

Burberry

(Case Study 2)

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## BURBERRY

*Abstract*

This case study scrutinizes the recent efforts of Burberry Group Plc., a company which started as a clothing shop and has made a significant record of success, over the years, to turn itself into a successful global luxury retailer. From a number of angles, the case illustrates outstanding value in design, product development, marketing, supply customer relations insight, organizational change and innovation. The study incorporates ideas from the Structured Operating Model which specifies how the Group is structured and run by various channels. The Case gave insufficient information on how to handle competitors in the market. This could become a point of scrutiny in future studies on Burberry.

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### **Introduction**

This case study begins with an overview business description of the company under focus. Burberry Group Plc. was established by Thomas Burberry in 1856 with the opening of a clothing shop in Basingstoke, England. Over the years, Burberry made significant success. In 1880, Burberry developed gabardine, a fabric that is resistant to tear. In 1891, the group's retail biz expanded to London. In 1909, Burberry opened its first French store in Paris. In 1920, the group started selling its product in Japan. Burberry is engaged in the manufacturing and distribution of apparels and accessories. It is a company which designs, produces and sells luxury products across women's and men's apparel, accessories and beauty categories. The group operates in Asia, Pacific Europe, Middle East, India and Africa and the Americas. It has its headquarters in London, United Kingdom. As at March 31, 2015, Burberry had 10,851 employees. Obviously, Burberry has a workforce that is increasingly diverse, spanning across the different cultural groups (Shockley-Zalabak, 2015, p.110) of the locations of this global business. As a result of the above, Burberry can be referred to as a "hybrid company for which large numbers of employees work together", Strubler (as cited in Shockley-Zalabak, 2015, p.110).

The Burberry Group operates through these two basic business channels: the retail/wholesale channel and the licensing channel. Burberry's retail business channel consists of 214 mainline stores, 213 concession stores within department stores and in 57 outlets. Similarly, the group's wholesale business channel sells its products to department stores, multi-brand specialty accounts; and travel retail and franchises that operate 67 Burberry stores. On the other hand, the licensing business channel includes income from the Burberry's receipt of royalties from the group's partners in Japan and from global licenses of eyewear, timepieces and European children's wear. The reports of 2015 financial year indicated that

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the retail/wholesale channel accounted for 97.3% of the total revenue while the licensing accounts for 2.7%.

Major products and services designed, produced and sold by Burberry include: apparel, bags, scarves, shoes, ponchos and stoles, wallets, make-up bags, belts, hats and gloves, umbrellas, sunglasses, watches, jewellery, key charms, home accessories, make up products, fragrances, travel and digital, ties, cufflinks, gifts, coats and jackets, shoes.

Burberry has 37 key employees who are headed by the Chief Executive Officer whose job description is also the Chief Creative Officer. Some of these key employees had fixed amounts of compensation while others have negotiable ones.

The Burberry Group evaluates and declares its revenue in every financial year. Group revenues in the financial year ended March 2015, revealed a total of 2,523.2 million pounds, an equivalent of \$4,069.4 million. The rating reflected an increase of 8.3% above what was made in the 2014 financial year. The retail/wholesale channel accounted for 97.3% of the total revenue while the licensing accounts for 2.7%.

### **Evidence of Prolonged Success**

Nadler and Shaw (1995, p .8) observed that some organizations work up to the period of prolonged success. This is evident as one traces the development of Burberry. The Group witnessed a prolonged period of success. It entered into an agreement with a multi-lateral business in Japan in 1964. During the 1970-80, Burberry expanded its retail business particularly in the United States. In 1980, it signed a licensing agreement with another Japan-based company. In 2005, Burberry and Luxotica Group entered into a 10-year license agreement. In 2008, Burberry formed a new joint venture with Jahshanmal Group under a 15-year agreement. The joint venture created a new company named Burberry Middle East to

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develop the distribution of Burberry's international non-apparel products in Japan. In 2009, the group reopened its store in Tokyo, Japan. Burberry opened its first store in Lebanon in 2010. In 2012, the group opened new flagship stores in Hong Kong and Chicago. In 2013, the group launched the beauty products for men and women. In 2014, the group opened flagship stores in Shanghai; China, Los Angeles; USA, and Seoul, Korea (Burberry Group Plc., 2017) SWOT Analysis, pp. 1-7).

Tremendous success was witnessed by the group in 2015. Initially, it opened its first freestanding store in Osaka, Japan. In March 2015, it announced its new digital collaboration with the Shinsegae Group to launch Burberry SSG.com store, an online facility. In September 2015, Burberry launched a new channel on Apple Music. The channel will present the group's collaborations with emerging British artists, and feature performances, songs and films alongside regular playlists. In the same month, Burberry and Kakao announced a global partnership to offer Korean audiences direct access to Burberry's runway shows, campaigns and events. In October 2015, Burberry opened the first flagship store in Seoul, South Korea. In November 2015, Burberry announced plans to consolidate its Prorsum, London and Brit Collections into a single "Burberry" label by the end of 2016. In the same month, the group announced its 50million pounds investment (\$80.6 million) to develop a new manufacturing and weaving facility in South Bank, Leeds, which is scheduled to be completed in 2019. In January 2016, Burberry launched a new app for Apple TV. The new app offers access to a selection of Burberry Acoustic music videos from British artists: beauty tutorials and highlights from the Brand's previous runway shows.

### **Technology Roles**

In Burberry, there is evidence of the extensive experience of the Chief Information Officer who spearheads projects in the technology sector. The profile of the Officer indicates

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his previously-held information and technology roles at a former place of work (AMEX and JP). Hayes (2007, p. 93) forewarned that “organizations may fail to recognise the need for change because members pay insufficient attention to what is happening in the wider environment”. However, Burberry looks beyond its already intimidating success level and expands into the online business through its SSG.com, an online store. Online, digital sales, online orders from stores presently influence 70% of Burberry’s sales. According to Hodges and Gill, 2015, pp. 5), Burberry explores technology as an external trigger for change. Burberry is re-launching its mobile App to offer a rich experience and improve functionality, while at the same time using the same medium to boost relationships with its competitors like Harrods in the UK and Barneys in the US.

In the fourth quarter of 2010/11, the new Burberry.com site was launched. The roll out began with the site going live in six languages and being transactional across 45 countries by the year end. The site is known as Burberry World. Also, i-Pads were introduced to selected stores globally, allowing increased inventory through Burberry World.

### **Customer Experience**

Burberry is much more responsive to customer needs in fantastic ways such as is evident through their product, service, ways of communicating to customers, training and culture (Vizard 2017, p.1). The Burberry World, which was cited in the preceding section, allows customers globally- in many cases for the first time- access to the full product offer. Through the use of audio-visual content, the site provides more personalized customer service including the ability to Click to Chat and Click to Call in real and in 14 languages. Additionally, Burberry has invested in in-store Retail Theatre technology to synchronize the message it delivers to customers, which range from those who venture out into extreme

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conditions to politicians, royalty and celebrities. Now, the company is targeting the young digitally-aware customers in the world's wealthier markets.

### Burberry's Operating Model

Evidently, the Burberry Group uses the Structured Operating Model. Under this model, the business is structured by channel, region and product division, supported by core corporate functions. The group sells its products to the end consumer through retail, wholesale and licensing channels. The retail channel includes mainline stores, concessions within department stores, digital commerce and outlets. The wholesale channel includes sale of products to department stores, multi-brand specialty accounts and travel retail and franchises, beauty products to nearly 80 distributors worldwide. Furthermore, the Group's corporate functions are classified into design, product development, merchandising and planning, supply chain, marketing, customer insight among others. In addition, Burberry operates in 3 regions: the Asia Pacific, India and Africa and the Americas.

### **Conclusion**

This article focused on Burberry and explained its plans as well as changes in its marketing strategies. Also, its outstanding success was narrated especially in profit-making and in improving customer relationship through digital sales. Burberry's strength is found in its retail-led strategy which presents a shift from the widespread wholesale model. In addition, the company is investing further in underpenetrated markets in the Asia Pacific, Latin America and the Middle East. With these trends, it is possible to see continuous growth, openings and increase.

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