

Burberry market position and competitor analysis



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Ans: Burberry's target customer is someone who wants luxury while being functional. The brand's point of difference with other luxury brands is that they could be luxury, aspirational, and functional. Burberry decided they were going to reach these customers from Bravo identifying their niche between labels of Polo Ralph Lauren and Giorgio Armani on the apparel side, and between Coach and Gucci on the accessories end. The Burberry team priced the products between these price points to reach consumers. Burberry wanted to create the image of accessible luxury.

The characteristics of a market are assessed through various models such as analysis of Porter's five forces of competitors' analysis. Here, we view Burberry's market positioning through its competitors analysis. Burberry's products include 'continuity products' which have a product life cycle of a few years, and 'fashion products' which are designed to respond to a fashion trend. Therefore, the market positioning of the Burberry is unique and varies as it targets trendy as well as classic customers. Burberry targets all its customers through a common theme of 'functional luxury'. Burberry's main competitors include Coach, Armani, Gucci, and Polo, all of which are among top fashion brands in UK and globally. Coach and Gucci, both are more focused towards fashion accessories while Polo and Armani are more focused towards apparels; although all have a range of products in both apparel and accessory categories.

Burberry has positioned its brand in the minds of consumers to be "functional luxury." Burberry maintains a product line with great width and depth consisting of many products. Their products fall into one of two main categories: fashion or continuity. Fashion products are designed to be

responsive to fashion trends and are introduced on a collection-by-collection basis. Continuity products have life cycles that are expected to last for a number of years. Burberry also has three primary collections: women's wear, menswear, and accessories. With so many different products offered in different collection and the fashion vs. continuity of Burberry products the product mix is very great. This contributes to the positioning of the Burberry brand. Burberry has received awards for the Contemporary Design Collection of the Year and the Classic Design Collection of the Year. This illustrates how diverse the Burberry brand is

Therefore, the market positioning for Burberry varies. Burberry can appeal to the hip 25-year-old man or the conservative 65 year old man. However, many Burberry ads feature younger models. Recent Burberry ads have featured everything from a British landscape with aristocratic looking models to edger ads with models in bikinis. Taking all of this into account, Burberry is targeted towards many different segments of the population with one common theme, functional luxury.

Burberry has many competitors that include: Coach, Polo, Armani, and Gucci. Relative to that of Burberry's competitors, they have positioned themselves very well in the minds of consumers. Coach primary positioning is on handbags. While Coach also carries other accessories that range from watches and shoes to scarves and dog collars, Coach remains primarily in the accessory end of fashion. Coach was also not even a player in the top 10 luxury goods players. However, Coach held 6% of the accessories share and in a price comparison was more on the low end of cost for accessories. This

does not however reflect Coach's marketing positioning. Coach is just simply more affordable and more accessible to the general population.

Polo's marketing positioning is centered more towards clothing. While Polo was a number two player in the top luxury brands they captured the most market share for apparel, however, lower priced than Burberry. The Polo brand has great brand equity and is very well established in the minds of consumers. Armani, another competitor of Burberry, placed 8th in the top 10 global luxury goods. While Armani really only focuses on apparel the brand still maintains a strong luxury position in the market. Gucci also placed in the top 10 global luxury goods. Gucci's marketing position is towards luxury accessories. They captured 12% of the accessory market share and were the highest priced brand for accessories.

Overall, Burberry's competitive positioning is suitable over the long term. While brand like Coach and Gucci focus more on accessories and Armani and Polo focus more on the apparel market, Burberry has succeeded in penetrating both the accessory and apparel market while remaining a luxury good. Burberry has also succeeded in positing itself between brands such as Polo Ralph Lauren and Armani in apparel, and between Coach and Gucci in accessories. Burberry also has many different lines within the Burberry brand. This allows for more high-end goods and goods that would be feasible for purchase by the general population. Burberry's positioning of functional luxury is extremely competitive and will sustain over the long-term.

Q2. Is Burberry's competitive position sustainable over a long term? Why?

Ans: Burberry, initially Burberry's was popular amongst the British Royalty during the 1900's for its original designs and uncompromising quality.

Thereby, the brand increasingly became a symbol of both luxury and durability. However, during the mid-90s, the company started facing several strategic and structural issues. In spite being a profitable business the earning quality was low. The brand came to be perceived as stodgy-looking and conservative, and skewed to a older customer-base.

However, reinvention of the brand took place when Rose Marie Bravo came on board as the chief executive, with the basic motive to transform Burberry from a tired outerwear manufacturer into a luxury lifestyle brand that was inspirational, stylish and innovative. The following measures were taken:

- Recruiting people, who were experienced and skilled in the field, thereby made a A-list industry talent team.
- Changing the name from Burberry's to Burberry and a contemporary logo and packaging was introduced.
- Repositioning the brand between cutting-edge fashion and classics.
- Burberry was positioned as a aspirational as well as functional brand and represented accessible luxury.
- The product line was upgraded and Burberry came up with three primary segments: Women's wear, Men's wear and accessories.

Burberry expanded its portfolio in two segment: low priced labels including Thomas Burberry (in Spain and Portugal) and Burberry Blue and Black labels (in Japan) mainly to appeal younger, more fashion conscious customers and

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the high-end label Burberry Prorsum to position itself in high-profile luxury market.

Advertisement campaign including Stella tenant, featuring a British aristocrat and model Kate Moss featuring the modern, fashion-oriented side.

The check prints were an integral part of Burberry design pattern, and accounted almost 25 percent of company's revenue from check products. It also launched Burberry Brit, a new perfume line featuring a check design bottle.

Thereby, Burberry positioned itself as a brand between lifestyle and fashion brand. Thus Bravo's team brought Burberry from a broken position to a popularity stage. Thus, Burberry holds a competitive edge and positioning in the market.

This competitive position for Burberry is sustainable over the long term due to several reasons. Not only due to its particular price points, but Burberry's intensive consumer surveying is also important. Burberry has consistently focused on "remaining true to their core brand values" and heritage to the Burberry brand.

Burberry's market share in 2001 as rated against the top 100 luxury goods players was 5.2%, putting them in 4th place overall. This compares with 14.4% market share for LVMH (1st), 9.1% for Polo Ralph Lauren (2nd), and 4.4% for the Gucci Group (5th).

Armani falls short with a smaller percentage (3.5%) of the market. Coach is far below these and does not appear on the top 10. If you compare by the

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type of luxury good; in accessories: Gucci is at 12%, Coach at 6%, Polo at 4%, and Burberry at 4%. And for apparel considerations: Polo is at 9%, Burberry at 3%, Armani at 2%, and Gucci at 1%.

It is clear here that these distinctions occur based on the depth and width of each company's product line. Coach sells far more accessories (i. e. leather goods) than clothing, and Polo sells far more clothing than accessories.

Burberry is almost balanced, and sells an equal amount of both, on their 2003 annual report Burberry shows almost even income from women's wear (33. 3%), menswear (27. 4%), and accessories (28. 6%).

For this reason, Burberry's competitive position is sustainable, as they have a decent demand for both accessories and apparel.

Q3. Bravo's team is currently carrying out several initiatives including multiple collections, multiple channels and multiple licenses. What is the role of each of these initiatives in Burberry's overall business model?

Ans:

- Multiple Brands

Burberry created multiple brands (Prorsum, London, Blue and Black, Thomas Burberry) to attract certain kind of customers whom they were not targeting initially and to cater certain characteristics of certain customers. This idea supports Bravo's goal to attain new customers along with retaining old customers For example, Burberry London was offered as a lower-priced label designed to " appeal to a younger, more fashion-conscious customer." Blue and Black is sold in Japan, for younger individuals, and is a foreign product

that diversifies the product risk. Burberry's Prorsum product line was introduced to secure their positioning in the niche and luxury market. It shows consumers that Burberry competes with the latest fashions, and represents the highest end of luxury items. Prorsum was used to show the Burberry brand as luxurious and according to Bravo, the Prorsum introduction was created to "tell people that something new was happening at Burberry. The idea was to introduce a high-profile, high-end brand, and do it in a first-class way, by putting it in the best stores in the world. The intended role for Burberry's collections (Women's wear, Menswear & Accessories) was due to extensive consumer research to also help recruit a newer consumer. The only way to do this was to update the product line to fit the fashion-desires of current and potential customers, and a way for Burberry to give a consistent look and feel across an array of products. Not only did they maintain creating products that were expected to have a lifespan of a number of years, but they also created other "fashion-oriented products...designed to be responsive to fashion trends", thus maintaining their flow with fashion evolutions. Burberry's continuity products (classic trench, duffle coats, handbags and scarves) have longer life cycles than that of its fashion oriented products. Care must be taken in analyzing product life cycles. In terms of women's wear, menswear, and accessories, each collection allows Burberry to compete with its major competition. A collection of accessories allows Burberry to adequately compete with larger accessory players such as Gucci and Coach.

- Multiple Channels

Mass exposure was allowed to customers in wholesale and retails. The company had taken more control over its distribution by purchasing some distributors and severing ties with others. It had 3162 wholesale stores, 434 department stores, and 2728 specialty stores.

- Multiple Licensees

Throughout the 1970s, when Burberry was owned by GUS, the Burberry brand became licensed on too broad of an array to maintain the true image and values of Burberry. With this came overall turmoil when the pricing, designing, and quality of Burberry products became skewed across numerous markets which then resulted in the brand having losing much of “its exclusivity and the Far East [accounting] for a disproportionate 75% of sales.” Due to this fact, Bravo determined and executed a plan where Burberry would now exercise “control over everything from design to sourcing, manufacturing, and distribution.” Ultimately, devising this licensing strategy allowed for the elimination of price, design and quality inconsistencies. Multiple licensees allows Burberry to introduce products in markets their competition has better hold of, and still share in some of the profit. These new “collections” and brands serve to further Burberry’s new strategy and to mitigate risk of alienating core customers.

Q4. Has Bravo’s team managed to elevate the overall status of the Burberry brand?

Ans: Bravo’s team has managed to elevate the overall status of the Burberry brand through a complete transformation of the brand from being a classic aristocratic brand to a complete fashion oriented though being well-verse and sticking to its core brand values providing the customers both luxury

and durability, for which it is known. The product was positioned as an “affordable luxury” brand catering customers of all age groups and from different fronts of life.

The team rigorously worked to completely overhaul the pricing, distribution, product, and promotion. Multiple product lines and brands were created and the company moved in a global direction. Burberry also saw that by 2002, “gross margins were now 56% compared with 47% in 2000.” Multiple brands like Burberry Prorsum, Thomas Burberry, Burberry Blue and Black labels were launched to cater every segment in the market place. In terms of distribution, by 2002 Bravo and her team had managed to create world-wide distribution of the Burberry product. According to the study, they had “3, 162 wholesale doors worldwide, including 434 department stores and 2, 728 specialty stores,” and also more than “132 company-owned stores.”

Lastly, Bravo’s team challenged themselves in finally devising a plan to promote the Burberry image. With the help of a famed advertising team, the Burberry campaign executed. The first flight launched in 1998 and featured Stella Tenant, a British Aristocrat and ultimately told a story that was able to convey the brand values, tradition, and heritage of the Burberry brand. The following winter, in 1999, the team was able to maintain the “value” image of Burberry, but also introduced model Kate Moss into their ads to simultaneously convey Burberry’s more “modern, fashion-oriented side.” Ultimately, each challenge remained focused on Bravo’s original goal – to make Burberry a global brand, while maintaining the core values and heritage of Burberry. Thereby, Bravo and her team brought Burberry at a status of most preferred, durable, luxury and also fashion oriented and

accessible brand for all age category customers, thereby redefining an elevated status of Burberry.