

APPAREL AND ACCESSORIES

Decreasing mall traffic, reduced tourism dampen Michael Kors' Q1 results

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Michael Kors spring/summer 2016

By STAFF REPORTS

In the first quarter of fiscal 2017, U.S. fashion label Michael Kors' total revenue increased .2 percent, slightly up from the same period in 2016.

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Michael Kors' retail sales rose 7.6 percent to \$562.9 million, while wholesale sales decreased 7 percent. While the public company reported earnings per share and revenue that topped its expectations, the difficult climate for luxury showed its face in the brand's report for the period ended July 2.

Growth plan

On a constant currency basis, **Michael Kors'** retail sales this quarter grew 7.4 percent. This increase was partly driven by its expanded direct-operated store network.

Since the first quarter of fiscal 2016, Michael Kors has gained a net 221 stores, bringing its total store count to 771. This increase included the consolidation of Latin American operations and the acquisition of its licensed business in Greater China and South Korea ([see story](#)).

This acquisition is part of Michael Kors' strategy to focus more on direct selling and less on wholesale placement.



Image courtesy of Michael Kors

Michael Kors announced plans to scale back department store retailing to protect the brand's overall image and profits.

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 is pulling back its inventory in department stores mainly to avoid its merchandise being placed on sale by its retail partners ([see story](#)).

In the Americas, Michael Kors' net revenue was down 5 percent, while revenues in Europe grew 3.3 percent and Asia saw 74.5 percent growth in revenue.

Michael Kors' profits were down 2 percent to \$591.3 million, which the company partly attributes to foreign currency translation and exchange.

"We are pleased to have once again exceeded our first quarter revenue and earnings per share expectations," said John D. Idol, chairman/CEO of Michael Kors, in a statement. "We delivered another quarter of strong growth in our North American digital flagships, further expanded our presence globally, particularly in Asia and expanded our fashion product offerings.

"However, this progress was muted by the continued decline in mall traffic trends as well as a decrease in tourism in certain major cities which negatively impacted our comparable sales performance during the quarter," he said. "Looking ahead, we remain focused on executing against our long-term growth strategies across both product categories and regions.

"For the fall season, we are excited about the launch of several new digital flagships in Europe, the debut of our Michael Kors Access line of smartwatches and trackers and our new Wonderlust fragrance, as well as the continued development of our men's business. Overall, we are on track to deliver on our revenue and earnings per share goals for the year."

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