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Burberry's Digital Strategy

Technology is an intrinsic part of most people's lives. All we have done is make sure to weave technology into the fabric of the company. This is how customers live. The onus is on us to change everything we do to keep pace with the speed society is moving.¹

– Christopher Bailey, CCO and CEO, Burberry Group plc

It was a misty morning in London on 20 May 2015. Hyde Park shimmered with bright green trees, interspersed with white lilac and yellow laburnum. Sitting in a cab en route to his office, Christopher Bailey, who served as Chief Creative Officer and Chief Executive Officer of Burberry – the UK's largest luxury goods maker – hardly noticed the view. Ten months into his dual role, Bailey was preparing to report the company's results to analysts and investors. He had participated in full-year reviews before, but this was the first time he would chair the event since former CEO Angela Ahrendts had left to join Apple.

For eight years, Bailey had worked closely with Ahrendts to revitalise the 150-year-old company, which had seen its trademark 'check' pattern become the favoured print of reality-show celebrities and football fans.² Their strategy consisted of focusing the Burberry brand on its British heritage and iconic outerwear, and targeting younger consumers who communicated, shared information and increasingly shopped online. Ahrendts and Bailey collaborated with partners to pursue a comprehensive digital transformation, investing in enterprise software from vendors such as SAP and Salesforce, utilising social media such as Facebook and Twitter, and working with technology companies such as Google and Verizon.

The new strategy enabled Burberry to shift its product mix towards accessories and reduce its reliance on wholesale (when a company sells its products to other retailers for resale in their stores) and licensing (when a company grants others the rights to manufacture and distribute products under its brand), opening new stores across the world, particularly in China. Accessories accounted for 35% of revenue in 2014 versus 25% in 2006, while retail (when a company sells its products directly to end customers) accounted for 70% of revenue in 2014 versus 43% in 2006. By 2014, revenues reached £2,330 million and EBIT £445 million – about three times the total in 2006. (**Exhibit 1** plots the relative positioning of Burberry and other fashion and luxury brands as of 2014. **Exhibit 2** compares the prices of selected products sold online by Burberry and other brands.)

Bailey's appointment came as a surprise to many industry experts, who questioned his ability to combine a creative role with that of chief executive.³ At a time when shareholders most needed reassurance, Bailey was set to announce mixed results for fiscal year 2015. Although Burberry's revenue had grown, operating profit declined to £440 million amid adverse exchange-rate fluctuations, lower consumer spending in Hong Kong, and some unsuccessful product launches. (**Exhibits 3a-3c** present Burberry's financials from 2006 to 2015.)

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