

Burberry

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Abstract

This case study discusses a fashion house named Burberry which was founded in 1826. This fashion house was founded initially by a draper which soon after opening introduced a water-resistant fabric which was used to make trench coats in early England. This store was founded in Basingstoke, Hampshire, England where the trench coat first became famous followed by a gain in sales around the world. During 2009, Burberry began to see a drop in its sales around the world first by 18%, then 15%, then two years of a 7% drop in revenue, as well as a significant drop in profit margin. The leaders of Burberry, based upon these numbers, recognized from these numbers, the need for a change in the organization to remain relevant. Based upon this information, the leaders of Burberry decided to make some changes that would move the company into the digital age. Burberry, already a Facebook member by this time, began to advertise in a new way and to a new audience in a manner similar to that of the companies Google, Nike, and Apple.

Burberry

Introduction

Change is a necessary evil if organizations are to remain relevant. Change is a good thing, a necessary thing, but it is also considered to be an evil thing since change tends to upset daily operations of an organization. In this case with Burberry, this organization had gone from being a powerhouse around the world to a point where it was now losing market share and profit margin. In the eyes of its leaders it was now time for the necessary evil as the organization decided to make a needed change to stop its losses.

Discussion

Burberry began as a small company in Basingstoke, Hampshire, England as a simple trench coat maker. Nonetheless, Burberry grew into a powerful company around the world until it began to lose money one day through a drop in revenue in one instance and loss of market share in another. During the years leading up to 2009, Burberry saw a sharp decline in sales growth as it dropped from 18 to 15% in only two years ending at only 7%. In profit margin there was also a sharp decline from 15% to a figure slightly under 10%. Through all of this negative activity there was something very positive learned by the Burberry leadership. Through all of this negative, Burberry realized the positivity of going digital and moved the organization in that direction. During all this decline within Burberry during 2009, the organization realized the major growth spurt happening within the digital world. During the same year that Burberry suffered such great loss, Facebook saw an increase in users from 175 million with nearly daily customer growth by some 600K users. Because of this, Burberry spent its time and money working on the most appropriate method to go digital. Soon afterwards Burberry established and went live with its new website that allowed its customers and potential customers to visualize

themselves in custom trench coats through Burberry's web site, which was hosted on Facebook and elsewhere. As well, customers were not just allowed to see themselves in trench coats, but they were also able to see how well others looked in their trench coats whenever other customers decided to upload them.

Because Burberry decided to make these changes in their digital market it was reported that their on-line sales grew by some 50% year after year. Not only were people within the country viewing their trench coats but they were being view all around the world. Burberry reported that there were some 7.5 million views in more than 149 countries. Because of this situation which drove change within Burberry, the organization decided to and shifted some 60% of their budget into the digital arena. Burberry, because of a situation beyond their control, decided to heed the call to change and has now set a very high bar for other organizations to attain.

Even though Burberry has been very successful there are some who do not believe that Burberry can maintain its success in this area. In support of some who felt that Burberry had made a mistake to stake so much on digital rather than to invest in fashion, there has been a considerable decline in sales in the Chinese market, their largest. However, Burberry's CEO believes that her company made the right move as she noted that she was reminded about what happened to companies that failed to go digital such as Kodak. Burberry believes that it did the right thing by catching up with the social media world.

Questions

1. Please identify any triggers or drivers of change in this case?
2. Did the leadership both identify and embrace the necessary change for this organization?

Please explain.

3. How does globalization impact this change both before and afterwards?
4. In what way did the need to improve innovation and technology within the organization

drive change in this case?

5. Is Burberry affected by the global economy? Explain.

References

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CASE STUDY, Chap. 5, p. 124

Burberry

The fashion house Burberry was founded in 1856 when 21-year-old Thomas Burberry, a former draper's apprentice, opened his own outdoor clothing store in Basingstoke, Hampshire, England. Soon after, the company introduced gabardine, a water-resistant but breathable fabric, and started producing the trench coats that would become famous in England and around the world. In 2009 Burberry was feeling the pressure of the economic downturn, even though its financials had been strong over the previous decade. Revenue growth dropped from 18 and 15% respectively in the previous two years to 7% that year, excluding the impact of foreign exchange rates, while operating profit margin shrank from about 15% to 9.8%. In this harsh retail environment, Burberry recognized the potential value of the digital media. In March 2009, with 175 million users on Facebook and 600,000 more joining it each day, Burberry began allocating marketing and public relations spend and dedicated personnel to pursue tech-age marketing. Building a social media presence seemed critical, but the question was, 'how'? Burberry had already joined Facebook, but wanted to do something more, something distinctive and unique to the brand. It looked to other iconic brands such as Nike, Apple, and Google. These brands were hitting social media hard, and Burberry wanted to follow suit. The mandate was simple: to develop a campaign that was innovative and would engage younger consumers. The idea for the Art of the Trench campaign was born. A website was launched where existing customers could share photos of themselves wearing their Burberry trench coats, giving them their '15 minutes of fame' as models on the site, and allowing other customers to admire their sense of style. Customers could upload photos of themselves in their Burberry trenches, and customers and aspirational customers alike could comment on them, 'like', and share the photos via Facebook, email, Twitter or Delicious. Users could also sort photos by trench type, color, gender of the user, weather, popularity and the where the photo originated and click-through to the Burberry site to make a purchase. Rather than explicitly market the Art of the Trench, Burberry opted to rely largely on public relations and word of mouth, and users sharing their submissions on Facebook and Twitter. In the year following the launch of the Art of the Trench, Burberry's Facebook fan base grew to more than one million. E-commerce sales grew 50% year-over-year, an increase partially attributed to higher web traffic from the Art of the Trench site and Facebook. The site had 7.5 million views from 150 countries in the first year. Conversion rates from the Art of the Trench click-through to the Burberry website were significantly higher than those from other sources. By all metrics, quantitative and qualitative, the campaign was a success. The success of the Art of the Trench affirmed Burberry's strategic focus on digital. By 2012, Burberry had moved 60% of its marketing budget to digital. Burberry has since executed many other digital innovations, setting the bar for online customer engagement. Each of these initiatives has built on the digital strategy Burberry kicked off with the Art of the Trench, and has led to the brand's pre-eminent status as a tech-savvy brand. Financially too, the strategy seems to be paying off, with company sales more than doubling. Rivals have tried to keep pace with varying levels of success, but none has gone full throttle like Burberry. Despite Burberry's success, there are those who doubt the sustainability of the brand's digital strategy and wonder if letting fashion take a backseat may lead to the company's downfall. Sales, profit, and share price growth have all begun to slide this year. Growth in China, Burberry's largest market, has been hit hard. The CEO Angela Ahrendts has defended her strategy: 'I've seen what happened to brands like

Kodak that did not keep up with digital change. That's a lesson in what to avoid.' Adapted from 'How Burberry capitalized on the social media revolution', Business Today, 3 February 2013.

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