive ($\beta = 0.029$), implying an average market reaction of roughly +2.9% within the event window. This coefficient is not statistically significant, however, and should be read as a directional reference point rather than a reliable estimate.

5.2 Interpretation of regression coefficients

The results point clearly to the level of surprise as the main driver of market reactions. The Surprise variable is statistically significant and carries a negative coefficient ($\beta = -0.066$, $p = 0.0018$). This means surprising collaboration announcements are associated with CAR values roughly 6.6 percentage points lower than non-surprising ones, holding

other variables constant. Investors appear to react with greater caution — or outright negativity — when announcements are unexpected.

The industry of the collaboration partner tells a different story. None of the industry categories reach statistical significance. The Artist category shows a slightly negative coefficient ($\beta = -0.027$, $p = 0.214$), suggesting marginally lower returns relative to fashion collaborations. The Music category is weakly positive ($\beta = 0.013$, $p = 0.718$), while Sports is slightly negative ($\beta = -0.013$, $p = 0.584$). In all three cases, the effects are small and statistically indistinguishable from zero.

Taken together, these findings suggest that *what* is announced matters more than *who* the partner is. The surprise dimension drives investor response; the partner's industry does not. One important caveat applies: with only 30 observations, the model has limited statistical power. Differences across collaboration categories may exist but remain undetectable at this sample size.

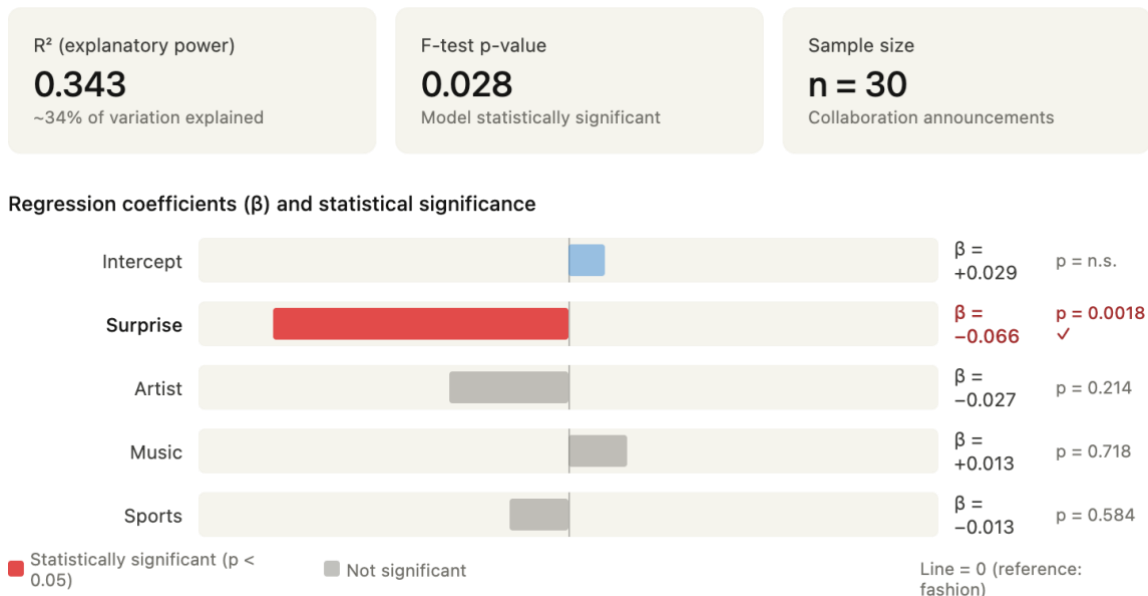


Table 6. Regression coefficients (β) by variable.

Table 6. summarizes the regression coefficients visually. The reference category is a non-surprising fashion collaboration, which serves as the baseline against which all other coefficients are compared ($\beta = 0$). In practical terms, when Louis Vuitton announced a fashion collaboration that the market did not find surprising, the average CAR within the event window was approximately +2.9%. This represents the typical case: a familiar type of partner with no shock to investors. Each remaining coefficient indicates how much the market reaction deviated from this starting point, either upward or downward.

6 Discussion

This study assesses how financial markets react to luxury brand collaborations, focusing on Louis Vuitton. The results reveal how investors interpret these announcements as strategic signals and how this translates to stock market responses.

Collaboration announcements are associated with positive abnormal returns, but this effect is not statistically significant. This indicates that such events hold value-relevant information, but their impact is inconsistent. Consistent with the efficient market hypothesis, only announcements that are genuinely novel and economically meaningful trigger measurable price changes. If collaborations are anticipated or offer little fresh information, markets tend not to react.

A key finding is that surprise in announcements has a statistically significant negative effect on cumulative abnormal returns. Contrary to expectations, more surprising collaborations generate weaker market responses. This suggests that not all signals reduce uncertainty; instead, unexpected collaborations may raise concerns about strategic fit, brand consistency, and long-term value.

This interpretation holds particular significance in luxury, where brand consistency and exclusivity drive value. Unexpected collaborations raise concerns about brand dilution or misalignment, prompting investors to react cautiously. Instead of rewarding novelty, markets tend to penalize deviations from established brand positions when future benefits are unclear.

The partner industry has no statistically significant impact on market reaction. Investors do not systematically value collaborations with artists, musicians, or sports figures differently. This may be because Louis Vuitton's reputation and coherence matter more to investors than the partner's attributes. It could also reflect sample limitations.

From a broader strategic perspective, the findings only partially support viewing collaborations as strong signals of strategic alignment, as the M&A literature suggests. Collaboration announcements are similar to alliances but involve no ownership changes or substantial financial commitment. They may thus be viewed as lower-commitment signals than mergers and acquisitions, which typically have clearer effects on future cash flows and value creation (Jensen & Ruback, 1983; Andrade et al., 2001). This weaker signaling may help explain the modest and varied market reactions observed.

Placed in context, these findings confirm and extend earlier research. Event study literature shows that corporate announcements can move stock prices by conveying value (MacKinlay, 1997; Kothari & Warner, 2007). However, the lack of consistent positive abnormal returns indicates that collaboration announcements function differently from other corporate events. Unlike M&A announcements, which often trigger clear and significant reactions, collaboration announcements are more ambiguous and context-dependent.

The key contribution is highlighting the negative effect of surprise. Prior signaling research assumes unexpected information is positively valued by markets (Spence, 1973; Ross, 1977). In contrast, these results show that, in the luxury industry, novelty can increase perceived risk rather than reduce uncertainty. This supports branding literature that identifies consistency and identity as foundations of brand equity (Kapferer, 2015; Keller, 2013), while challenging the view that innovation is always value-enhancing.

A similar pattern emerges for partner characteristics. The absence of significant effects for partner type contrasts with parts of the co-branding and strategic alliance literature, which emphasize the importance of partner attributes and brand fit in shaping market responses (Rao & Ruekert, 1994; Simonin & Ruth, 1998). This points to a divergence between financial market and consumer-focused interpretations of brand

collaborations. Investors appear to focus less on the identity of the partner and more on the overall strategic coherence of the focal firm.

Overall, brand collaboration announcements send complex, context-sensitive signals to the market. Their impact on firm value depends on how investors interpret credibility, predictability, and fit, highlighting the need to blend financial theory with industry context in luxury fashion.

6.1 Limitations

This section discusses the key limitations of the study. It builds on the methodological constraints outlined in Section 4.2.3. While the empirical design follows established practices in event study research, several factors should be considered when interpreting the results. These factors relate to sample size, research scope, measurement choices, and the inherent constraints of event study methodology.

The relatively small sample size ($n = 30$) is an inherent limitation. Sample sizes of this kind are common in event studies focusing on specific corporate announcements (MacKinlay, 1997; Brown & Warner, 1985), but they reduce statistical power and limit the ability to detect smaller or more nuanced effects. This is particularly relevant when multiple explanatory variables are included, as it constrains the robustness of cross-sectional comparisons. The study also focuses exclusively on Louis Vuitton within the LVMH group. This improves internal consistency and reduces firm-level heterogeneity, but limits the extent to which the findings can be generalized to other luxury brands, firms with different strategic positioning, or industries where collaborations play a different role.

Isolating the pure effect of collaboration announcements presents a further challenge. Efforts were made to exclude events coinciding with major firm-specific news. Still, fully eliminating the influence of overlapping information is difficult. Event studies are

sensitive to confounding events that may also affect stock prices (McWilliams & Siegel, 1997; MacKinlay, 1997). The measurement of key variables adds further limitations. Variables such as surprise and visibility rely on observable proxies—specifically, measurable indicators such as abnormal trading volume and media coverage—rather than direct measures of investor expectations or attention. These proxies are widely used. However, they simplify complex constructs and may not fully capture how investors process new information. Restricting the sample to publicly listed collaboration partners may also introduce selection bias. Collaborations involving private or less visible firms are excluded.

Finally, the results may be sensitive to methodological choices within the event study framework. The selection of the event window and the expected return model can both influence the magnitude and significance of abnormal returns (MacKinlay, 1997; Kothari & Warner, 2007). Standard approaches were applied, but alternative specifications could yield different outcomes. The study also focuses on short-term market reactions and does not capture longer-term value implications of collaboration strategies. Event studies are well-suited to identifying immediate investor responses, but they do not provide direct evidence on whether collaborations contribute to sustained financial performance or long-term brand value.

6.2 Future research proposal

Given the limitations above, several future research avenues arise—sample scope, methodological design, and measurement of collaboration outcomes.

First, future studies should expand the sample to include multiple luxury groups—such as Kering, Richemont, and Capri Holdings. This would improve generalisability and facilitate direct comparisons across brand portfolios, strategies, and market positions. Studies should also include firms with varying brand strength and global visibility to examine how these characteristics influence investor reactions.

Second, future research should specifically examine whether collaborations have a sustained positive impact on firms by comparing short-term event study results with long-term outcomes measured through accounting-based indicators such as revenue growth, profitability, and changes in brand value. This approach would clarify if initial market reactions reflect true long-term value creation.

Third, future studies could incorporate consumer-level and operational outcomes alongside financial market data. Brand collaborations are closely tied to marketing strategy, cultural relevance, and consumer engagement. Combining financial data with consumer behavior metrics, including brand sentiment, social media engagement, or sales performance, would provide a more complete picture of their overall impact. This would also help bridge the gap between finance and marketing literature on brand collaborations.

Future research could also explore collaborations involving privately held or non-listed partners. The current analysis is limited to publicly observable market data, leaving collaborations with private or purely creative partners underexplored. Alternative performance metrics, such as media visibility, brand exposure, or digital engagement indicators, could allow researchers to analyze a broader set of collaboration types and capture dimensions of value not reflected in stock prices.

Finally, future studies could refine the measurement of key variables such as investor expectations and information novelty. Incorporating analyst forecasts, news sentiment analysis, or high-frequency trading data could provide more precise proxies for surprise and information processing. Testing alternative event windows and expected-return models would further strengthen the robustness of the findings and sharpen the understanding of how methodological choices influence observed market reactions.

6.3 LVMH stock – buy or not?

Deciding whether to buy LVMH stock (MC.PA) based on this study's findings requires careful thought. This section is not a formal investment recommendation. Instead, it considers what the empirical results imply for investors, asking whether Louis Vuitton collaboration announcements provide a consistent, actionable signal in LVMH's stock price.

The findings show that, on average, collaboration announcements do not generate positive abnormal returns for LVMH shareholders. The mean CAR of -0.009 across 30 events is close to zero and slightly negative. This indicates that buying LVMH stock around every collaboration announcement would not be a profitable strategy. This result supports the semi-strong Efficient Market Hypothesis: if markets quickly absorb public information, no persistent abnormal return should result from trading on collaborations alone.

The most significant finding from an investor perspective is the surprise coefficient ($\beta = -0.066$, $p = 0.002$). Contrary to signaling theory's predictions, surprise announcements are associated with lower cumulative abnormal returns than anticipated ones. This suggests that unexpected collaborations are not interpreted by the market as unambiguously positive news. For an investor, this means that monitoring pre-announcement signals and media coverage may be more valuable than reacting to the announcement itself. The partner category variables (Artists & Culture, Music & Pop Culture, and Sports & Competitions) are not statistically significant relative to the Fashion Brands baseline, suggesting that the type of collaboration partner does not systematically drive stock price reactions either.

Despite the absence of a systematic positive effect on average, the wide range of individual CARs (from -0.177 to $+0.052$) indicates that some collaboration events do generate meaningful short-term price movements. An investor who can identify in advance which announcements are likely to be well received could exploit this variation.

Based on the results, anticipated collaborations tend to yield better market outcomes than surprise announcements, suggesting that tracking industry media and brand communications ahead of official announcements can provide useful information for short-term positioning.

It is important to situate these findings within the broader context of LVMH as an investment. Collaboration announcements account for only a small fraction of the information flow that drives LVMH's stock price over time. The company's long-term valuation is primarily driven by earnings growth, margin expansion, macroeconomic conditions affecting luxury demand, and its dominant competitive position across multiple luxury segments. Louis Vuitton's collaboration strategy serves a brand-building purpose (reinforcing desirability, cultural relevance, and pricing power) rather than directly targeting short-term shareholder returns. These brand effects may materialize in financial performance over longer horizons that a short-window event study is not designed to capture. From a fundamental perspective, LVMH remains one of the most structurally sound companies in the global luxury sector, with diversified revenue streams, strong pricing power, and a proven ability to sustain premium brand positioning across economic cycles.

This study shows that buying LVMH stock after collaboration announcements is not a reliable short-term trading strategy. The average market reaction is near zero; surprise announcements often cause negative responses, and no partner category provides a consistent signal. For long-term investors, LVMH's collaboration strategy reflects the brand management approach behind its durable competitive edge. The results show that collaborations add more value by boosting brand equity and long-term pricing power than by delivering immediate stock price gains, which is key in a long-term investment case for LVMH.

7 Conclusion

This thesis examined how financial markets respond to brand collaboration announcements in the luxury fashion industry, with a particular focus on Louis Vuitton. Using event-study methodology and regression analysis applied to announcements between 2017 and 2025, the study assessed whether these announcements convey value-relevant information and how specific collaboration characteristics shape investor reactions.

The findings show that collaboration announcements typically yield positive abnormal returns, though the effect is not statistically significant across all events. This implies that the impact on firm value varies. According to the efficient market hypothesis, only announcements seen as both informative and economically meaningful elicit measurable market reactions.

The most important finding is a statistically significant negative relationship between surprise and cumulative abnormal returns. Contrary to conventional expectations from signaling theory, more surprising announcements are associated with weaker market responses. This pattern is particularly evident in the luxury context, where investors appear to interpret unexpected collaborations as signals of increased uncertainty rather than value creation. As a result, deviations from established brand positioning raise concerns about strategic fit, brand consistency, and long-term value, leading markets to respond accordingly.

By contrast, the type of collaboration partner does not show a statistically significant relationship with market reactions; investor responses are not systematically driven by partner characteristics. Thus, for a dominant brand like Louis Vuitton, what matters most is how the collaboration aligns with the brand's overall strategy and positioning, rather than who the partner is.

Returning to the hypotheses, the results provide mixed support. H1 is partially supported: collaboration announcements are associated with positive average abnormal returns, but the effect is not statistically significant across all events. H2 is not supported: collaboration depth and partner type do not systematically drive market reactions. H3 is partially supported: surprise emerges as a statistically significant driver of abnormal returns, while partner industry does not explain variation in the market response.

Taken together, the results show that brand collaboration announcements serve as informational events in financial markets. Their effects are complex and depend on investor perceptions of credibility, predictability, and strategic alignment. This highlights a broader truth: in luxury fashion, the market prices not only what a brand does, but what it *is*. When a collaboration aligns with brand identity, markets respond with confidence; when it does not, uncertainty arises. For luxury firms, every collaboration signals brand values, and investors always listen.

8 References

Aaker, D. A. (1991). *Managing brand equity: Capitalizing on the value of a brand name*. The Free Press.

Akerlof, G. A. (1970). The market for "lemons": Quality uncertainty and the market mechanism. *The Quarterly Journal of Economics*, 84(3), 488–500.

<https://doi.org/10.2307/1879431>

Andrade, G., Mitchell, M., & Stafford, E. (2001). New evidence and perspectives on mergers. *Journal of Economic Perspectives*, 15(2), 103–120.

<https://doi.org/10.1257/jep.15.2.103>

Bain & Company. (2023). *Luxury goods worldwide market study, fall–winter 2023*.

<https://www.bain.com/insights/luxury-goods-worldwide-market-study-fall-winter-2023/>

Bain & Company. (2024, January 18). *Long live luxury: Converge to expand through turbulence*. <https://www.bain.com/insights/long-live-luxury-converge-to-expand-through-turbulence/>

Barney, J. (1991). Firm resources and sustained competitive advantage. *Journal of Management*, 17(1), 99–120. <https://doi.org/10.1177/014920639101700108>

Brown, S. J., & Warner, J. B. (1985). Using daily stock returns: The case of event studies. *Journal of Financial Economics*, 14(1), 3–31. [https://doi.org/10.1016/0304-405X\(85\)90042-X](https://doi.org/10.1016/0304-405X(85)90042-X)

Brun, A., & Castelli, C. (2008). Supply chain strategy in the fashion industry: Developing a portfolio model depending on product, retail channel and brand. *International Journal of Production Economics*, 116(2), 169–181.

<https://doi.org/10.1016/j.ijpe.2008.09.011>

Caniato, F., Caridi, M., Crippa, L., & Moretto, A. (2011). Environmental sustainability in fashion supply chains: An exploratory case based research. *International Journal of Production Economics*, 135(2), 659–670. <https://doi.org/10.1016/j.ijpe.2011.06.001>

Capron, L., & Mitchell, W. (2012). *Build, borrow, or buy: Solving the growth dilemma*. Harvard Business Review Press.

Chevalier, M., & Mazzalovo, G. (2012). *Luxury brand management: A world of privilege* (2nd ed.). Wiley.

Cohen, J. (1988). *Statistical power analysis for the behavioral sciences* (2nd ed.). Lawrence Erlbaum Associates.

Connelly, B. L., Certo, S. T., Ireland, R. D., & Reutzel, C. R. (2011). Signaling theory: A review and assessment. *Journal of Management*, 37(1), 39–67. <https://doi.org/10.1177/0149206310388419>

Corrado, C., Hulten, C., & Sichel, D. (2009). Intangible capital and U.S. economic growth. *Review of Income and Wealth*, 55(3), 661–685. <https://doi.org/10.1111/j.1475-4991.2009.00343.x>

Das, T. K., & Teng, B.-S. (2000). A resource-based theory of strategic alliances. *Journal of Management*, 26(1), 31–61. <https://doi.org/10.1177/014920630002600105>

Desai, K. K., & Keller, K. L. (2002). The effects of ingredient branding strategies on host brand extendibility. *Journal of Marketing*, 66(1), 73–93. <https://doi.org/10.1509/jmkg.66.1.73.18450>

Fama, E. F. (1970). Efficient capital markets: A review of theory and empirical work. *The Journal of Finance*, 25(2), 383–417. <https://doi.org/10.2307/2325486>

Fama, E. F. (1991). Efficient capital markets: II. *The Journal of Finance*, 46(5), 1575–1617. <https://doi.org/10.1111/j.1540-6261.1991.tb04636.x>

Fama, E. F., Fisher, L., Jensen, M. C., & Roll, R. (1969). The adjustment of stock prices to new information. *International Economic Review*, 10(1), 1–21.

<https://doi.org/10.2307/2525569>

Fang, L., & Peress, J. (2009). Media coverage and the cross-section of stock returns.

The Journal of Finance, 64(5), 2023–2052. [https://doi.org/10.1111/j.1540-](https://doi.org/10.1111/j.1540-6261.2009.01493.x)

[6261.2009.01493.x](https://doi.org/10.1111/j.1540-6261.2009.01493.x)

Gregory, A., & O'Donohoe, S. (2014). Do cross border and domestic acquisitions differ, and does investor protection affect acquirer returns? *Journal of International Financial Markets, Institutions and Money*, 31, 178–202.

<https://doi.org/10.1016/j.intfin.2014.03.010>

Gulati, R. (1998). Alliances and networks. *Strategic Management Journal*, 19(4), 293–

317. [https://doi.org/10.1002/\(SICI\)1097-0266\(199804\)19:4<293::AID-](https://doi.org/10.1002/(SICI)1097-0266(199804)19:4<293::AID-SMJ982>3.0.CO;2-M)

[SMJ982>3.0.CO;2-M](https://doi.org/10.1002/(SICI)1097-0266(199804)19:4<293::AID-SMJ982>3.0.CO;2-M)

Haspeslagh, P. C., & Jemison, D. B. (1991). *Managing acquisitions: Creating value through corporate renewal*. The Free Press.

Hong, H., & Stein, J. C. (1999). A unified theory of underreaction, momentum trading, and overreaction in asset markets. *The Journal of Finance*, 54(6), 2143–2184.

<https://doi.org/10.1111/0022-1082.00184>

Huberman, G., & Regev, T. (2001). Contagious speculation and a cure for cancer: A nonevent that made stock prices soar. *The Journal of Finance*, 56(1), 387–396.

<https://doi.org/10.1111/0022-1082.00330>

Interbrand. (2023). *Best global brands 2023*. <https://interbrand.com/best-global-brands/>

Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*, 3(4), 305–360.
[https://doi.org/10.1016/0304-405X\(76\)90026-X](https://doi.org/10.1016/0304-405X(76)90026-X)

Jensen, M. C., & Ruback, R. S. (1983). The market for corporate control: The scientific evidence. *Journal of Financial Economics*, 11(1–4), 5–50.
[https://doi.org/10.1016/0304-405X\(83\)90004-1](https://doi.org/10.1016/0304-405X(83)90004-1)

Kapferer, J.-N. (2015). *Kapferer on luxury: How luxury brands can grow yet remain rare*. Kogan Page.

Kapferer, J.-N., & Bastien, V. (2012). *The luxury strategy: Break the rules of marketing to build luxury brands* (2nd ed.). Kogan Page.

Keller, K. L. (2013). *Strategic brand management: Building, measuring and managing brand equity* (4th ed.). Pearson.

Kirmani, A., & Rao, A. R. (2000). No pain, no gain: A critical review of the literature on signaling unobservable product quality. *Journal of Marketing*, 64(2), 66–79.
<https://doi.org/10.1509/jmkg.64.2.66.18000>

Ko, E., Costello, J. P., & Taylor, C. R. (2019). What is a luxury brand? A new definition and review of the literature. *Journal of Business Research*, 99, 405–413.
<https://doi.org/10.1016/j.ibusres.2017.08.023>

Koller, T., Goedhart, M., & Wessels, D. (2020). *Valuation: Measuring and managing the value of companies* (7th ed.). John Wiley & Sons.

Kothari, S. P., & Warner, J. B. (2007). Econometrics of event studies. In B. E. Eckbo (Ed.), *Handbook of corporate finance: Empirical corporate finance* (Vol. 1, pp. 3–36). Elsevier.

Lev, B. (2001). *Intangibles: Management, measurement, and reporting*. Brookings Institution Press.

Loken, B., & John, D. R. (1993). Diluting brand beliefs: When do brand extensions have a negative impact? *Journal of Marketing*, 57(3), 71–84.

<https://doi.org/10.1177/002224299305700306>

LVMH. (2024). *Universal registration document 2024*. <https://urd.lvmh.com/en/2024>

LVMH. (2025). *LVMH, world leader in high-quality products*. <https://www.lvmh.com/en>

MacKinlay, A. C. (1997). Event studies in economics and finance. *Journal of Economic Literature*, 35(1), 13–39. <https://www.jstor.org/stable/2729691>

Maksimovic, V., & Phillips, G. (2002). Do conglomerate firms allocate resources inefficiently across industries? Theory and evidence. *The Journal of Finance*, 57(2), 721–767. <https://doi.org/10.1111/1540-6261.00440>

McKinsey & Company. (2023, November 29). *The state of fashion 2024: Finding pockets of growth as uncertainty reigns*.

<https://www.mckinsey.com/industries/retail/our-insights/state-of-fashion-2024>

McKinsey & Company. (2025). *The state of fashion 2025: Challenges at every turn*.

<https://www.mckinsey.com/industries/retail/our-insights/state-of-fashion>

McWilliams, A., & Siegel, D. (1997). Event studies in management research: Theoretical and empirical issues. *Academy of Management Journal*, 40(3), 626–657.

<https://doi.org/10.2307/257056>

Miller, E. M. (1977). Risk, uncertainty, and divergence of opinion. *The Journal of Finance*, 32(4), 1151–1168. <https://doi.org/10.1111/j.1540-6261.1977.tb03317.x>

Park, C. W., Jun, S. Y., & Shocker, A. D. (1996). Composite branding alliances: An investigation of extension and feedback effects. *Journal of Marketing Research*, 33(4), 453–466. <https://doi.org/10.1177/002224379603300407>

Penrose, E. (1959). *The theory of the growth of the firm*. Oxford University Press.

- Rao, A. R., Qu, L., & Ruekert, R. W. (1999). Signaling unobservable product quality through a brand ally. *Journal of Marketing Research*, 36(2), 258–268.
<https://doi.org/10.2307/3152097>
- Rao, A. R., & Ruekert, R. W. (1994). Brand alliances as signals of product quality. *Sloan Management Review*, 36(1), 87–97.
- Ross, S. A. (1977). The determination of financial structure: The incentive-signalling approach. *The Bell Journal of Economics*, 8(1), 23–40. <https://doi.org/10.2307/3003485>
- Shi, W., Connelly, B. L., & Hoskisson, R. E. (2020). External corporate governance and financial fraud: Cognitive evaluation theory insights on agency theory prescriptions. *Strategic Management Journal*, 38(6), 1268–1286. <https://doi.org/10.1002/smj.2560>
- Simonin, B. L., & Ruth, J. A. (1998). Is a company known by the company it keeps? Assessing the spillover effects of brand alliances on consumer brand attitudes. *Journal of Marketing Research*, 35(1), 30–42. <https://doi.org/10.1177/002224379803500105>
- Spence, M. (1973). Job market signaling. *The Quarterly Journal of Economics*, 87(3), 355–374. <https://doi.org/10.2307/1882010>
- Stein, J. C. (1997). Internal capital markets and the competition for corporate resources. *The Journal of Finance*, 52(1), 111–133. <https://doi.org/10.1111/j.1540-6261.1997.tb03810.x>
- Stuart, T. E., Hoang, H., & Hybels, R. C. (1999). Interorganizational endorsements and the performance of entrepreneurial ventures. *Administrative Science Quarterly*, 44(2), 315–349. <https://doi.org/10.2307/2666998>
- Tetlock, P. C. (2007). Giving content to investor sentiment: The role of media in the stock market. *The Journal of Finance*, 62(3), 1139–1168.
<https://doi.org/10.1111/j.1540-6261.2007.01232.x>

Williamson, O. E. (1985). *The economic institutions of capitalism: Firms, markets, relational contracting*. The Free Press.