stores, concessions, and wholesale and licensing agreements (Key Note 2014). Founded in 1856 by the mill-owner and London-based dressmaker Thomas Burberry, the company's market breakthrough came in 1888, when Thomas developed a material called gabardine. Gabardine was a highly water-resistant, breathable and extremely hardwearing material and it became the very fabric of the firm's success when used to create the iconic Burberry trench coat (Burberry 2010). The new fabric best suited military needs and with the addition of some functional elements such as *epaulettes* and *straps*, it became standard issue for British officers during the First World War (Moore and Birtwistle 2004). The military connection and the creation of a distinctive check lining in the 1920s led to the launch of the Burberry trench coat and in less than a century later the company became a worldwide luxury brand (Burberry 2010). Burberry soon established itself as a *British Institution* in the luxury goods market, helped in no little part, by the actors Humphrey Bogart and Ingrid Bergman who were both seen wearing its iconic trench coat in the 1942 film Casablanca (Tokatli 2012).

However, the company and the brand experienced turbulent times during the late-1980s and early-1990s. The initiation of product-licensing agreements with third-party manufacturers in Spain and Japan during the 1960s and 1970s had untold consequences for the brand. The initial challenge of managing such arrangements led to a much more damaging problem for Burberry as licensees provided discounted products sourced from Asia to the European market to be sold alongside the higher priced British-manufactured items (Tokatli 2012). The flood of manufactured goods from Asia also enabled the supply of counterfeit products, which added to the loss of control for Burberry in terms of who its customer was and how the brand was being viewed in the luxury market (Collins 2009; Tokatli 2012). The opportunity for cheaper Burberry items enticed new customers, but as sales increased the exclusivity and aspirational position of the brand was undermined. The adoption of the Burberry check pattern by football fans in the UK during the 1980s further threatened the firm's market position and contributed to the loss of the brand's 'cachet' (Collins 2009). A lack of control of licensees in the supply chain and a somewhat flawed marketing strategy challenged the quality-perception of Burberry and the uniqueness of this quintessential British brand. By 1997, the brand was seen as appealing only to middle-aged men and was considered to be lacking innovation and creativity (Collins 2009; Cowe 1998). Subsequently, company profits suffered a drop from £62 m to £25 m and Great Universal Stores who had acquired the brand in 1955 were advised to sell-off Burberry (Finch and May 1998).

The tired and somewhat outdated brand was badly in need of a makeover and drastic action was required. Figure 1 shows a chronological organization of critical turning points after the corporate heritage brand crisis. It highlights the changes of

4 Case analysis of Burberry

4.1 Foundation and corporate heritage brand crisis

Burberry is a UK-based, but internationally recognised, company engaged in the design, sourcing, manufacture and distribution of luxury apparel and accessories via owned retail

leadership, business model and supply chain strategy in the history of Burberry from 1997 to early 2016.

4.2 The era of Rose Marie Bravo

In 1997, a new CEO, Rose Marie Bravo, was hired to revitalise the glamour and status that Burberry had experienced in its heyday. When Bravo took the helm she understood the value of the brand and that it's 'Britishness' was its most effective marketing tool (Blank 2015). However, the initial priority was to reinvent the firm into a modern luxury brand and Bravo was relatively successful in achieving this by regaining control of Burberry's unwieldy licensing and distribution structure (The Economist 2001). In spring 2002, the publication of an IPO prospectus for Burberry highlighted the challenges faced in 1997 and a strategy for renewal of the brand was announced (Burberry IPO Prospectus 2002). The Burberry trademark was acknowledged as a critical asset of the company and all attention was focussed on how to reposition Burberry as a contemporary and credible high-end fashion brand (Moore and Birtwistle 2004). Moreover, when Rose Marie Bravo took on Burberry, it had a relatively small international profile. The dramatic turnaround needed for the company began in 2001, with the appointment of a British designer, Christopher Bailey. Bailey, who had a track record with a number of international luxury fashion groups including Gucci and Donna Karan, was passionate about rejuvenating the Burberry brand and reinstating its Britishness (Moore and Birtwistle 2004; Pike 2013). By 2003–04, Burberry had achieved solid growth across Europe, the US and Asia Pacific and had opened new stores in Australia, Hong Kong, Singapore and Kuala Lumpur.

4.3 The era of Angela Ahrendts

The incoming CEO Angela Ahrendts, following other luxury fashion houses, overhauled the Burberry brand in 2006 – her focus became the 'value' of Burberry's heritage and the firm's 'Made in Britain' credentials. The repatriation of production back to the UK in order to ensure the brand's authenticity of design was critical to this move (Ahrendts 2013). As suggested by a retail consultant acting in an advisory capacity to the company at the time:

> "It's all about the Britishness of the product... consumers in China don't want to buy a Burberry trench coat made in Shanghai… they want the real thing, it has to be truly made in England… it's the craftsmanship and heritage of the brand that consumers in emerging markets are buying into" (Interview, September 2015).

Because the Chinese market represented over 30 % of the company's sales at the time, the migration of manufacturing back to the UK was clearly an important change to the existing supply chain configuration (Interview Retail Consultant, September 2015).

The year 2006 also marked the beginning of a new era of celebrity endorsement for Burberry. According to an interview with a junior designer, Burberry encouraged a number of well-known British celebrities such as actors, sports personalities and other recognisable British trendsetters to showcase their clothing, luggage and handbags by providing free samples "which was a first for Burberry" (September 2015). Although this proved a little problematic when a number of internationally acclaimed Welsh singers and actors, including Tom Jones, Rhys Ifans and Ioan Gruffudd, burnt their trench coats in protest at the closure announcement of the Burberry plant in Treorchy, South Wales in 2007 (Jones 2007).

Ahrendts had inherited a fragmented business consisting of 23 international licensing agreements and a brand so stretched that it was used to merchandise dog leashes and kilts in its London flagship store (Ahrendts 2013). In order to manage costs and refocus the business, Ahrendts initiated a major restructuring of the firm's supplier base, and a number of plant closures followed, including the closure of one of the firm's two Yorkshire factories producing their classic trench coat in 2009. The global recession and the need to weather the difficult trading environment were cited as the reasons for backtracking on earlier commitments to manufacturing plans for the UK (Tokatli 2012). This change of heart resulted in a large proportion of Burberry products becoming reliant on overseas sourcing from full-packaged manufacturers[3] – which entailed the ceding of control for a number of operational activities including procurement and design-related responsibilities to third-party producers (Tokatli 2012).

Burberry had a history of mixed UK and offshore sourcing, but the need to maintain competitive advantage and strengthen the company's luxury position in the global market were the reasons cited for overseas manufacturing becoming standard practice once again (Jones 2007; Tokatli 2012). Nevertheless, Burberry's market position suffered from the criticism relating to moving some of its production abroad and closing UK factories. The high-profile media campaign in 2007 to stop the relocation of production to Asia – a move seen as an exercise to lower production costs – created a great deal of embarrassment for the brand (Blyton and Jenkins 2012). Loyal fans of the Burberry trench coat, including a number of well-known celebrities and actors supported the campaign to 'Keep Burberry British' (BBC 2007). Yet, Ahrendts still pressed on with the firm's cost efficiency programme and claimed that Burberry's classic trench coat would continue

[3] A switch to full-package manufacturing involves abandoning the cut, make, trim model and passing the risks and responsibilities of sourcing to manufacturing suppliers, which leads to the loss of a substantial degree of operational control (Tokatli 2012).

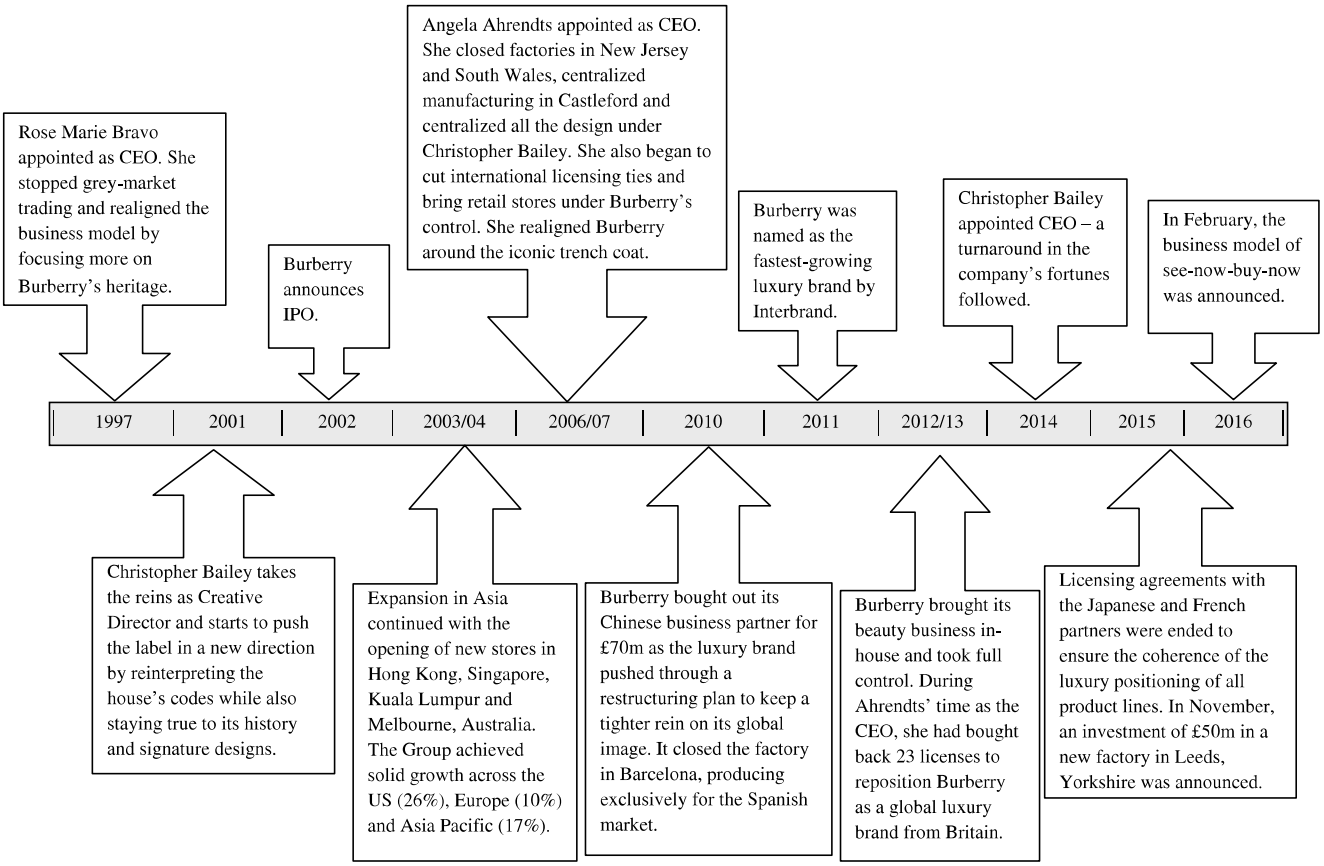

Fig. 1 Critical turning points after the corporate heritage brand crisis

to be produced at the company's own factory in Castleford, Yorkshire (Tokatli 2012).

However, following the public relations disaster of closing down Burberry factories in the UK, Bailey, who was still the firm's Chief Designer at the time, demonstrated his commitment to re-establishing the brand's core values. He saw the value of the brand in terms of 'dishevelled elegance' and was interested in presenting fashion items alongside things that had a real sense of heritage (Collins 2009). Bailey decided to hide the trade-mark Burberry pattern – so favoured as the lining of the classic trench coat – for a couple of seasons and then slowly brushed it down and added the famous check to a number of new products (Tokatli 2012). Ahrendts is credited with establishing the UK's only fashion brand to compete with the European houses of Vuitton, Prada and Gucci – largely achieved by refocusing the business once again on its iconic trench coat – but it was only when Bailey took over as CEO that the vision of the British super fashion brand was fully realised.

4.4 The era of Christopher Bailey

It was not until 2014, when Bailey finally took up the realm as CEO, that he was able to revitalise plans to capitalise on the brand's heritage, "*British roots are incredibly important to this brand*" (quoted in Armstrong 2015) and the firm again built on its British heritage – the London Los Angeles show in 2015 even had the Queen's First Battalion Grenadier Guards take part. Bailey had come to realise that their core customers "… *like that the cashmere is made in Scotland and the trenches are made in Yorkshire*" (quoted in Armstrong 2015). These insights have helped to shape the strategic focus of the firm and the development of the brand. As such, Burberry has situated its iconic British-made trench coats and cashmere scarves at the core of its business, which Bailey stated was the 'heart' of Burberry's product offer (Burberry 2015a). Subsequently, every product event and initiative features the craftsmanship and heritage of the brand, whilst restating the British roots of the business (Burberry 2015a).

Moreover, the development of ICT has revolutionized the global clothing supply chain. Both Ahrendts and Bailey placed great emphasis on digital technology and they considered embracing new technology as Burberry's differentiator from other luxury competitors. Under the leadership of Bailey, Burberry has recently pioneered a new business model of 'See Now-Buy Now', which attempts to close the traditional six-month window between the catwalk and when clothing becomes available for purchase in stores. Such a structural change has a significant impact on Burberry's supply chain strategy.

4.5 Renewal of supply chain strategy: the impact on Burberry's values and competitiveness

Supply chains in the apparel industry tend to be long, complex and involve a number of different parties. Since the increase of globalization and growth of international markets it is also usual to have intermediaries, e.g. an import or export agency that can source garment components from lower labour-cost manufacturing countries (Jones 2002; Popp 2000). However, all of these factors impact the quality and delivery of the product to market and require careful management of the supply chain.

As a British brand, Burberry continues to run operations from the UK, with design and product development controlled from its global headquarters in London. The company has two wholly owned UK manufacturing sites and heavily promotes its traditional heritage and domestic manufacturing. Burberry has been making its trench coat, a style classic, in Yorkshire since its first inception – the fabric is woven, cut, hand-sewed and finished in the UK at a rate of 5000 a week (Butler 2015). In some respects, the company bucked the trend for outsourcing its manufacturing to far-off climes, with Italy being the main country it turned to for sourcing materials and components from outside the UK. The mistake of closing manufacturing plants in the UK during the mid-2000s and the shift of production to Asia was "readily acknowledged but quickly glossed over" (Interview Supplier, October 2014).

The closure of factories in Europe and the US was to concentrate on production in Castleford, Yorkshire and to help Burberry re-emphasize its heritage product being made in Britain (Ahrendts 2013; Fernie and Grant 2015). More recently, commitments of investment in domestic production have been made – £50 m plus to build a new factory in Yorkshire to ensure the manufacture of the trademark trench coat is firmly positioned back in the UK (Butler 2015). When making the announcement in November 2015 Bailey stated, "*I'm a massive believer in British manufacturing and the crafts and skills we have here. It is a tradition we should all be enormously proud of and continue to build on*" and he continued, "*… artisan skills and workmanship were important to Burberry as the label tried to compete on a world stage*" (quoted in Butler 2015). Maintaining the production of Burberry's trademark trench coat in the UK, therefore, appears to be an ongoing corporate mantra, as indicated by a corporate affairs representative "Burberry has always produced its iconic trench coats in Yorkshire… and will continue to do so" (Discussion, March 2016). In June 2015, Burberry also terminated its licensing agreement (Burberry Blue and Burberry Black) with a long-standing Japanese partner, Sanyo Shokai, in an effort to take direct control of its business in Japan. This in turn allowed Burberry to reshore and use its global collections (a high-end line of trench coats and scarves) to build a consistent brand image globally (Chu and Fujikawa 2015). For the same reason, Burberry terminated the contract licensing agreement with its French partner in the same year to bring the production of kids wear back in house.

With global sales of £2.5bn in the financial year 2014–5 (See Fig. 2), Burberry is currently Britain's biggest luxury goods retailer (Burberry 2015a). Much of this achievement is due to the repositioning of the Burberry brand in the mind of the global consumer (Burberry 2015b). This is both a commercial and marketing feat, which in part may be attributed to the promotion of the quintessential Britishness of the Burberry brand and in part, because the return of manufacturing to the UK underpins the values of heritage and integrity associated with the Burberry label. By rebuilding manufacturing activities back in its home country and close to the product design team, Burberry has enabled a regeneration of the very brand values their core consumer's demand.

Moreover, the recent implementation of 'See Now-Buy Now' business model would need a more agile and seamless supply chain. It also requires concurrent designing and manufacturing rather than sequential development activities. Therefore, increasing domestic sourcing and manufacturing may shorten the supply chain and cut lead-times. However, the return to local manufacturing and the reenergising of the Burberry product portfolio is not without its challenges. The sustainability of the renewed Burberry business model is dependent on a number of factors, including the ability to control production costs and maintain high profit margins in an ever-competitive and fickle luxury market. In the past, cost and market pressures led Burberry to adopt a single product manufacturing strategy for some of its factory units in order to maximise production economies of scale (Blyton and Jenkins 2012). However, this change only weakened the position of individual factories and ultimately led to their closure, e.g. the Treorchy plant in South Wales producing polo shirts that was deemed to be 'not commercially viable' (BBC 2007). As a consequence, Burberry resorted to sourcing products overseas yet again and according to Angela Ahrendts (then CEO) delivered record profits for Burberry in 2009 (Burberry 2010). However, a refocus on the Burberry label

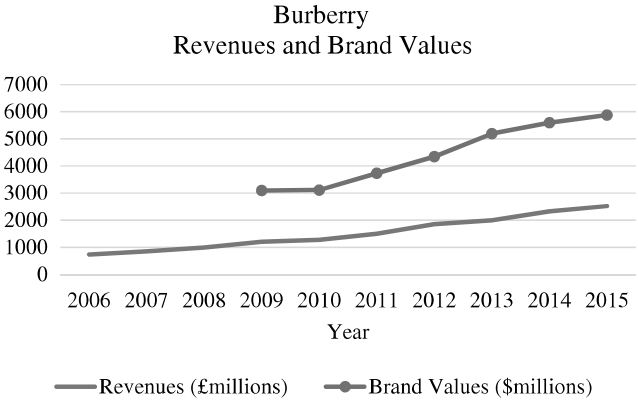

Fig. 2 Revenues and brand values of Burberry

and its origins may prove significant in terms of the production location of the firm's iconic trench coat. For all its new status as a British luxury item, such a product still has to be made and delivered to stores in a timely and cost-efficient manner. The balance of managing demand, cost and market positioning of heritage brands in the future is therefore a tricky one.