

APPAREL AND ACCESSORIES

Michael Kors fuels conglomerate ambitions with Versace deal

September 26, 2018



Versace is joining Michael Kors Holdings. Image credit: Versace

By SARAH JONES

Fashion group Michael Kors Holdings Limited is moving further into European luxury with its acquisition of Italian fashion label Versace.

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

Michael Kors Holdings has been in a race with Tapestry Inc. to create the next luxury conglomerate, as both groups have recently shifted from mono-brand companies to portfolios of like-minded labels. With Versace joining Jimmy Choo in Michael Kors' stable of brands, the group sees its revenues reaching \$8 billion in the long-term, aided by the ability to leverage synergies across its businesses.

"This is a diversification move for Kors, a responsible strategy that alleviates the pressure on any one brand to drive overall corporate results," said Marie Driscoll, managing director for luxury and fashion, [Coresight Research](#), New York. "Kors is in the early stages of integrating the Jimmy Choo acquisition and Coresight believes that Kors will put the infrastructure in place to add additional luxury brands to its platform.

"That said, finding the right collection of brands to bring into a portfolio is time consuming and the subsequent work of cross learning platforms while keeping brand DNA and consumer touchpoints brand-specific is a challenge," she said. "The French do this very well. It will be interesting to watch the U.S. luxury houses cultivate brands and their distinctive points of view while leveraging operational infrastructures.

"The last thing you want to see is a blurring and of the brands. Versace is Italian sexy and Kors is American ease."

Joining forces

After some speculation, Michael Kors Holdings Limited announced that it will be acquiring the outstanding shares of Italian fashion label Gianni Versace in tandem with a name change for the group.

Capri Holdings Limited, named for the island of Capri, will be the new moniker for the Michael Kors company upon the Versace acquisition. The group has signed an official agreement buying all of Versace's remaining shares for 1.83 billion euros, or \$2.12 billion at current exchange ([see story](#)).

"The acquisition of Versace is an important milestone for our group," said John D. Idol, chairman and CEO of

Michael Kors, in a statement. "Versace was founded in 1978. For over 40 years, Versace has represented the epitome of Italian fashion luxury, a testament to the brand's timeless heritage.

"We are excited to have Versace as part of our family of luxury brands, and we are committed to investing in its growth," he said.

The group has plans to raise Versace's global revenues to \$2 billion. Among the strategies that will be put into place is an expansion of the brand's store locations from 200 to 300 doors and investments in ecommerce and omnichannel retail.

While Versace is based in Europe and the Michael Kors brand is from the United States, this acquisition will have the most impact on the group's Asian footprint, raising the region from 11 percent of the company's portfolio to 19 percent.

Michael Kors is also aiming to make Versace's footwear and accessories a greater share of its business, raising the portion of revenues from the categories from 35 percent to 60 percent.

The group has also said it wants to "enhance Versace's powerful and iconic marketing." Keeping consistency at Versace, creative director Donatella Versace will remain in her role, as will CEO Jonathan Akeroyd.

Versace is becoming part of Michael Kors Holdings

Ms. Versace, her brother Santo and daughter Allegra will be shareholders in Capri Holdings.

"The Michael Kors group clearly see the value in diversifying the company's product offering and market reach within the industry," said Massimiliano Di Battista, CEO of **Management + Artists**. "Groups like LVMH and Kering have shown that an aggregation of strong brands that appeal to different sectors is a recipe for success.

"Versace is a mega-brand that gives the Capri group a glamorous European heritage value that is complimentary rather than diluting to Michael Kors' genre of dominance," he said.

While Versace had remained independent up until now, the brand had enlisted Blackstone as a minority investor in 2014. According to Versace's then-CEO Gian Giacomo Ferraris at the Cond Nast International Luxury Conference in 2016, being able to compete with conglomerates in the digital space requires capital ([see story](#)).



Jonathan Akeroyd, Donatella Versace and John D. Idol. Image credit: Michael Kors/Rahi Rezvani

Independent luxury labels are becoming less common, as brands need the power of a bigger company to continue to compete ([see story](#)). As more mergers and acquisitions take place, it becomes harder for independent houses to go it alone.

"The news of Versace's acquisition by Michael Kors Holdings will come as quite a shock to followers, admirers and customers of the iconic Italian brand, which has always been characterized by its fierce narrative and aesthetic as well as its strong family values and independence," said Florence Allday, research analyst at **Euromonitor International**, in a statement. "However, several years of a difficult global luxury climate, declining growth and stiff competition from brands like Louis Vuitton, Gucci and Dior, make the sale less surprising.

"Donatella Versace's anniversary collection in 2017 to commemorate the death of her brother Gianni raised the profile of the Italian brand again, but without the financial force of a conglomerate behind it, it would be difficult for Versace to reach the same scope as its main Italian rival," she said.

Italy meets America

There is some concern among fans of Versace that the sale will hurt the positioning of the brand. While Michael Kors has recently been making upmarket moves, it became ubiquitous thanks to its accessible diffusion Michael Kors collection, whereas Versace has maintained more exclusivity.

"While some may see the acquisition of Versace by an American brand like Michael Kors as a shame or even a sell-out it is reflective of the dynamic nature of the luxury fashion industry and its sensitivity to political situations," Euromonitor's Ms. Allday said.

This comes as Versace is riding a wave of popularity. Versace's efforts to court millennials has helped it become one of the hottest brands this past quarter, according to data from Lyst.

During the period studied, Versace was in the public spotlight as the docudrama "The Assassination of Gianni Versace: American Crime Story" premiered. Current creative director Donatella Versace also served as one of the hosts for the Met Gala in May, dressing a number of attendees in Catholic-inspired attire ([see story](#)).

Along with Michael Kors, Tapestry has also been on a similar path. The company, formerly known as Coach Inc., has gone through a rebranding as it added Stuart Weitzman and Kate Spade to its group.

To many, Tapestry, formerly known as Coach Inc., is considered the first American luxury goods group, but its CEO prefers not to define its three-brand portfolio by nationality.

Instead, Tapestry, which owns Coach, Kate Spade and Stuart Weitzman, prefers being recognized as the first New York-based house of luxury brands, which just happens to own brands from the U.S. While Tapestry's brands may have been founded in the U.S., nationality is not a focus due to the brand's global presence, including its corporate team, its real estate footprint and importantly, its consumer base ([see story](#)).

While Tapestry has so far focused on gathering U.S.-based affordable luxury brands, Michael Kors has looked more globally and high-end for its acquisitions.

"This is early innings in the race between Tapestry and Capri to become the leading new luxury brand portfolio," Ms. Driscoll said. "Capri has gone very international with its brand choices, while Tapestry's brand portfolio is U.S.-based, though the brands enjoy global recognition."

The brand acquired Jimmy Choo last year, with the British footwear label joining the company in November.

Michael Kors Holdings' revenues and profits saw double-digit growth in the first quarter of the 2019 fiscal year.

The company's revenues totaled \$1.2 billion, up 26 percent year-over-year. Both the Michael Kors and Jimmy Choo brands exceeded revenue estimates in the quarter, leading the company to raise its share earnings projections for the year ([see story](#)).

"The Michael Kors group has made no secret of their ambitions to challenge the European conglomerates that currently dominate the industry," Mr. Di Battista said. "Diversifying into the traditional luxury segment makes great business sense for Michael Kors who already owns the affordable luxury space."