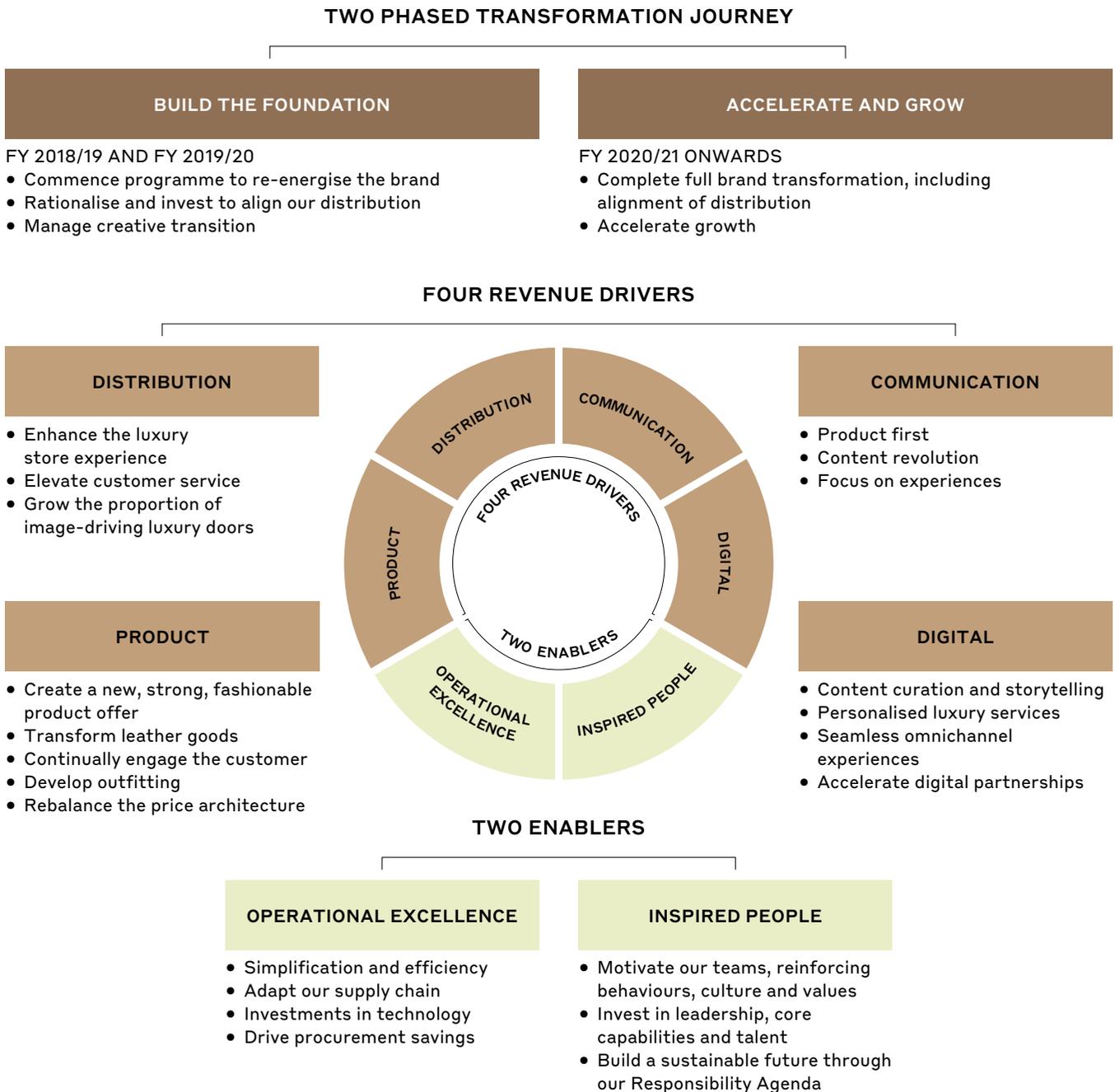


# STRATEGY

In November 2017, we set out our multi-year strategy to establish our position firmly in luxury fashion, inspiring luxury customers and delivering long-term sustainable value for our shareholders.



A full description of the underlying principles of each pillar and the progress we have made on each is found on pages 26 to 41.

## **OUR STRATEGY**

Over the past 163 years, we have built a global business with a distinctively British attitude, becoming one of the most valuable and iconic brands in the world. Since our Initial Public Offering in 2002, we have driven strong growth through a focus on digital leadership, expanding our luxury retail footprint, and developing strength across multiple product categories.

As set out on pages 18 to 20, the luxury sector continues to change rapidly. With this in mind, we are sharpening our brand positioning, changing our approach to products, communication and customer experience. Building on our strong existing brand assets, our vision is to establish Burberry firmly in luxury fashion. By doing so, we will operate in the most rewarding, enduring segment of the market, and deliver sustainable long-term value for all our stakeholders. Our actions are underpinned by a continued focus on productivity, simplification and financial discipline. We will continue to engage and motivate our teams and reinforce our culture and values.

## **RATIONALE**

Our move to luxury fashion is in response to two key market changes:

**Fashion:** today's luxury consumers are more demanding with respect to personalisation, newness and fashion-forward products. They are moving away from traditional notions of luxury and elegance and are looking for casual, fun fashion, such as streetwear that fits with their lifestyles. They want innovative, exciting assortments, which can be used to express their opinions and points of view.

**Luxury:** the increasingly blurred line between luxury and casual has meant customers are more comfortable mixing luxury and mass market products, as they look to define an individual and unique sense of style. As a result, the market is polarising, with premium and mid-market retailers left behind while growth at the top and bottom ends of the market remains strong.

## **DEVELOPING OUR STRATEGY**

We developed our strategy over the course of 2017, led by our Chief Executive Officer and the Executive Committee. Over FY 2018/19, we closely monitored our strategic progress and provided regular updates to our Board, and to the wider business. Given the pace of change in the sector, being agile is a priority for us, and we continuously test and refine our implementation and tactical priorities.

Underpinning our strategy are six pillars: four revenue drivers to support our sales, and two enablers to ensure our organisation is optimised.

## **DELIVERING OUR STRATEGY**

We are implementing our strategic vision in two stages. Our initial two-year phase is focused on building a strong foundation: re-energising our brand, rationalising our distribution and managing through the creative transition. In the second phase, we expect growth to accelerate in a sustainable and enduring manner, underpinning strong financial performance.

In FY 2018/19, we embarked on the first stage of our transformation. We invested in building brand heat through global campaigns, exciting collaborations and brand activations. Major brand moments included the launch of our new logo and a refreshed Thomas Burberry monogram inspired by our heritage. This was extremely well received and drove engagement from industry insiders, influencers, press and wholesale partners.

Significant progress was also made on our distribution evolution. In the second half of the year, we stepped up our closure programme of non-luxury doors in the US, while in retail, the new creative aesthetic was brought to life in 14 of our stores. We focused on the Operational Excellence and Inspired People pillars of our strategy to support the transformation, delivering £105 million of cumulative cost savings, which was ahead of plan.

FY 2018/19 was also a year of transition for our products. The first deliveries of Riccardo Tisci's products reached stores in February 2019. As the proportion of products designed by him continues to grow over FY 2019/20, we will focus on supporting his vision for the brand. We will do this through our marketing and digital activities, while also continuing to transform our store network and providing extensive training and support for our retail colleagues.

The groundwork undertaken in FY 2018/19 allows us to move at pace to complete this phase of the brand's transformation.

#### OUTLOOK

We are at the halfway point in the first phase of our strategy's implementation, which offers us not only a vantage point on how effective our foundation-building efforts have been so far but also on the work that remains to be done in the year ahead. With reignited brand heat and a newly energised product offering and retail network, the groundwork undertaken in FY 2018/19 allows us to move at pace to complete this phase of the brand's transformation.

With Riccardo Tisci's first collections existing and potential customers were given an insight into what they can expect from the brand going forward. As we continue to grow the proportion of new products in the year ahead, we will further underscore our positioning in the luxury fashion arena. Meanwhile, the introduction in September 2018 of B Series will continue to support Burberry's luxury fashion-forward positioning and create opportunities to build on excitement around the brand on an ongoing basis. We will continue to integrate the refreshed Thomas Burberry monogram into the brand's visual lexicon and with it convey Burberry's new spirit and personality. The creation in 2018 of Burberry Manifattura, our leather goods centre of excellence, gives us the infrastructure required to support our plan to gain greater prominence in the leather goods category.

From a distribution perspective, we will continue to build upon the significant progress made in transforming our network in FY 2018/19 so that our customers' in-store experience aligns with our overall brand vision.

In the second phase of our transformation, which will begin in FY 2020/21, we will accelerate growth by building on our new brand positioning and new creative vision, and by completing the evolution of our distribution network. This, alongside our improved operating model, simplified processes and inspired organisation, will support sustainable increases in our operating margin and revenues, while driving positive social impact. An in-depth look at our progress so far can be found on pages 26 to 41.