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APPAREL AND ACCESSORIES

Ralph Lauren, Michael Kors look past fiscal 2018 for growth

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Image from the Michael Kors Collection fall/winter 2017 ad campaign. Image courtesy of Michael Kors

By STAFF REPORTS

In the first quarter of the 2017 fiscal year, both Michael Kors and Ralph Lauren saw declining revenues as they institute strategies aimed at turning their results around.

Both companies are in a transition period as they seek to promote growth in a challenging market, their outlooks for the year showing smaller total revenues than 2017. While both companies have predicted declines this year, they remain optimistic that they are planting seeds for future growth.

Turning point

Ralph Lauren's first quarter revenues fell 13 percent to $1.3 billion. The brand partly attributes this decline to its efforts to pull back on promotions, while also blaming reduced consumer demand.

While reducing its discounting hurt Ralph Lauren's revenues for the quarter, it boosted the brand's gross margins by 210 basis points.

During the first quarter, the company also instituted measures as part of its Way Forward Plan, including reducing inventory and SKUs, shortening its lead times to ease buying and lower discounting and ending its relationship with about a quarter of its underperforming department stores in the U.S.

Ralph Lauren Collection pre-fall 2017 collection. Image credit: Ralph Lauren

Even with its plan in place, Ralph Lauren still sees its revenues for the year decreasing 8 to 9 percent.

"While we are addressing challenges in our business, we have significant opportunity ahead and we're moving forward with urgency," said Patrice Louvet, president and CEO of Ralph Lauren, in a statement.

"Ralph and I are focused on actively evolving the brand expression and consumer experience so we can ultimately renew growth and get back to leading," he said. "We are continuing to build a strong foundation for future growth, as evidenced by our progress this quarter on the key elements of the Way Forward plan."

Mr. Louvet joined the brand in July, succeeding Stefan Larsson, who stepped down from the role in May (see story).

Michael Kors has similarly faced struggles, and its revenues for the first quarter of fiscal year 2018 declined 3.6 percent to $952.4 million.

The brand was able to grow its retail sales 10.1 percent through the opening of 67 new stores since the same period the previous year.

Similar to Ralph Lauren, Michael Kors has taken steps to reduce promotional sales of its merchandise, pulling back its wholesale retailing.

Michael Kors projects that its total revenues for this fiscal year will be $4.275 billion, slightly behind 2017's $4.49 billion. It also anticipates reduced comparable sales from the previous year.

"Our first quarter performance exceeded our expectations, driven largely by better than anticipated retail comparable sales results in both North America and Europe," said John D. Idol, chairman and CEO of Michael Kors, in a statement. "We are encouraged by our first quarter performance, although we continue to believe that fiscal 2018 will be a transition year for our company, as we focus on laying the foundation for the future by executing on our strategic plan, Runway 2020.

"While it is still early in the process, we are making meaningful progress enhancing our assortments, deepening our connection with consumers, and elevating our jet set luxury experience in our stores and digital flagships," he said.

Michael Kors is also becoming a multi-brand luxury group with its acquisition of Jimmy Choo (see story). With the transaction yet to close, the company has not included Jimmy Choo in its outlook for the financial year.