

Coach to Enter France, U.K.

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Coach items on display at Printemps.

Photo By Courtesy Photo



Coach's Sabrina bag.

Photo By: Courtesy Photo

PARIS — Coach is ready to play in Europe.

The American accessories behemoth, known for its accessible luxury positioning, is expanding beyond North America and Asia by partnering with department store operator Printemps for France. Late Monday, Coach also signed an agreement in principle to form a joint venture with English men's wear firm Hackett Ltd. for distribution in the U.K., Spain, Portugal and Ireland.

Coach, which is to report its third-quarter sales today, confirmed the new expansion path exclusively to WWD. The first shop, a 1,700-square-foot location on the revamped main floor of Printemps' luxurious Boulevard Haussmann flagship, is slated to open in June.

Locations in Spain, Portugal and the U.K. — including a London flagship — are expected to bow in the next 12 months.

"We're a company that's focused on growth, and obviously [Europe] is an untapped opportunity for us," Ian Bickley, Coach Inc.'s president of international, said in an interview. "We really see a multichannel distribution approach throughout the key western European markets."

Bickley said Italy and Germany are "on the radar screen" for future expansion.

Coach declined to give first-year sales projections for its European foray, but said it's angling for 3 percent market share

within five years. The company estimates the region represents 25 percent of the world's premium handbag and accessories business, with North America and Japan accounting for half.

Bickley described the European accessories market as "fragmented," asserting that Coach would offer a "strong alternative" with its "New York heritage and fashion orientation." Moreover, he characterized the price positioning for Coach handbags, in the 200 to 600 euro, or \$308 to \$924 at current exchange, range, as a "sweet spot" and a void in the continental landscape.

Bickley acknowledged brand awareness of Coach is still "quite low" in Europe. On its side, however, is a post-recessionary consumer who is "less focused on status" and more interested in an appealing price-value proposition, he said.

The distribution agreement in France calls for Coach shop-in-shops in at least 14 Printemps stores within a three-year period. Besides the Haussmann flagship, five more shops are slated to open before yearend: two in suburban Paris locations plus Lille, Rouen and the seaside resort town of Deauville.

The Haussmann showcase, located near the main entrance, is to feature an assortment of Coach products for women and men, spanning handbags, small leather goods, outerwear, scarves, sunwear, jewelry and travel accessories. Designed by Coach's in-house architectural team, the shop will boast herringbone walnut floors, white-paneled walls and custom fixtures in nickel and lacquer, accentuated with antique mirrors, artwork and custom furnishings.

European shops will carry the same products Coach sells in America and Japan, with a likely accent on leather bags as logo products are not as in demand as they are in Asia, Bickley noted. There are also some exclusive styles to fan demand in France.

Last week, Printemps officially unveiled a renovated luxury accessories department. The three-story zone is part of a wide-ranging effort to move the 17-unit Printemps chain upscale, following its \$1.33 billion sale in 2006 by French retail-to-luxury group PPR SA to a consortium that includes the Borletti Group, which also owns Italian department store chain La Rinascente.

The introduction of Coach to Printemps follows the launch of other brands that are not widely familiar to French consumers, such as David Yurman and Manolo Blahnik.

"That's really the history and the role of a department store like Printemps. In a sense, for 145 years, our role has been to create, bring and support new trends, support them to become broader and mainstream," Printemps chief executive officer Paolo de Cesare told WWD. "It was in our DNA to say: 'What is out there that can be exciting, that can be new, that can be different?'"

"In this context, we clearly look at brands that have global appeal and it makes a lot of sense to bring a brand that is a leader in Asia, a leader in the United States, to Europe," he continued.

De Cesare said he became aware of Coach when living in Japan between 1999 and 2002.

"I was very impressed because the Japanese customers are very demanding. They are very fashion-conscious, but they are also very careful with the quality. They would not buy something that is poor quality, even at a low price," he said. "So since then, I had a keen eye on this brand and I saw it growing over the past decade. And when the moment arrived, I felt it was absolutely the right match between them and us to do something that would be new and innovative in France and frankly, in continental Europe, because we are the first distribution point in continental Europe."

Bickley noted Coach would also benefit from exposure to international tourists at Printemps, who accounted for 20 percent of the department store's turnover last year.

The partners have planned an "integrated marketing and communications effort" in tandem with Coach's arrival in France that will include a national advertising, window displays, store events and leveraging the retailer's database, Bickley said.

The agreement with Hackett, a subsidiary of Pepe Jeans SL, calls for a multichannel distribution model spanning flagship stores, freestanding boutiques and shop-in-shops. Bickley is to serve as chairman of the board of the joint venture. He said Coach was attracted to Hackett's understanding of premium and luxury retailing, through a variety of formats and "with a high-touch service model, which is important for us."

Coach tried to break into the U.K. market once before in the Nineties, when it opened a freestanding store on Sloane Street and had a shop-in-shop in Harrods. But the strength of the dollar against the pound made its price points prohibitive, and consumers' lack of knowledge of the brand also hurt. Coach withdrew from the U.K. a few years later.

Established in 1941 and headquartered in New York, Coach made its first steps abroad in 1988 when — detecting a good number of Japanese clients in its Manhattan and Seattle boutiques — it formed a distribution agreement with the Mitsukoshi department store. Success in Japan came quickly, and soon after, efforts to capture Japanese clients as they traveled in the Asia-Pacific.

Today, Coach bills itself as the second largest importer of premium handbags and accessories in Japan with market share in excess of 14 percent, and brand awareness exceeding 90 percent.

For fiscal 2009, when net sales totaled \$3.23 billion, North America accounted for 71.7 percent of Coach's revenues, Japan 10.7 percent and 7.5 percent other international. Of the latter, China represents the largest country, projected to account for 3 percent of full-year 2010 sales and still considered Coach's largest growth opportunity. Other key Asian countries for the brand include Korea, Taiwan and Malaysia.

Bickley said Coach's late arrival in Europe would impose no impediment, given that was hardly the case in Japan or, more recently, China.

"China is clearly the number-one growth opportunity for us," he said. "Europe is just another untapped market and we think it's time to enter."