MACRO Environment of Burberry

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With its headquarters in London – England, Burberry is a luxurious British fashion brand. It designs and distributes a range of items that include apparel, footwear, eyewear, cosmetics, fragrances, fashion accessories, and leather goods. The brand was established by Thomas Burberry in 1856 and it has, since then, developed into one of the leading names in the luxury fashion industry. Currently, Burberry has 459 stores in 59 countries of the world (Statista, 2021). Considering the company's worldwide reach across the Asia Pacific, the Americas, Europe, the Middle East, India, and Africa, numerous macro-environmental factors impact its marketing activities and strategies. The macro-environment of any company constitutes a set of economic conditions on the whole rather than a particular region. These include the rate of inflation, the gross domestic product trends, the employment rate, and fiscal policy. Apart from the economic factors, various political, social, technological, environmental, and legal factors may also alter the company's marketing strategies (Khartit, 2021). The emerging macro-risks that the company is exposed to include pandemics, protectionism, and changing regulatory environment. The impact of the COVID-19 pandemic may be long-term, which may disrupt the supply chain, cause a shift in customer demand, and impose travel restrictions. Similarly, countries may use tariffs and trade restrictions to safeguard against domestic production, and economic reporting regulations in different countries may elevate the hazards of non-compliance. All these factors may impact the marketing strategies of the company. The purpose of this essay is to identify a potential change in the company's macro-environment, especially the economic and social factors, and evaluate its strategies for sustainable competitive advantage, segmentation, and, branding. The essay further analyses the potential impact on the company's customer behavior and also assesses opportunities for growth within the macro-environment.

Potential Impact on Marketing Strategies

Competitive Advantage

Operating in several industries, Burberry is a dominant fashion brand with numerous competitors such as Hermes, LVMH, Armani, Dior, and PRADA among others. The company's marketing strategies are focused on the top-most lifestyle and fashion publications. Additionally, fashion shows are considered an important part of the marketing plan to reinforce and establish the credibility of the brand while generating worldwide press coverage. The competitive advantage of Burberry can be evaluated through Porter's Three Generic Strategies. These competitive strategies may be defined as the offensive action plan employed by a company to combat market forces while increasing profitability. The three generic strategies identified by Porter are "overall cost leadership, differentiation, and focus" (Porter, 1980). These strategies can help a company sustain a continued competitive advantage while outperforming rival companies.

Overall Cost Leadership

This generic strategy helps companies to secure a competitive position in the market by ensuring low costs of production. This, in turn, helps the company to offer products and services at a price lower than the average offered by the rival companies. Low costs can be achieved through long-term partnerships with vendors, such as Burberry's partnership with Peru for the provision of cotton yarn that is used for the production of its trench coats. Burberry's pricing strategy is premium pricing, and as it is a luxury brand, the consumers accept the pricing, which is intentionally discriminatory (Gardetti & Torres, 2015). Moreover, the company employs various cost-cutting strategies through years of experience. In 2020, Burberry cut a cost of approximately 125 million pounds by targeting operational efficiencies. In 12 months it cut another 25 million pounds by the closure of the store and 46 locations and opening in 37. Through these measures, the company cleaned its cost base, creating an opportunity for " meaningful operating margin improvement"(Biondi, 2020). These strategies reduce the bargaining power of customers, create an entry barrier, and ensure that the competitive edge of the brand is sustained for the longer-term.

Differentiation

Differentiation is the second generic strategy that companies can use to maintain their sustainable competitive advantage. It focuses on distinguishing the company from the others through the uniqueness of the products and services offered. For Burberry, this differentiation is attained through durability, product design, and customer perception. Its finest craftsmanship and design through cutting-edge technology secures it an exclusive position in the market. Moreover, the invention of gabardine, i.e., a waterproof cotton material, also sets apart Burberry's famous trenchcoats from those of the other brands.

The brand has been a forerunner when it comes to technological innovation. The incorporation of social media, big data, and AI since 2006 has enabled the company to reap the rewards of this investment. Today, 20 different social media platforms represent Burberry which has a combined following of approximately fifty million. They are differentiated through their customers' service through chatbox updates and behind-the-scenes content from its fashion shows. It has been live-streaming its fashion shows since 2009, thereby increasing its global reach. Another strategy of differentiation employed by the company is the "see now, buy now" format for the runway shows, where few products are available for purchase immediately after the show. Burberry App., Line, Kakao, etc. all are the means to connect with the consumers through newer mediums of communication. To maintain its distinguished position in the market, Burberry has also used technology to combat counterfeiting by teaming up with Entrupy. This has enabled the company to spot fake items with an accuracy of 98% by analyzing the inconsistencies in weave and texture. All these strategies have helped Burberry to create an exclusive market position, and combat the changes in its macro-environment, thereby maintaining its competitive advantage.

Focus

The third generic strategy is “focus”. Companies may direct their focus towards a particular group of interest which may include a specific consumer base, buyers, or a specific geographical market. Through these focused actions, Burberry can improve upon its offers and meet the demands of customers in a better way. Although many challenges have arisen over the years, Asia has remained a strong region in terms of revenue. Currently, the brand is closely focused on China due to the recent coronavirus outbreak and the resulting impact on Chinese tourism. Burberry is more focused on the millennials who prefer fast-paced, tech-driven actions. The company joined Farfetch, which is an online platform. It has reduced the delivery time of items, including Burberry handbags in London, to approximately 90 minutes and has an option of same-day delivery for Manchester and London. These non-traditional methods of supply are preferred by the younger generation; therefore, it is an area of focus for the company.

Segmentation, Targeting & Positioning

Segmentation

As a leading fashion brand, Burberry realizes the importance of market segmentation and has incorporated it through geographic, demographic, and psychographic segmentation to combat any changes that might occur in its macro-environment.

Geographic Segments

Currently, Burberry is operating in several geographic segments, which include the Asia-Pacific, the Americas, Europe, the Middle East, India, and Africa. At the time of its establishment, the company solely focused on outerwear due to the sales being limited to London. However, with an expansion to various geographical zones of the world, the company has extended its range to items such as bags, accessories, fragrances, etc.

Demographic Segments

Burberry differentiates the customers that it aims to target. It offers products for men, women, and children and segments the products based on age. It also offers products for fitness freaks. Burberry products are available for purchase by people regardless of their race. An example of Burberry’s demographic segmentation is two brand labels available in Japan, i.e., Burberry Black Label and Burberry Blue Label. The brands differ in terms of the clothing size that they offer.

Psychographic Segments

Although used less consciously, psychographic segmentation is employed by Burberry to create a perception among its buyers as the next cool and hip thing (Adjmi, 2013).

Targeting

The target consumer of Burberry is someone who seeks luxury while being functional. Burberry employs a differentiated targeting strategy. The target customers of this fashion brand are individuals belonging to the upper social class aged between 20 – 45 years. Burberry designs products for both men and women; however, the target market is dominated by females who are perceived as having more disposable income. It also targets wealthy parents with its range of children's wear. Luxury, aspiration, and function are the motto that differentiates it from other brands. Currently, Burberry is seeking to target a younger audience to form a loyal consumer base.

Positioning

The brand has positioned itself in its consumers' minds as a "functional luxury." With a wide-ranging product line, Burberry has created two main categories, i.e., fashion and continuity. While Fashion products are introduced on a collection-by-collection basis and keep up with the current fashion trends, the continuity products are durable and are anticipated to last over many years. Burberry has positioned its products in the form of three primary collections, which include menswear, womenswear, and accessories. The wide range of products offered through various collections, along with the categories of fashion vs. continuity, has contributed to the positioning of the Burberry brand. Over the years, the brand has received awards for the "Contemporary Design Collection of the Year" and the "Classic Design Collection of the Year." This is an illustration of brand diversity which has led to varied market positioning. The brand has an appeal for a trendy 25-year-old as well as the older conservative generation. More recently, the brand ads have featured younger models and have targeted the population with one most common notion i.e., functional luxury (Jacobson, 2021).

Branding

Burberry has maintained its identity as a British brand, promising the true-blue English style for its customers. It has a reasonable brand salience. The brand name is highly recognized. However, it scores low on logo recognition. The strong brand associations include trench, checks, bags, beige, and British. The strong imagery of style, quality, and elegance is associated with the brand name. It appeals to people who seek timeless classic style while maintaining the modern chic and British sensibility.

The Burberry group operates in a global market scenario and is continuously exposed to changes in the macro-environment. These changes may impact the company's marketing strategies to mitigate the impact of change. Although the company has established its long-lasting competitive edge, it must continue to assess the shifts that occur in the industry. Monitoring the regulatory changes and performing regular horizon scans can help the company keep up with the changing macroeconomic trends. To deal with the political volatility, the company must be engaged with the departments of the UK government as well as the other external stakeholders to keep open channels of communication (Burberry, 2021).

Potential Impact on Customer Behavior and How it Might Change

An essential factor in marketing is consumer behavior. Through various marketing strategies, brands strive to influence the purchasing behavior of customers. Over the years Burberry has employed many influential strategies to impact the purchase decisions of consumers. Burberry has utilized various motivational, personality, perception, and lifestyle strategies to influence consumers. While companies use various strategies to ensure that theirs is the most preferred product, many changes in the macro-environment also impact the buying decisions of consumers. These may include political unrest, economic conditions, or social influences.

The greatest influence on the buying behavior of consumers is exerted by the changes in economic factors. A luxury brand like Burberry may face an increased impact of economic instability as its products are high-priced. The economy of any country directly impacts the purchasing power of its people. Weakened purchasing power entails that the consumers are rendered unable to afford the products; therefore, consumer behavior is impacted by the level of income, liquidity of assets, credit facility, and spending attitude. Since the global economic crisis of 2008, the UK economy has seen a continuous decline. The resulting inflation has weakened Europe's economy due to ongoing poor economic outcomes. In such a scenario, buyers not only limit their spending on necessities but also reduce spending on luxury products (Hartwich, 2009). Various political factors, such as trade sanctions, trade agreements, wars, diplomatic relations, and political events, may impact the buying behavior of consumers. With its operations spread in the international markets, Burberry must consider the various regulations and policies that may influence consumer behavior. Additionally, the brand name is associated with Britain, which strongly influences the heritage of outerwear and luxury positioning. Although these features make the brand quite popular among buyers in the UK, they may have certain impacts on international consumers. Certain social factors may come into play. The more conservative Chinese and Indian markets may pose a challenge to the establishment of the brand due to the British undertone associated with it.

Opportunities of Growth

Opportunities for Technological Growth

In July 2021, Burberry reported fast-paced technological growth and high social engagement as it accessed new and younger clientele in Asia. This has led to an 86% increase in retail sales as compared to the last year. These new shoppers were targeted in foreign markets, including Korea and mainland China. The technological innovations offer Burberry a chance for heightened growth in the future as well. Burberry has more than doubled its digital sales, and it continues to innovate in this regard. Its collaboration with Mythical Games, the launch of a handbag hub on its webpage, and the ad campaign featuring the top US model Kendell Jenner, Shygirl, and FKA twigs have increased its social media engagement. Since Burberry is a forerunner in adopting technological innovations and seeks to establish itself as the it-brand for millennials, it must seize the opportunity that the technological factors offer. In the future, it can accelerate its sales through collections and campaigns that attract younger luxury consumers to the brand. By investing in leather goods and outerwear, which have already yielded high profits, strong growth opportunities can be created. The development of new concept stores that seek to transform the consumer experience in a unique British luxury setting may also serve to develop customer loyalty (Rigby, 2021).

Opportunities for Environmental Growth

The second opportunity available to Burberry is related to environmental factors. With the notion of being climate-friendly on the rise, Burberry must ensure to implementation of climate-positive policies. It must position itself as environmentally conscious and more sustainable in its practices. Although currently, the brand is rated ‘good’ in terms of the environment, it uses only a few eco-friendly materials. It must work efficiently towards lowering its emissions and eliminate all forms of hazardous chemicals from its processes, especially those used in its tanneries. There is massive criticism by environmentalists on the negligent destruction of resources by high-end brands. Until 2018, instead of selling goods below value, the unsold products were burned, triggering a backlash from environmentalists. A new initiative planned by Burberry in this regard is the donation or recycling of unsold products. Launching an eco-friendly range of products has been in practice by the brand; however, increased efforts are needed in this regard to fully capture the benefits of this opportunity. Following the notion of Zero Waste, the company can utilize this opportunity to recreate packaging out of reusable or biodegradable materials. This may prove to be more cost-effective than the current practices. Reusing leather scraps, dispensing fur altogether, and developing new sustainable materials can enable the brand to re-establish itself as the leading environmental-friendly luxury brand (Haus von Eden, 2019).

Conclusion

Conclusively, the macro-environment of any company constitutes numerous factors. In the dynamic and technology-driven environment of today, where even a small misstep may lead to wide-ranging repercussions for the companies, an environment that is plagued by pandemics and uncertainty, and a highly volatile economy, businesses must keep abreast of these changes by continued evaluation of its practices. Only through practices that forecast risk assessment companies can turn these threats into opportunities. For a well-established name such as Burberry, the changes in the macro-environment may be easily overcome through risk assessment and contingency planning. Moreover, seeking growth opportunities within threats and taking preemptive measures have helped establish Burberry as one of the premium brands in the UK.

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