

Coach's Revitalization and Design Efforts Meet with Mixed Reactions

Companies: CHDRF, COH, GES, HESAF, HKG:1913, KATE, KORS, LVMUY, PPRUY, PVH, RL, VRA

April 23, 2015

Research Question:

Will Coach's sales improve in 2015 as the company launches brand revitalization initiatives and new designs?

Summary of Findings

- Coach Inc.'s (COH) brand revitalization initiatives and new [Stuart Vevers](#) handbag designs evoked mixed reactions from Blueshift Research's sources. Eleven said they or their customers liked the designs, three did not, and four were mixed. Twelve think Coach's sales will be flat or down this year, while nine expect an increase.
- Sources also were mixed regarding prospects for the overall luxury handbag market. Ten expect growth, six said sales will be flat, and one expects a decline. The growth rate is expected to slow to 8% to 9% in China, a significant market for luxury goods.
- Coach's challenges include breaking core customers' habit of buying its products at outlet stores or at discounted prices. The company is trying to [reduce](#) promotions and discounts. Coach also must address its use of low-grade leather if it wants to move upstream, and it must appeal to teen consumers who for now prefer handbags from [Michael Kors Holdings Ltd.](#) (KORS, as reported by [Blueshift in October 2012](#)).
- Coach could turn the tide through its overall strength, solid management, its new, trendier designs, its [men's line](#), and its [ready-to-wear line](#).
- Competitors are many, but Michael Kors is Coach's main threat. A few sources said some core Coach customers are migrating to Kors. Still, one supplier said both brands are losing share to [Kate Spade & Co.](#) (KATE), [Tory Burch](#) and [See by Chloé](#).
- A Blueshift SurveyMonkey poll of 56 U.S. Coach customers found that most had yet to see the new handbags, but those who had liked what they saw and expect the designs to help the brand. The perception of Coach has improved in the past year for 37% of respondents, and 48% think the brand is superior to its competitors or is the top brand. Respondents valued style and quality more than price when shopping for a Coach bag.

Silo Summaries

1) Department Stores

These eight sources' opinions were mixed regarding Coach's revitalization efforts and sales growth potential. One think its sales will increase, four said sales will be flat or that the new handbag line is too new to gauge, and three expect declines for the brand. The optimistic source said the new handbags are more on trend and are well received by shoppers. Sources who questioned Coach's future growth cited brand saturation in the luxury handbag segment and Coach being stuck in an older consumer demographic—even as some of its core customers migrate to Michael Kors. Coach's low product quality and high price also are challenges to future sales. Customers are looking for deals and will wait to purchase a Coach product until a promotion or will go to an outlet store.

2) Supply Chain

Three of these five suppliers think Coach's brand revitalization efforts will lead to sales growth in line with an expanding luxury handbag market. Sales will be boosted by Coach's push into the high-end luxury handbag market, its ready-to-wear clothing line, its new handbag designs and its men's line. The remaining two think Coach will be challenged to grow because of its use of low-grade leather, poor quality construction, and its core customers' predominant use of its outlet stores. Sources had limited knowledge of Coach's retail sales initiatives, but said the company is considered a well-run, efficient organization.

3) Fashion Industry Specialists

These two sources think brand revitalization and sales growth is unlikely for Coach. Its core customers are not responding to its new designs, and its other initiatives are creating confusion. The brand will be challenged by the migration of core customers and teen buyers to Michael Kors, the lack of a clear brand message, and its emphasis on too many fronts. Coach is considered a strong company that will continue to keep its mass-market appeal, but moving upmarket and eliminating discounting will be difficult.

4) Coach Stores

Most Coach store personnel refused to be interviewed, but two store managers in China and four store associates in the United States did participate for this report. All six said customers were reacting positively to the new Coach designs and that customer perception of the brand was improving. Five of the six sources said their stores have experienced modest handbag sales growth. The remaining source, from a Coach outlet store, said bag sales were flat but clothing sales were increasing. Sources expect the luxury handbag category to grow.

	COH's 2015 Sales	COH's Brand Revitalization and New Designs	Luxury Handbag Category Sales
Department Stores	➔	➔	➔
Supply Chain	➔	➔	⬆
Fashion Industry Specialists	⬇	➔	➔
Coach Stores	⬆	⬆	⬆

Background

Pricing in the luxury handbag market has been heading south. Even the most expensive brands like Kering's (PPRU) [Gucci](#) and [Prada S.p.A.](#) (HKG:1913) have introduced smaller, less expensive items or [lowered prices on existing products](#) as economies in Russia and China deflate. Discounting has not been a successful strategy for all, especially Coach, which now is trying to rebuild its brand image. Its same-store sales have been trending downward since 2010.

Handbag sales account for 61% of Coach's revenue, which declined 5.3% in 2014. Coach hired Stuart Vevers as executive creative director last year, and his work so far has been appreciated by the fashion market. The company also has launched such initiatives as producing more higher-end bags and using pop culture lexicons [Kid Cudi and Chloë Moretz](#) in its spring ads. Still, some analysts doubt that Coach's brand reimagining, store infrastructure improvements, inventory realignment, and increased marketing will kickstart its long-term growth, especially when the overall handbag market is softening.

As found in [Blueshift Research's October 2012 report](#), Michael Kors has taken share from Coach, and Kate is threatening to steal some as well. However, fashionistas now are reporting that even Michael Kors is becoming a [victim](#) of its own success as it has oversaturated the market and [is pulling back on product quality](#).

Current Research

In this next study, Blueshift Research assessed whether Coach would experience improved sales in 2015 as a direct result of its new designs and brand revitalization initiatives. We employed our pattern mining approach to establish six independent silos, comprising 21 primary sources (including one repeat source), a SurveyMonkey poll of 56 U.S. Coach customers, and six secondary sources focused on Coach's competitors, reviews of Coach's new line, and Coach's outlook in China:

- 1) Department stores (8, including 1 in China)
- 2) Supply chain (5, including 2 in China)
- 3) Fashion industry specialists (2)
- 4) Coach stores (6, including 2 in China)
- 5) SurveyMonkey poll (56 U.S. Coach customers)
- 6) Secondary sources (6)

Next Steps

Blueshift Research will monitor the core Coach customer's reaction to and purchases of the new Stuart Vevers spring handbag line. We also will gauge the effectiveness of Coach's revitalization initiatives, including its ongoing store improvements, men's line offering, ready-to-wear clothing line and reduction of discounts and promotions. Finally, we will monitor competition within the luxury handbag market.

Silos

1) Department Stores

These eight sources' opinions were mixed regarding Coach's revitalization efforts and sales growth potential. One think its sales will increase, four said sales will be flat or that the new handbag line is too new to gauge, and three expect declines for the brand. The optimistic source said the new handbags are more on trend and are well received by shoppers. Sources who questioned Coach's future growth cited brand saturation in the luxury handbag segment and Coach being stuck in an older consumer demographic—even as some of its core customers migrate to Michael Kors. Coach's low product quality and high price also are challenges to future sales. Customers are looking for deals and will wait to purchase a Coach product until a promotion or will go to an outlet store. Only one source thinks the perception of Coach is improving, three think it is declining, and four think attitudes toward the brand are mixed. Michael Kors is the top department store competitor and leads sales in at least four stores despite some sources noting its lower quality compared with Coach. Michael Kors appeals to teens, is trendy and is on the upswing. Tory Burch, Kate Spade, Jones Group Inc.'s Anne Klein, [Modern Creation Munich, or MCM](#), and [Ralph Lauren Corp.](#) (RL) also were discussed as a strong competitors.

Key Silo Findings

Coach's Brand Revitalization Efforts

- 1 of 8 expect Coach's revitalization initiatives to be successful and for brand perception to improve.
- 4 think it is too early to judge or expect the brand to remain the same.
- 3 think the brand will continue to decline.

Sales for Coach and the Luxury Handbag Category

- 1 expect sales growth.
- 4 expect flat sales.
- 3 expect sales declines.

Coach's Pricing

- Coach customers are looking for deals, and often defer purchases until sales or will buy at Coach outlets.

Coach and the Competitive Dynamic

- Michael Kors is Coach's leading competitor.
- Tory Burch, Kate Spade, Anne Klein, MCM and Ralph Lauren also were mentioned as competitors.

1) Dillard's sales associate, Kansas

Shoppers are responding to the overdue redesign of Coach. The new look appeals to a younger and trend-conscious crowd, which bodes well for future sales. Coach is beginning to regain some of the business lost to Michael Kors.

Coach's Brand Revitalization Efforts

- "People are starting to respond to the new design. They were getting tired of the old one and said they were glad Coach 'finally' got a new designer."
- "Coach is repositioning itself to try to get back in the game. Coach is breaking out in new colors and patterns, such as the ones with little flowers. The style change is noticeable."
- "We have some customers that we call when new designs come in, and eight out of 10 times they buy it. They are very loyal to Coach."
- "Sales will continue to grow. They are going for fashion-forward, meaning they want to kind be more of an 'in' bag. They want to go with the trend."

Sales for Coach and the Luxury Handbag Category

- "It's hard for me to predict growth prospects for luxury bags over the next three years, but Coach seems to be on the right track."
- "I don't know why Coach couldn't reach its goals."
- "Our Coach sales are up slightly from a year ago; I can't give you a figure."

Coach's Pricing

- “Coach has fewer promotions than in the past, but we still have sales on them. A few styles are on clearance right now. People always want a deal.”
- “I have not seen a trend in purchase of \$400 bags this quarter either way.”

Coach and the Competitive Dynamic

- “The new designs should help Coach compete with Michael Kors. Coach is trying get more trendy, more like Michael Kors.”
- “Michael Kors has taken a lot of business from Coach, but I think Coach is starting to turn that around. They are trying to appeal to a younger crowd and give shoppers a larger selection.”
- “Teenagers still tend to prefer Michael Kors, but Coach has a wide range of buyers. My god-daughter has Coach and she is 26, and I have Coach and I am 46.”
- “I think Coach bags last longer than Michael Kors. If something breaks, you can send it back. I did that with a strap on a bag I bought five years earlier. They replaced it.”

Michael Kors has taken a lot of business from Coach, but I think Coach is starting to turn that around. They are trying to appeal to a younger crowd and give shoppers a larger selection.

Dillard’s Sales Associate, Kansas

Reporter Observations: Coach products were in an oval-shaped display area between two aisles in a prominent location. Michael Kors had the same size and shape display area directly behind Coach, and had a Michael Kors employee working as a sales associate. Coach did not have a Coach employee on duty.

2) Macy’s handbag sales associate, Southern California

Coach sales are in line with six months ago. Michael Kors represents roughly 90% of total monthly sales for the department, while Coach contributes 8%. Coach’s new spring collection has not arrived, but response to the newer designs from the winter collection has been tepid at best. Some loyal Coach customers do not like the new embossed coach and horses and want bags and other items with brass emblems only. Coach could recapture market share if its marketing effort is strong, but for now it remains popular primarily with women ages 40 to 60. Michael Kors attracts a wider audience of 19- to 45-year-olds.

Coach’s Brand Revitalization Efforts

- “We haven’t received any of the bags or wallets from the new line yet, so I’m not sure what the spring collection will do. So far some of our customers say they like the new colors and designs although, for the most part, sales are about the same as where they were six months ago.”
- “One of the things that the new designer has done is taken off the brass coach and horse emblems and replaced them with embossed coach and horses. A lot of our loyal Coach customers don’t like that. They want the brass emblems on them, and they won’t buy the newer versions.”
- “The colors are good for Coach, the designs and the quality are good, but frankly 90% of our sales are from Michael Kors right now. If it wasn’t for that brand, our department wouldn’t make our numbers.”

Sales for Coach and the Luxury Handbag Category

- “I’m not really sure where Coach is going to be in two years. If the company can appeal to younger women, then they could certainly do well. Of course, a lot of it will also have to do with how they market the new line.”
- “Other than the new posters [with Chloë Moretz], I’m not sure I’m not sure we’ve really seen that much of a new image for Coach.”
- “I don’t see any growth with Coach so far. It’s flat. Price-wise, sales for Coach are the same as they have been for a while.”

Coach’s Pricing

- “Coach customers in this store are always looking for price discounts. Right now we aren’t really having any big sales, just a markdown table with some of last season’s items. But the presale event is coming up, and they are excited for that. Many of our customers wait each year for that because they get such an amazing price.”

Coach customers in this store are always looking for price discounts. Right now we aren’t really having any big sales, just a markdown table with some of last season’s items. But the presale event is coming up, and they are excited for that. Many of our customers wait each year for that because they get such an amazing price.

*Macy’s Handbag Sales Associate
Southern California*

Coach and the Competitive Dynamic

- “It’s possible Coach has become stuck in the older ladies’ category, but that might change with the new campaign and [designs].”
- “Michael Kors has a great brass hand tag and really popular colors for spring. Right now it’s just what’s trending. I don’t think it has to do with pricing or styles as much as it does with personal choices based on trends. Coach has beautiful colors and all the right styles; they just don’t seem to be appealing to younger women anymore.”
- “My guess is the Coach customer is between 40 and 60, while the Michael Kors customer is between 19 and 45.”

Reporter Observations: The handbag department was relatively busy, but most activity was in the Michael Kors section, which was roughly twice the size of Coach’s. Coach was sandwiched between Kors and PVH Corp.’s (PVH) [Calvin Klein](#) handbags. A small shelving unit held a few Coach winter collection items on markdown. One customer was being helped with the purchase of a Coach bag, while in the Michael Kors section, approximately four sales associates were helping customers. We noted no discounts or sales for Michael Kors, but a presale event was being promoted.

3) Bloomingdale’s sales associate, New York

The Bloomingdale’s received the new Coach bags only a month ago, so the source was unable to say whether they have helped sales. However, the source has heard positive comments about the new designs in general except for the added metal. Changes in price do not appear to be a major consideration.

Coach’s Brand Revitalization Efforts

- “There have been a lot of positive comments about the new bags. You can see here that they’re coming out with designs they’ve never had before. It’s all because of that artistic director.”
- “People aren’t really as crazy about the hardware. They say that about all the bags regardless of brand. But this is something new people don’t like as much.”

Sales for Coach and the Luxury Handbag Category

- “It’s too early to tell if these bags will help Coach grow. We’ve only had these bags for about a month. If you ask me in another four months, I could probably tell you. People do really like the designs though.”
- “It always depends on the season. Some days we sell a lot, other days nothing at all. The sales have pretty much stayed the same.”
- “I just finally sold this \$650 [Python Edie bag](#) the other day. It’s beautiful quality and leather. People always comment on it.”

Coach’s Pricing

- “Pricing doesn’t necessarily matter. We get people from all over at this location, and if someone really wants a bag, they want the bag.”

Coach and the Competitive Dynamic

- “I’ve definitely seen that Michael Kors products are lower quality. I’m not a fan of that kind of leather though I’ve heard they have cheaper processing. We get so many customers with different tastes here. Some people really like their products.”
- “MCM and Kate Spade are sold a lot at this location.”

There have been a lot of positive comments about the new bags. You can see here that they’re coming out with designs they’ve never had before. It’s all because of that artistic director.

*Bloomingdale’s Sales Associate
New York*

4) Dillard’s accessories manager near Atlanta

Coach sales are flat. Customers’ perception of the brand has changed with the new line, but they still feel the bags are too expensive and need to be more modern. Coach outlet stores are taking away a lot of customers. In this store, Coach ranks third among the competition. Up to seven years could pass before Coach will be able to stabilize share and to grow.

Coach’s Brand Revitalization Efforts

- “[Customers] like the detail that [Vevers] has put on the Coach handbag, but still say it needs to be updated more to have a more modern look.”

- “Price points since [Vevers has taken] over have jumped anywhere from \$30 to \$50 and sometimes as high as \$75, and [customers] don’t like the price range of his handbags.”
- “Marketing shows that 80% of our customers like the classic [Coach canvas bag]. Since he took over, about 80% [of Coach handbags] have gone to all leather. We don’t do well with leather in this area.”

Sales for Coach and the Luxury Handbag Category

- “Luxury handbags continue to grow. [Customers] will pay anywhere from \$398 to \$428, but that’s as high as they are going to pay.”
- “[Coach’s growth is] going to take more time.”
- “Sales are the same.”
- “Discount stores are taking a huge chunk from Coach. They can get them from the outlet, and that’s what’s hurting Coach.”
- “We’ve just started our quarter, so I can’t give any expectations.”

Coach’s Pricing

- “Customers still think the bags are way too expensive.”

Coach and the Competitive Dynamic

- “Their perception of the company has changed. It’s improving with the new collection.”
- “Compared to the competition, Coach ranks third.”
- “[Brand revitalization] will take anywhere from five to seven years before they can [grow].”
- “Michael Kors is the preferred bag over any other in our locations.”
- “If Michael Kors is having issues with poor quality, it would truly affect their customers. Michael Kors only has a one-year warranty on their purses. People who buy \$400-plus purchase will carry it for four to five years. If Michael Kors doesn’t take care of his customers, he will lose them.”

[Customers] like the detail that [Vevers] has put on the Coach handbag, but still say it needs to be updated more to have a more modern look.

*Dillard’s Accessories Manager
Near Atlanta*

5) Macy’s sales associate, Kansas

Coach lags behind Michael Kors, but its new styles and colors appear to be getting customers’ attention. However, even more important to Coach and similar brands is an improving economy. Coach must restore an eroding sales base in all consumer age groups in order to catch up to Michael Kors.

Coach’s Brand Revitalization Efforts

- “The newer styles seem popular. They’ve gotten new color selections. I see a lot of orange being carried out there.”
- “People are not as loyal to Coach as they used to be. Maybe the brand revitalization will help.”
- “It’s too early to say how the new designs will affect sales in the next two years. There is a lot of competition.”

Sales for Coach and the Luxury Handbag Category

- “The improved economy has helped the sale of Coach and other expensive bags. That will probably be the main factor in how luxury bags do in the next three years.”
- “Sales of Coach have declined just a little bit in the past year; I don’t know the percentages. Right now everything is slow. It’s income tax season, and also people are planning their vacations and how much that will cost.”

Coach’s Pricing

- “They have fewer sales on bags, but we are sending a lot of bags back. We returned 15 today because they were not selling. It’s the uglier ones that people don’t want.”
- “We still have sales. Right now some of the Coach bags are 25% off in our Friends and Family sale, but people can’t pick them up until April 26.”
- “I haven’t noticed any change in sales of bags in the \$400 and higher range.”

People in their 40s through their 60s like Coach, but more of them have gone to Michael Kors too.

Macy’s Sales Associate, Kansas

Coach and the Competitive Dynamic

- “Michael Kors has really taken off. It’s new, it’s trendy. They run about the same price as Coach but sell better. A Michael Kors person came in here and redesigned their whole display.”
- “Michael Kors is our best seller. Coach would be second.”
- “People in their 40s through their 60s like Coach, but more of them have gone to Michael Kors too.”

- “A big seller with the younger people is the crossover purse. The strap goes across the body with the purse on the side. As far as brand goes, a lot of teenagers prefer [Guess \[Inc./GES\]](#).”
- “One thing people like about Michael Kors is there are feet on the bottom of the bigger bags. I hear that a lot. Coach doesn’t have that.”
- “Our inventory of Michael Kors is bigger than that of Coach and has grown in the past year.”

Reporter Observations: Most of the Coach products were in glass cases. Michael Kors had a larger selection in a display next to Coach. None were in cases, but some were secured with cables. Michael Kors also had more signage.

6) Macy’s accessories sales associate near Atlanta

The new line has not generated very many sales. Coach sales overall have declined around 15% year to year because of low inventory and poor placement in the store. Also, Coach has lowered the quality of its purses, but its pricing is the same. The company needs a major marketing campaign. The source does not think Coach can catch up to Michael Kors.

Coach’s Brand Revitalization Efforts

- “Customers aren’t liking the new purses.”
- “They aren’t using leather like they used to. Not as good a quality but same pricing.”
- “We have so few Coach bags here. We don’t really have a good supply. That will keep [Coach] from returning to company growth in this store. Michael Kors is pushing them out. They need to do something to jump ahead. We have Michael Kors everywhere cause it is the going thing. Coach needs major advertising and to come up with something to pull people to their product.”

Sales for Coach and the Luxury Handbag Category

- “Growth prospects are good for the global market. It will go up.”
- “In line with the industry? No, Coach just isn’t getting there.”
- “Our Coach sales have decreased by around 15% over last year.”
- “Sales for the remainder of the year will remain flat.”

Coach’s Pricing

- “Coach won’t discount unless the bag goes on sale. Discounts don’t work on Coach because they don’t give back. If we give a 15% discount, then Coach won’t give it back to us.”
- “Sales of \$400-plus handbags are low.”
- “Michael Kors is gaining in the \$400-plus handbag area.”
- “I expect sales for the second half of the year to go down on \$400-plus handbags.”

Coach and the Competitive Dynamic

- “Coach is a little steep, as customers consider the poor quality of the product and the lower grade leather that they use.”
- “We have the new collection in, but I haven’t seen any sales. Of course, they are in the back of the department.”
- “Anne Klein and Ralph Lauren have come out with some good products. Compared to the competition, Coach ranks fourth.”
- “[Coach’s initiatives] won’t promote growth. Michael Kors is on the upswing all the way around, and they won’t catch it.”
- “If [Michael Kors is] having issues, then you’d think the customers would wise up. The zippers don’t last, and the material is inferior.”
- “However, Michael Kors will continue to grow in the second half of the year.”

They aren’t using leather like they used to. Not as good a quality but same pricing.

*Macy’s Accessories Sales Associate
Near Atlanta*

7) Bloomingdale’s sales associate, Southern California

This location’s Coach sales are not great, but the brand has its own store in the same mall. Michael Kors has a department space that is roughly twice the size of Coach’s and is outpacing sales throughout the department. However, many customers do take advantage of the store’s promotions to purchase Coach bags and products. The source had no sales data to offer, but said the luxury bag department has seen an uptick since February.

Coach's Brand Revitalization Efforts

- "Coach is still somewhat popular with certain customers but not the best seller."
- "I think Coach has its own store in the mall here, which may be why the section is so small and we don't sell as many."

Sales for Coach and the Luxury Handbag Category

- "There are too many brands out there all offering a lot of similar things, so I think that sales are a reflection of both what's trending and what people are loyal to."

Coach's Pricing

- "A lot our customers tell us they will wait for promotions, so I know prices are important."
- "Coach doesn't have a lot of promotions that I'm aware of, but we do have storewide sales that include it and customers do take advantage of those for Coach."

Coach and the Competitive Dynamic

- "Michael Kors is the best-selling bag in the department. The next biggest seller is Tory Burch."

Reporter Observations: The handbag department was busy, but no one was looking at Coach, which was sandwiched between Michael Kors and Tory Burch. We noted no sales or promotional signage for the new collection; the store had several pieces from Coach's [Swagger](#) line but nothing yet from the [Tribe](#) collection.

8) General manager of a luxury brands store chain headquartered in China

Coach's core customers have had a mixed response to Stuart Vevers' designs. This source thinks Coach is not positioning itself properly, and it is unlikely to post significant sales growth in China. Sales will increase slightly because of planned store openings and because other high-end luxury brands have lost some customers as a result of Chinese government's [anticorruption policies](#). Coach may experience serious excess inventory for its leather handbags, and its current prices are too high. Despite these issues, Coach's rank and prestige are improving through marketing and advertising. Michael Kors has not yet gained a significant amount of market share from Coach in China.

Coach's Brand Revitalization Efforts

- "The core Coach customers have had mixed reactions to Stuart Vevers' designs. One view is positive, with customers being influenced by favorable media coverage for the new designs. However, there are some core customers who just love Coach's old designs and classic handbags, and they don't like the current designs. Another reaction is negative towards the use of more leather in the new products, which drives the average price of a bag higher."
- "Coach's new designs are good, but Coach should have used these designs to start a subbrand, which would be better than current situation. Coach can use the classic cloth logo handbag as its major brand. Maybe this would be a way to attract new customers with the new designs while keeping existing customers with the classic designs."
- "I don't think Coach is positioning itself in the right markets or price tiers. Modest design changes are a correct strategy, but it shouldn't change too much. For Coach, the cloth logo products should be the major collection. Hence, I personally think it will be difficult for Coach to revitalize the brand with the new designs."
- "I don't know why Coach's products in China are the older designs. The designs in U.S. stores look much newer. Sometimes customers complain that Coach's regular store products in China are the same as its products in U.S. outlet stores."
- "In China, Coach will keep stable growth due to planned stores opening all over the country. In addition, some top luxury brands lost some customers due to Chinese government's anticorruption policies. This group of customers is likely to move to Coach."

Sales for Coach and the Luxury Handbag Category

- "The overall global economy is not very strong, so the top luxury handbag market will be impacted negatively for the next three years."
- "I don't have good expectations for Coach's growth globally. It will be difficult for it to grow in line with the industry by 2017."
- "Coach sales in China are increasing because it is still in a period of new store expansion in tier 2 and 3 cities."

Brand affinity and purchase intentions aren't improving with the new collection because its average prices are higher than for its old collections.

*General Manager, Luxury Brands Chain
Headquartered in China*

- “Coach sales for 2015 and 2016 will continue to increase slightly, but the growth rate will not be as good as the company expects. Coach experienced serious excess inventory for its leather handbags. Although it is opening more stores, its unit store sales are decreasing.”

Coach's Pricing

- “Coach often has promotions for the old collections, but seldom do they give discounts.”
- “Coach's customers were more open to its old prices. After the new designs were released, the average prices rose because more products are made with leather instead of cheap cloth. The current prices are slightly too high.”

Coach and the Competitive Dynamic

- “Brand affinity and purchase intentions aren't improving with the new collection because its average prices are higher than for its old collections.”
- “Coach's rank is improving due to a lot of commercials and fast store expansion.”
- “Michael Kors has not gained a significant amount of market share from Coach in China because it has fewer stores here than Coach. You will find that Michael Kors is strong in design and R&D, while Coach is strong in marketing.”
- “I have heard about the poor quality of Coach's products but not for Michael Kors.”

2) Supply Chain

Three of these five suppliers think Coach's brand revitalization efforts will lead to sales growth in line with an expanding luxury handbag market. Sales will be boosted by Coach's push into the high-end luxury handbag market, its ready-to-wear clothing line, its new handbag designs and its men's line. The remaining two think Coach will be challenged to grow because of its use of low-grade leather, poor quality construction, and its core customers' predominant use of its outlet stores. Sources had limited knowledge of Coach's retail sales initiatives, but said the company is considered a well-run, efficient organization. One source views Ralph Lauren as a “sleeping giant” in luxury handbags, while others said See by Chloé and Tory Burch are taking share from both Coach and Michael Kors. Vertical integration of the luxury handbag supply chain is the [current trend](#). Prada, Gucci, Hermès International S.A. (HESAF) and LVMH Moët Hennessy Louis Vuitton SE (LVMUY) have all purchased tanneries in an effort to secure supply and to control costs.

Key Silo Findings

Coach's Brand Revitalization Efforts

- 3 of 5 said Coach's revitalization initiatives are effective.
- 2 think the use of low-grade leather, poor quality construction and customers seeking discounts will challenge the brand's revitalization efforts.

Sales for Coach and the Luxury Handbag Category

- 3 expect sales growth for Coach.
- 2 think Coach will be challenged to grow sales.

Coach's Pricing

- Sources had limited knowledge of Coach's retail sales efforts and pricing.

Coach and the Competitive Dynamic

- 1 viewed Ralph Lauren as a sleeping giant in the luxury handbag market.
- 1 said Coach and Michael Kors are losing share to Chloé and Tory Burch.
- Vertical integration of the supply chain is a trend.

1) CEO of a global distributor of finished leather skins to handbag brands

Coach and competitors like Michael Kors continue to use the cheaper, low-grade leather skins, which is partly due to a downturn in the luxury handbag market. Although Coach appears to be making moves into growth segments like men's wear and higher-end products, its brand revitalization will be difficult, especially since 50% of its business stems from its outlets. Coach and Kors will continue to lose share to newcomers like See by Chloé and Tory Burch.

Coach's Brand Revitalization Efforts

- “They will see a reduction in their position and placement in the market. The outlets are the biggest part and largest percentage of the Coach business, and that is a discount segment with completely different product.”
- “They are continuing to lose market share. Part of the problem is the type of materials they use, and they do not take chances with materials or styles. It is really very simple: Brands that do not take chances inevitably lose share.”
- “It is typically very difficult for companies to revitalize a brand. Coach would do better to create a new brand name separate but within the company, than to use the current brand name.”
- “Men’s is a growth category and a new sector for them. There are definitely things to be tried within the segment, but until they have been tried and tested, I can’t say if that type of initiative can restore Coach to growth.”
- “With corporations like Coach and Kors, they have many layers of production and departments dealing with suppliers. They have somewhat commoditized the supply side; therefore, we do not work with them as closely as we did in the past. They have standardized the purchase of material and work with about 20 different vendors all over the world, partly because the volume they buy is well above what any one supplier can provide them.”

Sales for Coach and the Luxury Handbag Category

- “We actually believe there are not enough brand choices out there. Most activity in the luxury handbag market is done by three to four large brands. Some of what happens with the overall market in 2015, 2016, 2017 will be dictated by the economy and consumer buying habits, so it is difficult to forecast.”
- “A lot of the brand manufacturers are switching materials from leather to synthetics because of price, and that is directly responsible for what’s happened in the last three years and the slowdown. I think the segment will stay flat.”
- “We are hoping the brands will look more toward better-quality raw material, which is a higher price material. Right now most are using [Saffiano](#), which is the lower end of the material market. Probably one-fourth to one-third of all sales to both Kors and Coach is Saffiano.”
- “Saffiano is a split base, and it has lines on it. That comes from the crosshatch print that was pressed into the wax that coats the leather. It is a low-price material, and you have no idea what is underneath it. It is likely a cheaper leather with a surface coating printed on it. The major reason for its success with brand buyers is the price.”
- “Our current sales to them are steady year over year, but again, a lot of what happens is dictated through the price. At least 70% of the volume we sell to most buyers is determined by and based on the current market price.”

They are continuing to lose market share. Part of the problem is the type of materials they use, and they do not take chances with materials or styles. It is really very simple: Brands that do not take chances inevitably lose share.

CEO, Global Finished Leather Skins to Handbag Brands Distributor

Coach’s Pricing

- “We only sell [Coach] leather for handbags. Prices for that leather are softer now than they were a year ago. The unit prices are 10% lower than they were last year, so we have seen a 10% reduction in prices [but not volume]. But keep in mind that the price a year ago was 20% higher than what anyone thought it should be based on the market.”
- “The price of Saffiano is 30% lower than high-end material. The high-end material is \$2.75 a foot while Saffiano is \$1.75 a foot. It is the No. 1 selling material. If you want to equate this to margins for Coach, I would say this: I am not familiar with all of the costs involved for Coach in the production, but you cannot get any lower in price for material. Again, I don’t know all of the costs, but the Saffiano bag is roughly a \$25 handbag that Kors would sell at retail for \$175. With Coach, pricing [is] a little higher at roughly \$188. But the Kors material is still nicer.”
- “If you are using top-grade material at \$2.75 a foot, you would probably see that bag at \$280 to \$300.”
- “Coach may be trying to move into the high end, but the \$600 to \$1,100 handbag is a very small percent of their overall business.”

Coach and the Competitive Dynamic

- “The new brands like Tory Burch and See by Chloé are in the same competitive category as Coach and Kors. I think the newer brands are taking a little bit of market share from both Coach and Kors, but more from Coach.”
- “I have not heard reports about poor quality in Michael Kors products. I will tell you this: They manage their supply far better than Coach. ... That is why they have taken share from Coach. Potentially they could take more market share. They know what they are doing.”

2) Vice president of a U.S. tannery selling high-end leather to brands

Coach leather handbags for core customers may not fully excite the fashion community, but the company has made an impressive push into the very high-end luxury handbag and ready-to-wear segments. It has assembled a strong team in the United States and Italy and has a well-run operation overall. New designers like [Billy Reid](#) and Stuart Vevers and the development of the men's lines represent important developments for Coach, but the brand could use a homerun product for its customer. Ralph Lauren is positioning itself in handbags and leather, which could hurt Coach. Meanwhile, brands names like Prada, Gucci, Hermès, [Chanel S.A.](#) and LVMH have bought tanneries and supply chain providers to help control their costs and availability of raw material.

Coach's Brand Revitalization Efforts

- "They can grow in line with the industry, but they do have to make some changes and make a big splash. When Michael Kors came in, he had some good shapes and designs, and he took some market share and customers away. But all Coach needs is one cool bag, and they could turn everything around. Their other [high-end] lines are getting good reviews. They have a new coordinator of production. They are moving in the right direction."
- "There are other segments where Coach is just killing it. Outerwear and everyday wear/ready-to-wear are in some cases selling out. Coach is not just a handbag company. They make fragrances, jewelry and umbrellas on the high end, and they are really nice and getting a lot of attention from the fashion community."
- "In the last 12 months I would say the fashion critics and consumers have become more familiar with Coach's outerwear and ready-to-wear leather products. They had a shearling jacket this season that completely sold out. It was super well-made, very high-quality shearling."
- "Coach is trying to move into the higher end and get more editorial coverage, which can and does drive sales. If they create some great design and product and they get the editors excited, it can make all the difference. True, the fashion critics are not excited by the Coach handbag for the core customer. But if they can get them excited about a new jacket that sell for \$1,000 or a leather dress for \$600, that can help revitalize the brand. And they have been making some beautiful leather dresses, skirts, shirts and pants for the higher end. A lot depends on the economy in different markets. The U.S. market is the only true bright spot right now."
- "I am not as sure about the core customer, in part because we do not supply material for the core customer products. We supply for the higher end for people who are buying \$3,000 handbags. And we deal in very high-end materials like alligator."

Sales for Coach and the Luxury Handbag Category

- "The biggest trend is that the big-name brand companies are moving into vertical integration. We see them buying more tanneries, mostly in Europe, and buying suppliers. Prada bought a French tannery late last year. Hermès and Chanel now own tanneries. Gucci bought a tannery that specializes in alligator skins, which are very high-end. And LVMH bought a crocodile farm in Australia."
- "I do not know if Coach has purchased a tannery, but I would not be surprised if they are looking. They all are buying in with tanneries, mostly in Europe. They are running them as profit centers ... but mainly to lock down supply on the luxury, high-end side."
- "We sell to Coach, but only for the very high-end specialty articles. We manufacture tanned, dyed and finished alligator and exotic leathers but in very small quantities. Coach's top leather guy is [Michael Todd](#), who has a very good reputation and has worked in tanneries and knows the material. They have a very good team in the U.S. and in Italy. I'm not sure about China."
- "Coach is a well-run, efficient company that has a good reputation. I think it is good that they have tracked down new designers because the last guy drove suppliers crazy, making us run around and changing things at the last minute. They have gotten some nice press on the new men's bag collection by designer Billy Reid, along with Stuart Vevers."
- "As a supplier, we view Coach as a winning team. They pay their bills on time and that is great. Not every big brand pays on time."

Coach's Pricing

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Vice President, U.S. Tannery Selling High-end Leather to Brands

- N/A

Coach and the Competitive Dynamic

- “Polo Ralph Lauren is the sleeping giant. They have the best quality bags at the best prices. They have taken the initiative to bring back the license, and they are making a big push into luxury. They have been bringing everything back in line and keeping it steady, especially in the Polo stores. They are the ones who are going to do big things, and I think it will hurt Coach.”

3) Norman Tasman, president of leather supplier [Tasman Industries Inc.](#)

New initiatives and designs alone cannot revitalize a brand or its sales. New designers like Stuart Vevers can make a difference, and the partnerships suggest Coach is serious about rebuilding the brand. However, Coach would be better served by creating new lines under new brand names that separate new designs from the old.

Coach’s Brand Revitalization Efforts

- “I don’t know what their core consumer is thinking. I only know what my wife brings home. What I can say is that it is not right to charge the same amount of money for a nylon handbag vs. a leather handbag, just because the Coach symbol is on the product. That is the kind of that that eventually turns off the customer.”
- “Coach had a strong brand name years ago, but it has taken a dive over the last several years. The Coach name is not in the same category as Prada or Kors. Kors is junk, but Kors has great marketing people.”
- “When you are trying to maintain the status and name of a brand, you first have to know who you are and what you want to be. I don’t know who Coach is. They are living off their name and making cheaper and cheaper product. The people who buy it apparently don’t care. The average individual, even in China with its growing middle class, want real Coach product. They are buying it, not because of the style but for its name. In the U.S. the Coach name used to mean something. It still holds some meaning, but slowly we see it mean less and less.”
- “A new designer can save the day for a branded company. A new designer can make all the difference if they come up with something new and exciting. People take to colors amazingly well.”
- “If they want to be a high-end luxury product, then be it. But you should come out with another line under another name, maybe under the designers name rather than that Coach name. If Coach wants to be what it used to be, it has to separate from the old Coach and create something new. And yet that in itself is not likely enough to drive sales where they used to be.”

Sales for Coach and the Luxury Handbag Category

- “The leather handbag industry overall is struggling because we have been in a difficult economy. Everybody’s sales are down. If Coach continues to use cheap materials and live off the reputation it had five years ago to maintain profit, that will be their demise.”
- “Coach is not alone. Everyone in the leather handbag business has had trouble with supply and margins. I’m not saying you have to have only leather for the spring and summer lines. But if you are trying to take a brand back to the top, you need a clear strategy and you need to focus on how to become the luxury item you once were again.”
- “Coach has to decide whether it wants to be a high-end American product or whether it wants to be the Coach brand that gets its leather for as cheap as possible, anywhere in the world. At some point they are going to have to make a quality product that is truly high-end.”
- “We have worked with Coach over the years, and I know them well. We do very little with Coach now. Coach is making product in China, Vietnam, Malaysia and Bangladesh or wherever they can find the cheapest raw material. They are using very cheap labor, and who knows whether they are following labor and environmental laws? They work with a different kind of leather [Saffiano] that you can print on. If the finish is good enough, you can’t tell what the material is underneath the printed coating. You don’t know if it is calfskin or pigskin or sheepskin. They are using the cheapest raw material [under upper finish], so you have to ask whether the high prices are justified.”

The leather handbag industry overall is struggling because we have been in a difficult economy. Everybody’s sales are down. If Coach continues to use cheap materials and live off the reputation it had five years ago to maintain profit, that will be their demise.

*President of Leather Supplier
Tasman Industries Inc.*

- “We make very high-end skins and even make our own bags that are every bit as good as if not better than the big brands.”
- “The problem with Coach is that they want you to make the perfect leather, without any flaws, and if it’s not perfect they send it back and you end up losing money. A lot of suppliers want to sell to Coach, but the company is difficult. They move from supplier to supplier, country to country until they find a tanner who will play by their rules.”

Coach’s Pricing

- “There is about four feet of leather in a handbag, and that’s about \$16 worth of material. Say it costs \$30 to \$32 to make the bag. Then they sell it for \$250. That’s a lot of money to make off of \$16 of raw material. Is their price fair? I do not think so. People are crazy to buy it, but they gladly pay.”
- “We had a meeting with Coach, [Deckers \[Outdoor Corp./DECK\]](#) and some of the other brands about two years ago. Prices of hide were at record levels. They wanted us to agree to a constrained price for six months. After the meeting, I said I would be happy to give them six months at the going price. But they ended up migrating to manmade materials. They made a nylon bag, and it still was priced at \$280 at retail. ... People bought it anyway because it carried the Coach name.”

Coach and the Competitive Dynamic

- “I can’t say at this point whether new initiatives and designs will help Coach sales improve this year. You have to dissect the question. First and foremost, how is consumer spending? Second, who is your target audience? You cannot make one product for all consumer categories. You have to make different products for different consumer categories, perhaps even under a different name. Third, how are the product quality and price?”
- “Michael Kors did not take Coach’s market share because of its designs or quality. They took share because of marketing. I think Coach can take back the share it lost. But the company has to redefine itself, perhaps at the high level or midlevel of the luxury handbag market, rather than at the entry level. But that would require buying better raw material.”

4) Manager of a handbag factory in China

Coach’s new designs are selling pretty well all over the world, and it is positioning itself in the correct markets and price points. Its initiatives will set it up to grow by early 2017 at the latest. However, prospects for the global luxury handbag market this year are not very good based on this source’s factory orders. Coach likely will grow in line with the industry category through 2017. Coach’s prices are acceptable in China, and its placement among its competitors is improving. In recent months, orders from both Coach and Michael Kors have increased.

Coach’s Brand Revitalization Efforts

- “I don’t know how core Coach’s customers are responding to Stuart Vevers’ design, but according to our orders since last summer, I feel Coach made some changes. Their products have more colors and more leathers. I also hear that their new designs are selling pretty well all over the world.”
- “Coach is positioning itself in the right markets and price tiers to help revitalize the brand and restore growth. To be honest, we don’t know too much about its prices because we only focus on how much of a handbag costs and how much we can earn from making this handbag.”
- “Coach’s new designs and other growth initiatives will return the company to growth in late 2016, early 2017 or even earlier. We OEM the handbags for many different brands. I think their recent orders’ designs are really good compared to other brands. They are much more fashionable than before.”

Sales for Coach and the Luxury Handbag Category

- “According to our orders, I feel that the growth prospects for the global luxury handbag market for 2015 are not very good. I don’t know the reason. Decreased consumption ability of Chinese customers may be one reason.”
- “It is realistic that Coach will grow in line with the industry category by 2017 because I see Coach orders’ increasing since the second half of 2014. It is a good trend.”
- “It is difficult to predict Coach sales for 2016, but I think 2015’s sales should increase. Its sales depend on its designs. Coach’s current designs

Coach’s new designs and other growth initiatives will return the company to growth in late 2016, early 2017 or even earlier. We OEM the handbags for many different brands. I think their recent orders’ designs are really good compared to other brands. They are much more fashionable than before.

Manager, Handbag Factory, China

are at least generating some interest.”

Coach's Pricing

- “Compared to top luxury brands, Coach's prices are acceptable in China based on its brand position.”

Coach and the Competitive Dynamic

- “If our orders are increasing, that means Coach is selling better. Hence, I think brand affinity and purchase intentions are improving with the new collection.”
- “Coach is one of our most important clients. Its brand ranking is improving compared with the competition.”
- “I don't know if Coach will regain market share from Michael Kors, but I believe its revitalization initiatives will stabilize share and promote growth. In recent months both Coach's and Michael Kors's orders have increased.”
- “I don't know why there are reports of poor quality for Michael Kors. Both Coach and Michael Kors are producing items from our company. I am sure that their quality is the same and very good.”

5) Manager of a fabric company based in China; repeat source

Coach's marketing in China is succeeding. Its sales are increasing, and it could grow in line with the category by 2017. Its ranking also has improved. However, customers complain about the lower prices for Coach products outside of China.

Coach's Brand Revitalization Efforts

- “Coach's marketing in China is successful. The product orientation and price positioning are very competitive.”
- “The Chinese market is changing very fast. If you make no changes and improvements, you can't keep your share.”

Sales for Coach and the Luxury Handbag Category

- “I think Coach could grow in line with the industry category by 2017.”
- “I have heard its sales in China are increasing.”
- “Coach's sales for 2015 and 2016 will be in keeping with the rising category trend.”

Coach's Pricing

- “Chinese customers complain about the price gap between products sold in China vs. those for the same product sold abroad. Trying to cut this gap is important for Coach to maintain its market share in China.”

Coach and the Competitive Dynamic

- “For Coach to keep its brand's original strength, it must continuously upgrade and improve its products.”
- “In China, Coach's rank is improving.”
- “Michael Kors represents a young and fashionable customer group. Coach is relatively more conservative. Customers are always looking for something new. That's why Michael Kors gained Coach's market share. I believe if Coach can keep its original spirit but add more fashionable designs, it will stabilize its share.”

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*Manager, Fabric Company
China*

3) Fashion Industry Specialists

These two sources think brand revitalization and sales growth is unlikely for Coach. Its core customers are not responding to its new designs, and its other initiatives are creating confusion. The brand will be challenged by the migration of core customers and teen buyers to Michael Kors, the lack of a clear brand message, and its emphasis on too many fronts. Sales in the luxury handbag market are expected to be flat to up slightly, but growth is expected for some brands, including [Clare V.](#), [Tory Burch](#), [Rebecca Minkoff](#) and [See by Chloé](#). Kering's Gucci and LVMH's Louis Vuitton are expected to experience flat sales, while [Céline](#) and [Saint Laurent](#) (both owned by LVMH) should see some growth. Coach is considered a strong company that will continue to keep its mass-market appeal, but moving upmarket and eliminating discounting will be difficult. The luxury market's uniform pricing is at risk because of companies creating lower prices in China yet higher prices in Europe in an effort to spur growth.

Key Silo Findings

Coach's Brand Revitalization Efforts

- Both think Coach's brand revitalization will be challenged.
- Core customers are not responding to new designs, and the revitalization efforts are creating confusion.

Sales for Coach and the Luxury Handbag Category

- Both expect Coach's growth to be limited.
- Both expect the luxury handbag market's sales to be flat to up slightly.

Coach's Pricing

- Coach will be challenged to move upmarket.
- Reducing discounts for Coach handbags will be challenging.
- Coach's mass-market business is secure due to a strong distribution network.

Coach and the Competitive Dynamic

- Clare V., Tory Burch, Rebecca Minkoff, Céline, Saint Laurent and See by Chloé are expected to grow sales.
- Gucci and Louis Vuitton sales will be flat.

1) Founder/senior analyst with a consultancy serving better retailers; repeat source

Sales for Coach and most competitors in the luxury handbag market will remain flat throughout this year. Although Coach's new plans and designs have the potential to revitalize the brand, the source expects only modest growth as far off early 2017. Coach's core customers' reaction to the new designs may not be as positive as fashion critics'.

Coach's Brand Revitalization Efforts

- "I'm not certain the core Coach customer is responding like the critics. They have catered to a younger audience, and they are very fickle customers. Coach moved in this direction 10 to 15 years ago to grow an audience that was ready and able to move into the luxury bag market, and Coach has the entry price point. They did it as a way to expand, and it was successful. At one point every teen and high school girl wanted Coach bags, belts and hats. But they left the mom and older woman behind, and the core customer moved on to Michael Kors."
- "We do see Coach moving into the men's business, expanding into dedicated men's stores to sell bags, belts, apparel and footwear. Whether it will catch on is hard to predict. It's a hard road to go on for growth."
- "I have seen them starting to go after the very high-end luxury market in different categories, such as apparel and accessories. They are in the right place to sell to the upper end in the major malls. If they decide to go deeper into that higher end of retail, the question is, do they want to stay logo-driven? If they want to stay in it, they have to do what others at the high end have done. Gucci bags and apparel have a G logo somewhere on the product; Hermès has an H. Coach could do this and try to fast-track it. The logo drove the brand initially. The C logo almost looked like Chanel from a distance, so in part they rode the coattails of other brands."
- "How far they go in the higher end of luxury would depend on whether the product works. The brand/logo aspect would let them put the foot on the gas and hit it hard. If they have the right mix and push it, particularly if they get involved in integration, it could drive sales. Coach is seen as a good company that develops good products, so they have a good chance [at higher end]. They have no liabilities. But I think they would want to continue to tap the young core customer."
- "Coach is talking about returning to modest sales growth in late 2016 and 2017. That is so far out in the retail business it means either they can't get it going now or they are trying to sandbag the market by talking about growth so far out, hoping people will forget what they said. Or they are shooting low and anticipate reporting higher than expected so they can get a bump."

I'm not certain the core Coach customer is responding like the critics. They have catered to a younger audience, and they are very fickle customers. ... At one point every teen and high school girl wanted Coach bags, belts and hats. But they left the mom and older woman behind, and the core customer moved on to Michael Kors.

*Founder/Senior Analyst
Consultancy Serving Better Retailers*

- “My guess is they are having a hard time getting something going. Late 2016 is a whole other market and a long time from now. 2016–2017 is two holiday selling seasons away, and we will be in the midst of a presidential election when consumers are typically hesitant to spend. That tells me they are having a hard time making it happen.”
- “[Coach is] developing products for that time period, so they are thinking ahead. That is just the normal life cycle; they all are developing product now for late 2016. The spring 2016 collection is already built, and they will start to sell it to retailers in the next 60 days. Retailers won’t purchase products for late 2016 until October, November 2015. That means no one has seen or tested the products.”
- “Their stores are all brand-new. They have the market tools they need.”

Sales for Coach and the Luxury Handbag Category

- “The luxury handbag market is very established. While the products have good margin, I don’t think of it as growing.”
- “Everyone is having a hard time holding the line. Even the super luxury brands are slow. LVMH has just announced going to two price points. ... They plan to lower prices in China and raise prices in Europe because they are banking on those two markets for growth. That tells you the luxury market is losing control.”
- “Coach can keep up with the average mass-market seller. They have stores in all of the malls, and as long as they consistently make new product, it should keep them steady and in line with the market norm.”
- “The market overall for Coach and others will be flat through 2015. There will be some losers. We know Gucci’s product mix is down. Louis Vuitton has flat results and is shifting its pricing policy in China and Europe. Most are flat. Céline is the only brand that is up. Saint Laurent is poised to move up in a big way because they hired a new designer. But overall the handbag market will stay flat, and Coach and others will just fight to hold on.”
- “We all expected 2015 to be a good year. There are no elections, the market is good, employment is up, housing prices are up, and gas prices are low. But the start of the year was really, really cold, and it hurt retail. The expectation was that things would pop back in April from pent-up demand. It really has not happened yet. If we get to the end of April and there is no uptick, we will have to reevaluate. Once enthusiasm slows down, there is inventory build. We are already seeing heavy promotions. I get hit daily by Saks and Neiman about 60% to 70% off sales. That tells me they are trying to get rid of older inventory. Once this gets set in motion, it can perpetuate and things stay the way they are. It can start to work against the model for 2015. The good news is, if there is a generally good economic trend, retail will pop back quickly.”
- “Things are flat for Coach, and they have admitted that. It is hard to know at this point whether they can return to growth. They have been flat for three to five years, and teenage girls have gotten off the brand. Coach still serves as the opening level for the luxury handbag category. But that segment doesn’t look that good right now.”

Coach’s Pricing

- “They are still profitable but with slower growth. They have a store in every market and high-end mall. Coach is still the opening price point for the luxury handbag market, but the overall luxury bag business has slowed down and is oversaturated.”
- “Coach is priced where they have always been priced, and they are marketing to the same core demographic. But it will be hard for them to move up in price.”

Coach and the Competitive Dynamic

- “The perception of the company has changed in that there is decreasing demand by the young, high-end fashion followers. It was *the* bag to have. Today that is not the case. ... The market diversified and the bags to have were Gucci, Hermès, Louis Vuitton, Dior [[Christian Dior S.E./CHDRF](#)] and Céline. These are \$2,500 to \$8,000 bags, and when it comes to buying anything priced below that, it’s just about wanting a new bag in any bag line.”
- “Brand affinity could improve if they develop a product that the trendsetters respond to. If the trendsetters establish the need for a brand product, the trend followers will respond in kind. That’s the magic sauce.”
- “One trendsetter is the celebrity. Smart companies will market a product through the celebrity PR agencies or they can buy celebrity placement. You can place a bag on some young celebrity, and you don’t even need to name the brand. They just have to be seen and photographed holding it to get a buzz going.”
- “I can guarantee you Coach is trying to do this. How effective they are or may be is unclear. Just because you go to a celebrity PR firm doesn’t mean the celebrity will like it, particularly if they are being paid. Being paid \$100,000 to go to a show or club holding a luxury handbag is one thing. It is quite another for a celebrity to be seen in the street

They are still profitable but with slower growth. They have a store in every market and high-end mall. Coach is still the opening price point for the luxury handbag market, but the overall luxury bag business has slowed down and is oversaturated.

Founder/Senior Analyst
Consultancy Serving Better Retailers

carrying the bag. [Hermès'] [Birkin bags](#) got lots of good placement for a while. Kors is not that big a brand, and they do not do heavy product celebrity placement because the product is not expensive enough. Celebrities don't care about an \$800 bag. They want to be seen with a \$5,000 bag."

- "We also know Kors is going after the teen market, and that goes right in the face of Coach."

2) [Ani Collum](#), partner/analyst at the industry consultancy Retail Concepts

Coach is trying to do too much, too quickly and developing product in too many different price points to sustain long-term profitability and growth. The history associated with the Coach name overshadows and hinders the new line of Stuart Vevers purses, which would have been better served as a subbrand highlighting the designer. Coach should focus on one consumer category, distribution channel and price point. The ROI timeline on new initiatives is unrealistic given the cost needed to finance new handbag lines and new stores or remodels.

Coach's Brand Revitalization Efforts

- "The new designs are not necessarily a fashion-forward statement, but they fall in the category of new, different and competitive. You look at [Stuart Vevers designs] and say, 'It's cute and stylish.' The problem is, then you see the name Coach."
- "The spring line in general is very on trend. I could see a celebrity carrying one of the new handbags [by Vevers], which is often what it takes to generate the kind of buzz the boosts sales. Again, the problem is the name, Coach."
- "There is a disconnect between who Coach is going after, the price and the distribution channel. Some styles are very cute and are sitting in good company with the higher-priced luxury bags. But when the customer sees the Coach name and considers the fact that it sells in Macy's, it's very confusing."
- "Even when I look at the new styles it's confusing. They have one new bag, and it is offered in five different colors. It confuses the customer. And when I think about the cash flow required to sustain a product inventory of all those different colors, it does not make sense."
- "Coach has Stuart Vevers as a designer and head of design, and yet they do not have a capsule collection based on his name. They need a clean-slate brand; that is what disrupts the market. They need a subbrand with no baggage, preconceived notions or history. It may be they could do that with Stuart Vevers."
- "They would have to somehow bridge the gap between new and old and signal a new direction with a subcapsule line. If they developed a product, for example, that called out Stuart Vevers' name, which has street credibility with customers, that could be successful, instead of tackling all of the things that are wrong with Coach. Then they could hone in on how to position themselves in the current market, with a newness. They do not necessarily have to change the style."
- "They are trying to do too much. It is great that they have a new designer, but that is only one component of change. The current perception of the brand is confusing. The price point is trying to draw in the discerning consumer. But the distribution channel is in conflict with the brand."
- "They still do a ton of volume, but Coach has lost its cachet. They are trying to do too many things at once to make it work."
- "[Growth by late 2016-early 2017 is] a pretty aggressive timeline. When you think about all of the investment required to develop new designs and initiatives, it would be difficult to get a return on investment in just 18 months. They have launched a bunch of different strategies and initiatives. It takes time to recoup the investment."
- "I imagine Coach will see more attrition from its core customer base. It's a conundrum: A company wants to evolve its brand but protect its oldest customers."

They are trying to do too much. It is great that they have a new designer, but that is only one component of change. The current perception of the brand is confusing. The price point is trying to draw in the discerning consumer. But the distribution channel is in conflict with the brand.

*Partner/Analyst
Industry Consultancy Retail Concepts*

Sales for Coach and the Luxury Handbag Category

- "We see a lot of new brands that are focused on a recognizable look and feel. ... There are brands like Clare V. with a price point of \$225, which is in the average to lower level of the luxury handbag category. They have got a lot of followers and new customers. They also have some bags at the price point of \$500."

- “It is through these new brands that we will see a revitalization of the luxury handbag market. People are looking for clean-slate brands, companies that have no preconceived notions but enough style to get attention. These are midmarket new brands with good price points and style, so consumers can see fitting it in with their wardrobe.”
- “The higher end of the luxury handbag market is seeing more competition from smaller brands selling at \$500 to \$1,000. New brands like Clare V. are not taking market share, but they are coming up along with Tory Burch, Rebecca Minkoff and See by Chloé.”
- “Coach is banking on new initiatives, like moving into men’s wear, to achieve top-line growth, and that is possible. But there are so many investment costs associated with new initiatives that, profitability-wise, the approach is questionable. They have to pursue incremental growth successfully to remain viable.”
- “If you are putting investment money behind a new men’s line, by definition, you will do more business and volume. But will it help the bottom line? It’s questionable.”
- “Coach is doing volume, for sure. But they are not focused enough for it to be sustainable.”
- “They have too many initiatives in play to generate cash flow. They need to pinpoint a key strategy area and focus on it. Yes, they may see slower, short-term growth, and I know investors don’t like that. But that is the best way to go if they want to have long-term sustainability.”
- “They need to focus. Sales could come up with the newer initiatives, but I question whether it generates profitability.”

Coach’s Pricing

- “Coach [handbags are] in the right price point. But they have a jumbled message, and they are not sure whom they are going after.”
- “There is a mismatch between the distribution strategy and the price point. Coach now has bags selling at \$100, \$300, \$700 and even \$1,100. Who are they? You can offer a new bag at \$1,100, but that caters to a very different customer than the one buying a \$250 bag. They are trying to be too many things to too many people. I do see them pushing into the really high-end market. I see it in the price points of many products. They now have a leather dress for \$600. There is a buzz, for sure, around these products. I think they have to pick a lane and go with it.”
- “They are not going to sell a \$1,900 shearling jacket in Macy’s. They have a [T-shirt priced at \\$145](#). It’s absurd. It gives a mixed message to offer these new high-end products and also sell in Macy’s. They have no point of view. I realize they don’t want to alienate their old customers. Still, they are trying to do too much.”
- “To cut back on discounting is a great idea, but what do you do about the other distribution channels when everything is on sale and discounted, but Coach? To cut out discounting is good and gives a brand more cachet. But because the brand is widely distributed in channels that do discounts, it ends up presenting a conflicting message. They are spinning their wheels. They may rein in promotions, but they are in distribution channels that go by their own cadence, have their own agenda and strategy and it is not aligned with what Coach wants to do.”

Coach and the Competitive Dynamic

- “I have heard more and more lately about the push into men’s wear. It is easy to see why they want to move in that direction. It’s an area of growth and opportunity. But does the woman who is carrying a Coach bag also want to buy a Coach men’s pack or messenger bag, or see men carrying it? Kate Spade entered the men’s market, but she created a different brand, [Jack Spade](#).”
- “Look at what happened to [LVMH’s] Marc Jacobs. The brand created Marc by Marc Jacobs, and they are in the process of [closing](#) that line down. Too many mixed messages.”
- “Coach is trying to sell high-end, but if they are going to sell in the Macy’s of the world, where it’s about discounts and coupons and sales, it still brings the cachet of Coach down.”
- “You can do just so many things and make so many sweeping changes without alienating the core. They are not doing anything to help themselves because of the mixed message.”

4) Coach Stores

Most Coach store personnel refused to be interviewed, but two store managers in China and four store associates in the United States did participate for this report. All six said customers were reacting positively to the new Coach designs and that customer perception of the brand was improving. Five of the six sources said their stores have experienced modest handbag sales growth. The remaining source, from a Coach outlet store, said bag sales were flat but clothing sales were increasing. Sources expect the luxury handbag category to grow, but one source in China said the country’s economy will limit Coach’s growth to 8% or 9%. The ideal price point for Coach handbags is \$200 to \$400 in the United States and \$400 to \$800 in

China. Michael Kors is Coach's main competitor in the United States and likely will become its biggest threat in China as well given its store expansion and lower prices. Kate Spade and [Vera Bradley Inc. \(VRA\)](#) are other noteworthy players.

Key Silo Findings

Coach's Brand Revitalization Efforts

- All 6 said the new designs as generating interest in the Coach brand and products.

Sales for Coach and the Luxury Handbag Category

- 5 of 6 are experiencing sales increases.
- 1 indicated flat sales.
- All 6 forecast sales growth for Coach and the overall luxury handbag category.
- 2 based in China expect sales growth to be slower than in the past and forecast an 8% to 13% increase.

Coach's Pricing

- Coach's pricing is acceptable to customers and is in the \$200 to \$400 range in the United States and more than \$400 in China.

Coach and the Competitive Dynamic

- Michael Kors is considered Coach's main competition in the United States.
- In China, Michael Kors is a newer brand and is gaining share as new stores are added.

1) Coach store manager in a tier 1 city in China

The core Coach customer is responding well to Stuart Vevers' designs. Coach is setting itself up in the correct markets and price points. Its new designs and other growth initiatives will help it to grow by 2017, when China's luxury handbag market also is expected to increase. Coach sales are up 8% to 13% year to year and quarter to quarter. In China, its discount policy has not changed, and customers are accepting of its retail pricing of ¥3,000 to ¥5,000 (\$484 to \$807). Coach's clothing and shoes also will boost its sales. Michael Kors did not take market share from Coach in China during the past two years. However, Michael Kors' prices are slightly lower than Coach's, and this and its expansion plans in China may help it claim some of Coach's share going forward.

Coach's Brand Revitalization Efforts

- "The core Coach customer is responding positively regarding Stuart Vevers' designs. Our store recently moved to expand the store size, and we lost some existing customers because they don't know that we moved. But from last September after Stuart Vevers became the designer, our sales gradually rebounded, and then it had been as good as before moving at the end of 2014."
- "Coach is positioning itself in the right markets and price tiers to help revitalize the brand and restore growth. The customer base is expanding. Its prices are only one-third of the top brands, but its designs are really elegant."
- "I am sure that Coach's new designs and other growth initiatives will return the company to growth in late 2016, early 2017 or earlier. Even if its growth rate is not very fast, it will definitely help Coach to maintain market share."

Sales for Coach and the Luxury Handbag Category

- "China's luxury handbag market for 2015, 2016 and 2017 will definitely continue to increase, but I can't predict the growth rate. Luxury handbag market is impacted not only by how customers like the luxury bag designs but also by government policy. For example, the government has strengthened its anticorruption policy, and then there are fewer gift purchases of luxury handbags, which used to a significant source of sales. In addition, a lot of Chinese customers like to buy luxury handbags abroad."
- "It is realistic that Coach grows in line with the industry category by 2017. Our growth rate is about 8% to 13%, which is higher than first tier brands."
- "Besides handbags, Coach has more clothes and shoes being launching into the market. It also is offering more accessories. These will drive additional sales growth."

Coach's Pricing

I am sure that Coach's new designs and other growth initiatives will return the company to growth in late 2016, early 2017 or earlier. Even if its growth rate is not very fast, it will definitely help Coach to maintain market share.

*Coach Store Manager
Tier 1 City, China*

- “In China, Coach’s discount policy has not changed. We do two discount events each year. One is June to July, and another is December to January. Both times the discounts are in the 30% to 50% range.”
- “Customers are saying that Coach’s prices are acceptable. The current average prices for new products are similar to before, but the high-end handbag prices are up slightly. For example, the majority of Coach handbags were between ¥2,000 to ¥7,000 [\$323 to \$1,129], but now some products have reached ¥8,000 to ¥9,000 [\$1,291 to \$1,452]. Of course, the majority of our handbags are still in the range of ¥3,000 to ¥6,000.”
- “Most sales in China are priced from ¥3,000 to ¥5,000. In addition, handbags priced around ¥6,000 are also selling well this quarter. For the second half of 2015, sales of \$400-plus handbags will continue to do well because they are Coach’s main product.”

Coach and the Competitive Dynamic

- “I think its new collection also has attracted more customers. Its 2014 autumn and winter series were so attractive.”
- “I think Coach’s ranking is rising compared with the competition. Also, our brand class is improving.”
- “The core Coach customers are very happy with the company’s changes, but they are also interested in competitors’ changes. Customers are not very brand-loyal. ... Even our store employees buy competitors’ products. For example, Michael Kors entered China later than Coach and it has fewer stores, so the customers are interested in it because it is new and fresh.”
- “Michael Kors didn’t gain market share from Coach in China over the past two years. However, its prices are slightly lower than Coach, so it may gain some share from Coach in the future.”

2) Coach store manager in a tier 2 city in China

Customers are largely unaware of Coach’s new designs by Stuart Vevers, but appear to like its styling. Coach is benefitting more from Chinese consumers’ rising purchasing power than from its new collection. The company is well positioned to protect its position in the entry-level luxury handbag market. Its growth has been stable during the past two years in China. Sales are up 8% to 9% year to year, lower than expected. This source expects sales to continue at a similar rate next year as well. Still, Coach’s growth is always higher than the category in China. Customers are accepting of Coach’s prices, including the ¥3,000 (\$484) price tag for its best-selling products. Michael Kors has never gained a significant amount of share from Coach in China, but its store expansion will make it a more formidable competitor.

Coach’s Brand Revitalization Efforts

- “Core Coach customers’ reactions are mixed to the new designs. Some think they are fine while others are disappointed that the Coach logo has been deemphasized. Younger customers ... want the logos.”
- “Coach is positioning itself in the right markets and price tiers to keep its leading position in the entry-level luxury market, which is growing very fast in China.”
- “Coach has experienced steady growth during the past two years in China, so there is no issue with the company returning to growth here. I believe its sales in 2015 and 2016 will continue to increase.”
- “The brand affinity and purchase intentions are improving, but it is not because the new collection. It is because more and more customers accept and can afford this brand.”

Sales for Coach and the Luxury Handbag Category

- “I don’t know the global luxury handbag market, but I can say something about China. In the next two years I think the top luxury handbag market will be hindered by the weak Chinese economy, but the entry-level luxury handbag will not feel the impact.”
- “In China, Coach’s growth is always higher than the industry category.”
- “Coach’s sales are increasing 8% to 9% year to year. This is not very good number. Our sales growth is not meeting our expectations because there are not only more competitors opening the stores but also more new Coach stores in our area, which impact our sales.”
- “I believe Coach can keep 8% to 9% sales growth for 2015 and 2016.”

Coach’s Pricing

- “Coach is not cutting back on discounting in China. We also haven’t made store changes. Our VIP customers can get 10% off. In addition, our store often has some promotional activity, such as a free small gift when customers spend over a certain amount.”

Coach has experienced steady growth during the past two years in China, so there is no issue with the company returning to growth here. I believe its sales in 2015 and 2016 will continue to increase.

*Coach Store Manager
Tier 2 City, China*

- “Customers think that Coach’s prices are acceptable. As the No. 1 entry-level luxury brand, its prices are much lower than the top luxury brands.”
- “Our store in a tier 2 city, so our customers’ acceptance of prices is less than in tier 1 cities. Handbags around ¥3,000 are the best-selling products. This trend will continue in the second half of 2015.”

Coach and the Competitive Dynamic

- “Coach has been the No. 1 brand in the entry-level luxury market, and it has been kept this position. At the same time, its brand influence is improving.”
- “Coach’s revitalization initiatives definitely have stabilized share and promoted growth. ... Michael Kors has never gained a significant amount of market share from Coach in China. However, Michael Kors will be more and more competitive in the next two years with more stores openings here.”
- “I haven’t heard about poor quality for Michael Kors. Maybe it is because its coverage in China is still low. Fewer customers means fewer complaints. On the contrary, I often hear that customers complain about Coach’s quality.”

3) Coach sales associate, Southern California

Sales are up slightly after a lull during January through March. This store has had several items from the Swagger collection since the start of the year, and more recently received its first pieces from the Tribe collection, a line priced at \$200 to \$500 and aimed directly at younger consumers. Michael Kors is a competitor, but this source said its quality and reputation for handling returns or online orders are no match for Coach. The luxury handbag market is strong, and Coach’s new designer has carved a solid path for the brand going forward.

Coach’s Brand Revitalization Efforts

- “We are doing well. It was a little quiet at the start of the year, but we’ve been picking up.”
- “I can’t give out percentages, but sales are strong.”
- “We’ve carried the new Swagger line from the new collection since January, and it has helped with sales. I think customers are definitely responding well to the new look.”
- “We got several pieces in from the Tribe collection on Friday, and it’s already doing well. It has a very young appeal with bright colors and designs that are very different from the classic Coach look.”
- “People still ask for classic fabric Coach bags and you can get them online and at the outlets, but we have long-time customers who are really liking the new collection.”

Sales for Coach and the Luxury Handbag Category

- “I think there is growth happening. There are a lot of luxury bag companies out there. I’m not sure who will be around if five years though, whereas Coach will be.”

Coach’s Pricing

- “Prices for Coach are not that out of reach anymore for many customers.”
- “The new Tribe collection has pieces from \$250, and I’m told more pieces are coming in.”
- “I think the higher-priced bags [above \$400] are not our biggest sellers. We do get a lot of people in who look around and then wait for sales or go online or to the outlets.”
- “We haven’t had any promotions yet for the new line, but we are doing a showing in a couple of weeks that will offer some special promotional pricing in the store for just that day.”

Coach and the Competitive Dynamic

- “Michael Kors is right next door, so we are very aware of the competition. I don’t want to say anything bad about a competitor, but I have heard the quality is not the same and that sometimes there are issues with the return policy.”

Reporter Observations: Only two customers were shopping during our Saturday afternoon visit at this remodeled store. The Tribe collection was featured front and center, was very hip, and included scarves, jewelry and shoes. The store had a significant amount of inventory, much of which appeared to be shoved in the back of the store or in a corner. We noted no special signage for the new collection, but the black-and-white posters of Chloë Moretz dominated the windows.

We’ve carried the new Swagger line from the new collection since January, and it has helped with sales. I think customers are definitely responding well to the new look.

Coach Sales Associate
Southern California

4) Coach sales associate, Kansas

Coach has seen rising sales. The source expects the new designs and the aggressive marketing campaign to drive sales even higher during the next two years. The men's line has been a positive. Bags at \$400 or more are doing well.

Coach's Brand Revitalization Efforts

- "We have received great feedback to the new design. It's more current, it's a little more fashion-conscious."
- "Coach has always branded itself on craftsmanship and leather. And we really stand behind that. Our artists only take the best 20% of leather. Stuart Vevers has kind of added the fashion piece to it."

Sales for Coach and the Luxury Handbag Category

- "I think our initiatives will be successful. Our marketing has improved. I've seen more celebrities with Coach. I see more social media refer to Coach—Twitter and Instagram. We are moving in the right direction."
- "Our sales are up over the past year; I am not supposed to say by how much."
- "I think the sales will improve in the next two years if we keep trending as we have been. We are very busy here, especially weekends and now Mother's Day is coming up."
- "We ... added a men's line, which is doing well."

Coach's Pricing

- "There are fewer promotions. We used to do them once a quarter, but people weren't buying until we did one. Sales were down during other periods."
- "We were not doing any promotions for a while, until recently. Now we have some, but we don't find out until right beforehand. It's invitation-only for our best customers."
- "Prices are about the same as they were a year ago. People don't complain."
- "The \$400 bags are doing well, but we hardly have any bags that sell for less than \$300 anyway. People are willing to pay for craftsmanship and brand."

Coach and the Competitive Dynamic

- "We were America's luxury brand for a long time. There is some change in our customers. We are trying to reach more of the millennials. We were geared toward a different clientele, and now it has branched out."
- "Michael Kors is popular, but we have a lot of years on them. I've heard things here and there about the quality of their product. We stress quality. If something breaks, we will get you a new one or repair it. That will never change."

Reporter Observations: This store was in a fashionable shopping area. Of the two front doors, one opened toward the women's section while the other opened toward the men's section, which carried belts, bags, wallets and other items. Two men were shopping in the men's area while a woman with a baby browsed handbags.

I think our initiatives will be successful. Our marketing has improved. I've seen more celebrities with Coach. I see more social media refer to Coach—Twitter and Instagram. We are moving in the right direction.

Coach Sales Associate, Kansas

5) Sales associate for a Coach pop-up store in Kansas

Sales have grown steadily since this pop-up store opened in May 2014, to the point that the store will move to a permanent, larger location in the same area in August. The new Coach designs are popular, especially the leather products, and sales are expected to keep improving.

Coach's Brand Revitalization Efforts

- "We are getting in some Stuart Vevers designs; a lot of them are leather. People like the leather; it's more durable. We also get in what is called coated canvas. People have a choice, and we are selling more leather."
- "Coach is doing well in repositioning itself. There is a lot more competition than previously, with Michael Kors, Kate Spade, Vera Bradley and other luxury bags. Coach is kind of reinventing itself as a result. We have raised our product up."
- "Coach should continue to grow. One reason is we have more outlets than the competition. People look for lower prices."

Sales for Coach and the Luxury Handbag Category

- “The outlook seems good for luxury bags, and I think Coach can keep up. We are drawing new customers, and we have some very loyal other customers. One woman customer has been buying Coach for 40 years.”
- “I think our sales are up from a year ago, but it’s hard to fairly compare because we just opened last May. We have daily goals, and we are making them. I’m not sure of our goals for the year, but I am optimistic they can be met.”
- “Sales should keep improving over the next few years. Coach bags are a little more affordable than they were a year ago, especially at outlet stores. It has become more of a common bag.”
- “We get our bags from a different factory than the regular Coach stores. We get the rest of our bags from retail outlets that send them over.”

Coach’s Pricing

- “We don’t have any bags \$400 or more because of our discounts, so I can’t tell you about a trend there.”

Coach and the Competitive Dynamic

- “We have been around longer than those companies, and now we are redefining ourselves, so we have both those advantages. We don’t sell other bags, so I don’t know how we rank in compared sales.”
- “I have not heard about quality issues with Michael Kors.”

Coach is doing well in repositioning itself. There is a lot more competition than previously, with Michael Kors, Kate Spade, Vera Bradley and other luxury bags. Coach is kind of reinventing itself as a result. We have raised our product up.

Sales Associate
Coach Pop-up Store, Kansas

Reporter Observations: This outlet store was in a high-end shopping complex that had many other designer-type stores. While not large, the store had a spacious feel. Small signs advertised sale prices. Two women were shopping.

6) Sales associate for a Coach factory outlet in California

Sales are flat for handbags but have improved for some clothing items compared with six months ago. Michael Kors is considered an inferior competitor because of its quality issues as well as customers’ brand loyalty to Coach’s extensive history and cachet. Coach likely will strengthen its place in the market as it continues to reach out to a younger consumer and expand its men’s line.

Coach’s Brand Revitalization Efforts

- “We have only a few items from the latest collection with the new designs, so I’m not sure how to discuss our customers.”
- “Overall I see Coach regaining some interest because the new focus is on a hipper and younger customer. The men’s collection is also going to play into that.”
- “Coach is going to be around for a long time. It has too much history, and the quality is unbeatable.”

Sales for Coach and the Luxury Handbag Category

- “Coach has a strong history that’s going to be helpful.”
- “Michael Kors and some of the other higher-end bag companies out there don’t have the connection with multiple generations of families, and they don’t have the locked-in recognition by some of the demographics we have.”
- “This store has a very big Asian customer base. We are an outlet so we get a lot of tours in, and Asian families come in to buy for family members overseas. They ship gifts over or take them home with them because the price break for them to buy here is huge.”

Overall I see Coach regaining some interest because the new focus is on a hipper and younger customer. The men’s collection is also going to play into that.

Sales Associate
Coach Factory Outlet, California

Coach’s Pricing

- “The prices are about right. We have some sale items here on things that are already discounted, so that’s great.”
- “The handbag range is between \$175 and \$450 here. ... We see most of the sales at a middle range, so close to \$250 on average.”
- “Our current promotion of 50% off is doing very well. We run that every few months. I haven’t noticed fewer promotions.”

Coach and the Competitive Dynamic

- “Michael Kors doesn’t have the same level of quality that Coach has. They are a good brand and have a lot of fans, especially women who are younger. I guess they are a strong competitor, but I think the quality is not as good.”
- “I haven’t noticed a market shift in any way. I think the more styles you have, the better. People like to match up wallets and accessories with the Coach bags, and to have more choices is always a good thing.”

Reporter Observations: This store was extremely busy and had a large number of male shoppers. The promotion of 50% off already discounted items appeared to draw in a crowd. The store had only a handful of the classic Coach pieces. Items from the new spring collection are not expected to arrive until late spring or early summer.

5) SurveyMonkey Poll

Our SurveyMonkey poll of 56 female Coach customers ages 18 to 55 in the United States found that Coach’s decrease in promotional events and discounts should have minimal effect on sales. Its brand perception is on par with or superior to most brands and has improved during the past year, even though respondents still view Coach handbags as overpriced. Michael Kors, Kate Spade, Louis Vuitton and [Dooney & Bourke](#) are considered Coach’s top competitors. A small number of respondents have seen Coach’s new handbag line, and they liked the designs and believe the change will help to revitalize the brand. Respondents also like the new open display cases. During the next year, respondents do not expect to change their shopping habits for Coach handbags, and will continue to get them primarily from outlets. Most respondents typically spend less than \$400 on a handbag.

Style and quality were the top two factors that respondents take into account when choosing a handbag. Roughly the same number of respondents would increase their purchases of Coach handbags as those who would decrease their purchases in light of Coach’s decrease in promotional events and discounts.

- Style (40.7%) and quality (25.9%) were the top two most important factors when choosing a handbag. (Q3)
 - 20.4% of respondents said price was an important factor.
 - Style was more of an important factor for older respondents, whereas price was more of a concern for younger respondents. (Q3, filtered by age)
- 29.6% will increase their Coach handbags purchases despite the reduction in promotional events and discounts. (Q10)
 - 31.5% will decrease their purchases of Coach handbags in light of the reduction in promotional events and discounts. (Q10)
 - 3.7% will eliminate their purchases of Coach handbags given the reduction in promotional events and discounts. (Q10)

Coach’s brand perception has slightly improved over the past year, and currently ranks in line with or superior to most brands, even though respondents believe its handbags are overpriced.

- 48.1% said their perception of the Coach brand has stayed the same over the past year. (Q6)
 - 37.1% said their perception as improved. (Q6)
 - 14.8% said their perception has deteriorated over the past year. (Q6)
- Respondents ranked the Coach brand as on par with (50%) or superior to (44.4%) most brands. (Q7)
- 66.7% believed Coach was overpriced for the quality of its handbags. (Q8)
 - 33.3% believed Coach was correctly priced when comparing the price and quality of its handbags. (Q8)
 - No one believed Coach was underpriced when comparing its price and quality of its handbags. (Q8)

Michael Kors, Kate Spade, Louis Vuitton, and Dooney & Bourke are Coach’s top competitors.

- Michael Kors (50%), Kate Spade (35.2%), Louis Vuitton (29.6%), and Dooney & Bourke (27.8%) are the top four other brands that our respondents also considered when shopping for a Coach handbag. (Q2)

Few respondents know about Coach’s new handbag line, but those who do (primarily younger respondents) believe it will help revitalize the Coach brand.

- 77.8% did not know about Coach’s new handbag lines from designer Stuart Vevers. (Q4)

- 16.7% familiar with the new line liked it. (Q4)
- Younger respondents were more likely than older respondents to like Coach's new handbag line. (Q4, filtered by age).
- Out of the 12 respondents who knew about the new handbag designs, 83.3% of them believe the designs will help revitalize the Coach brand. (Q5)

Respondents like the new open display cases used by Coach.

- 68.5% of respondents like the new open displays used by Coach. (Q9)
 - 25.9% of respondents have not seen the new open displays. (Q9)

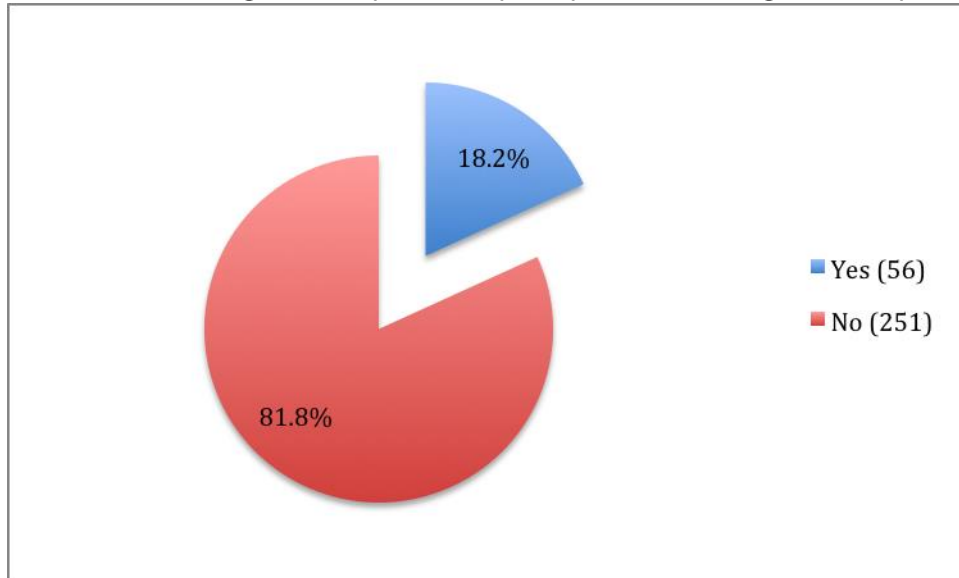
During the next year, respondents will not change their shopping habits for Coach handbags, and will continue to get them primarily from outlets.

- 70.4% will not change their shopping habits for Coach handbags during the next year. (Q13)
 - 14.8% will increase their shopping habits for Coach handbags. (Q13)
 - 14.9% will decrease their shopping habits for Coach handbags. (Q13)
- 51.9% mainly shop for Coach handbags in Coach outlet stores. (Q14)

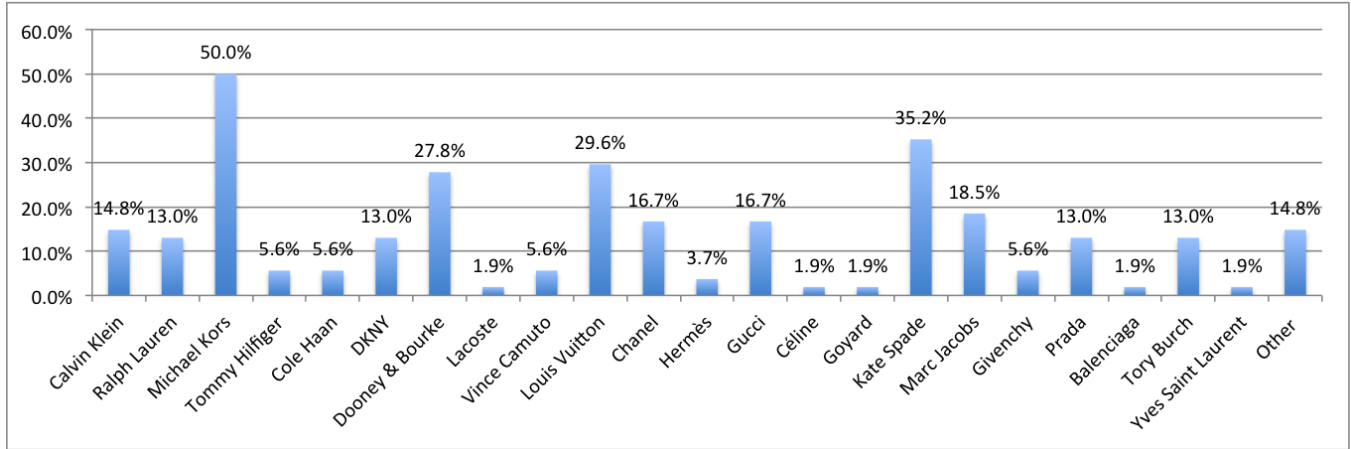
Most respondents usually spend less than \$400 on a handbag and will spend the same amount in their next purchase.

- 85.2% normally spend less than \$400 on a handbag. (Q11)
- 74% will spend up to \$400 on their next handbag. (Q12)
 - 16.7% of respondents will not buy another Coach handbag. (Q12)
 - Younger respondents are less likely than older respondents to buy another Coach handbag. (Q12, filtered by age)

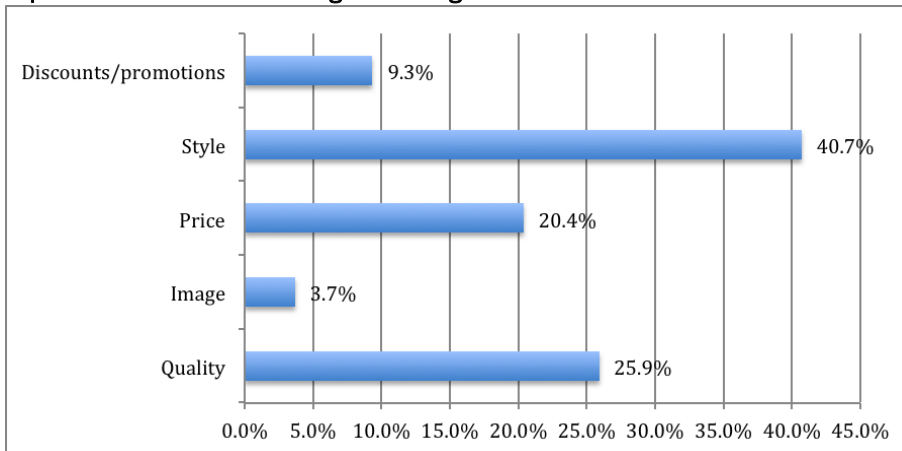
1. Have you purchased a Coach handbag in the last year, or will you buy a Coach handbag in the next year?



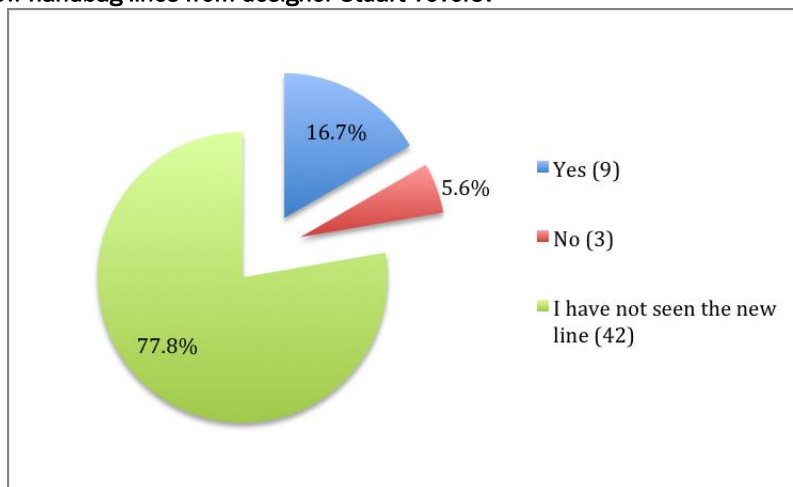
2. When shopping for a Coach handbag, which other brands do you also consider? (Select all that apply.)



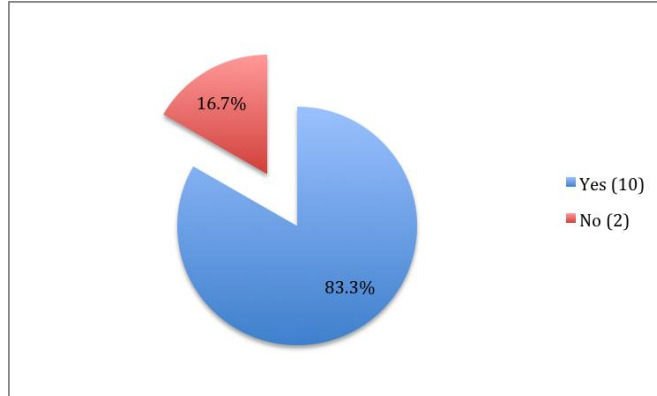
3. What is the most important factor when choosing a handbag?



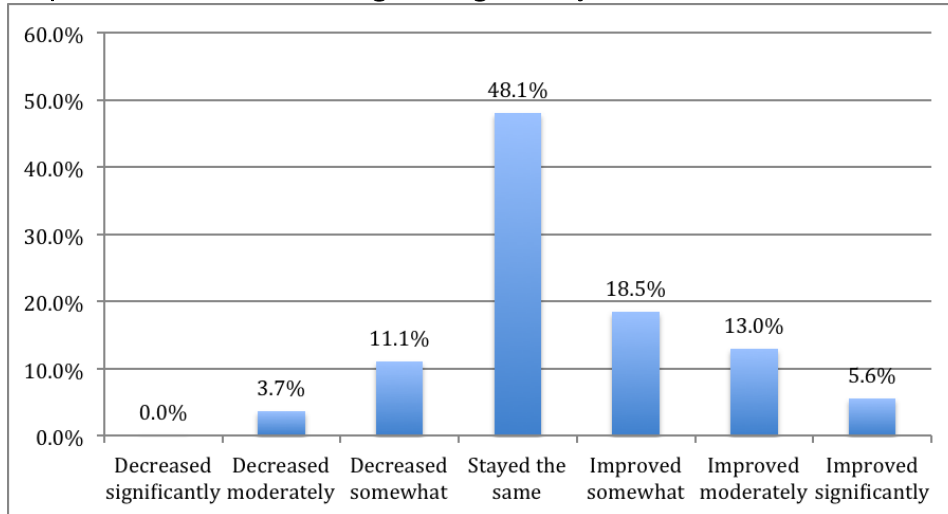
4. Do you like Coach's new handbag lines from designer Stuart Vevers?



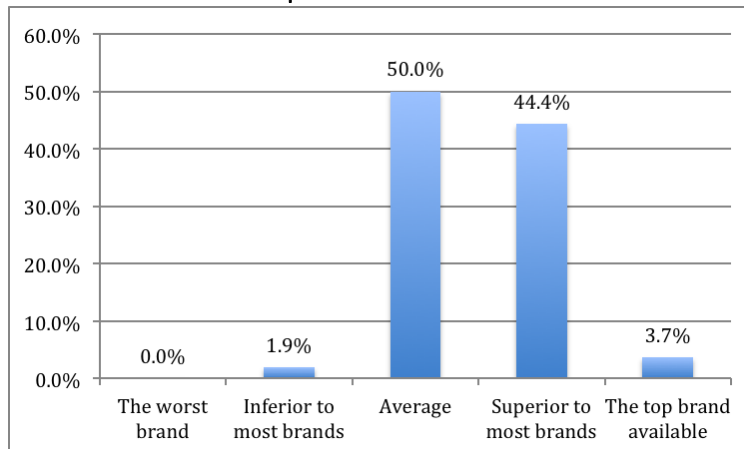
5. Do you think the new designs will help revitalize the Coach brand? (12 respondents who know about the new Coach line)



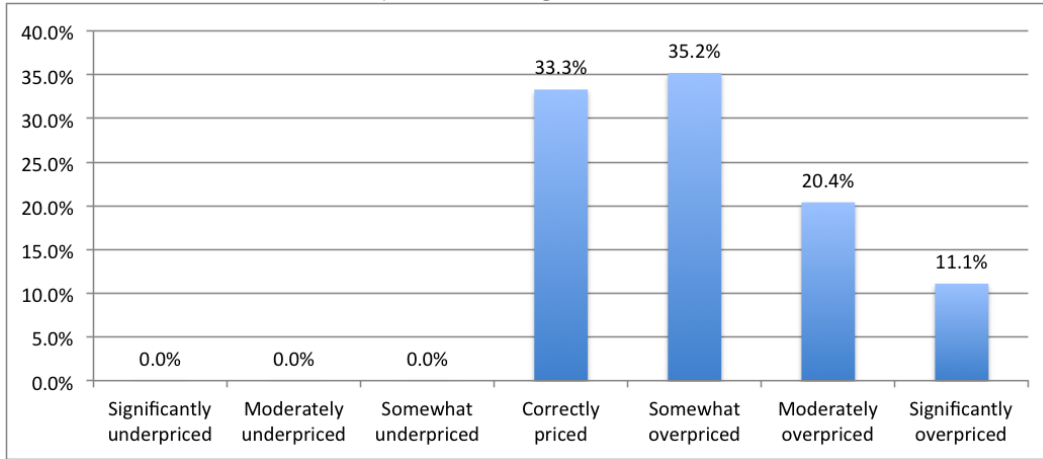
6. How has your perception of the Coach brand changed during the last year?



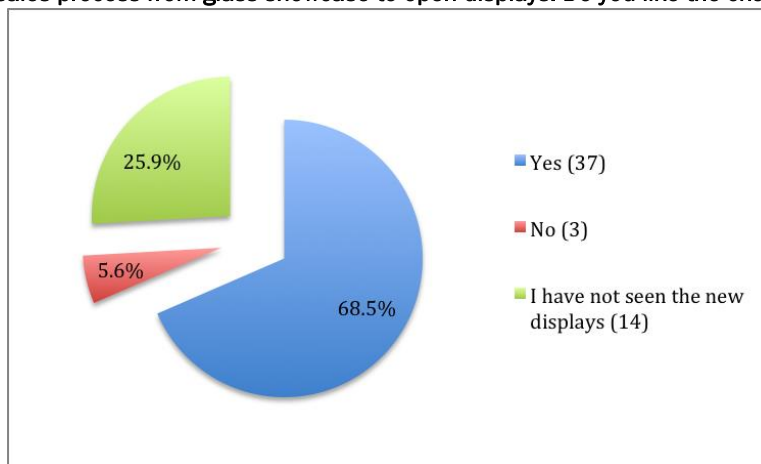
7. How would you rank the Coach brand relative to its peers?



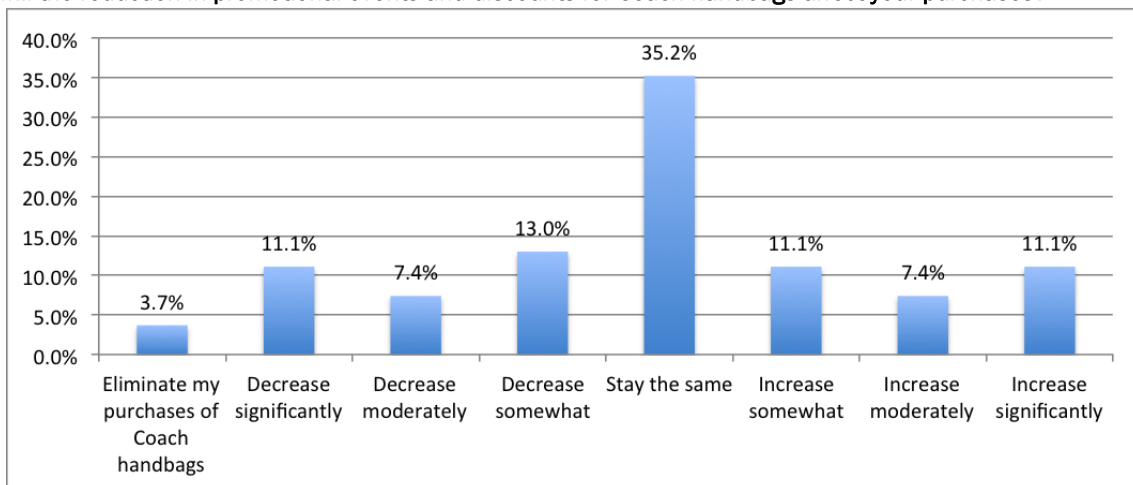
8. How do you think Coach is priced for the quality of its handbags?



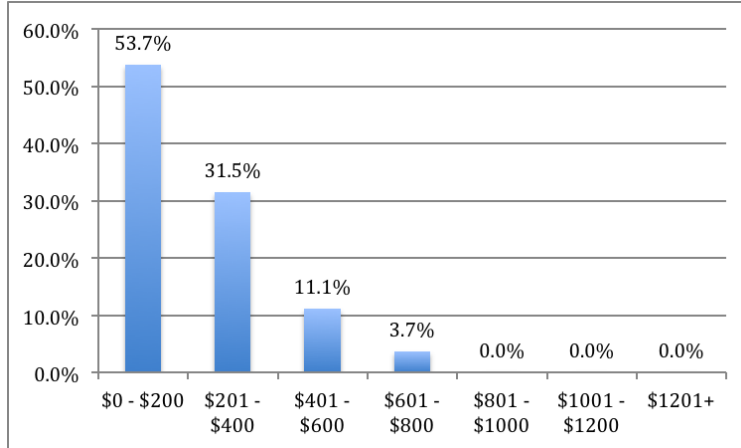
9. Coach has changed its sales process from glass showcase to open displays. Do you like the change?



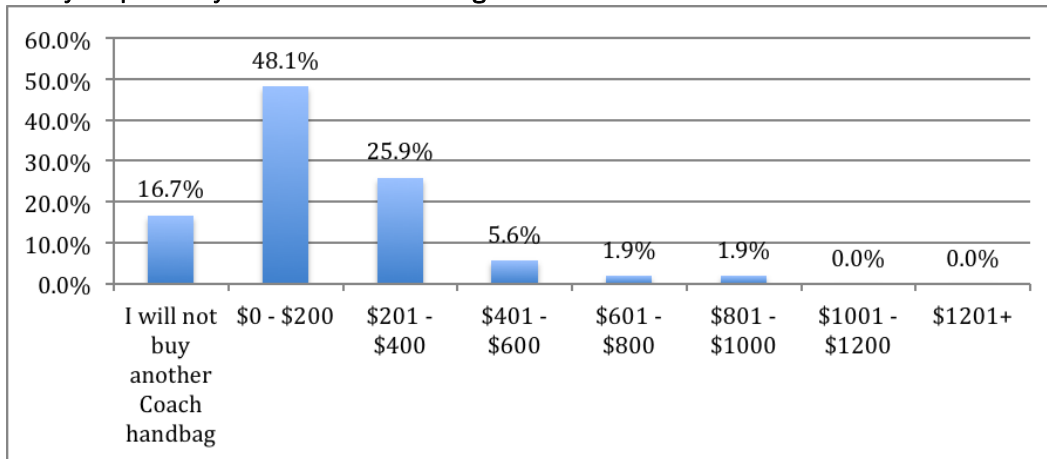
10. How will the reduction in promotional events and discounts for Coach handbags affect your purchases?



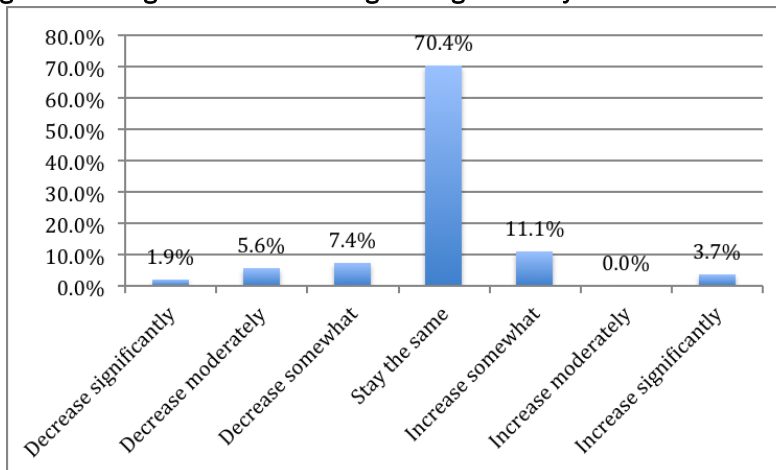
11. How much do you normally spend on a handbag?



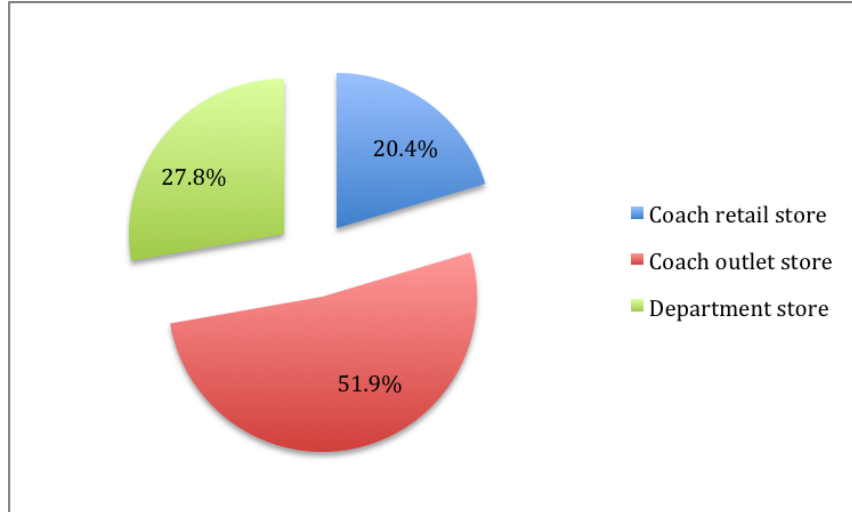
12. How much will you spend on your next Coach handbag?



13. How will your shopping habits change for Coach handbags during the next year?



14. Where do you mainly shop for Coach bags?



Secondary Sources

The following six secondary sources discussed Coach's competitors, reviews of Coach's new lines, and Coach's outlook in China.

Competitors

Michael Kors is the leading handbag brand among teens, but its popularity may be wavering as it becomes too commonplace. Coach is not initially targeting the young demographic with its new product lines. Tory Burch and Kate Spade may be the first brands to take share from Michael Kors.

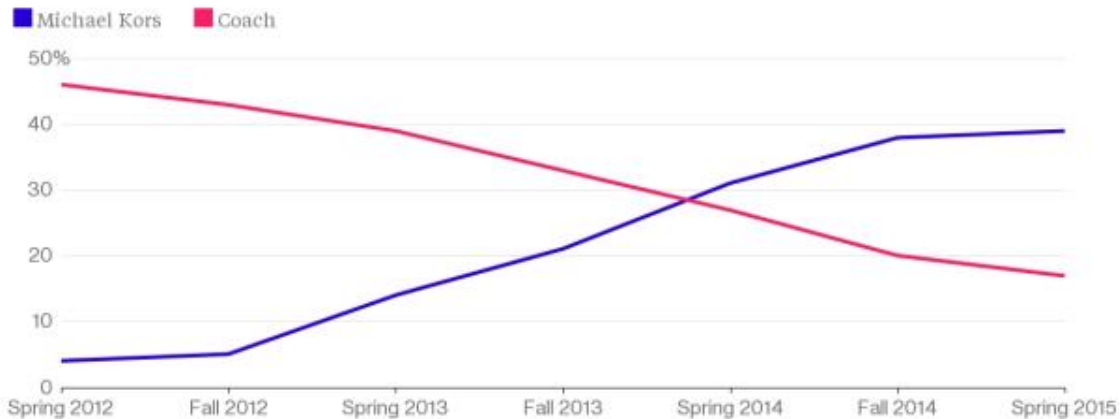
April 16 AFR.com [article](#)

Younger consumers still prefer Michael Kors over Coach. However, the growth rate for preference in Michael Kors is slowing while Coach's decline is moderating. Michael Kors may have reached the peak of its popularity as its sales have slowed in the past year. Coach is first targeting its older, more affluent crowd with its new product lineup.

- "Michael Kors isn't just for grownups. The fashion line known for posh handbags and its signature Michael Kors print turns out to have an enormous teenage fan base."
- "The teenage glamour of the Michael Kors label outshines all other handbag brands, according to a semi-annual teen survey released this week by Piper Jaffray."
- "In fact, the brand has reached new highs: 39% of average-income girls choose Kors as their preferred handbag label, up from just 7% in a 2012 survey. Rival handbag maker Coach fell from 46% to 17% in the same period."
- "The bad news for Coach is that the power of teen shoppers far exceeds their spending. Teens are highly influenced by other consumers, making the demographic an important indicator, and young shoppers become an influential force once they pick up on something."

Teens Love Michael Kors

Preferred handbag brand for average-income teen girls



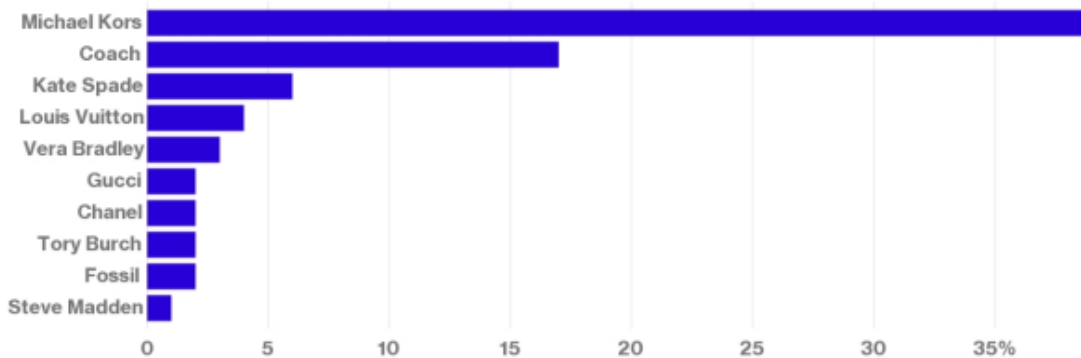
Source: Piper Jaffray

Bloomberg

- “Erinn Murphy, an analyst at Piper Jaffray, looks at teen shopping habits as a way to determine which brands are coming in or out of favor.”
- “Coach’s satchels, duffels, and cross body bags long dominated the market for ‘affordable luxury,’ fancy goods that don’t carry the sky-high price tags of true luxury brands like Chanel and Hermès.”
- “Now in a deep slump, the company in the early stages of a revamp that includes new marketing campaigns and overhauls of its stores and merchandise. Coach brought on Stuart Vevers, a veteran of several European luxury labels, as executive creative director in 2013.”
- “In an effort to curb its own ubiquity and bolster its cachet, Coach is also reducing discounts. Its handbags won’t be able to recapture teens until after addressing the core customer—an older, more affluent crowd.”

Don't Forget About Kate & Tory

Top 10 handbag labels among average-income teen girls, spring 2015



Source: Piper Jaffray

Bloomberg

- “You’re just not seeing that turn yet with the teens,” says Murphy. “They’re still looking at Michael Kors.” Yet Kors, for all its power and prominence, isn’t safe either. Alarms of Kors becoming too ubiquitous—like Coach once did—rang as sales slowed in the past year.”

- “Among teens, Kors is reaching territory once inhabited by Coach as the overwhelming favorite. This position proved unsustainable for Coach, pulling the company back down to earth.”
- “A cohort of hard-charging upstarts is pushing for expansion, threatening both incumbents. ‘My guess is that it’ll be hard to sustain at this level,’ Murphy says of Kors’s popularity. ‘You have brands like Tory Burch coming up. You have brands like Kate Spade coming up.’”

Reviews for Coach’s New Line of Bags

A fashion journalist initially disapproved of Stuart Vevers’ new Coach collection, but reversed her opinion after seeing his spring 2015 collection. Meanwhile, a popular fashion blogger believed the new line was outstanding, but comments from the blog’s readers were mixed. A young counter-culture fashion blogger also was very impressed with how Coach was transforming its brand image.

Feb. 13 Fashionista.com [article](#)

A fashion journalist was unimpressed with Stuart Vevers’ initial designs for Coach’s fall 2014 collection and questioned his leather jackets and suede-fringed bags. However, the spring 2015 collection improved her perception of the line.

- “I wasn’t a fan of Stuart Vevers’ first ready-to-wear collection for Coach when it debuted last February. Coach, in my mind, has always been about approachable color and simple shapes, and I didn’t think Coach’s current customer—and the many customers it had lost to Michael Kors, Kate Spade and Mulberry over the years—would go for the black leather jackets and suede fringed bags. But after seeing the way the collection was merchandised on Net-a-Porter and in its newly revamped stores—and Vevers’ more colorful, modish spring 2014 collection—I came totally on board. Coach is cool again, and not in a way that’s appealing only to fashion insiders.”
- “Going into his third season, Vevers says that consistency is very important. ‘Because ready-to-wear is a new proposition for Coach, we’re trying to take ownership of some materials and attitudes,’ shearling and leather being prime examples, he said backstage after Coach’s 9 a.m. presentation (the first of three) in Chelsea on Thursday. Vevers reintroduced its popular shearling-lined ‘urban hiker’ boot in a taller version for fall ‘15, and used the material liberally on the interiors, collars and pockets of wool and leather parkas, brown suede coats and even on the backs of sleek black leather biker jackets, of which there were many.
- “‘I like shearling because to me it’s quite honest, it’s a raw material with very simple construction, and something about that to me feels like a Coach approach to luxury, even an American approach to luxury—not too precious,’ he said.”
- “As good as the shearling pieces were, it was the black leather biker jackets—patched and festooned with pins, zippers, even bits of fur—that had most editors cooing. Vevers said he wanted the jackets to look ripped and repaired and personal—luxury, but luxury that’s ‘not too perfect.’”
- “Vevens also reintroduced the bandana prints and stars and stripes motifs from his earlier collections, particularly in the knitwear, which he said is an increasingly important category for Coach. And the bags? They weren’t as remarkable as the bold, luxurious outerwear, but the bowler shapes—which came in ivory and yellow ochre, some emblazoned with the word ‘Lucky’—had my Twitter feed abuzz.”

March 19 Purseblog.com [blog](#)

A popular fashion blogger applauded Coach’s new product lineup, but of the 34 blog commenters, only slightly more liked than disliked the line.

- “Fashion shows are nice, but nothing beats getting to see new handbags up close; touching something, opening it up and putting it on your arm are the best ways to evaluate a collection. Luckily, we got to do just that yesterday with Coach’s Fall 2015 bags (and coats—just wait until you see the coats), and we think you’ll be just as excited about this collection as we are.”
- “Coach is now, of course, under the creative direction of Stuart Vevers, and this is his third full seasonal line for the brand. Vevers’ work just keeps getting better; he builds on the positive response to the new-for-Spring 2015 Swagger Bag with even more versions in metallics, multicolor and a fun, slightly punky animal print the brand is calling ‘wild beast.’ The results are strong, and the multicolor Swaggers are a particular highlight; they feel neutral without being at all boring.”

- “The collection also includes lots of shearling, which appears everywhere from candy-colored mini bags with fur pom-poms to extravagant shearling coats. As its been for years, outwear was another particular highlight—we couldn’t help but include a few photos of the gorgeous coats and jackets in the gallery below.”
- “Shoppers can expect to see these bags start to hit stores toward the end of summer. To shop the current assortment, head over to Coach.com.”



- Commenters: 21 liked the new design while 14 disliked it.
 - “Finally something different! I was bored w/Coach, it was so plain. This collection looks amazing.”
 - “I can’t stand them. I can’t even set foot inside a Coach store anymore. Their bags look like an eyesore to me. They should have stuck with the clean, minimalist look.”
 - “Agree completely. They look cheap.”
 - “I love them all! I’m on the opposite side of the spectrum of many of you; I never cared for Coach until recently. I thought their bags were boring. I love the swagger bag (I bought one in matte black from the spring collection and I love how modern and simple it looks) and I’m glad they brought back that leopard print but those iridescent bags are amazing. I’m going to start saving now!”
 - “I’m with most of the others here—there is just too much going on. Heavy leather, heavy ornamentation, heavy, heavy, heavy. I wouldn’t carry a single one of these pieces. I like that Coach doesn’t stick to a single style, but you can’t beat their simple Legacy pieces. Really disappointing.”
 - “Swing and a miss! This collection is a mess! It’s all over the place. Sad.”
 - “Out in the real world I’m seeing ladies that I’d never expect to carry Coach now carry it. They can now compete and stand out in today’s market. As usual there will be some hits and some misses.”
 - “Looks like a tacky take on Proenza’s PS11 line, esp. the totes. Don’t like these Coach bags at all.”
 - “I like the coats but most of those bags are too busy and a few are downright garish. Pass.”
 - “I don’t really see a difference between what has been presented here and with other designer Fall features. Every line I’ve seen so far has had some great and some not-so great handbags. Everybody is not going to like everything in the collection and that is fine. I feel that a lot of people bash Coach excessively and there is a lot of bandwagon hate.”
 - “Some of these pieces are spot-on (leather trench-#50, leather hobo-#8, large hand-held duffel-looking bag-#6), while others look cheap, in my opinion—just too much going on. Simple, classic and elegant designs are

- what had made Coach famous, and those are the designs I buy because they suit my taste and style. I just bought a black-swagger this week, loving the bag and feeling like Coach was finding its feet again, but this collection leaves me disappointed. To each their own, of course, but I was more intrigued by Spring 2015 than what's on the horizon for fall."
- "You are my style twin here! The leather hobo, both #8 & #10 are beautiful in their simplicity and the trench in #50 is gorgeous! As you said, 'simple, classic and elegant' are the key words!! I've stayed away from Coach for years with all the optic prints and logo jacquard but when I saw some of the Spring 2015 bags (yes, the swagger, of course!!) I was pleasantly surprised. Coach needs keep is classy, and most of these shown are not...in my humble opinion!!! :)"
 - "NO WAY!!!! THESE BAGS ARE AMAZING!!!!!! I CANT BELIEVE I HAVE TO WAIT TILL FALL :("
 - "I'm pretty sure I will need to start selling my plasma in order to afford everything I want from this collection! My wallet is quivering in the corner right now in fear."
 - This entire collection looks as though it was created for teens & raver kids. [Shaking my head.]"
 - "The hobo is nice, but he is all about some pebbled leather! Not a fan of pebbled."
 - #33 that Crosby is gorgeous!!! Never had a Coach bag before until yesterday, when I got a croc embossed Crosby in Grey Birch as an anniversary gift from hubby. I absolutely LOVE that bag! All of the other bags in my collection are from premier designers ... that said, I am pleased with Coach as the features of the bag are very well thought out and user. Also, Coach did a wonderful job with the color and croc embossing...and the SA's at the boutique were very helpful!"
 - "The ideas are great: color blocking, shearling, statement architecture. Unfortunately, it comes off looking like a cheap attempt to recreate Fendi. Fendi is just difficult to translate at this price point and with these cheaper asterisks."
 - "Spot on Coach! Completely in line with fashion trends! Also, these are clearly the exclusives, the rest of the collection will be more streamlined I am sure. Love it all!"
 - "Love trench. I don't even want to know how much that costs. The colors of the hobos are gorgeous. I'm still not inclined to give my business to Coach. However, if I did, I'd take the animal print backpack and the jacket in slide 22. The first few bags were too much and overdone. I would say that if you want a classic Coach bag that the outlets would be your best bet. I went the vintage route. Most of these just read too young."
 - "I am actually not under-whelmed (finally) by some of the bags. (Some—I just don't know what to say, they leave me perplexed) Am I ready to open my wallet? Debating on that. Maybe #6. Maybe."
 - "Coach just keeps getting better!! I must have the pink mini-bag with the pom-pom's. I'm in lust!"

Feb. 27 Secret Hipster [blog entry](#)

This fashion blogger/hipster was highly intrigued by Coach's new line. She stated the brand is changing from "mall queen" to spectacular. Based on the trends she has seen in the fashion industry, she believes Coach will catch on quickly with celebrities, and foresees high adoption rates of certain elements in the collection.

- "Over the span of two seasons Coach has managed to transcend their reputation as a basic, mall queen, Abercrombie & Fitchesque clone. I know that owning a Coach handbag is a big deal if you're from North America but in Australia the brand seems to have hardly made waves, save for the last two runway collections. In a kind of metamorphosis they have since become one of the must-see events at New York Fashion Week."
- "Last season the crowds were treated to a collection of sugary sweet fur-trimmed coats, taking everyone by surprise but begging the question could they keep it up? As it turns out we need not have worried since their 2015 Fall collection was just as spectacular but for a variety of different reasons. Muted tones featured heavily with a greater emphasis on texture and materials such as leather and shearling. These were balanced by badass babe vibes provided by bandannas and chic handbags and tasseled loafers. The collection was composed of the perfect staple jackets for winter, in contrast to the previous which was perhaps canvassing the brand's new and exciting alternate persona."
- "The collection featured an ensemble cast of waifish girls swaddled in shearling coats, each outfit being carefully composed and well-articulated. This combined with the art direction and photographed landscape sitting behind the models was heavily reminiscent of previous collections from Rodarte. Unlike Rodarte however, there is a distinct absence of dresses worthy of the red carpet which has been instead replaced by real world grit and chic sweaters. Rather than representing a stereotype of exaggeration of American street style, Coach has adopted to refine the

archetype and brought back a sense of class and elegance. I'll definitely try to keep this collection in mind during the cooler months when comfort slowly begins to overtake style in terms of priorities and precedence."

- "Normally I like to make comparisons with some sort of pop culture referencing when reviewing a collection but it's a bit more difficult to put my finger on a definite trace or source. Obviously this was made by Americans for the consumption of Americans and those who idolize the land of the free but I like to think that things are a bit more complex than that. While I would describe this look as lumberjack chic it doesn't have the same lucid aesthetic as that of Twin Peaks and less knitwear and plaid skirts than the aforementioned reference. Instead it is a little more rough, rugged and practical and yet the sling bags, eyeshadow and layering of sheer does not make the masculine undertones overwhelming. For one thing the silhouette of many of the outfits is quite feminine with the legs visible and yet the coats are rather bulky and engulf the figure. The boots are thick and more like snow boots which New Yorkers would have needed in the event of a serious snowstorm (the one which never hit)."
- "With last season's coats seen on fashion royalty such as Susie Bubble there is no doubt in my mind that celebrities and bloggers alike will look to this season's Coach for all their street style needs. Although having said that there are still plenty of shows to see in fashion week and the UK brand Shrimps may give Coach a run for their money in terms of popularity. Either way I can't wait to see how bloggers choose to style these pieces and combat the cold! What I look for in a collection is a sense of cohesion and story-telling and they have done just that. There was also particular attention to the details whether it be the silver charms hanging from chain belts or accessories pinned to a leather jacket. Certain elements within this collection will easily translate down the hierarchy of consumerism and within a matter of months I expect to see the market flooded with knock-offs of various quality and price ranges. For the thrifty and creative types they will also be able to fashion their own DIY pieces using whatever they have available to them."

Coach's Performance in China

Coach has performed quite well in China by understanding the Chinese consumer and effectively managing its social media campaign. Louis Vuitton is losing its clout as a status symbol in China; many of the country's elite claim the brand is too ordinary or middle-class.

March 16 Gentlemen Marketing Agency [blog entry](#)

Coach has succeeded in China because it understands the Chinese consumer. The company also leverages its social media avenues in China to their fullest potential. The company's recent "hot moms" campaign attracted positive attention, and Coach was recognized as the fourth most digitally efficient brand in China.

- "Due to its efficient marketing strategies, Coach has become one of the most successful high-end brands in China. As opposed to in America, the fashion brand is rapidly growing in China. Over the last years, the brand sales in America have fallen. In 2013, the incomes fell 12% from the year before due to the strong market competitors such as Michael Kors, Tory Burch and Kate Spade."
- "However, in China, the company sales have quickly increased, with a growth of 35% in the fourth quarter and 40% for the entire year. The brand has rapidly expanded its presence across China with stores in 47 cities and building 30 new shops in the last year. Nowadays, Coach has 126 stores in the Asian giant, 108 of which are situated on the mainland."
- "In China, Coach has rebuilt its brand image by moving from a youthful branding strategy to a new image based in the 'hot mom' category."



- “Coach is aware that Chinese consumers are very different from Western consumers and therefore it is necessary adapt the marketing strategy to this market and consumers. The brand’s goal is position itself as a modern fashion brand and with an aesthetic that is clearly younger compared to other countries. Coach’s strategy in China is adapt its branding messages specifically for the China market and focus its efforts on e-commerce and social media marketing strategies. Coach was recognized as the fourth most digitally efficient brand in China.”
- “So far, the secret of Coach resides in completely understand Chinese consumers’ needs and concerns. By the creation of ‘10 reasons’ to use the Coach’s e-commerce site, the American brand has demonstrated its awareness of worries among Chinese online shoppers such as cash-on-delivery payment, guaranteed authenticity and easy refunds.”
- “The American brand has a very actively presence on the Chinese social media platforms. Its social media strategy is focused in a youthful image and the brand transmits this concept through regular marketing campaigns on Weibo and WeChat.”
- “For Mother’s Day, the brand launched a campaign on Weibo called ‘Hot Moms.’ To participate, followers had to upload pictures of mothers with their babies with the hashtag #COACH and the tag @coach attached, with the aim to win a Coach bag.”
- “Coach is one of the most innovate brands on WeChat. The luxury brand offers free phone wallpaper designs and weekly giveaways in its ‘Try Your Luck’ section via WeChat. The brand has launched numerous campaigns on WeChat such as the campaign called ‘What’s In Your Coach Bag?’ where followers had to share pictures of the content of their purses.”
- “Or a campaign on Weibo and WeChat where the members had to type ‘Modern New Yorker’ on Coach’s WeChat account in order to receive nine puzzle pieces of a picture of brand ambassador Leehom Wang. Then the participants were able to upload to Weibo the puzzle with the purpose to have the chance to win a Coach poster

autographed by the superstar. The brand has around 720,000 followers on Weibo which means a strong engagement between Coach and Chinese consumers.”



Feb. 27 Business Insider [article](#)

China's affluent are snubbing Louis Vuitton as too ordinary or too middle-class. The LVMH brand may need to adopt a new image without its pronounced labeling to reconnect with its higher-end base.

- “China’s elite are turning their noses up at Louis Vuitton, as the brand explodes in popularity with the middle class. ‘I don’t see anybody carrying a Gucci or Louis Vuitton bag,’ Sara Jane Ho, the founder of the elite Chinese etiquette school Institute Sarita, told Business Insider. ‘My clients are sophisticated. My students are the people who were buying an Hermès bag 10 years ago and holding themselves to higher standards.’”
- “As HSBC managing director Ewan Rambourg explains in ‘The Bling Dynasty: Why the Reign of Chinese Luxury Shoppers Has Only Just Begun,’ Louis Vuitton has been a big deal in China since around 2003, when sales peaked in Japan. While Japan’s elite were less concerned about the brand hitting the mainstream, however, China’s elite have a different attitude toward luxury.”
- “Now China’s very high-end consumers are abandoning the label for even more expensive brands or bespoke goods. A typical Chinese luxury shopper, he claims, might think, ‘I can’t buy Vuitton, I’ve seen it too much, it’s a brand for secretaries.’”
- “‘Louis Vuitton has become too ordinary,’ a billionaire woman told China Market Research Group managing director Shaun Rein in 2011. ‘Everyone has it. You see it in every restaurant in Beijing. I prefer Chanel or Bottega Veneta now. They are more exclusive.’”
- “It hasn’t helped that there are so many counterfeit Louis Vuitton handbags in China and around the world.
- “Louis Vuitton sells plenty of goods in China, but now the core consumers include young office workers with spending money who save up to buy the status symbol. This isn’t necessarily a bad thing given that China’s middle class may

be the biggest growth market there is. The challenge will be holding onto those core consumers while also trying to win back the richest customers.”

- “To succeed, Louis Vuitton may need to move away from its monogrammed, label-heavy image and become a more nuanced luxury company.”
- “‘Wealthy Chinese want to make a statement about their social status and what they wear, but they’re getting a little more subtle,’ Hansi Men, an investment immigration lawyer at Streit & Su law firm, told Business Insider. ‘They want you to know it’s Louis Vuitton, but they don’t like the big characters on their shirt. They still want you to know that it’s Louis Vuitton without really knowing.’”

Additional research by Carolyn Marshall, Gloria Shao, Kevin Murphy, Cindy Elsberry, Eugenia Lee, Jacqueline Fox and Mason Rudy.

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