



THE FASHION BUSINESS
Drapers

Michael Kors to kickstart Versace's global growth

By Mattha Busby

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Michael Kors Holdings' acquisition this week of Versace for \$2.12bn (£1.61bn) will accelerate the Italian fashion house's international expansion and signals the US business's intention to take on global brand houses, industry experts have said.

Michael Kors intends to increase Versace's revenue to \$2bn (£1.52bn) and grow its retail footprint by around 100 stores.

Donatella Versace, who has run Versace since the murder of the brand's founder, her brother, Gianni, in 1997, is to remain creative director and CEO Jonathan Akeroyd will continue to head the Versace management team. The Versace family will also become shareholders in the newly enlarged business.

Industry experts said the new ownership will fuel international expansion at Versace.

"The deal helps transform the business into one with a better international reach, especially in Europe and in Asia," said Neil Saunders, managing director of GlobalData Retail.

"Ultimately, this will help all brands in the stable to grow their international footprint, especially as operational activities come together."

Saisangeeth Daswani, head of Advisory - fashion, beauty and APAC at Stylus, agreed that the takeover will help Versace to upscale in the Asian market: "Michael Kors has been pushing hard within Asia - an untapped audience for Versace - and seems to have cracked the code with cities such as Singapore, Hong Kong and China.

"These established links hold huge potential for Versace both in terms of scalability and growth, and consumers in these areas would respond to the brand having a stronger presence.

"Versace is known for its bold prints, which fits with the current aesthetic of streetwear that Asian consumers have really bought into that is also pretty loud and bold in its own way."

Analysts also noted that the Michael Kors group name change to Capri Holdings signalled the business's intention to become a luxury powerhouse, following last year's acquisition of Jimmy Choo.



“We can view Michael Kors’ latest deal with Versace another step towards curating a brand portfolio to rival the likes of Kering, Richemont and LVMH,” said Anusha Couttigane, the principal fashion analyst at Kantar Consulting.

“We’re exiting an age where numerous brands and businesses have grown rapidly on their own terms but are now reaching saturation point. To scale further and switch on growth, it’s necessary to join forces and we can see this happening more and more – not just in fashion or retail, but the wider business arena too.”

Although synergy savings were not a key part of the announcement from the brand, the benefits of group membership are extensive. Groups can unify data sources for the different target customer groups served by the brands, younger customers can be traded up the price architecture through the various brands in the portfolio, while efficiency savings can be saved throughout supply chains through shared manufacturing.

Caroline Pill, a vice-president at Kirk Palmer Associates, said the acquisition is logical: it will allow the Versace brand to further grow, create a younger and more focused proposition, and enable the fashion house to democratise its offering from both a product and price point of view.

“The main challenge will probably be the level of implication of the founder and whether they are willing to alleviate control and decision-making power,” she said.

“As with all founder-led brands, this is a tricky balance to achieve as the DNA/vision of the brand needs to be fundamentally respected. At the same time the business needs to make sense from a profitability/revenue point of view. This is a balancing act that will require a lot of dialogue, and mutual respect and understanding.”

Experts believe that fashion businesses are reaching saturation point and need to unite to drive further growth. The buyout will boost the profile and strength of Michael Kors, while allowing Versace to scale to new heights and reach new markets. However, under its new ownership Versace needs to be careful to maintain its brand DNA and not alienate its existing customer base as it enters new markets.