Versace and Choo riding high at Capri as accessories and JLo shine

By Sandra Halliday - 6 February 2020

Capri Holdings may have been knocked back by issues linked to Hong Kong and China in Q3, but the overall outlook for the group and its trio of superstar brands remains strong and accessories are the key at its two acquired labels, CEO John D Idol said in a conference call late on Thursday.

“In the third quarter, handbags inflected positively at both houses for the first time since the repositioning of the category,” he said. And importantly, the firm’s new products are helping to attract new customers, he added.

That was good news, although the firm’s overall figures showed just how challenging the environment out there is at present with its biggest brand, Michael Kors, seeing sales falls, although the smaller Versace and Jimmy Choo rose.

The company has faced a raft of underlying issues around the world such as trade wars, Brexit, and the Hong Kong protests, but most recently, the coronavirus, has had a big impact.

The CEO said that currently, “approximately 150 of our 225 stores in Mainland China are closed. For those stores remaining open, both traffic and sales have been severely reduced”
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Based on its “current visibility into the situation in China,” it has therefore cut revenue forecasts by around $100m for Q4 and the full year. And Idol added that “this estimate could materially change if the severity of the virus worsens”. Yet he remains upbeat overall.

VERSACE STRENGTH

In the conference call, the CEO said Versace revenue “was ahead of our expectations,” even though it continued to experience declines in Asia, “primarily due to the ongoing challenges related to Hong Kong”.

Versace's continued momentum was driven by “new collections that were infused with signature brand codes [and] both women's and men's ready-to-wear were key drivers of growth for the quarter”.

And he added that accessories, “a key component of our growth strategy”, saw sales increasing “significantly” at the brand, driven by the performance of its new Virtus collection with the Barocco V logo. The Virtus handbag group remains the top performing collection in accessories, and it has expanded the Barocco V across new categories including belts, backpacks, footwear and fashion jewellery as well as new handbag styles.

Idol also said the firm is “particularly encouraged that Virtus is driving increased client acquisition with more than 60% of purchases coming from new customers”.

Versace
And as well as product, the brand seems to be winning on the overall awareness front too and its link-up with JLo is helping.

“Our holiday marketing campaign reflected a rich narrative reminiscent of a Jackie Collins novel,” Idol said. “The brand employed a 360 degree marketing program across social media and email to drive traffic to a dedicated holiday section on Versace.com. This helped contribute to a 30% increase in Versace’s Instagram followers during the quarter, which grew to 21m”.

The label was boosted by its celebrity fans with Jennifer Lopez, as well as Angelina Jolie, Kim Kardashian, Selena Gomez and Michael Jordan all wearing its clothes during the quarter while Miley Cyrus, Gigi Hadid, and Priyanka Chopra “were spotted out and about carrying the Virtus bag”.

Importantly too, although it happened after the quarter ended, Idol said Donatella Versace “created a worldwide sensation by dressing Jennifer Lopez in Versace atelier during her first Super Bowl performance Sunday night. With over 100m viewers, this event showcased Versace at the forefront of its rock and roll heritage”.

JIMMY CHOO PROGRESS

And Jimmy Choo? A fairly small revenue rise was in line with expectations, but Idol was “pleased to see positive comparable store sales performance in the Americas, which increased high-single-digits and EMEA, which grew low-single-digits. Similar to last quarter, trends in Asia were impacted by Hong Kong, while Mainland China continue to grow in double-digits”.

It continued to deliver strong comparable store sales growth in the ‘fashion active’ footwear classification, driven by the introduction of Hawaii, “an exciting new sneaker which builds on the existing strength of Diamond and Ring”.

In women’s accessories, the continued expansion of its new collections led to positive global comparable store sales growth for the first time since it repositioned the category, which is certainly good news. Sales were driven by its JC signature Varenne Group and the continued positive performance of Madeline.

On the marketing front, in November the company continued its In My Choos interview series that highlights strong women. Rosie Huntington-Whiteley was featured in the second instalment wearing the Cruise 2020 collection. In conjunction with the campaign it launched Instagram shopping tags for the first time and Idol said it “saw above average sell-throughs on the shoes Rosie wore in her posts”.

Jimmy Choo also continue to be a red carpet hit, being worn by the Duchess of Cambridge, Beyoncé, Constance Wu, Dua Lipa, Hailey Bieber, Gemma Chan and more. And during the quarter, Instagram followers grew almost 20% to 11m.

Idol seems pleased with the progress made so far, especially with accessories becoming a significant part of the company’s revenue. Its goal though is to grow accessories from around 20% at present to 50% of Jimmy Choo’s revenue over time so it still has ambitious targets ahead.

MICHAEL KORS CHALLENGES

Meanwhile Michael Kors remained the most challenged of the brands. Its retail revenue was below expectations with comparable store sales declining in the low-single-digits. This reflected similar growth in Asia, flat results in Europe, and a low-single-digit decline in the Americas, “where stores were impacted by lower-than-anticipated traffic during the month of December”.

It also saw an unexpectedly large decline in watches, which negatively impacted total comparable store sales by approximately 200 basis points. Comps would have been flat without this.

But in the wholesale channel, revenue was ahead of expectations as it saw “better product sell-throughs”.

On the product front, the brand’s signature product continued to drive sales globally. “Penetration of signature in

...
the retail channel was approximately 30% in the third quarter, similar to the second quarter," Idol said. “In wholesale, penetration increased to nearly 30% as well. Long term, we anticipate signature will reach approximately 40% penetration, which will drive higher revenues and more consistent sell-throughs”.

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