The Creative Industries - The Evolution of Burberry's Business Model: the "See-Now, Buy-Now" Strategy

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INTRODUCTION TO THE THESIS

In an environment dominated by volatility, counterfeiting, more demanding customers and currency fluctuations, the Luxury sector faced a dark year in terms of financial results slow-down compared to business growth: sales fell down at an average of 2-3% compared to an industry mean of 5,5% growth, driven by emerging markets' growths. Because of this critical situation, fashion companies are forced to re-invent themselves, or adapt their business models to face negative financial results. The cost-cutting policy is the first strategy that fashion companies have adopted to face those problems in the short-run, but forward-looking companies opted to adopt new strategies to boost sales.

This thesis focuses on one of the latest selling strategies in the Luxury and Fashion industry, the "See-Now, Buy-Now". This strategy has been adopted to mainly fight counterfeiting, both from parallel distributers and fast fashion companies, but at the same time it aims to embrace emerging needs coming from the Millennials, the most attractive clientele segment of the latest years. If on one hand this strategy provides a closer and more continuative interaction between the company and its referred customers straightly, by engaging new customer thanks to the power of technology, on the other hand companies themselves are not well-prepared to revolutionize their business model because of investments' relevance and the uncertainty that the newness of the strategy itself brings behind.

The "See-Now, Buy-Now" has been analyzed in terms of novelty that it brings despite the traditional fashion system, so the cut of the six-months gap between runways and the effective retail distribution, and the managerial, operational and creative implications that the model forces fashion companies to take up, giving also space to the debate that stands behind the most successful fashion companies regarding their intentions to adopt this strategy or not; moreover, it had been analyzed the financial report of the "See-Now, Buy-Now", comparing results from different companies until their fashion shows of SS 2017, when provided.

The "See-Now, Buy-Now" strategy has been adopted from several fashion companies, and it had been chosen to pick and analyze Burberry, the iconic British brand among the "affordable luxury" ones, because it had been the most successful in the adaption of its business model for the evolution of this new strategy. Burberry has been analyzed globally, spacing from the organizational efficiency to the financial analysis.

Finally, it had been thought to launch a survey online titled "Survey on Purchasing Behaviors", in order to track consumers behaviors with a specific focus on the Luxury sector and the "See-Now, Buy-Now” strategy, with the aim to provide new and useful information for the development of this strategy for Burberry.

It had been consulted several fashion magazines, both online and offline, to gain the biggest quantity data regarding the “See-Now, Buy-Now”, together with consulting companies such as “Bain&Co.”, for the development of the philology of Luxury and its financials.

CHAPTER 1: AN OVERLOOKING OF LUXURY & FASHION INDUSTRY

1. INRODUCTION TO THE CHAPTER

The first chapter of the thesis is focused on the intricate industry of luxury, that still don't present a clear definition in different fields, such as the categorization of specific products or precise numbers in terms of companies that belongs to this sector or not, leaving its definition to mere perceptions by consumers. This study has the aim to clarify several parameters of a product/service, in order to provide a definition of luxury driven by what is not luxury, so by excluding all those phenomena that characterize the global market for companies that have a niche target, provide high quality products and fight against counterfeiting and mass market products. It follows a list, of different categories of luxury products considered as such, with examples.

There are not available data regarding financial results of the luxury sector for the fiscal year 2017, so it is provided an analysis of all the major features of the luxury industry for the fiscal year 2016, with an outlook for the 2017 driven by growth expectations and overall trend provided by consulting companies, trying to identify critically what would be the situation that this specific market would face in the current year. Moreover, it had been useful to identify what are the trends that would influence the global luxury market, with all its product divisions such as "Apparel&Fashion", "Jewelry" and "Accessories", with a specific focus on the Millennials and their emerging trends, the stream of investments worldwide, in order to individuate growth opportunities in emerging markets and key strategies for growing the business in the competitive landscape of 2017.

1.1. THE CONCEPT OF LUXURY: THE COMPLEXITY BEHIND "WHAT IS LUXURY"?

A satisfied definition of luxury is strongly craved by marketers and researchers, but it still does not exist. The problem stands in the wideness of the topic, which can space depending from the situation a consumer stands in. The most important issue when defining what is luxury is linked with the economic implications of the term: a clear distinction between what can be considered luxury and what is not-luxury, a clear definition of a luxury product, a transparent separation between a luxury consumer and a not-luxury one. All those economic inferences are at the basis of companies' strategies and their business models' creation, to better understand market trends, referred segment purchase behaviors, reducing market complexity and so on.

The term "luxury" is vague and its meaning really depends on consumers' perspective. The basis behind the luxury concept stands in limitations that can be referred to what would be never considered as luxury, so mass product. The definition of luxury covers two different dimensions: the real definition, so the essence of luxury, and the nominal definition, so the meaning and the usage of the term for specific purposes. Luxury could be linked with the idea of something "more than necessary"[1], but it can be either linked as "non-necessity and superfluity"[2]. Since those definitions are not objective, it is not possible to establish theories on them.

A real distinction between luxury and necessity resides in the difference between availability or exclusivity of resources, because necessary goods are owned possessed by anyone, while luxury goods are hold by only few people or at least in rare or special occasions. By the way, luxury goods are meant to "satisfy some human desires and needs"[3], but this satisfaction is not just practical and linked with the everyday life, because it is strongly associated with the concept of "dream"[4].

It been already said that the consumer's perception is the comparison meter for what is luxurious or not, so it is still a relative concept. This relativity depends on the situation the consumer is, distinguish between necessary and ordinary. But relativity covers different dimensions, such as "Regional relativity" (accessibility to specific items depending on the local availability), "Temporal relativity" (the perception of major or less necessity of a resource over time), "Economic relativity" (the perception of what is luxury or not depending on the economic accessibility of the consumer), "Cultural relativity" (the perceived desirability of resources depending on consumer's culture) and "Situational relativity" (dictated by circumstances). All those dimensions allow everyone to build the last type of relativity, the "Hierarchic relativity", which drives the final consumption, letting the

[1] Bearden and Etzel, 1982
[2] De Barnier et al., 2006
[3] Geerts and Veg, 2010
[4] Dubois and Paternault, 1995

consumer decide between what is necessary or not, but most of the time between if it worth to buy an item perceived as luxurious or not.

1.1.1 Definition of luxury product

It is useful to identify the major characteristics which are strongly related with the definition of a luxury item, both products or services.

In their "Consumer rapport to luxury: Analyzing complex and ambivalent attitudes", Dubois, Laurent and Czellar (2001) describe six major features that consumers perceive when they think about what a luxury product must have:

1) **Excellent Quality**: the perception of the quality of the item must be excellent, and more important is the mental association between quality and luxury, so that for somebody one term is synonym of the other;
2) **Very High Price**: frequently, this comparison is done with non-luxury items or with mass products, because in the consumer's perception, what costs more is not associated with everyone.
3) **Scarcity & Uniqueness**: this third parameter is strongly associated with quality and high price, and it is the driver of the "must-have" phenomenon. The more an item is unique, the more a luxury consumer wants to have it, the highest quality it has, the highest the price he/she is going to pay.
4) **Aesthetics & Polysensuality**: a strong aesthetic dimension is a necessary condition for a luxury product, because the sense of belonging firstly depends on the emotional impact the consumer has at first look. Sometimes considered as unique piece of art, the aspect of the luxury item must evoke strong emotion for different senses' perception.
5) **Ancestral Heritage and Personal History**: storytelling and past-anchoring. This is the fifth dimension of a luxury item. In order to be perceived as luxurious and unique, products and services must provide long historic values and traditions, and fundamental is the communication plan the company provide to each single item to its costumer. Sometimes, companies provide also the only usage possible of the item, raising the luxury perception of the item to top levels.
6) **Superfluosness**: even if some luxury products or services are perceived as non-necessary or superfluous, the final consumption of the item stands in shifting the perception of the same item from unnecessary to a must-have, creating an emotional involvement, without which the item will ever be just a high-cost one.

Those six major dimensions have allowed Klaus Heine in his report "The Concept of Luxury Brands" to give an exhaustive definition of a luxury product as follows:

"Luxury products have more than necessary and ordinary characteristics, compared to other products of their category, which include their relatively high level of price, quality, aesthetics, rarity, extraordinariness and symbolic meaning"[5]

The mix of these six major characteristics of luxury products comprehends all the different types of goods, starting from the non-luxury ones, when each aspect is with minimum levels, to the extreme luxury ones, where each feature is at maximum levels. Moreover, it is not easy to establish a clear border line among products, in order to transparently identify them into two macro categories, but it is possible to consider luxury a product that has increased the level of at least one of these characteristics. Those properties of products are not independent one from the others, because it is the strictly interdependence among them that might label with certainty a luxury product among the others in the market.

Typically, the price is an indicator of quality, because the final price reflects all the technological development, the know-how, the history of the item or of the company, the preciousness of the material it is made, the rarely and all the other features associated with the brand like the status, values and promise. Product quality, instead, is the result of the comparison made by the customer between the product attributes and the customer's perception of product expectations, in terms of performance, usage, durability, status and other personal parameters more in line with personal priorities; this comparison is the moment of truth for the purchase or the surrender of the product/service by the consumer, who can decide also to buy an item that does not have all the six traits mentioned before, but is peculiar in the only one/s perceived as fundamental for the consumer.

It follows a brief list of luxury products generally considered as such:

- **Personal vs Impersonal Luxury Products**: typically, a luxury consumer buys a luxury product to accomplish or demonstrate his/her "self-image"[6], and the more is the emotional involvement, the stronger is the link with the item. Sometimes it is not fundamental to personalize the item, but sometimes, for an even more larger segment of clientele, a suited and tailored product is the only one reasonable to buy to express personal status.
- **Publicly vs Privately Consumed Luxury Product**: this differentiation depending from the setting of consumption. Cars or kitchen appliances are very different one from the other, but they might have the same importance for the same customers for different reasons depending from the timing of their usage; other luxury products such as wine can be both or nothing of them, always depending on the

[5] Klaus Heine - "The Concept of Luxury Brands", 2011
[6] Vigneron an Johnson, 1999

situation: typically, this last group is related to a referred group of influence, customers who need to have a status anyway, not depending from the situation.

- **Accessible vs Exceptional Luxury Products**: this distinction is provided by Dubuois and Duquesne (1993) on the basis of "inter-categorical comparison of their selling price", impacting their diffusion and repurchase rate (IE: luxury perfumes however distributed worldwide and luxury and private jets or yacht affordable for a very small circle or customers). This depends from each ones' priorities as well, because the same customer who still own a very top luxury car would not be interested in owning or renting a private jet.
- **Unique Pieces**: or "œuvre d'art", having started by French culture. The scope is to create a masterpiece with the major level of the six categories mentioned before, inspired by creator's personality, so extremely unique more than rare. The iconic example is the Haute Couture of several fashion brands such as Chanel or Christian Dior, but the same meaning is applying for art, or unique designs for luxury houses, yacht or jets.
- **Limited-edition & Limited-diffusion products**: the first one refers for a very narrow production in term of number of pieces presenting the same characteristics worldwide, while the second refers to the high rarity of the products because of the higher level of complexity of the craftmanship and handwork, so more on the manufacturing complexity than number of pieces.

The last important difference worth to mention is the one which stands between premium products and luxury products. In fact, premium products can be easily confused with the luxury ones if the customer won't think about the constitutive characteristics of both categories of products.

It had been already discussed about an initial distinction between what can be labeled as luxury product and what instead falls into the non-luxury category, but this other distinction is fundamental, especially for fashion companies that have different lines and collections down the same brand, or that try to embrace different market segments by differing its products with both names before the company name during the collection. Premium products are closer to luxury products than mass products, because they have generally high level of each of the six categories mentioned before, but they still remain below a luxury product. Premium brands have to keep a constant value-for-money ratio, while luxury brands are now going over ratio's reasonable level for the major luxury dimensions and trying to maximize the current top-of-top luxury level. The distinction between luxury and premium remains a matter of degree and classification, which confuses and makes difficult to draw a net line, especially among the wide variety of entry-level luxury brands and premium brands. However, it is possible to make an "emotional distinction" between luxury and premium brands, because premium brands focus mainly on functional characteristics while luxury brands stress in creating symbolic meaning for their customers.

1.2 A LOOK-BACK AT 2016 AND AN OUTLOOK FOR 2017

"Terrorist attacks in France, the Brexit vote, and the volatility of the Chinese stock market have created shocks to the global economy. Meanwhile, consumers have become more demanding, more discerning, and less predictable"[7]. McKinsey&Co. in 2016 launched a Global Fashion Survey and summarized the situation in the fashion world with the following three words: "uncertain, changing and challenging". Objectively, the last financial shock hitting drastically the world economy had been the financial crisis in 2008. In addition to this "financial behavior", consumers had been more and more skeptical in their purchases behaviors, more demanding and less predictable, mainly due to new purchasing technologies. Because of this, the most successful luxury companies have re-shaped their internal divisions, opting for a reduction of the length of the fashion cycle and re-shaping the core products, designing and manufacturing new processes, with the result of a total re-evaluation of the fashion system itself.

In this scenario, it is not surprisingly to notice a slow-down of fashion's financial results in terms of business growth: in fact, while at the end of 2016 McKinsey&Co. reported an overall 5.5% of industry growth (McKinsey Global Fashion Index, outpacing overall GDP growth[8]), sales have fallen just of 2-3% by the end of 2016, and margins had been stagnating for fashion industries. This general trend comprehends all the product divisions in the fashion industry, which is expected to grow rates at 0.5-1% and 2-2.5% respectively in China and in the US market even if these percentages are below the industry average; but if we have a look at the watches and jewelry division, which had been the most impressive growth between 2005 and 2015, is now expected to grow 1-1.5% in 2017. Despite the situation seems to be critical, the fashion industry remains one of the top-ten value-creating industry, covering the 7th position in terms of GDP in the largest economies.

In 2017, the fashion industry is expected to see the light at the end of the dark tunnel of 2016. This is expressed in terms of macroeconomic indicators as well, such as the GDP growth forecast, projected to be 3.4 compared to the 3.1 of 2016, even if they are not adjusted to the political impact of the US politic environment and the ongoing Brexit situation in UK. Then, fashion brand communities and the investment community forecast improvement for the 2017, having been interviewed 40 executives for 2017 compared to 19 in 2016 for McKinsey surveys. Considering the benefits of cost-cutting policies and restructuring exercises, the fashion industry is expected to growth at 2.5-3.5 percent in

[7] McKinsey&Company – "The State of Fashion 2017"
[8] McKinsey&Company – "The State of Fashion 2017"

2017, compared to 2-2.5% in 2016. Those results would depend from the specific product categories and market segments: affordable luxury and valuable luxury goods would be the ones with the most impressive growth (respectively, of 4% and 3.5%), while all the market segments are expected to see an improvement of 1.0-1.5% in sales growth, except for the discount market.

With this projected scenario for 2017, the fashion industry has the opportunity to reset and stabilize future cash flows and opt for new and more developed purchasing technologies.

1.3 10 TRENDS THAT WILL SETTLE THE FASHION AGENDA IN 2017

McKinsey&Co. defines 10 new emerging trends that would define the fashion agenda in 2017. It follows a detailed description of each of them, in order to deeply understand raising trends and the way they would impact global economy, with a specific focus on the fashion industry.

1. **Intensifying Volatility**: the Brexit vote, terrorism and Geopolitical instability will pervade the increase in the uncertain perception of future global economy trends (the China's economic slowdown activity remains the most critical one). Terrorism is the most recent example of how an event of global impact could affect the full value chain for the fashion industry; in fact, not only those supply countries suffering terroristic activities would impact in the industry, but the resonance of those repeated attacks and the sharing scared mentality have pushed people to avoid certain areas and discouraged tourism, leaving those cities depending from a much lower number of tourists and/or just from local (even if national) consumers. The emotional involvement is the key point of fashion, and if consumers feel scared or uncertain, their willingness to buy decreases.
From an economical point of view, currency has been more volatile in 2016 than the average over the past five years and a study conducted by McKinsey demonstrated that the global debt raised more than the GDP[9]. Economic conditions for 2017 would remain challenging and the global economy would suffer of an irregular volatile growth, very difficult to predict, given its nature. After the Brexit vote, some expectation about UK leaving the European Single Market say that the pound is expected to fall to 168-years low.
By 2020, it is expected that the global e-commerce platforms would generates 1 trillion of dollars, with more than 940 million of web-users (MGI): this is due to the raising interconnection of world economy, due to industrialization and urbanization of new areas, with the sub sequential raise of new economy classes would further complicate the modern environment.

[9] McKinsey Global Institute - "Debt and (not much) deleveraging", February 2015

Fashion companies must face all those challenges one by one and more, are trying to adopt efficient mechanisms for short-term shocks. The fashion cycle, compliance and sustainability issues are at the top of the threat's list, together with the demand fluctuation, the exchange rates instabilities and the high-quality proposition for a more sophisticated market segment. Price adjustments, exchange rate arbitrage, labor and resource costs are some additional factors that would impact fashion industry in 2017, so companies that want to survive might reinvent or adapt core strategy in four different ways:

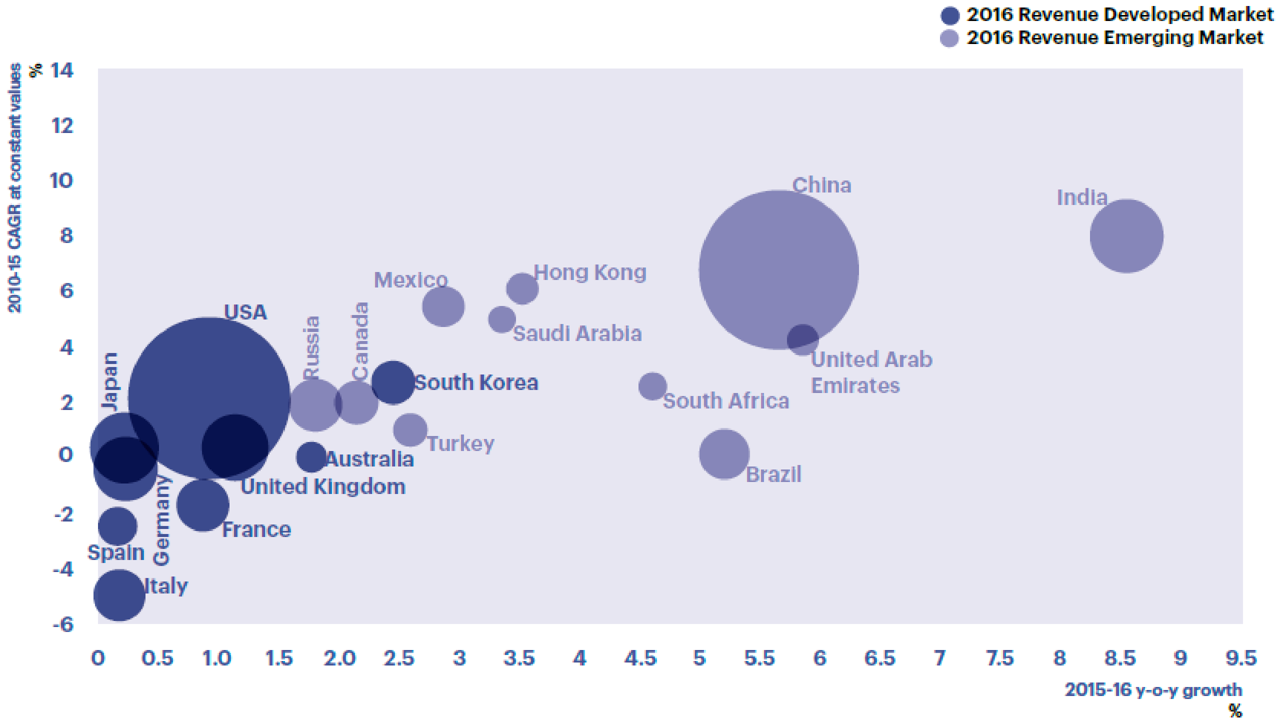
- Embrace consumer-driven mindset that modulates in real time to changing or shifting in customer needs or emerging trends;
- Establish agile and thin supply chains that guarantee a quick response to short-term shocks for the operational division;
- Diversification, in terms of geographical portfolios, brand, category. It will be crucial to know exactly how to gain from one region while another one is underperforming, balancing company's performance to avoid huge losses;
- Cost managing, to safeguard companies' cash flows.

2. **<u>"China's comeback?"</u>:** one of the most challenge questions of 2017, because it is expected that the Chinese market will stop decreasing and raise again, supported by the macroeconomic indexes mentioned before, by the growing of the Chinese middle and upper classes and new fiscal policies (like cheap credits and policy support, by cutting interest rates on loans and lowering bank's reserve requirement ratios) that are expected to improve Chinese consumption in 2017. China had been the most growing country since the 2008 financial crisis worldwide, but during the previous years, this growth is slowing down year by year, passing from a 10% GDP growth rate in 2010 to 7% in 2015, to end up with a 6.7% for the 2016. While this slowdown is not alarming compared to the Western standards, it is absolutely remarkable considering the size of Chinese market. Moreover, the combination of the over-supply of apartment buildings in other emerging countries, the CSI 300 Index (the capitalization-weighted stock market index that replicates the performances on 300 traded stocks in the Shanghai and Shenzhen stock exchanges, complied by the China Securities Index Company, Ltd[10]) turbulence at the beginning of 2016 and other real-estate issues that seems to cloud the investment perspective in China. In addition, Chinese customers are becoming very picky and selective in their purchasing behaviors, allocating their spending in high-qualitative services and unique experiences, shifting from mass to niche product/service.

[10] Wikipedia – The CSI 300 Index

Despite all those difficulties China has to deal with, the Chinese market remains important in terms of cash flows, but at the same time all those events are decreasing the growth in sales, shifting investors' attention to other emerging markets, where consumers are giving more space to top-quality living standards and to environment wealth: the highest-growth countries are expected to be India and United Arab Emirates, even if they are far behind in size compared to US and China. The impact of fashion industry in this country is smaller, but there are serious growth opportunities compared with other emerging markets, such as Brazil and Russia.
Fashion executives are convinced that the Chinese slowdown is a temporary event, considering the following data and economic expectation for 2017. China covers the first place for the percentage of growth in the number of upper middle and upper-class households until 2025, with 28% growth despite the 23% of India. China is expected to raise macroeconomic levers in order to attract and stimulate again investments and consumptions. Chinese e-tailers, such as Shangpin and Alibaba, increased the accessibility to fashion for all the consumers across the country, and make it easier for customer to access to luxury global brands as well. Actually, luxury consumption is an always more raising trend in China, thanks to the uniqueness of the experiences, the high lifestyle associated with the brand and the punctuality of delivering services, but also the integration of online-to-offline channel and the developing omni-strategies drives Chinese perception of necessity of this kind of brands (must-have perception). This is due not only to the mere possess of a luxury good, or the usage of a luxury service, but China is shifting the perception of luxury like acquire knew experiences, and through them learn and improving personal culture.

"India leads the emerging markets as the fastest growing country for fashion"



1 Excludes Argentina and Venezuela due to poor data reliability resulting from FX fluctuations.

Source: McKinsey Fashion Scope

3. **Urban Engines**: even if in the last year urbanization had been perceived as the key trend for the develop of the economy, now this perception is shifted to more wealthy and growing cities in newly influential markets, where there are sufficient investments opportunities to develop shopping hubs for consumers, putting them central to the evolution of fashion. The attention is now on middle-weight cities that are now reaching key population thresholds, stimulating the rise of urban centers that will generate continued growing opportunities for fashion companies. Chinese or Indian cities considered middle-weighted in their countries have now the same number of inhabitants of Paris or London. Because of the migration of people from rural to urban settings in developing economies, growth opportunities for fashion and other industries are in line with this phenomenon.
   This focus on cities is due to an increasing awareness to design for specific cities more than specific targeted segment, because in this way it is possible to specify the company's identity in a country, and strengthen the uniqueness of the products present just in one part of the world, raising customers' willingness to buy. Companies have now to change from focusing on a national market to monitoring, strategizing and activating business on a city level.

4. **Discount Culture & Shrewder shoppers**: consumers are becoming more and more complicated in terms of spending culture, because if on one side is high the demand for more sophisticated, personalized and unique products, the same consumers are demonstrating increasing attitudes to buy them at a lower price. On one hand, North-American market especially counts for the 75% of off price shoppers for apparel purchase across all channels, and retailers are increasing the number of owning outlet stores more than full-price shops[11]. This trend is not only bounded to US market, but this raising attitude is testified by the boom of the outlet malls in China, expecting to set the double in 2020, and in Europe, where there are now famous mark-down periods already scheduled on the calendar of UK economy, and similar activities are now spreading in other European countries like Italy and Germany. Even if these events drive relevant short-term footfall in stores, they are unhealthy for fashion companies, because they decrease profit margins and might destroy brand value and brand perception.

   On the other hand, customers are "always on" (more demanding, better connected to others, better informed and more sensible of values and authenticity), and the raising trend is to buy more from abroad than was common in the previous decade. This behavioral shift is due to a major information availability and connection through communities and blogs; because of this, the market for brands that counts on traditional loyalty programs for their customers is facing an augmented complexity. The increase in the number of brands and of purchasing channel is going to boost this complexity too. This leads to re-shaping decisions, starting from the perception of the customer experience to the integration of all the channels the brand might offer, together with a visual re-shaping of the classical infrastructure of the stores and an adaptive culture to raising short-term trends.

   Investing in CRM is the turning point for the success or the failure of a company in 2017. The global view of customers is the key success for each industry, and if we deal with fashion its importance is more than crucial: customers are now having more purchasing and bargaining power, so now are the companies that has to invent new strategies for the customer retention. Emerging brands like Olivia von Halle and Mansur Gavriel due their success to best-in-class or best-in-category strategies, or to build their success solely on a single best-selling item.

   The last stressing point is the digital one, because fashion companies are now stressing on virtual life, virtual customer experiences and virtual fashion shows' access, more than mobile payments or purchase techniques. The winners in 2017 would be those companies that would invest in the right technology, with the only aim to understand their customers and would cover the more of their weaknesses.

[11] Business of Fashion – "US retail trends 2017".

5. **Consumer Kinship & Generation Correlation**: fashion industry must stay in line with the evolving changes in the targeted customers' lifestyles changes, proposing tailored and suited products to satisfy always more challenging needs. In 2016, four fashion categories rose in response of customers lifestyle: first, athletic wear, which grew at 10% compared to a 4% growth of apparel and footwear; second, genderless clothing emerged to serve those clients who won't conform to the traditional female or male-only-clothing (IE, Zara: launched its "genderless" collection in March 2016); third, plus-size fashion collection are booming, with a boost in sales of the triple, so companies are now pushing to design new collections which shift the culture to body positivity and a raising appreciation of curvy models, starting to design for larger sizes instead of cut bigger size of collection models; fourth, modest wear had positive results, confirming the unique needs and importance of devout Islamic consumers, especially from South East Asia and Middle East, with an expected cash flow of $ 327 billion by 2020 (IE, Dolce & Gabbana: hijab and abaya collections launched at the beginning of 2016).

   These markets could be an incredible opportunity for luxury players, because they could satisfy the overarching lifestyle need of these consumers with personalization and customization.

   Another important issue is that now the market has to face with two main important groups of customers that have high exponential growth: the millennials and the elderly and retired.

   Over the last 15 years, the number of the latter group grew more than one-third, from 164 to 222 million, and by 2025 this segment would reach 13% in emerging markets and over the 30% in advanced economies[12]; the challenge, in these terms, is to combine the raising attitude to keep up with changing trends with the communication to valuable aged customers, because now there are just few companies designing for a specific age targeted group. It is also true that part of this challenging segment is "ageless", meaning that they don't identify themselves depending on their age, but they try to keep their style not being so much influenced by the born year or generation.

   The second most significant growing segment is the millennials generation. Being the largest US generation by the end of half 2016, their income counts for $ 1 trillion in the US market and it is expected to grow by the 30%. Globally, the 85% of millennials lives in emerging markets and have purchasing power of about $ 2.5 trillion, expected to triple by 2025. Capture this very evasive generation means to be "always on" and catch emerging needs and trends. To do so, communication and a deep knowledge of this market segment is the key for the business, capturing all the drivers that lead millennials to spend money on a specific product category rather than another one. More challenging, they will never be identified as a single group, but more as distinct segments that follows same priorities: value, image and quality (sometimes also price). It is true that is a segment

[12] McKinsey State of Fashion – Survey Analysis 2017.

characterized by self-expression and willing to pay premiums service to highlight the uniqueness of the single person, also if belonging to the same mass fad.

Embrace these two groups means considering tailored strategy which not depend on the age, but are driven by a deep knowledge of the distinctive values that belongs to the members of the targeted group.

6. **The Wellness Dividend**: wellness and luxury had never been joined industry, but now fashion players have to decide if make profit exploiting this raising trend or compete with it. In the past two years, fashion companies are incorporating wellness and health, creating sportive and athletic collection or items, with the linked wellness experience for customers (IE: Reebok's mobile CrossFit gyms and Nike running clubs). Actually, fashion is not embracing the wellness movement, but just its physical component, for those who really cares about the fitness; some companies are translating in brand storytelling and in emotional connection based on wellbeing to customers, while others are stressing more on the sustainability and environmental responsibility part, using organic raw materials in the most sophisticated fields, as very luxury and suited collections for top loyalty customers. The key factor for the success stands in the interpretation of wellness: spiritual, emotional, mental, physical and environmental. The more the brand will create emotional involvement by including more factors, the stronger will be the loyalty the customer would have with the brand and deeper is the link with the customer.
7. **Changing the system**: the 2017 will be the age of truth for the recent changes in the fashion cycle, starting from the "see-now, buy-now" strategy to the joined womenswear and menswear runways and fashion shows, the 2016 could be labeled as the disruptive year for the fashion cycle. Early results for the "see-now, buy-now" strategy let retailers hope in its evolution, since Tommy Hilfiger sold immediately online the most of its under-$100 items during the "Tommy x Gigi" runway event, or since the day after the Burberry show, its boutique in Regent Street sold lots of outfit exhibited in the runway before the following day's midday, while many key items had been sold out within the week. Even if it is not possible to quantitative determine the benefit of this strategy, it will be fundamental to determine the impact of this new business model on production and manufacturing processes, and the recovering period for companies' investments. Typically, companies are prepared to adopt new strategies and new models if the customer forced them to do so, because this revolution in the fashion cycle is something which long-term effects are not predictable.

8. **Organic Growth**: 2017 trends are not focused on stores' expansions, but companies will be more focused on like-for-like sales, by increasing domestic demand, generating revenues through values

than volume. Companies are now going back on cost-containing policies rather than geographic expansion, returning to their old paradigms. Sales, promotions and off prices are a raising threat, so companies are now focusing on product value and organic growth, by focusing on their local clienteles. Paradoxically, the most fashion companies have lost their identity, and the key factor of success for 2017 is to maintain strong and clear brand values and a distinctive identity.

Invest in creativity: this is the must-have of the fashion companies for 2017; the first factor to invest in is to make closer company's relationship with its customers, so it can keep solid the customer perception of the brand. The stronger luxury companies are also fighting against this discounting spiral set in motion by competition and by the harsh market industry, try to swallow the correlation between the strength of the brand and the concept of its affordability thanks to discounted sales, with the final aim of a continuative relationship between the company and the customer. Technology plays a crucial role for company's clientele, because thanks to predictive analysis, companies could exploit data and create more tailored strategies for the brand. Especially, the focus is on create limited-edition items or special products able to satisfy local consumers' needs, with the final result of lowering the risk of overstock and markdowns.

9. **Upstream Technology**: for sure, invest in new and more developed technologies is the trade-off for a company to be a real winner. This investment can be focused on managing raising market trends (omnichannel, localization, cycle acceleration and sustainability), because their delivering should not be possible without intensifying technological support to those activities, or on exploiting technologies to improve margin by addressing supply-chain challenges.

   In 2017, key topics for the fashion industry and its linked supply chain will be prototyping, personalization, inventory planning and end-to-end transparency. Digitized inventories and predictive analytics support for managers, together with the investment in CRM and in customers' knowledge, would allow fashion companies to let the customer develop the uniqueness of the specific company's offer, different from anyone in the market. This might allow companies to sell an unsold product in a store because its perception for local clientele is not the same of other consumers, who are looking for it desperately; but this is a double-edged weapon, because the difficulty for companies that base their management just on predicted data is to exceedingly product the same item, that would be unsold as well. So, companies need to find the right technological process to increase efficiency, thinking on virtual design or virtual sampling.

10. **Ownership Shake-up**: all the pressures in the fashion industry lead individual brands to change ownership in 2017. Among suppliers there is already the intent to focus on their brand portfolio and

leave all the non-core brands back, starting a "Powerbrand Strategy", where companies focus on their best (in terms of revenues, profits and other results) brands, because conglomerates are now pressed to perform. A recent example of this trend is the divestment of LVMH in the brand "Donna Karan" in 2016[13], since it is their firs disinvestment since 2005. The ratio to sell the underperformers would allow conglomerates to focus more on their best-performing brands for higher margins, especially in the luxury sector.

1.4 FASHION INDUSTRY'S RESULTS FOR 2016

1.4.1 Luxury spending in 2016

Personal luxury goods, luxury hospitality, luxury cars, fine food, luxury cruises, designer furniture, yacht, private jets, fines wines and spirits and fine art are the 10 macro-categories belonging to the global luxury market. The top 5 categories in terms of revenues streams were luxury cars, fines wines and spirits, fine food and luxury hospitality, led the industry grow at 4% in 2016, reaching 1.08 trillion in retail sales.

The luxury spending shifted completely its trends to a more involving customer experience rather than the mere luxury good, leading industries such as gastronomy and travel growing faster than the overall luxury industry more than 5 percentages points. Moreover, the first category mentioned, personal luxury goods, even if is at the core of the industry, counting $249 Billion in 2016, saw 1% decrease comparing to the same category's spending in 2015.

The last two decades the luxury sector saw high growth, not considering the financial crisis of 2008. Instead, the current period marked by slow or flat growth suffers the effects of a gradually deceleration below 3% of the overall industry performances at constant exchange rates over the past 3 years. Truthfully, 2015's nominal growth was due more to currency effects rather than the mere organic sales; in 2016 instead, several major countries saw the depreciation of their currencies against the euro, such as the Russian Ruble (down 11%), The English pound (down to 10%, mostly due to Brexit), Brazilian Real (down 7%) and the Chinese Yuan (6% decreased).[14]

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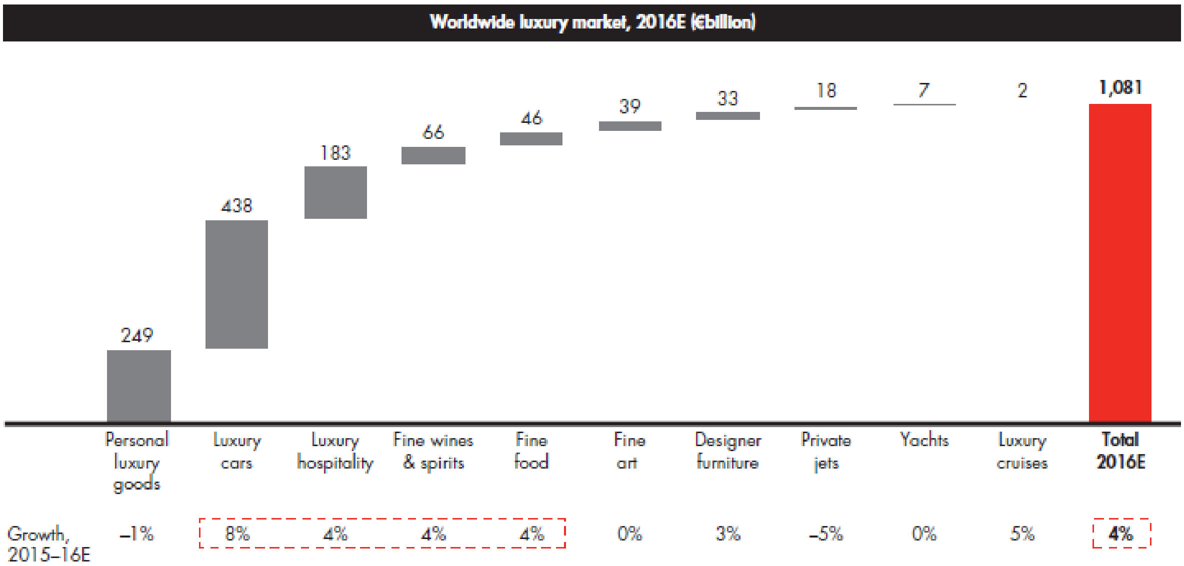
[13] Bernstein - "Analyst Report LVMH", October 2016.

[14] Bain & Company - "Luxury Goods Worldwide Market Study, Fall-Winter 2016".

"Worldwide luxury market, 2016E (€billion)".



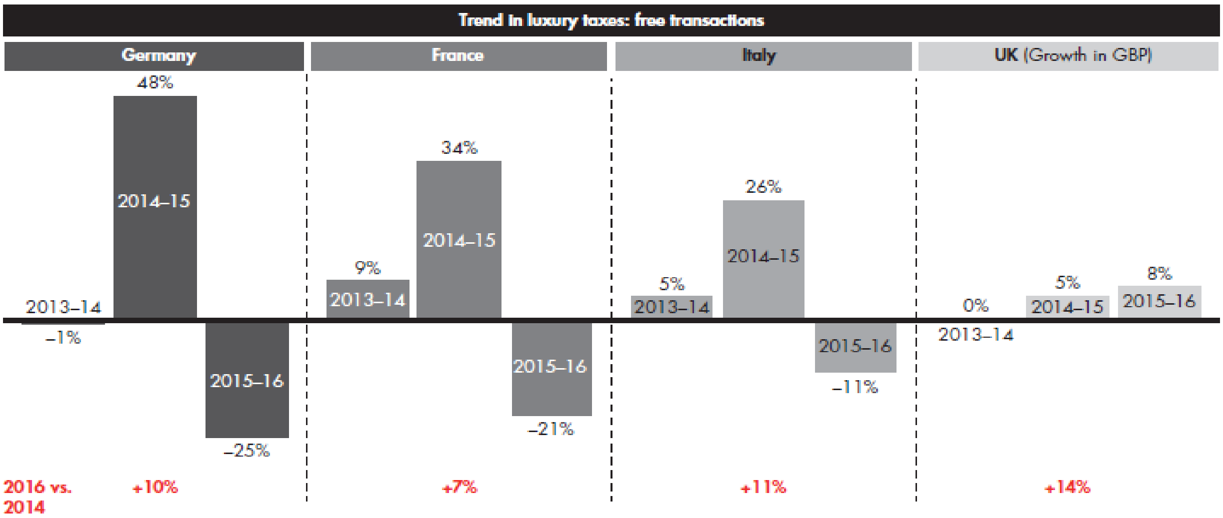
Source: Bain & Company.

1.4.2 Results by Region

By comparing the overall industry trends with regional markets, it is possible to notice just one notable growth in the Japanese market, up 10% at current exchange rates; European region contracted by 1%, while the Americas, the largest market for luxury personal spending, and Asia (excluding Japan), shorten their strength by 3% both.

Regarding the European region, an interesting analysis is provided by Global Blue, a tax-free shopping tracking company. This company tracked all the tax-free shopping trends in 2016 for the major European countries, to highlight the impact of tourism in Europe for free transactions: the results are shown in the graph below. France, Italy and Germany's results are expressed in euro, while the UK ones are expressed in pounds. From the graph, it is possible to infer that in 2016 only UK is the positive spot in Europe, due to the depreciation of the British pound, which attracted huge flows of tourists' expenditures, gaining an 8% growth after the Brexit vote; for the other three countries, it is possible to notice the decline from 2014-15 to 2015-16, because of the declining in tourism flows. Germany faced a decrease of 25 percentage points from one year of another, France the 21% less and Italy the 11%; even if those results seems to be completely catastrophic, the situation is still positive compared to 2014: it is possible to see the positive trend for all of them, with the UK as the major growth country (with +14%), followed by Italy (+11%), Germany (+10%) and finally France (+7%). It is fundamental to remark the critic situation of the 2016 for luxury industry and that this graph considers just the periods from January to September of tax-free transactions, so those results are not so negative compared to other major countries, where the same percentages declining would represent billion of currencies flows declining.

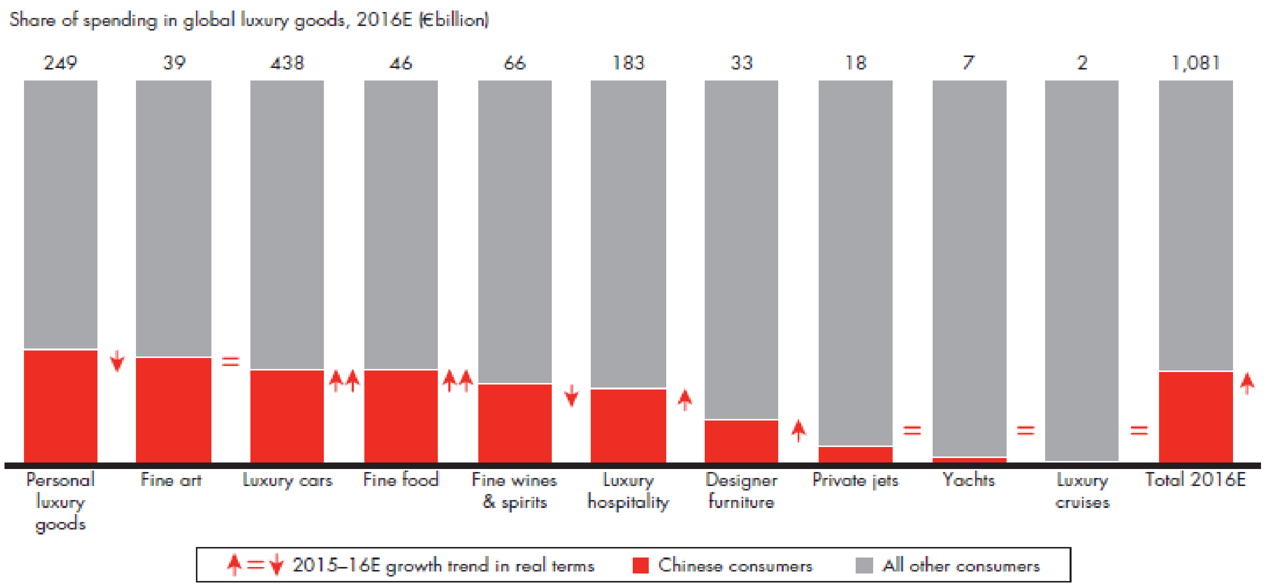
"Trend in luxury taxes, free transactions"



Source: Global Blue and Bain & Company Analysis.

The Chinese market faced 2% decline with € 17 billion in 2016, testifying the negative trend of this regional market from 2014. Before that, China saw the most incredible growth from 2007, reaching peak of 19% among all the other emerging countries. From 2014, Chinese performances became more modest, because of the shift of the attention to other areas such as India; however, in 2016 the Chinese market grew by 4% at constant exchange rates: this positive result represents the first sign of recovery in three years. It is also true that if were not for Chinese consumers in personal luxury goods, that sector would have declined by 2% yearly from 2012 through 2015; 2016 saw the decrease in Chinese wealth spending in the mere luxury goods, from 31% in 2015 to 30% in 2016 on average, shifting their preferences to luxurious experiences with personal enrichment more than the possess of luxury goods. The long-term perspectives for the market remain positive, because of the growing Chinese middle class, with higher disposable income for luxury spending. Chinese trends for luxury purchases are increased for luxury cars, fine food, designed furniture and luxury hospitality, while art sector has low and stable growth, compared with other sectors such as yacht, private jets and luxury cruises, together with a clear decline in fine wine and spirits.

"Chinese consumers broadened in their luxury consumptions across all categories".



Source: Bain & Company.

1.4.3 Distribution trends

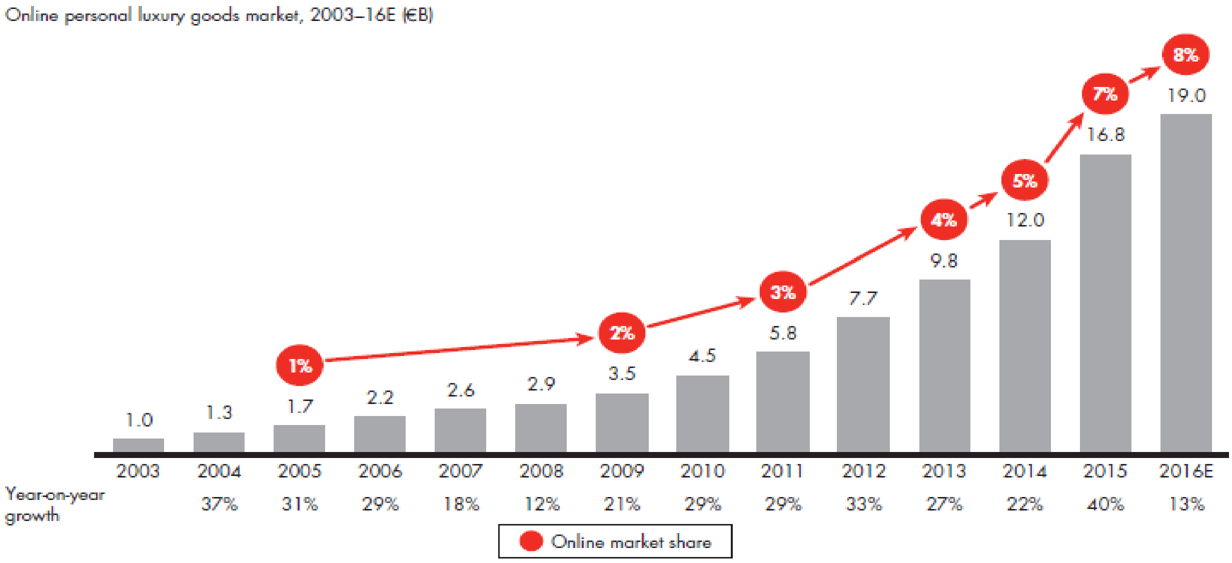
Retail selling covers the 35% of total luxury spending market in 2016. The wholesale channel is the leader among the other categories, with two-thirds of global sales in 2016, also if since 2008, the retail channel saw its expansion at a CAGR of 11%, compared to the 3% CAGR growth for the wholesale channel.[15] Monobrand stores, specialty stores and department stores still represents the format generating the highest volume of revenues, with 74% of the market. Those formats became more challenging from 2015 to 2016 with negative growth, especially the department stores that are now facing a structural decline; this is probably due to the growth in e-commerce platforms, off-price stores and airport stores in 2016.

Online sales, especially, presents the strongest growth in 2016, reaching an overall growth of 8% in the last decade with € 19 Billion in luxury expenditures. Its growth had been constant overtime, with 40% growth from 2014 to 2015, and of about 13% for 2015-16, outperforming significantly the rest of personal luxury good market. Off-price stores now rose to 11% of the total personal luxury good market, growing from 7% in 2013. As mentioned before, Americas mainly and China saw the raise in the footprint index in off-price stores in the last three years, compared to other countries. Airports

[15] The compound annual growth rate (CAGR) is the mean annual growth rate of an investment over a specified period of time longer than one year. – Investopedia.

cover the 6% of the market share, significantly in 2016 (Asia is leading this growth trend for airport stores).

"The online luxury market share growth since 2003"

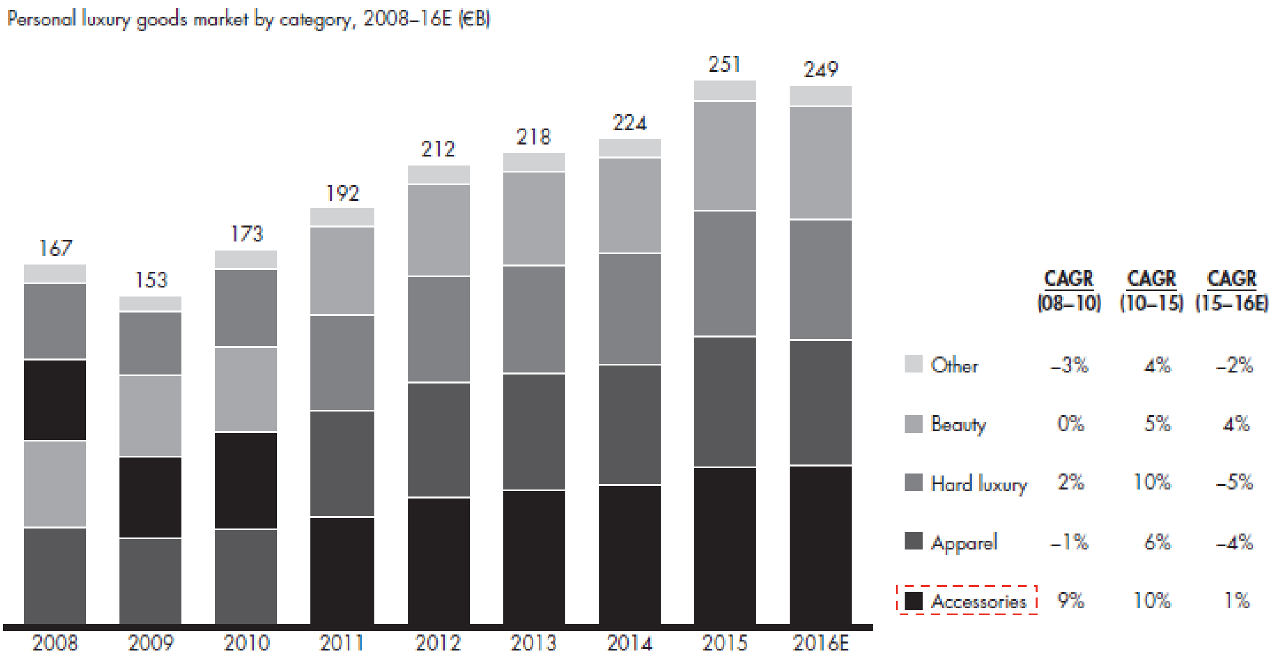


Source: Bain & Company.

1.4.4 Individual category performance

Accessories dominate all luxury categories both in growth rate and in market share until 2015, covering respectively the 9% until the 2010 and the 10% for the following five years, as the graph indicates. In 2016, indeed, category's growth has sharply fallen down to 1% growth; nevertheless, the two largest segments (Shoes - €16 Billion in 2016 – and Handbags - €44 Billion in retail sales value in 2016) grew at 2%. In the same category, leather goods and shoes are facing with a raising trend among entry-priced items, such as sneakers and backpacks. In apparel, casual apparel is making inroads in areas such as down jackets, luxury denim and activewear. Beauty category grew rapidly at 4%, driven by makeup and fragrances especially in Asian and American market. The watch market, instead, is facing against an 8% decrease from 2015 to 2016, especially for higher-ended products in the Asian market.

"Personal luxury goods market by category, 2008-16E (€B)"



Source: Bain & Company.

CHAPTER 2: THE BUSINESS MODEL CANVAS

2 INTRODUCTION TO THE CHAPTER

The business strategy is the core of the company, leading all the processes that a company handles, starting from the strategic planning to the retail strategies to drive and boost sales, together with the marketing campaign and process development strategies. At the basis of a linear and effective business strategy is positioned the business model, the graphical representation of the company itself, with all the realities that the company grew up historically, and the opportunities that the company might catch thanks to its strengths or by improving its weaknesses. Business model and corporate strategy are two different concepts, but they are strictly related.

The following chapter analyzes a specific model for the business model generations: the "Business Model Canvas" developed by Alexander Osterwalder in 2010. It had been highlighted all the benefits that this specific approach brings, such as clarity and linearity, together with a detailed explanation of each block that the modes is made up of.

2.1 BUSINESS MODEL: DEFINITIONS

A business model is the logic used by companies to describe how they create, deliver and capture value; it is the sum of all strategic and organizational competences through which the company would acquire a competitive advantage.

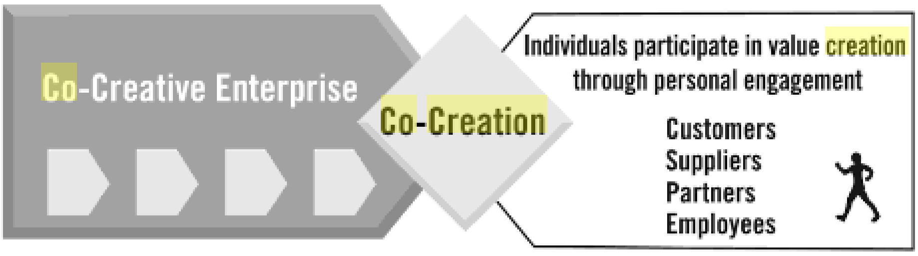
By the way, it is not possible to find a unique definition for "Business Model" which fits perfectly for all the industries, sectors and companies, so the definition of the business model would vary depending from all the peculiarities of the companies considered and the sector the company operates in. Even though the starting point of the business model definition is the core strategy of the company, it is not difficult to misunderstand these two terms, thinking that they mean the same thing or that the strategy is something which comes after the definition of the business model of a company, because the situation is completely the opposite one: strategy and business model are two different entities in the same company planning, but the business model combines the most delicate strategy's features, as the key resources available, all the key activities made by those resources, the company's structure, company's products and external factors. Therefore, the business model is the reflection of all the strategic choices made by the firm, and it allows to monitor, analyze, valid and execute those choices.

The configuration of the business model is a well-structured process which is made up of four main steps. First, to individuate those critical success factors (CSF) of the market segment chosen to serve; CSF are the factors that need to be satisfied to organize a supply and, more than this, are those factors thought to be customized and tailored to deliver a value proposition better than competitors. Secondly, individuate and choose among all the corporate processes which end up with the company's supply; in this way, the company delineates the customer value proposition (CVP). The third step is covered by the recognition of the support processes to the CVP opted to activate (like the technological involvement and developing process of some specific activities), while the 4th step consists in the individuation of the characteristics of the key resources to apply them in the best and the most efficient way. Those resources are mainly the personnel with the requested competencies, technology and financial resources. The ending process of this step-by-step developing process is an income statement and a financial flow statement.

One innovative way to identify the CSF is proposed by Venkat Ramaswamy and Francis Goiullart in their book "The power of Co-creation": "the practice of developing systems, products, or services through a collaboration with customers, managers employees, and other company stakeholders".[16] In

[16] Venkat Ramaswamy and Francis Gouillart – The power of Co-Creation (2010)

this book, they express the shift of thinking in the value creation process, since nowadays the value is jointly created by the enterprise and its customers, rather than by the company itself; customers interact with the companies through a wide range of experiences, because they want to define choices in a way that reflects their perception of brand's value. This book anticipates the digital era we are in, because they described the platforms built by companies to entertain not only its customers, but the full network of employees, suppliers and other partners in an ongoing process of implementation of interaction among individuals, with the aim to shift the conventional "goods-services mind-set to an experience mind-set", based on human experiences rather than the mere usage of the product. The success consists in people's engagement experiences, meant as opportunity to learn, innovate and have new insights both for companies and customers.



Source: "The power of Co-Creation" - V.R. & F.G. (2010)

This image fully expresses the raising concept of co-creation, since the value proposition is no more established by the firm solely, because customers' experiences are not just "receiving" what companies drives to offer in the market: their intent to be included in companies' activity chain is raising more and more, giving them the possibility to directly create a higher value thanks to their own activities; people want to be in the first line for the co-creation of value through human interactions, overcoming the distinction between consumption and production.

Alexander Osterwalder, the "Business Model Canvas" creator, wrote: "A business model describes how a company creates, delivers and captures value"[17]. But, what does it mean to "create value"?

Creating value is crucial for a company. Value is an intangible asset and it is not fixed, but changes overtime depending on customers' priorities, so "value is in the mind of the beholder"[18]. Innovation is the key point of the value creation, that could consist in 3 different types of value proposition:

[17] Alexander Osterwalder, Yves Pigneur - "Business Model Generation: A Handbook for Visionaries Game Chargers and Challengers"; August 2010.

[18] Fast Company – "3 ways to create value that lasts", July 8th, 2017.

1. New Value: the most challenging, because it means breaking into a completely new sector and generate new need to satisfy.
2. More Value: add an additional value to the already existing products in the same market or lower the prices of those items, in order to provide more quantity of the same value; in both cases, the customer's perception is changes and this scenario is the beholders' favor.
3. Better Value: it consists in expanding an existing value, increasing the perceived quality instead of the quantity; this shift might be due to a change in impact, application on intensity of the already existing item in the market, which now is worth more in the customers' perception. Create a better value means to strength-up company's perception in the customers' mind and change the effect, the influence and, most important, the benefit of the offer delivered.

A company creates values for its customers when it helps them to:

- Carry out an important task;
- Satisfy a desire;
- Problem-solving.

The failure or the success of whatever business activity depends on the firm's capacity of value creation, value proposition and delivering of both of them to its customers, in the shortest time and in the highest qualitative way possible: a unique value proposition is the starting point for a consolidate competitive advantage.

Defining the business model proper for the company is the first mandatory step in order to reinforce, improve or simply change crucial company's aspects; this business definition is necessary for the launch of a new product/service to provide, or for the developing process of a startup with a high value proposition.

Below is proposed the Canvas Business Model, a strategic tool ideated and developed by Alexander Osterwalder in his book "Business Model Generation", written in June 2010.

2.2 THE BUSINESS MODEL CANVAS

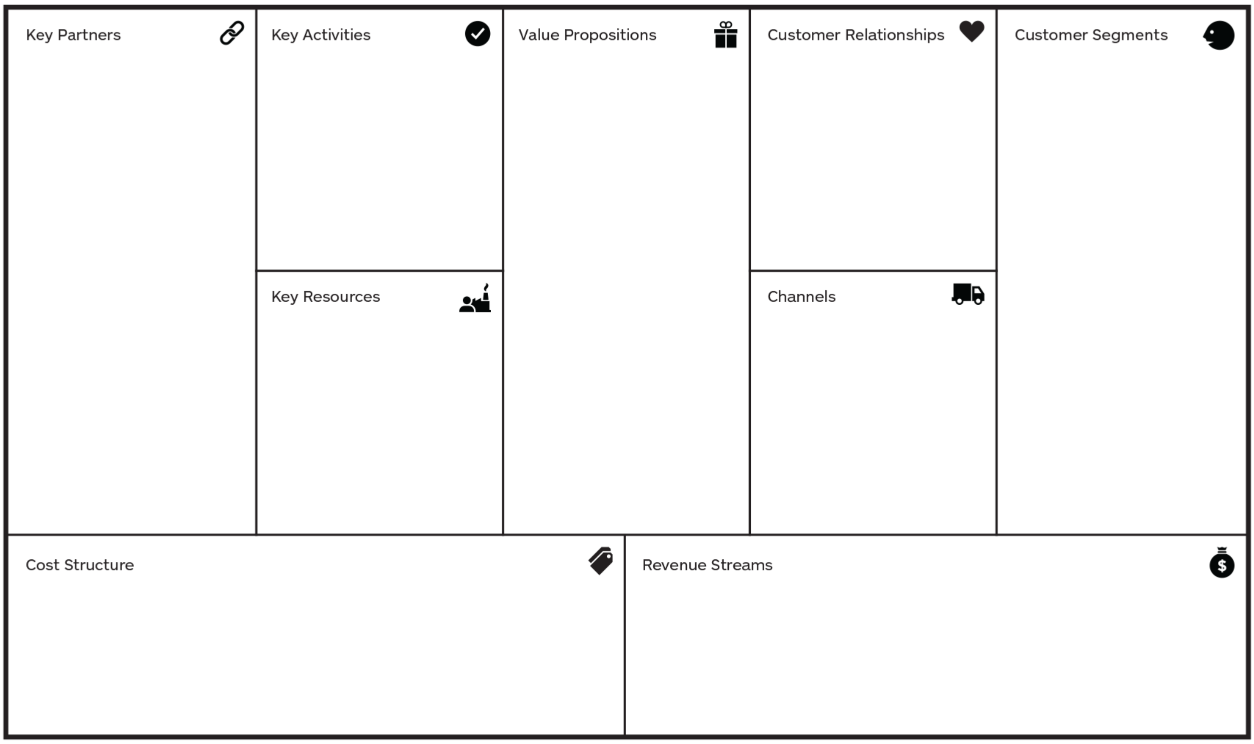
The Business Model Canvas is a very pragmatic and visual representation of a current business or new business models, adopted more and more frequently by strategic management. It had been thought by the author like a plan representation on a canvas of a company's business model, giving a complete and linear image of this tool especially used for comparative analysis for the impact of new investment strategies or business model innovations. By analyzing each aspect of the company, it is possible to evince any contributing factor for a new successful competitive strategy, and the area of impact of new decisions between all the various activities which characterize the company's business.

The benefits associated with the application of this model to the company's business model consist in simplifying activities and processes, to individuate all the key elements of the personal organization, and develop them on a basic and plan tool (canvas), to exploit all the correlations among them and create synergies. All the benefit of the application of this theory are listed below:

a) Visual Thinking: this model allows for a visual representation of the corporate situation for decision makers to think upon. The model provides a clear and well-structured breakdown of the major "voices" impacting a business, but at the same time if offers the opportunity to make clear distinctions of each side of the organization through its business model.
b) Quick iteration: it can be pragmatically used with sticky notes, for the rapid evaluation of current and potential notes to re-shape the business model, or by generating creative ideas to develop them jointly.
c) Grasp the relationship between the 9 blocks: the plan representation of these 9 major blocks for the business model allows the stakeholders to individuate the way these interrelations could be changed, improved or technologically innovated to increase their effectiveness or effectiveness.
d) Short and Succinct: this model encourages teams to provide continuous suggestions to the corporate reality, since that it consists in a list of actual and potential elements to analyze.
e) Easy to circulate: this tool is accessible for the larger number of enterprises and is easily sharable. It is possible to tap from other business models to improve own ones.

2.2.1 THE 9 BUILDING BLOCKS

"The Business Model Canvas"



Source: "Business Model Generation" A.O. (2010)

The Canvas model canalizes in 9 separate categories all the crucial processes and internal activities of a business. Even if all those blocks seem to be independent one from another, as it follows, it will be shown that they are strictly interdependent. The elements on the left side represents corporate efficiency, while the ones on the right side are the crucial elements necessary for the value creation; the value proposition, which is situated in the middle of the business model canvas, represent the synthesis of these two objectives.

Those activities stand for the four most important elements of a business: Customers, Offer, Infrastructure and Financial Viability.

It is possible to split again all the activities of a company depending on the visual representation that they take up on the business model canvas: in fact, all the elements which belong to the "left side" are testimony to the overall organization's efficiency, while those element on the "right side" are responsible of the value creation made by the company; in the end, the "central part" covers all those activities which generate the value proposition of the company and they are the synthesis of the objectives expressed by the "left" and the "right" side of the model.

A detailed description of each block is listed and explained below:

1. **Customer Segments**: all the customers served by the markets are divided on specific basis depending from the company's product or service satisfies a specific need. This distinction is necessary to ensure that those products/ services offer is aligned with the specific segment the firm aims to reach. In order to carry out a specific market segmentation, it is crucial to know perfectly the targeted customers, both through their actual and (especially) future needs, to anticipate future trends or create new ones. It follows a list of those customers by priority; finally, the company should do an assessment of its customers, by understanding specific strengths and weaknesses, but at the same time it must move the focus on future potential customers to serve, who might benefit the firm in the future.
   It follows a brief list of different customer segments:

- Mass Market: the widest customer segment in the market, adopted by those companies which feel their products satisfy the major needs amongst worldwide population.
- Niche Market: the most specific customer segment in the market, characterized by extremely specific needs to satisfy with unique value proposition offers, because of the peculiarities of the belonging customers.
- Segmented: this is the most "convenient" segmentation, because it mostly depends on a specific variable that the company feels like crucial for its product service (as customer needs, or geographic segmentation, or slightly variations of already existing products coming from market needs).
- Diversify: this market segmentation is flexible in the specific value proposition of product/service, because it is possible to change, adjust or suit it to satisfy customers' specific needs, clustering them depending on dissimilar needs or traits.
- Multi-Sided Platform/Market: this segmentation criteria comes from the Digital Marketing, because it comprehends those customers who have relationships to each other (like bloggers who need other bloggers to attract a higher volume of sponsorships or advertisements); in this sense, by studying these specific customers' segment needs will determine the success or the failure of the business model.

2. **Value proposition**: the value proposition describes the combination of services and products that creates value for a specific customer segment, and it is crucial because it is the only reason why customers prefers a company rather than another. In this sense, the value proposition is a group of benefits that the firm offers to its customers. The enterprise needs to answer to several questions to define a proper value proposition like what value are they transmitting to their customers, or what are the problems of the customers they are solving, or their needs to satisfy, if their offer is adequate to satisfy their customer segment, etc. Then, a deep look into possible improvements of the

product/service or the overall experience could be extremely useful for a greater (or unique) value proposition among the competitors, and, finally, an identification of the core values that are provided to the customers.

Moreover, it is fundamental to list different elements that can contribute at a major value creation for an enterprise's customers:

- ❖ Newness: to satisfy new emerging needs, or to create new ones to satisfy through technological innovation (sometimes happens that the final consumer perceived them as necessary until that moment neither);
- ❖ Customization: tailoring the value proposition to a specific customer segment;
- ❖ Design: very hard to measure, because the more the design is innovative and hard to replicate, the more the company would have a lasting success overtime in a competitive contest;
- ❖ Brand Status: it happens when the brand reputation is extremely high, that just owning a product/service of this company is considered value in the consumers' mind and behaviors;
- ❖ Price: depending on the market segment to serve, it is crucial in order to offer a similar product/service for the satisfaction of a common need, but at a much lower price;
- ❖ Convenience/Usability: it happens when the value is generated just by simplifying an already existing process or an usage of a product in the market.

The value proposition can be split into two macro-categories:

a) QUANTITATIVE: stressing the efficiency or the price of a product/service;
b) QUALITATIVE: highlighting the experience, the personal involvement and the result of the product and its usage.

3. **Channels**: they describe how an enterprise communicates its value proposition and reaches its customer segments. Communication, distribution and selling channels are the interface of the firm with customers. Channels are those touchpoints fundamental for clients and cover a delicate role for the customer experience. There is a wide range of channels to choose from, and the selection made by the enterprise could count on different parameters (I.E. the quickest, the most efficient in terms on recovering the investment, etc.). It is possible to list channels in three main categories:

a) Direct (B2C) (owned and directly managed by the company, like sales points, sales force and sales on the web);
b) Indirect (B2B) (owned by company partners, like retail stores managed by partners, wholesalers and web channels owned by company partners);
c) Mix of both.

Even if the indirect channels could be associated with a minor control and lower margins, they have the benefit for the company of a greater expansion of its range of action and a reduction of the overall organizational complexity and functional costs' reduction. It is up to the enterprise choose radically between one of the two channels, or adopt a balanced mix of both, with the aim of reaching the most efficient value proposition for the targeted customers.

The first step for an entrepreneur in dealing with this part of the business model canvas is to identify the customer channels. Based on company's strategy, there would be many different combinations of channels to choose among and the correspondent touchpoints to associate with them. Then, it is fundamental to evaluate the effective strength of company's channels by conducting a SWOT analysis on them, and, finally, the company could opt for identify new channels available that could be successful or create new ones.

The last important thing to say about channels is the functions they are fulfilling. Channels mostly covers 5 functions, listed below:

- Raising awareness
- Evaluating company's value proposition
- Purchase (helping customers to purchase specific products/services)
- Delivering the value proposition to final consumers
- Providing the post-purchase customer service (support).

4. **Customer Relationships**: describes the different typologies of relationships that a company has with its customer segment/s; those relationships can be personal or digital, and it is fundamental to fix them properly to create the financial success and sustainability in different fields (economic, social, corporate, financial, etc).

   Customer relationships are driven by customer acquisition, customer retention or sales boost. Those relationships could be listed and categorized as follows:

   First, it is fundamental to identify which is the type of relationship the firm has with the customer. Then, it follows a valuation of the customer in terms of the frequency of his/her purchase on firm's products or services. Loyal relationships are the only ones the company aims to invest in, since they will generate stable revenues for the firm in the follow year.

- Personal Assistance: customers directly interact with the company and vice versa thanks to an internal employee who provides the personal assistance assisting the customer during the presale, sale or after sale experience, carrying out the customer service program;

- ❖ Dedicated Personal Assistance: suited and very close interaction between the enterprise and a single customer or a group of few customers, by providing a dedicated representative (ambassador) who is personally responsible for the whole experience the customer has with a company touchpoint;
- ❖ Self-Service: pre-fixed program, which shift the responsibility of the customer experience on the tools (more digital than personal) that the company provides to its customers to serve him/herself;
- ❖ Automated Services: customized self-service relationships which push the customer experience to an upper level, by taken into account all the historical personal data of a single customer or a group of few customers generated by previous purchases or customized surveys.
- ❖ Communities: the most recent group of customers (associated most with Millennials) which are followed by the organization through technological, social and digital devices. Communities, by sharing their experiences, offer a continuative enhancing to the customer experience, because they communicate problems and extremely positive traits of each single purchase or touchpoint experience, offering solutions and challenges, cooperating with the enterprise for a major benefit for both sides.
- ❖ Co-creation: the customer is powerful, and has a direct opinion in the destiny of a company's product/service.

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5. **Revenue Streams**: it represents the revenues that the company generates by each single customer segment served. It can be referred also to the methodology the company adopts to push their customer segments to buy their product or services, depending on the specific price mechanism which associated with the targeted segment. A revenue stream can be earned by transactional revenues (made by a single customer's payment) or recurring payments (ongoing payments, to provide the value proposition or post-purchase service to company's customers) and their nature is expressed in one or more than the following ways:

   When we deal with revenue streams, it is fundamental identify the right level of price for company's products and services, because after the process of the

- ❖ Asset Sale: selling the ownership over a product/service to the customer;
- ❖ Usage Fee: charging the customer proportionally to the usage of a product/service;
- ❖ Subscription Fee: charging the customer for a membership fixed cost for the usage of a product or service;

- ❖ Lending/ Leasing/ Renting: fees for the exclusive access to the product or services over a time-bound period;
- ❖ Licensing: Intellectual property fee for the usage of company’s rights over a product/service;
- ❖ Brokerage Fees: charges for companies or individuals that are intermediaries between two or more parties in change of their services.
- ❖ Advertising: B2B fees, which consist in charge a company in change of advertise the latter products using own media channels.

When deals with revenue streams, it is fundamental to identify the right level of price for company’s products and services, because after the process of costs’ elimination, the enterprise reaches the profit it aims to have. All the different iterations of prices must be listed and evaluated, and think about all the possibilities that a company might have in the future regarding new revenues streams.

6. **Key Resources**: they represent the most important asset so that the business model of the firm is successful or not. Those resources allow the firm to create and deliver the Value Proposition, to reach different markets, to establish lasting relationships with its customers and gain revenues. Obviously, depending on the business model adopted for a specific company, different would be the key resources too for that company, despite others in the competitive environment.

They are based on a balanced mix between tangible and intangible assets, which are responsible for the creation of the end product, and they need to be distinctive among competitors to have a uniqueness in the value creation of products/services.

Key resources and key activities (both quantitative and qualitative) are strictly related in a company, and both would impact the profitability and the sustainability of the company itself. It follows a list of different types of key resources:

- ❖ Physical Resources: physical assets that the company uses to create value. These could include inventories, manufacturing plants, buildings, distribution networks and equipment that determine a well-functioning business model;
- ❖ Intellectual Resources: non-physical or intangible assets, like brand, IP, patents, partnerships and copyrights. Customer knowledge, customer list and employee knowledge could be included in the intellectual resources. They are the most difficult to create and to patent, but once that the investment required is recovered, they express the most crucial competitive advantage for a company, witnessing the uniqueness of the value proposition among competitors.
- ❖ Human Resources: personnel, staff and, more generally, the employees are most important and still the most overlooked assets in an organization. Sometimes the destiny of a company is solely in the hands of its employees, who determine its personality, informal environment and the achievement of

corporate goals or objectives. Depending on the industry a company operates in, the personnel must be chosen for creativity, freedom, intuition more than elegance, profitability, leadership or other characteristics; mission and vision helps a lot in the choice of this delicate company's asset;

- Financial Resources: are all those tools which allows the company to operate thanks to balanced streams between revenues and costs; they can include cash, debts and credits, stock options, stock repurchases and other financial tools. Financial strength is the parameter for banks, and it depends on the availability of company's key resources, all interdependent among them, which ends up with financials.

  Clarify company needs is the first step to individuate the key resources of a company; this keeps in mind what is the final product/service the company has to produce and, then, what are the key activities necessary for their production, sometimes individuating fundamental and optional resources for the value proposition. Cost saving is the parameter for the choice of in which category ends up a key resource. After having listed all those resources, the company must decide the amount of investment that each of them requires, in order to create the major value and deliver an always better value proposition.

7. **Key Activities**: these are the most important actions a company must carry out for achieve business purpose. As for key resources, key activities are requested to combine a unique value proposition for a company's customer, to reach the selected and new market segments, to build lasting relationships with customers and to generate long-term revenues streams. To be successful, a company has to pick all those key actions that are primarily dedicated by company's specific business model.
   Those activities are the crucial process that need to occur for the effectiveness of the business model. Key activities and key resources are strictly related, in fact the process of selection of the optimal activities according to a company's business model is identical to the process of selection of the key resources (list, pick, cost saving, choose which one to invest in), and both, together, determines the revenues streams. The impact of each key activity is fundamental for the optimization of the business model, both in financial and social sustainability).

8. **Key Partnerships**: this voice comprehends the network of suppliers and all those complement partners who contribute the company to create the value proposition. They represent the bedrock of the business model of a company, is fundamental to analyze the quality of the partners to reach a competitive advantage and a unique value proposition: this happens when the company signs long-term agreements with suppliers and/or other partners who share common core values, with the hope

of sharing the same working attitudes and opt for a cost reduction due to lower switching costs and an optimization of the procedures thanks to a lasting learn-by-doing attitudes.

It is possible to distinguish different types of partnerships:

a. Strategic alliances between non-competitors
b. Strategic alliances between competitors (coopetition)
c. Joint ventures
d. relationships between supplier and buyer, to ensure major quality of the supply.

After identifying a possible key partner, is important to individuate if this partnership is a winner or a looser one, because the latter ones are very disruptive for the companies, and they occur when both companies preserve their independence and are free to hold-in other partnerships or exclusive contracts, limiting in this way the company to just one agreement. It follows a list of several critical factors to keep in mind when a company deals with partnerships:

- Right Partnership Agreement: clear agreements both with business or individuals, recruited and supported along with the legal counsel;
- Defining Expectations: sharing and clarifying expectations to avoid misunderstandings and potential flops of partnerships;
- Impact on your Clients: check if the partnership is fillings some gaps in the company's value creation and is contributing to a more complete value proposition for the customers;
- Win-Win Situation: both sides of the partnership need to gain more, or at least have several benefits from their partnerships.
- Selecting partnerships: avoid (or end up) irrelevant partnerships (in terms of gains, profits or benefits) and keep attention in avoiding the further wastage of resources too.

9. **Cost Structure**: this is the final block of the business model canvas and associate a specific model depending on the cost structure of a business. The general distinction of business is split in Cost-driven (focusing on minimizing company's investment to maximize business profits) or Value-driven (focusing in the best translation of the value proposition to provide the maximum value to the customer, in terms of emotional involvement of the product/service).

   The pivotal moment for the headquarter is to highlight all the costs associated with the business, and then report them in the dedicated canvas' block and create plans for each cost. Types of common cost structures are Fixed vs Variables costs, Economies of Scale and Economies of Scope, and their impact would increase or decrease depending on investment decisions for future gains.

It follows a brief list of the two types of business depending on company’s cost structure, and it is high-priority to be accurate in this definition to avoid falling in the middle of the spectrum, not having a specific identity:

- Cost-driven: this business model is completely focused on reducing costs by offering a value proposition based on cheap prices, highly automotive processes and outsourcing expensive functions. Lowering prices is the basic process behind this business model for companies which are in extremely competitive scenarios, and if these reductions would create operational efficiencies, they will sustain the business and attract customers; the more they attract, the more they will reduce costs. If an enterprise fails to do that, it may end up arriving at a stuck price, generally not recovering the investments or the expenses, and this means the failure of the business.
- Values-driven: now, the focus in on the value companies could provide to their customers. Their strategy is mainly focused on the creation and the delivering of a high intrinsic value, customizing the value proposition to the targeted segment’s needs. Typically, the only firms which opt for this business model of cost are the luxury ones, where margins are high and they can completely shift the focus on the customer.

CHAPTER 3: FASHION CYCLE, SEE-NOW, BUY-NOW STRATEGY AND THE WAY THEY HAD CHANGED

3 INTRODUCTION TO THE CHAPTER

This chapter covers the theory of the fashion cycle, the traditional cycle that each product has faced until the “See-Now, Buy-Now” revolution. It follows a detailed description of each phase of the PLC, specifying the incurrent phenomenon of the trends in the PLC and the recurring cycles one. Fashion calendar is another element that companies had been forced to modify, together with the product development process.

Then, it is provided the true “See-Now, Buy-Now” strategy, explaining the way it works both for company’s and for customer’s side, together with the operational implication of the model to adopt to maximize efficiency and effectiveness of the strategy itself.

In the final part of the chapter it had been reported the debate that stands behind the “See-Now, Buy-Now” strategy, that brought all the major maisons to give personal comments depending on their company’s point of view, due to the skepticism of the newness of the topic.

3.1 THE FASHION CYCLE

The fashion industry, for its nature, is cyclical and this is a matter of fact. The industry is sensitive to the business cycle, achieving higher revenues in periods of economic prosperity or expansion and lower results when economic downturn, inflation or contraction characterize the global economy. Companies that belong to cyclical industries have to pursue cost-cutting policies to decrease volatility and pay bonuses, raise hiring and invest in periods of prosperity. To breaking down this cyclical trend of the industry, companies that focus or bet on nonessential products should prioritize expenses or think about cutting policies for those categories which represent the biggest risk of potential losses when the economy contracts.

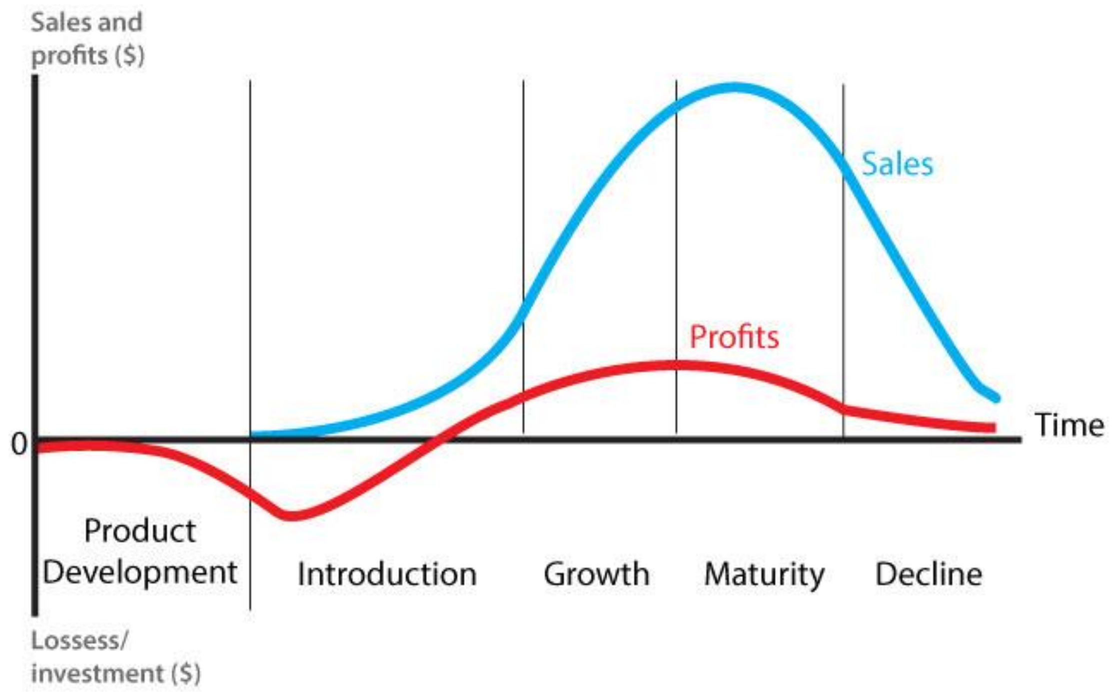
The cyclicality of fashion industry is not just in terms of cyclical revenues, but covers in a very influencing way all the dimensions of the product life cycle, the phases a product faces through its "lifetime". Predictions, assumptions and economic data's support are very useful tools to anticipate some business trends and reduce uncertainty and volatility in the market, but a clear distinction of each phase of the fashion cycle is not immediate or 100% sure to predict those dynamics by economic indicators, because there are several factors that play different roles and will influence the "newness" in fashion according to different aspects. Politics, cultural trends and celebrity influence are just few of them, together with the state of global economy and all the short-term shocks influencing the market significantly, and fashion is the reflection of the prevailing tastes of people or conditions in the society. Probably the latter one is the most unexpected factor affecting the fashion industry drastically, but if the consumers' willingness to buy decreases because of a financial crisis or a currency shock, fashion is the first industry to sacrifice to save money, and necessity would be more important than trendiness, or otherwise there would be a draw-back to classic and quality pieces that would worth the expenditure because of their durability overtime.

New technologies, such as the invention of new fibers or fabrics, changing in fashion trends, new products or price changes by competition are other drivers for the cyclicality of fashion industry. Fashion cycle has not a clear measurability time period. All those changes are more reflected in terms of PLC (Product Life Cycle) that covers all the different stages the product has in the market, related to sales and profits it will collect. The PLC can be metaphorically compared to "waves in the sea"[19]: there are several waves in the sea, and as one will crest and then dissipate, another one is going to form. This is the same trend products' lives follow, because the fashion cycle is typically represented

[19] Brenninkmeyer, 1963.

as a “bell-shaped” curve with five different stages: introduction, raise in popularity, peak of popularity, decline in popularity and rejection.

“Profit & Sales trends in the PLC”



Source: Kotler & Armstrong - “Principles of Marketing”, 2012

Even if there are several theories that would figure the fashion cycle with less stages the product goes in (just introduction, peak and decline, with the final replacement of this cycle), it may not fit for all the categories of products. This cycle typically lasts several years, but ongoing new developing strategies are completely changing the fashion cycle, allowing products to behave independently from this theory if linked with a specific selling technology.

This “wave” has different lasting periods depending from the product considered, because basic products, apparel and masses products have different cycle lengths depending on their acceptance. It follows a list of each phase the product faces, based on Raymond Vernon theory (1966).

Product development: during this stage, suppliers are the first leaders of the fashion cycle, because they decide all the product features based on new requests from customers, disposable technologies and strategies for each market segment. In this phase, fashion creators, influencers or driving-economy factors are raised trends caught by companies, that invest in products able to satisfy the most of them, generating future potential profits. This product’s life phase conveys huge amount of money invested by companies for developing the item, and no sales helps to recovering them; in this sense, companies are “betting” on the market, because early-adopters try to anticipate market trend or generate new ones to avoid competition and gain market shares.

Introduction: this is the first step faced by a new product after its birth. This phase is typical for those products completely new in the market, launched thanks to new technologies and processes, so consumers are uninformed about all the product features. In order to create the demand for these articles and stimulate sales, it follows a strong marketing and promoting campaign to communicate the intrinsic value the products have. At this stage, profits are very low (because of a launching price aimed to raise popularity and acceptance, or for the high expenses incurred in developing and distribution processes) and there are few competitors of the markets, the early-adopters’ ones who strongly believes in their potentials or the creator of the product itself. The duration of this phase is not pre-determined, because it can last long time period, such as a couple of years, or the product can move to the next phase quickly: the only parameter able to influence the last of this phase is corporate strategy; the more it is accurate and efficient, the shorter would be the introduction’s phase of the product. When the market counts the raise in the number of unit sold, the introduction phase is terminated automatically and the product starts to follow the second trend in its life circle. Typically, no international trades take place in the market, because suppliers are focused on local or national market, to have a direct response of the product by their customers, in order to modify, improve or completely change some product features and avoid mistakes that may cause future losses.

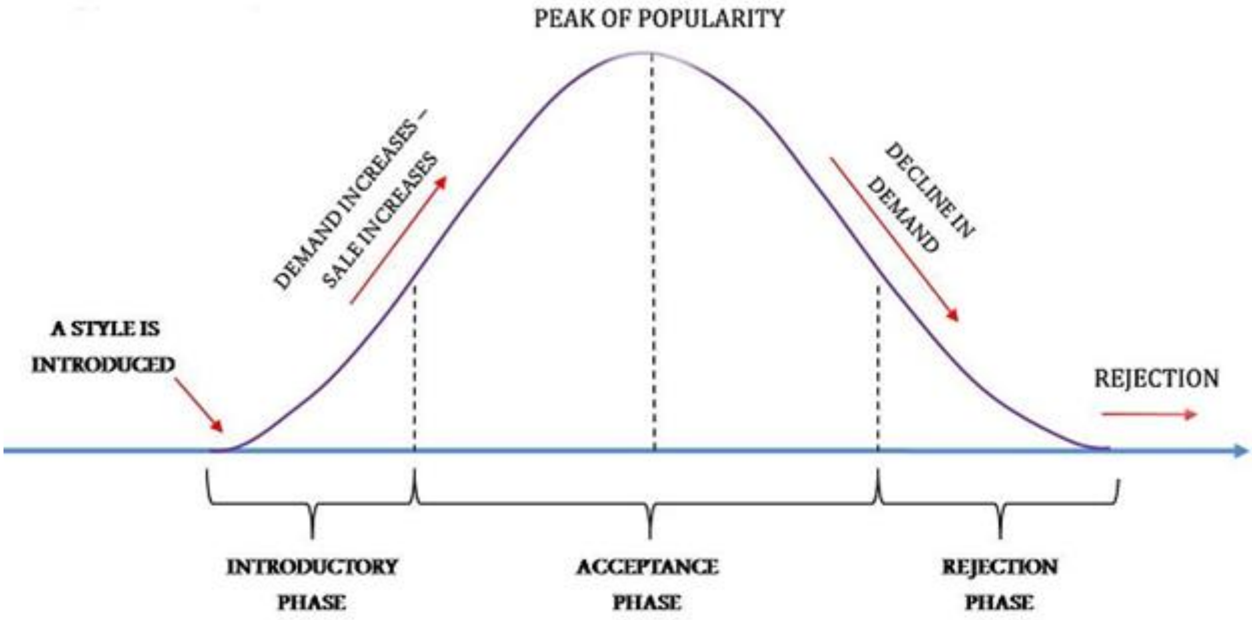
Growth: after a larger acceptance by the market, suppliers start profiting by the sales of the product. Sales are boosted because suppliers continue to raise new audiences, and generally during this phase companies start increasing prices to recover costs thanks to economies of scale and scope. As a result, competition increases and competitors start to produce personal version of the product. To remain in the growth stage, companies look for implementing features for these articles and improve them as much as they will gain higher market shares and profits. To raise popularity, companies increase their promotional spending, because early-adopters must stay relevant in the market and avoid being overpowered by competitors. When the number of potential new customers is high, the product shifts from growth to maturity stage.

***Maturity*:** this stage is strongly characterized by maximum levels of sales and profits by the product selling, because now consumers know widely the item and its features and already own it, generating a slow but always upward-sloping sales’ trend. In this step, competition reaches maximum levels, there is a relevant number of competitors in the market so that suppliers are forced to decrease the price of the item to keep selling it; for this reason why, profits are lower than the previous phase, but this business is still attractive because of the high volume of sales, the decrease in promotional and developing costs and the raise number of foreign demand, generally linked to developing countries, since the trend covers high-income demand. At this stage, typically the most challenging and the longest one, successful companies start to evolve and catch the changing market trends and the new demand's trends, and try to catalyze the product back to the growth stage by generating new product's evolutions, such as modifying the marketing mix, modify the market or modify the product itself. The end of the maturity phase is testified by a slow decline in sales and profits, with the emerging trend among customers to consider the product not-necessary or irrelevant.

Decline**:** technological advancements, an ongoing increase in competition and a shift in the consumer tastes and preferences lead the life cycle of the product to its decline. This stage has no predictability or fixed lasting time, but it starts with critical decrease in sales and profits and in product experience. By this time, the information about the product is widely shared among customers and the production technologies and processes are well-known by suppliers, after the products reaches its peak in the maturity stage. Companies can keep staying in the decline stage for different years or choose to exit the market when the product reach the point of no-recovery and it is not feasible to keep producing it. During this phase, it is very hard to reverse purchasing trends and recover costs, although not impossible. The critical parameters are labor costs, investments to minimize and the decision by the companies to keep producing, drop or harvest the product. Typically, the trend among companies is to shift the production of the item to developing countries where the demand is still positive and the labor costs are low, while they continue to sell the item by discount or with lasting promotion in other markets; dropping the product means eliminate it from the market or selling it off to other companies; maintaining the product means reinvigorates the item and hopefully bring it to a new growth stage thanks to cyclical trends or short fads in the market, while harvesting the product means to lower the most it is possible its costs to convert losses into light profits. For the major products, they are rejected by the market and replaced with others.

Although these five different stages are clear, not every created product goes through the all of them: some products last less than one year, while other products are continuing to thrive against the decline phase. Examples for both categories are, respectively, the Coca Cola C2 line extension (launched and died in 2004), and the Levi's Denim (over 75 years of popularity), that avoids decline by keeping up with the current trends and styles.

"The Fashion Cycle"

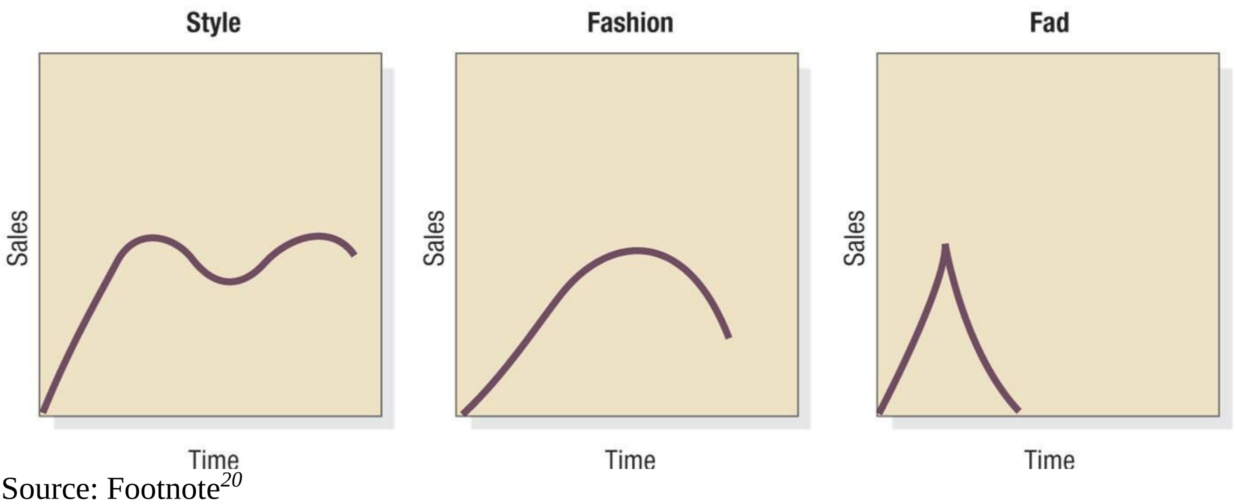


Source: Josbd – "The Fashion Cycle".

3.2TRENDS IN PLC: FASHION, STYLE, FAD

Style, fashion and fad are terms adopted to describe the life cycle trends of a product in the fashion industry. It is provided below the trend graphs for a fashion product, distinguish one from each other, using "Sales" and "Time" as parameters to identify the nature of one of this trend in the market.

"Style, Fashion and Fad trends related by Time and Sales"



Source: Footnote[20]

[20] http://classconnection.s3.amazonaws.com/218/flashcards/397218/jpg/style_fashion_and_fad_life_cycles1323640845339.jpg

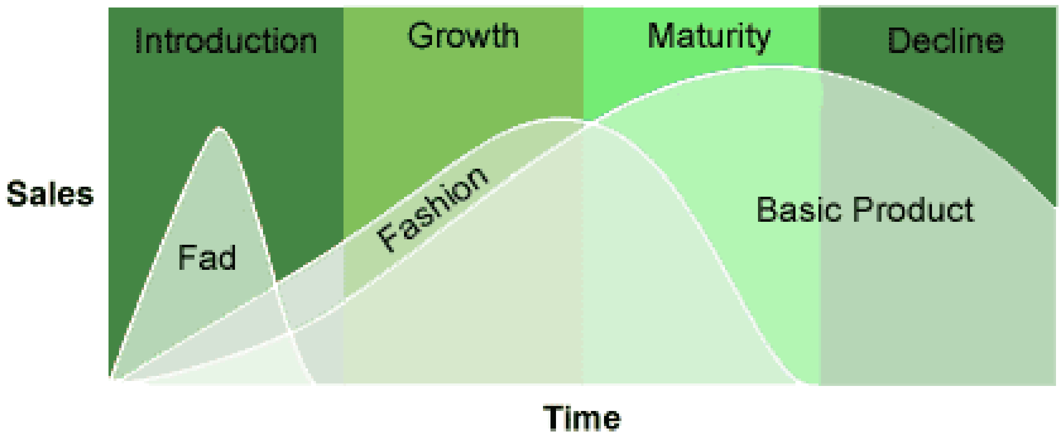
Style products (or Classics) are considered the most unpredictable because, as the graph shows, their trend is irregular and sales waves from increase to decrease overtime. Among the three trend categories, style is the most lasting one, compared to fashion and fad trends. It covers all the stages mentioned before of the PLC, but they fight against their decline, and those fluctuations are due to the customers' perception to remain more or less classic in their style, because those products won't ever be obsolete.

Fashion, indeed, is a steady progression of a trend. Products that fall into this category starts to enter in the market, progressively increases, then stabilize, and finally decrease slowly before decline. An example of this category of products are the "camouflage" or the rough military style for fashion clothes and apparel, or chancy jewelry or other trends rose by celebrities and fashion designers and influencers, with a peak of acceptance by consumers, after which it follows their slow decline.

Fad is the trickiest trend for a product, because it has a very quick PLC with a rapid rise, peak and a steep decline; typically, fad products are driven by immediate brand popularity and customer support, more than celebrities' sponsorships. They have the shortest life cycle, because it is a booming phenomenon among sub-cultures or younger groups, or communities for a short period of time, until their perception of the product itself shifts from "necessary" to "unnecessary". A Fad can strongly characterize the whole life of a product, labelled it as "fad product", or it can be even a part of a product life cycle.

Those three product trends are compared in terms of sales and time, where fad covers the fastest trend because of the volatility of those phenomena, but sometimes they can rapidly affect the market and increase competition to difficult level for emerging companies; style is the more lasting trend because of the nature of those products, that might avoid the decline in the fashion cycle because of new or slight modifies to the same product, that will put them back to raise in sales again; fashion products are in the middle, characterized by a stable growth and by a steep decline, once that consumers stop following the same fashion trend and move to others.

“Life Cycle for Basic and Fashion Products”



Source: Cornell University.

This graph, indeed, puts into correlation all the three product trends together compared to the four macro-stages of the PLC, using sales and time as comparative parameters to identify the period of incidence of each category compared to the others.

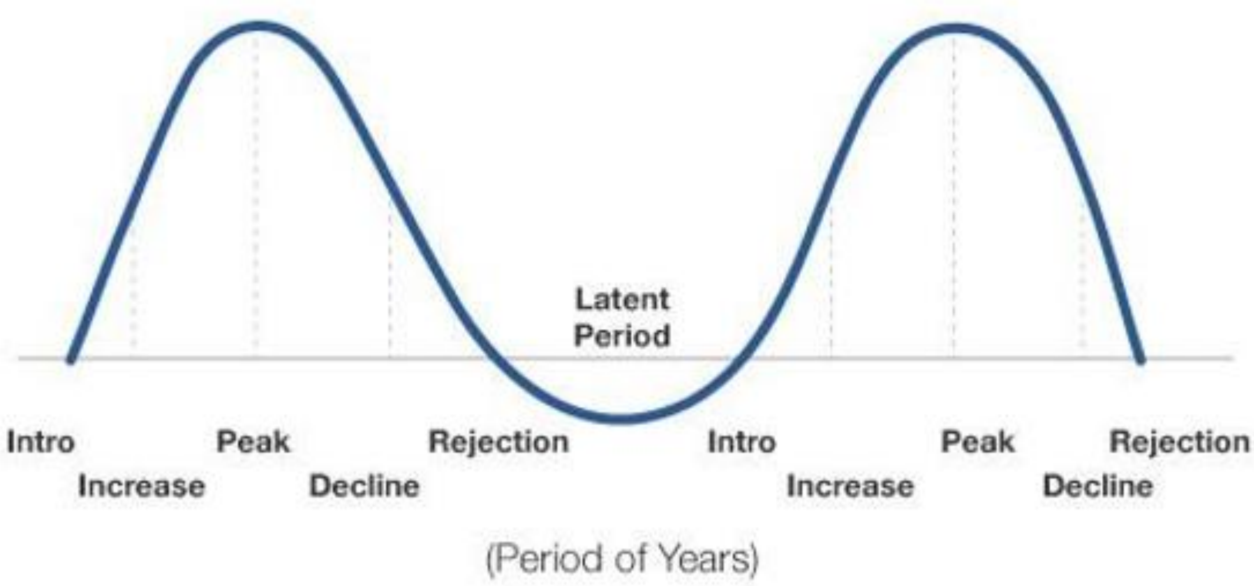
It is immediate to notice how the basic (or style) products are the most lasting ones, covering all the stages of the PLC, while fashion products have a progressive growth and a steep decline, and fad has the shortest and the quickest life cycle though.

3.2.1 RECURRING CYCLES

Fashion takes inspiration from the past, and nowadays there is a raising number of stylists inspiring their collection to old but never-ending models that characterize a specific historic period or that have been the masterpiece of an atelier. All those inspirations might convey to single items, lines or whole collections in a fashion company, that reinvents noted styles of the past, letting them reappear in the market after several years of latency.

This inspiring phenomenon has its translation in economic terms, the “Recurring Fashion Cycle”. As it is possible to see from the graph, it has the form an irregular sinusoidal curve, with the “bell-shaped” trend of the PLC, but repeated twice with a period of interruption called “latent period”. this is the trend that follow those products in the market that are inspired from the past, and they are pushed to another introduction phase because of their adaption to new and emerging technologies, followed by their increase in popularity, popularity peak, decline and rejection.

“The Recurring Fashion Cycle”



Source: Cornell University.

Those changes to historic models are in terms of design elements, such as colors, silhouette or textures, and it is typically followed by a change in detail and fabrics. All those elements may change overtime also if Style itself remains popular; changing details, colors and fabrics let the customer to perceive that item as unique in its creation, raising again the “must-have” phenomenon.

By the way, sometimes customers’ buying is interrupted before the time, because retail and manufacturers may no longer risk producing stock or products that are predicted to decline soon in popularity, so they might retire those products for the market. Sometimes due to economic shocks or social upheavals, like economic depression or war, the interrupted fashion cycle cuts the decline stage, passing directly to the decline one.

3.3 THE PRODUCT DEVELOPMENT PROCESS

The process of product development in the fashion industry is the result of the integration of two different sub-processes: “creative process/style”, where designers and creative employees define collections in terms of stylistic and aesthetic elements, and “economic target process”, that involves mangers from sales, marketing, merchandising and finance departments in defining competitive and economic targets of the collections.

The product development process is at the core of the product value creation, whereby value is added to each good throughout rounds of testing, together with feedbacks by stakeholders and the referred segment of customers that the company aims to serve.

The stages of product development process are:

1) PLANNING: defines the merchandising planning and fixes the guidelines for the collection and the strategic plan on the company in terms of referred segment to serve. This is necessary for a retailer to ensure that stores can offer "the right product, at the right time, at the right price, at the right quantity with the right appeal"[21]. During this stage, the merchandising department builds the collections together with designers, fashion creators and idealists and delivers company's collection plan. It represents the kick-off of the design process, so it is necessary to be scheduled according to the specific seasonal cycle of the company. This stage of the product development process is becoming more challenging because of several changes in the retail industry such as higher levels of competition, global sourcing, consolidation, rising product variety, counterfeiting by fast-fashion companies, reduced life cycles and rising volatility of demand, with the final decrease in its predictability.
2) SAMPLING: this is a multi-stages process of the product development, by which it is identified the most efficient production method, and stylistic integrity is retained, maximizing the functional value of the garments. The sampling process starts with a pattern creation thought by a fashion designer. That pattern can be based on a photo, a description, a specific garment or a block; after this stage, it is created a toile, to verify the correct fit and shape for the item: if this stage would be finally accepted, it is possible to create the first sample with the specific fabric thought for the item. Some garments are easy accepted and this process might be repeated twice to change imperfections, while other products take more time, especially if their fabrics are innovative or contains several panels of fabric. Typically, the process is made up of the following stages: "Pattern drafting > Toileing > First sample > Grading > Production." [22]
3) PRESENTATION: it is the final result of the product development process, and it ends up with the collections' presentations to press and customers. Runways represent the product development process to press, buyers and customers; since it is not the final stage for the company, presentation is the starting point for potential sales, because now companies start to acquire orders from the presented collection, and the production/logistic phase take place. The product development process stops with the elaboration of the merchandising greed, a document that contains all the collection's items in

[21] Fei Carlo – Fashion Management Course.
[22] Fashionhothouse.com – The Product Development Process.

terms of product mix and prices, setting up the 95% of the collection. For the company now, after-sales management occurs to not leave clients alone and capture as much information as possible.

3.4 FASHION CALENDAR

"The Fashion Calendar is a subscription service that was founded more than 65 years ago by Ruth Finley. Originally a bi-monthly publication, the Calendar served as the premier scheduling tool for designers, press, retailers, public relations/event planning firms and anyone else directly or indirectly connected to the fashion industry."[23]

This calendar is considered as the most useful tool and the main resource for fashion insiders to schedule and manage fashion events in NY. This tool provides all the fashion events that occur in New York City, the city where the service is born. "Camera Nazionale della Moda Italiana" and "Fédération Française de la Couture du Prêt-à-Porter des Couturiers et des Créateurs de Mode" sets the dates and the locations, respectively, of the Italian and the French fashion week.

It follows the fashion calendar for the of Fashion Weeks for Prêt-à-porter lines, selected by cities of London, Milan, Paris and NY (cities with the highest sharing worldwide according to *wwd.com*) starting from January 2017. Each city settles four Fashion Weeks yearly, two for the man and two for the woman. Fall/Winter Collections are presented, respectively, in January and in February during the F/W Fashion Weeks, while for the Spring/Summer collections, June see "the Man", while September is for "The Woman" SS collections.

[23] CDFA – Council of Fashion Designers of America.

"Fashion Week Calendars"

Men's Fashion Weeks – Fall/Winter 2017/18	
London	6 - 9 Jan 2017
Milan	13 - 17 Jan 2017
Paris	18 - 22 Jan 2017
New York	30 Jan - 2 Feb 2017

Women's Fashion Weeks – Fall/Winter 2017/18	
New York	9 - 17 Feb 2017
London	17 - 21 Feb 2017
Milan	22 - 27 Feb 2017
Paris	28 Feb - 8 Mar 2017

Men's Fashion Weeks – Spring/Summer 2018	
London	9 - 12 Jun 2017
Milan	16 - 20 Jun 2017
Paris	21 - 25 Jun 2017
New York	10 - 13 July 2017

Women's Fashion Weeks – Spring/Summer 2018	
New York	5 - 12 Sept 2017
London	14 - 18 Sept 2017
Milan	19 - 25 Sept 2017
Paris	25 Sept - 2 Oct 2017

Source: Personal data's Elaboration[24]

3.5 "THE SEE-NOW, BUY-NOW" STRATEGY

This is the name of the most recent selling strategy that most of the top luxury maisons are adopting to combine digital innovation with fashion. This new system had been pushed by the Council of Fashion Designers of America, to explore new models for fashion shows and solve radical problems

[24] Information are taken from New York Fashion Week Official Sites, Camera Nazionale della Moda Italiana, Fédération Française de la Couture du Prêt-à-Porter des Couturiers et des Créateurs de Mode and British Fashion Council.

that the fashion cycle is facing since the last 10 years: if fashion had historically been characterized by pre-determined and cyclical rhythms, that saw the fashion process starting by design and creation, passing to the wholesale and finally to retail distribution, it saw the core of all those processes around business calendars and fashion shows. Fashion Weeks had always been monumental events in terms of revenues, marketing, acceptance and brand power and they had always had the role of show to top-customers and publics (formed by press, professionals, buyer, and recently by bloggers and influencers) the collection of each maison that testifies the working year behind them, generating excitement for the next collections and the curiosity of knowing in advance the must-have, or the future trends/fads/styles for the following seasons. Fashion shows create fashion rules, and their approach had been "see-now, buy-next"; those year was necessary for supplier to test top-customers' reactions and check if specific items were worth to be produced or not, reducing risk and optimizing the investments.

Now times are chanced, other are trends that the market must face and satisfy. Bloggers are completely changing the concept of "newness", boosting it to one-day level; because of their posts on social media (such as Twitter, Youtube, Facebook, Instagram, Snapchat, WeChat and others), they generated a sort of visual consumerism that pushes people to stay always connected and anticipate the market, asking sometimes to create suited items unique worldwide. Millennials had been additional component for the changes in fashion: demanding and informed customers greedy for novelty, who want everything and immediately according to their specific needs. They are "catch-on", and are able to lose interest for an item shown in the fashion shows, but not already made or distributed; more than this, because of this sharing on social media, there are several fast-fashion retailers that are able to rapidly emulate the items of a collection and commercialize them before luxury suppliers product them: this marries Millennials' trends, so they will perceive the item of the following collections as obsolete, nullifying the strategic planning, design, accuracy, uniqueness of luxury companies collections.

Now rhythms are accelerated: Millennials have the purchasing power to not wait six months to wear an outfit seen on the runway shows today, because see an outfit creates for them a sense of urgency for purchase. Their first need is accessibility: their smartphone-centric approach allows them to compare prices, different items in the fashion industry in few seconds, so this attitude change the way they perceive fashion, because they are not willing to wait anymore. This shift in customer priorities pushes fashion companies to re-adapt their business model by finding new, smart and fast ways to satisfy their customers.

In these terms, the “See-now, Buy-now” strategy is a Copernican revolution for the fashion system, that considers the typical fashion calendar for fashion shows as an anachronistic concept, and the concept of seasonality too.

Now collections are available for purchase (in-store or on-line) immediately, the day after fashion runways; the six months gap between runways and retail shops is cut down: now collections have to be available in store since the day of the fashion show or, at most, the day after, since their first appearance to customers. Fashion shows are now perceived as a mere marketing tool, going over their concept of fashion event to present collection to insiders, and lots of companies are now reducing them, or are conveying them just into two main collections (Fall/Winter and Spring/Summer), synchronizing both Men and Women collections into a unique fashion show, and some firms are tempted to re-name their fashion shows with “September” and “August”. Stylists are also forced to reconsider the meaning of some terms, such as “seasonal” and “trendy”, questioning the traditional fashion cycle. Given this, it is mandatory to adapt the operation and the distribution system that is behind fashion companies, because if the items need to be available since the day after the runway, all the fashion system has to adapt and be more rapid.

There is not a unique formula for an optimal business model for those companies that adopt the “See-now, Buy-now” strategy, since there are just few early-mover companies that are conveying digital and fashion shows, such as Tom Ford, Tommy Hilfiger (with its TommyXGigi), Rebecca Minkoff and Burberry, while Chanel, Dior and Hermes are now deciding if approaching this new technology or not.

Because of this new purchasing technology, online collections will be named “September” and “August” as mentioned before, in order to make web surfing more click-friendling for online users since collections’ items will be available since the day after; marketing campaigns will be focused on those products immediately ready for buy available for customers, with whom companies will focus on closing relationships; fashion shows, becoming a marketing tool, will be digitalized by launching them online, given the possibility to a much wider audience of potential customers to be updated with the item they can buy the day after, rising acceptance and brand power, and fashion shows would be another tool to keep closer and closer the relationship with customers or to create new ones.

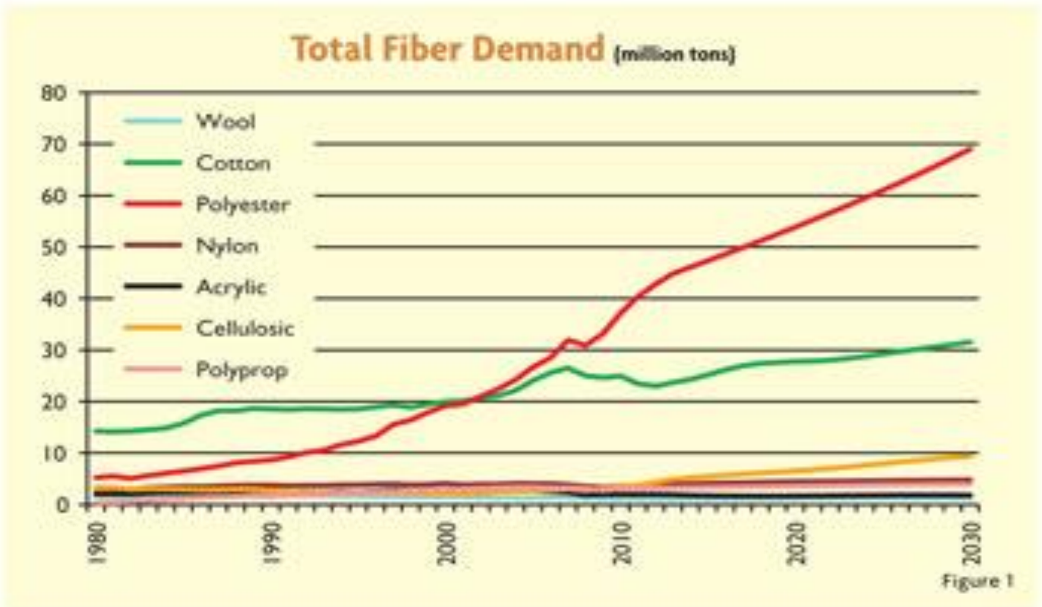
3.5.1 The “See-Now, Buy-Now” Model

Climate changes, air-conditioning environments and the rising trend to travel let the customer perceive the world as non-seasonal anymore. People stop buying because of seasons, but they buy clothes just to cover themselves depending from the weather, and by select those items and brands that better reflect their personality, or the social status they want to witness. The purchasing phase is the final point for a customer to experience the brand, and if they want to purchase a product that have just seen on a fashion show, fashion needs to be seasonless.

If this is the emerging trend, fashion companies that want to adopt the “See-now, Buy-now” strategy need to invest in technology to create new fabrics: they need to be trans-seasonal, such as lightweight, naturally termo-regulating merino wool, suitable both for summer and winter. In this sense, the number one fiber is polyester, expected to largely overcome the cotton by 2020. However, cotton remains the number one natural fiber among the other, and the 60% of consumers considers cotton the best depending on different parameters, such as convenience, durability and sustainability, and this is mostly since it is high-performance and comfortable not depending from seasons.[25]

Obviously, this model implies several “revolutions”: the fashion cycle, fashion shows, fashion calendar, companies’ business models and so on. The most important change is in the conception of the runway shows, and in cutting the six-months gap between design and retail.

“Total Fiber Demand” – 2016.



Source: Textile World.

[25] Data from “Share of fibers, by weight, at US Retailers in Q2, 2016”.

- *Operational implications*

  Companies must align every step in the process, raise efficiency in the entire supply chain in terms of rapidity of production and development, because of time pressure. Vertical integration and top-down production control are key factors to make the "See-now, Buy-now" model works. Regarding the distribution process, the delivery cycle needs to be re-shaped ad adapted to satisfy immediate demands; more than this, fashion companies must synchronize deliveries to their wholesalers, online stores and freestanding stores: to avoid loss of potential sales, customers' disappointments and the lack of products in stores, suppliers needs to stock immediately and in the right quantity to their distribution channels. Especially, companies need to focus on those items worn by models during their fashion shows, because they are typically more demanding despite others in the stores (even if, by generating high footfalls in stores, other products different from the ones in the fashion show can generate value for the company). Sales personnel need to be brought up to the speed of the "See-now, Buy-now" strategy too, being in line with company's and customers priorities and rapidity in purchasing, having a clear image of which were the items worn during the runway.

  Retailers are crucial actors in this scenario: they receive the products in advance, so they need to improve their inventory management capability, to efficiently manage the merchandise department and keep the stock in the inventory for a longer time. They also play a communication role: they see company's new collections in their showroom in advance, before the runway too, thus they are responsible to inform the customer about the presence in store of some "See-now, Buy-now" lines, to create interest and customer retention, more than inform the customer and offer a personal customer service, generating excitement for the company, for the new purchasing technology and for its runway (because retailers cannot reveal new collections before they are presented to the audience in the runways).

- *PR strategy*

  In accordance with the traditional fashion cycle, there is at least a six-months period for fashion public relations (PR) to coordinate design and sampling with retail distribution, where plan sales and content, shoot campaign and digital infrastructures need to be harmonized, before sales operations could start. With the "See-now, Buy-now", editors press to see collections before the runways, shoot photos in advance by signing non-disclosure agreements, and participate to fashion shows later, changing in a radical way their ordinary schedule; in this way, companies' relationships with fashion magazines are crucial and of primary relevance, so companies need to carefully manage them and make them as closest as possible to control media coverage and launch campaign with creative brand stories.

PR operations would be focused more on potential customers more sensible to storytelling, generating in them the emotional involvement proper of top-luxury fashion brands, integrating them with company's website. Traditional media would have probably less power on consumers' influence, because with the digital raise, social media play a peculiar role for companies.

Engaging new customers is the central goal of this new selling strategy, and customer relationships with loyal and potential customers need to be at the core of marketing campaigns. Runways now are marketing tools to engage customers and create excitement and desirability for impulsive and one-click purchases after the fashion show. Designers created spectacles in their department stores, have made their collections available for purchase just after the runways in kiosks outside the show, and boosted social media presence by streaming fashion shows online and by exploiting the presence of influencers and bloggers. Celebrities wearing new outfits from the collection had been a successful strategy to create desire for customers, pushing them to buy the items; the idea was to create excitement via social media coverage, with the final aim to drive audiences to physical stores or to the online one.

Even if this new strategy pushes to create the buzz about newness and novelty, generating immediate sales after the fashion shows, it is important to maintain this excitement in the consumers' interest in the collection in the following months too. Digital marketing campaigns are the key tool to do this, and their implementation throughout the season would keep the momentum going on, engaging new customers, always generating desire necessary to prevent the decline of sales overtime. Specifically, companies should focus on storytelling and direct communication with their customers, by empowering customers' affiliation with the brand, embodying with the brand values.

3.6 "SEE-NOW, BUY-NOW": YES OR NOT?

On December 2015, the CFDA hired BCG (the Boston Consulting Group) to study the effectiveness of the NY Fashion week and assign them the responsibility to establish whether changer needed or not. Their results testified that the "hottest" issues were the delivery cycle and in-season relevance, so some changes were necessary. However, the CDA did not assign a specific procedure about how to move, leaving each brand free to decide its personal strategy based on personal resources and capabilities.

The "See-now, Buy-now" strategy gives the benefit of the immediate selling items of seasonal collection in the actual collection that it has been designed for, but more than this this methodology allows fashion companies to improve their connections with loyal customers and at the same time embrace even more customers, marrying the rising needs among consumers of urgency: this leads the final consumer to impulsive purchases, with the final result of boosting company's sales, by giving immediate gratification; the model would allow to speak directly to customers, jumping over press and buyers' criticism and selection.

But the "See-now, Buy-now" strategy had been thought mostly to provide a solution for the problem on counterfeiting in fashion, especially the fast-fashion copycats: by the immediate selling of new collections' items just after their presentation on runways, fast-fashion companies would not have time to copy the items presented or to anticipate luxury brands during the six-months gap in the fashion calendar, that brought fast-fashion companies to success, scaring luxury firms about serious threats of inverting trends among consumers. Finally this immediate selling strategy is aimed to solve the huge problems of markdowns in fashion, one of the critical issues that fashion faced since two years: people buy winter clothing at markdown because they are delivered in summer seasons, so it is not even cold; selling the collections in the proper season would not give the possibility to discounted consumers to wait the sales markdown or discounting, with the final result of empowering brand status, coherence and lowering customer purchasing power.

The "See-now, Buy-now" strategy is splitting the fashion industry, creating debates if whether adopt this selling methodology or not: in fact, if British and American maisons seems to be in favor for the develop of the "See-no2, Buy-now", Italy and France seems to be strongly reluctant to this change in fashion. The titans of French fashion, including Dior, Chanel and Saint Laurent rejected any modification of the Paris fashion calendar, testified by the strong efficiency in terms of results of Paris events with the traditional fashion system, confirmed by the president of the "Fédération Française de la Couture du Prêt-à-Porter des Couturiers et des Créateurs de Mode" too. Moreover, the president seems to be very skeptical about the conviction that the "See-now, Buy-now" strategy would reduce imitation by fast-fashion companies, because according to him, counterfeiting would be reduced only if designers would create products hard to copy because of the unique design and the preciousness of the materials, pushing on innovation and creativity.

Other issues let French maisons to be far away from this strategy's acceptance, because they need time for the research and the production of new high-quality materials, and they strongly believe that the "See-now, Buy-now", with its reduced delivery times to stores after the fashion show, would destroy the dream of luxury, because in this way this new methodology create excitement, but it will be overcome by a new item the day after, having the possibility of having everything and immediately. Luxury fashion, indeed, generates design and elegance, that consists also in waiting the masterpiece that the company creates for its customers, or the uniqueness of a single item tailored according to the customer preferences. Some strongly believe that this model might destroy the essential spirit of luxury brands, since it aims to boost sales by exploiting the sense of immediacy expressed by the customer, without creating the sense of rarity, fundamental to create aspiration for a specific item. The instant gratification stands opposite to the sense of unattainability searched in the luxury world.

Even if French maisons seems to be skeptical, Italy seems to be in the first raw to fight against the "See-now, Buy-now" model. During the Milan Global Fashion Summit, that was focused on the challenges to face because of digital revolution, leading Italian executives expressed their intention to not adopt the model for their companies.

It is useful to mention some interviews of Italian fashion executives, to understand the reasons why behind their choices.

The Tod's Group's chairman and CEO, Diego Della Valle, strongly believes that time is a key element of the Made In Italy industrial process

"I think that see-now-buy-now can becomes see-now-buy-never in many cases. Although there will be a change in the organization of the shows, for us see-now-buy-now implies a series of risks and problems," he said. "At the same time, we have to consider that a customer finds a product in store that he saw for the first time on his mobile device five or six months earlier...he gets bored very quickly. We have to settle for a compromise — it's key to restock the boutiques every two months with new products scheduling a marketing and communication strategy in advance."

"For me, see-now-buy-now is the farthest thing from my company. It takes time to craft beautiful things and limited quantities need to be available at the store to preserve exclusivity," he added. *"But I think fashion week will probably become a moment to meet [other members of the fashion industry] and then during the year each company does what it has to do to engage customers."*

But at the same time, he added: *"We missed the first train, but we are quickly regaining the lost ground. […] We are finalizing the mapping and the tools we need to create a dialog with our customers. But we don't have to forget that our customers of yesterday are still there and we cannot concentrate only on the new things. We have to mediate between what we had and what we can get."* [26]

Patrizio Bertelli, Prada's chief executive officer, seems to think the same, showing scepticism, but then admitting the importance of digital innovation in the fashion and luxury system.

[26]WorldPress.com.VIP - "Why Tod's and Prada Aren't Buying Into the See-Now, Buy-Now Trend", *Alessandra Turra,* October 19th, 2016

"The fashion system is wrong. When we talk about digitization and see-now, buy-now we have to consider time," said Patrizio Bertelli. *"After 20 years, we are still discussing about show calendars but the problem is always the same: While in the Eighties reasonable dates were chosen for the men's shows, the women's schedule is still a problem. Companies need to spend more money because deadlines are too tight, and there is not enough time for an industrial plan. To be fast you have to spend twice as much. We have to consider financial results. Digitization is fundamental for the whole process, but we have to consider how it is applied to avoid any waste of money. People have to be patient, they have to do things in an organic way … actually I see a certain 'gold rush.' "*

At the same time, he replies: *"I don't think digitization will change factories so much because luxury is definitely linked to the skills of each specific technician capable of making a well-done and beautiful product which is appealing on the market. The digital won't change the real craftsmanship but the organization."*[27]

Moreover, there are other successful Italian stylists who are still hesitating in the "See-now, Buy-now" strategy's adoption, but at the same time they seem to be more conscious about some changes that the fashion industry needs, also if they still don't know the right answers to fashion problems. Donatella Versace is an example: she had been a forerunner of this strategy, saying "*… fashion is evolving, whether if we like or not."*[28]*; or "fashion is evolving too quickly and fashion companies have to move even faster to design the future".*[29] She strongly believes in the power of innovation, and she had been one of the first-movers adopting digital innovation to her company, by launching online outfits of every fashion show on social media before the models' exited the runways. "*I love seeing people's immediate reactions to what I do,*" continues Donatella, who is also a member icon: "*Young people around the world who appreciate and comment Instagram images are consumers of the future.*"[30]

[27]WWD.com – "Italian Fashion Entrepreneurs Show Skepticism Toward See Now buy Now", *A. Turra*, October 19th, 2016.
[28] FashionMagazine.it - "Donatella Versace e la "rivoluzione in passerella": «La moda va veloce e così dobbiamo fare anche noi»", September 2017.
[29]Lescahiersfm.com - "Cos'è il See Now,Buy Now", *Moschillo, M.T*, 2016.
[30]Fashionmagazine.it - " Donatella Versace e la "rivoluzione in passerella": «La moda va veloce e così dobbiamo fare anche noi»", February 10th, 2016.

CHAPTER 4: BURBERRY & THE EVOLUTION OF BURBERRY'S BUSINESS MODEL - THE "SEE NOW, BUY NOW" STRATEGY.

4 INTRODUCTION TO THE CHAPTER

This chapter covers the central theme of the thesis, the evolution of Burberry's business model due to company's adoption of "See-Now, Buy-Now" strategy, the latest selling strategy adopted by fashion companies. Burberry, the iconic British brand, covers the first position for IQ Technology among luxury brands, and it is one of the pioneer of this new strategy.

The chapter starts with the history of Burberry, highlighting the major features that lead the company to success, followed by a clear image of the company in the current year, providing brand positioning, SWOT analysis and 5-years-performance analysis. It had been useful to mention the interview of July Brown, the Chief Operating and Financial Officer, to testify company's expectations for the future. After that, it follows a detailed description of Burberry's business model, and its evolution through the excellence programme that the company adopted in recent years to go over several problems that faced especially since 2015; the "Business Model Canvas" is the tool adopted to give a linear image of the company through its 9 main block, investigating about the value proposition that the company offers to its referred customer segment.

In the end, it is provided recent data about fashion companies "See-Now, Buy-Now" results, highlighting all the problems that the most successful fashion company faced when they embraced this new strategy, and the latest decisions of the same to give up the "See-Now, Buy-Now" or not, with a final analysis of Burberry's key factor of success for more successful future results.

4.1 COMPANY’S OVERVIEW: HISTORICAL PROFILE

Burberry Group, Inc. is the iconic British B2C Luxury & Fashion House, headquartered in London. It is a public traded company in the fashion industry with 161 years of history; it currently counts 498 stores worldwide, offering clothing, accessories, perfumes and cosmetics, for Men, Women and Kids. By the end of the last year, it counted £ 2,514.7 million in revenues, with £ 402.9 billion of operating income and £ 314.6 million of Net income. Established in 1856 by Thomas Burberry, is now the emblem of the British effort and lifestyle. It had been a family-controlled, independent company until 1955, when GUS (Great Universal Stores) taken it over.

It all began when the 21-year-old Thomas Burberry opened a store in Basingstoke, Hampshire, England. He was a cloth dealer’s apprentice, specializing himself in draping, and then he decided to open a store for the development of its own clothing lines, giving the start to an outfitting business focused on spreading and communicating the Londoner style worldwide in the following years. The original name awarded by Mr. Thomas was “Burberry”, in a short time switched in “Burberrys”, because of the emerging trend among his customers to identify the brand as “Burberrys of London”, a label for its older products: in 1999, in fact, the company decided to invert the brand name to its old “Burberry” again.

The starting point for the Burberry’s success is in 1879, when the stylist incorporated in its brand the “Gabardine”, a water-resistant, hardwearing, breathable and resistant fabric, which became soon the root of the firm, the first revolutionary that waterproofed the yarn before weaving; this technology had been immediately popular and famous in UK, because until that moment there was not something similar to face the hard British weather, forcing people to wear heavy, restricting and stifling coats unsuitable for extended outings or to go over cold, snow and wind. Still trading as “Thomas Burberry & Sons”, the company opened its first shop at 30 Haymarket, West End of London. The exclusivity of its innovative yarns and its fame among Londoners are the reasons why Burberry, in 1895, had been chosen to cooperate with the British Army, by producing officer’s raincoat “Tierlocken” with this new technology: a double-breasted coat with a no-button belt, that “protects” the body from the neck to the knees. Thanks to this cooperation, the “Tierlocken” coat had been very popular during the World War I among the officers, who were the upper middle-class at that moment; since that moment on, “Tierlocken” had been the iconic Burberry’s trench coat, patented in the late 1912.

Another important key moment for the Burberry’s fashion industry is 1901, the first time that the “Equestrian Knight” logo appears, and then 1904, when the logo had been registered. Although it is one of the most emblematic logos in fashion history, it had been designed stylizing and equestrian soldier carrying a shield. The design of this logo communicates all the core values of the company: the equestrian soldier depicts "Purity, Nobleness and Honor"[31], while the shield stands for "Protection"; the choice of the black color of the Burberry logo symbolizes "Strength and Durability". The logo had been enriched with the Latin word "Prosum", meaning "forwards", attesting the long-term view of the company.

Other important dates, which spread more and more the Burberry's name all over the world are the sponsorship of Roald Amundsen in 1911, the first man who reached the South Pole, and in 1914 of Ernest Shackleton, who led an expedition to cross Antarctica: both worn a Gabardine jacked equipped by Burberry. By following this line, in 1924, a "Gabardine" jacked has been sponsored in favor of George Mallory, who attempted to climb Mount Everest. In 1920, instead, Burberry registered as a trademark the "Burberry Check", the most recognizable character of company's items, which covers all the lines produced, from clothing to the fragrances' design.

In 1937, the brand started designing aviation garments and sponsoring "The Burberry Plane", in honor of A. E. Clouston and Betty Kirby- Green, who broke the world record for the fastest flight from London to Cape Town and return.

In the end, the most prestigious recognition for Burberry came up in 1955, when the company has been awarded as "Royal Warrant" by Queen Elisabeth II, and an additional royal warrant with the Prince of Whales in 1989: thanks to these extremely prestigious awards the brand became an integral part of British Culture, being included in the "Mod" outfits, the fashion trends began in London in 1958. In the same year, Burberry was the official outwear supplier of the British women's Olympic team during the Tokyo Olympic games.

But it is by the '70s and '80s that Burberry started spreading with a very aggressive strategy its retail distribution worldwide. Since the first years of the 20th century, Thomas Burberry started some retail distribution in New York and in Buenos Aires, but is in 1910 that the company had opened its first retail Outlet in Paris. In the '70s, they entered a licensing agreement with Mitsui, a partner licensed to produce goods for the Japanese market with Sanyo Shokai, the largest contemporary apparel manufacturer; in the '80s Burberry saw the boost of its exports, driven mainly by the Japanese and the American market for prestigious designer goods. Between these two decades, Burberry started signing agreements with international manufacturer all over the world to produce complementary products to insert in the already existing British collections, such as accessories, t-shirts, trousers and

[31] TheTelegraph – "Burberry: a history", April 17th, 2011.

suits for men, women and children. Those products had been produced and distributed through worldwide independent retail stores together with Burberry stores, because the Londonize department store played the role of strict guardian to this production agreement; this operation boosted company's sales and profits till the late '90s, when it signed contracts with prestigious photographers (like Lord Litchfield and Mario Testino) and it started its first advertising campaign featuring the British model Kate Moss.

Starting from 2000, Burberry opened its first store in Bond Street (London), contemplating brand's status as a global luxury brand; in the same year, the company bought its former licensee in Spain and owned and controlled the Spanish market. In 2008, a joint venture allowed the brand to establish Burberry Middle East headquartered in Dubai, while in 2010 it received the approval from the Chinese government to enter in Chinese retail stores; in the same year the company praised to be the first luxury brand joining the Ethical Trading Initiative, to communicate that their CSR policies respecting human rights.

4.2 BURBERRY NOW

Burberry, the historical British brand, is now considered as an "affordable luxury" brand, suited for those customers who wants luxury while being functional. This means that their products present excellent quality, ancestral heritage and personal history, scarcity and uniqueness, covering aesthetics and polysensuality dimensions, but at an "affordable" price, compared to top luxury items, but higher than premium brands. This is due to the fact that the company born as a trench provider, so its core business is apparel and fashion. The company now has positioned its brand as "functional luxury" in consumers' minds, differentiating its offer from the competitors' one especially for customers who want to be luxury, aspirational and functional at the same time. Innovation, the pursuit of the uniqueness and the developing around iconic items, bring the brand to be one of the most accurate for more demanding customers, such as Millennials.

Millennials, in fact, is the target that the company aimed to serve since 2006, when Angela Ahrendts took the company after underperforming trends: in 2006, the CEO A. Ahrendts and her team highlighted the strengths of the brand, like being the only big British brands worldwide, while Italy, France and US can claim several prestigious brand well-knew worldwide; the CEO started to re-invent the business around key strategies, and the company's enlarge to Chinese market, allowed it to invest in digital transformation and, by 2010, Burberry was able to invite clientele at its fashion shows, book the preferred items for each customer and deliver him/her them in 6-8 weeks. Burberry now is considered the first fashion brand for “Digital IQ Score” (by L2 ThinkTank), and it the number 21 for the “Top 50 European Love List” brands in 2017.

Burberry is one of the luxury brand with the highest presence on social media, being one of the most followed ones, with a total of over 48 Million followers on 20 different social platforms including Instagram, WeChat, Kakao, Facebook, and Twitter. By March 2017, Burberry is ranked as the “Number 1 Digital Leader” (by ContactLab Digital Competitive Map”[32]. The brand counts an “A” rank for Instagram, counting 10,015,016 followers by the September 11th, 2017. On Twitter, the company counts 8 Million followers, with 17 Million of total likes gained; moreover, the company has the 100% of tweets retweeted by its followers, testifying the intensive media presence on Twitter, with an average of 1.7 number of tweets made by day by the brand, while at the same time it is testified that the 93% of company’s tweets are made on weekdays from its followers, because of an intensive traffic on its media page. Company’s Facebook page counts 10 Million users, and a strong interaction between followers’ comments and company’s answers, with the intention of solve all the problems that a customer communicates through Facebook (typically, once a week Cristopher Bailey, the Chief Creative and the CEO of the company, personally responds with its private account on Facebook, showing videos that take customers inside the design studio or behind the runway shows).

This strong social media presence allowed Burberry to speak the same language of its referred market segment: Millennials speak digital, so by hiring a young marketing team for the launch of new products the company had been able to marry the emerging trend of speak digital, to attract and retain the best client with the highest willingness to spend on latest and more innovative items. Thanks to this opportunity, the brand now can claim high numbers in customer data, that would be the factor that would be significant for the sector in the next two or three years; by using these data streams strategically, Burberry aims to be the winner.

The brand is always up with the times and technology, the only pioneering among the luxury brands to strongly invest in digital, launching its digital campaigns on Instagram, Snapchat, WeChat, Facebook and through Apple TV, betting in technology for a continuous and lasting growth in the future. Since 2016, Burberry admit to combine the Womenswear and the Menswear in two comprehensive fashion shows, with the possibility to purchase immediately the items seen thanks to the adoption of the “See-now, Buy-now” selling strategy, available just for digital companies. The organizational and corporate implications of the “See-now, Buy-now” by Burberry is explained deeply in the followings sections of the chapter.

[32] Burberry Annual Report 2016/2017.

Burberry's SWOT Analysis:

STRENGHT	WEAKNESSES	OPPORTUNITIES	THREATS
• Huge retail network and licensing partners globally; • The only British fashion brand for excellence; • Garanted Loyal Warrant by Prince of Wale and by Quenn Elisabeth II; • One of the most valuable companies worldwide; • Good asvertising and brand presence in UK; • Collaborations with famous international celebrities; • 10K motivated employees worldwide; • Brand presence in more than 50 coutries, 500+ stores; • Digital supremacy.	• Low Couture presence; • Strong imitation of company's items by cheap or fast fashion industry; • Limited product line, just for Apparels, Beauty and Accessories in the luxury industry, no Home décor & furnitures like other competitors; • A relevant portion of Burberry's revenues comes from China, so the company is strictly influenced by Chinese economic, regulatory, social and political enviroment.	• Incresing visibility thanks to more impacting advertising and marketing campaings; • Global espansion to boost company's growth worldwide; • Increase the e-commerce global sales to reach more customers; • Investing in new developing countries (such as India and Africa); • Expand its product line in other sectors, to differentiate market risk; • Creating premium lines would make the brand more affordable in developing economies, to raise customer retention.	• Increasig competitive envoronment for prices and store availability; • Customers' high bargaining power and low switching costs; • Catch the emerging trends in the fashion industry; • Market share reduction due to an increased competition; • Threats from fake/imitation products, that would destroy brand power and the customers' perception of the luxury brand.

Source: Personal data's elaboration.

Porter's five forces analysis and SWOT analysis are two strategic tools used to determine the strength of a company in the market. The graph above highlights relevant strengths that the British brand can claim, together with several opportunities in terms of global expansion and product lines implementation for the mitigation of risk; by the way, both Burberry strengths and opportunities have linked several weaknesses and threats that the company must solve, such as low Couture presence and the implementation of the product lines, together with a strong presence in the Chinese market that might cause loss of organic revenues due to current exchange rates, even if the imitation threat is the most critical one to solve: Burberry, in fact, has recently adopted the "See-now, Buy-now" strategy mainly to reduce the counterfeiting risk and differentiate its brand among other competitors.

Regarding the Porter's five forces analysis, it follows a list with the component of Burberry:

❖ <u>Bargaining power of Suppliers</u>: Burberry's key suppliers are clothing manufacturers and wholesalers; retailers increase supplier fragmentation by sourcing foreign manufacturers, but the apparel manufacturing is mostly labor-intensive, due to the difficulty of automate processes such as the sewing of garments. With the liberalization of international trade, the bargaining power of supplier is even more decreased through competition by low-wage Chinese region manufacturers. Thus, given the lack of suppliers' diversity, the retail industry is extremely important for their business, so the bargaining power of supplier is considered *"Low to Moderate"* in this market.

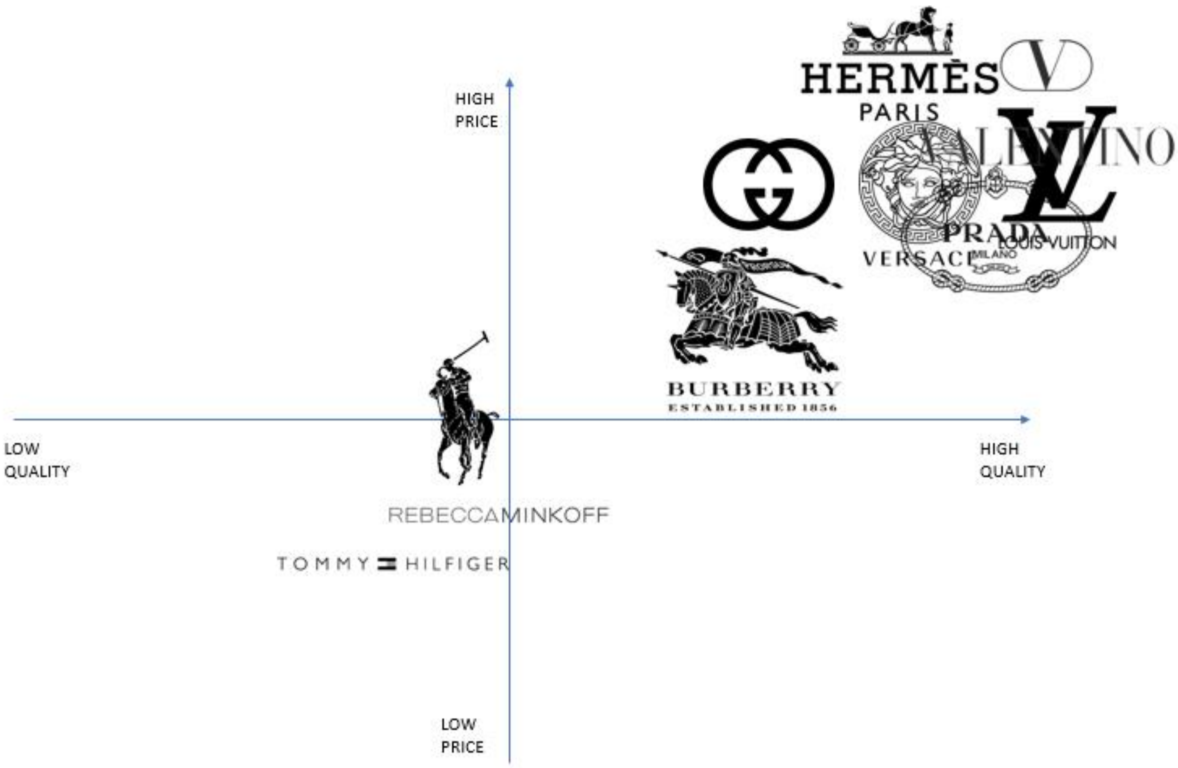
- Bargaining power of Customer: luxury retailers can differentiate thanks to styles and varying design of the product offer. Typically, customers are individuals, and an introduction of a new garment in the market decrease their bargaining power, being innovation psychologically relevant in terms of willingness to buy. At the same time, customers have low switching costs, so if there is customer retention, this is mostly due to the design and the innovative product development processes of the company despite its competitors in the market, so retailers are forced to serve the market because of the demand of their referred segment, increasing customers bargaining power. Fashion is unpredictable, so the overall bargaining power of customers in this sector is considered "*Moderate to low*".
- Threats of Substitutes: the substitutes of the luxury industry are lower-quality ones, typically counterfeiting products of imitation products driven by fast-fashion companies. Homemade and couture products are alternative to fake/imitation/counterfeited products, but this vary depending from individual or groups identity, making luxury essential in the consumers' minds. Therefore, the overall threat of substitutes is considered "*Weak*" for the luxury good market.
- Threats of new competitors: high-values industries in Chinese market of Japan, South Korea, Australia and Taiwan still dominate the Asia Pacific market, and Chinese and Indian retailers are growing in terms of market power, increasing the industry's attractiveness to new entrants. Depending on the referred market segment aimed to serve, the capital requirement for entry might vary, but the strong retail presence of historic luxury brand and a price war due to an increased competition are threats to entry in this segment. The overall threat of new competitors is assessed as "*Strong*".
- Intensity of Competitive Rivalry: the luxury good market is strongly fragmented, so it gives the possibility to small players to enter in the market. Capital requirements are a strong barrier to entry for new players, especially for offline retailers; by the way, different new players focus their attention on clothing and accessories, intensifying the competitive environment. Finally, the delicate situation that the fashion industry is facing in the past five years partially alleviates rivalry, that is overall assessed as "*Moderate*".

Burberry faces threats of new competitors and competitive rivalry, but it is in an industry with overall low-medium consumers' and suppliers' bargaining power and substitutes, so the British brand should keep innovating to sustain its relevance positioning, investing more on emerging market where there is and increasing growth of luxury spending driven by and expansion of medium and upper classes. Burberry has all the capabilities to capture this rising demand from emerging markets, having a wide geographical retail presence; their innovative print with digital would meet the digital needs of emerging markets' consumers. This would allow the company to build and maintain its strong brand power worldwide.

The strategic positioning of Burberry among luxury brands is strategic and driven to "affordable luxury" perception of the same. Burberry products have an excellent quality, but they are offered at an average lower price because of several entry-level products together with iconic high-level items. Despite other luxury brands, Burberry is considered first in all rankings for digital innovation, and the chart highlight its superiority despite other brands that married the "See-now, Buy-now" strategy in recent times such as Rebecca Minkoff, Ralph Lauren and Tommy Hilfiger.

Burberry built digital supremacy for a lasting success based on the new emerging Millennials target in developed and developing countries, such as China, India and Japan.

Burberry's positioning



Source: Personal data's elaboration.

4.3 COMPANY'S OVERVIEW: FINANCIAL PROFILE

Burberry's financial report for 2017 counts for an overall £ 2.766 Million, with the 77% coming from retail sales, the 22% from the wholesale and just the 1% from the licensing activities; the same result is expressed in revenues from regions by retail/wholesale sales (£2.741 Million), where the Asia Pacific contributes for the 39% (percentage unchanged from the previous year, testimony brand's strength in that market), while the 36% comes from the EMEIA region, with 3% revenues growth, and finally the 25% from the Americas, with the 11% decline of revenues compared to the previous year (See Appendix 2).

Those results come from different product divisions: the 38% of its sales comes from the Accessories (with 2% growth), it follows the 29% from women's clothing (declining by 4%), the 22% from men's clothing (1% growth), the 4% from children clothing (5% growth) and the 7% from the beauty product division (18% decline). (See Appendix 3)

In the first quarter of 2017, Burberry closes at +£478 Million (3% growth) and +13% reported exchange rates growth despite the same period of 2016, with a comparative sales growth of 4% among its luxury competitors, and its PBT (profit before taxes) grew from £421 Million in 2016 to £462 in the current year (+21%). Its Net Cash grew from £660 Million 2016 to £809 2017 (+22,57%) and company's DPS and EPS grew, respectively, of 5,1% (from 37.0p to 38.9p) and of 11,15% (from 69,9p to 77,4p) in 2017. (See Appendix 4)

Company's revenues keep growing year by year since 2013, with just one year of 1% revenues fall in 2016, reaching £ 2.766 Million at constant exchange rates.

The challenge part faced by approaching Burberry's financial report 2017 is that it affirms positive trends for the current fiscal year, which ends at March 31st, while it is possible to notice negative results when the same voices expressed in pounds are converted at current exchange rates. The company provide data just in UK pounds, but thanks to financial KPIs at current exchange rates it is possible to see that:

- Despite the growing revenues, the "Total revenue growth" is -2% for FY 2017 at current exchange rates, after -1% of FY 2016 under the same policies;
- The "Adjusted PBT growth" is going worse, with -21% for FY 2017 after a -10% for FY 2016, testifying a rising reduction of company's profit starting from the past two years;
- The "Adjusted retail/wholesale return on invested capital (ROIC)" is positive (+15,4% for FY 2017, after a +14,7% in FY 2016), testifying an increase from retail/wholesale asset sales,

together with the "Adjusted retail/wholesale operating margin", even if those values are not provided at current exchange rates;

- The "Adjusted diluted EPS growth" is +11% for FY 2017, after a negative -9% for FY 2016, testifying a positive trend for company's profit for its outstanding shares, but by having a look to the next section of the chapter, it is possible to see that this trend is not effectively truth when it is expressed at current exchange rates.

Because of all those difficulties due to the problem of currency, it follows a five years performance analysis of the company, following different KPIs such as ROI and ROE, and by providing data at current exchange rates.

4.3.1 Julie Brown, July 12TH, 2017

Those financial results are just a brief testimony of Burberry's initiatives and success: on Wednesday, 12th July 2017 the Chief Operating and Financial Officer, Julie Brown, during company's trading update for the first quarter of 2017, issued an interview to journalists and company's stakeholders and shareholders. During this interview, she expresses the enthusiasm for Marco Gobbetti, the new member of Burberry's CEO. After communicating company's financial results for the first quarter (listed above), she focused on Burberry's global e-commerce platform, that leverages data collected through the years thanks to a Customer Intelligence department supporting marketing decisions, to deliver more focused and suited campaigns for the referred market segment. The example reported in the exclusive interview is the Burberry App, launched in 5 Countries for laptop, IPad and mobile for a closer interaction with its customers, improving an excellent customer experience enriched with brand storytelling for every single item. This lead the company to raise footfall in its stores, with the result of more than 70% of its retail sales are influenced by technology: this data reflects the company's intention to invest more in digital. Mobile shopping now counts for the 40% of the D2C revenues, compared with the 30% in the previous year; China is another incredible source of revenue for the company, testified by the doubled online purchases of Chinese consumer despite the prior year.

Then, she moved to the cost-saving operations, made by the "Operational Excellence" key strategy, which allowed the company to save £ 50 Million in FY 2017, driven by an implemented product lifecycle management that enabled the company to gain operational and commercial benefits through a more timely development of products, increasing automation and closing vendors' and suppliers' collaborations. With the "Inspired People" key strategy it is been established a five-year responsibility strategy that let the company establishing the “Burberry Materials Future Research Group” at the Royal College of Art.[33] Their share repurchase program completed the £150 Million buyback operation by the end of April, starting a new £300 Million operation projected to end up at the end of March 2018.

Julie Brown also admitted that the company expects, regarding their licensing agreements, that the wholesales (except Beauty) would decline at constant exchange rates because of the ongoing brand control: data regarding company’s outlook for retail space or retail revenue for FY 2018 are not available, but the CEO expects that the total wholesale revenues in the first part of the year would be broadly flat, reflecting less business disruption in Beauty. This is due to the problem of the calculation of the annualized exceptional growth rates seen in the UK since Brexit vote and sterling devaluation last year, so the Chief Operating and Financial Officer admitted that the company is satisfied of its results for the first quarter, but those results would be different starting from the second half. Unfortunately, there are not specific data regarding this section.

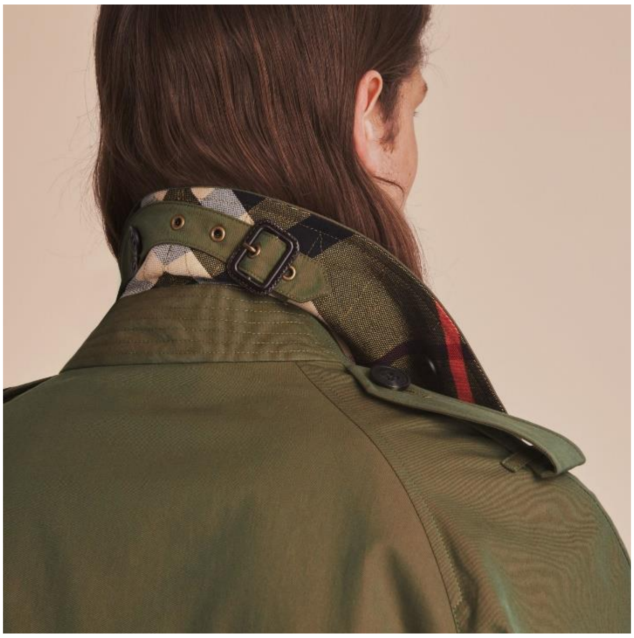
She ended up the interview by highlighting that their newest products had been well-accepted by customers, and that their resonance let Burberry infer that they would be the drivers for the fashion business (especially the Accessory product category, expected to outperform the other categories again in the next quarters of FY 2017). Finally, a remark of new employment recruitment would benefit the company, together with the Gobbetti’s guidance at the CEO.

Even in this first exclusive interview for the first quarter of FY 2017 seems to be lack of data, this testimony company’s accuracy in providing information, avoiding to provide information that could lead investors to think that the company has now found the perfect strategy for its customers; it seems, indeed, that the company is proud of the results gained thanks to this new selling strategy allowed by their technological supremacy, but at the same time it seems clear that they are planning new strategies to keep this success on. China remains a serious growth opportunity for the company, since the Chinese market is now expected to raise again after one year of low-flat growth. Italy is a challenge market for the company, because there the competition rise up due to the “Made in Italy” companies that have more influence in their home-market; France remains a dark matter, because Burberry labelled that specific market as critical because of terroristic attacks, that increased the volatility of consumption especially in Paris than elsewhere. Different from other markets is the UK market, considered split in “Tourists” and “Locals” macro categories of consumptions: the “Tourists” consumption decreased a lot because of the higher exchange rates conversion after the Brexit vote, noticing a slight increase in consumption just during the weekends, while regarding the “Local”

[33] Burberry - “First Quarter Trading Update”

consumption, Burberry's name remains strong, increasing revenues streams until the day before the interview.

Regarding the design partnerships, the CEO finally admitted that their focus is now on keeping the traditional Burberry's heritage but at the same time providing a new very innovative print, testified by the DK88 design, born by the reinvention of some new ideas around historical icons. Another term of comparison is the launch of the "Tropical Gabardine", an innovative fabric labelled Burberry, made for relaxing fits, that combines softness and fluidity, edited in every detail, from the drapes over the shoulders to the undercollar check, for an effortless appeal.



Source: Burberry.com – Left: "Tropical Gabardine". Right: "DK88 Bag".

Another important signal that the CEO provided is their intention to strength more and more the brand's name: by reducing the number of licensing agreements, closing the relationships with their suppliers and vendors, by reducing the number of Outlet stores in Europe and Worldwide, the company is shifting its focus on price-entry-level products in cashmere and other materials more than a wider acceptance linked with the discount culture. This would allow the company to improve the organic productivity of the mainline stores, changing company's space pieces. Even if they don't provide any data to compare the Outlet performance with the mainline one, they admit keeping focusing on customer retention in the mainline more than outlets, in terms of returning and repeated spending, and in terms of footfall conversion too, to let the business grow more.

4.3.2 Five Years Analysis

In order to provide a clear image of the financial Burberry's trends over the past five years, it had been thought to use financial KPIs, such as ROI and ROE, and compare the company's ones to the industry/sector; unfortunately, there is not a clear distinction for referred industry/segment, because of the philology behind the concept of luxury already explained in chapter one. So, it had been necessary to consult some online trading company, sometimes limiting the analysis to a mere description of the company's ratios/KPIs over the past five years, concluding with a description of the financial situation of Burberry for the FY 2017.

The five years analysis provided starts with the trend of Burberry's EPS over the past five years.

YEAR	2013	2014	2015	2016	2017
EPS	58.30	70.00	76.40	70.00	65.30
Δ EPS		20.07%	9.14%	-8.38%	-6.71%

Source: Personal data elaboration and calculation.[34]

The EPS is considered the most important indicator of a company's profitability, representing the portion of its profit allocated to each outstanding share of common stock in the referred period. It is possible to notice the downward sloping of Burberry EPS's trend from 2013 to FY 2017, the all of them ending at March 31st. While Burberry faced a huge growth in its EPS for FY 2014-2015, in FY 2016 the company started suffering, decreasing of more than 15 p.p. its EPS, with the final negative result for the current year of -6.71%. This indicator reflects that the performances of the company are facing lower results compared to previous years. Unfortunately, there is not the possibility to compare this ratio with the sector/industry one, so it is provided a mere trend of the EPS of the company.

It follows a possible comparison between Burberry and a sector/industry, taking into account some data provided by "Reuters.com", a US trading company.

FINANCIALS (FY 2017)	BURBERRY (INDUSTRY)	SECTOR
ROI	7.96	14.56
ROE	11.62	13.83

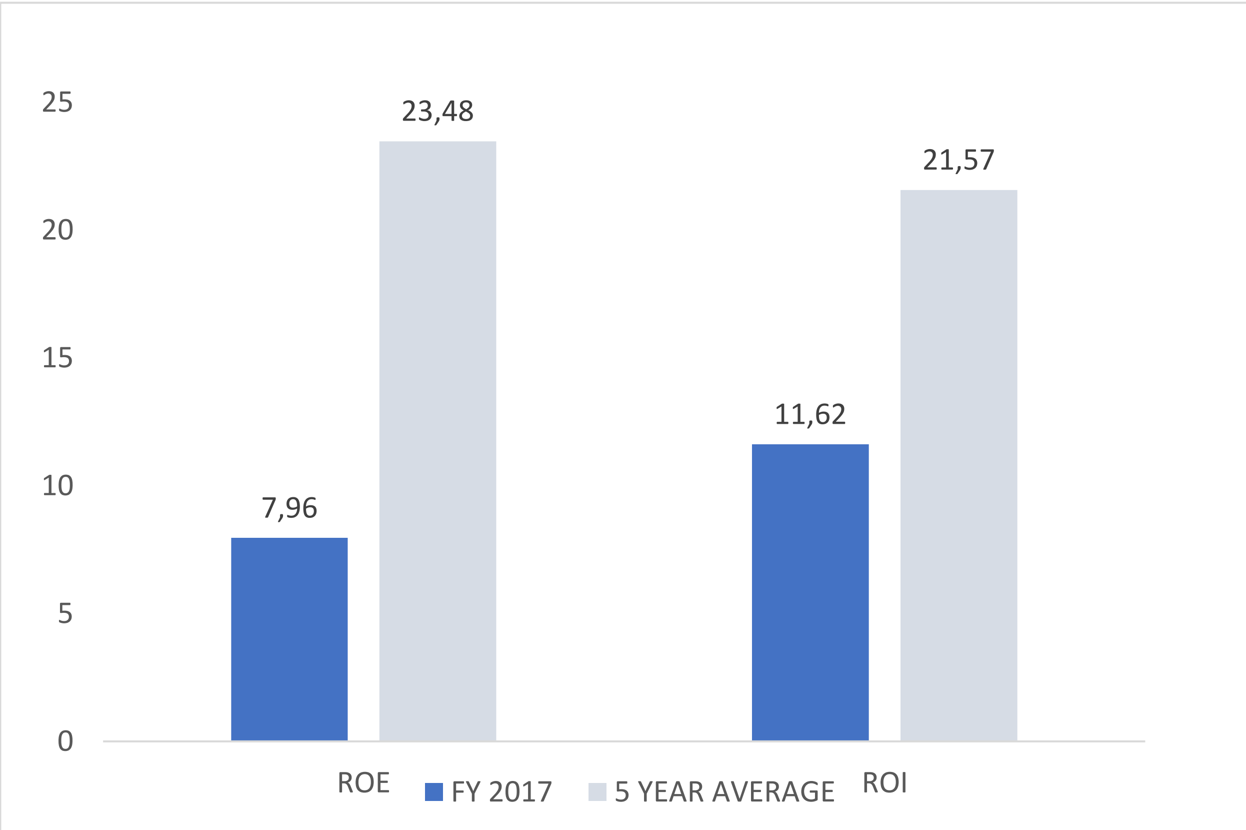
Source: Reuters.com

[34] It had been used the number of shares outstanding at the end of the company's financial period, March 31st, 2017 and back.

From the table above it is possible to see that the company is underperforming in FY 2017 despite the overall sector trends. The ROI (Return On Investment) of a company testifies its capability to generate profits by recovering the investments made with the operative activities, while the ROE (Return On Equity) is the ratio that link company's net profit with its equity and testify the capability to generate profits to repay equity (the percentage of net income returned as a shareholder's equity percentage). It is clear that the company is not maximizing its investments, having a ROI of 7.96 despite the sector's one of 14.56 (-45.33%). Regarding the ROE, the company is still facing performance problems, because it has a value of 11.62 despite the sector's ROE of 13.83 (-15.97%). This means that equity investments in Burberry are giving 11.62, but investors are satisfied only if their investments are at least at par despite other alternative investments with the same equity risk and market risk premium in the sector; the same concept is valid for ROI, so by the analysis of FY 2017 KPIs, the company is not performing adequately despite the sector's average.

It is interesting to see the ROI and ROE trends over the past 5 years, since it is not possible to give a hasty response just considering the FY 2017.

"Burberry Financial KPIs' Trends: FY 2017 vs. 5 Years Average"



Source: Personal data's elaboration.

The graph above testifies the negative performance of Burberry, comparing it with company's 5 years average of the same KPIs: under the same conditions, Burberry is at the lowest level of ROI and ROE indicators, and is facing negative performances despite FY 2014-2015, where the company saw a prosper growth. The efficiency of the usage of Burberry investments is not optimal, compared both to the average sector for FY 2017 and to the company's 5 years average, and investors are not satisfied since they could gain higher returns by investing in other alternative investments in the same sector.

If the profitability analysis testifies that the economic equilibrium of Burberry is precarious, it is provided below the solvency analysis, that investigates about the financial equilibrium of the company, so its capability to repay obligations both in the short run (liquidity analysis) and in the long run (solidity analysis).

FINANCIALS (FY 2017)	BURBERRY (INDUSTRY)	SECTOR
CURRENT RATIO	2.09	2.85
QUICK RATIO	2.01	1.61
D/E RATIO	2.03	2.69

Source: Reuters.com

The current ratio investigates about the balance between company's current assets and liabilities (only the operating ones), and it must be >1 to be considered as positive. Burberry has a quick ratio for FY 2017 of 2.09, below the sector's one (2.85); this means that the company has the double in the number of its assets than its liabilities, but the company is still under the sector average. The quick ratio, instead, investigates about the balance between the asset that are quickly convert into cash and liabilities (only the operating ones), and it must be >1 to be considered as positive. Burberry presents a quick ratio of 2.01, above the sector's one of 1.61, so Burberry has strong capacity to gain from its asset sale.

The D/E ratio investigates about the debt structure of the company, considering the net financial position of the company from the liquidity, and the cost structure of a company is considered efficient if this ratio is <1.5. Burberry has a D/E ratio of 2.03, because of its higher fixed costs, but it is still under the sector's average, that presents a D/E ratio of 2.69.

Thanks to this analysis it is possible to affirm that:

- The company has a strong capacity to repay obligations both in the short and in the long run, because of the growing asset sales due to favorable condition of the UK policies;
- The company is underperforming, considering results at current exchange rates; Burberry is not profitable both for stakeholders and shareholder, since its ROI and ROE are under both the sector's average for FY 2017 and the overall company's 5 years trend.

4.4 BURBERRY BUSINESS MODEL

Burberry is the luxury brand with a distinctive British identity. Since the first launch of the gabardine more than 130 years ago, Burberry’s success consists in high-qualitative craftmanship, superior primacy for innovation and technological development and uniqueness of company’s design. The Burberry coat is the iconic item of the company, symbolizing that both Men and Women outwears are at the core of company’s business. The Burberry business model turns around all these company’s peculiarities, designing, developing, making and selling products under the Burberry brand.

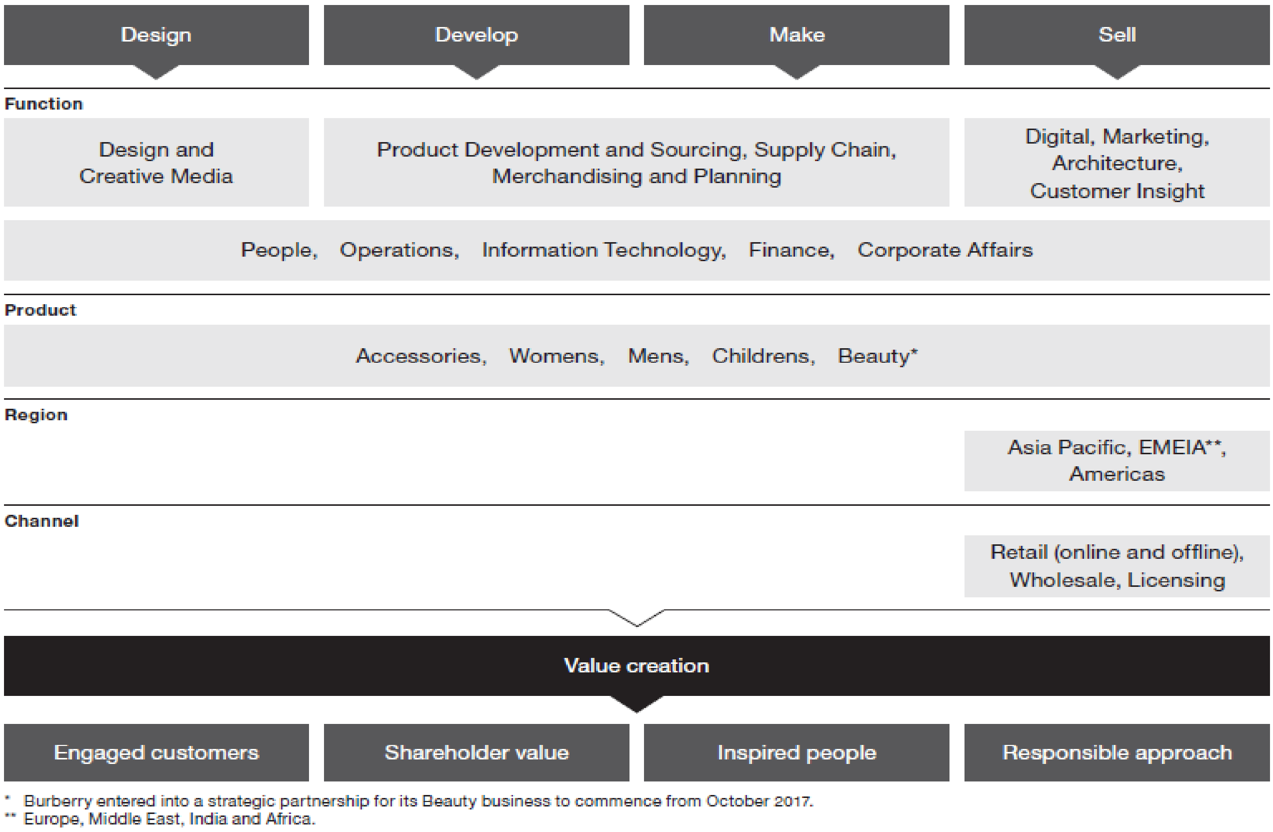
The business model is the reflection of the value that Burberry offers to its customers, by creating wonderful products, carefully designed in every detail. Storytelling and shared experience are factor that contributes to the value proposition of the company, throughout it communicates brand values, mission and vision by creating an incomparable customer experience despite other luxury brands, with an optima omni-strategy linking online and offline channels. Innovation development and the delivery of an impeccable and distinctive service are at the core of the Burberry success, following its customers after the purchase for a complete service offer. At the same time, the company’s business model aims to maximize the shareholder value through the execution of Burberry’s strategies to deliver capital returns and revenue growth, together with investments in radical and structural changes to business activities. Regarding Burberry’s people and communities, the value proposition consists in adopting a responsible approach to everything it concerns employees’ inspiration and motivation, and invest in the communities Burberry operates in (responsible employees’ practices, human rights statement, donations, voluntary programs, Burberry apprentices, environmental sustainability, CSR).

Design and Develops: Burberry’s headquarters in London are the place of company’s designing and creation, where Design and Creative Media departments develop and perform new strategies, models, fabrics and other innovation to corporation. Product design and development embraces Burberry’s heritage and history, creating authentic and distinctive products with an innovative print in fashion, design and manufacturing. All these processes are constantly monitored by a team of specifically dedicated designers, customer-centric approaching in each item ideated and created.

Makes: Burberry, in its owned facilities in UK and through an external but European suppliers network, consistently pursuits new fabrics, textiles, drapery’s styles and other materials, producing finished products that follows each steps of the vertically integrated value chain of the maison. This includes Burberry Castleford and Burberry Mill manufacturing facility, both located in Yorkshire, England. The “Product” and the “Make” components embrace the Product Development and Sourcing Department, Supply Chain, Merchandising and Planning Department.

Sells: Burberry develops internally the creative and marketing content and establishes programs to engage more customers under the brand, but at the same time aims to establish closer and long-lasting relationships with the loyal customers already engaged. Burberry merchandise products are sold worldwide, combining DOS for the offline purchase with Burberry.com, company's official online platform, together with franchises and third-party retailers, both online and offline. The product mix of the company offers personal goods for Womens, Mens, Accessories, Childrens and Beauty.[35] For few selected areas such as Eyewear and Beauty, Burberry operates by licensing partners. The Burberry business model is structured as follows: it is divided by channel, region and product division, each of them supported by corporate functions as shown in the following diagram.

"Burberry's Business Model"



Source: Burberry Annual Report.

4.5 THE EVOLUTION OF THE BURBERRY BUSINESS MODEL

In May 2016, the challenging environment left the firm to decide if whether exploit its social media presence and its attitude to innovation or not. So, the company elaborated a plan to accelerate its efficiency and productivity agenda, by specifically affecting the its ways of working. Firstly, Burberry

[35] www.Burberry.com

identified relevant future organic revenue growth opportunities to monitor and build overtime, and a program consisting in at least £ 100 Million of annualized cost saving by FY 2019. Burberry synthesizes its growth plan into five key strategies, focused on simplification. Three of the five strategies are focused on optimizing revenues growth (Product Focus, Productive Space & E-commerce Leadership), together with Operation Excellence and Inspired People activities, to improve company's value proposition and boost it to the top level of luxury. It follows a list of each Key Strategy, with personal examples of company's success.

1) *Product Focus*: Burberry offers is wide, and spaces between heritage and fashion, both across genders and categories; historically, Burberry provides a broader product assortment than its competitors. So that, the company shifted its priorities is simplifying the product offer, in order to enable the customer to notice fashion and brand newness more easily; this simplification will also allow the company to accommodate its customers by tailoring the assortment depending on local customer needs. In order to act effectively and efficiently, the suggested key points to stress are the following:
   - ❖ Core-products: build a strategy focused on the core products, those which lead the company to success. Personalization will be the turning point for company's strategy, by inspiring anyone to have the real essence of the British brand, together with the personal touch provided by the customer; at this level, Burberry could reach the maximum level of engagement perceived, pushing people to visit stores and discover more easily the newness offered. Assortments will be based on local customer needs and will change depending on the specific store of the city, which might be peculiar in one item despite the others.

     During the year, the company stressed on the evolution of the iconic Burberry's bag, around new pillars and re-shape strategy. The new launch included "the DK88 signature collection, the Bridle Bag and the Buckle bag family"[36], having as result the Accessories category outperformed the other categories within the year. Moreover, the closing licensing agreement with "Coty" in April 2017 was made to accelerate the development and the growth of its Beauty department, by exploiting Coty's industry expertise mainly by its global distribution platforms, with the aim to lead the creative part of the business, thinking at personalization of the fragrances.
   - ❖ Implement end-to-end category management: "*Category management is a process that involves managing product categories as business units and customizing them [on*

[36] Burberry.com

a store by store basis] to satisfy customer needs."[37] By introducing new and optimal ways of working across all the product functions would align category performances, ensure the customer-centric approach during the product development phase and enhance accountability. Delivering better balanced and thinner assortments more consumer-centric applied, would improve both local relevance and global consistency; this would change the customer experience and let the customer focus on each aspect of it, by identify the essentiality of the organization through the journey in corporate stores, with the final result of a reduction in the back-of-house complexity. If the company would break the rules of fashion, its possibilities to win shall grow, becoming the leader in something that is completely new, creating high entry barriers to competition.

In November, Burberry decides to move to one label through its retail network, to simplify the customer experience and decrease back-of-house complexity, with stores merchandising planning focused on products rather than labels; to do so, the company had invested in training programs for visual merchandising and retail staff. More than this, Burberry reduced its product option of 15-20% during the year, simplifying product offering and focusing on fashion newness in-store. The company had also implemented its store profiling model, supporting the evolving buying process: decisions focus now on tailoring the product offer to communicate the specific store profile, supported by a combination of local and in-house data sources, combining the climate changes of the territory.

2) *Productive Space*: the Burberry's business model became mainly focused on retail identity, shifting from a combination of wholesale and retail to a pure form of retail, converging corporate goals to establish an incomparable omni-channel strategy. The British-identity firm is now focusing on how inspire its customers across all the channel it can provide for the perfect customer experience. All this is combined with closing the relationship with its partners, to create a stronger and more accurate Burberry global product offer, to strengthen brand coherence and brand perception worldwide. The initial framework of this revolution is the "Burberry's Multiyear excellence programme", a training programme that focuses on retail excellence and includes:

[37] Nielsen, "Nielsen Category Management - Positioning Your Organisation to Win"

a. Top service and training: improve sales associates' training to offer the top qualitative Burberry's global approach to all the services provided.

   During the year, Burberry implemented a "Client Feedback programme", that allow consumers to quantitatively evaluate the personal customer experience through a score methodology; the data resulted had been only used internally and not published, used to evolve the approach to store management and to redefine some processes. Moreover, during the 2016/2017 the company started a new service model for its sales associates, focused on a higher client engagement.

b. Improve customer retention and cultivation: Embracing a customer-centric mindset for the company, supported by customers' insights for all company's behaviors and decisions.

   According to this, Burberry decided to extend its Customer Value Management programme and to expand its Burberry Private Client team of about 50%, to deliver exceptional service to company's most relevant customers and improve sales conversion, finally reaching an average transaction value double the global average for the company. More than this, a new digital selling tool had been ideated and developed, with its expected launch for the 2018.

c. Invest in in-store operations: enhancing the customer experience and streamline processes, to create global standards for improved store operations.

   Investments had been made to standardize and simplify the company's global retail operations; these investments allow Burberry to launch a new omni-channel strategy starting from the second half of 2017, that enables the shipment of its branded products straight from the store to customers, together with a new point of sales system focused on the best back-and-front-of-house practices in store operations, including a trailing store staff scheduling software.

3) *E-commerce Leadership*: Burberry is the digital leader in the luxury environment. With the 70% of its retail sales coming from a digital involvement supported by a digital involvement at a certain point of the customer experience, its digital peculiarity is still a clear factor of differentiation among its competitors, with the scope to be more commercially ambitious: this includes enabling customer journeys by using technology across digital platforms and using technology in-store, while, at the same time, ensuring a perfect connection between the online and offline reality of the brand. This supremacy forces the company to stress their investment in digital innovation, by doing:

- Further implementations of Burberry.com: developing the official website to offer an improved customer experience, to maintain its commercial success. From 2016 the Burberry.com official website has a new shape both for computers and mobiles. The new website is enriched with enriched product storytelling experiences and HD product portraits, as well as an even more click-friendly website that allows all the local payments (including the Apple Pay). By this re-shaped strategy of the online channel, Burberry claims an increased year-on-year digital traffic, reaching a +10% since 2016. This is probably due to the launch of the Burberry.com in China, a website better aligned to local preferences, with an increase in D2C sales of about 70%.
- Leverage third-parties' relationships: ensure a consistent brand experience and extending its digital presence are the drivers that Burberry adopter for its third-parties relationships, developing best-in-class relationships with the top of the online retailers. "Barneys", the American chain of luxurious department stores headquartered and founded in NY, is the latest collaboration that Burberry held in its rose, to elevate brand's positioning.

  Burberry keeps innovating in social commerce, developing new purchasing technologies to collaborate with new partners: customers were allowed to buy the Brigle Bag at the end of the Burberry fashion show of September through WeChat, with the final extensions of several outfit of the February show available in more other platforms such as Line, Kakao and Facebook Messenger.
- Deliver omni-retail customer experience: customers can browse, buy and receive customer support anytime globally, through any device or channel. This involvement allowed Burberry's clientele to explore the collections in a unique and interactive way through Facebook Messenger for the September fashion show, and a new and virtual reality experience had been provided combined with the February show, together with new payments options.

  During the second half of 2017, Burberry programmed and launched a prototype of a new customer app for a more tailored and personalized customer experience, by which customers are directly linked with their favorite Burberry store, or with the one that can provide the preferred item; thanks to this app, the storytelling of Burberry would become interactive, rising the company to an even more superior level despite its competitors (the final app is planned to be effectively by the end of 2017 or by the first months of 2018).

4&5) *Operational Excellence & Inspired People*: This is a multi-year program that involves the re-engineering of the Burberry's systems and processes to guarantee that the all of them are fitting company's growth purposes. This program is made up of:

a) Processes' simplification: Burberry started a scrupulous review of its key processes in HR, finance, customer services and procurement; this would significantly simplify the key business processes by increasing efficiency and effectiveness, supported by the new technologies. All that is made for cost-efficiency purpose, by generating process improvements and by lowering facility costs.
b) Evolve culture and employees' engagements: the pioneering, creative spirit that contradistinguishes Burberry from other luxury brand is always at the centric of company's strategies, so it is fundamental for it to keep it through the evolution of the business; to do so, the British company strongly supports this critical priority through a formidable employee engagement. A global program is developed for the second part of the year, focused on retaining "Protect, Explore and Inspire" Burberry's values, by intensifying retail conferences in key market for the developing of new ways of working and strategies, by instituting the annual "Burberry Icon Awards", the event for company's exceptional employees with more than 18,000 nominations worldwide, and by encouraging new emerging craftsmen by showing them the historical ones that ideate Burberry's iconic products.
c) Enhance reward programs and talents: introducing best-in-class management approach and talent development, by identifying and solve critical capabilities that the company faces to deliver corporate strategies. It promotes recognition's culture to support high customer performances and raise the retain of its talents through unique professional development opportunities (an example is the goal that the company reached at the end of 2016, when LinkedIn ranked the company as one of the top 10 attractors for employment and the 29th in EMEIA).
d) Responsible mindset and actions: working at the completion of its 2012-2017 CSR strategy, together with establishing the next five years' company's goals.

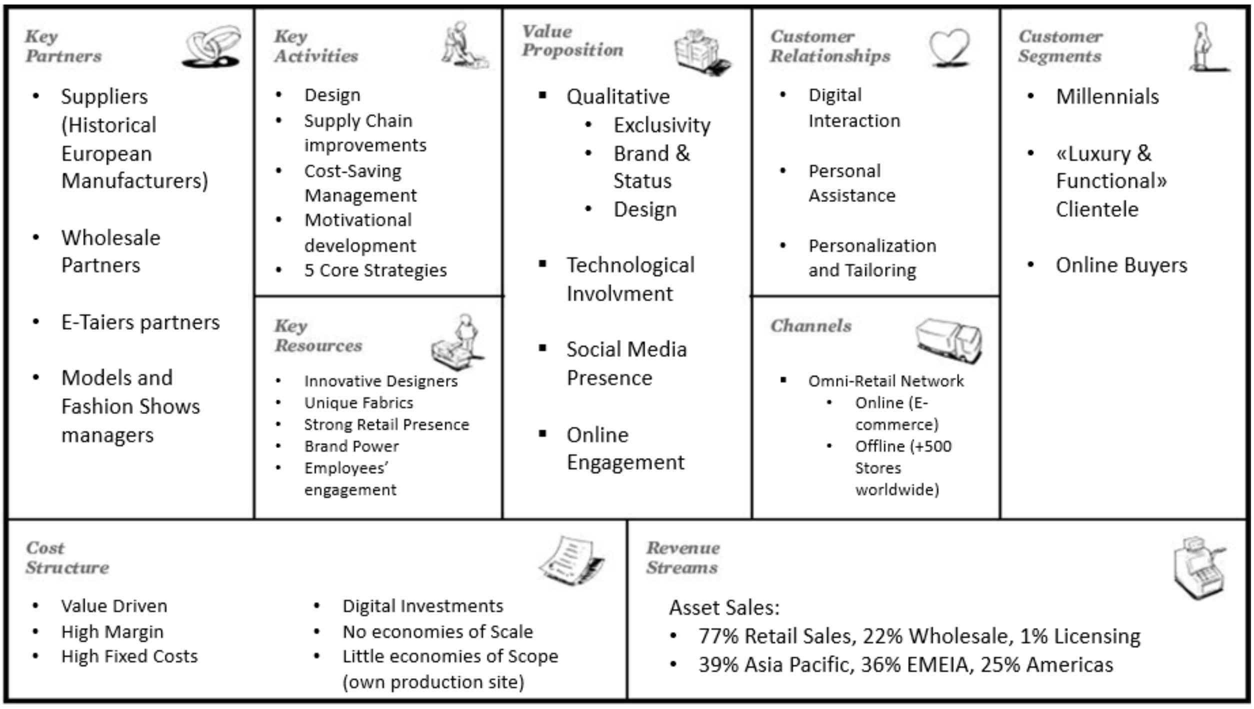
All those changed had been supported by the Transformation Management Office at Burberry headquarters, to drive, deliver and coordinate these key strategies. The Chief Operating and Financial officer provided regular and timely updates to the Board.

All those changes put in places the basis for company's revenues growth drivers, the benefit of which are expected to be seen by the end of the current year, through the company's annual report in January 2018; company's strengths are in the outperforming trend of the Accessories product category, mainly driven by Bags, in the retail conversion and retention, by increasing the footfall and retail revenues through digital involvement and a closer customer engagement, and finally its digital superiority, by leading luxury rankings with the best omni-channel strategy perceived.

Moreover, the company reached its goal of £20 Million cost saving for FY2017, which are expected to raise at the level of £50 Million in FY 2018 and reach the target of £100 Million annualized in FY 2019.

4.6 – BURBERRY'S BUSINESS MODEL CANVAS

"Burberry's Business Model Canvas"



Source: Personal data's elaboration.

All the information above are summarized in the Burberry's business model canvas, which clearly highlight each factor of the company's business model that contributes to the value proposition to the customers. It follows a brief comment to the graph:

1. Key partners: Burberry's key partners are historical European suppliers with unique design, the top qualitative craftsmen that had ensured to Burberry its success for the quality of its fabrics and garments. The wholesale distribution is now being decreased to give more importance to E-talers partnerships for brands' digital supremacy, especially in developing countries, such as China, and in emerging countries, such as India. Finally, Models and Fashion Shows management are key partners for Burberry, to gain more acceptance by customers for the "catch-on" factor in this dynamic market.
2. Key activities: The unique design of the brand and its supply-chain improvements are activities fundamental for a high-qualitative value proposition, with company's pursuit to new garments difficult to imitate. The cost-saving management and the five core strategies are at the basis of Burberry's revolution, starting a new strategic program focused on retail and core products; the motivational management is a strong key activity, to ensure to the customer the best in-store experience.
3. Key resources: Again, the uniqueness of Burberry's design and garments put the company to an upper level despite its "See-now, Buy-now" competitors, and thanks to its huge retail presence worldwide, Burberry provides an incomparable omni-experience offline and online, thanks to its brand power and technological involvement.
4. Customer relationships: Burberry customer experience's digitalization brought the company to the 1st place in digital ranking for fashion brands, enlarging the data collection from its customers and increasing customer retention. Burberry's personal assistance is complete, following each customer from the online channel for purchasing or for researching to the after-sale customer service, operative 24h per day, 7/7 days. Moreover, the company offers personal and tailored services to top customers, together with the possibility of personalizing already existing items depending on everyone's needs.
5. Channels: The omni-retail strategy provided by Burberry offers products' and brand's storytelling both online and offline, with a click-friendly online official website and a strong retail presence with more than 500 stores in 48 countries.
6. Customer Segment: Millennials are the referred target that Burberry aims to serve, but its clientele is enlarged to all the online customers that prefer to buy digitally, with simplicity and safety. In the end, because of the strategic positioning of the company, the last customer segment served by Burberry is the "luxury and functional" one, so those customers that are passionate about luxury world, but at the same time don't want to lose comfortability and functionality of the purchased items.

7. Cost structure: The company's cost structure is Value-driven, focusing in the best translation of the value proposition to provide the maximum value to the customer. Relevant investments in digital are made to provide the best omni experience among company's channels. The company has no economies of scale, focusing more on the quality of each item, more than their quantities, like all the luxury brands.
8. Revenues streams: The sole source of revenues for the company is its asset sales, mainly from Retail (77%) and wholesale (22%), and just 1% from licensing. Those revenues streams come from Asia Pacific Market (39%), EMEIA Region (36%) and the Americas (25%).
9. Value proposition: The other eight blocks of the business model canvas testify that Burberry provides a qualitative value proposition, focusing on exclusivity, brand status and design. This value proposition is enriched with a total involvement of the customer by the company, because of a strong social media presence, delivering exclusive news and information by the CEO, throughout the company allow the customer to build an online engagement thanks to a more developed technological involvement.

4.7 THE "SEE-NOW, BUY-NOW" BY BURBERRY: LATEST TRENDS AND COMPETITORS' STRATEGIES COMPARISON

The debate around the SNBN strategy is becoming more impressive in the recent times than the last year, but it maintains a double-faced reality into the fashion world. The concept of runway as an incredible and massive exhibition for top customers and press is over, and the traditional fashion calendar is obsolete, becoming fashion shows in September and in February mere marketing tools, with the major objective to show collections instantly available to customers. Those customers are Millennials, especially the older ones with higher disposable income to spend in personal luxury goods, not interested in waiting the six months gap between fashion shows and in-store selling because of their sense of urgency; it is this "right now" attitude to push companies to make their runways shoppable immediately, proposing items that would drive fashion trends for the next season, with the possibility to shorten the traditional fashion cycle.

In this way, one of the hardest challenges the companies face is on their production site: it is difficult to find fabrics, mills and factories that can meet and solve their evolving production needs. Supply chains partners are now extremely important, sometimes making the difference in the success/failure of a runway acceptance, because they have to plan, together with the company, and to figure out how much yarn or fabric is necessary to satisfy the potential demand just after the runway, together with the range of colors available until the very last minute, but without pre-orders to guide them to boost production. As mentioned in the previous chapter, companies need to produce seasonless items, using mainly the organic cotton: it is exactly the organic cotton that yarn able supply chain partnerships to keep raw material in stock until they decide the range colors of the collections, and together with digital printing, companies had been able to smartly plan and change up quickly their styles, with sustainability benefits. This strategic planning would speed the market, minimizing markdowns and maximizing margins.

Local factories and mills are preferred to the biggest supply chains factories, because the first allow designers to better control the production site and flexibility in last-minute decisions, operations that would be more costly with overseas partnerships, with the final result of recovering COGS by reducing other factors such as risk and longer leading times than local suppliers.

Another important issue worth to mentions is that the SNBN signs a new era for fashion industry because of the straight connection with customers like never before: now fashion is more customer-centric than ever, and sometimes fashion designers let the customer co-evolve with them, allowing he/she to design online the preferred items, tailoring the price depending on specific needs.

Burberry, the pioneer of this new selling strategy, has now launched three collections (F/W 2016, S/S 2017 and F/W 2017) embracing all those changes in the fashion industry, reporting one huge fashion show for each collection both for Men and Women, enriching them with a technological support allowing customers worldwide to purchase immediately the items shown in the runway, both in-store and online. However, even if the CEO of the company is very enthusiastic about their leading position among the IQ Brands for technological involvement, insights developed some discouraged data specific to the sales driven by the SNBN strategy.

"Burberry and See-Now, Buy-Now"

Burberry	Total Items Sold out	Items Sold Out at Full Price
F/W 2016	99	18%
S/S 2017	148	0%

Source: Jharonne Martis, May 8th, 2017.

In F/W 2016, just 18% of 99 items had been sold out at full price, while the others had been bought by online audience at discounts; in S/S 2017, the situation is even worse, because the number of items sold at full price is 1, considering a total outfit launched of 148 pieces. The latest earnings data available testifies that the "Runway Bridle" bad had been the third best-selling item for style globally following its launch in the Burberry's September SNBN collection (the bag had been sold out at full price, $ 1,295, being very popular among fashionistas and celebrities in FW/16). Inventories jumped to 9.8% in 2016, above the overall industry mean of 2%, while after the S/S 2017 fashion show, their levels will raise to 17.4%, rising of another 7.6%. Operating margins fell, respectively, to 9% and 6%, below the medians of 15% and 7%, so the cutting profits would not allow Burberry to provide its historical high-quality leather for a long time, because labor costs are not repaid back with this new strategy.

However, after the analysis made, is mandatory to highlight the latest development of this new strategy by industry's competitors, that are split into two main categories: the ones that gained benefits from online sales and the ones that gave up with the SNBN strategy and inverted the road to the traditional approach.

Tom Ford, one of the first maison to launch its collection online with the SNBN, has now admitted that he gave up and don't consider this new strategy a good idea, returning to the six-months gap fashion cycle by presenting its collections in NY. For the F/W 2016 collection, the brand saw bad results, as expressed in the table below, that pushed the company to sell online items with 60% discount.

"Tom Ford: See-Now, Buy-Now Fall/Winter 2016 Collection"

Site	Items Launched	Sold Out	Sold Out at Full Price
My Theresa	36	11	3
YOOX- Net-A-Porter	23	21	2
Mr. Porter	9	8	1

Source: StyleSage Co.

The main problem for Tom Ford is the close codependent relationship with its independent retailers and department stores, that waited the six-months gap before selling the collection items: this let the items seen and sold as obsolete since the fashion show had been launched, because Tom Ford's customers had already bought the preferred items and are not interested in see them again, lowering the sales of the winter collection inventories during the summer and of the summer collection of the following year both. In this sense, the absence of immediacy in delivering the runway items in Tom Ford's store brought the brand to re-consider the approach to this new strategy, because of the extremely outsourced business model, based on strong retail presence codependent from supply chain partnerships.

Rebecca Minkoff, instead, started launching SNBN collection in FW/16, promising a two-year experiment in February 2016, focusing on the re-invention of its business model. Before the revolution, its online sales were about 20% of overall sales, while majority of brand's sales were from wholesale partnerships; after the restructuring of the department, the company is now able to sell directly, both from retail and online stores, with a 60% of business sales, without provide financial supporting their admissions. The brand has seen rising online sales by 60% since the first launch of its first in-season show, and those positive results are due to the strong loyalty that the brand succeeded to build with its customers. Rebecca Minkoff, the brand quickly famous for its well-price, trendy accessories would be the first for technological innovation for IQ rankings for 2017, installing magic mirrors in retail stores and wearable tech products before many of its competitors; this success' resonance recalled a huge number of sponsors interested to invest in the brand, because of the expected lasting success of the same due to high loyalty, driving Millennials with trendy styles and reasonable prices for everyday outfits.

Tommy Hilfiger had been the best performer in the NY Fashion Week for FW/16, by including a capsule "TommyxGigi" collection, realized with Gigi Hadid, one of the most influential supermodel. The brand organized the show in live-streaming too, let available the collection immediately after its fashion show. In 2016, the brand experienced high double-digit growth in e-commerce platform and in retail, with a 300% increase in revenues in the first 24 hours; they counted 900% increase traffic to the official website in the 48 hours following the shows, with 70% of new customers seeing the "tommy.com": the brand was 1,000 percent above other competitor's performance on Twitter and 520% above average with Instagram, counting a 50% click-through rate to tommy.com for Instagram shoppable items, and live-stream show counted for 7,100 product click-through on the official website. Despite all those extremely positive results, the company decided to give up with SNBN strategy and return to the traditional fashion calendar, because the designer explained that "the store shipping schedule doesn't align with the fashion show schedule" since it business model meant that "while designs were in progress, they were being sold into retailers before being completed"[38] Finally, fast-fashion retailers such as H&M, Zara and Topshop, realized that they already have caught

[38] CNBC – "How Tommy Hilfiger reinvented itself to create 'see-now-buy-now' catwalk shopping", *Lucy Handley,* June 19th, 2017.

some criticalities that are fundamental for the SNBN strategy, such as the reduction in the six-months gap between fashion shows and in-store selling, affordable prices and trendy styles, rising acceptance in the fashion industry also imitating luxury maisons' items. Thus, H&M decided to launch a collection embracing the SNBN strategy for the SS/17 with enthusiasm, because they had recognized the incredible opportunity for the company to close the relationships with its customers. "I previously spotted items I wanted at the other shows, but then forgot all about them because you have to wait half a year for them to launch in store. I find this format much more convenient. It's really a godsend." said Roos Van de Aa to FashionUnited Dutch correspondent at H&M's studio for the S/S 17 launched in Amsterdam. Topshop, the British high street competitor of Burberry among its fast-fashion competitors, launched its Unique SS/17 show, counting 1258 posts with company's hashtag, with over 924,200 interactions, the most interactions recorded during SNBN events, beating Burberry and other leading designers.

Thanks to all this information, it is possible to evince the raising level of competition that Burberry is facing regarding its SNBN strategy. At the same time, Burberry has distinctive key factors of success that would allow the company to position itself differently from all the others: first, the company is considered as the British brand for excellence, with huge numbers of followers among its social pages, together with a strong presence in China due to the extremely high perception of the brand in the Middle-East market; second, the company had evolved its business model, optimizing all the cost-efficiency management and the excellence training programme for its employees, motivating them to the provide the best customer experience with digital presence among other luxury brands, both online and offline; third, the company is still considered the pioneer and still covers the first position in the IQ Technology rankings for Luxury Fashion Brands, and is recovering part of the investments made to gain this title. The major problem is the creative department, because Cristopher Bailey rose the brand's image until 2015, and from 2016 the company started counting the first negative trend in revenues and profitability. Cristopher Bailey had been considered "the nicest man in fashion" in 2015, expecting that he would made Burberry "the coolest (and most lucrative) brand on the planet"[39], but now the market expects more on the company; this is testified by the down-ward sloping of company's revenues since 2015, with financial KPIs such as ROI and ROE that are both under the industry average and company's five years' average.

[39] MailOnline – "He's best friends with the Beckhams, has an eye for the next big supermodel and is the nicest man in fashion: How Christopher Bailey made Burberry the coolest (and most lucrative) brand on the planet" - *Bianca London,* April 17th, 2015

The company has good basis for its turnover, but it had been thought to launch online a questionnaire, to provide a possible successful strategy for the British brand. It follows in the next chapter.

CHAPTER 5: SURVEY ON PURCHASING BEHAVIORS – AN EMPIRICAL STUDY FOR FUTURE BURBERRY'S SEE-NOW, BUY-NOW DEVELOPMENT STRATEGY

5 INTRODUCTION TO THE CHAPTER

The luxury industry is one of the most evolving and dynamic in the global market, and sometimes the latest development of company's strategies may not be effectively shared and communicated, highlighting growth and implementing opportunities.

The purpose of this study is to examine consumer's behaviors for both online and offline shopping, with a special focus on the perception of Burberry luxury brand and its new selling "See-now, Buy-now" strategy. The main goal of this research is to provide some new, useful information to testify whether the "See-now, Buy-now" is well-known or not, and the willingness to buy of each single customer for this new purchasing strategy, to provide personal suggestions for the implementation of the same.

The assigned problem was to build a survey that contains the main aspects developed in the previous chapters of the thesis, and check also customers' behaviors regarding discounted luxury brand purchases, the purchasing frequency and the way customers use the web for purchasing purposes, the perception of Burberry itself and customers' preferences of the British brand among all the others that adopted the same strategy.

It has been done a qualitative study, by conducting a survey shared online on private universities' groups, LinkedIn and Facebook personal pages, in order to track attitudes and behaviors of Burberry's referred consumers such as private workers or upper-level income students who can afford expensive universities focused on technological development and a continuously attitude for innovation.

5.1 ASSUMPTIONS

The launched survey is made up of 19 questions divided into 6 main blocks:

a) Personal details: it had been asked to the random customer personal details such as gender, age, nationality, degree of education and current occupation, assuming that there will be a slight difference between genders, not having information about the statistical trends in answering consumption surveys; then, it is expected to reach with effectiveness Millennials, so the highest percentage of answers would belong to the 18-35-years-old consumers.

b) Purchasing behaviors: it had been asked to random customer the frequency he/she purchases a general luxury item yearly, and then his/her attitude to check online luxury items, with an expected monthly usage of internet for luxury items purchasing's purposes, given by the nature of Millennials.

c) Customers' preferences: it had been asked to the random consumer his/her preferences among some "See-now, Buy-now" brands, such as Burberry, Tom Ford, Ralph Lauren and Tommy Hilfiger. Then, it had been asked preferences regarding the place of purchase, expecting the superiority of the online channel, assuming the "See-now, Buy-now" as a strategy that had implemented the online shopping among customers, and consumers' attitudes for the online-offline channels' usage (PORO & ROPO, no specific expectation, since the survey is expected to provide reliable data), in order to exclude those that already check online and buy online directly, or those who check and buy just offline. Finally, it had been asked personal motivations for luxury purchases, checking if Burberry matches the expected preferences, and providing a list with influencing factor for purchasing behaviors, such as fashion bloggers/influencers, social and in-store events, since Millennials are "catch-on" and have an average time-spending on social media of about 8 hours per day.

d) Discounted culture: it had been asked if the random customer had ever bought a luxury item with a discounted product, to check the effectiveness of the strong discounted attitudes that characterized fashion industry in the past two years.

e) Burberry's customers' perception: it had been asked to the random customer his/her personal Burberry's perception, throughout brand elements, together with a list of suggested perception of other brands, and customers' willingness to have a Burberry item in the near future. This part has been thought to examine the overall Burberry's image, with the aim in testifying company's strength in unique design and innovation and check if the survey would rise hypothetical willingness to own a Burberry item in the near future.

f) "See-now, Buy-now" Knowledge: in the last part of the survey, it had been asked to the random customer if he/she had never heard the SNBN strategy, to check the effective communication of the strategy itself; then, it has been thought to check the willingness of the customers regarding their preferences about the feeling of urgency for purchases or their preferences for discounted products. Finally, it had been asked randomly what would be the customers' willingness to spend for items launched with the "See-now, Buy-now" strategy, considering "0-100" as a very low propensity to this new strategy, "100-500" as a positive hypothetical attitude, but just for entry-level products, "500-1000" as a medium-high propensity to buy those items because of the unique design and "Over 1000" for a high willingness to buy thanks to this new strategy.

5.2 RESULTS

It had been collected 201 testimonies by launching the survey online, on private universities' Facebook groups and communities, on personal Facebook page and on LinkedIn. The random customers are representative of the potential Burberry's clientele. The 51% of the answers comes from Males, while the other 49% comes from Females, respectively 102 and 98, with one question skipped. 194 responses come from Millennials, considering a range of age between 18 and 35, covering in percentage the 96,51% of the total, so the survey hit the Millennials target with marginality of less than 3,5%. As expected, the majority of responses comes from Italians, with 84,5% of responses, and a higher percentage of incidence for the survey covers its European character, with 90,5% of the total, having reached France, The Netherlands, Swiss and Spain, but with lower incidence.

The reliability of the survey is testified in question 4 too, being the random customer split into two macro categories: "Students/Fresh Graduated" (112 answers, 55,72%) and "Working For a Company/Own Business" (89 answers, 44,28%), while the third option ("Unemployed, but Searching For a Job") gained no answers. This is an extreme positive data, since both categories are considered as Burberry's clientele given their nature, so workers or owners that might use their disposable income for personal luxury goods purchases, and students with high-salary families that can afford high expenses for private education, maintaining at the same time a high status by buying luxury products. Then, the sample is well divided into 2 main categories: "Master" (89 answers, 44,5%) and "College/University" (90 answers, 45%), while the "High School" ones are just the 10% of the total, and the all of them come from Italians, considering the youngest response as 20 years old; irrelevant is the incidence of "PhD", since it has been collected just one answer that covers the 0,5% of the total.

Question 6, instead, is less homogeneous, and testifies personal attitudes of the sample regarding the frequency they purchase a luxury item: the 43,28% of the answers belongs to the "1-3" segment (87 answers), followed by 39,30% of "4-6" purchases yearly (79 answers), "0" with 8,96% (18 answers), "7-9" with 4,98% (10 answers) and finally "More Than 9", with 7 responses and the 3,48% of the total.

Question 7 investigates about the frequency that the sample checks online luxury items, considering their research completely apart from the purchasing attitude, with the aim to investigate if the Millennial target surfs effectively online, because of the relevant data provides an average of online surfing of about 8 hours per day. The mode of question 7 is "Monthly", with 105 responses and the 52,24% of the total, followed by "Never" (14,93%, 30 answers), "Every Two Months" (12,44%, 25 answers), "Every Six Months" (10,95%, 22 answers) and finally "Weekly" (9,45%, 19 answers).

The third part of the survey starts with question 8, investigating about the sample's preferences among different brands that had married the SNBN strategy, as it follows.

"***Gender VS Preferred Brand"***

Row Labels	Burberry	Ralph Lauren	Rebecca Minkoff	Tom Ford	Tommy Hilfigher	Versace	Grand Total
Female	50	16	2	7	11	12	98
Male	63	24		4	8	3	102
Grand Total	113	40	2	11	19	15	200
Row Labels	Burberry	Ralph Lauren	Rebecca Minkoff	Tom Ford	Tommy Hilfigher	Versace	Grand Total
Female	0,25	0,08	0,01	0,04	0,06	0,06	0,49
Male	0,32	0,12	0,00	0,02	0,04	0,02	0,51
Grand Total	0,57	0,20	0,01	0,06	0,10	0,08	1,00

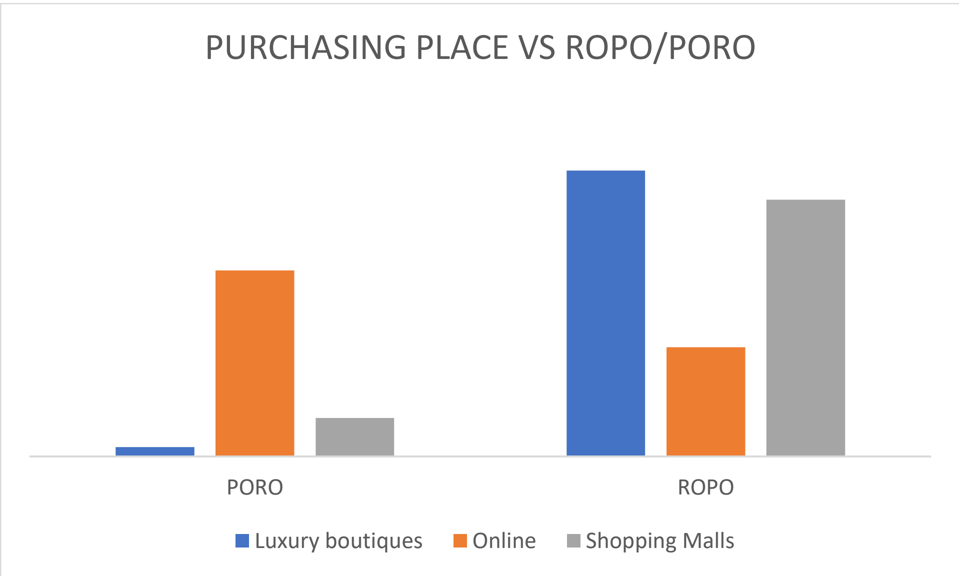
Source: Personal data's elaboration. (*Results are expressed as a percentage of the total).

It is useful to investigate about two main aspects of this answer: Burberry covers the top, with 113 answers (56,72% of the total), followed by Ralph Lauren (40 answers, 19,90% of the total); other brands following have percentages lower than 10% each. Burberry is the mode of the question, and it testifies its strengths in the consumers' perception as the only affordable luxury brands among the others.

It is possible to see interestingly that the survey has incidence more on the referred segment of "Offline Purchaser" than the "Online" ones, with the possibility to track correlations between different answers of the survey, to give personal suggestions for future Burberry's strategy. The majority of the sample prefers to shop offline, with 48% of "Luxury Boutiques" (96 responses) and 38,5% of "Shopping Malls" (77 responses), having the "Online" platform just the 13,50% of the total. This evidence is extremely positive, because it means that the survey can provide useful information giving the empirical evidence of offline customers, the referred segment that this survey wants to track, to find possible ways to let them switch their attitudes and make Burberry much more effective with the SNBN strategy, by maximizing its potential thanks to customers preferences.

It is possible to see the linearity of the sample my matching questions 9 and question 10.

"Purchasing Place VS ROPO/PORO"



Source: Personal data's elaboration.

The graph shows that the majority of people that purchase online and research offline are the online buyers of the sample, with a minority of them that prefers to buy offline and research online, probably given the customer experience provided by luxury brands or non-affordable prices online, that might push the customer to buy offline and benefit of the after-sale service that offline shops can provide. People that buy in Shopping Malls and in Luxury boutiques are, instead, less willing to switch from offline to online, as the graph shows. This means that a company that wants to provide a omni-channel strategy and push its customers to buy from their official website instead from their official DOS, must provide the same excellent service of the offline stores, while people that buy in shopping malls are more willing to switch from offline to online, probably following prices.

Question 11 expresses what pushes the sample to purchase a luxury item, and it is possible to see how the top chart is covered by "Excellent Quality", with 107 responses and the 53,23% of the total, and "Ancestral Heritage and Personal History", with 40,80% of the total and 82 responses: these two are the distinctive characteristics of Burberry's items, testifying that the sample largely embrace Burberry's brand values and demonstrates attention for brand storytelling, one of the key strategies of Burberry, both for its online and offline channels. Burberry demonstrates again that covers the main features that would push the sample to buy its luxury items.

"What motivates you to purchase Luxury Items?"

Answer Choices	Responses	
Excellent Quality	53,23%	107
Very High Price	4,48%	9
Scarcity & Uniqueness	18,41%	37
Aesthetics & Polysensuality	27,36%	55
Ancestral Heritage & Personal History	40,80%	82
Superfluosness	2,49%	5
	Answered	**201**

Source: Personal data's elaboration.

Moreover, it had been asked to the sample what are those factors that, according to them, drive a luxury purchase in terms of sponsorships, and the responses are the followings, with two skipped:

"What of the following options mainly affects your purchasing behaviors?"

Answer Choices	Responses	
Celebrities/ Fashion Bloggers/ Fashion Influencers	16,58%	33
Fashion Magazines	13,07%	26
In-Store Events	5,03%	10
Social (FB, IG, Snapchat, WeChat, etc)	53,27%	106
Brand Fashion Shows	8,04%	16
Blogg, Communities	4,02%	8
	Answered	**199**

Source: Personal data's Elaboration.

The mode of question 12 is "Social" considering this category as the widest, covering all the companies' pages on different media (IG, Facebook, Twitter, Snapchat, WeChat, LinkedIn, etc), but it is more interesting analyze these trends deeper, relating them to the gender, as it follows.

"Gender VS Purchasing drivers"

	Blog, Communities	Brand Fashion Shows	Celebrities/ Fashion Bloggers/ Fashion Influencers	Fashion Magazines	In-Store Events	Social (FB, IG, Snapchat, WeChat, etc)	(blank)	Grand Total
Female	0,05	0,09	0,24	0,17	0,03	0,39	0,02	1,00
Male	0,03	0,07	0,09	0,09	0,07	0,66	0,00	1,00
Grand Total	0,04	0,08	0,17	0,13	0,05	0,53	0,01	1,00

Source: Personal data's Elaboration.

It is possible to evince that "Female" gender is influenced by specific categories, such as blogs, brand fashion shows and fashion magazines, but at the same time they are influenced mostly by their favorite celebrities and fashionistas; on the opposite is the "Male" gender, who is mostly influenced by "Social" pages for the 66% of cases, and at the same time they are most influenced in "In-Store Events" than women. This aspect is really interesting, considering that Burberry has the highest revenues from "Accessories" and "Womens" product categories, considering that the first is mostly made up of women accessories. This gives growth opportunities to influence more the Men, slightly changing the marketing, since they have large engagements on social media pages.

Regarding the "Discounted Culture", question 13 testifies that the 95,02% have bought a luxury item with a discounted price, testifying that the trend that drove 2016 is expected to drive large part of fashion market for 2017 as well. The only ones to not buy discounted luxury items belongs to the "ROPO" category, considering that probably this is due to the high loyalty that those customers have with their favorite luxury brands.

"Discounted culture VS PORO/ROPO"

	PORO	**ROPO**	**Grand Total**
Not	1	9	10
Yes	29	161	190
Grand Total	**30**	**170**	**200**

Source: Personal data's elaboration.

Starting from question 14, it is expected to track the Burberry's perception of the sample, through brand elements and a suggested list of overall perceptions of the brand (question 15). It is interesting to highlight how the iconic "Trench Coat" is the mode, with 111 responses and the 55,50% of the total, followed by the “Check Pattern”, with 75 responses and an incidence of 37,50%. “Gabardine Fabric” and “Equestrian Horse Logo” can be considered as irrelevant, since they are, respectively, the 3% and the 4% of the total. This puts in evidence that the sample knows the history of the company and the items that made its success, together with the identification of the check pattern for Burberry’s items, expressing their preferences for items that are clearly contradistinguished by the brand despite the mere logo. This is a signal that testifies growth opportunities for the company, since the “Runway Bridle”, the 3rd best sold item at full price with the SNBN strategy has a mix of unique-color pieces and the Burberry’s check pattern on both sides and inside. This is in line with question 15, throughout it had been asked to the sample what is their overall perception of the brand: the 81,50% of the responses pointed out that “Classic” is the judgement that the sample gives to Burberry.

Thinking about at the variety of the sample, it had been thought to point out the correlation of each category of occupation and degree of education that best express the correlation they have about the British brand.

"Occupation & Degree of Education VS Overall Burberry's Perception"

	Classic	Dowdy/Unfashionable	Old-fashioned	Trendy	(blank)	Grand Total
College, University						
Student/ Fresh Graduated	52		3	5	1	61
Working for a Company, Own Business	24	1	3	1		29
College, University Total	76	1	6	6	1	90
High School						
Student/ Fresh Graduated	6	1	4			11
Working for a Company, Own Business	5		1	2		8
High School Total	11	1	5	2		19
Master						
Student/ Fresh Graduated	27	2	6	3		38
Working for a Company, Own Business	46		1	4		51
Master Total	73	2	7	7		89
PhD						
Working for a Company, Own Business	1					1
PhD Total	1					1
(blank)						
Student/ Fresh Graduated	1					1
(blank) Total	1					1
Grand Total	162	4	18	15	1	200

	Classic	Dowdy/Unfashionable	Old-fashioned	Trendy	(blank)	Grand Total
College, University						
Student/ Fresh Graduated	0,85	0,00	0,05	0,08	0,02	1,00
Working for a Company, Own Business	0,83	0,03	0,10	0,03	0,00	1,00
College, University Total	0,84	0,01	0,07	0,07	0,01	1,00
High School						
Student/ Fresh Graduated	0,55	0,09	0,36	0,00	0,00	1,00
Working for a Company, Own Business	0,63	0,00	0,13	0,25	0,00	1,00
High School Total	0,58	0,05	0,26	0,11	0,00	1,00
Master						
Student/ Fresh Graduated	0,71	0,05	0,16	0,08	0,00	1,00
Working for a Company, Own Business	0,90	0,00	0,02	0,08	0,00	1,00
Master Total	0,82	0,02	0,08	0,08	0,00	1,00
Grand Total	0,81	0,02	0,09	0,08	0,01	1,00

Source: Personal data's Elaboration.

It is possible to see again the incidence of the "Classic" perception of Burberry among the ones suggested, with 162 responses (since it had been considering irrelevant the "PhD" category). The highlighted part is the percentages points of correlation of each response among each category, and the more it is up to the "Grand Total" value, the stronger is the correlation. It is possible to notice how the workers, both employees or owners, considers Burberry as a classical brand, providing items that are suitable as job-outfits and the outfit they are used to wear everyday both. This is an additional prove that the sample matches Burberry's image, and that they pursuit Burberry's items for their classicality. This puts in evidence the incredible growth opportunities that Burberry could catch by increasing the "Trendy" segment, so by embracing those purchasers that want Burberry for more sportive and comfortable outfits, without losing the quality and the storytelling that lead the company to an historical success; by those answers, it is strong also the feeling to consider Burberry just for its iconic items, so the hypothesis of a radical change of the creative director is augmented by crossing the perception of the sample with its current occupation and level of education.

Given the incidence of the survey, question 16 testifies the willingness to own a Burberry item from the sample, with 144 responses of "Yes" (71,64% of the total), versus the ones that are non-interested to buy a Burberry item. It has been thought to cross, filtering by gender, question 16 with question 8, in order to analyze deeper if the ones who choose "Burberry" are really interested to buy one of its items or not. The strictest correlation is highlighted in yellow on the graph below, and testifies that the majority of the ones that didn't choose Burberry are not intentioned to buy a Burberry's items in the near future, while the ones that chose Burberry would continue to buy brand's items. In this sense, this analysis doesn't give us enough information about the willingness to switch from one brand to Burberry, but testify the linearity of the sample in the responses made.

"Preferred brand VS Willingness to own a Burberry's Item in the near future, filtered by genders"

TOTAL

	Not	Yes	Grand Total
Burberry	0,07	0,93	1,00
Ralph Lauren	0,53	0,48	1,00
Rebecca Minkoff	0,00	1,00	1,00
Tom Ford	0,45	0,55	1,00
Tommy Hilfigher	0,58	0,42	1,00
Versace	0,80	0,20	1,00
Grand Total	0,29	0,72	1,00

FEMALE

	Not	Yes	Grand Total
Burberry	0,10	0,90	1,00
Ralph Lauren	0,63	0,38	1,00
Rebecca Minkoff	0,00	1,00	1,00
Tom Ford	0,57	0,43	1,00
Tommy Hilfigher	0,45	0,55	1,00
Versace	0,75	0,25	1,00
Grand Total	0,34	0,66	1,00

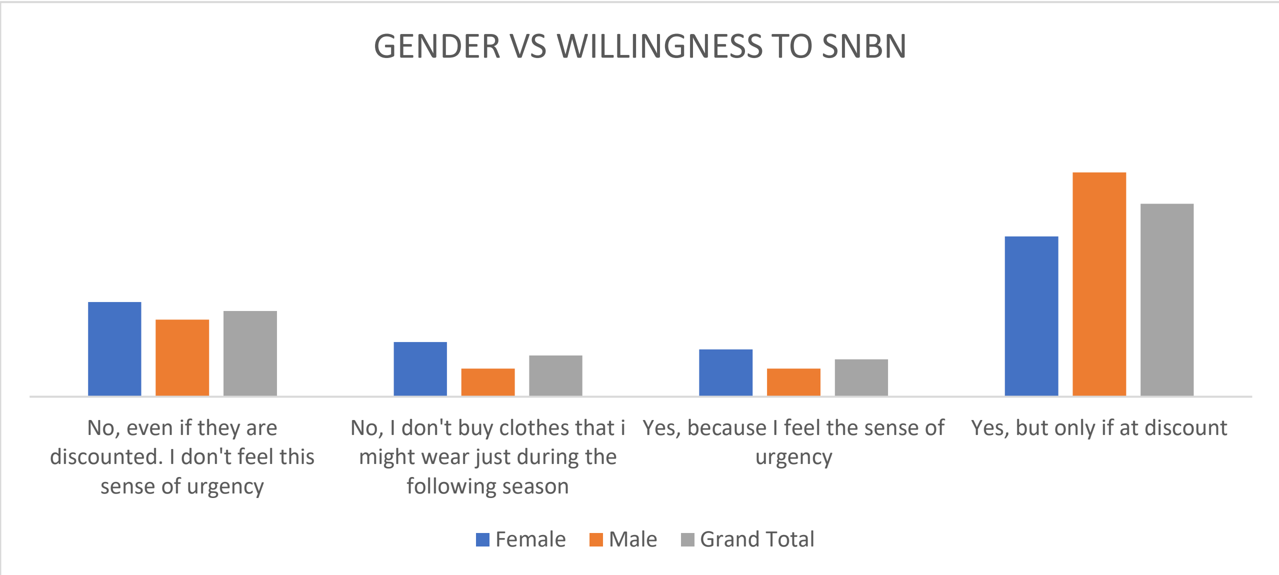
MALE

	Not	Yes	Grand Total
Burberry	0,05	0,95	1,00
Ralph Lauren	0,46	0,54	1,00
Tom Ford	0,25	0,75	1,00
Tommy Hilfigher	0,75	0,25	1,00
Versace	1,00	0,00	1,00
Grand Total	0,24	0,76	1,00

Source: Personal data's Elaboration.

By investigating regarding the knowledge of the SNBN strategy among luxury brands, the survey points out that the majority of responses are "No" (170, 84,58% of the total), while just the 15,42% of the sample has knowledge about the SNBN. This means that probably the effective communication of this new strategy is not optimal.

"Gender VS Willingness to SNBN"



Source: Personal data's Elaboration.

The graph above shows the willingness of the sample to buy items with the SNBN strategy, and the motivation that would push the random customer to buy it or to give up with the purchase. It follows the table that crosses the genders with their willingness to buy items with the SNBN, to explain deeply each trend.

"Gender VS Willingness to SNBN"

	No, even if they are discounted. I don't feel this sense of urgency	No, I don't buy clothes that I might wear just during the following season	Yes, because I feel the sense of urgency	Yes, but only if at discount	Grand Total
Female	0,27	0,15	0,13	0,45	1,00
Male	0,22	0,08	0,08	0,63	1,00
Grand Total	0,24	0,12	0,11	0,54	1,00

Source: Personal data's Elaboration.

It is interesting to notice how the "Female" gender is heterogenous, having the majority of responses expressing the intention to buy through the SNBN strategy (57 "Yes" part VS 41 (No" part), but their correlation is stronger for opposite trends: they seems to be convinced in not buying luxury items through the SNBN strategy and wait the six-months gap between the runway and their effective selling in offline stores, but at the same time data testify that if they feel a strong sense of urgency, women are extremely positive to buy them immediately instead of waiting a discount for the same items. Male gender, instead, is more coherent, expressing intentions to buy items with the SNBN strategy, but just for discounted prices: in this sense, they feel the sense of urgency, because they would adopt this strategy, but at the same time they are willing to wait some months because of lower prices, testifying a less impulsive attitude for purchases. At the same time, the difference for the relevant part of answers of the male gender is highest (in percentages) among the others, so this let us think that Men is still a strong growth opportunity for the brand to invest in.

Finally, it had been asked to the sample the willingness to spend for SNBN items, providing four different price ranges options:

a) 0-100€: an extreme low intention to buy items immediately;
b) 100€-500€: an intention to buy items through the SNBN strategy, but with relevance of prices (entry-level products or discounted ones);
c) 500€-1000€: a medium-high intention to adopt this strategy;
d) More than 1000€: an extremely positive intention to adopt the SNBN strategy for purchasing.

This part is the most relevant one, and it has been thought to cross several questions among them, in order to deeper understand the incidence that each response have with a hypothetical willingness to buy through SNBN strategy, to elaborate personal suggestions for future strategies.

"Purchasing Place VS Willingness to spend through SNBN"

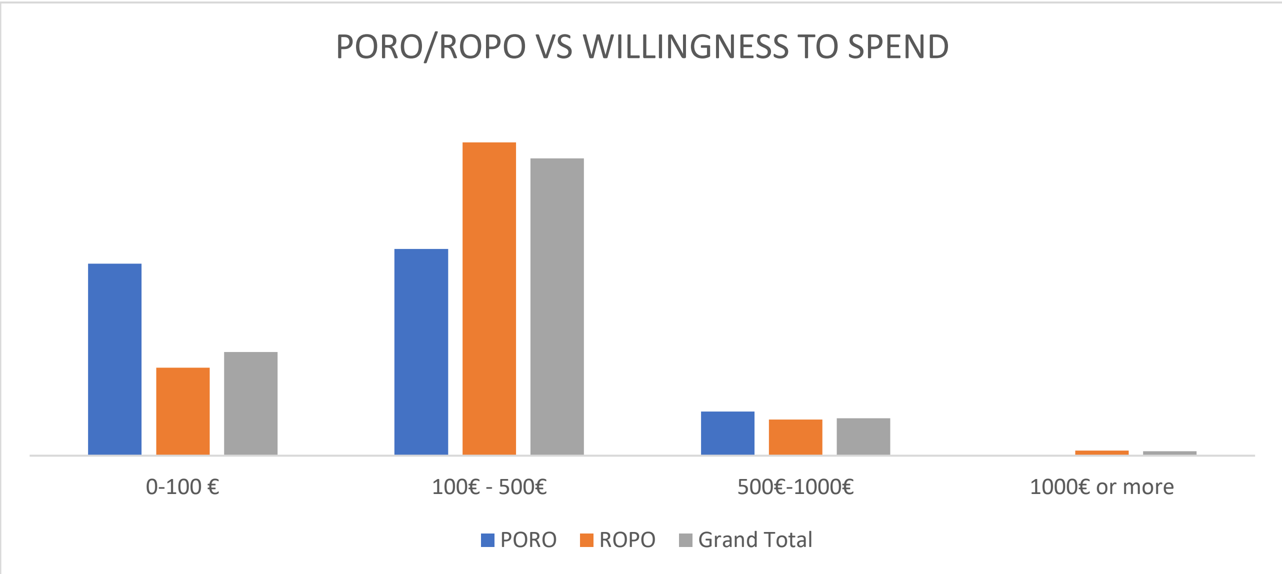
	0 - 100 €	100€ - 500€	500€- 1000€	1000€ or more	Grand Total
Luxury boutiques	0,11	0,75	0,13	0,01	1,00
Online	0,44	0,48	0,04	0,04	1,00
Shopping Malls	0,31	0,64	0,05	0,00	1,00
Grand Total	0,23	0,67	0,08	0,01	1,00

Source: Personal data's Elaboration.

The table above shows the correlation between the purchasing place and the willingness to spend through the SNBN of the sample. It is possible to see how the random customer that buy online and in shopping malls is not intentioned to buy items by the use of the SNBN strategy, while the most relevant data is that the sample customer that buys in luxury boutiques covers the other three dimensions, testifying his/her willingness to spend majorly at entry level products, but at the same time it is the same category that expresses medium-high and extremely positive willingness to adopt this new strategy. This let us think that the incidence of the offline stores is fundamental for luxury brands, and probably the incidence of advertise this new strategy available at Burberry's channels starting from the offline stores would be higher than advertise it with other tools; this would be also a non-expensive strategy that the company could adopt immediately, since it means that the personnel should inform the client about the possibility to have the same journey online, with the risk of increasing online revenues and lowering retail sales.

The graph below, instead, puts into correlation the PORO/ROPO answer with question 19, and shows us that who buys online, has the lowest intention to buy immediately items through the SNBN strategy, probably because they pursue discounted items or have lower willingness to buy online than offline; the ROPO customers, on the other hand, follow the trend mentioned above, having the majority of answers at entry level prices or discounted ones, expressing the intention to switch their purchasing channel just moved by prices.

"PORO/ROPO VS Willingness to spend through the SNBN"

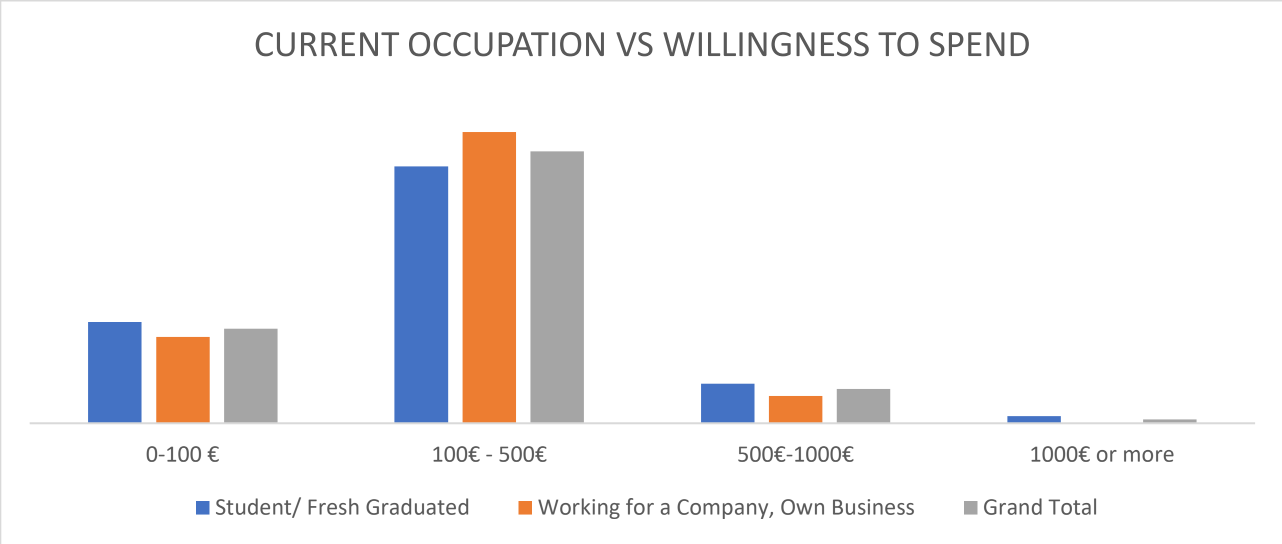


Source: Personal data's Elaboration.

The following graph puts into correlation the current occupation of the sample with its willingness to spend through the SNBN strategy, expecting that the ones that have a job would have more willingness to spend than students or fresh graduated, since their disposable income for purchasing mainly depends from their families.

In fact, the graph puts in evidence that the category "Students/Fresh Graduated" is relevant by their attitude to spend 0-100€ for a SNBN item, probably referring to their preferences to fast fashion companies more than luxury items. The other category, instead, testifies a higher intention to spend, but more on entry level products or discounted ones than higher price ranges.

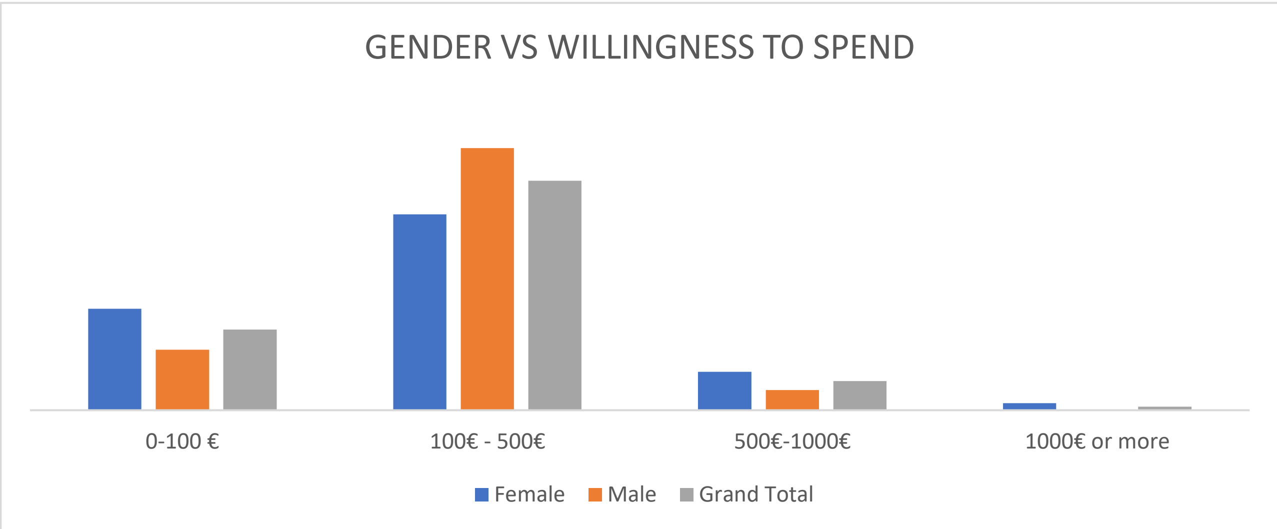
"Current Occupation VS Willingness to Spend through the SNBN"



Source: Personal data's Elaboration.

The last analysis has been made by crossing only the gender with the willingness to spend, in order to track possible growth opportunities linked with a specific gender segment. It is possible to evince that "Male" gender is more willing to spend a medium price for items launched through the SNBN than "Female" gender, who expresses two different trends: this gender is relevant both for the lowest willingness to spend (0-100€) and for the medium-high willingness to spend (500€-1000€), testifying again that their purchasing attitudes and willingness depends more on their sense of urgency than ever; if they feel a high sense of urgency, the price they are willing to pay is higher for SNBN collections, otherwise they are not interested in the usage of this strategy or purchasing purposes.

"Gender VS Willingness to Spend through the SNBN"



Source: Personal data's Elaboration.

5.3 COMMENT & CONCLUSIONS

As mentioned before, the main goal of this research is to provide some new, useful information to testify whether the "See-now, Buy-now" is well-known or not, and the willingness to buy of each single customer for this new purchasing strategy, to provide personal suggestions for the implementation of the same.

Burberry has recently adopted the SNBN strategy given its peculiarity in several fields such as technology, social presence, historical success, brand power and excellence programme, that allowed the company to modify its business model in order to embrace and omni-retail strategy providing the best customer experience both online and offline, enriching the journey with professionalism, storytelling and personal assistance. This lead the company to cover the first position for IQ Digital Brands 2016, but after the F/W 17 show, this new strategy is giving its first performance results, highlighting an increased number of outfit proposed and sold thanks this new strategy, but with lower margins. At the same time, thanks to the 5-years analysis provided in the past chapter, it is possible to see the negative trend that the company is assuming with the risk to not be attractive both for equity investors and shareholders.

Comparing the SNBN results of Burberry with other competitors in the market, it is possible to see how this new strategy is rising more acceptance among fast fashion companies or for companies that design items with a fresh and innovative style together with lower prices: the "TommyxGigi" collection raised Tommy Hilfiger's revenues immediately, together with the clickfall on social media pages. Rebecca Minkoff doubled its revenues, and is betting more on online sales than physical stores. Tom Ford, one of the pioneer of this strategy together with Burberry, has recently given up his approach to the SNBN strategy because of relevant problems of its business model, being the first example of attitude to return to the traditional processes among luxury brands, then followed by Tommy Hilfiger.

Burberry is a complete different company among the ones mentioned in the previous chapters: it is an affordable luxury brand, with more than 161 years of history, a consolidated offline presence worldwide and one of the European luxury leading company in China, together with the supremacy of followers on company's social media pages, offering a continuative interaction between company's insights and final customers, not only the loyalty ones. By the way, Burberry is not performing well, so there is a huge debate in the world of fashion that consist in "betting" if Burberry would keep going and gain the benefit of its investments or if the company would be forced to return to the traditional process because of the bad performance of this new strategy.

After having analyzed a huge quantity of websites, fashion magazines and private interviews made by insight, there was not yet a clear image of what would be a customer perception of the brand, if it effectively has relevance for Millennials or not. More than this, it had been considered more than important investigate about the effective diffusion of this new strategy, since sometimes the latest news are just for top loyalty customers or reserved just for local areas where each company has the headquarter, considering company's presence there of primary importance. By taking the chance, the survey launched was made to provide useful information about the willingness to buy of a sample made up of the Millennial target, composed by students and workers.

After collecting more than 200 responses thanks to the survey, it had been possible to deeper understand what are the priorities of the referred target, and in more than one question launched, the sample testifies its attentions to prices, that would might decide whether purchase or not. Millennials have high disposable income for personal luxury goods, but at the same time they are more volatile and picky, offering the more they have just at those maisons that better marry their needs such as trendiness, style, status and affordable prices, but with an excellent quality for luxury brands. Millennials are impulsive, and the survey testifies that the gender that is more impulsive are the women, while men are more careful about the "affair" that they can make by purchasing an item with excellent quality and style, but with lower prices, testifying that they would purchase what they can have at a lower price waiting days until companies discounts, but not the six-months gap of the traditional process.

The sample is representative for the ones that still prefers to buy in the stores, and use the web when it provides the same items at discount, so their attitude consists in walk in luxury boutiques and trust in the company more than a website. Men are more willing to spend than women, because the first really needs qualitative products that would last more, while women are more impulsive and pursuit brands with unique design and trendiness.

The analysis made indicates that the company is not gaining benefits in the short run thanks to this strategy, giving its bad performances despite the increase of revenues in EMEIA and in UK, due to the favorable conversion of UK currency after the Brexit vote. Even if this strategy puts the brand into the first position for IQ Digital Brands for 2016, Rebecca Minkoff is the one that leads the chart in 2017, giving the positive results of online and offline sales both. Burberry now is facing the second year of negative trend of its revenues, and the market is recommended the British brand to have a turnover as soon as it is possible, since other luxury brands are performing extremely well. The main problem can be referred to the "Classic" conception of the brand, meaning that it is preferred from loyalty customers and classic-outfit people, but it will not be in the top brands among those customers that are seeking for newness and trendiness. In this sense, one of the radical changes that the company will actuate is a new and fresh approach to its design, having the recent example of Gucci (the Italian company had been under bad performances for more than two years, after the Frida Giannini abandon, but since Alessandro Michele took place in 2015, the company is now raising, being Michele Gucci's Art Director that marries the Millennials desires).

Burberry covers the main features of this analysis, being the preferred brand for the sample, with an overall classical perception shared by the majority of the random customers, who admitted that are willing to buy company's items in the near future. By this information, it is possible to evince how Burberry is famous for its iconic product "Trench Coat", and that there is a large part of customers that really cares about the "Check Pattern" for company's items.

The suggested strategy is based on a process that Burberry is already facing: the proposal of new products of high quality at an affordable entry-level price. Since the majority of responses convey on the price range of 100€-500€, it had been thought to focus the strategy on two main elements: a renewal in the creative department of the company and launching fashion shows, with the possibility of buy through the SNBN strategy new items at an entry level price.

Cristopher Bayley has been replaced with Marco Gobbetti, the man that brought the bran "Cèline" to success in one year, and now he is expected to raise Burberry's power after two years of losses, that caused -20% of real power of Burberry's title in the market, since its familiarity with the British culture. With Gobbetti at the CEO, Bailey would now focus more on the product and Gobbetti on the managerial side of the company, and the close work of them would be the tool that the company will use to invert the trend in the industry. Insight are thinking that Gobbetti would bring with him Phoebe Philo, the creative director of Cèline that has been able to combine British privacy and minimalism with French chic, giving rise to timeless elegance, but characterized by "avant-garde".

The survey suggests the attitude to entry-level products, such as bags of backpacks especially for the Men segment, given the growing opportunities demonstrate by the sample's responses. Burberry would not ever lose its distinguished print, but at the same time has to combine creativity and price to marry Millennials.

CHAPTER 6 – CONCLUSION

6.1 THEORETICAL IMPLICATIONS

The world of Fashion is constantly evolving, because of global economy's events and insights changes in terms of customer behaviors. Because of this uncertain environment, vital is for fashion companies to distinguish themselves in the market, testifying their supremacy in at least one field, such as design, innovation, sustainability, increasing market power for leading positions. The purpose of this thesis had been firstly to analyze the Luxury sector and provide a clear and practical definition of different categories of goods considered as "luxurious", since there is not a clear distinction in the global market; secondly, to provide a clear explanation of the implications behind the "See-Now, Buy-Now" strategy, highlighting opportunities and duties for the company that aims to adapt its business model because of this strategy, utilizing the "Canvas" model to check all the steps for its value creation, with the possibility to take an objective decisions based on the strengths and the weaknesses of the specific company. Finally, since is not available any report that compares financials of the "See-Now, Buy-Now", this thesis adds to the economic literature a meter of comparison for the valuation of this strategy's efficiency throughout competitors' results, the successful ones, the "giving-up" ones and the "early-adopters" ones, providing the explanations behind their choices.

6.2 RESEARCH LIMITATIONS & FUTURE RESEARCH

The limitations of this elaborate are given by the wideness of the concept of Luxury, the newness of the "See-Now, Buy-Now" strategy and the impossibility to compare Burberry with a clear luxury sector performance.

Considering the huge number of consulting companies' reports and philological books consulted for the identification of a possible definition of Luxury, it is still not complete because has been chosen information more appropriate for Retail, since the practical case consists in Burberry.

It has been consulted all the online articles available regarding the "See-Now, Buy-Now", since October 2nd, but it is not provided the financials of the SNBN sales in quantitative terms, having them just in number of percentage of sales or number of items sold.

It had been initially thought to compare Burberry to several competitors, but, in the end, it had been adopted a five-years analysis focused on company's solidity and liquidity, together with its capacity to repay stakeholders and shareholders both in the long and in the short run, using financial KPIs such as ROI and ROE. It has been also opted to calculate the five-years-trends of the company, and compare the last financial results provided from the company's financial report, ended on March 31st.

Future researches should convey more on quantitative results of the "See-Now, Buy-Now" itself, highlighting the effective positive (or negative) result that the company benefit from the adoption of the investment on technological development: this could be made starting from 2018, because, starting from January 2018, it would be available all the data regarding the Fashion industry for the FY 2017.

Finally, some limitations regarding the survey consists in the small number of answers compared to the overall number of luxury consumer, and the fact that the most of responses come from Italians or Europeans, not having the possibility to reach consistently the EMEIA or the US market. Further surveys should focus on other areas of the global market, with the possibility to cross the results gained with the survey provided by this elaborate.

6.3 PRACTICAL IMPLICATIONS

This elaborate aim to be read by those who are approaching the "See-Now, Buy-Now" for the first time, since it is very detailed about each aspect that this model modifies despite the traditional system in the Fashion industry; obviously, being the thesis focused on Burberry, it has been managed data considering the critical aspects of the company, and it may not fit emerging or start-up companies, given the historical success of Burberry and its presence on Socials.

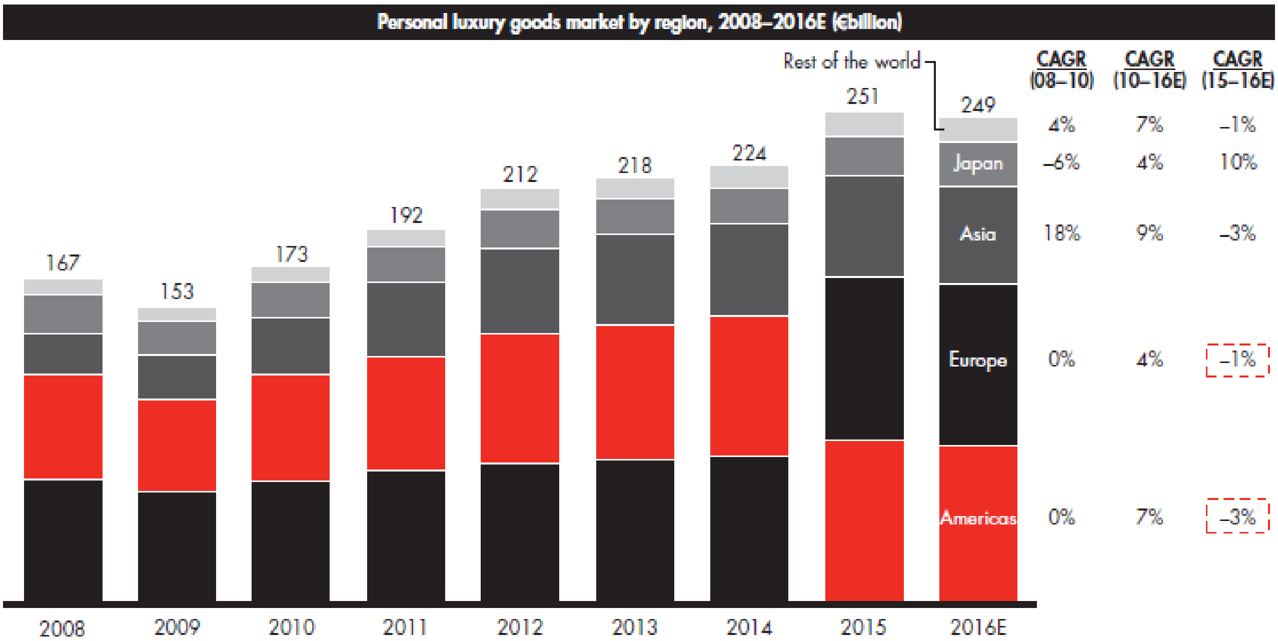
The most critical aspect to evaluate is the effective amount of the investment needed in technological development, but, since Burberry had already planned to invest in technological supremacy since 2003, it has been underdeveloped in the elaborate, considering those costs as fixed ones. The focus is more on the future development of this strategy because of Burberry's negative trends, testifying that the market is recommending a different approach for the "See-Now, Buy-Now".

6.4 CONCLUSIONS

After all the researches made, the elaborate ends up with a potential successful strategy to adopt for a change in Burberry's creative department. This conclusion has been thought after the analysis of the overall Luxury sector, the SNBN model and Burberry's performances, compared with other competitors that have adopted the "See-Now, Buy-Now" in their business model. The survey has provided useful information regarding the willingness to buy of the sample, that has been used to formulate the potential successful strategy mentioned before.

APPENDIX

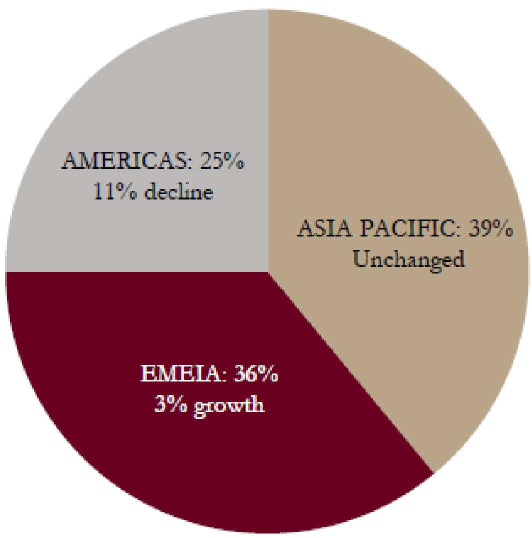
Appendix 1 – "Personal luxury good market by region, 2008-2016E (€Billion)".



Source: Bain & Company.

Appendix 2: "Burberry's revenue by Region".

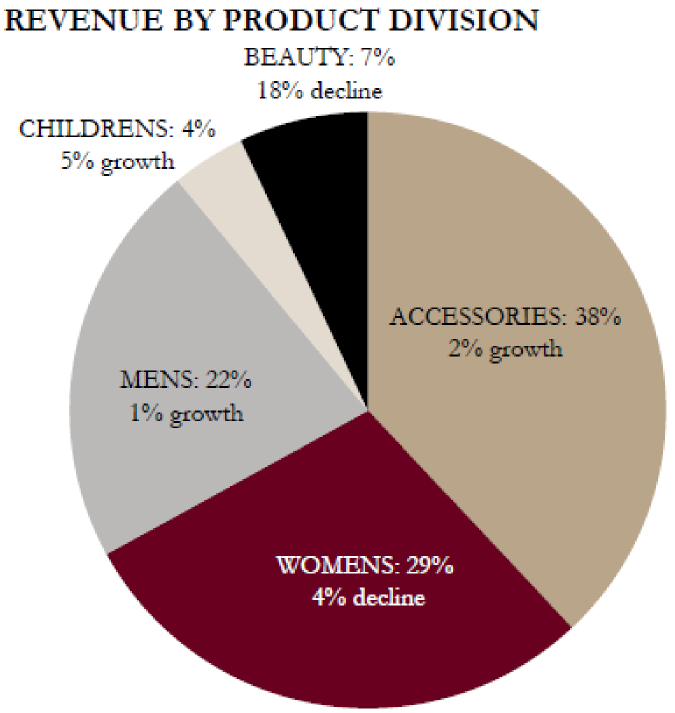
REVENUE BY REGION



FY 2017 retail/wholesale revenue £2,741m, down 2%

Source: Burberry Annual Report.

Appendix 3: “Burberry’s Revenues by Product Division”.



FY 2017 retail/wholesale revenue £2,741m, down 2%

Source: Burberry Annual Report.

Appendix 4: “Burberry’s Financial Highlights FY 2017”.

FINANCIAL HIGHLIGHTS FY 2017

12 MONTHS TO 31 MARCH	2017 £M	2016 £M	UNDERLYING CHANGE*
REVENUE	2,766	2,515	(2%)
ADJUSTED PBT	462	421	(21%)
ADJUSTED DILUTED EPS	77.4p	69.9p	
NET CASH	809	660	
DIVIDEND PER SHARE	38.9p	37.0p	

* Underlying growth at constant exchange rates

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SUMMARY

CHAPTER 1: AN OVERLOOKING OF LUXURY & FASHION INDUSTRY

A satisfied definition of luxury is strongly craved by marketers and researchers, but it still does not exist. The problem stands in the wideness of the topic, which can space depending from the situation a consumer stands in. The most important issue when defining what is luxury is linked with the economic implications of the term: a clear distinction between what can be considered luxury and what is not-luxury, a clear definition of a luxury product, a transparent separation between a luxury consumer and a not-luxury one. All those economic inferences are at the basis of companies' strategies and their business models' creation, to better understand market trends, referred segment purchase behaviors, reducing market complexity and so on.

It is useful to identify the major characteristics which are strongly related with the definition of a luxury item, both products or services: Excellent Quality, Very High Price, Scarcity & Uniqueness, Aesthetics & Polysensuality, Ancestral Heritage and Personal History, Superfluosness. Those six major dimensions have allowed Klaus Heine in his report "The Concept of Luxury Brands" to give an exhaustive definition of a luxury product as follows:

"Luxury products have more than necessary and ordinary characteristics, compared to other products of their category, which include their relatively high level of price, quality, aesthetics, rarity, extraordinariness and symbolic meaning"[40].

McKinsey&Co. in 2016 launched a Global Fashion Survey and summarized the situation in the fashion world with the following three words: "uncertain, changing and challenging". Objectively, the last financial shock hitting drastically the world economy had been the financial crisis in 2008. In addition to this "financial behavior", consumers had been more and more skeptical in their purchases behaviors, more demanding and less predictable, mainly due to new purchasing technologies. Because of this, the most successful luxury companies have re-shaped their internal divisions, opting for a reduction of the length of the fashion cycle and re-shaping the core products, designing and manufacturing new processes, with the result of a total re-evaluation of the fashion system itself. In this scenario, it is not surprisingly to notice a slow-down of fashion's financial results in terms of business growth: in fact, while at the end of 2016 McKinsey&Co. reported an overall 5.5% of industry growth (McKinsey Global Fashion Index, outpacing overall GDP growth[41]), sales have fallen just of 2-3% by the end of 2016, and margins had been stagnating for fashion industries. This general trend comprehends all the product divisions in the fashion industry, which is expected to grow rates at 0.5-

[40] Klaus Heine - "The Concept of Luxury Brands", 2011
[41] McKinsey&Company – "The State of Fashion 2017"

1% and 2-2.5% respectively in China and in the US market even if these percentages are below the industry average; but if we have a look at the watches and jewelry division, which had been the most impressive growth between 2005 and 2015, is now expected to grow 1-1.5% in 2017. Despite the situation seems to be critical, the fashion industry remains one of the top-ten value-creating industry, covering the 7th position in terms of GDP in the largest economies.

McKinsey&Co. defines 10 new emerging trends that would define the fashion agenda in 2017. It follows a detailed description of each of them, in order to deeply understand raising trends and the way they would impact global economy, with a specific focus on the fashion industry.

1. **Intensifying Volatility**: the Brexit vote, terrorism and Geopolitical instability will pervade the increase in the uncertain perception of future global economy trends (the China's economic slowdown activity remains the most critical one). From an economical point of view, currency has been more volatile in 2016 than the average over the past five years and a study conducted by McKinsey demonstrated that the global debt raised more than the GDP[42].
2. **"China's comeback?":** one of the most challenge questions of 2017, because it is expected that the Chinese market will stop decreasing and raise again, supported by the macroeconomic indexes mentioned before, by the growing of the Chinese middle and upper classes and new fiscal policies (like cheap credits and policy support, by cutting interest rates on loans and lowering bank's reserve requirement ratios) that are expected to improve Chinese consumption in 2017.
3. **Urban Engines**: the attention is now on middle-weight cities that are now reaching key population thresholds, stimulating the rise of urban centers that will generate continued growing opportunities for fashion companies.
4. **Discount Culture & Shrewder shoppers**: consumers are becoming more and more complicated in terms of spending culture, because if on one side is high the demand for more sophisticated, personalized and unique products, the same consumers are demonstrating increasing attitudes to buy them at a lower price. The last stressing point is the digital one, because fashion companies are now stressing on virtual life, virtual customer experiences and virtual fashion shows' access, more than mobile payments or purchase techniques.
5. **Consumer Kinship & Generation Correlation**: fashion industry must stay in line with the evolving changes in the targeted customers' lifestyles changes, proposing tailored and suited products to satisfy always more challenging needs. The second most significant growing segment is the millennials generation. Being the largest US generation by the end of half 2016, their income counts for $ 1 trillion in the US market and it is expected to grow by the 30%. Embrace these two groups means

[42] McKinsey Global Institute - "Debt and (not much) deleveraging", February 2015

considering tailored strategy which not depend on the age, but are driven by a deep knowledge of the distinctive values that belongs to the members of the targeted group.

6. **The Wellness Dividend**: wellness and luxury had never been joined industry, but now fashion players have to decide if make profit exploiting this raising trend or compete with it. In the past two years, fashion companies are incorporating wellness and health, creating sportive and athletic collection or items, with the linked wellness experience for customers
7. **Changing the system**: the 2017 will be the age of truth for the recent changes in the fashion cycle, starting from the "see-now, buy-now" strategy and the 2016 could be labeled as the disruptive year for the fashion cycle. Companies are prepared to adopt new strategies and new models if the customer forced them to do so, because this revolution in the fashion cycle is something which long-term effects are not predictable.
8. **Organic Growth**: 2017 trends are not focused on stores' expansions, but companies will be more focused on like-for-like sales, by increasing domestic demand, generating revenues through values than volume. Companies are now going back on cost-containing policies rather than geographic expansion, returning to their old paradigms.
9. **Upstream Technology**: for sure, invest in new and more developed technologies is the trade-off for a company to be a real winner.
10. **Ownership Shake-up**: all the pressures in the fashion industry lead individual brands to change ownership in 2017. Among suppliers there is already the intent to focus on their brand portfolio and leave all the non-core brands back, starting a "Powerbrand Strategy", where companies focus on their best brands.

CHAPTER 2: THE BUSINESS MODEL CANVAS

The Business Model Canvas is a very pragmatic and visual representation of a current business or new business models, adopted more and more frequently by strategic management. It had been thought by the author like a plan representation on a canvas of a company's business model, giving a complete and linear image of this tool especially used for comparative analysis for the impact of new investment strategies or business model innovations. By analyzing each aspect of the company, it is possible to evince any contributing factor for a new successful competitive strategy, and the area of impact of new decisions between all the various activities which characterize the company's business.

The benefits associated with the application of this model to the company's business model consist in simplifying activities and processes, to individuate all the key elements of the personal organization, and develop them on a basic and plan tool (canvas), to exploit all the correlations among them and create synergies.

The Canvas model canalizes in 9 separate categories all the crucial processes and internal activities of a business. Even if all those blocks seem to be independent one from another, as it follows, it will be shown that they are strictly interdependent.

1. **Customer Segments**: all the customers served by the markets are divided on specific basis depending from the company's product or service satisfies a specific need. This distinction is necessary to ensure that those products/ services offer is aligned with the specific segment the firm aims to reach.
2. **Value proposition**: the value proposition describes the combination of services and products that creates value for a specific customer segment, and it is crucial because it is the only reason why customers prefers a company rather than another.
3. **Channels**: they describe how an enterprise communicates its value proposition and reaches its customer segments.
4. **Customer Relationships**: describes the different typologies of relationships that a company has with its customer segment/s; those relationships can be personal or digital, and it is fundamental to fix them properly to create the financial success and sustainability in different fields (economic, social, corporate, financial, etc).
5. **Revenue Streams**: it represents the revenues that the company generates by each single customer segment served.
6. **Key Resources**: they represent the most important asset so that the business model of the firm is successful or not. Those resources allow the firm to create and deliver the Value Proposition, to reach different markets, to establish lasting relationships with its customers and gain revenues.
7. **Key Activities**: these are the most important actions a company must carry out for achieve business purpose. As for key resources, key activities are requested to combine a unique value proposition for a company's customer, to reach the selected and new market segments, to build lasting relationships with customers and to generate long-term revenues streams.
8. **Key Partnerships**: this voice comprehends the network of suppliers and all those complement partners who contribute the company to create the value proposition.
9. **Cost Structure**: this is the final block of the business model canvas and associate a specific model depending on the cost structure of a business. The general distinction of business is split in Cost-driven (focusing on minimizing company's investment to maximize business profits) or Value-driven (focusing in the best translation of the value proposition to provide the maximum value to the customer, in terms of emotional involvement of the product/service).

The elements on the left side represents corporate efficiency, while the ones on the right side are the crucial elements necessary for the value creation; the value proposition, which is situated in the middle of the business model canvas, represent the synthesis of these two objectives.

CHAPTER 3: FASHION CYCLE, SEE-NOW, BUY-NOW STRATEGY AND THE WAY THEY HAD CHANGED

“See-Now, Buy-Now” is the name of the most recent selling strategy that most of the top luxury maisons are adopting to combine digital innovation with fashion. This new system had been accepted to explore new models for fashion shows and solve radical problems that the fashion cycle is facing since the last 10 years: if fashion had historically been characterized by pre-determined and cyclical rhythms, that saw the fashion process starting by design and creation, passing to the wholesale and finally to retail distribution, it saw the core of all those processes around business calendars and fashion shows. Fashion Weeks had always been monumental events in terms of revenues, marketing, acceptance and brand power and they had always had the role of show to top-customers and publics (formed by press, professionals, buyer, and recently by bloggers and influencers) the collection of each maison that testifies the working year behind them, generating excitement for the next collections and the curiosity of knowing in advance the must-have, or the future trends/fads/styles for the following seasons. Fashion shows create fashion rules, and their approach had been “see-now, buy-next”; those year was necessary for supplier to test top-customers’ reactions and check if specific items were worth to be produced or not, reducing risk and optimizing the investments. There is not a unique formula for an optimal business model for those companies that adopt the “See-now, Buy-now” strategy, since there are just few early-mover companies that are conveying digital and fashion shows, such as Tom Ford, Tommy Hilfiger (with its TommyXGigi), Rebecca Minkoff and Burberry, while Chanel, Dior and Hermes are now deciding if approaching this new technology or not.

The “See-now, Buy-now” strategy gives the benefit of the immediate selling items of seasonal collection in the actual collection that it has been designed for, but more than this this methodology allows fashion companies to improve their connections with loyal customers and at the same time embrace even more customers, marrying the rising needs among consumers of urgency: this leads the final consumer to impulsive purchases, with the final result of boosting company’s sales, by giving immediate gratification; the model would allow to speak directly to customers, jumping over press and buyers’ criticism and selection.

But the “See-now, Buy-now” strategy had been thought mostly to provide a solution for the problem on counterfeiting in fashion, especially the fast-fashion copycats: by the immediate selling of new collections' items just after their presentation on runways, fast-fashion companies would not have time to copy the items presented or to anticipate luxury brands during the six-months gap in the fashion calendar, that brought fast-fashion companies to success, scaring luxury firms about serious threats of inverting trends among consumers. Finally this immediate selling strategy is aimed to solve the huge problems of markdowns in fashion, one of the critical issues that fashion faced since two years: people buy winter clothing at markdown because they are delivered in summer seasons, so it is not even cold; selling the collections in the proper season would not give the possibility to discounted consumers to wait the sales markdown or discounting, with the final result of empowering brand status, coherence and lowering customer purchasing power.

CHAPTER 4: BURBERRY & THE EVOLUTION OF BURBERRY'S BUSINESS MODEL - THE "SEE NOW, BUY NOW" STRATEGY

Burberry is one of the luxury brand with the highest presence on social media, being one of the most followed ones, with a total of over 48 Million followers on 20 different social platforms; this strong social media presence allowed Burberry to speak the same language of its referred market segment: Millennials.

The strategic positioning of Burberry among luxury brands is strategic and driven to "affordable luxury" perception of the same. Burberry is considered first in all rankings for digital innovation, and the chart highlight its superiority despite other brands that married the "See-now, Buy-now" strategy in recent times such as Rebecca Minkoff, Ralph Lauren and Tommy Hilfiger.

Burberry's financial report for 2017 counts for an overall £ 2.766 Million, with the 77% coming from retail sales, the 22% from the wholesale and just the 1% from the licensing activities; after having made Burberry's financial analysis, it is possible to evince that:

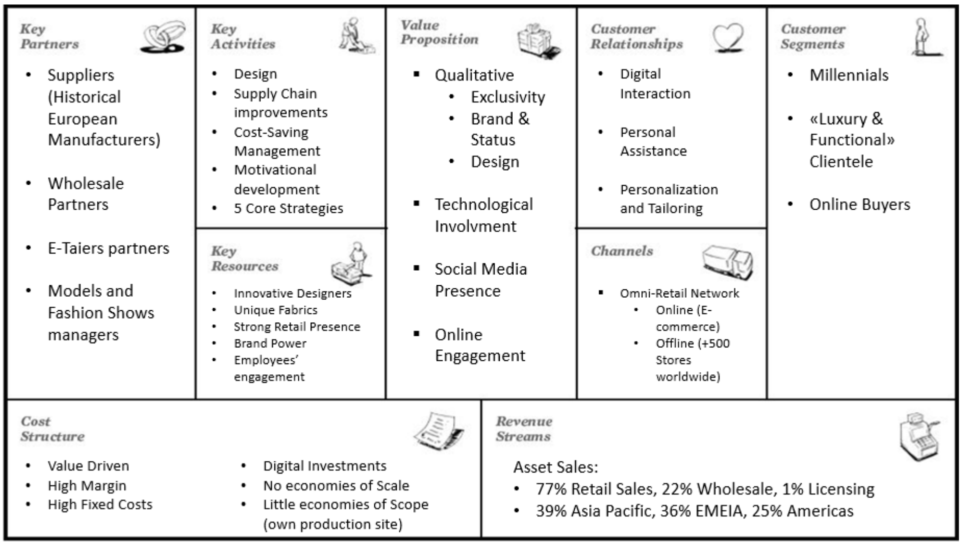
- The company has a strong capacity to repay obligations both in the short and in the long run, because of the growing asset sales due to favorable condition of the UK policies;
- The company is underperforming, considering results at current exchange rates; Burberry is not profitable both for stakeholders and shareholder, since its ROI and ROE are under both the sector's average for FY 2017 and the overall company's 5 years trend.

In May 2016, the challenging environment left the firm to decide if whether exploit its social media presence and its attitude to innovation or not. So, the company elaborated a plan to accelerate its efficiency and productivity agenda, by specifically affecting the its ways of working. Firstly, Burberry identified relevant future organic revenue growth opportunities to monitor and build overtime, and a program consisting in at least £ 100 Million of annualized cost saving by FY 2019. Burberry synthesizes its growth plan into five key strategies, focused on simplification. Three of the five strategies are focused on optimizing revenues growth (Product Focus, Productive Space & E-commerce Leadership), together with Operation Excellence and Inspired People activities, to improve company's value proposition and boost it to the top level of luxury. All those changes put in places the basis for company's revenues growth drivers, the benefit of which are expected to be seen by the end of the current year, through the company's annual report in January 2018; company's strengths are in the outperforming trend of the Accessories product category, mainly driven by Bags, in the retail conversion and retention, by increasing the footfall and retail revenues through digital involvement and a closer customer engagement, and finally its digital superiority, by leading luxury rankings with the best omni-channel strategy perceived.

Moreover, the company reached its goal of £20 Million cost saving for FY2017, which are expected to raise at the level of £50 Million in FY 2018 and reach the target of £100 Million annualized in FY 2019.

All the changes are synthetized in the Burberry's business model canvas, which clearly highlight each factor of the company's business model that contributes to the value proposition to the customers.

"Burberry's Business Model Canvas"



Source: Personal data's Elaboration.

Burberry, the pioneer of the "See-Now, Buy-Now", has now launched three collections (F/W 2016, S/S 2017 and F/W 2017) embracing all those changes in the fashion industry, reporting one huge fashion show for each collection both for Men and Women, enriching them with a technological support allowing customers worldwide to purchase immediately the items shown in the runway, both in-store and online. However, even if the CEO of the company is very enthusiastic about their leading position among the IQ Brands for technological involvement, insights developed some discouraged data specific to the sales driven by the SNBN strategy. In F/W 2016, just 18% of 99 items had been sold out at full price, while the others had been bought by online audience at discounts; in S/S 2017, the situation is even worse, because the number of items sold at full price is 1, considering a total outfit launched of 148 pieces. The latest earnings data available testifies that the "Runway Bridle" bad had been the third best-selling item for style globally following its launch in the Burberry's September SNBN collection (the bag had been sold out at full price, $ 1,295, being very popular among fashionistas and celebrities in FW/16). Inventories jumped to 9.8% in 2016, above the overall industry mean of 2%, while after the S/S 2017 fashion show, their levels will raise to 17.4%, rising of another 7.6%. Operating margins fell, respectively, to 9% and 6%, below the medians of 15% and 7%, so the cutting profits would not allow Burberry to provide its historical high-quality leather for a long time, because labor costs are not repaid back with this new strategy.

Thanks to the information detailed descripted in the integral version of the elaborate, it is possible to evince the raising level of competition that Burberry is facing regarding its SNBN strategy. At the same time, Burberry has distinctive key factors of success that would allow the company to position itself differently from all the others: first, the company is considered as the British brand for excellence, with huge numbers of followers among its social pages, together with a strong presence in China due to the extremely high perception of the brand in the Middle-East market; second, the company had evolved its business model, optimizing all the cost-efficiency management and the excellence training programme for its employees, motivating them to the provide the best customer experience with digital presence among other luxury brands, both online and offline; third, the company is still considered the pioneer and still covers the first position in the IQ Technology rankings for Luxury Fashion Brands, and is recovering part of the investments made to gain this title. The major problem is the creative department, because Cristopher Bailey rose the brand's image until 2015, and from 2016 the company started counting the first negative trend in revenues and profitability. Cristopher Bailey had been considered "the nicest man in fashion" in 2015, expecting that he would made Burberry "the coolest (and most lucrative) brand on the planet"[43], but now the market expects more on the company; this is testified by the down-ward sloping of company's revenues since 2015, with financial KPIs such as ROI and ROE that are both under the industry average and company's five years' average.

[43] MailOnline – "He's best friends with the Beckhams, has an eye for the next big supermodel and is the nicest man in fashion: How Christopher Bailey made Burberry the coolest (and most lucrative) brand on the planet" - *Bianca London,* April 17th, 2015

The company has good basis for its turnover, but it had been thought to launch online a questionnaire, to provide a possible successful strategy for the British brand.

CHAPTER 5: SURVEY ON PURCHASING BEHAVIORS – AN EMPIRICAL STUDY FOR FUTURE BURBERRY'S SEE-NOW, BUY-NOW DEVELOPMENT STRATEGY

The purpose of this study is to examine consumer's behaviors for both online and offline shopping, with a special focus on the perception of Burberry luxury brand and its new selling "See-now, Buy-now" strategy. The main goal of this research is to provide some new, useful information to testify whether the "See-now, Buy-now" is well-known or not, and the willingness to buy of each single customer for this new purchasing strategy, to provide personal suggestions for the implementation of the same.

It had been collected 201 testimonies by launching the survey online, on private universities' Facebook groups and communities, on personal Facebook page and on LinkedIn. The random customers are representative of the potential Burberry's clientele. The 51% of the answers comes from Males, while the other 49% comes from Females, respectively 102 and 98, with one question skipped. 194 responses come from Millennials, considering a range of age between 18 and 35, covering in percentage the 96,51% of the total, so the survey hit the Millennials target with marginality of less than 3,5%.

After collecting more than 200 responses thanks to the survey, it had been possible to deeper understand what are the priorities of the referred target, and in more than one question launched, the sample testifies its attentions to prices, that would might decide whether purchase or not. Millennials have high disposable income for personal luxury goods, but at the same time they are more volatile and picky, offering the more they have just at those maisons that better marry their needs such as trendiness, style, status and affordable prices, but with an excellent quality for luxury brands. Millennials are impulsive, and the survey testifies that the gender that is more impulsive are the women, while men are more careful about the "affair" that they can make by purchasing an item with excellent quality and style, but with lower prices, testifying that they would purchase what they can have at a lower price waiting days until companies discounts, but not the six-months gap of the traditional process.

The sample is representative for the ones that still prefers to buy in the stores, and use the web when it provides the same items at discount, so their attitude consists in walk in luxury boutiques and trust in the company more than a website. Men are more willing to spend than women, because the first really needs qualitative products that would last more, while women are more impulsive and pursuit brands with unique design and trendiness.

The analysis made indicates that the company is not gaining benefits in the short run thanks to this strategy, giving its bad performances despite the increase of revenues in EMEIA and in UK, due to the favorable conversion of UK currency after the Brexit vote. Even if this strategy puts the brand into the first position for IQ Digital Brands for 2016, Rebecca Minkoff is the one that leads the chart in 2017, giving the positive results of online and offline sales both. Burberry now is facing the second year of negative trend of its revenues, and the market is recommended the British brand to have a turnover as soon as it is possible, since other luxury brands are performing extremely well. The main problem can be referred to the “Classic” conception of the brand, meaning that it is preferred from loyalty customers and classic-outfit people, but it will not be in the top brands among those customers that are seeking for newness and trendiness. In this sense, one of the radical changes that the company will actuate is a new and fresh approach to its design, having the recent example of Gucci (the Italian company had been under bad performances for more than two years, after the Frida Giannini abandon, but since Alessandro Michele took place in 2015, the company is now raising, being Michele Gucci’s Art Director that marries the Millennials desires).

Burberry covers the main features of this analysis, being the preferred brand for the sample, with an overall classical perception shared by the majority of the random customers, who admitted that are willing to buy company’s items in the near future. By this information, it is possible to evince how Burberry is famous for its iconic product “Trench Coat”, and that there is a large part of customers that really cares about the “Check Pattern” for company’s items.

The suggested strategy is based on a process that Burberry is already facing: the proposal of new products of high quality at an affordable entry-level price. Since the majority of responses convey on the price range of 100€-500€, it had been thought to focus the strategy on two main elements: a renewal in the creative department of the company and launching fashion shows, with the possibility of buy through the SNBN strategy new items at an entry level price.

Cristopher Bayley has been replaced with Marco Gobbetti, the man that brought the bran “Cèline” to success in one year, and now he is expected to raise Burberry’s power after two years of losses, that caused -20% of real power of Burberry’s title in the market, since its familiarity with the British culture. With Gobbetti at the CEO, Bailey would now focus more on the product and Gobbetti on the managerial side of the company, and the close work of them would be the tool that the company will use to invert the trend in the industry. Insight are thinking that Gobbetti would bring with him Phoebe

Philo, the creative director of Cèline that has been able to combine British privacy and minimalism with French chic, giving rise to timeless elegance, but characterized by "avant-garde".

The survey suggests the attitude to entry-level products, such as bags of backpacks especially for the Men segment, given the growing opportunities demonstrate by the sample's responses. Burberry would not ever lose its distinguished print, but at the same time has to combine creativity and price to marry Millennials.

CHAPTER 6: CONCLUSIONS

The world of Fashion is constantly evolving, because of global economy's events and insights changes in terms of customer behaviors. Because of this uncertain environment, vital is for fashion companies to distinguish themselves in the market, testifying their supremacy in at least one field, such as design, innovation, sustainability, increasing market power for leading positions. The purpose of this thesis had been firstly to analyze the Luxury sector and provide a clear and practical definition of different categories of goods considered as "luxurious", since there is not a clear distinction in the global market; secondly, to provide a clear explanation of the implications behind the "See-Now, Buy-Now" strategy, highlighting opportunities and duties for the company that aims to adapt its business model because of this strategy Finally, since is not available any report that compares financials of the "See-Now, Buy-Now", this thesis adds to the economic literature a meter of comparison for the valuation of this strategy's efficiency throughout competitors' results, the successful ones, the "giving-up" ones and the "early-adopters" ones, providing the explanations behind their choices.

The limitations of this elaborate are given by the wideness of the concept of Luxury, the newness of the "See-Now, Buy-Now" strategy and the impossibility to compare Burberry with a clear luxury sector performance.

Considering the huge number of consulting companies' reports and philological books consulted for the identification of a possible definition of Luxury, it is still not complete because has been chosen information more appropriate for Retail, since the practical case consists in Burberry.

Future researches should convey more on quantitative results of the "See-Now, Buy-Now" itself, highlighting the effective positive (or negative) result that the company benefit from the adoption of the investment on technological development: this could be made starting from 2018, because, starting from January 2018, it would be available all the data regarding the Fashion industry for the FY 2017.

Finally, some limitations regarding the survey consists in the small number of answers compared to the overall number of luxury consumer, and the fact that the most of responses come from Italians or Europeans, not having the possibility to reach consistently the EMEIA or the US market. Further surveys should focus on other areas of the global market, with the possibility to cross the results gained with the survey provided by this elaborate.

This elaborate aim to be read by those who are approaching the “See-Now, Buy-Now” for the first time, since it is very detailed about each aspect that this model modifies despite the traditional system in the Fashion industry; obviously, being the thesis focused on Burberry, it has been managed data considering the critical aspects of the company, and it may not fit emerging or start-up companies, given the historical success of Burberry and its presence on Socials.

The most critical aspect to evaluate is the effective amount of the investment needed in technological development, but, since Burberry had already planned to invest in technological supremacy since 2003, it has been underdeveloped in the elaborate, considering those costs as fixed ones. The focus is more on the future development of this strategy because of Burberry’s negative trends, testifying that the market is recommending a different approach for the “See-Now, Buy-Now”.

After all the researches made, the elaborate ends up with a potential successful strategy to adopt for a change in Burberry’s creative department. This conclusion has been thought after the analysis of the overall Luxury sector, the SNBN model and Burberry’s performances, compared with other competitors that have adopted the “See-Now, Buy-Now” in their business model. The survey has provided useful information regarding the willingness to buy of the sample, that has been used to formulate the potential successful strategy mentioned before.