

COMMERCE

Michael Kors value proposition, physical market presence defined sales success

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By TRICIA CARR

U.S. fashion house Michael Kors is experiencing rapid growth in sales due to product value, positioning in both the apparel and accessories categories, store openings in key markets and word of mouth, experts say.

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Luxury Daily

The label recently announced its third-quarter fiscal 2013 results that included a total revenue increase of \$636.8 million for the third quarter ended Dec. 29, a 70.4 percent jump from \$373.6 million in the third quarter of fiscal 2012. Though Michael Kors has enacted numerous multichannel marketing efforts to influence sales, experts agree that the appeal, quality and value of the label's products are its key drivers.

"The Michael Kors brand's success I would attribute primarily to his ability to connect with the American fashion customer," said Pam Danziger, president of [Unity Marketing](#), Stephens, PA. "He really understands who he is designing for and made that known through his platform as judge on the very popular Project Runway [television show] which draws the eyes of the fashionista customer.

"With the rapid growth of his company, he has been able to place product in many

different stores, so it is widely available,” she said. “He has an ambitious vision and the means behind him to achieve that vision.”

Ready to go everywhere

Michael Kors is seeing great success at the moment in part due to its range of products and its value position, per Milton Pedraza, CEO of the [Luxury Institute](#), New York.

The label seems to be hitting the right target audience of both male and female consumers in Gen X and Gen Y.

The scale of the brand has increased almost instantaneously and has become a global name.



Spring/summer campaign

Michael Kors is keeping mass retail off the table, but is creating products that are attractive to the premium and luxury audiences.

The label’s high-end apparel line keeps its status in the marketplace, while its accessible watches and handbags are driving its steady sales.

“In luxury, the way you make a profit is with handbags,” Mr. Pedraza said. “Michael Kors also has an expansive product in ready to wear, its wholesale distribution is phenomenal and it has both male and female customers.

“The high profit margins are the accessories,” he said.

Of Kors

Michael Kors released figures for the third quarter ended Dec. 29 this week.

Retail net sales increased 66.8 percent to \$332.6 million. This figure was driven by a 41.4 percent increase in comparable store sales and 66 store openings since the end of the third quarter of fiscal 2012, per the company.

Also, wholesale net sales increased 77.4 percent to \$274.3 million and licensing revenue increased 52.1 percent to \$29.8 million.

Gross profit increased 72.8 percent to \$383.5 million.

Likewise, total revenue for the first nine months ended Dec. 29 was \$1,584.6 million. This is a 71.8 percent increase from the year-ago period.

Also during this time, retail net sales increased 73.6 percent to \$789.9 million.

Comparable store sales increased 41.4 percent, wholesale net sales increased 73.6 percent and licensing revenue increased 39.8 percent.

Michael Kors released its outlook for the fourth quarter of fiscal 2013 as well. It anticipates total revenue to be \$515-\$525 million.

The fashion empire is likely at a peak of success due to the company's reliance on multiple commerce channels.

The brand is expanding its retail presence and consumer appeal, both in the United States and Europe, which led to growth and success, per David Sadigh, CEO of [Digital Luxury Group](#), New York.

In the physical sense, Michael Kors opened 66 new stores in approximately one year.

Recent ventures include a 1,700-square-foot lease at Brookfield Place, previously known as The World Financial Center, according to [Women's Wear Daily](#).

The label opened more branded shop-in-shops inside department stores as well, per Mr. Sadigh.

Meanwhile, the company announced that it will take back control of its commerce 2014.

"A lot of fashion and luxury brands usually start to expand to new product categories after already being extremely successful in one," Mr. Sadigh said. "What is interesting with Michael Kors is that they managed to both extend to new product categories quickly while simultaneously increasing their sales internationally.

"The brand's positioning appeals to consumers from various countries, and the brand's values are aspirational enough to generate desire across many different product categories," he said.

Final Take

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