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**Global Business Environment: Assessment 1: In context of
Burberryss**

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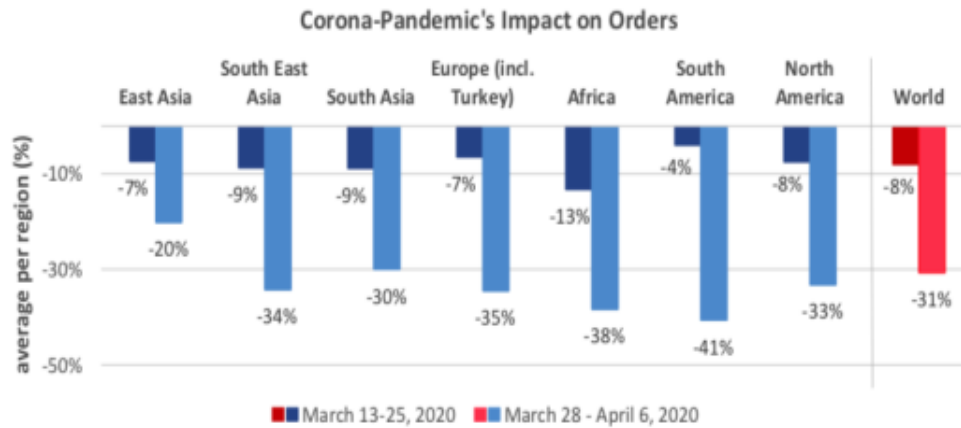
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Introduction

Analysis of the global environment of a company encompasses the analysis of the industrial market, internal factors of the company, competitors and customers belonging to the company. The fashion company taken here is Burberrys. The relevant information regarding the impacts of the Covid-19 pandemic on the fashion industry will be analysed in this assignment. Along with that, the major business environmental factors that shape up the fashion industry will be discussed as well. In addition, the analysis of opportunities and challenges faced by the fashion industry will be focused on along with a detailed SWOT analysis of a company from the fashion industry.

Analysis of the influence of Covid-19 pandemic on the fashion industry

The Covid-19 pandemic affected the fashion industry in a negative way as the manufacturing plants closed down, physical store closures and the cancellation of events occurred due to the introduction of complete lockdown. According to Donthu and Gustafsson (2020), consumer demands, new opportunities and market demands faced several challenges due to the Covid-19 outbreak. The manufacturing and retailing of clothes from the fashion industrial firms faced issues regarding the availability of fabrics. People stopped visiting physical stores due to complete lockdown and social distancing issues to avoid transmission of the virus. On the other hand, the implementation of e-commerce and digital marketing emerged in companies from the fashion industry on a huge level (Guercini *et al.* 2020). This benefits the customers with online ordering, online sales, and delivery by drones along with online interaction with customers regarding issues of interest. It has been observed that there is a noticeable decrease of 35% of orders on fashion products in Europe during the Covid-19 outbreak. This dramatic shift towards digital commerce in the business structure of companies in the fashion industry is strategic options for an increase in sales during the pandemic situation. Wongkitrungrueng *et al.* (2020) stated that without the presence of a real audience base, live streaming of their products by fashion companies to the digital audience is effective.



Source: ITMF Survey (March 28-April 6, 2020)

Figure 1: Influence of Covid-19 pandemic on the fashion industry

(Source: Shenglufashion, 2021)

The sudden outbreak of Covid-19 has affected the fashion industry in a huge way that includes the addition of colourful designer facemasks and protective cases in the fashion segment. Gucci and Burberrys included fancy designer surgical facemasks in their list of fashion products and they are introduced by fashion influencers (Etsy, 2021). The sudden inclusion of facemasks from the protection and safety segment to the fashion segment has added to the style statement. Besides, the rise of sustainable fashion and design got included as well due to the increased focus on ethical and economical factors that were affected during the Covid-19 pandemic (Unido, 2021). The crisis of raw materials and the drop of GDP as a part of economic factors in countries all over the world have affected the fashion industry in a negative way (Inoyatillo, 2020). The imports, exports and fashion trades all over the world regarding the raw materials as well as the final products have been hampered as well due to the Covid-19 pandemic.

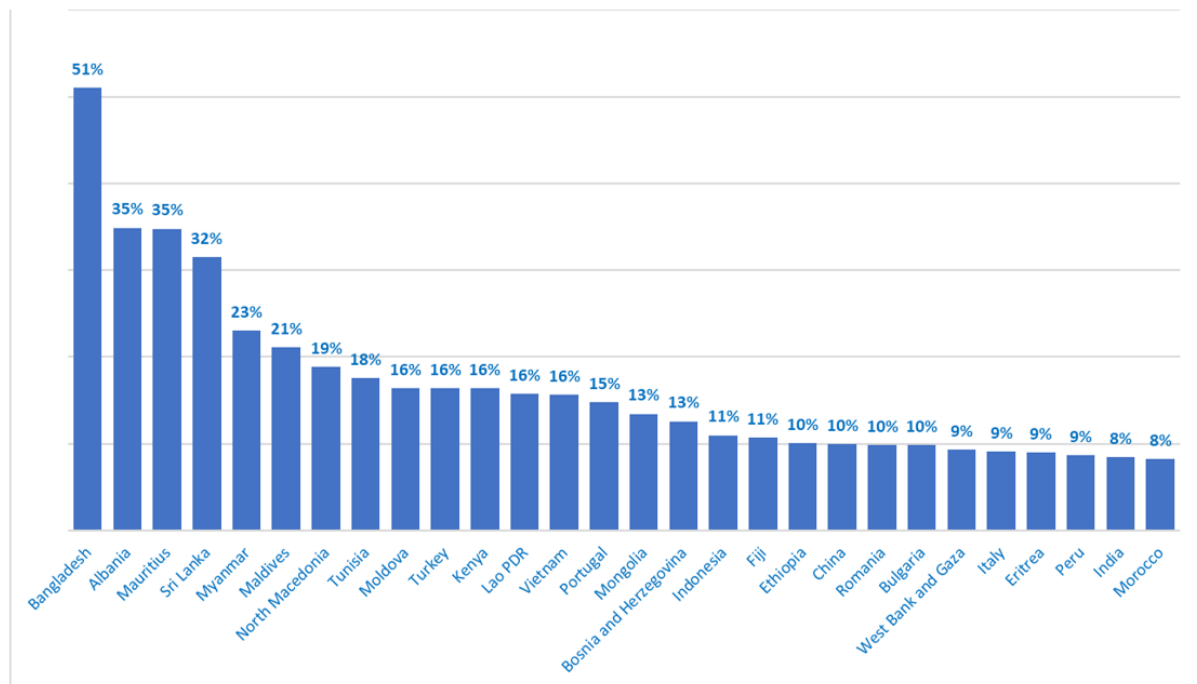


Figure 2: COVID-19 accelerated the transition to a sustainable fashion industry

(Source: United Nations, 2021)

Explanation of the major forces that shaped the business environment of the fashion industry

As opined by Alves, Ribeiro and Saravanan (2020), the Covid-19 has hindered the production and international trade business of the fashion industry. There are other major forces, that are shaping the fashion industry as a whole, and these forces are stressed out through the infusion of Pestle and Porter's five forces analysis.

Factors	Analysis
Political	- Brexit has caused uncertainty and instability in the UK market for Burberrys as it has shaped up different regulations and policies. - The international trade of Burberrys was severely influenced through strict norms imposed by the government due to Brexit and Covid-19 and the firm can face major challenges related to trade restrictions in future as well (Brydges <i>et al.</i>, 2021).

<i>Economical</i>	• The highly imposed tax rate by the global governments has reduced the profitability of Burberrys and caused a decline in its growth rate (Fernandes, Honã, and Cruchinho, 2020).
	• The certain fluctuation in the currency rate due to Brexit has caused inflationary pressure in the fashion industry (Alves, Ribeiro, and Saravanan, 2020). • The inflation caused due to Brexit and Covid-19 has tighter the budget of the households, and this has lowered the overall sales of the fashion industries, such as Burberrys. • The frequent changes in the currency rate due to de-globalisation has created greater fluctuations in international trades and thereby affected the fashion industries (Brydges <i>et al.</i>, 2021).
	• The high-disposable income caused due to increase in the GDP of the country will provide wider opportunities to the fashion sector of the UK. • The demand for fashion amenities such as masks, PPE Kits, Gloves caused due to Covid-19 can help the fashion industry to stabilise its profitability. Burberrys should invest wider capital in R&D to transform the input of the consumers into its final commodities (Fernandes, Honã, and Cruchinho, 2020). • The rise of population and growing awareness regarding sustainable clothing is also providing fashion industries, opportunities to grow (Brydges, Retamal, and Hanlon, 2020).
<i>Technological</i>	• The implication of Covid-19 has pushed fashion industries such as Burberrys towards the latest online platforms for driving sales and promotions. This has reduced their distribution cost and has improved their overall consumer reach (D'Adamo and Lupi, 2021). • The investment in R&D to develop sustainable technologies has helped fashion industries to come up with sustainable manufacturing methods to reduce wastage of water, which has eventually increased

<i>Legal</i>	their creditability in the market (Brydges, Retamal, and Hanlon, 2020). • The social media engagement-driven due to the Covid-19 has helped the fashion industries to understand and gather relevant information related to consumer trends, thereby helping the companies in streamlining their sales efficiently.
	• The Intellectual Property Law and Data Protection Laws have helped the firm to secure its assets and promote ethics in society (D'Adamo and Lupi, 2021). • The employee legislations acts have helped the fashion industry to provide equal opportunities to their workforce and this has helped them to increase their retention level (Alves, Ribeiro, and Saravanan, 2020). • The laws related to international trade are regularly changing due to trade disputes and this has affected the functionality of the fashion industry.
<i>Environmental</i>	• Fashion industries like Burberrys have reduced their carbon emissions to 26.9% to reduce the operational emissions by 30% through 2025 to increase their sustainability level (Burberrys, 2021). • The firms are using renewable methods in their supply chain and packaging so they can meet the Sustainability Agenda 2030. • The Covid-19 has highlighted the vulnerability of the global supply chain as countries restricted international trade and firms such as Burberrys are using sustainable measures in their production to tackle those regulations (United Nations, 2021).

Table 1: Pestle Analysis

Porter's 5 forces of Burberryss:

- **The threat of newer entrants:** As reported by Isabelle *et al.* (2020), the economies of scale is difficult to achieve for newer fashion industries as Burberrys produces

larger capacities which provide the firm with a cost advantage and makes this force weaker. Moreover, the implication of Covid-19 has made an entry for new entrants severe, as this industry requires high capital requirement. Burberrys should focus on innovation for differentiating its products from newer entrants so their entry would not matter for its existing customer base.

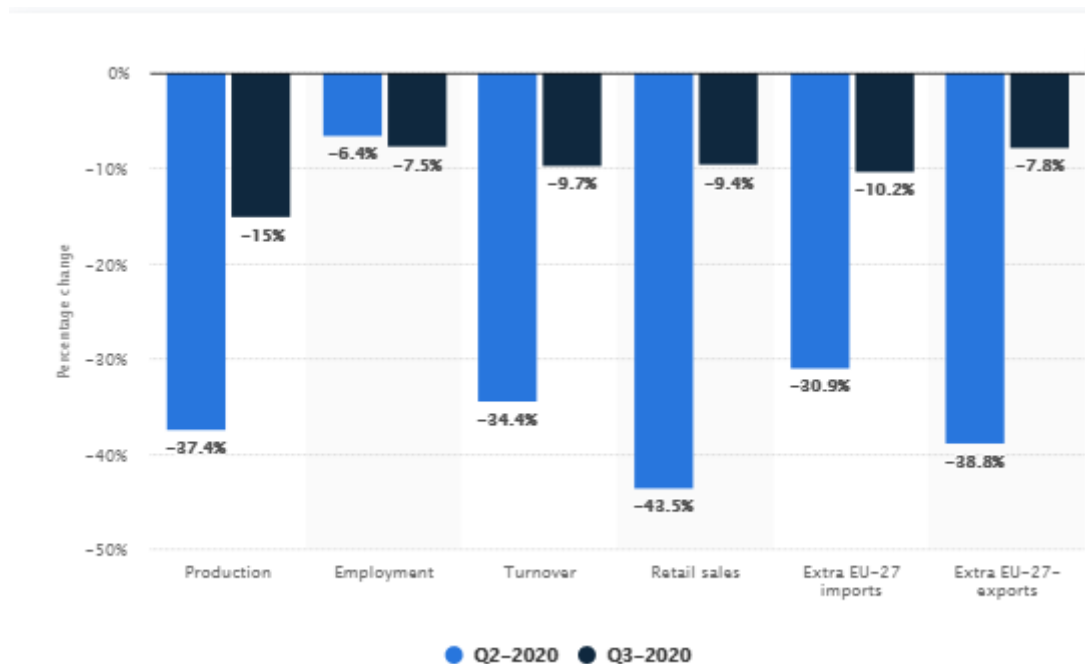


Figure 3: Impact of Covid-19 on the Clothing sector

(Source: Statista, 2021)

- **Bargaining Power of Suppliers:** The suppliers bargaining power is moderate for Burberrys, as several suppliers are available in fashion industry. However, the international trade restrictions with other countries due to Covid-19 have forced the firm to depend on fewer suppliers, and this has affected its overall profitability (United Nations, 2021). The firm should try to make the relationship with multiple suppliers from geographical locations to minimising this threat.

•Porter's Five Forces

- The threat of newer entrants
- Bargaining power of buyers
- The threat of competition
- The threat of substitution
- Bargaining Power of Suppliers

Figure 4: Porter's Five Forces

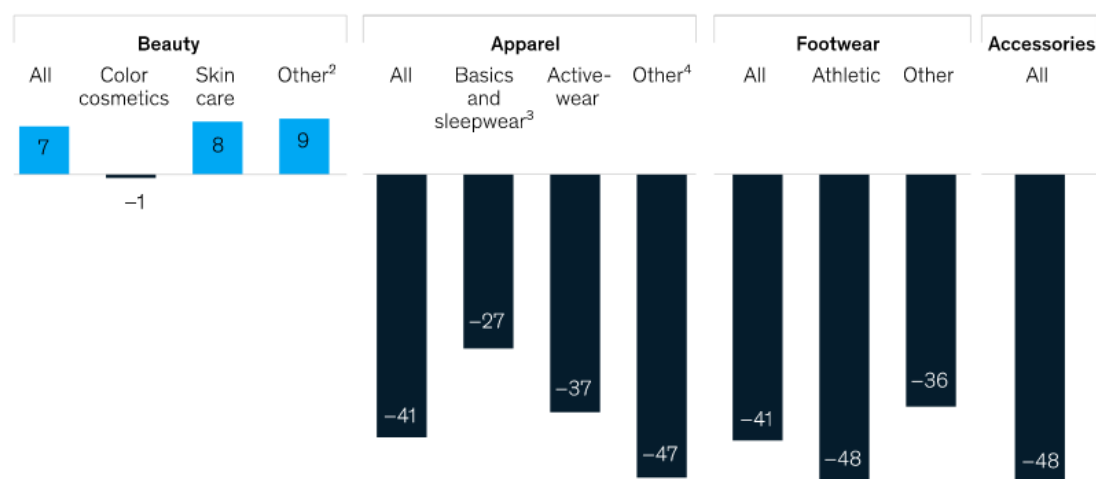
- **Bargaining power of buyers:** According to Visser (2018), the bargaining power of buyers becomes relatively low when there remain no alternatives for the particular commodity. The bargaining force of buyers is moderate for Burberrys as product differentiation in the industry is high, which eventually leaves limited alternative commodities available in the industry. The firm should focus on innovation and differentiation for luring more buyers.
- **The threat of substitution:** The threat of substitution is moderate for Burberrys as there are few substitutes available, which produce substitute commodities (Pervan, Curak, and Pavic Kramaric, 2018). This provides opportunities for Burberrys to increase its profitability as it provides better and higher quality commodity at a lower price to its consumers. The firm should keep on focus on providing a higher quality of commodities at affordable rates to increase its market share.
- **The threat of competition:** The threat of competition for Burberrys is high, as there remain many competitors that are decreasing the market share of the firm. Major companies are challenging the innovative capabilities of the firm and thereby reducing its market share. Burberrys should come up with strong innovative offerings with distinct features to stand out in the marketplace (Helmold, 2019).

Critical assessment of opportunities and challenges created by the forces for the fashion industry

As deduced by Alves (2020), digital storefronts have become the new normal in the light of Covid-19. Moreover, the increase in awareness and engagement towards sustainable fashion has pushed the brands for opting sustainable measures to produce goods. This has created wider opportunities for the fashion brands such as Burberrys to make efficient changes in their digital storefronts and manufacturing so they can attain wider exposure in the marketplace. As opined by D'Adamo and Lupi (2021), the covid-19 has opened the gate for consumer engagement for the fashion industries, which can help the firms to garner relevant data. It is deduced that Burberrys can take this opportunity of analysing the consumers' input so it can use provide efficient final products to the consumers.

Sales data from Amazon reflect changes in buying behavior, with slower declines in 'indoor' categories focused on comfort and self-care.

Change in year-over-year sales growth, percentage-point change between Feb 15 and Mar 14¹



¹Change between 4 weeks ending Feb 15, 2020, and 4 weeks ending Mar 14, 2020.

²Includes soap, other body-care products, and hair-care products.

³Includes lingerie.

⁴Includes tops, bottoms, outerwear, dresses, suits, swim wear, and bridal wear.

Source: Stackline

Figure 5: Buying-behaviour of Consumers during Covid-19

(Source: McKinsey & Company, 2020)

As critiqued by Buheji and Ahmed (2020), the green-washing practice followed by fashion industries is misleading consumers and is vastly affecting the reputation of fashion industries. Zhao and Kim (2021) critically deduced, trade restrictions caused due to Covid-19 by many countries are hindering the operations of fashion industries and are demoting their overall

growth. Burberrys can face allegations of greenwashing due to misleading information or because of its low-profile strategies. The firm should collaborate with better influencers to denote its renewable and sustainable approaches to the consumers effectively. On contrary, the ongoing trade disputes with China and other countries are affecting the international trade of the firm and thereby decreasing its profitability. The company should try to make relation with multiple suppliers from different geographical locations to tackle the on-going situation (Brydges, Retamal, and Hanlon, 2020).

Explanation of the ways with which firms like Burberrys are adapting better than others

Strengths	Weaknesses
▪ The low-cost structure of Burberrys helps the firm to increase its short-term profitability (Kannappan, 2020). ▪ The brand has a strong asset base, which can provide the firm with better solvency in the long-term. ▪ The skilled labour force of Burberrys caused due to extensive training, can help the firm to decrease its production cost in the short-run and increase the retention rate in long term (Öneren, Arar, and Yurdakul, 2017).	▪ The low investment in R&D in the light of Covid-19 can open the door for other key players to gain a competitive advantage through their sustainable innovative products (Santos, Seibel, and Silveira, 2021). ▪ The brand has a lower level of current assets than current liabilities amid pandemic. This can create liquidity problems for Burberrys during the long-term. ▪ The brand has higher turnover rates than its competitors and the firm is spending much on the training & development of its employees. This is eventually decreasing its short-term profit (Kannappan, 2020).
Opportunities	Threats
▪ The rise of digital platforms provides better long-term capitalising	▪ The recent technological development caused by the

opportunities to Burberrys as e-commerce is vast and it can provide wider exposure to the brand (Knowles <i>et al.</i>, 2020). ▪ The technological developments focused on increasing sustainability in the manufacturing process provide long-term opportunities for the brand for increasing its sales (Santos, Seibel, and Silveira, 2021). ▪ The infusion of globalisation is helping the firm to extend towards remote places for streamlining its sales.	competitors of the brand because of the Covid-19 can decrease the consumer ratio of Burberrys (Silvestri, 2020). ▪ The bargaining power of suppliers increased due to the implication of several international trade restrictions can decrease the long-term capability of the brand (Knowles <i>et al.</i>, 2020). ▪ The political uncertainties caused due to Brexit and Covid-19 can hinder the performance of the firm and can push the firm to incur unnecessary costs during the long-term.
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Table 2: SWOT Analysis

Conclusion

From the above report regarding the impact of Covid-19 on the global fashion industry including a company like Burberrys, it can be concluded that alternative ways of increasing the profit margins and improving the revenues of the fashion companies are incorporated. The company, therefore, continued with their digital channels to influence its profits and revenues positively. The supply chain and fast delivery of Burberrys have been influenced by the Covid-19 pandemic as well. Customer visits to a large retail market have been affected due to fear of transmission of the Coronavirus. The facts of the economy that affected the decisions related to the fashion industry have been discussed in this report.

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