

The competitive strategy of burberry essay sample

[Business](#), [Strategy](#)



Critique the competitive strategy of Burberry using cited theories, concepts and techniques discussed on the course and supporting (and cited) sources of evidence.

Part 1

For the purpose of this assignment I will be critiquing the competitive strategy of Burberry, a luxury British fashion brand. Evident based research indicates that Burberry operates in several industries, the dominant one being the fashion industry. In terms of advertising, Burberry's advertising campaigns are focused upon the leading fashion and lifestyle publications. In addition, Burberry views fashion shows as an important element in their marketing plan since these serve to underline the luxury status of the brand. The shows establish and reinforce the fashion credibility of the brand and generate international press coverage.

In order to increase their competitive advantage, the fashion shows take place in Milan as it is perceived worldwide as the global center of luxury fashion and serves to maximize fashion media coverage internationally. Burberry has adopted a proactive public relations strategy aimed at the fashion and trade press. Taking the above into consideration it is indisputable that the industry Burberry concerns itself with most and the industry in which it is mostly concentrated in terms of customers, is the Fashion Industry. (Moore and Birtwistle, 2004.)

Part 2

Competitive Rivalry. The luxury market has outpaced any other consumer goods industries, becoming one of the fastest-growing industries in the world (Fionda & Moore, 2009). Companies within the luxury fashion industry face an intensely competitive environment, complicated by disruptive competitors offering luxury based upon a new value proposition: the best doesn't have to cost the most. (Pamela N. Danziger. (2017).

With Burberry ranking eight in the World's Most Influential Luxury Fashion Brands For 2017 Burberrys main competitors ranking above them for the quality of their products and services include; Louis Vuitton, Gucci, Herms, Chanel, Cartier, Rolex and Coach. (Grant. A, 2017). Supplier Power.

According to (Hannan, L (2016) the power of suppliers is medium due to the large number of manufacturers worldwide, some luxury brands have the ability to finish the whole production process by themselves.

For Burberry, their long-term partnerships with some vendors that provide unique material such as Peru, who provide the cotton yarn to make the trench coat (Burberry Group plc, 2014) causes the higher bargaining power. Buyer Power. Research suggests that the bargaining power of buyers is low. As luxury brands set the price range, generally speaking, the customers have little power to change it as the prices are ““ intentionally discriminatory” (Gardetti and Torres 2015).

On the other hand, evidently the switching cost is low, this will strengthen the bargaining power to some extent. (Hannan, L (2016)) Threat of Substitution. As the target consumers for luxury fashion are high-income individuals the threat of substitution is medium/high. According to (Goldston,

N, 2017) in 2018 luxury consumer's desire will be focused on distinctiveness, eccentricity, personalization and heightened customer service. Therefore switching to high street fashion such as H&M, isn't as appealing.

However, with the increase of the quality and numbers of fake luxury, a brand like Burberry will be affected but with less influence as it has brand loyalty (Hannan, L (2016)) The wealthy individual may be motivated to acquire and use luxury brands as an important part of his or her self-concept (Belk, 1984). Threat of New Entry. The threat of new entry is medium-low as the luxury brand needs sufficient capital and resources to integrate successfully into the market. The threat of entry for a heritage brand such as Burberry which was founded in 1856 is low.

(Burberry, plc. (2018)). Hence, this particular industry is burdensome to contend with directly. Government. " Different countries that Burberry operates require the organization to abide by their domestic rules different laws, which may be unfavorable to the activities of Burberry" (Gasparini, 2017). Some countries impose high tax rates so to encourage domestic production. Often operating costs are heightened by the higher tax rates. This can onset political instability which interferes with the supply chains and stores.

Part 3

Burberry' strategy emerged when the brand's traditional tartan gradually fell into public association with old-fashioned outerwear. Management, particularly Ahrendts saw opportunities to revive Burberry's tradition. A

matrix of refurbished designs, celebrity endorsements and tactical product placement alongside well-known luxury brands such as Chanel, generated renewed consumer acceptance. (Financial Times 2002).

Since then Burberry have had a differentiation strategy, as differentiation is defined as seeking to provide products or services that offer benefits that are different from those of competitors and that are widely valued by buyers. (Johnson, Scholes & Whittington, 2008). By definition Burberrys' luxury brand has an iconic figure in the fashion world and achieves differentiation through product, service, channel and image differentiation.

Product Differentiation.

Burberry achieve product differentiation through their strong product line which are high quality, durable, luxurious and attainable. Their products are different as they promote their products honing in on the emotional value attached to their British heritage design which appears in all of their collections and is noted for their success. This is part of Burberry's competitive advantage. (Anthony. A, 2014)

Service Differentiation.

Burberry are one of the top digital luxury brand (Milnes, D. (2015)). They offer a unique service to all of their customers through their ultimate online personalized luxury shopping experience. In addition to their digital innovation their employees are highly trained and knowledgeable and have the capabilities to offer incredible top of the range personal shopping experiences. Burberry have seamlessly integrated their online and offline

experience, offering their customers a completely different and unique experience to that of their competitors. (Davis, S. (2014)).

Channel Differentiation.

Burberry's main channels include; retail, wholesale and licensing (Burberry, plc. (2018)). Burberry's innovative and distinctive channels within these include their online shopping and social media platform. Included also is their successful advertising e. g. magazines and their Burberry App. Burberry became fully digital in 2009 with the launch of " Art of the Trench," a microsite that runs user-generated content of people wearing Burberry's signature trench coat. That year, during the Spring/Summer 2010 fashion show, Burberry chose to live stream the event, giving anyone access to the traditionally exclusive runway action. This shows the channels that support the product and service they provide are unique and different, supporting the identified strategy. (Milnes, D. (2015)).

Image Differentiation.

Burberry's image is different to that of their competitors as they have their own unique trademark pattern design combined with the allurements of their British heritage. Customers associate the luxurious brand with proactivity, excellent communication and innovation. (Milnes, D. (2015)). The Burberry brand's image is also perceived as desirable as the Queen has been seen to wear the brand on several occasions.

Part 4

Identification using VRIN criteria of key strategic resources (4)

Resource-based theory indicates that intangible resources, or intangibles, underlie value creation (Penrose, 1959). It places premium on the intangible drawing attention away from tangible resources. Using the VRIN criteria of key strategic resources, solely focusing on resources which are both Rare/Distinctive and have Imperfect imitability.

(Barney, J. B. 1991.) Burberry have both tangible and intangible key resources which appear both rare and difficult to imitate.