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Environmental analysis of the fashion industry

PRADA

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Introduction

The aim of this essay is to examine the international climate and how global business is evolving as a result of globalisation and other industry forces. Prada Fashion has been chosen in this regard to analyse the external and internal climate in order to highlight the progress and embraced issues that they have made in collaboration with their stakeholders (Radović-Marković, Salamzadeh and Vujičić, 2019). The competitive advantage was also addressed in order to clarify Prada's unique position in the market, and suggestions were made based on an industry review using Porter's Five Forces and PESTEL. As a result, the fashion business in the United Kingdom is one of the most dynamic and saturated in the world. The majority of the risks faced by the industry's internal and external climate are directed at retailers. As a result of these circumstances, the report's aim is to objectively assess Prada's internal and external environments. With technological advancements and challenges from industry competitors, the global market landscape is shifting (Fabus, 2018). All companies have altered their attitudes toward their consumers and stakeholders; these and other considerations are addressed further to objectively analyse the competitive environmental review.

Prada Overview

Prada is one of the most well-known fashion labels in history. The brand's designers have worked hard to stay creative while retaining a timeless, sophisticated aesthetic. The Prada house has proved its durability, and the Prada brand will continue to be sought after for many years to becoming (Forte, 2019). In 1913, the first Prada store opened in Milan's prestigious Galleria Vittorio Emanuele II. Mario Prada and his brother, Martino, founded the leather goods store. Packs, trunks, steamers, and travel accessories were available at the shop. Prada was appointed the supplier of the official of the Italian Royal House in 1919. Prada was able to use the House of Savoy coat of arms and knotted rope pattern in its signature logo as a result of this prestigious distinction. Prada is an emblem of the Italian aristocracy because of this honour. Prada's history becomes even more fascinating. Mario Prada did not agree that women should work outside the home because of the patriarchal culture of the time (Wen *et al.*, 2020). He didn't hire any of his female relatives to work for him. His only son, ironically, was uninterested in the family business. Luisa Prada, Mario's daughter, took over the family business and ran it for nearly two decades.

Impact of Pandemic on the Fashion Industry

The revolution in the fashion business is reflecting on the unfolding crisis affecting the people who create their clothes as the whole world is facing this pandemic in isolation. Around the world, shops are closing their doors and cheering their clients to shop online in its place. However, many of them are economically loaded by layoffs or new childcare obligations, and the temptation to purchase new clothes feels like a distant fantasy when they are forced to stay at home (Chakraborty and Biswas, 2020). For Fashion Revolutionaries, this one-of-a-kind series of circumstances has the potential to usher in the #LovedClothesLast campaign, which they have been promoting for years. Given the grade of clothing overrun that followed this crisis, they hope that the days spent indoors will result in revolutions in clothing care, mending and producing clothing, and embracing a wardrobe mentality of durability.

Impact of Pandemic On Prada

For the year, net sales for the company, which comprises both Prada and Miu Miu, increased by 2.7 per cent to €3.2 billion (£2.9 billion). However, EBIT fell 5.3 per cent to £306 million (£280 million) (Gjoni, 2020). As part of a larger project to "preserve brand exclusivity," the brand phased out mark-downs, resulting in a 4% decrease in wholesale sales year over year. Prada Group CEO Patrizio Bertelli commented on the results, saying that amid sales gains in 2019, the coronavirus pandemic was still affecting the start of 2020 (Toor *et al.*, 2020).

Porter's 5 Forces Model

It is a strategic method for analysing marketplace paradigms that have an impact on the company and its operating environment. The external and internal influences that contribute to success or failure are referred to as the climate(Wen *et al.*, 2020). This model should be used by the Prada manager or decision makers to consider the characteristics of the environment in order to make important decisions. The following criteria can be used to test the model:

Bargaining power of the buyers:

Prada has a strong brand presence in the United Kingdom, where they serve millions of customers per week through a mix of multiple buyers. Since they are not well organised, the customers associated with Prada have no bargaining power(Wen *et al.*, 2020). If they want to move from

Prada to other brands such as Adidas, Nike, and others, but they are unable to do so because of their affordability, this makes the atmosphere appealing for Prada

Bargaining power of suppliers:

Many more vendors than consumers in the business where Prada operates. As an outcome, producers have less bargaining power, leaving suppliers in a weak negotiating place. The goods of these suppliers are honestly uniform, have slight distinction, and have low substituting costs. Prada can move suppliers additional effortlessly as a result of this (Wen et al., 2020). As a consequence, the bargaining power of producers is diminished.

Threat to substitute:

The few alternates for the goods generated by Prada's business. The few replacements existing are often generated by low-profit industries. This ensures that in the business in which Prada operates, there is no edge on how much cash a business can make overall. Alternative goods have become a weaker force in the market as a consequence of all of these issues (Wen et al., 2020).

Rivalry:

There are very few participants in the business in which Prada functions. The bulk of these are very large as well. This means that no improvement in the industry goes unnoticed by the public. As a result, existing stable competition in the business becomes a frailer power (Wen et al., 2020). Just a few participants have a substantial market share. They will struggle to gain a good edge and become marketplace leaders as a result of this. The existing firm of rivalry within the industry becomes a stronger power.

Pestle Analysis

The PESTLE Analysis of Prada looks at the brand's marketing strategies. Prada's PESTLE Analysis examines the impact of social, political and economic, and technological (PESTLE) factors, as well as environmental and legal factors, on the business (Matovic, 2020). The PESTLE Analysis describes the various extrinsic situations that influence the brand's operations.

The analysis of the PESTLE is the framework that allows businesses like Prada to improve known market dynamics and grow their businesses.

Political analysis:

Prada is an Italian fashion house that specialises in leather goods, footwear, perfumes, ready-to-wear clothes, and a variety of fashion accessories. It is present in over 70 countries around the world. Every area has its own political situation, which Prada as a brand must understand in order to conduct successful and profitable business globally (Matovic, 2020).

Economic factor:

During the global economic downturn of 2008, this was shown. It didn't take long for Italy's economy to collapse. It took a long time to get back on track. Prada has a lot of problems in this case. Interest rates rise, posing a challenge for the business's ability to survive (Matovic, 2020). Furthermore, the consumer will not be able to purchase expensive accessories on a loan because the interest rates will skyrocket.

Social factor:

These days, fashion is not only associated with the affluent and powerful. Through the passage of time, a customer's disposable economic income rises. People associate their social status and class with the clothing they wear (Brydges *et al.*, 2021). Prada should think about the socioeconomic status of the people to whom they want to market their products. There should never be a mismatch between a person's class and the product that is presented to them.

Technological factor:

With the passage of time, technology advances. Firms that keep up with evolving technologies succeed; otherwise, they go out of business and are no longer a player in the industry. Prada has been at the forefront of technological advancements since its inception (Brydges *et al.*, 2021). Even before Apple released the iPhone, it was the first to market with a "fashion handset" with capacitive touch.

Legal factor:

Prada and other luxury houses face a number of legal issues. The changing taxation policies of different countries over time are a major source of concern, and if the taxation policies are not adhered to, the fines and penalties will be enormous (Brydges *et al.*, 2021). Then there's the labour mandated by different government agencies. Since labour is the most important factor in the production of fashion items, this set of rules and regulations must be adhered to. Prada's intellectual

property, such as a logo, must be patented or protected with copyright to prevent unfair commercial use by rivals.

Environmental factors:

The fashion industry is changing at a rate that no one could have predicted. This has more to do with the increase in the amount of disposable income among fashionistas. However, the apparel and garment industry as a whole is only second to the oil industry in terms of pollution. The amount of waste generated by this industry is enormous (Brydges *et al.*, 2021). Many businesses have been heavily reprimanded for polluting both water and air.

Strategic Changes Made by Prada in Covid-19

Big-name businesses began by adjusting their contact networks and attempting to bring as countless disconnected activities and promotions as likely online. Additional cleanliness and safety precautions were taken, and stock circulation was minimised where possible (Brydges *et al.*, 2021). This act demonstrated sound business judgement while also demonstrating respect and consideration for both consumers and employees.

Furthermore, luxury brands like \Estee lauder, Kering and LVMH have all promised to assist governments and health institutions in the fight against COVID-19, with LVMH and Chanel repurposing current creation lines to create sanitisers and face masks, and the funding of coronavirus as done by Bulgari, and Kering, LVMH, Moncler, Ralph Lauren, Capri Holdings, Gucci, and Richemont Group, which owns Cartier, Van Cli (Mikhailava, no date). In over 200 countries the coronavirus has spread. As managements and societies cope with the disease, people begin to view daily doings inversely, resulting in a change in behaviour.

Competitive Advantage

Factors that allow a commercial for the production of goods or facilities to improve or more inexpensively than its contestants are mentioned as a competitive advantage (Brydges *et al.*, 2021). These issues allow the moneymaking administration to produce advanced incomes or developed limits than its participants. The two most important factors that mean Prada (01913) has major competitive advantages are its long-lasting brand and strong returns on capital (Borlase *et al.*,

2021). As a result, we rate Prada as a wide-moat firm, indicating that we believe it will continue to generate high returns and that rivals will find it difficult to encroach on its brand equity.

In constant exchange rates, the Italian luxury company posted net sales of €3.2 billion for the full year 2019. To rationalise the wholesale channel and the decision to phase out has had a negative impact on revenue, with wholesale falling 4% at endless conversation charges and retail falling €110 million (Ambrosetti *et al.*, 2021). Despite the small drop, the company saw a confident sign in full-price revenue, which increased by 6% year over year thanks to double-digit development in the other parts of the year.

Operating profit dropped 5.3 per cent to €306.8 million as functioning costs grew as a result of increased media, operations, and labour spending. The Prada Group has absorbed on making brand energy and attracting a new group of customers done beginnings such as Prada Mode, a travelling community stick that property-owning in long, Paris and Hong Kong, and the Prada for Adidas Limited Edition collection (Radovi-Markovi, Salamzadeh, and Vujii, 2019). In its retail network, the organisation has completed 120 renovation and relocation programmes.

Recommendations

Prada SpA made a profit in the second half of 2020, riding a wave of recovery in Asia that saw other luxury brands rebound from the worst of a pandemic-related recession. The Italian fashion company said in a statement Tuesday that earnings before interest and taxes will turn positive in the last six months of last year after a deficit in the first half. Prada has been concentrating on lowering wholesale sales in order to better manage handbag pricing under its flagship and Miu brands. The company's own stores now account for 90% of total revenue. In order to raise its aura of exclusivity and profit margins, the company is also discontinuing seasonal discounts. Because of their high fixed costs, luxury brands found it difficult to cut expenses as quickly as sales dropped at the start of the pandemic. In the second half, retail sales dropped by an average of 6% at constant exchange rates, with Europe bearing the brunt of the decline due to a shortage of visitors. Meanwhile, China helped the Asia-Pacific region outperform.

Conclusion

Despite the fact that the fast style model is firm, the slow style model is fast traction as a result of environmental issues and social values associated with business ethics. "Business marketing" is a

synonym for "economic environment." In order to conduct business in an ethical and environmentally friendly manner, the fashion industry must carefully consider and research command issues known as PESTEL, which are sole of external nature. Technology is becoming increasingly relevant in fashion marketing, but it is also posing a competitive challenge.

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