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"Logistics Network Integration: EssilorLuxottica Case study"

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SUMMARY

INTRODUCTION

To begin with, I would like to specify that this thesis was done with the collaboration and the support of EssilorLuxottica, as well as the various teams, managers and employees that work on the different functions and topics presented in the Second Chapter.

During the discussion of this thesis, I would very much like to make the reader understand the importance of Logistics, which was largely underestimated or unknown even to me before starting to work in this sector.

I would like to be able to explain, as far as possible, the prominence of this function by presenting the business case which, in my opinion, highlights this area par excellence: the integration of the logistics network of Essilor, Luxottica and GrandVision.

And I would like to do this by declining it in various aspects.

In addition to my desire to research deeper into the topic, these reasons were also defined based on the history of economics and business, as it will be shown in the Literature review. Logistics has always fascinated me, because I have always considered it an extremely versatile and important function, precisely because almost every company needs it, and cannot hope to grow, or even survive, without it.

I also chose this topic because, in my opinion, this area is not always explored in depth, except when it does not work properly.

Think about it: no one is surprised anymore if their order arrives right on time after just few hours or days after ordering it, but instead they protest for the poor service if it does not arrive on time, for whatever reason.

Nonetheless, only 30 or 40 years ago, this level of service was only dreamed of all over the world, and therefore it seems clear to me, especially from the evidences of the reality that something has changed, for the better, in this period of time.

For this reason, I wanted to focus on all the factors that in my personal opinion, but also according to the classical perspective of economic, managerial and business literature, contribute to have a "Good Logistics".

During this analysis, I expect to find and tell the reader a renewed and ever-increasing interest and strategic importance of Logistics. Especially in terms of its implications for value creation, given the global interconnections of a world where everything is closer and closer, which increasingly demands more quality, efficiency, and faster delivery times for the services offered.

As it will be shown, this is not always something obvious or easy to achieve because very often all these requirements are in opposition to each other, due to several strategic and management choices that must be made to direct them.

As I was saying previously, the aim of this thesis is to better explain Essilor and Luxottica's integration process, with the focus on the Logistics Network.

In particular what and how were the actions implemented in the network after the merge with Essilor and the acquisition of GrandVision, how they affected the entities, and what were the results of this process.

This work aims to analyze all the steps that occurred and still are taking place during the integration process between these three entities from three main perspectives, which descend from the literature, which will be explained later:

- **Integration through KPIs monitoring:** it is possible to monitor the performances of very different firms and entities with the implementation of KPIs, as well as a functioning monitoring and reporting structure.

  This is an extremely important area, because "You can't manage what you can't measure". *(Peter Drucker, 2015)*

  Every important improvement, action or organizational decision are taken from the top management only after the study of these KPIs, that represent the overall performance of the functions of the firm; in a few numbers, they synthetize enormous amounts of data and information, and also serve as guidelines: even if they are not perfect, they are still useful to pave the way for future decisions;

- **Integration through organizational structure**: with major organizational changes, such as merger and acquisitions, it is mandatory that the organizational structure behind the companies involved adequates as well.

  As stated in the previous point, upper management is in charge of all the major decisions, so it is important to learn who takes the decisions, and how they are taken, as they will shape the entire organization.

  For this reason, it is important to observe the past organizational structure of the merged entities and understand how and if it changed to integrate with the other companies in order to support and develop the organization, with a particular focus on the human resource management.

- **Integration through common projects implementation**: an integration is not successful if the merged entities do not show that they can cooperate together and actuate new common projects that involve the whole organization. For this reason, it is important to underline the adoption at a high level, of the best practices from every entity of the network, and their implementation and diffusion inside the network. The integration process becomes successful also when everyone working in the firm aims to reach the same objective.

  But, as we will see, is not always easy to convince people to think in the same direction, as every person has its interests, objectives, motivations: it is important that the employees' goals are aligned with the firm's objectives.

The approach used is a mixed one: besides the study of the literature, I brought the things I saw in my personal experience during my time in the firm, as I was able to spot similar approaches and several linkages between theory and business practices.

In order to better understand the content of the thesis, before the start of the case study, it is of great importance to specify the vocabulary of the Logistics industry, as well as the difference between Logistics and Supply Chain, which is often misunderstood.

Logistics refers to the "process of managing how resources (supply) are acquired, stored, transported and delivered to their final destination on time and in good shape". (*The Economic Times, 2023).*

Logistics management also involves the activities of identifying distributors, or carriers, and suppliers and determining their effectiveness and accessibility through their performance measurement. (*Figure 1*)

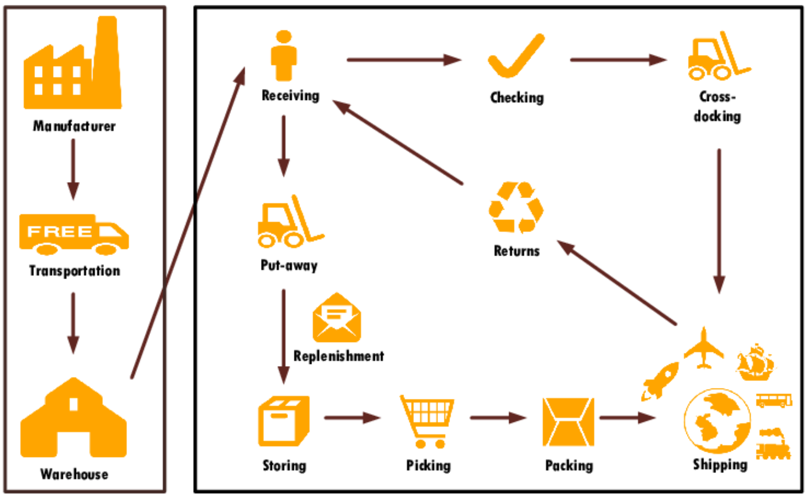


Figure 1, Logistics Process, Koton, 2013

The figure above represents the whole logistics process, and the reason it is such important is that the Supply Chain is stable over time. Or rather, it is *considered* stable over time.

This means that it usually does not change a lot, so therefore it can be standardized and improved assuming the context, the environment and the external factors always remain the same. Obviously, this stability also depends on the type of product sold: it is different to produce and ship cars, food or glasses. It is different in terms of resources used, production methods and also logistics network.
In this specific case, the fact of producing and shipping frames, glasses, lenses and sunglasses is really an advantage, as there are relatively few materials involved, the production process are defined in a few phases, and the final product has small dimensions more or less similar considering the different brands, that make it the perfect good to be shipped and moved around the Supply Chain.
These factors are essential also for having an adequate product stock: this particular product category does not have particular storage needs, and offers itself to being shipped in boxes, in large quantities, so that all the transportation can be optimized as well, by consolidating several shipments into a single shipment.
But at the end, as a matter of fact, the logistics process *does change*, and Logistics and Supply Chain Management is all about being able to adapt and respond quickly to these changes. That is why the firm decided to pursue a merge and a following acquisition: to be better prepared to respond to all the transformations that happen in a dynamic business environment and in an uncertain geopolitical situation.

"Logistics" is now widely used in almost every business, particularly by companies in the manufacturing sector, like EssilorLuxottica, and refers to how resources are managed along the Supply Chain. It is a term that has become more and more popular considering the growth and the importance that this area has on firms' operations, along with the fact that every firm that sells products inside and outside of their home country needs a well-functioning logistics network, that can satisfy the largest number of clients possible, in the fastest way, and with the best possible service. It is possible to say that Logistics is a part of the Supply Chain.
The second fundamental term to explain is **Supply Chain**, which is "a network of individuals and companies who are involved in creating a product and delivering it to the consumer" (*Hayes, A., 2023)*. The whole supply chain begins with the producers of the raw materials and ends when the van delivers the finished product to the end user.

The components of a supply chain include producers, vendors, warehouses, transportation companies, distribution centers, and retailers. *(Figure 2, 3)*

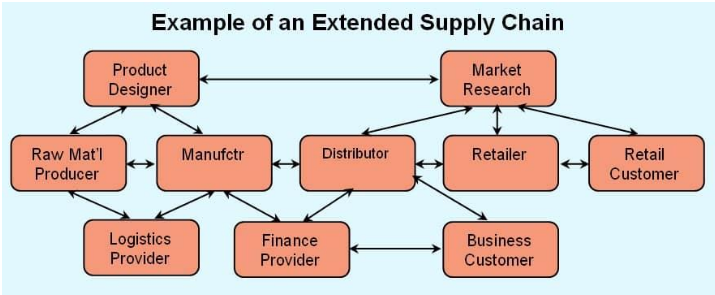


Figure 2, Supply Chain Process, Hugos, 2018

Figure 3, Supply Chain Process, Greiler, 2023

It is possible to say that the scope of a Supply Chain is broader and has more strategic applications: this function is involved in activities such as Demand Planning, Forecasting and Sourcing of products and materials, and it is more market-oriented, as it tries to estimate the future needs and trends of the customers, and act accordingly, coordinating all the members of the chain to reach the objective.

It also includes Product development, Marketing, Distribution, Finance, and Customer service, as it is one of the most strategic functions in all the firms' operations. *(Figure 4)*

In a broader sense, Supply Chain comprehends Logistics.

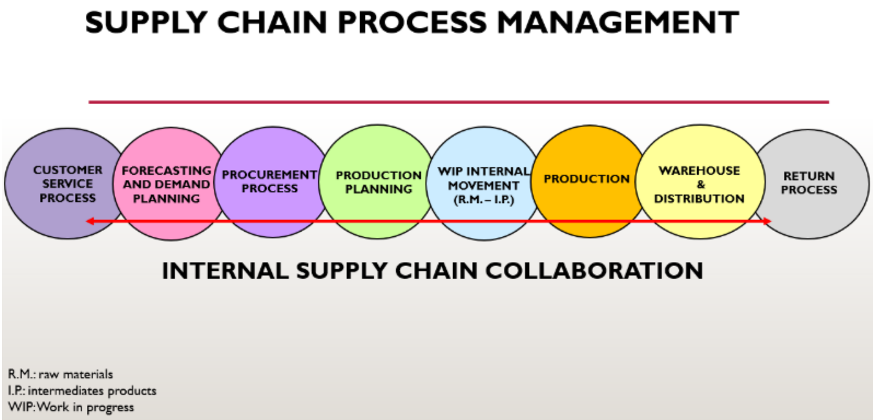


Figure 4, Example of Functions involved in the Supply Chain

It is important to underline that today, many supply chains are global, and, for that reason, the more effective the supply chain management operates, the lower the costs and the faster the production cycle are obtained.

This is exactly what we can understand looking at the composition of EssilorLuxottica supply chain network. The company has a great history, especially for what concerns Logistics and Supply Chain, which were always considered during the development phases.

Its Logistics and Distribution network expanded continuously through the company's 60 years of history, and nowadays consists of 4 main Logistic Hubs around the world (*Figure 5*), placed strategically to serve every country in the fastest way possible:

- **Sedico** Hub (Italy)
- **Dongguan** Hub (China)
- **Atlanta** Hub (United States of America)
- **Sumarè** Hub (Brazil)

and many other smaller distribution centers and warehouses.

Figure 5, EssilorLuxottica's main Logistic Plants

These Logistics Hubs are among the most important assets for EssilorLuxottica's Operations *(Figure 4)*, because together they comprehend several key value-added activities:

- Manufacturing of lenses and frames;
- Warehousing activities;
- and Logistic services.

The Logistics network does not only consist of these 4 main Hubs, but it also has many other sites, which are called distribution centers, in particular 57 *(EssilorLuxottica Global Footprint, 2022)*, which do not have all the 3 functions mentioned above.

With the ongoing discovery and mapping, one of the main projects in the "First Focus phase" of the integration, as it will be explained later, regards the mapping of all EssilorLuxottica's buildings (see "Global footprint assessment").

The network grew over the course of the time, and it is destined to continue to grow in the upcoming years, as there will be more and more clarity, information and governance around the newly acquired entities and the Group.

It is sufficient to say that the new consolidated giant of the eyewear world, EssilorLuxottica, includes in its network:

- *Luxottica*, for what concerns the production of frames and sunglasses;
- *Essilor*, for lenses productions and processing;
- *GrandVision*, for commercial distribution. It includes more than 7000 stores in the world, 400 of which are in Italy.

All these entities have several sites distributed all around the world, for a grand total of:

- ➢ 50 Production plants;
- ➢ 57 Logistics and Distribution sites;
- ➢ 614 Laboratories;
- ➢ 17,687 Commercial stores

Along the total of almost 200,000 thousand employees. These astonishing numbers represent a virtuous example of vertical integration, which must be analyzed and presented in detail. These kind of sites will be discussed in detail in the paragraph "**Global Footprint assessment",** discussed later. It is so important to look at this mapping, because everyone of the aforementioned entities was part, were influenced and must follow the integration process that will be explained in the second chapter.

FIRST CHAPTER

1.1) Literature review

The case study about the integration of EssilorLuxottica logistic network is a particular one, unique in its genre: it represents the first big merger in the eyewear industry, between two of the main players in the market, that allowed EssilorLuxottica Group to form a huge conglomerate.
Since this is a real case study, it is very important to analyze what the scientific, economic and management literature wrote about the topic of discussion.
In particular, I have decided to analyze what the scientific community wrote about Logistics, from three main points of view:

1) **Logistics as Strategic Asset**
2) **Logistics as Management Science**
3) **Logistics: Human Resource management after a merge**

In this way, I want to present a comprehensive perspective about Logistics, in all of its aspects, starting from the quantitative analysis to the qualitative analysis.
These different perspectives represent the most important and compelling aspects that concern Logistics and are also the ones on which the academic literature focused more.

Definitions

Before going into detail about the scientific and economic literature, a further explanation of the main Logistics definitions is necessary. It is vital to understand what the strategic structure of EssilorLuxottica is, to know its strengths, and to understand why the merge with Essilor and the acquisition of Grand Vision made so much sense in terms of economics, logistics, and economies of scale, just to name a few.
It is essential to underline that EssilorLuxottica adopted a strategy which consisted in the growth through vertical integration.

"Vertical integration is a business strategy where a company expands its operations into multiple stages of the supply chain, typically by acquiring or merging with other companies in those stages" (*Investopedia, 2023*).

This approach allows the company to exercise more control over the production process, reduce costs, increase efficiency, and potentially gain competitive advantage.
An example of vertical integration in my case study is the merge of Luxottica with Essilor. Vertical integration is a strategic decision that should also align with a company's overall business goals and with the industry dynamics, and in this particular case, it made perfect sense, as frames (made by Luxottica) and lenses (made by Essilor) are complementary goods, which means that their demand from the market is linked to each other.
The economic literature identifies two main types of vertical integration: backward integration and forward integration. *(Figure 6)*

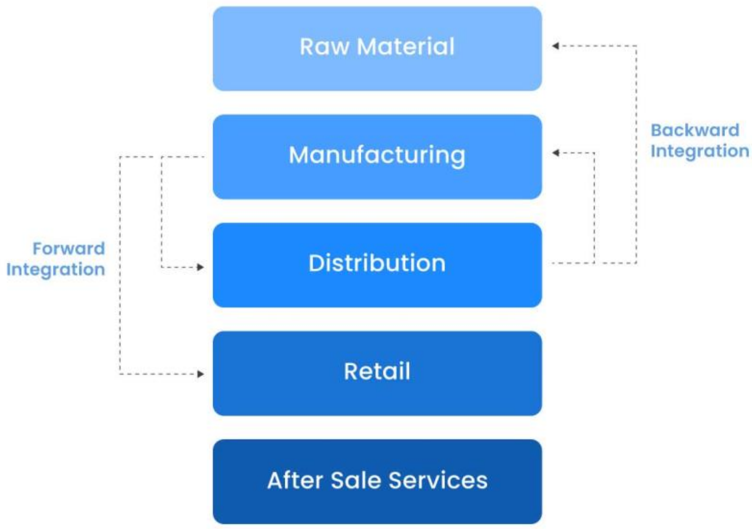


Figure 6, Backward and Forward integration, Kison Patel, 2023

1) **Backward Integration:**

"Backward integration occurs when a company expands its operations upstream in the supply chain, typically by acquiring or merging with suppliers or producers of raw materials, components, or inputs."

This is exactly the case analyzed: Luxottica merged with Essilor to expand its area of operation in the supply chain, pairing the frames production with a complementary activity: the lenses production, in order to provide a finite product manufactured entirely inside of the firm boarders, therefore not outsourced and without the need of any external suppliers.

Vertical integration consists in a process of several phases, that allows the firm to individuate, evaluate and choose the more adequate firm that will serve its purpose:

- **Identify Suppliers:** the first step is to identify key suppliers in the industry or relative supply chain. These suppliers provide the necessary materials, components, or services that are essential for the production process. In this case, Essilor and Luxottica were the market leaders and competitors in their particular areas; for this reason, their merge was unpredictable, although made a lot of sense considering the complementarity of their products.
- **Acquisition or Partnership**: once identified, the company may decide to acquire these suppliers or form strategic partnerships with them.
  Acquisition involves purchasing the supplier's assets, while partnerships may involve long-term contracts or equity investments.
  In the case of Luxottica, these were a combination of both ways: it consisted in a partnership, a fair merge between the two entities with Essilor, with the overall governance under a controlled firm.

- **Integration**: when the acquisition or partnership is established, the company integrates these suppliers into its operations. This integration can involve aligning processes, systems, and quality control standards. In general, every company that buys or merges with another one, has an integration plan already in place, so that the firm is prepared in advance and can follow a specific procedure following the operation.
  This is exactly one of the best practices suggested by the literature, and it is exactly what Luxottica did. The details about the integration plan will be further explained in the next chapter.

- **Control and Efficiency**: By integrating backward, the company gains more control over the supply of essential materials, reduces the risk of supply disruptions, and potentially lowers costs by eliminating intermediaries. And the company that acquires also gains the power to adopt its management style, influencing directly the operations of the acquiror.

2) Forward Integration:

At the opposite part of the supply chain, we can find the second method to achieve vertical integration: forward integration.

This particular process, on the other hand, "involves expanding into downstream stages of the supply chain, such as distribution, retail, or customer-facing activities."
The phases of this process are the same as for the backward integration, but here the focus is on the commercial aspects and distribution, as it involves retailers, wholesalers, or end consumers.

- **Acquisition or Partnership**: Similar to backward integration, the company may choose to acquire distributors or retailers or form strategic partnerships with them. This can involve acquiring retail stores or establishing exclusive distribution agreements.

- **Integration**: Once the acquisitions or partnerships are in place, the company integrates these entities into its operations. This may include aligning branding, marketing strategies, inventory management, and customer service.

- **Market Control and Customer Reach**: Forward integration provides the company with greater control over how its products or services are marketed, distributed, and sold. It can help enhance the customer experience and expand market reach.

The acquisition of GrandVision, completed in 2021, must be seen in this way: EssilorLuxottica continues its expansion and integration plan by acquiring an international key retailer distributor, which is present in over 40 countries all around the world with over 7000 stores.

In fact, the acquisition of GrandVision made perfect sense, because by acquiring or partnering with key customers along the supply chain, the firm was able to gain crucial distribution channels, functional for its products or services, as well as gaining control over the governance of all the retail stores all around the world.

Benefits of Vertical Integration

Finally, it is important to understand why the firm decided to pursue these organizational changes, and to do so, it is necessary to underline the benefits and the costs of the vertical integration (Stelzer, Schmalensee, 1983).

The pursuit of vertical integration in the business landscape offers several advantages, which are pivotal in enhancing overall economic performance. One significant benefit lies in **cost reduction**.

By avoiding intermediaries and reducing transaction costs, vertical integration gives companies the opportunity to achieve substantial savings, contributing to higher financial efficiency. Furthermore, this approach empowers firms to exercise greater authority over the quality of their products or services across the entirety of the supply chain. This, in turn, highlights the second advantage: **quality control**. The integration of operations not only amplifies control mechanisms but also allows a better management of product or service standards. Moreover, vertical integration plays a crucial role in strengthening the **stability of the supply chain**. Through the consolidation of various elements of the production process, companies can mitigate the risks of disruptions, ensuring a consistent and stable flow of materials or products. This stability, which constitutes the third advantage, contributes to foster resilience against external shocks or market fluctuations. Beyond internal reinforcement, the strategic move toward vertical integration allows the business to reach major competitive advantage. Restructuring operations and optimizing efficiency creates a distinctive competency, which is also the fourth advantage: **competitive advantage**.

Finally, the path of forward integration drives businesses toward new horizons: by extending operations into customer-facing domains, companies can strategically end into unexplored markets and engage with a broader customer base.

This fifth advantage, **market expansion**, highlights the potential for vertical integration not only to defend existing market positions but also to head into new territories, increasing the overall economic possibilities.

In synthesis, the pursuit of vertical integration emerges as a successful strategy, with implications that extend beyond just operational adjustments, including also cost dynamics, quality control, supply chain resilience, competitive positioning, and reach of new markets.

Challenges of Vertical Integration

On the other hand, the pursuit of vertical integration in business, while offering various advantages, does not come without challenges and potential drawbacks. One, if not the primary concern, is the element of **risk**, as integrating vertically involves significant costs and uncertainties, particularly if the entities acquired do not meet performance expectations. This risk factor constitutes the first challenge associated with vertical integration.

Another challenge arises in the form of **reduced flexibility**. While integration streamlines certain aspects of operations, it can simultaneously render a company less adaptable and responsive to changes in the market. This reduced flexibility, the second challenge, highlights a trade-off that businesses must carefully navigate when considering vertical integration.

Moreover, the prospect of **regulatory issues** looms in certain industries. Vertical integration has the potential to raise antitrust or regulatory concerns by limiting competition. This regulatory challenge, the third point, underscores the importance of assessing the legal landscape and potential constraints associated with integration strategies.

Operational complexity emerges as the fourth challenge. The management of a vertically integrated supply chain requires a substantial investment of resources and effort, introducing complexity that may strain operational efficiency. Balancing this complexity while maintaining smooth operations is a critical aspect of navigating vertical integration.

Finally, the risk of **overextension** represents the fifth challenge. Engaging in integration without a clear and well-defined strategy can lead to overexpansion, resulting in inefficiencies and financial strain. This challenge emphasizes the need for a cautious and strategic approach to integration to avoid unintended consequences.

In conclusion, while vertical integration presents compelling advantages, businesses must carefully weigh these against the associated challenges of risk, reduced flexibility, regulatory issues, operational complexity, and the potential for overextension to make informed decisions that align with their long-term goals.

1.1.2) Logistic as Strategic Asset

“Logistics is important because it creates value for customers and suppliers of the firm, and value for the firm’s stakeholders, in terms of time and place. Products and services have little or no value unless they are in the possession of customers when (time) and where (place) they wish to consume them.” *(Ballou, 1997)*

The Logistics as company function is becoming more and more important for almost every firm. This is due to the fact that businesses do not operate only national level anymore, but usually they are global, and for that reason, “in order to survive in this competitive environment, they need global supply chains and global logistics and distribution networks, and they need them to be resilient and reliable” *(C.Sith, 2020)*.

The increasing significance of logistics in contemporary business operations is highlighted by its pivotal role in achieving operational efficiency, cost-effectiveness, and customer satisfaction.

Logistics concerns the management of the intricate network of activities involved in the procurement, production, storage, transportation and distribution of goods and services. Its importance can be attributed to several key factors as highlighted in several works within the economic literature.

Globalization and Supply Chain Complexity:

In the era of globalization, firms are increasingly engaging in international trade, necessitating more complex and extensive supply chains. As Dr. John Manners-Bell, CEO of Transport Intelligence, notes, "Global supply chains have become so much more intricate, and this has necessitated a complete rethink in the way logistics is managed." *(Manners-Bell, J., 2014, "Logistics and Supply Chains in Emerging Markets.")*

Technological Advancements:

The advent of advanced technologies has revolutionized logistics, enabling real-time tracking, data analytics, and automation. Dr. Robert Handfield, a professor of supply chain management, emphasizes this point, stating, "Technology is now a key enabler for logistics functions, providing visibility and control across the entire supply chain." *(Handfield, R., & Nichols, E. L., 1999. "Introduction to Supply Chain Management.")*

Customer Expectations and E-Commerce:

Rapidly evolving consumer expectations, fueled by the rise of e-commerce, have elevated the importance of logistics in delivering products promptly and efficiently. In the words of Dr. Martin Christopher, a renowned supply chain expert, "E-commerce has heightened the role of logistics in meeting customer demands for rapid and accurate deliveries." *(Christopher, M. (2011). "Logistics and Supply Chain Management: Creating Value-Adding Networks.")*

Cost Efficiency and Competitive Advantage:

Efficient logistics operations contribute significantly to cost reduction and competitiveness. Dr. Paul D. Larson, an expert in transportation and logistics, asserts, "Strategic logistics management can be a potent source of competitive advantage through cost reduction and differentiation." *(Larson, P. D. (1998). "Logistics and Supply Chain Management: Strategies for Reducing Cost and Improving Service.")*

Risk Management and Resilience:

In the face of global uncertainties, logistics plays a critical role in risk management and building resilient supply chains. As highlighted by Dr. Yossi Sheffi, a professor of engineering systems, "Logistics capabilities are vital for companies seeking to manage risks and build resilient supply chain networks." *(Sheffi, Y. (2007). "The Resilient Enterprise: Overcoming Vulnerability for Competitive Advantage.")*

In conclusion, the evolving business landscape, coupled with technological advancements and changing consumer dynamics, has propelled logistics to the forefront of strategic considerations for firms.
The cited experts collectively emphasize the integral role logistics plays in addressing contemporary challenges and fostering a competitive edge in the global marketplace. All these factors find real examples and evidences in the day-to-day operations at EssilorLuxottica, as the firm, strategically relies on an intricate logistics function to orchestrate its complex operations.

Operating on a global scale, EssilorLuxottica's logistics team meticulously manages a vast and intricate supply chain, ensuring the continuous flow of materials and products across diverse locations. This is not just about moving products from one place to another; it's about managing the distinctions of a diverse product range, including prescription lenses, frames, and sunglasses.

The logistics function is essential in supporting EssilorLuxottica's retail, wholesale and e-commerce activities. It is responsible for ensuring that products reach retail stores and online customers accurately and in a timely fashion. In an industry where precision matters, logistics plays a crucial role in maintaining quality standards throughout the supply chain, from production to distribution.

Moreover, customer satisfaction is intricately tied to the efficiency of the logistics function. Timely deliveries, accurate order fulfillment, and seamless returns processes contribute significantly to positive customer experiences, an aspect of utmost importance in the eyewear industry.

Another important factor to highlight, is that the logistics strategy of EssilorLuxottica is not just about moving goods; it's about embracing technology and innovation. The company integrates advanced supply chain management systems, real-time tracking, and data analytics to enhance visibility, optimize routes, and improve overall efficiency, as I documented in the next chapter, regarding the KPIs calculation and measurement.

In essence, the strategic function of logistics for EssilorLuxottica goes beyond a simple list of tasks: it is the unseen force that harmonizes the global supply chain, manages product diversity, supports retail and e-commerce operations, ensures quality, delights customers, and embraces technological advancements. It is an indispensable part of the company's success in navigating the intricacies of the eyewear industry and maintaining a competitive edge on the global stage.

1.1.3) Logistics as Management science

"The goal of the logistics management is to provide the right product with the right quality at the right time in the right place at the right price to the ultimate customer." *(Mentzer et al., 2004).*

It is also important to look at what the firm and its governance can do when it comes to the Logistics function.

In fact, even though the Logistics is a strategic asset for almost every firm, the choice on how this strategy will be implemented is exclusively in charge of the top management, that has to choose between all the different alternative options available and then will decline it in the operative aspects.

And other than from the factors just cited, over the course of the years, especially with globalization, there are a number of reasons that explain the growing influence of logistics in business strategy. (*Heskett, 1977*)

The increasing influence of logistics in shaping business strategy is a complex phenomenon, driven by various compelling factors.

One pivotal aspect is the expanding **range of alternatives available** for meeting cost and service standards. This includes advancements such as containerization, minicomputers, air freight, and global satellite communication systems.

These technological innovations have not only broadened the scope of possibilities but have also presented businesses with strategic decisions on how best to leverage these options.

A second influential factor revolves around the persistent threat of **energy shortages**. During periods marked by energy scarcity, transport costs take on heightened significance in the calculus of plant and warehouse location decisions.

Simultaneously, the proximity of retail facilities, spanning from resorts to department stores, becomes more intricately linked to their closeness to major markets.

This scenario serves as a concrete illustration of the intricate web of interdependencies in the modern business landscape.

A third dimension contributing to the **predominance of logistics** in business considerations is the closer examination applied to the long trend of complex product lines.

In a departure from tradition, the threaten of material shortages is now employing a more substantial influence on product-line decisions.

This shift means a departure from the conventional dominance of marketing considerations, with logistics playing an important role in directing these complexities.

The fourth factor underscores the contemporary **emphasis on effective inventory management**, necessitated by the substantial fluctuations in business cycles. These cycles are characterized by unpredictable variations in labor costs, fluctuating interest costs, and dynamic rates of sale.

This pressure on businesses to manage inventory effectively is coupled with a managerial assumption—that developments in computer-oriented inventory control methods have kept pace with user needs.

However, the veracity of this assumption is not universally validated in practical implementation.

Lastly, the growing **involvement of supranational, governmental and regional and agencies** marks a fifth dimension shaping the landscape of logistics in business. This involvement spans a spectrum of issues, from the semi-nationalization of the transportation network to regulatory oversight ensuring the availability of advertised sale merchandise on the shelves of retail establishments.

This regulatory influence introduces an additional layer of complexity that businesses must navigate in their strategic planning.

In essence, the growing relevance of logistics in business strategy is a result of the intricate interaction of technological advancements, energy dynamics, product lines, inventory challenges, and evolving regulatory landscapes.

These factors collectively emphasize the evolving nature of business considerations in a dynamic and interconnected global environment.

The increased complexity of business operations combined with modern problem-solving techniques and computer technology have made it possible for many companies to consider less common and diverse logistical responses to the perceived competitive cost or service disadvantages.

It is possible to identify 4 main strategies that involve: postponement and speculation, standardization, consolidation, and differentiation.

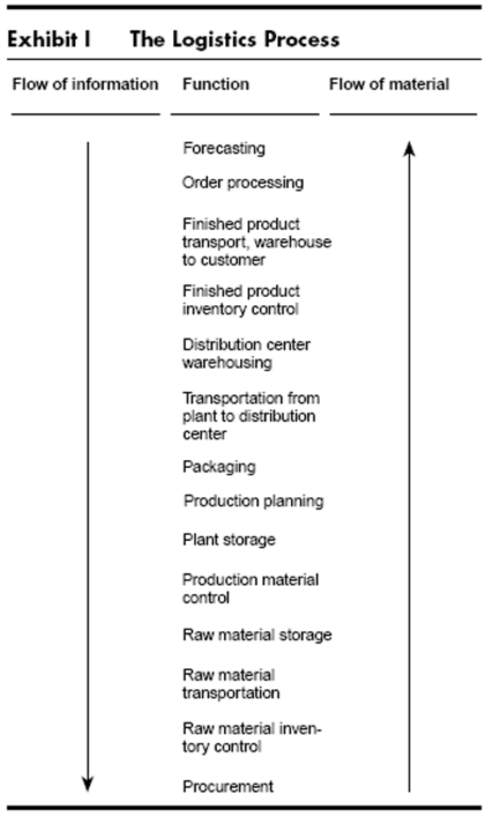


Figure 7, The Logistics Process, Heskett, 1977

Figure 7 describes the entire Logistics process, which is also divided in other sub-categories, and each phase can be managed differently regarding the strategy adopted.

For this reason, considering each different phase of the Logistic process, it is important to adopt different strategic responses, used to cope with environmental complexity.

The increased size and complexity of business operations combined with the application of problem-solving techniques and computer technology have made it possible for many companies to consider less common logistical responses to perceived competitive cost or service disadvantages. *(Magee, 1960)*

These strategies comprehend:

- Postponement and Speculation;
- Standardization;
- Consolidation;
- Differentiation.

Postponement of commitment and speculation over resources

A lot of companies are considering postponing their commitment to specific resources and end products for as long as possible, in order to reduce the risks of accumulating obsolete or unusable stocks.

So, they will wait until this investment becomes necessary, and this is particularly true for all the products that are still not certain in the customers' mind, or such as when the market requires some kind of commitment (such as plastic-less frames cases, sustainable production, CO2 emission management, etc.).

Other firms instead are willing to incur in the risks of **speculation**, which is the opposite strategy compared to the postponement, and involves the preparation and acquisition of stocks in advance of need, in order to achieve economies of scale and lower the costs of production. Eyewear manufacturers, like EssilorLuxottica, for example, tend to have strong speculation strategies, firstly because they cannot afford to lose some sales due to the delay in the material retrievement or production process, and secondly because their market is so big that they must accept the risk of speculation in order to satisfy the demand of the market.

This particular practice is pushed to its extreme side especially when it comes to the transportation aspect: in this particular sector, the firm is always active and looking for the carrier and the manufacturers that costs less and offers the best services, compared to its competitors, because this specific cost advantage is they in the formulation of the margin. And even though it may seem difficult to shift the entire souring of resources and materials from one supplier to another one, it is a practice which is commonly used in the firm, because the main driver is the CPU (Cost Per Unit), and also a minimum cost advantage in the can create a huge saving when it comes to billions of pieces that are being moved daily.

The same goes for the logistics and the transportation side: when a carrier it is expansive compared to its competitors, the transportation teams are in charge to monitor the cost of a specific flow, and eventually change distributor if the economic offer is more convenient, also for the important contractual power that the firm has.

Of course, this change does not have to impact the service for the customers in any significant way and has to be approved by several lines of decision-making, but it is generally accepted when the saving is relevant.

In general, it is possible to say that both strategies of postponement and speculation are pursued at different production and distribution stages, and the goal is always related to the maximization of the company's resources.

Standardization of products

One of the most famous practices is called standardization, and consists in the improvement of the manufacture processes of the products, to achieve certain standards that are constant and reliable over time.

Standardization also reduces production costs, cuts inventories, and increases field stock coverage, while at the same time providing the basis to differentiate end products. Manufacturers of both consumer and industrial products have created a standardized response to a variety of potential product failures and problems (such as obsolescence, scarcity and so on) by designing and considering products around its single parts, called "modules", in a process which is called "modularity" *(Mahoney and Sanchez, 2012).*

Given the failure or the inadequacy of one or another of these components, the module can be replaced quickly and with little expertise, so that new products can born, and information can thrive. *(Yang, Shao et al.)*

The standardization of products can be translated in the purchasing function, as this can result in a technique called "value analysis", that may lead to decisions to purchase fewer items but in larger quantities. With this strategy, price discounts and logistical savings can be reached, and they that more than compensate for the application of standard components instead of more specific ones.

However, the standardization of process must not go too far also to obtain sufficient leeway and flexibility. *(Chang et al, 2014)*

Consolidate services

Consolidation involves all the practices that foster simultaneous storage, long-haul transportation, or delivery of two or more products in order to achieve economies of scale. In the eyewear industry, especially when it comes to logistics, this can be easily implemented and adopted, such as when the firm always tries to optimize the transportations by sending several different products with the same carriers and with the same shipments, that will be delivered in the same country or location, in order to achieve saving and economies of scale.

This competitive advantage can be reached due to the importance, gravity, contractual and economical power of the firm, who can be able to negotiate with the carriers some favorable conditions, due to the huge amount of goods that will manage during the year.

Additionally, the consolidation does not have to be achieved at the cost of reduced customer service, because the firm can obtain favorable conditions in exchange for all the volumes that will be given to the carrier, which must reach certain service levels (as we will discuss see in the next chapter).

The use of shared or pooled services, such as common carrier transport, shippers' cooperatives, and public warehouses is another form of consolidation.

Potential savings from the use of shared services have led many manufacturers to consider joint efforts with makers of complementary products requiring similar logistical efforts.

In this specific case study, the merge between Essilor, Luxottica and Grand Vision, created not only a huge entity, vertically integrated, which has the control over a great part of the eyewear industry and products, but also a gigantic firm that will obtain other enormous cost advantages due to the future consolidation of the resources and goods of all these three entities.

And these positive externalities will only increase in the next few years, as the network will become more clear, the market will grow and more common optimization projects between these companies will be implemented.

Another important point to underline is that consolidation programs require products with homogeneous characteristics or logistics needs. Thus, it is no surprise that the most successful consolidation programs undertaken with other manufacturers have been achieved in the distribution of product groupings such, in the case of EssilorLuxottica, consists in frames, lenses, sunglasses and contact lenses, which all products that belong to the same category.

Differentiation in the distribution

Many managers have recognized potential economies from if various product-line item have differentiated treatment regarding their distribution.

For example, using ABC inventory methods managers establish more restrictive inventory rules for high-value, low-sales-volume items than for others in a product line.

The "ABC inventory method" *(Figure 8)* is a management technique used for classifying and managing a company's inventory based on the relative importance of items. It originated from the field of operations management and inventory control. The ABC analysis categorizes inventory into three main groups (A, B, and C) based on their contribution to overall business value. Each group represents different levels of importance, and the method helps companies allocate resources efficiently and prioritize their efforts.

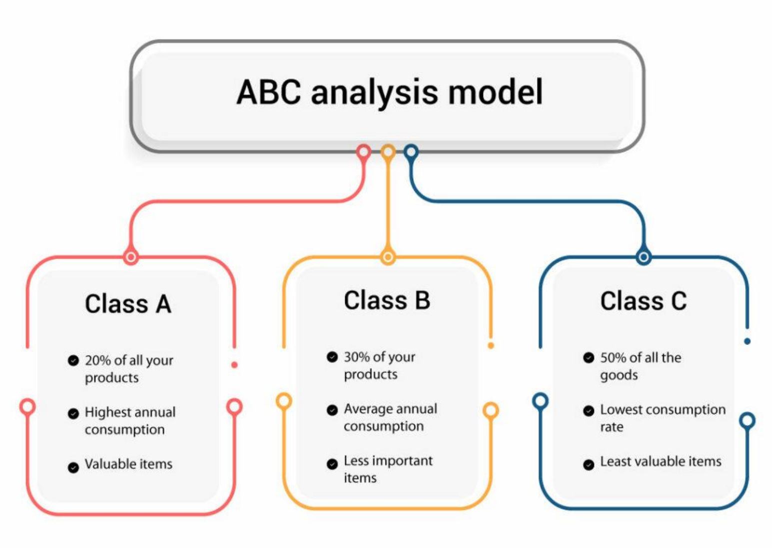


Figure 8, the ABC Inventory method

Here's a brief overview of the ABC inventory method:

- *Category A (High-Value Items)*: This category includes a relatively small number of items that contribute to a significant portion of the total inventory value. These items are considered high-priority and are closely monitored and managed to ensure their availability.
- *Category B (Moderate-Value Items)*: Items in this category have a moderate impact on the overall inventory value. They are managed with a moderate level of attention and resources compared to Category A items.
- *Category C (Low-Value Items)*: This category comprises a large number of items with a relatively low individual contribution to the total inventory value. These items are often numerous but individually less critical, so they are managed with less attention and resources compared to Category A and B items.

The ABC inventory method is based on the Pareto Principle, also known as the 80/20 rule, which suggests that roughly 80% of the effects, or costs in this case, come from 20% of the causes, or clients.

In the context of inventory management, it implies that a small percentage of items (Category A) typically account for a large percentage of the inventory value and require more focused control. *(Figure 9)*

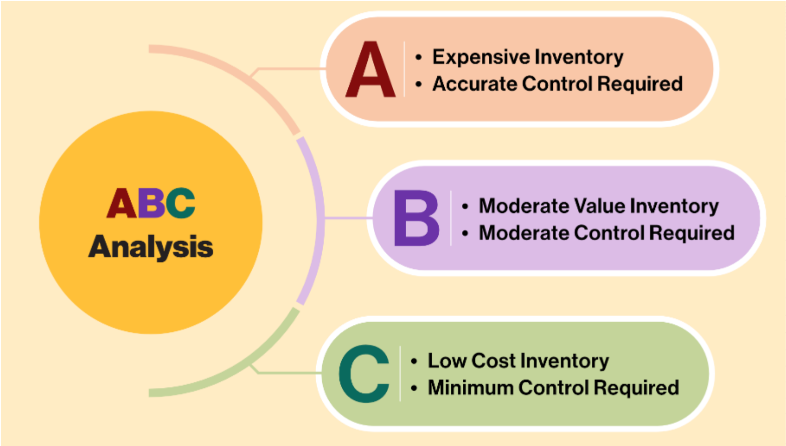


Figure 9, Types of control required on ABC Product categories, Bajaj, 2023

The ABC inventory method is widely used in supply chain management and has proven to be a valuable tool for companies to optimize their inventory management processes, reduce carrying costs, and enhance overall operational efficiency.
Through the use of certain techniques, such as the ABC inventory methods, this effort reduces inventory holding costs in relation to a given sales volume. *(Figure 10)*

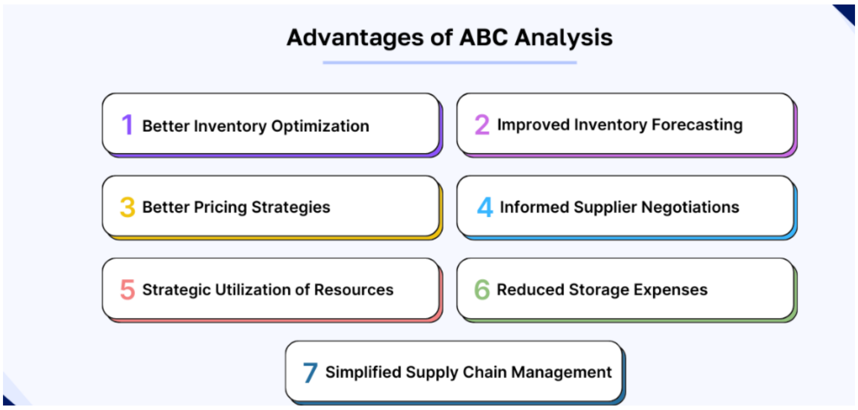


Figure 10, ABC Inventory method benefits

Considering the increasing number of logistical choices available to competing companies, there is room to develop more extensive programs for differentiated product distribution. As a result of this program, dealers are assured of nearly complete order availability in a short period of time; reductions in inventory holding costs more than compensated the company for increased transportation costs; and customer goodwill improved significantly.

In fact, the manufacturer gained a reputation throughout the industry for having an outstanding parts supply program achieved by means of a differentiated distribution system. While postponement and speculation, standardization, consolidation, and differentiation are all means of achieving strategic competitive advantage, the firm top management is in charge of choosing the right method, in order to exploit its strengths.

From my personal experience inside the firm, all these techniques are adopted, by a different degree of intensity, because they constitute the best practices in the logistics and distribution industry and allow to maximize the resources and skills of all the operators present in the network.
To conclude, it is important to reiterate that the firm must continue to look for other opportunities and potential disruptive techniques, as well it must maintain a periodic program of review to ensure that they are not overlooked in formulating strategy, and it does not fall behind the trends.

1.1.4) Logistics: Human Resource perspective

The last point of view of the literature review is trying to look at logistics from a Human Resources perspective.

This perspective is much more important after some organizational changes, like the ones that occurred within the firm with the merge with Essilor and the acquisition of GrandVision. In fact, it is of great importance to analyze the effects of these structural changes on the human resources, the people that work inside the companies, as well as the best ways that can favor the correct integration process, as it will be explained later.

In particular, the economic, human resource management literature is full of studies on the importance of a correct "human resource integration", and much of the research were done in the last 20 years, as these kinds of operations become more and more popular. *(See paragraph 2.2, "The M&A market").*

In order to highlight that human resources are a fundamental part for business' success, numerous research have shown that excellence in performing logistics activities and capabilities is associated with superior organizational and HR management performance (Lynch *et al.*, 2000). Merriam-Webster defines efficiency as "effective operation as measured by a comparison of production with cost (as in energy, time, and money)," or as, "the ratio of the useful energy delivered by a dynamic system to the energy supplied to it." Efficiency regards getting the most out of a fixed set of resources.

For this reason, in order to obtain efficiencies, it is important that also the human resource side of the merge ends up in a good way, and in a relatively short period of time.

That is why also the duration of the post-integration process is very important, as there is a negative correlation between the time employed and merger outcome is positive *(Figure* 11, *Johnston and Oh, 2019).*

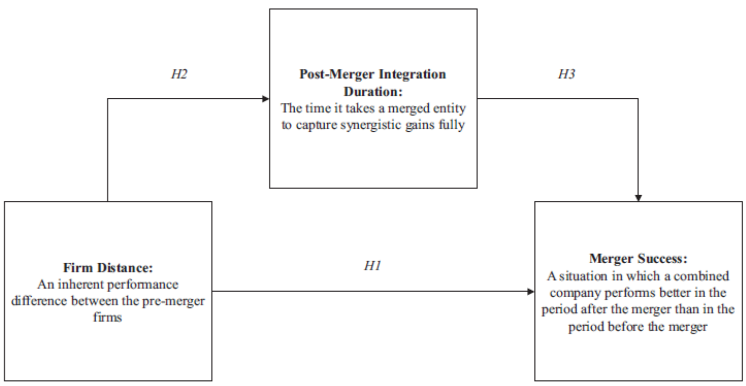


Figure 11, Post-merger integration duration effects, Johnston and Oh, 2019

The impact of the post-merger integration (PMI) process on human resources (HR) within a firm is indeed substantial, as mergers and acquisitions inherently trigger profound alterations in organizational structure, culture, roles, and the intricate dynamics of the workforce. Crossing through these complex changes requires a huge effort by the HR function, which plays a crucial role in directing the process to ensure an impeccably smooth transition. There is an extended number of ways through which the PMI process significantly influences and affects the HR landscape:

Cultural Integration

One of the principal challenges central to mergers lies in the delicate task of aligning and harmonizing distinct organizational cultures. *(Cartwright & Cooper, 1993).*

HR assumes the significant responsibility of not only facilitating but also coordinating the integration of these diverse cultures.

This involves addressing subtle disparities, fostering open dialogue, and meticulously nurturing the development of a unified organizational culture that seamlessly integrates the best elements from both entities.

Workforce Transition

The effects of mergers often extend to the identification of redundant roles, which, in turn, necessitates thoughtful workforce transitions involving layoffs. *(Marks & Mirvis, 2011).* In this challenging landscape, HR assumes an even more critical role in managing the intricacies of layoffs, providing unwavering support to affected employees, and presiding over a meticulously orchestrated, fair, and transparent process that respects the dignity and professional well-being of each individual impacted.

Talent Retention

The intricate task of retaining key talent during and post-merger emerges as a strategic imperative assigned to HR. The multifaceted approach encompasses the development of comprehensive retention strategies that go beyond mere monetary incentives. HR engages in the conceptualization and implementation of far-reaching initiatives such as bespoke career development programs and communication efforts tailored to address the unique concerns and uncertainties harbored by employees. *(Brisson-Banks, 2010).*

Communication and Change Management:

At the heart of any successful merger lies effective communication, and HR assumes a central role in this regard. Ensuring that employees are not merely informed but genuinely understand the intricacies of the changes, the rationale driving them, and the envisioned future direction of the combined organization is a nuanced task that demands the dexterity and foresight that HR uniquely possesses. *(Buono & Bowditch, 2003).*

Furthermore, HR plays an instrumental role in crafting and implementing change management strategies, strategically minimizing resistance and fostering a genuine sense of buy-in from the entire spectrum of the workforce.

Organizational Structure:

The post-merger landscape necessitates a thorough reimagining of the organizational structure, a task that falls squarely within the purview of HR. This comprehensive undertaking involves not merely reshuffling reporting lines but intricately defining new job roles and responsibilities to create an organizational structure that is not just efficient but also remarkably cohesive, seamlessly blending the strengths of the previously distinct entities. *(Weber, 1996).*

Employee Morale and Engagement

Mergers inevitably introduce an undercurrent of uncertainty and anxiety among the workforce, and it is HR's mandate to expertly navigate these turbulent waters. Tasked with the ongoing monitoring of employee morale, HR stands as the vigilant custodian, promptly addressing concerns and orchestrating a symphony of initiatives aimed at either maintaining or elevating the overall level of employee engagement, thereby ensuring a harmonious and motivated workforce. *(Schraeder & Self, 2003)*

HR Systems Integration:

The integration of disparate HR systems and processes from merging organizations emerges as a monumental task for HR. This involves not just a mere technical integration, but a strategic alignment aimed at fostering a unified approach to HR functions. From the intricacies of payroll processing to the nuanced administration of benefits and the meticulous management of performance, HR ensures a seamless and cohesive integration of systems, minimizing disruptions and ensuring a continuity that resonates across the entire organizational fabric.

Legal and Compliance Issues:

In the complex landscape of mergers, HR is tasked with navigating the intricate web of legal and compliance considerations *(Kale, Singh, & Perlmutter, 2000)*. The meticulous adherence to all employment laws and regulations becomes a paramount responsibility, and HR serves as the vigilant guardian, addressing issues ranging from the minutiae of employee contracts to the complexities of benefits and labor relations.

Training and Development

Identifying and addressing skill gaps that invariably emerge from the merger becomes a pivotal responsibility for HR. This involves a meticulous analysis of the evolving organizational context, with HR actively steering the identification of these gaps and subsequently orchestrating comprehensive training and development programs. *(Haspeslagh & Jemison, 1991)*. The overarching goal is to equip employees with the precise skill set required to thrive in the dynamic milieu of the newly configured organization.

Employee Feedback and Input

HR goes beyond mere communication and actively seeks the invaluable input and feedback of employees throughout the integration process. By providing a platform for employees to articulate their perspectives, concerns, and suggestions, HR empowers individuals, giving them a tangible voice in the ongoing changes. *(Appelbaum, Gandell, Yortis, Proper, & Jobin, 2000)*. This iterative feedback loop serves not only as a mechanism for addressing immediate concerns but also as a catalyst for the continuous refinement of the integration process.

In achieving successful post-merger integration from an HR perspective, the imperative lies in meticulous planning, nuanced communication, and an unwavering focus on maintaining and enhancing employee morale and engagement throughout the multifaceted transition. HR professionals are called upon not merely to navigate the complexities but to proactively collaborate with leadership and other functional areas, ensuring the emergence of a post-merger workforce that is not just positive but harmoniously cohesive. The orchestration of such an intricate process demands a synthesis of strategic vision, empathetic leadership, and the proactive engagement of HR professionals who stand as the architects of a positively transformed organizational future.

1.2) Considerations

As it is indicated in the empiric and theoretical researches of scientific and economic literature, several different aspects must be observed and managed in a specific manner when it comes to the logistics integration process.

In particular, I have decided to focus on three main areas that in my opinion are fundamental when it comes to taking decisions regarding the post-merger logistic integration process: Strategy, Management and Human Resources, whose perspectives are profoundly linked one to each other. *(Figure 12)*

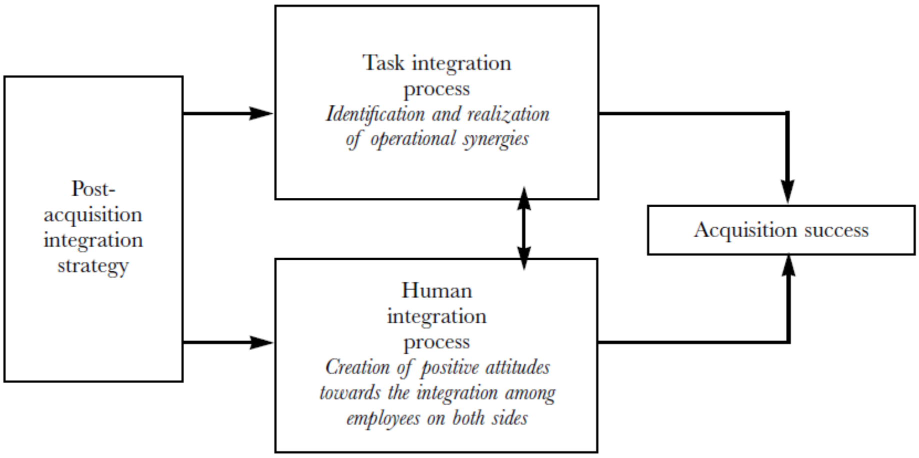


Figure 12, Framework for integration management, Birkinshaw, Bresman et al, 2000

How the study from Birkinshaw, Bresman et al demonstrates, the success of the acquisition or merger, depends in larger part of the overall success of all these 3 major areas, as they are profoundly bonded to each other.

In fact, Logistics is one of the most important functions of the firm, which must be supported and financed through governance and management, that has to decide which kind of approach the firm will adopt in each one of these categories.

As we have seen, Logistics is important on a strategic level, because the success or failure of the company can depend on the definition of the business approach. In this case, the governance choice to continue towards vertical integration, in a period of uncertainty, was successful. Through M&A activities a true giant in the eyewear industry was created, so stable and reliable that can withstand any changes in the market or environment.

The second aspect covered concerns all the strategies that Management can adopt in the logistics sector to make the most of the company and optimize the network to fully exploit its potential: speculation on services and resources, standardization of products, consolidated services are all examples of the clear view of the company's goals of differentiation and cost advantage in warehousing and distribution.

Finally, last but not least, Human Resources has been covered, as it probably has the greatest importance out of all three areas analyzed, at least in my point of view.

Employees of all the entities are one of the most impacted shareholders of all the process: they have to cope with major organizational changes and find a new balance.

They also have to face several challenges: organizational integration, communication between international teams and companies' culture are the most relevant factors, and here in my opinion the most important factors to control.

In particular, in the Second chapter I will describe how the company practice follows very closely the theoretical background even though, at the same time, there are several concerning aspects to monitor.

It is precisely on these aspects that the overall failure of the success of the integration will depend, how it will be described in the next chapters.

SECOND CHAPTER

EssilorLuxottica Case Study

This second chapter will be dedicated to the description of the case study of EssilorLuxottica, along with my personal experience in the firm.

I have been in EssilorLuxottica since the beginning of 2023, first as an International Project Manager Intern, and then as an EMEA Transportation Analyst.

For what concerned my experience, beyond my role in the organization, I was able, and I am still able to see how the integration process, which started since the merge with Essilor, and the acquisition of GrandVision, it is taking place, and has been in progress since.

Before diving into all the details of this process, in order to understand the reasons of this merge and the following acquisition, firstly it is necessary to describe the current situation of the market, its main products and the competitive landscape.

2.1) The Eyewear industry

The global eyewear market consists of several different product categories, among which it is possible to find prescription glasses, sunglasses, lenses, contact lenses and ready-readers, and it accounted for about 120 billion € in 2022**,** and nearly 130 billion € in 2023 *(Global Market Insights, 2022)*, with a massive yearly growth rate of 7.8%.

The market is expected to keep increasing during the next ten years, at almost the same rate, 7,7% every year, and it has been estimated to reach about 175 billion € by 2027 (*Mellery-Pratt, Figure 13*) and 220 billion € by 2023 *(Fortune Market Research Report, 2023)*.

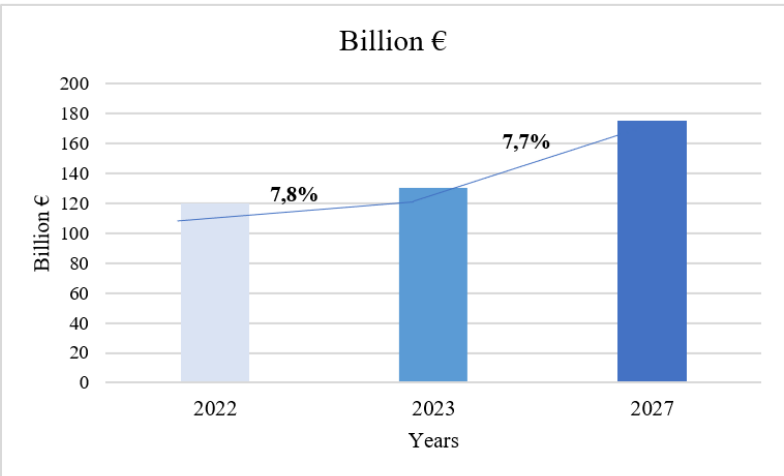


Figure 13: Global Eyewear market size forecast (Global Market Insights 2022)

From a geographical perspective, in 2022, the two biggest markets for the eyewear industry were Europe, which market size amounted to over 37% of the global revenue *(Grand View Research, 2022)*, primarily due to high average selling prices and the presence of key participants in the region, and North America, with a 34% share of revenues.
The spur can be attributed to rising demand for plan sunglasses along with increasing consciousness regarding eye examination across the region. Asia Pacific eyewear market size was over 20% in 2022 in terms of revenue, and rapidly increasing wearer base is likely to drive consumption in the incoming years. Finally Latin America, driven by Brazil is expected to witness steady gains over the next years. *(Figure 14)*

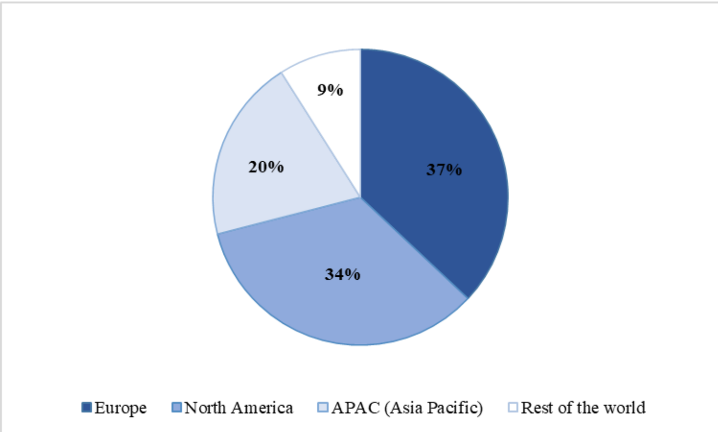


Figure 14: Personal elaboration of Global Market Insights data, 2022

The global eyewear market is fragmented due to the presence of few international and many local players operating in the market.
The largest international vendors are based in Europe, especially Italy (EssilorLuxottica, 2023), while few others are based in US.
Every one of these vendors has an extensive product types and categories, such as an important brand portfolio, along with online and physical presence as well as retail chains, which are mandatory in order to be able to compete in this industry.
The market is supported by various growth drivers, such as aging population, urbanization, rise of middle income, increasing number of people requiring vision correction and use of eyewear as a fashion statement, that all contribute to the increase of both the market size, and the growth rate.

Now it is also important to look at the Mergers and Acquisition situation worldwide, with a particular focus on Italy, so that it is possible to understand the ongoing trends in this sector and the reasons that brought these operations.

In the end, in the following paragraphs the eyewear industry will be introduced with respect to its production and players; additionally, its evolution and development over years will be pointed out.

Once an all-round general perspective will become clear a deep dive about the political, economic, social, technological and legal external aspects will be carried out as well as a further disquisition of the main internal forces that are shaping the industry.

2.2) The M&A market

The global market for Merger and Acquisitions (M&A) has been fluctuating over the course of the past years.

In fact, the dynamics of this market are extremely variable, and according to the report made in 2021 from KPMG *("Mergers and Acquisitions Report", 2021)*, that year was exceptional for M&A activities, both at national and international level, as all the records were broken. In fact, M&A activities reached the grand total of almost 4,4 Billion dollars and almost 49.000 transactions, surpassing every best forecast made. It is also an important to underline that Europe was the second regarding the total number of transactions *(Figure 15, 16)*.

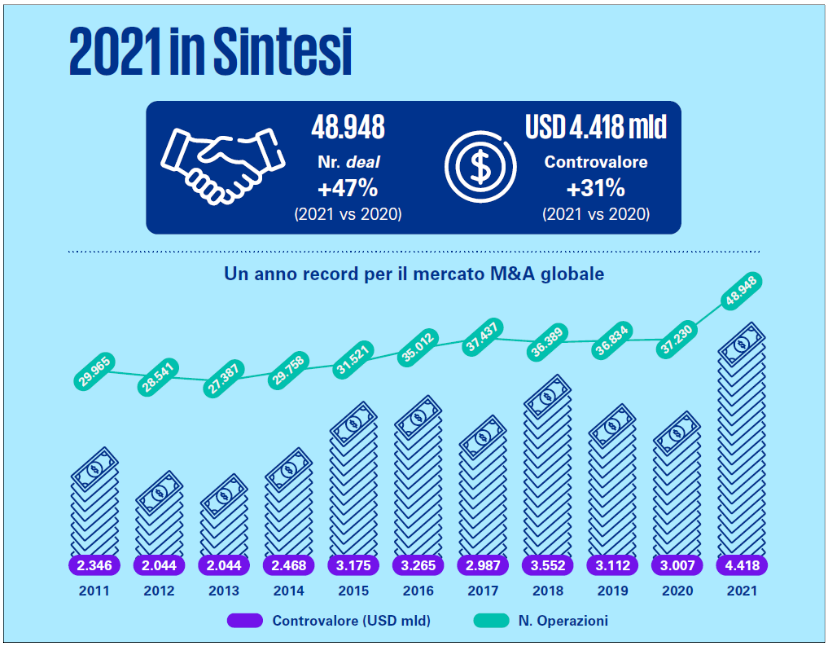


Figure 15, Number of M&A operations and their countervalue, KPMG report 2021

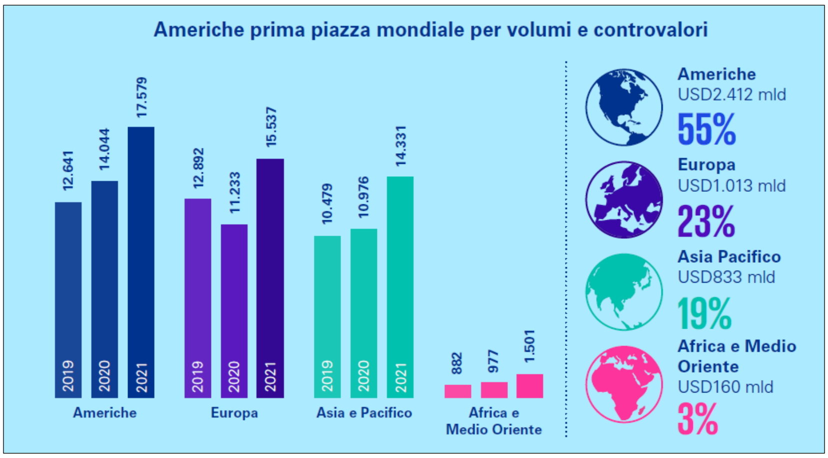


Figure 16, Share of M&A operations for every Region, and their value, KPMG report, 2021

To symbolize this incredible year, 2021 was also the year of the acquisition of GrandVision from EssilorLuxottica, that contributed to the trend as well.

And in in order to highlight the extreme volatility and instability of this market, it is useful to look at the data from 2022, which was very different and not as exceptional compared to 2021. In fact, after the record-breaking year, 2021, 2022 was a year with two different speeds. After a positive start, M&A activity suffered a progressive reduction, caused by macroeconomic and geopolitical uncertainty, especially in the third trimester.

The global M&A market closed the year with a 20% drop of the countervalue of the operations, 3,5 Billion dollars, and a 12% of the volumes, 43.000 transactions, attesting the capability of finalizing transactions also in unpredictable periods. *(Figure 17, 18)*

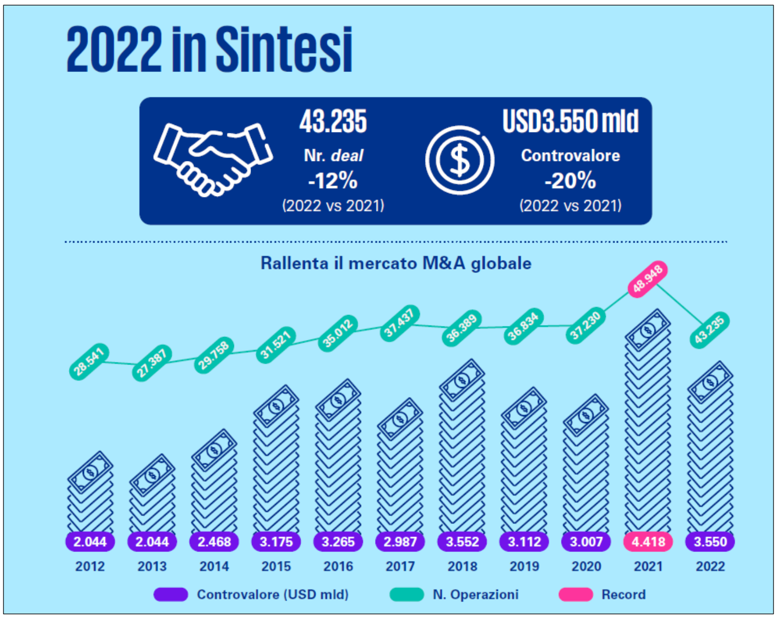


Figure 17, Number of M&A operations and their countervalue, KPMG report 2022

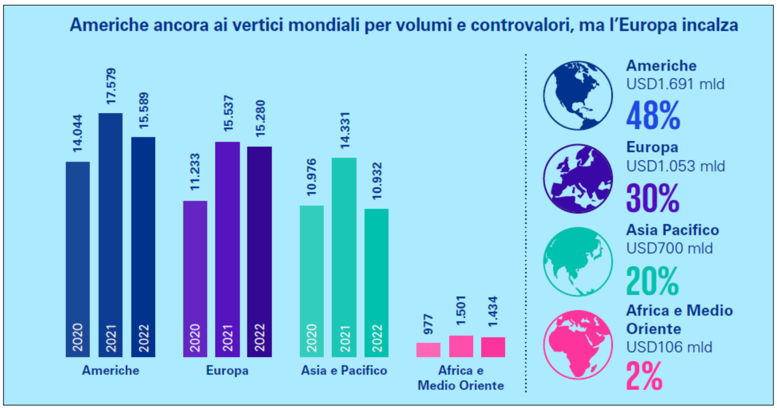


Figure 18, Share of M&A operations for every Region, and their value, KPMG report 2022

But at the same time the number of operations in Europe remained stable, showing the relisience of this market.

If we consider the Italian M&A market, we can see that it exceeded expectations and marked the new all-time high of 1.271 completed transactions, with the total value of €86 billion. Despite the uncertain scenario, between geopolitical crises, rising rates and inflation, the reconfirmation of the structural reasons that drove M&A activity in recent years lead to cautious optimism regarding the resilience of the Italian market in 2023.

By observing the data and the trend present in the world of M&A operations, it is possible to understand the economic environment, in addition to the purely economic motivations related to economies of scale, positive externalities, the possibility of speculation and optimization, inevitably contributed to the decision to continue with these organizational changes implemented by Luxottica and Essilor.

In addition to purely economic reasons, it is also necessary to consider the long tradition and history of acquisitions by the two companies over the years *(Figures 19, 20)*, which demonstrate their propension for these operations.

Figure 19, 20, Luxottica and Essilor acquisitions over the course of the years

2.3) The products

According to the *Eyewear Market*, products in the eyewear industry can be divided into 3 main categories (*Figure 21, 22)*:

- Spectacles;
- Sunglasses;
- Contact Lenses.

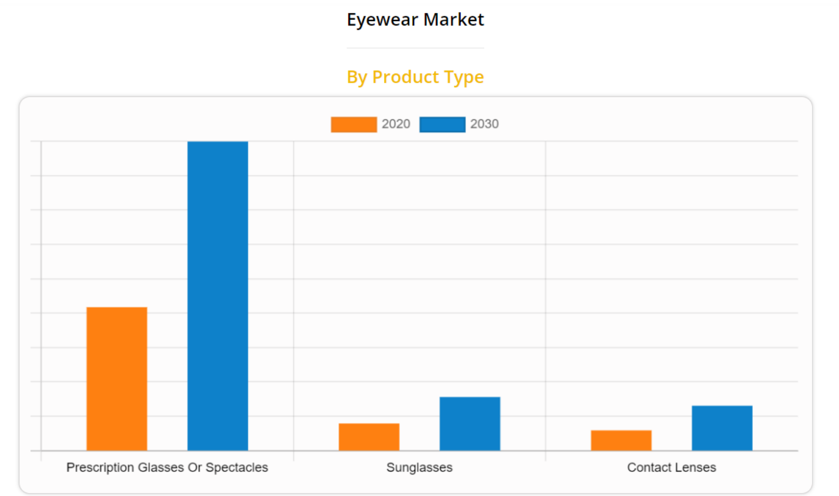


Figure 21: Eyewear Market categories by product, Global Market Insights, 2022

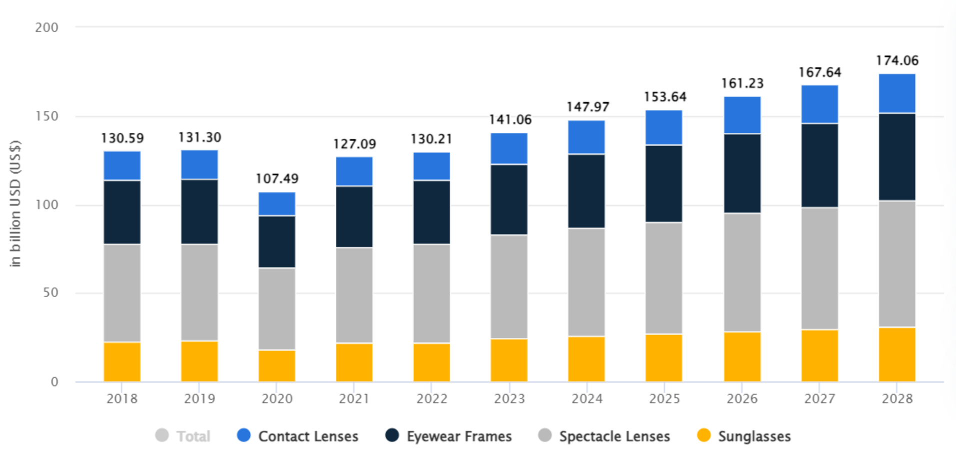


Figure 22: Eyewear product category split, Statista market insights 2023

SPECTACLES 

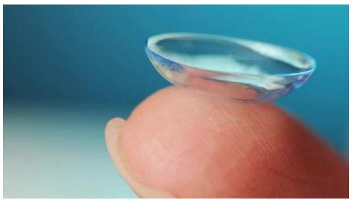
The spectacles (o prescription lenses) segment dominates the global eyewear market in terms of revenue, with around 50 billion revenues in 2023 (*Statista Market insights 2023)*, and market share (*Global Market Insights 2022)*, and is expected to grow at a CAGR of close to 7% during the next five years (*Technavio*, 2019).
Spectacles, or corrective lenses, are used to correct refractive errors by bending the light entering the eye in order to alleviate the effects of conditions such as near-sightedness (myopia), farsightedness (hypermetropia) or astigmatism. Another common condition in patients over forty years old is presbyopia, which is caused by the eye's crystalline lens losing elasticity, progressively reducing the ability of the lens to accommodate (i.e. to focus on objects close to the eye). Corrective lenses are made to conform to the prescription of an ophthalmologist or optometrist, and they are typically segregated into Spectacle Frames, Spectacle Lenses, Ready-Made Reading Glasses and Sunglasses.

PLANO SUNGLASSES 

Plano sunglasses are defined as sunglasses that are fitted with non-prescription lenses, and thus are not used for vision correction.
They are mainly used for aesthetic purposes and for protecting the eyes against harmful ultraviolet (UV) rays.
In recent years scientific studies has shown that exposure of the eyes to UV rays over a period of time makes them susceptible to developing a cataract and may also cause damage to the retina and, according to the American Optometric Association, these risks can be combated by wearing sunglasses with high eye protection factor (EPF).
Therefore, growing awareness among the general population regarding the importance of protecting the eyes is the key driving force for the market.
Plano Sunglasses market is further segmented on the basis of product and material.

Polycarbonate lenses provide superior impact resistance and are lightweight; however, they suffer from drawbacks including lower scratch resistance and reduced optical clarity as compared to other materials.
Finally, despite glass lenses provide the highest optical clarity and scratch resistance, they are more expensive and are not very impact resistant.

CONTACT LENSES



A contact lens, or simply contact or CL, is a thin lens placed directly on the surface of the eye. CLs are considered medical devices and can be worn to correct vision, or for cosmetic or therapeutic reasons, they.
They offer a variety of benefits over their traditional counterparts: advantages associated with the daily disposable modality include lesser time for building up deposits, no need for cleaning, and elimination of care solutions.
When compared with spectacles, CLs typically provide better peripheral vision, and do not collect moisture (from rain, snow, condensation etc.) or perspiration; this makes them ideal for sports and other outdoor activities.
This particular sector in the industry is expected to grow significantly over the next years, CAGR 8,8% *(Allied Market Research 2021).*

OTHER PRODUCTS (Smart Glasses)

In addition to the standard above mentioned products, a specialized branch of the eyewear industry is also involved in the production of smart frames, worn to improve the seeing experience with the help of technology.
It is important for the firm to invest in these technologies and types of glasses, because we are currently in the first development phase of a potentially revolutionary product, so it is important

to follow through.

An example of these products are the RayBan Stories, a new product created by EssilorLuxottica and Ray-Ban, that allows to combine the different kind of glasses (spectacles and sunglasses), with technology, enabling the user to connect with their mobile devices, make photos, listen to music, and other activities.

2.4) Integration process

Luxottica has always had this history of growth through mergers and acquisitions, in order to incorporate in its business model all the activities related to sight, in each one of its aspects, and to complement its core activities.

With the merge with Essilor in 2021, and the following acquisition of GrandVision in 2022, the firm took some huge steps in this direction, as the firm has been able to gain competencies and expertise in the production of the lenses and contact lenses.

Of course, there are several reasons to acquire or merge with another firm, and both concern economic and strategic objectives (as listed in the first chapter), as companies decide to pursue those organizational changes for various reasons:

- Creating a **competitive advantage** is the most common goal, which includes all the other reasons: the combination of two companies can yield a stronger, more competitive entity in the market, enhancing their positioning against rivals.
- **Economies of scale** (*Teece, D. J., 2010)* play a crucial role in this decision-making process as well: the consolidation of resources between the merged or acquired firms can result in cost savings and increased operational efficiency, as larger scale operations often lead to lower costs per-unit.
- The concept of **synergy** is also very important: it suggests that the combined entity is more valuable than the sum of its individual parts, creating synergies in operations, technologies, or market presence. *(Andrade, G., Mitchell, M., & Stafford, E., 2001)*
- Another strategic goal is **diversification**. Merging or acquiring offers the chance to diversify product or service offerings, reducing reliance on a single market or product and effectively spreading risk across different segments.
- Furthermore, the pursuit of **technology and innovation** often propels mergers and acquisitions: this approach provides access to new technologies, patents, or innovations, ensuring that the acquiring company remains competitive or ventures into new markets (*Brouthers, K. D., & Bamossy, G. J., 2006)*.
- Access to skilled personnel, specialized expertise and know-how, or a talented workforce that might be challenging to develop internally or hard to find in the market is a driving force behind mergers — an objective related to acquiring **access to talent**.
- One significant motive is the pursuit of **market expansion**. Through a merger or acquisition, companies gain access to new markets, customers, and geographical regions, thereby facilitating overall business growth.

- **Financial considerations** are also key, where acquiring a company can be financially advantageous, providing access to revenue streams, assets, or intellectual property that significantly contribute to overall financial gains.
- **Risk mitigation** is another aspect to consider. Acquiring a competitor can help mitigate competitive risks and strengthen the market position of the combined entity.
- Lastly, for those eyeing a **global presence**, merging, or acquiring a company in a different region can prove instrumental in establishing or enhancing a global presence, fostering a more diversified and widespread market reach. (*Caves, R. E., 1980)*

As Rohloff, Jochem et al stated in 2011: "The integration process is the key to making acquisitions work" and a key element in post-merger integration (PMI) is the process harmonization.

All the advantages mentioned above can be reached only it the M&A activity has a positive outcome, and to do so, a preestablished and detailed integration process is needed, so that the firm has a guideline to follow from the beginning to the end.

It is important to underline that following these structural changes, also the organization must monitor and follows closely the development of the internal organization.

For this reason, before the acquisition was defined this so called "Integration program", which consists in all the specific steps and guidelines that the firm wants to follow in order to implement a successful integration with the other entities.

This is a scheduled program, which is and will help the firm in the integration process with the other entities, from an operational point of view, and consists in 3 main phases, with specific timelines for each one of them, that coexist and are pursued together *(Figure 22).*

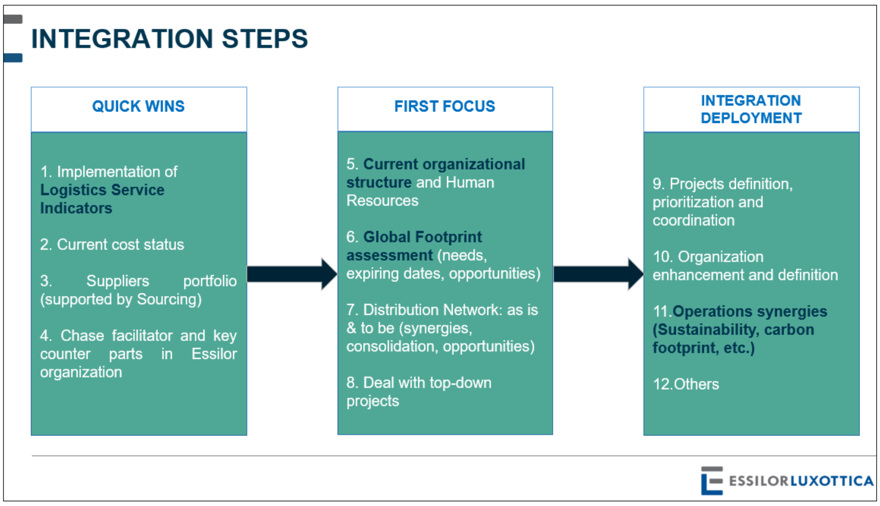


Figure 23, EssilorLuxottica Integration Plan, Internal sources

During the case study, I have decided to focus on only some of the points in each phase (*Figure 23)*:

- *Quick win phase*: **Implementation of Logistics Service Indicators**
- *First focus*: **Current Organizational structure** and **Global Footprint Assessment**
- *Integration deployment:* **Operation synergies (Sustainability)**

In particular, I have decided to focus on these points because in my opinion they are the most relevant aspects that regard the integration process, and are vastly covered by the literature, and also because I had the chance to deep dive on those topics in order to "verify" what was the firm's behavior compared to the theoretical background.
The points analyzed resume all the elements previously treated in the literature, so it will be possible to see if they are respect it or not.
Lastly, I have been in the firm since January 2023, and I had the chance to see how the firm developed and implemented every phase of this process, with several projects and initiatives. For this reason, I believe that my personal experience will be useful, and I want to share and discuss about these practices in the next sections, bringing an example of each step in my analysis, and see the linkages with the literature.

2.4.1) QUICK WINS

At the beginning of the first stages of the integration process, the governance and the top management pursued those so-called “Quick wins”: these are “relatively easy” goals that could be reached in a short amount of time, that could act as a starting point for the whole integration process, and that can set the tone for all the other goals and further projects development that will occur.

Those Quick Wins consisted in 4 different short-terms projects:

1) Implementation of Logistics Services Indicators, considering companies KPIs
2) Analyzing the current cost structure
3) Analyze Suppliers portfolio (supported by sourcing)
4) Chase facilitator and key counter parts in Essilor and GrandVision organization

For the purpose of this thesis, and because during my experience I was not able to participate in every single project, only the main initiative for each phase will be described and analyzed in detail, because I do not possess all the information, as many of them are not publicly available.

Otherwise, the topic of the thesis would lose its focus, which is see how the logistic integration process had an impact on the firm’s actions, that were took to facilitate the integration between different entities.

1) Implementation of Logistics Services Indicators, considering companies KPIs

The implementation of Key Performance Indicators (KPI) was the first point addressed, and it is one of the most important as well, if not the most important one when it comes to Logistics performance measurement.

Key Performance Indicators (KPIs) are essential metrics that organizations use to measure and evaluate their success in achieving specific objectives.

They provide a clear understanding of how well a company, project, or individual is performing against predefined goals.

KPIs vary across industries and business functions, and they help in making informed decisions, identifying areas for improvement, and tracking progress over time.

The significance of Key Performance Indicators (KPIs) within organizations involves various crucial aspects *(Velimirovic et al, 2011)*:

- **Strategic Alignment**: KPIs play a critical role in aligning with strategic goals, ensuring that the efforts of the organization are directed towards primary objectives. By establishing a direct connection between day-to-day activities and the broader strategic vision, KPIs contribute to a more focused and determined organizational effort.

- **Performance Monitoring**: KPIs serve as effective tools for the ongoing monitoring of organizational performance. Through the continuous evaluation of these indicators, organizations can promptly identify areas of strength and weakness, enabling timely adjustments and interventions to enhance outcomes. This real-time feedback mechanism is useful to maintain quickness and flexibility to respond to the different inputs of a dynamic business environment.

- **Data-Driven Decision Making**: KPIs provide a quantitative base for informed decision-making. Relying on measurable metrics allows organizations to make more precise and evidence-based choices. This shift towards data-driven decision-making reduces the reliance on intuition, promoting a culture of analytical reasoning and increasing the likelihood of strategic success.

- **Accountability**: A key function of KPIs is the establishment of accountability within the organization. By defining and measuring clear expectations, KPIs create a framework for accountability at various levels. Individuals and teams become accountable for their contributions, and the organization as a whole is held responsible for achieving predetermined objectives. This accountability fosters a culture of ownership and responsibility.

- **Continuous Improvement**: Regular assessment of KPIs is functional to identify areas for improvement and optimization. By continuously reviewing performance metrics, organizations can spot inefficiencies or areas that require improvement. This process of continuous improvement is essential in order to stay competitive, adapt to changing circumstances, and ensure organizational growth *(Lindberg et al, 2015)*.

In summary, the importance of KPIs lies in their ability to align organizational efforts with strategic objectives, facilitate performance monitoring, drive data-driven decision-making, establish accountability, and promote a culture of continuous improvement.
As central components of performance management, KPIs contribute significantly to organizational success, and this is why it is important to develop them.

In EssilorLuxottica, two main categories of KPIs have been developed over the course of the years, based on the continuous improvements and best practices from the firm's experience:

1) "**Service Level KPIs**": they are focused on the shipments to the market, in particular to the final client (Market flows);

2) "**Synchronicity KPI**": concerns the flows for the movement of goods within the EssilorLuxottica's internal distribution network (Replenishment flows).

These KPIs are very important for the firm therefore, only the first indicator will be analyzed, as the calculation method is the almost the same for both, and the thing that changes between then is their perimeter: Service Level regards the local transportation, inside each Region and the Synchronicity regards the international flows, between Regions.
These KPI are also very important because the first "Quick win" project was to implement these KPIs in all the acquired entities.

The reason why performance measurement is so important is because through KPIs monitoring the company makes sure that everything is under control, every entity is measurable for its effective contribution and it is accountable for its work, provides feedback and answers, and eventually allows to take corrective actions to solve or improve the situation.
The most important function of Logistics KPIs it creates some databases and data analysis and reports for the top management, so that eventually major decisions or changes of scenario can be implemented.

For this reason, it is important to explain how these performances indicators are calculated.

Service level KPI

The "Service Level" is the KPI that evaluates the performances of the shipments and their relative deliveries all across the world: it evaluates if the total shipments arrived in time and gives a compressed indicator in form of a percentage.
This indicator is specific for the Local areas, which are intended as specific 4 Regions: EMEA, North America, APAC, LATAM.
This indicator is calculated on the actual shipments happened in the last week (LW) of the current year.
And it goes further into detail, as is it possible to see also the detail of the cumulative performances of the last Month (MTW), Quarter (QTW) and Year (YTW). *(Figure 24)*

Luxottica Logistics Service Level		EMEA				NA				APAC				LATAM			
		LW	MTW	QTW	YTW	LW	MTW	QTW	YTW	LW	MTW	QTW	YTW	LW	MTW	QTW	YTW
ECOMMERCE (Release to Client)	Delivered Volumes wk-1 *(k pcs)*	10,0	31,0	110,1	562,7	10,3	22,5	65,5	326,7	9,7	32,0	102,5	273,6				
	Weighted average target (days)	EU: 3 / 4				2,0				5 / 7							
	% On Time (wk-1 OUTLOOK)	*98,8%*	*98,7%*	*99,2%*	*98,4%*	*97,6%*	*97,7%*	*98,6%*	*98,0%*	*98,6%*	*98,5%*	*99,4%*	*99,4%*				
	Comments:																
RETAIL (Release to Store)	Delivered Volumes wk-1 *(k pcs)*	101,7	247,6	1.508,2	8.218,7	167,3	450,3	2.131,9	9.978,3	43,1	113,1	661,5	2.519,8	6,9	15,5	104,7	432,2
	Weighted average target (days)	4 / 5				3 / 4				5 / 7				5,0			
	% On Time (wk-1 OUTLOOK)	*98,9%*	*98,7%*	*97,8%*	*90,6%*	*99,8%*	*99,8%*	*99,7%*	*99,6%*	*99,5%*	*97,0%*	*98,7%*	*98,2%*	*96,3%*	*96,5%*	*96,9%*	*96,6%*
	Comments:																
WHOLESALE (Release to Delivery)	Delivered Volumes wk-1 *(k pcs)*	283,0	699,0	3.179,1	16.504,0	82,9	144,9	692,4	3.535,9	184,5	389,3	1.736,6	8.260,2	30,0	60,9	914,8	3.700,1
	Weighted average target (days)	5 / 6				5 / 6				7 / 8				5			
	% On Time (wk-1 OUTLOOK)	*90,7%*	*94,8%*	*96,1%*	*94,4%*	*84,3%*	*89,2%*	*97,0%*	*97,0%*	*99,6%*	*93,1%*	*92,8%*	*94,0%*	*97,5%*	*95,9%*	*95,8%*	*96,7%*
	Comments:																

Figure 24, Service Levels template, Internal Reporting EssilorLuxottica, 2023

This KPI is now adopted in every Region, which allows the firm to have a uniform and coherent database, that allows the reporting function to retrieve quickly reliable data for the Service Level calculation.
The information about Warehouse and Transportation is collected in several ways, in part form raw data, excel files from all the subsidiaries, but mostly from the company's business intelligence and from the ERP software SAP.
Then all the reports are analyzed, and presented every week to all the network, in the International Weekly Meeting, where delegates of every Region share their performances and all the happenings that occurred during the period thay may have an impact on the business.

Several key aspects of Service Level (SL) KPI:

- There are different levels of focus: a division by macro aggregation, considering specific countries and brands; or a more detailed focus on markets division: Ecommerce, Retail and Wholesale;

- The aggregated data are presented to the whole network every week at a macro level: in that way the firm can check the performances of all the consolidated lanes, and everyone knows if there are major updates or accidents. SL offers a lot of flexibility when it comes to present data, as all information is available, and can be adequate considering the public, from more aggregate for top management and to more detailed when needed;
- There is a standardized calculation method for SL: every report is prepared in the same way in every Region, and that allows the outcome of the analysis to be reliable, homogeneous and understandable for everyone.

KPI calculation:

Service Level depends on the measurement the Total Lead Time (LT).
The LT measurement is "the % of pieces delivered to the client in a period of time that is less than or equal (LT) than promised target (TGT)".
In particular, the Total Lead Time (LT) is a time measure, an estimation on how much time a shipment needs to be delivered, on average, which is the sum of the Transportation and Warehouse Targets (also the trend of the variables in the pasts years is considered).

Total Lead Time (LT) = Warehouse Lead Time (LTWH) + Transportation Lead Time (TRLT)

They both are measured in days, and have very precise starting and ending points in time:

- Starting and ending of warehouse processing *(WHLT)*: from receiving the order to shipping;
- It starts in the precise moment the WHLT concludes and ends with the delivery to the final customer *(TRLT)*.

In the majority of cases, Lead Time is measured and used only for working days, the days in which the distribution center is closed, and national holidays are not considered.
The other variable of the KPI is the Target Time (TGT), which is the "promise" to the market. It is decided from an agreement between Operations and Business functions, in order to combine market competitiveness and operative viability, looking for the best solution at a given price.

Target Times (TGT) are very different one from another, as they change:

- For every flow, depending on specific processing techniques, that can change for different brands and markets;
- Considering the transportation method, as every flow can vary considering different types of carriers, services and delivery zones.

At the end of the measurement process, SL performances depend on how many times the delivery is on time:

Delivery On time: Actual time of delivery <= TGT

Delivery On delay: Actual time of delivery > TGT

The threshold that identifies a good level of performance is **95%**: everything over this percentage is excellent, while everything under is not adequate and must be addressed. *(Figure 25)*

Luxottica Logistics Service Level		EMEA				NA				APAC				LATAM			
		LW	MTW	QTW	YTW	LW	MTW	QTW	YTW	LW	MTW	QTW	YTW	LW	MTW	QTW	YTW
ECOMMERCE (Release to Client)	Delivered Volumes wk-1 *(k pcs)*	10,0	31,0	110,1	562,7	10,3	22,5	65,5	326,7	9,7	32,0	102,5	273,6				
	Weighted average target (days)	EU: 3 / 4				2,0				5 / 7							
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	Comments:																
RETAIL (Release to Store)	Delivered Volumes wk-1 *(k pcs)*	101,7	247,6	1.508,2	8.218,7	167,3	450,3	2.131,9	9.978,3	43,1	113,1	661,5	2.519,8	6,9	15,5	104,7	432,2
	Weighted average target (days)	4 / 5				3 / 4				5 / 7				5,0			
	% On Time (wk-1 OUTLOOK)	*98,9%*	*98,7%*	*97,8%*	*90,6%*	*99,8%*	*99,8%*	*99,7%*	*99,6%*	*99,5%*	*97,0%*	*98,7%*	*98,2%*	*96,3%*	*96,5%*	*96,9%*	*96,6%*
	Comments:																
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	Weighted average target (days)	5 / 6				5 / 6				7 / 8				5			
	% On Time (wk-1 OUTLOOK)	*90,7%*	*94,8%*	*96,1%*	*94,4%*	*84,3%*	*89,2%*	*97,0%*	*97,0%*	*99,6%*	*93,1%*	*92,8%*	*94,0%*	*97,5%*	*95,9%*	*95,8%*	*96,7%*
	Comments:																

Figure 25, Service Levels template, Internal Reporting EssilorLuxottica, 2023

In order to calculate Service Level KPI in the right way, also the "Nettified situations" must be considered: these is a series of factors, called "Exceptions", that cause shipments to arrive late. These exceptions are situations where the responsibility is unattributable to EssilorLuxottica control due to their nature (such as bad whether condition, strikes, wars, client is not at home, technical or mechanical failures, closed store, etc.).
These cases are the 2-3% of the total shipments and are removed from the calculation of the overall performances.

This procedure for the calculation has several pros and cons.
The huge advantage of this KPI is that in this way the firm is able to establish a unique calculation methodology, which allows to generate results that are clear, reliable, comprehensible for everybody inside the firm.
Implementing Service Level (SL) over Lead Time (LT) results in another big advantage, as the performance measurement system is much more challenging in the SL case.
In particular, SL must be measured within the target: everything that is delivered before the target is on time, and this reflects effectively customer satisfaction.
Meanwhile, LT is the average delivery time for each shipment.
In this second way, several various situations can hide inside this methodology: the first option is that all the shipments are delivered before the target. Considering the second possible option, because it is an average measurement, there could be the extremes: many shipments could be delivered in a very short time, also before the target, and many others could be delivered very delayed. In this case, the overall performance will be good, even though customer satisfaction levels are highly variable, as it is not possible to split the difference.
On the other hand, there are many difficulties as well: in fact, it is extremely difficult to uniform the different business practices, mostly during the targets setting, because there could be frictions between Operations and Businesses: they have different goals and therefore their goals may not be aligned.
Lastly, it is important to highlight that SL is a consumptive KPI, based past information, especially on the delivery to the client, and does not permit to monitor everything that still has to be delivered, without positive impacts on present product management.
In fact, one of the critical points consist in aligning every brand, subsidiary, in every country and Region to create a uniform set of information.
This is due to the fact that it may be difficult to cope with the resistance to change and the "traditional way of doing things" syndrome that affect every acquired entity.
Another critical point is that it is pretty difficult to obtain all the information and databases that can allow to calculate these KPIs, because often there could be confusion about which data utilize, as each carrier has its own measurement.

2.4.2) FIRST FOCUS PHASE

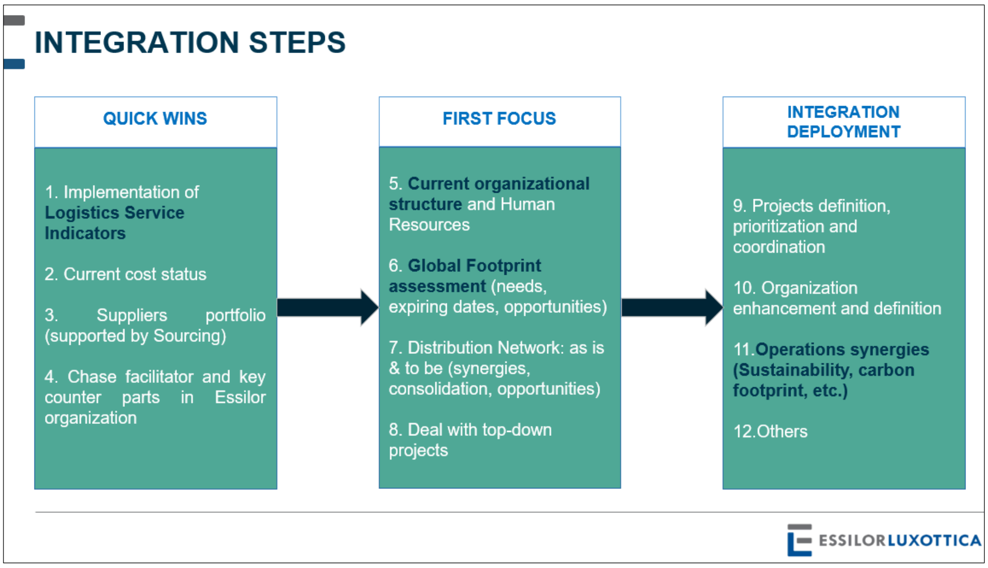

Figure 26, EssilorLuxottica Integration Plan, Internal sources

After the "Quick wins phase", the next phase of the integration process regards the "First Focus" *(Figure 26)*, that consists in all the projects and initiatives that must be implemented in a medium term, in around 1 to 3 years after the merge and acquisition.

These programs aim to impact more significantly the new-formed company, mainly regarding information collection and analysis, and in terms strategic considerations on the current status of the organization.

The most relevant ones are:

- Understand the current Organizational Structure;
- Assessment of the Group Footprint.

Current organizational structure

The first of these projects consists in the observation and understanding of the current organizational structure: in this way, it is possible to understand much information about the companies functioning and spot their strengths and weaknesses.

For this reason, one of the first tasks that had to be addressed after the merge was to detect and understand the different HR organizations of the acquired or merged firms, in terms of structural and human resources organization.

This phase is essential in order to have a clear view of the starting situation, and to predict how the different entities will mash and cooperate during and after the integration.

In this way the higher management could prepare an adequate integration plan that considers the current structure, will take some actions that can improve or smoothen the integration, in order to gradually transition to the desired HR and organizational structure.
The components of the network are pretty different in terms of organizational structure:

- Luxottica has a **Geographic divisional structure**. *(Figure 27)*

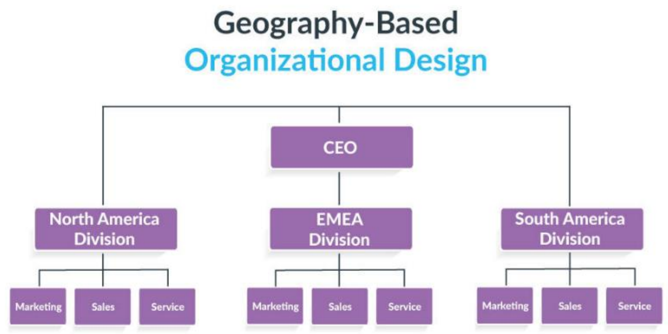

Figure 27, Example of Geographic divisional structure

The organization is strategically divided into distinct geographic regions, each operating as a semi-autonomous unit, reporting to the CEO’s authority.
This structure aims to improve operational efficiency by adapting strategies and operations to the characteristics and demands of local markets.
In this structure, the organization is **geographically segmented**, usually in some kind of countries aggregation, called “Regions” in this particular case:

- *EMEA*: Europe, Middle East and Africa;
- *NA*: North America;
- *APAC*: Asia Pacific;
- *LATAM*: Latin America.

Each segment includes many countries under its influence, and operates as an individual and independent entity, with its own leadership, decision-making authority, and resources: this allows to respond quickly to local market needs and adapt products, services, and strategies to gain competitive advantage *(Murphy and Willmott, 2010)*.
Every geographic division is equipped with its own leadership team, which plays a crucial role in controlling operations, making decisions, and addressing regional challenges.
Another key characteristic is **decentralization**, where decision-making power is at a regional level, and facilitates agility, flexibility and adaptation to the evolving conditions *(Griffin, 2017)*.

While divisions operate autonomously, there is a central coordinating team that directs the overall strategy, coordination, and communication: in the case of Luxottica, this is the International Network team, that ensures alignment with the organization's global objectives, along with the Group CEO and Board of Directors.
All of these characteristics contribute to generate a very flexible organization, which aims to maintain consistency across the organization while accommodating the unique requirements of every Region and optimize efficiency across different markets.

- On the other hand, Essilor has a **Functional divisional structure**. *(Figure 28)*

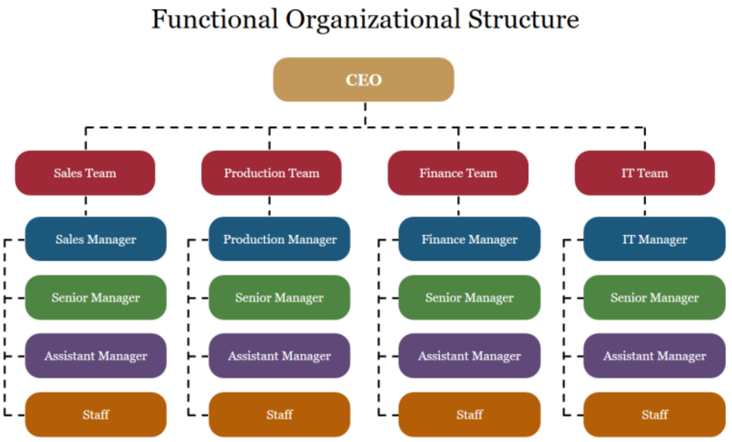

Figure 28, Example of Functional structure

A functional organizational structure is characterized by the organization of employees based on their skills, functions and expertise, and each functional group or department is responsible for specific tasks or activities (such as production, finance, marketing, sales, operations, human resources, etc).
This structure implies a **hierarchical** organization, with a well-defined chain of command that defines lines of authority and accountability: employees report to functional managers, who, in turn, report to top management, and the supervision is easier, as upper management possess expertise in their specific functional area *(Daft & Marcic, 2016)*.
Optimization of resources, including human, financial, and technological, is key: each department manages and utilizes resources in its functional domain, contributing to overall organizational efficiency, in order to lower the costs as much as possible.
Standardized processes and procedures are established within each functional area: they ensure consistency and quality in operations, encouraging a systematic and organized approach to

tasks, but the drawback is that communication primarily occurs within functional groups, and this may limit cross-functional collaboration *(Robbins et al., 2017)*.

One of the greatest differences between the 2 organizational structures is that decision-making authority is concentrated within each functional area: this allows decisions to be made quickly and efficiently within specialized domains, contributing to the streamlined operation of each department.

These features define a structure characterized by emphasis on specialization, efficiency, and a clear hierarchy. While it provides clarity and focus on functional areas, it may face challenges in promoting cross-functional collaboration and adapting to dynamic changes in the external environment.

As it is already possible to grasp from the illustration of the organizational structures, it is clear that the two entities are very different from each other, and integrating these realities is certainly the most complicated part of this merger.

The main difficulties, also from my personal experience, apart from the organizational structure, arise from the organization's cultural level, intended in its different meanings: different languages, values, ways of working, make sure that the integration process will require some time.

It also must be very challenging to integrate such companies that are globally dispersed, all around the world, and whose headquarters are in Italy and France, two countries with a very specific and powerful cultures.

For this reason, the post-merger or acquisition phase leads to several **cultural challenges** between organizations, significantly influencing the success of the integrated entity. One major issue is the **clash of cultures**, represented in all the values, beliefs, and norms between the merging entities, that may rise to palpable cultural tensions *(Cartwright and Cooper, 1993)*.

If it is not managed properly, this can trigger **employee resistance** and spread a **sense of uncertainty**, lower morale and impede the formation of a new and strong unique culture.

In addition, the perceived loss of organizational identity diminishes employee loyalty, engagement, and commitment to the newly formed entity.

One of the points that I observed the most is the potential breakdown of communication and the employee resistance to changes in their familiar work *(Weber and Tarba, 2014)*.

This issue manifest in reduced productivity, increased turnover, and difficulties in retaining key talent *(Marks and Mirvis, 1998)*.
Moreover, high levels of employee turnover, coming from dissatisfaction with the new cultural environment or due to the rationalization of the workforce after the M&A activity, can result in the loss of institutional knowledge, recruitment costs, and disruptions in operational continuity.
Furthermore, a cultural leadership emptiness, characterized by the absence of robust guidance during the integration process, may lead to confusion and chaos.
Regarding this point, I believe that great centralization of power and entities has often contributed to creating numerous gray areas in governance and in the use of information: here it is not clear which person has the influence, who must do things, who is specifically responsible of certain topics, and this often creates confusion and miscommunication.

All these problems or frictions are mitigated through several initiatives throuought the network, which aim to reduce these firm cultural differences, and smoothen the integration process.
There are numerous **weekly network calls** between all Teams and Regions, to align and give updates: this practice helps the people inside the network to know the representatives of each entity and specific team, as well as understanding who they can turn to and share useful information.
Another useful practice is to **transfer people** from an entity to the other, within the plants and offices, between headquarters, from Italy to France (and the other entities as well) and vice versa. In this way, the selected people, called "Expatriates", must live, breath and be part of the other part of the firm for a variable period of time, from 1 to 3 years.
The expatriates become "champions", the best representatives of their "home entity", and have the mission to export their skills, knowledge and expertise in the other firm.
And at the same time, they also have to understand the culture of the place in which they are, the business practices, the mentality of the colleagues, integrate, and bring it back, so that a real culture develops, and everyone can benefit from it.
This practice is excellent to build a sense of culture and proximity between not only the firms, but mostly between employees that will have to work together, but do not know each other personally or regarding their way to work.
It is also a great opportunity for the employees, who can build their experience, legitimate their importance in the firm, and use if for their **career development** path.
This is a perfect example of **retention techniques**: a way of "keeping productive and talented workers and reducing turnover by fostering a positive work atmosphere to promote

engagement, showing appreciation to employees, providing competitive pay and benefits, and encouraging a healthy work-life balance".

Along with other similar initiatives, such as company welfare, growth opportunities, the firm wants to that recognize and reward each person's performances, in order to please and retain the employees.

Additionally, apart from integrating different cultures, which surely is not an easy task, there were also some massive drawbacks in the process, such as the Covid-19 pandemic, that happened right during the merger.

It did not have a positive impact on the integration: imagine merging with another company in a period of great uncertainty and danger, knowing that you had to work closely with people that live far from you, has a different mindset and that you had never met or know personally. It was really difficult to believe and to cope with.

I believe that there was also a big impact on the work caused by the pandemic, as when remote working effectively took place, more and more activities were held online, and the traditional ideas of workplace and work-environment were disrupted.

This undoubtedly has made the human and relational aspect more difficult, and therefore slowed down the integration process.

To conclude, from my personal experience, I appreciate that a detailed plan of all the phases has been created (even though I expected it from a billion-dollar company), that the company wants to know the different organizational structures and do not want to impose a better solution, but rather look to create a new flexible identity together, involving all the parts.

But in my opinion, even if the results of this M&A are very positive, this process still had a primary flaw, that is not having involved human resources efficiently.

The only criticism I believe to make to this process of cultural integration, which is still being addressed, is the fact that governance has not been clearly defined.

In particular, just before or immediately after the M&A, the company should have defined clearly the responsible representatives contacts of each entity (Luxottica, Essilor, GrandVision), both regarding the governance and managers, so that the employees could then have a safe support to turn to in times of doubt or difficulty. And in my opinion, this is the main part that has been missing in this process, more than all the other initiatives that have been implemented, and which would certainly have contributed to promoting integration.

Overall, even if this is annoying, this is certainly a temporary problem, as the ones that were presented before: they will be solved in the long term, since by continuing this integration process we will also get to know the company better, the entities that compose it, the specific information and the managers of each area.

Addressing these cultural challenges demands strategic attention, effective change management, and a commitment to foster open communication: organizations must navigate the delicate process of merging cultures with a view toward harmonizing differences and nurturing a unified, resilient organizational culture.

Group Footprint assessment

The second task that had to be addressed during the integration process was to understand the firm's overall properties and assets, or in other terms, the current real estate buildings owned by the whole network.

This mapping is important because it not only allows the company to have control and governance over the buildings it owns and it works with, but mostly because it provides a summary of all the main activities carried out within each building, from Logistics, to Warehousing, to Production.

Another point of attention is that after the merge with Essilor, and the acquisition of GrandVision, the company had to have a clear view of all its assets, creating a reliable database with all the information needed about the Company's properties.

This project is called "Global Footprint assessment" and was made through the collaboration of several teams: Asset Protection, Real Estate, Supply Chain, Distribution, Store Planning, Logistics, Sustainability and the local teams, in order to identify the different types of facilities traceable to the different entities.

These facilities can be grouped in 4 main categories, considering the total amount of buildings:

1) **Production plants - 50**: here there is the mass production of frames, lenses, cases and other products; *(Figure 29, 30)*
2) **Laboratories - 614**: their activity consists of different processes on lenses and glasses, at an industrial or local level (Surfacing, Edging and mounting, Research and Development, etc);
3) **Logistic and distribution centers - 57**: they serve for short-term stock of products and their distribution. They have different sizes, considering the geographic areas they are situated, and they manage all product types;
4) **Stores - 17.687**: this category does not regard the Production and the Distribution network, but instead the Commercial distribution and sales, represented by the stores. These are extremely important because they consider various markets, Retail, Wholesale and Ecommerce *(Figure 31)*, and many brands as well (*Figure 32, 33, 34).*

It was a tremendous work that was made in order to discover exactly, for each aforementioned category, *where* each building is, which *activities* they operate inside and *who* manages and is in charge of it.

Figure 29, Global production sites for eyecare network, EssilorLuxottica, 2022

Figure 30, Global production sites for eyewear network, EssilorLuxottica, 2022

Figure 31, Total Storecount, EssilorLuxottica, 2022

Figure 32, All of EssilorLuxottica Optcal brands, EssilorLuxottica.com, 2023

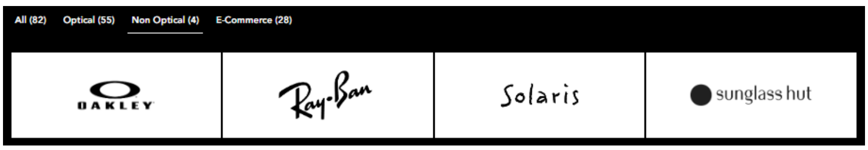

Figure 33, EssilorLuxottica's Non Optcal brands, EssilorLuxottica.com, 2023

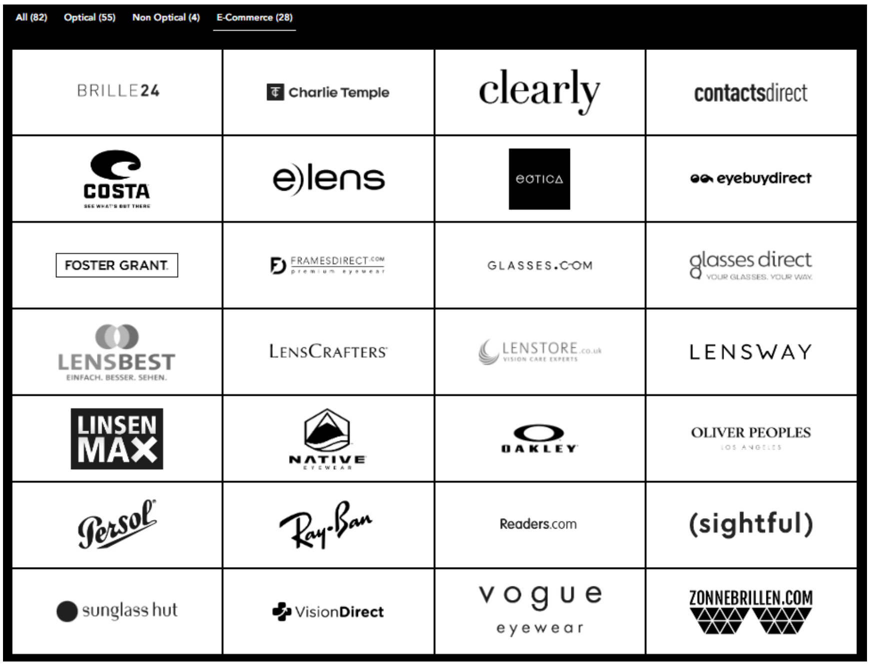

Figure 34, EssilorLuxottica's E-commerce brands, EssilorLuxottica.com, 2023

The figures just shown are the result of this Global footprint assessment process made through the years, and now it is interesting to observe how this output was reached.
In order to map all this huge amount of assets, there were two main kinds of problems to solve: *information gathering* and *data representation*.

The first problem, **information gathering,** was addressed using in the first instance as many official data as possible. The Real Estate team, in charge of managing all the Group's buildings, and the Supply Chain team, responsible for the correct product distribution in the network, were the main referents during the whole process, as the documents, databases and contacts possessed constituted a reliable proof of the existence of these buildings.
Of course, this was not an easy task: there is always the difficulty of having the correct and up-to-date information, as new openings or closures are not always signaled in time, but often with some time.
Another obstacle in the mapping was the difficult interaction with the right referent for each entity in each country: the network complexity is high, and it is not always very clear who are their referents. And this only worsen if the scope is widened to all the numerous brands owned.
Among the several information that are available for the sites, it is important to consider: their address, it they are owned or leased, the eventual expiring date of the contract, the number of

employees, the dimensions of each site (Square Meters, SQM) and what kind of activity they do.

The second problem was **data refiguration**; how it is possible to represent precisely so many data in a clear way, so that everyone that looks at the result of the analysis can understand it? The answer consists in using a particular software, called *Esri*.

Esri is the global market leader in Geographic Information System (GIS) software, location intelligence, and mapping.

Its software, ArcGIS, provides a "Comprehensive and scalable digital mapping and analytics software". *(Esri, 2023)*, and allows to perform location-based analytics to business practices.

This tool was used by the company in order to visually map all the logistics sites of the Group. In particular, by loading on the software the geographical coordinates, or the correct addresses of each building, it was possible to obtain a punctual representation on the geographical map of everything related to the universe of production, logistics and distribution concerning Essilor, Luxottica and GrandVision.

The following templates represent an example of the results obtained with this type of mapping. As it is possible to see, there is an incredible number of buildings all around the world, in the different Regions and countries.

Every point in every map represents a real building, and each color of the points represents a different entity and brands. (*Figure 35, 36, 37)*

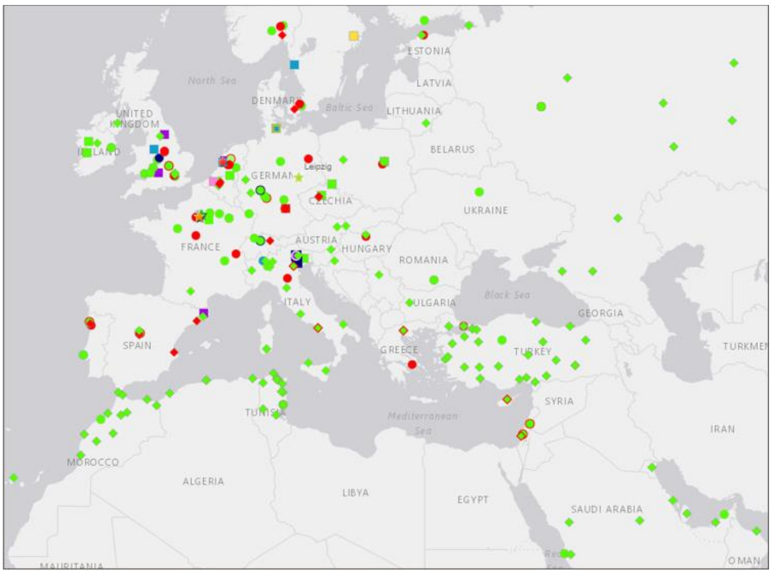

Figure 35, EssilorLuxottica fac-simile of current EMEA footprint, Internal sources (2023)

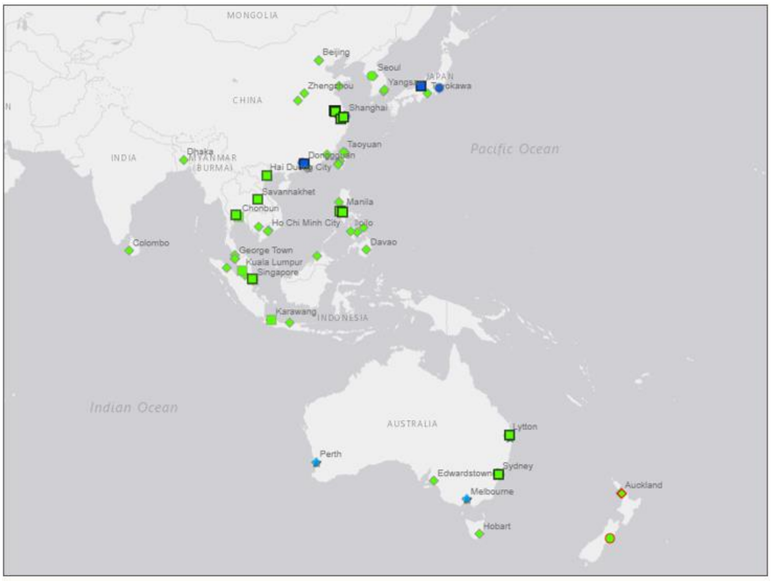

Figure 36, EssilorLuxottica fac-simile of current APAC footprint, Internal sources (2023)

Figure 37, EssilorLuxottica fac-simile of current LATAM footprint, Internal sources (2023)

The strategic objectives and implications of this kind of analysis are many and various.

The first goal, as already stated before, is to obtain a mapping, which aims to the most precise as possible, of all the company's buildings, assets and properties, at a Global level. It must include every asset of Essilor, Luxottica and GrandVision, and each one is related to an activity that produces value for the firm through its activities, (Production, Laboratories and Logistics and Distribution).

It is important also to clarify that by providing a mapping of all the sites the company, the governance of the firm gives a clear message to the market, and all the stakeholders: that has everything under control, that has all the information, controls company's operations, and all the uncertainty and the confusion caused by the merge is gone.

The second objective is to update this mapping as frequently as possible, almost quarter by quarter, in order to have a reliable database, due to the huge amount of stakeholders and teams that are interested by it:

- Asset Protections has to manage each site condition, and locate the key sites inside the whole network;
- Real Estate has to control that every contract is active and compliant;
- the Distribution has to make sure that there is the right amount of stock available around the world, using each site as strategic stock reserve, and optimize the resources;
- the Logistics has to organize the transports of products from the production sites to the warehouses, and to the stores, in the fastest way as possible;
- the Controlling team has to monitor and analyze the spending of each site.

This mapping changes rapidly, and it is not always easy to update it, as the information could lack, be delayed or obsolete: that is so important to have frequent updates.

Overall, the result of this process is also important to make some high-level strategic considerations on the future improvements of the logistics network: the top management, along with the governance of the firm will probably rationalize and consolidate even more all these buildings, with all the relative consequences.
And last but not least, this output is also useful also to the Sustainability team, which must use this mapping as a starting point for the development of sustainability projects, like the Carbon emission assessment, how it will be explained in the next paragraph.

2.4.3) INTEGRATION DEPLOYMENT

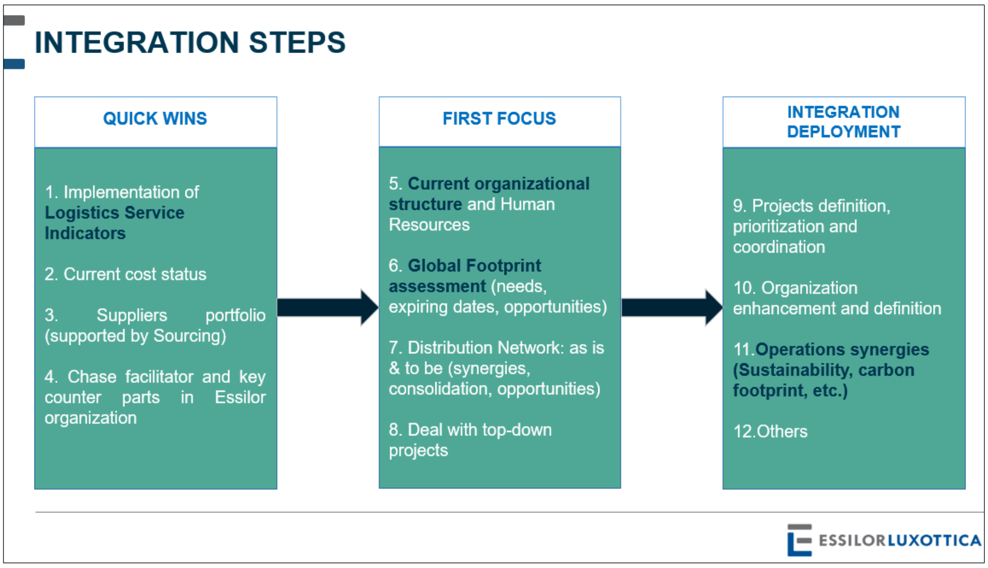

Figure 38, EssilorLuxottica Integration Plan, Internal sources

The last phase of the integration process is called “Integration Deployment” *(Figure 38)* and consists in the projects, initiatives, and operational synergies that will occur between all the different components of the network.

The central point is that all the entities must be aligned and forced to adopt a common policy regarding the development of long-term projects, which will impacting the entire group, to generate tangible and credible results.

In particular, when it comes to entities that are so different from each another, it is difficult to implement this kind of major projects without incurring in conflicts of interests, organizational problems or lack of involvement.

For this reason, the main corporate field where this is possible without bumping into these problems is **Sustainability**.

Corporate sustainability is fundamental in numerous aspects: first of all, because only through the effort of individuals, private individuals and companies, it will be possible to achieve important objectives for protecting the environment (reduction of emissions, consumption, pollution, use of plastic etc).

Furthermore, it is very important to underline that these types of initiative are close to the hearts of the majority of people, as evidenced by the ever-increasing and growing demand for sustainable goods by consumers *(McKinsey & Company, Nielsen IQ, 2023).*

These initiatives are also supported by the companies' employees themselves, who are personally asking companies to become more sustainable *(Steinmann, Alsegaf, Pankratz et al,*

2023) and who therefore, excluding internal and cultural differences, they will be more inclined for this reason to work together to achieve the same goal.
Precisely for this reason, the last phase of the integration process concerns the development of projects, common initiatives that concern sustainability: they are really important for the environment, and also because the company, given its role inside the global market, its power and its influence, can and must do something for this issue, as also its stakeholders expect it.
Last but not least, because it will contribute to creating a common corporate culture dedicated to protecting the environment, in which the majority of employees can recognize themselves.
These projects are necessarily for the long-term, as sustainability is a theme that is just recently starting to being held into consideration in the companies' strategies.
This is due mainly to the fact that time, resources and a well-defined governance are needed in order to develop these initiatives: they usually disupt the way in which the companies work and have very meaningful impacts.
For this reason, top management has decided to implement a specific program on sustainability, called "*Eyes on the Planet*", which from 2021 deals with promoting and giving visibility to the best sustainability initiatives within the Group, and sharing with the stakeholders the results generated by these initiatives.
In relation to the integration process, this program has the objective of taking all the best practices that have been implemented by each entity in this period, and extending them to the entire group, so that the benefits can be as great as possible, and that the various entities feel recognized for the merits of their initiatives.

"*Eyes on the Planet*" is based on 5 main pillars *(EssilorLuxottica, 2023)*:

- "Eyes on Carbon",
- "Eyes on Circularity"
- "Eyes on World Sight"
- "Eyes on Inclusion"
- "Eyes on Ethics"

Each pillar has its commitment and is broken down into a set of core activities easy to recognize in the Company's business model.
For the purpose of this thesis, the only one that will be explored in depth is the one relating to "***Eyes on Carbon***", as I believe, and the data presented sustain it, that is the one that mostly concerns and regards the world of logistics.

With *Eyes on Carbon*: "EssilorLuxottica is committed to addressing climate change and preserving the environment by reducing energy consumption and water use within its operations, limiting its carbon footprint across the value chain, and being resilient to climate-related risks."

It is important that the actions taken are valid not only for the firm, but also for the certifying bodies, as its effort must be validated officially.

For this reason, the progresses of this project are assessed every year by the company *Corporate Social Responsibility (CSR) Committee*, which incorporates the CSR functions of Essilor Luxottica and GrandVision, and whose main duty is to ensure that the Company effectively addresses the deployment of the Company's Mission, which is fully integrated in the strategy.

The role of the CSR department is to involve and coordinate all the departments, functions, business units and brands in the execution and development of the Group's Eyes on the Planet sustainability program at global and local levels.

The importance is the commitment of the firm, manifested by the fact that all the results coming from the CSR Committee are remitted to the Board of Directors, and are reported directly to the CEO.

All these efforts lead to environmental and social challenges and enhance the development of its Company-wide sustainability strategy.

EssilorLuxottica's approach to challenge climate change has one main dimension: implement **efforts across its value chain to limit and reduce its impact on the climate**.

These efforts include investing in energy efficiency programs and renewable energy production, maximizing the use of renewable energy, optimizing production and logistics flows, and innovating in the field of sustainable raw materials and low-carbon products and services.

To further advance climate actions and ambitions, the complete carbon footprint assessment for EssilorLuxottica was accomplished in 2022 to prepare for a more comprehensive carbon reduction roadmap and contribute to the global net zero agenda.

In particular, EssilorLuxottica announced its first climate commitment in 2021, aiming to achieve carbon neutrality for its direct operations by 2025, with a milestone set for Europe by 2023.

Regarding the major objective related to carbon neutrality, there are many initiatives implemented to reduce the impact on the climate, and the main one is related to Carbon neutrality for direct operations.

Carbon neutrality is defined from the European Parliament as: “Having a balance between emitting carbon and absorbing carbon from the atmosphere in carbon sinks. Removing carbon oxide from the atmosphere and then storing it is known as carbon sequestration. In order to achieve net zero emissions, all worldwide greenhouse gas (GHG) emissions will have to be counterbalanced by carbon sequestration. “*(Figure 39)*

In other words, Carbon neutrality, or Net Zero Emissions, refers to “The idea of achieving net zero greenhouse gas (GHG) emissions by balancing those emissions so they are equal (or less than) the emissions that get removed through the planet’s natural absorption; in basic terms it means we reduce our emissions through climate action.” *(United Nations Climate Change, 2021)*

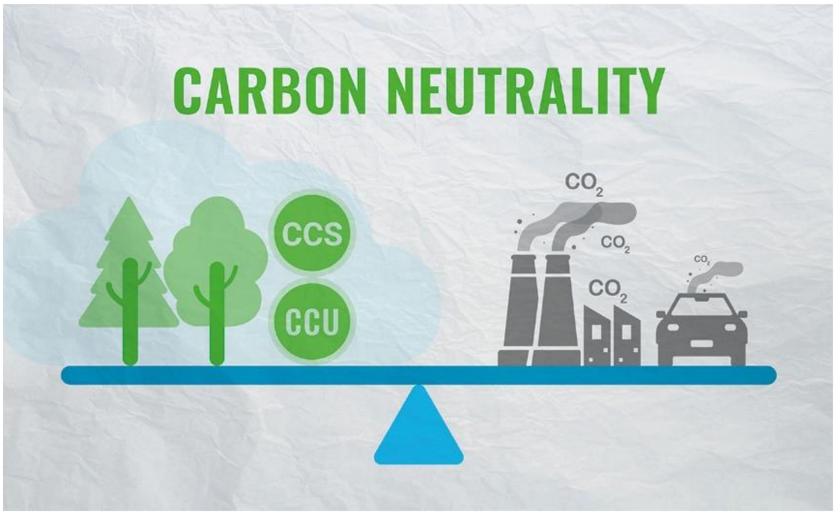

Figure 39, Visual representation of Carbon Neutrality

Greenhouse effect is the process through which heat is trapped near Earth's surface by substances, precisely called **Greenhouse gas** (GHG), that contributes to this process.

Therefore, all the emissions of the one categorized as “Greenhouse gases” are not good for the environment and must be reduced and eliminated.

In order to achieve the abovementioned carbon neutrality for its direct operations by 2025, with a milestone set for Europe by 2023, EssilorLuxottica implemented the following various solutions:

1) **Improving energy efficiency and increase the use of renewable energy**

During these years, EssilorLuxottica actuated many initiatives on energy, which are related mainly to 2 main areas:

Improve energy efficiency: all actions that aim to optimize energy consumption in the Operations. Some examples are:

- the review of all energy efficiency of manufacturing processes;
- improvement of the equipment through the use of upgraded and more efficient electrical motors;
- installation of meters to monitor energy consumption for main prescription laboratories and mass productions units in real time;
- raising awareness and training technicians and maintenance teams;
- continuous improvement of energy efficiency of existing buildings and stores in terms of lighting, air conditioning and heating systems.

Increase the use of renewable energy:

Another way of reducing carbon emissions it to progressively switch from the traditional energy sources, (fuel, gas, electricity, which are more polluting, to renewable sources of energy: (sun, wind, natural gas, etc..) whose impact is minor compared to the non-renewables. *(Figure 40)*

	2022	2021	2020
TOTAL ENERGY CONSUMPTION *(GWh)*	**1,930.6**	**1,888.8**	**1,502.9**
Renewable energy produced on site	8.6	6.5	5.6
Electricity purchased from renewable sources	543.3	282.8	N/A
Electricity purchased from non-renewable sources	1,122.2	1,343.2	1,306.1
Steam	2.4	2.6	2.3
Gas	244.8	240.7	179.0
Liquid Fuel	9.3	13.0	9.9

Figure 40, EssilorLuxottica Total energy consumption, 2022 (EssilorLuxottica Sustainability Report)

As it is possible to see from the table above, the trend on energy consumption is changing rapidly inside firm Operations: from 2021 to 2022 the use of Electricity purchased from renewable sourced almost doubled, while at the same time the consumption of traditional energy is reduces, and the trend will continue also in 2023.

It is important to underline that even if the composition of energy usage changes the total energy consumption for 2022 slightly increased on 2%: that is why in 2021 the production volumes increased again after the impact of Covid-19.

It is also important to note that renewable energy sources cover the majority of sites, offices and stores in Europe.

2) Decarbonizing the value chain

The second way through which the company aims to achieve carbon neutrality is decarbonizing the value chain.

In the first half of 2022, EssilorLuxottica completed its first GHG footprint assessment globally, with the involvement of different functions across the Company such as Procurement, Logistics, EHS, R&D, Engineering, HR and Finance.

The analysis provided a complete understanding of the Company's direct and indirect CO2 impacts at each stage of the value chain, including a clear overview of all scope 3 emissions relevant to the Group activities.

Scope 1, Scope 2, and Scope 3 are categories used to classify greenhouse gas emissions associated with an organization's activities and are part of the Greenhouse Gas (GHG) Protocol, a widely accepted accounting tool for measuring and managing greenhouse gas emissions.

- **Scope 1** emissions: **direct emissions**. This category covers the Green House Gas (GHG) emissions that a company produces directly, from sources that are owned or controlled;
- **Scope 2** emissions: **indirect emissions** from energy use. These are the emissions associated with the generation of purchased or acquired energy;
- **Scope 3** emissions: **other indirect emissions**. They include all other indirect greenhouse gas emissions that occur in the value chain of the organization. These emissions extend beyond the organization's direct operations and energy consumption, involving activities such as supply chain, transportation, and product use.

  Emissions-wise, Scope 3 is nearly always the big one, and it is the one the firm can impact on the most with its projects.

Based on this assessment, EssilorLuxottica complete GHG emissions were at around **3.4 million tons CO2e per year**, based on 2021 data (excluding GrandVision).

Scope 1 and scope 2 emissions represent 25% of the total, and scope 3 emissions account for the remaining 75% *(Figure 41)*, reflecting EssilorLuxottica's vertically integrated business model. *(Figure 42)*

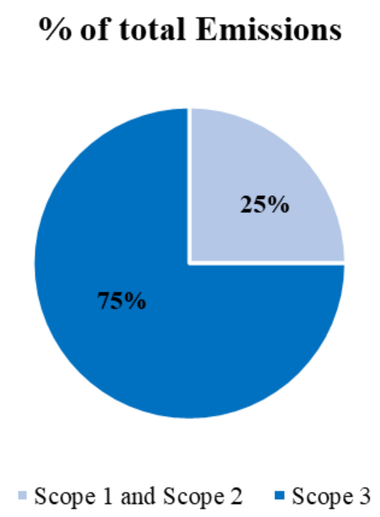

Figure 41, Personal elaboration EL emissions, EL Sustainability report, 2022

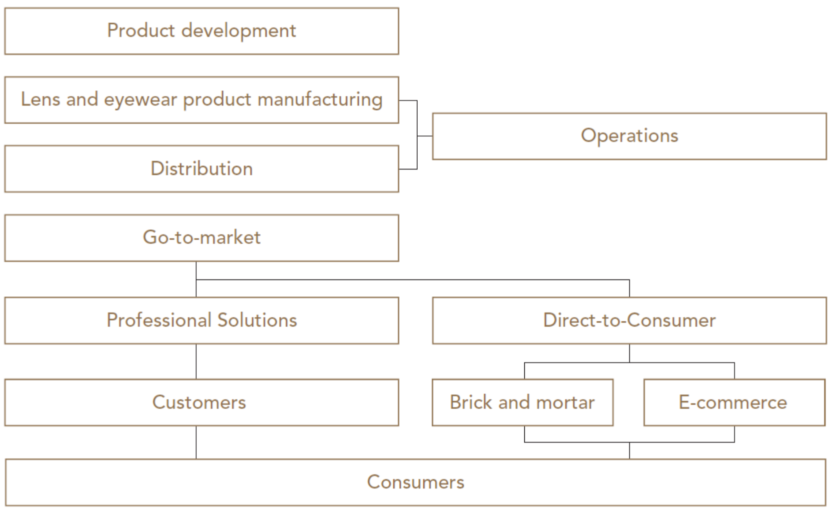

Figure 42, EL vertically integrated business, EssilorLuxottica Sustainability Report, 2022

If these Scope 3 emissions are observed in detail, is it possible to highlight that the top five emission categories are:

1) Purchased goods and services (40%),
2) Upstream transportation and distri0062ution which include transportation both managed by suppliers and by the Company (20%),
3) Capital goods (12%),
4) Fuel- and energy related activities (10%) and
5) Business travel (5%);

While the rest less contributing emission categories account for a total of 13% of the scope 3 emissions. *(Figure 43)*

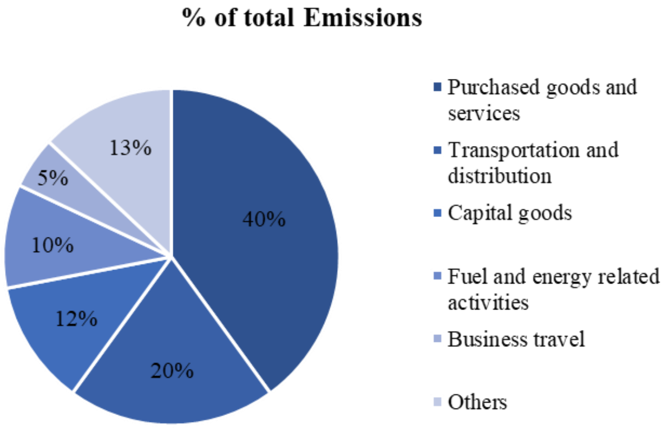

Figure 43, Personal elaboration of EL emissions categories, EL Sustainability report, 2022

In 2022, to have a precise and strong Group GHG accounting, GrandVision has been included in all the scope 1 and scope 2 reporting, as well as in the transportation flows managed by the Company. The Group will continue to include GrandVision in the GHG footprint reporting, especially for scope 3 emissions as the integration goes on.

This work is instrumental in building carbon reporting capacity across different teams, and will be the base to further improve carbon accounting, initiate decarbonization actions across the Group and prepare a more comprehensive climate roadmap.

Reducing carbon footprint of logistics activities to build a low-carbon supply chain

Another way to reduce carbon emission is to build a low-carbon supply chain.

According to the data presented above, EssilorLuxottica focused particularly on the transportation and distribution of products, which accounts the second most important indirect carbon emissions (20%) of the total emissions of the Group, are one of the areas in which the company has some decisional power and can FARE some corrective actions.

The Company has a team dedicated to low-carbon supply chain initiatives with carbon reporting guidelines, engagement with suppliers and action plans to reduce GHG emissions.

One activity the Group is committed to is monitoring constantly the transportation market to find new and alternative solutions to reduce carbon emissions with its logistics partners, resuming the speculation technique, seen in Par 1.1.3.

One way in which EssilorLuxottica will change the situation is use its power and influence to impose some conditions to the market: in order to add sustainable development to the selection criteria for carriers of products, many specific requests (such as an assessment of the carrier supply chain emissions situation, and the implementation of KPIs that allow to monitor the actions that can lead to a decrease in carbon footprint) questionnaire and a scoreboard on the carrier low-carbon strategy, were integrated into requests for quotations (RFQ) and contracts from EssilorLuxottica's global forwarders and local carriers.

In this way the carriers, if they want to do business with the firm, must adequate to the Company's requests, which are also in the best interest for the environment: this is a typical case in which sustainability comes from internal pressures and decisions.

The main actions to consider are part of the criteria for the final supplier selection process and include initiatives such as increasing carbon-free solutions for last-mile and inner-city transportation and introducing carbon neutral services.

EssilorLuxottica's low-carbon logistics projects include different areas:

- **Modal Shift**

This project aims to reduce logistics emissions through shifts in transportation mode, notably from air shipments, which is the Group's main source of logistics emissions, to sea shipments, which have much less emissions. *(Figure 44)*

	2022	2021 (restated)	2021 (disclosed)
SCOPE 3 EMISSIONS ASSOCIATED WITH TRANSPORTATION *(tCO_2eq)*	**299,478**	**303,122**	**293,958**
Eyewear	**135,995**	**134,057**	**131,582**
Air shipping	131,196	129,419	127,042
Other shipping modes *(ocean, road, rail)*	4,799	4,638	4,450
Lenses	**105,962**	**124,543**	**124,543**
Air shipping	97,828	113,519	113,519
Other shipping modes *(ocean, road, rail)*	8,134	11,024	11,024
Other products	**57,521**	**44,522**	**37,833**
Air shipping	45,488	33,156	27,525
Other shipping modes *(ocean, road, rail)*	12,033	11,366	10,308

Figure 44, EssilorLuxottica transportation emissions, 2022 (EssilorLuxottica Sustainability Report)

As it is shown in the table above, there has been an overall emissions reduction of 1.2% in 2022 compared from the year before, making the total emissions associated with transportation amount to almost 300.000 tons of CO_2.

Looking closely, it is possible to find that there were some differences in product categories, as Eyewear and Other product transportations increased, mainly due to the change of origin/destination mix and the perimeter extension. while the transportation of Lenses decreased 15% thanks to the aforementioned initiatives.

Overall, it is important to underline the effort that the Company is pursuing with the switch of transportation mode, from air to sea, because if these are compares, air is much more faster, can move less volumes, produces more emissions and it is expansive, while sea is more slower, move more volumes, it is less expansive, and generates less emissions for every piece shipped. The overall strategic consideration that the firm did before pursuing this switch was on the perceived service for the clients, as it may worsen, due to the longer Lead Times employed for the transportation. This problem could be mitigated with a smart planning of products stock in the warehouse all around the world.

- **Nearshoring/Reshoring**

Another initiative called Nearshoring is related to the redesign of the Group supply chain and of certain transportation flows not only reduces transportation distance, but also allows switching from air to ground transportation when possible.

- **Carbon Neutral Shipment**

The last point, as we saw before, involves Net Zero Emissions.

Since 2021, EssilorLuxottica has joined the carbon neutral shipment programs of its top logistic providers in North America and Europe for certain activities, such as its e-commerce platforms. These services tend to maximize ground transportation to reduce environmental impact, and moreover the domestic residual emissions are compensated with select carbon reduction projects.

On top of that, various analysis of shipments and carriers are conducted frequently in every Region, in order to optimize transportations.

In particular, with M&A, more volumes will be shipped from the Group, and this activity will result in the consolidation of these volumes in a minor number of shipments as possible.

In this way, the Group will be able to consolidate more volumes for different flows, with the same carrier, and therefore reducing the total packages transported, with a positive impact on the transportation costs and the carbon emissions.

Eventually, the development of common sustainability projects after a merger or acquisition is crucial for various reasons: it helps to align the two entities, foster collaboration, increase satisfaction when common goals are reached, and drive the success of the newly formed organization.

In my opinion, we can spot two different areas where the firm is impacted, External and Internal.

Internal

The Internal area regards all the motivations, improvements and contributions that are inside of the firm, and therefore are more related to the Human resource side.

First, developing common projects provides an opportunity to **integrate the cultures** of the merging entities, which as we observed in the previous paragraph (*Current organizational structure*) is the most compelling aspect of the integration process *(Cartwright and Cooper, 1992)*. It helps employees from both sides understand and adapt to shared values, work practices, and organizational norms.

It can also be very valuable in order to **attract talented employees** that will work in the organization because of all the good generated for the planed from the initiatives, as young generations are more and more committed to environmental issues (*Employee Engagement Among Millennial Workforce, 2021)*.

Then those projects will foster a cohesive work environment, as they allow employees from both merging entities to work together, share knowledge, communicate and learn from each other *(Weber and Tarba, 2014)*.

This integration of talent is crucial also for retaining key personnel, leveraging complementary skills, and building a stronger, more versatile workforce.

As a consequence, involved employees from both sides will feel more included and engaged. This helps employees understand the benefits of the merger, feel a part of the integrated organization, and reduces anxiety associated with organizational change (*KPMG, 2015)*.

The last internal effect is that common projects allow the leadership of both merging entities to align strategic goals and objectives *(Marks, Mirvis and Balkin, 2001)*.

This alignment is essential for creating a unified vision and to ensure that all parts of the organization are working towards the same objectives.

External

The external area regards all the effects that sustainable projects generate on the actors outside of the firm: the market, the consumers and the stakeholders.

First of all, as well as the M&A activities, sustainability project often lead to **efficiency and cost synergies**, that can be achieved eliminating redundancies, streamlining processes, and optimizing resources *(Cartwright and Schoenberg, 2006)*. But this result is not to be taken for granted, as it will be explained later in this paragraph.

Another important aspect to consider is the **improvement of customer satisfaction** *(Larsson and Finkelstein, 1999)*, because customers are more and more demanding when it comes to environmental issue, and it is important to listen and adapt to their requests, as these projects and especially their product outcomes will enhance customer satisfaction and loyalty.

Last but not least, the last reason is related to **stakeholder confidence and environmental objectives**, because all these initiatives demonstrated to external stakeholders, including customers, suppliers, and investors, that the merger is progressing well and delivering tangible and positive outcomes *(Pablo, 1994)*. This can enhance stakeholder confidence in the merged entity and the trust from the markets.

These sustainability projects do not happen without any problems. It is known that the regulation is very strict, as the firms must be compliant to the law in a very short period of time, otherwise additional taxes or administrative sanctions will occur.

Another point is that usually these alternative solutions have higher costs, because the market for them is in the adoption phase, is currently underdeveloped, and the technology around these other solutions still does not allow economies of scale.

Regarding this point, I personally expect that such a great and powerful company like EssilorLuxottica will not care about the budget, but instead will have to prioritize this topic and making it one of the main priorities in its strategies.

This is because, in my opinion, the revenues generated will allow it to focus and put effort into these sustainability initiatives, even if they cost more, precisely because it is not exclusively a question of saving, but rather it concerns becoming a real company pioneer in the sector, who can set an example and become a model to follow.

For this reason, I expect the company won’t care if all these initiatives will come with great expenses, but will be driven by the motivation of doing something positive for the environment, and only then, it will observe all the positive effects that these actions will bring.

Another factor in this sense is the great pressure exerted by the market, since as we observed before, consumers, employees, and in general all stakeholders push in this direction, and the company must satisfy them, under penalty of the progressive loss of trust and market opportunities.
In summary, developing common sustainability projects post-merger is helpful to achieve a smooth integration, align organizational components, and realize synergies that encouraged the merger or acquisition in the first place. It is a strategic approach to maximize the value of the combined entities and position the organization for sustained success in the future.
Precisely because this topic is so complex and concerns so many actors within the economic system, in my opinion, it is so interesting.
It is bounded both with the people involved internally within the company, such as human resources, employees, top management, but also with external people, such as the State, supranational organizations, the market and customers, and therefore it will be interesting to observe which ones will the company's priorities and the initiatives that will be adopted in the coming years to satisfy this large set of stakeholders.

CONCLUSIONS

After the analysis of the integration process between Luxottica, Essilor and GrandVision, it is time to observe whether these M&A operations have actually given interesting and successful results or not.

First of all, without any doubt, it is possible to state that the integration process of these three companies certainly has great potential on an economic and financial level and brought excellent results as well.

Indeed, the Group's revenues have continued to grow year after year. In fact, from the merger with Essilor, which took place in 2018, to today, this is their revenue trend *(Figure 45)*:

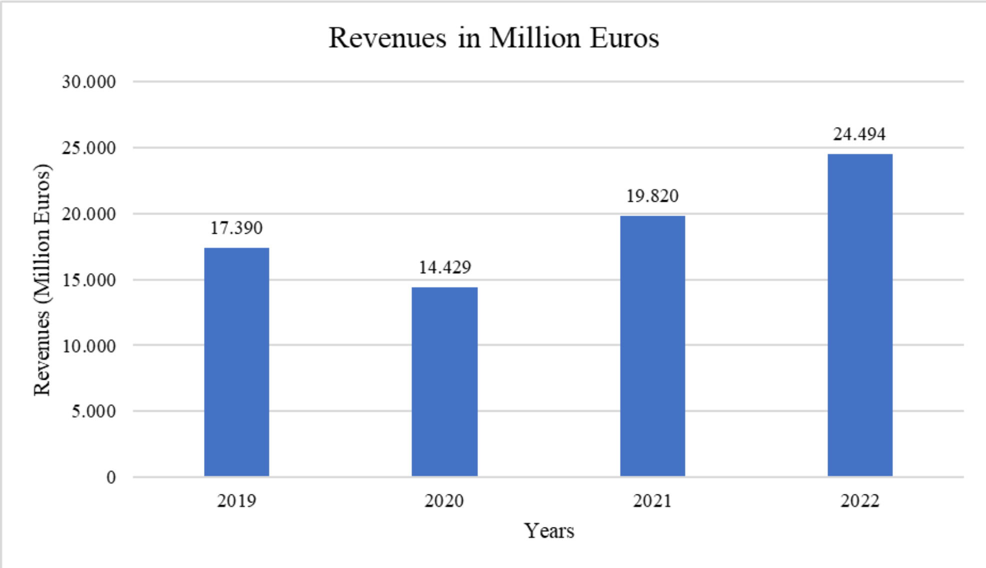

Figure 45, EssilorLuxottica Revenues 2019-2022, Personal elaboration

What can be deduced from the graph is that revenues have been growing continuously since this operation took effect, with all-time highs in **2021** and **2022**, of about **20** and **24,5 billion** Euros respectively.

The only exception was 2020, the year in which revenues fell due to of the Covid-19 pandemic.

Furthermore, regarding the latest developments, it is possible to observe that between 2021 and 2022, revenues had a further increase due to the acquisition of GrandVision, and in the third quarter of 2023 they currently were up 7.2% from the previous year.

During the same period, the share price also grew on average, going from 112 Euros per share to 180 Euros per share in the same period of time, gaining the trust of the market and stakeholders, and testifying to the excellent results that this integration has reached up.

Among the results achieved at Group level, it is also possible to include its incredible amount of owned sites: **18,000 buildings** divided into production plants, laboratories, offices, warehouses and distribution centers, that come from each entity's activities.
And as if that wasn't enough, the merger also made it possible to expand the portfolio of owned or licensed eyewear and lens brands, which amount to 82, very famous in the eyewear sector, which guarantee the company a great competitive advantage and a large share of the market.

The results of this process are obviously not yet definitive and finished, as this network being "imperfect" will have to be optimized as best as possible thanks to the intervention of governance.
Instead, also looking at the results obtained considering the process of integrating the logistics network, it is possible to state that we had mixed results.
Regarding **KPIs adoption**, it is important to specify that they have been implemented in each entity.
This was certainly an excellent starting point, a "**Quick Win**", relatively easy to implement, but extremely useful for monitoring performances, and above all for bringing the entire network to a homogeneous situation.
For what concerns the second phase, the "**First Focus**", starting from the **organizational structure**, it is possible to state that the company did a good job during the discovery and monitoring phase.
Two main structures have been identified, a geographical divisional one, with the aim of pursuing an adaptation of products to local demand, and a functional divisional one, aimed at optimizing costs. This distinction was fundamental as a starting point to subsequently develop a hybrid structure that could encompass the best qualities of each.
Considering the **Global Footprint assessment**, it is possible to understand that the project is still in the "work in progress phase" but gave some interesting results for its first portion already. The first part, which concerns the current mapping of the network, has been completed, and is mainly useful for having a 360-degree view of the entire EssilorLuxottica network.
In addition to its importance for Operations, this result is also fundamental for governance: it is functional in providing a tool for making strategic decisions regarding the future development of the company. Thanks to it, it will be possible to understand which direction the company will take, considering possible rationalization projects for structures and personnel, with all the consequences associated with it.

Finally, although they are only at the beginning of the collaboration, an important effort has been made by the 3 companies to implement common projects regarding **Sustainability**, in the last “**Integration Deployment**” phase.
This effort resulted in the creation of a Group sustainability report, which had never been done before, and also allowed the implementation of numerous initiatives aimed at monitoring and reducing company CO2 emissions.
In particular, these sustainability and CO2 emission reduction projects can have even greater results because of the structure of the firm and its hierarchy: these policies and projects are decided at a central high level, and must be applied throughout the network; as a consequence the effort will lead to superior environmental benefits.
To conclude, I asked myself several times during the writing of the thesis what I could personally say about a very complex integration project between multi-billion-dollar companies, involving thousands of sites, offices, and people all over the world.
The truth is that objectively nothing can be said about the merits of integration: it respects the best practices that have been reported in the literature, and has brought incredible results, as stated before.
Therefore, my contribution cannot be quantitative but rather only qualitative: it concerns a factor that is not represented on any balance sheet or in any communication to stakeholders but is nevertheless of extreme importance: the people who are part of this company.
However, as I was able to notice during the discussion of this very complex topic, there is one point that could have been improved: the information sharing at company level, throughout the entire organization and primarily people management, in terms of referents and point of contact after the merge.
Despite it was not discussed in this thesis, it would be an interesting topic of research to study and analyze how the Human Resource management could have improved communication, information sharing and responsibility allocation during the course of the merge, in order to impact and smoothen the integration.
In my opinion, in fact, the focal point of the integration process, on which there is the most work and effort to be done, are inevitably **people**.
They belong, effectively, to different companies, and this causes numerous impacts, especially at a cultural level: in particular in terms of identity differences between the various "companies" within the same Group.
From what I have observed, in the short term it is difficult to think of all being part of the same company, while very often we still think of being independent factions, and there may even be

resistance to integration or distrust towards members of other organizations, when in reality this is no longer the case and we should all aim for the same goal, go in the same direction. In fact, it is also very difficult to ensure that the practice of the company that officially acquired the others becomes the practice for all, because linguistic, cultural, procedural, information asymmetry and relational misunderstandings can be encountered, which increase the necessary period for integration.

However, in conclusion, there are many positive factors, and it is easy to be optimistic for the success of this integration.

Certainly, in the medium and long term the situation is destined to improve, as the integration processes will continue, the projects carried out in collaboration will increase, the employees will work increasingly in contact with their external counterparts and will develop greater mutual knowledge.

Ultimately, they all the people involved will realize that this integration is an opportunity, and that harmony in the corporate context is fundamental to achieving the same objectives together.

This is precisely the objective of the integration process: to take the most positive characteristics from each entity and make the most of them, putting in the necessary time, and ensuring that the foundations on which the company and the group are founded are solid.

Only in this way it will be possible to guarantee an even better future for this company.

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