Burberry raises prices, says China recovery is key, bans exotic skins

By Sandra Halliday - May 19, 2022

Burberry’s new CEO Jonathan Akeroyd looks like he won’t be deviating too much from his predecessor’s luxury-focused strategy and if anything, he’s likely to take the label even further upmarket, while also focusing on its British heritage.

But he also said that growth in the short term depends a lot on how key market China recovers from its new Covid wave.

Speaking after he delivered his first results report for the firm this week, the former Versace, Alexander McQueen and Harrods executive said a full strategy update will be forthcoming in November.
But for now, prices are set to rise by around 15% as higher leather and transport costs are passed on to shoppers.

But Akeroyd added that it’s not all about price. “We are focused on elevation, not just making things more expensive,” he said.

The company has reined-in discounts, turned more and more of its stores into luxe experience centres and increased the number of high-margin ultra-luxe handbags in its mix with average bag prices now several hundred pounds higher than just five years ago.

And this strategy is clearly paying off with Akeroyd saying the Lola bag that has received heavy marketing support was performing “beyond expectations”.

Meanwhile, the company also said that China’s Covid situation is key to its prospects in the near future.

Chinese sales accounted for 30% of its turnover last year and were down 13% in Q4 as some stores had to close and digital sales were disrupted too, CFO Julie Brown said.

She added that around 40% of its Chinese business is currently being impacted by lockdowns. That means its medium-term outlook of high single-digit revenue growth could be affected.

But Brown also highlighted how Chinese consumer spending has previously bounced back quickly after lockdowns and the company’s full-price full-year Chinese sales remained 54% higher than the pre-Covid period.

News has also emerged from PETA UK that Burberry is banning exotic skins from its offer following years of pressure from the campaign group.

It’s just the latest luxury brand to follow that path and leaves very few of the biggest luxury names still using such skins.

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