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Bachelor's Thesis

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Title of the Bachelor´s Thesis:

Digitalization and brand management in the fashion industry

Author: Karina Toporova

Supervisor: Ing. Felipe Martínez, Ph.D.

Declaration of Authenticity

I hereby declare that the Bachelor´s Thesis presented herein is my own work, or fully and specifically acknowledged wherever adapted from other sources. This work has not been published or submitted elsewhere for the requirement of a degree programme.

Prague, May 15, 2018   Signature

Acknowledgement:

Title of the Bachelor's Thesis:

Digitalization and brand management in the fashion industry

Abstract:

The Bachelor Thesis focuses on the determination of the impact of digitalization in the fashion industry. The goal is to compare customer experience using a process with digital elements and a process without digital elements. The theoretical part provides information about fashion industry and digitalization. The practical part illustrates the case study of the firm and customer experience analysis based on using of digital elements. The output of this thesis is to examine the role of digitalisation of brand management in to the performance within the fashion industry.

Key words*: fashion industry, digitalization, brand management, five performance objectives, luxury brand, operations management*

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Introduction

Globalization in the contemporary era has resulted in the need for novelty across all industrial and service sectors. Particularly, the fashion industry starts to adopt digitalization and pay much more attention to brand management for the improvement of the performance of firms in this sector. The aim of the BT is to identify how digitalization affects the improvement of the performance of organizations in the fashion industry. Furthermore, this paper seeks to compare customer experience using two different processes: one with digital elements and the other without these features. The thesis is divided into several sections that work together to provide a justification for the findings of the study. A comprehensive description of the fashion industry is given to ensure that readers have a precise view and understanding of the field in discussion. This research helps to comprehend the functioning of the fashion industry by establishing that the main purpose of this sector is to satisfy consumers' demand through the provision of finished fashionable products. The theoretical part of this study goes on to describe the segments of the fashion industry. Some of those discussed include Haute Couture, ready to wear, diffusion, bridge, and mass, which are later illustrated for better understanding of the fashion pyramid. Fashion marketing is another important aspect for consideration in the fashion industry. This study describes the two main types of fashion marketing, namely, design centred and marketing centred. The explanation provided can be used by organizations to make the best decision with regards to the marketing of their products. Further, correct marketing is crucial to brand management of luxury brands.

Digitalization is essential for the growth and enhancement of the productivity of organizations in the fashion industry. This study takes into consideration all important aspects of this process. Notably, the main features of digitalization such as big data analytics, 3D printing, Internet of Things, drone technology, virtual reality, block chain, robotics, cloud computing, and artificial intelligence have been described to offer a better understanding of the digitalization transformation. Such changes are associated with the enhancement of attraction to new customers as well as the creation of strong customer loyalty. Business in the fashion industry should, therefore, take advantage of digitalization as they can also learn how to integrate new and old tools so that they can work in harmony for the betterment of the enterprises. Among the objectives of this paper is to provide a rationale for the digitalization of brand management. For instance, digital marketing presents firms with the opportunity to reach many prospective customers through advertisements and commercials among other marketing tools. In the current era, for example, fashion firms have relied on social networking platforms that enable the continuity of business over the internet. The performance objectives that are used in the day to day operations of businesses are also discussed.

The practical part of this study involves the collection of data from the current literature to provide a justification for digitalization in the fashion industry. The focus of the case study is a British firm known as Burberry. A description of the business is a luxury fashion retailer as well as the analysis of different factors that result in the success of the organization in the fashion sector helps to understand the importance of the digitalization of brand management. The traditional customer experience is compared to that in the contemporary era with the results

showing more client satisfaction in the latter. Burberry's performance is measured using the five performance objectives. All in all, the findings of this study help to prove that digitalization is an essential process that firms in the fashion industry should adopt for the improvement of their performance.

1. The Fashion Industry

Description of Fashion Industry

Fashion is a social phenomenon, which aims to satisfy esthetic needs and signals social status of their owner. The fashion industry should be considered as a broad definition that covers all aspects including manufacturing, designing, marketing and distribution. The trends are established by the fashion industry (Agins, 2010).
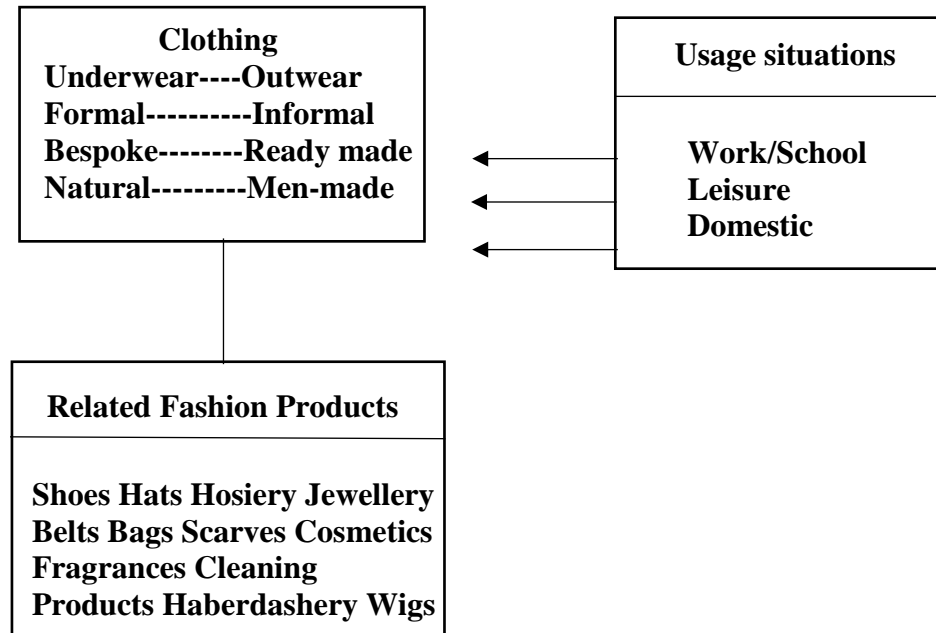
From scientific point of view, fashion firstly was regarded by American economist Thorstein Veblen and German sociologist Georg Simmel, creators of the trickle-down theory in the late 19th and early 20th centuries. They believed that fashion is designed for elite social groups to underline their distinction from common population (Lillethun, 2018). The middle and lower strata wish to imitate the elite, thereby taking over fashionable novelties. The dynamics of trends is the primary element for the shift because if a lower social class adopts the fashion, the higher rank class will not adhere to the fashion anymore. In order not to lose social distance, the elite again keep inventing something new and original, and this cycle of prestigious consumption repeats itself over and over (Lillethun, 2018).

In the 20th century, even though polarization of classes was obliterated, fashion still continues to serve to emphasize social differences, but not so much "higher" and "lower" as simply different social groups. For example, youth fashion emphasizes the differences between people of different age. More than that, personal selection of fashionable goods is a means of self-expression, emphasizing one's individuality. To clarify, fashion became a part of culture and people of distinct social classes adhere to fashion in order to express their personality and inequality, which was relevant for that time (Lillethun, 2018).

These days fashion is defined as a concept that provides short-term trends or fads. Furthermore, fashion constitutes an integral part of almost all human activity from medical treatment to popular music. Eventually, fashion industry is becoming a much more complex industry due to the development of technologies and alterations of traditions and cultures (Granger, 2012). Innovations and technologies contribute to fast and efficient development of fashion especially in the field of clothing industry. This sector has transformed from basic industry into advanced one that includes many supplementary industries. Shopping activity has changed radically. People no longer purchase goods by necessity, they tend to take delight in the process itself and perceive it as a way of relaxation. Customer shopping experience has altered as well, because of globalization taking place within development of innovations, production, distribution and delivery. During the digital era, modern fashion industry tends to encompass digital marketing, e-commerce, analytics and supply chains (Lillethun, 2018).

The graph below (see Figure 1) illustrates major categories of clothing in conjunction the main usage situations namely work, leisure or domestic occasion. It exemplifies what fashion includes itself, as a tactile term. Clothing is the key element that is supported by certain supplementary products (shoes, hats, bags, etc.) and is used for various occasions.

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┌─────────────────────────────┐          ┌──────────────────────────┐
│         Clothing            │          │    Usage situations      │
│   Underwear----Outwear      │          ├──────────────────────────┤
│   Formal----------Informal  │   ←──────│                          │
│   Bespoke--------Ready made │   ←──────│     Work/School          │
│   Natural---------Men-made  │   ←──────│     Leisure              │
└─────────────────────────────┘          │     Domestic             │
                │                         └──────────────────────────┘
                │
   ┌─────────────────────────────┐
   │   Related Fashion Products  │
   ├─────────────────────────────┤
   │   Shoes Hats Hosiery Jewellery │
   │   Belts Bags Scarves Cosmetics │
   │   Fragrances Cleaning          │
   │   Products Haberdashery Wigs   │
   └─────────────────────────────┘
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Figure 1 Fashion products and services (Easey, 2008).

1.1. The main stages of the development of fashion industry

The formation of the fashion industry is connected with the parallel development of prestigious consumption and the "mass consumption society". Until the end of the 19th century, the fashion industry was absent, although fashion itself as a social phenomenon has been known since antiquity. The main reason was that the standard of living of the bulk of the population remained low, its consumption was limited to basic necessities with purely functional properties. Fashionable goods (jewelry, fine clothes) were bought by a few aristocrats and rich men. Mass production of fashionable clothes could not arise until the mass middle class began to take shape (Lillethun, 2018).

The production of clothes and accessories steadily began to switch from the small business to mass production in the late 19th and early 20th centuries. It has been already established as an industry by the middle of 19th century, the prevalence of special fashion magazines contributed to the creation of stores. In the 1950-1960s, during the evolution of the mass consumption society in developed countries, a fashion forecasting system was developed. The emergence of firms specializing in the analysis of trends in fashion development was due to the fact that the mass production of ready-made clothing required "large-scale" and long-term decisions on production and purchases (Lillethun, 2018). Since that period, the fashion economy has split into two levels - haute couture (individual orders for the elite) and pret-a-porter (mass production for the middle class). It was the 1960-1980s that became the era of the

famous Parisian couturiers - Coco Chanel, Christian Dior, Yves Saint Laurent, Hubert Givenchy, and others.

The fashion industry has been dominated by "pluralism" since the 1990s due to the fact that tendencies split into many trends. In parallel with this, the speed of change is growing, as information about new styles is instantly spread by new means of communication (Easey, 2008). If the fashion industry before was oriented to adults and wealthy customers, then by the end of the century, fashion was noticeably "rejuvenated." Consequently, there has been a decline in the role of talented stylists - now the fashion is set not so much by talented designers and not so much by the fashion cities (Paris, London and New York), the significant role plays the manufactures that promote recognizable brands.

1.2. The functioning of fashion industry

The purpose of the fashion industry is usually considered to satisfy the demand of consumers with a finished fashionable product. Furthermore, the modern fashion industry is not based on adjusting to already existing trends, it forecasts and plans new tendencies. The trends are becoming known usually 6 months before products appearance in stores. The results of special demonstrations of new samples, analytical reports on new products and the main tendencies of the upcoming season make it possible figure out this information (Granger, 2012).

The manufactures of fashion products are divided into two groups, namely direct producers and contractors (Granger, 2012). The direct producers are companies, which create their own brands, develop models and collections, and then produce them in their own enterprises; therefore, there are few large companies of this type. Usually, companies produce the entire collection themselves and are involved in small-scale production with products of limited assortment and low circulation. Most of the major manufacturers of clothing and accessories prefer to invest only in the formation of models. The production of the finished products is carried out by the executing companies, in other words contractors. In addition to the income from the invention of new models and their production, profits are obtained from the sale of licenses - the rights to use the logo of a "fashionable" firm on non-competitive products of other companies (Agins, 2010).

The distribution channels of clothing retailing comprise of some main routes to the market such as independent stores, specialized chains, department and variety stores, supermarkets and hypermarkets, mail order and other (Table 1). In the last decade, e-commerce has begun to develop at a tremendous pace, the main reasons for that were the changes in consumer behavior, their lifestyle and changes in buying decision (Gregg & Masri, 2012).

The chart below shows the difference between online store and department stores in the US for the period of 1997-2016. As for department stores, there was a gradual decline since 2000 and the number of billions spent into physical stores accounted for $14 billion in 2016. With reference to online stores, the number of billions spent went up to above $40 billion in

2016. According to the U.S. Census Bureau, the main reason stood for changes in the customer buying habits (Ablin, 2017).
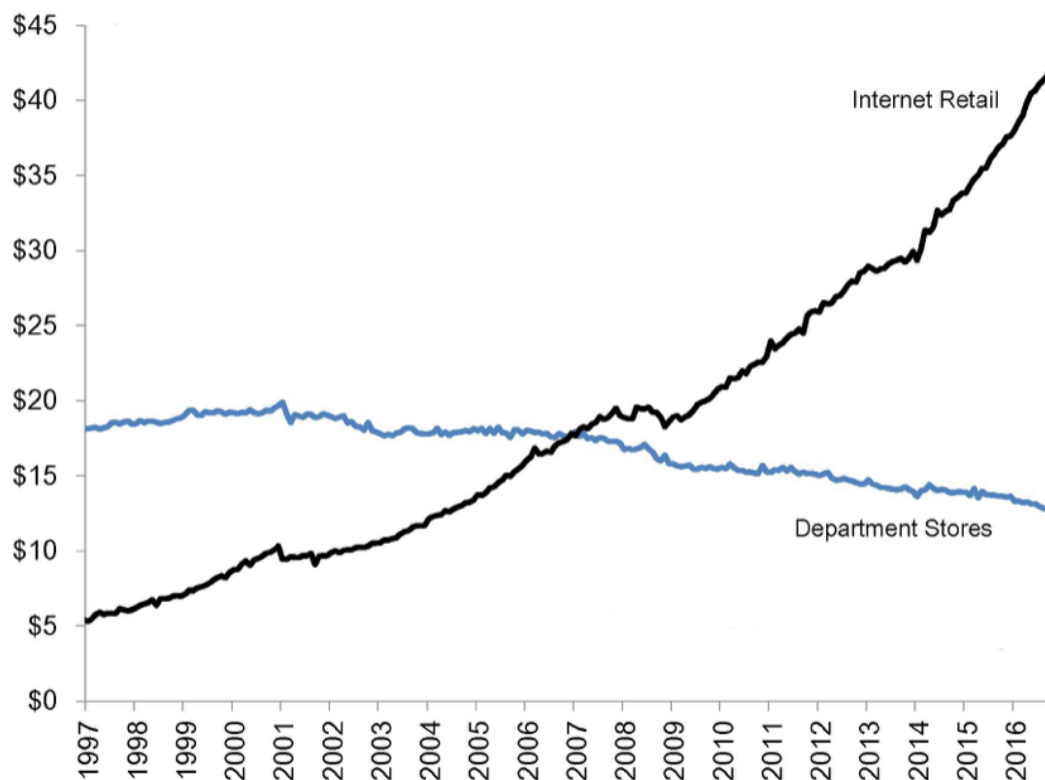

Figure 2 Retail Sales: Online versus Physical Stores (in billions) (Ablin, 2017).

	Channels of distribution (%)			Change 1999 on
	1988	1996	1999	1996 (%)
Independent stores	48	41	32.5	-20.73
Specialized chains	18	22	25.0	13.64
Department and variety stores	12	12	15.2	26.67
Supermarkets and hypermarkets	5	7	8.0	14.29
Mail order	7	9	7.7	-14.44
Other	10	9	11.6	28.89

Table 1 Channels of clothing retailing. Author based on (Statista 1997, 2000) data.

The table illustrates the alterations that took place in the clothing retailing channels in the EU from 1988 to 1999. In terms of independent stores, there was an upward trend in 1988 and 1996, 48% and 41%, respectively. By 1999, the demand for independent stores slightly declined, and specialized chains had been entered to market. Apart from, department and variety stores were quite in demand in 1999 (32.5%). As for the ratio of supermarkets and hypermarkets, there was not a significant rise (8%), similarly to the percentage of mail order that made for 7.7% in 1999. Overall, the highest fluctuations were relevant for independent stores and specialized chains during the given period.
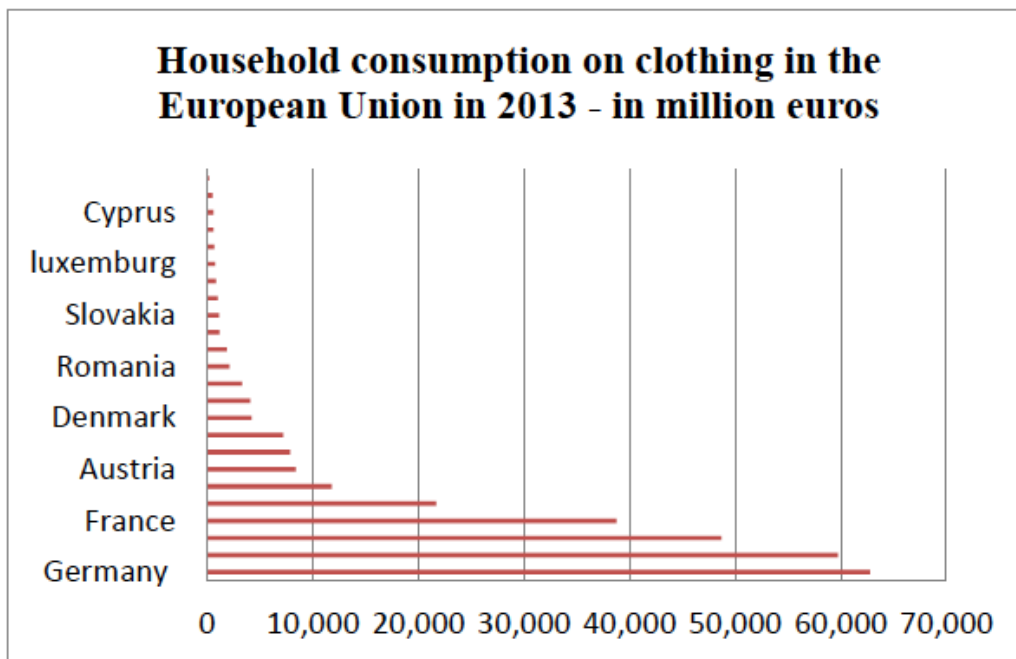
Figure 3 Household consumption on clothing in the European Union in 2013 (Statista, 2015).

Fashion products are constantly in high demand and people spend the sufficient percentage of their income on them. The figure 3 illustrates the expenditure for clothing in the European Union in 2013. Germany and France have the highest number of expenses that made for 64,000 and 59,900 million euros, respectively. The expenditure in Austria and Denmark were almost at the same level approximately 8,000 million euros. The lowest household consumption on clothing was observed in Cyprus, Luxemburg and Slovakia, the consumption was around 1,000 million euros.

1.3. Segments of fashion industry

Haute Couture (Couture)

The highest step in the creativity of designers and fashion houses is applied in relation to Haute Couture. The products from haute couture are set by all fashion trends, in the process of creating collections exclusive goods are crafted by hand. What is more, the fabrics used in the collection of haute couture should be specially created for these models (Waddell, 2004). Haute Couture is high fashion that primarily focuses on dresses for special occasions, specifically parties and ceremonies. One of the distinctive elements is the price, which is outrageously expensive and not available to everyone. The target audience is very few customers who can afford it, for instance, celebrities or people with high income.

The concept of haute couture appeared in the middle of the 19th century and is associated with the name of the designer Charles Frederick Worth. In 1858, he opened the House of Models in Paris and first began to divide the collections into seasons (Granger, 2012). Furthermore, in his studio, customers could choose the outfit they liked, which was then tailored individually to their standards.

Picture 1 Versace (Getty Images, 2017).   **Picture 2** Chanel (Vogue, 2018).

In 1868, the Paris fashion syndicate introduced rules for clothing from haute couture, which still work. For example, Haute Couture collections can be created only by Parisian fashion houses, which received a special certificate. The staff of the fashion house must have at least 20 people, and annually they must produce at least fifty new models of clothing. Despite the fact that some fashion houses, such as Valentino and Versace, also create collections of haute couture, but in fact they not Parisian, so these brands cannot be positioned as Haute Couture collections in Paris (Waddell, 2004).

Ready-to-wear

The models are sewn according to standard measures and sold massively in boutiques and shops, are defined as ready-to-wear or pret-a-porter. It is the collections of pret-a-porter that are the main source of income for designers and fashion houses. Prêt-a-porter collections are held twice a year in April and October, with the models participating in the shows already for the next season (Waddell, 2004).

It is vital to take into account that prêt-a-porter collections are sewn in two categories. The first category is intended only for display on the podium, and the second is launched for mass production and it is normally worn everyday life. These collections necessarily reflect all the fashion trends of the upcoming season and bring something new. Sometimes, items from the pret-a-porter collection can be created in an individual exclusive order according to the sketches of fashion designers and can compete with the models of Haute Couture.

Diffusion

Many American and Italian companies moved from the top of the pyramid to the market ranges that are more affordable in order to grow and expand internationally. The companies introduced the young lines that occupied the segment called as diffusion. These brands are more affordable due to the fact that production is optimized in wider volumes and most of the time it is outsourced, so the country of originality is not the key success factor. The distribution is based on wholesales which are wider than ready-to-wear. There are also the sportier terms
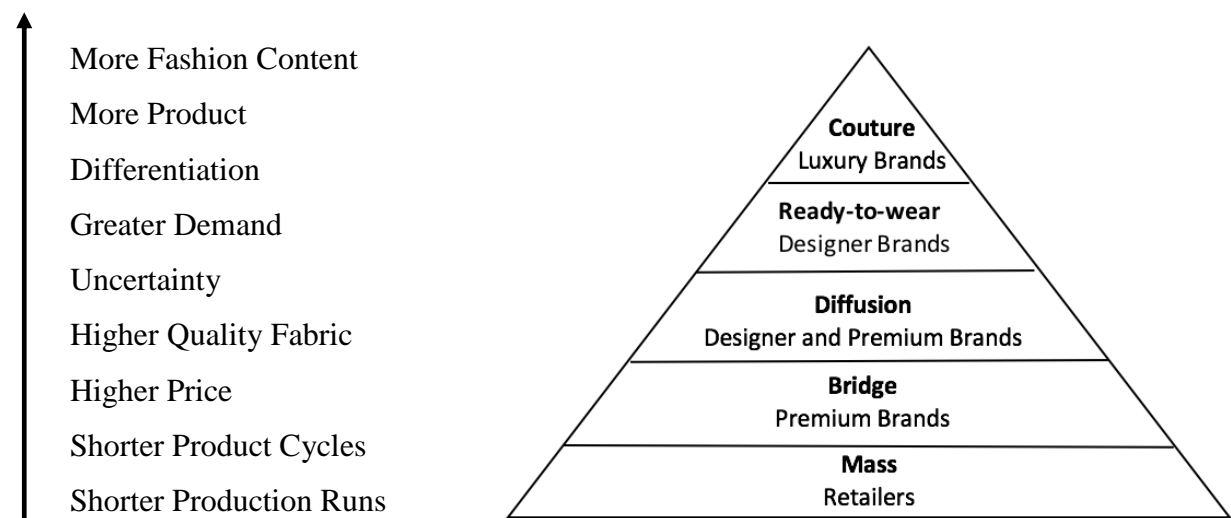
of occasion of use. For this segment sneakers, denim and t-shirts are intrinsic because it aims at targeting a younger audience. Besides, diffusion relates with the development and spread of innovation that contributes to the higher volume of production (Easey, 2008).

Bridge

A market segment that is connected to the high end of the market with the mass market and indeed this market segment is defined as Bridge. This mid-range was born in the US within American department stores, where it was key to offer the customer a product with the right level of creativity as well as the right value for money, the proper delivery in the store and the appropriate marketing mix, overall. As a result, companies competing in the bridge market segment are more expensive than companies competing in the mass market, but they are definitely more affordable than companies and brands in the high end of the market. To be more precise, the set of products that are updated and are trendy and are not as avant-garde or fashionable as the ones of ready-to-wear. The companies strive to offer the customers better fit and better delivery, and therefore satisfy all their needs (Easey, 2008).

Mass

The mass market is a very homogeneous market segment, which based on the lowest price for the customer and as well as the lowest cost for the company. It goes without saying that efficiency was and still is the major key success factor. Currently, more and more mass-market brands have started offering different brands, targeting different customers and different price ranges. An effective management of the supply chain is still fundamental to be successful. In addition, providing customers with glamorous communication, an entertaining shopping experience, and affordable prices are inevitably important as well (Waddell, 2004).

More Fashion Content

More Product

Differentiation

Greater Demand

Uncertainty

Higher Quality Fabric

Higher Price

Shorter Product Cycles

Shorter Production Runs

Couture Luxury Brands

Ready-to-wear Designer Brands

Diffusion Designer and Premium Brands

Bridge Premium Brands

Mass Retailers

Figure 4 The Fashion Pyramid (Abernathy, 1999).

According to the fashion pyramid, there are five major fashion categories, such as couture, ready-to-wear, diffusion, bridge and mass. There was a significant shift from the top of the pyramid to the bottom due to the fact that the sense of fashion has changed completely, and the globalization process has taken place drastically. Furthermore, the development of

technologies played a substantial role in terms of production capacity and timeliness and as a result, this led to the establishment of the mass market (Easey, 2008).

1.4. Fashion Marketing

According to Phillip Kotler, marketing is a social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others (Kotler, Wong, & Saunders, 2004).

Fashion marketing has more accurate definition due to the fact that mainly it is focused on clothing and fashion, but the goals remain the same as mentioned in Kotler's definition. Easey (2008) suggested that fashion marketing is the term that includes a range of techniques and business philosophy that concentrate on customer, clothing and services and as a result lead to achievement long-term goals of the company (Easey, 2008). Fashion has finally turned into a socio-economic phenomenon, not only reflecting the changes taking place in society, but often initiating them. Fashion-marketing helps to ensure interaction and contacts with the buyer, draw his attention to the proposed clothing, footwear, accessories. Marketing promotes a combined perception by the buyer of the objects of fashion offered to him, supplementing visual contact with strong emotional, and often rational arguments.

Fashion marketing is a fundamental component for the efficient and prosperous operation within the clothing industry. The central point is that fashion marketing strengthens the brand image of the company, focusing on the design, construction and production of garments, the development and implementation of new materials, patterns, computer programs and high technologies. In addition, the human factor plays a crucial factor in terms of skills of fashion designers, tailors, sellers, promoters (Easey, 2008).

There are two different views of fashion marketing such as design centered and marketing centered (Table 2). Design centered represents that marketing is considered as promotion and designers are the key people in the industry and marketing department is responsible for boosting to sell designers ideas. Essentially, the scale of research is extremely limited because designers' ideas normally based on an experience of celebrities, for instance, artists, musicians or singers. The main drawback of this perspective is the high risks due to the fact that the outcome will depend on the skills and intuition of designers.

Marketing centered view is design that defines as a research prescription. Subsequently, marketing is the main component in terms of research and designers base their ideas on consumer preferences, which are identified by marketing research. The disadvantages of this view are bland designs and stifles creativity because merchandisers and selectors have control over designers 'concepts (Easey, 2008).

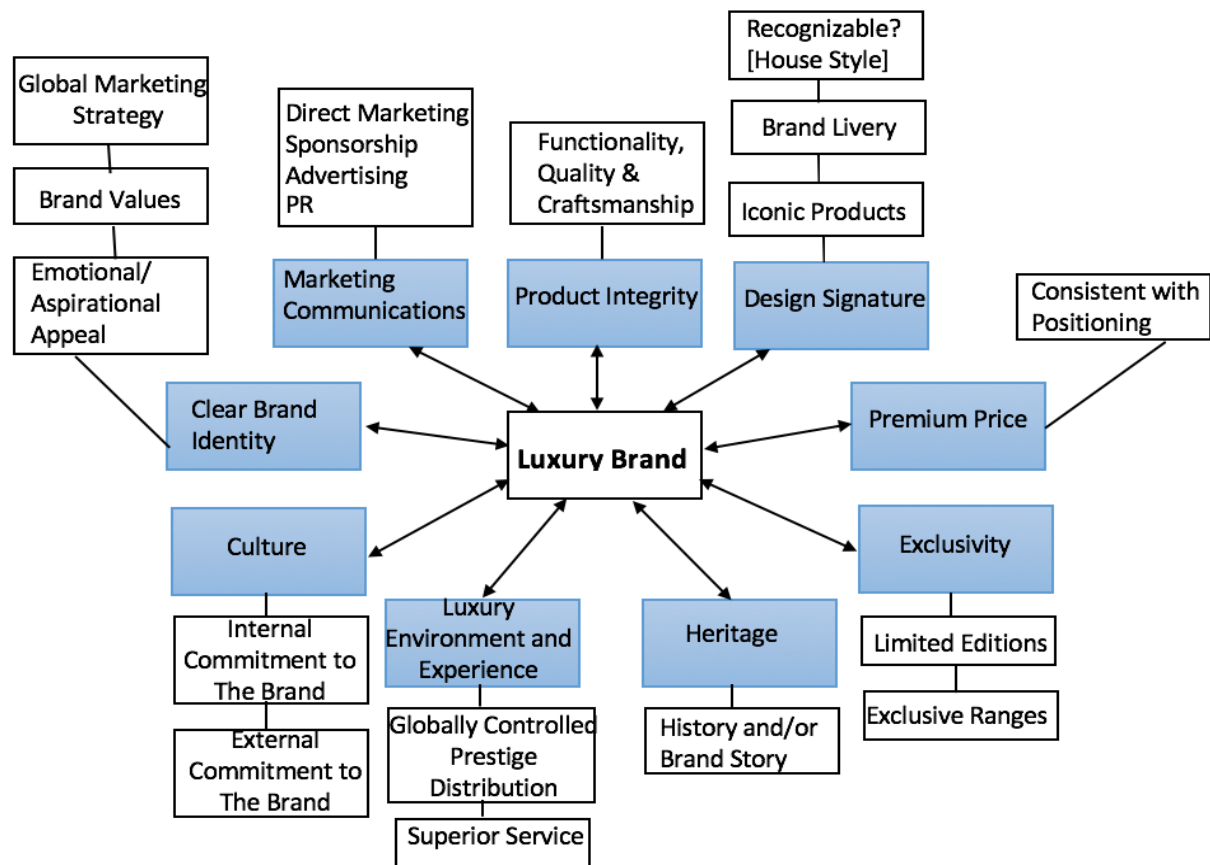| Sample statements	Fashion marketing is the same as promotion	Design should be based solely on marketing research
Assumption	Sell what we can make	Make what we can sell
Orientation	Design centered	Marketing centered
Alleged drawbacks	High failure rates Relies on intuition	Bland designs Stifles creativity

Table 2 Two views of fashion marketing (Easey, 2008).

1.5. Brand management

It is worth pointing out that brand management begins with the term "Brand". "A brand is a name, term, design, symbol, or any other feature that identifies one seller's good or service as distinct from those of other sellers" (Kotler, Armstrong, Wong, & Saunders, 2008). The term "brand management" first appeared in 1931, when Neil McElroy, a member of Procter & Gamble, in his memo, put forward the proposal to create radically new posts (American Business , 2000). Nowadays, it is very difficult to imagine that constantly developing company does not have a regular brand manager who is engaged in issues of increasing the importance of the company in the perception of users. The process of brand management is related to marketing, as it solves the problems of distinguishing individual brands into independent brands known among buyers, promoting them further to the market by means of making creative advertising objects.

1.6. The management of luxury brands

The concept of luxury has been rooted in 19th century in Europe and was considered as a niche business until globalization took place and there was a movement to democratization of luxury (Brun & Castelli, 2013). The term luxury can be identified from either a consumer perspective (Heine, 2010) or from a brand point of view (Fernie & Grant, 2015). As for consumer perspective, luxury is a symbol of status and the main goal is to satisfy the customer' needs through consumption experience. From the brand perspective, several authors have identified key aspects as a strong brand identity, high quality, high price, heritage, rarity, craftsmanship and controlled distribution (Fernie & Grant, 2015). Fionda and Moore (2009) detected nine interconnected characteristics major to the formation of a luxury brand (Figure 5). These components are the main constituent for forming of a luxury brand.

Global Marketing Strategy

Direct Marketing Sponsorship Advertising PR

Functionality, Quality & Craftsmanship

Recognizable? [House Style]

Brand Values

Brand Livery

Emotional/ Aspirational Appeal

Marketing Communications

Product Integrity

Iconic Products

Design Signature

Consistent with Positioning

Clear Brand Identity

Luxury Brand

Premium Price

Culture

Luxury Environment and Experience

Heritage

Exclusivity

Internal Commitment to The Brand

Globally Controlled Prestige Distribution

History and/or Brand Story

Limited Editions

External Commitment to The Brand

Superior Service

Exclusive Ranges

Figure 5 The components of a luxury brand (Fionda & Moore, 2009).

The market of luxury goods has altered, and the main shift was in the emergence of new customers for luxury, who are much younger than clients of the traditional luxe used to be. The main reasons are that young people are flexible in finance and unstable in choice, as so they live in the world that is developing at the high pace (Twitchell, 2002). The luxury market has been boosting crucially in recent times because of the two fundamental reasons. First of all, it is the improvement of economic factors globally that enables to an increase of disposable income, decline unemployment rate and a growing wealthy class. Secondly, lower classes have increased their consumption level in terms of luxury goods and there is an assumption that luxury market can convert to the mass market (Truong, McColl, & Kitchen, 2009).

The demand and supply sides should be considered from the perspective of brand management of the luxury fashion brands. In demand side, there are changes of consumer's perception and attitudes towards luxury. People have a wide range of choices and as consequence there is a tendency to fall of customer loyalty. Undoubtedly, luxury brands have to innovate constantly and work out new features of either service or keep the highest standards of goods (Kapferer & Bastien, 2009). In supply side, luxury fashion business faces with the threat of the rapid development of Fast-Fashion brands. Luxury brands are highly interested in brand investments in order to form a competitive advantage and to be in more economic safety (Yeoman, 2011).

2. Digitalization

Definition of digital transformation

Digital transformation is a broad definition that comprises of the digitalization of manufacturing process, distribution, marketing and a product. Digitalization is connected with:

- **Big Data** is data sets that have high volume, high velocity and high variety characteristics. Sensors, devices, networks, transactional applications, web and social media generate big data. The capabilities of big data help users to make better and faster business decisions (Analytics, IBM, 2018).
- **3D Printing** is the process of production of complex shapes herewith consuming less material than traditional manufacturing. The 3D print allows to create the most real objects, and from a variety of materials. (TechTerms, 2014).
- **Internet of Things (IoT)** is a network of objects connected via the Internet, capable of collecting data and exchanging data coming from built-in services. IoT refers to the connection of devices (other than conventional computers and smartphones) via the Internet, for example, cars, kitchen appliances and even cardio monitors can be connected via IoT (Morgan, 2014).
- **Drone Technology** is an unmanned aerial vehicle that can be remotely controlled, or flights carry out through embedded systems working together with sensors and GPS (Rouse, Drone (unmanned aerial vehicle, UAV)., 2016).
- **Virtual Reality** is a computer generated three-dimensional environment, with which the user can interact, fully or partially immersing in it (Virtual Reality Society, 2018).
- **Blockchain** is a technological method of data storage or a digital register of transactions or contracts (Bradley, 2018).
- **Robotics** is the scientific and technical base for the design, production and application of robots (Rouse, TechTarget, 2015).
- **Cloud Computing** is the principle (model) according to which computing resources, such as servers, storage and processing devices are provided on request from the client, or provided using a network connection (IBM, 2018)
- **Artificial Intelligence** is defined as a scientific discipline that deals with the modelling of reasonable behaviour. The ability of a computer to solve problems that are usually accessible to the human mind, such as the ability to reason or learn from experience. Recently, significant progress has been made in this area, especially with regard to the computing power of the computer (Analytics, IBM, 2018).

Digital transformation in terms of the fashion industry is associated with technologies that will contribute to the attraction of new customers and formation of strong customer loyalty. Dorner and Edelman (2015) state that digital transformation is "Creating value at the new frontiers of the business world, create value in the processes that execute a vision of customer experiences and building foundational capabilities that support the entire structure" (Dörner, 2015).

The most challengeable today is to integrate the new and old tools in order to transform business as a whole system that can work in harmony. Some companies are focused on the development and improvement of only one system, whereas other working on integrating old and new tools to cut in costs significantly. Flexibility is the key element of digital transformation, consequently, companies who are aware of this will meet customer' needs at the high pace. Within the fashion industry, brands strive to keep in touch with the millennial generation because these young people are familiar with technologies and demand it more (Morris, 2018).

2.1 Digitalization of brand management

In essence, the digital transformation of brand management is a comprehensive regular management of brand building and improvement, carried out at all stages of its involving digital elements such digital marketing and product digitalization. The major element is to unify customer with the brand for the further prosperous development of the company (Templafy, 2018).

Digitalization of the marketing

Kotler and Armstrong (2009) identifies digital marketing as 'a form of direct marketing which links consumers with sellers electronically using interactive technologies like emails, websites, online forums and newsgroups, interactive television, mobile communications etcetera'. This definition indicates that communication is as a new trend, which is relevant for digital marketing. Digital marketing is an integral part of brand management that facilitates to customer retention and objective consumer' feedback. Firstly, digital marketing is an integrated approach to the promotion of the company, its products and services in the digital environment, which covers offline consumers using different means of communication, as well. Secondly, it is an integration of a large number of different technologies (social, mobile, web, CRM-systems, etc.) with sales and customer service. Moreover, digital marketing enables to constant, quality, two-way communication between a company and a customer (Easey, 2008).
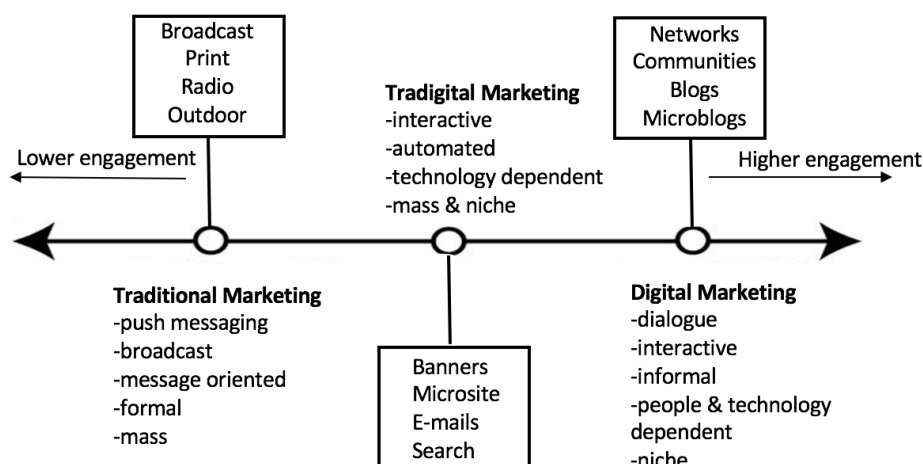
Figure 6 Communication Style. Author based on (Chaffey, Ellis-Chadwick, Mayer, & Johnston, 2006).

The diagram illustrates three different ways of communication with customers and their engagement level of interaction with the brand. Analyzing the diagram, the information provided about digital marketing, proves that consumer is more involved into conversation as opposed to using traditional and tradigital marketing, there is a strong connection between customer and product.

Digital marketing is widely-used in e-commerce, online training, start-ups or promotion of the brand of large companies. In the fashion industry, almost all fashion segments use digital marketing in their business activities. Ubiquity is one of the features of the Internet and it has a characteristic of being available everywhere and anywhere making it have a broad market thereby generating several marketing channels aside from the traditional approach (King, 2013).

Digital Marketing in luxury branding

As it has been already mentioned, big data is a series of approaches, tools and methods for processing structured and unstructured data of huge volumes and significant diversity for obtaining human-readable results that are effective in the conditions of continuous growth, distribution across multiple nodes of the computer network (Columbus, 2016). It is crucial to point out that in marketing, big data nourishes marketing research and ensures that companies find successful management decisions and, as a result, obtain better market positions. The main advantages of the implementation of big data in marketing are creating the most accurate portrait of the target consumer, personalization of advertising messages, creation of digital marketing, and promotion and tutorial companies (Inglis, 2017).

Obviously, the majority of luxury brands make efforts to strengthen relationships with existing customers, therefore, the main focus is on working with the CRM database (Dörner, 2015). The prioritize aspect for many luxury brands make for e-commerce, the main reason for that is the reduction of advertising expense and encouragement of millenniums. An important trend is mobile applications that allow you to make shopping services more convenient, recognize the customer and meet his needs. Apart from, brand' websites and social media are the effective tools in order to promote the goods and services of the company (Easey, 2008).

In the modern era, due to the high diversity of brands, consumers have become more exacting in terms of consumption experience. Undoubtedly, all fashion brands experience an intensive competition from the perspective of digital marketing, and creativity. The key marketing attribute is expressed in simplicity and interactivity. The figure 7 shows the possible ways of fashion marketing and strategies of creativity, and there are possible suggestions (The Online Fashionista, 2014).
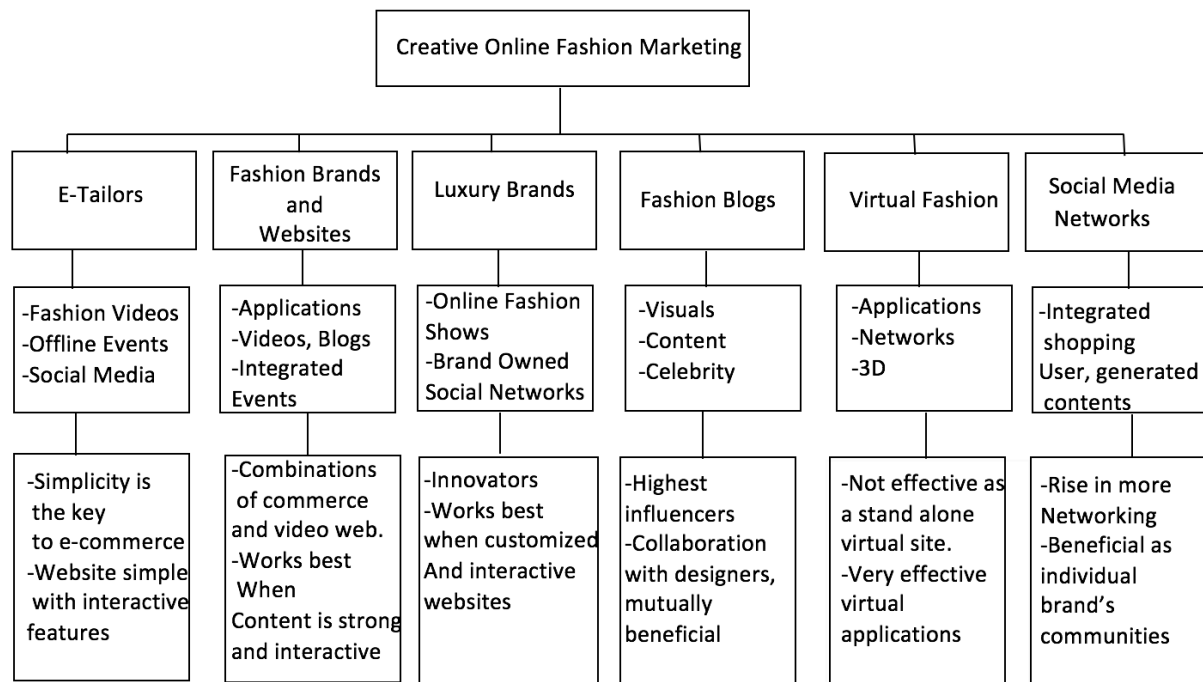
Figure 7 Key marketing strategy focus on content and consumer (The Online Fashionista, 2014).

Digitalization of the product

The current wave of technological novelty has resulted in changes in the digitalization of products in different sectors. Notably, the fashion sector has not been left behind in this shift. The use of radio frequency identification (RFID) technology is among the digitalization techniques that have been adopted in the fashion industry. RFID is used in this sector for several reasons. First, businesses in this line have streamlined their enterprises by combating counterfeit products using RFID. Further, RFID improves in-store shopping for customers. For instance, RFID tags in products have the ability to communicate important info regarding the product through the customer's phone (Moon & Ngai, 2008). Finally, fashion companies use RFID technology to track samples they might have lent out for the exhibition.

It is important to recognize that the fashion industry has also performed digitalization through the customization and personalization of products. Customization deals with a small group of clients who makes choices based on some alternatives. For instance, Nike and Converse allow customers to participate in product design (Black & Eckert, 2010). These are then designed in large-scale factories. Personalization, on the other hand, involves companies dealing with one client at a time and giving them some limited alternatives on how they would like their product to look like. Luxurious brands such as Louis Vuitton, Gucci, Jimmy Choo, and Burberry enabled consumers to personalize their products (Yeung, Choi, & Chiu, 2010). Companies digitalize through the use of personalization in order to gain brand recognition. Further, customization and personalization of fashion products result in a feeling of connection to the brand. Customers for various fashion products have developed the need to identify themselves with the brands they purchase their goods from (De Raeve, Cools, De Smedt, & Bossaer, 2012). Consequently, firms in the fashion industry should leverage the advantages of

digitalization and adopt mass customization and personalization of their products for their customers.

2.2 The five performance objectives

The five performance objectives are the set of detailed strategic framework that use in day-to-day operations of the company. These basic performance objectives are relevant for different variation of operations and the main goal is to satisfy customer' needs through development of five performance objectives. There are five key factors that imply the performance objectives: **quality**, **speed**, **dependability**, **flexibility** and **cost**, consequently, this combination contributes to meet customer' needs and a company has a strong competitive advantage.

Quality

Obviously, companies pay much attention to the quality of the product due to the fact that it is a vital attribute that influence on customer gratification. According to Nigel Slack (2009), quality is defined as 'consistent conformance to customers' expectations, it means that customers will get error-free products and last but not least the product meet customer requirements. In operation processes, quality has two major functions in terms of **reduction of costs** and **increase of dependability.** With reference to reduction of costs, not much time will be required in case of fixing only few mistakes and less distraction actions will be involved. The second function of quality is to increase dependability, which means that company' management will not be distracted by any problems that connected with quality control. To sum it up, quality has both external and internal effects on customer satisfaction and stability and efficiency in processes, respectively (Slack, Chambers, & Johnston, 2009).

In addition, the quality of products and services can be measured whether the company has any certifications or awards, which are able to prove the value of the product or service. Moreover, majority of organizations aim at long-term development and have their own philosophy, which represent the company's vision and mission.

Speed

In terms of performance objectives, speed is investigated from the two different sides, such as customer' and operation perspectives. For some consumers, speed can have the decisive importance in terms of purchase, it is clear that the faster product will be delivered or produced, the more likely customer wants to buy it. Apart from, speed is considered as a significant factor in operation processes due to the fact that it facilitates to the quick response to the customer' needs. In operation processes, speed plays a great role in decision making and inventories issues (Slack, Chambers, & Johnston, 2009).

Speed has two important characteristics in operation processes such as **inventory reduction** and **a decrease of risks** (Slack, Chambers, & Johnston, 2009). The inventory reduction is an advantage for business improvement due to the fact that companies cut in shipping costs, there is no need for extra storage space and as a consequences company is able

to increases profit. Concerning the decrease of risks, speed in the decision-making process will enable to quick response to the market changes and enhance problem solving (Perez, 2018).

Dependability

The dependability objective is identified as "doing things in time', which means that a customer can get their products and services no later than it was promised. A customer' assessment of dependability will be known only when his/her product will be delivered. In nutshell, dependability refers to time and availability that matters much to a consumer. Dependability gives the possibilities for more secure delivery and reduces costs (Slack, Chambers, & Johnston, 2009).

Dependability inside of operation helps to **save time** and **save money**. If all operation processes are conducted in a proper way, it allows to managers to be focused on their activities, and they do not be distracted by any problems caused in operation processes. The rational use of time will facilitate to save money as a consequence. Overall, dependability forms **stability** which comprises of the rational usage of time and finance, and as a result. Any problems connected with the lack of dependability, will have a great impact on the 'quality' of the operation's time. If everything is interconnected, it will be easier to build up the level of trust in separate operations (Slack, Chambers, & Johnston, 2009).

Flexibility

Flexibility in the operation process is the ability to adapt to changing conditions of operation with minimum costs and without loss of productivity. There are four main types of flexibility in operations such as **product or service flexibility**, **mix flexibility**, **volume flexibility** or **delivery flexibility** (Slack, Chambers, & Johnston, 2009)**.**

- **Product or service flexibility** relates with the introduction new or updated product or service.
- **Mix flexibility** is capacity to bring in a new product mix or the extension of product line.
- **Volume flexibility** is the ability of the entire organization to respond to changes in the quantity of demand.
- **Delivery flexibility** is the capability of the company to change the time frame for delivery of products or services.

Flexibility has contributed to the development of mass customization that is the ability of the company to produce products or services with distinctive features for each customer. The noticeable aspect of mass customization is production in high-volume. Some companies perform it through flexibility in design, whereas other companies work out flexible technologies that help to customize products and services (Slack, Chambers, & Johnston, 2009).

Flexibility inside the operation can speed up response, save time and maintain dependability and generally assist to the improvement business operations. In some industries such as emergency or fire departments is vital to be able to have flexibility speed up response.

In order to save time, a staff should be flexible and adjust to changes quickly. Furthermore, flexibility maintains dependability in terms of operation processes by adopting of the flexible working environment, which in case of destruction will be able to eliminate any difficulties (Slack, Chambers, & Johnston, 2009).

Cost

Keeping costs low is one of the main goals for the companies because low costs of production create low price for consumers. Even some companies who do not compete on price, will strive to cut down costs, for example some luxury brands are not focused on the price decrease, but they work on costs reduction dramatically. The cost reduction cannot be considered as the main goal of the company, because the reasonable cost reduction, not accompanied by a violation of the technology of the production process or deviation from technically justified norms that may be significant for the quality of the products (Slack, Chambers, & Johnston, 2009).

One of the key objectives for the businesses is to improve the productivity of the operations and it is possible by cost reduction and the rational usage of the inputs. The relocation of operation building, material replacement or adaption of new technologies are some of the main alternatives that can cut down the cost drastically (Slack, Chambers, & Johnston, 2009).
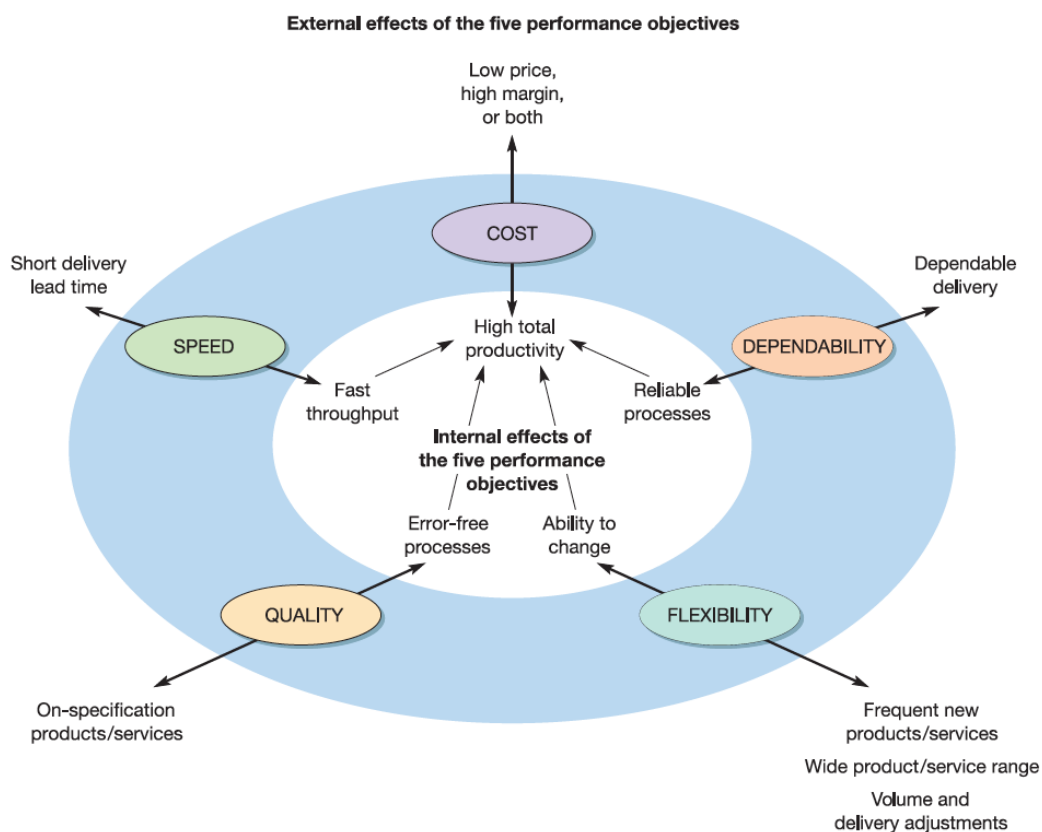
Figure 8 External and Internal effects of the five performance objectives (Slack, Chambers, & Johnston, 2009).

In summary, the five performance objectives have both internal and external effects (Slack, Chambers, & Johnston, 2009) and all of them are interconnected. The figure 8 shows external and internal effects of performance objectives (quality, speed, flexibility, dependability and cost) during the operation processes. To clarify, the external effects are generally beneficial for the demand side, because customers get a high-quality product, fast delivery on agreed time. Moreover, customers are capable to order customize products at low price.

As for internal effects, all performance objectives have an impact on cost, and as a result, the only method to improve cost performance is to constantly develop the performance of all operations objectives (Figure 8). All performance objectives contribute to the improvement of cost performance due to error-free processes that help to save time for fixing it, the production pace is quite high and delivery times are always accurate. The final result is the high total productivity, which is established due to these factors (Slack, Chambers, & Johnston, 2009).

3. Methodology

The aim of this BT is to investigate the impact of digitalization on the brand management of the company and compare traditional and digital customer experiences. This is an operation management BT that provides analysis of the company' operations in terms of the five performance objectives. The case study of Burberry has been applied in order to examine the digital transformation of the brand and analyse the operations management changes. It is crucial to mention that Burberry is the first fully digital luxury brand in the fashion industry. The brand exemplifies the digital elements that are essentials these days namely digital marketing, customized products and new customer experience with using the digital elements. The analysis of the digital brand demonstrates the importance of digital transformation in the fashion industry.

The research for the Bachelor Thesis is formulated on data collection and the application of the case study. For the study, information is collected from different sources such as books, articles, magazines, websites and annual reports. The data research is used for both the theoretical and practical parts of the Bachelor Thesis in order to go to the depth of the topic and answer to the uncertainties. The aim of the case study implementation is to provide information and analyses about the impact of digital processes on the operations of the brand. The five performance objectives make for the analysis of Burberry brand management in terms of costs, speed, dependability, quality and flexibility. The primary source for case study analysis are annual reports of the brand from 2006 to 2017 and the official website of the company is used as well.

The strategy of the study is to start from the data collection and at this basis to evolve the existing information with precise numbers and statistics. Then, after information gathering for the theoretical and practical interpretation of digital transformation, the key aspects of digitalization of brand management into the performance are identified. For the case study, the

only one company is chosen because it allows to explore in detail the importance of digital transformation within the fashion industry and analyse company' operations from the perspective of the five performance objectives. Burberry is the company that combines the history and innovation, therefore, it is a relevant example for the research.

In order to obtain accurate and reliable results from the research, it is vital to conduct primary research that is mainly necessary for the practical part. The primary research requires much more time and the expanded number of cases for detailed analysis in digitalization of brand management. More than that, for the research, the internal information from the company would facilitate to decrease the probability of inaccuracy, but there is no opportunity to get that information due to the company policy. Due to the limitations in abilities, the secondary research is applied, which presents the information about the impact of digitalization on operation management and brand management namely digitalization of product and marketing.

4. About the company

4.1 Overview of the company

Burberry is one of the oldest British brands that was founded by Thomas Burberry in 1856. The founder of the brand was born in Dorking, in the UK, where he was working as an apprentice of a local tailor in his youth. In 1879, Thomas Burberry invented a "breathing" waterproof, durable fabric (gabardine), which he named in honor of the place in Shakespeare's works where he could hide from the weather. Thomas was inspired by linen raincoats-gowns of farmers who wore these clothes both in winter and in summer, consequently, he created the material. Clothes from gabardine, created by Thomas Burberry, have become popular among travelers, fishermen and hunters. As a result, Thomas Burberry patented technology for the production of gabardine in 1888.

Burberry is the iconic brand with the history and heritage. The company produced high-quality trench coats to serve the needs of the British military in the early 20 centuries (Burberry, History, 2018). Nowadays, Burberry is one of the most successful luxury brands in the fashion industry that has more than 490 stores around the world. The company is focused on persons, who prefer functional luxury and classic styles. They have a large selection of products that match to the cross-generational market. As applied to the Burberry company, they have identified two groups of consumers of their products: the aristocracy, who was brought up in the traditions of luxury consumption, and the new consumers of luxury. New consumers are successful businessmen, high-paid managers and representatives of art and show business. For all these people "Burberry" means quality, history and elegance and they can appreciate the British classic style (Chaudhuri, 2016).

Burberry has a wide range of products but particular they are famous for trench coats. The company intended to decrease its product range in order to save £100m a year and avoid a 10% fall in profit (Butler B. , 2016). Moreover, Burberry is going to implement the policy of

investing in staff training and IT. According to statistics, the company is centred on accessories and women and the majority of revenue they get from these sectors (Statista, 2018).
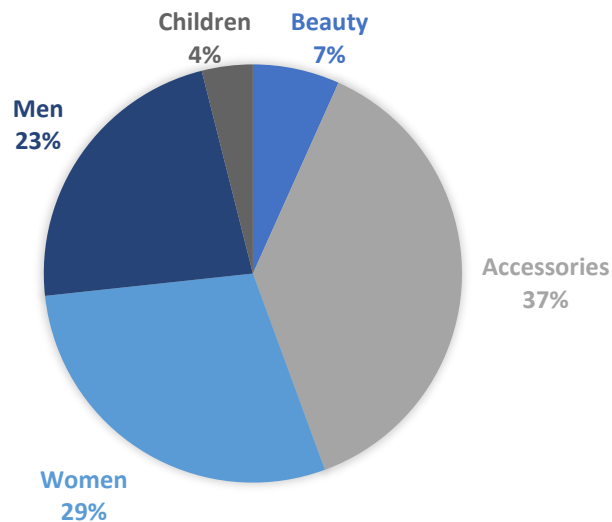

Figure 9 Global revenue of Burberry in 2017, by product (in million GBP) adapted from (Statista, 2018).

The part-chart illustrates the percentage of revenue by the product categories in 2017. The highest ratio of income makes for accessories (37%), whereas the least percentage of profit was generated from children's and beauty segments 4% and 7%, respectively. Men and women channels had relatively high indicators in 2017 in the amount of 624 million GBP and 792 million GBP, respectively.

All Burberry's products are made from high-quality materials and have the elite luxury design. The main garments of the brand are trench coats and dresses that are in constant demand. Then, no less popular are bags, shoes, and accessories which are more affordable despite the fact that they are still expensive. In addition, Burberry gives the opportunity customers to signature their trench coats online, with over 12 million available design variations, distinctive fabric and colours are available as well (Alexander, 2010).

The business activity of the brand is structured by channel, region and product division, supported by corporate functions (Burberry, 2018).
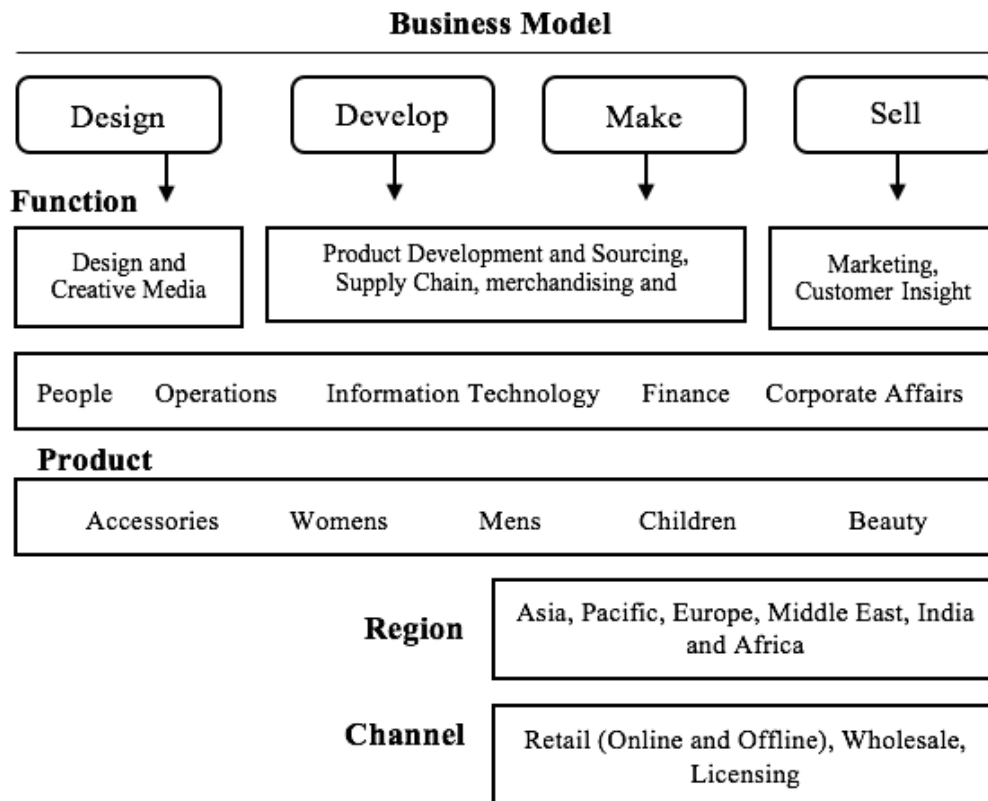
Business Model

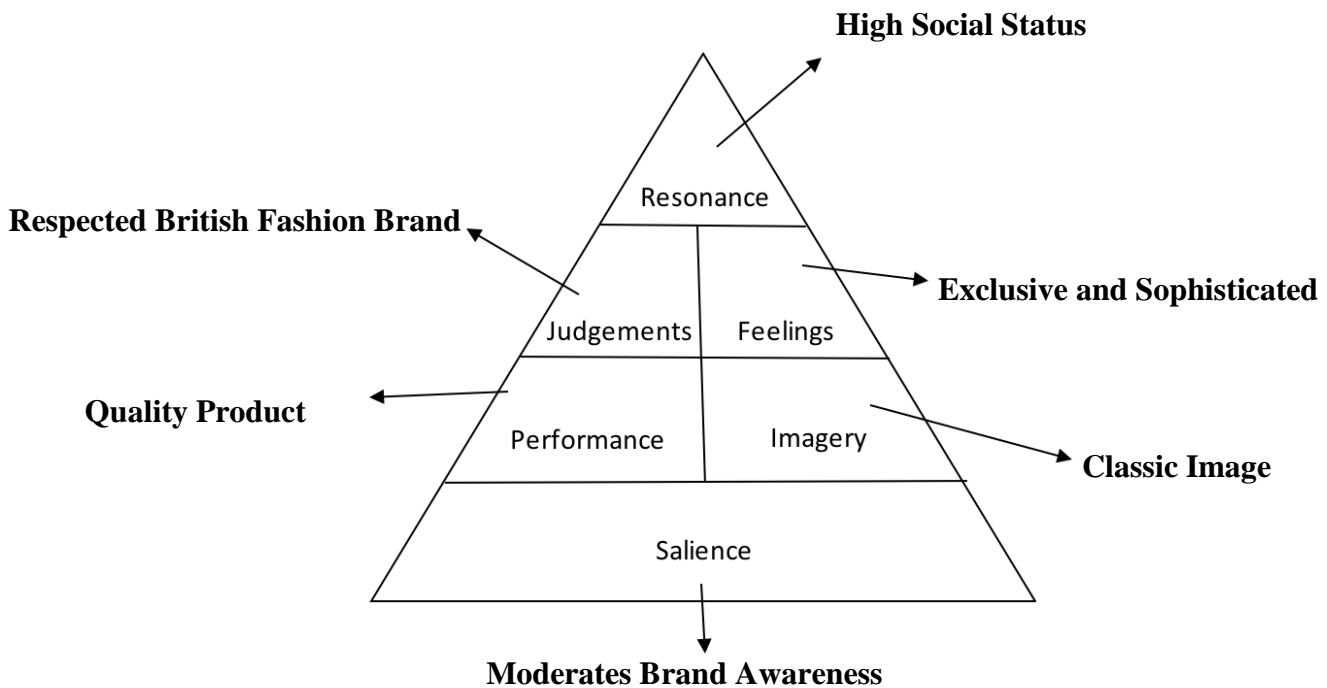**Figure 10** Burberry Business Model (Burberry, 2018).

Burberry operates in more than 45 countries and it includes Asia, Europe, Middle East, India, Africa and America. Most of the stores are located in the Asian region approximately 135 stores and the average revenue is £1,069m. For the prosperous business activity, a location of the store plays a significant role. All Burberry stores are situated in wealthy cities, especially where many tourists are concentrated.

4.2 Burberry as a luxury fashion retailor

Luxury brands are no longer a story about limited editions, skills and exorbitant value. In the modern world, luxury is about individuality, strong look at progressive design and functionality. In a nutshell, the brand of the new luxury refers to the middle price, offers outstanding design and high-quality products and it can be considered as a reasonable option for investments. Burberry is a brand that offers an incredibly self-confident, aristocratic and arrogant luxury fashion for men and women. This company has laid the foundation for the strategy of innovation and fashion, as a result, the interest in Burberry products was increased compared to other luxury brands.

In order to examine the key insights of Burberry as a premium brand, the Customer-Based Brand Equity (CBBE) Model will be applied. This model shows what is the customers'

attitude towards the brand and relationship with it. Apart from, the response of the customers and the meaning of the brand for them will be identified.

High Social Status

Respected British Fashion Brand

Quality Product

Exclusive and Sophisticated

Classic Image

Resonance

Judgements | Feelings

Performance | Imagery

Salience

Moderates Brand Awareness

Figure 11 CBBE Pyramid (Brandburberry, 2018).

Salience

The brand awareness is moderate due to the fact that only specific product categories are well known such as winter wear, casual wear and leatherwear, but overall Burberry has high awareness as a luxury brand. It means that people have strong emotional connection with one particular category such as accessories, footwear or outerwear.

Performance

The brand is famous for its reliability, durability and luxury of the products. Burberry is the first company, which is fully digital, and it is the substantial component from the point of view of running the business in order to meet customers' needs more efficiently. The company actively uses the social media for dealing with customer service 24 hours per day, 7 days per week. For example, YouTube is actively used to present different products, events, fashion shows and campaigns (Milnes, 2015).

Imagery

Burberry is perceived as respected British fashion brand primarily because of its history and special fabric that has been created (gabardine). The company positions their design as "craftsmanship contrasted with form and function" (Brandburberry, 2018).

Judgments

Burberry has established reputation for its high quality, fashionable and unique designs for a long time. Some people believe that Burberry has classic and conservative style that is more relevant for the adult generation than young one.

Feelings

The British classic style makes people feel sophisticated and the high social status. The distinctive feature of Burberry stands for classic British design that often associates with Royal Family or international celebrities (Burberry, History, 2018).

Resonance

Customers of the brand have the strong sense of the elite community, known as the Burberry World. In 2009 the company launched own Facebook page to post the collaborations with celebrities (Cara Delevingne, Brooklyn Beckham), backstages, and store locations. Due to this page, there are emotional connections between products and customers and they have the feeling of the unique identity (Milnes, 2015).

5. Customer Experience Analysis

Customer shopping experience is comprised of traditional and experience with using of digital elements. For better understanding of the customer experience, both traditional and "digital" shopping practices will be examined, the recent researches about the characteristics of digital shopping will be applied.

The Digital Customer Experience

According to Cognizant, digital customer experience is defined 'as an organization's customer facing digital assets that straddle the physical and virtual worlds (Cognizant, 2014). The digital customer experience includes: websites, mobile applications, in-store digital devices, wearables. The major role in digital shopping plays the Internet, which contributes to the development of variety of tools for customer experience.
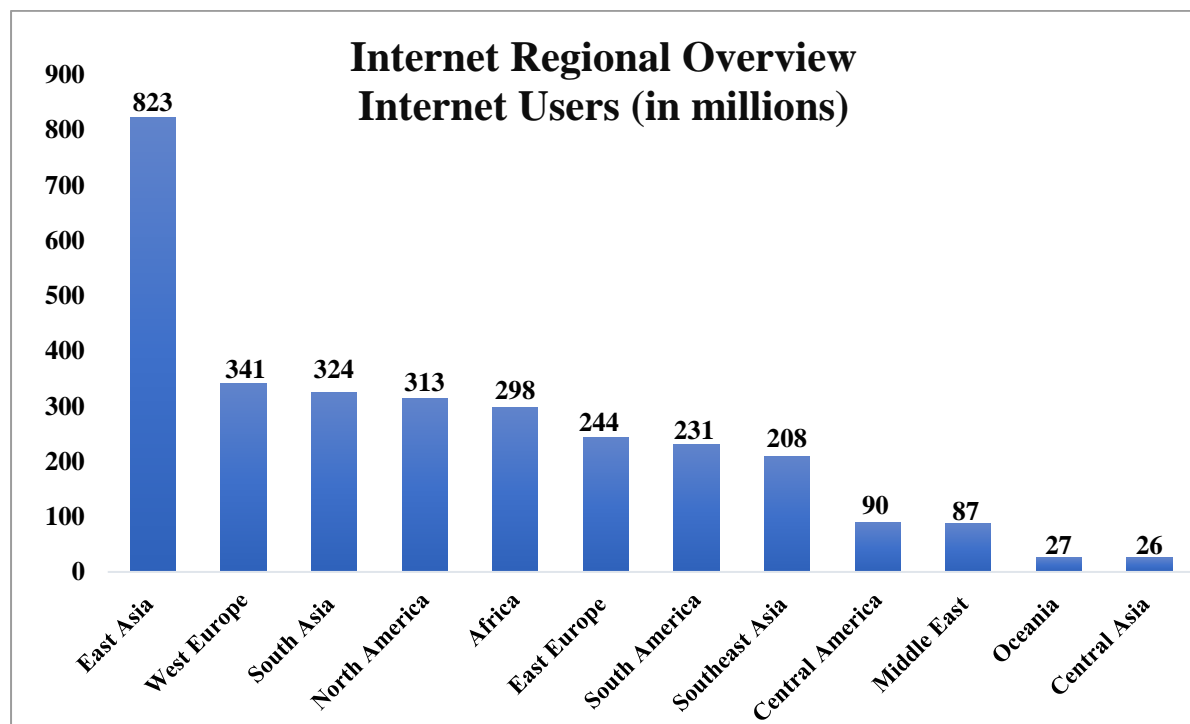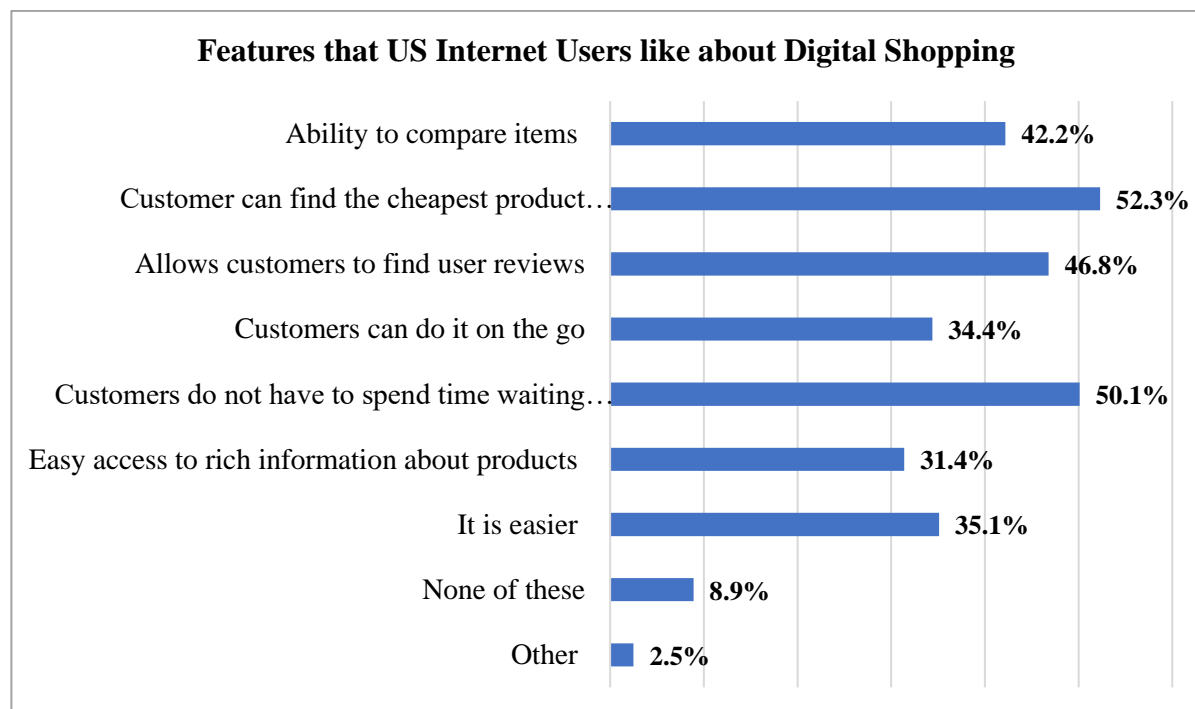

Figure 12 Internet Regional Overview (Internet Statistics Compendium, 2015).

The bar chart above illustrates the number of people in the 12 regions in the world who use the Internet on a daily basis. The highest number of people using the Internet are in East Asia (823 million), as opposed to Central Asian and Oceania, only 26 and 27 million people, respectively, are involved in the Internet space. As for West Europe, South Asia and North America, more than 300 million people are the part of the online world. To conclude, there are sufficient opportunities for the development of digital shopping experience.

According to survey (comScore), approximately 51% of people worldwide buy online now, as opposed to results in 2014 and 2015, 47% and 48%, respectively. The acceleration of digital shopping has been due to big data, advanced analytics, IoT and digital technologies (Farber, 2016). According to Forrester Research, more than half of population of the U.S. are involved in shopping with digital elements.

The recent research carried out by Propeller Insights, provides the findings that show what are the advantages of digital shopping experience (see Figure 13). The majority of people who took part in the survey reckon that most beneficial feature of digital shopping is the ability to find the cheapest product. The other substantial detail of digital customer experience in accordance with respondents is the possibility to save time and do not stay in line for ages. In addition, there is one more no less important feature such as objective users' reviews and as a result, consumers have enough time to look into details the specifications for a product.

Features that US Internet Users like about Digital Shopping

| Feature	Percentage
Ability to compare items	42.2%
Customer can find the cheapest product…	52.3%
Allows customers to find user reviews	46.8%
Customers can do it on the go	34.4%
Customers do not have to spend time waiting…	50.1%
Easy access to rich information about products	31.4%
It is easier	35.1%
None of these	8.9%
Other	2.5%

Figure 13 Features that US Internet Users like about Digital Shopping (Propeller Insights, 2017).

The globalization process and fast development of innovations are the engines of progress, as a result, millenniums are becoming more and more demanding in terms of digital shopping experience and brands do the best in order to attract new customers and create the customer loyalty. The key message of brands is that people want to spend more money on experiences, and shopping providers strive to invest into the development of technologies to meet customer' needs better. There are more technological and advanced digital elements in customer experience such as customized goods and services, personal approach, communication, click and collect and digital instore experience.

The traditional customer experience

The traditional shopping is most popular among people who are not keen on technologies and gadgets. The simplicity is the major advantage of the traditional shopping due to the fact that people can try on clothes, check the material and get the product immediately. (Sugarman, 2014).

The figure below shows the traditional way of shopping in the brick and mortar in two different interpretations. The first option provides a customer with a choice to stay at home and learn about a product using a paper catalogue. After the research, customers come to the store where they just go to the order slips that include the service assistance. The service assistance helps with the payment and the purchase can be picked up. The second option includes all the same actions as the first one, but the main difference makes for the initial location. A customer starts his or her shopping directly from the store and all the following actions are repeated.
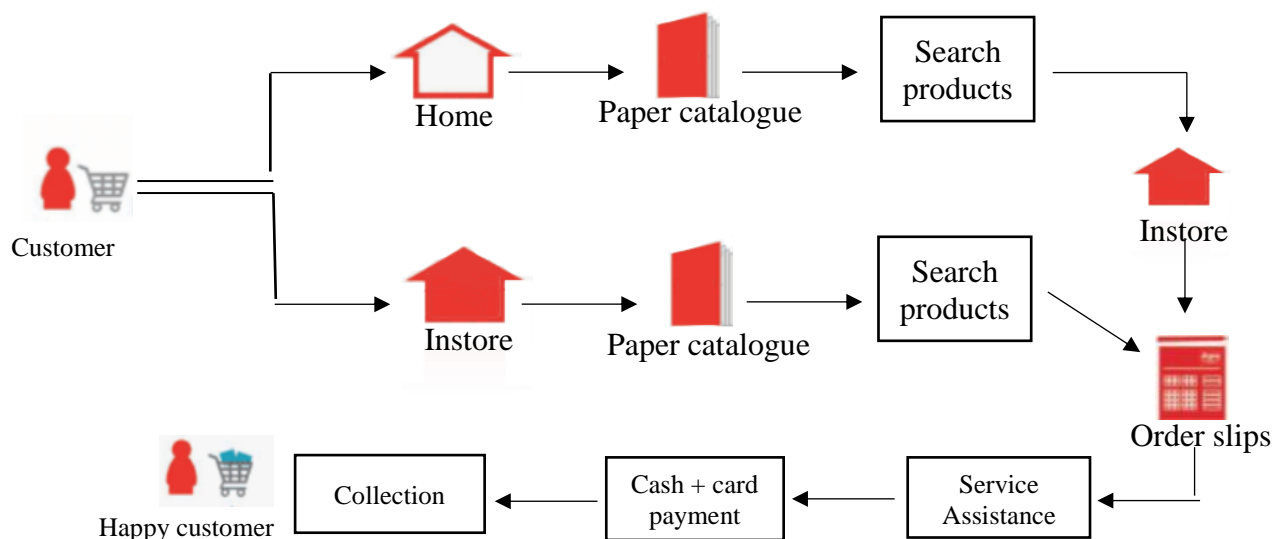
Figure 14 Traditional way of shopping. Adopted by author.
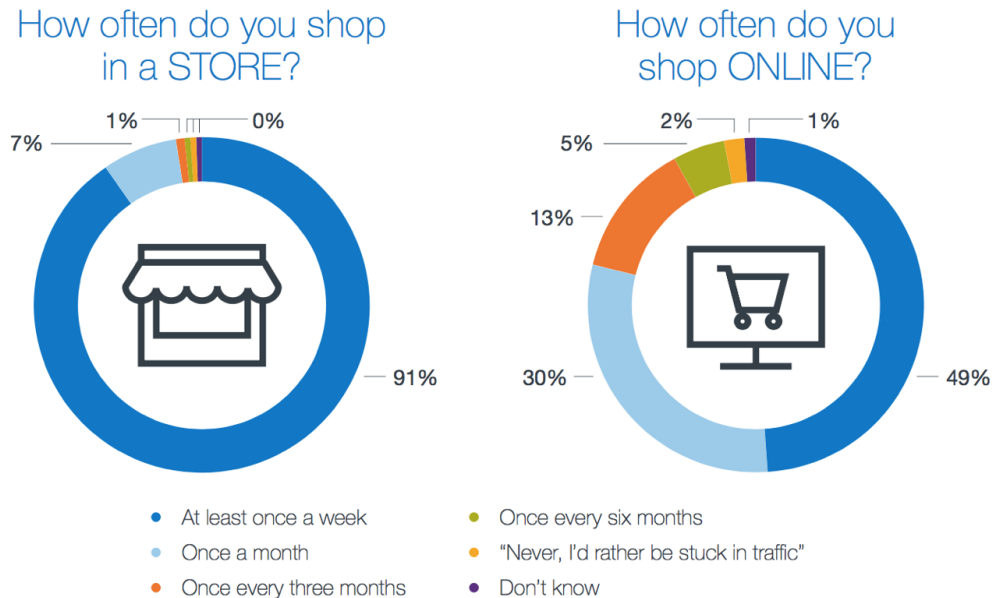
The figure below illustrates the results of a recent study conducted by Euclid Analytics about how many and how often people go shopping to stores and buying online. For this study, 1,500 American mobile users were involved in order to examine their buying preferences and customer behaviour. The results of the survey indicate that more than 90 % of mobile users do

shopping in store at least once a week, whereas only 49% of respondents do shopping online. In respect to regularity, people do shopping more often in stores than online, the main reasons for that is an opportunity to try on products or buy immediately. To conclude, it goes without saying that traditional way of shopping is still alive.

How often do you shop in a STORE?

1% — 0%
7%
91%

How often do you shop ONLINE?

2% — 1%
5%
13%
30%
49%

- At least once a week
- Once a month
- Once every three months
- Once every six months
- "Never, I'd rather be stuck in traffic"
- Don't know

Figure 15 The percentage of people doing shopping in a store and online (Sterling, 2016).

Findings

After analysing the modern ways of shopping, it is obvious that big and small brands strive to launch digital processes in their businesses in order to attract customers and make their shopping experience outstanding. There are six main technologies that are often used in the brick and mortar and e-commerce such as mobile payment, smart labels (barcode, QR), big data analysis, Cloud, 4G and extended Wi-Fi (Atos, 2013). These all technologies are highly beneficial for both customers and retailers from the perspective of shopping experience (see Table 3).

According to statistics, many instore brands have implemented digital elements that are highly welcomed by all customers because digitalization of customer shopping experience starts from the methods of payment (ApplePay, contactless, and etc.) and loyalty programme cards (Atos, 2013)

	Customer Benefits	Retailer Benefits
Personalized offer based on loyalty	-Good deal -Reward for loyalty	-Increase success ratio & turnover -Draw customers in for return visit
Extended product information on mobile	-Product info -Product alternatives when out-of-stock	-Higher customer service -Relieves staff, less questions -Dynamically updated, no shelf label adjustment needed
Product comparison from the mobile	-Easiness to compare products -Get more information that does not fit on the shelf label -Get expert advice -Personalised comparison	-Data collection on comparisons, conversion rates
Indoor location assistance	-Easily find what you are looking for (not only goods but also services) -Possibility to request assistance at your location for a question or a complaint	-Improved customer service level -Data collection on routes taken allowing to further optimize routing, queuing, positioning of goods and etc.
Intelligent shelves (knows when empty)	-High product availability -Picking up product could trigger fun interaction, video etc.	-High product availability -Efficient replenishment in store -Collect data on picking up and placing back on shelf

Table 3 Overview examples of instore technology showing the customer benefits, store benefits. Author based on (Atos, 2013).

6. Process Digitalization

Digital technologies in Burberry

A decade ago, Burberry had difficult times due to the fact that image of the brand as "luxury" was spoiled by other companies, which started creating products with the similar cage as Burberry had. The working class was buying clothes and accessories with cage from the low-cost brands and the ignorance of the measures to use cage influenced significantly on the Burberry reputation (Bothwel, 2005). Now the crisis has been overcome, and problems with the image have been solved. Rose Marie Bravo was CEO of Burberry from 1997 to 2005 and she brought the company to a new level and helped to increase sales worldwide. Undoubtedly, the great merit in the success of Burberry belongs to the current creative officer, Englishman

Christopher Bailey, who previously worked for the fashion houses Donna Karan and Gucci (Ahrendts, 2013).

In 2016, the former CEO Angela Ahrendts and chief creative officer Christopher Bailey decided to turn Burberry into the fully digital luxury enterprise. The goal was to create Burberry digital rebirth and there were three main aspects that were transformed from traditional to digital. First of all, Burberry' managers paid much attention to promotion activities and the main aim was to bring the customers closer to the brand, so digital marketing was the crucial element in terms of the digital transformation. The representatives of the brand stated that in their digital strategy they are oriented on the younger generation and that success depends on how interesting and convenient it will be for a buyer, who is involved in the life of Burberry. Secondly, the company was working on the development of customized and exclusive clothing that was digitalized as well (Khan, 2015).

Eventually, Burberry was able to build up the general digital style of brand management, which boosted to increase profit drastically and make the company the top luxury brand. Some experts reckon that fully digitalization of the company can be a destructive force for a luxury brand because the accessibility and massiveness of the network are in some way contrary to the principles of exclusivity. However, Burberry managed to become one of the best fully digitalized companies in the luxury fashion brands. According to Ahrendts, the main thing in digitalization is not so much the improvement of financial indicators, as the creation of a unified image of the brand, worthy of its history (Milnes, 2015).

The company strives to innovate in each aspect of the business activities, and one of the noticeable features was the term "retail theatre" that was introduced by Burberry in 2011 when the first ever live simultaneous virtual trunk shows took place. Burberry aimed to broadcast of audio and video content on the screens of each store and provide an access for buyers worldwide. The purpose of such activities was to attract and entertain customers, simultaneously telling them the story of Burberry (Balmford, 2012).

Picture 3 The Burberry Retail Theatre Concept (Balmford, 2012).
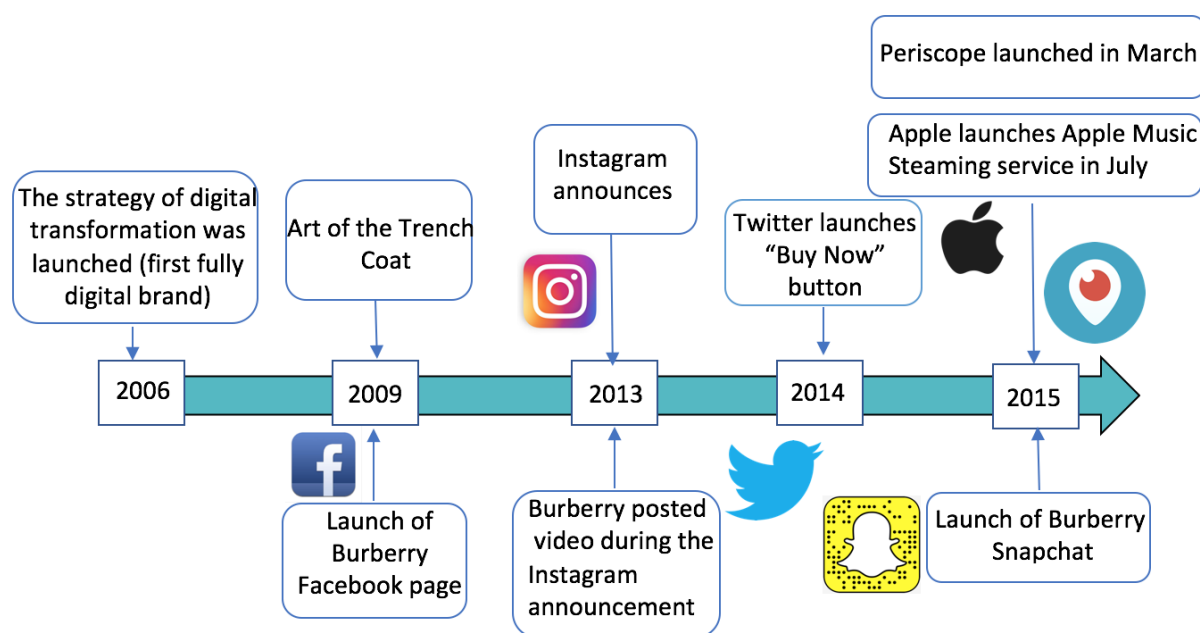
Figure 16 Timeline of Burberry Digitalization. Author based on (Burberry, History, 2018).

The timeline represents the main steps of digital transformation in Burberry from the very beginning. Burberry's creative team started working on digital marketing in the first instance and they concentrated chiefly on the development of social media and creation of own social media platform (the Art of the Trench) (Milnes, 2015).

Following the results of Burberry digital rebranding, the company noted that retail sales grew by an average of 10%. The increase in profits, the army of admirers-millennials, and also the fame as one of the most modern and fashionable brands of our time, all these results due to timely introduction of digital technologies (Marr, 2017).

6.1 Digitalization of brand management

Digitalization of marketing in Burberry

Burberry is one of the strongest luxury fashion brands in digital marketing, to which the company has been paying great attention since 2009. The crucial moment for the brand was the appointment of Angela Ahrendts as a CEO in 2006 as she was the initiator of a digital marathon, the results of which can be proved by the raise of the revenue by 10%. The Burberry strategy mainly based on the building of relations with millenniums in order to get customer loyalty from them in the future (Ahrendts, 2013). Digitalization transformation was a quite controversial question due to the fact that internet and distinct innovations could contradict their principles of exclusivity. As for Burberry, the final result exceeded all expectations in terms of digital marketing, the own social platform has been developed and all main social media networks have been used (Facebook, Instagram, Twitter, Snapchat and Periscope).

Burberry.com

The official website of the British brand, which called Burberry World, is strict and rich in color, appears in dynamics with convenient navigation, photos and videos. It operates in 45 countries and is supported in 11 languages, so the customers are able to make purchases easily with distinctive online shopping experience through a personalized customer service that is available in real time and calls and chats are assisted in 14 languages. Overall, it is a social platform that contributes to the promotion of products, precise explanation of them, key trends and active celebrity endorsement. Furthermore, Burberry World allows customers from different part of the world to touch the history and heritage of the British Brand (Burberry, 2018).

Art of the Trench

One of the noticeable events for the company was the launch of "Art of the Trench". It is the digital platform, which unites people wearing the Burberry trench coat. One of the sections of the website specifically created so that customers can post their photos in their favourite Burberry trenches. The user can search for trench in style, colour and weather conditions. In addition, this program is considered as "virtual encouragement" for the millennium because it is extremely important for them to share photos of the purchases with other people. Secondly, the website is a way to search for the desired image by colour, style, name of the celebrity, who wearing this fashion attribute (Burberry, 2018). In other words, it is a website where people can post the photos of themselves wearing their trench coats and it is a good place to find inspiration for your everyday look.

Picture 4 "Art of the Trench" website (Burberry, Art of the trench tumblr, 2018).

Social media-Facebook, Twitter, YouTube, Instagram

Burberry was the first luxury brand that appeared on Facebook and to date, the page has more than 17 million subscribers. It is regularly updated, people can follow the entire history of the brand, as well as see new products, broadcasts from fashion shows, customer feedback and communicate directly with representatives of the firm who are happy to answer any questions.

Another tool for brand communication with consumers is Twitter. In 2014, there was a button "Buy" in Twitter, and Burberry was one of the first brands to try out a new tool. Users were able to instantly pay for the products they liked via social networks: Twitter saves payment data, so the card number and address do not need to be entered several times. As a result, the development of instant digital commerce purchase capability enables to building the customer loyalty and increase of sales. Moreover, the company created one more account on Twitter "Burberry Service" that is a customer service designed to solve problems with goods and works 24 hours a day.

In 2012, the British brand in collaboration with Twitter, launched the Tweetwalk campaign that involved livestream technology. Before the spring-summer 2012 collection was shown in the official account of the brand, photos of backstage were posted and then broadcasted live - for the first time each subscriber could feel himself a guest of the London Fashion Week. In 2014, Burberry created Twitter's buy button during a fashion show and people were able to make purchases in a trice.

YouTube and Instagram are the main platforms aimed at inspiring users and aesthetic content of the brand. The representatives of the brand work with YouTube content, where the brand has a number of useful videos, teaching how to tie a scarf in different ways, giving lessons of beauty, style, make-up, broadcast of shows, new collections, advertising.

Snapchat, WeChat

To provide exclusive materials Burberry uses Snapchat. For example, in September, a day before the official show of the collection, the brand demonstrated to the users of the messenger several photos with new images taken in the design studio of the company. Burberry continue to cooperate with Snapchat and for 24 hours in the application there was a branded filter in honor of the launch of the fragrance My Burberry Black. The day was enough for social networks to be filled with self-users with the Burberry logo in the left corner.
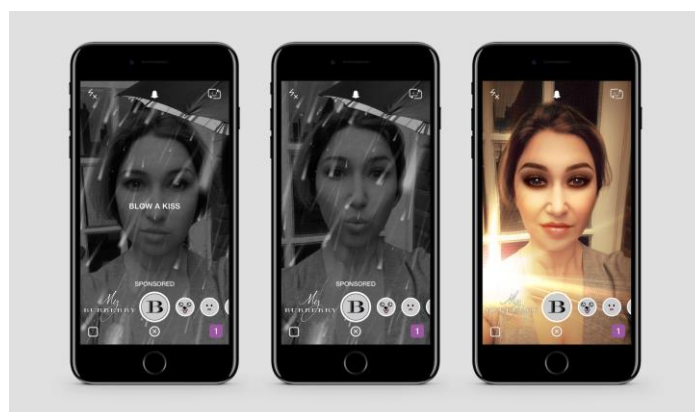
**Picture 5** Snapchat lens for My Burberry Black (Roberts, 2016).

Burberry also appeals to Asian social media and the company has a completely different strategy than in the European and American markets. Chinese WeChat was used to promote the campaign Art of the Trench, implemented immediately after one of the fashion shows in Shanghai. The followers of the brand could watch it online with the help of WeChat, as well as get information about the celebrities who visited the show, and about the manner in which they appeared before the public. Since then, the hashtag Art of Trench used more than 80 thousand times on Weibo (Chinese equivalent of Twitter).

Acoustic

Acoustic was launched in June 2010 and it is a separate section of the site linked with the same channel on YouTube, which broadcasts videos on which British artists in the clothes of the brand, perform their compositions, creating an atmosphere of "old England". It is a perfect way to promote the products to the main target audience and involve customers into discussion with the brand. This idea was quite successful such as it led to the greater traction across Burberry social media and the interest to the Burberry products was increased.

Kisses campaign

Burberry together with Google developed an application in June 2013, in which women could send their prints of lips to any part of the world, just touching them to the screen. The key point of this activity was the promotion of the cosmetics, mainly lipsticks. "Kiss recognition technology" is described as a digital first, uses a desktop camera or direct lip contact on a touch screen device to capture people's real kisses. During the first days, there were more than 250,000 searches on Google and the high percentage of people was involved from 13000 cities (Karmali, 2013).
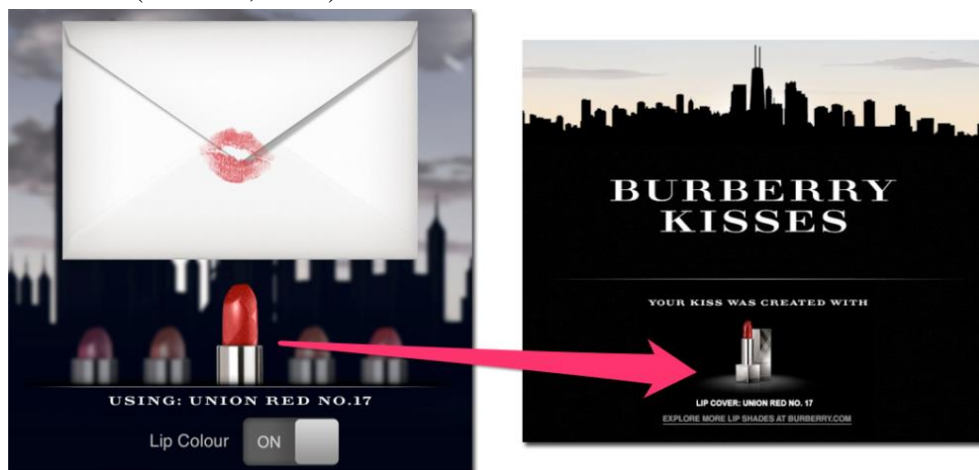

Picture 6 Kisses Campaign (Vreeland, 2013).

Digitalization of the product in Burberry

Customization and personalization have become the key elements of the digital strategy for the company because it appeals both millenniums and traditional generation. Burberry strives to keep the traditional British luxury style and, simultaneously bring products to the new level, and to be more accurate it is a digital level.

Burberry Bespoke

Bespoke is a project aimed at personalizing the products taking into consideration customer preferences and ideas. The user enters the site, registers and starts choosing clothes from the color (if this is a coat, then from honey, stone, black, dark blue and red), then goes to the styles (fitting, modern, classic), size and length. Along the way, the brand offers products suitable for style, for example, a scarf, a bag and ankle boots. The image can be shared in social networks such as Instagram, Pinterest, Google+. Nowadays, it is an essential activity for all leading brands but Burberry the first, who set the fashion of it. Recently, customers can personalize their rucksacks, scarfs or fragrances by adding the initials.
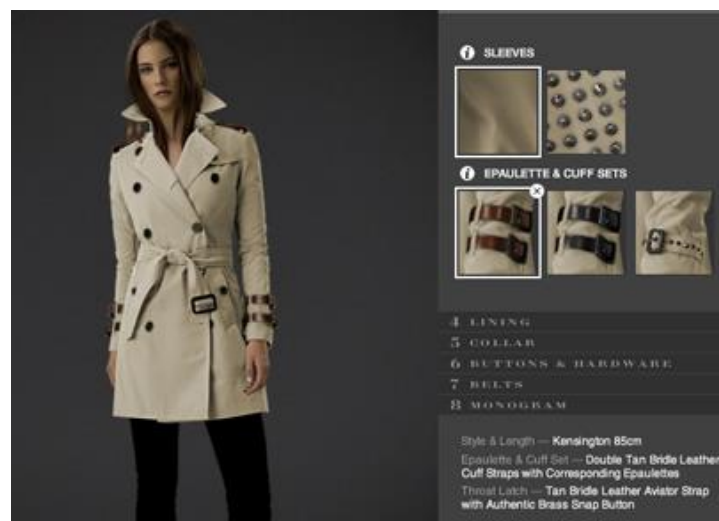
Picture 7 Burberry Bespoke (Burberry, 2018).

Scarf Bar

For the celebration one of the meaningful pieces-cashmere scarf, Burberry introduced the Scarf Bar, which was available online or in stores. Customers could choose from the wide range of different shades, prints and weight of cashmere. In order to promote the establishment of Scarf Bar, the brand released a short video on YouTube, where there was a story of creation of a scarf.

Picture 8 Scarf Bar Piccadilly (Hooke, 2015).

Burberry created an interactive campaign on the screen in Piccadilly Circus in order to promote the Scarf Bar. Visitors were able to use their devices through connection to the screen and they could order instantly their monogrammed scarf (Hooke, 2015).

Burberry Beauty Box

In 2013, Burberry opened a digitally enhanced concept shop in London, the brand was intended to unite fashion and beauty lines together. There were three main digital integrations such as digital screens, a virtual nail bar and the replacement of cash registers with e-payment methods. As for digital screens, they depicted the Burberry's products and trends. The nail bar was used for choosing the shade and customers were able to experiment with the Burberry outfits (Klein, 2013).

Picture 9 Burberry Beauty Box (Klein, 2013).

RFID

To revive the store space, the brand decided to incorporate RFID microchips into clothing. When the buyer moves around the store, these chips are activated and broadcast information about a particular product to digital screens that originally resemble mirrors. A person walks around the store, while a short film about the things that interest him is played on the nearest mirror. Likewise, in the fitting rooms, are installed special displays and all things are equipped with RFID tags. To learn more about the product or to see pictures from the podium, the buyer needs to bring the item to the screen and all information will immediately appear on the monitor. According to CEO Angela Ahrendts, the implementation of technologies normally is used in e-commerce but now it is applied to stores as a result, the customer walks through doors the same as walking into the website (Marr, 2017).

6.2 Five performance objectives

Traditionally, the fashion industry, like the other sectors of the economy, has in the recent years witnessed increased competition (Bhardwaj & Fairhurst, 2010). Thus, in order to remain and maintain its competitive leverage in the fashion industry, Burberry has developed and adopted a corporate strategy that effectively identifies its basic performance objectives. In particular, these fundamental operational performance objectives include quality, speed, dependability, flexibility, and cost (Gunasekaran, Lai, & Cheng, 2008). The core function of

each of these objectives is to facilitate this global fashion house to achieve its corporate strategy of becoming a dominant player in the fashion market. Burberry has defined established a wide-range of measures it uses to determine whether or not it is achieving its operational performance objectives. Furthermore, the firm has organized its operating environment in a way that enables it to accomplish most of its operational performance objectives.

6.2.1   Quality

Quality is one of the basic operation objectives that Burberry has consistently strived to achieve. Essentially, quality is typically described as an organization's ability to produce a commodity or deliver a service to a customer with specification and free from any form of error (Bubonia, 2014). Burberry has integrated quality as one of the essential elements of its performance objective by ensuring that each item it delivers to its luxury market is flawless and does not deviate from its specifications. The firm has achieved this performance aspect by developing and implementing a supply chain that is not only effective but efficient as well. The company's supply chain guarantees that only high-quality raw materials are supplied to its factories and subsequently, this translates to the production of clothes designs that are of outstanding quality. According to (Robinson & Hsieh, 2016), Burberry has in the recent years re-modelled its supply chain strategy by adopting value-driven inquiry. The researchers acknowledge that this iconic British high-end clothing brand has particularly reinvented its supply chain towards reshoring. Quality is one of the key values that the company seeks to derive from this new business model.

It is worth pointing out that for several years, Burberry has consistently been realigning its business towards "a brand-led and customer-centric model" (Robinson & Hsieh, 2016). Thus, in order for this iconic fashion brand to take into account the needs of its customers, it has had to ensure that the high-end luxury products that it gives its customers are of the highest attainable standard. It is only through this business model that it can achieve increased customer loyalty and at the same time, maintain and improve its competitive leverage in the British and global fashion market. From a pragmatic point of view and as a matter of tradition, customers can only be ready and willing to spend a fortune in a particular product if it exhibits some degree of superiority over supplementary or complementary products in the market. Thus, it is only logical that for Burberry to continue dominating the high-end fashion market, it has to design and manufacture products that are not only unique in the market at any given time but exude an immeasurable degree of quality. In other words, the trench coats that Burberry designs and manufacturers must not only be perceived by the customers as being of the correct specifications and free from any form of error as indicated in the labels but must also be of the best quality in fact.

Incidentally, Robinson and Hsieh (2016) acknowledge that the recent renewal and realignment that Burberry has introduced to its supply chain, which has primarily been influenced by the changes it has made in its business model, has facilitated this iconic fashion house to reposition itself as a leading brand in both the UK and across different parts of the world. Furthermore, Burberry has also increased its refocus on delivering its customers with heritage products. Empirical evidence suggests that the increased managerial control in its

supply chain, alongside the close proximity of both design and manufacturers, has given Burberry the promise of quality as well as the fulfilment of brand provenance (Robinson & Hsieh, 2016). It is crucial to point out that quality, as one of the basic operational performance objectives, not only yields external impact such as customer satisfaction but also generates internal impact during the sorting out of the quality problem. Specifically, when a business shifts its attention to address a quality problem, it is distracted from its core business. Consequently, this may lead to a delay in the production process and delivery of the product in the market. A delay in both production and sale of a product has a negative effect on the overall speed of the company's operations. Thus, it is for this reason that Burberry has re-engineered its business model to guarantee quality and avoid prolonged delivery lead time for its trench coats.

Certification, awards and philosophy of the brand account for as one of the main indicators of high quality for consumers. Burberry carefully refers to the selection of materials for their products. For the manufacturing leather bags, shoes, belts and jackets, Burberry cooperates only with organizations, which have the tannery certification. In order to constantly sustain and improve the quality of products, Burberry recognises certifications by the Leather Working Group (**LWG**), the Italian Istituto di Certificazione della Qualità per l'Industria Conciaria (**ICEC**) and the International Organization for Standardization (**ISO**). To date, the brand uses 77% of leather for manufacturing that is supplied from tanneries holding one or more of these certifications (Burberry, Areas of work, 2018).

Awards:
- **A Royal Warrant** (1955), the queen awarded Burberry and this award has a meaning of "quality, excellence and recognition". In 1989, Prince Charles awarded brand a second Royal Warrant (Enright, 2009).
- **The Fashion Future Award** (2015) accredited by The British Fashion Council, Burberry was awarded for achievements in technologies and innovations, and creativity (Kilcooley-O'Halloran, 2015).
- **Walpole Luxury Awards** (2016), Burberry was awarded for its quality, craftsmanship, design, innovation and experience (Conti, 2016).
- **Number 1 Digital Leader** (2017), the brand was classified as best digital company in the ContactLab Digital Competitive Map in terms of the development of digital tools and technologies (Burberry, Annual Report, 2016/17).

The **philosophy** of Burberry stands for its combination of heritage and innovation, with the strong reputation for quality, design and craftsmanship. People, who wear Burberry clothes, feel as a part of the history, due to the fact that brand has a distinctive British historical identity. The company majors at storytelling and shared experiences, customers do not only buy the product, they perceive values of the brand and experience distinctive service (Burberry, 2018).

6.2.2 Speed

Speed refers to the ability of a business to do things swiftly in response to the demands of its customers and thereby offering short lead times between when customers place orders for a certain service or product and when they eventually receive this product. Burberry fully understands that short delivery lead time plays a significant role in increasing the level of customer satisfaction and in many cases, has a potential of triggering customer referrals and subsequent purchases. Thus, this iconic global brand has put in place appropriate measures that support timely delivery of orders to its customers. The opening of multiple stores across different parts of the world is one such approach. The significance of opening as many stores as possible is that it allows it reduces the geographical distance that customers may have had to travel to reach the stores so as to make a purchase. The multiple stores that the company runs can be viewed as a corporate strategy that increases the ability of customers to visit the stores and readily make a purchase. Apart from putting up as many stores as possible across different geographical locations, Burberry has an online platform where customers can place orders from virtually any part of the world and have it speedily shipped to their preferred pick-up points. The online store gives customers convenience as they do not have to visit a physical.

Subsequently, Burberry's supply chain has an efficient logistics mix that makes it practical for customers to track the movement of their orders. Ideally, when a customer places an order in the company's online store, he or she is immediately sent an email with a tracking number to confirm whether or not the order has been accepted (Burberry, 2018). Once an order has been placed, the customer may have to wait for up to an hour for the order status to be confirmed (Burberry, 2018). One may contend that waiting for up to an hour is a relatively long time that can result in customer dissatisfaction. However, when viewed from the practical point of view with respect to the number of orders that the company handles every minute, this lead time for order confirmation can be described as fast. The convenience that comes with a customer placing an order from any part of the world and having it delivered to his or her destination of choice is a sufficient utility for achieving customer satisfaction. Speed as a fundamental operations objective shows how fast a company such as Burberry can respond to customer requests. The fact that Burberry is able to respond to customer orders at a relatively fast rate is a clear indication that it has adopted efficient, effective, and improved operations cycles. The overall impact of this swift pace of customer response is that it has enabled Burberry to achieve higher customer satisfaction levels. In turn, this has also contributed to the company accruing several benefits, including increased sales and profitability. Burberry's aim of increasing the speed of customer response is to achieve two things: increase customer dependability of product delivery and reduce the company's total inventory across the entire system. The fast operation cycles at Burberry are essential in reducing its inventory and at the same time, increasing its overall revenue.

The shipment of products is available in 45 countries around the world (Burberry, Shipping, 2018). Customers have several alternatives how fast their products will be delivered, for instance, there is an express delivery that requires an additional fee and the estimated delivery time will be 1-2 days worldwide. As opposed to the express delivery, the standard delivery is the most widely used because it is free and shipping time varies from 2 to 3 days.

In addition, lovers of the brand can use the service "Collect-in-Store", which is available in more than 25 countries (Burberry, Shipping, 2018). This service is free, and the delivery time usually is less than the standard one and according to customer' reviews, it takes 1-2 days to collect the product.

The table below represents the list of several countries where Burberry delivery is available, and the shipping time is estimated for each country. The fastest delivery is available for China (1 to 5 days) and the UK (next day) because these countries have the largest number of Burberry shops and warehouses and production centres are located in Britain. As a result, these conditions accelerate the shipment of products, whereas in Russia and Romania shipping time is a bit long.

| Country	Shipping Time
UK Some exceptional postcodes	Next Day 2-5 working days
United States	3-5 working days
Canada	2-4 working days
China	1-5 days from shipping date
Czech Republic	3-5 working days
Ireland	2-4 working days
Romania	6-8 working days
Russia (Moscow, St. Petersburg) The rest of Russia	3-5 days Up to 10 days

Table 4 Shipping Destinations and Delivery Times (Burberry, Shipping, 2018).

6.2.3 Dependability

In operations management, dependability is defined as the ability of a firm to deliver services and products in line with the promises it originally made to the customers. On its official website, Burberry gives its customers different undertakings, for example, whether or not it can deliver a certain product to a specific location. Regardless of market dynamics that often take place nearly every second, Burberry consistently strives to deliver to the customer quality products at the same price and cost as at the time the order was placed. In other words, the Company always keeps its word to its customers. In order for Burberry to always ensure that it is dependable to its customers, it has to be highly flexible. The Company's re-modelled supply chain offers it the necessary flexibility and which in turn, positively contributes towards it becoming highly dependable. In case there is a logistical challenge that cannot be avoided at all costs, Burberry's customer care department is always on standby to inform the customer in a timely manner about the unanticipated difficulty. It is worth mentioning that although a customer may be disappointed for late delivery of his or her order, being notified early about

the anticipated delay, the reason for the delay and an apology for the inconvenience caused can help maintain their loyalty to the particular brand.

In the contemporary business setting, effective communication between the business and their customers is essential in supporting customer loyalty. In fact, it is against this background that most organizations have set up a customer support department that is solely responsible for ensuring that customers receive important updates on time (Hill, Jones, & Schilling, 2014). Weinman (2015) acknowledges that apart from the conventional customer service options such as email, phone, social media, in-store, and website chat, Burberry currently has a strong customer service and brand presence on Twitter. Overall, dependability enables a firm to increase its speed. A company's failure to deliver a product on time can slow down its general production cycle. In turn, this may lead to time wastage and an increase in inventory cost.
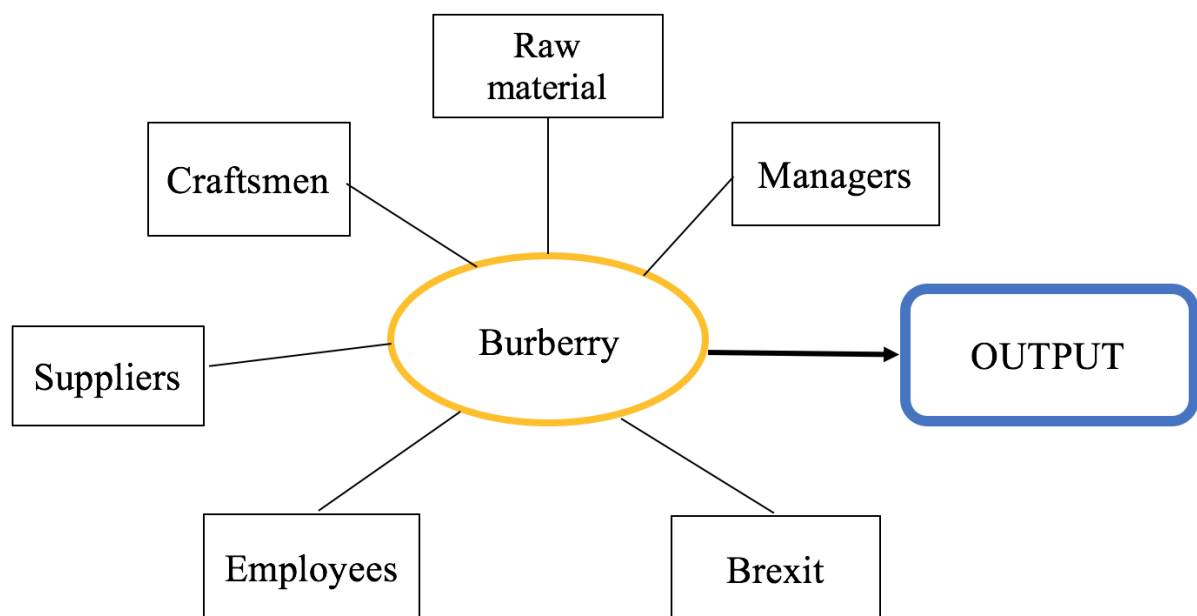
Figure 17 The influence of different stakeholders on the output. Adapted by author.

Burberry is the brand that deals with many stakeholders in order to produce, distribute and sell their products. The figure 17 above shows **six key stakeholders** that immediately have effect on the manufacturing of the final product. First of all, Burberry uses in the manufacturing of their products **raw material** such as cotton for making gabardine, which is an essential material for the core product of the brand- trench coat. The production of the cotton is very severe process and for the prosperous cultivation of cotton requires a long period of warm temperatures without frost, a sufficient number of sunny days and moderate rainfall. Due to bad weather condition, the company will not be able to have enough raw material for manufacturing of goods and, as a result, Burberry will fail to produce enough products for sale and it will lead to the profit loss. Since 2012, the brand is focused on cultivation of cotton in Peru, where they work in partnership with the local supplier and CottonConnect (Burberry, Areas of work, 2018).

All Burberry products are craftsmanship that means that only high qualified **craftsmen** are able to create these products. The brand has the two factories in Yorkshire, where work 800 incredible craftsmen and women who are very valuable staff. Before starting the trickiest jobs such as stitching a collar, all craftsmen have to practice at least one year in order to sharpen their skills (Butler S. , 2016). Consequently, craftsmen are one of the major attributes of the brand because it would be impossible to produce excellent products without involvement of them. Moreover, craftsmen with the lack of sufficient experience will not be able to make the high-grade products and the lead time will increase due to some errors in the product.

Burberry uses cashmere, wool and leather for manufacturing the products and all these raw materials are delivered by **suppliers**. The Mongolian suppliers provide cashmere for Burberry scarves and knitwear, and at the same time, the brand became a founding partner of the Sustainable Fibre Alliance (SFA). The tanneries, who hold specific certification for leather production, supply leather for Burberry' handbags, wallets and shoes. Furthermore, the company considers wool as a core raw material because it uses for manufacturing of scarves, jumpers and coats. To sum it up, all raw materials supplies to Burberry by third-parties, so if the brand loses one of the suppliers, the manufacturing process will be interrupted (Burberry, Areas of work, 2018).

Employees are one of the key stakeholders because they are responsible for internal and external operations that facilitate the production process. For instance, an accountant is in charge of financial operations and bookkeeping, while the procurement staff work on the building the relationships with suppliers. The production of goods would not be possible without employees due to the fact that they contribute operational processes by controlling the inventory and making orders of raw material on time.

Brexit is the main political factor that can have an influence on the brand from the perspective of employment and labour, and free-trade agreements between the EU countries and the UK. With reference to employment and labour, Burberry may lose the highly qualified staff, who is responsible for manufacturing and craftsmanship, due to the fact that employees with the EU citizenship will have to work under new immigration plans. As for free-trade agreements between the EU and the rest of the world will no longer apply to the UK. As a result, it can lead to the currency fluctuations and it will have a great impact on Burberry' revenue and the final price of the goods because company work with foreign suppliers.

Managers are the administrative units who are in charge of setting the goals and working out the strategy for the company. These people play a vital role for Burberry starting from the identifying the trends for a season and choosing the material for production. In order to produce at high level, mangers should have sufficient experience in management of luxury brands and insights of how fashion industry operates.

6.2.4 Flexibility

Flexibility is one of the key operations management objectives at Burberry (Mahadevan, 2015). Essentially, this performance objective can be described as the extent to which a company can adapt or change its operations to provide volume flexibility, mix flexibility, product or service flexibility, and delivery time flexibility (Stevenson & Spring, 2007). The high flexibility in Burberry has enabled the business to successfully compete on four fronts. First, the flexibility has facilitated Burberry to increase the frequency of products it gives its customers. Second, the flexibility has made it possible for Burberry to provide its customers with a wide range of trench coats and other products. Third, the high flexibility has enabled Burberry to easily change the volume of fashion products it delivers to its customers. Finally, the Company's high degree of flexibility has allowed it to easily change the timing of making product deliveries. Generally, Burberry's customers enjoy increased flexibility in terms of selecting the type, design, and colour of the luxury trench coats that they would desire to purchase (see Figure 18). The figure below illustrates the one product-trench coat in terms of choosing different details such as the style, length, fit, material and colour.
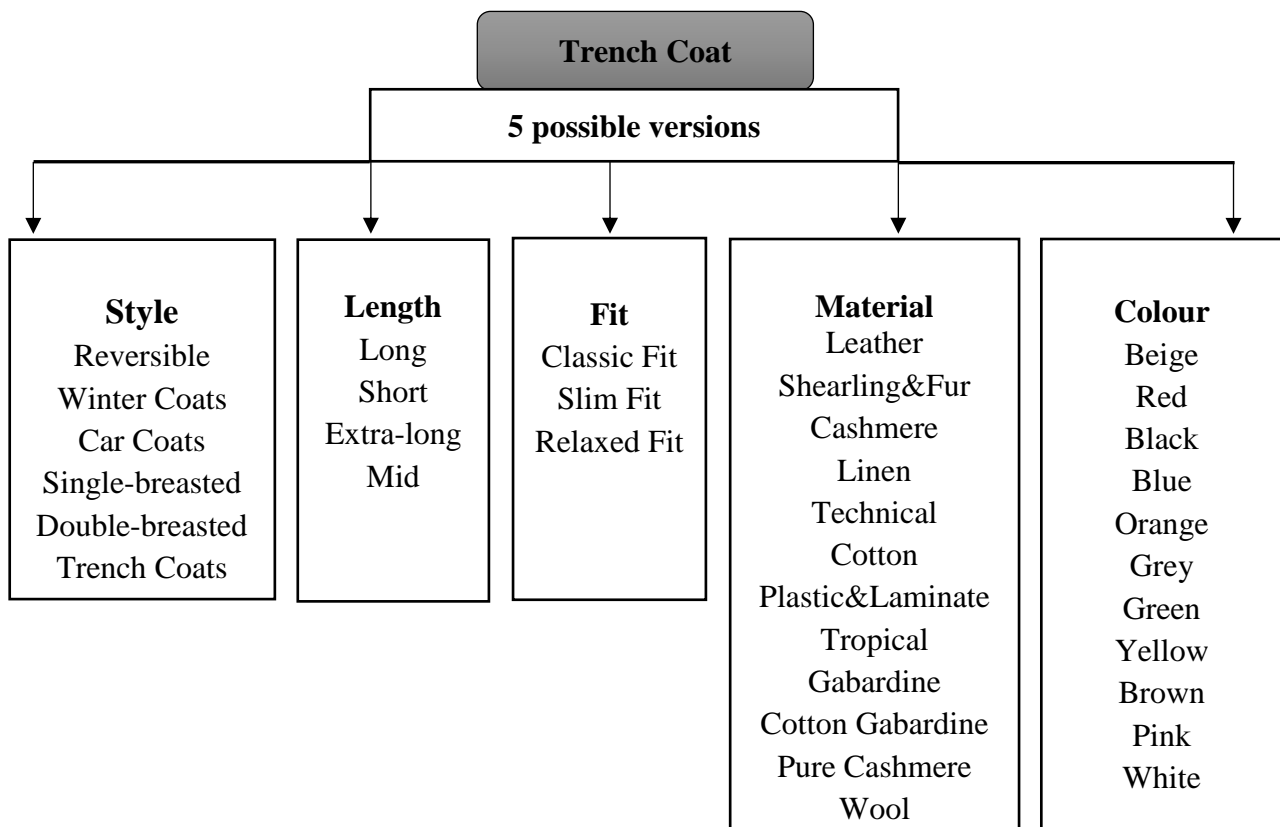
Figure 18 Trench coat in five possible versions. Author based on (Burberry, 2018).

The presented figure above illustrates how many options of one product customers have and that makes Burberry highly flexible in terms of design and manufacturing. (Cognizant, 2014). In addition, the brand constantly communicates with the customers via social media and analyse their reviews about products, and after researching Burberry can make some changes in products. Furthermore, the customers also have the flexibility of choosing the date and

location where they would want to have their orders delivered. Additionally, customers can as well place orders of as many items as possible.

6.2.5 Cost

In performance operations management, maintaining the lowest cost is essential for acquiring competitive leverage and increasing an organization's profitability (Reid & Sanders, 2007). Fundamentally, a business that is successful in lowering its costs often offers its customers high-quality products and relatively low prices (Balut & Frazier, 2013). Traditionally, customers would tend to be attracted to companies that provide high-quality products at low prices and avoid that offer the same quality of products at higher prices. The implication of this typical consumer behavior is that it enables businesses that offer lower prices to acquire a competitive edge over its rivals in the market. Burberry is ideally an iconic luxury fashion company. In particular, this famous fashion enterprise is often not concerned about its administrative and operational costs because it serves a niche of customers that are predominantly wealthy. In fact, an attempt by the company to manufacture and trench coats that are inexpensive can result in a significant loss of its luxury fashion market share. Burberry's customers tend to regard a reduction in price as a measure of the decline in quality of the product and vice versa. Nonetheless, it is worth pointing out that although Burberry does not view cost as significant factor that is capable of causing a detrimental impact on its market share, it has to minimize its administrative and operational costs so as to substantially increase its profitability. Therefore, the company can maintain the high prices for its trench coats but ensure that their costs are as low as possible. Compared to the majority of the other luxury fashion companies, Burberry seems to have greater dependability, better quality, lower costs, and a relatively faster response to the dynamic market conditions. The company has an efficient business function that has over the years enabled it to produce luxurious and high-quality trench coats for its market niche (Burberry Annual Report, 2017).

The tables below show the Burberry's revenues and expenses during the two periods, particularly before the digitalization process and after. In 2008, total revenues for the company made up 995.5£ million and the cost of sales was 377.7£ million. The operating profit in 2008 was 201.7£ million including the deductions of net operating expenses (416.0£ million).

Year to 31 March **2008** $million	
Revenues	995.4
Cost of Sales	(377.7)
Gross profit	617.7
Net operating expenses	(416.0)
Operating profit	**201.7**

Table 5 Burberry income statement before digitalization (Burberry Annual Report, 2008).

The table 6 presents the information about the statement of Burberry financial performance after the company have been fully digitalized. According to the annual report (2017), the revenues stand for 2,766.0 £ million, whereas the cost of sales is 832.0£ million, compared to the years before the digitalization, the revenues increased 3 times. The gross profit makes up 1,933.1£ million, whereas the net operating expenses are 1,538.8£ million, as a result these indicators increased due to the dramatic rise in profit. The operating profit with the implementation of the digital processes increased to 394.3£ million. It is crucial to point out that revenues are growing faster than the cost of sales, whereas the profit increased 3 times and the cost of sales go up only 2,2 times.

Year to 31 March **2017** £million	
Revenues	2,766.0
Cost of Sales	(832.0)
Gross profit	1,933.1
Net operating expenses	(1,538.8)
Operating profit	**394.3**

Table 6 Burberry income statement after digitalization (Burberry Annual Report, 2017).
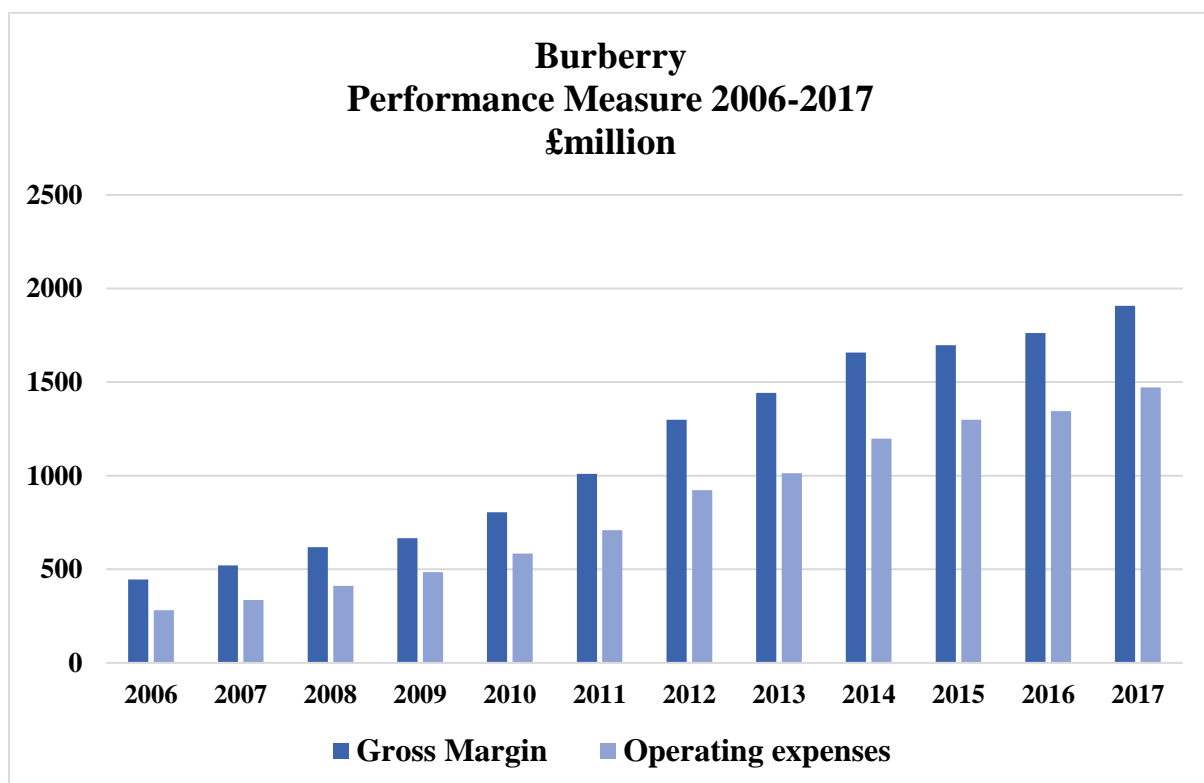
Figure 19 Overview of the key performance indicators. Author based on (Burberry Annual reports , 2006-2017).

The bar-chart above (Figure 19) shows the gross margin and operating expenses in terms of performance measures from 2006 to 2016. After a year when the brand became fully digital, the gross margin increased drastically (804 £million) and the following years there was a tendency for the growth. As for the operating expenses, there was an increment as a consequence of the growth of gross margin throughout the period. From the perspective of the strategy, the digital transformation of the company confirms that there is an increase in revenues in the long run.

The main changes in revenues and operating costs are due to several reasons from 2008 to 2017 (Burberry Annual Report, 2008-2017):
- Extension to 26 European countries in terms of e-commerce
- Enhancing store productivity
- Accelerating new store openings
- Upgrade store image
- Digital innovation
- Product and campaign launches
- Flagship in London

Most of investment was aimed at digital transformation, advertising and opening of new flagship store in London, so the operating expenses increased significantly by the end of 2017 (1471.2£ million), but simultaneously the gross margin boosted (Burberry Annual Report, 2017). The company works on the expansion strategy intensively in order to make the brand large-scale and increase the percentage of customers. During the expansion in e-commerce and retailers the number of employees has changed crucially and their wage level.

Year to 31 March £million	2008	2017
Wages and salaries	154.3	408.3
Termination benefits		10.5
Social security costs	17.9	48.8
Share-based compensation	14.3	13.1
Other pension costs	3.2	13.7
Total	**189.7**	**494.4**

Table 7 Employee costs (Burberry Annual Report, 2008-2017).

The table 8 shows the alterations in employee wages in 2008 and 2017. It is worth pointing out that expansion strategy involves the great growth in wages and salaries. The average cost per employee increased approximately by 1,5 times after the digitalization.

Year to 31 March £million	2008	2017
Total employee costs	189.7	494.4
Total number of employees	5660	9828
Average wage for an employee per year	189.7/5660=33.515	494.4/9828=50.305

Table 8 Average employee wage per year**.** Author based on (Burberry Annual Report, 2008-2017).

Conclusion

The bachelor thesis aims to determine the influence of digitalization of a brand management in to the performance within the fashion industry. The theoretical background of digitalization has been examined in terms of brand management, particularly digital transformation of marketing and a product. Additionally, the thesis develops the analysis of the operation using the five operational management performance objectives (quality, speed, dependability, flexibility and cost) (Slack, Chambers, & Johnston, 2009). Furthermore, this thesis evidences that the basic operations objectives have both internal and external effects. Internally, the performance objectives affect the cost, therefore, it is necessary to develop the efficiency of all objectives. However, this study establishes that the external effects of the performance objectives are usually beneficial to the demand side as clients are likely to get a higher quality product.

The contribution of this BT is an overview of the key aspects of digital transformation within the fashion industry and its influence on performance of the company. Specifically, this bachelor thesis illustrates the similarities and differences of both processes (before and after digitalization). This output provides evidence to consider when developing the digital strategy in terms of marketing and sales aspects within the fashion brands. This paper provides sufficient literature to support the need for digitalization in the fashion industry. By using Burberry as the case study of the thesis, various stakeholders in the sector such as fashion retailers, marketers, producers, and consumers will have a reference to assess the practicability of strategies to leverage the benefits of digitalization in the contemporary era. Additionally, the analysis of the five operation management performance objectives shows the differences in the operation before the brand digitalisation and after this strategic change.

Conducting the case study of Burberry, there are major reasons for claiming that digitalization process has mostly a beneficial effect on the company' operations. As applied to Burberry transformation, the major changes have been explored namely retail theatre concept, Art of Trench, Burberry Beauty Box and etc. As a result of the digitalization, Burberry gained several positive outcomes such as:

- Increase of revenues up 11 percent
- Outstanding customer experience
- Strong customer retention
- Optimization of business processes

Digital transformation is crucial for the extension of the company's productivity in the fashion industry. Brands that are able to combine new and old tools in terms of digital transformation, will be more successful in this field. The main positive effects of digitalization for fashion brands are the reduction of costs, strong customer loyalty and competitive advantage. Moreover, Internet is one of the key elements of digitalization, therefore, millennials are one of the main target groups for fashion brands because they are keen on

technology significantly. People want to get not only new outstanding customer experience but at the same time to have high-quality products, with reasonable prices and prompt delivery.

Digitalisation requires a holistic approach to transform the company from the perspective of operations management. It is crucial to train staff who will be able to manage with new tools and technologies. In the fashion industry, marketing analytics applications are used in order to collect data about the customer's needs and behaviour. Due to digital transformation, efficiency and flexibility become the key elements in operations management. The level of quality control is more accurate and the possibility of producing defective products is minimised, raw materials inventory is optimized, and speed of operations increases.

Summing up, the impact of the digital transformation has enabled Burberry to achieve strong brand awareness, customer loyalty and efficiency in operations. The core strategy of the company from the perspective of digital transformation was to unite the customers with the brand and built up the two-way communications between them using the social media platforms. In addition, majority of fashion companies use the digital tools such as customization of products, RFID, digital marketing, digital instore features in order to link consumers and sellers. The use of these new technologies implies operational changes. Therefore, it is vital for fashion business to develop the five performance objectives in order to satisfy customer's needs. Moreover, this strategic framework helps to produce quality products, keep production costs lower and be flexible in terms of operational processes.

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