

APPAREL AND ACCESSORIES

## Michael Kors' Jimmy Choo acquisition could signal first US luxury conglomerate

July 26, 2017



*The acquisition of Jimmy Choo could mean Michael Kors is looking to create an American counterpart to European luxury conglomerates. Image credit: Jimmy Choo*

By DANNY PARISI

With its acquisition of British shoe designer Jimmy Choo, Michael Kors may be on track to become the first big United States-based luxury group to rival the European conglomerates that dominate the industry.

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Michael Kors acquired Jimmy Choo July 25 for around \$1.35 billion, to become wholly owned by the U.S. fashion label. The acquisition comes just a few months after another large acquisition between two U.S. luxury companies: Kate Spade and Coach, suggesting this trend may be on the rise.

"As the world of retail continues to be reinvented, the brands that live in that world are also trying to figure out what to do, how to behave, and what brands they should associate with and partner with," said Ryan Berger, senior partner at **HYPRBrands**, New York.

"[Also,] as the world becomes even more global and connected, I absolutely see opportunities for luxury groups within the U.S., or groups moving into the U.S. market to rival the global players," he said.

Mr. Berger is not affiliated with **Michael Kors**, but agreed to comment as an industry expert. Michael Kors was reached for comment.

American luxury

Earlier this week, American luxury brand Michael Kors acquired British shoe brand Jimmy Choo ([see story](#)).

In April, Jimmy Choo put itself up for sale to maximize value for its shareholders after its majority owner JAB Luxury decided to pursue consumer packaged goods and foods rather than luxury products ([see story](#)).

The acquisition of Jimmy Choo by Michael Kors is the first major deal of this type for the fashion brand, which may be seeking to create a larger stable of brands to go toe-to-toe with the likes of LVMH and Kering Group, which dominate the luxury industry.

Additionally, Michael Kors' purchase represents a move toward capturing millennials and younger consumers.

"Michael Kors has always been at the forefront of culture," HYPRBrands' Mr. Berger said. "The acquisition of Jimmy Choo reinforces the brand's stamp on the ever-changing landscape of fashion and sheds light on where the industry is moving.

"The future of Michael Kors is in a very good place," he said. "By being associated with Jimmy Choo, a luxury shoe brand that holds iconic status, Michael Kors will be thought of as fashion-forward, younger and more skewed toward the world of modern luxury as opposed to being a mass luxury brand.

"With this new acquisition, Michael Kors will be able to reach a millennial luxury audience that may have previously tuned them out."



*Michael Kors' effort to attract millennials. Image credit: Michael Kors*

The move is also notable due to its proximity to another large U.S. luxury acquisition: Coach's purchase of Kate Spade in March.

Formerly a solo fashion label, Coach became a multi-brand organization after it acquired Stuart Weitzman in 2015. Coach purchased Kate Spade in a \$2.4 billion transaction, putting some other speculation to rest (see story).

In both events, there is a move toward U.S. luxury brands coming together and forming larger groups with pooled resources that can allow for the sort of global reach that many European luxury brands already enjoy.

By combining their resources, Michael Kors is hoping that together with Jimmy Choo and potential future acquisitions, they can elevate the label to the more upscale luxury levels it has always aimed for.

#### European competition

It is clear that Michael Kors is already thinking about the possibilities of pooling its resources to improve the reach of the Jimmy Choo brand.

In a statement, the company said that it expects to grow Jimmy Choo's sales to \$1 billion.

Other U.S.-based companies have also merged, including Marriott International and Starwood Hotels & Resorts.

The two hotel brands completed the acquisition process Sept. 23, with Marriott successfully purchasing Starwood on time. While the merger makes Marriott the largest hotel network in the world, both brands are working to expedite their now single rewards program to eliminate any customer loyalty issues early on (see story).



*Kate Spade was acquired by Coach earlier this year. Image credit: Kate Spade*

Some of the largest luxury brands in the world are all owned by large conglomerates such as LVMH, Richemont or Kering Group. As members of a larger luxury group, these brands have access to the combined resources of the entire company, giving them an edge over independent brands.

But the U.S. does not have any comparable groups, suggesting that Michael Kors could be angling to be the first in this area.

If so, then U.S. luxury brands could finally have the stability and foundation to compete with their larger European counterparts.

"We are seeing consolidation in the fashion brand category," said Jim Fosina, CEO and founder of [Fosina Marketing Group](#), Danbury, CT. "It's clear that U.S. brands realize that they need to build stronger alliances to compete with overseas brands.

"I believe the joining of these two very hot brands could create a U.S.-based super brand especially if they do more than add one to another," he said. "The brands really need to focus on building better marketing from a direct to consumer basis in order to compete.

"This is a huge gap with the European players that can be exploited."