

Burberry goes digital

A British fashion giant is banking on technology to lure back customers



ON SEPTEMBER 17th Christopher Bailey, Burberry's creative director, sent models shimmering down the catwalk in a luminous array of lace coats and tiny metallic shorts. The event, part of London Fashion Week, was streamed live to Burberry stores and suburban laptops, allowing fashionistas everywhere to snatch a glimpse of the collections that will appear in stores next spring (see picture).

But the show comes at a dolorous time for Burberry, which has seen investors flee like models from a chip butty. Sales are slipping. Burberry's share price slumped by 18% after the company warned that profits would be at the low end of expectations. It is likely to make around £400m (\$650m) for 2012-13, a modest rise from last year's £376m.

Having expanded rapidly in Asia, the brand is feeling a new chill from the east that even its trenchcoats can't keep out. Some 12% of its sales come from China, which has been its fastest-growing market. But its sales growth in China is falling, from around 30% to something far less dazzling. Analysts blame China's economic slowdown and a clampdown on businesses there using luxury gifts as sweeteners. Burberry has suffered worse than its rivals. Shares in LVMH, a French luxury-goods giant, have fallen by only 4% over the same period. Hermès, a French fashion house, seems largely unaffected by Asian belt-tightening.

That has raised doubts about Burberry's strategy. Angela Ahrendts, the firm's CEO since 2006, wants to harness technology to spread the word about its creations. Critics fret that her obsession with bits and bytes is a distraction from Burberry's core business of selling luxury clothes in shops where tourists feel comfortable unzipping their wallets.

Under Ms Ahrendts, Burberry looks quite different from the traditional British clothing firm founded in 1856 by Thomas Burberry to sell raincoats. A huge new store in London's Regent Street, near the tourist hub of Piccadilly, has a 22-foot-high screen, beaming images of the latest collections, with sound pumped out through 500 speakers.

Garments are fitted with interactive screens and RFID (radio frequency identification) tags, which mean that customers can flash clothes in front of interactive screens to see how a

handbag detail or raincoat lining is made. More potential buyers are browsing online, then coming into the stores to make their purchase, so it makes sense for the two platforms to have the same stock organised in the same way (an organisational feat that has defeated many retailers).

All this iPaddery is well and good, but some fashionistas fear that it projects too harsh an image. "Louis Vuitton offers them deep-pile carpets. Burberry offers them big computer screens," quips one London designer.

Ms Ahrendts is undaunted. Far from being too high-tech, she argues, the industry has to keep pace with a generation of shoppers who download images of coveted items rather than tearing pictures out of a magazine. "I've seen what has happened to brands like Kodak that did not keep up with digital change," she says. "That's a lesson in what to avoid."

Her most controversial plan is called "Customer 360". The aim is to entice customers to allow Burberry to record their buying history, shopping preferences and fashion phobias in a digital profile, which can be accessed by sales staff using hand-held tablets. Using it, an assistant can tell what a customer in Brazil last bought on a stopover in Paris—and what they last said about Burberry on Twitter.

"Customer 360" is due to be tested in the new London store next spring. It will mean that Burberry keeps a detailed database on each customer's spending habits. That could cause embarrassment, for example if a customer who has bought racy gifts for his mistress enters a Burberry store with his wife and is enthusiastically ushered to the skimpy bikinis.

Burberry emphasises that customers will be asked whether they want to opt into the scheme or keep a penchant for chic swimwear private. An earlier idea of using RFID tags to "read" which Burberry clothes customers are wearing when they walk into a store has been postponed after worries that some may find it creepy.

One risk of the relentless focus on high-tech gizmos is that Ms Ahrendts may neglect other things. Some analysts think Burberry's customers are being moved too swiftly up the "value pyramid"—fashion-speak for being charged so much that they go elsewhere. The London store displays a gold python-skin jacket and a crocodile-skin coat for £75,000. Even the firm's lower-priced "Burberry Brit" range is pricier than its peers. Ms Ahrendts dismisses such concerns as "superficial".

If prices are to remain high, then the brand has to keep attracting new generations of well-off luxury-lovers. Jaana Jatyri, an analyst for Trendstop, is optimistic about the future for Thomas Burberry's heirs. "Luxury customers are now very savvy and quick to make purchasing decisions," she says. Grabbing their attention digitally may well be the best way to ensure that their next splurge will be on Burberry's recycled reptiles, rather than on someone else's.

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