

Most upscale items
purely for their
usefulness,

[Business](#), [Industries](#)



Most of Burberry's suppliers are located in Europe and their end products are produced in the UK and also elsewhere by outside suppliers. There is a small risk of forward integration because there are big entry barriers to enter luxury business. What strengthens suppliers' power is that some of the products are specific and have no existing substitutes. And what weakens suppliers' strength is that Burberry is knowledgeable about products they get from suppliers. For Burberry it's easier to switch suppliers who supply them with commodities such as leather, cashmere or cotton.

There is a large number of them so it's not difficult for Burberry to change from one supplier to another. However it is different when it comes to more advanced items. Craftsmen possess certain skills which take a long time to master plus there is also a decreasing number of them and they can charge more. Consequently it's getting more difficult for Burberry to change them and placing more power in the hands of craftsmen. Burberry's risk of getting lower quality items by changing any supplier. Bargaining power of suppliers is moderate. Threat of substitute products There is a growing number of low-middle price labels such as Asos, Bohoo and Missguided. There are customers who are sensible to economic cycle and buy from those brands.

Their expertise is being really good at imitating higher priced luxury items in a brief time period. It takes them one to four weeks to copy luxury products. Counterfeit items from China which look like genuine products and it's challenging to distinguish them from authentic products are also a danger to Burberry's products. What makes costly products differ the most from copied products is the way upscale brands are perceived. Consumers do not buy upscale items purely for their usefulness, because cheaper fake products

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offer comparable use, but because luxury brands are a synonym of wealth and social status. (NUS Investment Society, Consumer Industry report on U.S.

luxury goods) The greatest threat of substitutes is from rivals. There are minor switching costs for customers and rivals offer products of equal or even better quality. Burberry is planning to remove their items from certain shops that are not luxury and renovate their own shops. Companies like Louis Vuitton have created their label and distinction on expensive leather handbags and Burberry's aim is to compete with brands like that. Burberry thinks that by selling high-priced handbags they will be able to boost their margins.

For comparable products Louis Vuitton charges higher prices. The company is also making alterations in crucial employees. Their designer Christopher Bailey who has been with the company for 17 years will be replaced and they are looking for someone with extensive expertise in designing handbags. (CNN) Their aim is to turn the brand into a luxury brand. They will expand their handbag offering because handbags create larger margins than trench coats, which is Burberry's signature item. Louis Vuitton has a bigger array of leather goods. They will reduce the number of the outlet stores.

By training in-store employees on leather goods and styling they want to improve buyer's experience and boost their efficiency. Making the most out of digital media remains one of the goals. The British designer was one of the first who entered a » see now, buy now« model which allows customers to purchase immediately after a fashion show. That was a bold move and a very different way of shopping and fewer chances for forgery. All this will

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result in profitability. They expect revenue and operating margins will be stable over the next two years and in 2021 they predict growth.

(business of fashion).

Louis Vuitton knows how to differentiate itself. Louis Vuitton handbags are compared to Burberry's higher in price. Another thing that differs Burberry from Louis Vuitton is that Louis Vuitton never has a sale, they never mark down prices because they believe all customers should pay the same price for products.