



EST. 1941

# Analyzing Coach's Failure in China

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01

About Coach



# Coach's Brand Overview

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The Coach brand is viewed by researchers as a mid-range, approachable luxury brand

- Founded in 1941 as a family-run workshop
  - still located in Manhattan, New York
- American fashion house specializing in leather handbags, luggage, and accessories as well as ready-to-wear products
- The brand offers the best quality leathers and are reasonably affordable prices
- Typically attracts premium customers, aspirational luxury shoppers, and/or designer wannabes looking to step into the luxury market



# Coach's Competitive Stance



- Very popular brand, especially in the country of China.
  - Due to excellent marketing strategies and affordable luxury items the brand provides
- Popularity due to its significant customer fandom and the brand owning its exclusivity quality with 20 innovations
- Companies around the world are stepping up their game when it comes to making their products different from their competitors and appealing to their customers
- Some of Coach's top competitors: Guess, Michael Kors, Burberry, and Hermès.

# Customer View

- Maintaining exclusivity:
  - creation of limited edition products
  - availability of select products only at specific stores,
  - establishment of a waiting list for a newly released item
- Continues to offer the best quality leathers and are reasonably affordable prices

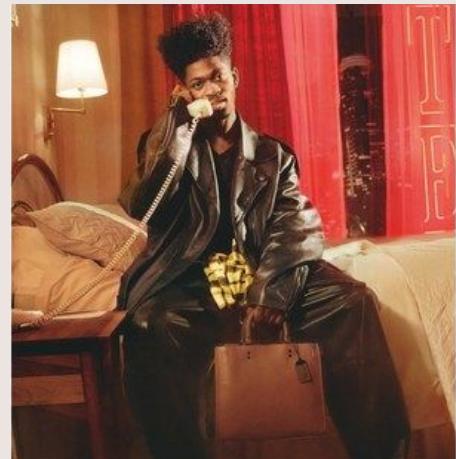


- Typically attracts premium customers, aspirational luxury shoppers, or designer wannabes looking to step into the luxury market.
- Also appeals to shoppers that splurge on the occasional luxury purchase

# Coach's Strengths

- Artistic craftsmanship in leather goods;
- Modern designs and trendy styles for their consumers
- Innovative, relevant, excellently valued products
- Strong advertising that creates a good image for their well-established brand
- Headquarter in fashion capital New York City
- Loyal fan base

*While these things are great for the company, that does not exempt them from having inappropriate means of advertising or controversies globally.*



02

What Happened



# The Controversial Shirt

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The primary company strategy that led to Coach's failure was the product component of the marketing mix.

- The Coach 1941 t-shirt was designed to appeal to their entire global market
- **The shirt listed Hong Kong and Taiwan as separate countries, therefore not being a part of China**
  - disrespecting China's territorial integrity and violating the one-China policy
- This problem with the product design falls under Coach's greater marketing strategy

# Identification of Failure

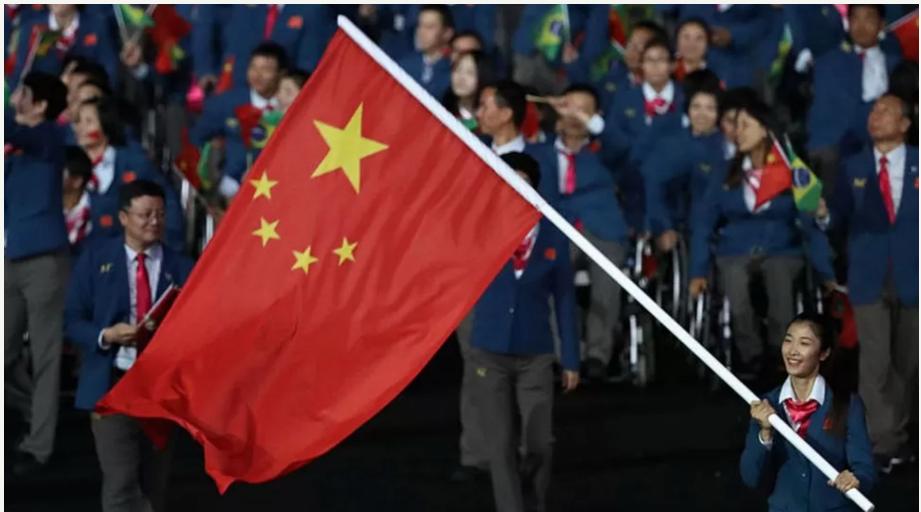
- Coach failed to perform prior research in regards to China and their territorial claims
  - On the t-shirt that they released, they listed Taipei and Hong Kong as separate regions from China
- Lack of Localization
  - Many Chinese individuals felt very offended by this insinuation as it goes against the country's "One China" policy"

*Why this was so detrimental to Coach as a brand...*

- Chinese individuals are one of the top luxury consumer goods consumer groups
  - Many luxury brands have made an attempt to break into the market.
- China represents between 40-45% of global luxury goods sales compared to Americas' 21-23 percent

# The One China Policy

- **'One China' policy:** The diplomatic acknowledgement of China's position that there is only one Chinese government.
- This means that the United States, and American brands, such as Coach, are meant to recognize this policy that they have formal ties with China (rather than the independent republics)



03

Strategies that  
Led to Failure

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# Standardization vs. Adaptation: Coach's Overall Marketing Strategy

- Coach's marketing strategy is **a combination of standardization and localization**.
  - Localization of more elements within the global branding framework
- Their **degree of localization varies** between the components of the marketing mix.
- While their promotions are tailored and appeal towards Chinese consumers by using Chinese celebrities, **their products are still very standardized**.

# Country Risks

- Research would have showcased **which territories are considered a part of China**.
- Local branches should have been **consulted** since this is a well-known and published fact about the country
- Chinese political climate → **increased policing against western brands** not respecting Chinese sovereignty

# Cross-Cultural Risks

- China has a **collectivist culture**, which means identity is based in the social groups to which one belongs → reinforced by the Chinese communist political structure
- **“We” consciousness** explains the escalation of social media outrage from Chinese consumers

# Timing of Product Release

## 1) Hong Kong Protests

- T-shirts were **released around the same time**  
**Hong Kong protestors were calling for freedom of the nation.**
- June 2019 - protests in Hong Kong started as peaceful rallies in opposition to the Hong Kong extradition bill

## 2) Scale and Severity

Coach's failure **escalated to a political scale**, since "According to The South China Morning Post, social media users **accused Coach of supporting Hong Kong, Macau and Taiwanese independence.**"



# Market Factors

## Misunderstanding the culture of the Chinese market

- Their production of a t-shirt that showcased Hong Kong, Macau, and Taiwan separately from China went viral for its **inaccurate representation** which led many of their followers to believe that they were siding with these three countries.

## Untimely product release due to political instability

- Coach can be seen as an example of using **incorrect product development steps** they produced a product before understanding and researching the culture and economic climates.

## Consumers' Reactions to the products

- Coach **failed at creating a new appearance** for themselves when it comes to succeeding in China, which is a huge market for many apparel and accessory companies.

04

The Aftermath

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# Aftermath and Backlash

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## ■ Immediate removal of the shirt

- Apology from the company
- Strong consumer backlash
- Loss of partnerships

## ■ Gradual Recovery

- Two month social media hiatus after apology
- Re-emerged with announcement of participation in expo
- Weibo and WeChat engagement
- Successful Tmall launch

## ■ Convenient Timing

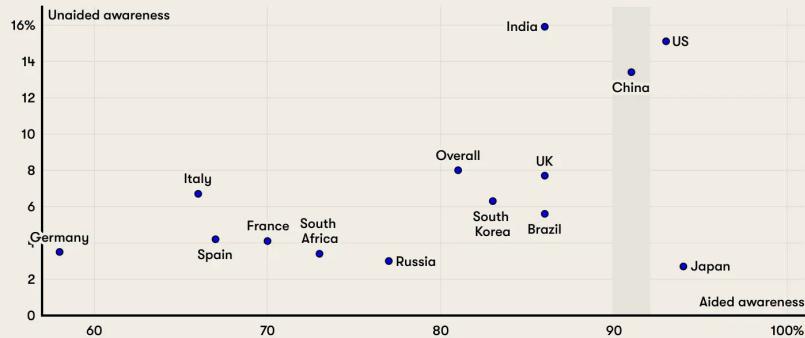
- Timing of the pandemic made it acceptable for a reserved offline approach
- December 2020 Christmas display



# Recovering their Brand Image

Coach shows strength in both aided and unaided awareness in China

Unaided awareness vs aided awareness of Coach across 13 markets



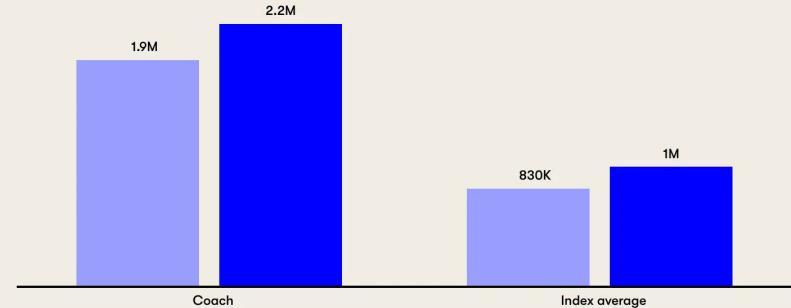
May 2021, n = 6,843 luxury consumers

DATA SOURCE: VOGUE BUSINESS INDEX © VOGUE BUSINESS

Coach outpaces Index brands in number of searches on WeChat

Average monthly WeChat Index by brand

Jun 2020 - Sep 2020 Oct 2020 - Mar 2021



October 2020 to March 2021 versus June to September 2020, n = 59 luxury brands in the Index

DATA SOURCE: VOGUE BUSINESS ANALYSIS OF THE WECHAT INDEX © VOGUE BUSINESS

## Brand Awareness

Strong aided and unaided awareness in China

## WeChat

Consistent and strong WeChat presence and relevance

05

Possible Solutions

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# Possible Solutions

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## Cultural Awareness

The main aspect of the controversy and an important concept for other retailers to prioritize



## Political Timing

Delaying release to when territories are more certain could have prevented backlash



## Consumer Feedback

Use consumer feedback BEFORE product launches and to inspire new ones

# Questions?



COA

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