

INTERNATIONAL MANAGEMENT
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BURBERRY

C H A N G E O F S T R A T E G Y I N J A P A N

PRESENTED BY:
TEAM MEMBER 1
TEAM MEMBER 2
TEAM MEMBER 3
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AGENDA

0 1 Introducing Burberry

0 2 Different Market Entry Strategies

0 3 Limitations of Licensing

0 4 New Strategy

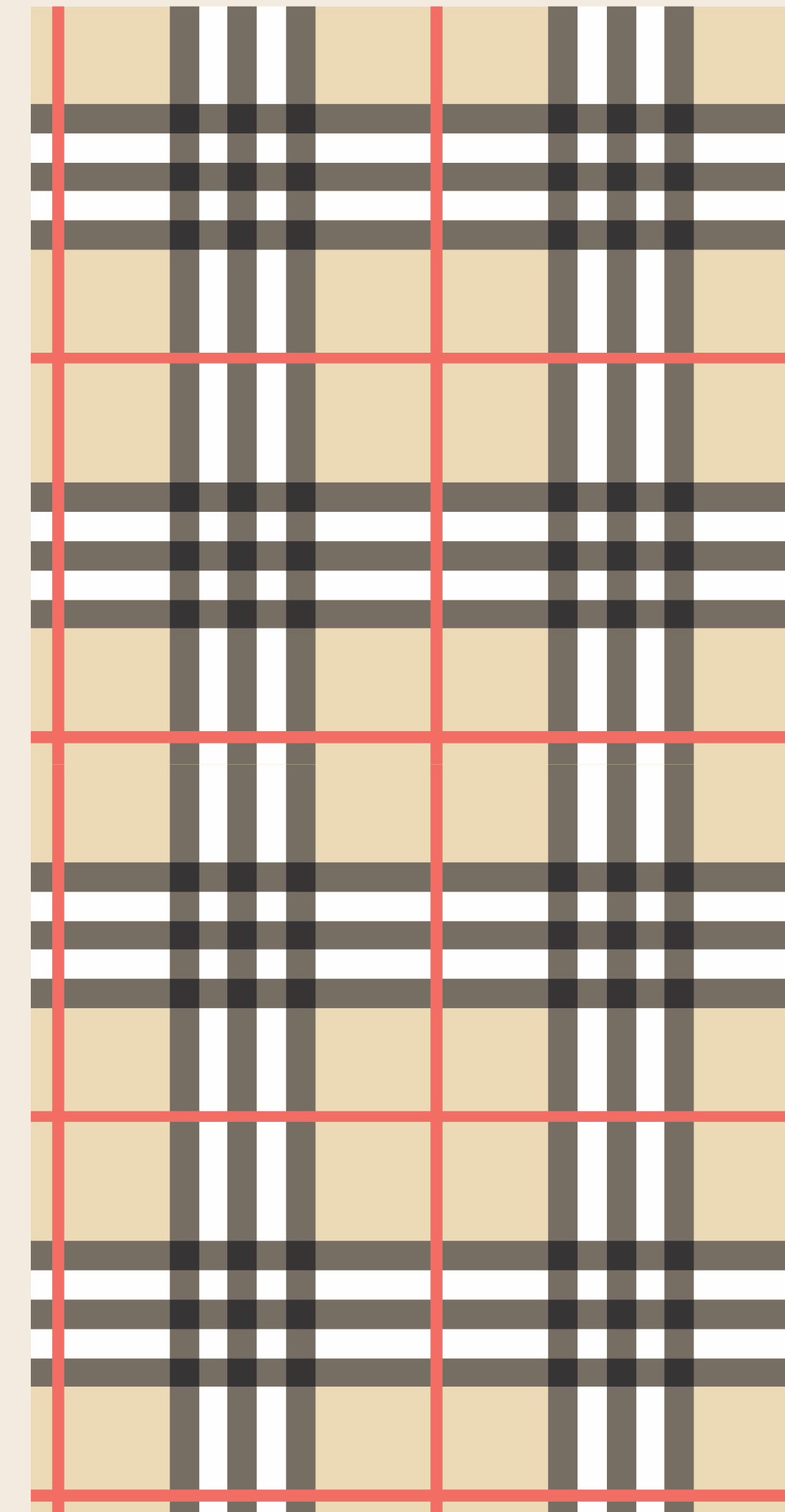
0 5 Protection from Counterfeiting

0 6 Key Takeaways



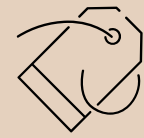
1

INTRODUCING
BURBERRY



INTRODUCING BURBERRY

BRAND



- Globally leading luxury fashion brand
- Embodies British heritage and elegance
- High-quality production in the UK and Italy
- Focus on exceptional craftsmanship

HERITAGE



- Founded in 1856 by Thomas Burberry
- Original purpose: Weather-resistant clothing for all conditions
- Evolved from outdoor wear to a global luxury brand

INNOVATION



- 1879: Invented Gabardine fabric – breathable and waterproof
- Iconic trench coat designed for the First World War

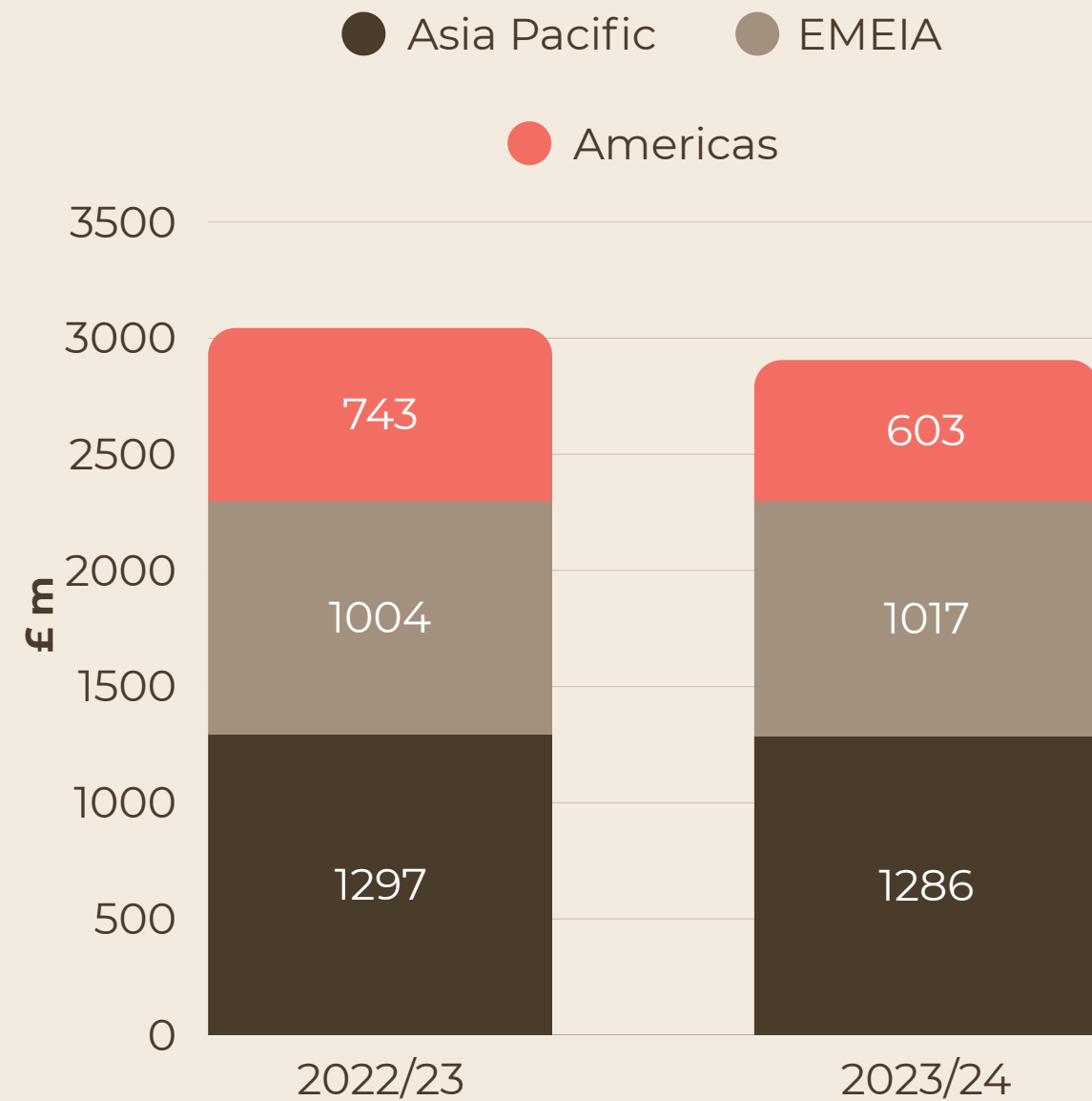
PORTFOLIO



- Famous tartan pattern and classic trench coat
- Wide range of products: apparel, shoes, bags, accessories, jewelry, and fragrances

INTRODUCING BURBERRY

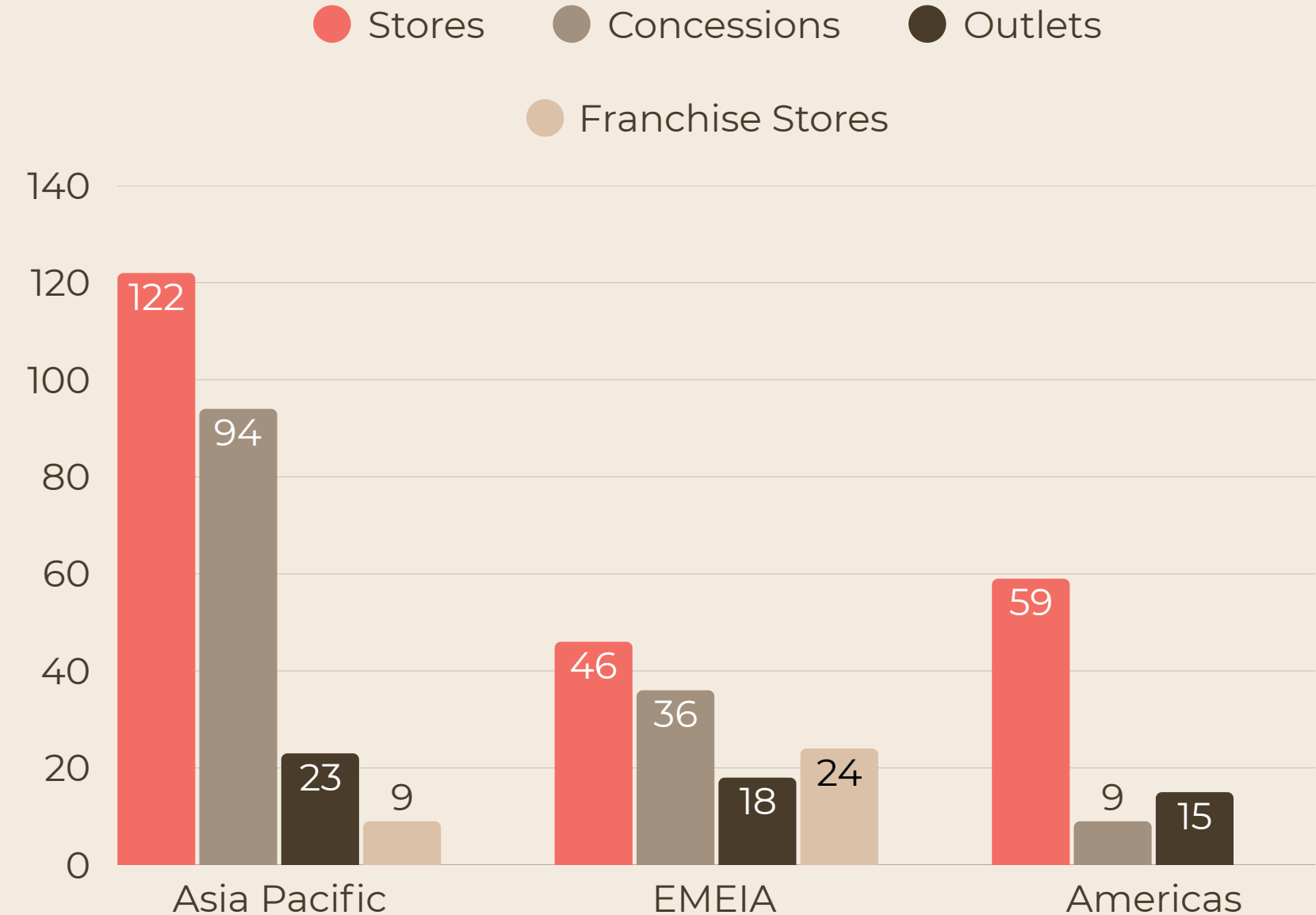
Revenue by region (£m)



Total Revenue:
£ 3,094m

Total Revenue:
£ 2,968m

Burberry stores worldwide



INTRODUCING BURBERRY – CASE

Background

- **Licensing agreement** with Sanyo Shokai for nearly 50 years
- **Broad product** range sold (e.g., golf bags, miniskirts, Barbie dolls)
- Products priced **lower** than in the **UK**
- Revenue: \$800 million/year for Sanyo Shokai, \$80 million in royalties for Burberry

Strategic Shift

- Termination of licensing agreements worldwide
- Focus on Burberry-owned stores and high-end products
- **Goal: Consistent and exclusive global brand image**

Problems

- Dilution of luxury brand image due to cheaper, widely available products
- Contradictory brand perception (Japan: less exclusive, UK: high-end luxury)

“In luxury, ubiquity will kill you.”
– Angela Ahrendts

INTRODUCING BURBERRY – CASE

Risks

- Short-term decline in sales
- Challenge: Customer acceptance of higher prices

Goals

- Rebuild the exclusive luxury image
- Establish a consistent global brand identity for Burberry

Implementation

- Termination of the license in 2015, closure of 400 stores
- Introduction of Burberry-owned stores selling high-end products (e.g., trench coats)
- Prices approximately 10% higher than before



2

DIFFERENT MARKET ENTRY STRATEGIES

DIFFERENT MARKET ENTRY STRATEGIES

High Control

Minority owned joint venture

Participation with a minority share (typically 10%–49%) in a joint venture in a foreign country

Majority owned joint venture

Participation with a majority share (typically 51%–99%) in a joint venture abroad

Wholly owned subsidiary

Establishment or acquisition of a company abroad that is fully owned by the parent company

Licensing

A foreign company is granted the right to use a brand or technology in exchange for licensing fees

Franchising

Transfer of a proven business model and brand to partners abroad in exchange for fees

Project-based venture

Temporary partnership to execute a specific project in a foreign market

Exporting

Products are manufactured in the home country and sold in foreign markets

Global sourcing

Buying materials or services globally to reduce costs and access better quality

Low Control

Gentile-Lüdecke, 2024

Wikipedia, 2024

Weglot, 2024



DIFFERENT MARKET ENTRY STRATEGIES FOR BURBERRY

High Control

Minority owned joint venture

Collaborate with a local retailer, holding a minority stake to influence brand strategy

Majority owned joint venture

Form a joint venture with majority control to lead strategy while leveraging local expertise

Wholly owned subsidiary

Open Burberry-owned stores to fully control brand and pricing

Licensing

Partner with a local company for production and distribution under strict brand guidelines (e.g. Sanyo Shokai)

Franchising

Allow local partners to run Burberry stores while adhering to strict brand standards

Project-based venture

Create a Japan-exclusive collection with a local designer or celebrity

Exporting

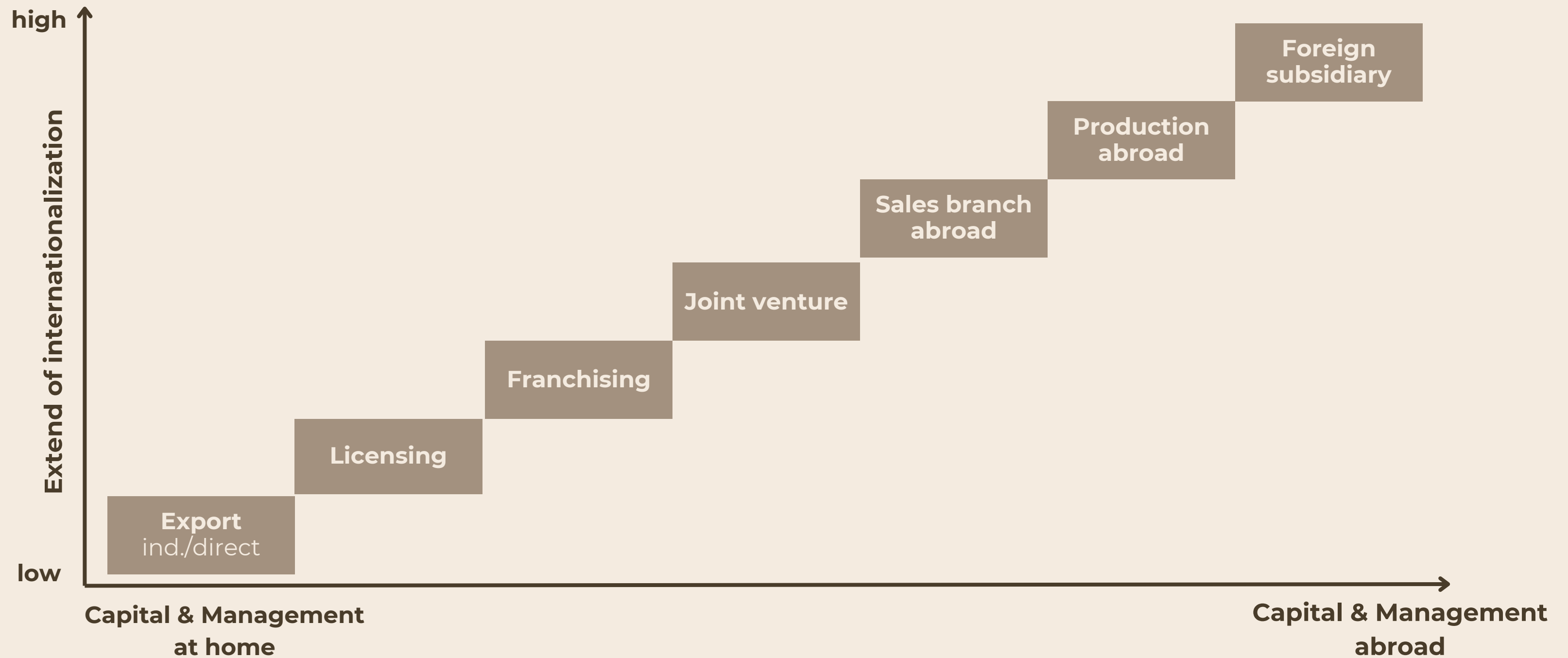
Sell products to a local distributor for placement in premium department stores

Global sourcing

Use high-quality Japanese materials to incorporate local expertise into Burberry's collections

Low Control

DIFFERENT MARKET ENTRY STRATEGIES FOR BURBERRY



WHY DID BURBERRY CHOOSE LICENSING?

Market Potential of Japan

- 4th-largest economy in the world
- High purchasing power, with a GDP of €31,513 per capita
- High demand for luxury goods & branded products

Market Entry Barriers

- Lack of Market Knowledge
- Cultural Differences
- Complex Market Access Conditions
- Intense Competition
- Consumer Loyalty

Advantage of Licensing

- Low Initial Investment
- Faster Market Entry
- Leverage Local Expertise
- Risk Sharing
- Steady Revenue Stream



3

LIMITATIONS OF LICENSING STRATEGY

LIMITATIONS OF LICENSING STRATEGY



Reliable Partner

Finding a fitting and trustworthy partner that meets all requirements can be difficult



Long-term Growth

No guarantee for future market expansion



Brand Control

Control over assets, intellectual property, and use of products is limited



Complexity

Not ideal if products, services, and knowledge are highly complex



Intellectual Property

Risk of infringement of IP, passing on to competitors, or licensee becoming one



Modest Income

Royalties are typically lower in comparison to other entry strategies



LIMITATIONS OF LICENSING STRATEGY



Reliable Partner



Sanyo Shokai was selected as partner, that should aid entering the Japanese market

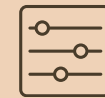
Long-term Growth



Deal did not create a sustainable basis for market expansion or brand strengthening in Japan



Brand Control



Sanyo Shokai sold products at much lower prices, diluting the brand and reducing its exclusivity

Complexity



Luxury operations require trained and knowledgeable staff to maintain concise image

Intellectual Property



Wide product range and low prices weakened core design and brand image

Modest Income



Profit from licensing is lower than from a directly controlled operation (only 10%)

WERE THE RISKS FORESEEABLE?



Initial Situation

- Burberry entered Japan via Licensing Agreement with Sanyo Shokai in the 1970s who is backed by giant trading company Mitsui
- Sanyo Shokai focused on creating and selling its own Blue Label and Black Label lines under the Burberry brand
- Agreement gave Burberry a foothold in the Japanese Market where it lacks distribution networks and expertise
- Burberry was able to gain high brand awareness and growth in the beginning where other luxury brands initially struggled, resulting in excellent sales and profits



Strategic Shift



Conclusion

WERE THE RISKS FORESEEABLE?



Initial Situation



Strategic Shift

- It turned out almost all value for Burberry was in Sanyo Shokai ´s Blue and Black Label
- Under new creative director Roberto Menichetti Burberry changed its brand strategy in 1997
 - Going from premium apparel to a luxury brand
- This change couldn ´t reach Japan because Burberry didn ´t own business there
 - Imbalance between Burberry and Sanyo Shokai concerning brand image created



Conclusion

WERE THE RISKS FORESEEABLE?



Initial Situation



Strategic Shift



Conclusion

- Initially, Sanyo Shokai was the right partner as they provided the necessary expertise
- With Burberry's strategy shift, the partnership became overhauled
- A globally consistent brand image is crucial for the shift to a luxury positioning
- Burberry could have mitigated risks by regaining control over its brand image during the strategic realignment



4

NEW
STRATEGY

IMPACT OF LICENSE TERMINATION

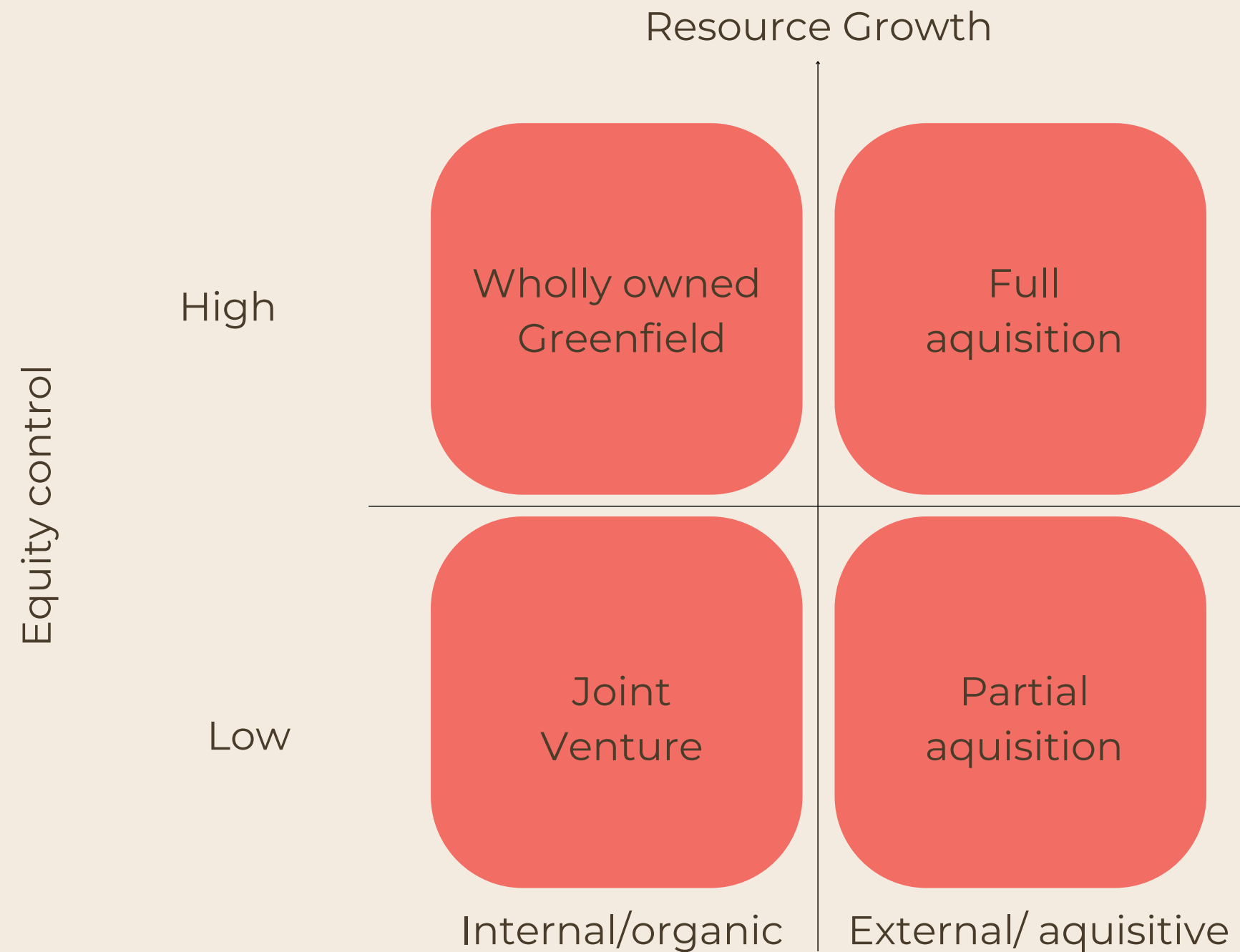
Nearly 400 Burberry stores were closed

Burberry Blue Label and Black Label were separated from Burberry
continued by Sanyo Shokai under the "Chestbridge" brand.

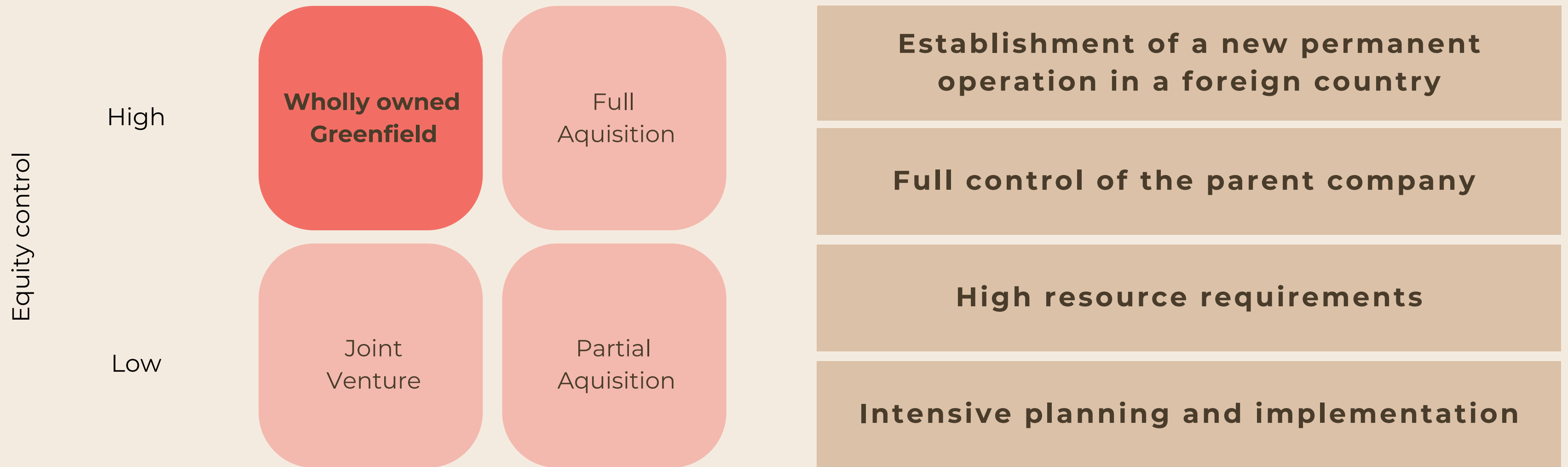
Opening of the first directly operated Burberry store in Osaka.



EQUITY MODES OF ENTRY



THE STRATEGY



RISKS OF THE NEW STRATEGY

High Investment Costs

Substantial capital for real estate, store design, staffing, and marketing is required.

Sanyo Sokai as a competitor

Customers may follow the new brands of Sanyo Sokai.



Market Entry Challenges

A deep understanding of the Japanese consumer preferences is necessary.

Market penetration

Burberry had to develop new distribution channels.

Loss of Established Customer Base

The closure of nearly 400 stores risks the loss of existing customers.

Brand Repositioning

Burberry needed to change its image in Japan.

CHANCES OF THE NEW STRATEGY



Direct Market Control

Burberry gained full control over the operations in Japan.

Flexibility and Adability

The control allowed Burberry to react directly to changing market trends.

Consistent Brand Image

Burberry has a consistent image across the world.

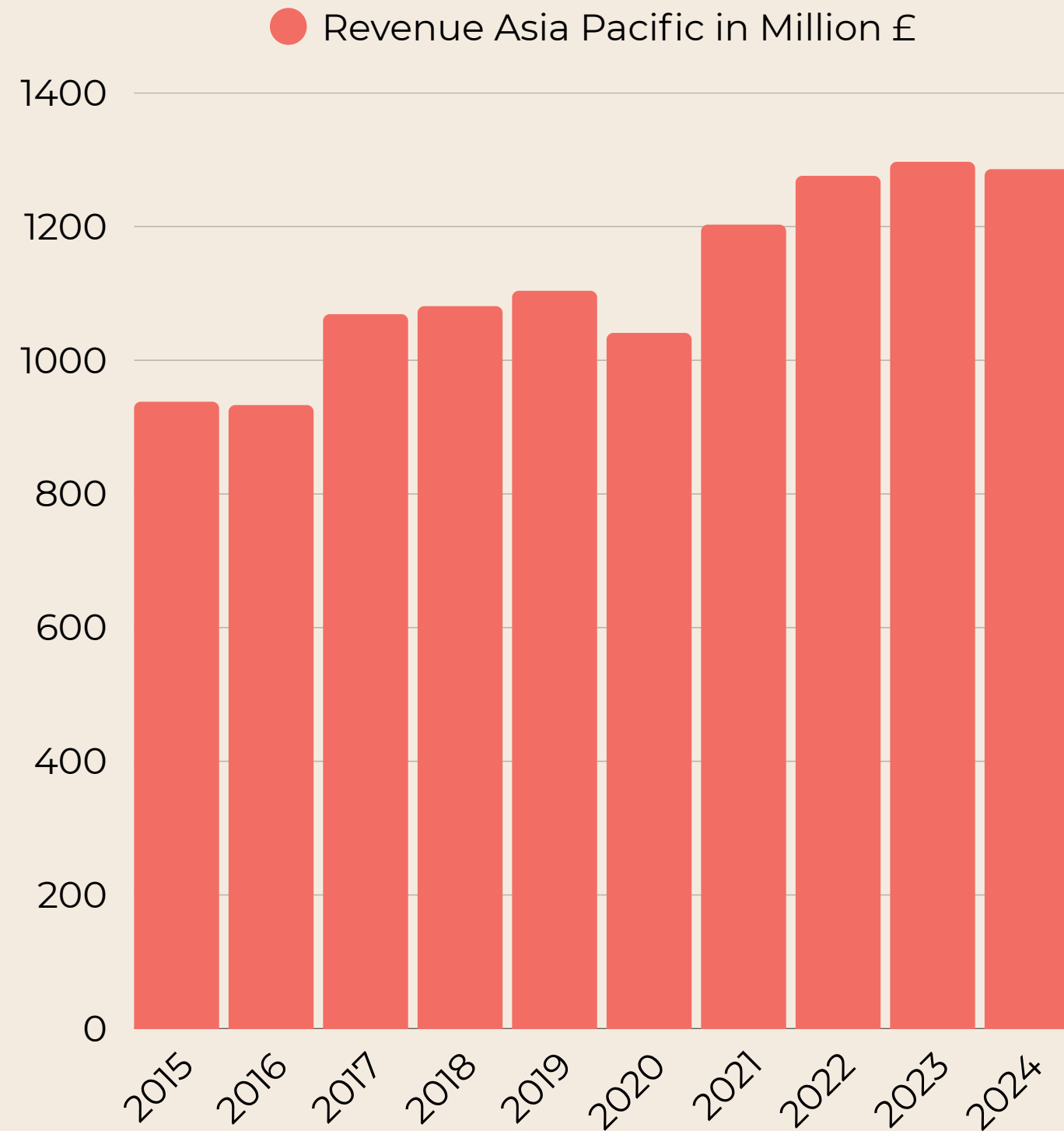
Customer Loyalty

Burberry had the opportunity to provide a more personalized shopping experience in Japan.

Higher Profit Margins

Burberry doesn't have to share the revenue with partners anymore.

RIGHT DECISION?



The decision was associated with some short term risks

Risk of Brand Repositioning became the chance of a standardized global image

In the long term, however, the risks have created chances

Continuously rising sales after 2016



5

PROTECTION FROM
COUNTERFEITING

PROTECTION FROM COUNTERFEITING

Legal Protections



Registering Assests

Trademarks, Patents, Copyright

International Agreements

Madrid Protocol (Trademarks), Patent Cooperation Treaty, Berne Convention (Copyrights)

Technological Protections



Anti-Counterfeiting Technologies

RFID/NFC tags, QR codes, Holographic Labels, Blockchain

Digital Watermarking

Prevent theft of designs or campaigns

Cybersecurity Measures

Complex cybersecurity protocols to protect digital assets

PROTECTION FROM COUNTERFEITING

Market Monitoring



Online Monitoring

AI tools to scan online platforms

Third-Party Monitoring Services

Specialized firms in brand protection to track counterfeiting in global markets

Education and Awareness



Consumer Education

Inform costumers on how to differentiate real products from fake ones

Industry Collaboration

Alliances such as International Trademark Association

BURBERRY'S ANTI-COUNTERFEITING STRATEGY

Use of RFID Technology

- Easily verify the authenticity of a product
- New user-experience (London Flagship store)



Destruction of unsold goods

Burberry destroyed over £28 million of unsold products in 2018 to prevent counterfeiting and discounted resale, safeguarding brand exclusivity



Blockchain Technology

- Provides a digital identity
- Provides an unalterable digital footprint, that provides a new added value
- LVMH's Aura Blockchain Consortium



Use of AI

Entrupy technology with an accuracy rate of approximately 98% in identifying counterfeit products



Key Association and Partnerships

- International AntiCounterfeiting Coalition (IACC)
- Member of Right Holders Engagement Against Counterfeiting and Tampering (REACT)
- Fashion Industry Anti-Counterfeiting Forum (ACF)
- Cooperation with EUROPOL and INTERPOL



Product Complexity



- Difficult to imitate the iconic check pattern
- High-quality craftsmanship
- Serial numbers and unique markings

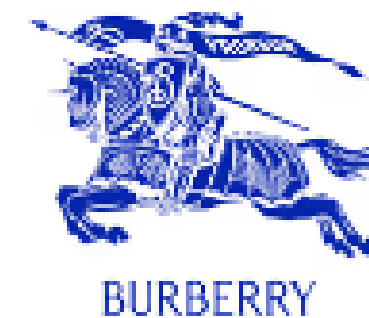
BURBERRY'S ANTI-COUNTERFEITING STRATEGY



BURBERRY'S ANTI-COUNTERFEITING STRATEGY

Burberry win in trademark infringement

- Burberry successfully won a trademark infringement lawsuit in China, a key market for luxury brands
- Copy of the check pattern and the equestrian knight logo





6

KEY

TAKEAWAYS

KEY TAKEAWAYS

Burberry



Prestigious global luxury fashion brand from Great Britain that operates globally

Licensing



Licensing agreement from 1970 with Sanyo Shokai lead to a successful entry into the Japanese market that became overhauled later

Challenge



Low prices and excess of products lead to brand dilution and an inconsistent brand positioning across markets

New Strategy



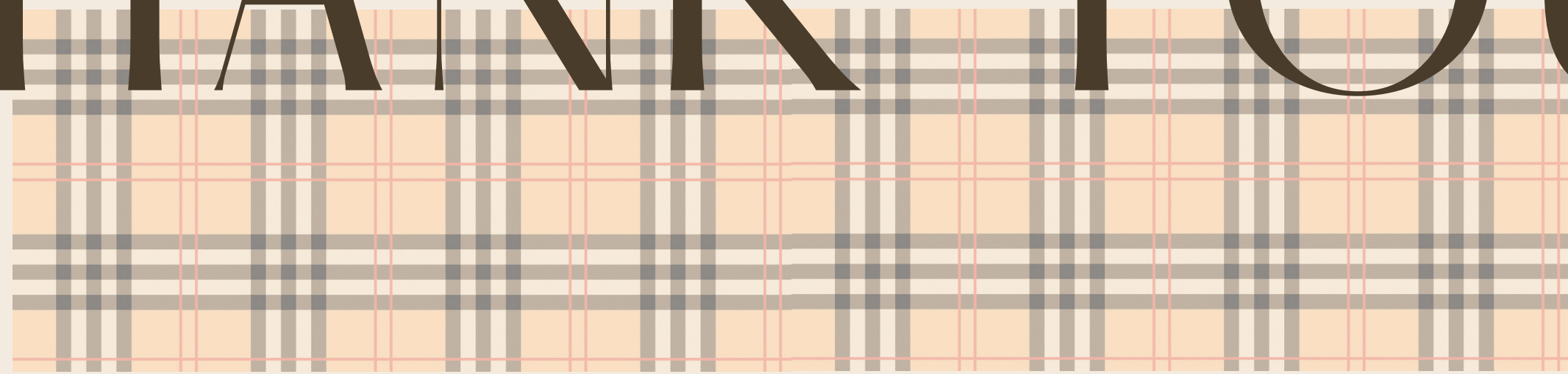
Termination of licensing in Japan has created a risk, but in the long term it is a great opportunity to regain control and rebuild the brands image to own standards

Counterfeiting



Remains an issue but many upcoming technologies and legal restrictions offer solutions to limit damage and protect IP

THANK YOU!



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