

# CALVIN KLEIN



[https://66.media.tumblr.com/tumblr\\_m2afgmS3aC1r402xvo1\\_1280.jpg](https://66.media.tumblr.com/tumblr_m2afgmS3aC1r402xvo1_1280.jpg)

## BUSINESS ANALYSIS

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Fundamentals of Business Design

# WHO IS CALVIN KLEIN?

Calvin Klein Ltd was officially born on December 28, 1967. After a failed partnership with Abe Morenstein, a colleague he had worked with as a sketcher for a coat manufacturer, a childhood friend of Klein's, Barry Schwartz, gave the pair \$2,000. This was enough for them to make samples of their works. After their first collection, Morenstein wanted more, but Klein had other plans. Relying on purely on Schwartz, Klein created his own namesake company at the age of 25.[1]

Donald O'Brien, who was then the vice-president of New York City-based retailer Bonwit Teller, was said to be on his way to an appointment when he walked past Klein's coats in his studio door. O'Brien was so intrigued after his visit to Klein's studio, he invited a friend by the name of Mildred Custin. Custin, who was the president of Bonwit Teller at the time, made a "sizable" order from Klein and the rest is history. Bonwit Teller featured Klein's designs on full-page advertisements in The New York Times. It wasn't long until Bergdorf Goodman and Saks jumped on board. In its first year of business, Calvin Klein Ltd made out with a profit of roughly a million dollars.<sup>1</sup>

Klein held his first fashion show in April 1970. Despite it being a modest, \$10,000 show, Women's Wear Daily (WWD) reported that, "In just 50 pieces, Calvin Klein joins Seventh Avenue's Big Names as a designer to watch." Klein was, "the fashion answer to this season's rising prices."<sup>1</sup>

By 1971, Klein Ltd was worth \$5 million. In 1973 and 1974, Klein won the Coty American Fashion Critics award, in 1975 he was became the youngest designer to be voted into the Coty Hall of Fame. By 1976, Calvin Klein Ltd's licensing deals alone grew to a net worth of \$6 million. He expanded into menswear with Calvin Klein Menswear Inc. as well as fragrance in 1977. Using his own money to fund his fragrance venture, Klein hired Stanley Kohlenberg of Revlon. Klein later told WWD that the launch of his 1985 fragrance, Obsession, was "the most important thing we've ever done."<sup>2</sup>

[1]

Dike, J. "Fashion History Lessons: Calvin Klein." Aug. 4, 2016. High Snobiety. Retrieved from <https://www.highsnobiety.com/2016/08/04/calvin-klein-brand-history/>

[2]

"The History of Calvin Klein." Feb. 19, 2019. Galaxxy Perfumery. Retrieved from <https://www.galaxxyperfumery.com/the-history-of-calvin-klein/>

# WHAT IS CALVIN KLEIN?

Calvin Klein Inc. is a private, for-profit company specializing in fashion and wearables. Headquartered in the greater New York Area, it is an active brand with over 10,000 employees[1]. Klein sold Calvin Klein Int. to Phillips-Van Heusen (PVH) in 1990, however Klein was adamant about maintaining control of the company. In 2002, The New York Times published an article claiming that Klein had lost his creative control over his namesake company due to the sale. PVH chief executive Bruce Klatsky responded in that “we’d be idiots not to respect his opinions and we’ll absolutely pay attention to what he has to say.”<sup>1</sup> PVH purchased Calvin Klein for \$430 million.<sup>3</sup>

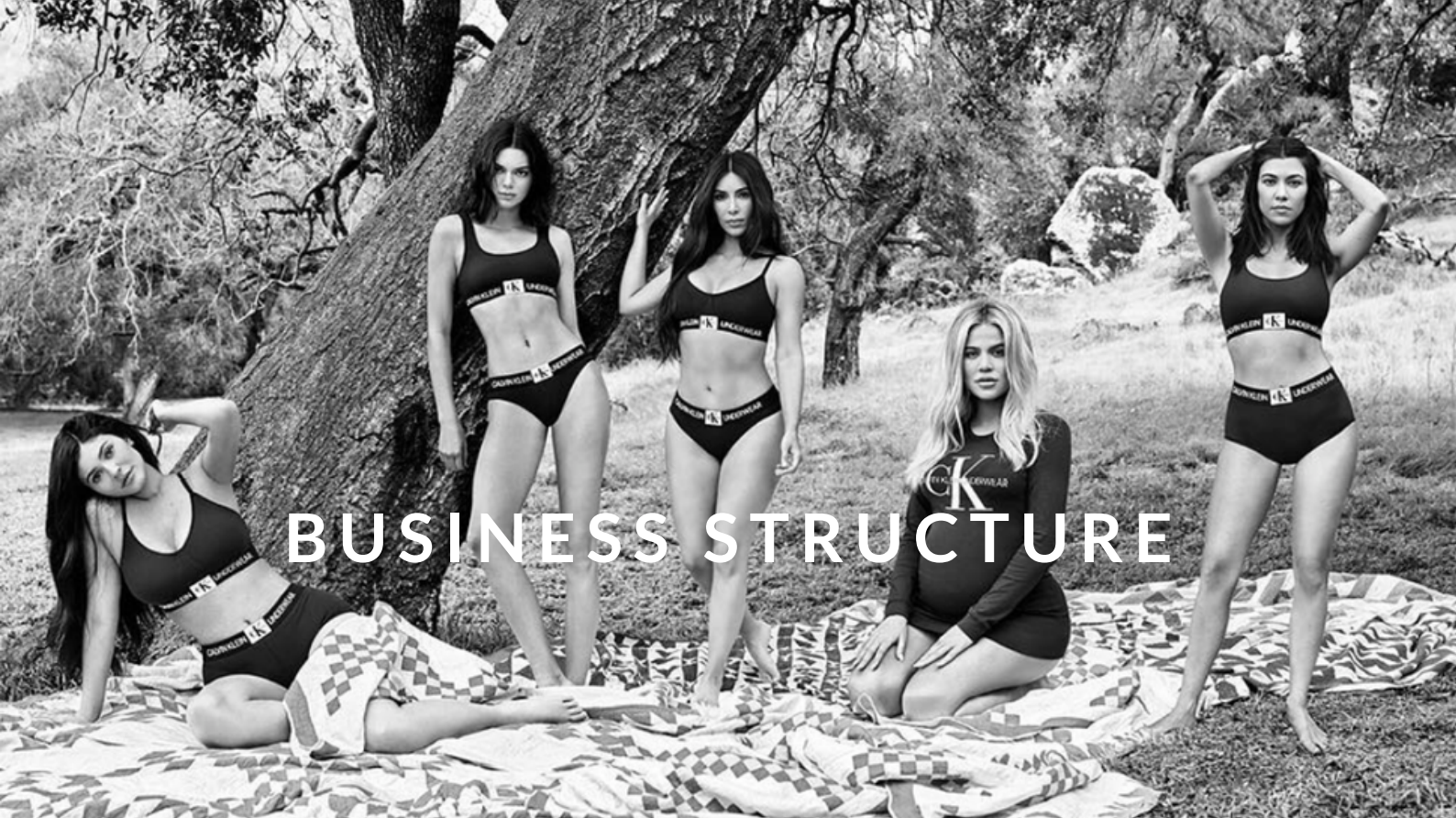
Ulrich Grimm now serves as creative director of Calvin Klein Men’s and Women’s Shoes as well as Accessories. Italo Zucchelli serves as Men’s creative director with Francisco Costa as Women’s creative director, Amy Mellen as creative director of the Calvin Klein brand and Kevin Carrigan as global creative director. Marie Gulin-Merle is Klien’s chief marketing officer.<sup>3</sup> Calvin Klein is one of the world’s leading fashion design studios. It designs as well as markets its wide range of products through and extensive network of licensing agreements. It is funded by mergers and acquisitions and has received a “CB Rank”, an algorithmic rank assigned to the top 100,000 most active companies by Crunchbase.com, of 82,931.<sup>3</sup>

[3]

Crunchbase.com. Retrieved from <https://www.crunchbase.com/organization/calvin-klein#section-overview>

**"I don't dwell on success. Maybe that's one reason why I'm successful"**

Calvin Klein



# BUSINESS STRUCTURE

Calvin Klein is privately owned by PVH Corp and is not publicly traded. It is a for-profit company, which means that their profits come from the sales of their products. What originally began as a partnership between Calvin Klein and his childhood friend, Barry Schwartz, the Calvin Klein name was sold to PVH as the sole proprietor in the early 2000s[1]

Although Calvin Klein itself is not publicly traded, it's parent company, PVH Corp, is among the top 25 publicly traded companies in the U.S. In 2015, PVH Corp listed #15 on Women's Wear Daily for the top 25 U.S. businesses and totaled an annual average profit of just over \$4 billion.[2] PVH Corp owns 5 fashion brands consisting of Klein, IZOD, Tommy Hilfiger, Van Heusen and Arrow[3].

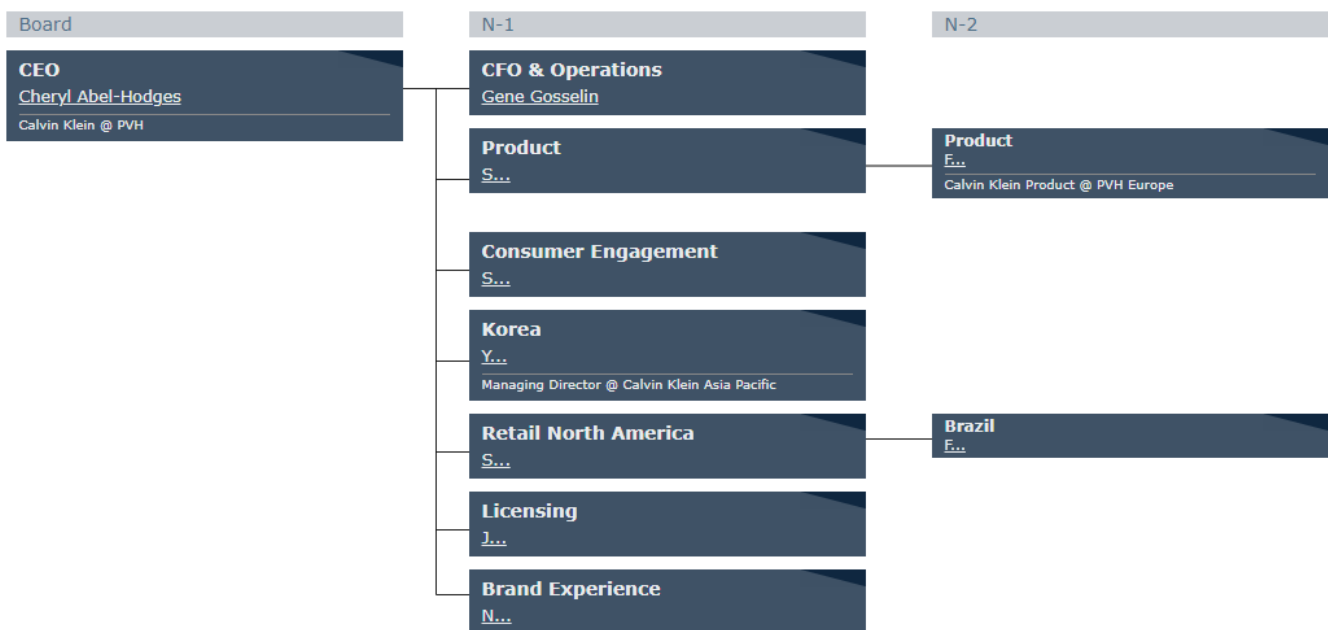
[1] Calvin Klein, Inc. Vault.com. Retrieved from <https://www.vault.com/company-profiles/general-consumer-products/calvin-klein-inc>

[2] "Top 25 U.S. Companies." Women's Wear Daily. May 2015. Retrieved from <https://wwd.com/business-news/financial/top-25-us-companies-fashion-apparel-sector-10126827/>

[3] Business Groups. PVH.com. Retrieved from <https://www.pvh.com/company/business-groups>

The industry of fashion is all about creativity and art. Without the full control over a business, all creative ventures are placed under scrutiny and the artistic value is restricted due to the pressure from shareholders. Remaining private limits the company's responsibilities to their investors and board members. The strong influence of Calvin Klein himself and the history of the company being owned by him personally makes the private status of Calvin Klein understandable.

Cheryl Abel-Hodges is CEO of Calvin Klein and answers to the CEO of PVH Corp, Emanuel Chirico. Below Abel-Hodges is Calvin Klein CFO and Executive Vice President Gene Gosselin. Gosselin presides over the President of Calvin Klein products as well as the Chief Product Officer, etc.



<https://www.theofficialboard.com/org-chart/calvin-klein>

**"I'm crazy and I don't pretend to be anything else."**

Calvin Klein

Because PVH is the sole proprietor of Calvin Klein, PVH holds the majority of power in investors and financial decision-making –which may have been the issue during Raf Simons' reign from 2016 to 2018. PVH Corp directs their brands to operate as a “multi-billion-dollar, multi-tiered brand[s], driven less by high design and more by mass marketing.” Simons operates on more personal, more artistic level with an intricate eye for art and design. Simons clearly had no experience in PVH Corps drive for sales and PVH Corp had no clear experience in handling the high-fashion designs of Simons.[1]

Simons' designs did very well in fashion shows and even won him high notoriety in the fashion design industry. However, his designs were unable to sell in the market PVH had created for the Calvin Klein brand and retailers were forced to knock down the prices –costing PVH and Calvin Klein profit value.<sup>4</sup> Simons was originally brought to CK to bring a taste of new design to the brand, only for the brand to not be able to sustain the new designs. There was a huge disconnect in not only Simons needs and the needs of PVH but also the needs of the Calvin Klein brand. Almost as if PVH wanted to return Calvin Klein to the artistic, designing nature of the company before it was acquired by PVH. As the company already owns several other clothing brands such as Tommy Hilfiger and IZOD, Calvin Klein had lost its chance at being the one high-fashion brand of PVH when Simons left.

Had PVH given Calvin Klein its own marketplace in the high-fashion industry as opposed to the ready-to-wear retail industry it is most popular for, this would have been a different story for Raf Simons and Calvin Klein. This is one issue that occurs under a sole proprietorship that is publicly traded –the brand is expected to cater to the needs of the investors rather than the needs of its own company. PVH needed to step back and return Calvin Klein to its designer high-fashion status while under the creative direction of Simons. No more mass producing, no more mass marketing was needed under Simons –just a market space for high-fashion designs. Unfortunately, PVH Corp did not provide the high-fashion market penetration for Simons' designs –which costed the company a lot of money as well as their original design team and their reputation as they became an unpopularly hot topic in the fashion world.

[5]

Fernandez, C. “Raf Simons and Calvin Klein: Behind the Breakup.” Dec. 2018. Business of Fashion. Retrieved from <https://www.businessoffashion.com/articles/news-analysis/raf-simons-exits-calvin-klein>



Calvin Klein

Calvin Klein

# MISSION, VISION AND GOALS

Calvin Klein is a product of a partnership with Calvin Klein himself and Barry Schwartz in 1968. The company continues to work towards fashion progressiveness with “provocative imagery and striking designs to ignite the sense”. The company sets its beliefs in expression of individuality and boldness through fashion. Calvin Klein values individuality, partnership, passion and integrity and does so by inspiring and thrilling their audience through innovative and creative designs and imagery.

Owned by PVH Corp, Calvin Klein operates as a privately traded company. Their customers are fashion-forward individuals who value quality-made garments as well as universal style. Calvin Klein commits transparency, accountability and security and strives to create experiences that move their customers. Their “Privacy Principles” are aimed to comply with law as they care about doing the right thing for their millions of customers.

Calvin Klein’s current mission statement is as follows:

“CALVIN KLEIN is a global lifestyle brand that exemplifies bold, progressive ideals and a seductive, and often minimal, aesthetic. We seek to thrill and inspire our audience while using provocative imagery and striking designs to ignite the senses.”

A better option for a mission statement would have a heavier emphasis on their customers, for instance:

CALVIN KLEIN is a global lifestyle brand that values our customers as individuals with individual needs, styles and expressions. Our universal styles open doors for our audience to explore a life that will inspire, thrill and ignite the senses through a seductive, minimal aesthetic. We welcome bold, progressive ideas and strive to promote timeless individualism and style amongst our clientele.

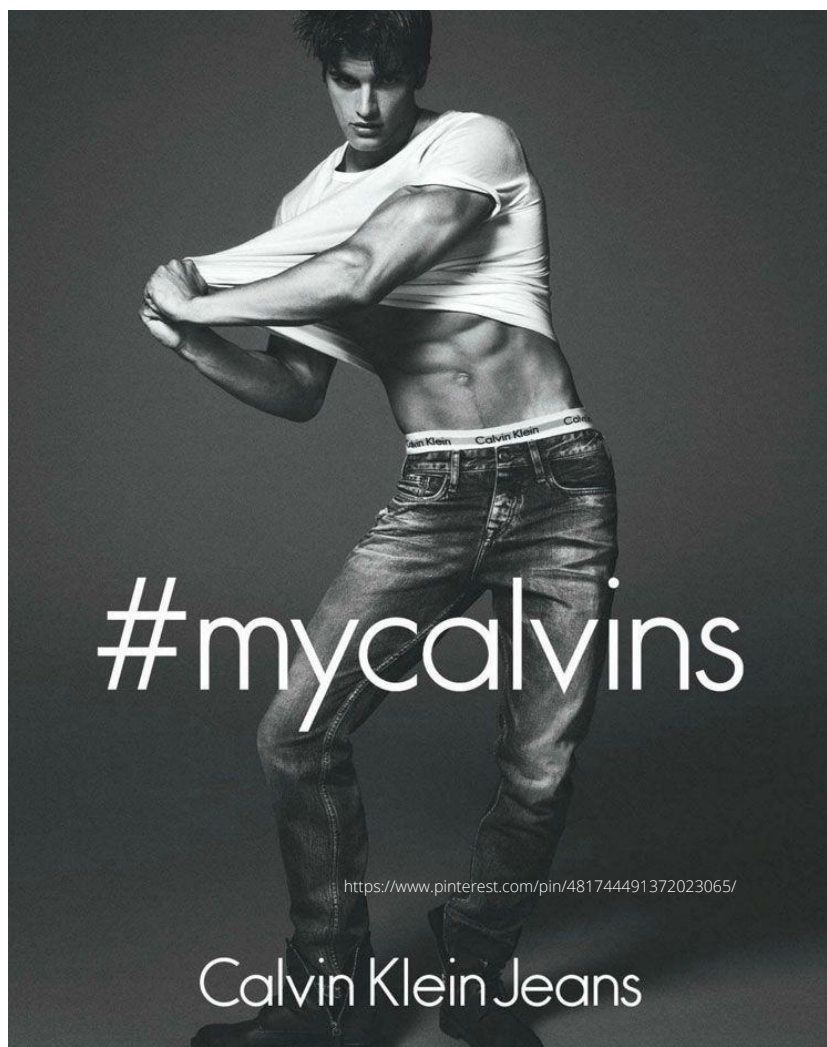


Calvin Klein's vision statement is a brief explanation of their digital marketing and advertising goals:

"We believe that CALVIN KLEIN is well positioned to achieve our 2020 vision of establishing it as one of the world's greatest brands. With the North Star of "Defying the boundaries of self-expression" guiding its design, marketing and consumer engagement initiatives, we believe that CALVIN KLEIN will convert its investments into ongoing commercial success."



These goals are clearly short-term as it only addresses the 2020 year; I believe this is due to the fact that the fashion industry does change from season to season and it would be difficult to predict the market needs in terms of years. The statement speaks of initiatives towards marketing and consumer engagement, just recently Calvin Klein had pledged that they will no longer be providing advertisements for print media and that all of their marketing will be accessible online. So far, Calvin Klein's marketing has been 100% digital.



This supports Calvin Klein's idea that the future is digital! Calvin Klein is pulling its presence from print because of a vision of a cheaper, more sustainable way of marketing and advertising. If Calvin Klein achieves in its participation in relying solely on digital media for marketing and advertising, fellow luxury brands will take notice and follow suit, depleting major magazines and newspapers of their business. Could this be a good thing? Yes for Calvin Klein as they will be substituting print ads for a cheaper alternative. However, print media profit the most off of their advertisements so this could be detrimental to the success of newspapers and print magazines.

# EXECUTIVE MANAGEMENT LEADERSHIP AND SWOT ANALYSIS

The executive team of Calvin Klein value the brand name Calvin Klein himself had created before the selling of the company to PVH Corp in 2003. Upon the sell, PVH Corp had stated that, although Calvin Klein no longer owns his namesake company, his thoughts and creative direction will always be welcomed. He was, after all, what originally grew the company to the size it is today. There is also reason to believe that the team values innovation in both business strategy and clothing design.

## Calvin Klein SWOT Analysis

### Strengths:

- Recognizable brand name
- Expert marketing
- Global reach
- Wide social media presence

### Weaknesses:

- Large, global audience
- Redundancy in products make for a tired audience

### Opportunities:

- Reach to younger generations
- Newer customer base
- Use of digital and social media for brand penetration

### Threats

- High competitor risk
- Changing customer base

Calvin Klein's recognizable brand name is laid out as its top strength as it is an extremely popular name in both households and runways. Having a big brand name automatically ensures brand recognition among consumers. Their expert marketing, global reach and wide social media (as well as online) presence go hand-in-hand and promotes interaction between both brand and the brand's customers. With these strengths come great opportunities. Because they have such a strong social media presence, their reach to younger generations becomes greater and in turn introduces them to the newer wave of consumers.

On the other hand, Calvin Klein's weaknesses are that they do have such a large and global audience. Typically seen as a strength, the larger the audience, the more expectation and responsibility to quality products and services is being placed on the brand. This gives the brand little to no leeway in taking risks and making mistakes. Another weakness pointed out in the SWOT analysis is the threat of redundant products. Calvin Klein underwear, for instance, caused such an uproar over social media for its simple design. However, as styles and attention spans change, the simplistic and sporty look of the underwear have since left the customers uninterested and looking elsewhere for their undergarment needs. This works in sync with the threats of Calvin Klein and their changing customer base. Since moving to digital marketing, Klein's main target has obviously been the younger, tech-savvy generations who are looking for something new to bring to their Instagrams, not the same plain white sports bras and briefs social media influencers have been wearing for years.

A large part about Calvin Klein's business strategies is that earlier this year they had pledged to go 100% digital in their marketing and advertising. In doing so, as explained in Angus Dawson and Chris Bradley's digital strategy framework, Calvin Klein has "sorted demand". This piece of Dawson and Bradley's strategy determines the ease and specificity of audience reach. By going digital, Calvin Klein is reaching their audience directly through online advances without paying for page space in magazines with no clear indication of the who the advertisement is reaching nor the affect the advertisement has on its audience.

Calvin Klein's issues, however, do not lie within the business frameworks but rather in the inner workings of their designs. After lead designer Raf Simons left unexpectedly in 2018, Calvin Klein announced they would continue their journey with no runway collection and no lead designer. How did this go for the company? Just last month Calvin Klein announced that they are on the search for their new lead designer. Simons parted ways with CK in a mutual agreement that there was a difference in Simons' creative vision and the CK brand direction. Chirico explained that Simons was "too elevated and too fashion-forward for our core consumer." Many have felt that, although Simons' designs didn't match the larger idea of CK's customer base, his designs were innovative, fresh and new to even the "capital F-fashion" scene.[1]

[1] Sebra, M. and Wolf. "Raf Simons is out of Calvin Klein." 2018. GQ.com. Retrieved from <https://www.gq.com/story/raf-simons-exits-calvin-klein>

<https://www.imgmodels.com/news/indya-moore-i-speak-my-truth-mycalvins>

**I SPEAK MY TRUTH  
IN #MYCALVINS**

INDYA MOORE

# EXTERNAL MARKET ANALYSIS

With Calvin Klein in the market for a new lead design team, the business is in a highly vulnerable position for disruptive innovation to occur. Their last lead designer, Raf Simons, proved to be quite the disruption himself when his designs were proved to be too much for the current Calvin Klein marketplace. Simons' designs were the most popular for the 2017 New York Fashion Week, but weren't landing well in department stores. Simons' high-fashion designs could not hold their own in the marketplace PVH Corp had created for the brand. The price tags of the designs were too much for Calvin Klein customers and stores were being forced to cut prices by up to 35%.[1] In this case, the lifestyles, demographics and bank accounts of Calvin Klein's consumers were terribly miscalculated. The external factor of knowing and reacting to their consumer habits is one that PVH Corp as well as Calvin Klein pledges to hold priority when finding their next design team.[2]



Raf Simons' first NYFW show with Calvin Klein was an insatiable hit among fashion critics.

<https://www.hollywoodreporter.com/news/everything-happened-at-raf-simons-first-calvin-klein-show-974276>

[1] Binkley, C. (Feb. 2019) "Calvin Klein's Raf Simons hire was supposed to be a game-changer. Here's why it wasn't." Los Angeles Times. Retrieved from <https://www.latimes.com/fashion/la-ig-raf-simons-calvin-klein-breakup-20190204-story.html>

[2] Suttle, R. "The Macroenvironmental Factors Affecting the Clothing Industry." Chron.com. Retrieved from <https://smallbusiness.chron.com/macroenvironmental-factors-affecting-clothing-industry-37254.html>

Simons' designs being too fashion-forward for Klein's typical consumer base goes hand-in-hand with the external factor of economics that continually challenge the marketplace for fashion. In response to the copious amounts of Calvin Klein inventory, retailers like Saks had to sell the top-dollar designs at substantially lower prices. Moving forward with external economic factors that will impact the future fashion marketplace, the balancing act of retailers marking down high-dollar items will most likely be a popular occurrence during the 2020 annual recession. Retailers will once again find themselves overwhelmed in inventory that is not selling due to financial restrictions on consumers; therefore, they will be forced to make their prices more budget friendly.<sup>2</sup>

Another large aspect of Calvin Klein that opens the brand to disruptive innovation is their announcement that they are adopting a digital-first approach when it comes to marketing and advertising. In early 2019, with their announcement of their search for a new lead designer and team, Calvin Klein ended all print campaigns. They are now focusing their marketing efforts 100% on websites, social media and other digital media.<sup>[1]</sup> In an attempt to better target their consumers, Calvin Klein taps into technological external factors that will impact the future of the fashion industry<sup>2</sup>. With several successful digital campaigns already under their sleeve with the #MyCalvins hashtag and the endorsement of big-name celebrities over social media feeds, Calvin Klein has already quite the digital footprint. There is no suspicion that Calvin Klein will find struggles in their newest marketing venture of digital media.

[3] Sweeney, E. (Dec. 2018). "Calvin Klein Adopts Digital-First Approach, Leaving Print-Ads Behind." Marketing Dive. Retrieved from <https://www.marketingdive.com/news/calvin-klein-adopts-digital-first-approach-leaving-print-ads-behind/544043/>

When it comes to market reach, Calvin Klein has had to temporarily put a hold on its runway fashion collections due to the early leave of Raf Simons. Although this has also put a hold on opportunities in market reach and expansion for their high fashion line, their denim line is taking this time to expand into the “genderless” depths of the marketplace. Revisiting what was once CK One Scent, a genderless fragrance for all, their newest jeans and underwear collection is based on pieces with “genderless appeal”. “Oversized Trucker jackets, denim vests, mom jeans, dad jeans, denim skirts and shorts with raw hem cuts make up the bulk of the jeans collection,” are said to be expected from the new line as well as logo t-shirts and hoodies. Accompanying will be an underwear line that “boasts all-over logo prints, color-blocked styles and camouflage motifs.” Which will all be an interesting switch-up from the Raf collections.[1] A genderless market is a very innovative step for Calvin Klein and one that is very timely to today’s political and societal environment. This line certainly opens up many opportunities for market reach and expansion into the genderless world of fashion.

[4]

Velasquez, A. (Feb., 2020). “Calvin Klein Revisits Its CK One Brand With Genderless Denim.” SourcingJournal.com. Retrieved from <https://sourcingjournal.com/denim/denim-brands/calvin-klein-ck-one-denim-collection-genderless-fragrance-192400/>



<https://www.nssmag.com/en/fashion/18571/calvin-klein-mycalvins>



# DESIGN THINKING

In 2019, Calvin Klein chief marketing officer Marie Gulin-Merle wrote a piece for Google about the marketing principles she implicates in her position. Speaking Calvin Klein's adoption of digital marketing as their sole vehicle, Gulin-Merle stakes the claim that "at least 50% of sales are now digitally influenced across industries and regions;" making Calvin Klein's reliance on digital platforms an experiment in itself.[1]

In the industry of fashion, everything is an experiment. From fresh designs to new campaigns, no brand wants to bore their customers. There was no question when Calvin Klein brought on designer Raf Simons as a creative specialist. "We were a fashion company with diminishing fashion relevance," said Calvin Klein chief executive Steve Shiffman about the brand pre-Raf Simons[2]. Relevance, in which Gulin-Merle speaks of is "the new North Star"<sup>1</sup>.

[1] Gulin-Merle, M. "4 marketing principles to live by from the brand boss at Calvin Klein & PVH." (Sep. 2019). Retrieved from <https://www.thinkwithgoogle.com/marketing-resources/4-marketing-rules-to-live-by/>

[2]Binkley, C. "Calvin Klein's Raf Simons hire was supposed to be a game-changer. Here's why it wasn't." (Feb 2019). Los Angeles Times. Retrieved from <https://www.latimes.com/fashion/la-ig-raf-simons-calvin-klein-breakup-20190204-story.html>

Raf Simons certainly did bring a new light to Calvin Klein. Introducing the custom By Appointment line which targeted the high society of the rich and famous with each piece made-to-measure. What was once only available to celebrity clientele was now being offered to Calvin Klein and Raf Simons fans.[1]

With made-to-measure services to collaborations with the Andy Warhol Foundation, Calvin Klein with Raf Simons was a 3-year exploration of art. However, their designs were struggling in the market place. It was clear that Calvin Klein was using design thinking in the literal sense of their designs, but failed to take into consideration just how financially unappealing their high-end fashions would be to their client-base. In other words, their thousand dollar sweaters were not selling in retail stores. Prices were being hacked and stores were stuck with large numbers of inventory.<sup>2</sup> It seems as though the brand was so eager to become a hot topic in the haute couture discussion but forgot who they were as a brand and who their customers are as consumers.

Ultimately, Raf Simons' time with Calvin Klein was cut short and CK has announced their search for a new designer. Searching for a new lead designer is an exciting time for the brand as it can regroup and focus on the goals of the company as well as how those goals can be achieved. This is where the brand should revisit the creative design process and re-write their plan with their customers in mind. "I'm on a plane," writes Gilen-Merle, "building the plane while it's in the air, and making sure my team's not too overwhelmed but excited by the process."<sup>1</sup> The Simons era of Calvin Klein may have not been too fruitful for their retail market, but their design search announcement once again has fashion followers talking.

[3]

Yotka, S. "Calvin Klein Launches Made-to-measure Service." (Jan. 2017). Vogue Magazine. Retrieved from <https://www.vogue.com/article/calvin-klein-by-appointment-2>

# BUSINESS MODEL CANVAS








## The Business Model Canvas

Designed for: Calvin Klein

Designed by: Cassidy Payne

Date: 2/25/20

Version:

<p><b>Key Partners</b> </p> <p>"Licensing continues to be a significant component of Calvin Klein's business, as 53% of global retail sales under the brand in 2018 were generated from licensed businesses. Licensing revenue is included in the region in which the products are sold to consumers. Calvin Klein's two largest licensees in terms of 2018 global retail sales were:</p> <p>G-III Apparel Group, Ltd. ("G-III"), which generated approximately \$1.9 billion in global retail sales in 2018 (primarily in North America) selling men's and women's coats, swimwear and luggage; women's suits, dresses, sportswear (casual apparel) and performance apparel; handbags and small leather goods. Additionally, in 2019, we entered into a license agreement with G-III for the CALVIN KLEIN JEANS women's jeanswear collections in the United States and Canada, with the first collection to launch in Spring 2020.</p> <p>Coty, Inc., our fragrance licensee, which generated approximately \$1.3 billion in global retail sales in 2018. CALVIN KLEIN continues to be a top designer fragrance brand worldwide."</p> <p><a href="https://www.pvh.com/company/business-groups">https://www.pvh.com/company/business-groups</a></p>	<p><b>Key Activities</b> </p> <p>"Product categories that are distributed in North America include men's sportswear (casual apparel), jeanswear, dress furnishings, underwear, outerwear, fragrance, accessories, footwear and performance apparel; women's sportswear (casual apparel), jeanswear, dresses, intimates, suits, outerwear, fragrance, accessories, handbags, footwear and performance apparel; and soft and hard homegoods. We believe that the largest growth opportunities in North America exist in performance apparel, women's intimates, men's sportswear (casual apparel), women's jeans (under our license, G-III) and accessories."</p> <p><a href="https://www.pvh.com/company/business-groups">https://www.pvh.com/company/business-groups</a></p>	<p><b>Value Propositions</b> </p> <p>"We seek to thrill and inspire our audience while using provocative imagery and striking designs to ignite the senses."</p> <p><a href="https://www.calvinklein.us/en/about-us">https://www.calvinklein.us/en/about-us</a></p> <p>CK exemplifies in their market segmentation by prioritizing the relationships they build with their customers. Their main aim is to keep those relationships long-term while also attracting new relationships with new customers.</p>	<p><b>Customer Relationships</b> </p> <p>Calvin Klein is highly active on social media platforms, particularly Instagram, and interacts with their consumers on a digital platform.</p> <p>"We believe in offering our products in the distribution channels that are most compelling and convenient for our consumers. Accordingly, we have been focused across all of the regions where we operate on increasing the penetration of our products sold online, particularly with our wholesale partners. We have elevated our overall digital and marketing experience by implementing an "always on" approach. This includes more collaborations with brand ambassadors and key influencers, and offering fresh social media content, capsule collections and new brand activations, particularly at a local level."</p> <p><a href="https://www.pvh.com/company/business-groups">https://www.pvh.com/company/business-groups</a></p>	<p><b>Customer Segments</b> </p> <p>Looking at the demographics of Calvin Klein's target customers, they range from upper-middle class youth to business executives. CK targets men and women between the ages of 15 and 30. The brands use of social media influencers, bloggers and celebrities tells us that these targeted customers are men and women between the ages of 15 and 30 who are exploring their opportunities in this world and are aspiring to find new and exciting things in the fashion marketplace. These consumers live a particular lifestyle that welcomes the higher price tags of Calvin Klein's designer products and find fashion to be a luxury worthy of splurging on.</p>
<p><b>Cost Structure</b> </p> <p>"Calvin Klein is a premium brand with reasonable pricing policy as it believes in the concept of large volumes and hence larger turnover. It has also used a skimming technique to promote its premium products. The strategy involves entering a market with premium prices and slowly decreasing them through numerous offers to attract and maintain its customer base. It has also taken help of Discount pricing and has thus allowed discounts and other bargains to create further sales."</p> <p><a href="https://www.marketing91.com/marketing-mix-calvin-klein/#Price-in-the-Marketing-Mix-Of-Calvin-Klein">https://www.marketing91.com/marketing-mix-calvin-klein/#Price-in-the-Marketing-Mix-Of-Calvin-Klein</a></p>	<p><b>Revenue Streams</b> </p> <p>"Calvin Klein North America accounted for 48% of Calvin Klein's revenue in 2018... Our international operations accounted for 52% of our 2018 Calvin Klein revenue (including revenue generated in Europe, most of Asia, Australia, New Zealand and Latin America)... Calvin Klein's Asia Pacific operations accounted for 20% of Calvin Klein's revenue in 2018... We also maintain a 50% interest in a joint venture in India... Calvin Klein's European business accounted for 30% of Calvin Klein's revenue in 2018... Calvin Klein's Latin America business, which consists primarily of our directly controlled operations in Brazil, accounted for 2% of Calvin Klein's revenue in 2018."</p> <p><a href="https://www.pvh.com/company/business-groups">https://www.pvh.com/company/business-groups</a></p>			



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# REVIEW OF FINANCIAL MANAGEMENT

*All figures come from Macrotrends.com*

<https://www.macrotrends.net/stocks/charts/PVH/pvh/>

## Liquidity

*Current (2019) Ratio:*

\$11.864B (assets) = \$1.966B

\$6.036B (liabilities)

*Networking Capital to Sales Ratio:*

\$11.864B (assets) - \$6.036B (liabilities) = \$0.604B

\$9.657B (sales)

*Quick Ratio:*

\$11.864B (assets) - \$1.732B (inventory) = \$1.679B

\$6.036B (liabilities)

PVH total assets for 2019 were \$11.864B, a 0.19% decline from 2018.

PVH total liabilities for 2019 were \$6.036B, a 4.94% decline from 2018.

PVH annual revenue for 2019 was \$9.657B, a 8.32% increase from 2018.

PVH inventory for 2019 was \$1.732B, a 8.87% increase from 2018.

## Solvency

\$0.746B (net income) + \$0.335B (depreciation) = \$0.179B

\$6.036B (all liabilities)

PVH annual net income for 2019 was **\$0.746B**, a **38.79% increase** from 2018.

PVH total liabilities for 2019 were **\$6.036B**, a **4.94% decline** from 2018.

PVH annual total depreciation and amortization - cash flow for 2019 was **\$0.335B**, a **3.05% increase** from 2018.

## **Profitability**

### ***Gross Profit Margin:***

\$0.776B (gross income) ÷ \$0.080B

\$9.657B (sales)

### ***Operating Profit Margin:***

\$0.892B (operating income) ÷ \$0.092B

\$9.657B (sales)

### ***Net Profit Margin:***

\$0.746B (net income) ÷ \$0.077B

\$9.657B (sales)

PVH annual operating income for 2019 was **\$0.892B**, a **35.87% increase** from 2018.

PVH annual net income for 2019 was **\$0.746B**, a **38.79% increase** from 2018.

PVH annual pre-tax income for 2019 was **\$0.776B**, a **52.02% increase** from 2018.

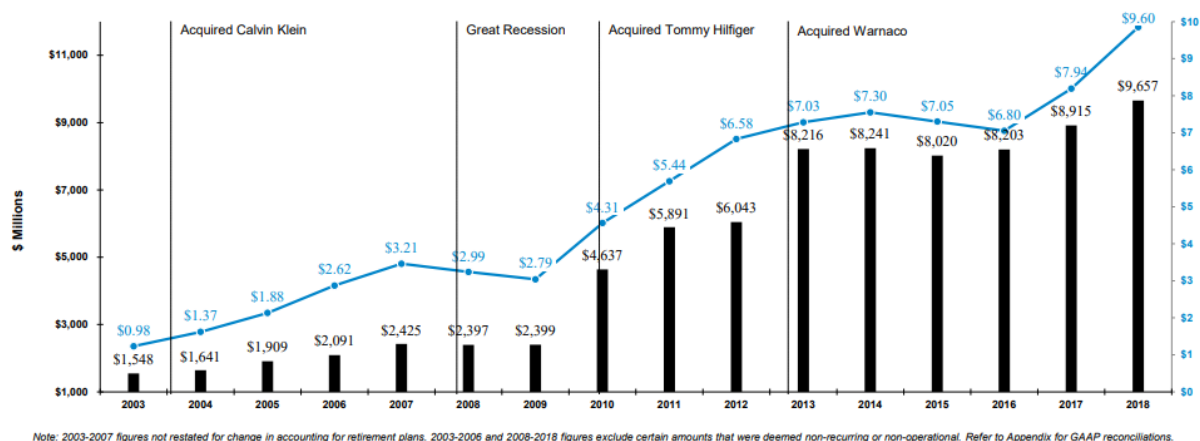
PVH annual revenue for 2019 was **\$9.657B**, a **8.32% increase** from 2018.

Seeing as how all figures are in the positive, I would say PVH had a pretty good 2019. There seems to be a fluctuation between income, liabilities and assets: income increasing from 2018 while liabilities and assets decreasing from 2018. As shown in figure 1, sales and earnings for PVH Corp are on a continuous steady rise.

## A rich history of sales & earnings growth

### Revenue & EPS growth (2003 - 2018)

13% revenue CAGR & 16% EPS CAGR



Note: 2003-2007 figures not restated for change in accounting for retirement plans. 2003-2006 and 2008-2018 figures exclude certain amounts that were deemed non-recurring or non-operational. Refer to Appendix for GAAP reconciliations.



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Figure 1. An excerpt of PVH Corp’s Annual Stockholder Meeting shows a healthy growth in sales and earnings from fiscal year 2003 – 2018.

<https://www.pvh.com/~media/PVH/Files/Investors/Reports/PVH-2019-AnnualStockholderMeeting.ashx>

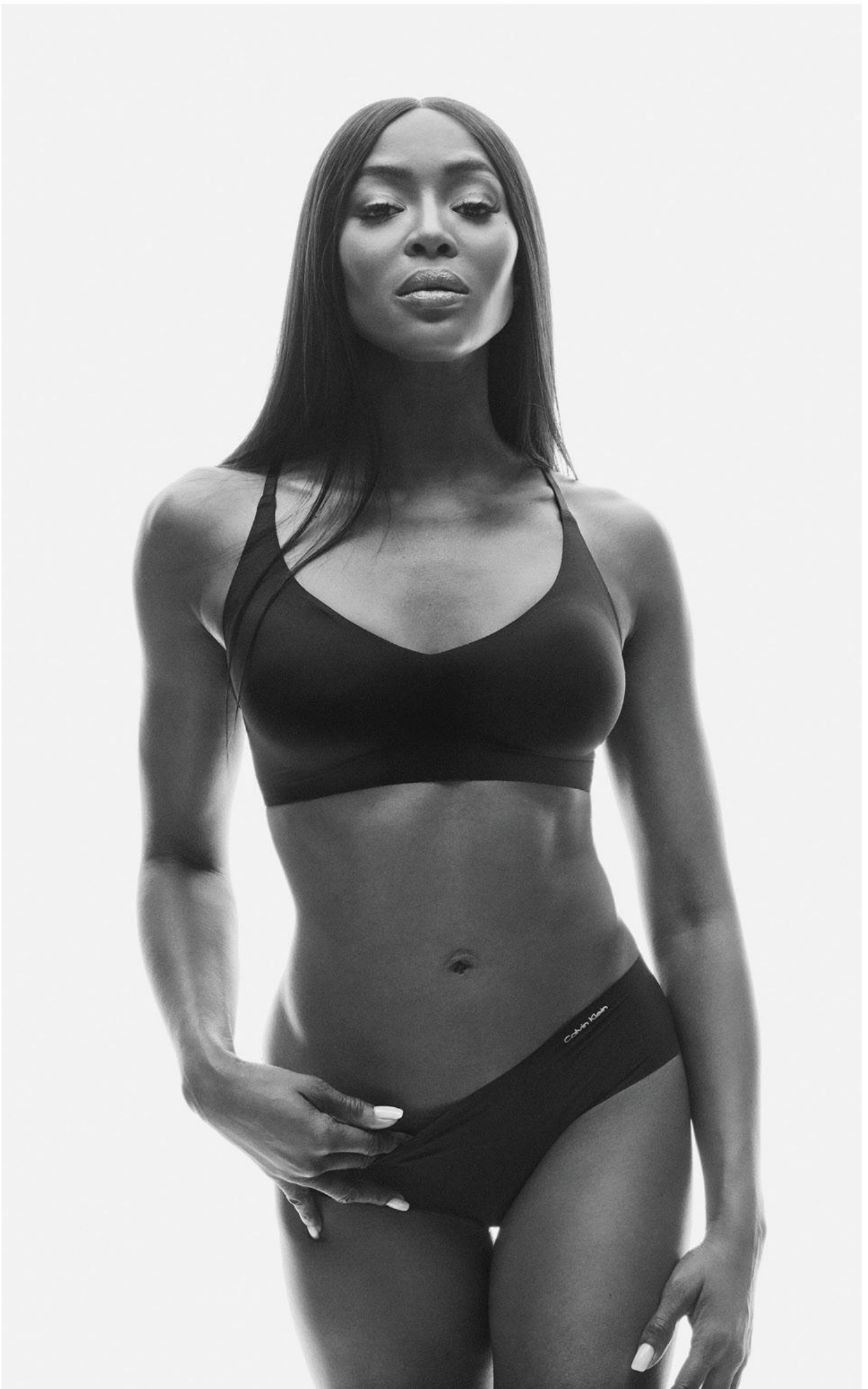
During the 2019 Stockholder Meeting, PVH expressed their vision for their three fashion companies: “To be the most admired fashion and lifestyle company in the world.” With their drive for customer engagement with personalized shopping experiences and their priority to deliver on sustainable profit growth and creating long-term stockholder value, PVH Corp predicts to maintain a steady growth for the future.[1]

During my analysis of PVH Corp’s 2019 financial performance, I’ve found that their income has increased quite dramatically compared to last year’s. With their pre-taxed income increasing 52% from 2018, their operating and net incomes follow suit with an increase of the higher 30%. On the flip side, their liabilities decreased by a slim 4% and their depreciation levels rose by an even slimmer 3%. This, to me, reads as a healthy growth in financial performance.[2]

[1] PVH Corp Annual Meeting of Stockholders. June 2019. Retrieved from <https://www.pvh.com/~media/PVH/Files/Investors/Reports/PVH-2019-AnnualStockholderMeeting.ashx>

[2] Macrotrends.com. Retrieved from <https://www.macrotrends.net/stocks/charts/PVH/pvh/>





# STRATEGIC ANALYSIS SUMMARY

Calvin Klein's mission is to "provoke discovery and brave thinking" among their customers and clients. Striving to make a positive impact on the world while inspiring passion in their people.[1] CK's main targeted consumers are fashion-forward young people who are minimalistic in their lives and styles. From launching a line of genderless jeans to swearing off print advertising, Calvin Klein is aiming for the future of fashion. For these reasons, I believe that Calvin Klein could greatly benefit from launching an environmentally-friendly campaign.

The current political environment is raising concerns for geographical environment of the world. Big businesses are getting relief from programs and provisions set forth to decrease pollution and legislation is being passed that basically places the current needs of the ecosystems on the back-burner.

PVH Corp, owner of Calvin Klein, has already shown interest in pursuing environmentally safe practices. In 2019, CEO Emanuel Chirico announced new corporate responsibility goals that largely touched on sustainability. For instance, the company is aiming to reduce hazardous chemicals in water waste by 100% as well as filtering for harmful microfibers by 2025. The company also aims to reduce emissions across the supply chain by 30% by 2030.[2]

[1] "Calvin Klein Mission, Vision & Values." Comparably. Retrieved from <https://www.comparably.com/companies/calvin-klein/mission>

[2] Elven, M. (May 2019). "PVH Announces Ambitious Sustainability Targets." Fashion United. Retrieved from <https://fashionunited.com/news/business/pvh-announces-ambitious-sustainability-targets/2019051327765>

These new corporate responsibility goals may have come as a response to an earlier 2019 report of labor abuse in a PVH supplier factory in Ethiopia. Reports of verbal abuse, discrimination and terribly low pay sparked PVH to make statements pledging to undergo investigations of the factory.[1]

As a fashion giant who strives to leave a positive impact on the world, it is important to not disregard parts of the world that isn't in their typical customer base –Ethiopia, for example. With this in mind, I also believe that it would be beneficial for PVH Corp and Calvin Klein to focus their manufacturing within the U.S. Calvin Klein is an American label whose beginnings are embedded in New York City. Keeping the label in the U.S. while manufacturing the products in the U.S. will not only foster the goals of sustainability but will also give the CK brand name greater legitimacy among its customers as well as its future customers.

As a company who values their relationships with their customers, it should be critical for Calvin Klein to foster an atmosphere of transparency and respect with their consumers and their consumer's money. Results should be made public from the investigation of the Ethiopian factory as well as a plan on how to right the wrongs, if any, to the factory workers. This would be the perfect opportunity to then launch a sustainability campaign. A marketing campaign for Calvin Klein featuring their 100% sustainably sourced cotton and viscose or their movement to make 100% of their key suppliers to have democratically elected representatives<sup>2</sup>. These campaigns could bring the 3-4% increase in revenues in the CK vision statement<sup>1</sup>.

[3] Woodyatt, A. (April 2019). "Tommy Hilfiger and Calvin Klein Probe 'Labor Abuses' in Ethiopian Factories." Reuters. Retrieved from <https://www.reuters.com/article/us-ethiopia-labour-abuse/tommy-hilfiger-and-calvin-klein-probe-labor-abuses-in-ethiopian-factories-idUSKCN1RS1U9>