

Coach case study analysis

Business



Coach's huge success has been largely attributable to its focus on quality and stylish products which respond to consumers' needs based on its extensive marketing research. Its "affordable luxury goods" price strategy also helps drive growth by appealing to a wide range of consumer, while at the same time, correspond with changes in middle income consumer behavior. In 2012, Coach operated 345 full-price retail stores and 143 factory outlets in North America, and 169 stores in Japan and 66 stores in China..

The products are sold through direct mail catalogs, on-line store, e-commerce websites as well.

Strategies By the mid-1990s, the company's performance began to decline as consumers developed a stronger preference for stylish French and Italian designer brands such as Gucci, Prada, Louis Vuitton etc. By 1995, annual sales growth in Coach's best performing store fell from 40% to 5% as the company's traditional leather bags fell out of favor with consumers. The company started changing by hiring Reed Krakoff. Under Krakoff, extensive consumer surveys were conducted. The company's research found out that consumers were looking for edgier styles, softer leathers, and leather-trimmed fabric handbags.

The prototypes had been developed and then tested in selected Coach stores. The design process developed by Krakoff made Coach introduce new collections every month compared twice per year prior to Krakoff's arrival. During 2011, roughly 84% of Coach's total net sales were generated from the products introduced within a year.

All the Coach's leather products were manufactured by third-party suppliers in Asia, which allowed Coach to maintain a significant pricing advantage relative to other luxury handbag brands. Coach reshaped the brand image in the time and started positioning in the " Accessible usury segment of the leather handbags and accessories Industry by appealing attractive pricing and satisfying traditional luxury customers with the quality and styling of Its products.

Coach used the scale of economy to cover lower profit margins offsetting by Increased sales volume and expanding Its distribution channels and leveraging the global opportunities.

Monthly product launches enhanced the company's vogueish Image and gave consumers reason to make purchases on a regular basis. The Importance of frequent product Introductions was to Increase frequent customers' visits. Research In 2006 suggested the average Coach customer purchased four handbags per year. Putting a number of new products each month made Cowan Keep Its customer Ana also attract customers' easels to purchase goods.

Coach ran 345 full-price retail stores and 143 factory stores. Coach's factory stores target value-oriented customers who might not otherwise buy Coach products.

Even though 75% of factory store inventory was produced for specifically for Coach's factory stores, its highly successful factory stores might someday dilute its brand image. Soot analysis Strength; Coach offers high and superior quality leather with unique and innovative styling which attracts the <https://assignbuster.com/coach-case-study-analysis/>

consumers. Its products are sold is available at price less than 50% or more than its competitors.

It is segmented in price of \$200-\$500 whereas the competitors' price is \$700-\$800. Karaoke brought the idea of fresh new arrivals every month, which attracts many customers and helped the company in increasing its sales.

Coach made strategic alliances with company like Moev and many others which brought them into segment of other luxuries as watches, fragrances, foot wares, and also products for men. The outsourcing strategy helped Coach in low cost manufacturing and cost cutting to maintain its low price compared to competitors and proved it as competitive advantage. During a difficult economic environment, Coach has managed to increase its sales when its competitors are struggling to keep consumers buying their products. Customer satisfaction is major strength of the company.

Weakness; Factory outlet stores outperforming full price stores. There is a diluting of the brand due to increased growth of factory outlet stores. Less number of men products is the major reason behind the lower percentage of sale. Coach has a particular geographical concentration, especially in North America, Japan and China. As it's a luxury category, products of coach of inaccessible to most consumer segments.

Opportunity; Coach has the growing demand as a luxury good in emerging global markets such as India and China.

There is tremendous and rapid increase in wealth of consumers in other emerging markets. There is large number of opening of new stores across the globe. Development of market in domestic as well as internationally is the great opportunity. Product expansion and increased product line serves as an opportunity.

The company's website acts as a key communication tool for the brand to promote traffic in Coach retail stores and department store locations building brand awareness across different countries and thus drives sales.

Threat; Strong competition from the competitors like Louis Button and many other brands in same segment is the major threat. Rise of counterfeit goods under same brand name declines the sale of original and high priced goods manufactured by the company. Due to economic depression there is change in consumer behavior, people try to save a lot and less attracted. Fashion trends changes due change in consumer taste of luxury and new arrivals from other competitors in vogue of current fashion can lead the major threat to company if it continues business on same old design and trends.

Dilution of its brand image.

Conclusion Coach's strategies emphasize product differentiation to take advantage of a niche market AT an "deteriorate luxury' segment. As setting its price in moderate rate, ten middle-income group are also attracted to the brand. New arrivals keep the customer repeatedly buying the products, which contributes the sales in both factory stores and full-price stores.

Important things for Coach are to increase its brand awareness globally and to ensure quality of goods is maintained.

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The good brand image overcomes the threats from the competitors and makes it a still leading brand in the segment. There are certain weaknesses like geographical concentrations, but as the markets in emerging countries are developing, Coach has business opportunity to enlarge its market share there.

Not only globally but also increasing share in the different markets like men's luxury products gives Coach another opportunity. Reducing factory stores and increasing full-price stores, especially in the emerging market prevent dilution of its brand image.

It's also important to raise awareness of counterfeit products so consumers can recognize the difference between the counterfeit products and the real products. As far as I see, Coach is doing very well. Coach is positioning itself as “affordable luxury”, which differentiates the brand from other luxury brands.

Market developing in the emerging countries including China and India so forth improves its brand image and awareness. At the same time there is a huge potential to increase its sales by increasing presence within the men's luxury market.