PVH’s Calvin Klein Making Slow Progress on Road to Recovery


May 21, 2015

Research Question:
Do fall orders appear strong enough to offset a potentially weak spring for PVH’s Calvin Klein?

Summary of Findings

- All four repeat sources said PVH Corp.’s Calvin Klein is on the right track in Europe and taking steps in the right direction, revealing their increased confidence that the brand can successfully execute a turnaround in the coming years, an improvement over recent sentiment expressed in Blueshift’s March 5, 2015 PVH report.

- A buyer for a large department store in Spain said Calvin Klein’s men’s line—which accounts for 70% of the brand’s in-store sales—was up 10% year to year, with a better pricing strategy, greater assortment of product offerings at more affordable prices, and improved styles. Two of the three sources said sales of Calvin Klein’s spring lines have picked up of late, but the styles have yet to really resonate with customers and competition remains fierce.

- Fall orders will be slightly better than spring, indicating Calvin Klein’s improvement but also highlighting the glacial pace of positive change for the brand. Sources said fall styles for the men’s line are more on-trend, including the blazer and jeans combination and a greater supply of shirts.

- The capsule collections have done well, better than expected in some cases, and resonates well with its intended audience.

- The women’s line was panned for missing the mark, not offering anything unique or stylish, and for an inconsistent message as it tries to reach every type of female consumer. It also has a seemingly arbitrary pricing strategy. The buyer for the department store in Spain said spring sales for women’s are off 15% and are not expected to improve for fall.

- PVH’s positive influence that sources expected in previous reports is beginning to bear fruit. The company is improving brand management for Calvin Klein, communicating better with buyers and fashion journalists, improving product distribution, bringing in higher quality materials, and providing better labeling. These incremental changes are part of the reason sources have more confidence in PVH’s ability to turn Calvin Klein around.

- Calvin Klein’s underwear line is showing strength, in part due to the successful ad campaign featuring Justin Bieber.

- Calvin Klein presently is absorbing any cost increases due to a stronger dollar, a weaker euro, and fluctuations in the British pound as customers remain price sensitive. Several competitors, however, have increased prices. Also, the weaker euro will make trendy, affordable apparel companies in Europe more competitive to export, providing another challenge for Calvin Klein.

Silo Summaries

1) European Buyers
Both sources are more confident in Calvin Klein’s gradually improving position in the market than they were in the three previous Blueshift reports. PVH’s expected positive influence is finally being felt as product delivery and communication within the fashion industry are improving, as are the styles in the fall collection. Calvin Klein still has a long way to go, but signs are pointing in the right direction. One source in Spain said the men’s spring line was up 10% and doing better than expected as Calvin Klein enacted a better pricing strategy across its improved product mix which brought the average price down and resulted in higher sales volumes. This source also said the women’s line was a major disappointment and is missing the mark with customers, as shown in a 15% decrease in sales off a low 2014 base. The other source said sales remain sluggish because styles have not improved enough, but there were improvements in material quality and product labeling that may portend future success. Fall orders are consistent with the performance of the spring lines. Competition is still a hurdle for Calvin Klein to overcome. Positive steps noted in previous Blueshirt reports finally are bearing fruit. There has been little impact felt by the stronger U.S. dollar and Calvin Klein has not yet raised prices, unlike other brands, which is a smart move as raising prices would curtail some of the progress the brand has made with customers.

2) European Industry Specialists
Both sources are optimistic that Calvin Klein will achieve success in its turnaround efforts, but both predict the turnaround will not occur any earlier than 2017. Current spring sales continue to struggle, though they are gaining some momentum as the brand is taking steps that are starting to pay off. Calvin Klein is communicating better within the industry and managing its brand better. One source sees slight improvement in sales of the men’s line, with better pricing and a greater assortment of products at more affordable prices, while the capsule collections also are making a good impression. But the women’s line is disappointing. Fall styles have improved slightly and the collection follows more along the fashion trends, though high inventory requiring discounts is affecting fall orders. Underwear sales are strong, backed by the successful advertising campaign with Justin Bieber. Calvin Klein and other retailers/brands are absorbing higher costs of goods sold as a result of the higher U.S. dollar rather than passing such costs on to price-sensitive customers,
PVH’s Calvin Klein

<table>
<thead>
<tr>
<th>Calvin Klein Moving In Right Direction</th>
<th>Calvin Klein Spring Sales</th>
<th>Calvin Klein Fall Orders</th>
</tr>
</thead>
<tbody>
<tr>
<td>European Buyers</td>
<td>↑</td>
<td></td>
</tr>
<tr>
<td>European Industry Specialists</td>
<td>↑</td>
<td>➡</td>
</tr>
</tbody>
</table>

**Background**

PVH’s Calvin Klein brand saw higher comps in the early part of the first quarter, and trends indicated that orders were up over 10% in Europe. North America comps were running in the low single digits, as expected. Last quarter, Calvin Klein underwear AURs were up 10%, while jeans AURs were up 15%. Despite these improvements, PVH’s numbers fell short of Wall Street’s expectations, much of the weakness due to weak international comps.

Calvin Klein’s shop-in-stores continue to pay off. Last quarter, newly-built shops boosted sales by 40% year to year. Justin Bieber’s recent appearances in Calvin Klein ads helped the brand gain 3.6 million followers across social media channels, and caused “CK underwear” Google searches to skyrocket. Global Google searches for “CK Jeans” have remained flat, with Brazil as a standout exception.

Several retailers, including The Buckle Inc. (BKE), Zumiez Inc. (ZUMZ), bebe stores, inc. (BEBE) and L Brands Inc (LB), have reported soft sales this spring due to lousy weather. Calvin Klein’s fall “mod” collection has turned back the clock to the 1960’s, according to some fashion publications. Another goes on to describe the attire as costumes from a Tim Burton movie. This trend rings familiar with findings in our recent COH report where a similar design theme introduced last fall has yet to pay off.

Blueshift’s March 5, 2015 PVH report found that the Calvin Klein turnaround will take longer than anticipated. Repeat sources are reporting less optimism about the brand’s revitalization. Sources were split on Tommy Hilfiger’s performance in Europe, but negative on its outlook in the United States. Overall, denim demand has been waning and Calvin Klein’s jeans were considered uninspiring. Although very early in the season, spring sales have started slowly, but the outlook for the fall line appears slightly more optimistic. Despite the gloomier outlook portrayed in our last report, most sources believed PVH would execute on its plans over the long term due to its resources, know-how, branding and reputation.

**Current Research**

In this update to our March report, Blueshift Research assessed spring sales trends for PVH, fall orders, and the effect of the stronger U.S. dollar on operations. We employed our pattern mining approach to establish three independent silos, comprising four primary sources, all repeats from previous report on PVH, and five relevant secondary sources focused on Calvin Klein women’s and fall collections and Calvin Klein store redesigns in Europe:

1) European buyers (2)
2) European industry specialists (2)
3) Secondary sources (5)

**Next Steps**

Blueshift Research’s next report on PVH will continue to follow PVH’s efforts to turn Calvin Klein around. We will assess sales of the fall line, orders for spring 2016, and dig deeper on the effect of the stronger dollar on Calvin Klein’s prices. We will look to gain more insight into Calvin Klein’s performance in the U.S., as well as the progress and impact of shop-in-shops.
1) European Buyers
Both sources are more confident in Calvin Klein’s gradually improving position in the market than they were in the three previous Blueshift reports. PVH’s expected positive influence is finally being felt as product delivery and communication within the fashion industry are improving, as are the styles in the fall collection. Calvin Klein still has a long way to go, but signs are pointing in the right direction. One source in Spain said the men’s spring line, which accounts for 70% of Calvin Klein sales in this source’s stores, was up 10% and doing better than expected as Calvin Klein enacted a better pricing strategy across its improved product mix which brought the average price down and resulted in higher sales volumes. This source also said the women’s line was a major disappointment and is missing the mark with customers, as shown in a 15% decrease in sales off a low 2014 base. The other source said sales remain sluggish because styles have not improved enough, but there were improvements in material quality and product labeling that may portend future success. Both sources said the capsule collections have been a success, with one saying the collections were doing better than expected. Fall orders are consistent with the performance of the spring lines. One source said the men’s fall line has an improved look with a blazer and jeans combination and a wider range of shirts. Competition is still a hurdle for Calvin Klein to overcome and the brand’s turnaround will take time to fully execute, but positive steps noted in previous Blueshift reports finally are bearing fruit. There has been little impact felt by the stronger U.S. dollar and Calvin Klein has not yet raised prices, unlike other brands, which is a smart move as raising prices would curtail some of the progress the brand has made with customers.

Key Silo Findings
Calvin Klein’s Spring Line
- 1 of 2 sources said Calvin Klein men’s line, which makes up 70% of sales in its stores, was up 10% and performing better than expected.
  - Better product mix, more availability of lower-priced offerings, resulting in higher sales volume in men’s line.
  - Women’s line down 15% and very disappointing.
  - Capsule collections doing well.
- The other source noted subtle improvements, like better material quality and product labeling, but nothing a customer will notice since it is not focussed on styles and not appealing enough to make customers buy them.
  - Styles still lacking, sales sluggish.
  - Capsule collections doing better than expected.
  - Men’s sales better than women’s.

Calvin Klein’s Fall Orders
- 2 said fall orders are predicated on sales performance.
  - 1 said orders up for men, down for women.
  - 1 said orders are mediocre.
- 1 said the men’s fall collection has improved styles, including a blazer and jeans combination and a larger supply of shirts that is going in the right direction.
- 1 said inventory is still high and moving out only when discounted, so there is hesitation to place high orders for fall.
  - Styles in fall collection have improved, but marginally.
  - On the right track and just a matter of time.

Overall Outlook for Calvin Klein
- Both sources said PVH’s positive influence is beginning to have an effect on Calvin Klein.
- Confidence is higher now than in previous Blueshift reports that Calvin Klein likely will have a successful future, but it will continue to take time to come to fruition.
- Delivery of products, communication within the fashion industry, and general brand management were noted by both sources as improvements.
- Competition and market saturation are largest obstacles.
- 2 expect sales to grow in 2015, but partly because of such easy comps from 2014.

Stronger Dollar – Weaker Euro
PVH’s Calvin Klein

- 1 source said Calvin Klein has not raised prices in spite of the stronger U.S. dollar, while other brands and companies have. Calvin Klein is in a difficult position because raising prices would alienate the very customers they are trying to attract.

1) Head buyer for various premium brands, including Calvin Klein, for a department store in Spain; repeat source

Sales of Calvin Klein’s spring lines have been better than expected for men’s, up 10%, but worse than expected for women’s, down 15%. Overall, sales have been better thanks to the men’s line, which accounts for about 70% of sales in this source’s stores. This source is generally more upbeat than in the March report, noting improvement in the men’s lines, better pricing strategies, and a product range with a heavier focus on the more affordable lines, which has resulted in greater demand. The fall collection for men has improved styles, leading to greater confidence in growth potential for Calvin Klein, which looks likely to increase its sales during 2015. The women’s fall lines are unattractive. Overall, Calvin Klein’s sales during 2015 likely will increase and will be aided by better brand management by PVH, including improved deliveries and better communication with buyers and stores. Sales also will be helped easy comparables and a recovery, albeit slow, in consumer confidence in Spain.

March 5, 2015: Sales for Calvin Klein denim lines fell in both women’s and men’s. Orders appear better because of the strength of this department store chain, but stocks were high, which resulted in Calvin Klein lines having to be discounted or promoted to activate demand that was lower than expected. As a result, the department store has not since reordered. Calvin Klein’s poor performance was due to its dull collections, high prices and stronger competition. Also, Calvin Klein continues to suffer from a lack of consumer awareness; most consumers in Spain associate the brand with underwear and perfume instead of denim. The spring collection is still too new to assess. Although this source understands the company is going through the growing pains of being managed by a new company, she was surprised Calvin Klein’s performance was worse than expected given that it now is being managed and distributed by Pepe Jeans.

Sept. 25, 2014: PVH’s purchase was a significant development for Calvin Klein’s future. This source had begun to see signs of improvement in styles, prices and communication, though said changing the image of a brand would take time. Calvin Klein faced strong competition in the jeans sector, at both the lower and higher segments of the market. Several retailers were offering nicely designed private-label jeans that were priced very competitively. On the upper end, Calvin Klein competed with brands that were viewed as premium. Prices for Calvin Klein were too high for Spain, but this source said the brand’s strategy of lowering prices, improving market communication, offering trendier styles and widening distribution at more upmarket locations should help the brand gradually regain share. The Calvin Klein brand was still well known, and its challenge was to increase awareness of it as a jeans brand.

May 19, 2014: PVH’s Warnaco acquisition was a very positive development. The new Calvin Klein Jeans distributor in Spain and Portugal was Pepe Jeans, which has in-depth knowledge of the Spanish market. Pepe already had launched more innovative and younger collections and lowered the pricing for Calvin Klein. Overall, this source expected Calvin Klein Jeans to improve its brand image and sales in Spain but would need time to convince consumers that it is a desirable brand.

Calvin Klein’s Spring Line
- “Sales of Calvin Klein’s spring line are up by 10% in menswear and down by 15% in womenswear. The men’s line accounts for about 70% of their total sales in our stores, while women’s represents 30%.”
“We have started to see positive signs for the men’s lines. Although their styles remained a bit boring, PVH in Spain restructured its pricing policies and their product [mix]. Up until the spring collection, at least in Spain, Calvin Klein’s collections [men’s and women’s] had been very inconsistent, with more product offering and focus on the high end, which made their product range too expensive. Now they have harmonized that a bit, with a much stronger offering in the lower and mid end of their ranges. This has resulted in higher sales for them and a lower average price.”

“A 15% decrease for the women’s lines is a disaster, bearing in mind that this is against very easy year-to-year comparables. Their performance in 2015 has been very, very poor.”

“The women’s line is lost. It is as if they hadn’t listened to our suggestions and it is frustrating. We tell them what could be sold in Spain. We know what doesn’t sell and they continue to give us the same styles and they just simply don’t sell.”

“Calvin Klein’s women’s spring collection is just boring. I don’t think anything is working very well in the women’s lines, with the exception of the capsule collections, which mainly encompasses T-Shirts and tops, emulating Kate Moss CK collection in the 1990’s. But that accounts for a small portion of their collection. It is at least working better than the rest of the women’s lines, but not as well as I thought it would.”

“They have tried the same pricing strategy with the women’s lines, but they haven’t got anywhere with it.”

“PVH is trying to re-organize their women’s product [mix] but they haven’t succeeded yet in the same way they did with men’s.”

“If you are asking me what works and what doesn’t work in CK womenswear, unfortunately my answer is that nothing is working really.”

“Their women’s lines just don’t have any sense, they are not suitable for the taste of the Spanish woman. I am not talking about my own personal taste, but the fact that their styles are not commercial in Spain. They don’t have any interesting assortment, they are very weak on dresses, which are popular here, especially in spring.”

**Calvin Klein’s Fall Orders**

“I don’t have any figures for CK’s fall orders at the moment as I am not managing it anymore, but I think that men’s are up and women’s are down, as we usually place our orders based on performance.”

“The men’s fall collection has improved in styles, with a stronger focus on their blazers combined with their jeans, and a greater supply of shirts, which they are presenting almost together. I think they are trying to find their niche here and are slowly going in the right direction.”

“However, in terms of their women’s fall collections, I am so disappointed; they are really disappointingly boring collections, which simply do not appeal to our taste. The [CK collections] continue to be too expensive for such dull styles.”

“I met with [PVH] recently and I got angry with them. They had said, through Pepe Jeans [their current distributor] in Spain, that they would listen to us more, and when I saw their spring collection and now their fall collection, I couldn’t believe it. Their styles are not attractive to turn the women’s brand around.”

**Overall Outlook for Calvin Klein**

“PVH has begun to improve in Spain, especially thanks to their efforts in the men’s lines.”

“Since Calvin Klein is simply being better managed by PVH [compared to Warnaco], this will pay off with time.”

“They have improved a lot in deliveries and communication, so we are much happier with PVH than we were with Warnaco. They have started to gain our confidence again. I am starting to get positive about their men’s lines with a better pricing strategy and increasingly improved styles, especially in the fall collection.”

“Although I am very negative about their women’s lines, I am starting to get positive about their men’s lines with a better pricing strategy and increasingly improved styles, especially in the fall collection.”

“It will take a few collections for us to retrieve the confidence we had in that brand in the past. This is not going to be a quick thing. They have started to do things well, at least in the men’s lines. We had lost our confidence in them, and they are showing positive signs with this new fall collection for men.”

“In terms of sales, I think overall CK is likely to increase their sales in 2015 due to very easy comparables in 2014, a better consumer confidence in Spain, and their better collections.”
“Don’t forget that PVH is behind them. They have the resources to turn the brand around, but this is not going to be something quick.”

“The real turnaround won’t happen in 2015. It is very difficult to tell you when it will be but this is going to be a long process.”

“Although it is true that their men’s fall collection has improved compared to their Spring collections, do not forget that competition in the denim sector in Spain is huge, with very attractive styles by popular fashion retail chains such as Zara [Espana S.A., a subsidiary of Inditex SA/BME:ITX], H&M [Hennes & Mauritz AB/STO:HM-B], and [Inditex subsidiary] Massimo Dutti at much more affordable prices than those offered by CK.”

**Stronger Dollar – Weaker Euro**

- Unlike other companies, CK hasn’t increased their prices with us, in spite of a strong dollar. That wouldn’t be very wise, really, if they are trying to adapt themselves to us by trying to lower their prices slightly.”
- “I haven’t seen any negative effects from a weak euro.”

2) Independent buyer of midrange to higher-end clothing brands in Italy, Spain and Portugal; repeat source

Compared to a year ago, sales are down for both men’s and women’s Calvin Klein denim, though the brand’s underwear sales are better than expected due to a successful ad campaign. Sequentially, sales of Calvin Klein from March to May have gained momentum compared January and February thanks to warmer temperatures and slight improvements in the collections. Calvin Klein’s main challenge in Italy is tough competition with the strong popularity of other brands offering styles more in accordance with Italian preferences. There is a lot of room for improvement of Calvin Klein’s styles. While there has been an improvement in Calvin Klein’s fall collection, it has not been enough to materialize into higher sales in 2015 compared to 2014. Calvin Klein is better positioned to succeed with PVH behind, but the company is still in the process of repositioning its brand in Italy.

March 5, 2015: PVH’s strategies still are too new to have materialized into sales growth. Calvin Klein sales have been down due to warm winter weather and the economy. Also, PVH’s changes, including in communication, are still not enough. Collections remain weak in terms of assortment and style. Tommy Hilfiger also has been hit by the weather and the economy, but is set to record sales growth thanks to the collections and advertising.

Sept. 25, 2014: PVH’s purchase was a positive for Calvin Klein Jeans, but the brand was not likely to regain share in the near future. The changes PVH had introduced were not enough for Calvin Klein to rebound, as the styles were not appealing to the Southern European woman. Calvin Klein’s price strategy had been very arbitrary and inappropriate. Calvin Klein would benefit from PVH’s know-how and resources, but Calvin Klein Jeans was trying to find its place in a market that had become much more competitive and saturated. Consumers were less brand-oriented and more style-oriented. Underwear continued to perform well.

May 19, 2014: Calvin Klein Jeans’ acquisition would be a positive for the brand. It had lost share amid tougher competition. Calvin Klein should concentrate its efforts on its collections and marketing.

**Calvin Klein’s Spring Line**

- “My opinion about CK collections hasn’t changed much since the last time we spoke. I have only seen timid changes in their spring collections, a better quality in their materials, and that their labelling with the CK name is more apparent which is good for Italian consumers, who usually tend to be very brand and style oriented. However, CK spring collections still lack character, have nothing exciting to offer, and, as a result, its performance has been rather sluggish.”
- “Sales have picked up slightly in spring, but 2015 sales so far are not higher than 2014 for us.”
- “They have tried to improve their styles, which they have partially done. But these small changes have gone mainly unnoticed by the final consumer. Their styles are still too minimalistic, with not enough trimmings or details; nothing innovative for the denim sector.”
“Competition is tough. Italian consumers value style and image a lot, and CK is not strong enough to appeal to them yet. There are still some Italian upmarket brands that have become very popular at the moment and CK is not among them.”

“In Italy, consumers are very image and fashion oriented in general, and for a company that had lost its appeal quite a bit to deliver such uninteresting spring collections, it is no wonder their sales are not really picking up. People are really style-conscious and CK’s spring collection is not convincing enough.”

“What … did [perform] better were their capsule collections, even better than expected, although of course from a very low base. The capsule collections [have] been helped by bloggers talking about it a lot.”

“Theyir suit division has improved in terms of styles but we are more focused on casual wear. The underwear line is also working for us.”

“One of the reasons CK’s women’s collection is not doing well is because they are not giving the right message to consumers. They are trying to be everything to everybody. CK is trying to focus on too many segments and target groups without a real niche to focus on. Those groups are the younger and more trend oriented [group], at whom their capsule collections are more targeted and the older, more affluent and slightly older consumer. They are trying to sell their products to all target groups.”

“If a young and trendy woman who follows fashion bloggers talking about their capsule collections goes to the shop looking for the CK capsule collection and finds it right next to their relatively more traditional collections, she is receiving a contradictory image; they don’t want to be related to the other target group.”

“Also, prices for women especially are still too expensive and are structured in a seemingly arbitrary way. Generally, I think CK’s stuff is still too expensive for what it is.”

Calvin Klein’s Fall Orders

“We base our orders on the sales performance, and the performance of CK hasn’t been very good with us. [Inventory] is still rather high; we are managing to lower it thanks to discounting but still it is not enough and it is going down painfully slowly.”

“Overall, orders are down for both men’s and women’s denim lines, but they are up for underwear.”

“Their fall collections are slightly better than the spring ones, but the improvement has been too small for me.”

“[PVH] is making an effort to improve the CK brand, but this is something that doesn’t happen quickly.”

“They are still not quite there yet, but they are on the right track and this is just a question of time.”

“The fact that PVH is behind them is going to be so positive for CK. PVH is managing the brand much better.”

Overall Outlook for Calvin Klein

“They could increase their sales in 2015 because they had a really poor performance last year. Of course they have a lot of room for improvement, but they are already tackling lots of things: they are communicating much better, they are delivering quite well at the moment, and they are on the right track for success in the future.”

“It is too soon to talk about a real turnaround. It is definitely not going to happen in 2015, and it is difficult for me to predict so much in advance.”

Stronger Dollar – Weaker Euro

N/A

2) European Industry Specialists

Both sources are optimistic that Calvin Klein will achieve success in its turnaround efforts, but both predict the turnaround will not occur any earlier than 2017. Current spring sales continue to struggle, though they are gaining some momentum as the brand is taking steps that are starting to pay off. Calvin Klein is communicating better within the industry and managing its brand better. One source sees slight improvement in sales of the men’s line, with better pricing and a greater assortment.
of products at more affordable prices, while the capsule collections also are making a good impression. But the women’s line is disappointing. Fall styles have improved slightly and the collection follows more along the fashion trends, though high inventory requiring discounts is affecting fall orders. Underwear sales are strong, backed by the successful advertising campaign with Justin Bieber. Calvin Klein and other retailers/brands are absorbing higher costs of goods sold as a result of the higher U.S. dollar rather than passing such costs on to price-sensitive customers.

Key Silo Findings

Calvin Klein’s Spring Line
- 2 of 2 sources said spring sales continue to struggle—though gaining slight momentum—and are underperforming competitors.
  - 1 said Calvin Klein is taking steps in the right direction.
    o Improved communication with buyers and within the fashion industry.
    o Better brand management.
- Both sources said styles have not improved enough and remain boring.
- 1 said the men’s line is beginning to see slight sales improvement.
  o Offering more quantity of their more affordable lines, making the average price more affordable.
  o Capsule collection is trendy and doing well.
  o Women’s line is still performing poorly.
- 1 said Calvin Klein didn’t offer anything unique.
  o Also said underwear segment was doing well and Justin Bieber advertisements were effective.

Calvin Klein’s Fall Orders
- Both sources said styles for the fall collection have improved slightly, though one source was more positive.
- 1 said style was more in-line with fashion trends, but the women’s line is still lacking.
- 1 said inventory is still high and requires discounting.
- 1 said Calvin Klein is seeing a bit of a bounce from its association with PVH and Tommy Hilfiger.

Overall Outlook for Calvin Klein
- Both sources believe Calvin Klein will find success and a turnaround, though it won’t occur any earlier than 2017.
- Calvin Klein is on the right track, and having PVH behind it helps.
- 1 said 2015 sales will be up year to year.
- Both sources said underwear sales are strong.

Stronger Dollar – Weaker Euro
- 2 said Calvin Klein is absorbing the higher costs of goods and not passing such costs on to customers, as customers remain very price sensitive.
- 1 source is not yet seeing an effect of the weak Euro.

1) Fashion expert specializing in denim in Spain and Portugal; repeat source

Calvin Klein has gained some momentum from March through May compared to the first two months of the year, following a more positive market environment in Spain and Portugal. Orders also have gained momentum based on improved styles of the men’s collection as well as more availability of men’s shirts and jackets. Sales of the fall lines likely will be aided by the men’s lines but hindered by women’s lines, which continue to be very disappointing. Underwear sales have increased, which can be attributed to the Justin Bieber campaign. Underwear likely will gain even more momentum in the future thanks to the restructuring of DB Apparel, the owner of a well-known underwear brand, after its acquisition by HanesBrands Inc. (HBI) in 2014. Helped by underwear and an improved men’s collection, sales of Calvin Klein are likely to increase during 2015 but a real turnaround will take much longer.

March 5, 2015: Not much has happened since September, and the changes at Calvin Klein still are too new to have an effect on demand. Sales remain sluggish, driven in part because of unseasonably warm weather and strong competitors offering more innovative styles at more affordable prices. Calvin Klein is taking the right steps to increase awareness as a denim brand by investing in advertising and in communications, opening stores, and making some improvements in its collections.
PVH’s Calvin Klein

Sept. 25, 2014: PVH taking over Calvin Klein was a positive development for the brand. Some changes already had been introduced, including increasing publicity and communicating at a business-to-business level. PVH also was investing in distribution, relocating to better places and enlarging existing stores. PVH’s efforts to improve the style and quality of Calvin Klein had materialized through more stylish and younger collections, but its image needed further enhancement. These changes likely would translate to material improvement by spring/summer 2015 at the earliest.

Calvin Klein’s Spring Line

- “I have recently spoken to various retailers and had conversations with the trade associations in this sector. There is a recovery for lots of brands in the medium to upmarket sectors in Spain and in Portugal thanks to higher consumer confidence and a better economic environment in general.”
- “CK is gaining momentum slightly over the last few months, but they are still struggling with their sales. They are still underperformers compared to other competitors, but I believe things will start to look brighter for them soon.”
- “CK sales are still weak and they have been a bit disappointing for some. With PVH backing them, they were expecting more but some people are not patient and it was perhaps too soon.”
- “Other competitors are doing better, like Lewis, Diesel or G-Star because they have a more clear brand positioning. CK is still finding its place in the market and that takes time. They have to make themselves distinguishable.”
- “The main problem that CK has at the moment is their collection. They have continued with the strategies implemented a few months ago, focusing on better communication, better management of the brand and an improvement in their styles. They are succeeding in the first two strategies, but they are not there yet in terms of their styles.”
- “Sales for the men’s lines have started to improve for some retailers quarter to quarter. The women’s lines are still struggling a lot. Overall it is a move in the right direction.”
- “CK’s spring collection is boring. They are doing better with men’s because they have looked after that end much more than women’s. They have started to see some results, but the road is still long as the average consumer here still relates them only to underwear and to perfumes or even accessories to a lesser extent.”
- “PVH hasn’t decreased prices, they are just offering more quantity and a deeper range of their more affordable priced items, but there hasn’t been any introduction of lower prices.”
- “The capsule collection with more trendy styles has helped CK.”
- “Underwear has performed better and is likely to gain more momentum in Spain. There is a big company in Spain, that has been present in this market for many years with a strong underwear brand called “Abanderado,” that is going through collective dismissal with all its consequences in the market. Calvin Klein underwear will for sure benefit from it in Spain.”
- “Most [fashion retail] brands have seen their sales increase during March, April and May, and this year is better than last year because of higher consumer confidence and the earlier arrival of warmer temperatures resulting in better-than-expected sales of apparel overall. However, some retailers complained that people stopped buying warmer clothes earlier, which retail at higher prices than spring lines, so in Euros, their sales are still flattish or not as good as expected.”

Calvin Klein’s Fall Orders

- “The [men’s] fall collection has improved slightly and is a bit more in-line with our taste here, but the women’s collection is not.”
- “For a number of shops, [inventory is] still rather high and [continues] to be discounted heavily. However, orders for CK have gained a bit of momentum this year compared to the previous months, helped by underwear and a slight improvement in the fall men’s line.”

Overall Outlook for Calvin Klein
PVH’s Calvin Klein

- “CK is likely to increase their sales this year for various reasons: the economic situation is improving, the job market is also getting better, [CK] is coming from a low base from last year, and underwear is likely to strengthen even more in the near future. The brand is generally being better looked after by PVH than it used to be by Warnaco.”

- “It is really difficult to tell you when a real turnaround will take place. Definitely not in 2015 and I believe 2016 would be too soon.”

Stronger Dollar – Weaker Euro
- “I haven’t seen any impact of a weaker euro yet.”
- “I don’t know how PVH will manage their possible squeeze on margins, but I have been told that [CK] has not increased any prices; it seems that other competitors already have.”
- “Also a weaker euro is likely to make European companies more competitive to export. This is likely to make companies like Inditex, Mango, etc., very competitive and they all compete with CK, offering very trendy and fashionable styles at much more affordable prices.”
- “PVH’s strategy of not increasing their prices is the right one at the moment. I don’t know what they will do in the future, but this is coherent with their strategy of at least keeping prices stable and not raising prices in Europe, or at least in Southern European countries where they have a strong presence and consumer confidence is not that strong yet.”

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Fashion expert specializing in denim
Spain and Portugal

2) Fashion consultant specializing in denim, United Kingdom; repeat source

There have not been many changes for the Calvin Klein brand in the United Kingdom over the last few months, with the exception of underwear. Calvin Klein denim and casual wear continue to struggle in a very saturated and competitive market, resulting in weak sales and orders thus far this year. Both spring and fall collections do not offer anything noteworthy to inspire customers to come back to the brand. The main issue PVH has to tackle in the United Kingdom continues to be its distribution channels and its damaged image, especially for department buyers who felt neglected by Warnaco and stopped carrying the brand. This source does not expect Calvin Klein’s denim and casual wear to experience any sales growth in the United Kingdom during 2015, but underwear is likely to continue to perform very well, helped by the effective ad campaign featuring Justin Bieber.

March 5, 2015: PVH’s strategies with Calvin Klein in the United Kingdom are too new to assess, but its backing has given buyers more confidence in the brand. Calvin Klein lost share in the United Kingdom because of its arbitrary distribution strategy, which included heavy discounting. PVH’s main challenge now is trying to persuade those upmarket retailers to carry it again. Calvin Klein is likely to see sales increases based on easy comps. Tommy Hilfiger is very well established in the United Kingdom and likely will maintain or grow sales this year.

May 19, 2014: It was too soon to see the real effects of PVH’s Calvin Klein purchase, but it would become apparent in the midterm. PVH was focusing on Calvin Klein denim distribution and on more premium points-of-sale and closing the lower-end or more mass-market POS. Retailers positioned further upmarket did not want to stock Calvin Klein jeans if they were being sold at mass-market outlets for less. The brand’s styling needed to become more innovative.

Calvin Klein’s Spring Line
- “CK sales are still struggling and other brands are taking share from them; they are still too expensive and PVH has a long way to go to revamp the brand in the UK. Competition in the denim and casual wear sectors is just very tough, and there is such a market saturation in this country that unless you come up with something with some real added value, it is going to be tough for you and that is what CK is going through. It is not an easy task and they have only begun with it.”
- “Nothing much has happened since we spoke at the end of February and their styles are still not that great either, to really make them activate their sales.”
- “Their spring collections haven’t added anything special to their styles, which in my opinion haven’t improved much. Due to huge competition from more popular brands and the fact that people still do not relate the brand Calvin Klein with jeans or denim, their sales have performed very poorly.”
PVH’s Calvin Klein

- “Underwear however has remained solid and has gained popularity with the recent advertising campaign. Although it also featured jeans and denim wear, what people generally still retained in their minds was more the underwear than the denim stuff shown in the campaign. The fact that Justin Bieber was featured in it attracted a greater number of younger consumers.”
- “When you are trying to find your place in the market again, either in terms of price, style, communication, etc., you are not going to increase sales unless you bring something that really stands out in the market. In the UK, CK hasn’t come up with anything that makes consumers tick for their brand again.”
- “[Calvin Klein] is yet another brand in a very crowded jeans market. It is more readily thought of as an underwear or fragrance brand.”
- “They are now focusing a lot on their stand-alone stores, refurbishing and revamping their presentation and publicity, and are focusing on regaining distribution of their casual wear through more upmarket department stores.”

Calvin Klein’s Fall Orders
- “CK orders for jeans and denim wear are still very weak this year. Tommy Hilfiger is doing better and because of that, some distributors are ordering at least a bit more of CK, only because PVH is behind them and they have the confidence in such a company. In a way one could say that some of them are giving CK a vote of confidence only because of Tommy Hilfiger and PVH, but this is not charity and still orders have remained weak.”
- “I have seen their fall collections and there is not much new; they should make more efforts at that front. They are slightly better but not enough to revamp the brand, really.”

Overall Outlook for Calvin Klein
- “Calvin Klein is likely to make it in the future. They have PVH behind them, but this is not an overnight process. It will be long and bumpy, but they are on the right track. PVH is very well-respected in the business.”
- “It will take a long time for PVH to shake off the cheapened image Calvin Klein got in the UK in the recent years. ... It had been too widely distributed at all types of stores, many of which were not very exclusive and [which] discounted CK products very heavily. That’s why many exclusive distributors—like good, well-regarded department stores—stopped distributing the brand, with the exception of underwear as they were unable to compete with such prices and it was not profitable for them.”
- “Calvin Klein has a more difficult task to tackle in the UK than in other European countries because of the distribution.”
- “I don’t think CK will experience a turnaround in 2015 or 2016. I don’t expect them to increase their sales during 2015. They are not doing lots of marketing in the UK at the moment. They are trying to tackle their distribution issues, and that is not something that can change over a quarter.”

Stronger Dollar – Weaker Euro
- “I suspect most companies in the apparel sector in Europe are absorbing the increases [resulting from a stronger U.S. dollar and possible higher costs of goods sold] as no consumer in the UK—and I am sure it is the same case in the rest of Europe—is looking to pay more.”
- “I haven’t seen any effects of either a stronger dollar or a weaker euro or any fluctuations on the British pounds on prices or anything else. Companies are absorbing any price hikes, for the moment.”
- “Don’t forget that consumers are still rather price-sensitive.”

Secondary Sources
The following five secondary sources discussed Calvin Klein women’s and fall collections, and Calvin Klein store redesigns in Europe.

Calvin Klein Women’s Collection
Calvin Klein has signed Kendall Jenner to help promote its Denim Series. The brand hopes to appeal to a wider, less categorized audience. Calvin Klein's Ready-to-Wear Series features a 60s chic look, but is just one of many line-ups that have recently ventured into the decade.

April 24 LA Times article
Calvin Klein has selected Kendall Jenner to model its Calvin Klein Denim Series in hopes of revitalizing the brand. Through Jenner, Calvin Klein hopes to tap into a younger audience, including her 24 million Instagram followers. Calvin Klein is positioning its label as a lifestyle brand and less category driven.

- “Can Kendall Jenner wake the sleeping giant that is Calvin Klein Jeans? That’s what the Seventh Avenue stalwart is hoping.”
- "Jenner, 19, lent her reality-to-runway star power to the brand Thursday night at the Chateau Marmont in L.A. at a launch party for the limited-edition #MyCalvins Denim Series, a capsule collection of ’90s-nostalgic high-waist jeans, sporty oversized tees, sweats and backpacks designed with Jenner’s generation in mind.”
- "Jenner appears in ads for the collection, pouting in a cropped logo tee and fleece shorts, including on L.A.’s prime piece of fashion real estate, the billboard in front of the Chateau on Sunset Boulevard. The collection, $58 to $348, is being sold exclusively at Opening Ceremony stores until May 15, when it goes wide on calvinklein.com.”
- "Kendall Jenner’s deal with Calvin Klein, and the #MyCalvins social media campaign to appeal to her 24 million Instagram followers, is part of a bigger strategy to bring cool back to the 47-year-old Calvin Klein by tapping into fashion’s current nostalgia for the 1990s, and the brand’s heritage of controversial advertising. The effort kicked off earlier this year with Justin Bieber appearing in Calvin Klein Underwear ads, which became widely spoofed, just as Calvin Klein ads were in the 1980s and ’90s.”
- “We acquired the [denim] business from Warnaco, and we’ve been spending the last 26 months diving into it. We were the first American designer jean so there’s a huge heritage there, a huge legacy,” said Melissa Goldie, chief marketing officer for Calvin Klein, referring to the brand’s innovation of putting its name on the back pocket of its jeans. ‘But it’s also a lifestyle brand. You’re going to see more of that from us … being less category driven,’ she added, hinting that there would be more partnerships to come.”
- “It will be interesting to see if the new Calvin Klein Jeans can elevate the Calvin Klein brand name as a whole. In a traditional luxury business model, the women’s runway collection, designed by Francisco Costa since 2003, would be the engine for the company’s creative growth. But it hasn’t been, in large part because it is barely produced. In Los Angeles, for example, it’s only available in a small quantity at Opening Ceremony. Now, Calvin Klein seems to be trying to reposition itself from the bottom-up, and hoping the magic will rub off on all its myriad collections and categories.”

Feb. 19 Style.com article
Calvin Klein’s Ready-to-Wear Collection incorporated many looks from the sixties into its line-up. CK is not the first brand to flashback to the Age of Aquarius; Marc Jacobs and Saint Laurent recently featured similar mod assortments.

- “The Velvet Underground's ‘Venus in Furs’ set the stage for a Calvin Klein collection that looked back at the silhouettes of the late '60s. It was all minis or maxis today, with a few swingy culottes and a pair of jumpsuits in the mix for the dress averse. The looks were paired with stretch over-the-knee boots or Mary Janes with low, stacked heels. The footwear was era-appropriate, although Nico and the gang weren't lucky enough to have gravity-defying stretch technology. Their boots didn't cling with quite the same intensity.”
- “The late '60s have gotten a lot of play on the runways lately. Saint Laurent's Hedi Slimane receives a lot of the credit, but he doesn't own the era. Marc Jacobs had his own mod moment not too long ago. Earlier in his tenure at Calvin, Francisco Costa was less inclined to look backward, but these days it seems just about everybody is doing it. Retromania is one of the defining memes of our time, and not just in fashion. Could it be because of the warp speed at which designers are required to put together new collections?”
- “Yes or no, it’s how you make the past your own that counts. And in that regard, Costa did a good job here, splicing together narrow strips of needle-punched haircalf for short coats and patchworking together various shades of brown, black, and garnet leather for a slim, long one. These were expensive materials treated in costly ways, but the collection didn’t feel precious. Ribbed-knit Lurex-shot dresses had frayed hems, and short leather shifts with geometric arrays of shiny silver studs were cut like T-shirts. They'll be a leggy kick to wear. The pieces that felt the most Calvin, though, were the finale dresses: Narrow tunic-like shapes made from tiny patches of calf hair linked together with chain, they struck a modern, minimalist chord.”
PVH’s Calvin Klein

Calvin Klein Fall Designs
Calvin Klein’s fall designs appear more provocative and gothic than its recent collections.

4 April 10 WWD.com article
Although some of Calvin Klein’s long-term designers are minimalists whose influence has defined the brand’s image, its global creative director considers himself a sensualist, which is clearly represented in his White Label lineup for this fall. The collection contains a rebellious and erotic appeal more so than previous collections.

- “I’m calling myself a sensualist rather than a minimalist.’ That was global creative director Kevin Carrigan’s analysis of his fall lineup for Calvin Klein White Label—and he wasn’t kidding.”
- “Thursday’s presentation featured models in various states of dress in mise-en-scène that gave off a loungy, slightly louche vibe. And Carrigan wasn’t afraid to lose the hard lines to show a lot of skin, albeit tastefully so. Chalk, ecru, tan and black were paired with powdery ice blue and blush pink. In this age of transparency, he didn’t shy away from a little lace or a black bra strap peaking from an ecru knee-length dress or a transparent sleeveless V-neck top (later removed to reveal an ultra-girly bra) worn with a lean powder-blue skirt.”
- “Channeling the label’s pre-minimalist days ‘for a little eroticism,’ Carrigan drew from beautiful Calvin Klein and Bruce Weber images from the Eighties. Another source of inspiration was the all-black, ‘very decadent, kind of sexual’ East 58th Street apartment designed for Klein by Joe Douro.”
- “That decades-old imagery also spurred Carrigan to add texture, as evidenced by an ecru ultra-suede long skirt, knit scarf-neck blouse and faux-fur maxi coat. For ‘a really major ultra-suede statement,’ the material was offered in three weights: substantial for outerwear, mid-weight for skirts and ultralight for tops. He also showed a Calvin Klein performance faux-fur vest and drawstring jogger pants perfect for early-morning gym runs (or morning-after escapes).”
- “Because today’s #mycalvins and logo-underwear-loving crowd might not realize how Klein once fused the rebellious and the erotic into sportswear, Carrigan said, ‘it looked right to kind of tie into that side of Calvin Klein that a new generation might not know about yet.’”
- “For men, silhouettes were narrower, as seen in slim-fit suits in optical patterns and drain-pipe jeans. Fabric choices were also innovative: a black denim jacket bonded on the back with jersey, biker jackets in nylon, and faux-washed leather aviators. Much of the offering had marked Sixties references—but with a modern twist—such as a crewneck...
sweater in mini and macro jacquards, and a bouclé peacoat with a higher button stance. The mostly black lineup, interjected with occasional baby blue, was accented by oxblood shoes, bags and other accessories."

- “In underwear, the fit was still body-hugging, this season with a visual boost from metallic-hued waistbands. But perhaps the most striking look of all was a male model lounging in a sauna wearing nothing but the brand’s new square-face watch and a blanket draped over his lap. Sensual indeed.”

A fashion reviewer describes Calvin Klein’s fall offerings as gothic, but in a good way. Most items in the collection featured black from head to toe with a play on materials and textures, appearing soft and hard at the same time. Calvin Klein also featured big buttons and keyhole dresses.

- “The Goth girls gone wild look is especially alluring, with its black coloring really adding a slimming factor and the way the biggest designers do it making it all less trashy and so much more sophisticated. As always, Calvin Klein knows how to wow us with the house’s latest creations, black from head to toe with a play on materials and textures, appeared soft and hard at the same time; this method is emulated by Rag & Bone but does not have nearly the same alluring result. The Cushnie et Ochs looks are a lot more bondage style, though we cannot help but admire the way the cut-outs enhance the figure and the look of the legs peeking through extremely high slits on the thigh. Crop tops and low waist pants, a shiny leather jacket thrown on top, make for a sportier Goth look by Vera Wang, one where the girls really have gone wild. Casual flings and a whole lot of violence can be expected from this look. The Rodebjer ideal of the gothic edge included leather, circle cut-outs and furry vests, while Marc Jacobs’ vision was utterly feminine and sophisticated.”

- “This may not have been as big as we expected after viewing New York Fashion Week fall 2015 trends, but big buttons did have their place on the runways all over the world at this point. They came back in with a vengeance and between Derek Lam, Victoria Beckham, Tory Burch, Suno and Calvin Klein, the experimentation looked to be going rather well as the pieces appeared on coats, skirts, and jumpers. It was all so retro and we loved seeing every
second of it! Miu Miu’s Sailor bib was certainly entertaining, while we see them squinting at us from the Genny capes.”

- “Where some of the dresses did not have plunging V-necklines, turtlenecks or just plain high round necks, they were given some of the loveliest trending slits on the runway, appearing as keyholes small and large in the center of the chest. Their appearance on the Sonia Rykiel collection was breathtaking, while those slits turned to huge holes on the Calvin Klein runway show.”

Calvin Klein Europe
Calvin Klein is meticulously redesigning some of its underwear shop-in-stores in Europe.

May 11 TheRetailBulletin.com article
Calvin Klein underwear shops throughout Europe are featuring a new look. The structural and color themes that Calvin Klein’s store designer uses to attract potential buyers can be boiled down to a science. The design and lighting accentuates the packaged product and allows the hung product to ‘float’ in front of the wall displays.

- “The new look for Calvin Klein underwear in Helsinki infuses the store environment with a sense of youthful vitality. The primarily linear concept creates a strong visual counterpoint to the CK Jeans and CK Platinum concepts, by using a discreet, monochromatic, palette.”

- On entering the store, the brand’s signature high-contrast palette and corresponding large-scale, monochrome brand photography brings an immediate and visceral excitement to the customer. The sensuality, depth of experience and engagement is deliberately on an intimate level, speaking to both men and women.”

- “Both passive and active light has been used to create zones throughout the store and to infuse theatre into the retail landscape. Meanwhile, the color and patterns used throughout reinforce the male/female product split. In addition, scale and texture have been employed to create key touch points throughout the store, enabling and encouraging discovery and intimacy during the customer journey.”

- “James Breaks, head of design for rpa:group, said: ‘At inception, the challenge for us was to infuse the iconic interior elements with a subtle warmth and lightness-of-touch, thereby, creating a multi-layered experience, that maintained design parity with existing Calvin Klein ranges.’ Architecturally, each store was considered on its own merits. The designs retained and celebrated distinguishing shell features such as structural columns and distinctive ceiling construction.”

- “Internally, Calvin Klein Underwear has a bold fixture style that has a high practical remit for retail-floor storage and mass-display. The clean, linear tone needed to remain as the primary visual cue. Using these elements as a starting point, we began to deconstruct the existing concept, lightening the framework to make it as invisible as possible,
PVH’s Calvin Klein

accentuating the packaged product and allowing the hung product to ‘float’ in front of the wall displays. Rectilinear runs of wall units were given a gentle incline to break repetition, opaque voiles behind system allowed a degree of transparency and light-play to suggest a soft tactile palette, without detracting from the product material and pattern.”

- “As with most successful concepts, the fine detail brought the concept to life and gave it a unique identity. The displays incorporated slender metalwork to frame the product with a hint of reflection, where crystal acrylic inserts provided hints of warmth and color to accent product areas. The recessed troughs in the ceiling rafts used the adjacent gloss black of the brand walls to continue, or multiply, their linear pattern. Short, but deeply set skirting and plinths gave the practical and solid freestanding furniture a suggestion of floating above the floor finish. Each fixture joint was carefully considered to retain a visual simplicity of form, allowing the eye to flow across the surface and directly to product display.”

- “In combination, the store successfully engages the customer with a sophistication that serves both male and female tastes. The primary Calvin Klein precept of classic simple elegance is retained, making the Underwear Concept a worthy and successful addition to the family.”

Additional research by Isabel Bernabe

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