

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.

Conclsion

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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