

Whether the Group's Margin Impact Will Vary Based on Volume

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Abstract. In the general environment of the epidemic, various industries and markets have been affected to varying degrees. This article will compare some of the measures taken by the luxury industry during the epidemic, as well as the changes in the economy, to determine whether the impact on the group suffered from the market impact differently depending on the size of the group. The study focuses on LVMH and Burberry's operations, supply chain, and market results during the epidemic as the main objectives of the study. The study found that although the operating plans and development goals of the two luxury groups deviated significantly, the earnings rate fluctuations tended to be the same after the market impact, which proved that the fluctuation of interest rates due to the market impact was consistent and not related to the size of the group.

Keywords: Luxury; Supply chain; Financial statements; Marketing.

1. Introduction

1.1 Background

Since the beginning of 2020, the global economic market turmoil caused by covid-19 has affected almost all industries. Almost all industries, except for the pharmaceutical sector, have experienced a significant decline in revenues. The luxury goods industry, as a profitable industry, has been greatly affected. However, there is a huge difference in the revenue of different group volumes, and it is difficult to conclude whether the impact is consistent for each group. So, studying the change in earnings is an important investigation to help investors determine the risk of the industry.

1.2 Related research

Brun, and Moretto's research that within the region of supply chain administration, a few creators have focused that in recent a long time, competition now not exists among companies, but it does exist among supply chains. The request administration prepare presents a few basic issues related to the current administration of the downstream SC by the brand proprietor. The contract received by the BO impacts, and in some cases drives, the basic issues, deciding sub-optimal behaviors. This marvel is very visit for design products, as well as blossoms or daily papers. Similar examples illustrate the lessening of benefits gotten within the SC, due to the off-base coordination at the downstream level. The reason of this paper is to recognize the role of contract plan in overcoming basic request administration (DM) issues within extravagance adornments industry. The objectives are the distinguishing proof of the most basic issues of the DM handle and the examination of the commitment of contract re-design to unravel them [1]. The reason of Brun's paper is to distinguish the part of contract plan in overcoming basic request administration issues within the extravagance adornments industry. The objectives are the distinguishing proof of the most basic issues of the DM prepare and the examination of the commitment of contract re-design to fathom them. In specific, the basic issues of the DM handle decided by insufficient contract plan are recognized, hence highlighting their impact on the basic victory components of extravagance companies. In addition to the characteristics the contract ought to have to be overcome the basic issues have been proposed [2]. Castelli analyzes the speed of development of the luxury industry at the beginning of the 21st century and makes bold predictions about its future direction. Also, different value directions are predicted for different supply chain strategies [3].

LuzziniStefano, and Ronchi addresses the supply chain model of luxury goods compared to traditional goods. The traditional supply chain model is developed for non-luxury companies, who

cannot be self-sufficient. And in the super business field of luxury goods, it is almost impossible to find the traditional supply chain model. High-end goods mean targeting special people, so we investigate the purchasing pattern of four luxury companies and the sales volume to deeply analyze the role of supply chain in the whole business model [4]. In Dehm's research, according to production of culture theory, small organizations are more likely to produce innovative cultural products than large organizations; large organizations constitute oligopoly- lies that control their markets and remain innovative by coopting smaller organizations, along with their creative talent [5]. Hennigs's paper shows that in order to meet the idea of democratization of luxury, society has been adding different demands to the luxury industry. But these demands only make luxury goods more popular and will not affect its uniqueness. Analyzing the luxury industry from design, operation and sales levels, it can be analyzed that there is a significant relationship between individual luxury value perception and luxury consumption in terms of purchase intention, recommendation behavior and willingness to pay high price [6].

Cims focuses on Chinese Luxury Market. Even during the recent economic crisis, China remains the fastest growing market for luxury brands. By 2015, China will be the largest luxury market in the world. Luxury fashion brands need to communicate regularly with luxury consumers, who are actually very good learners. The three previously analyzed brands Salvatore Ferragamo, Dunhill and Louis Vuitton are very good examples of brands that entered China more than a decade ago and are still investing heavily in building their corporate heritage [7]. Narteh reports the impact of relationship marketing on customer. Study also provides hotel managers with practical ways of implementing relationship-marketing strategies for achieving customer. Relationship marketing has generated high interest among academics and focuses on single transactions with customers and enhanced a firm's competitive advantage in terms of being able to offer customer value but also, simultaneously augments the firm's market opportunity [8].

The Swatch Group has a special position in the luxury watch industry. Pierre-Yves Donzé provides a comprehensive analysis of the Swatch Group's business strategy and its strategy in the world market. And discovered how the Asian division addresses issues other than production structure and the marketing strategies implemented in the local environment [9]. The family business phenomenon is considered a dominant source of growth, development and social and economic stability in the luxury industry, which represents the most prevalent business model in the world. Considering these considerations, the purpose of Vezzetti's paper is to provide a methodology that can identify how and where the Collaborative Product Development/Identification and Management solution can drive company improvements [10].

1.3 Objective

The Research focuses on the product marketing strategies of two of the world's leading luxury goods groups, LVMH and Burberry, and analyses the difference in revenue due to the differences in their respective merchandise supply chains. The research focuses on listed market stocks to understand the profitability of the luxury industry on several levels.

2. Industry Representatives

2.1 Company Overview

This research compares the LVMH Group and the Burberry Group. First of all, LVMH is a group that embraces all types of luxury goods, with 70 exceptional brands in 6 different sectors. Each brand is dedicated to the production of high-quality products with a high level of expertise. Familiar to the public are Louis Vuitton, Dior, Bulgari, and Tiffany & Co, to name a few of the top brands. Louis Vuitton is the oldest aristocrat in the luxury industry, but it often creates new fashion, such as the LV Trainer series, which uses transparent canvas design to add new vitality to this century-old aristocrat. For example, the LV Trainer collection, with its transparent canvas design, has added a new vitality to this century-old aristocracy and is loved by young consumers.

The Burberry Group was founded in 1895, and its brand focuses on making traditional British-style clothing, such as the highly identifiable plaid shirts, scarves, Burberry is based on the classic plaid pattern and unique fabric craftsmanship in the luxury industry, loved by British gentlemen.

2.2 Comparison

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Burberry has repositioned its brand to be a digital luxury brand. Targeting post-80s and post-90s users, Burberry is enhancing its content on social media, building a multi-country brand matrix, portraying the brand's story, sharing information about product launches and fashion shows, and promoting British elements and the British elite line. Burberry has always focused on the classic image of the brand, which is unable to attract consumers who follow the fashion trend. According to the comparison of sales demographics, Burberry is gradually losing its young consumers, which means that the brand is losing its power.

3. Supply Chain

3.1 Supply Chain Model

Supply chain refers to the chain structure formed by the upstream and downstream enterprises involved in the production and distribution process to provide products or services to the end user, i.e., the whole chain from the merchant to the consumer. Supply chain management includes five basic elements: planning, purchasing, manufacturing, distribution, and return of goods.

For the luxury industry, the biggest problem in the supply chain is how to ensure that the products do not lag and accumulate inventory, and at the same time how to ensure that they reach the customers safely.

Both LVMH and Burberry have adopted the operation mode of MTO and ETO (MTO is a process where the product is manufactured once the order is confirmed; ETO is a highly customized production process that meets all of the customer's custom needs) combination, which largely avoids the risk of pressure warehouse. As large luxury groups, LVMH and Burberry have their own independent supply channels and production teams. Such a supply chain approach ensures further cost reduction while guaranteeing the quality of the products.

3.2 Comparison

The fact that LVMH has luxury brands across multiple sectors means that LVMH has a huge supply chain network. And the brands under LVMH have adopted an independent operation model, which means they all have independent supply chains, thus ensuring their own development and not being influenced by other sub-brands. For high-end luxury goods, their customer groups are almost connected, for example, if some customers choose Bulgari's jewelry as accessories, then this consumer group will still choose luxury brand clothing to a large extent. Therefore, based on LVMH's coverage, it almost locks in this group of customers, and whatever their needs are, they can almost always be met. LVMH, with its own independent supply chain, can even customize different matching solutions for different customers, because the information of this group of customers is recorded within the whole group. The customized solutions are more likely to win the customers' favor.

In contrast, Burberry's few brands involved, even if they have their own manufacturers and supply chains, are far from being able to compare with LVMH's brand power. The most important reason is that its supply chain is more for the main brand Burberry, which means that when a customer buys a dress and wants to add accessories, but does not like the Burberry style, he needs to choose another brand, Burberry Group's other brands because of the lack of group resources, and the taste does not

meet the needs of customers, and thus miss the deal. This is the difference between the Burberry and LVMH supply chains, one centralizes the allocation of resources; the other manages the resources separately and is free to deploy them to ensure the development of the brand.

4. Financial Reports

4.1 Financial Reports Analysis

For the year ending 2021, LVMH reported total revenues of \$62.415 billion and gross profit of \$43.860 billion. Compared to 2020, LVMH's gross profit will increase by approximately 52%. The sales feedback from the market gives the reason for this huge percentage increase. Due to the impact of the covid-19 globalization epidemic in early 2020, LVMH operating profit was only 7.972 billion, which is far from enough for the operating profit of such a large luxury group. According to the financial reports of LVMH for 2021 and 2019, the operating profit is 17.155 billion and 11.273 billion respectively. After another decline of about 30% in 2020, the revenue profit in 2021 becomes a straight line rise of about 2.15 times the profit in 20 years, which is good news for investors, and there is a strong rebound in the market due to the impact of the epidemic to return to normal.

According to Burberry's financial report, operating profit in 2020 also fell by about 30%, which can indicate that the entire luxury industry has been hit by roughly the same strength.

According to the financial reports of the two groups in 2021, the operating profit and gross profit will be further expanded by about 25% in 2022, thanks to the further policy of global control of the epidemic and the liberalization of control in various countries, giving the luxury industry a chance to recover. Of course, such an increase will not be maintained forever, when the world eliminates the serious impact of Covid-19, the market economy will recover and stabilize, then there will be no more spurt of operating profit and gross profit increase.

Table 1. Financial results of LVMH and Burberry (Billion).

2020	LVMH	Burberry
total revenues	44.651	2.6331
gross profit	28.780	1.7738
operating profit	7.972	0.1887
2021	LVMH	Burberry
total revenues	64.215	2.3439
gross profit	43.860	1.6402
operating profit	17.155	0.543

4.2 Marketing Operations

The strategies of LVMH and Burberry are very different. LVMH expands its market share as well as enters new areas, while Burberry focuses on its own brand power and carries out a series of overhauls.

LVMH operations have always been based on the autonomy of its brands as a solution. In the face of the general market environment, LVMH not only overhauled its own brands, but also started a crazy journey of mergers and acquisitions. After spending an astronomical \$15.8 billion to acquire Tiffany, in April 2021, LVMH increased its stake in Italian luxury group Tod's to 10%; in July, it acquired 60% of New York designer trendy brand Off-White. In addition to increasing its stake in some brands, it also rejected some marginalized brands. Examples include Pink Shirtmaker, a high-end British menswear retailer, and Fenty, a fashion brand launched in collaboration with American singer Rihanna. The new additions will open up more markets for LVMH's vast luxury empire. Even if the market is affected by Covid-19, as long as there are consumers who want to buy luxury products, then LVMH's products will be considered.

Burberry has improved the quality of its business over the past five years in four key directions: an increase in retail share to 80% of total sales; an increase in the number of new products to 48% of total product; and the continued renewal and streamlining of retail commercial properties.

For these points, it is important to point out that the global wholesale business point of sale is streamlined and upgraded to the level of luxury brand shopping environment.

Burberry has launched a new store concept to further enhance the customer experience. To date, 47 of the brand's stores now feature the new design, with store facades covered in the iconic birch brown Burberry check. The new store concept has disrupted the customer experience of the brand and its products, driving revenue growth, and in fiscal 2023 Burberry plans to expand the new design to 65 stores, or a quarter of the brand's directly owned stores.

In response to the key area of digital business, Burberry has strengthened its online and offline channel integration and expanded its after-sales service offering, with customers able to access the highest quality after-sales service via its official website.

This change has helped tremendously in terms of sales during the Covid-19 period. Firstly, the iconic décor will be more attractive to consumers, increasing the brand's attention and appeal. No one wants to spend a lot of money on clothes in a mediocre store. Secondly, the after-sales service covers more online channels, which means that consumers are more comfortable with buying Burberry online and are more likely to decide to buy.

5. Conclusion

This paper examines the product audience demographics, the different supply chain solutions, and the operational solutions and marketing strategies of two premium luxury groups, LVMH and Burberry, during the outbreak. Through the analysis of the financial reports of the two groups, it is found that the market economy is affected by the same proportion regardless of the volume, and there is no question of the large group having a small decline in profitability while the small group has a large decline in profitability. Through this study, it can be understood that the economic changes in the market have a fixed rate of impact on a certain industry, rather than changing arbitrarily with the size of the market share.

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