

Burberry fashion industry



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World Leading Fashion Brands Burberry, Louis Vuitton, Gucci, Prada, Calvin Klein, Christian Dior, Chloe, Emporio Armani, Ferragamo & (Appendix 4) are some of the numerous global luxury brands. They all have experienced abundance in sales growth and margin profits within the last decades, but they almost shutter in between world financial crisis (2008 up to date). They even see themselves included in several financial products such mutual funds, ETFs or be part of financial Indices (Appendix 2).

Economists strongly propose that when it comes to long term investments we all should distribute our investment portfolio in a way that will consist to a certain extent from luxury brands. They claim that since customers' income has the tendency to increase long term, luxury goods value will raise as sales increase. Consumers buy more luxury goods today than before for either emulating richest lifestyles or based in some hedonic grounds (Truong et al. 2008). Prior economic downturn luxury market had grown 8% per annum (Passariello et al. 2009).

In 2009 fashion world experienced a 9% decrease. The global luxury sector is estimated to be an approximately 150bn to 200bn market (Table 1). Table 1 Global Luxury Sector Retail Value Source: Burberry (2010) Burberry's Roots & Structure Thomas Burberry Thomas Burberry a 21 year old draper's apprentice, in 1856 opened up a small shop in Basingstoke Hampshire in England introducing his first outwear garments for sports. Burberry was the original name and it meant to bond it with its trademark gabardine which embodied total British elegance and lifestyle.

Later on (1924), the Burberry check was introduced as a lining to its trench coat before immortalized by Peter Sellers in The Pink Panther. Burberry also accompanied adventurers producing special garments for aviators and expitiditionists. Nowadays, Burberry operates in international luxury business for which, designs, sources, manufactures and distributes high-quality apparel (outerwear is a clear authority in this category), for women, men, children and non apparel fashion products. Its global distribution network includes licensing agreements particularly in Japan (Burberry 2011).

Geographically, Burberry is predominantly a European based company (44% of sales), 27% of sales take place in US and 24 % in Asia (Table 2). Income turnover stems also from Japanese Licensing. Licensing agreements' revenue in 2010 counted 8% of total revenues. During financial crisis experienced a slower pace in sales growth but even in 2010 he managed to end up with a slight increase of 1% (Table 3) which in comparison to its competitors is quite satisfactory (Burberry 2010). Table 2 Geographic Sales Distribution at 2009 Source: Burberry (2010) Table 3 Revenue Growth per annum

Source: Burberry (2010) Its products are distributed under all possible channels, retail and wholesale. Specifically in 2010 Burberry was accountable for 131 stores, 262 concessions within department stores and 47 outlets supplemented by digital commerce in more than 27 countries (Burberry 2010). Franchisees operate 97 stores mostly located in emerging markets. Retail holds 58% of total income (Table 4). Table 4 Revenue by Channel Source: Burberry (2011) What is the Role of Multiple Branding? Multiple Brands are the in core of Burberry operations.

They all created for succeeding multiple connections; certain characteristics, for certain customers. This idea delivers basic goal, for obtaining new customers while retaining old. For example Burberry London is the core product line. Thomas Burberry is similar in its purpose of diversification but is offered in Spain & Portugal (Table 5). Table 5 Multiple Brands & Segmentation Multiple Brands| Segmentation| Burberry London| Core Product Line Associated with the Trench| Burberry Brit| Fragrance Association/Casual Women's & Men's apparel line| Burberry Prorsum| luxury Market- High End Brand|

Burberry Sport| Fashion Edge/ Younger Appeal lower Prices| Thomas Burberry| Distributed only in Spain, Portugal and Greece| Burberry Black Label, men| Japan & Hong Kong for Young Individuals only| Burberry Blue Label, ladies| Japan & Hong Kong for young individuals only| Compare Burberry's Positioning Relative to that of its Main Competitors. What issues had to deal with? Positioning selected, means that Burberry's direct competitors are not Gucci or LV or Prada but rather Calvin Klein, Ralph Lauren/Polo, Chanel, Christian Dior, DKNY, Valentino, YSL, Cavalli or D&G.

Not totally relevant but supportive argument to the same direction could be the total value of the company in prices of 2008 as depicted (Table 6). The distinction between old and new Burberry (Table 7) is the outcome of the multiple brands launched after 2001. Table 6 Value in Thousands € for Most Luxury Brands in 2008 Source: Hermes (2009) Table 7 Positioning – Perceptual Maps Source: Solomon et al. (2009) Its target market is still wealthy affluent consumers, label conscious shoppers. However it runs through many socio-economic groups.

Burberry is worn not only by royals and aristocrats but also by hip hoppers or hooligans. Due to this reason over the past few years Burberry has encountered a serious issue. Burberry lost its prestige and prominent qualities as well as its core customers saw the iconic Burberry check have been consumed by a style tribe called the ' Chavs'. This demographic is young, male and female, working class, and widely known as wearing designer labels but with little taste, and allegedly causing trouble (Prentice Hall 2005). This trend enhanced by the wide spread of counterfeit products.

The influence that these groups of individuals have had on Burberry is immense, they have undoubtedly changed the brands image and meaning in ways Burberry never imagined possible. This has obviously affected Burberry's core customers, who to some degree find it undesirable to consume the brand which is now visibly worn by such individuals as a taxi driver, and therefore are disassociating them with the famous ' check'. The effect was negative and some UK retailers dropped the brand. Competition from the Gucci group, and Versace became more and more intense, they high quality and very much design led and customer focused.

Burberry Faces Marketing Tradeoffs? Retain customers or acquire new while moving into turbulent financial environment? Brand expansion or brand fortification? Product performance versus brand image, points of parity versus points of difference? Classic or fashion forward? Sales generation or brand building activities? Quality maximization or cost minimization? Balance between exclusivity and democratization is the issue. Exclusivity sometimes is against accessibility. For years Burberry was identical to something inspirational. But at the same time growth sales started to suffer.

When it comes to classic or contemporary we refer to retention and acquiring younger customers respectively. How we thrive in this three conflicting areas? By using differentiation (mentioned before) and refreshing schemes not necessarily by creating fashion forward products, but promoting in such a way, by polishing frames of reference (Slide share 2002). Brand imaginary, or brand feelings play vital role, since much of the brand equity is intangible. We intervene in order to meet customers' cultural, psychological and social needs. In case of Burberry we have a Brand that inherits all the British royalty.

In 1920 Burberry used to finance expeditions. In 1911 The Norwegian explorer Captain Roald Amundsen equipped by Burberry and became the first man to reach South Pole. Three years later, the trench coat was born in order to accompany British army. Not to mention that in 1955 Burberry was awarded by a Royal Warrant by Queen Elisabeth II. On the contrary its contemporary policy for distinctive events is much of a mainstream. Foundation held by Burberry in order to promote innovative and creative ideas from young entrepreneurs is fair enough but not adequate in order to fulfill the aim of exclusivity.

On the other hand, decision made for relocating the women's spring show 2010 from Milan to London marked a shift in policy. This geographical reconnection with its British heritage brought publicity and editorial coverage. At the end of the day which are the tools for achieving aforementioned goals? How we energize the brand and fulfill customers' expectations? Burberry in those areas does particularly well from reexamining the extensive use of ' check' to its products, to the use of social

media or celebrities as a way to reestablish lost uniqueness. Finally Pricing and investments have been used also a powerful tool.

Digital Marketing as a Means to Diminish Marketing Tradeoffs Should Luxury Brands Build Their Own Social Networks? Does social media poses threats making too accessible and diminish the brand value and perception of affluence? Burberry (Mercedes and Gucci did that as well) launched its own social networking site calling it ' Art of the Trench'. Currently, Burberry boasts more than 2. 000. 000 fans on Facebook, and many are questioning why Burberry wants to create its own network when it already has such a large Facebook presence. Burberry is not neglecting its Facebook community, but it is simply giving users another more exclusive option.

The brand will undoubtedly use Facebook to drive traffic to ' Art of the Trench' (Financial Times 2009). Burberry is filtering users by giving to a smaller segment of users a more personalized experience with the brand and isolating customers who are more likely to become long-term customers. A more exclusive site like ' Art of the Trench' gives Burberry the opportunity to capture those individuals who stand suspiciously away from Facebook or Twitter. However, is this sustainable? It depends on how treated. Not mentioning that on September 2010 sales were skyrocketing by 50% (Utalkmarketing 2010) For instance, Burberry's creative irector, Christopher Bailey, hired The Sartorialist' s Scott Schuman to launch the site with photos of people in trench coats spotted on major city streets. This association serves a strategic purpose for Burberry; whether someone is just a consumer or fashion victim or a traditional industry professional, he or she knows who Scott Schuman is. Consequently, Burberry will leverage Schuman's multiple

audiences to generate broader awareness. Burberry is experimenting with user-generated content. That's a huge step socially and may end up with debatable results in terms of aesthetic.

On the other hand if a user generates phenomenal job, Burberry will recognize a potential star and will incorporate it accordingly (Fashionably Marketing, 2009). For those who concern this network may become source of bargain hunters related to Burberry's factory outlets, which in their turn will commoditize the brand; again this can be avoided if handled properly. Customers who shop through the main Burberry website and through retails stores and who also shop at Burberry outlets stores know the differences between retail stores and outlet stores. It is a solution based on customers' mentality (fashion industry network 2009).

Burberry streamed its Spring/Summer 2011 women's wear collection to its 25 flagship stores around the world. The virtual fashion show enabled customers to explore and buy directly from the collection, using a custom-built Burberry iPad application (Enterprise Innovation 2011). Motion responsive images and video at Burberry. com can be clicked, rotated, and dragged 180 degrees. Furthermore, individual products and cast respond to user controlled commands allowing shoppers meet their needs with aspirations (Utalkmarketing 2009). Last but not least, Burberry uses mobile commerce, by launching a mobile site.

Optimized for the iPhone and Android platforms (12thinktank 2010).

According to a recent online trend report by digital marketing agency (Table 8), Burberry is rated among the top companies in ' Digital Iq' (5th position)

(Business of fashion 2010). This survey is important because indicated other things than obvious: visitors most often come from other retail sites. This indicates shoppers' tendency to visit many similar sites. Finally a brand's social media popularity does not correlate with market share of site visits. Interestingly, Burberry's 6.5 percent market share of site visits is paltry compared to its popularity on

Facebook (red- luxury 2010). Table 8 Digital IQ Ranking for Luxury Brands
Source: Business of Fashion (2010) How Pricing ; Investments Can Improve Marketing Tradeoffs? This vertical step down brand extensions (Burberry Brit, etc.) are helping to reach a new market segment but past research suggests that these brands can be diluted (Aaker 1997) since products can lose its luxury status. Customers when trying to display their wealth and upper class tend to use product prices as a means. Since brand extensions are at a lower price they may reduce the perception of quality and luxury.

The attributes that comprise the step down product are of great significance, because this can lead either to positive or negative association for the core brand (Vigneron and Johnson 2004). For that reason Burberry should employ a premium pricing strategy with strong quality cues and few discounts and mark downs. Burberry is less expensive than traditional luxury good. Although affordable and slightly above middle range products still enjoy a reasonable level of perceived prestige which differentiates it from middle range or fast fashion products such ZARA (Euro monitor 2005). Price premiums ensure limited accessibility.

Ideally middle class consumers should afford buy the brand only occasionally. When these purchases become habitual then we tend to brand dilution. In order to maintain cheaper products with inspirational profile (although some are made in China), resources need to be invested in creating a prestigious environment around the brand so that the later appeals to consumers as an exclusive brand. In practical terms this means investments in prestigious stores, advertising in glamorous magazines, seasonal fashion shows and well known designers (Kowalczyk 2008). Should Burberry Proceed with a Restrained use of 'check' ?

The Burberry 'check' is world widely recognizable and it is a great asset, however, the check is instantly contributing to overexposure of the brand. A more subtle and intimate feature would play a stronger and more intelligent role as a communicative device with its core customers. This could be addressed if Burberry reduces production of certain products which are in the use of the visible 'check'. Current product mix numbers 40% without the check and 40% with the check used subtly. Concluding we should bear in mind that a brand is about a lot more than just 'checks'. Celebrities Endorsement

The trend usually starts with a celebrity. Emma Watson now follows footsteps of Kate Moss as the face of the new Burberry advertising campaign. She is the person who capitalizes on behalf of Burberry what we call 'celebrities' endorsement', which means to link the brand with entities that carry positive and strong association (WWF 2011). A celebrity should carry potentiality not only to influence customers but to inspire companies. He or she should be able to create new aspirations, not to project shallow

luxury but authenticity. Especially nowadays endorsing brands means to enhance social and environmental performance.

In respect to what already referred added value for a firm that has to compete in a mature ; masstige market, could be derived from superior environmental and social performance based on values of authenticity and sustainability and not counting to exotic products (WWF 2011). Counterfeit Products ; How Brand Encounters Them Modern technologies also created an explosion in counterfeit products. Some of them are indistinguishable from genuine products not mentioning that they became more socially acceptable, firstly because customer believe that luxury brands are to some extent overpriced (Nielsen 2008). nd secondly because the quality has been steadily improving approaching in a few cases that of the real brand. This implication was a direct consequence of the cost minimization that luxury brands try to deliver. Prior research indicated that consumers' attitudes towards luxury brands may serve a social adjunctive function, a value expressive function or both (De Bono, 1985). For instance a person may buy a Burberry item because the brand reflects its personality or because it is a status symbol. It is worth noticing that Burberry is heavily dependent on its trademarks and other intellectual property rights.

They all are intrinsic for its competitive position and its brand value. For such reasons the group resolves all issues with a mixture of criminal and civil legal actions or settlements. Nevertheless, since such measures are not totally adequate Burberry should find a way to provide prestige in new ways that they do not heavily weighted on logos. For example, suggesting that genuine products are environmentally beneficial, represent deeper values or benefit

local communities that are engaged in product production (WWF 2011).

Conclusion

Recapitulating we may suggest that Burberry is well capitalized brand name. Apart from financial fundamental carries an authentic British historical heritage than almost any other fashion brand. Examining its financial fundamental and its segmentation we conclude that poor growth results in 2010 compared to previous years (WSJ 2009) and not compared with competitors, are the outcome of marketing tradeoffs. Mostly what Burberry experienced, was the effect of overexposure of its logos and brand name. This took place for a second time after 2005.

It is highly likely that the actions and strategy aligned are better than the past. Digital marketing has been used extensively and brilliantly, from Burberry and although there are no major fashion forward changes in its products refreshes their frame of references, exclusively ; authentically.

Appendices Appendix 1 Significant Milestones for Burberry | 19th Century "Innovations and business expansion"| 1880| Burberry invented the famous "Gabardine" made of a breathable, waterproof material quite innovative for that period of time. 1891| The business grows with the opening of a new shop in the West End of London at 30 Haymarket trading under the name Thomas Burberry ; Sons. | | Since the beginning of the 20th century aviators, cartographers and mountain climbers have worn Burberry clothes. | | 20th Century | 1901| The Equestrian knight trademark was introduced accompanied by the Latin Word "Prorsum" a horse logo meaning forward. | 1911| Burberry was selected to protect the Norwegian explorer Captain Amundsen who became the first man to reach the South Pole and his

companions. 1920| The " Burberry check" was introduced and the red, black and white check pattern becomes synonymous with the classic brand. | 1967| Burberry expanded the check pattern to other merchandise including handbags, umbrellas and scarves. | 2000| Launch of its exclusive "Art of the Trench" made to order trench coat service. | Today| Internationally recognized luxury brand with worldwide distribution network with the distinctive British heritage adapted to the creative spirit and ambition of youngsters. |

Appendix 2 Credit Suisse Equity fund Global Prestige (Investment Distribution) Source: Credit Suisse (2011) Appendix 3 Burberry's SWOT Analysis Strengths| Exclusive Heritage: The Company is uniquely positioned as a classic-elegant British apparel brand with high global brand awareness. | Attractive Market FundamentalsDespite the macro-environment, the outlook for the accessible luxury goods industry remains positive from both a geographic and product point of view especially due to the growth of demand from the emerging economies. PricingPremium prices that allows to middle class purchasing occasionally Burberry's products increasing its sales base. | Social Media Use ; E-commerceExtensive use of digital marketing by using social media, mobile internet, live broadcasting and interactive tools in its leading stores. | Weaknesses| CyclicalitvBurberry's results are exposed to changes in demand for luxury goods, which in turn is reliant on the health of the external economic environment, the stock market and local consumer confidence.

The Company is thus exposed to a potential slowdown in discretionary spending on apparel by wealthier consumers. | Fashion RiskBurberry remains

structurally exposed to the apparel market (61% of sales) and compared with other luxury groups, it has high exposure to fashion risk. This is arguably lower than it has been historically as the company has increased the number of collections annually from two to five. However, its fashion risk will still be higher than other competitors. | Joint Ventures A potential risk is that the lack of control over the Japanese market which accounts for 40% of brand retail sales. Unexpected Weather Changes Since sales are heavily dependent on seasonal outerwears (gabardines 20%) unpredictable changes in weather will deteriorate seasonal sales. | Opportunities| Growth Potential Although Burberry is already a large and mature brand, there is continued scope for retail space expansion and product development. April 2010 and June 2010, Burberry opened stores in Baku, Budapest, Cannes and Korea. Typically, global luxury brands can cross borders much more easily than retail brands, and the growing affluence of consumers in a number of markets means that this business likely has major ongoing expansion potential. Supply Chain & Cost Efficiency Burberry has improved supply chain capabilities by introducing an ERP project called ATLAS. | Celebrities Endorsement Apart from Emma Watson (since 2009) the group in a co overt way makes extensive use of British symbols. Latest example is Kate Middleton, who few weeks Before her marriage with Prince Williams has been captured by paparazzi wearing Several apparel or non apparel products of the brand. | | Threats| Currency Burberry is exposed to currency risk (principally a depreciation of the Japanese yen against sterling).

In addition, large proportions of Burberry's sales are related to tourism (in particular to Japanese tourists) and are therefore exposed to changes in

international tourist flows. | Counterfeit Products & Overexposure of the Brand Burberry has had issues in the past with imitation products and over-distribution of the brand leading to brand dilution, although it seems to have put those behind, at least to a moderate extent. | Increasing Market Competition Burberry established in a mature market faces competition in many products' categories.

The group competitors may have better financial resources thus making Burberry's effort even tougher. In mature markets people tend to search for other than pseudo luxury. | Changing Travel Patterns A significant proportion of the group's sales stems from customers who purchase products during their trips (Russian, Japanese, Chinese, Middle Eastern). As a result, wars, or other incidents (changes in political regimes), that shift travel routes will have an impact in trading results. | Appendix 4 Global Luxury Fashion Brands Source: Nielsen (2008) References 1. Aaker, D. A. and Keller K. 1990), "Consumer Evaluations of Brand Extensions", Journal of Marketing, 54 (January), 27-41 2. Burberry, 2010. Annual Report 2010. Available from : [www. Burberry. com](http://www.burberry.com) (Accessed 10 April 2011) 3. DeBono, E. and Kenneth G. (1987), " Investigating the Social Adjustive and Value Expressive Functions of Attitudes: Implications for Persuasion Processes", Journal of Personality and Social Psychology, 52(2) 4. EBSCOhost, 2009. Managing the growth tradeoff: Challenges and opportunities in luxury branding. Available from: [http://web. ebscohost. com/ehost/](http://web.ebscohost.com/ehost/) (Accessed 12 April 2011) 5.

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