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COLUMNS

Luxury Unfiltered: Burberry is on the brink of self-destruction as it taps a new CEO

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By A LUXURY DAILY COLUMNIST

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Burberry, once a bastion of British luxury, stands precariously on the edge of self-destruction.

It recently announced the replacement of Jonathan Akeroyd with Joshua Schulman as its CEO. The move is accompanied by a failed premiumization strategy, tanking sales and a profit warning.

Joshua Schulman is not inheriting a brand that can be easily fixed with a few portfolio decisions in my point of view, Burberry is close to a point of no return and at the brink of self-destruction.

Strategic miss

Burberry is no stranger to a revolving door of CEOs and creative directors. The brand has been tapping into some of the industry's most admired talents.

Every time a new leader arrived at Burberry, a turnaround was promised, followed by a significant decline. The severity of these issues should not be sugarcoated, which are further compounded by the decision to massively discount the brand in China, with up to 50 percent price cuts.

In a statement, Burberry reinforces a belief in its strong brand and details a premiumization strategy featuring lower-priced entry-level items. This is a massive mistake.

It will further accelerate the decay in brand equity and make it much harder to bring the brand back to long-term growth. Unless the new management commits to a radical action plan that addresses for the first time the brand's real issues, investors should exercise caution before embracing another promise of a turnaround.

The fundamental problems that have plagued Burberry for over a decade are still the same and must be addressed head-on if there is any hope for a future. Pointing fingers at the consumption climate in China is nothing but a deflection and only underscores dramatically deeper issues.

Many brands, including Burberry, struggle to resonate with the rapidly evolving aspirations and expectations of Chinese consumers. I have had several discussions with luxury brands across all categories, and China is still the most misunderstood market.

Most Western brands are disconnected from the expectations of Chinese clients, they do not play well on Chinese social media platforms and online marketplaces, and, importantly, they are too slow to stay relevant in China's ecosystem of speed.

When brands rely just on high prices, a one-size-fits-all product strategy and heritage narratives such as quintessentially British, they have no one but themselves to blame for Chinese clients giving them the cold shoulders. Chinese clients, the youngest of any major luxury market with an average age of 29, crave innovation, cultural capital and compelling brand-specific storytelling.

Burberry is failing miserably to deliver this. Pair this with discounting, a strategy that is the fastest way to erode consumer trust and you get the perfect storm.

Luxury is synonymous with exclusivity, inspiration and aspiration. Any discounting diminishes the brand's perceived value and also alienates its core clientele who seek uniqueness and prestige.

It gambles with the most critical asset in luxury: the intangible value of the brand in the life of clients. The discounting push reveals Burberry's inability to inspire.

This is a glaring flaw.

Narrative gaps

Effective brand storytelling is essential in the luxury sector, yet Burberry's efforts have been catastrophic.

The brand has failed to create an emotional connection with its audience, leading to a disjointed identity that neither excites nor engages. Burberry's strategy of appointing star creative directors and hiking prices in a bid to be perceived as a true luxury brand has been a clear misstep.

Luxury branding is more than a facade of exclusivity. In today's world, where clients are super-empowered, it requires a deep, coherent brand story that resonates with consumers on an emotional level.

Being from Britain or from London does not define the role of the brand in the lives of clients. Burberry's story of heritage and country of origin is irrelevant to creating the cultural capital needed.

It is certainly an aspect of the brand, but it is not a value driver.

Over the years, each new creative director has only added to the confusion, steering the brand further from a cohesive identity. New logos were celebrated as a restart, yet they just show how little internal understanding Burberry had about what really creates client value.

This systematic mismanagement has not only diluted Burberry's brand equity but has also sown distrust among consumers and investors alike. For Burberry to recover, Joshua Schulman must address the core issues that have long been neglected.

The brand needs a coherent strategy that goes beyond superficial changes. This involves developing a compelling and authentic brand story, a story that can rekindle the emotional connection with its audience.

If I were in his shoes, this would be the most critical task. Additionally, Burberry must halt its reliance on discounting to drive sales, effective immediately.

Each discount will steer the brand closer to a plane crash scenario. At my university center for disruptive luxury at Pepperdine, I am conducting fascinating research on how volatility in pricing accelerates the decay of brand equity to a point where brands cannot recover.

Burberry might have already passed that point. Additionally, Burberry must become inspiring again, including a focus on enhancing the delivery of extraordinary client experiences and reinforcing the desirability that luxury consumers expect.

Only by restoring consumer trust and elevating its brand narrative can Burberry hope to regain its footing in the competitive luxury market. Lowering price points or offering additional lower-priced items will not change anything fundamental as long as the brand has no foundation.

Rebuilding a brand

In my view, Burberry exemplifies years of systematic brand destruction.

Since the brand was led over almost two decades by highly reputable CEOs and star creative directors, it shows that talent and good intentions do not necessarily lead to good results. It also shows how elusive and fragile the ability to create extreme value is for any player in the luxury industry.

When we work with brands on turnarounds and acceleration, I never had a case where the leadership team of a brand did anything deliberately to harm the brand.

Commercial day-to-day pressures, inventory considerations, the need to satisfy boards and capital markets, as well as bonus and incentive systems, all contribute to decisions that ultimately cause brands to crash.

So, do not misunderstand me: what happened to Burberry can happen to any brand, and after the fact, we are always more clever. The road to hell is paved with good intentions.

What we know, though, is that the decisions and actions of the past brought the brand to the disastrous situation it is in now. More of the same will not work.

Now, Burberry faces a formidable challenge: reversing years of brand decay and creating a brand story that inspires clients and makes them want to buy the brand. It is about creating value first.

Without a fundamental shift in strategy, Burberry's promise of a turnaround remains an empty one.

As a result, the board, investors, and clients should remain skeptical and demand substantial changes that address the root causes of Burberry's downfall. Only then can there be hope for a genuine revival of this storied brand.

Joshua Schulman and his team have a massive task ahead as they need to change practically every aspect of how the brand is managed today. I am hopeful that he will succeed, and I wish him best of luck.

It would be wonderful to see Burberry's influence in the fashion world reinstated. I also caution: this will be no overnight quick fix.

It is one of the most massive turnaround challenges a brand ever faced and should be treated as such, and it is not about the market. Declines are always about what the brand has to offer and how, consequently, it executes.

Luxury Unfiltered *is a weekly column by Daniel Langer. He is the CEO of quit, a global luxury strategy and brand activation firm. He is recognized as a global top-five luxury key opinion leader. He serves as an executive professor of luxury strategy and pricing at Pepperdine University in Malibu and as a professor of luxury at New York University, New York. Mr. Langer has authored bestselling books on luxury management in English and Chinese, and is a respected global keynote speaker.*

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