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## As Coach moves upmarket, will Chinese consumers follow?

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*Coach has plans to raise prices in China as much as 20 percent. Will the move boost the handbag maker's allure or alienate loyal customers? Image credit: Coach*

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Strap up those boots because a steep price hike is ahead.

Coach, the American mid-luxury brand famous for its leather goods, will jack up the price of all products in mainland China later this month, with some pieces potentially increasing in price by over 20 percent, according to [local media](#).

This comes after the Tapestry-owned label posted another consecutive quarter of global average unit retail (AUR) gains, setting its outlook for fiscal 2022 revenue at a record \$6.7 billion.

**The Jing Take:** In this economy, markups have become the norm.

As costs of raw materials and labor rise along with supply chain disruptions, companies have had to pass some of them on to consumers. But beyond keeping up with inflation, price hikes have become a way for brands, particularly luxury players, to cultivate or strengthen a perception of prestige.

Chanel is the queen of this tactic, raising its price tags **three times** in 2021 to make its signature bags double what they were in 2019 and inching prices closer to Birkin bag territory.

However, Coach does not have the status these luxury brands boast.

While French houses such as Hermès and Chanel are known for being exclusive and in-demand, the American brand has built a reputation for being relatively accessible, with bags hovering around \$300.

In the 2010s, Coach's brand equity as a renowned fashion house was also damaged by discounts and overexposure in outlets.

Yet this has not stopped Coach from trying to reposition itself. In December 2021, the company released the Studio bag, priced at \$450, in an attempt to target a wealthier demographic.

The big question is: Will Chinese consumers continue to buy in, and will pricier items boost Coach's allure or alienate its loyal base of middle-class consumers? The answers remain to be seen. But so far, the company's track record in the country is a positive one.

Although Coach, like other industry players, reported **declining China revenue** in the quarter ended April 2 due to prolonged lockdowns, the previous quarter saw sales soar 35 percent in the mainland from a year earlier.

Meanwhile, Coach has continued to push for growth in the market with the opening of a virtual art and fashion **flagship store** in Beijing's Sanlintun earlier this month one of over 30 locations set to come to China and what could become a testament to its continued popularity there.

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