

## **Pack your bags: A Mulberry repositioning case**

### **MANAGEMENT DECISIONS**

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## **Abandoning the premium repositioning strategy**

Following the negative reception of the premium repositioning strategy, the primary decision Mulberry made was to abandon the strategy and admit it was a misdirection. This decision was made based on the dwindling sales that resulted from the increase in prices of Mulberry bags, as consumers did not feel the prices were justified. The decision by the CEO Bruno Guillon to transition Mulberry to a premium brand in order to increase its international appeal by reducing supply and raising prices had yielded negative results. In order to reverse this obvious misstep, Mulberry made a number of management and operational decisions, the first of which was to fire CEO Bruno Guillon, the second was to hire a new creative director to replace Emma Hill.

### *Firing of CEO*

In March 2014, the CEO of Mulberry, Bruno Guillon who had instigated Mulberry's new luxury positioning was ousted in light of his decision. The move to take the company to a more premium market lacked strategic planning. The decision to fire Guillon was made as a result of his resolve to continue pursuing a premium repositioning of Mulberry despite several profit warnings. In the span of 18 months, stock price had been reduced by 46 pence in one year, and 75 pence in two years after the move<sup>1</sup>. In the immediate aftermath of his departure, the chairman of the company, Godfrey Davis, was put in charge as acting CEO to reorder the company in the interim while an extensive search for a new CEO was being carried out. Upon the resignation of Guillon, the stock prices rose up to 670 pence<sup>1</sup>.

### *Appointment of New Creative Director*

Before a new CEO was appointed, Mulberry recruited a new creative director, an important position that had been empty since June 2013 when the former creative director of the company, Emma Hill had resigned. Upon her departure, management had decided to take their time to find the right person to fill in her role while in the interim, letting the in-house design team do the designing of their handbags and other leather goods.

In November 2014, Mulberry named Johnny Coca as the new creative director of the company, with Coca officially starting his role in July 2015. According to the chairman of the company, this was an important decision since the brand would rely on a new creative direction in order to regain its place in the affordable luxury market. Johnny Coca, who had previously worked at Celine, a competitor of Mulberry was excited to bring a new direction to the company which had been

struggling to regain its position in the market since the repositioning crisis. The search for a new creative director was intensive and meticulous. For Mulberry, the creative direction was key to determining the future success of the company. According to the chairman, it was imperative that whoever filled this role worked well with the future CEO who will be appointed. Johnny Coca was put in charge of the design team and given the responsibility of all other creative aspects of the brand. The company also made the decision to give him considerable time to design a collection that was fitting of the brand and that would boost the sales of the company. In light of this, Mulberry decided not to release any new line for the autumn/winter collection after Johnny Coca was appointed.

### *Appointment of New CEO*

In March 2015, a new CEO Thierry Andretta was appointed after being in the role of a non-executive director in the company for a year. The recruitment process took a considerable amount of time, and shareholders were starting to express concern about how long it was taking to appoint a new CEO. However, as the chairman had said earlier, Mulberry decided to appoint a creative director before a new CEO. This decision was made due to the importance of finding the new CEO to be the right person, with the capability to work as a united management team alongside the new creative director. Therefore, the appointment of Thierry Andretta, a former chief executive of Buccellati, an Italian fine jewelry brand was a well-thought through management decision. The new CEO not only had prior experience in luxury goods but had also held several senior roles in luxury brands such as Moschino, the Gucci group and Celine. Furthermore, he had previously worked together with Johnny Coca, indicating that the two could work well together. Andretta was optimistic that Mulberry had a strong heritage and global potential to recover from past mistakes. His strategy was in stark contrast to that of the former CEO to upgrade brand to a more premium brand. Andretta aimed to focus was now creating a lifestyle brand that speaks to both Mulberry's core UK shoppers as well as international markets. In line with this, he announced several operational strategies that he was in the process of implementing, discussed below.

## **Restoring Mulberry back to its affordable luxury roots**

Several operational decisions were made to help support Mulberry's new mission to regain their place in the market by reverting back to its affordable luxury roots. These included the introduction of new handbags in the affordable luxury category, as this product offering had become rather small in the wake of the company's previous attempts of premiumisation. Furthermore, Andretta aimed to increase Mulberry's distribution lines through strategic partnerships and strengthening its online business.

### *Expansion of affordable luxury range*

In April 2014, Mulberry launched several new product lines in the affordable luxury category, in an attempt to regain a market that its previous repositioning strategy had abandoned<sup>2</sup>. These ranges included the Tessie collection, priced between £500 and £700 which quickly joined Mulberry's bestsellers. The company also made mini-versions of their existing bags that became very popular. As at summer 2014, 45% of the full collection available at Mulberry was under £1000 and in summer 2015, about 71% were under £1000, a significant contrast from the previous year where the majority of the bags sold were well above this price<sup>2</sup>. The company worked on aligning the prices of its ready-to-wear and shoe range to their new pricing strategy. This led to a 17% increase in sales and a corresponding increase in stock price in the first quarter of 2015<sup>2</sup>.

### *Expansion of ready-to-wear range and distribution in a cost-effective way*

With the appointment of Andretta as CEO, one of Mulberry's primary objectives was to focus on international growth<sup>3</sup>. Although the brand had a strong British heritage and majority of its core customers knew what the brand stood for, the company had not been able to gain such acceptance in international markets, particularly in Asia. This had been one of the agendas of the former CEO's luxury repositioning attempt as he presumed that higher priced Mulberry products will be more appealing to these markets. Since this attempt did not work, the company decided to approach their international growth agenda through strategic partnerships. In February 2016, Mulberry announced a new licensing deal with Japanese-controlled and Italian-based luxury distributor, Onward Luxury group<sup>3</sup>. This distribution agreement for Mulberry's ready-to-wear and shoe ranges was a way to reach an international market in a cost-effective way, enabling Mulberry to provide quality products while maintaining their affordable luxury price range. In addition, the ready-to-wear and shoe categories supported Mulberry's new image as a lifestyle brand, and acted as a way to propel the brand forward.

## References

- <sup>1</sup> Ruddick, G. (2014). Mulberry chief executive leaves after profit warnings, *The Telegraph*, 20 March 2014, Available online: <https://www.telegraph.co.uk/finance/newsbysector/retailandconsumer/10712915/Mulberry-chief-executive-leaves-after-profit-warnings.html> [Accessed 06 February 2020]
- <sup>2</sup> Chaplain, A. (2015). Mulberry is banking on cheaper bags, *Racked*, 11 June 2015, Available online: <https://www.ft.com/content/b115887a-f240-11e3-ac7a-00144feabdc0> [Accessed 15 February 2020]
- <sup>3</sup> Conlon, S. (2016). Mulberry's global changes, *Vogue UK*, 12 February 2016, Available online: <https://www.vogue.co.uk/article/mulberry-new-licensing-deal-footwear-and-ready-to-wear> [Accessed 15 February 2020]