The Burberry business model: creating an international luxury fashion brand

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Keywords

Premier brands, Brand management, Fashion

Abstract

The performance of the British fashion brand Burberry has been determined largely by the adoption of business models which, on occasion, have been detrimental to the company's performance. For the financial year ending 31 March 1998, Burberry saw its annual profits drop from £62m to £25m, leading financial analysts to describe it as "an outdated business with a fashion cachet of almost zero". However, from 1997, at the instigation of a newly appointed chief executive, Rose Marie Bravo, Burberry has radically re-aligned its business model and has enjoyed, as a result, significant improvements in its business performance. Drawing from extensive documentation that was published by Burberry in support of their initial public offering (IPO), this paper will provide a review of the history of Burberry; evaluate Burberry's re-positioning strategy as defined by the firm in their IPO prospectus; and critically delineate Burberry's current business model.

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Introduction

The viability, or otherwise, of a fashion brand is dependent upon the efficacy and appropriateness of the decisions of those responsible for its management. There are numerous examples of brands that have prospered and/or withered as a result of the business models that management have deployed in order to achieve their strategic (or not so strategic) objectives. Gucci, the Italian luxury brand is a case in point. In the 1950s the brand enjoyed significant success. It was the status brand of choice for Hollywood film stars and European royalty. However, just over a generation later, the brand suffered a loss of cachet and the once profitable business made significant losses. The adoption of a business strategy (which sacrificed management control over product development and distribution in favour of seemingly indiscriminate licensing agreements), undermined the credibility of Gucci as an exclusive and aspirational fashion brand (Jackson and Haird, 2003).

Tom Ford's arrest of Gucci's decline in the 1990s has been well documented (Moore and Fernie, 2004), and has been attributed to his adoption of a business model that maximised internal controls with respect to product sourcing, brand communications and distribution. Ford's legacy has been the implementation of an integrative business model which maximised "back-end synergies" in relation to logistics, fiscal planning and real estate management for the purposes of cost management and resource utilisation efficiency. The "front-end" of the Gucci business model is concerned with the management of risk through the provision of a portfolio of distinctly positioned fashion brands and the maximisation of internal control through the abandoning of licensing agreements in favour of company-owned or company-controlled manufacturing and distribution (Gucci, 2001, 2002).

Likewise, the performance of the British fashion brand Burberry over the same period has been determined largely by the adoption of business models which, on occasion, have been detrimental to the company's performance (Cowe, 1998). For example, for the financial year ending 31 March 1998, Burberry saw its annual profits drop from £62m to £25m, leading financial analysts to describe it as "an outdated business with a fashion cachet of almost zero" (Finch and May, 1998). However, from 1997, at the instigation of a newly appointed chief executive, Rose Marie Bravo, Burberry has radically re-aligned its business model and has enjoyed, as a result, significant

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improvements in its business performance (Menkes, 2002).

The re-alignment of Burberry's business model, with its partial public share offering; a preference for internal control over manufacturing and distribution; the expansion of the product portfolio to include a wider customer base and the adoption of a multi-brand positioning, reflect many of the developments that have occurred within other premium international fashion retail companies. These include firms such as Gucci, Ralph Lauren and Prada (Moore and Fernie, 2004). As such, an in-depth analysis of the Burberry business model, as is proposed here, serves to reflect at the micro-level, many of the corporate trends and management issues that currently pre-occupy the international luxury fashion retailing sector.

Drawing from extensive documentation that was published by Burberry in support of their initial public offering (IPO), in summer 2002 and from other sources, such as market analysts and investment brokers' reports, this paper will:

- provide a review of the history of Burberry;
- evaluate Burberry's re-positioning strategy as defined by the firm in their IPO prospectus; and
- critically delineate Burberry's current business model.

A chronology of Burberry

Thomas Burberry founded Burberry in 1856 in Basingstoke, England when he opened a store selling men's outerwear. The reputation of the company was enhanced through Burberry's development of "gabardine", a fabric that was resistant to tearing; was weatherproof but was also breathable (Burberry, 2002). This new fabric was especially suited to military needs and led Burberry to design an army officer's raincoat which became an integral element of the standard service uniform for British officers in the early 1900s. During the First World War, Burberry continued to develop the officer's raincoat by adding functional dimensions such as epaulettes, straps and D-rings. Named the "Trench coat" as a result of its military associations, the company developed its now distinctive Burberry check as a lining for the product. Inevitably, as a result of its military associations, Burberry outerwear was readily adopted by leading explorers, such as Captain Scott and Sir Earnest Shackleton who wore Burberry gabardine on their Antarctic expeditions.

In tandem with these developments, Burberry developed a retail and wholesale business. The first London store opened in 1891 and by 1910 the first international store was opened in Paris at the Boulevard Malesherbes. Indirect foreign market participation was instigated in the early 1900s when Thomas Burberry began to supply retail stockists in New York, Buenos Aires and Montevideo. In 1920 Burberry entered into wholesale agreements with Japanese retailers. The firm's relationship with the Japanese market was further developed when Mitsui were appointed distributor of their outerwear products in Japan in 1964 and then as their licensee in 1980 alongside the Sanyo Company (Adams, 1995; Sherwood, 1998, Burberry, 2002).

Acquired by the British retail and catalogue conglomerate, Great Universal Stores (GUS) in 1955, this change in ownership provided the funding for the expansion of the Burberry retail network in the UK and the USA. In addition, licences were granted to a variety of third parties in Europe and Asia to facilitate the expansion of the Burberry product range and increase foreign market distribution (Cowe, 1997). With an ever-increasing reliance upon Asia for sales, the sharp downturn in the Japanese economy had a significant effect upon Burberry's performance in the mid-1990s. By 1997 the vulnerability of Burberry's strategy became all too evident when their annual profits dropped from £62m to £25m and GUS was advised to sell-off Burberry but to expect no more than £200m for the business (Finch and May, 1998; Roberts, 1998).

In their IPO prospectus, published in spring 2002, Burberry identified the key strategic challenges that faced their business in 1997 as follows:

- a heavy reliance upon a small base of core products;
- a company-owned retail network based within non-strategic locations;
- an inconsistent wholesale distribution strategy with Burberry products being sold in a wide-range of retail environments of varying quality;
- parallel trading of Burberry products by legitimate wholesale customers to other non-approved distributors and stockists;
- a poorly controlled licensing strategy which resulted in inconsistencies in prices, design and quality control across markets; and
- under-investment in corporate infrastructures, specifically in relation to marketing, merchandising, product development and other support functions.

The extent of Burberry's problems are typified by the fact that in 1997 the brand was available in more than 60 different stores in central London but was not stocked by the capital's most prestigious retailers such as Selfridges,

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Harvey Nichols or Harrods (Fletcher, 2003). Rather than disposing of the Burberry business, GUS appointed Rose Marie Bravo as the new chief executive for Burberry (she had previously been president of Saks, New York's fashionable department store in Fifth Avenue) and a new management team was assembled.

From 1997, the new Burberry management team sought to radically reposition a company whose primary asset, the Burberry brand, was undermined by a moribund image and which was overly reliant upon a narrow customer base comprising of middle aged, fashion-conservative men. Furthermore, the team recognised their need to address the problems associated with their inadequate control over product design and distribution arising as a result of indiscriminate licensing and distribution agreements (Fletcher, 2003).

Their new strategy sought to re-position the Burberry's brand as a distinctive luxury brand with a clear design, merchandising, marketing and distribution strategy, which would be appealing to new, younger, fashion-forward customers, while still retaining the traditional customer base (*Burberry IPO Prospectus*, 2002).

Immediately, the management undertook a range of initiatives intended to update the firm's brand image, re-configure the distribution network and assert fuller and more comprehensive controls over product development, sourcing and distribution both domestically and internationally (*Burberry IPO Prospectus*, 2002). These initiatives were intended as the platform for the development of a revised business model for Burberry that would provide for future growth, stability and innovation. Derived from their IPO Prospectus of 2002, it is possible to delineate the defining features of what the company described as "the repositioning of the Burberry brand". These are concerned with new approaches to brand management, product design and sourcing, as well as brand distribution. The specific initiatives undertaken with respect to each of the three dimensions are delineated below.

Brand management

As has been previously acknowledged, the Burberry brand trademark was a critical business asset for the firm, and as such, the management team acknowledged the importance of an effective and efficient brand management strategy. The first initiative was to update the image of the brand by firstly changing the name from Burberry's to Burberry. This change was supported with the introduction of a new brand logo and contemporary packaging. Furthermore, and in recognition of the crucial contribution that advertising plays in the development of international fashion brand positioning, Burberry launched a radically different advertising strategy that sought to change perceptions of Burberry through the use of leading models, such as Kate Moss and reputable fashion photographers, while retaining distinctly British themes as the content of these advertisements.

The attempt to re-position Burberry as a relevant, contemporary and also credible high fashion brand also required the opening of a flagship store on New Bond Street in London. The choice of New Bond Street was critical since it placed Burberry adjacent to the other leading fashion and luxury brands in London – such as Gucci, Versace, YSL, Prada, Chanel, Bulgari and Asprey. The management team also recognised the importance of a flagship store as an important mechanism for attracting the attention of the international fashion press and that it would help Burberry obtain greater editorial and other media coverage.

Product design and sourcing

In recognition of their need to extend the range of products included in the Burberry offer in order to furnish a flagship store and compete with the product ranges provided by competitors, the in-house design team was strengthened, particularly with the appointment of Christopher Bailey as design director. Bailey brought with him extensive experience from other leading fashion houses, most notably Gucci and Donna Karan. With an enlarged design team, Burberry launched the Burberry Prorsum brand – a premium, high – fashion collection that would allow Burberry to compete with the prestige lines offered by their rivals.

In terms of the Burberry London brand, the design team sought to upgrade the range to ensure that it more clearly reflected the updated lifestyle positioning of the company. In addition, the company stated that they "restructured its sourcing and pricing and eliminated unnecessary product variation" (*Burberry IPO Prospectus*, 2002, p. 22).

For product sourcing, Burberry reduced its reliance upon licensees for product design and manufacture. Consequently, they acquired their Spanish licensee in June 2000, while in their re-negotiated agreement with Japanese licence partners, they secured greater control over licensed product design and manufacturing activity.

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Brand distribution

Central to the repositioning of Burberry was the need for the management team to better control where and how the brand was distributed within the UK and internationally. Furthermore, it was imperative that the distribution policy should support the repositioning of Burberry as a prestige and exclusive brand. Consequently, all unprofitable and "non-core" retailer stores in Europe were closed. Wholesale accounts with inappropriate stockists and/or known parallel traders (i.e. firms who sell on branded goods that have not been obtained through authorised sources), were discontinued. Driven by the desire to maximise control over foreign markets, the company bought back the distribution rights within the Hong Kong, Singapore and Australian markets in December 2001 and within the Korean market in 2002 (Burberry, 2003).

Defining the Burberry business model

It is important at this stage to note that the various initiatives detailed above markedly improved Burberry's financial performance. From 2000, (when most of the initiatives were concluded) to 2003, turnover increased by 263 per cent and profits rose by 630 per cent. Table I provides a four year summary of the firm's financial performance.

These initiatives contributed to the formation of a new business model for Burberry that was also delineated in depth in the *Burberry IPO Prospectus* in summer 2002. Evidence that the business model has been retained and implemented by Burberry after the offering can be found in their subsequent annual report and accounts (Burberry, 2002); in addition to interviews given by the chief executive, Rose Marie Bravo (Fletcher, 2003) and company trading statements and updates.

The Burberry business model comprises four inter-related dimensions:
(1) Products.
(2) Manufacturing and sourcing.
(3) Distribution channels.
(4) Marketing communications.

Each dimension is examined below.

Table I Four-year financial summary

	2000	2001	2002	2003
Turnover	£225.7m	£427.8m	£499.2m	£593.6m
Profit – EBITA	£18.5m	£68.7m	£90.3m	£116.7m
Gross margin as percentage of turnover	46.8	47.8	50.3	56.0

Source: Burberry (2003)

1. Products

With a clear positioning as an authentic British lifestyle brand, the range extends from men's, women's and children's apparel to include "soft" accessories, such as scarves, shawls and ties, alongside "hard" accessories, including handbags, small leather goods, women's shoes, luggage, umbrellas, eyewear and timepieces. Table II identifies the turnover by product category for 2002 and 2003.

At an individual level, Burberry classifies their products as either continuity or seasonal. The former (such as the classic trench coat) have a long life-span and are sold year after year, the former are responsive to fashion trends and are typically sold as a specific collection in one season. In some cases, a seasonal product can become continuity if demand extends beyond the season. The company states that they "seek to achieve a relatively high proportion of continuity products in order to minimise our exposure to changes in consumer preferences and fashion trends" (*Burberry IPO Prospectus*, 2002, p. 26).

Product ranges – apparel

Burberry has a multi-level brand strategy that is comprised of six key brand levels.

Burberry Prorsum is the couture/high fashion range that serves as the focus for fashion shows and editorial interest/coverage. Produced in limited quantities in order to satisfy the demand for exclusivity among affluent consumers, the range is distributed through Burberry's flagships stores, as well as through prestigious department stores including Barneys in New York and Harvey Nichols and Harrods in London.

The Burberry London line is the company's core ready-to-wear range which is presented in two collections for spring/summer and autumn/winter for men and women. In womenswear, between 450 and 500 lines are offered each season, while in menswear, the range has an average of between 330 and 350 lines. In the past, and as a reflection of the firm's heritage in outerwear, both the men's and women's apparel ranges tended to focus more upon autumn/winter collections. However, in order to appeal to warmer climates, the

Table II Turnover analysis by product category

Product category	2002 (£m)	2003 (£m)
Womenswear	165.2	197.9
Menswear	149.4	162.8
Accessories	125.8	169.5
Others	5.3	5.1
Licences	53.5	58.3
Total turnover	499.2	593.6

Source: Burberry (2003)

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womenswear spring/summer ranges now include swimwear, as well as complimentary accessories, such as shoes, towels and bags for the beach. Likewise, the men's collection has been extended to include sportswear, swimwear and a ski collection.

Reflecting what the company describes as "historical as well as market specific reasons" two separate Burberry London lines are designed for the Spanish and Japanese markets. Both markets make significant contributions to Burberry turnover. For example, in 2002/2003, 40 per cent of Burberry's wholesale customers were from Spain or Portugal, while the Spanish department store chain, El Cortes Ingles, was Burberry's largest wholesale customer. Until 2000, Burberry goods sold in Spain were manufactured by a Spanish licensee. As part of their strategy of achieving greater control over product design and manufacture, Burberry bought back the licence from the Spanish partner, but retained the policy of producing Burberry London ranges that are specific to the Spanish market. In Japan, Burberry re-negotiated the terms of its licence agreement to provide for greater control over the design of the goods distributed in Japan, but continued to allow these to be distributed under the Burberry London brand name.

The tailored Burberry London range for the Spanish market is described by the company as being "more diverse with a strong classic element. We have in recent years increased the fashion content and improved the quality of fabric and other materials used in these products" (*Burberry IPO Prospectus*, 2002, p. 26). Likewise, the line developed for the Japanese market is described as being classic in style and is adapted to suit the seasonality and fit requirements of Japanese consumers.

The Thomas Burberry range is one of three diffusion brands. This is targeted towards the younger age 15-25 year old customer group. Initially sold exclusively in Spain from 1997 and Portugal from 2002, the availability of the collection has been extended to the UK and Europe. With its emphasis upon casual fashion and its newly modernised brand logo, the range is differentiated from the Burberry London brand (according to the company), by its design, marketing, distribution and pricing.

The Burberry Blue and Burberry Black brands are the two other diffusion lines that are sold exclusively within Japan. The former, introduced in 1996, is a casual collection for younger women, while the latter brand is targeted at the younger professional male and is comprised of tailored clothing and sportswear.

The Burberry brand also incorporates the firm's accessories range, which with a sales value in 2003 of £58.3m, has emerged as a highly significant part of their business. Handbags represent the largest accessories product category by turnover. Scarves, shoes and other leather goods are also included in the accessories category.

In addition, and manufactured under licence (the detail of which is presented below), are four other important product categories comprising of fragrance, eyewear, timepieces, and childrenswear. All are marketed under the Burberry brand name.

As such, it is possible to classify the Burberry product/brand model in terms of a pyramid as illustrated in Figure 1.

From the Burberry Prorsum brand, at the highest tip in the pyramid, to the Burberry Accessories collections, at the lowest, the company has secured three important dimensions in its product model. First, the multi-brand approach provides the company with maximum market coverage and broad customer appeal. Second, the model provides for flexibility and market responsiveness as is evidence by the country-specific Burberry Blue and Black brands. Third, the broad coverage of product categories and differential price positioning among the brands, provides a comprehensive lifestyle offer that also enables customers to access, as well as trade-up (and down) between the various brand levels.

2. Manufacturing and sourcing

Integral to the re-positioning of Burberry in the late 1990s was the company's determination to ensure that it maintained full control over the development, sourcing and manufacturing of the various collections. The design director, Christopher Bailey, is responsible for the design of the Burberry Prorsum collection, while his London-based design team is responsible for the design of the Burberry London range. This team also oversee the design direction of other Burberry brand lines and ranges. For example, local design teams in Spain and Japan are in regular contact with their London counterparts in order to ensure that all variations of the Burberry London brands are presented in a coherent and consistent manner. The company claims that the Burberry Prorsum collection provides creative direction for all of the Burberry brands in that all of the various design teams look to it for inspiration and direction (*Burberry IPO Prospectus*, 2002).

Assuming a manufacturing and sourcing scheme, comprising of fabric procurement and pre-production, product manufacturing, and warehousing and logistics, it is possible to delineate Burberry's management of the scheme as follows.

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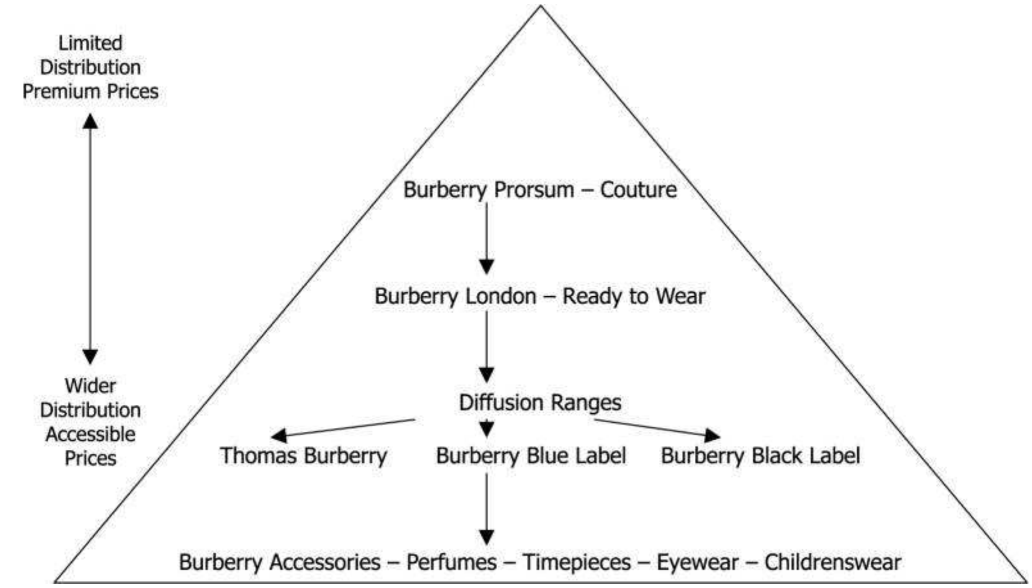
Figure 1 The Burberry product/brand model



In terms of fabric procurement and pre-production, the company utilises its own fabric weaving operation to supply linings and fabrics for the Burberry London collections. Fabrics for the Burberry Prorsum and Burberry London collections are sourced primarily from a limited number of European suppliers. Initial fabric orders are based on sales forecasts to ensure product availability, and further purchases are based upon the extrapolation of early orders received (*Burberry IPO Prospectus*, 2002). The company purchases directly, or retains full control over the purchase by third-party manufacturers, of all raw materials that bear the Burberry name or other Burberry trade marks (*Burberry IPO Prospectus*, 2002).

Product manufacturing is secured through a mix of internal and external capability. Internal manufacturing facilities based in Castleford (England), Treorchy (Wales) and New Jersey (USA), produce rainwear, outerwear and polo shirts for the Burberry London collections. Finished goods for the Burberry Prorsum, and other elements of the Burberry London collections are obtained from European suppliers. Quality control for the Burberry Prorsum and Burberry London collections is managed internally.

Finished goods for the Thomas Burberry diffusion brand are supplied principally by Moroccan manufacturers, although goods are also obtained from other European suppliers. Burberry has outsourced the quality control management of the Thomas Burberry collection to a third-party specialist.

Burberry also grants a limited number of licences to those firms capable of producing “brand-enhancing products”, which require specialist expertise. The principal product categories are as follows. Fragrance, which is manufactured by InterParfums S.A., and is marketed as “Burberry London”, “Burberry Weekend”, “Burberry Touch”, “Burberry Brit” and “Burberry Baby Touch”. The Burberry Eyewear collection, launched in 1997, is produced in collaboration with Safilo S.p.A, a leading Italian manufacturer and distributor. The Burberry Timepieces collection was launched in 2001 in collaboration with Fossil, the watch manufacturer. Finally, childrenswear is produced by CWF, a specialist manufacturer of children’s clothing (Mitsui and Sanyo hold the licence to produce Burberry the children’s range in Japan).

In Japan, the design, manufacture and distribution of Burberry products is managed under a series of licence agreements with selected third parties. The two major licence partners are Mitsui, Japan’s largest general trading company, which has acknowledged expertise in textiles, and Sanyo, a major designer, producer and wholesaler of apparel. Both licensees are exclusively responsible for the design and manufacture of the Burberry London collections, as well as the childrenswear and Burberry Golf collections. Royalties are paid to Burberry by both licensees on a monthly basis. These are calculated on the volume of goods produced and their recommended retail value. Provisions are also made to ensure that any exchange rate fluctuations are not prejudicial to Burberry. As part of the licensing agreement, both parties must achieve minimum monthly advertising and marketing targets.

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A total of 18 other firms in Japan hold licences to produce ranges other than those manufactured by Mitsui and Sanyo. Both firms are responsible for the management and monitoring of these sub-licensees and in exchange, they receive 20 per cent of the royalties received by Burberry from these other 18 licence partners.

A significant proportion of warehousing and logistics activity at Burberry is managed in-house. Warehousing for the wholesale side of the business is company-owed and located in Northumberland, England. There are three further warehouses in the UK, while the company operates two others in New Jersey, USA and in Hong Kong. Through the acquisition of their Spanish licensee, Burberry obtained two further warehouses in Barcelona. As a means of reducing goods handling costs and improving delivery times, the company has piloted the direct shipment of products from suppliers to wholesale customers in the USA and Asia Pacific. The company plans to extend this service to major wholesale customers. All parts of the Burberry operation utilise external logistics companies for the distribution and delivery of finished goods. Figure 2 represents Burberry's manufacturing and sourcing model.

Three important observations can be made with respect to Burberry's approach to manufacturing and sourcing. First, through the retention of internal weaving and manufacturing capability, the company has retained control over the creation of rainwear, their core product category. Second, through the use of third-party manufacturers and licensees, external expertise is brought to the collections and with it, an ability to be flexible and responsive to changing customer tastes and demands. Third, their exclusive use of licensed manufacturing in Japan serves to integrate the local expertise, knowledge and commitment of established and reputable local organisations. Furthermore, their use of this near-to-market capability eliminates the problems associated with managing a global supply chain within a very significant profit-generating market.

3. Distribution channels

The distribution of the various Burberry brands is achieved through the operation of company-owned stores, by company-controlled wholesale arrangements with third-party stockists, as well as through licence agreements with partner firms in Japan. The turnover by distribution channel method is illustrated in Table III.

Burberry markets two clothing collections each year for spring/summer and autumn/winter. Initial orders from wholesale customers are received for spring/summer ranges in the previous June to September, while orders for the autumn/winter season are received by March at the latest.

Retail distribution

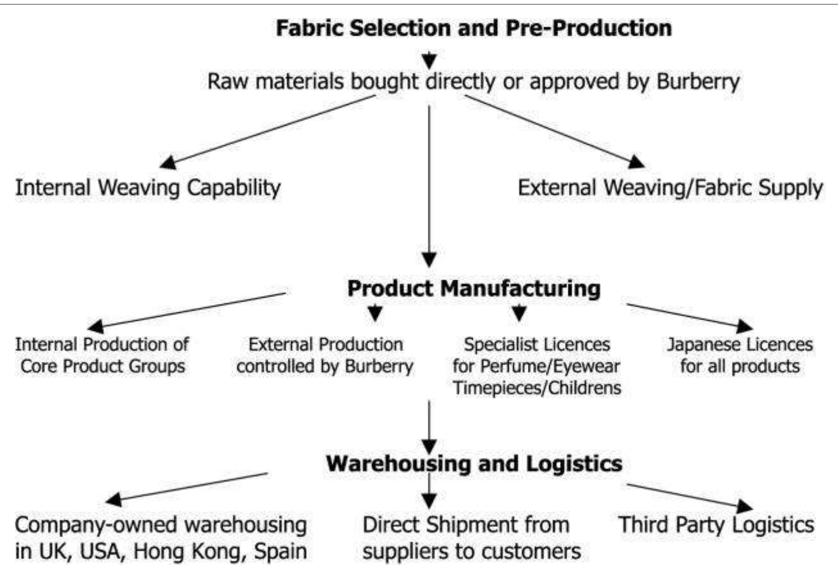
The Burberry retail chain is comprised of four distinct formats. Located within the primary shopping locations in Burberry's most important national markets, flagship stores are located in

Table III Turnover analysis by distribution channel

Turnover by channel	2002 (£m)	2003 (£m)
Retail	156.9	228.4
Wholesale	288.8	306.9
Licence	53.5	58.3
Total	499.2	593.6

Source: Burberry (2003)

Figure 2 The Burberry manufacturing and sourcing model



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London, New York, Barcelona and Tokyo (the Tokyo store is owned by their Japanese licensee). These stores, with a minimum 10,000 square feet of selling space, stock the full Burberry Prorsum and Burberry London ranges, alongside the various accessory collections. Serving as a showcase to the fashion media and potential wholesale stockists, the stores serve as an important role in communicating the exclusive positioning of the Burberry brand.

Described as regular price retail stores by Burberry, the company operates more than 30 of these outlets across Europe, the USA and Asia. Often operated within capital cities, and always within affluent locations, these stores offer a product mix that is broadly similar, but merchandise is tailored to suit local climates and local variations. For example, the Burberry stores in New York and Chicago stock a wider range of rainwear compared to the Beverly Hills store, which has a greater emphasis upon lighter weight products.

A third retail format is that of department store concessions, of which there were more than 50 in 2003. In view of the fact that department stores are the dominant distribution method for premium priced fashion in important markets, such as Korea, Japan and Spain, these concessions enable Burberry to access, in a cost-efficient manner, a wide and relevant customer base. In so doing, the associated risks and costs of operating a large number of company-owned stores can be avoided. Unlike the regular price retail stores, these concessions offer an edited version of the Burberry London/Thomas Burberry ranges.

Finally, Burberry also operates nine designer outlet stores and three factory stores in the UK, USA and Spain. These stores sell surplus stock at discounted prices from the retail stores and the wholesale side of the business. In addition, these sell products with minor imperfections, as well as products manufactured from surplus fabrics.

Wholesale distribution

The retail network is complimented by an extensive wholesale distribution network. The number of outlets (classified as doors), operated by Burberry's wholesale stockists in 2002 was in excess of 3,100. Of these, 17 per cent were in the USA, 40 per cent in Spain and Portugal, 37 per cent in the rest of Europe, and the remainder in Asia and elsewhere.

Wholesale stockists include prestigious department stores, speciality fashion retailers and duty-free retailers. To serve their wholesale accounts customers, Burberry operates showrooms in London, New York, Milan, Düsseldorf, Barcelona and Hong Kong. In other markets, it employs agents who sell their range directly to wholesale stockists. Through the showrooms and agents, Burberry claims to work with wholesale customers on an individual store basis in order to select appropriate products and volumes in order to maximise the sale of products at full price. In addition, the company works with major stockists to ensure consistent visual merchandising and store presentation of the Burberry brand. A shop-in-shop format, based upon the Bond Street flagship design has been developed and is implemented in department stores. Wholesale customers typically have access to the entire Burberry brand offer, other than the Burberry Prorsum brand.

As part of their development of long-terms relationships with wholesale customers, the company also engages in collaborative marketing activity with important clients. Burberry provides co-operative allowances whereby wholesale stockists receive a benefit towards advertising Burberry products (*Burberry IPO Prospectus*, 2002).

Licensee distribution

Sanyo own and operate the Burberry flagship store in Tokyo that stocks the full range of Burberry brands, including Burberry Prorsum. Sanyo also operate two Burberry Blue and one Burberry Black stores. The two licence partners are jointly responsible for the wholesale distribution of the Burberry ranges to department stores and speciality stores across Japan. As part of their responsibility as licensees, both firms provide product, visual merchandising and sales staff to their department store customers. Based upon the three distinct strands, the Burberry distribution model is presented in Figure 3.

As Figure 3 illustrates, Burberry's model of channel distribution provides the company with a variety of advantages. The maintenance of a company-owned chain of retail stores, while costly to establish and maintain, provides maximum control over the presentation of the Burberry brand within significant and important markets. Furthermore, this approach allows for maximum return on investment in that none of the profit is lost in having to pay for franchise partners and the like. Through the implementation of an allocation formula which confines the risk of a full merchandise offer to flagship stores and allows for the dispersal of excess stock through its own factory outlets, Burberry efficiently and effectively maintains the exclusivity and integrity of the brand standing of each of their brands.

Their development of a comprehensive, yet restrained network of wholesale stockists world-wide provides for maximum market coverage at minimal cost and reduced risk. A symbiotic relationship exists between both the retail and

Figure 3 The Burberry distribution channels model

wholesale channels in that the retail stores provide an impetus for media and consumer interest in the Burberry brand within the respective markets which precipitate wholesale sales, while the profits from wholesaling ensure that flagship stores are economically viable.

4. Marketing communications

In their *IPO Prospectus* (2002), Burberry clearly identify the importance of active marketing communications in the development of an image and lifestyle that is capable of "generating interest among retail customers, wholesale buyers and the media" (p. 34). In order to generate and sustain a coherent brand identity, all Burberry marketing activities are managed from London. Any local form of marketing communication and activity are determined by the direction provided by the London marketing team. There are three core strands to the Burberry communications model:

(1) Advertising.
(2) Fashion shows.
(3) Editorial placement.

Advertising

Launched on a twice-yearly basis to coincide with the delivery of the seasonal collections to their retail stores and stockists, the Burberry advertising campaigns are focused upon the leading fashion and lifestyle publications. The production and media costs associated with the advertisements represent a significant proportion of the firm's advertising expenditure. With a particular and strong focus upon iconoclastic British images, these advertisements draw heavily from the firm's heritage and history. With an emphasis upon key products and the trade marks, the campaigns do not feature individual products, but instead present a mix of products that present the overall brand image and which demonstrate the extent of the product range.

In relation to advertising within the Japanese market, both Mitsui and Sanyo manage their local advertising campaigns directly using the images and campaigns generated by the London marketing team. All advertising campaigns in Japan require central marketing department approval.

Fashion shows

Burberry views fashion shows as an important element in their marketing plan since these serve to underline the luxury status of the brand. Furthermore, the shows establish and reinforce the fashion credibility of the brand and generate international press coverage. The shows for the men's and woman's Burberry Prorsum are held twice-yearly in Milan. This decision to show in Milan recognises the importance of the city as the global centre of luxury fashion and serves to maximise fashion media coverage internationally. The Burberry London line is shown at London Fashion Week each season in the London showrooms.

Editorial placement

In order to create brand awareness, as well as establish and reinforce a luxury positioning, Burberry has adopted a proactive public relations strategy aimed at the fashion and trade press. This strategy aims to maximise world-wide editorial coverage and comment in support of the Burberry brand and to ensure frequent product placement in the leading fashion, business, trade and newspaper publications.

In addition, the company provides a brochure each season containing the current collection for

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Figure 4 The Burberry marketing communications model

wholesale account customers and operates an information-only Web site which includes information on the history of the company, images of current advertising campaigns and shareholder information. The core elements of Burberry's marketing communications model are presented in Figure 4.

Burberry's approach to marketing communications highlights three important considerations. First, it recognises the importance of advertising in the creation of a luxury brand image and lifestyle association. Second, it is clear that fashion shows and associated events are crucial to the achievement of international media coverage. Finally, a proactive media management strategy is crucial for the achievement of adequate editorial coverage and the development of a credible international brand profile and standing.

Concluding comments

The re-positioning and subsequent renaissance of the Burberry brand provides invaluable insights into the machinery of the luxury fashion brand business model. This analysis of Burberry's strategy has sought to both identify the generic dimensions of such a business model and delineate its defining elements. The value of this analysis lies in the access that it gives to the location of those factors that contribute to the success of an international luxury fashion brand. The Burberry model identifies five key success factors:

(1) The importance of a clearly defined brand positioning which communicates a definite set of attractive brand values and lifestyle associations.
(2) The requirement to maintain a co-ordinated distribution strategy whereby retail chains compliment and are complimented by wholesale chains which assure maximum market coverage.
(3) The opportunities afforded by a strong brand identity to extend into adjacent product areas either through internal capability or via licensing agreements.
(4) The opportunities afforded by a flexible approach to the management of important foreign markets – such as in the form of delegating marketing activity through licensing agreements.
(5) The importance of media relations management to the creation and maintenance of a credible luxury fashion brand reputation.

Finally, through an in-depth analysis of the Burberry business model, this paper has sought to encourage further interest and debate with respect to the mechanics of generating an internationally successful luxury fashion brand. It is hoped that it will stimulate and encourage other researchers to further explore the apparatus that other fashion retailers use in order to reposition and generate alternative models for the achievement of business success.

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