



Source: (Primark 2021)

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INTRODUCTION

This assessment looks at analysing how the Covid19 have impacted the fashion industries. The essay will focus on one case study in this case is Primark. The assessment starts by analysing the forces that have economically influenced the chosen company. Later, the critical analysis will exploit the use of the SWOT analysis to identify the opportunity and threats that the pandemic generated on the microenvironment of Primark.

According to Primark (2021), the company was founded in 1969 by Artur Ryan in Ireland. The first store opened in Dublin with the name 'Penney'. The company, for legal reason, changed its name in Primark in 1973 when entered in the UK market, opening its store in Derby. However, in the home country, the company is still named Penney. Primark operates in the Fashion industry, providing a wide range of products as cosmetic, homewares and clothing for women, men and kids.

Today Primark operates in 380 stores in over 13 countries between Europe and America. It employs over 70000 workers and the company's turnover for the year 2019 was £ 7.79 b. The company has been acquired by Associated British Food and Paul Marchant is the actual CEO.

IMPACT OF THE PANDEMIC IN THE GLOBAL BUSINESS ENVIRONMENT OF PRIMARK

As stated by Gilliland (2021), during 2020, with all the high street shops closed Ecommerce increased the sale by 36%. Best results in the last 13 years.

The business that failed to adopt e-commerce took the brunt. (Editor's Pick, 2020). These are a small business that lack of financial resources to develop an online strategy. Also, off-prices big retailers as Primark refused to sell online, for the costs implicated e.g. high rates on returns. This decision has been calculated as costing Primark around £ 1 Billion of profit loss (Loeb, 2021)

However, the pandemic has undermined not only Primark but also the competition within the industry. E.g. Top shop failed, closing its stores permanently. As Castia (2020) points out that this can be beneficial for the company.

As Roney added (Bourke, 2021a), the threat for the companies with no online presence, as Primark, is the changing of consumer's behaviour. The more the lockdown enforce the e-commerce, the more consumer a likely continuing shopping online.

Competitors are conscious of the e-commerce growing growth. Several companies are developing new features and benefit to better adapt to the looming online fashion. E.g. with virtual fitting rooms (Lowe, 2020).

As a result of Primark refusing to sell online, and competitors developing new online strategies, the scenario could see the gap widening for Primark to meet customer's needs.

According to the survey (Nolsoe, 2020), Covid also impacted the consumer's shopping habits. People have been advised to remain at home. As a consequence of the lack of social event and people working from home, the survey shows that 55% of usual formal cloths' consumer, now prefer to shop for loungewear or casual clothes.

Kotler, *et al.*, (2019) contends that when a company is failing to innovate, the risk is to reach the *Decline Stage* of the *Product Life Cycle* that see the extinction of the product. Some companies have been able to adapt to the new consumer's habit. E.g. AKOK,

a men's suit retailer, after a loss of £ 76.8m, decided to launch the market the *Pyjama Suit*. WHATEVER INC created a pyjama with a top looking like a suit, tailored to be used by the customer during the smart working meeting (Elan, 2021).



Source: (Elan, 2021)

The gap between companies that have been able to adapt to the new economic environment's demand and Primark's lack of innovation can be used as evidence to demonstrate the low barriers that Primark has to its competitors and the threat of new entrants. The more the barriers are low the more the Five Porter's Forces are High (CFI, 2021).

For this case, it can be said that applying two of the Five Porter's Forces model to Primark, would be:

Competitive Rivalry: **HIGH**

The threat of New Entry: **HIGH**

As Kelly (2020) reported, the loss of profit during 2020 brought Primark to cancel existing order to the supply chain and this had a massive impact on its stakeholders. Numerous employees in Bangladesh suddenly did not receive any payment and the supplier did not have any refund for the raw material purchased for the orders that were already placed. Several competitors Next, Zara, H&M decided to honour the existing deal with the suppliers and cover the cost, conversely to Primark.

As Primark (2021) brags to do only a little advertising, it can be argue its decision to not fulfil the financial commitment with the suppliers. For a company that relies prevalently on public relation, and that has already been accused of modern slavery in the past (Wahhab, 2019), the risk is damaging of branding perception.

Furthermore, several of its competitors agree to pursue with the existing orders, the contrast of the action could see Primark in a disadvantage perception from the competitions.

PRIMARK SWOT ANALYSIS

The SWOT analysis is a useful tool for Managers to identify the external and the internal forces that influence the company and to develop an appropriate strategy according to the results. (Wilson and Gilligan, 2017).

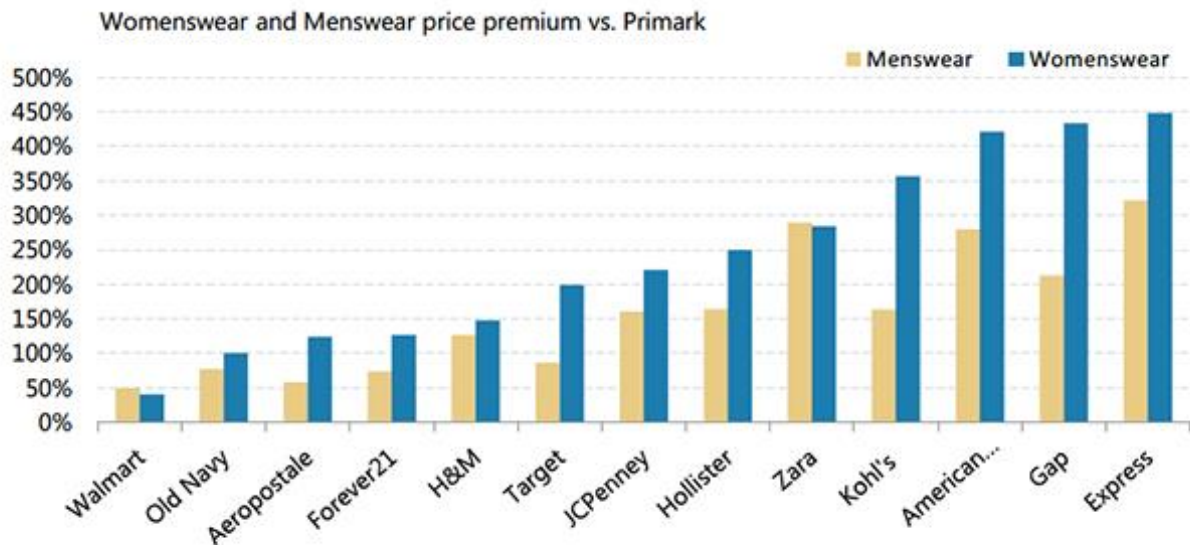
-STRENGTHS

- **Strong Brand**

According to Sabanoglu (2020), Primark is ranked in the top 10 of leading fashion and clothing brands in the UK, and also in the top 10 of most popular brands in the UK.

- **Power Market over competitors and suppliers**

(Geoghegan and Sholl, 2018) Primark's financial director John Bason has confirmed in one of his interviews that the success of the company derived from the ability to deliver at the market lower price than competitors, at equal quality. E.g. research, reported by Garcia (2016), shows that US Primark's competitor's prices are around three times more expensive than Primark's prices.



(Garcia, 2016)

According to Primark (2021), the company is high demanding regarding its suppliers that are required to commit to an internationally recognised standard and fulfil the Primark's Code of Conduct and Metal Control Policy.

Still, according to Primark (2021), the company relies on multiple suppliers, reducing the risk of supply chain interruption. It confirms the power market of Primark over the suppliers while applying the Porter's Five Forces Analysis, the THREAT OF BARGAINING POWER OF SUPPLIER would result: **LOW**

-WEAKNESSES

- Failure to Innovate

(Alexander, 2013) After the failure of the online trail selling in 2013, for the high cost involved with the shipping, the company decided do not to proceed with e-commerce. As already touched upon, Primark's lack of e-commerce costs the company around £ 1 Billion of profit loss during the Covid-19 national lockdown (Loeb, 2021).

- Lack of Advertising

According to Primark (2021), the company can provide valuable economic price's products for its business strategy. Part of its strategy comprehends saving on expensive advertising, as TV advertising. Although Primark's brand awareness to the consumer is high, the lack of advertising is exposing the company to a disadvantage position from the competitors.

-OPPORTUNITIES

- Opening new stores

As the company is not practising e-commerce, consumers need physical stores to shop. According to Rozario (2020), the company planned to open 14 more stores in the U.S. by the end of September 2021. Furthermore, (Wanted in Rome, 2020) because of the immediate success of Primark, opening its first store in Rome in 2020, the company decided to expand to the Italian market, programming to open 8 new stores by the end of 2022 (Jahshan, 2021).

-THREATS

- Extension of Covid Restrictions

As already mentioned above, (Loeb, W. 2021) the lack of e-commerce heavy affected the business during the Covid 19 pandemic. The company did not develop any new strategy in response to the economic environment. Instead, the company is stalling to pursue the business until the restrictions will be ended. During an uncertain period like the current year 2021, It is hard to predict when all the restrictions will be removed, despite the vaccines campaign, the threat of new limitations is still high (Walker, 2021).

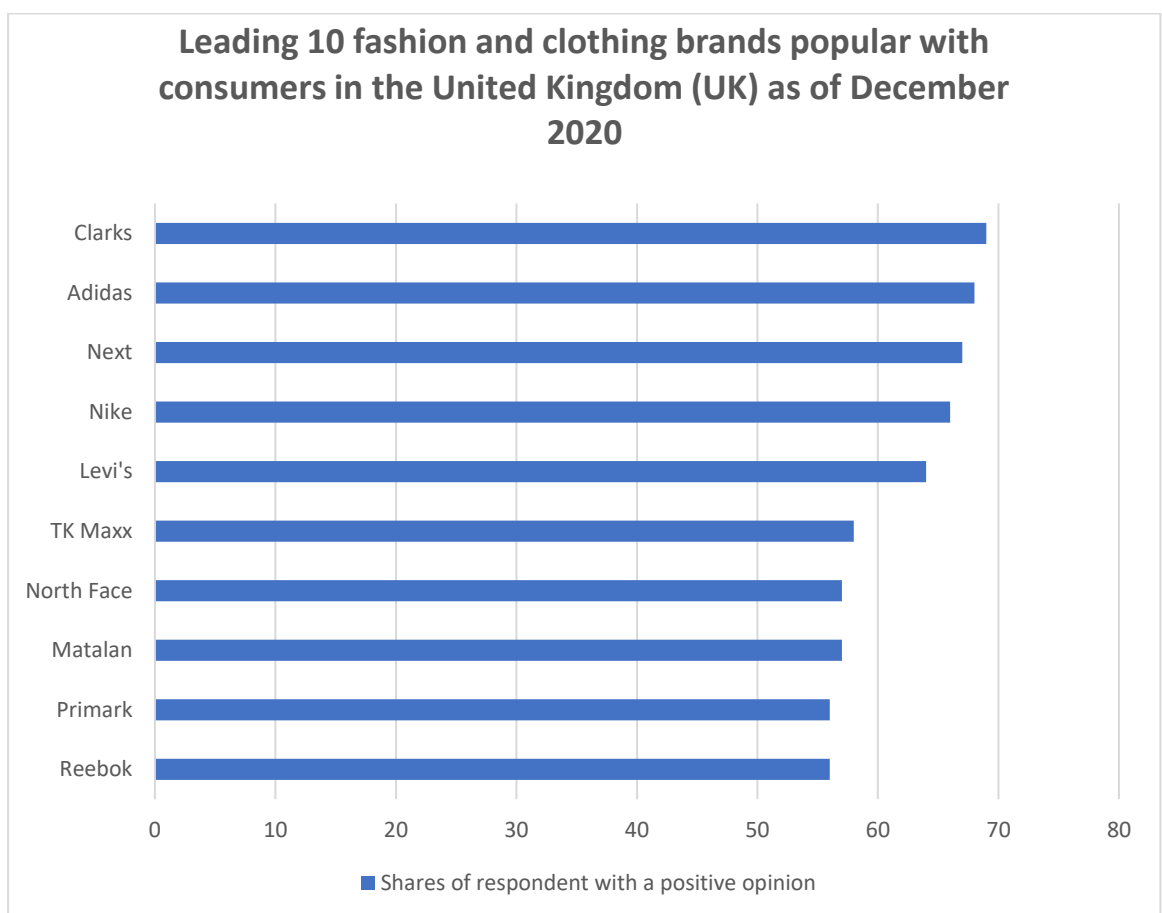
- Changing of Consumer Behaviour

Simpson (2020) concluded that Covid-19 will have a lasting impact on the retail industry. Consumers had changed the way to shop. According to the survey of UK DIY News (2020), a third of the UK's consumer had experienced online shopping for the first time. As is suggested by Simpson (2020) although when the shops will open, a recommendation as the social distance will still be in

force. Numerous consumers still prefer to shop online. E.g. to avoid queues and the spread of the virus.

- Competitors

The statistic published by Sabanoglu (2021) shows that, although Primark is a highly popular brand in the UK, is ranked as 9th for the top 10 leading fashion and clothing brands popular in the UK in December 2020. Competitors ranked above Primark, starting from the first position, are Clarks, Adidas, Next, Nike, Levi's, TK Maxx, North Face, and Matalan.



Source: Sabanoglu (2021)

CONCLUSION

According to the SWOT analysis, it can be said that Primark failed to adapt to the new economic environment. Based on the circumstances, it appears that the company had three options to respond to the threat of the pandemic: to start an e-commerce, selling through a third-party brand e.g. as it did in 2013 with ASOS, or remain closed until the end of the lockdown. Primark adopted the third option. Besides the risk of continuing deficit of revenue (as already mentioned, the company already lost over £1billion) and the extension of the lockdown, there is also the high risk of consumer switching brand. If Primark fails on satisfying the need of its customers, creating a gap in the market, there are high possibilities that the consumer will try to satisfy their needs with another brand and become loyal to the latter. Primark's lack of innovation and marketing has led the company in a disadvantaged position from the competitors. While Primark is stalling, waiting for the restrictions to be finished, its competitors are developing new online strategies and new products.

RECOMMENDATION

Primark had a successful strategy in the past, that lead to a strong brand with a global presence. However, the pandemic strongly impacted the economic environment, and Primark's business strategy appears inefficiently and inadequate for the new circumstances.

It is recommended that Primark starts to react rather than stall until the end of the pandemic. If the cost involving of opening e-commerce is too high, I would suggest Primark to drawback to its project with ASOS in 2013. It may not generate high profit, however, the objective is to avoid the actual disadvantaged positions with the online competitors.

Another option that I suggest Primark consider is to develop a low-cost online marketplace business. It should have only one warehouse in Bangladesh or in India, where are the majority of its factories and the cost involved is low. The deliveries time would be longer, however, the cost involved would be lower.

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