CORPORATE BRAND MANAGEMENT AND REPUTATION

MASTER CASES

PACK YOUR BAGS: A MULBERRY REPOSITIONING CASE

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Corporate Brand Management and Reputation: Master's Cases

The "Corporate Brand Management and Reputation: Master's cases" is a case series for applying the case method of teaching and learning in higher education. The cases are relevant to brand strategists in private and public sector organizations, as well as academics and students at universities, business schools, and executive education.

The cases are written by groups of master's students as a course project. The specially developed case format is defined as: *"A management decision case describes a real business situation leading up to a question(s) that requires assessment, analysis, and a decision reached by discussion in class. The alternative approaches and recommendations from the class discussion are followed by a description of the choices made by the case company. This description is then discussed by the class."*

The student groups select the topics of their case providing updated and relevant insights into the corporate brand management. The cases can be used as "written cases" (handed out and read in advance, later to be discussed in class) and/or as "live case" (presented by the teacher following a discussion in class). Each case includes teaching notes, visuals with speaker's notes, learning objectives, board plans, and references.

The mission of the series is *"to develop cases for discussion providing insights into the theory and practice of corporate brand management and reputation, with the intent of bridging the gap between academic teaching and managerial practice."*

The series is a result of co-creation between students and teachers at the elective course BUSN35 – five-credit course/eight-week half-time studies), part of the master's program International Marketing and Brand Management at Lund School of Economics and Management, Sweden. The cases represent the result of the intellectual work of students under the supervision of the head of course.

Although based on real events and despite references to actual companies, the cases are solely intended to be a basis for class discussion, not as an endorsement, a source of primary data, or an illustration of effective or ineffective management. The cases are free to be used and are to be cited following international conventions.

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Mulberry: A quintessential British brand

Mulberry is a well established British fashion label who have carved their way in the industry with high-quality leather goods and quintessentially British designs. In 2012, the brand appointed a new CEO, Bruno Guillon, former managing director of the prestigious fashion label Hermès. However, Guillon's ambitious plans for Mulberry proved costly, and a move to reposition the brand to a more premium segment resulted in both internal issues within the firm, and a 68% drop in the share price [1].

The background and history of Mulberry

Mulberry is a luxury fashion brand specialising in leather goods and apparel. The company started off as a family business, founded in 1971 by 21 year old Roger Saul with his mother Joan at their kitchen table in Somerset, England. The iconic Mulberry tree logo, which has become synonymous with the brand, was created by Saul's sister Rosemary and was based on the Mulberry tree which grew in the grounds of their old school.

Although the brand started from humble beginnings, their products have always been associated with high quality and great craftsmanship. The original product range, consisting of belts and the iconic Mulberry bags, were designed and crafted by Roger Saul himself in his parents' outbuilding. As demand grew, Saul was unable to keep up with demand, employing local craftsmen to produce the products and help him fulfil the orders of luxury stockists including Fenwick and Harrods. In 1972, Saul took this highly British brand overseas, securing an order with the highly acclaimed Printemps department store in Paris, France.

Mulberry's growing success, and the limited capacity of the craftsmen currently under Mulberry's employ led Saul to open the first ever Mulberry factory in 1973. This factory, located in Somerset, still remains one of Mulberry's main production facilities. Following on from their newly expanded production capacity, Saul sought out agents in France and Germany to assist with the distribution of goods.

In 1976, Mulberry introduced their first full leather accessories range inspired by quintessentially British countryside pursuits. The brand also made the move to open retail outlets in both London and New York and saw them achieve their first ever million pound turnover[2]. The New York store supported Mulberry's international growth, and led to the US becoming Mulberry's largest market in 1977. Just a couple of years later, Mulberry entered the Japanese market, followed shortly by their addition of womenswear to their product range.

In 1980, Mulberry entered their tenth year of trading, with a revenue of £900,000 and strong market position despite the worldwide recession[2]. The next five years saw the opening of Mulberry stores across Europe, and a period of rapid growth, with turnover increasing from £900,000 in 1981, to £1.5 million in 1982, rising further to £4.3 million in 1985[2]. By the late 80s Mulberry had become Britain's largest producer of premium leather accessories. At this point, their turnover stood at £6.8 million, with 80% of its sales accounted for by export[2]. Mulberry continued to grow, and by the end of the decade Mulberry opened a new headquarters and factory in Chilcompton, Somerset, staying true to their roots despite their impressive growth.

By 1992, Mulberry's global turnover amounted to £50 million, and they secured the accolade of Classic Designer of the year, firmly solidifying their position in the fashion world[2]. The 90s saw the continued geographic growth for Mulberry, who opened more European stores, staying true to their British heritage roots throughout.

In 1996, Mulberry celebrated their 25th anniversary, and was first floated on the London stock exchange. However, the following year Mulberry was hit hard by the Asian financial crisis, which impacted existing distribution agreements and totalled approximately one million British pounds in company losses[2]. Over the course of 1997, Mulberry issued profit warnings, however despite their setbacks the strength of the brand and desire for the products enabled Mulberry to grow in markets such as the Middle East. Nonetheless, Mulberry continued to struggle financially, and in 1999 a drop in share price led to the decision to suspend dividend payments[2].

In 2000, Mulberry made the decision that something had to change. 42% of the family-controlled company was sold to Christina Ong, Singapore-based billionaire who had made her fortune in luxury fashion and hospitality[3]. Ong and her husband invested £7.6 million to develop the Mulberry brand, planning to help Mulberry recover from the rut they had ended up in, one of a slightly stale somewhat outdated brand[4]. This move, combined with bringing a new designer onboard, managed to bring Mulberry into the green in 2001. However, this result was short-lived, in 2002 the brand was yet again reporting losses. Turmoil was brewing in the company, with conflict between founder Saul, and Ong who had received 51% of shares based on agreements to grow the brand in the US[3]. When this agreement was broken, Saul demanded the shares of the company be sold. Ong however took the position that Mulberry required the brand to be developed further before continuing with their overseas expansion. Saul and Ong failed to come to an agreement, leading Ong to demand a shareholders' general meeting to vote on the removal of Saul as chairman of Mulberry. Saul, founder of Mulberry stepped down as chairman and president in

2003, and was forced to sell his 38% stake in the company[3]. Despite these leadership changes, in 2003 Mulberry made one of their strongest moves to date, releasing a soon to be iconic bag, the Bayswater (see **exhibit 1**) which became an instant hit with both the public and fashion experts. To this day, Mulberry still sells the iconic Bayswater model, and the bag itself has become synonymous with the Mulberry brand.

In 2008, Emma Hill became the new Creative Director for Mulberry. Hill was credited with the creation of the Alexa bag, named after the model and broadcaster Alexa Chung (see **exhibit 2**) which soon adorned the arms of A listers such as Victoria Beckham and Kate Winslet. Mulberry's profits remained strong after Hill was appointed. Nonetheless, the company was not out of the woods, the same year saw the global recession hit, with Mulberry seeing an 18% decrease in net sales[5]. However, Mulberry continued to expand, using retained profits to invest in increasing marketing efforts and opening new stores. This appeared to prove lucrative for Mulberry who managed to increase their net sales in 2010 due to their increased investments in Asia and Europe. In 2011, Mulberry's stock valuation reached one billion pounds, and the brand continued to go from strength to strength, reaching a value of £1.4bn in 2012[5] .

The incident

In 2012, Mulberry was an iconic British brand, with numerous strengths and decades of experience to their name (see **exhibit 3** for a full SWOT analysis). Their solid reputation, notably loyal following and strong heritage had earnt Mulberry its place as a top contender amongst British luxury brands. Mulberry's luxury leather goods were well loved by fashion enthusiasts and celebrities alike. Furthermore, the £250-£800 price point for handbags put them firmly in the position of 'affordable luxury'. Far more attainable for the average working woman than high-end luxury french competitors such as Louis Vuitton and Chanel which had dominated the luxury fashion industry with their four figure price-tags. The future seemed brighter than ever for Mulberry and all the success was accredited to two main factors. Firstly, its ability to provide its consumers with timeless British designs with a modern touch, as exemplified by the Alexa satchel introduced by creative director Emma Hill, which had gained instant popularity and caused company profits to soar. Secondly, their favourable price points which allowed consumers a hint of luxury without breaking the bank. This 'affordable luxury' niche had enabled Mulberry to become a market leader in their own right.

In March 2012, the brand started to lose its way, after a change of leadership started to create uncertainties. On the first of March 2012, Mulberry appointed Bruno Guillon as the new chief executive officer (CEO). Guillon was no stranger to the luxury fashion industry, having previously worked with French premium fashion brand, Hermès as the managing director. When interviewed about joining the brand, Guillon stated, ***"It is a great English brand with a unique heritage and an exceptional opportunity for growth"***[6]**.** Guillon aspired to capture new luxury consumers, by moving Mulberry into a premium position within traditional luxury fashion. The Asian market was at the top of his list, and Guillon set about achieving his strategy by focusing the company's efforts on providing high-end expensive bags and leather goods which rivalled global luxury giants such as Louis Vuitton and Chanel.

In Guillon's attempt to premiumise Mulberry's offering and grow their global market share, the focus was on a strategy of increasing prices and reducing supply in order to create a sense of exclusivity. This not only alienated the loyal customers of the 'affordable luxury' leader, it also left a gap in the market which was once Mulberry's sweet spot. This marked the beginning of the demise of the British brand. Despite the new premium positioning, the product range remained the same. The Alexa bag which was at the time the brand's most popular handbag model soared in price from £520 - £800, to approximately £4,500 in just a couple of months[7]. Guillon's strategy to align Mulberry's positioning with that of established premium luxury brands received a backlash. Although the aim was to enhance exclusivity and international appeal consumers were struggling to find the added value that went along with these inflated prices.

In the period between 2012 and 2013, Mulberry experienced a substantial drop in sales. This led to numerous profit warnings and a 68% drop in its share price[1] (see **exhibits 2 and 3**). In 2013, Mulberry took another hit: as a result of Guillon's decisions regarding operational and creative strategies creative director, Emma Hill, who had brought Mulberry success with the Alexa bag, resigned. It was undeniable that Hill's contribution to Mulberry had helped them secure celebrity clientele, alongside their financial success, including an increase in sales from £121 million in 2011 to £168.5 in 2012[5].

The departure of Hill was a significant loss, and her absence was followed by an 8% fall in the company's share price (see **exhibit 4 and 5**). Hill had been a valuable asset for Mulberry, playing a pivotal role in transforming the brand into a major player, with designs that won over celebrity clientele including the Duchess of Cambridge, Sienna Miller and Kate Winslet. Shortly after her resignation, Hill was interviewed, her statement was as follows: ***"I've never been a snob about pricing, I like an honest price/value relationship - it's not about being the most expensive, it should be about being the best in the category, whatever your positioning."***[11] Since her resignation, Hill has cut ties, Mulberry share prices are dropping and the brand is struggling to establish itself as a premium luxury player.

Management question:

Consider that you are in a senior management position at Mulberry. You are required to make a decision about the next steps following the walk-out of the creative director and the drop in share price following the repositioning, what do you recommend?

Exhibit 1: The Iconic Mulberry Bayswater bag

Exhibit 2: Model and broadcaster Alexa Chung carrying the Alexa bag

Exhibit 3: SWOT analysis for Mulberry before the arrival of Bruno Guillon

Strengths	Weaknesses
• Strong British heritage • High quality products • Affordable luxury product offering • Strong presence in the British market • Accomplished creative director	• Weak presence beyond the UK • Low brand awareness globally • Small target audience
Opportunities	**Threats**
• Enhance global presence • Expand products offerings • Introduce new product lines • Grow market share in home market • Reposition	• Economic instability • Competition from premium luxury brands • New brands entering the market

Exhibit 4: Mulberry share price 2010 - 2014[5]

Year	2010	2011	2012	2013	2014
Total Revenue	£72.1m	£121.6 m	£168.5 m	£165.1 m	£163.5 m
Basic earnings per share	5.2p	29.8p	43.9p	32.2p	14.5p

Exhibit 5: Mulberry Share Price 2008 - 2014[9]

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