



Source: (Primark 2021)

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Executive Summary

This assessment will analyse the impact of Primark on the environment and the changes that the company have made during the years to repair and minimize the damage of its impact. The assessment will exploit techniques as the *Five Porter's Forces* and the *SWOT Analysis* to analyse how these changes have impacted Primark's attractiveness, besides the impact of the company on the environment.

Introduction

Freeman (1984, p. 46) defined the stakeholder as 'any group or individual who can affect or is affected by the achievement of the organization's objectives'.

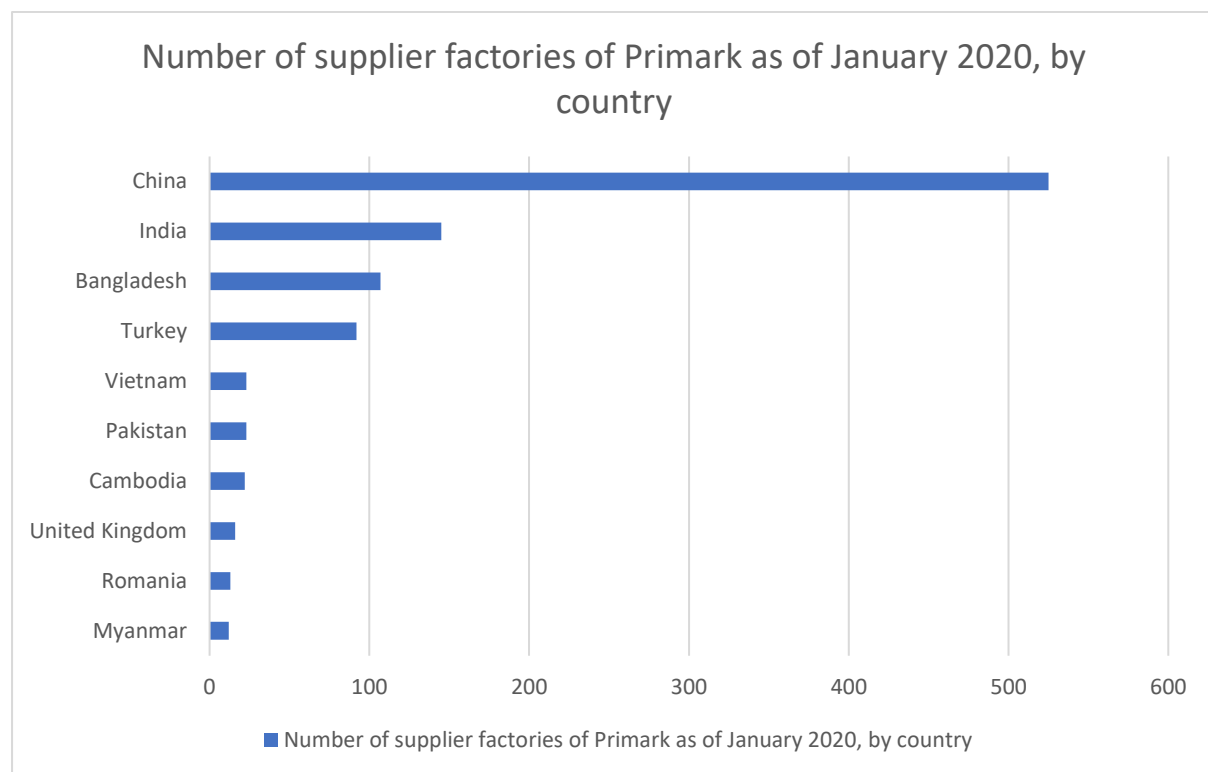
As a company that operates globally, Primark has an enormous number of stakeholders and its business operations have a strong impact, not only limited to a single individual but the whole societies.

According to Akbary (2020) the effect of big companies, and so Primark, in the Fashion Industry is so huge to influence the environment and the economics of countries.

E.g. The pollution generated by the clothes' production negatively impacts the environment, e.g. the soil and water, and it will take a toll on the whole societies. The

demand for productions is so high to impact the minimum wage and the working conditions of the employees in developing countries, where these companies producing (Akbar, 2020).

Indeed, according to Primark (2021), after the 525 factories in China, the majority of its suppliers are in developing countries.



Source: Coppola (2020)

Factories in developing countries balance their profit and the low prices demand of manufacturing for the big companies at the expenses of worker's salaries and safety. (Akbar, 2020).

In 2013 at Dhaka (Bangladesh), the building Rana Plaza was claimed unsafe and was requested for evacuation. However, the management orders the employees to continue working. The next day the building collapsed, killing more than 1,100 people. (Safi and Rushe, 2016).



Source: *The New York Times* Manik, and Yardley (2013)



Source: European Parliament (Rajib, 2015)

The building was housing several clothes factories, one of them was sourcing Primark. (Safi and Rasha, 2016).

According to all the initiatives undertaking by Primark (2021) to improve worker's conditions in developing countries and the sustainability of the environments, it can be identified the disaster of Rana Plaza with the pivot event raised the concern of the company regarding its stakeholders.

(Primark, 2021)

- Following the episode, 220 brands signed the *Accord on Fire and Building Safety* in Bangladesh. Primark was one of the first brands to sign the agreement, showing its support to the stakeholders. E.g. the competitors Matalan, Next and Arcadia Group failed to meet the deadline to sign the agreement (Neville, 2013).
- Primark institutes the own *Structural and Integrity Programme* where a team of experts assess inspections to verify if the factories fulfil the safety and ethical standards required. In case of negative response, the experts offer supports

and guidelines to the factories to improve and meet Primark's *Code of Conduct's* standard, necessary to supply the company.

- Primark offered immediate support to the victim of the Rana Plaza with an initial \$ 2m in short-term supporting also the workers for different brands (Neville, 2013). The next year, in 2014 Primark started a long-term financial compensation commitment. Part of the long-term commitment support include provides the workers with business and financial education notion, to support them in the everyday life. With the *Pashe Achi Support Programme*, Primark extended the financial advisers and legal support services to the widows and the children of the victims.
- In 2013 Primark launched the *Sustainable Cotton Programme*, aiming to improve the sustainability of the raw materials and improve the financial condition of the woman farmers.
- Primark signed the *2018 Transition Accord*, working with several collaborations to improve sustainability in the Bangladesh garment industry.

-BARGAINING POWER OF SUPPLIERS: LOW

The Rana Plaza's can be used as evidence that suppliers are so motivated to supply Primark that willing to undertake unethical and unsafety decision.

According to Kew and Stredwick (2008), the power of the seller is also low when the cost of switching suppliers is not high for the company, and when the profit of the suppliers is strictly dependent on the ordering of the company. The evidence is reported by Business Matters (2020), 522000 Bangladeshis employees have been hit by Primark's cancellation orders in 2020.

The Power Bargaining over the supplier is considered as a **STRENGHT** in Primark's **SWOT Analysis**.

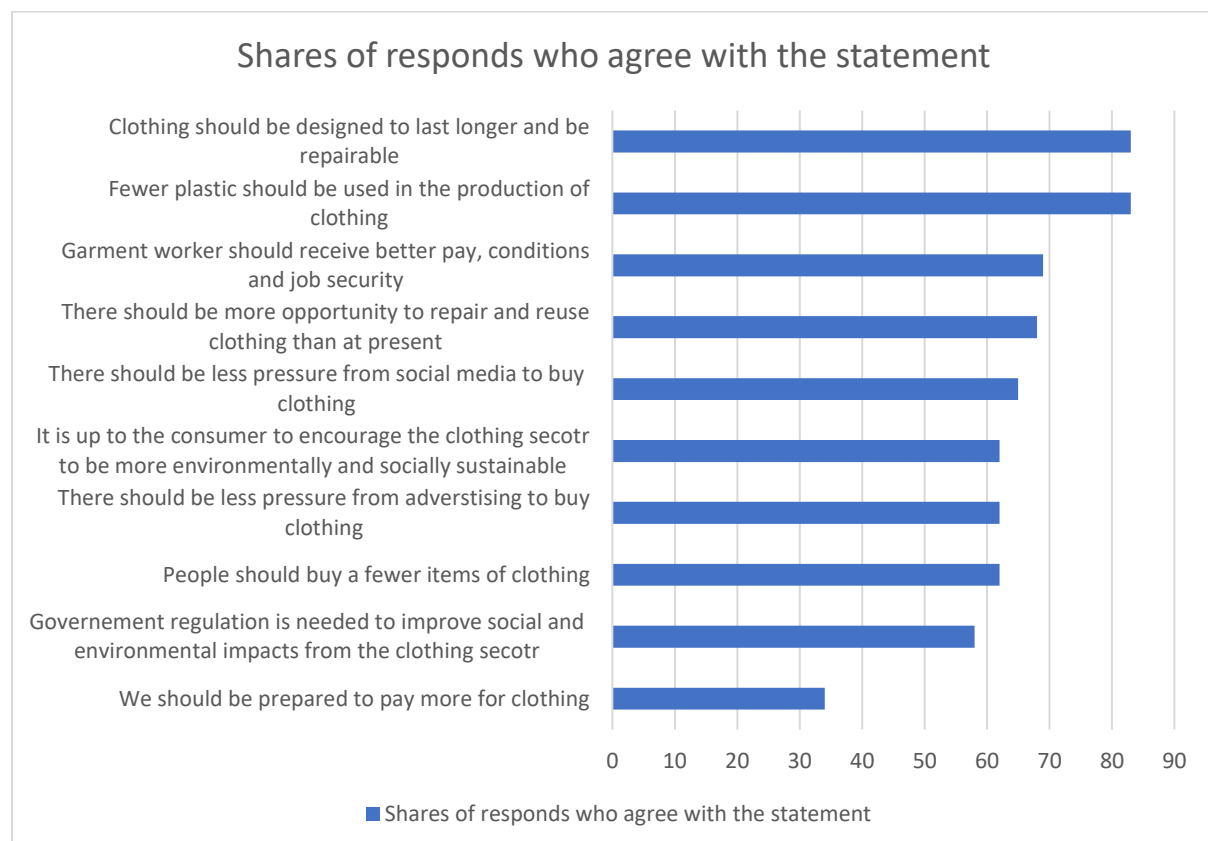
-BARGAINING POWER OF BUYERS: HIGH and -COMPETITIVE RIVALRY: HIGH

The company is restrained from maintaining low prices in order to maintain its attractiveness to the consumer. Evidence of this is Primark that promised to absorb the increase of prices involved for the Brexit, rather than raise its prices, demonstrating its weakness with the buyers (Jahashan, 2019).

In addition, according to Primark (2021), its USP that gains an advantage over the competition is 'Amazing Fashion, Amazing Prices. This is another evidence that maintaining low-cost price is pivotal to differentiate from the competitors and to do not lose customers for the low switching cost.

Primark's business strategy is then high influenced by the forces of buyers and from the high rivalry. In '*The Most Popular Fashion & Clothing Brands (Q4 2020)*' (YouGov, 2020) is ranked in the ninth position.

In the meanwhile, Sabanoglu's statistic (2020a) shows that Covid19 raised consciousness on consumer's behaviour regarding issues as sustainability and social environment, and impact of the fashion industry.



SWOT Analysis: **THREAT**

Consumer raising concerns regarding thematic as Fast Fashion represent a *Threat* since Primark's business strategy is based on Fast Fashion.

As already mentioned, Primark needs to maintain low prices. This objective, according to Primark (2021), is in part achieved by ordering enormous quantities of clothes, and base with factories' supplier's location and the Rana Plaza accident that involved the company, is also achieved through indirectly exploit of the low-cost labour in developing countries.

In conclusion, avoiding Fast Fashion and increasing the purchasing prices from the suppliers is not convenient for Primark, for the high risk of losing customer's loyalty and the advantage position with the rivalry.

Besides, stakeholders raising concern regarding sustainability is not directly correlated to consumers willing to spend more for sustainable products. Sabanoglu (2020b) conducted another survey, studying the attitudes of consumer buying sustainable clothes. The results are the following:



Source: (Sabanoglu, 2020b)

In addition, the results of the statistic published by Moore (2019), demonstrate that despite the majority of consumer want organisations to improve sustainability, only 29% of these are willing to pay the extra cost implied.

It can be concluded that for this reason, Primark has chosen a different approach that looks forward to increasing supplier's profit without raising the selling price, launching in 2013 the *Primark Sustainable Cotton Programme* (Primark, 2021).

According to Primark (2021), The pilot project started in Guajarat (India), involving 1,251 female farmers. The program aims to educate the farmer with the business notion and the usage of chemical. Equipping the farmers with relevant knowledge, have enabled them to reduce their expenses and treat the cotton more natural and sustainable. As a result, numerous farmers have been capable:

- To increase their profit of an average of 211%
- To increase an average yield of 12.6%
- To decrease the expenses by 5%
- To reduce the usage of fertiliser by 13.5% and the usage of chemicals by 53.5%
- To reduce the usage of water by 12.9%

SWOT Analysis: OPPORTUNITIES

Primark is expanding the programme into other countries, aiming to train by 2022 160000 Pakistan farmers.

The programme has a long-term view that aims to Primark to use only sustainable cotton for its products without the need to increase the price for the customers.

The opportunity for Primark to use only sustainable cotton at no extra cost can be seen to lead to a consequential price competitive advantage and to accomplish concerns raised by the stakeholders.

According to Butler (2021), the accord *Fire and Building Safety in Bangladesh*, signed in 2013 by the company and other fashion retailers, is now due to expire in May 2021. Numerous Primark's competitors (eg. H&M, Zara, Inditex) are reluctant to sign a new agreement for the negative impact that Covid had on their revenue.

Primark, despite the prediction of £ 1.5b of profit loss during the pandemic (Sillars, 2021), decided to pursue its commitment, confirming to renew the extension of the agreement (Primark, 2021).

This can be seen as another opportunity for Primark to demonstrate the company's high concern for the stakeholders. It also can lead to an advantageous position in brand perception over the fashion retailers who are reluctant to renew the deal.

According to Primark (2021), the company has recently joined the *UN Fashion Charter*, aiming to reduce GHG emission by 30% within 2030.

Conclusion

Fast Fashion heavily impacts the environment and the living conditions of the workers in developing countries. The biggest changes that Primark undertook to contrast these issues, came after the Rana Plaza accident. The company demonstrates its supports in several ways, not only in a short term but with programmes and project that are still in effect. Despite the rise of concern for the stakeholders, Primark cannot afford an increase in price in the supply chain. The creation of the *Sustainable Cotton Programme* aims to use in a long run only sustainable cotton for raw materials, improve the living conditions of the workers, without an increase in the selling price. Primark's involvement in promoting environmental and ethical sustainability without increase the prices leads the company to gain a positive brand's perception and maintain a price competitive advantage with the competitions.

Recommendation

Primark is indeed involved in numerous activities and programmes to address environmental issues. However, its commitment could be criticized to appear ambiguous. Primark should improve its transparency. It is true that Primark's *Structural and Integrity Programme* consists of assessing inspections to guarantee that international standards are respected. However, the results of the inspections are

private. When the audit fails, the expert team works with the locals to improve the results and meet the requirement. However, this implies that during the time the standards are not respected. In order to brag about its commitment to the stakeholders, Primark should release the audit's result to the public.

Furthermore, Primark could nip in the bud the issue of acquiring the supplies factories. However, Primark does not own any factories, this helps the company to take distance from responsibility regarding factories conditions but increasing the ambiguousness of the company regarding its true objectives.

The *Sustainable Cotton Programme* seems to be efficient, however, to have an impact on a large scale implies long term commitment. Primark should involve other brands in the project to increase the results in a shorter period. It may lead to losing a competitive price advantage, however, the risk of environmental damage for fashion pollution should be more relevant than the company's profit and corporate ethics and morality should have the priority in business's decision.

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