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Covid-19's Impact on The Global Fashion Industry

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Introduction

This essay explores the impact that Covid has brought about in the business world and how it has changed the business environment of the fashion industry. It conducts a PESTLE analysis of the business environment of the fashion industry. It discusses each of the six factors in the PESTLE analysis. Then, it tries to point out the challenges Covid has presented in detail. Then it also looks at opportunities brought by the Covid pandemic. Next, it performs Porter's five forces analysis of the industry. It investigates the ways Next has tried to recover from losses. In the end, it concludes with a list of recommendations.

1. Analyse the impact of the pandemic and explain the major forces that have shaped the business environment of the fashion industry.

Covid-19 has put a halt to everything in the world as well as in the world of business. The fashion industry has felt the deadlock much like other industries. The ways businesses in the industry operate have changed drastically, replacing the traditional ways of doing business. Workplace activities, the corporate ones, have turned to online mediums, which are keeping the businesses alive in these tough times (Brydges, et al., 2020). But, the global fashion industry suffers the most as manufacturing plants remain closed as per governmental orders and store closures add to the suffering even more. Supply chain channels struggle significantly to deliver raw materials at manufacturing plants on time and to final consumers. Fashion shows and events are at a stop for more than a year now, which is affecting everyone involved in the industry financially, especially the models whose only income streams come from attending these shows. The matter is far worse for workers that support their families with their salaries. They take the hardest hit of the situation resulting from Covid. There is also an unprecedented decrease in demand for the products of the industry, as people experience a major decline in their earnings. Although a number of challenges exist for the industry, there are opportunities that present untapped potential even in a Covid-stricken reality (D'Adamo & Lupi, 2021).

PESTLE Analysis



Source: Pestle Analysis (2019)

Political

The political environment plays the most vital role in the fashion industry. Political stability is key and essential for businesses in the industry (Morrison, 2016). These businesses need to heavily engage in international business, which involves export and import. If government policies in both exporting and importing countries are not in line with each other, it impedes the production efforts of the businesses in the industry. Brexit poses new challenges and threats for the fashion industry. On top of that, Covid has caused a number of problems that slow down the global growth of the organisations in the industry. Geopolitical instability is a major concern in the global fashion industry. Political figures and personalities influence the whole UK population in the matter of fashion.

Economical

Clothing manufacturing costs are high in the developed countries. Therefore, clothing brands in the fashion industry outsource labour for the manufacture of products from third-world countries like Bangladesh, Sri Lanka, and Cambodia because labour wages are extremely and discriminatorily low in these regions (Brydges & Hanlon, 2020). This allows them to earn a

sizeable profit from the sale of their products as production costs go incredibly down. However, these businesses exploit the labourers in the worst way possible, which is a direct violation of basic human rights. Fashion products do not count as a basic necessity. As a result, demand for them declines as soon as people face low disposable income streams. Exchange rates and inflation also influence businesses in a major way while business cycles impact business sustainability and growth.

Social

Social forces play a big influential role in the fashion industry. Musicians and celebrities lead the role in this regard. They wear branded clothes and other fashion items that become appealing to the mass public. They are aware of the level of influence their fashion statements can bring in the minds of these people. Hence, they introduce new and stylish clothes and fashion accessories in their artistic pursuits such as music videos, tv shows, and films (Gibson, 2012). They promote these products in their regular lives outside of their work. All these prompt people to buy similar products that their favourite celebrities wear in their favourite tv shows and films.

Technological

Technological advancements have changed the very face of the fashion industry. Fashion enthusiasts can buy products to their liking in just a few clicks on websites. The rapid growth of e-commerce has taken the industry to the next level (Bhardwaj & Fairhurst, 2010). Buying clothes on online channels has never been easier and quicker. In a Covid-affected world, online shopping has become the only way to get clothes without having to go to shopping malls that might be full of crowds. Online channels have helped businesses in the fashion industry to gradually recover the losses they incurred due to Covid.

Legal

Businesses in the fashion industry cause pollution to a great degree. For that matter, they remain under increased scrutiny and monitoring of authorities that work to protect the environment. They have to be super compatible and complying with environmental rules and regulations. These businesses allegedly exploit labourers by not providing them with fair wages and forcing them to work more than 8 hours (D'Amato, et al., 2019). The workplace environments of these labourers are extremely low and poor. They give rise to accidents that

sometimes harm the workers to the point where they cannot work anymore. Businesses in the industry must comply with labour and workers laws in countries where they outsource labour for production.

Environmental

The production processes of the fashion industry release harmful chemicals into the air that may endanger the environment and the ecosystem. This is only in the production stage, which is only the initial one. At different stages, Businesses in the industry pollute the environment in a disastrous way (Worthington & Britton, 2014). During shipments of final products, ships and other vehicles deliver them to the consumers' destination, which causes pollution in the form of releasing poisonous gas into the air and spilling oil into the oceans. These final products become waste once final consumers wear them out to their various life stages through unusability. At the global level, clothing waste makes a huge and overwhelming number.

2. 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.

Covid-19 has changed the usual ways of doing everything in just no time. It has forced upon people a completely new way of living, functioning, and existing, which is termed as the new normal in today's world. As businesses operate in the very same world, the effects of the crisis fall drastically on them. They had to shut down their business operations and manufacturing plants because the Covid pandemic took its toll on them heavily, which hurt their financial health and wellbeing (Black, 2020). It has disrupted the sustainability goals of the businesses in the industry. Sales have hit extreme lows that no one has ever imagined before, which threatens the existence of the industry to a great degree. This unprecedented change of sales volume in the fashion industry has been depressing and horrible. It has prompted these businesses to think of different ways to be in business so that they do not go bankrupt and on the very verge of winding up. Business leaders have also come up with new

perspectives that offer ample opportunities even in the face of Covid, which may help to adapt to the new normal (Faria, et al., 2020). Some businesses have formulated strategies to recoup the losses incurred in the Covid crisis period.

Porter's Five Forces



Source: Industry Analysis (2017)

Bargaining Power of Suppliers

Bargaining power of suppliers goes up if there is a limited number of suppliers in the industry. It also increases when the raw materials are scarce (Palmer & Hartley, 2012). In the fashion industry, raw materials consist of fabric, cotton, and other supporting materials. In the UK fashion industry, there are a few players that supply these raw materials, meaning suppliers have high bargaining power. They can easily influence price changes, which can increase production costs. However, clothing businesses have turned to countries where the price of raw materials is incredibly low.

Bargaining power of Consumers

Consumers get to exert more power on businesses when a number of businesses exist in the market and offer similar products (Daniels, et al., 2014). More competitors mean the presence of increasing bargaining power of consumers. In the UK fashion industry, consumers have numerous options to choose from, which provides them ample opportunities to receive the maximum value and benefits. But, certain brands such as Next try to provide products with maximum value.

Competition from existing players

Competition in the fashion industry is fierce globally (Guo, et al., 2020). In the UK market, it has been even more so with local brands and the big multinational players. Local brands have

a strong brand image along with their signature quality products. On the other hand, global fashion giants have premium products. All of these have accelerated the competition even more. Brands both local and foreign strive to capture market share with new offerings.

Threat of new entrants

Threat of new entrants is significantly low in the fashion industry because starting a business in the industry requires a huge investment and expertise (Holland & Jones, 2017). In the UK fashion industry, the market is saturated to the fullest already with existing brands such as Next, Marks & Spencer etc. New players do not pose threat to established brands in the fashion industry.

Threat of substitutes

Threat of substitutes means a business facing the risk of being washed off by similar sorts of products from its competitors. In the case of the UK fashion industry, brands like Next offer products that fall in the niche category, which minimises the risk of being replaced by products from competing brands.

The Adaptability of Businesses in The Changing Environment

Next has recovered from the shock of the Covid-19 outbreak, which has caused the closures of its shops. It has joined chains like H&M and Zara in recouping the losses it had to incur. It reported more revenue than it had anticipated. Although it faced a loss of 150 million pounds, it reported an increasing revenue stream due to rising sales of warm clothes in August (Hipwell, 2020). People in the UK did not get to go on vacations abroad. This has led to a rise in sales in the domestic market. Next reopened its outlets before the UK government called for lockdown again because of an increasing rate of Covid cases. A new rule in the UK has been imposed, which prevents more than 6 people from gathering together.

Conclusion

The fashion industry has been going through a very tough phase. It has never faced anything this big and severe before. It is taking its time to get back to the fullest capacity. It faced tough times before and came back even stronger. So, it will not be different this time as well. Businesses in the industry have been working hard to get back to full operations while complying with Covid protocols and maintaining social distancing. They are planning to set

long-term goals and objectives keeping in mind the presence of a deadly virus that is destroying the world and its people.

Recommendations

- ✓ The fashion industry should act proactively in order to change the status quo.
- ✓ The fashion industry should collectively create a recovery fund for helping failing businesses.
- ✓ The businesses in the industry should help each other in these tough times.
- ✓ The businesses in the industry should duly compensate their employees on time.
- ✓ The businesses in the industry should provide assistance packages for their labourers in third-world countries.

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