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Environmental Analysis of the fashion industry

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Introduction

The global business environment is described as numerous sovereign countries located outside of the business's home environment that influence how the company makes resource allocation decisions. The fashion industry has a tremendous impact on the global economy. The industry is suffered from the supply disruption brought on by the COVID-19 pandemic (Ahmed, 2021). The report aims to evaluate the impact of COVID-19 on the fashion industry's business environment. This research investigates the leading players in the industry and answers the question as to why and how certain firms have succeeded while others have failed in better. The whole report is focused on a case study named "*Textile and Garment Supply Chains in Times of COVID-19: Challenges for Developing Countries*".

Business Environment

The complete picture of how all relevant factors, variables and forces affect activities of the business is known as the business environment. The business environment affects a business either positively or negatively (McMaster *et al.*, 2020). \

The primary kinds of business environments can be broken down into two broad categories:

1. External Business Environment
2. Internal Business Environment

The external business environment can be divided into two further classifications, macro and micro, respectively.

Components of Business Environment

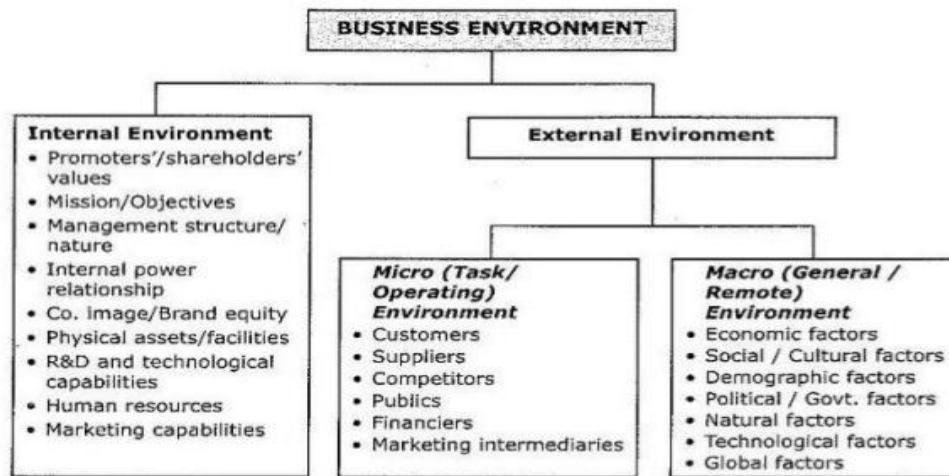


Figure 1: Components of Business Environment (Black, 2020).

Understanding Significant Factors That Have Shaped the Industry in Context of COVID-19

PESTEL analysis can be a great tool to understand the factors that have shaped the business environment of the fashion industry.

PESTEL

POLITICAL:

- **Unemployment Policy:** COVID-19 compels Chinese government and other country's governments to change the unemployment policy (Zhao and Kim, 2021). Governments urge not to cut off the jobs in the fashion industry. This policy increases the cost of the fashion companies.
- **Regulations on Closing Fashion Shops and Factories:** Governments impose heavy lockdown because of the ongoing pandemic. The regulations on lockdown affect the industry most. Many factories and shops have already been shut down because of this lockdown (Ivanov and Das, 2020). Some are forced to change the business tactics.
- **Political Stability:** Political stability has a positive impact on the fashion business. Recent, the US election has changed the demographics of the fashion business. The newly formed government has widened the view. This government believes in uplifting the bans from most countries. This will help to boom the fashion business all over the world.

ECONOMIC:

- **Recession:** COVID-19 creates a recession in the world economy. Many fashion houses are forced to shut down (Black, 2020). Many cut off jobs to survive. This creates panic in the industry. If this situation extends, the fashion business may see long-time instability.
- **Inflation:** The recession increases the inflation rate in every country. People focus primarily on necessary goods now.
- **Reduction in Consumer's Income:** COVID-19 reduces most people's income. Some may be fired, and some may be still survived with a salary cut. People do not want to employ money on expensive clothes because they have less money to spend.
- **Unemployment:** Corona surges the unemployment rate. Many people are out of work and therefore lose their ability to consume. During this time, most people can only afford essential clothing, if at all.

SOCIO-CULTURAL

- **Change in Attitude:** People prefer online shopping rather than physical shopping because of corona transmission. This attitude shapes the business environment of the fashion industry.
- **Occasion and Events:** Humans often buy luxurious and costly outfits only for festivals and occasions. However, all events are closed because of COVID-19 (Wamba *et al.*, 2020).

TECHNOLOGICAL

- **E-commerce:** Fashion companies see a surge in e-commerce. People avoid physical shopping now. So, most fashion companies shift business from offline to online. This contributes to the overall technical structure of the business world.
- **Social Media:** Social media is the way of selling and marketing products after monetising the platforms. COVID-19 accelerates the process.
- **Digital Marketing:** Digital market has seen a boom since 2010. But the year 2020 was the pick of digital marketing (Black, 2020). Corona changes the whole marketing process. Even small fashion businesses are seen to use digital marketing.
- **Research and Development:** Fashion companies spend more on R&D to develop new technologies to increase sales.

ENVIRONMENTAL

- **Air Quality:** Around ten per cent of global greenhouse gas emissions are attributed to the apparel industry (United Nations, 2019). This industry uses more resources than the global aviation and shipping industries combined. COVID-19 patients also need pure air. The government may impose some new regulations on the fashion industry.
- **Use of Carbon Capture Technology:** Government maybe will force the companies to use High-Quality Carbon Capture Technology.

LEGAL:

- **Import-Export Law:** Lockdown slows the process of import and export. Some countries ban on exporting goods. This ban affects the imports also.
- **Safety Law:** Government maybe will introduce health and safety law. This will increase the cost and slow down the process of production.
- **Labour Law:** Governments in different countries impose stick laws for labours because companies cut off labours at the first session of the pandemic. So, governments impose these laws to stop unemployment.

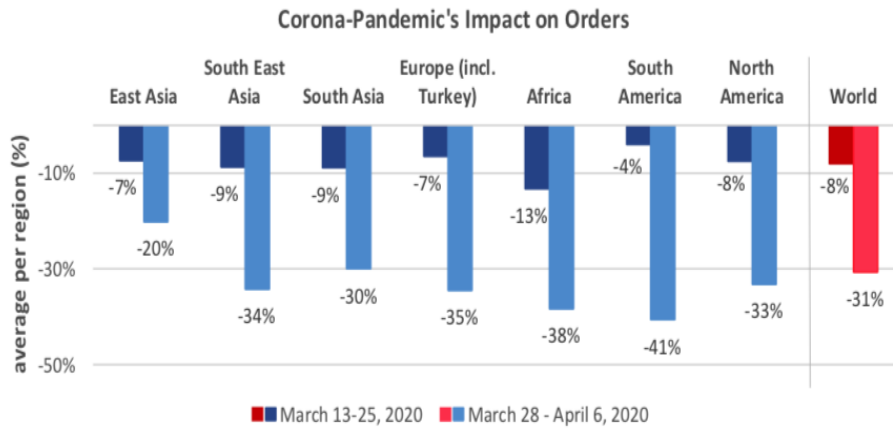


Figure 2: Impact of CORONA on Orders (ITMF, 2020)

Identify and Evaluate the Challenges and Opportunities That the Forces Have Placed in Front of the Key Players

SWOT finds the opportunities and threats from an external environment in a significant way. With this tool, every external and internal factor can be understood in the context of COVID-19. SWOT analysis is an effective tool to evaluate the challenges and opportunities that the forces have placed in front of key player such as China.

SWOT

SWOT is the most-used analytical tool to access the business environment. Both external and internal factors are evaluated to understand the business environment with this tool. SWOT analysis of the fashion industry is done below –

STRENGTHS:

- **Automation in Production Process:** Companies of developed countries are now introducing automation in their production process. By 2030, China hopes to automate 90% of its industry (Ivanov, 2020). It is a significant advantage for developed countries such as the UK, Germany, India, China because its competitors, such as Bangladesh and Vietnam, are far from automated.
- **Labour:** Most cloths producing countries have cheap labour for production. Countries such as China, India, and Bangladesh ensure labourers at low cost. Low labour cost helps to keep prices of products low globally. China gets the most benefits from low labour cost.
- **Raw Material:** China and India are the most significant contributor to the fashion industry (Wamba *et al.*, 2020). Both the countries collect and use raw materials from their country. This accelerates the production process and keeps the cost low.
- **Domestic Market:** Income, purchase power, urbanisation are increasing in the domestic market. The population of domestic markets prefer fashionable outfits. The boom in the domestic market is a boon for the fashion industry. China has the world's largest market.

WEAKNESSES

- **Dependence on Cotton:** Most cloths producing countries depend on China and India for cotton. This dependence often creates barrier while these countries are unable to supply cotton.
- **Poor Infrastructure:** Developing countries such as Bangladesh and Vietnam captures a significant portion of the fashion industry. But these countries have no good infrastructure. Companies of these countries often shut down because of fire, building collapse and so on. 2013

Rana Plaza collapse in Bangladesh can be a superb instance (Jun, 2021). Moreover, their transportation is also unsatisfactory that slows down the shipment process.

- **Low Productivity:** Some countries' labour shows low productivity, especially China's labour, because of lower-income.
- **Low investment in R&D:** Developed countries expense on R&D, but developing and under-developing countries do not spend much on R&D. For instance, India is one of the leading fashion industry players, but the country saw a decrease in the sale of fashion cloths amid the first phase of COVID-19 (Wamba *et al.*, 2020). Then the companies of the country spend money and develop PPE kits at a low price and capture the market.

OPPORTUNITIES:

- **Growing Market:** Fashion is a growing market. Before 2000, only a few developed countries consume the most fashionable outfits (Addo *et al.*, 2020). However, now developing countries also buying luxurious clothes. This habit will boom the overall industry.
- **New Government in the USA:** New US administration has widened its point of view for China. The previous government imposed many restrictions on China. Those restrictions created panic on the market, and the price of apparel was high because China supplies a significant part of raw materials and ready-made clothes (Hamilton and Webster, 2018).
- **Change in Demand and Taste:** PPE kits, Fashion brands expense on R&D amid the ongoing pandemic because COVID changes the fashion sense of the consumers. Businesses focus more on developing new products combined with protective tools—for instance, PPE kit, designer masks, designer glasses, etc (Ferreira *et al.*, 2020).

THREATS:

- **Recession:** The world is going through a recession because of the pandemic. Businesses are stuck in most countries. Unemployment is increasing. In this situation, the drop-in fashion business is expected. Extend of this recession maybe will hit the industry hard.
- **Ban on Import-Export:** In early 2020, most countries ban imports because they thought the products could transmit Corona. But eventually, the ban has been lifted. Because of the ban, the fashion industry saw a decrease in the sale. Now, Corona is surging again. If the governments again restrict imports and exports, the fashion industry may lose 30% of its share in the global economy (Chakraborty and Biswas, 2020). This will disrupt the supply chain of the industry.

- **Reduction in Foreign Consumer's Income:** Almost every company in the fashion industry exports a significant portion of production to the developed countries, but this time, it is not possible. Because of COVID-19, developed countries also see a reduction in income. Developed countries primarily are focusing on vaccine and protection equipment.
- **Global Inflation:** Inflation is increasing globally due to Corona. This inflation takes away purchase power from the consumers. Consumers focus more on daily goods rather than clothing. So, inflation is a significant threat to the industry. China has also been hit by global inflation.

How Have Some Businesses Adapted to This Evolving Market Environment More Successfully Than Others

COVID-19 has changed the whole business environment. Maybe the fashion industry has affected the most. The pandemic has swapped the traditional factors of the business environment. Many companies are forced to shut the business. However, still, some firms are profitable. Companies such as ASOS, GUCCI, Urban Revivo, Peacebird were profitable amid COVID-19. Most of the textile factories of China has seen heavy profits since COVID-19. The question arrives, “How they make it happen?”

These profitable companies follow some essential steps and tactics to be profitable. Those are –

Aware of the current situation:

Lest people adopt selective thinking, regular reporting, or compartmentalisation, facts get in the way of getting what they do not want to know. While this is a natural response, it is not a good approach to taking things in stride. Instead, managers should be willing to face their fears and search for new resources to explore those they may have (Roberts-Islam, 2020). Those who are open to new thoughts and eager to learn have an advantage over those who cling to the old because they can adjust themselves and recognise what is shifting around them.

The profitable companies first understand and recognise the ongoing pandemic as a threat. Most companies thought the virus would affect China only. Nevertheless, the successful companies recognise the virus as a threat at the first stage and take necessary steps.

Understand the Change:

It is helpful to be open to new opportunities that can arise, and the company see what can be done with them (Schallmo *et al.*, 2020). The experience of change is not something to be feared but is instead something that offers new opportunities to embrace and, once the business realises it, transform to the advantages.

To Become Strong and Keep Developing Skills

When one learns and improves, so one's abilities must be used more effectively to handle the transition, one learns new techniques but would need to develop new talents and traits to survive and thrive, called for when it comes to the advancement of technology. Skills are hard to maintain in a world that is constantly evolving (Akhtar *et al.*, 2020). It is crucial to be able to handle any eventuality until it arises

within the business so that the company can be able to adapt and persist in the long term. In a crisis, one does not want to be left flat-footed.

Almost every company in the industry started developing skills but lately. But now-profitable firms recognised the issue at the early stage and started learning new skills according to the situation. These firms get the benefit of the first mover.

Embrace the Technological Revolution

Every company in the industry were trying to introduce high-end technologies in the business. Some already had started the process. But most companies were afraid of investing in it. However, now-profitable firms find the pandemic as a great chance of introducing new technologies (Addo *et al.*, 2020). These companies started serving online via apps and websites. They also adopt automation in the business.

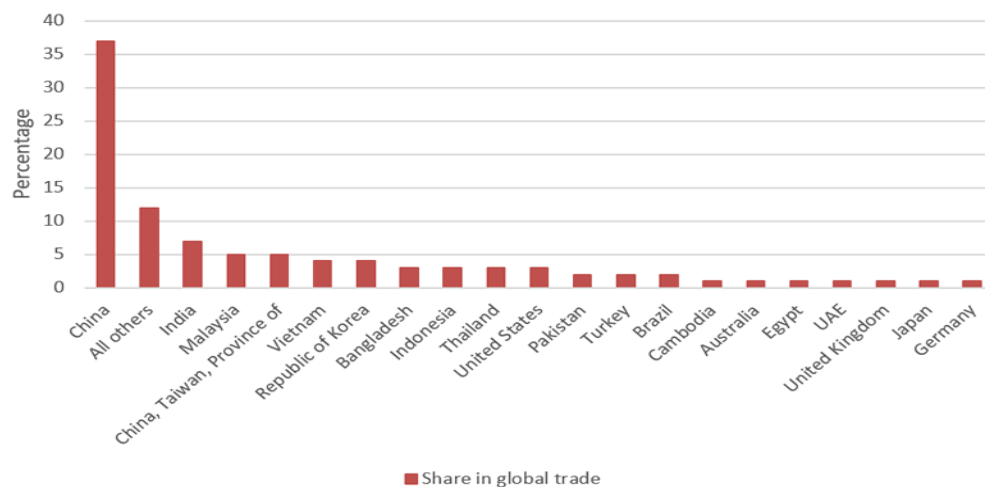


Figure 3: Top 20 exporting countries of fashion goods amid COVID-19 (TEU, 2020)

Chinese companies follow all the above-mentioned strategies. So, they were profitable amid the COVID-19 period, while others were persisting.

Conclusion

This paper explores and summarises the critical points relevant to this issue and presents evidence on it, such as how it influences global output, imports, exports, consumption, and job generation. The author also discusses how some companies profit in the COVID-19 period, while others survive somehow.

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