

RETAIL

## Burberry ties with Tencent for social retail store in China as H1 revenue grows 5pc to \$1.65B

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*Partnering with Tencent allows Britain's Burberry to tap into the quickly growing social-retailing phenomenon in China. Image courtesy of Burberry*

By STAFF REPORTS

British fashion giant Burberry and Chinese platform Tencent have partnered to develop social retail in China to support the store shopping experience.

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The alliance will mesh social media with retail to create digital and physical spaces for communities to interact, share and transact. The deal comes just as Burberry said its first-half 2019 sales were up 5 percent to \$1.65 billion and operating profit grew 17 percent to \$260 million from the year-ago period.

"Social media is becoming such an important part of the luxury customer journey, particularly in the inspiration phase, and retail needs to keep pace with this," said Burberry CEO Marco Gobbetti in a statement.

"Continuing our history of innovation, we wanted to explore the connection between these touch points by merging social media and the store experience to reflect the way luxury customers are engaging with brands," he said.

"China was the obvious place to start as it is one of the leading hubs for innovation and technology, and Chinese consumers are some of the highest users of social media. We are thrilled to be partnering exclusively with Tencent on this pioneering project which is an example of the step-change in our ambitions for the next phase of our transformation."



Burberry "family" of models and brand ambassadors in creative chief Riccardo Tisci's first holiday campaign questioning "What is Love?" Image credit: Burberry

John Bull in shop

Founded in 1856, **Burberry** has 223 retail stores, 148 concessions, 52 outlets and 44 franchise stores worldwide.

China accounts for 61 Burberry stores.

Burberry has seen somewhat of a renaissance since Riccardo Tisci's arrival last year as chief creative officer.

Mr. Tisci has delivered "strong double-digit growth," per Burberry, with new product now comprising 70 percent of its mainline retail store SKUs.

Part of the new Burberry also includes wholesale rationalization and a refreshed look for retail stores in major cities worldwide.

The London-based brand expects to maintain stable-topline revenue and adjusted profit margin despite incremental pressure on gross margins from Hong Kong and product mix.

Not surprisingly, the emphasis on expanding retail context in China is also key to Burberry's growth plans. The Tencent partnership is in line with that thinking.

Period ended	28 Sept 2019	29 Sept 2018	% change reported FX	28 Sept 2019 pro forma*	% change pro forma vs Sept 2018 reported FX	CER*
£ million						
<b>Revenue</b>	<b>1,281</b>	<b>1,220</b>	<b>5</b>	<b>1,281</b>	<b>5</b>	<b>3</b>
Retail comparable store sales*	4%	3%		4%		
<b>Adjusted operating profit*</b>	<b>203</b>	<b>178</b>	<b>14</b>	<b>187</b>	<b>5</b>	<b>(4)</b>
Adjusted operating profit margin	15.9%	14.6%		14.6%		
<b>Reported operating profit</b>	<b>202</b>	<b>173</b>	<b>17</b>	<b>186</b>	<b>8</b>	
Adjusted Diluted EPS (pence)*	36.9	32.9	12	36.1	10	1
Diluted EPS (pence)	36.4	31.6	15	35.7	13	
Free cash flow*	(29)	46		(29)		
Dividend (pence)	11.3	11.0	3	11.3	3	

Burberry first-half 2019 was up 5 percent to \$1.65 billion compared to the year-ago period. Source: Burberry plc

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Burberry will soon open another store in China powered by **Tencent** technology that offers experiences to connect customers' social and online lives to their physical environments.

This will be a unique space to test and learn, serving as a laboratory to trial innovation that can be expanded to the rest of the Burberry network in China, the company said.

BURBERRY'S SOCIAL RETAIL store opens in the first half of 2020 in Shenzhen, China's technology hub, in the new MixC Shenzhen Bay development.

Tencent's Weixin and QQ communications and social platforms connect Chinese users with each other and to digital content and services online and offline. Its advertising platform alone lets advertisers reach hundreds of millions of Chinese consumers in China.

"The future of retail lies in digitalization," said Davis Lin, vice president of Tencent and head of Tencent Marketing Solutions, in a statement.

"Through more efficient online-to-offline connections, more personalized engagement and shopping experiences, along with exceptional, differentiated content and value-added services, we will enhance the customer experience and deepen brand loyalty," he said.

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