



Burberry is carrying out a comprehensive review of its business after disappointing results for the last financial year. CREDIT: BURBERRY

Changing of the guard at Burberry

Burberry has completed a significant reshuffle of its management team. The changes, which include the naming of Marco Gobbetti as its new CEO, are the result of an ongoing "strategic review" of the business conducted in response to disappointing financial results.

Changes are afoot at UK luxury goods brand Burberry. Having already announced a series of adjustments in its commercial strategy to combat unsatisfactory financial performance, the company has now made a series of high-level management changes, including replacing CEO Christopher Bailey after only two years in the job. Mr Bailey will continue as chief creative officer, a role that he has combined with his position as CEO since May 2014. He will also hold the newly-created title of company president and oversee all elements of branding and design.

Burberry revealed in June that Mr Bailey had taken a 75% pay cut in the 2015-2016 financial year as a result of disappointing revenue and profit results. He received no bonuses during the period, in line with the company's "incentive structures based on performance".

His replacement is Marco Gobbetti, currently chairman and CEO of French luxury brand Céline. He has considerable pedigree within the luxury goods industry having also spent time at the head of Givenchy. With a slowdown in demand causing a degree of concern and uncertainty in the industry, Burberry has chosen to appoint a steady, experienced hand to guide it through this challenging period.

Unlike his predecessor, Mr Gobbetti will be able to focus all of

his attention on running the commercial aspects of the Burberry brand. The removal of Mr Bailey's joint responsibility for design and commercial success will see the company return to a more conventional management structure, with both men reporting directly to Burberry chairman Sir John Peace.

"I just felt that we need some real retail expertise in the company," says Mr Bailey, who oversaw the search for his replacement. "Marco brings incredible experience and skills in luxury and retail that will be invaluable to us."

The announcement of a new CEO was the third change that Burberry had made to its senior management team in just over a month. It had already been revealed that John Smith, chief operating officer, would leave the company within a year "to pursue new interests". The replacement for Mr Smith, who has been at the company for more than seven years, has not yet been disclosed. Carol Fairweather will be relinquishing her role as chief operating and financial officer in early 2017. The position, which Ms Fairweather has occupied for ten years, will be filled by Julie Brown, chief financial officer of global medical technology business Smith Nephew. Burberry said that the change is part of a "business review that is targeting future growth opportunities in retail, product and digital" by changing the way the company works.



Outgoing Burberry CEO Christopher Bailey will now switch his focus to the role of chief creative officer, where he will oversee all aspects of the design process.

CREDIT: BURBERRY



Marco Gobbetti will assume the role of Burberry CEO in 2017. His experience in the luxury goods industry was key to his appointment.

CREDIT: LVMH

Shift in strategy

The review was initiated after Burberry's results for the 2015-16 financial year showed drops of 1% and 8.3% respectively in the company's revenue and profit before tax. Like-for-like sales continued to suffer in the first quarter of 2016. Although beating analyst estimates for the period, they still dipped 3%. Retail revenue for what Burberry described as a "challenging" period was £423 million.

"We continue to focus on managing our business with agility whilst implementing the ambitious evolution of our strategies and ways of working we outlined in May, to position Burberry for long-term growth," said Mr Bailey on the day the results for Q1 were released.

These strategies include growing revenue by focusing on "key products", streamlining its operations to increase productivity and growing its online business. Burberry also wants to "reduce the complexity" of its business and simplify processes. The luxury brand hopes that these measures can generate savings of at least £100 million per year by 2019.

Part of the streamlining process is already underway. The company has moved to unify its Prorsum, London and Brit lines under the single brand, to be known simply as 'Burberry'. This change will be in place by the end of 2016.

Burberry is also attempting to more closely align its runway and retail cycles. In February, it announced plans to combine its men's and women's shows at two annual runway events. The collections will also be "seasonless", with a shift to branding them 'February' and 'September' rather than spring-summer and autumn-winter. The items displayed on the runway will be available for customers immediately after the show (the company hopes within just a few hours). This will allow Burberry to capitalise on the "see now, buy now" attitude of the modern consumer market.

Mr Bailey said that these changes "will make it simpler and

more intuitive for our customer", admitting that "it is a huge change" to the way that the company has traditionally operated.

When Marco Gobbetti takes over as Burberry CEO in 2017, he is likely to work closely with the man he is replacing. Christopher Bailey remains confident that his successor will continue to drive forward with the strategies devised during his time at the helm. In his eyes, Burberry has "a huge, huge potential still ahead" of it. ☺

NEW KID ON THE BLOCK

Marco Gobbetti has extensive experience in the luxury goods industry. From his time in the 1980s as sales director in the US for Bottega Veneta, through periods as CEO of luxury Italian fashion houses Givenchy and Moschino, he has knowledge that will serve him well as he tackles what is shaping up to be his greatest challenge to date.

Current Burberry CEO Christopher Bailey paid tribute to Mr Gobbetti's "incredible experience", which he says will be "invaluable" to the company. Chairman Sir John Peace praised his "outstanding track record of delivering growth in the luxury industry" and said his "vision for the sector and how it will evolve is extremely impressive".

He has been chairman and CEO at Céline since 2008. The Paris-based brand, founded in 1945, was integrated into the LVMH group in 1996. This helped the brand gain in popularity, especially after the opening of a boutique selling its collections on Avenue Montaigne, a popular location for luxury high-end brands in the French capital. It has since grown impressively and now operates approximately 130 stores globally.