

Burberry Investors See Progress

A year after Josh Schulman became CEO of the British mega-brand, investors say they're pleased with early signs of recovery even though sales are still falling.

By *Helen Reid*



A year after Josh Schulman became Burberry's CEO with a mandate to turn the British luxury brand around, investors say they're pleased with early signs of recovery even though sales are still falling.

Burberry, known for its trademark trench coats and check pattern scarves, is in the early stages of a reboot as Schulman tries to reverse the group's years of underperformance and return sales and profit to growth.

Analysts expect the group to report on Friday that comparable retail sales fell 3 percent in the April-June quarter from a year earlier, according to a consensus provided by Burberry. That would mark an improvement from a 6 percent fall in the January-March period.

Burberry issued a string of profit warnings under previous CEO Jonathan Akeroyd, and Schulman after taking over said the brand had lost its focus on outerwear and recognisable British references, and had strayed too far into a "niche aesthetic".

Its shares are up around 63 percent since Schulman took the helm, outperforming luxury peers, and analysts have grown more upbeat in recent weeks, with HSBC saying Burberry has the opportunity to gain market share from rivals.

"We are seeing the improvement in terms of the product range, pricing, marketing, and there are early signs that is leading to a pickup in sales – but it's early days still," said Dan Carter, a member of the investment team at Phoenix Asset Management Partners in London.

Burberry's marketing under Schulman has drawn on its association with British heritage, but in a way that is also contemporary, Carter added.

Burberry typically makes more of its revenue in the autumn/winter season. However, it has been trying to tap into key events of the British summertime, with its most recent "Burberry Festival" campaign timed to coincide with Glastonbury music festival.

The campaign featured hip-hop artist Loyle Carner and music producer Goldie, as well as model Cara Delevingne sitting in a pit of mud in Burberry rain boots, in a nod to Glastonbury's unpredictable weather.





“They’re a brand that is focusing on outerwear and protection against the weather... so to try and stretch that through the year makes sense,” said Carter.

As part of its turnaround, Burberry announced in May it would cut a fifth of its global workforce, a radical cost-cutting move that investors have welcomed.

Less Expensive Bags, More High-End Trenches

The brand has moved away from high-priced bags and brought in more affordable models like its recently launched Cotswold range, priced at 1,490 pounds to 1,890 pounds (\$2,012.99 to \$2,553.39), and the 850-pound Horseshoe crossbody bag - driving its average bag price down by 9 percent since the start of October last year, according to pricing analysis by Luxurysight.

“They’re kind of trying to thread the needle of being luxury while shifting the assortment down a little bit,” said Brett Sharoni, senior analyst at Pzena Investment Management in New York, which owns shares in Burberry.

“We had been engaging with Burberry for over a year before we ended up buying - and one of our big pieces of feedback to them was, you know, you don’t really have a right to sell handbags for \$3,000,” he said.

Burberry has, though, brought in some higher-priced outerwear products such as a 115,000 yuan (\$16,044.65) corduroy trench coat in China, Luxurysight found, and has broadened its range of outerwear products by 22 percent since the start of October last year.

Yumi Shin, chief merchandising officer at New York department store Bergdorf Goodman, said she supports the emphasis on the brand’s trademark products, like the classic trench coat and winter accessories.

“We’re continuing to feel optimistic about Burberry’s transformation under Josh’s leadership,” said Shin. “Josh has a merchant’s mindset and understands the necessity to balance fashion and function on the shop floor.”

