

# European Luxury Dynamics

## Inventory, Sales, and Channel Outlook

- **Abstract 1:** European luxury remains in a **measured inventory normalization phase**, with LVMH showing gradual improvement in inventory days while Kering continues to face sales pressure; sector growth is expected to recover modestly in 2026 (~6%), supporting controlled stock absorption without widespread markdown escalation.
- **Abstract 2:** European luxury brands increasingly focus on direct-to-consumer channels, reducing wholesale reliance and inventories, but margin recovery in 2026 depends on stabilizing store traffic and demand.

### Abstract 1: Inventory Dynamics and Growth Outlook in European Luxury

This week's European luxury sector continues to show **elevated inventory alongside modest sales growth**, suggesting the sector is in a gradual inventory normalization phase. As of late 2025/early 2026, LVMH's inventory days were approximately 305 to 310 days, representing a modest improvement from approximately 334 days the previous year, indicating better stock management, but turnover remains slow. This could reflect possible weak demand, strategic scarcity, or leftover luxury inventory. On the other hand, Kering's Q4 2025 revenue declined 3% YoY, with historical inventory days at ~335, suggesting inventory levels remain elevated relative to revenue growth in fashion-driven segments. CEO Luca de Meo is focusing on 2026 to bring the group back to growth, with a detailed, long-term plan to be presented at the Capital Markets Day on April 16, 2026. Overall, the sector remains in a carefully managed environment, balancing inventory control with pricing discipline

### Why and how this is Important?

Inventory days measure the average time inventory is held before sale and serve as a key indicator of operational efficiency and cash flow dynamics. Elevated inventory relative to sales often signals potential pressure on pricing and may increase reliance on markdowns, outlet channels, or selective wholesale distribution. This week's data indicates that brands are maintaining pricing discipline, managing excess stock through controlled channels rather than broad discounting. Maintaining this balance is key to protecting gross margins and brand equity while ensuring stock turnover progresses without aggressive markdowns.

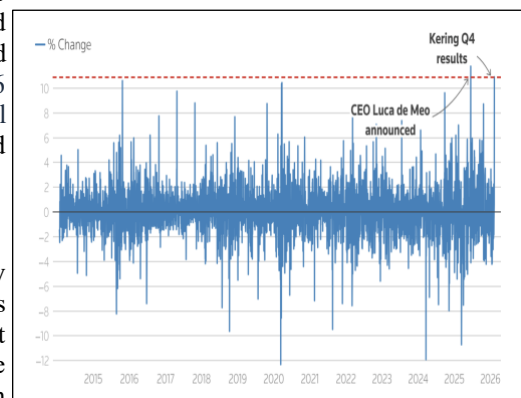
### Implications:

BNP Paribas' 2026 Luxury Goods Sector Outlook projects approximately 6% organic sector growth in 2026, following a largely flat 2025, with margins expected to stabilize rather than materially expand. This supports the view that the sector is transitioning from a demand slowdown to a gradual recovery phase, but this is not expected to be a rapid rebound. In this context, elevated but gradually improving days at major players such as LVMH and Kering suggest a preference for controlled normalization over aggressive destocking.

The combination of modest top-line recovery and flat margin expectations implies continued pricing discipline across the sector. Rather than resorting to widespread markdowns, leading brands appear to be managing excess inventory via selective distribution, tighter wholesale exposure, and channel optimization. This reduces the risk of severe gross margin compression but also means inventory unwinding will likely remain gradual.

For next week, the key watchpoint is whether sales momentum shows incremental improvement relative to inventory positioning. If sales growth continues to lag inventory reductions, pressure may build in secondary channels (outlets, selective wholesale). However, if macro sentiment stabilizes, particularly in the U.S., and early signs of recovery emerge in China, turnover could improve further without a significant increase in markdown activity.

Chart 1. Kering's Dataset



Source: LSEG Workspace Adam Jourdan

Chart 1. Metric 2

Competitive Comparison Data			
Ticker	Company	Market Cap (M)	Days Inventory
LVMUY	Lvmh Moet Hennessy L...	\$ 303,366.37	309.61
XPAR:RMS	Hermes International SA	\$ 267,193.22	213.28
XPAR:CDI	Christian Dior SE	\$ 105,368.00	309.61
XPAR:KER	Kering SA	\$ 41,390.06	350.27
XPAR:DPT	St Dupont SA	\$ 102.39	196.17
XPAR:MLODT	Odiot SA	\$ 10.36	0.00
XPAR:MLCLI	Maison Clio Blue SA	\$ 9.17	0.00

Source: Gurufocus

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As inventory dynamics begin to stabilize and pricing discipline remains intact, the focus now shifts to channel strategy and regional performance, examining how Direct-to-Consumer versus wholesale exposure is shaping revenue trends and margin resilience across the European luxury sector. This sets the stage for a deeper look at market segmentation, distribution efficiency, and emerging consumer behavior patterns in the coming weeks.

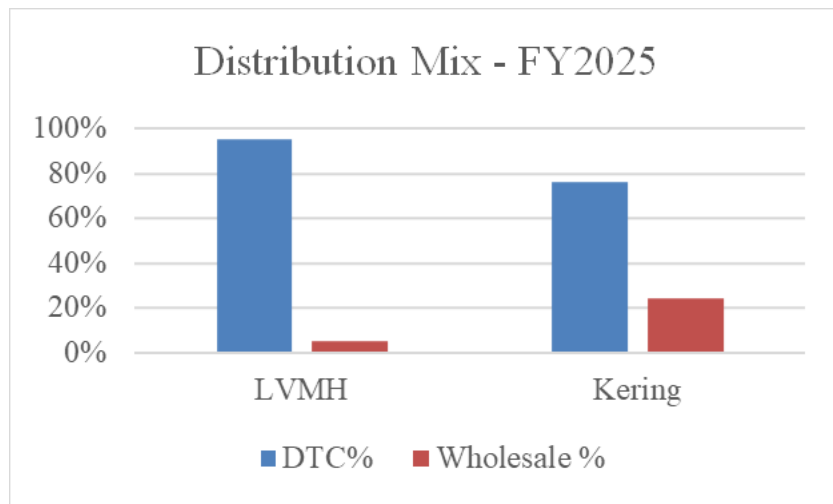
**Abstract 2: DTC and Channel Strategy in European Luxury**

FY2025 reports indicate that channel management remains crucial to European luxury performance entering 2026. Direct-to-consumer (DTC) (brand owned stores and online) remains a key focus across the sector. It reinforces the control of prices and inventory governance. Within LVMH’s Fashion & Leather Goods division, retail accounted for approximately 95% of revenue, with wholesale limited to only 5%

At Kering, directly operated stores represented 76% of Group sales and 86% excluding Kering Eyewear. Confirming that luxury brands have made it their long-term strategy to sell mostly through their own stores. Kering continued to streamline its wholesale network, concentrating mainly its’ distribution among select partners. While LVMH’s minimal wholesale reliance within its largest luxury division highlights a structurally low dependency.

Across the sector, wholesale is increasingly used to manage excess inventory rather than to drive growth. Inventory trends suggest active normalization (inventory levels are going back to normal after a rise) but incomplete margin stabilization (profit margins are still not stable). LVMH reduced inventories to €22,6m from €23,7m year-on-year, and Kering lowered inventory carrying amounts to €3,7m from €3,9m. Despite this mid to high inventory reduction, gross margins declined modestly 66.2% at LVMH (-0.8pts YoY) and 72.6% at Kering (-0.9pts YoY) indicating that pricing normalization and Office on the web Frame e continue to weigh on profitability.

Entering 2026, brands are operating with stronger DTC control and lower inventories, yet margin improvement w likely require demand to stabilize rather than additional channel adjustments. Soon, the performance will depend largely on whether store sales and traffic begin to stabilize as this would support operating leverage and margin recovery.



Source: FY2025 Reports: LVMH, Kering