

AMERICAN BRANDS: SHOULD EUROPEAN BRANDS IGNORE THEM OR BE INSPIRED BY THEM?



In May 2014, the International Luxury Business Association organized a debate around the notion of 'French Art de Vivre' which allowed addressing various issues and, among others, emphasizing once again the difference in approaches between American brands and European brands.

Obviously the topic is not a new one. Nevertheless, the success of Coach in Asia a few years ago and Michael Kors' tremendous expansion today are not without consequences for European luxury brands. Indeed, Coach has been able to capture some of these brands' customers in Asia, and Michael Kors has quickly raised the enthusiasm of many Europeans or Asian consumers. Thus, it seems meaningful to analyze their strategies, although many will argue that these are not luxury brands. But on this point, only the consumers' perception counts and Americans put Coach ahead of Chanel and Louis Vuitton among brands spontaneously associated with luxury, in the 9th position, right after Gucci. Moreover, Michael Kors, a relatively newcomer on this market has appeared in the same ranking in 2013 and is not far behind Hermes! (Source: World Luxury Tracking 2013).

The question is therefore to try to understand how these brands are succeeding in becoming aspirational not only to Americans but also to a number of the Asian and European consumers, knowing that these two examples are not isolated. Indeed, one could point to some relatively new brands such as Kate Spade, Tory Burch, Marc Jacobs, and there exist other ones less known today, but that could become popular as well...

As a matter of fact, after Tiffany, Estee Lauder and Ralph Lauren, the elders, which remained isolated examples of US brands' success on the high end for a long time, American marketers are more and more present on this segment today and create brands that appeal to domestic consumers but also know how to export them and are increasingly challenging the hegemony of European luxury brands.

What are the key factors of these brands' success?

First, it is clear that, unlike France, the American market offers a more favorable framework for developing new brands in many respects; whether in terms of financing, development, or the size of the original market, a new brand can build its foundations faster in the US. But beyond this favorable context, there are some common characteristics to American brands that should make us reflect:

A powerful marketing

If the European luxury brands put creativity at the heart of their strategy, American ones think, above all, about customers and their aspirations.

Americans love fairy tales? American brands are concerned about telling them nice stories. The best example is that of Ralph Lauren: the legacy of the English aristocracy, brilliantly revisited in 2012/2013 expanding on the success of the TV show 'Downton Abbey' in the United States ([see here](#)), with in the background of the brand's communication, the founder's success story.



Michael Kors puts forward a story made of Glamour and Dolce Vita as the Americans fantasize them, together with the designer's success. The brand was created in 1981 but really boomed when the designer left the Celine brand in 2008.

For Coach, the story is a bit different because if it was launched in 1941, the brand was really developed in the 80's/90's under Lew Frankfort. He has capitalized on the history of quality craftsmanship and tradition (over 50 years in the USA is already history!).

The images attached to these stories' are easily identifiable with possibly the use of muses, and / or the brand's presence on numerous red carpet events with high media potential that enhances its desirability. In addition, for some of these brands, the fact that the founder is still heading the company is an important asset.

If American brands know how to write attractive 'brand narratives' and update them throughout time, they have other common characteristics:

A broad product range

Ralph Lauren offers 'couture' collections, but at the other end, a highly developed and affordable 'outlet' offer, with, in between, different lines (The brand is currently launching the Polo Women line). It plays both on volume and exclusivity, sportswear and elegance.

As for the style, the approach is pragmatic as well; much more than a style, American brands put forward the brand's 'world' and within the same brand one can find products which may suit some very different targets (figure, age, style, purchasing power, ...).

A wide price range, with a real 'mid-market' offer

Coach, originally positioned on the accessories segment, Michael Kors and Marc Jacobs, quite developed on this segment as well, have a level of prices that is far more accessible than most European brands which, in recent years, have significantly increased the prices of their accessories, without it appearing fully justified in the eyes of consumers in relation with quality, usage or image.

Similarly, the first lines at Ralph Lauren and Michael Kors have a very high price positioning close to European luxury brands, but then there are more affordable ranges. For example, on each segment of the Michael Kors brand, prices can range from 1 to 8 or even 1 to 10. At a time when, on many traditional luxury goods markets middle classes are experiencing difficulties (Japan and Europe being the best examples of this), this strategy can only be paying off. It is to be noted, that these brands' second or third lines' names and images remain very close to the first line ones, therefore customers feel they are getting the 'real' luxury.



A very dynamic retail strategy

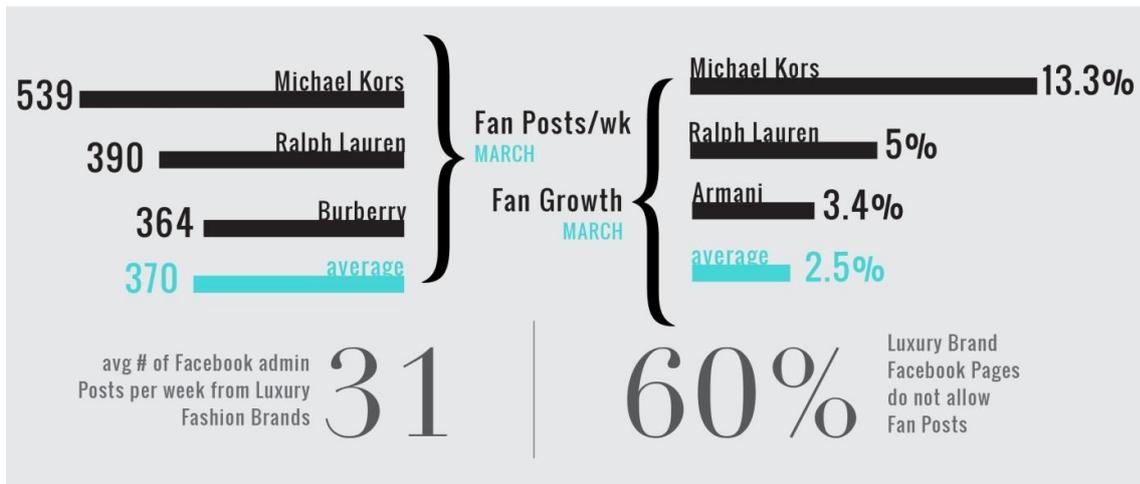
Coach, Ralph Lauren and Michael Kors have developed very large retail networks. This strategy is also accompanied by a policy regarding sales staff training which allows them to benefit from sales attendants who their collections very well, providing customers with expert advice, suggesting additional purchases, etc. In short, they have a retailer's expertise which can also be found in smaller brands.

RETAIL & REVENUES AMERICAN BRANDS

- **Ralph Lauren** : 882 stores ~ 6, 945 Billion Euros in revenues in 2013 (+6%)
- **Coach** : 1014 stores ~ 3,620 Billion Euros in revenues in 2013 (-5,3%).
- **Michaël Kors** : 533 stores ~ 2,5 Billion Euros in revenues in 2013 (+67%)
- **Tory Burch** : 109 stores ~ 700/800 Million Euros in 2013
- **Kate Spade** : 340 stores ~ 952 Million Euros in 2013 (+21%)
- **Marc Jacobs** : 273 stores ~ 800/900 Million Euros in 2013 (estimate)

Digital at the heart of communication

Some analysts attribute Michael Kors' tremendous growth to its digital strategy; indeed, the brand has been heavily investing on digital media, discarding more traditional media for it. (see the L2 video that explains the brand's approach: <http://www.l2thinktank.com/company-of-genius-michael-kors/2014/blog>). A recent infographic also shows the performance of the brand V / S competitors.



A few European brands (eg Armani, Burberry and Hugo Boss) have, on some of the issues discussed above, strategic approaches similar to that of American brands, and the last two achieve a significantly higher proportion of their sales in the United States than their European counterparts. So, it would probably be beneficial for European brands to further analyze the strategy of these uninhibited challengers from which they could learn in order to further penetrate the American market that has been gaining momentum lately and to maintain their leadership around the world. Indeed, the European origin, the history and the know-how remain unquestionably assets for European brands, but is this a reason to underestimate the power of great marketing?

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