Kors Inks Luxottica Eyewear Deal

By LISA LOCKWOOD

MICHAEL KORS HOLDINGS LTD., which has built a significant eyewear business the past decade, has switched eyewear licensees.

The $3 billion company, which had licensed Marchon Eyewear since 2004, has signed a deal with Luxottica Group for Michael Kors Collection and Michael Michael Kors Eyewear. The first collection produced with Luxottica will launch in January for spring 2015 selling.

The partnership with the $10 billion Luxottica is expected to last 10 years. The two eyewear collections will be carried globally in Michael Kors stores, department stores, select travel retail locations, independent optical locations and Luxottica’s stores.

“We have achieved great success in the eyewear business and believe that our new partnership will further enhance our luxury image in the optical and sunglass marketplace,” said John D. Idol, chief executive officer of Michael Kors. He said that the eyewear business is an important component to the company’s overall growth strategy as it expands globally.

Discussing why they made the switch, Idol told WWD, “The license expired. The people at Marchon are fantastic... We really felt that Luxottica, with its design, development, manufacturing and distribution capabilities, were better suited for our business long-term and for the company’s luxury positioning. It will help us take the business to another level.”

He declined to say how big Kors’ eyewear business is today, but called it significant. “If you look at our ads, Michael [Kors] always thinks accessories are an important element to the Michael Kors woman. It obviously starts with what she’s wearing from the runway, but it’s all about her accessories. It’s her eyewear, handbag and her watch. Michael really feels very strongly about that category. It’s an important element to our fashion positioning. Secondly, it’s an important piece of business for us.”

Asked whether the eyewear designs will change under Luxottica, Idol replied, “They have some of the best design engineers in this space. So their design and development capability is second to none. They’re the best in the world. If you’re going to compete in this global, luxury eyewear market, you have to have the capacity to develop the best product, and Luxottica has that capability.”

Andrea Guerra, CEO of Luxottica Group, added, “We believe that the Michael Kors brand proposition, its solid growth and strong performance across its segments and its innovative fashion design fit perfectly within our portfolio.”

Luxottica’s stable of brands includes Ray-Ban, Oakley, Oliver Peoples and Alain Mikli, as well as licensed brands such as Giorgio Armani, Bulgari, Burberry, Chanel, Coach, Dolce & Gabbana, Donna Karan, Polo Ralph Lauren, Prada, Tiffany and Versace. The company has more than 7,000 optical and sun stores in North America, Asia-Pacific, China, South Africa, Latin America and Europe. Its chains include LensCrafters, Pearle Vision and ILORI in North America and Sunglass Hut worldwide.

Under Luxottica, Michael Michael Kors eyewear will retail from $100 to $175, while Michael Kors Collection eyewear will retail for $185 to $275. (Under Marchon, Michael Michael Kors retail prices were from $90 to $130, while Michael Kors Collection was $130 to $200).

“It’s not tremendously different from where we are today,” said Idol. “We have a very successful eyewear business today. This is about making it better, and taking advantage of design development areas that we think will further enhance the collection.”

In talking to Wall Street analysts in the last quarter, Idol said that licensing income had been driven by strength in Kors’ luxury watch and eyewear businesses.

Kors’ eyewear business generated about 7 percent of Marchon’s sales. Market sources estimate that Marchon does close to $1 billion in sales.

Reached for comment, Claudio Gottardi, president of Marchon Eyewear, which is owned by VSP, said, “We have come to a mutual agreement on the conclusion and transition of our license. While we could not come to an agreement on a renewal, we are excited to continue building on recent successes, which have firmly positioned Marchon as one of the three largest manufacturers and distributors of quality eyewear and sunglass in the world.”

In addition to its portfolio of brands, which includes Calvin Klein and Nike, Marchon over the last three years has added Lacoste, Salvatore Ferragamo, Valentino, Chloé, Bebe, Dragon Alliance and G-Star Raw. Gottardi said Marchon plans to reveal the addition of a number of new brands to the company’s portfolio in the near future.