

DIGITAL LEADERSHIP

An interview with

Angela Ahrendts

CEO of Burberry

Burberry's Digital Transformation



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Capgemini Consulting: Can you describe the company you took over in 2006 and how you set about convincing the teams that a move to digital was the way forward?

Back in 2006, Burberry was grossly underperforming. While the overall sector was growing at around 12-13% a year, our rate was only 1-2%. Burberry was not keeping pace with the rapid development in the luxury goods market, neither in terms of innovation nor in terms of products and services. We were up against tough competition from much larger French and Italian peers, with multiple brands and many times our own revenue and profit.

As a management team, we began by asking ourselves a fundamental question: 'What is our vision?' And, from very early on, we decided we were going to be a design, marketing and retail-led organization. This was our high-level vision. From there we began to develop our five-year strategy, asking: What do we have that our peers don't - other than the fact that we are much smaller, a standalone company and with little cash to invest? When I started at Burberry our

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annual revenue was £740 million, with a 10-11% profit margin. We were opening only a handful of stores a year and couldn't afford to do much more. But we did have a number of key differentiators in the luxury sector we could exploit.

First, we're British. There were lots of big French brands, big Italian brands, big US brands. But only one big British brand.

Second, we were born from a coat. Others were born from luggage, shoes, saddlery. But only we were born from a coat. Outerwear was just 20% of our business back then, and we saw a huge opportunity to exploit that category further.

Finally, our peers were all targeting 'ladies who lunch' and focusing mainly on the baby boomers. There was no way we could meet them head-on with their much larger advertising budgets. So we decided to target our marketing spending on the millennial consumer, in their 20s, and with a clear focus on emerging economies, where the average high net worth customer is typically 15 years younger. And we communicated and engaged with this younger customer using their mother tongue: digital, which would also give us the greatest reach for our limited marketing budget. That's when the digital transformation started for Burberry.

Digital front end, back end and in the stores

Capgemini Consulting: From our recent research with the MIT, we found few companies that had embraced digital technology effectively to truly transform their organization. You seem to be one of them. How did you come up with this strategy?

Digital is an extremely broad concept with many dimensions.

Let's start at the front end of our business, with marketing. We decided right from the start to use digital to target our consumers. We hired a young, dynamic marketing team who in essence was the millennial customer. This is, in part, why we've been at the forefront in marketing innovation in the luxury sector. Whether that's launching our latest fragrance on Facebook, or developing the 'Tweetwalk' with Twitter, or being amongst the first brands on Google+.

Then, there was the back end: one of our key strategies from day one was operational excellence. We wanted to be as admired and as respected for the back end of our business as for the front end. When I started, we had just embarked on a business-wide rollout of SAP. We had to put this in place, although it was expensive and arduous for the first couple of years. In 2010, the last big country to come on board was China.

So we had a clear front end marketing strategy and the back end infrastructure

“Connecting all platforms and new mediums acted as a challenge in digital transformation”

was under development. At this stage, we began opening 20 to 30 new stores a year and asked ourselves: how can we use digital innovation to engage our customers more effectively in our physical real estate, as well as online? We were doing all these innovative things in digital marketing – livestreaming our runway shows, partnering with social media players, relaunching Burberry.com - but how could we link this to the customer in our stores? This is where the ‘retail theatre’ concept came in to play.

We began to partner with technology companies to make the ‘retail theatre’ concept real, enabling us to broadcast our multifaceted content to our stores globally, and to create a modern and pure brand environment. We use the technology to bring the brand to life in our stores: from the music to the rich video content on giant internal and external screens to the iPads carried by all our sales associates that give access to the full global collection, regardless of what is available in-store. It also enables us to share the energy and excitement of key brand moments with our customers around the world. For example, by inviting them to watch our runway shows live in stores and enabling them to shop the collection on iPads immediately afterwards, for delivery in 6-8 weeks. In this way we have developed our stores to showcase our digital innovations.

The real challenge: connecting the channels

Then came a new challenge in our digital transformation: connecting all platforms and new mediums. We had relaunched

“Digital has been a catalyst for everything in the company”

“Digital is all about change and we told our teams early on to ‘fall in love with change because we’re going to need to evolve every year”

our e-commerce platform, we were doing some great things on Twitter and Facebook, and we wanted to invest in new technologies from multiple companies, but none of it was connected. All this technology needed to be linked up so that we could have a single customer view that we could use across channels, mediums and platforms.

We began sharing the vision of our ecosystem with our technology partners, including Salesforce.com. We told them: Burberry is global, dynamic and has a clear vision. We have an amazing CTO and an IT team that’s nimble and fast. So our proposal was: ‘Let us be your R&D. Let’s experiment together.’

We asked them to help us join up all our existing platforms and to layer on new communication and analytic tools. Our vision was that any person, any constituency, needing to interact with Burberry would come on to Burberry.com and enjoy exactly the same experience as an in-store customer. We wanted them to come into our world – Burberry World – and be able to visit all the different parts of the business as they would do in our HQ, just like customers experience every facet of the brand on Burberry.com. Everything should be as connected digitally as it was in reality. When I first met with Marc

Benioff at Salesforce.com, he understood this immediately. He told me: ‘You want to create a social enterprise’. And so we decided at that first meeting to deploy his CRM modules across the entire business.

A burning platform

Capgemini Consulting: You seem to be keenly aware of technology. This is not intuitive in the world of fashion. Is it a result of your past experiences?

My Chief Technology Officer asks me the same question every week! I think one explanation is that I’m not a traditional CEO. I am passionate, present, and very engaged with the company. I am very hands-on. My office door is always open. I get to listen to thousands of people every day through various channels.

Our Chief Creative Officer, Christopher Bailey, is also passionate about the possibilities of digital and we have built great teams across many departments, who work in partnership to come up with the most innovative ideas. I also think that having three teenage kids at home helps me to understand. I see them watching the best of YouTube in bed every night. They don’t watch TV on weekends, they want YouTube on a big screen and they live on Facebook on their iPhones.

But it has also been about building a creative thinking culture. When we set

“If you want to attract and retain the best of this next wave of talent, you need to speak their language: digital”



out to build our strategy, we said that we didn't just want to be a great brand - we wanted to be a great company to work for, to empower our young, digitally native workforce. We tell the team constantly that the bigger we get, the closer we have to work and the more connected we have to be – and technology is a key connector. So strategy has something to do with it too. We had to find our white space - to do something different from our peers. You might say we had a burning platform around which to unite the team.

The digital tsunami

Capgemini Consulting: When you started talking about this new culture, how did you engage with your teams? Was it about communication or was it more about governance? Did you appoint a digital czar?

It was all three! It's interesting that you use the word 'czar'. I took this job in part because of Christopher Bailey, now our Chief Creative Officer. We had worked together at Donna Karan many years ago. We knew and trusted each other. Six months after I arrived, we both took part in a global webcast where we told the teams that we were not about to write another novel, but an exciting new chapter - the most innovative in our history.

I introduced Christopher as the 'brand czar' and told the team that anything the consumer sees will go through his office. We said we would no longer do what was best for a person or what was best for a region. We would do what was best for the brand.

We talked about the 'digital tsunami' coming, and used this to drive home why and where we needed to focus, and how united and pure our global brand expression had to be. We explained how digital would dictate and drive many of the big decisions we needed to make. This depersonalized it and enabled us to make all the changes that were needed to enable Burberry to thrive in this new context. Digital has been a catalyst for everything in the company, and when we

“Today's reality is that a marketing department can't execute without a strong technology partner”

got everyone on board with this concept they were clamouring to become even more connected. So while the vision starts at the top, the groundswell is organic. Digital is all about change and we told our teams early on to “fall in love with change, because we're going to need to evolve every year”. We've created three new departments in the last two years: a social media department, a mobile department, an insight and analytics department. We recently brought in an SVP of Customer Insight. The company has not only embraced him, but hands go up from our people saying: “Great, can I go into that department?” I think that's different from most companies but a big part of the culture here - being fast, flexible, dynamic and open to change.

Governance also played a part and we put in place a dozen new governing councils. One of the most innovative was the creation of a strategic innovation council, chaired by Christopher. This council includes our youngest and most forward-thinking directors, and their remit is to dream. Through this council they are empowered and their dreams are heard. It is then the job of the council of more experienced, senior executives to put these dreams into action.

Capgemini Consulting: It is often assumed that if you have a lot of generation Y employees it is so much easier to switch to digital because you have this groundswell of change happening

from the bottom-up. Was this your experience?

We're a 156-year-old company but a very young team. The average age in our marketing department is probably 25. They all understand this new language and this new world. You look at their screens and they are on Burberry Chat, Facebook, Twitter, multiple screens. This next generation speaks a new language: digital. They live digitally. So as a company, if you want to attract and retain the best of this next wave of talent, you need to speak their language.

But to be honest, it's not as simple as age. It's about having a young, open mind and being curious. It's also about letting people develop their own way of working. We're an Apple-based company, but some of our executives are more comfortable with their Blackberrys. That's fine. But we also have executives in their 60s who are often more digitally savvy than some of the young directors who work for them.

Technology drives the bus

Capgemini Consulting: The three barriers we found in our research were skills, culture and IT. You seem to have successfully dealt with the first two. What about IT?

I didn't work as closely with our CIO initially as he was driving our infrastructure building and he reported to our CFO. He was busy travelling around the world implementing SAP and evolving our service and support functions. So when we promoted him about a year ago to the new position of CTO and he began reporting to me, it was a new experience for both of us.

After our first, slightly tense, meeting, I told him I needed him to move from the back of the bus, where IT traditionally sits, to the front of the bus. I wasn't sure he realized how serious I was, so I texted him afterwards saying: “Have you seen the movie Speed?” Because he's not just at the front of the bus, he's driving the bus – and it's travelling fast.

Today's reality is that a marketing department can't execute without a strong technology partner. They couldn't make Tweetwalk happen without IT, or launch Body on Facebook without IT. If we're a digital marketing driven company, we need our CTO, in partnership with our Chief Creative Officer, to drive the bus. The message was quite blunt, but he and his team fully understood the opportunity and embraced it.

We have reorganized the IT team and created new roles. They now go to San Francisco with the marketing team a couple of times a year and work hand in hand with the Creative Media team. We are in the process of merging marketing, IT and creative media under one finance and operations executive with a team of project managers, in order to further accelerate our ability to seize these new opportunities. Finally, it's all starting to be connected!

Listen to the customers

Capgemini Consulting: You are used to controlling every element of the brand. Social customers, however, enjoy a degree of control themselves. Has opening up to a more connected customer led to any cultural conflict?

It hasn't up to now, but we are a very open and transparent company. We have more than 10 million fans on Facebook and Christopher talks to them every week. He shows them videos, takes them inside the design studio, counts down to the runway shows, and more. We are engaging with our customers and allowing them to come into our world. Of course, if someone is saying something negative we try to respond and resolve it. We have made a big investment in customer services teams and now, with the new Burberry.com website, you can click to call or click to chat with them, 365 days a year, 24/7 and in 14 languages. It will be 25 by the end of the year. And of course if you walk into a store you get the same great level of service.

Handbags and basic instinct

Capgemini Consulting: Tell us a little about how your leap of faith based on instincts actually works in practice.

Very early on we needed a couple of quick wins in order to gain the trust of the teams. One of the first things Christopher and I did was to put together a small collection of handbags for the 150th anniversary of the company. The Icon Collection was the opposite of what the teams wanted. They wanted the Burberry check and everything under £500. The Icon Collection was different: more innovative, younger, cooler, an impulse buy for the luxury customer. The first month's sales were stellar, all regions reordered and all of a sudden, everyone was asking: 'What's next, give me more'. We did this without any data, just on pure instinct.

We hire EQ and instinct over IQ every day. I don't know how else you drive innovation.

Capgemini Consulting: This is counterintuitive to what one reads on analytics and data. Is it specific to the fashion world, or to any company?

It's not specific to our industry, but to all innovative companies. Apple is what it is today in part because of Steve Jobs' intuition. My view is that you need both. And we have both. Once we have a vision of what we want, then we confuse ourselves with the facts. We also talk a lot about getting the balance right. We talk a lot about the concept of balancing the left brain analytical and right brain creative.

Take our annual employee Icon awards, a sort of internal Academy Awards. Everyone votes for stellar performance across multiple categories. But the most coveted prize is the one Christopher and I hand out. It's called the art and commerce award and is given to the two people who have best exemplified this balance in achieving something exceptional. Our business is not all about innovation and creativity. We are a FTSE company and so

achieving the perfect balance between creative and commercial is vital for us.

The mouse and the elephants

Capgemini Consulting: Looking forward, what are the biggest challenges Burberry faces?

It's less a challenge and more an opportunity. Consumer data will be the biggest differentiator in the next two to three years and not just in our sector. Whoever unlocks the reams of data that we're all collecting on consumers and then uses it strategically, will win. Soon when you get off a plane and it's pouring rain, you'll get a message saying: 'There's a Burberry store with new raincoats around the corner.' The technology is rapidly evolving to link it all together. And then you need the skills on top of the technology to optimise it fully.

Capgemini Consulting: Does growth scare you? If tomorrow or the day after Burberry doubled in size, would that be a problem in terms of culture?

We're not scared at all by growth; we are very excited by it. We were the underdog in the sector six years ago and no one was betting on us. We are still small but are now nudging into the top five. The mouse is now scaring the elephants a little bit.

The good news is that we have stayed true to our strategy throughout this time and we know precisely what we need to do to continue on this trajectory and where we need to invest across the business. In digital, we are ahead of most of our competitors because we have been on this journey for the last six years. We are beginning to blur the lines between physical stores and the digital experience. More people see the brand via digital than any other medium. In luxury, 60% of people shop online and pick it up in a store. So if the store doesn't look or feel the same as it does online, are you truly behaving like a great brand?





Angela Ahrendts

CEO, Burberry

Since her arrival as Chief Executive Officer of Burberry in 2006, Angela Ahrendts has been acclaimed for her highly successful turnaround strategy. In just a few years, together with Chief Creative Officer Christopher Bailey and their senior team, she has established the 156-year-old British company as probably the most truly digital luxury brand in the world. From in-store technology to social media, Burberry has been a forerunner in adopting digital technologies to connect its channels, creating a new, rich brand experience for consumers.

Angela Ahrendts explains why and how she introduced digital transformation into Britain's iconic luxury brand.



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at www.capgemini.com.

Contacts Didier Bonnet, didier.bonnet@capgemini.com