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Burberry Stores in China Get Digital Makeover

BEIJING—Burberry Group PLC is outfitting its stores in China with the latest digital technology, including touchscreens for customers and iPads for staff, at the start of a global campaign to shake its stiff, older image and win over younger customers.



See what factors drive Chinese consumers' purchases from luxury companies.

China will be the first market to launch the digital retail model and other markets will follow suit, said Angela Ahrendts, the chief executive of the U.K. luxury fashion house.

Burberry plans to furnish its current 57 retail stores in mainland China—and the 43 stores in the pipeline—with touchscreens the size of full-length mirrors on which it can display special collections, fashion shows streamed from other countries and Burberry-produced entertainment,

Ms. Ahrendts said in an interview.

All staff will be equipped with Apple Inc.'s iPads to help consumers order sizes that may not be in stores, plus some of the 5,000 products in Burberry's collection that aren't stored in retail outlets.

"China is home to the majority of the world's most digitally powered consumers," Ms. Ahrendts said. "We want to connect with them in stores the same way we do elsewhere, giving consumers full access to buy what they want, however they want."

"We may not speak Chinese, but we have a common language—digital," she said.

Ms. Ahrendts said that China, now Burberry's fastest-growing market, is poised to become the company's biggest market within the next five years. Same-store sales in China grew 30% in the third quarter ending Dec. 31, propelling a 27% growth in global revenue for the quarter from a year earlier to £470 million (\$746.6 million).

Burberry, known for being a traditionally British company, is investing around \$40 million in emerging markets this year, some of that in digital upgrades, said Ms. Ahrendts. She declined to give figures for China.

Young Chinese shoppers are driving the growth of the global luxury industry. An estimated 73% of

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China's luxury buyers are under 45, compared with around 50% in the U.S, according to consulting firm McKinsey & Co. As many as 45% of China's high-end consumers are under 35, compared with 28% in Western Europe.

Younger consumers are also the force behind the growth of e-commerce in China, where sales of goods online jumped 95% to \$82 billion in 2010, according to Shanghai-based company Data Driven Marketing Asia Market Research & Consulting.

China is home to the world's fastest-growing online shopping industry and many luxury retailers are taking note, setting up websites where Chinese can splurge on handbags and other high-end products. Burberry launched in its own online shopping site for Chinese consumers in March, offering studded trench coats for 44,000 yuan (\$6,700), and 35,000 yuan leather biker jackets. Customers can also get 24-hour customer service with an online chat system in Chinese.

Bridging the online and offline worlds is becoming increasingly important for retailers, according to Sam Mulligan, founder and director of Data Driven Marketing Asia. "When Chinese consumers shop for high end and luxury branded products they often believe they have greater choice, are getting better deals, better service and the authentic product online as opposed to offline," Mr. Mulligan said.

Yet retail outlets still leave the greatest impression on Chinese consumers, who are more likely to buy products after seeing them in stores, according to McKinsey & Co. McKinsey asked 1,500 Chinese consumers what was the most important factor driving their luxury purchases: 44% said it was contact with the products in stores, while 21% cited the Web.



Associated Press

Chinese actress Fan Bingbing, right, and Burberry's chief creative director, Christopher Bailey, attend a corporate event in Beijing on Wednesday.

To drive attention to the brand online, Burberry is streaming its first-ever China-based runway event Wednesday on its global websites and on its Chinese-language website that launched in February.

Burberry also has set up accounts on Chinese social-networking sites Kaixin001.com and Douban.com, and on Internet television site Youku.com Inc. It is tapping two Chinese celebrities to send out comments through its account on Sina Weibo, a Twitter-like microblogging service, where it has more than 90,000 fans.

Many of China's shoppers rely solely on blogs and other forms of social media for information on brands, said Colleen Cheng, Senior Vice President and National Business Director, Ogilvy Public

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Relations Worldwide China. "Engaging in these channels through influencer engagement and conversation management, therefore, is critical for any brand that hopes to make an impact in this market," Ms. Cheng said.

For Burberry, winning Chinese consumers is critical. The company has hired about 50 Mandarin and Cantonese-speaking sales representatives to staff its stores in other areas of the world, where Chinese tourists often travel and buy luxury products, said Ms. Ahrendts.

China is set to become the world's largest market for luxury goods by 2020, when sales are expected to exceed \$100 billion, according to investment-research group CLSA Asia-Pacific Markets.

Burberry has spent the past few years revamping its global business strategy, moving from franchising and licensing to managing its own stores and sales. It bought 50 Chinese franchises for £65 million in a series of acquisitions that closed last September.