

IN-STORE

## Michael Kors reconfigures retail strategy to account for millennial trends

November 6, 2015



*Millennials have shown interest in Kors' small handbag styles*

By STAFF REPORTS

U.S. fashion label Michael Kors plans to scale back department store retailing to protect the brand's overall image and profits.

Subscribe to **Luxury Daily**  
Plus: Just released  
State of Luxury 2019 **Save \$246** ▶

According to [WWD](#), shares of Michael Kors increased 8.3 percent on Nov. 4, but despite the rising stock value for the second quarter of 2015, the brand has seen a dip in the department store channel. As a result Michael Kors will pull back its inventory in department stores mainly to avoid its merchandise being placed on sale by its retail partners.

### Handling handbags

A primary selling point for Michael Kors within the department store channel is the brand's handbags. While not the only brand affected by a slowing retail channel, the amount of handbags sold by department stores may have had an adverse affect on the brand's earnings.

Nevertheless, its handbags continue to perform well, with 22 style assortments, Michael Kors' largest offering in the category to date, being sold in the last quarter. In a conference call, John D. Idol, chairman/CEO of Michael Kors told analysts that its "saddlebags, mini bucket bags and quilted bags emerged as a top-selling item this past quarter."

While Michael Kors handbags have maintained popularity, the label has seen a trend among millennials that have resulted in the purchasing of smaller handbags. Due to the smaller size, the market retail price is lower and the sales of handbags priced at \$350 and above are fewer.



*Promotional image for Michael Kors' smallest leather goods*

For Michael Kors, the department store channel has become overtly promotional, a strategy that Mr. Idol explained that the brand would like to distance itself from. "We'd like to have less inventory in the [department] stores, and have less of our brand appearing on sale, in particular, in that channel of distribution. So you'll see that pullback happen," Mr. Idol said during the conference call.

In response to the smaller handbag trend equating lower profit margins, he said, "We're less excited about the lower transaction value, but we are on trend." But, Mr. Idol suggested that this trend may result in Michael Kors raising prices on small leather goods, combined with fewer department store promotions, to boost revenues in the category.

Michael Kors has also seen continued growth in its other categories such as menswear and connected fashion accessories. For example, last December, Michael Kors launched its Duracell Powermat kit cell phone accessories to appeal to the fashionista on-the-go ([see story](#)).

---

© 2020 Napean LLC. All rights reserved.

Luxury Daily is published each business day. Thank you for reading us. Your [feedback](#) is welcome.