

## MICHAEL KORS

### **Background**

Michael Kors is a global luxury lifestyle brand led by Michael David Kors, who is a world-class management team and a renovated, award-winning designer (Kors, 2017). The company's heritage is rooted in producing polished, sleek, sophisticated American sportswear with a jet-set attitude (St. James, 2011). In 1981, Kors launched the first Michael Kors womenswear line in high end retail stores and major boutiques such as Bergdorf Goodman, Neiman Marcus, Bloomingdale's, etc (St. James, 2011). Two years later, Michael Kors is awarded the First American Original Award from Dupont. In 1990, the company launched the KORS Michael Kors line which included jeans and shoes (St. James, 2011). Although the business grew rapidly and the brand was well known around the world, in 1993, Kors went bankrupt, discontinued the KORS line and the business was stopped for a while (St. James, 2011).

Michael Kors got back to the fashion arena in 1997. On that same year, he dramatically launched a lower-price line. In 1999, he was given the CFDA (Council of Fashion Designers of America) Womenswear Designer of the Year Award (St. James, 2011). Kors was also named the CFDA's Menswear Designer of the year in 2003 (Kilcooley, 2013). In 2000, Michael Kors signed licensing agreements with Schwartz & Benjamin to produce a full range of shows as the

North American licensee. He also sign agreements with The Charmant Group for the worldwide licensee to produce and distribute Michael Kors sunglasses and spectacles and Le Tanneur & Cie for the exclusive worldwide licensee to produce a line of collection handbags. In 2002, the Kors menswear was launched and in 2004, the company launched the MICHAEL Michael Kors (Dell, 2017). This line focused on women's shoes, handbags and ready-to-wear apparel (Biography.com editors, 2016) . By 2011, the Michael Kors was one of the largest and most successful fashion IPOs ever, valuing the brand at \$3.8 billion, which is raising about \$1 billion to fund the company's global expansion (Biography.com editors, 2016).

The brand is considered as one of the most popular handbag brands in the world due to its high standards of quality, creativity and technology. Michael Kors engages in the design of footwear, sportswear, accessories, apparel of branded women's apparel and men's apparel (Vision Plus, 2016). Its business is operated through three segments: Licensing, Retail and Wholesale (CNN, 2017) . The licensing segment is responsible for licensing its trademarks on products such as ties, fragrances, cosmetics, eyewear, leather goods, jewelry, watches, coats, men's suits, swimwear and furs (CNN, 2017). Michael Kors brand is located in more than 100 different countries around the world and have more than 770 lifestyles stores operated by the retail segment (CNN, 2017). In fact, its outlet stores are located in the United States, Canada, Europe and Japan. Department stores, specialty retail stores and travel shopping locations buys the company's products from the Wholesale segment. For their distribution methods, they have opted for a direct approach allowing all their stores to be controlled by them and therefore they

have full access to all the stores information regarding to what they sale, where and when (CNN , 2017).

Michael Kors brand have been one of the favorites brand for recognized people such as Catherine Zeta-Jones, Natalie Portman, Jennifer Lopez, Heidi Klum, Rachel McAdams, Bette Midler specially for Michelle Obama (St. James, 2011). The company has designed unique and exclusive outfits for Michelle Obama several times. She chose a dress designed by Kors to wear in her first presidential portrait. In addition, many of the Michael Kors dresses and creations have been appearing in many movies and in a variety of different songs video clips (St. James, 2011).

After successful years in the fashion industry, Kors is becoming a victim of its own success. Its extraordinarily speedy growth made its product accessible to a vastly larger audience (Halzack, 2015). This caused the brand to began to lose the veneer of exclusivity that is so important in a luxury brand (Halzack, 2015).

### Target Market

#### **Demographics**

One of the reasons why Michael Kors is so successful in the fashion industry and worldwide is because he knows his target market, which is one of the most important factor in building a successful business plan. Those who love Michael Kors brand are willing to spend any price on the brand because of the value it has and the luxury feeling and touch it give them. Michael Kors identified his market and capitalized on the wants/needs of consumers and the demands they expressed for these products. Although Michael Kors target men and women, 82%

of them are women (Isler, 2013). Attending college and professionals, with ages in between 24 to 55 (Isler, 2013). Statistics shows that most of the target market interest are fashion art and music.

Based on my research and knowledge on Michael Kors brand, the target market will be men but mostly women with ages from 24 to 55 (Isler, 2013). Most of the women are either attending college or working in a profession. Their annual salary will be from 40,000 to 90,000. Most of them are residing in a developed country such United States, Canada, Paris, etc.

## Psychographics

#	NAME	REACH	POPULARITY	RELEVANCE
1	Apparel and Fashion	100	179.97	185.56
2	Media	96.65	102.65	134.5
3	Entertainment	95.86	74.32	115.63
4	Famous People	91	107.82	137.84
5	Retail	71.89	170.94	178.7
6	Recreational Activities	71.27	124.56	148.39
7	Sports	66.94	53.36	101.03
8	Food and Drink	63.65	126.37	149.36
9	People and Society	58.68	100.2	131.93
10	Beauty	54.87	181.55	184.19

Figure 1. Customer Profile Michael Kors's Fans (Cubeyou, 2017)

According to the chart in Cubeyou, the first most popular interest for Michael Kors demographic is Beauty with (181.55), the highest points (Cubeyou, 2017). Some of the beauty products that they use more are CHANEL, MAC cosmetics, Maybelline New York, Essie Nail polish, Covergirl and Sephora products (Cubeyou, 2017). The second most popular interest for Michael Kors Demographic is Apparel and Fashion (Cubeyou, 2017). The most common is women's clothing. The most popular type of clothing brand that they usually like to purchase are Louis Vuitton, Victoria's Secret, Victoria's Secret Pink, Tory Burch, Bebe LOFT and Modern Vintage Boutique. The third most popular is Retail (Cubeyou, 2017). The most popular type of Retail is Apparel Retail and Department Stores. They usually shops at one of these stores: The Blue Door Boutique, following Macy's, Target, Nordstrom, Marshalls, and Saved by the Dress. The fourth most popular is Food and Drink (Cubeyou, 2017).

Michael Kors fans follows models and famous people such as Khloe Kardashian, Kim Kardashian, Kourtney Kardashian, Snooki, Joel Osteen Ministries, Jennifer Farley, etc (Cubeyou, 2017). Their favorite entertainment are TV shows. The most watched are The Ellen DeGeneres show, Keeping Up with the Kardashians, Pretty Little Liars and Grey's Anatomy. Their like to eat fruit, vegetables and candies. The most popular food brand they purchase are NatureBox, Gerber, M&M's and Nutella (Cubeyou, 2017). Family and relationship is very important for them. They like to be involved in Breast Cancer Awareness, Breast Cancer

Prevention, Stand Up for Cancer and Susan G. Komen. Their favorite websites are Best Vines, Nomorerack, FreeFlys and YouTube (Cubeyou, 2017).

Based on this information obtained from Cubeyou, it can be inferred that Michael Kors brand fans love fashion and retail and likes to purchases clothing in expensive clothing stores. This proves that they are middle class people that have a good job and have a good salary to purchase this brands.

### **Product Line**

Michael Kors brand has two primary collections: the Michael Kors collection and the MICHAEL Michael kors collection (Parsons, 2015). The Michael Kors collection offers accessories such as handbags and small leather goods, made from high quality leather and other exotic skin. This collection also offers footwear and apparel such as ready-to-wear for menswear and womenswear. On the other hand, the MICHAEL Michael Kors collection offers a variety of footwear, apparel and accessories especially handbags, clutches, wallets, wristlets and cosmetic cases (Parsons, 2015). This collection, however, tries to focus only in women footwears and womenswear such as tops, skirts, dresses, pants, outerwear and shorts. Through its licensing segment, Michael Kors offer a variety of watches, eyewears, jewelries, fragrances and beauty (Parsons, 2015).

Michael Kors handbags come in a variety of high quality natural materials including leather, suede, metallic saffiano, and python-embossed leather. The leather handbags comes with a soft and unique texture. The distressed leather handbags comes with a special finish with

stylish chromatic variations. Michael Kors use other materials on his handbags like denim, fabric, straw, fur and a few more (Ebay, 2016). The brand's fabric handbags are suited to become stain and water-resistant (Ebay, 2016). For most of the women dresses and tops, Michael Kors uses Viscose, Nylon, Polyester, and elastane. He also uses cotton and polyester for special weather-resistant jackets and other apparel. Other materials are leather, nylon, and polyamide, etc. Michael Kors footwear are mainly made from leather, suede, coated canvas and polyester. Other material he uses for shoes are polyurethane, cotton, rabbit fur and rubber (Ebay, 2016).

The market in which Michael Kors operate is highly competitive. Michael Kors faces intense competition with a variety of brands, including Ralph Lauren, Louis Vuitton, Prada, Gucci, Hermes and Burberry (Parsons, 2015). Competition with these brands are based on establishing and maintaining favorable brand-name recognition, maintaining and growing market share, pricing products appropriately, providing appropriate service and support to retailers, etc. Some of the these competitors may have significantly greater technological, financial, manufacturing and marketing resources than what Michael Kors possess (Parsons, 2015) .

Michael Kors's top competitor is Coach. This is due to Coach's great success and rapidly growth in the market. Michael Kors possess many weaknesses compared to Coach (Soni, 215). Its rapid expansion around the world may erode the brand value. In addition to that, the continuation of lowering prices and heavy discounts give consumer and customers a wrong perception, which may affect negatively its brand luxury image (Soni, 2015). Its geographic presence is restricted and it limits the brand from being known globally. Michael Kors has

several competitive strengths that differentiates its brand from other competitive brands and allow them to stay ahead of their competitors. One of these strength is that Michael Kors targeted a growing social class that other brands have not done before. Additionally, Michael Kors established brand attractive to Higher Earners Not Rich Yet (HENRY) annually (USSEC, 2013). The brand has also established a well known brand that reflects high class and luxury. Michael Kors has a growing market share. In 2012, Michael Kors represented 27% of the total luxury good sales, which is a big percentage compared to the other brands. Michael Kors possess strong relationships with premier wholesale customers such as Saks Fifth avenue, Nordstrom and Macy's (USSEC, 2013).

### **Pricing Strategy**

Michael Kors is a global luxury lifestyle brand. Therefore, its luxury brand pricing plays an important role on the way consumers look at the brand and its value. Although it could be a really expensive brand for many, Michael Kors tries to make affordable products for the growing social class and those that can not afford a high price for any of the products. However, at the same time it is a concerning issue. Michael Kors is trying to avoid discounting its products at all costs in order to maintain its luxury brand identity, even if this means that the brand has temporary losses (Ribeiro, 2015). Researches has indicated a decline in mall traffic in Europe and North America due to an aggressive position on promotional activities that stores are taking in order for the to generate traffic and volume into their buildings. The brand is trying to reduce the amount of products going into the wholesale channel in which they expect demand for full price versus sale to increase (Reagan, 2016).



Michael Kors products pricing varies from one collection to the other. In Michael Kors collection, the prices are more expensive and has a higher price range. The price range for leather handbags and women's apparel retails from \$300-\$6,000 and its footwear from \$300-\$1500. Menswear are more affordable than womenswear with a price range of \$50-\$1,300. On the other hand, MICHAEL Michael Kors collection price range are more affordable for growing social classes that are not able to spend a lot on Michael Kors Products. Their handbags retails from \$200-\$600 and their small leather goods retail from \$45-\$250. Footwear retails from \$400-\$350 and women's apparel from \$50-\$500. Michael Kors licensed products varies. Its watches retails from \$195-\$695, eyewear retails from \$99-\$255, jewelry retails from \$55-\$500 and its fragrances and beauty retails from \$18-\$125 (Parsons, 2015). Overall, what makes this brand unique are the affordable prices and high quality material products that Michael Kors offers to women compared to popular brand such as Chanel and Prada. The price zone in which Michael Kors may be categorized is in bridge market. This is because Michael Kors is a well-known and recognized luxury brand around the world. It if was not for its affordable prices, Michael Kors would have been in the high-fashion apparel price zone.

### **Promotion strategy**

Michael Kors's promotion strategy focus on delivering a consistent message every time the customers gets in contact with the brand through all the promotions, visual merchandising, and communication. Its brand image is created to help ensure the consistency of the message, which is executed by the creative marketing, public relations and visual merchandising teams

(Parsons, 2015). In order for Michael Kors to maintain its brand image at a premium status, the integrity of the brand must be observed at all time. Michael Kors uses celebrities to display its products in public market, which makes the brand appear important (Parsons, 2015). It also promote the brand through Facebook, Twitter, and Tumblr as well as in TV commercials, magazine ads and billboards in order to create awareness and increase demand for the the products (Parsons,2015). Michael Kors wants to increase Facebook likes and Twitter followers by 5% each month in order to increase awareness of the product (Plopan, 2014) . Another promotion strategy that Michael Kors uses for promoting its products is by doing online contests in which customers purchase products and share their experiences to be entered to win a day with one of Michael Kors' celebrity influencers. (Plopan, 2014).

Michael Kors is trying to open stores in China in order to impress the Chinese people and encourage them to buy the products. Recently, Michael Kors partnered Snapchat to throw shade for National Sunglasses Day at every Snapchatter. The campaign developed a Sponsored National Lens that not only placed Michael Kors's new "Kendall II" sunglasses on Snapchatter, but also transported them to different situations related to Michael Kors' brand DNA and image (Business Insider, 2016). This campaign was created not only to raise awareness, but also to set a stage of word-of-mouth to encourage Snapchatter to send the lens to friends (Business Insider, 2016). Overall, all the promotion strategies that Michael Kors focus on are definitely effective because it maintains the brand image and at the same time, it creates brand awareness around the world.

## **Place strategy**

Michael Kors' primary distribution facility in the United States is in Whittier, California, which is 1,120,500 square ft. There are also smaller Michael Kors distribution facilities across the U.S. Outside the United States, Michael Kors have regional distribution centers which are leased/operated by third-parties in Holland, Japan, Canada, Hong Kong (Ribeiro, 2015) . The brand expanded its existing distribution facility located in California to service its e-commerce site in April, 2015. This online distribution is operated through a mono-brand website, which enable its customer to view Michael Kors products, learn about the brand and company, and find out about the company's vision (Ribeiro, 2015).

In order to support its European operations, Michael Kors is planning to open its own distribution facility in Holland (Parsons, 2015) . Additionally, Michael Kors collections are distributed differently. The Michael collection s distributed through company leading selective and select licensing partners. For instance, watches and jewelry are exclusively sold by Fossil stores, eyewears are sold by Luxottica, fragrances and beauty are sold by Estee Lauder (Parsons, 2015). On the other hand the Michael Kors collection is distributed to an exclusive stores in order to ensure exclusive experiences and a a high status feeling which justify the premium price charged. These stores are usually in luxury places such as Fifth avenue, 42nd street, Soho, and Broadway.

## **Conclusion**

After doing this research on Michael Kors, I have learned a lot about this brand. I have learned about the different prices on the products and what type of products the brand offer its

customer in each collection. I also have learned that his business is operated in three segments, which are through licensing, retail and wholesale.

### **Opportunities and threats**

Michael Kors brand has a variety of opportunities. One of the biggest opportunities for Michael Kors business is that it's a very well-known brand not only in the U.S. but also globally. This is what maintains Michael Kors brand so successful because it is recognized by many people. Another opportunity is that the high brand saliency and the positive affirmation from consumers has influenced demand in domestic market and the neighboring countries. Although Michael Kors has been one of the most successful brands globally, that do not stop the brand from facing big threats in the industry. Michael Kors price strategy on lowering the price for the growing social class people has changed the luxury perspective of the brand. This wrong perspective from the customers has lowered the brand value and therefore, customers are not longer willing to pay the same prices for the products since it is losing its luxury image. In my opinion, another threat for Michael Kors is E-commerce. An increase in online shopping means that physical stores traffic will reduce and might result in closing physical stores. In addition to that, the company revenue might decrease because the customers that prefer to visit stores instead of shopping online, might stop buying the brand.

### **Recommendations**

One recommendation I would give the brand is to consider launching a line for kids because the brand could get more profit since kid's clothing in today's date has become a big business. I would also recommend Michael Kors to improve its brand and business regulations in order to preserve its luxury brand image. This is because a variety of small stores are using

Michael Kors logo to create and produce low quality products, mostly handbags and clothing, not produced by the company.

## **Moodboard**



Theme: Autumn in Ozone Park

References

Biography.com Editors. (2016, February 4). Michael Kors biography. *Bio*. Retrieved from <http://www.biography.com/people/michael-kors-594228#synopsis>

BOF. (2015, April 7). Michael Kors: The jet set juggernaut. *BOF*. Retrieved from <https://www.businessoffashion.com/articles/careers/michael-kors-the-jet-set-juggernaut>

Business Insider. (2016, August, 16). Michael Kors is using Snapchat to grow its online sales. *Business Insider*. Retrieved from <http://www.businessinsider.com/michael-kors-is-using-snapchat-to-grow-its-online-sales-2016-8>

CNN.. (2017, February 27). Michael Kors holdings ltd. *CNN Money*. Retrieved from <http://money.cnn.com/quote/profile/profile.html?symb=KORS>

Cubeyou (2017). Customer profile Michael Kors's fans. *Cubeyou*. Retrieved from <http://customer-profile.com/apparel-and-fashion/clothing/women-s-clothing/Michael-kors-customer-profile.html>

Dublin. (2013, March 4). Research and markets: Michael Kors holdings case study: How to design a winning growth strategy. *BusinessWire*. Retrieved from <http://www.businesswire.com/news/home/20130304005694/en/Research-Markets-Michael-Kors-Holdings-Case-Study>

Ebay. (2016, March 10). Your guide to buy a Michael Kors handbag. *Ebay*. Retrieved from <http://www.ebay.com/gds/Your-Guide-to-Buying-a-Michael-Kors-Handbag-/10000000178722411/g.html>

Halzack, S. (2015, February 5). Michael Kors handbags are everywhere and that's a problem for the brand. *The Washington Post*. Retrieved from [https://www.washingtonpost.com/news/business/wp/2015/02/05/michael-kors-handbags-are-everywhere-and-thats-a-problem/?utm\\_term=.3137e9fee9e7](https://www.washingtonpost.com/news/business/wp/2015/02/05/michael-kors-handbags-are-everywhere-and-thats-a-problem/?utm_term=.3137e9fee9e7)

Isler, D. (2013, May 16). Segmenting and targeting market. *Michael Kors*. Retrieved from <http://desireeimichaelkors.blogspot.com/2013/05/ch-8-segmenting-and-targeting-markets.html>

Kilcooley, S. (2013, January 24). Michael Kors. *Vogue*. Retrieved from <http://www.vogue.co.uk/article/michael-kors>

Michael Dell. 2017. Michael Kors holdings limited story. *SuccessStory*. Retrieved from <https://successstory.com/companies/michael-kors>

Michael Kors (2017). Corporate profile. *Michael Kors*. Retrieved from



<http://investors.michaelkors.com/corporate-overview/default.aspx>

Parsons, J. (2015, May 27). Michael Kors Holdings Ltd. *EdgarOnline*. Retrieved from

[https://s2.q4cdn.com/702269136/files/doc\\_financials/annual\\_report/2015-Annual-Report-10K.pdf](https://s2.q4cdn.com/702269136/files/doc_financials/annual_report/2015-Annual-Report-10K.pdf)

Plopan, J. (2014, March 6). Strategic marketing plan for the Michael Kors brand. *SlideShare*.

Retrieved from <https://www.slideshare.net/jplopan/michael-kors-strategic-marketing-plan>

Reagan, C. (2016, June 1). Michael Kors sharpens its department store strategy. *CNBC*.

Retrieved from <http://www.cnbc.com/2016/06/01/michael-kors-sharpens-its-department-store-strategy-.html>

Ribeiro, C. (2015, June 3). How can Michael Kors learn from Coach Inc.' mistakes and transformation plan in the paradox of growth and brand identity safekeeping.? *Run*.

Retrieved from [https://run.unl.pt/bitstream/10362/15587/1/Fonseca\\_2015.pdf](https://run.unl.pt/bitstream/10362/15587/1/Fonseca_2015.pdf)

Soni, P. (2015, January 16). Coach versus Kors: strengths and weaknesses on balance. *Market*

*Realist*. Retrieved from <http://marketrealist.com/2015/01/coach-versus-kors-strengths-weaknesses-balance/>

St. James, Mark. (2011, March 22). History of Michael Kors. *Fashion in Time*. Retrieved from

<http://www.fashionintime.org/history-of-michael-kors/>

USSEC (2013). Michael Kors Holdings Limited. *United States Securities and Exchange Commission*. Retrieved from

<https://www.sec.gov/Archives/edgar/data/1530721/000119312513239625/d494652d10k.htm>

Vision Plus (2016, September 25). Michael Kors: A golden brand. *Vision Plus*. Retrieved from

<http://visionplusmag.fourplusmedia.com/?p=20262>

















