

The Global Business Environment

Assessment I

Environmental Analysis of the Fashion Industry

Penka Mihaleva

Contents Page

Introduction.....	3
Part I: Analyse the impact of the pandemic and explain the major forces that have shaped the business environment of the fashion industry.....	3
Part II: In light of the COVID19 pandemic, critically assess the opportunities and challenges that these forces have presented to the key players in the fashion industry and explain why and how some firms have been able to adapt better than others to this changing business environment.....	6
Conclusion.....	8
Bibliography.....	9

Introduction

One of the biggest industries in the world is undeniably the fashion industry. It exists and stretches out to any and all well-developed countries, and while fashion means and brings a different thing to different countries and cultures it ultimately is prominent everywhere we look since its inception. In this essay we will take a look at what the fashion industry is and its macro environment (including a PESTLE analysis). Once defined we will turn to the COVID pandemic and how it has affected the industry, as in which parts of the industry have failed and which excelled, and by the end of the essays we would have, hopefully, pin-pointed what is that keeps and will continue to keep the fashion industry afloat.

Part I: Analyse the impact of the pandemic and explain the major forces that have shaped the business environment of the fashion industry

Let us begin the essay by defining what the fashion industry is. Well, it is the “industry that deals with fashion” (Collins Dictionary, 2021) according to the Collins dictionary. It may sound simple however, it contains hundreds of different sectors, brands, and enterprises. The mass production of clothing began in the mid-nineteenth century when manufacturers started producing clothing and garments that did not require fitting and tailoring, however fashion did not become an established industry until the twentieth century, when manufacturers started to heavily brand the clothing and accessories they produced. Other than branding, nowadays the fashion industry heavily relies on textile design, production, retailing, marketing, merchandising, fashion shows and media.

With the fashion industry defined let us look at its macro-environmental factors which make the industry as it truly is. They include:

- Consumer factor - which includes cultures, demographics, population changes, norms and lifestyle. Helpful for big and small businesses alike to succeed with their sales, retailers try to avoid creating clothes and accessories that would be outside of the norms of society and could be considered out of fashion.
- Resource factor - consists of the availability of resources, demand and production. For example, the recent increase of sales of faux leather due to shortage of real one, or the increase of price for cotton clothing due to increase of price in raw material. The factor

also deals with making workers redundant, due to modernizing the workplace with technological replacements.

The Macro environment's main factors also include the political and economic factors, however I have chosen to discuss them in more detail in the PESTLE analysis below. Other elements of the macro environment of course include the shareholders, the stakeholders (Management, employees, competitors, suppliers and customers) and the media. Also worth noting in addition to the above are the demographic trends and the "inexpensive clothing produced in response to the latest trends" also known as fast fashion (Oxford Languages, 2021) The latter especially, puts the industry under immense pressure to be constantly different and new in order to satisfy every customer.

Discussing the affective factors further, it is only fair to subject the fashion industry to a PESTLE analysis, with the factors in question being:

- Political – fashion and politics have been symbiotic for the past 50 years. Starting with Jackie Kennedy's fashion choices in the 60's all the way through to Michelle Obama and Melania Trump (and even political figures in the UK like Theresa May) have proven that not only musicians and actors can influence the world on the subject of fashion choices.
- Economic – Ever since the economic recession of 2008, people have been finding it easier to set money aside for fashion and accessories. That is down to both the fact that clothes are now much more affordable than they were years ago and due to the possibility of renting clothing both casual and formal just through a simple click of a button online.
- Social – the biggest impact of this factor can be seen in people trying to copy the looks of their famous icons (be that musicians, actors or influencers), who would either wear specifically branded clothing in their videos or interviews or mention them in their music making an already recognizable brand even more desirable.
- Technological – most prominently seen in the movement of the fashion industry online via websites and apps, making the industry accessible to anyone around the world from the comfort of their homes, and in some cases unique or at a lower price (which is the case respectively with Etsy and Ebay).
- Legal – The most unfavorable of them all due to the constant backlash to manufacturing clothes in foreign country, essentially using, and in some cases abusing cheap labor to

cut cost. The companies stay on the legal side by paying inflation costs, export restrictions and tax restrictions, however when the clothing is imported back into the US or UK, prices are increased by more than 100%.

- Environmental – This factor is known to take a great toll on our ecosystem. That is both due to the non-degradable plastic packaging mostly used to transport the clothing from other countries and the chemicals released when processing the cotton into denim .

(Frue, 2018)

Next let us take a look at the biggest detriment to the fashion industry in recent years. The Covid-19 outbreak, which happened in early 2020, affected millions of people and businesses. Trade restrictions, border closures and confinement measure have been preventing businesses from accessing markets, buying resources and selling their products. The pandemic left millions jobless and forced many brands to close down forever. It is estimated that it would “likely trigger the biggest recession since World War II, causing a financial loss twice as great as during the 2008 recession. That’s a staggering \$12 trillion over 2020 and 2021.” (Gopinath, 2020)

The pandemic also affected our lives socially. Many were unable to see their families for months, shielding and doing all of their work and shopping from home. Politically countries have been adapting different measure and guidelines to offer people safety and minimize the risk from the virus. The most prominent guidelines being wearing masks indoors and social distancing, which is especially difficult in restaurants, bars and retails stores.

One of the little positive outcomes the pandemic has had is on our environment. It is even estimated that:

“The [pandemic] disruption has caused an acceleration of remote working and a rapid focus on evaluation and de-risking the end-to-end value chain. In addition, there may be potential carbon emission reductions, which could result in renewed focus on sustainability practices.” (Deloitte, 2020)

The Pandemic inevitably affects almost all of the aforementioned factors of the fashion industry in its own way. Apart from the Legal, and Social factors, which stay seemingly unaffected by the virus, the other factors suffer quite the prominent change. Economically due to remote work and the redundancy of many people, the affordability of fashion products decreases, technologically many of the companies have had to adapt for their stores and brands to be

moved online thus losing on the older generations who are not as tech savvy as their younger counterparts. Legally and Environmentally, the COVID impact has been somewhat positive with pollution being decreased as mass demand for fashion has also decreased with the pandemic.

Part II: In light of the COVID19 pandemic, critically assess the opportunities and challenges that these forces have presented to the key players in the fashion industry and explain why and how some firms have been able to adapt better than others to this changing business environment.

I will begin the second part by conducting a short SWOT analysis of the effect of COVID on the fashion industry. The analysis includes:

1. Strengths:

- For companies like ZARA to focus on redesign, produce and sell clothes as identifying a trend.
- Fast shipping and engaging softwares for ordering clothes online.
- Relaxing strict work deadlines, making businesses more flexible.

2. Weaknesses:

- Closing of many small stores that couldn't keep up with their rent.
- Reducing the workforce by thousands of people damaging moral and mental health.
- Retailer's inability to follow government guidelines and restrictions in order to open safely.

3. Opportunities:

- Investing in quicker delivery cycles, making customers happier.
- Providing customers with personalized suggestions, by collecting and analyzing online data.
- Moving a large portion of the business online.
- Labelling products "sustainable" and "eco-friendly" to adhere to current environmental issues.

4. Threats:

- The unusually low prices offered by companies like Shein and Bohoo.
- Limiting travel both for tourists (some of the biggest consumers) and suppliers for needed materials.

(Amrith Sudhakaran, 2020)

While the pandemic has sped up the growth of online shopping, many are still in the process of adapting to this new world we live in. We can now look at some of the key players of the fashion industry and whether they managed to persevere or were pushed into early retirement.

There are hundreds, possibly thousands of fashion business that were forced to close due to the pandemic, most of which were high street retailers. The main cause of closure for most stores (like J.Crew, Neiman Marcus and Debenhams) is bankruptcy, with retailers such as Under Armour have lost about 773 million in the first half of 2020, Capri Holdings Ltd., which is expecting a decline in 70 percent in sales, losing more than 551 million last year. (Dhani Mau, 2021) Others like Arcadia Group (a company that owned major brands such as Topshop, Burton and Dorothy Perkins) announced they have gone into administration, putting more than thirteen thousand jobs on the line. However, these who have re-strategized their approach and adapted to this new environment of retail have prospered greatly.

The main factor that all of this companies that have managed well and even thrived during and after the pandemic is that they managed to shift to digital distribution. Even before the pandemic, online sales were growing rapidly as between 2014 and 2019; sales were up to 125%. “Post-pandemic, consumers of all generations will have been forced to take the digital plunge and many people previously reluctant to purchase online are now becoming used to it as a way of shopping, and as a way of engaging with brands.”(Natasha Cazin, 2020)

Several strategies for fashion businesses have become essential as the consumer mindset has shifted. Post the pandemic consumers have started to expect thoughtful and genuine messages from their favorite brands, looking for retailers that have a positive impact on the world and support their own values, instead of focusing purely on profit. “For example, luxury online boutique Rêve En Vert has focused on high-end sustainable products and reported stronger sales in May 2020 than for Christmas.”(Natasha Cazin, 2020)

Most large fashion retailers such as H&M, Amazon Fashion, French Connection and PrettyLittle Thing succeeded and gained popularity via their tactics of donation. PrettyLittle Thing’s founder, Umar Kamani donated his March salary towards supporting small business that were struggling, they have also offered a 20% discount for NHS workers. Amazon established a fund to support creative fashion business and people who have suffered greatly due to the pandemic. H&M supplied personal protective equipment to hospitals and health

workers. John Lewis donated items like pillows, phone chargers, eye masks, hand creams as well as 50 000 Easter treats to hospitals.

“River Island joined forces with a number of UK high street retailers (including John Lewis, M&S, Primark, Topshop, Topman) to launch a social activation #StandingByTheHighStreet, in a bid to support the UK high street struggling in the wake of the national lockdown. Followers were encouraged to share a yellow heart, a symbol of positivity and love, to show that they intend to stand by the high street. “(Leanne Bayley, 2020).

Ultimately, the fashion industry has been adapting to social distancing and is expecting to see development in the personal shopping experience. This can be seen as a chance for brands to connect to their customers on a personal level and understand their needs. Retailers such as John Lewis has begun offering free virtual shopping services for customers, which equals to the product advise a customer would normally get in the store. Gucci has done something similar in launching personalized video consultations, increasing its sales greatly.

Conclusion

In the long run, these are strategies that have assisted many retailers who used to rely on their in store purchases before the pandemic. With enough creativity and assistance on the online sales spectrum, every fashion retailer would have the chance to succeed in the case of making the right alterations in the current times. Most fashion businesses that suffered greatly during the pandemic and still continue to rely greatly on the stores reopening and sales scaling up however from the research concluded, that could also be their downfall.

Bibliography

Apparel Search Company, 2020. *Fashion Industry History*. [Online] Available at: https://www.apparelsearch.com/terms/f/fashion_industry_history.html [Accessed 29 April 2021].

Baker, H., 2021. *List of shops that have collapsed into administration in 2020 as UK lockdown hits high street*. [Online] Available at: <https://www.business-live.co.uk/retail-consumer/list-shops-fallen-administration-2020-18177619> [Accessed 01 May 2021].

Bayley, L., 2020. *Fashion and beauty brands that showed they cared during the COVID-19 crisis*. [Online] Available at: <https://www.hellomagazine.com/fashion/hfm/2020032486805/brands-doing-good-during-coronavirus/> [Accessed 30 April 2021].

Chricaden, K., 2020. *Impact of COVID-19 on people's livelihoods, their health and our food systems*. [Online] Available at: <https://www.who.int/news/item/13-10-2020-impact-of-covid-19-on-people's-livelihoods-their-health-and-our-food-systems#:~:text=The%20economic%20and%20social%20disruption,the%20end%20of%20the%20year.> [Accessed 29 April 2021].

Collins Dictionary, 2021. *Definition of 'fashion industry'*.

Frue, K., 2018. *PESTLE Analysis Of The Fashion Industry*. [Online] Available at: <https://pestleanalysis.com/pestle-analysis-of-the-fashion-industry/> [Accessed 18 April 2021].

Gockeln, L., 2014. *Fashion Industry Analysis from the Perspective of Business Model Dynamics*. The Netherlands: University of Twente.

Gopinath, G., 2020. *Reopening from the Great Lockdown: Uneven and Uncertain Recovery*. [Online] Available at: <https://blogs.imf.org/2020/06/24/reopening-from-the-great-lockdown-uneven-and-uncertain-recovery/> [Accessed 28 April 2021].

Ilchi, L., 2020. *All the Major Fashion Brands and Retailers Severely Impacted by the COVID-19 Pandemic*. [Online] Available at: <https://wwd.com/fashion-news/fashion-scoops/coronavirus-impact-fashion-retail-bankruptcies-1203693347/> [Accessed 30 April 2021].

Lay, R., 2018. *Digital transformation - the ultimate challenge for the fashion industry*. [Online] Available at: <https://www2.deloitte.com/ch/en/pages/consumer-industrial-products/articles/ultimate-challenge-fashion-industry-digital-age.html> [Accessed 27 April 2021].

Markowitz, A., 2021. *14 Iconic Retailers That Fell Into Pandemic Bankruptcy*. [Online] Available at: <https://www.aarp.org/money/credit-loans-debt/info-2020/bankrupt-retail-chain-store-list-is-growing.html> [Accessed 01 May 2021].

Mau, D., 2021. *ALL THE FASHION AND BEAUTY BRAND CLOSURES AND BANKRUPTCIES CAUSED BY THE PANDEMIC*. [Online] Available at: <https://fashionista.com/2020/05/fashion-beauty-brands-shut-down-bankrupt-coronavirus> [Accessed 01 May 2021].

Oxford Languages, 2021. *Fast-fashion definition*. [Online].

Pratap, A., 2017. *Macroenvironmental factors affecting fashion retail*. [Online] Available at: <https://notesmatic.com/macroenvironmental-factors-affecting-fashion-retail/> [Accessed 29 April 2021].

Rume, T. & Islam, S.M.D.-U., 2020. *Environmental effects of COVID-19 pandemic and potential strategies of sustainability*. [Online] Available at: <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7498239/> [Accessed 29 April 2021].

Russell, M., 2020. *Covid-19 is an opportunity to “reset and reshape” the fashion industry*. [Online] Available at: https://www.just-style.com/analysis/covid-19-an-opportunity-to-reset-and-reshape-the-fashion-industry_id138504.aspx [Accessed 30 April 2021].

Sudhakaran, A., 2020. *COVID-19 SWOT Analysis: The Complete Picture*. [Online] Available at: <https://pestleanalysis.com/covid-19-swot-analysis/> [Accessed 30 April 2021].

Sudhakaran, A., 2020. *Zara SWOT Analysis 2020: Ultimate Guide*. [Online] Available at: <https://pestleanalysis.com/zara-swot-analysis/> [Accessed 29 April 2021].