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YOUNGME MOON

Burberry

It was the summer of 2003, and Rose Marie Bravo, the chief executive of Burberry, was reflecting on the past five years. Much had changed since Bravo had assumed leadership of the company in 1997. Prior to her arrival, Burberry had been a brand heavily reliant on licensing and distribution arrangements and a limited set of products. But Bravo and her team had spent most of their energy over the last few years "redirecting" things—everything from overhauling the company's distribution strategy to revamping the company's product line. The results had been sensational: Burberry was now considered one of the leading luxury brands in the world.

Sales at Burberry reflected the renewed popularity of the label; revenues had grown from about £225 million in fiscal 2000 to almost £600 million in fiscal 2003. (See **Exhibits 1** and **2** for Burberry financials.) Bravo had even managed to successfully steer Burberry through an initial public offering of 22.5% of its shares in the summer of 2002 amid choppy market conditions.

Still, Bravo and her team knew that the next five years were going to be crucial. Bravo's goals were to maintain the currency and cachet of the brand across its broad customer base, while entering new product categories and expanding distribution.

History

Burberry was founded in 1856, when 21-year-old Thomas Burberry opened a draper's shop in Basingstoke, England. Shortly thereafter he invented gabardine, a waterproof and breathable fabric that quickly became the fabric of choice for anyone venturing out into extreme conditions. Burberry's trench coat was chosen to be the official coat of the British Army in World War I, and a 1930s marketing campaign declared, "For safety on land, in the air or afloat, there is nothing to equal the Burberry coat." (See **Exhibit 3** for Burberry timeline.)

The Burberry check pattern—a camel, black, red, and white plaid design—was introduced in the 1920s as a lining to its signature trench coat, and became a registered trademark. Over the ensuing years, celebrities, well-known adventurers, and politicians were often seen in the Burberry "check." The trench coats were worn by Humphrey Bogart and Ingrid Bergman in *Casablanca,* by Peter Sellers in *The Pink Panther*, and by Audrey Hepburn in *Breakfast at Tiffany's*. They were also donned by famous aviators, balloonists, and expeditionists seeking to conquer the South Pole and Everest. Burberry's original designs and uncompromising quality even made the brand popular with British royalty; King Edward VIII, a regular Burberry wearer, was known to say: "Give me my Burberry!" As a result, the brand increasingly became a symbol of both luxury and durability.

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In 1955, Great Universal Stores Plc. (GUS)—a British holding company that ran a home-shopping network and other businesses—bought Burberry. By the 1970s, the Japanese had discovered the brand's iconic check, and GUS management had agreed to license the brand in Japan through Mitsui and Sanyo. Over the next decade, Burberry continued to grow worldwide, primarily through additional licensing and distribution agreements.

But as the Burberry brand became licensed across a range of categories (from wallpaper to chocolate), the price, design, and quality of products began to vary across local markets, in part because the company exercised limited control over its licensees. In addition, "parallel trading"—in which wholesalers sold to unauthorized distributors, who then sold products at prices, channels, and locations without respect to the brand image—started to become common, particularly in Asia.

By the 1990s, Burberry's product line was being sold in retail environments inconsistent with its quality proposition. The company had become overly reliant on a narrow base of core products (e.g., outerwear and umbrellas), and its customer base had become heavily concentrated among older males and Asian tourists. The brand had lost much of its exclusivity, and the Far East accounted for a disproportionate 75% of sales. Bravo remarked:

> By the mid-90s, the company was facing a number of strategic and structural issues. Although the business was profitable, earnings quality was low. The brand was stodgy-looking and conservative, and skewed to an older customer base. The company not only lacked a cohesive vision, it lacked the discipline necessary for a luxury goods retailer.

The Rose Marie Bravo Era

When I first started at Burberry, our goal was to make it great from a global perspective. I told my husband I was going into a tunnel where I'd be digging and digging to get to the roots, and that I wouldn't be coming out for months.

—Rose Marie Bravo

The reinvention of Burberry began in 1997 when Bravo came on board as chief executive. Bravo, a native New Yorker, came to the company with significant expertise based on her previous tenure as president of Saks Fifth Avenue. With 25 years of experience in the industry, Bravo was one of the most well-respected executives in the retail and fashion trade.

Bravo's goal was to transform Burberry from a tired outerwear manufacturer into a luxury lifestyle brand that was aspirational, stylish, and innovative. She began by bringing in a top management team made up of A-list industry talent. "I was looking for people who had worked in stores, on shop floors, and in fitting rooms," she said. "I needed people who knew what it took to succeed in a retail environment, people who knew what customers wanted, what price points people wanted, where the gaps were."

Stan Tucker, head of menswear at Burberry, was recruited by Bravo from Saks:

> I never in my wildest dreams thought I'd be living in England or taking a company that was 150 years old and turning it around. Getting your hands around all of the challenges was monumental. It was like pushing an elephant uphill thinking, "Please don't sit down," because otherwise you were dead. Rose Marie was instrumental—she pushed us and put stepping-stones in front of us and cleaned out other steps that didn't need to be prioritized. It was remarkable.

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Some of Bravo's immediate changes were cosmetic—for example, the company's name was changed from Burberry's to Burberry and a contemporary logo and packaging were introduced. In addition, the new chief executive and her team made a number of strategic decisions that ended up transforming virtually every aspect of the business.

Repositioning the Brand

The first decision Bravo and her team made was to reposition the brand, the goal being to attract younger customers while retaining Burberry's core customer base. "We set our sights on becoming one of the luxury greats," Bravo elaborated, "so we began by surveying the market and identifying the gaps. Next, we needed to figure out whether we could position ourselves within one of those gaps while remaining true to our core brand values."

Bravo eventually decided that there was a niche for Burberry between labels such as Polo Ralph Lauren and Giorgio Armani in apparel, and between Coach and Gucci in accessories. "We focused on a particular price point and a particular bracket," she said. "We knew we didn't want to be cutting-edge fashion; that was too tough, too rarified, too fickle, and too antithetical to Burberry. We also knew that we didn't want to be just classic because there were enough of those brands."

Pat Doherty, senior vice president of marketing worldwide, added, "We wanted Burberry to represent 'accessible luxury.' What separated us from other luxury brands was our functionality—a trench coat has a purpose, to keep you warm and dry. So our point of difference was that we were aspirational, but also functional."

Updating the Product Line

The next step was to update the product line. Bravo and her team began by slashing the number of product stock-keeping units (SKUs) from 100,000 to 24,000 to eliminate outdated designs and pave the way for a consistent look across products. Bravo also hired a new design team to redesign Burberry's traditional products and to extend the Burberry image to a new range of products.

By 2003, the new product line ranged from bandanas to miniskirts to spike-heeled boots. Furthermore, all products were now classified as continuity or fashion-oriented. Continuity products—e.g., the classic trench, duffle coats, certain handbags and scarves—had life cycles that were expected to last over a number of years. Fashion-oriented products were designed to be responsive to fashion trends; they were introduced on a collection-by-collection basis.

Burberry now had three primary collections: womenswear, menswear, and accessories. (See **Exhibit 4** for product ranges.)

- **Womenswear**. Burberry introduced 450 to 500 women's apparel styles each season, including outerwear, knitwear, casual wear, tailored garments, swimwear, and underwear. In keeping with the brand's rough weather heritage, the womenswear line traditionally focused on the autumn/winter season; however, it had evolved in recent years to include apparel for warmer climates. The spring/summer 2000 collection had even featured Burberry check bikinis, which had proven to be enormously popular.

  Michele Smith, head of womenswear, noted, "Burberry stands for sporty, functionality, and protection; that's our heritage and young people like the realness, the authenticity. The trench, for example, is quintessential Burberry. But we're also trying to achieve broader appeal by evolving our icon."

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- **Menswear**. Burberry addressed the needs of its male customers with tailored suits, raincoats, trousers, and shirts. The company offered 330 to 350 styles per season, and the collection had been updated to include a wider assortment of fashion-influenced apparel. Still, the menswear collection used the iconic Burberry plaid in a more understated manner because, as Stan Tucker, head of menswear, put it, "Wearing a big checked coat down the street is not something most guys would do."

  The menswear collection targeted a broad range of customers. Tucker explained, "We're very cross-generational. We want to appeal to the young, 25-year-old guy who's on his first job—the guy who wants to wear something really hot, but we also want to appeal to a 60-year-old investment banker—the guy who wants great quality and a modern, classic look."

- **Accessories.** The accessories collection included "soft" accessories such as scarves, shawls, and ties, as well as "hard" accessories such as handbags, small leather goods (belts and wallets), women's shoes, luggage, umbrellas, eyewear, and timepieces. As Pamela Harper, head of accessories, explained, "Accessories are a piece of the dream"; their wide range of price points made them an accessible entry point for potential new customers. In addition, accessories afforded higher margins than apparel, in part because they were less fashion-oriented and therefore less risky, and in part because there were no size variations to accommodate. (See **Exhibit 5** for additional details.)

With non-licensed products, Burberry exercised control over everything from design to sourcing, manufacturing, and distribution. When specific expertise was required that was outside of Burberry's core skills (e.g., fragrances, eyewear, timepieces, childrenswear), the company worked with licensees who had the right to design, manufacture, and distribute products under the Burberry name. License royalties—about 10% of Burberry's revenues—were calculated on the basis of their recommended retail value; they typically ranged from 3% to 12% of retail value.

In addition, Bravo and her team had reined in many of the older licensing agreements to curb inconsistencies in price, design, and quality across markets. The company had also taken tighter control over distribution—buying some distributors, ending relationships with some, and renegotiating contracts with others.

By 2002, the company had 3,162 wholesale doors worldwide, including 434 department stores and 2,728 specialty stores. Burberry also operated more than 132 company-owned stores, including newly opened flagship stores in London, Barcelona, and New York City. These stores were designed to display the full product range, showcase the vision, and act as a testing ground for new concepts and designs. (See **Exhibit 6** for details about Burberry's distribution network. See **Exhibit 7** for New York and Barcelona flagship store photos.)

Prices had been raised to reflect the brand's new positioning; gross margins were now 56% compared with 47% in 2000. Christopher Bailey, who had taken over as creative director, remarked:

> Our biggest design challenge is to create a consistent brand image. The lifestyle of a teenager is very different from the lifestyle of someone who lives in the English countryside, just as the lifestyle of a banker is very different from the lifestyle of a fashionista. So unless we have a strong vision and speak with a consistent voice, we run the risk of losing our brand credibility.

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Expanding the Brand Portfolio: Burberry Prorsum

Burberry London was the company's core label. In some countries, the company also offered a lower-priced label designed to appeal to a younger, more fashion-conscious customer. For example, the *Thomas Burberry* line was available only in Spain and Portugal, and the *Burberry Blue* and *Black* labels, for young women and men, respectively, were available only in Japan.

At the high end, Bravo and her team had recently decided to expand the brand portfolio with a label called *Prorsum* as a way to reinforce Burberry's new positioning in the luxury market. Products within the *Prorsum* collection were hand-tailored from innovative fabrics, and featured the kind of quality and detail associated with haute couture. Bravo explained the *Prorsum* introduction this way: "We needed to tell people that something new was happening at Burberry. The idea was to introduce a high-profile, high-end brand, and do it in a first-class way, by putting it in the best stores in the world."

Doherty added, "The *Prorsum* introduction was our way of communicating the idea that Burberry was a brand with the stature to appear on runways alongside the fashion greats. It provided us with the opportunity to showcase our new image to the top industry journalists and get editorial press for our collections."

Burberry staged its first catwalk show for the *Prorsum* collection in September 1998 during London Fashion Week; it was later honored as British Classic Design Collection of the Year. Following that introduction, *Prorsum* showed semiannually at Milan Fashion Week alongside other major luxury brands. "*Prorsum* has become a modern vision for our company," said creative director Bailey. "It provides us with a laboratory for ideas about fabrics, silhouettes, and constructions that we can filter down to other areas of the business. We have very limited distribution of *Prorsum*—it's not meant to be a brand for millions of people; it's for people who are truly interested in fashion." (See **Exhibit 8** for *Prorsum* products.)

Advertising

To promote the new Burberry brand image, Bravo and her team had hired a famed team that included photographer Mario Testino, whose work had appeared in *Vogue*, *The Face*, and *Vanity Fair*, and creative director Fabien Baron and advertising agent David Lipman. The trio was given a £10 million advertising budget to produce a new advertising campaign; the task was to address the problem of Burberry's stodgy reputation by associating the brand with a more trend-conscious, modern look. At the same time, "It was important that we stay true to our heritage," said Bravo. "The reason Mario was the perfect partner for us was that he understood the importance of a heritage brand. He also understood Englishness; after all, he lived in London."

The Testino advertising campaign had been introduced in two phases. The first ad flight had launched in 1998; it had featured a British aristocrat (model Stella Tenant) in Burberry outerwear in an outdoor setting. (See **Exhibit 9** for sample ads.) "I loved the seminal campaign," said Bravo. "All we had were raincoats, and yet we were able to build a story that conveyed our brand values—classic and chic and fun and witty—around the simple idea of Stella outdoors in the rain. There was a zaniness there—the chandelier hanging from the tree, the chickens, and the British landscape." "Stella was the perfect choice," agreed Doherty. "She was so clearly aristocratic, so obviously of the right pedigree. She looked like her parents would have worn Burberry."

In the autumn/winter of 1999, Tenant had been joined by model Kate Moss. Tenant had continued to be featured in Burberry's campaigns in black-and-white photographs on motorcycles

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and windswept beaches in Burberry trench coats and suits. However, Moss had brought a different look to Burberry's campaigns; as Bravo put it, a spring 2000 shot of Moss in a Burberry check bikini had introduced an image "that wiped years off the average age of our customer." (See **Exhibits 10** and **11**.) Doherty added:

> When we introduced Kate in our ads, we were really able to communicate our more modern, fashion-oriented side. The best ads were the ones in which we used the two of them together; it was almost like good girl, bad girl. There was something incredibly compelling about it. It's not that Kate was "bad," she was just a little bit naughty. Stella was aristocratic but sexy, too.

The Next Five Years

By 2003, it was evident that Bravo and her team had succeeded in turning the Burberry brand around. Burberry had not only become popular among a younger demographic, it had become positively hip. Madonna and her daughter had recently been photographed in Burberry check, and it was not uncommon for hip-hop celebrities to be seen with Burberry pants, shirts, scarves, and cell phone covers. The cofounder of a record label had even upholstered the seats of his 2003 red Corvette in the classic Burberry check.

The company had also received the Contemporary Design Collection of the Year Award by the British Fashion Council. Burberry had previously won the Classic Design Collection of the Year, leading Bravo to note, "There are not many international luxury brands that could be considered classic as well as contemporary. Burberry, thanks to its great history and British heritage, is one of them."

On a personal level, Bravo had further cemented her reputation as one of the top executives in the industry; in 2002, she had been named *Time* magazine's Fashion CEO of the year, and for two consecutive years she had topped the list of *Wall Street Journal Europe's* Annual Women in Business Awards, given to executives who thrive in adverse environments. In 2003, the Council of Fashion Designers of America honored Bravo for outstanding contributions to fashion.

Now, looking forward, Bravo remarked: "We have certainly reached a certain playing field where we can be mentioned in the same breath as some of the greats. But I still don't believe the brand has reached its full potential; we still have a lot of refining to do. Over the next five years, our focus will be on taking Burberry to the next level." In this regard, Bravo and her team faced a number of key decisions.

Product Categories

The first issue had to do with what new product categories Burberry should be entering. Product extensions were considered a key part of the company's growth plan. In autumn 2003, for example, Burberry planned to launch *Burberry Brit*, a new perfume line featuring a bottle with the check design. (See **Figure A** below.) According to the company, *Burberry Brit* personified a woman in her 30s, English, and charismatic. Burberry managers hoped that the fragrance extension would have the kind of lasting impact as Chanel No. 5.

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Figure A *Burberry Brit* Perfume

Source: Burberry.

The company was also in the process of developing its childrenswear line. Other product categories under expansion included footwear and *Thomas Burberry*.

Popularity of the Brand Among Non-Target Consumers

A second issue had to do with the appropriation of the brand by non-target customers. By 2003, Burberry items, both legitimate and counterfeit, had become increasingly popular among urban youth and hip-hop musicians. A member of the house in the reality TV series *Big Brother* had worn Burberry constantly. Although this brand affiliation was viewed a positive sign that Burberry had achieved aspirational status among youth, there was a concern that this affiliation could eventually alienate Burberry's core customers. To date, Burberry had not made any official statements about how it planned to deal with these emerging customer bases.

The Role of the Check

A related issue had to do with the ubiquity of the Burberry check. Over the past several years, the check had appeared everywhere—on socks, scarves, shoes, hats, coats, pants, jackets, bikinis, umbrellas, eyeglass cases, even chiffon underwear. (See **Exhibit 12** for examples.) About 10% of all apparel sales overtly featured check; another 10% featured the check in a seasonal color variation; a further 40% used the check subtly (e.g., in the lining or piping); the remaining 40% did not feature the check at all. In accessories, 60% to 70% of all sales were check. It was estimated that 25% of all company revenue was directly derived from prominent check products. As Bravo noted, "If I show you our check, you know it's Burberry. The key is to bring some soul to the thing." This meant managing the pervasiveness of the check in a strategic way.

For her part, Bravo felt it was important that the company transition to a more restrained use of the check over the next few years. She was advocating a "check under cover" philosophy in which customers had to "hunt for the pattern under a collar or inside a coat." She also believed that the company should be selling a greater number of products with no check at all.

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At the same time, she recognized that there were some customers who bought Burberry specifically for the check. "We have a lot of one-item aspirational check owners," she acknowledged. "We also have customers who don't feel like they're buying a Burberry unless the plaid is really prominent." Tucker added, "Check management is a daily discipline. Everyone in the world who deals with us falls in love with it and wants to put it on everything."

Sustainability of the Brand Positioning

A final issue had to do with the sustainability of Burberry's brand positioning. As Bravo described it, "We've succeeded in positioning ourselves right in the middle. We're wedged between lifestyle, represented by Ralph Lauren, and fashion, represented by Gucci." Still, she wondered how easy it was going to be to straddle both ends of the continuum over the long term. (See **Exhibits 13** through **17** for competitive comparisons.)

Complicating the issue was the fact that Burberry's brand positioning not only placed it in competition with both lifestyle brands and fashion brands but, as Eugenia Ulasewicz, president of U.S. Operations, noted, "Everyone is a competitor now. Even Target is a competitor. People shop everywhere; high-income people shop at discount warehouses and middle-income people shop at luxury retailers."

In this context, Bravo knew that, as demanding as the previous five years had been, the next five years could prove to be even more difficult. She remarked:

> Our challenges are very different now. Five years ago, our task was to fix a brand that was broken. We've accomplished that; today, the Burberry brand is healthier than it has ever been. Now the task is to manage the popularity of the brand in a way that lays the foundation for long-term growth. The last thing we want is to become the victim of our own success. The question is, how do we continue to grow the brand without risking customer burnout?

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Exhibit 1 Burberry Financials (fiscal year ends in March)

	2000		2001[a]		2002		2003	
	£ mil	%	£ mil	%	£ mil	%	£ mil	%
Revenues								
Retail	99.1	43.9%	143.2	33.5%	156.9	31.4%	228.4	38.5%
Wholesale	95.8	42.4%	238.8	55.8%	288.8	57.9%	306.9	51.7%
License	30.8	13.7%	45.8	10.7%	53.5	10.7%	58.3	9.8%
Total	225.7		427.8		499.2		593.6	
Cost of Sales	(120.1)	(53.2%)	(223.1)	(52.2%)	(248.1)	(49.7%)	(261.3)	(44.0%)
Gross Profit	105.6	46.8%	204.7	47.8%	251.1	50.3%	332.3	56.0%
Operating Expenses								
Distribution, administration and other	(87.1)	(38.6%)	(139.6)	(32.6%)	(165.7)	(33.2%)	(222.0)	(37.4%)
Operating Profit	**18.5**	**9.2%**	**65.1**	**15.2%**	**85.4**	**17.1%**	**110.3**	**18.6%**

Source: Company data.

[a]Reflects acquisition of Spanish licensee.

Exhibit 2 Burberry Sales Breakdown (fiscal year ends in March)

	2000		2001		2002		2003	
	£ mil	%	£ mil	%	£ mil	%	£ mil	%
Total Sales	**225.7**		**427.8**		**499.2**		**593.6**	
By channel of distribution								
Retail	99.1	43.9%	143.2	33.5%	156.9	31.4%	228.4	38.5%
Wholesale	95.8	42.4%	238.8	55.8%	288.8	57.9%	306.9	51.7%
License	30.8	13.7%	45.8	10.7%	53.5	10.7%	58.3	9.8%
By product category								
Womenswear	63.4	28.1%	134.7	31.5%	165.2	33.1%	197.9	33.3%
Menswear	73.8	32.7%	142.4	33.3%	149.4	29.9%	162.8	27.4%
Accessories	50.2	22.2%	98.0	22.9%	125.8	25.2%	169.5	28.6%
Other[a]	7.5	3.3%	6.9	1.6%	5.3	1.1%	5.1	0.9%
License	30.8	13.7%	45.8	10.7%	53.5	10.7%	58.3	9.8%
By geography: destination								
Europe	115.5	51.2%	259.0	60.6%	286.7	57.4%	302.7	51.0%
North America	62.3	27.6%	90.9	21.2%	110.5	22.1%	140.5	23.6%
Asia Pacific	40.8	18.1%	74.6	17.4%	100.1	20.1%	147.0	24.8%
Other	7.1	3.1%	3.3	0.8%	1.9	0.4%	3.4	0.6%

Source: Company data.

[a]Other primarily includes Burberry's fabric manufacturing operation and miscellaneous products.

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Exhibit 3 Burberry Timeline

1860

Gabardine, the waterproof and breathable material is invented by Burberry, was the fabric of choice for 19th c leisure class sportswear.

1900

During WWI, Burberry was commissioned to design officers' uniforms for the British army. Its trench coats became regulation dress.

1924: Burberry's signature plaid-the black, white and camel "classic" check- begins appearing as the lining of trench coats.

1930s Company creed: "For safety on land, in the air or afloat, there is nothing to equal the Burberry coat.

1940

1940s: Burberry meets Hollywood: The Burberry raincoat kept 1940s film icons Hepburn and Bogart warm and dry.

1960s: Twiggy helps revitalize the trench.

1980

Burberry may not have been on the fashion runways during the 1970s and 1980s, but its trench coats proved reliable garb for the investigative work of Inspector Clouseau and Dick Tracy.

2000

From Kate Moss to Jay-Z to Barbie, the Burberry novacheck is the plaid of choice for the well-heeled and fashion-savvy.

Source: Casewriter research; Burberry.

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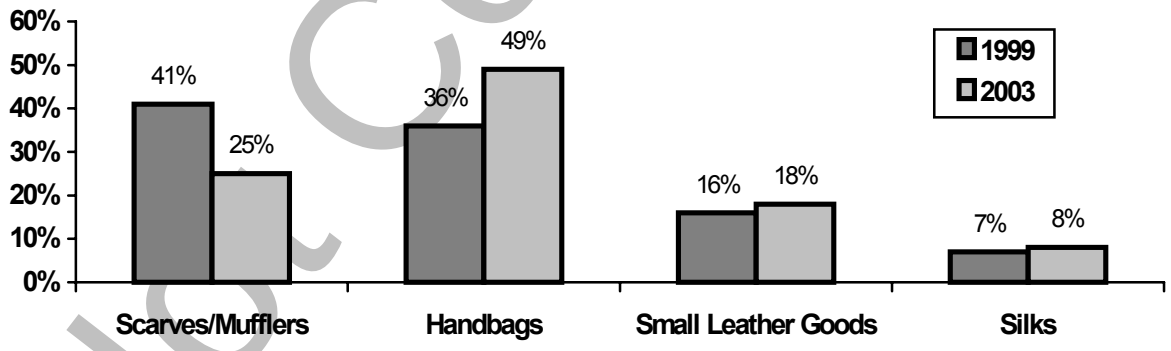
Exhibit 4 Product Ranges (for *Burberry London* label only)

Womenswear	Menswear	Accessories	Licensed Products
Outerwear	Outerwear	Handbags	Fragrance
Knitwear	Casualwear	Hats	Eyewear
Casualwear	Tailored garments	Shoes	Timepieces
Tailored garments	Sportswear	Belts & wallets	Childrenswear
Swimwear		Luggage	Men's tailored clothing
Underwear		Large leather goods	
		Umbrellas	
		Silk scarves	
		Shoes	
		Ties	

Source: Company reports.

Exhibit 5 Burberry Core Accessories (Sales, as a percentage of Total Accessory Sales; Fiscal Year ends in March. Includes only *Burberry London* label.)



Source: Adapted from Colonna et al., "Burberry. Bursting with Potential," Merrill Lynch, September 16, 2002, p. 17.

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Exhibit 6 Burberry's Distribution Network (fiscal year ends in March)

	2000	2001	2002	2003
Wholesale Network (No. of Doors)				
U.S.	186	352	414	
Europe	2,455	2,145	1,779	
Asia	184	175	168	
Total	**2,825**	**2,672**	**2,361**	**N/A**
Retail Network				
Flagship Stores	--	1	1	4
Directly Operated Stores	45	33	40	43
Concessions	6	6	10	62[a]
Designer Outlets/Factory Shops	14	17	18	23
Total	**65**	**57**	**69**	**132**

Source: Adapted from Colonna et al., "Burberry. Bursting with Potential," Merrill Lynch, September 16, 2002, p. 29.

[a]Indicates added doors due to acquisitions of distributors.

Exhibit 7 Burberry Flagship Stores

Source: Burberry.

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Exhibit 8 Burberry *Prorsum* Label

Source: Burberry.

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Exhibit 9 Burberry Advertisements Featuring Stella Tennant (Spring 1998)

Source: Burberry.

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Exhibit 10 Burberry Advertisement Featuring Kate Moss (Autumn/Winter 2000)

Source: Burberry.

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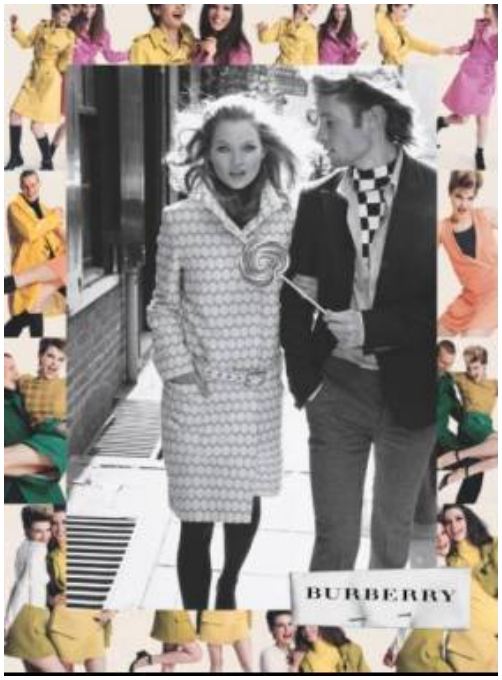
Exhibit 11 Burberry Advertisements (Tennant and Moss below), Spring/Summer 2003



Source: Burberry.

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Exhibit 12 The Burberry Check on Selected Products

Source: Burberry.

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Exhibit 13 Top 10 Global Luxury Goods Players (market share by sales, 2001)

Players	2001
LVMH	14.4%
Polo Ralph Lauren	9.1%
Richemont	6.4%
Burberry	5.2%
Gucci Group	4.4%
Swatch Group	4.3%
Chanel	3.7%
Giorgio Armani	3.5%
Rolex	3.2%
Tiffany	3.1%

Source: Adapted from Merrill Lynch estimates, based on aggregate consolidated revenues of the top 100 luxury goods players.

Exhibit 14 Accessories and Apparel Sales for Top Luxury Brands (2001; Brand sales for Burberry, Hugo Boss; Wholesale sales for Polo Ralph Lauren; consolidated sales for all others in EURmn.)

	EUR(mn)	Estimated Market Share
Accessories		
Louis Vuitton	2,640	23%
Gucci Division	1,394	12%
Hermes	945	8%
Coach	705	6%
Prada	513	4%
Ferragamo	507	4%
Polo Ralph Lauren	484	4%
Burberry	445	4%
Chanel	356	3%
TOD's	319	3%
Apparel		
Polo Ralph Lauren	3,621	9%
Hugo Boss	1,072	3%
Burberry	988	3%
Max Mara	950	3%
Giorgio Armani	661	2%
Ermenegildo Zegna	474	1%
Chanel	356	1%
Versace	283	1%
Gucci Division	255	1%
Escada Brand	245	1%

Source: Adapted from Euromonitor, Merrill Lynch.

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Exhibit 15 Apparel Pricing Survey (in US$; Burberry data reflect prices from *Burberry London* label only.)

	Burberry	Banana Republic	Brooks Brothers	Emporio Armani	Hugo Boss	Ralph Lauren
Womenswear						
Black Wool Pants	340	98	128	218	335	198
Casual Cotton Pants	170	68	78	188	125	75
Fashion Skirt	220	98	98	228	270	125
Cotton Blouse	195	68	60	—	165	190
Pant Suit	845	266	326	806	695	525
Black Dress	650	148	168	498	495	—
Trench Coat	950	—	168	—	—	245
Wool Overcoat	950	228	428	598	930	425
Menswear						
Polo Shirt	70	45	45	108	59	53
Dress Shirt	150	68	50	148	75	98
Suit	895	416	798	895	795	913
Trench Coat	825	—	—	228	595	—
Wool Overcoat	895	198	598	895	695	895
Wool Sweater	250	60	80	348	185	145

Source: Adapted from Bear, Stearns & Co. (2002), based on random store visits in London and New York City.

Exhibit 16 Accessories Pricing Survey (in US$; Burberry data reflect prices from *Burberry London* label only.)

	Burberry	Coach	Gucci	Hermes	Ralph Lauren	Prada
Accessories						
Leather Handbag	495	298	790	4,000	—	895
Iconic/Logo Tote	395	258	625	4,000	—	550
Women's Silk Scarf	210	38	250	250	—	—
Wool Scarf	100	58	225	—	40	225
Men's Silk Tie	110	—	125	108	75	118
Women's Watch	325-650	150-395	495-995	—	—	—

Source: Adapted from Bear, Stearns & Co. (2002), based on random store visits in London and New York City.

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Exhibit 17 Advertising Expenditures (2002E), Selected Fashion Companies

	EUR(mn)	% of Sales
Anne Klein	13	4%
Burberry	98	3%
Giorgio Armani	72	6%
Gucci Division	111	6%
Hermes	83	6%
Hugo Boss	79	7%
Louis Vuitton	169	6%
Polo Ralph Lauren	100	4%
Prada Group	122	7%
Yves Saint Laurent Couture	32	25%
Average	**70**	**8%**

Source: Adapted from Colonna et al., "Burberry. Bursting with Potential," Merrill Lynch, September 16, 2002, p. 38.

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