

A Work Project, presented as part of the requirements for the Award of a Masters Degree
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**HOW CAN MICHAEL KORS LEARN FROM COACH INC.'S MISTAKES AND
TRANSFORMATION PLAN IN THE PARADOX OF GROWTH AND BRAND
IDENTITY SAFEKEEPING?**

Carolina Ribeiro Gomes Garcia Da Fonseca

Student ID: 1563

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Professor Vitor Centeno

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1. Working Hypothesis

According to Jean-Noel Kapferer¹, one can realize that nowadays the word “luxury” is used too broadly, every product describes itself to be a luxury product. Still for most of them this statement is no more than an aspiration to be true luxury considering that the grand majority actually fit in the premium category. However the distinction between “premium” and “luxury” became so blurred that sometimes is impossible to accurately assign each term correctly to a specific brand.

Throughout this paper it is proposed the analysis of one of the most fast-growth situations in the fashion premium industry. The concerning exponential growth of Michael Kors sales and profit. The concern arises of course due to the business models the brand is currently using – a luxury business model - and its implications for its future. There will be used data from financial platforms, market research and several articles to backup findings and strategies suggested. Still the tool which will take a key role when building a strategy to solve the paradox between growing and maintaining exclusivity will actually be data and learnings from the path taken by one of Michael Kors most famous competitors- Coach Inc. This 72 year old handbag giant ended up losing market share to Kors who now is in the verge of walking the same line and losing theirs to more innovative entrants (Market Realist 2015).

It will also be taken the perspective of fashion in this matter that is how it can hamper the thriving of MK in the future and performed a link with forecasting the luxury world for the times ahead and the implications it will have for the brand.

¹ Jean-Noel Kapferer is a world reputed expert known for his advanced work on brand identity, strategic brand management, brand portfolios, brand architectures and most recently on prestige and luxury management

2. Background

2.1 Industry Analysis

In the affordable luxury² market competition is fierce (Appendix 5) in all of these segments. And, there are many players. As a result, firms have limited pricing power—the consumer knows best. Staying abreast of fashion trends is critical, as consumers are both brand and fashion conscious.

Players in this category include Michael Kors, Coach, Kate Spade, Ralph Lauren, Tory Burch, and Marc by Marc Jacobs.

While a handbag often retails for about \$1,000 to \$2,000 when purchased from brands like Louis Vuitton, Gucci, or Prada for brands in the “affordable luxury segment” like Coach, Michael Kors, and Kate Spade the average handbag typically ranges between \$100 and \$500 (Market Realist, 2015).

The size of the North American women’s and men’s bags and accessories market is estimated to be worth over \$12 billion (Market Realist, 2015).

2.2 Coach Inc.

Coach, Inc. is an American brand founded in 1941 and is based in New York, New York. It provides luxury accessories and lifestyle collections for women and men in the United States and internationally. Amongst its products are leather goods; such as handbags and wallets; jewelry including wristlets, rings, charms; and time management and electronic accessories for men, such as business cases, computer bags, messenger-style bags, wallets and card cases. The company also provides wearables, such as outerwears, gloves, scarves, and hats; travel bags, including luggage, travel kits, and valet trays.

² Products that are generally above average in price are considered “affordable luxuries.”

In addition, it licenses rights to distribute the Coach branded products, including footwear, eyewear, watches, and fragrances. The company markets its products to consumers through a network of company-operated stores, including Internet in North America and Coach-operated stores and concession shop-in-shops all over the world³. It also sells its products to wholesale customers and distributors in approximately 35 countries. The company's core product category is Women's handbags which accounted for 55% of revenues, or \$2.6 billion⁴. The company launches three or four handbag collections quarterly with four to seven styles within each collection.

2.3. Michael Kors

Michael Kors is a global lifestyle brand that falls in the category of affordable luxury combining elements of style, elegance and sport. The company was founded in 1981 by stylist and project runway judge Michael Kors, a fashion icon who not only designs clothing and accessories, but is also known for his appearances as a judge on the Emmy nominated Project Runway. It is, like Coach Inc., based in New York City. The business operates in three different segments: retail, wholesale and licensing. Their goods are sold in company operated retail stores, leading department stores, specialty stores and through carefully selected licensing partners. The brand offers two different collections: the Michael Kors collection which is the upper range segment of the brand and the MICHAEL Michael Kors collection, the entry level, more accessible collection. Both collections offer accessories, apparel and footwear. The first segment features higher quality materials such as leather and other exotic skins available at higher prices (Appendix 3). The MICHAEL collection focuses on handbags and accessories including small leather goods such as clutches and wallets, wristlets and cosmetic cases as well as

³ Japan, Mainland China, Hong Kong, Macau, Singapore, Taiwan, Malaysia, South Korea, the United Kingdom, France, Ireland, Spain, Portugal, Germany, and Italy

⁴ in fiscal 2014 (Market Realist)

women's clothing and footwear. In what concerns licensed products the brand offers watches and jewelry both licensed by Fossil since 2004 and 2010 (Appendix 4). Also within its licensing agreements MK offers eye wear licensed since January 2004 by Marchon other than the usual Luxotica. Furthermore Estée Lauder is since 2003 the exclusive licensee of men's and women's fragrances from the brand.

Still the brand's iconic product is definitely the handbag (Marketing Research Survey – 64% of total respondents associate the brand to its handbag)

Despite its success and popularity in the last couple of years back in the 1990's that the brand had already faced several setbacks mainly due to the lack of funding. Still the brand showed resilience and started recovering after Michael discontinued his entry-level segment. Moreover this recovery was intensified when Michael became a judge on the show Project Runway.

3. Brand Identity (market Research)

3.1 Survey Results

In order to define each brand's identity and therefore assure that both of the brands presented in this work project are comparable a two-stage marketing research was performed. The first stage consisted in a field research where an extensive interview, which's minute can be found in the secondary appendix, was performed to both users and non-users of the brand, the interviews took place mainly at Nova SBE and at Lisbon's El Corte Ingles entrance. The goal of the extensive interviews was to gather the necessary data to build an on-line survey using qualtrics⁵ platform, envisioning to obtain more

⁵ a private research software company which enables users to collect online data and analysis including market research, customer satisfaction and loyalty, product and concept testing, employee evaluations and website feedback.

accurate results with a statistically significant sample. The results from the on-line survey can be found in the appendix as well. Looking at the survey's initial report one can see that for a sample of 58 respondents which accounts for 90% of the total sample know the brand Michael Kors, while for Coach Inc. only 38% of the total sample are familiarized with the brand. This result might be biased by the fact that 88% of the survey respondents fall within the age range of 18-25 and as one can see through Coach's brand identity the use of this brand is associated to an upper age range. Moreover another obvious reason of this result is the astonishing buzz around MK while Coach is still convalescent from its fall in early 2012. In addition when asked about the first four things that comes to one's minds when thinking about the brand Michael Kors 64%⁶ of total results were towards handbags, 52% for the MK golden logo, 49% as expensive and 36% towards the Michael Kors designer himself. Furthermore it is interesting to notice that 26% of the respondents associated the brand to the premium category while 24% associated it to luxury segment. This result backs up the previous statement on the blurriness separating both concepts. In addition, 19% of the respondents associated the brand to a mainstream feeling. Relatively to Coach Inc. 55% of the consumers immediately related the brand to quality, 45% as classy, 41% to the Coach Inc. logo and lastly 41% thought of the brand as outdated. With this result one can see that as for Michael Kors both brand's logos are highly recognized and once overly used will associate a negative image to the brand. Furthermore, for the age range of 18 to 25 (88%) the brand is considered outdated since its designs are considered non-innovative (Appendix 12). For the brand category association 32% of Coach's respondents defined the brand as premium while 23% defined it as operating in the luxury goods market. Once again these results strengthen the previous statement on the unclear definition of each category. To understand the brand identity crisis one must

⁶ Respondents were given to choose 4 out of 14 words to describe MK pop-up image

know what the brand delivers to consumers that is consumer's self-image while using the brand. For Michael Kors the results obtained from the survey show that the highest percentage (Appendix 11- 29%) is linked to the feeling of high status as for Coach the highest percentage (Appendix 12 -32%) was attributed to an "Elegant, clean and simple look" leaving the second highest percentage (Appendix 11 - 27%) to the status associated to the brand. Hence the importance for the brand of ensure the preservation of this feeling in consumers which won't happen if some of its clients are from a lower income range or lower-class. Furthermore data from the survey provided insight on the perceived desired consumer type for either MK or Coach. For Kors the majority of respondents (Appendix 9 -33%) identified this as "Trendy women who like fashion and care about their looks" while for Coach (Appendix 10 – 32%) were "Adults in their 30's and 40's) who want to buy luxury brands but aren't able to spend too much money on leather goods and accessories" (here one can see the perceived target market in the eyes of the consumer is in a higher age range)⁷.

3.2. Coach

3.2.1. Symptoms

Often there is confusion about what is defined as a marketing problem or a symptom⁸ to a marketing problem. The problem is the root cause of this symptom. For Coach despite the fact that the handbags and accessories market is growing in the high-single digits (Bloomberg, 2015), the brand's market share is steadily eroding (Bloomberg 2015). This is not coach's marketing problem but one of its symptoms. Newer entrants like Michael Kors, Kate Spade and Tory Burch are cutting in on the company's market share. In fiscal

⁷ Warning: possible bias sample considering only 22 of the total 58 respondents know the brand coach. And only 3 of these 22 are Coach's consumers

⁸ *Symptom* is the effect the problem has on the firm. Things like declining revenues, low profits, loss of market share - basically anything that says the business is going in the wrong direction

2008, Coach had an estimated 35% share of the North American bags and accessories market while now their share has fallen to 23% (Market Realist, 2015).

Another indicator that the brand was heading for trouble was the declining of Same-store sales while its competitors rising for Kors and Kate Spade were experiencing the opposite. In order to respond to Great Recession of 2008 the brand made products more affordable for consumers by decreasing prices (Market Realist, 2015) not taking into account that the loss of brand value may outweigh any sales benefits that could arise from that tactic.

3.2.2. Problem

Coach's marketing problem is the root of the mentioned above symptoms. The brand's distribution and price strategy goes against the image the brand is trying to maintain/achieve. Basically what happened to coach was a brand identity crisis. By trying to increase its sales uncontrollably to face the 2008 recession the brand used tactics inconsistent with its primary strategy. Loyal customers no longer identified themselves with a brand that was also accessible to people who had neither their status nor purchasing power. The Coach Inc.'s logo was now overly used and associated to a non-exclusive feeling.

3.2.3. Transformation Plan

In 2014 Coach announced a transformation plan in an attempt to restore its previous status. The brand was now looking to offer a complete premium lifestyle brand for both men and women. A lifestyle brand offers products across several categories which include apparel, footwear, fashion accessories and even household items (e.g. ZARA Home). For this the company made a number of changes to its management and design teams. The first one concerned executive changes when Lew Frankfort, CEO since 1995 was replaced by Victor Luis as new chief executive officer.

To win back shoppers, the 73-year-old company is trying to offer more footwear and fashion to become a lifestyle brand.

A crucial aspect of Coach's Transformative change is a shift in the core business that is to offer newer and pricier handbags considering handbags costing over \$400 represented 30% of handbag sales in the 1st quarter of 2015. Furthermore it also intends to end the practice of too many flash sales and deep discounting which hurt gross profit margins that fell 3 percentage points to 69.2 percent of sales during the quarter (Market Realist, 2015). Plus the company plans to transition out of its logo handbags and focus more on leather products and accessories to detach from the overly used feeling currently associated with it.

In an attempt to restore its status, on January 6, 2015, Coach announced the acquisition of premium footwear company Stuart Weitzman for about \$574 million.

As part of its transformation, in retailing Coach is looking to re-adjust its distribution by closing about 70 underperforming stores and opening new stores in select catchment areas.

Moreover since unsold inventory has been a big issue with the brand in the past Inventory realignment is a pressing need especially if the brand fails to anticipate fashion trends and raising the specter of more pressure on its profit margin.

Subsequently, the company aims to buyout its business partner's shares in order to grow market share more aggressively and maintain control over its brand. The company has applied this strategy in Japan, South Korea, Hong Kong, Macau, and Mainland China, Germany, Portugal, Spain, and the United Kingdom, among other countries.

Still Coach Portuguese consumers didn't feel the loss of brand identity as much as American consumers exactly because the exposure and buzz around the brand didn't quite

reach the country with the same intensity. Since the company didn't experienced the overwhelming growth in Portugal it didn't lost the brand image it had as well.

Still Coach's strategy as an affordable luxury brand is risky at this point considering the brand continues to expand its factory outlets in North America, which mostly offer consumers older products at discounted rates. This seems to contradict the company's strategy to get back its brand reputation and hamper its recovery.

3.3. Michael Kors

3.3.1. Business Model: High-premium brand using a Luxury Business Model

“When it comes to luxury, being unique is what counts, not any comparison with a competitor. Luxury is the expression of a taste, of a creative identity, of the intrinsic passion of the creator; luxury makes the bold statement “this is what I am” not “that depends”-which is what positioning implies.”⁹

Although actually falling in the category of a high-premium brand Michael Kors follows a luxury business model. In luxury there is no positioning because what the brand offers is not comparable. Is a feeling, a status.

The business model used is Luxury as a “new” social marker which consists in need consumers have for a clear definition of hierarchies to identify how high they stand or wish to be perceived in the society. Those hierarchies rely on possessions and luxury brands.

For a local Chinese consumer, buying a luxury good is a way to participate in the world of consumption considering a leather accessory is a requirement to maintain face, a universal social visa¹.

⁹ Quoting J.N. Kapferer

However, it is crucial to realize the existence of two realities which follow this principle in completely contrary directions. In the Western World according to this model a luxury good creates a sense of differentiation where owning an unknown luxury brand actually means distinction and to be secluded from the masses to be part of a higher “Elite” culture. In this version of the model to increase the penetration of a luxury brand actually dilutes the feelings of privilege associated to owning an item of the brand. Within this market is excepted for MK situation’s to be more severe given that image exclusivity has higher value. A completely different scenario is what happens on emerging countries where luxury creates a sense of belonging instead of difference. Here owning an unknown luxury brand is considered a risk therefore a luxury item can be purchased by many and still be acknowledge as a luxury item due to the fact that belonging trumps being different and exclusive (the fame of brand is reassuring from a face-saving perspective). Here Michael Kors can find an opportunity to leverage its excessive growth and turn it into an advantage¹⁰.

For matters of simplification is assumed MK is a brand in the category of affordable luxury. In order for it to fall within the category of luxury (even affordable because what is considered as luxury is relative) a product or service must possess two very important aspects: Substance (where Luxury is linked to individual pleasure and with an individual function) and Status (where luxury is more of a social statement linked to a social function). This duality makes the concept of luxury subjective and variable, both between individuals and between societies.

Still Innovative premium brands (like the ones present in this work project: Michael Kors, Coach) imitate the codes of luxury whether in products, advertising messages, even store experience are apparently similar.

¹⁰ According to Kapferer 50% of the active working women in Tokyo own a Louis Vuitton bag.

In order to understand the dynamics of this sector it is interesting to understand the sources behind the motivation of buying a product that is not really luxury but gives something else to the consumer.

The lipstick effect is a well-known phenomenon where Estée Lauder noticed the increase in lipstick sales during the great depression, after a psychological stress, women who did not had the same purchasing power as before choose affordable luxuries as a substitute for more expensive ones. The adaptation of this to the case studied throughout this work project is instead of buying entry level products from luxury brands (like Dior) consumers buy “luxury products” from “luxury-entry-level” brands such as Michael Kors, Coach or Kate Spade. It is also interesting to note that while some economies are now blossoming (BRICS and CIVETS) others are still recovering from the 2008 recession, as where people at the time of origin of the phenomenon, so at times like this there is the pressing need to create brands that can supply products to answer this pressing demand through the “Lipstick effect”.

3.3.2. Learning from the past: Problems and symptoms

It seems like Michael Kors, the innovative brand which stole Coach’s market share is about to “walk in its shoes” (Bloomberg, 2015). The more a “luxury”¹¹ brand grows the more they risk to dilute the brand identity. And as consumers will no longer identify with the brand they will no longer possess the interest of buying it. Brands are now forced to incorporate the opinion if the consumer and a luxury consumer doesn’t like to be just like everyone else.

As did Coach, Michael Kors has also has several brands at different price points, a high-end department-store brand, a middle-market brand, and a brand for discount outlet stores.

¹¹ Simplification since the brand uses a luxury business model

This is strategy that could easily backfire considering it allows different types of consumers to obtain the brand, especially the ones that wouldn't normally acquire it. Since the brand provides a certain status through the use of its products the fact that any consumer can obtain that status due to the lower price levels is inconsistent with the idea of exclusivity.

In early 2015 the Kors' returns are already decreasing (Appendix 1) and its shares are down 34% in the past year of 2014 (Business Insider, 2015). This is the same symptom Coach experienced back in 2012 (Appendix 2). MK is now experience the same marketing symptoms as Coach, such as: lowering prices to counter deep discounts and fresher designs by new rivals instead of Michael Kors is Kate Spade; having frequent flash sales via its websites at stores and building an excess of inventory allowing rivals to steal its market share.

3.3.3. Suggested Strategy

Coach Inc. is finally recovering (Appendix 2) just as MK total returns are starting to decline. Kate Spade is now To MK as MK was to Coach previously. Therefore some of the strategies undertaken by the brand might be who taking into consideration while building a strategy for Michael Kors. But first must be defined the overall strategy. Considering what's been said before it is now safe to say that Michael Kors' problem is a crisis in its brand identity, the brand no longer delivers the status that led people to buy it in the first place. So the goal is for the restore its exclusive jet-set lifestyle status. However, it is crucial that throughout this strategy it is clearly defined the different tactics between the MK more affordable collection "MICHAEL" and the "Michael Kors" Collection.

Price strategy - The first tactic to be implemented is concerning price: To increase price in order to increase the prices of the products in the Michael Kors lines. The brand could also create an ultra-premium label which would feature high-quality and produced in small amounts in order to attract the desired consumer type who are able to afford these products. Furthermore more it should avoid discounting at all costs even if it means temporary losses otherwise it would be enabling sales that would later damage the brand identity one more time. This strategy will be complemented by the placement strategy relative to outlet stores

Product strategy – Historically innovation is copied as soon as it is implemented, which makes it crucial to continuously invest in Research and Development for new product innovation. With men increasingly concerned with their looks and as the most active luxury purchasers it would be interesting for the brand to invest in their male lines¹² whether in clothing, eyewear, footwear or accessories. Another step that should be taken by the company is through R&D as well to try to detach the brand image from its overly used logo, it could keep the designer's initials but currently the logo as it is might be compromising the company's performance.

Moreover knowing that unsold inventory has been a big issue with the brand in the past arises the need for an inventory realignment program done through forecasting in order to avoid the costs associated with stock accumulation.

Lastly in order to increase the desire for the brand as well as to ensure the feeling of uniqueness in consumers' minds the brand should limit availability of the products from

¹² Considering it accounts for about 9% of the brand's revenues there is room to explore the category

the upper-range collection. This strategy makes the consumer believe that they are purchasing a product that is in high demand and exclusive at the same time.

Promotion strategy- Headlines say that Michael Kors is no longer cool (Business Insider, 2015). The values and essence behind all promotional materials used by the brand should be the same in order to deliver to customers a clear, consistent and coherent message. Still the brand could take advantage of the two contrasting realities adapting billboards and promotional ads to either the sense of belonging or of differentiation each type of consumers experience. In order to reverse the “mainstream¹³” problem identified and restore the exclusivity and uniqueness that were once the core of Michael Kors, the promotional strategy needs to be slightly adjusted. Currently a Facebook user is daily bombed with numerous pop-up ads announcing 80 % sales off MK’s products (Appendix 13). So before any strategy the brand should invest in controlling mechanisms to avoid passing this information to consumers. Lastly due to the mainstream not cool tag characterizing the brand recently it could be interesting to take awareness “down a notch” and restrict it to more exclusive channels.

Placement strategy -In order for the company to be fully consistent to its new brand proposition Michael Kors should not be sold in outlet or department stores anymore. This will ensure that the company is not indiscriminately aiming at every direction through different price points. Furthermore the Michael Collection could be distributed through company leading selective and exclusive distributed and selected licensing partners (jewelry, eyewear and fragrances mostly). For the Michael Kors collection distribution strategy should be an exclusive one (ECI and Mono-brand owned store at Avenida da Liberdade) considering it ensures exclusive experience and a feeling of high status which

¹³ Data collected through the survey where about ...% of the respondents classified the brand as “mainstream”

also justifies the premium price charged. For the future the company must be careful not to massively open stores in Portugal in order to avoid closing them later considering it would be further diluting the brand in consumer's minds. Furthermore it should not lower its location standards hence selective distribution should occur in prestige partnerships like Fashion Clinic and Loja das Meias. With this the company aims to ensure a higher control level and coherence in what concerns the Michael Kors shopping experience. In addition MK also has an online distribution, through their mono-brand website which is technological innovative enabling its customer to view the items, learn about them and to also find out more about the company's vision through their blog, destinationkors.com.

4. Forecasting: China's luxury market and LVMH Acquisition

The world is becoming more digital and Asian, especially in the luxury market. The Chinese luxury market is considered to be one of the biggest in the world. In Chinese consumers accounted for 27% of global luxury spending in 2012 at home and abroad (according to Bloomberg). And spending is expected to rise by 52% in real terms over the next five years, through 2019. Knowing that it's easier to make a fashion statement at an affordable cost with bags and wallets and that these items are heavily purchased by Chinese one can see a very appealing opportunity for affordable luxury brands like the ones mentioned previously. It is expected that the future prospects for this sector is bright especially in BRICS and CIVETS. In these countries GDP is high and there is a positive correlation (Bernstein Research) between luxury market growth and GDP growth.

However one of Coach's strengths is that it still enjoys a significant advantage in China and is the number-one brand in premium imported handbags and accessories in Japan. Kors is a newer brand and is concentrating its expansion efforts in Europe. If on one hand MK is too popular in Europe and U.S Coach has a much bigger presence in China. Still

is expected for Michael Kors to grow in emerging countries since its increasing popularity will eventually get there and thanks to the nature of the business model¹⁴. There's been speculation of a possible LVMH acquisition of Coach for several years now since Coach could be a good fit for a diversified luxury player such as LVMH¹⁵. It is noteworthy that if Coach is in fact acquired by LVMH then MK might have a real trouble in their hands since they are already showing signs of weakness and trouble coming ahead and LVMH is already mature in the Chinese market. Still due all investment efforts on Coach's behalf is not likely that the acquisition is happening in a very near future.

5. Linkage for Fashion Business Model

Nowadays, systematic change is institutionalized, the more a company is capable of adapting to the ever-changing environment the better considering change is in fact part of the business model. One can recognize the existence of an ever-shifting social identity and as well of relationships in the society each one of us lives in an therefore the increasing demand from the consumer as a human being for products that fit this constant evolution. Use of fashion as a business model where not only clothing or wearable items are featured but as a form of social change, where art and value are connected to the entire being and therefore will need to adapt to fully complement an ever-changing human identity.

This is where most brands linked to fashion struggle. Trends¹⁶ are shifting so quickly that hamper the ability a brand has to respond to new needs. Currently fashion brands no longer have the power to control the demand, like in the olden days when trends were

¹⁴ "Sense of belonging" – take advantage of excessive exposure

¹⁵ Which is over eight times larger than Coach in terms of market cap.

¹⁶ A general direction in which something is developing or changing

developed by fashion houses and consumers where sort of taken along with it. Now, and the tendency is for this to become a constant reality, there is more value relying on the role of the consumers, they are now co-creators and trend followers which turns them into the major decider (role intensified by the constant presence and influence of social media – the digital era). To be one step-ahead Michael Kors needs to invest in forecasting and innovation to face competition not only from its peers but also from fast-moving fashion brands who's more accessible products¹⁷ might seem more attractive to customers.

6. Conclusion

Michael Kors can definitely look at Coach Inc.'s path as a perspective learning experiences given the similarity on both brand's paths, identities and strategies. Is not only useful for Kors to look at coach's mistakes but also at its transformation plan as the brand slowly recovers even though it still has some loopholes in its strategy¹⁸. In addition it seems like the most important take-away is an immediate aggressive and coherent strategy in order to avoid reaching Coach's scenario even if it means temporary losses considering the alternative will be significantly worse.

Furthermore it is essential for Kors to invest in forecasting and adaptation mechanisms to face Coach's presence in the Chinese market as well as to use the fashion business model to its advantage.

All in all, the brand should never lose focus of what its core essence is and be led by growing profits alone considering it will be ephemeral and possibly its kiss of death.

¹⁷ Whose models are often copies of models sold by luxury brands

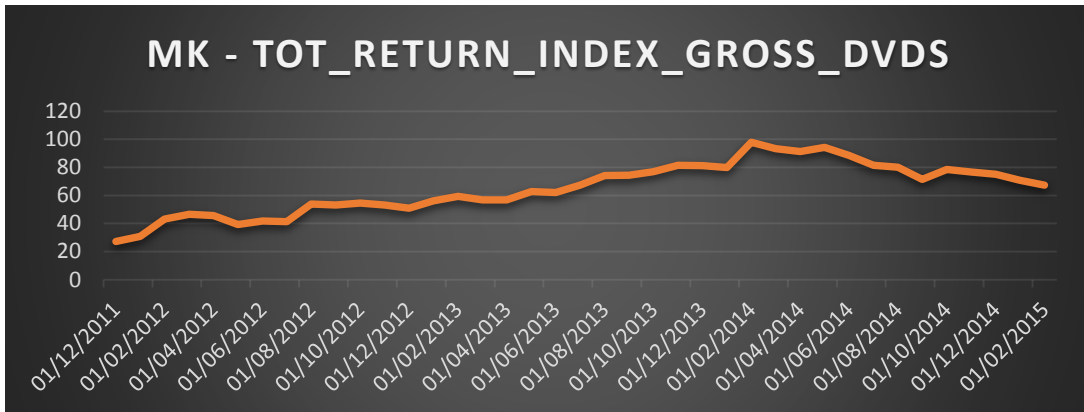
¹⁸ Expansion of the outlet footprint is there is a positive forecasting

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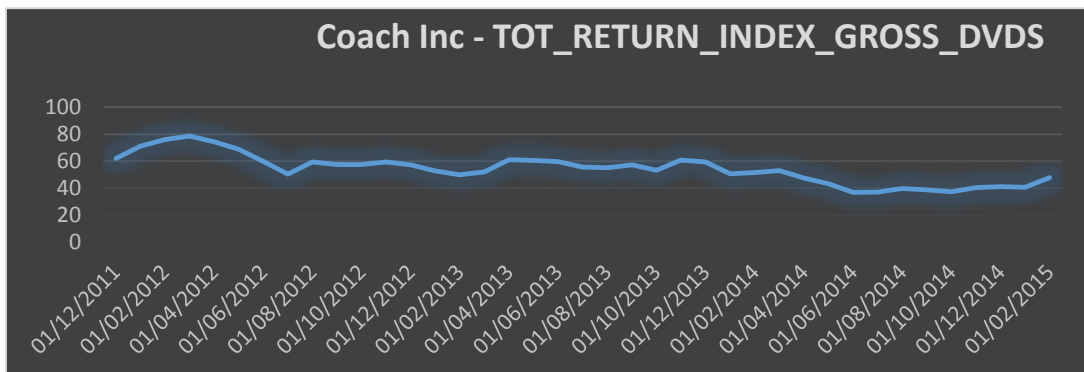
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8. Appendix


Appendix 1 – Michael Kors Total Returns (source: Bloomberg)



Appendix 2 – Coach Inc. Total Returns (source: Bloomberg)



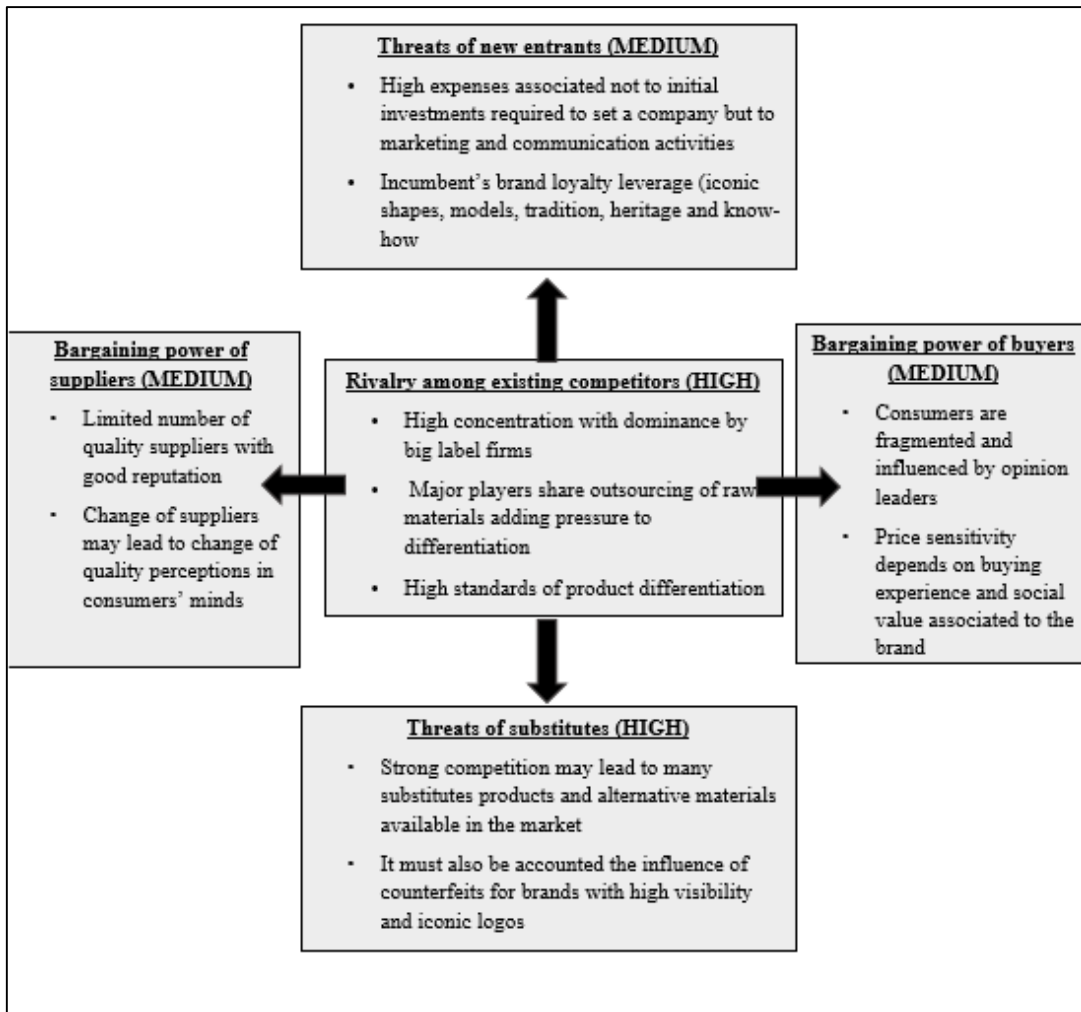
Appendix 3- Price level for Michael Kors's products

 MICHAEL KORS	Michael Kors Collection	MICHAEL Michael Kors Collection
Handbags	\$500 to \$6,000	\$200 to \$800
Small leather goods	\$500 to \$6,000	\$45 to \$200
Footwear	\$300 to \$1,200	\$70 to \$500
Women's clothing	\$400 to \$4,000	\$50 to \$500

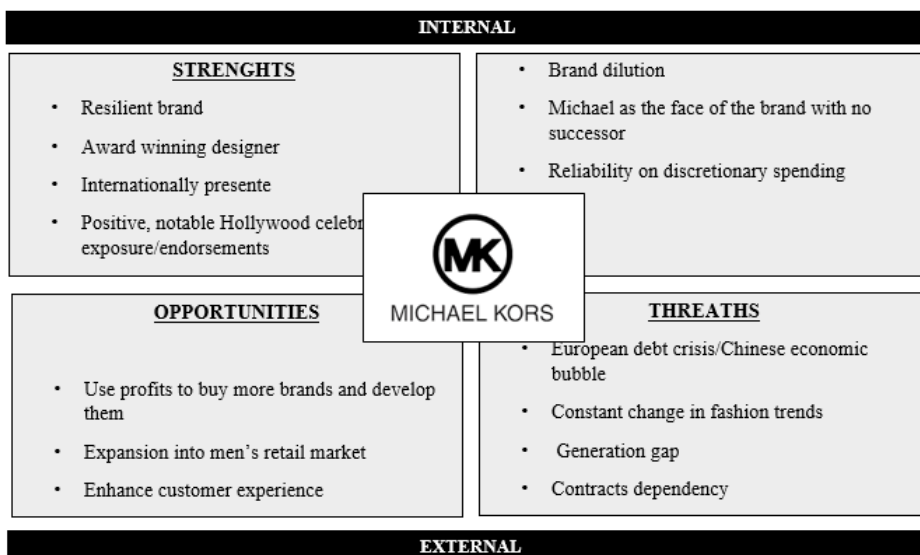
Appendix 4 -Price level for Michael Kors' licensed product

Watches	\$150 to \$500
Eyewear	\$85 to \$285
Jewelry	\$45 to \$400
Fragrances	\$20 to \$110

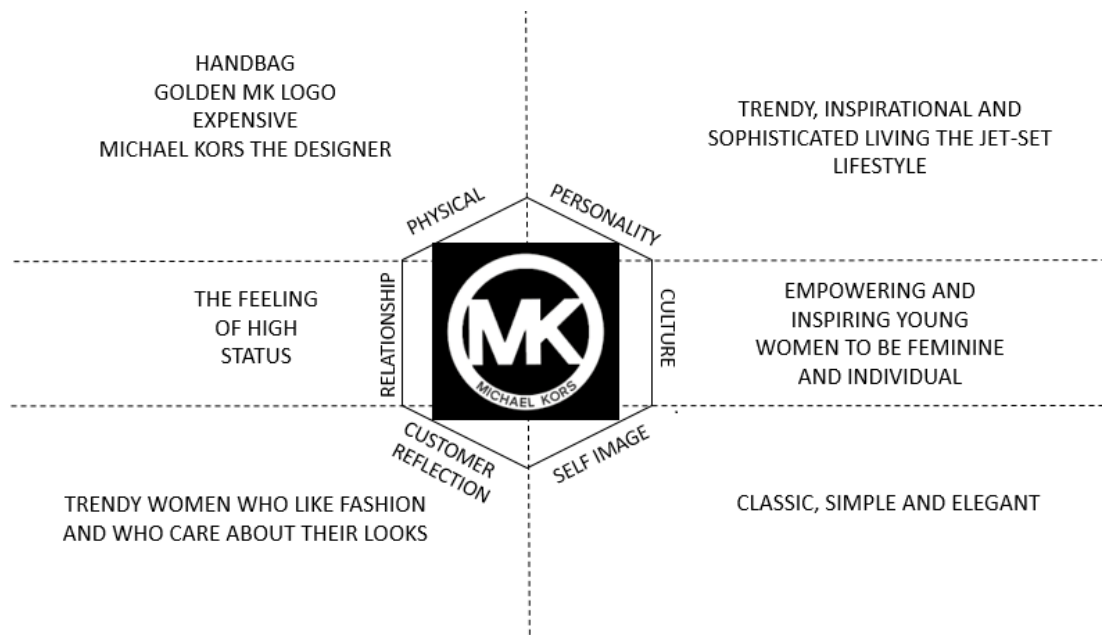
Appendix 5 –Affordable Luxury/ Leather goods Porter’s 5 Forces (since it accounts for more than half of each brand’s revenues)



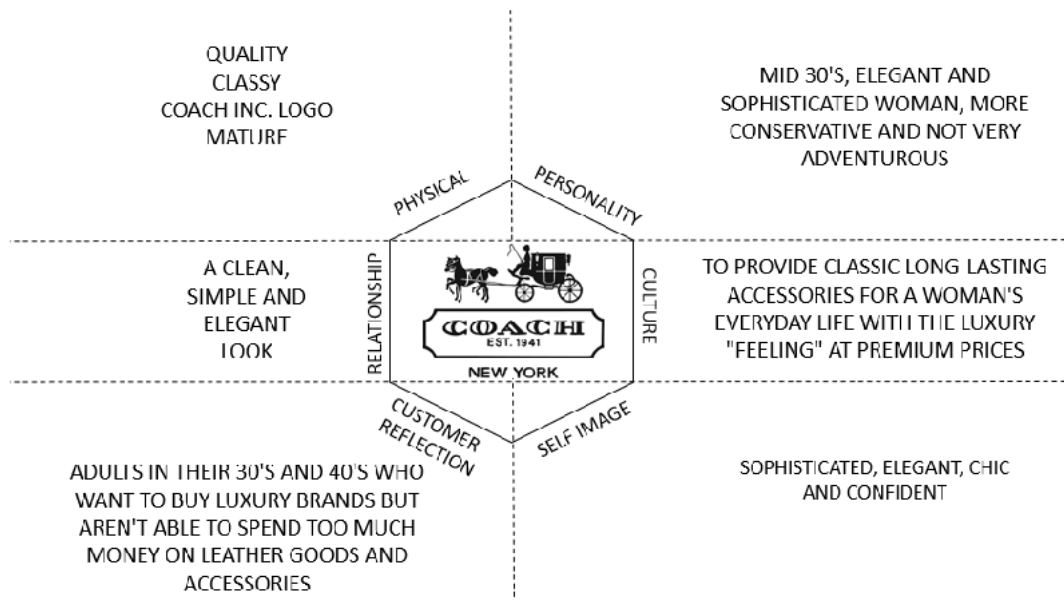
Appendix 6–MK Swot Analysis



Appendix 7 –MK Kapferer’s Brand Identity Prism

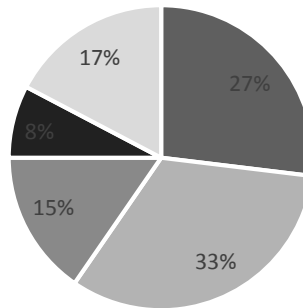


Appendix 8 –MK Kapferer’s Brand Identity Prism



Appendix 9 –Survey results: MK desired consumer type

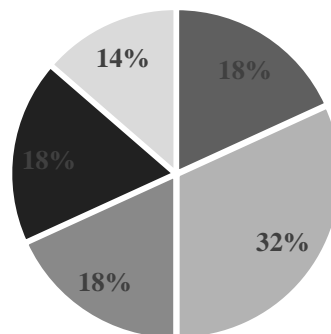
Michael kors desired consumer type



- Trendy Followers with high acquisition power
- Trendy women who like fashion and care about their looks
- Young adults living in the urban area who appreciate classy, premium accessories to combine with many outfits
- Beautiful self-confident women who know what they want from life
- Millennials - young urban fashion-conscious people

Appendix 10 –Survey results: Coach Inc's desired consumer type

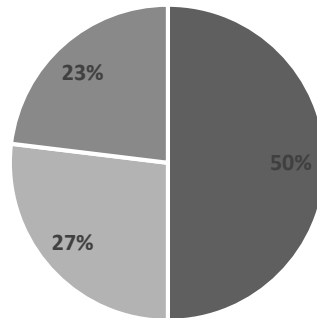
Coach Inc. Desired consumer type



- Cosmopolitan working and active adults
- Adults in their 40's and 30's who want to buy luxury brands but aren't able to spend too much money on it
- Desired is probably upper-class but in reality falls more into the middle class segment
- Fashionable and trendy
- Confident women who feel good in their own skin

Appendix 11 –Survey results: MK consumer's self-image

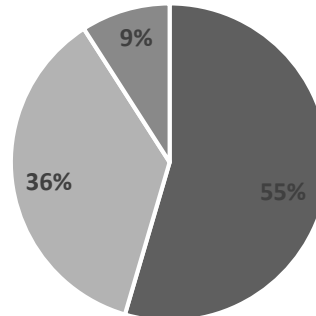
What MK wants consumers to feel while using the brand?



- Sophisticated, elegant, chic and confident
- By owning a MK product customers experience a sense of belonging to a higher class, with a higher status associated to it, an "Elite" group
- Trendy, fashionista and stylish

Appendix 12 –Survey results: Coach Inc. consumer's self-image

What Coach Inc. wants consumers to feel while using the brand?



- Classic, simple and elegant
- It seems they want consumers to feel fashionable and trendy (through the use of some colours and patterns) but the lack of innovation and the design points to a more conservative and sober direction
- To "stand out" from the crowd and be associated to a higher status

Appendix 13 –Facebook printscreen featuring MK sales