

Simulating HRM Technology Operations in Contemporary Retailing

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<i>Article History</i>	<i>Abstract</i>
<i>Article Submission</i> 21 February 2021 <i>Revised Submission</i> 18 March 2021 <i>Article Accepted</i> 22 May 2021 <i>Article Published</i> 30 June 2021	<p>Currently, an industry analysis becomes important in shedding light about Coach Inc.'s possible solutions to the perceived challenges. For example, an extremely intense competition in luxury goods has been attributed to low market-entry barriers because not all corporations pose the capacity of gaining great achievements. For instance, many firms have had to withdraw from the market due to failures arising from ineffective follow-up financial support. In addition, two sets of customer groups exist. On the one hand, fashion-conscious customers prefer designs that keep up with the latest fashion trends. On the other hand, rational customers are those who prefer affordable luxury goods that may not only be characterized by classic styles but also stay without being outdated for a substantial period. Prior to the provision of recommendations towards retaining a competitive advantage in the wake of increasing or stiffening global competition and a decline in consumer spending within the luxury goods industry, Kurt Lewin's 3-stage model is selected and discussed as a guiding framework guiding technological change realization at Coach Inc.</p> <p>Keywords: HRM Technology, Retails, Kurt Lewin</p>

I. Introduction

In the selected case, some of the products supplied include fragrance, scarves, outwear, women's and men's accessories, wallets, and handbags. Founded in 1941, Coach Inc. became a publicly traded company in 2000, upon which it was listed on the New York Stock Exchange (Dana, Dezember and Dulaney, 2015). Imperative to note is that the luxury goods industry continues to be highly competitive. This state of stiff competition is attributed to a low market-entry barrier that companies face. Whereas the 2000s were characterized by ups and downs, recent trends have seen the sector recover and assume a rapid development. From these outcomes, additional luxury goods corporations have engaged in expansions of their operations by targeting the emerging markets through e-commerce and Internet; translating into an optimistic outlook of the industry (Fionda and Moore, 2009). With these trends, the need for effective change management towards improved outcome provision at Coach Inc. is inevitable.

After experiencing enviable growth for over a decade, Coach faces new challenges due to a heat up of both the competitive and promotional environments. For instance, the end of July 2012 witnessed the company report a mere 1.7% increase in store sales in its North American comparable store, compared to the increase the company had enjoyed in the previous years (Dana, Dezember and Dulaney, 2015). Notable retailers such as Jockey, The Loft and Carter's have continually adhered to a regular price strategy at the factory level or location. As such, disclosures regarding the re-introduction of coupons imply that factory customers in the current marketplace have had their preferences shift towards extra value in each shopping plan (Doe, Ndinguri & Phipps, 2015).

Coach Inc. was selected because of the current state of competition that the luxury goods industry continues to face. In addition, the firm was selected because of the current changes in user needs and stakeholder preferences, a move that has yielded an ever-stiffening competition that attracts necessary adjustments on the part of the management groups, as well as product and service-related improvements to stretch beyond realizing a larger

customer base and gain a competitive advantage. For example, the company has its products sold in more than 970 department stores in the U.S. while over 211 department stores are established in other parts of the world; besides operating duty-free shops in over 20 countries (Dana, Dezember and Dulaney, 2015). Despite the promising outcomes in internationalization efforts, Coach faces two major challenges. The first challenge concerns competition. Whereas its provision of fine leather goods at the domestic level has remained successful, the process of embracing global expansion has not gone without competition from foreign rivals. As such, the need to pay critical attention to the maintenance of a competitive advantage in the luxury goods industry is inevitable, including the danger arising from market share encroachment by firms such as Hermes International, the House of Gucci, Louis Vuitton, and LVMH Moët Hennessy (Dana, Dezember and Dulaney, 2015).

Apart from competition, a decline in consumer spending has emerged due to rising fuel prices and high interest rates. An example is a case in which the period ranging from 2004 to 2005 saw gasoline's price rise to \$2.3 per gallon, a relative significance change from the previous price of \$1.9 per gallon (Buono & Subbiah, 2014). With this prevailing pressure, consumer groups in America and other parts of the world have ended up cutting down their unnecessary expenditures; implying that luxury goods, Coach's primary focus, remain inclusive. Therefore, Coach Inc. faces two major drawbacks that threaten its economic stability at the local, regional and international levels. On the one hand, stiff competition from other foreign-based providers in the luxury goods industry poses a challenge regarding possible mechanisms that could be adopted to shun the potential loss of recent stable performances. On the other hand, a decline in the state of consumer spending implies that the need for solutions towards the avoidance of losing a significant number of customers and, in turn, experience poor sales cannot be overemphasized. This paper proposes solutions to Coach Inc.'s recent challenges involving intra-industry competition and the decline in consumer spending that threatens to yield poor sales.

II. Methodology

Major issues face Coach Inc. at the company and intra-industry level. For example, the company has had a high level of inventory in the past decade. Specifically, Coach's merchandise inventories in the year 2006 were rated at \$233.5 million, having increased by about 27 percent, compared to the results of the previous year (Dana, Dezember and Dulaney, 2015). According to Levasseur (2010), such large inventories pose an adversity in such a way that a corporation's liquidity is likely to be damaged. Thus, clearing inventories requires firms to make painful decisions of cutting prices, projected to pose an additional negative effect on the profitability of the company. Similarly, Coach faces the challenge of market concentration. For example, the luxury brand targets the international market but its operations continue to lie in the market of America. These outcomes are attributed to the fact that over 74.6 percent of the company's total revenues are predicted to be accounted by the U.S. user population (Dana, Dezember and Dulaney, 2015). Indeed, the limitation in Coach Inc.'s market concentration places it at risk of suffering a slump in demand for its productions, should a recession or economic slowdown be experienced in America.

In relation to global expansion, three major issues are worth highlighting. These issues include intense competition, the tariff barrier, and the presence of counterfeit goods. Regarding intense competition, Coach is renowned as a household name in Japan and the U.S. but a significant gap continues to exist between its operations and those of competitors in the European context; often associated with brand recognition (Fionda and Moore, 2009). Some of the providers dominating the world's luxury brands list perceived to be the most valuable include Hermes, Gucci and LVMH. This trend implies that a prolonged endeavor forms a near lone avenue through which Coach's popularity might match these brands on the global arena.

Besides, the issue of tariff barrier threatens stability at Coach Inc. for example, most of the countries have responded to the rising trend of firm internationalization by imposing high tariffs on sections of products with the aim of protecting their domestic industries. Furthermore, import duties levied on luxury goods remain high among countries engaged in business internationalization (Andersson, 2015). This situation suggests that Coach faces dilemma due to the need to increase product prices, yet such a trend might translate into a destruction of its competitive advantage.

It is further notable that Coach Inc. faces the challenge of counterfeit goods. According to the Global Congress on Combating Counterfeiting, these goods continue to account for as high as nine percent of cross-border trading activities (Mazzei & Quaration, 2013). Thus, Coach faces the detrimental effect of counterfeiting in such a way that its image may continue to suffer, unless strategies are laid to curb the illegal trend. Besides the loss of a brand image, counterfeit goods imply that Coach Inc. would lose revenue tremendously, attracting critical attention.

III. Results and Discussion

According to Burnes (2004), Kurt Lewin's 3-stage model of change aids in explaining the process of organizational change realization. Basing his model on the changing shape of a block of ice that changes given different states of temperature, Lewin's model was hence referred to as the "unfreeze-move-freeze" strategy to change. The unfreeze stage addresses impediments to change, perceived as the status quo of operations that need to be relaxed for change to take place. In this state, the organization faces a lot of opposition due to the existing organizational beliefs, values, attitudes and behaviors. This stage involves the promotion of an effective communication process in such a way that individuals are empowered towards change adoption. A good example is that of Disney and Pixar mergers and acquisition where Pixar was being acquired by Disney.

The second stage is the moving stage or change process in which new strategies are designed and supported by the affected groups towards a common goal. Lastly, the freeze stage implies that the organization has weaved new ways and changes in the fabric of its long-standing culture (Burnes, 2004). Therefore, task forces internalize the change process and implement it towards effective performance. In relation to the case of Coach Inc., the first step should involve identifying challenges that the firm faces in relation to the internal and external forces affecting the luxury goods industry. This step should be followed by task force sensitization by embracing top-down and bottom-up processes of communication in which the perceived change is communicated by the top management in an effective manner while feedback is provided by members in the lower hierarchy. In so doing, possible employee resistance to change might be avoided. Lastly, the firm should embrace the change by implementing processes that would counter the prevailing challenges while striving towards the sustenance of its current competitive advantage.

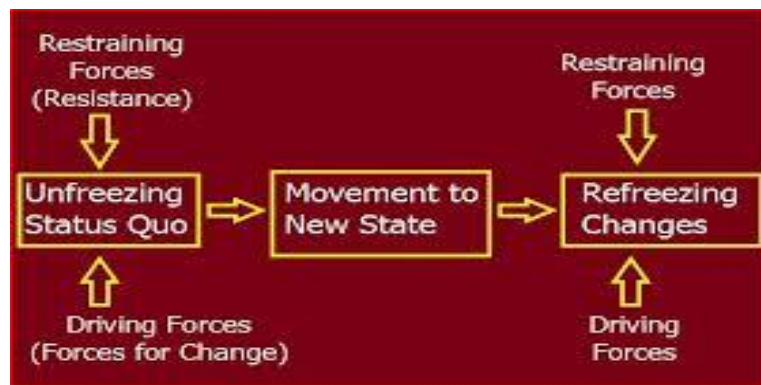


Figure 1. Work Process

Currently, Coach is dominated by the provision of women's products, with handbags on focus. To adjust to global competition, there is a need for the company to elevate product offerings for men. Of the total net sales, about two percent is attributed to men's products; yet an increasing number of members of this population continue to prefer western luxury goods. Therefore, elevating men's product offerings might enable Coach to meet their demands while increasing the company's revenue. It is also recommended that Coach recruits talented fashion designers. The nature of competition and decreasing customer expenditure on luxury goods (attributed to issues such as increasing fuel prices) implies that brilliant fashion designers might lead to the realization of the brands' soul, which is felt

through the luxury goods industry's products. Imperative to note is that the designers should be extremely sensitive to the marketability of products, as well as the pulse of fashion governing user demands in various regions of the world. Lastly, it is recommended that Coach allies with strong jewelry brands. Given the presence of top brands such as Prada, Hermes, Gucci and LVMH, Coach is likely to compete with these powerful providers and attract the upper-class customers' attention by allying with these firms to combine varieties of the jewelries offered with its products. The projected benefit of these allies is that they may not only enhance Coach's fame but also suggest signs of seeking novelty.

One of the long-term steps recommended for Coach Inc. is that which involves upgrading the brand image. On the one hand, net sales dedicated to the design, marketing and advertising strategies have been relatively substantial. On the other hand, the reputation of this corporation is yet to match that of its international rivals. Specifically, practices of marketing and product design have fared to a commendable level but advertising strategies continue to be of concern. As such, new technologies and social media ought to be utilized in the place of catalogs, emails and information listed on the company's websites. In so doing, a significant number of global users might be reached and translate into increased revenue at the company level.

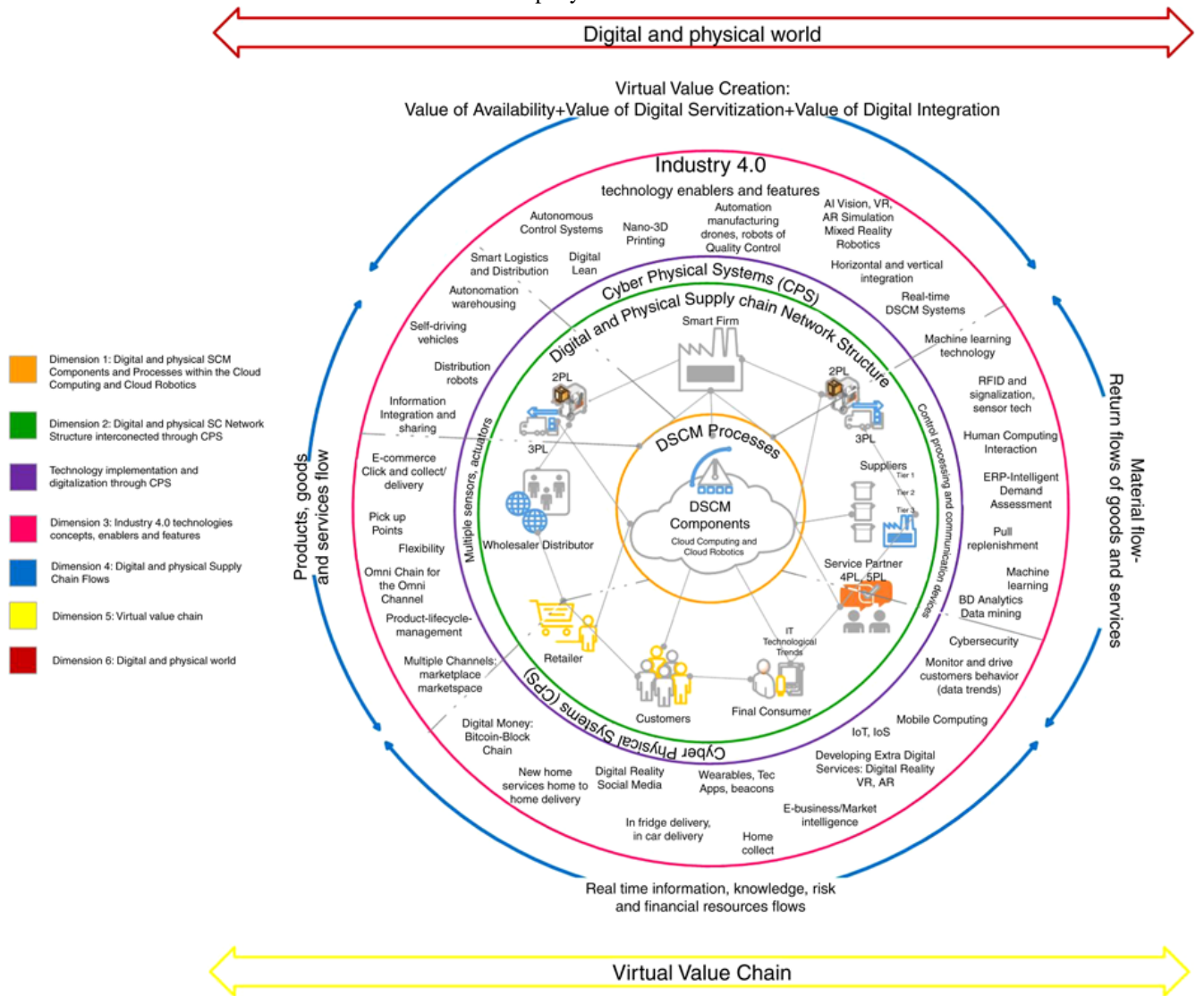


Figure 2. Value Chain physical and virtual world

It is also recommended that Coach Inc. curbs counterfeit trade to avoid losing reputation and revenue. By protecting the company's intellectual property rights, competitive advantages might be maintained. This strategy could be achieved by improving the products' technological content, a step that might make it difficult to counterfeit and imitate. To achieve this objective, the top management should liaise with foreign governments and persuade them to not only enact and amend but also implement the intellectual property laws governing multinational corporations.

Lastly, Coach Inc. should expand into additional markets, especially the emerging markets. An example is that which involves China whereby advantages such as cheap labor force, a well-established economic and political environment, huge potential market, and rich natural resources pose critical advantages to Coach's internationalization effort. Indeed, this positive and supportive environment implies that the growing needs of customers in the emerging markets will be satisfied while reducing Coach's operating expenses; a situation that might maximize the returns.

IV. Conclusion

In summary, Coach Inc. remains successful in the sector of luxury goods. Some of the attributes accounting for this trend include product quality, the image of "affordable luxury," and customer loyalty. Despite this trend, issues such as stiff competitive at the global level and a decline in consumer spending pose significant challenges to the company. As such, it is recommended that the firm implements short-term solutions by elevating men's product offerings, recruiting talented fashion designers, and allying with strong jewelry brands. On the other hand, long-term solutions should include upgrading the brand image, curbing counterfeit trade, and expanding into the emerging markets. With a focus on Kurt Lewin's proposed 3-stage model of change management and effective communication to curb possible employee resistance to change, it is predicted that Coach Inc. will attain an extended customer base while retaining its competitive advantages.

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