Standing out from the Affordable Luxury Brands: Can Coach be the next LVMH?

Background

- Founded in 1941, Coach, Inc. is an American lifestyle fashion company which has operated approximately 1,000 directly operated locations globally.
- Well-known for providing accessories, footwear, fragrance, outerwear, and ready-to-wear
- Acquired shoemaker Stuart Weitzman in 2015 and Kate Spade in 2017
- Changed its name to Tapestry, Inc. on October 30, 2017
- The target customers for Coach, Inc. brands are consumers who prefer American lifestyle and belong to the middle class & upper class.
- Newly established luxury brands are expanding globally by collaborating with well-known fashion conglomerate.
- LVMH Moët Hennessy Louis Vuitton SE (LVMH) is a French multinational goods conglomerate which controls 60 subsidiaries.
- Subsidiaries are often managed independently

Literature Review

- The global fashion luxury market is growing rapidly. It is estimated that the global personal luxury goods will increase 2-4 percent to $284 billion-$289 billion in 2017 (Paton, 2017).
- The competitors for Coach, Inc. are PVH, which owns Tommy Hilfiger and Calvin Klein; Nine West Holdings (formerly The Jones Group and Jones Apparel Group); Tory Burch LLC; and Michael Kors Holdings Limited (Okonkwo, 2016).
- Consumers can purchase the products of Coach, Kate Spade, and Stuart Weitzman both online (through official websites and department stores) and offline (in exclusive stores, flagships stores, and factory outlet stores), which increased the brand prominence (Paton, 2016).
- Consumers have high requirements of the products’ innovativeness, which encouraged the closer partnerships and collaborations among companies within the entire value chain. Affordable luxury brands may improve competitiveness through these collaborations (Macchion, Danese, & Vinelli, 2015).
- Both Coach, Inc. and LVMH have high brand prominence, especially in Asia and North America (Jin & Cedrola, 2016).

Research Question

- With its continuing interest of acquiring other fashion brands, what strategies can Coach, Inc. adopt in order to become a multinational conglomerate company in the United States?

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Research Purpose

- To study the improvement procedure for Coach, Inc. and provide justification of why and how Coach, Inc. could improve its competitiveness.
- To provide insight for other fashion brands during the stage of transition, as well as suggest guideline for newly established designer brands for further development (to prestigious brands).

Method

- Qualitative study with second-hand data
  - A comprehensive review of publications, case studies, and reports was conducted to explore the company’s earnings reports and the trend report so as to analyze the development direction for Coach, Inc. and the expectation of current market.

Results & Conclusions

- The acquisitions of Kate Spade and Stuart Weitzman enable the company to target consumers of various needs and purchasing power. The collaborations are crucial to realize new collections, with compressed lead time and improved quality content.
- Changed the company name to Tapestry, Inc. and aimed at expanding the company further beyond its flagship Coach brand to become a multi-branded American luxury fashion company.
- Recent executive changes and movements (such as hired a new creative director, opened its Coach House, and closed some outlet stores) helped Coach, Inc. to reinstate its “luxury” brand image and value (Bain, 2016).
- Competitors such as PVH, which tend to identify as apparel rather than fashion, are not in acquisition mode (Friedman & Paton, 2017). This environment enables Coach, Inc. for further development.

Discussions

- The study results provide insight for Coach, Inc. and other fashion companies during the stage of transition.
- Some strategies which could be used:
  - Price strategy: gradually close factory outlet stores and avoid discounting all products.
  - Product strategy: continuously invest in R&D and encourage the collaborations between brands for new product innovation; continue its acquisition mode to extend its business to cosmetics, watches & jewelry, and wines & spirits.
  - Promotion strategy: increase publicity and interactive marketing.
  - Place strategy: expand the market worldwide and increase online presence.

References: