

Kors Gaining Popularity, Taking Some Share From Coach

Companies: COH, KORS

February 22, 2012

Research Question:

What impact is Michael Kors having on Coach, particularly in the handbag market?

Summary of Findings

- [Michael Kors](#) (KORS) is attracting trend-focused customers with more fashionable and stylish handbags. The brand is gaining in popularity compared to [Coach](#) (COH), especially in the last six months, as it is more exclusive, while Coach is too common and pedestrian
- Suppliers in China said orders in 2011 increased year to year for both brands and expect orders for both brands to continue growing in 2012. Manufacturing costs for 2012 are rising around 10% for both brands.
- Michael Kors' appearance as [a judge on Project Runway](#) has helped put a face behind the brand for customers, giving it an identity advantage over other competitors, including Coach.
- Quality concerns and excess inventory are two red flags for Michael Kors. Two department stores said Michael Kors handbags were returned due to poor quality. Also, one customer has seen Michael Kors handbags in the discount channel. Two industry specialists voiced excess inventory concerns for the brand.

	KORS gaining popularity vs. COH	KORS styling more on trend
Department Stores	↑	↑
Suppliers	N/A	N/A
KORS Retail	↑	↑
COH Retail	→	↑
Industry Specialists	↑	↑
Customers	↑	↑

Silo Summaries

1) DEPARTMENT STORES

All four department store sources see Michael Kors gaining popularity on Coach, and two said Michael Kors' popularity is already outpacing Coach's. Kors is younger, trendier, and more stylish. Coach is more tried and true with loyal customers, though enthusiasm for the brand is fading. The sources differ on which brand has more discounting as two said Coach is on sale more often and one said Kors is on sales most. Two sources noted returns of Michael Kors handbags due to quality issues.

2) SUPPLIERS

Our three China-based suppliers expect 2012 orders for both brands to increase year to year. Coach orders are expected to be 15% to 20% higher for the first half of 2012 year to year while orders from Michael Kors are expected to be as much as 50% higher year to year from our Michael Kors supplier. The three China-based sources said Coach is more popular in China than Michael Kors, though one said Michael Kors' popularity is climbing and will soon rival Coach. The U.S.-based supplier said Michael Kors handbags are more on-trend than Coach and its popularity is on the rise, especially in more fashionable circles.

3) MICHAEL KORS RETAIL STORES

All three sources believe Michael Kors is gaining popularity, with two saying it is coming at the expense of Coach. Michael Kors is seen as more trendy and fashionable. Customers identify the Michael Kors brand with Mr. Kors from his stint as a judge on Project Runway and his Oprah show appearances, which has only helped boost the brand's public image. One source said jewelry was very popular and sold out quickly upon arrival.

4) COACH RETAIL STORES

One of two Coach store sales associates sees Michael Kors' popularity growing at Coach's expense. Coach styling is more classic while Kors is more fashion forward. Our first store noted expansion of Coach's men's line while the second store reported popularity of their fragrance and jewelry.

5) INDUSTRY SPECIALISTS

Two of three U.S. sources said Michael Kors is having an impact on Coach's market share as Coach nears its plateau and Michael Kors' popularity continues to build. One source said Michael Kors is attracting younger women with an eye towards fashion and trends. Two sources voiced excess inventory concerns for Michael Kors.

6) CUSTOMERS

Eight of 10 sources said Kors is gaining popularity at the expense of Coach. Sources prefer Kors because of its fashion, style, and exclusivity. Coach styling was viewed as classic and not as trendy as Kors. One source said Michael Kors' appearance on Project Runway helped customers put a face to the brand. One source has observed Kors discounted more than Coach while another has seen Kors handbags in the discount channel.

Coach Inc. and Michael Kors Holdings Ltd.

Background

Blueshift published a pre-earnings report on [February 10](#) in advance of Michael Kors' quarterly earnings report on February 14. The report was a snapshot of the data gathered during the initial stage of research into this topic, highlighting trends and observations at the midway point of the research. At the time, we had spoken with four suppliers, one industry specialist, two department stores and three customers. This full report expands on sources in those four silos and added sources at Coach and Michael Kors retail stores. Michael Kors' third quarter earnings beat Wall Street estimates with an earnings rise of 40% and revenue rise of 68%. Kors' full-year estimates were also well above Wall Street expectations at 74 to 76 cents per share compared to Wall Street's 55 cents per share estimate.

CURRENT RESEARCH

This report aims to determine whether Michael Kors can challenge Coach for supremacy in the handbag market and what trends exist for each company as competition between the two fashion brands heats up. We also investigated the brand's quality, inventory and discounting policies relative to one another. Blueshift employed its pattern mining approach to establish and interview sources in seven independent silos:

- 1) Department stores (4)
- 2) Suppliers (4)
- 3) Michael Kors retail stores (3)
- 4) Coach retail stores (2)
- 5) Industry specialists (4)
- 6) Customers (10)
- 7) Secondary sources (3)

Blueshift interviewed 27 primary sources and included three of the most relevant secondary sources focused on the trend of less logo-focused designs and Michael Kors' 2012 fall/winter collection.

Silos

1) DEPARTMENT STORES

All four department store sources see Michael Kors gaining popularity on Coach, and two said Michael Kors' popularity is already outpacing Coach's. Kors is younger, trendier, and more stylish. Coach is more tried and true with loyal customers, though enthusiasm for the brand is fading. The sources differ on which brand has more discounting as two said Coach is on sale more often and one said Kors is on sales most. Two sources noted returns of Michael Kors handbags due to quality issues.

➤ Handbag sales associate, Nordstrom store at a San Francisco Bay Area mall

Kors handbags are more popular than Coach and have gained more notoriety in the last six months. Kors has a bigger following, younger customers, a more stylish feel and is expected to maintain and grow its popularity in 2012. Coach has a tired look and feel as its heavily-logoed bags are losing appeal with customers. Kors also has the edge over Coach in quality and utility. One style of Coach bags dominated the sales bin while all Kors bags were selling at full price.

- "Kors is more popular than Coach. It's younger. ... Kors bags are more versatile. They have long handles and short handles on the same bag. Women are wearing their bags cross-body these days and Kors bags have the straps that can do that. Most Coach bags don't."
- "I don't see Kors declining in popularity in the next year. I think it will continue to grow."
- "Coach is tired and has lots of logos. People are tired of advertising Coach on their bags with the C everywhere. It's getting tacky."
- "Coach popularity has gone down since Kors got so big."
- "Coach bags are discounted much more than Kors. We actually just

Kors is more popular than Coach. It's younger. ... Kors bags are more versatile.

*Handbag Sales Associate, Nordstrom
San Francisco Bay Area*

Coach Inc. and Michael Kors Holdings Ltd.

- marked down a bunch of Coach bags two days ago. We got new styles in.”
- “A friend of mine is a general manager at Kors and manages a store in a nearby mall. She told me they are doing really well and are going to be opening a store in this mall here. That's going to give the Coach store some competition, for sure.”

Reporter Observations:

Coach bags are displayed more prominently on the wall, while Michael Kors bags are on an individual display table on the shopping floor. [Kate Spade](#) and [Dooney & Bourke](#) have display tables next to Kors. Kors bags are more immediate and accessible to a customer walking through the handbag section, which is located directly opposite the entrance from the parking lot. There are two bins with reduced-price merchandise and one of them was filled predominantly with Coach bags marked down from \$378 to \$252 and \$278 to \$185. There were not any Kors bags in the reduced bins. Kors bags were selling at full price, ranging from \$275 to \$325.

➤ **Accessories sales associate at a Macy's in South Florida**

Kors is more popular than Coach because it is more on-trend and fashionable. It is also outselling Coach. However, Kors' quality is lacking, leading to returns, which, combined with heavier discounting, is resulting in even numbers between the two brands. Coach has superior quality and stronger customer loyalty, though its sales are slowing. Michael Kors has less in stock relative to Coach.

- “Kors is more popular, fashionable and on-trend. They offer a lot of sizes and styles that change. Young and old customers buy their product.”
- “Coach sales have slowed down over the last three years. Coach doesn't change that much and stays more consistent with their product and with who buys it.”
- “Kors attracts more of an audience than Coach, but Coach has loyalty.”
- “Coach is better quality. I have seen the metal tarnish on Kors bags. A lot of bags do come back. Mostly for exchanges for another Kors bag.”
- “Kors discounts often, more than Coach does. Kors also discounts much deeper than Coach.”
- “We are low in stock on both brands but lower on Michael Kors. I don't know if it is from the holiday but they both sold well.”

Reporter Observations:

Coach displays were the first upon entry to this Macy's accessories department. Coach's display was equal in size to the Michael Kors display with a smaller [Brahmin Handbags](#) display section between them. Michael Kors was the only designer brand in that section with discounted product. Michael Kors was offering 50% off select wallets, canvas totes and two bag styles. Coach did not have any marked down products. Michael Kors' styles were out and available to try while most of Coach's product was behind glass cases. Coach accessories were on the counter tops of the glass displays.

➤ **Macy's sales associate near Chicago**

Michael Kors has taken share from Coach and they are proving to be quite competitive. Sales of Michael Kors handbags are catching up to Coach. Customer loyalty drives Coach sales while customers like the more decorative and bolder look of Michael Kors bags. They are able to discount both brands and Macy's personnel makes those decisions versus the vendors.

- “Michael Kors bags have taken some business from Coach. It took some time but they are getting more and more popular.”
- “We sell more Coach but Michael Kors is giving them a run for their money. They are catching up to Coach.”
- “Coach has been around for so long so they have built up many loyal customers over time. Those customers only shop Coach.”
- “Michael Kors bags are trendier and not as plain as Coach. They have more accoutrements on them, more metal and decoration than most Coach bags. They usually have bolder colors than Coach. Coach bags are more classic styles and colors that won't go out of style as fast.”
- “We are able to discount Coach and Michael Kors. Our merchandise people decide what will go on sale, when and how much. The vendor does not decide; Macy's does.”

Michael Kors bags have taken some business from Coach. It took some time but they are getting more and more popular.

*Sales Associate, Macy's
Chicago-area*

Coach Inc. and Michael Kors Holdings Ltd.

Reporter Observations:

During a 30-minute visit on a Thursday afternoon the Michael Kors bags were in the front of the department on a few display tables. Coach bags were on a counter next to the department register so everyone who checks out does so next to at the Coach counter. There were about five styles of Coach bags on sales for 25% off while about 10 other Coach bags were on sale for 50% off. One Coach bag in a animal print was discounted to \$174 from just under \$600. There were not any Michael Kors on sale.

➤ **Macy's sales associate in New Jersey**

Sales of Michael Kors and Coach handbags are even but Michael Kors is growing in popularity. Although this source believes in the quality of both bags, her store has seen returns of Michael Kors bags because of material fading.

- "Sales of Michael Kors and Coach are fairly even."
- "Many people ask for Michael Kors. They are new and are growing in popularity."
- "Even though Michael Kors is new they have similar sales levels. Perhaps Michael Kors will gain over the next year."
- "We never have any complaints on Coach handbags and low levels of returns."
- "We did have some complaints about a Michael Kors bag. There were several returns because of fading. But they are good quality. The leather is nice and they have a sophisticated look that people like."

Many people ask for Michael Kors. They are new and are growing in popularity.

*Sales Associate, Macy's
New Jersey-area*

Reporter Observations:

On a Wednesday afternoon, Coach was the most prominently displayed brand in the handbag department. It had the largest footprint in a separate, central location. Michael Kors was along one of the walls with one-third of the display space as the Coach section. None of the Michael Kors bags were on sale. Some of the Coach wallets were 25% off. There was more activity in the Coach section with around 10 people browsing during the 30-minute visit.

2) SUPPLIERS

Our three China-based suppliers expect 2012 orders for both brands to increase year to year. Coach orders are expected to be 15% to 20% higher for the first half of 2012 year to year while orders from Michael Kors are expected to be as much as 50% higher year to year from our Michael Kors supplier. The three China-based sources said Coach is more popular in China than Michael Kors, though one said Michael Kors' popularity is climbing and will soon rival Coach. The U.S.-based supplier said Michael Kors handbags are more on-trend than Coach and its popularity is on the rise, especially in more fashionable circles.

➤ **Business director for a Chinese silk fabric supplier to Coach**

Orders for raw material supplied to Coach were up 25% in the second half of 2011 year to year. The source expects orders to climb close to 20% year to year for the first half of 2012. The price of silk fabric will be higher than last year due to increasing costs. Coach is more popular among Chinese consumers than Kors, although both brands are gaining popularity.

- "Orders from Coach in the second half of 2011 increased 25% compared to the second half of 2010."
- "We predict the growth rate [for Coach] in the first half of 2012 will be close to 20% from that of the first half of 2011."
- "Silk production cost in the first half of this year will be 5% to 8% higher than the same period last year. The price supplied to Coach will rise to some extent, although we cannot tell how much."
- "As China's luxury goods consumption is growing significantly, the popularity of Coach and Kors both have climbed greatly in China."
- "For [Chinese] consumers, Coach is recognized more than Michael Kors at present, so that if they are the same price, they prefer to buy Coach."

Coach Inc. and Michael Kors Holdings Ltd.

➤ Executive at a leather supplier in China to both Coach and Kors

Orders for Kors are surging, increasing 50% year over year in second half of 2011 with the same expected increase in 2012. Kors' popularity in China is rising to rival that of Coach because of its uniqueness and fashionable designs. Kors is gaining popularity in China and will soon rival Coach.

- "Orders from Michael Kors in the second half of 2011 increased 50% from that in the second half of 2010."
- "We predict that Michael Kors' global orders will still grow at the rate as high as last year, around 50%."
- "Michael Kors has been growing rapidly [in China]. I think it will soon become a rival and competitor to Coach."
- "In China, Kors' popularity is growing. The price level is acceptable to fashion seekers and a lot of female consumers think Kors' design and appearance may be as good as Coach."
- "All the OEMs are facing the difficulties of rising production cost. In our company, the cost in the first half of this year will increase 10% from the same period last year due to labor costs, rents, storage and logistics."
- "Coach in China has obtained a considerable degree of popularity, while Michael Kors has been growing rapidly. I think it will soon become a rival and competitor to Coach."

➤ Business director for a rubber and plastic supplier to Coach in China

Orders for Coach were up 10% year to year in the second half of 2011, with an expected 15% year-to-year increase in the first half of 2012. Coach is the most popular handbag in China, attracting young customers with its variety and choice. Coach's production costs are rising roughly 5% year to year due to rising commodity, labor and real estate rents.

- "Orders from Coach in the second half of 2011 are 10% higher than that from the same period of 2010."
- "We predict that the accessories order in the first half of this year will be 15% higher than 2011."
- "Compared with other first-class brands of luxury handbags, like [Louis Vuitton](#), Coach has more stores in China, and the number of stores is expanding, so that the popularity is obviously increasing."
- "Coach is attractive to a large number of young consumers. Coach launches new products on a regular basis, so that consumers have many choices."
- "Coach production cost are rising roughly 5% from last year because of rising commodities, labor costs, and real estate rent."

➤ Owner and designer of a leather goods manufacturing company in New Jersey

Kors is maintaining or gaining share, while Coach is losing ground. Kors is a superior brand that is fashion forward with a fresh look that is popular and trendy. Coach is more pedestrian with less glamour and stylish appeal, though it has better quality.

- "Michael Kors is more of a fashion designer who caters to a fashion-forward crowd, yet in a safe conservative way, whereas Coach is totally confused, commercial, boring, predictable, and essentially the McDonald's of fashion. They are only taken seriously by Middle Americans, who are out of touch, or folks in foreign countries that want whatever is American, but that is about it."
- "Kors can only go up in popularity, especially if they hit the right trend. ... Kors is Fashion. Coach is the Mall."
- "Being directly in the center of the accessories world and keeping my ear to the streets, I would say Coach is losing ground and Kors is staying where it is, or gaining a little more all the time, not necessarily exploding."
- "Kors gives you more fresh looks, and stays true to its brand whereas Coach just wants to bore you to death with their predictability and inability to stay true."
- "Coach's biggest enemy is Coach. If a woman wants to choose a bag based on brand name alone both Kors and Coach are even, and the same goes for price. But if I had to assume which bag they would pick, I would say Kors because they are more trendy and likely to provide an instant satisfaction more than Coach. If Coach emphasized the right things about itself rather than the wrong, it would do double the sales."
- "Coach and Michael Kors bags are the same to the naked eye, although I know Coach makes a supreme product. Too bad the world does not know that."
- "Furthermore, Coach is mall brand that feels like a predictable, luxury mall brand, whereas Kors is a mall brand that feels like an affordable luxury fashion brand."

Kors can only go up in popularity, especially if they hit the right trend. ... Kors is Fashion. Coach is the Mall.

*Owner & Designer
Leather Goods Manufacturer
New Jersey*

Coach Inc. and Michael Kors Holdings Ltd.

- “Marshalls plus TJ Maxx does not hurt your popularity – it only helps it. The only reason you probably do not see Coach [at Marshalls] is because they have so many outlet stores and stores that they can move inventory around and liquidate under the radar. It means nothing to the consumer, in fact Louis Vuitton got popular because of its knock-offs, not for its style.”
- “Offshore, [Coach] seems to be gaining ground. However, domestically, they are pretty much an afterthought in major cities.”

3) MICHAEL KORS RETAIL STORES

All three sources believe Michael Kors is gaining popularity, with two saying it is coming at the expense of Coach. Michael Kors is seen as more trendy and fashionable. Customers identify the Michael Kors brand with Mr. Kors from his stint as a judge on Project Runway and his Oprah show appearances, which has only helped boost the brand's public image. One source said jewelry was very popular and sold out quickly upon arrival.

➤ Store manager in New Jersey

Handbag sales at this location are up from the previous year and are continuing to grow. This manager believes that Michael Kors will overtake Coach. The brand is seen as being new, exciting, and more fashion forward with a universal appeal.

- “Handbag sales are up from last year and are holding strong.”
- “I would definitely say that we are gaining on Coach. We are new and more exciting. We are more fashion forward.”
- “Our quality is great. We offer things at a variety of price points. The styles appeal to 18-year-olds and 80-year-olds.”

➤ Sales associate near Chicago

Coach has lost business to Michael Kors. Due to widespread media coverage and a boost from an Oprah appearance, the Kors brand has grown in popularity and in sales while most already knew of the Coach brand. While Coach sends coupons to customers, Michael Kors' stores only discount merchandise when a new season's merchandise arrives.

- “I definitely think we have taken some business from Coach. Most people know who Michael is now through Project Runway and other media like Oprah. We keep getting more known and more popular.”
- “Our business has really picked up over the last few years and I know some of that business could have been Coach's.”
- “Project Runway was great for the business. We became more well-known, the business started to grow and keeps growing.”
- “We really got popular when Michael was on the Oprah show and he gave everyone in the audience a [Hamilton bag](#). That was two years ago and it is still our hottest bag.”
- “There are times that we are totally sold out of Hamilton bags.”
- “The only time our merchandise is discounted is when we are trying to move it off the floor; to make room for the next season or line coming in.”
- “One lady bought a wallet from Coach then came over here to look at ours and liked ours better so she walked right over to Coach and returned her wallet.”
- “We were extremely busy over the holidays. We did better than expected.”

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*Sales Associate, Michael Kors Store
Chicago-area*

➤ Sales associate near Chicago

Customers prefer Michael Kors bags due to their trendy styles. Customers also like Mr. Kors' personality that they see in the media. In addition to bags, jewelry does very well at this store as an initial shipment last summer sold out in three days.

- “People prefer Michael Kors over Coach. His bags are affordable and they are trendy.”
- “I don't really think we have had an effect on Coach's business. They have their loyal customers and we have ours.”

Coach Inc. and Michael Kors Holdings Ltd.

- “I worked at another mall over the holidays and our Kors store is directly across from the Coach store. Their traffic was as heavy as ours. We both have steady and consistent customers.”
- “People really like that Michael is a real person designing the product and not just a corporation putting something out there to sell. And customers really like him, the person. He has a great personality and they like that they see him in the media.”
- “While bags are our biggest seller in the store, our jewelry line is also doing extremely well. Not all of our stores have it. It was only sent to the higher volume stores. We got jewelry last August and it sold out in three days.”
- “Watches are a big seller. In almost every Michael Kors ad, you see the model or Michael wearing our signature gold watch.”
- “Gold is Michael’s signature metal. He has brought gold back into fashion.”

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*Sales Associate, Michael Kors Store
Chicago-area*

4) COACH RETAIL STORES

One of two Coach store sales associates sees Michael Kors’ popularity growing at Coach’s expense. Coach styling is more classic while Kors is more fashion forward. Our first store noted expansion of Coach’s men’s line while the second store reported popularity of their fragrance and jewelry.

➤ Sales associate near Chicago

Michael Kors has taken business from Coach due to their successful marketing efforts. Kors’ popularity is growing while Coach has slowed down. Coach styles are more classic while Michael Kors is more fashion forward. Coach is currently expanding its men’s line and hopes to grow this side of their business. Discounts are replaced with promotions to customers via email.

- “Michael Kors has taken some business from Coach. They are more fashion forward and they do a great job marketing their brand.”
- “Coach has been around for a long time. We were really popular for a while but now that has slowed down some while I think Michael Kors has become more popular. He is out there in the media, on Project Runway and they do a ton of marketing and media events. People recognize his name a lot more now.”
- “Our customers are different than Michael Kors’. Their customers are more fashion forward and more trendy. Coach’s customers prefer the classics, the American looks and the more traditional styles.”
- “We are where we expected in terms of sales for this time of year.”
- “Coach started as a men’s company and they want to be known for that again so they are starting to develop the men’s line more now.”
- “Not many people even know about our men’s line. We need to start promoting it and getting the word out.”
- “We just expanded the men’s section at our store and moved it into a bigger area. We expect men’s shoes to arrive in the next few weeks.”
- “Most people are just finding out we have men’s if they are in the store. Out of that line, the wallets sell the most.”
- “We did very well at Christmas and the holidays. It is hard to then downshift into typical traffic but now it is how it usually is. We are in normal traffic mode now.”
- “We have a new jewelry line designed by [Tony Duquette](#). It is not selling as well as the Coach jewelry line, which is more traditional. Tony’s line is more glitzy, more chunky with spikes and lots of color. It is a harder sell. It does not really appeal to the older crowd.”

We were really popular for a while but now that has slowed down some while I think Michael Kors has become more popular. ... People recognize his name a lot more now.

*Sales Associate, Coach Store
Chicago-area*

Coach Inc. and Michael Kors Holdings Ltd.

➤ Sales associate outside of Chicago

Coach has not lost share to Michael Kors. Coach bags have a wider appeal as there is more variety while Michael Kors bags coordinate specifically to the line they are featuring. Traffic is steady and although bags are still their biggest draw, certain customers shop Coach specifically for jewelry or fragrance.

- "I do not think we have lost business to Michael Kors. We both have our customers. I don't think one is more popular than the other."
- "With Michael Kors, they only have bags specific to that season's line. Everything is coordinated to that look. There is not as much variety or styles like we have but they do make nice bags."
- "We are doing well. Our store traffic is steady. We have a lot of loyal customers."
- "We also have customers who come in specifically for our fragrance or for our jewelry."

5) INDUSTRY SPECIALISTS

Two of three U.S. sources said Michael Kors is having an impact on Coach's market share as Coach nears its plateau and Michael Kors' popularity continues to build. One source said Michael Kors is attracting younger women with an eye towards fashion and trends. Two sources voiced excess inventory concerns for Michael Kors. Both Kors and Coach were touted as having a smart social media marketing strategy. Our fourth source, based in China, said both brands are experiencing growth in China but Coach at a steeper rate.

➤ Strategic consultant for a leather goods manufacturer

Kors is having an impact on Coach, attracting younger women with an eye towards fashion and trends. Kors' rise is at Coach's expense. Coach has something for everyone, appealing to a broader range of customers. Coach is nearing a plateau while Kors is climbing. Kors selling products at Marshalls is bad for the brand's image and could be damaging. Also, Kors seems overstocked at some retailers.

- "Michael Kors is having an impact on Coach. ... I think Michael Kors has really risen dramatically and quickly and I'm sure some of it has been at the expense of Coach."
- "Michael Kors has cut most into Coach's fashion-driven, trend-following customer. And while this may not be where the big bucks are, this hurts in a different way, taking away the opinion-leader part of the market."
- "I think of Coach as a brand that has a bag for everybody, young old, rich, not so rich, ethnic, everybody. I still think of Michael Kors as a fashion brand that targets mostly younger women, although I am sure they have grown beyond that."
- "Some of Coach's bags are at a very high level of workmanship. But it is a small percentage. And they have lots of bags that are just brand schlock, particularly the ones with the Coach logo as a textile design. Also, because Coach has gotten so deep into all parts of the market, you see lots of customers carrying Coach."
- "I think of [Coach] as a still-growing brand, but I am sure the plateau is very near."
- "I think Michael Kors is still a growing brand with room to gain. Kors has the steeper popularity trajectory than Coach."
- "Kors is really going to blow out its brand and then face a serious image problem selling their bags at Marshalls. I would be surprised to see a Coach bag at Marshalls and think they are wise to avoid that class of trade."
- "Both [Coach and Michael Kors] seem to be flood-the-market types, so I see tons of markdowns all the time for both brands, but Kors in particular seems to really have too many bags at certain locations."

Michael Kors has cut most into Coach's fashion-driven, trend-following customer. And while this may not be where the big bucks are, this hurts in a different way, taking away the opinion-leader part of the market.

*Strategic Consultant
Leather Goods Manufacturer*

Both [Coach and Michael Kors] seem to be flood-the-market types, so I see tons of markdowns all the time for both brands, but Kors in particular seems to really have too many bags at certain locations.

*Strategic Consultant
Leather Goods Manufacturer*

Coach Inc. and Michael Kors Holdings Ltd.

➤ CEO and editor of a website focused on the handbag industry

Michael Kors is taking market share from Coach and customers are switching loyalties from Coach to Michael Kors. She believes Coach handbags as slightly higher in quality.

- “Definitely Michael Kors is taking share from Coach. Women who used to buy Coach are now turning to Kors.”
- “[Michael Kors' Michael line](#) is a direct competitor for Coach, [with] similar pricing but better design.”
- “There are a lot of options now in the Coach price point. I believe Coach stands to lose popularity.”
- “Michael Kors has been very aggressive through its social media platforms. I expect to see a rise in popularity.”
- “I think Coach will remain steady in the U.S. and Kors will continue gaining popularity.”
- “Actually, Coach and Michael Kors bags are very similar. But if I had to pick, Coach has a slight edge in quality.”

➤ President of an online fashion community devoted to designer handbags

Michael Kors and Coach are not impacting each other since they attract two different audiences. Kors appeals to a more sophisticated customer while Coach appeals to a younger demographic. Both brands also face stiff competition from [Marc Jacobs](#) and Kate Spade. Michael Kors is taking a risk by selling its handbags in discount stores such as Marshalls. Coach, meanwhile, has been brilliant in its marketing strategies, specifically its use of social media.

- “Both brands are leading the industry while touching two different audiences, neither having a direct impact on the other.”
- “Michael Kors, however, has always been known for his classic American and streamlined silhouettes, playing to an older more sophisticated audience, while Coach has more recently delved into playing up funky colors, kitschy hardware and pop media to appeal to a more youthful audience.”
- “Coach and Michael Kors rival each other in quality.”
- “The brilliant marketing tactics of involving popular fashion bloggers in Coach's marketing campaigns in 2011 helped to bring about amazing awareness to a young audience. I believe that if Coach continues to market through social media and other popular channels it will continue its rise as one of the leading brands for 2012.”
- “In order to keep up with the brands that are winning in this economy, Michael Kors will need to continually market to the upper class or they will fall in sales alongside its middle-class market who once shopped at Nordstrom but is now shopping at TJ Maxx and Marshalls.”
- “I have not heard of either Michael Kors or Coach having inventory issues, but have personally seen many of Michael Kors products in off-price retail outlets, which leads the belief that they are over producing.”
- “I believe Michael Kors is taking a risk by selling at these off-price stores therefore diluting the brand. While Coach has its own outlet stores, they are protecting their brand by not giving in to the quick numbers off-price can bring, therefore making sure they stay in control of their branding.”
- “Kate Spade has always been a great competitor and continues to grow as both a trendy handbag line as well as a mass-produced lifestyle brand. Marc Jacobs has been incredibly genius with developing Marc by Marc Jacobs. I see both brands continuing to take market share.”

➤ Business specialist at a China fashion discount e-commerce company

Coach and Michael Kors' sales will grow as much as 30% in 2012. Although sales for both brands grew in 2011 her e-commerce company receives more discounted Coach products to sell resulting in Coach sales being higher than that of Michael Kors.

- “In our e-commerce platform, we sell both Coach and Michael Kors discount handbags. There are more discounting goods with Coach, so sales of Coach are more than Michael Kors. In general, both brands are popular. Last year, Coach took larger market share than Michael Kors.”
- “The sales of Michael Kors in 2011 have increased 15% to 20% from that of 2010. We predict that sales of Kors this year will increase 30% from last year.”
- “In 2012, I predict Coach's popularity will still rise compared with 2011.”
- “I think in the second half of 2011, Coach bags were still gaining popularity in China, as demand for Coach bags is very large. When we put on new products, sometimes they are sold out of stock quickly.”
- “The popularity of Michael Kors in the second half of 2011 was in an upward trend, but not as hot as Coach.”

Coach Inc. and Michael Kors Holdings Ltd.

6) CUSTOMERS

Eight of 10 sources said Kors is gaining popularity at the expense of Coach. Sources prefer Kors because of its fashion, style, and exclusivity. Coach styling was viewed as classic and not as trendy as Kors. One source said Michael Kors' appearance on Project Runway helped customers put a face to the brand. One source has observed Kors discounted more than Coach while another has seen Kors handbags in the discount channel.

➤ New Jersey woman in her 40s

Michael Kors handbags are growing in popularity while Coach has seen its best days come and go. Michael Kors' handbags are more fashionable.

- "I think Coach is over and done with. It has been there for a long time and has become very trendy. Forgive me for saying it, but Coach has become a bit 'ghetto'. Michael Kors is more fashion forward."
- "The Michael Kors bags are beautiful. I really like the whole collection. I definitely think that they are growing in popularity. It is well made. I love the look."
- "Both brand's handbags are well made and use quality materials."

I think Coach is over and done with. It has been there for a long time and has become very trendy. Forgive me for saying it, but Coach has become a bit 'ghetto'. Michael Kors is more fashion forward.

*Customer, Michael Kors
New Jersey*

➤ New Jersey woman in her 30s

This former handbag salesperson believes Coach sales are waning while Michael Kors is becoming more popular.

- "I feel like Coach sales have dropped off in recent years. It still is a popular brand, but I used to see people with Coach bags everywhere. Now it isn't quite as frequent. Perhaps it's that they used to have the monogram bags."
- "It looks like Michael Kors is doing well. I'm seeing more Kors handbags."

➤ Philadelphia woman in her 50s

She prefers Michael Kors over Coach as it is more exclusive and better quality. Coach has become too common, though it appears more young women are buying Coach while women in their thirties and older are favoring Kors.

- "I used to buy a lot of Coach bags and so did my friends, but then it became too popular and common. It wasn't special any more. That's when I switched to Michael Kors."
- "Kors is the better quality product. Their leather is a finer grade and their styling is superior to Coach."
- "None of my friends are buying Coach so I would say they lost ground last year in the 35-and-over group and I would expect 2012 will see the same pattern."

➤ Chicago woman in her 40s

Michael Kors has taken business from Coach due to trendier styles appealing to a wider, younger audience. She owns both Coach and Michael Kors bags but prefers Coach due to its durability and classic styles.

- "I do think Michael Kors has pulled some business from Coach. I think their styles appeal to more people."
- "Kors' bags are more updated and trendy; not as classic as Coach's styles. I think that appeals to the younger crowd a bit more since they tend to make and stick with the trends."
- "Coach is more traditional than Michael Kors and that really appeals to me. My style is more classic and traditional over trendy."
- "I have both Coach and Michael Kors bags. I prefer Coach over Michael Kors."
- "Coach bags are made so well. They last a long time and are high quality."

➤ Ft. Lauderdale woman in her 30s

Michael Kors is gaining in popularity year to year. She prefers Michael Kors to Coach although her friends are Coach fans. She finds Coach's style boring.

- "Michael Kors has gained in popularity over last year at this time. Even within the last six months I have noticed it more on people."
- "A lot of my friends buy Coach and Coach only. I don't get it, the bags are boring but they have a following."
- "Michael Kors is a person and Project Runway let the world get to know him and his designs for women with trend in mind. Sometimes it's too trendy and that can be bad for a brand, too."
- "I see Michael Kors bags sometimes at TJ Maxx and they don't last long there. Two times I have had Kors bags in my cart and people ask me if I am going to buy it and follow me around wanting it."

Coach Inc. and Michael Kors Holdings Ltd.

➤ San Francisco woman in her 30s

Kors bags are preferred over Coach because of their higher quality, better styling, and more exclusive feel. Coach has become a brand for the masses, which makes it less popular and in demand. Kors has gained in popularity in the last six months. One element in Coach's favor, however, is that customers can buy more bags more frequently from Coach because of the lower price, whereas Kors is more of a long term investment requiring less frequent purchases.

- "I like Kors better because it is more in style right now. There is not much branding to it, which is a good thing to me. It looks more like a designer handbag than Coach does."
- "Kors has better quality than Coach. The leather is better. The hardware is better. The bag itself is more substantial and more durable. Coach seems more pedestrian and is cheaper-looking and in quality."
- "In my demographic, Coach is less popular now than it was six months ago. Comparing the two, Kors has grown more popular than Coach over the last six months."

I like Kors better because it is more in style right now. There is not much branding to it, which is a good thing to me. It looks more like a designer handbag than Coach does.

*Customer, Michael Kors
San Francisco*

➤ Chicago woman in her 30s

Michael Kors has gained on Coach due to modern styles and more brand recognition. A relative recently switched loyalty from Coach to Kors.

- "Michael Kors has taken business from Coach. They have cool styles. They look more modern compared to some of Coach's bags."
- "My mother-in-law loves Coach bags but now she is buying more Michael Kors. She just likes their styles better now."
- "My friend and I both know and like Michael Kors bags but we don't own any. I may get one sometime."
- "I have a Coach bag from a few years ago but I have not bought one of their bags recently."

➤ Palm Beach, Florida woman in her 50s

Michael Kors has gained in popularity over the past year while Coach's popularity has declined. She finds Coach behind trend sometimes although she prefers the brand for their classic styles. She has observed Michael Kors products discounted more often than Coach's.

- "Michael Kors has gotten more popular this last year and was probably very popular over Christmas too. It has mass appeal and is flashy."
- "Coach has lost a little popularity. I haven't seen a lot of people running out for the latest Coach bag, like it was the last few years. I think they will maintain their loyal customers but unless they do something really different I don't think they will be gaining in popularity and getting new customers. It is mostly people who already buy it."
- "Coach has its ups and downs with popularity. New styling and new colors coming from other designers make Coach seem behind the trend sometimes, but it's classic and won't go out of style. I don't see a lot of markdowns from Coach and I see Michael Kors on sale a lot."
- "I prefer Coach. I have been buying Coach for years and love the brand. They last forever and they have all the accessories you need. It's great to mix and match the seasons with classics. All my friends wear it too. They have a following and have forever."
- "The quality is the main reason I keep coming back to Coach."

➤ Chicago woman in her 40s

Michael Kors has not affected Coach's business. The Coach brand remains very popular in her circle while no one buys Michael Kors. She owns many Coach bags but does prefer Michael Kors' styles and colors.

- "I don't think Michael Kors has taken business from Coach. I don't really know anyone who buys Michael Kors bags. They all buy Coach. They are very popular and have been for a long time."
- "Even though I don't own any, I do like Michael Kors bags better than Coach's. I like their colors more and I like their styles better. They are more trendy."
- "I find the Coach bags are very functional which I like. I have quite a few from Coach."

Coach Inc. and Michael Kors Holdings Ltd.

➤ San Francisco woman in her 20s

She prefers Coach over Kors because of the higher quality and Coach's vintage bags. She believes Coach is gaining popularity, while Kors is losing it. She finds Coach handbags to be better in quality compared to Michael Kors.

- "I think Coach will gain momentum within their current demographic but stay as a lower-tier designer bag brand."
- "I would say Michael Kors lost popularity during the second half of 2011."
- "Coach gained popularity in the second half of 2011."
- "Coach has better quality. They are known for their quality leather."

Secondary Sources

Our first source showcases blog forum participants who reveal a preference for Michael Kors over Coach for their more classic, less gaudy styles. This trend is followed in our second source which explains a growing trend in high-end fashion for less logo-focused designs. Our third source reports favorably on Kors' 2012 fall/winter collection full of juxtaposing styles.

➤ Feb. 7 fashion blog posts

Posts on this blog reveal a preference for Michael Kors handbags over Coach. Coach was criticized as being more for high school students, losing its designer appeal, having too many outlets, and being gaudy. Michael Kors bags were touted for their styling which was viewed as simple, chic and timeless.

<http://www.soompi.com/forums/topic/374609-coach-vs-michael-kors>

- "I feel like Coach is being so over-used. I enjoy MK with their styles and the simplicity of their logo and them not having much logos on their bags. ... Coach is now more highschoolers, but I still see many people with a diverse range of ages wearing Coach. ...The price range is about the same or MK is just a bit more priced than Coach but if I would have to choose one over the other, I'd choose MK."
- "With so many Coach outlet designs I prefer Michael Kors."
- "I think some of the higher end Coach bags are very nice (\$700+), but because of their poor marketing direction, a lot of people don't even realize Coach has a 'high-end' range of handbags. All they're known for now is the gaudy/cheap bags covered with C's. I like a lot of the Michael Kors bags now (an example of good marketing). The designs are timeless and chic, and the brand hasn't killed itself by offering the purses at a TON of outlets at rock-bottom prices."
- "I think Coach's classic pieces are great, and their wristlets/wallets make for fun affordable gifts for special occasions. But overall they mostly remind me of middle-class older women. MK has a little bit more edge, but I do question quite a bit of their stuff. Is it just me, or is Coach losing whatever wisp of 'designer' appeal they had?"

Is it just me, or is Coach losing whatever wisp of 'designer' appeal they had?

Fashion Blog Post

➤ Oct. 26, 2011 Red Luxury article

More and more luxury high-end brands, such as Chanel, are abandoning logos and letting the bag's design speak for itself. Primary interviews and bloggers in our previous secondary source reveal their preference for classic and less gaudy styles, their disdain for Coach's big logos on bags, and their preference for Michael Kors as a result.

<http://red-luxury.com/2011/10/26/luxury-handbags-ditch-logos-for-exclusivity>

- "The world's top luxury accessories brands are learning that the key to maintaining the aura of exclusivity is to hide in plain sight. To reconcile volatile economies with the demand for greater status symbols, top labels like Chanel and Victoria Beckham are producing high quality bags that speak for themselves, without the use of logos."
- "Without logos, products themselves accentuate a brand's personality. Hermès, one of the most revered – and reserved – labels on the market has seen an increase of 50 percent in its first half profits this year. Hermès is also looking to hire 400 staff members to boost production, proving subtlety sells."
- "Tomas Maier, designer for Bottega Veneta, agrees. 'When I joined Bottega Veneta, I immediately eliminated everything that distracted from our focus on the product,' he says, admitting that it was a drastic course of action but the right one. 'Bottega Veneta's strengths have nothing to do with short-lived trends,' he says."

Coach Inc. and Michael Kors Holdings Ltd.

- “The lack of logos on bags in Barneys New York’s autumn catalogue proves the trend is taking root. ‘Historically, our clients have always responded to a more subtle, beautifully crafted product,’ says Daniella Vitale, the store’s executive vice president, ‘[It’s about] expression through details, exquisite materials and things that are not so identifiable.’”

➤ Feb. 17 TheStar.com article

This journalist, who has known Michael Kors since the 1980s, reports on Kors’ fall/winter 2012 styles displayed at New York’s Fashion Week. Celebrity fans came to see Kors’ collection filled with red and black buffalo checks, plaid, and juxtaposing styles including bulky sweaters paired with lace skirts, and sleeveless pea coats. This shows that Michael Kors has another fashion hit in his apparel line and a continued strong sense of what is on trend and how to set the trend.

<http://www.thestar.com/living/fashionweek/article/1132527--new-york-fashion-week-fall-2012-michael-kors>

- “Every time I hear about Michael Kors stock rising in value I think back to the mid 1980s when I first met the young designer, toiling away in his studio, a passionate young idealist with a solid work ethic and an uncanny understanding of what women wanted to wear. His strong and steady rise to the top of the American fashion heap has been a joy to witness.”
- “Kors showed his fall/winter collection Wednesday at New York Fashion Week, proving again his ability to put glamorous spins on classic items, and convinces us that if we ever hope to live like those stars we worship, we better start dressing the part. It’s one of his many talents.”
- “Backstage at his New York Fashion Week show, Anjelica Huston and Debra Messing, and George Clooney’s stunning girlfriend Stacy Keibler, all agreed that Michael Kors makes dressing easy and puts out the kind of clothes that are all about feeling good.”
- “For fall, Kors concentrated on cozy, sexy, glam, with lots of red and black buffalo checks and plaid.”
- “The ‘blankies’ abounded in the form of fabulous capes and ponchos—the perfect fare for cuddling up in front of a ski chalet fire. Mid-calf length A-line skirts and delicate lace skirts were teamed with chunky sweaters and sleeveless pea coats, an interesting juxtapositioning.”
- “Fur coats and vests, leather trenches and plenty of tweed and herringbone added to the luxurious feel of this collection, with slinky, sparkly gowns and big furry bags lending just the right amount of decadent drama.
- “As Kors said, pre-show, ‘It’s really all about feeling cozy and sexy.’ Rich, too.”

Next Steps

We will monitor the impact on Coach sales as new Kors stores enter malls where COH stores are currently located. We will monitor sales of Kors accessories as one store source noted this is a growing sales area. Finally, we will review Kors inventory levels to determine if they are on par with demand or in excess as mentioned by two industry specialists.

Additional research by Silvia Yu, Carolyn Marshall, Tina Strasser, Maggie Purcell, Erica Franklin and Cheryl Meyer

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