

## **GEL Factor Analysis**

### ***Coach Manufacturing Company***

Coach is a manufacturer of high quality handbags that in the late 90s was losing market share to fashion designers that were starting to do handbags. Those companies benefited from cross selling a handbag to customers buying some of their other fashion products. Coach's response was to first hire a top designer from Tommy Hilfiger, second it created a "Lifestyle" brand by expanding its line to include a full range of products, third it added new materials to its leather standard in the handbag line and four it reintroduced an old Logo, C, to help demonstrate that its new line was cool. The results of the company's rejuvenation strategy were pretty cool too. Third quarter profits for 2001 were up 158%.

### **Strong Points of Model**

1. The target customers like to spend money. There are a significant number of people that spends lots of money to keep looking good. The drawback to the market is that the customers appeal to many businesses and competition is fierce. But if a company gets the "Buzz" on its side profits will be high.
2. The purchase is important. Looking good is important to the target customer group. That means that people will look at different products as they become available and that they are willing to switch brands for a new, better look. People also look at what other people are doing when a purchase is important, which means a current customer could encourage many other people to check a new fashion out. The importance of the purchase is also why there are so many fashion

**Coach  
GEL Factor Checklist**

		Desired	Excellent	Average	Poor	Compensating Tactics	
						Yes	No
<b>Customers</b>	Number	High		X			
	Ease of Finding	Easy		X			
	Spending Patterns	Prolific	X				
<b>Customer Value to Company</b>	\$ Value of Sale	High	X				
	Repeat Sales	Many	X				
	Ongoing Sales Support	Low		X			
<b>Value to Customer</b>	How Important	Important	X				
	Competitive Advantage	High		X			
	Price / Value Relationship	Low		X			
<b>Customer Acquisition Cost</b>	Entry Points	Many		X			
	Sales Support Required	Little		X			
	Promotional Activities	Low		X			
<b>Profit per Sale</b>	Margins	High	X				
	Up Selling & Cross Selling	Much		X			
	Ongoing Product Costs	Low	X				
<b>Investment Required</b>	To Enter Business	Low			X	X	
	To Keep Market Share	Low		X			
	To Stay on the Cutting Edge	Low			X		X

3. magazines that cover the new styles. Moving into a more important purchase category was a major improvement over the company's old model where it only sold leather handbags.
4. The dollar value of the sale is high. High fashion certainly equals high dollars. Expanding the product line also gives the company a better chance to sell more products. This just relates to consumers. Having a higher dollar value also helps Coach succeed with fewer retailers. They can work closer with their key retailers and develop better programs to promote sales.
5. Strong potential for repeat sales. Customers might buy a handbag and then come back to get a dress or fashion accessory to match the handbag. Plus they might remember a designer they like when they get ready to buy a new product. This again is an improvement over the old model. The target customers might have a selection of handbags, but it won't be nearly as large as their collection of clothes.
6. High fashion typically equals high margins. Part of the appeal of high fashion is that it is expensive and that most people can't or won't buy it. Those high prices equal high margins.

### ***Weak points of Model***

1. Establishing a brand name in fashion is expensive and difficult. The main reason for this is that there are so many fashion retailers. One compensating factor for Coach was that they already had established a brand name in fashion handbags. A compensating tactic for them was they hired a "hot" designer away from Tommy Hilfiger, one of the market's leading names, to lead their new products team.
2. Staying on the leading edge is expensive and challenging. There is no way around the fact that staying on top is risky when you sell to a market that is based solely on desires and image and

not any true functional product needs. The whims of the market swing quickly and companies' market share can drop in a big hurry.