

Student Name : Hena Rodriques

Student ID : 1921350

Programe : BA Business Management-TERM-2

Madule Name : The Global Business environment

Madule Code : LCBB4005

Assignment Title : Assessment-2 Environmental Analisis of an industry-

Module Lectur's Name : Dr. Johan-Paul Okeke

Next and Its Approaches to Survive amid The Covid-19 Pandemic

Table of Contents

Introduction.....	2
Next	2
Global Position of Next	3
Global Fashion Industry	3
Fashion Industry SWOT Analysis	4
Strengths	4
Weaknesses	5
Opportunities	5
Threats	6
Fashion Industry Value Chain Analysis	7
Next's Response Strategy to Covid.....	8

Conclusion.....	8
Recommendations.....	8
References	9

Introduction

This essay attempts to learn about Next, a clothing brand. It gives a heads-up about who founded Next and how many people Next employs. It discusses the position Next holds in the global fashion industry. Next, it presents the current state of the fashion industry. Then, it turns to conduct a SWOT analysis of the fashion industry. It also demonstrates the value chain analysis of the industry. It explores the strategies Next has formulated to respond to the impact of Covid. Lastly, it ends with a conclusion and a recommendation list.

Next

Next is a British multinational clothing corporation headquartered in Enderby, England. Joseph Hepworth founded Next in 1864, which was then called Joseph Hepworth & Sons. Today, Next has around 700 locations across the world. 500 of these locations are in the UK while the remaining 200 outlets are across the Europe and Asia regions (Next, 2020). It employs near 45,000 people as of 2020. It is the largest clothing brand in the UK in terms of sales. It is a listed corporation on the London Stock Exchange.



Source: Next plc (2018)

Global Position of Next

Next is one of the leading clothing businesses in the UK fashion industry with a big portion of market share. It has a strong presence outside the UK. It has around two of hundreds of

outlets in European countries other than the UK and some Asian regions. It operates in about 16 countries across the globe. The next International segment is dedicated to catering to the needs of varying markets across the world. This segment consists of franchise-operated shops and Next owned shops (Thompson & McLarney, 2017). The franchise partners extend Next's international market to 32 countries, which is twice as much as its own and direct reach. Next has plans to expand into more markets and it is currently eyeing some Asian markets. Its UK market share has been growing significantly over the years. But the growth is slowing down as Covid forced shop closures for a long period.

Global Fashion Industry

The worldwide fashion industry has been going through an exceptionally dim and discouraging time. In a nutshell, it was at a stop a year ago. Assembling plants and industrial facilities have stayed close for the most part in the year. Be that as it may, the situation is changing progressively as business strategists in the industry are considering new ways to deal with the changing market situations and conditions and get back on track (Peters, et al., 2021). Some of them have effectively gotten back to the manufacturing of apparel products and other garments products. This is the correct strategy for the present in light of the fact that there is no reason for staying inactive and sitting idle. Exceptional and sudden change is difficult to adapt to at first. With time, it will get typical as organisations become acclimated to the new climate.

Fashion Industry SWOT Analysis



Source: Investopedia (2019)

Strengths

Global Expansion

Apparel Products are a fundamental item across the entire world, irrespective of factors such as race, background, social status, income classes, and social conditions. Organisations in the business produce garments items for the worldwide market as they have a wider worldwide reach, which is increasing every year (Madsen, 2016). Export policies have become more favourable for fashion brands. These motivating factors get more businesses to produce more of their products so that they can sell to a bigger and wider target market.

Standard Quality Raw Materials

Fabrics and cotton are the most fundamental inputs in the production of clothing items. They are of good quality as they are collected directly from the farmers (Talay, et al., 2018). These farmers manage to supply raw materials with quality consistency, which is important for businesses in the industry. This is one of the biggest strengths of the fashion industry.

Labour Outsourcing

Organisations in the fashion industry shift their manufacturing to nations where worker wages are insignificant and modest. Underdeveloped nations like India, Cambodia, and Taiwan offer extremely cheap wage rates, which helps these organisations in the industry acquire a bigger net revenue (Macchion, et al., 2017). This is the very reason why organisations outsource labour to the fullest capacity.

Demand-Driven Industry

Demand drives and directs the businesses as to what units of products to be produced in a given time. The possibility of a demand-supply imbalance is out of the question (Ren, et al., 2020). This prevents resources and labour from being wasted, which, in turn, reduces environmental pollution too. Businesses in the industry enjoy economies of scale as they have gathered years of production experience.

Weaknesses

Labour Inefficiencies

Labourers in the garments industry, the ones involved in the production process, are mostly under-skilled in third-world countries. A number of them do not receive any formal training and earn degrees specializing in their area of work. As a result, they waste a big amount of

resources while working in the making of final products. They happen to damage machinery and equipment at times.

Less Automation

Gears used for assembling fashion items in underdeveloped nations have gotten old and lost many functioning capabilities, which causes the workers to manually create different parts. These nations utilize old ways of production while fast and productive hardware and apparatus have been demonstrated to be undeniably more useful. There is very little utilization of computerized measures in assembling efforts.

Absence of R&D

The fashion industry has been one of those very few industries that still do not realize the importance of R&D efforts and their implications. Insights can make a sea of difference and change the market dynamics. Data-driven businesses perform far better than the ones that do not make use of data while implementing new strategies. R&D reveals important details that can contain valuable information about market trends.

Opportunities

Emerging Markets

Emerging markets present numerous opportunities for any business, regardless of industry. They are grounds of untapped potential, where people look for new products to buy from renowned brands (Bertola & Teunissen, 2018). Fashion brands are very desirable in any corner of the world. People go abroad just to shop from their favourite branded outlets. There are a large number of emerging Asian markets.

Increasing Use of Automation

Automation doubles the productivity of manufacturing processes. Technologically developed and advanced countries make use of automated machines to a great extent. They can produce large quantities of items in a very short time frame (Nayak & Padhye, 2018). Countries, where fashion manufacturing takes place, do not use sophisticated automation technologies in the production processes. This takes a heavy toll on the labourers as they have to cover tasks that machines are supposed to perform.

Interstate Trade Agreements

International business has flourished over the years as many countries come to realise the benefits of interstate trade relations. Different countries have varying degrees of comparative

advantages in different areas, which can help each country involved in a number of ways. Governments have recognised the benefits associated with international business endeavours.

Threats

Fierce Competition

The fashion industry faces extremely fierce competition, which is a big headache for many businesses. Competition is good for consumers as they get to receive the best products at a lower price (Mengi, 2017). But from a business perspective, it is a big threat as competitors wait to place baits at the right time to steal away consumers.

Covid-19

Covid-19 puts the businesses in the fashion domain at a standstill. It has presented the most number of problems, which are unprecedented and hard to solve. Everyone in the industry has been suffering more or less. Sales have plummeted as stores remain closed due to Covid restrictions. Businesses had to unwillingly lay off employees to reduce operating costs.

Poor Labour Treatment

Organisations outsource labour from countries where no labour rights laws have been in effect. Human rights organisations raise their concerns and accuse organisations who exploit labours in the name of overtime working hours (Back, 2017). These organisations do not pay minimum wages to labourers that produce their products. Many of them have faced lawsuits and legal repercussions for poor labour practises.

Fashion Industry Value Chain Analysis

Inbound Logistics

Inbound logistics manages factors like obtaining crude materials and putting them in distribution centres to produce final products that end-users buy (Morrison, 2016). It is the most essential activity in the supply chain of businesses. It assumes the main part in the fashion industry as it handles materials and other supporting things expected to deliver the final outcomes.

Operations

In the operations phase of the value chain, crude materials get transformed into physical products ready for use. It is the very part that involves processing. With regards to the fashion business, the production process incorporates assembling dress items, putting brand tags, and packaging them with beautiful bags.

Outbound Logistics

Outbound logistics includes every single one of the capacities that help reach products to their end-consumers that are known as shoppers. Distribution networks assist and direct organisations in delivering products to consumers (Daniels, et al., 2014). They work to transport the ordered products at the doorsteps of people that have asked for them. They are facing difficulties as Covid disrupts the normal flow of transportation.

Marketing and Sales

Marketing and sales work to tell individuals what the items are and at what areas they can get them. This is the connection that interfaces the purchasers with the vendors who do not generally remain connected with each other. Market research exists to know what individuals need and demand. From that market research, organisations plan their clothing products in accordance with buyers' specific needs and wants.

Service

Service, in the value chain context, implies after-sales customer service. It is the last movement all the while, however, is just about as significant as the rest of the elements in the process. It supplements the other essential exercises and guarantees that the shoppers return to purchase and urge them to stay faithful. Free after-sales service can be helpful to ensure customer satisfaction (Chung, et al., 2018).

Next's Response Strategy to Covid

Next sales suffered in the initial months of the Covid outbreak. Its sales plummeted by a staggering 61 per cent as soon as lockdown orders announced. It got back to business later on and reported to have partially recovered from the losses. It quickly adapted to the Covid situation and focused on online mediums. As a result, it experienced a jump in sales volume, which is about 14 per cent in number (Pegden, 2020). But store sales, the offline sales, have suffered as before. Next plans to close about 15 stores, as part of cost-cutting measures. It also is in talks with its leasing partners to halve rents for its leased spaces. It expects a 12 per

cent decline in sales, which is better and favourable than last year's decline of 30 per cent. People in the UK purchased more products as the cold weather hit. It had boosted the sales quite a bit. Moreover, most of its stores are out of town, which played a small role to lessen the adverse effects of Covid on its business. Its online business has sped up tremendously and helped it recover. It initiated a work-from-home facility for its staff in hopes that it may be the place to generate new ideas for the future. The Next management, in its annual report, said that it is optimistic about the future amid Covid.

Conclusion

Next has faced difficulties in a Covid-affected world like other businesses in the fashion industry. But it has gotten back to start its trading with new approaches. It has seen a bit of success in its online pursuit of business. It is working tirelessly to come up with new ideas that can change its current stagnant business state. It hopes for a better world and extends helping hands towards people affected by the pandemic. It has taken care of its workforce and provided them with essentials. It expresses optimistic views of its business performance and the world at large.

Recommendations

- ✓ Next should increase its online presence on a global scale.
- ✓ Next should reopen its stores as soon as restrictions lift.
- ✓ Next should engage more in community development activities in face of Covid-19.
- ✓ Next should encourage workplace diversity.
- ✓ Next should increase its global presence.

References

- Back, J., 2017. Sustainable and Ethical Practices for the Fast Fashion Industry.
- Bertola, P. & Teunissen, J., 2018. Fashion 4.0. Innovating fashion industry through digital transformation. *Research Journal of Textile and Apparel*.
- Chung, M., Ko, E., Joung, H. & Kim, S., 2018. Chatbot e-service and customer satisfaction regarding luxury brands. *Journal of Business Research*.

Daniels, D., Radebaugh, H. & Sullivan, D., 2014. *International Business – Environments and Operations*,. 15th ed. s.l.:Pearson.

Macchion, L. et al., 2017. Improving innovation performance through environmental practices in the fashion industry: the moderating effect of internationalisation and the influence of collaboration. *Production Planning & Control*, 28(3), pp. 190-201.

Madsen, D., 2016. SWOT analysis: a management fashion perspective. *International Journal of Business Research*, 16(1), pp. 39-56.

Mengi, O., 2017. Reconsidering the knowledge ecology in fashion industry: A metaphorical approach. *European Conference on Knowledge Management*, pp. 683-689.

Morrison, J., 2016. *The Global Business Environment: Challenges and Opportunities*. 4th ed. s.l.:Palgrave.

Nayak, R. & Padhye, R., 2018. Introduction to automation in garment manufacturing. *Automation in garment manufacturing*, pp. 1-27.

Next, 2020. *Next plc*. [Online]

Available at: <https://www.nextplc.co.uk/about-next/at-a-glance>

[Accessed 25 April 2021].

Pegden, T., 2020. *Business Live*. [Online]

Available at: <https://www.business-live.co.uk/retail-consumer/next-plc-reports-better-expected-18948217>

[Accessed 28 April 2021].

Peters, G., Li, M. & Lenzen, M., 2021. The need to decelerate fast fashion in a hot climate-A global sustainability perspective on the garment industry. *Journal of Cleaner Production*, Volume 295, p. 126390.

Ren, S., Chan, H. & Siqin, T., 2020. Demand forecasting in retail operations for fashionable products: methods, practices, and real case study. *Annals of Operations Research*, 291(1), pp. 761-777.

Talay, C., Oxborrow, L. & Brindley, C., 2018. How small suppliers deal with the buyer power in asymmetric relationships within the sustainable fashion supply chain. *Journal of Business Research*.

Thompson, J. & McLarney, C., 2017. What effects will the strategy changes undertaken by Next Plc have on themselves and their competition in the UK Clothing Retail Market?. *Journal of Commerce and Management Thought*, 8(2), p. 234.