

The Global Business Environment

Assessment 1

Student name: Albena Yosifova-Stefanova

Student ID: 2014829

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Lecture`s name: Hossein Shokri

Introduction

Global business is related to the process of business that happens on the international or the global level. A business done on the international level is known as a global or international business. There are various factors that affect the business environment at the international level as well. The problems on the international level also affect the international business process. In this assignment, the impact of the pandemic and the major force that has helped in shaping the business environment will be analysed. Further, the impact of Covid19 and the opportunity and the challenges that it has brought will be discussed.

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

Global business is related to the business that operates facilities and in many countries all over the globe. The business that is done on the international level is also known as the globe or international business. Various external factors affect the working of the business on the international level as well. The recent pandemic is one of the biggest external factors that has affected the working of the international business of fashion. The impact of the pandemic has also affected the fashion industry globally as there was a huge drop in sales and the process of consumer buying.

The coronavirus has charged the \$2.5tn global fashion industry in a big problem with all the available companies who are been seen to be get broken in the upcoming 18 months along with putting a job of lot of people at risk. Global fashion sales have seen the biggest fall by up to 30% in 2020 and now it can be said that the industry will hit more harder due to the conditions of sales predicting to slump by more than 40%. It is having been seen that if more stores remain closed then 80% of all the fashion companies in Europe and North America will see a financial downfall. The overstock market of the fashion industry drooped by 40% in the first 2 months of 2020. Because of the pandemic and the lockdown, all the new stocks were stooped even before they were brought into the market. In UK alone product worth £ 10bn is still in the warehouse as there is no sales and distribution (Theguardain.com, 2020). The situation of the pandemic and the lockdown have become one of the biggest nightmares of the global fashion industry. There were zero sales in the market which has affected the

global fashion industry very badly. The fashion industry has seen the biggest loss and downfall in so many years. The pandemic has made almost all of the retail companies a halt which has affected the whole industry.

Porter's Five force model can be used in the process of understanding the situation and the impact of the global fashion market. This is a tool created by Harvard Business School professor Michael Porter. It helped in the process of analysing an industry's attractiveness and profitability. Hence this can be used in order to understand the impact of covid19 on the global fashion industry.

Competitive rivalry

This is related to the rivalry that the industry is having and how it is affecting the business in the industry. when with the pandemic there is a lot of competition in the fashion industry. almost all the countries are trying their best to keep their upper hand in the global fashion industry. It has been reported by the BBC news that even after the spike in the cases and the shutdown of all most all of the stores in the world the Chinese retailers are still having their upper hand in the global fashion industry. As per the world investment bank, Chinese customers are making up to 80% of the growth in the market. Most of the sales and distribution are done a lot in the Chinese market even after the lockdown. It has seen that the strength and the power of the Chinese customers has been getting stronger and stronger over the period of time and now they are liable for the 38% of the global fashion industry. As per the reporters the Sars Epidemic the Chinese customer at that time was only accounted by the 8% of the market (Bbc.com, 2020).

Supplier power

The pandemic has made the process of trade and supply of all the industry a stop. In the first sector of 2020, the virus pawed the way to a 3% drop in the global trade values. Covide19 has triggered the largest economic downfall since World War II affecting all the industries in the world. The Covid19 outbreak led to a stop in the production in China first and closures of shops elsewhere in the world. The supply chain of the retailer and the fashion industry has been cut off due to the pandemic. It has been seen that shut down all over the globe has been one of the biggest concerns for the retailers in the fashion industry (Unctad.org, 2020).

Buyer power

The lockdown has dropped the sales of the fashion industry a lot. Sales of the industry have drooped a lot due to the covide19 situation. The sales from the physical stores have been drooped a lot buy the buyer have turned towards online purchasing. Everything has gone online in the process of lockdown. At the time period of the second quarters of the 2020 when

all the non-essential stores were shut down for months the proportion of the clothing products that were brought through the online mode in UK was rose from 30% to 77% (Theguardian.com, 2020). The process and the situation of the pandemic have made the process of retail go online. This online business has been of the biggest help in the process of gain at least the necessary profit and revenue. A lot of companies have been seen a lot of their customers shopping online. According to the reports, online shopping has accounted for \$792 billion in 2020 which is 14 percent of the total retail sales (Sataista.com, 2021).

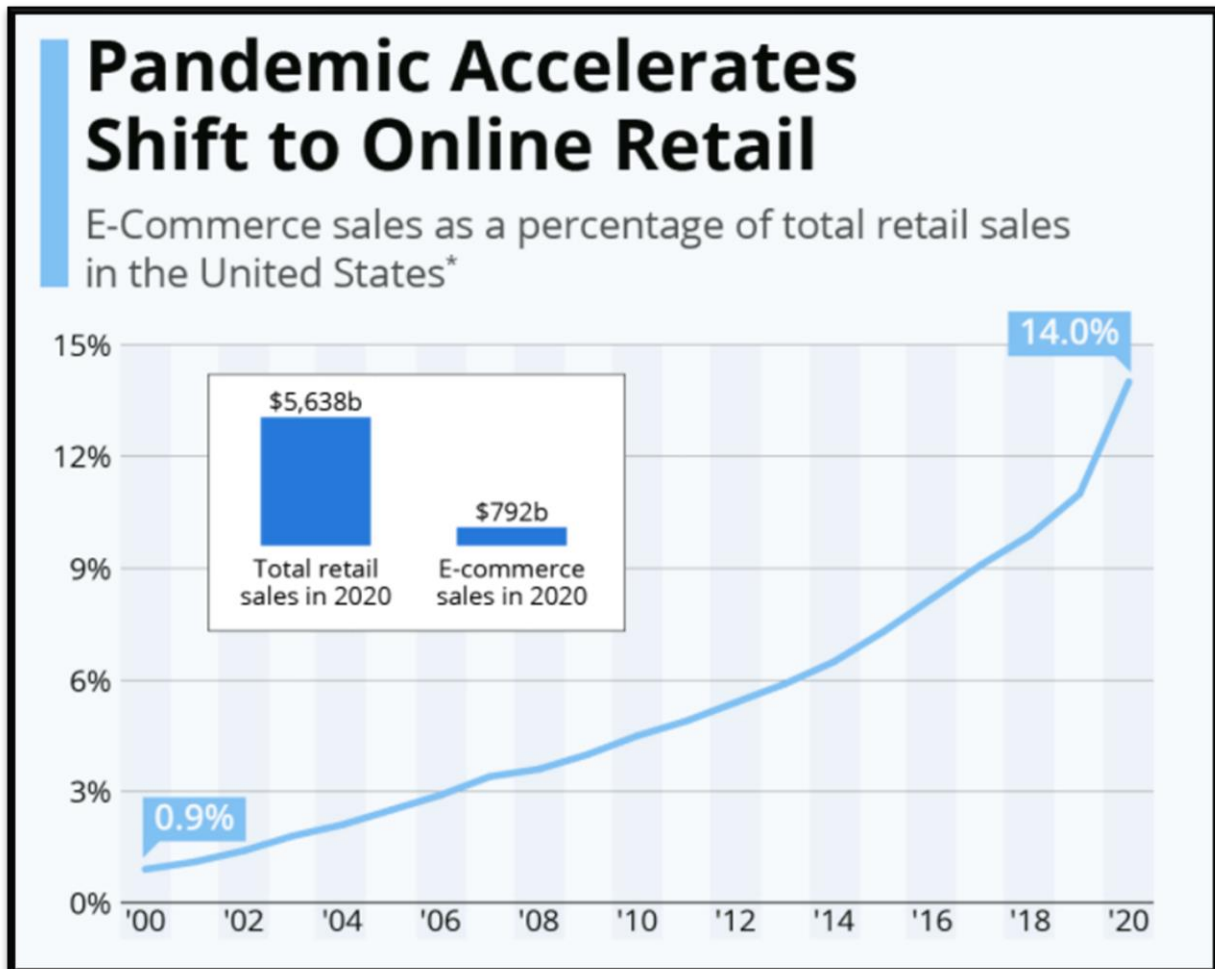


Figure 1: Retail going Online

(Source: Sataista.com, 2021).

Threat of Substitutes

Even though there is a lot of loss and downfall in the global fashion industries it is nearly impossible for another substitute for it. Clothing is the essential needs of the consumers and it is the only industry that is going to bring these essential needs into the market. Even though there are various new entries in the market. This is a threat to the companies in the fashion industries but not the industry it self. It is nearly impossible to form anyone to replace the

whole industry. The online substitute in the process of the industry is that most of the work has been turning online. Many of the customers are looking for online service now. This online service has seen to be very profitable for the customers as well as for the whole industry if there is any threat then it is to the companies who do not have their business online (Theguardian.com, 2020).

The threat of new entries

As seen before there is no threat to the industry of new entries. New companies in the fashion industry will only help it to grow more and more. this is one of the biggest advantages to the industry itself.

All these forces have affected the working of the industry. Even though the pandemic has impacted the industry in many bad ways there are still various opportunities and advantages in the way for the industry.

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.

The covid19 pandemic has brought a lot of problems as well as many opportunities to the global fashion industries. Effects of the global industry due to the pandemic have brought a lot of changes in the environment. There is a lot of opportunities and challenges due to the global pandemic.

Opportunities

The lockdown has brought opportunities for online business. It has been seen that number of other firms has earned an increase in the sale due to the online business. The online business has seen to be a lot of increase in the period of lockdown. All most of the process has gone online due to the process of lockdown. Most organisations have seen a lot of spikes in their sales due to the online process. The online process has been one of the biggest opportunities in the covid19 process (Theguardian.com, 2020).

Challenges

Covide19 has brought a lot of challenges into the retail industry it has been that a lot of problems for them. The global fashion industry has seen a lot of crises in the process of a pandemic. It has been reported by the Baptist World Aid Australia that the almost 35% of the companies have shown a report of their regular payments that are needed to be done for the suppliers. It has been seen and reported that the workers and the laborers are not been paid

properly by the companies in the fashion industry in the wake of covid 19. A lot of companies do not have an online business and this has affected them a lot. The transportation and the supply system were also put to a halt due to the process of covid19. This has affected a lot to the business of the industry (Theguardian.com, 2020).

Even though the virus had a lot of effects on the working of a lot of companies and the organisation, there were still companies that made this problem. The situation where the whole world was facing a lot of problems many companies have been able to make of it. Applying a lot of strategies have helped a lot of organisation in the process of covid 19. Many organisations have made a lot of money when there were people who were not able to do so. Primark is one of the organisations that have seen a lot of downs follow due to the covid situation. the organisation was not able to continue its business in the lockdown due to the lack of e-commerce business and sales of the organisation. It becomes difficult for the organisation to continue its sale and distribution of the products when the whole world was shut down. Where the other organisation was making money due to the online business this organisation on the other hand had to face a lot of problems.

The virus has cost Primark £800 as their sales of the clothing products has seen the tumbling of the profit by two-third in 2020. Revenue of the organisation fell by 75% between 1st March to 20th June to £582m. This has even led the organisation to announce the cut of more than 6000 jobs. Primark was forced to close 375 of its stores due to the virus and had to face a lot of problems. The sales of the organisation were started only after the reopening of the stores. With the lack of e-commerce and online business, the organisation was not able to continue its business online at the time when most of the organisation was doing so. While on the other hand a lot of companies were doing their business online. In the time of the online world, the lack of this technology has cost a lot to the organisation in a situation like this. The organisation wasn't able to adapt to these changes and did not gain a lot of profit because of this (Theguardian.com, 2020).

Marks & Spencer on the other hand has also faced a lot of problems at the start due to the lockdown. However, the organisation has gained a lot of profit due to its online business. It has been seen that a lot of sales and distribution process of this organisation was done with the help of the online business. This strategy helped the organisation a lot in the pandemic. The organisation has launched an online business in almost more than 46 markets in the world. It has expanded its online business to more than 200 countries. The firm has said that this will help them to increase capital and growth. In the last year, the organisation has seen the biggest downfall in 94 Years. The online business has helped it a lot in the covid situation

and hence it is looking forward to developing it more.

Marks & Spencer have seen a rise up to 75% in the e-commerce business in the covid19 situation. the organisation gains about £87.6m profit in the six months. The organisation is planning to bring more of the online stores and make them more user-friendly. They are looking forward to adding different languages to the apps as well. The online business of the organisation has helped a lot it in the covid crises (Bbc.com, 2020).

Hence it can be seen that the situation of the Covid19 and the lockdown have brought a lot of challenges and opportunities to the global fashion industry. It forced the various organisations to come up with various strategies that will help in the process of working. The online business of the Marks & Spencer has helped a lot to adapt to the changes whereas an organisation like Primark had to face a lot of problems due to the unavailability of the online or e-commerce business.

Conclusion

The situation of all the industries during the pandemic was very tough. Lockdown had forced the whole global business to shut down. However, various opportunities have been arisen due to the situation. It has been seen that a lot of organisations in the fashion industry have made a lot of profit due to the covid situation. Online business has helped a lot in the process of sales and distribution. While on the other hand the organisation that lacks e-commerce, the business has seen a lot of problems in this situation. the situation of covid has opened the doors for the online business for the people.

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