APPAREL AND ACCESSORIES

Tapestry embraces US culture to streamline inclusive, global luxury

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Coach, Inc. transitioned to Tapestry. Image credit: Coach

By JEN KING

BRUSSELS To many, Tapestry, formerly known as Coach Inc., is considered the first American luxury goods group, but its CEO prefers not to define its three-brand portfolio by nationality.

Instead, Tapesty, which owns Coach, Kate Spade and Stuart Weitzman, prefers being recognized as the first New York-based house of luxury brands, which just happens to own brands from the U.S. While Tapestry's brands may have been founded in the U.S., nationality is not a focus due to the brand's global presence, including its corporate team, its real estate footprint and importantly, its consumer base.

"Traditionally, American companies have been specialty retailers," said Victor Luis, CEO of Tapestry. "Retail is a very local game, they approach the world like merchants.

"If you look at retailers, there's very few that do well across the world," he said. "European brands have been great storytellers, and family brands have done a great job telling their stories globally.

"I believe there is a talent model where you can blend these two things. With a blend of analytics and great merchandizing with great creative talent and great storytellers to bring a more approachable, more inclusive view of luxury to the world."

Weaving a new group

During a fireside chat between Mr. Luis and Vanessa Friedman, fashion director and chief fashion critic at The New York Times at the International Luxury Conference Nov. 14, the pair discussed the building of Tapestry, its structuring and future plans.

When Mr. Luis joined Coach, Inc. three years ago he did not set out to begin "Building the First American Group," like the session title suggests. But, when the opportunity to acquire other brands presented itself, Mr. Luis felt it was in Coach, Inc.'s best long-term interest to purchase another brand.

In January 2015, Coach acquired footwear label Stuart Weitzman from Sycamore Partners for $574 million (see story). Then in May of this year, Coach made headlines by purchasing Kate Spade for $2.4 billion (see story).

Tapesty's ownership of Stuart Weitzman benefits the group's footwear-making capabilities. Image credit: Stuart Weitzman

Coach, Inc. has only been referred to as Tapestry since October. The rebranding was done in an effort to evoke the individuality and the "collective beauty" of the group's labels (see story).

The notion of a U.S.-based holding company of high-end brands has been talked about, but Tapestry has thus far been successful in creating a portfolio.

Mr. Luis explained that being publicly traded on the New York Stock Exchange, and the general corporate structure of many U.S. companies, creates tensions. The ownership structure requires brand building and dealing with investors on a quarterly basis.

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A post shared by kate spade new york (@katespadeny) on Nov 4, 2017 at 8:57am PDT

While European luxury groups, such as LVMH or Kering, have this structure as well, most often, a single shareholder controls 50 to 60 percent of the company. Therefore, the majority shareholder's responsibility is more to him or herself and their family, rather than to minority shareholders.

The European model does not allow for the same level of transparency seen with U.S.-based groups.

Mr. Luis plans to place an emphasis on transparency by breaking down each of Tapestry's three brands individually rather than en masse. While this is also due to SCC regulations, Mr. Luis' feels that it paints a clearer picture of its business for the shareholders.

Tapestry's CEO also explained that after Stuart Weitzman was purchased, the first board meeting was broken in two halves, the first concentrated on the Coach brand, and the second focused on Coach, Inc., the group.

Sharing is caring

Mergers and acquisitions must be filtered to ensure the right fit.

In the case of Tapestry, all three brands have similar, U.S.-centric business models and aesthetics, but mergers and acquisitions are dependent on precise timing and open mindedness to action.

Despite rumors of a possible Burberry or Jimmy Choo purchase (see story), prior to the latter brand being sold to Michael Kors, Mr. Luis explained that acquiring U.S. or New York-based brands is culturally easier, because often, when a merger does not go well it is due to cultural misunderstandings.

When a merger does go well, there is the potential for cross-brand sharing for the greater good of the group.

At Tapestry, for instance, there is little front-end sharing, with all three brands operating independently for consumer-facing efforts, but on the back-end there is collaboration.

Examples of sharing include SEO, ecommerce and social media best-practice strategies, but nothing is forced upon a brand as each has its own individual approach.

On the tangible front, real estate is also shared across brands, as bricks-and-mortar establishes relationships around the world.

When speaking to the topic, and asked by Ms. Friedman about his mistakes, Mr. Luis explained that Coach, Inc. moved too fast geographically, and thought of Europe as a singular country rather than different countries, cultures and languages.

Instead, it should have been a three to four European city entry strategy, rather than whole countries to avoid spreading teams too thin. Once a small presence was established, growth would have been better achieved.

"What we offer through Tapestry now is an opportunity to attract great talent and an opportunity to create a brand our shareholders believe in," Tapestry's Mr. Luis said. "And an opportunity to create a brand that other brands find value in being a part of what we offer.

"What [Tapestry] offers is a platform for individual creative to express themselves, with a certain amount of freedom and the resources to allow for growth," he said. "We have the capacity to do that with the three brands that we have, and we look forward to bringing other brands into the platform."