

# [Most upscale items purely for their usefulness,](https://assignbuster.com/most-upscale-items-purely-for-their-usefulness/)

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Most of Burberry’s supplier are located inEurope and their end products are produced in the UK and also elsewhere byoutside suppliers. There is a small risk of forward integration because  there big  entry barriers to enter luxury business. Whatstrengthens suppliers’ power is that some of the products are specific and havenonexistent substitutes. And what weakens suppliers’ strength is that Burberryis knowledgeable about products they get from suppliers. For Burberry it’s easier to switch suppliers whosupply them with commodities such as leather, cashmere or cotton.

There is alarge number of them so it’s not difficult for Burberry to change from onesupplier to another. However it is different when it comes to more advanceditems. Craftsmen posses certain skills which take a long time to master plusthere is also a decreasing number of them and they can charge more.  Consequently it’s getting more difficult forBurberry to change them and placing more power in to the hands of craftsmen. Burberryrisk of getting lower quality items by changing any supplier. Bargaining powerof suppliers is moderate. Threat ofsubstitute productsThere is a growingnumber of low-middle price labels such as Asos, Bohoo and Missguided. There arecustomers who are sensible to economic cycle and buy from those brands.

Theirexpertise is being really good at imitating higher priced luxury items in brieftime period. It takes them one to four weeks to copy luxury products. Counterfeititems from China which look alike genuine products and it’s challenging to distinguishthem from authentic products are also a danger to Burberry’s products. Whatmakes costly products differ the most from copied products is the way upscalebrands are perceived. Consumers do not buy upscale items purely for their usefulness, because cheaper fake products offer comparable use, but because luxury brandsare a synonym of wealth and social status. (NUS Investment Society, Consumer Industryreport on U. S.

luxury goods) The greatest threat of substitutes is from rivals. There areminor switching costs for customers and rivals offer products of equal or evenbetter quality. Burberry is planning to remove their items from certain shops thatare not luxury and renovate their own shops. Companies like Louis Vuitton hascreated their label and distinction on expensive leather handbags andBurberry’s aim is to compete with brands like that. Burberry thinks that byselling high-priced handbag they will be able to boost their margins.

Forcomparable products Louis Vuitton charges higher prices. The company alsomaking alterations in crucial employees. Their designer Christopher Bailey whohas been with the company for 17 years will be replaced and they are lookingfor somoneone with extensive expertise in designing handbags. (CNN)Their aim is to turn the brand into a luxury brand. They willexpand their handbag offering because handbags create larger margins thantrench coats, which is Buberry’s signature item. Louis Vuitton has bigger arrayof leather goods. They will reduce the number of the outlet stores.

By trainingin-store employees on leather goods and styling they want to improve buyer’sexperience and boost their efficieny. Making the most out of digital mediaremains one of the goals. The british designer was one of the first who entereda » see now, buy now« model which allowes custmoers to purchase immediatelyafter a fashion shows. That was a bold move and a very different way ofshopping and fewer chances for forgery. All this will result in profitability. They expect revenue and operating margins will be stable over the next twoyears and in 2021 they predict growth. (businessoffashion).

Louis Vuitton knows how to differentiate itself. Louis Vuittonhandbags are compared to Burberry’s higher in price. Another thing that differsBurberry from Louis Vuitton is that Louis Vuitton never has a sale, they nevermark down prices because they believe all customers should pay the same pricefor products.