

Burberrys current markets and product lines



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Q-1 Analyze Burberry's current products and markets and identify potential new target market opportunities and new market opportunities. Use the Ansoff growth matrix as the theoretical framework for the answer. How might Burberry differentiate their offering from that of competitors?

Burberry is currently serving four big regions i. e.

United Kingdom

Europe

United States

Asia

Burberry's product line is very intensive and is covering six major categories.

1. Women's wear

Men's Wear

3. Men & Women Accessories

Iconic Trenches

Coats

Jackets

Shirts

Tops

Knitwear

Skirts

Trousers

Denim

Swimwear

Iconic Trenches

Coats and Jackets

Tailoring

Shirts

Tops

Knitwear

Trousers and Shorts

Denim

Ties

Swimwear

Body

Iconic Checks

Bags

Small leather goods

Jewellery

Scarves

Belts

Watches

Sunglasses

Hats and Gloves

Umbrellas

Fragrances

Gifts

4. Shoes

5. Beauty

Children's wear

Boots

Platforms

Courts

Ballerinas & Flats

Trainers

Weather Boots

Men's Shoes

Skin

Glow

Eyes

Lips

Girls

Boys

Baby (Up to 24 Months)

Analysis of Burberry's latest shift of focus:

There is a change of focus from Burberry. This change is in the culture and some processes over the time according to the need of the customers and to enhance the Burberry's product line. Furthermore, Burberry has changed its focus from whole sellers to retailers by keeping in view the customer demand and company's profitability. Also there is some changing in the operating structure too:

Openings of New stores:

21 mainline stores are added by the group during this year, in which Burberry's first flagship store was included. Paris and New York were added as a part of market development to reinforce the presence of Burberry in those metropolitan cities.

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Existing Store's up gradation:

More than 25 stores were renovated over the period so that to ensure the brand consistency and customer experience.

More Focus on Service:

Burberry's main focus was industry-leading standards of customer service in Burberry's stores. The Group launched a pilot initiative aimed at better meeting the specific requirements of these clients as a part of customer satisfaction scheme to improve service to top customers.

Focus on E-Commerce:

Burberry always focus on creating defect less bond between the physical and online stores as it was a matter of international and multichannel proposition. Burberry achieved more than 50% growth in 2010 in E-commerce which leads to further investment in this field. Burberry is also bringing itself to digital technology in-store. Furthermore, E-commerce enabled tablets were added to mainline stores recently.

Potential New Target market and New Product Opportunities

Current Target Market

The brand maintains a broad appeal across dual gender audience of ages of 18-55+. The customer has an income of \$55, 000+ (Lauran Ralph)

Customer Profile

Burberry targets traditional individuals as well as the new fashion conscious customer.

The customer is an individual who is interested in the British style of clean, smart traditional apparel.

New Product Opportunities

Although Burberry is providing a variety of products, yet there are some products which its competitors i. e. Gucci, Prada and Armani are providing but Burberry is not. As Burberry is featured among the 100 best global brands, now it is important for it to keep an eye on competitor's move and products. Burberry must enhance its product category in order to keep pace with the competition. Following are the products that Burberry can introduce

Desk Accessories

Belt Bags

More variety in Jewelry

These new products are to be launch in addition to the existing products and market so product development strategy is recommended from the Ansoff growth matrix below.

New Market opportunities

Currently Burberry is serving four big regions i. e. UK, US, Asia and Europe but it is not covering it entirely. There is a huge untapped market within Asian region. For instance, Burberry is currently serving 14 countries of Asia but there are many Asian countries which have profiles somewhat similar to these 14 countries and it would be easier for Burberry to serve them.

Furthermore Figure 1 is confirming the fact that the luxury spending from high net worth consumer has started to fall in the mature markets of West

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and there is a rise in the luxury spending patterns in the Asian countries and is expected to grow further in future. (McKechnie) Due to these facts, I would recommend Burberry to enter in the new markets with the existing products so that it can serve the untapped customers. So market development strategy is recommended from the Ansoff growth matrix. (Figure 2)

Differentiation from Competitors

The Burberry signature item is the trench coat for both genders. (Lauran Ralph). However, there is a theme of a specific check pattern (known as Burberry's check) which is becoming a trademark for Burberry's most of the products and its products are mostly recognized through these patterns. (Exhibit 1) In a sense Burberry is differentiating itself through its signature trench coat and specific pattern so I would recommend Burberry to launch its existing products in new market with the same theme in order to differentiate their offering form that of competitors.

Q-2 Evaluate critically the IMC campaign that has been used by Burberry. Design an IMC campaign that you think may be effective in the current market. Discuss your approach and the tools that you would use when developing the IMC campaign?

Answer: 2

IMC campaign used by Burberry

Burberry has been using a variety of techniques to promote its products in unique ways e. g. clothing, store design, headquarters architecture graphics and social media are been a significant part of its promotional strategy.

Following actions are taken during Burberry's IMC campaigns:

Equipped Roald Amundson when he became the first man to reach South Pole and left a gabardine tent there to let Shackleton know that he had arrived first (power and hague2008)

Provided equipment for Shackleton's ill-fated imperial Trans-Antarctic Expedition in 1914.

Supplied the Ministry of Defense with a version of gabardine coat for use of its officers in the trenches of Northern France in World War 1.

Sponsored Peter Sellers in Pink Panther series.

Produced a forerunner of their famous signature trench coat for British officers in the Boer War and later.

Sponsored Hollywood film stars Humphrey Bogart and Ingrid Bergman in Casablanca.

Sponsored Audrey Hepburn in Breakfast at Tiffany's.

Celebrity endorsement through British supermodels like Lily Donalson and Agyness Deyn to sponsor their latest collections.

Kate Moss became the face of Burberry for sometime and in 2009 Burberry endorsed British actress Emma Watson.

Social networking through Facebook and own social network named " Art of the Trench" which presents pictures of its customers. (The Art of the Trench)

Show at the London Fasion Week in 2009. (The Beat)

Television commercials for different products.

Promotion of latest collection in 3 Dimensional graphics at Burberry's website.

Develop interest and curiosity of customers through online Burberry games in which you can customize the clothes and accessories of a dummy so that you can imagine your personal choice on your own.

Billboards at selective places. (Exhibit 2)

Public relations using various newspapers and magazines.

Direct Marketing as their main focus is on selling directly through their stores.

Most of the marketing and promotional efforts of Burberry went for success but once they caused a heavy problem for the brand management. Due to some wrong promotional stuff, the brand was started to adopt by young working class that resulted in tarnishing the brand image as it was going against the core values and target market of the brand. The check became the symbols of undesirables and customers wearing this brand were banned in some cities by the pub landlords. This problem put a big question mark on the future success of Burberry but Burberry's brand management responded well, regained its British luxury lifestyle and gained strong rise in demand specially from Asian countries.

Burberry is using multiple types of marketing communications tools in order to support its IMC campaigns. Yet this is not entirely an IMC plan as there are

many more tools that are to be involved for a complete IMC plan but keeping in mind that Burberry is a niche brand which has to do marketing and promotion within a certain limit and target market, the absence of some IMC tools are understandable.

The only thing that I would recommend to Burberry is to focus on Corporate Social Responsibility (CSR). Although it is being focusing on Corporate Social Responsibility but it is only regarding fair policies and deals with the supplier and partner firms. But CSR also demands some social works so that people might have a soft corner in their mind and hearts about Burberry. CSR is also said to be a silent promoter of the company and this factor is missed in Burberry's focus. Despite of this SCR factor, Burberry's current IMC plan is pretty good as this plan has got all the important elements that must be included in IMC of a niche brand. The current IMC is mainly composed of celebrity endorsement, direct selling, selling through franchise, sponsorships, internet advertising, e-retailing, public relations, billboards, games, Television commercials, brand image and personality efforts, limited media selection and unique selling point. These all elements are essence of a well defined and controlled IMC plan which is clearly seen from Burberry's current market success. Its financial results are improved dramatically as they entered the new millennium. Its European and American markets grew and the trading profits and sales are increased handsomely. Burberry has also started eliminating non profitable stores and opened new stores in Las Vegas, Tokyo and Nevada. Also, a three-floor flagship store is opened in London. These all progresses are reflecting the exponential growth of the

company which is a proof of its successful marketing strategies that's why I would recommend to stick with the current IMC plan.

Q-3 Discuss the pricing challenges that face an organization such as Burberry when launching their product onto the Australian market. What factors must be considered by an organization when setting a price? What pricing strategy might Burberry adopt in the Australian market?

Answer: 3

Pricing Challenges while launching in Australia:

There are three major pricing challenges that are faced by the companies like Burberry who provide high-end products, when going to a new country (say Australia).

Nature of the product.

Buying power of the potential customers.

Strength of competition and pricing in that country.

Nature of the Product:

“ A luxury brand with a distinctive British sensibility, strong international recognition and different values that resonate across a multi-generational and dual-gender audience.”

Buying power of the potential customers:

For buying power of the potential customers in Australia, Burberry won't have to start from the base as Australia is not the first country in which Burberry is thinking to start business. The optimum way to solve this

problem is to compare the per capita income of Australian residents with those countries in which Burberry is already present. (List of countries by GDP) Some of them are showed below.

Countries

Per Capita Income

Singapore

50701

United States

46436

Hong Kong

43862

Australia's income per capita

39231

United Kingdom

36496

France

34689

Japan

32443

Italy

31903

India

3248

The above comparison reveals that Burberry is present in those countries whose per capita income is far below that of Australia's and if Burberry is still in those countries it shows they are still there because they are earning profits. By keeping high prices if Burberry can earn profits from a country like India where per capita income is 3248, then they will definitely be successful in Australia (with 39231 per capita income) with the same high quality and high pricing techniques.

Strength of competition and pricing in that country (Australia):

To set the price, Burberry finally has to see the strength of competition in Australia. For this, Burberry has to check how many of its major competitors are available in Australia and what are their philosophies. All of its major competitors are there in Australia and are operating with the same high prices that are worldwide. Let's see the availability of some of the competitors:

Gucci is available in Australia.

Design Philosophy

“ The fresh and joyous vision combined with savvy interpretation of the Gucci legacy has delighted fashion followers around the World.”

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Chanel is available in Sydney and Melbourne.

Design Philosophy

“ Classic tailored style, especially in ready-to-wear, feminine elegance, luxury fabrics; reinvention of the invention of the woman suit.

Tiffany and Co. is also available at seven different locations in Australia.

Prada is available in Melbourne, Sydney, Southbank and Surfer’s Paradise.

Factors must be considered when setting a price:

There are nine factors which a company needs to consider while setting a price: (Fabioloa Fleuranvil)

Existing Demand:

If your product is having high demand in the market, you can charge high price but if the demand is low or competition is strong, you will have to lower the prices unless your product is not uniquely identified.

Product Costs:

Can the business give you a reasonable profit? It must be calculated by keeping in mind all costs including hidden costs.

Competitor’s Prices:

Although it is not possible to get 100% information about your competitors, yet you can get a reasonable amount of information about the prices and

strategies of competitors and that becomes a foundation of setting prices according to the market strength and potential.

Level of Profitability:

How much money you are trying to make above the break-even point.

Your Experience:

Depending upon the experience and customer bank of your company, you can set the price. A multinational brand has intensive experience regarding workload, efficiency and number of customers, so they can easily set high prices.

Services offered:

The nature of the product you provide to customer and services associated with it will also affect pricing techniques. Usually the products that require after sales services or warranties are set at high price level as compared to the one who requires only one time purchasing. In addition, your store service and the way you access the customer also matters. For instance if you are having a company owned store and special arrangements are made for customer relationship management, you will aim to set your price high even with no after sales services.

Business Strategy:

The pricing techniques heavily depend upon the strategy of a business. A brand aiming at mass marketing will never set prices comparative to the

niche brands that just focus on selective customers with supreme quality products.

Required Skills:

Set price by keeping the core competency of your product and skilled labor.

If the skill level is so high, you can charge above average and enjoy high profits as niche brands do.

Customer:

The pricing also depends upon your target market. If your potential customer is elite class, you will focus on setting the price high as in case of luxury products. But if your customer is price conscious, you will aim to set your price below average, even if you have to compromise on quality.

Pricing strategy might Burberry adopt in the Australian market:

The pricing strategy depends upon market segmentation and the target market. This strategy takes into account the costs and values associated with the brands. A luxury item customer have more concern with the value of the brand and not its price so he is ready to pay more for such product as compared to a price sensitive customer who can compensate the quality on price. (Jay Joseph)

Pricing is the most direct way of communicating the product value to the customers. But it is a difficult task to set a price as it involves integrated decision making at different levels of the organization ranging from strategic planning (which takes long term planning for profit objectives into account),

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tactical planning (which take short term market dynamics like demand shifts and competitive effects into account) and execution level planning (which is concerned about inventory and supply management).

The only strategy that Burberry will have to adopt would be a Skimming Pricing Strategy as if a company's offering has enough differentiation which can justify a high price and have minimal desires for having market penetration, then it can set your prices very high. The other reason for high prices is its skimming pricing in all the countries in which Burberry is available. So it would be a sort of necessity for Burberry to go with the same pricing technique so that I can have a same image worldwide. Furthermore, all the main competitors of Burberry are operating in Australia and are operating with the same skimming price strategy, so in order to compete globally, Burberry would have to stick with the same pricing strategy.

Q-4 One of the key elements of marketing strategy is distribution. What factors would Burberry need to consider distributing the product in international markets such as Australia?

Answer: 4

Distribution:

The distribution strategy determines the availability of the product. It is a part of product placement and shows how Burberry is going to make the product available to the customers. The more distribution channels used, the more intense the brand's exposure and greater availability to consumer markets.

Points to consider for Distribution:

What type of intermediaries (dealers, representatives, distributors and so forth) should Burberry use?

Which are the ultimate channels for Burberry for distribution of products in Australia?

How to distribute the Burberry products and where to install the Burberry production plant?

What are the available intermediaries for Burberry? What are their characteristics and capabilities? After distribution considerations, Burberry need to finalize the mode of foreign market entry that how it will access Australian market.

Modes of Foreign Market Entry:

There are four options for Burberry to enter the Australian market.

Mode

Condition Favoring Mode

Advantages

Disadvantages

Exporting

-Production costs are so high

-Sales has limited potential

-Risks are reduced.

-Quick access

-Better use of existing resources

-High logistics costs

-Your company is an outsider for them

-Your access to local information is somewhat limited

Licensing

-Low sales potential in target country.

-Less legal security

-Licensee has a limit on resources

-Risks are reduced.

-Quick access

-The problem of trade barriers is resolved.

- Return on investment is relatively high

-Limited control over resources.

-There are chances that licensee might become your competitor due to experience is same field.

-Time period have somewhat some limitations.

Joint Ventures

- Barriers from government regarding imports.
- Difference between cultures of the countries of both partners
- Two partners can result in more expertise
- High room for learning and take advantage of each other's resources.
- Expertise is pooled.
- Management problems
- Less control over resources
- Above two factors can make it more risky

Direct Investments

- Foreign policies
- Import barriers
- More potential for sales
- Less risky
- Greater knowledge of
local market
- Skills can be implemented according to your own will
- Can see yourself as a part of local industry

-High duties are implemented

-Government supports the local industry

-More resources are required

-Above factor might result in problems in controlling the resources

After analyzing the pros and cons of the different modes available for Burberry, I would recommend Burberry to choose the first two modes i. e. exporting and licensing as exporting will give the advantages of quick access to market, better use of existing resources and reduced risks while licensing will have the benefits of resolving the trade barriers and give high return on investments.. On the other hand, direct investments and joint ventures will not be feasible for Burberry as they have the disadvantages of huge capital investments, sharing profits, dilution of control, requirement of more resources and difficulty in managing local resources.

Once Burberry will be organized to handle exporting and licensing, the next challenge would be the physical distribution of the products that can be done through four possible options.

1) Transportation: It can be by air, by rail, by road or by sea.

Exclusive Channels of Distribution:

The product is niche, so high control is required to ensure the quality of the products. For this, the levels of distribution channels will be low.

Distributors:

Distributors will be required to make the products available to the franchises.

They will take the Burberry goods from sea port to the franchises.

Couriers:

For home delivery of products that are shopped through website, Burberry needs to have a courier service that will cover the whole country (Australia)

2) Warehousing: Burberry can hire one of the three possible warehouse options.

Private warehouse

Public warehouse

Contract warehouse

Besides warehouses, Burberry can also use Hub-and-Spoke distribution systems in which small shipments are consolidated in regional warehouse and then shipped to franchises.

3) Inventory Management: All type of inventories i. e. process stocks, lot size stocks, safety stocks, seasonal and smoothing stocks can be handled and managed in the warehouses.

4) Order Processing: It can be managed according to the need and demand of the Burberry's products in various franchises in Australia.

Extended Supply Chain:

Goods that come from extended distances and have multiple variables cover a greater geographical distance; possibly require different modes of transportation. As a result, supply chain extension beyond the borders prolongs Burberry's supply chain and demands exposure to greater variables. These variables can include various modes of transportation, changed government systems, different technology issues and high security concerns.

Logistics-Partners:

The new opportunities and upcoming challenges for entering Australian market will require Burberry to establish relationships with new types of reliable suppliers because Burberry can't possibly know all the positives and negatives of doing business in every single foreign market of their global supply chain. Each country has its own unique set of trade regulations and certainly each set has its own challenges regarding logistics. Burberry must turn to outsource providers who can offer the expertise needed to keep the supply chain moving. By doing this, the risk will be shared, the expertise will be enhanced and Burberry will get an easy access to market.

Some of the broader aspects of global logistics that should be implemented while going global and hence Australia is:

Challenged Visibility

As supply chain is a complex process even at domestic level, visibility in global logistics becomes more difficult to achieve in an international supply chain. This is particularly critical in managing the things strategically,

identifying various points throughout the supply chain where goods can be held to reduce the risk of delays.

Inconsistency in Technology

Unreliable and incomplete information adds risk and decreases flexibility in the international supply chain. Often supply chain managers and the customers are not sure that what they will be receiving from a particular shipment until it arrives at the port. Most companies are not sure how to ship from port to port over the ocean. Being a global player is not easy and requires a lot of planning and consideration. Burberry will have to take these factors into considerations and design its distribution network according to it.

To achieve higher service levels, better asset utilization and lower logistics costs in the modern supply chain transportation management solution is required that supports multiple modes

and many languages at a cost that can provide Burberry a same satisfaction level of customers and handsome amount of profits throughout the world.

APPENDIX

Figure 1: Regional growth in consumer expenditure on luxury products 118

Sally McKechnie, Caroline Tynan Nottingham University Business School,

Nottingham, United Kingdom

Figure 2

AnsOff's Product/Market Matrix

Exhibit 1

Exhibit 2