The Impact of Digital Transformation on the Fashion Industry in the Post-Pandemic Era

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Abstract. The Covid-19 pandemic has brought significant challenges to the global luxury market since 2020. The economic downturn, declining customer incomes, lockdowns in public places, and a sharp reduction in international travel have all reduced customer demand for luxury goods. On the other hand, with brands' digital sales soaring during the pandemic and a younger customer base, more luxury brands are doubling down on online channels to compensate for physical store closures or limited sales due to safety regulations and lockdowns. In this context, this study uses Burberry Group plc as an example to analyze how a traditional fashion house can gain an advantage in the post-pandemic era through digital transformation strategies. The first is to analyze the brand's status quo through financial strategy analysis to understand the epidemic's impact on luxury brands. The second is to show Burberry's strengths and weaknesses through SWOT ANALYSIS. Third, analyze Burberry's digital transformation strategy. For research methodology, this study conducted a literature analysis of books and papers and kept the case studies' Timeliness through websites, social media, and news articles. The results show that Burberry avoided the epidemic's impact through online channels and broke geographical restrictions, further influencing consumers through digital platforms and deepening consumers' impressions. Burberry's case shows that digital transformation can flexibly respond to the disruption caused by the epidemic and minimize losses, thereby helping to build its advantage. As a result, the report contends that digital transformation will be a crucial component of fashion firms' future business plans.

Keywords: Burberry; digital transformation; fashion communication; Pandemic; COVID-19.

1. Introduction

1.1 Research background and purpose

The Covid-19 pandemic has brought significant challenges to the global luxury market since 2020. The epidemic's outbreak has dramatically changed consumer behavior and preferences. Reduced social needs, economic downturn, declining customer incomes, lockdowns in public places, and a sharp reduction in international travel have all reduced customer demand for luxury goods. The sales of companies such as LVMH and Kering Group have experienced a significant decline: The lockdown of public spaces and the consequent closure of stores will significantly reduce contact with potential customers. On the other hand, brands' digital sales have skyrocketed during the pandemic, with the majority of luxury brands focusing more on online channels to make up for physical store closures or restricted shopping opportunities as a result of safety rules and lockdowns. In addition, with the younger generation of luxury customers, Millennials and the Z Generation have become the leading consumer groups of the brand, so the brand's digital platform has become a meaningful way to reach potential customers. In this context, this study uses Burberry Group plc as an example to analyze how a traditional fashion house can gain an advantage in the post-pandemic era through digital transformation strategies. Therefore, to further improve the company's competitiveness, it is essential to analyze the transformation strategy of the clothing industry in the post-epidemic era.

1.2 Research content and methods

In this context, this study uses Burberry Group plc as an example to analyze how a traditional fashion house can gain an advantage in the post-pandemic era through digital transformation strategies. Therefore, the content of the research is to analyze the brand's current situation first and the impact of the pandemic on luxury brands through the analysis of financial strategy, cash flow, and accounting performance. The second is to show Burberry's strengths, weaknesses, opportunities, and threats through SWOT ANALYSIS. Third, analyze Burberry's digital transformation strategy through the above research and make recommendations. And through three angles: operational, product, and customer intimacy, to classify the brand's digital strategy.

Regarding methodology, case studies using websites, social media, and news stories were undertaken concurrently with literature research using books and precedent studies. The research scope was set from 2019 to 2022, when the Covid-19 pandemic officially started, based on data from websites, social media, online news, and company financial reports, to analyze the impact of Burberry's digital transformation in the post-epidemic era.

2. Basic Descriptions of Burberry

With the combination of the fourth industrial revolution and the Covid-19 pandemic, numerous traditional industries have had to accelerate their digital transformation process. The fashion industry is one of them. As emerging technologies emerge, Traditional enterprises will accelerate the digitization process to help them acquire procedures, goods, services, connections with customers, and innovations that lead the market. Create new opportunities by integrating new technologies into their nucleus business areas and thus secure its competitive advantage. In this context, this study uses the case of Burberry Group plc to analyze how traditional fashion companies will gain advantages through digital transformation strategies. In an effort to take advantage of the digital transformation of the luxury goods sector and establish itself as a digital pioneer in this industry, Burberry has revised its business plan.

Burberry Group plc (Burberry or 'the company') was established in 1856 by Thomas Burberry. As a holding business, it Manufactures, designs, and markets upscale apparel and accessories under the Burberry label. The company's product line includes women's, men's, and children's clothing and accessories, beauty, perfume, glasses, and watches. The company operates through retail and wholesale and licensing. The business is active throughout the majority of the world's geographic areas, including but not limited to the Americas, Asia Pacific, Europe, Middle East, India, and Africa (EMEIA). Asia Pacific reported revenue of GBP 1,203.2 million in FY2021, which represented 52.2% of the company's total revenue. The EMEIA region came in second with GBP 628 million (27.2%), followed by the Americas with GBP 474.7 million (20.6%) [1].

Overall, Burberry develops a competitive edge through three digital disciplines--operational excellence, product leadership, and customer intimacy (defined initially by Michael Treacy and Fred Wiersema in their bestselling business classic The Discipline of Market Leaders.) Using cloud computing and extensive data analysis, brands will be able to locate potential target customers effectively. Help the company's supply chain management through cutting-edge technologies such as artificial intelligence (AI) and the Internet of Things (IoT). Burberry further expands its influence and strengthens its connection with target customers through digital platforms such as the Internet, application, and social media platforms.

3. Impact of the pandemic

3.1 Burberry in the pandemic

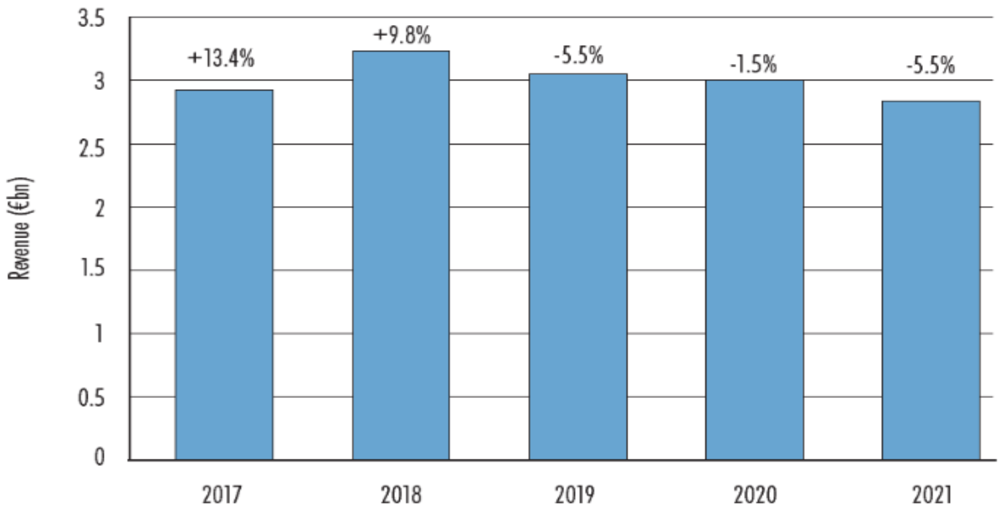

Figure 1. Burberry Revenue 2017-2021(in millions Euros)
Source: Burberry.com / Form: Paul Skeldon

COVID-19 poses considerable challenges to the global luxury market. Force brands to reshape their business models and accelerate digital transformation. The primary market for luxury goods shrank for the first time since 2009, down 23% at current exchange rates to GBP 192 billion [2]. The entire luxury market—both luxury goods and services—shrank at a similar rate. As shown in Fig. 1, Burberry is no exception. The pandemic has certainly shaken some fundamental aspects of the luxury industry - some of which may be permanent. The lifestyles, shopping methods, and values of consumers worldwide have undergone profound changes, and this change is likely to remain in the post-epidemic era.

3.2 Impact of the pandemic on the luxury market

3.2.1 Winner Takes All

Most consumers tend to choose more well-known luxury brands, according to research from Kearney (Fig. 2), only the older generation in China intends to buy more niche brands in the next year [3]. The pandemic will likely force these small luxury brands and apparel houses out of business. At the same time, the damage could extend to Emerging brands that has not yet fully transitioned to a vertically integrated distribution model and need wholesale channels to reach new customers and develop their complete collections. Of course, this is an opportunity for significant, well-known luxury brands to achieve sustained sales growth. Fame is everything for the young men set to dominate the luxury consumer market. Therefore, brands should actively use social media and network technology to strengthen brand awareness among millennials and Gen Z, who are accustomed to digital technology and culture.

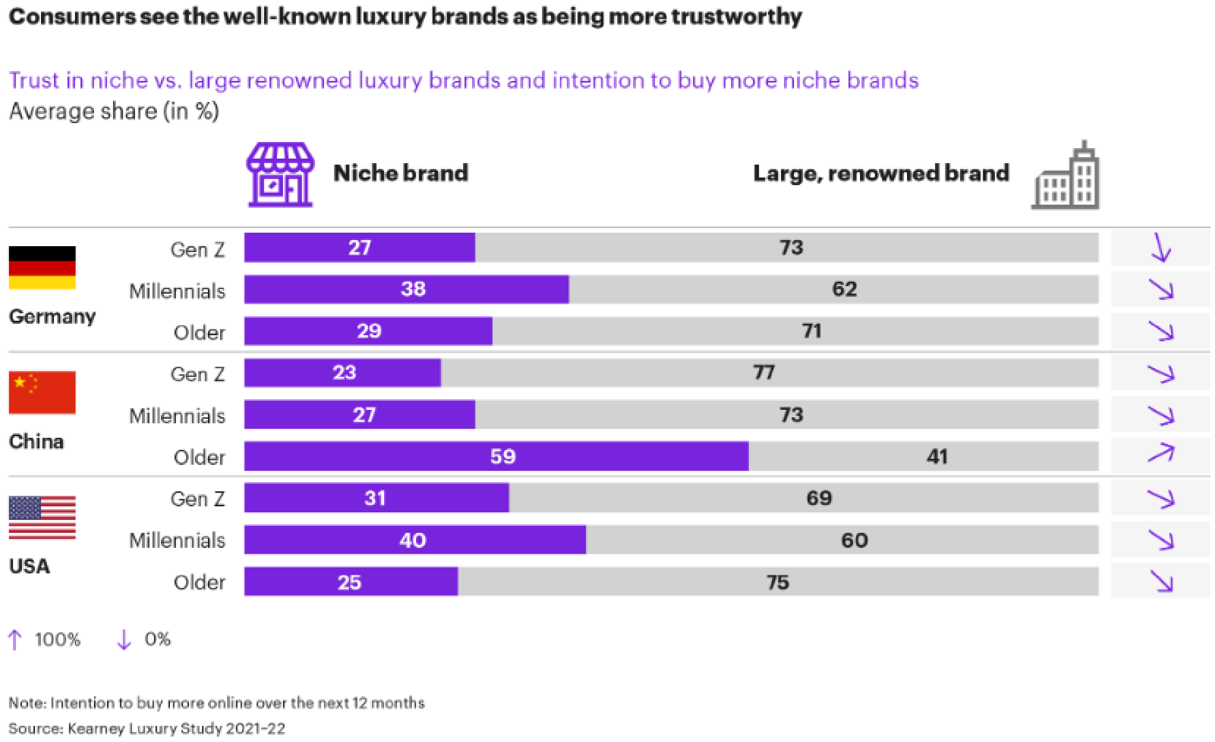

Figure 2. Conseumers see the well-Known luxury brands[4].

3.2.2 International travel restrictions

International travel is particularly significant to the luxury industry, with 20% to 30% of industry revenues coming from consumers purchasing luxury items outside their home countries [4]. For most travelers, Luxury shopping is a core part of the travel experience. For 62% of luxury travelers, shopping is definitely part of the experience. In partnership with Alta gamma, BCG surveyed 12,000 people worldwide in 10 different countries. In the latest survey conducted in April, 38 percent of participants said they travel for luxury experiences, 35 percent for luxury purchases, and 27 percent for a combination of both [5]. With recent travel restrictions, this important luxury spending driver has stopped. Brands must develop specialized local experiences, bolster their digital and online sales channels, and connect customers more deeply to revive people in their home nations. Also, E-commerce is essential for generating ongoing revenue, communicating with customers, and building a sense of community around the company.

3.2.3 Accelerated growth of online channels

Online sales in the luxury market grew from GBP 29.2 billion in 2019 to GBP 43.3 billion in 2020. The share of online purchases nearly doubled, from 12% in 2019 to 23% in 2020. By 2025, online will be the main channel for luxury purchases, driving omnichannel transformation. Therefore, brands need to focus on digitalization as a sales channel and think about how to use digital technology to create an immersive shopping experience for customers.

3.3 Burberry affected by the pandemic

Comparable store sales growth by region

	FY23 vs LY		
	Q1	Q2	H1
Group	+1%	+11%	+5%
Asia Pacific	-16%	+11%	-4%
EMEIA	+47%	+25%	+34%
Americas	-4%	-3%	-3%

Figure 3. Comparable store sales growth by region
Source: Burberry 2021/22 Annual Report (Burberry.com)

The Covid-19 pandemic has hit Burberry at a critical time in its luxury transformation plan. This Fig.3 displays regional growth in comparable store sales. Similar store sales in Asia Pacific H1 FY23 fell by 4%, with COVID-19-related lockdowns in Mainland China in Q1 FY23 impacting the outcome.

Other than that, comparable store sales in mainland China decreased by 19% in the first half of FY23, after declining by 35% in Q1 FY23 and remaining essentially constant in Q2 FY23 despite isolated COVID-19-related lockdowns in September. Like other luxury brands hit by the pandemic, Burberry's revenue and profits have plummeted. The national lockdown and subsequent store closures have drastically reduced the likelihood of contact with potential customers.

The corporation benefits from an enhanced liquidity position to fulfill its immediate obligations. The company's current ratio increased from 2.3 in FY2020 to 2.8 in FY2021. The company's current assets increased by 17.4%, from GBP1,688.6 million to GBP1,982.2 million, as a result of an increase in accounts receivable from GBP 117.8 million in FY2020 to GBP 155.7 million in FY2021. This suggests that the business is in better financial shape and will be able to pay off its current creditors quickly.

For the fiscal year that ended in April 2022 (FY2022), the company recorded revenues of (British Pounds) GBP2,826 million, a growth of 20.6% from FY2021. Operating margin for the company decreased from 22.2% in FY2021 to 19.2% in FY2022. In FY2022, the company recorded a net margin of 14%, down from FY2021's 16% [7].

4. Swot Analysis

Burberry Group plc (Burberry or the "Company") designs, manufactures and sells luxury goods. A Diversified operation model, a technology-led sales channel, and a digital transformation that was fully completed before the pandemic are the company's key strengths, while declining revenue remains a concern. The global apparel retail market, cross-sector linkages with Internet companies, and the reopening of mainland China after the epidemic may provide growth opportunities for the company. This chapter uses SWOT to analyze and evaluate the company's strengths, weaknesses, opportunities, and threats.

4.1 Strengths

4.1.1 Diversified operation model

Due to Burberry's global geographic reach, diversification can help the company gain a global perspective and make it more likely that the company will earn additional revenue, thereby improving profit margins. As of the end of March 2021, the company had 209 stores in the Asia Pacific region, followed by 120 stores in the EMEIA region and 86 stores in the Americas region. Of its 44 franchised stores, 37 are located in the EMEIA region and 7 in the Asia Pacific region. The company sells its products through retail, wholesale, licensed distribution, and e-commerce channels. The established wholesale network covers various areas of the global market, helping to maintain a stable supply in the worldwide market through the Internet of Things. Burberry's commercial diversification affords them a better brand, a more extensive consumer base, and growth in emerging areas.

4.1.2 Technology-led sales channel

Since 2006, Burberry has aimed to reinvent itself as a digital business. Its strategy is to use big data and artificial intelligence to locate target customers and improve customer satisfaction, and it has achieved fantastic success. The brand uses digital technology to support its online and offline sales. It opened 11 new stores in 2022 and has drawn up new store concepts for upcoming launches. Through artificial intelligence and Internet technology, Burberry brands will enhance online sales and invest in omnichannel experiences, including stores, while building brand engagement and proposing the concept of Social Retail: "blending the physical and social worlds in a digitally immersive retail experience" [6]. Brands have enabled personalized recommendations online and in-store, and enhanced customers' virtual shopping experiences, mitigating the impact of the pandemic-induced traffic slowdown.

4.1.3 Successful Digital Strategy

The company sales in 2020 were down just 1.5% from 2019, which is impressive given that the luxury market decreased by 50% over the same period [7], which is due to the fact that Burberry completed the company's digital transformation before the pandemic. The secret to Burberry's success has been fast adjusting to the new shopping methods required of customers during the lockdown and then changing course once more when stores reopened. In addition, Burberry reflects an avant-garde approach to connecting with younger audiences.

4.2 Weaknesses

4.2.1 Reduced revenue will impede brand expansion

A decline in income may hamper the business's ability to pursue growth and expansion plans in revenue. Payment for the company declined by 10.9% annually, from GBP2,633.1 million in FY2020 to GBP 2343.9 million in FY2021. This was related to a fall of 10.8% and 19.3% in sales for its Retail/Wholesale and Licensing sectors [8].

4.2.2 Insufficient product line.

Compared to other competitors in the field of luxury goods, Burberry's product line is too single, only including clothing, beauty products, and accessories. Companies are limited to luxury and fashion, while some have expanded their product lines into home decor, furniture, personal grooming, and other areas.

4.3 Opportunities

4.3.1 Collaborate with other brands

Its Summer 2020 campaign for its Summer Monogram collection is being promoted through several digital initiatives ranging from video games to artist collaborations. This successful strategy is being applied again in Fall 2022 In cooperation with Minecraft, helping brands increase their influence among millennials and Generation Z.

4.3.2 Global Luxury Market

The personal luxury goods industry will anticipate an increase of 22% to reach 309 billion GBP in 2022, outpacing the global luxury goods market with a projected 21% growth to reach 1.23 trillion GBP.The personal luxury goods industry is anticipated to expand even more by at least 3-8% next year, and by 2030, it is anticipated to reach a market value of 47-509 billion GBP, up 60% from 2022 More [8].

4.3.3 Generational trends

Gen Y and Gen Z will continue to drive growth this year, and until 2030, Gen Z and Gen Alpha expenditure is anticipated to climb by nearly three times higher than that of prior generations until they make up one-third of the market.

China relaxes its zero-COVID policy.

4.4 Threats

4.4.1 Competitors

Burberry's competitors include LVMH, Kering, Armani and Tommy Hilfiger, etc. Other rival brands pose dangers to the brand in terms of pricing and availability.(Fig. 4)

See Burberry Culture vs Competitors:

1st	LVMH	76 / 100
2nd	Gucci	73 / 100
3rd	Tommy Hilfiger	73 / 100
4th	Armani	66 / 100
5th	**Burberry**	**62 / 100**
6th	Billabong	62 / 100

Figure 4. Burberry vs Competitors
Source:comparably.com

4.4.2 Excessive reliance on the Asian market

According to Burberry's 2021 financial report, the Asia-Pacific region's annual revenue is 1,203.2 million pounds, accounting for 52.2% of the company's total turnover.Accordingly, any changes in the economic, regulatory or social, and political environment in the Asia region may adversely affect the Company.

4.4.3 Imitation and Counterfeit Products

Burberry is one of the most counterfeited brands in the world. This can seriously affect brand equity because fakes will cause consumers to confuse and dilute their trademarks. And Burberry will be irreparably damaged.

5. Burberry's digital strategy

The Covid-19 pandemic has hit the luxury market hard, and the situation will not improve soon. The economic downturn has affected the purchasing power of luxury consumers, while social distancing rules have dampened consumers' desire to spend. On the other hand, the pandemic has also boosted e-commerce: consumers have become accustomed to buying luxury items online during the quarantine, and this behavior will continue post-pandemic [9]. But Burberry cut the pandemic hit with a well-rounded digital strategy and made good progress on corporate strategy.

5.1 Operational

Burberry has 218 physical stores around the world. Many boutiques have suffered financial losses since 2020 due to Covid-19 restrictions[10]. In order to pursue digitalization and innovation, Burberry has changed its sales model. Today, the brand mainly has the following three marketing channels:

pop-up stores, social retail stores and online channels. Therefore, this chapter analyzes the specific implementation of digital transformation strategy from three aspects of operational, product, and customer intelligence to provide decision support for other brands.

5.1.1 Pop-up Stores

The building materials for the Pop-up store may be reused and creatively combined to create a store that is suitable for any location while supporting sustainability and environmental protection. It gives companies an opportunity to showcase new products without taking up actual retail space. Brands retail through pop-up stores to provide delightful short-term experiences or to reinforce brand messages through active customer engagement [11]. And through social media, further expand the scope of influence and build brand loyalty. At the same time, this channel is also time-sensitive, which creates a sense of the preciousness of rare things.

5.1.2 Social retail store

Burberry established "Burberry Space," the first social retail store in the luxury sector, in Shenzhen on July 31, 2020. Customers can access a wide variety of digital and immersive retail experiences thanks to this social retail boutique, which transforms its physical locations into a social platform. Burberry created a WeChat mini-app with Tencent's assistance that acts as a customer-exclusive online companion. They can share the applet's tailored experiences and exclusive material with their pals.

5.1.3 Online channels

The use of online platforms breaks the limitations of geography. Burberry has a presence in the world market on well-known social media sites like Instagram and Twitter, which help brands expand their influence and easy access for business. Burberry can expand its buying prospects outside the markets where it has a direct presence thanks to seamless integration. In addition to diluting Burberry's unique brand image and value and raising brand recognition and engagement worldwise, the integration of the online channel broadens accessibility via the Internet. For instance, Burberry has teamed with social media sites to enable followers worldwide to attend landmark opening events like the Dream of London in Shanghai.

5.2 Product

The core of Burberry's digitally transformed product strategy is the Burberry signature checkered motif. Since the early '20s, Burberry has been a staple of luxury and durability. But due to its constrained fashion options and dull patterns, it solidified its reputation as a middle-aged product. As a result, Burberry will restructure its design, changing its perception to become a brand appropriate for all generations. Burberry has transformed the brand's traditionally conservative image into a youthful one, targeting millennials as its main target customer group.

In 2011, Burberry launched a bespoke service, allowing customers to design and order their desired styles online. The service will enable shoppers to customize their items online, with more than 12 million available design variations. In addition, the brand provided 3D-wearing videos of its own designed products through virtual technology. This makes it easy for customers to own and use Burberry products anytime, anywhere, regardless of geography or background [12].

5.3 Customer intimacy

5.3.1 Digital platform

Burberry is investing more in new media platforms such as social media and mobile apps to increase the brand's visibility among young people accustomed to digital culture and technology. Burberry aggressively supports marketing via internet platforms in every nation and through international networks. In 2011, Burberry launched a website in 44 countries in 11 languages to enhance the shopping experience for consumers. Additionally, customers can buy things online through social media sites like Instergam, Tiktok & Wechat and pick them up at the store [13].

5.3.2 Connecting the online and offline worlds

Digital continued to be the driver of growth for the year, with online shifts accelerated by lockdown and COVID-19 restrictions. Burberry intends to invest in an omnichannel experience and "boost" online sales through digital leadership, including in stores, to make the offline experience the same as its online experience. Burberry.com has gradually become the first step for the brand's customers to shop. It also offers a virtual shopping experience for Customers who cannot visit stores that have temporarily closed due to the pandemic. AR tools allow customers to depict Burberry products in their own environment, giving them a clearer view of the product. Offline stores use big data to identify consumers' purchase histories, shop assistants recommend products on tablets, and use augmented reality services to build applications that can be integrated into virtual spaces. In addition, Burberry offers a live chat feature that enables customers to connect with a local Burberry sales associate. This way, sales associates can share photos of specific products or pairings to showcase styling options. Shoppers can also schedule videos to call with an associate, who can tailor the collection to their needs.

5.3.3 Collaborations

Burberry has expanded its influence through social platform works and collaborations. A good example is the collaboration with Minecraft at the end of 2022. Burberry's Minecraft in-game adventure launched in November is called Burberry: Beyond Freedom, which takes place in the game's London version rendered in an iconic pixelated style. The collection, a 15-piece Burberry capsule collection, exists both in the virtual and real worlds, driving high levels of engagement among young consumers. Burberry is also making the line between fantasy and reality even finer by posting exclusive filters on Instagram, custom emojis, and special effects on the Chinese video-sharing platform Bilibili. This collaboration has brought a large number of Minecraft fans.

6. Conclusion

With the pandemic and digital revolution, customers increasingly using their mobile devices, and shopping and social media influencing their decisions, there will be an opportunity to reinvigorate brands and significantly improve performance. This study aims to analyze the digital strategy adopted by the fashion brand Burberry and its education during the pandemic through a case study, and explore the direction of the digital transformation strategy of the fashion industry in the post-pandemic era. In order to strengthen its position as a global leader in the fashion industry, Burberry has implemented digital transformation and integrated it at the core of its business strategy.Specifically, Burberry first avoided the pandemic's impact and broke the limitations of geography through Online channels. Secondly, Burberry further influences consumers through the Digital platform and social media, deepening consumers' impressions. In addition, increase contact points with them through various Collaborations, using a successful digital marketing strategy to attract younger generations. Third, Burberry uses IT technology to connect the online and offline worlds of the products' sales and services, increasing consumers' accessibility to the brand and achieving smooth communication. Burberry is flexibly responding to the disruption caused by the pandemic and using digital technology to minimize losses and help itself build advantages. In addition, Burberry has re-created existing products and services, converted to a digital business model, and continues to use digital communication to provide new value to consumers. Therefore, from the case of Burberry, the luxury goods industry should recognize the necessity of the company's digital transformation and use this as an opportunity to establish a digital strategy suitable for its direction in the post-epidemic era.

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