

External environment of the coach company



**ASSIGN
BUSTER**

In order for Coach to develop and implement a successful business strategy, Coach needs to be aware of its external competitive environment as well as the company's internal capabilities. It is thus essential to have reasonable full knowledge about the competitive environment as well as the market forces that are and will influence the shape of the luxury goods market, namely handbags.

Coach's external environment is divided into that of a macro-environment and a competitive environment. The macro-environment of Coach is made up of factors such as:

Legislation and regulations

Demographics of the population

Societal values and lifestyles

Technology

General economic conditions

These macro-economic influence factors have a direct bearing and influence on Coach's future objectives, targets and strategies. Coach realizes that it cannot influence these factors, thus the management needs to be proactive to envision tactics and market strategy and order the necessary changes in direction and products to operate successfully.

General economic conditions:

When economic conditions are good, then businesses flourish.

In 2005 the luxury goods market was good and great projections were made for 2006. Coach and others got ready to cash in on this sizeable market of \$112 billion of projected sales.

The growth is connected to the growth in spending habits due to the rise in incomes in Eastern Europe, Asia and elsewhere, such as the US.

Effective advertising entices the working people to reward themselves for their hard labour by buying a luxury product.

Big departmental stores such as Wal-Mart. Target and others in the US, allowed consumers to buy normal products cheaply, allowing more money for luxuries, and a Coach handbag is a good product.

Coach is aware of the buying trends of women when it comes to handbags. The company looked at the buyer's market and noted the demand. It then set out to capture market share by devising and developing a market strategy.

Legislation & regulation:

The government has a number of rules and regulations that have an influence on the markets and doing business. Businesses operate within these laws. The laws cover such things as tariffs, importation, exports, subsidies and laws about certain industries. Coach is aware of these laws and needs to work within these frameworks. The company needs to operate ethically and adhere to laws and rules. Laws and rules can also protect companies from unfair trade . However, rules and laws become difficult when companies expand overseas and they need to take note and be up to date

about the laws and rules of the companies where they trade or open branches. Thus Coach has to be up to date in Europe and in Asia- Japan and China. By being pro-active, Coach is successful in these markets.

Population & demographics:

In any kind of business, people and the spread of people influence the sales and profits of the business. The more people , the more buyers; more buyers equals more money and higher profits. People in the US, Europe and Asia (Japan) are highly fashion- conscious and have a lot of disposable income to spend on the luxury goods.

The US has a lot of potential buyers, and even if they all do not have the money, they still aspire for the bags and would make a plan to buy one or more.

The luxury goods market growth is exceptional; many women worldwide wants luxury good like handbags. The buying power was \$105 billion worldwide and projected sales were put at \$112 for 2006, so Coach just had to compete to get more than its fair share of this money. They already proved to be a successful company and had to become better.

Industry Analysis

The luxury goods market which has grown into immense revenue potential had to be tapped by marketing the right products at the right prices at the right places. Coach has been successful in the past but it has to be aware and almost re-invent itself and its products to be able to compete with their rivals to get a better portion of the market-share. To do so the company has

to focus on Driving Forces (DFs) and Key Success Factors (KSFs) in the market place and industry.

Driving Forces are aspects that causes change in an industry- in this case the handbag industry. There are many driving forces such as changes in long-term growth rate ; globalization of products and the company; changes in customers; product innovation and technological change. Three driving forces will be dealt with.

Long-term growth rate: based on market research it is clear that the luxury goods market is not one that will disappear; in reality it is growing at a tremendous rate: Coach share 2006= 25% in the US and 8% in Japan. There are many market contenders such as Gucci, Prada, Dolce & Gabanna, Louis Vutton- all major players over the years. On-going competition is great for the market. Coach started in 1941, and is still in business, an indication that handbags will always be in demand.

Globalization:

Luxury goods contenders trade in all major centers such as in the US, Europe and Asia- in Asia, they are in Japan, Hong Kong and China. Coach has also expanded here and is doing well. This is due to more consumers with more disposable income which they spend on goods, such as handbags.

Product Innovation & technological change:

In 1990s Coach's share dropped due to product lag- they were not too competitive anymore. Their rivals such as Gucci, Prada and others had a better and bigger following of customers. In 1995 Coach fell from 40% to 5%.

<https://assignbuster.com/external-environment-of-the-coach-company/>

In 1996 Lew Frankfort stepped in and started with innovation and technological changes: new products, designs and styles were developed. Coach surveyed people and got to know what was wanted- after new product innovation , new stores developed and old ones revamped. By doing so they regained market-share and sales grew.

KEY SUCCESS FACTORS

Brand Image

Brand image is a huge factor in Coach's success. Coach is well-known as a brand since 1941 for a good, durable leather bag. It is worldwide known and sell well , not only in the US but also in Asia. They have also successfully added on accessories and other products, in the form of luggage, wallets, gloves and more. These products are geared towards men and women.

Availability:

Availability is another strong success factor. Coach is in more than 200 stores in the US and in more than 18 countries outside the US- an indication of success and competitiveness. It is also available online on a website with an extensive range of products.

Distribution

Another key factor is distribution. Coach is successful in distribution via stores and websites. It also sells through other outlets such as department stores to increase sales. It has special boutiques shops in malls which are highly successful. Through smart marketing and advertising it is a successful brand name and secures its market share. It is well-known in the US and Japan and also elsewhere. Factory shops also contribute hugely to sales.

Foreign Markets

Foreign markets form part of the Coach success story. Through effective marketing it penetrated foreign markets such as Japan and China as well as Europe. Sales in these areas will increase. Marketing and strong brand image is the success.

Product Lines & Expansion

Coach realized that innovation and good , new products keep the competitive edge. Coach's new , innovative lines are reasons for success. It can stand its own against other leading brands such as Gucci and Prada and others. It trials products, use the feedback and then enter it on the real market , with success. Its accessories are also well-designed, crafted and marketed.

,