

Environment analysis of fashion industry

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INTRODUCTION

Environmental analysis is defined as the strategic tool that help the organisations to analysis and identify all internal as well as external factors that affects the performance of organisation. properly analysation of environment facilitates the organisation to analyse the level of threat and opportunities, all strategies and decisions are taken accordingly. These environmental factors influenced business activities and functions in effective manner. Fashion industry is related to the clothing, footwear, makeup and many other things. In this report the chosen organisation is Marks & Spencer which is a British multinational retailer organisation founded in 1884 by the Michael Marks and Thomas Spencer. Headquarter of respective organisation is situated in London, England, United Kingdom which provides it products and services across the world. 78,000 employees are currently working with organisation. In this report the impacts covid-19 pandemic on fashion industry is being evaluated. PESTLE, SWOT and porters five forces model is covered in this project report to analyse various environmental factors.

TASK

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

Impact of pandemic on fashion industry: The covid-19 pandemic affects all global fashion industries too badly, as the government close all manufacturing plants and factories so every organisation that is related to the fashion as well as other industries have to close their stores and cancel all planned events in order to prevent from corona virus (Bello, 2019). The pandemic impacts the fashion industry worldwide and the industry also face various other challenges such as customers demand and handle all employees because they are workless in the period of pandemic. Marks & Spencer also getting affect by the covid-19 as its productivity and profitability is impacted by the coronavirus. The pandemic impacts on every activity of Marks & Spencer and other organisation that are discussed below:

Production and manufacturing: In the covid-19 situation fashion brands as well as retailers cancelled their orders and stopping to pay for orders which are placed by them before and not taking any responsibility of their employees. Marks & Spencer faced the problem of raw material, as the organisation imported raw material form many countries (Hiquet, Brunneder, and Oh, 2018). So, manufacturing and production of fashionable items are get affected by covid-19.

Distribution and sales: As the result of covid-19 pandemic stores are shut down so customers are shifted towards digital commerce and all fashion hubs start their social media presence. Personal selling as well as distribution is affected by the pandemic. Sales of fashion brands impacts by the corona virus. All stores are closed and every one staying at home. So, sales suffered that affect overall profitability and performance level of organisation.

The main purpose of Marks & Spencer case study to find out the appropriate tools and techniques for evaluating internal and external business environment effectively and identifying major forces that affect business functions (*Marks & Spencer case study,2020*). The respective organisation follows autocratic and centralised management to attain all defined goals and objectives in desirable manner. In the period of covid-19 Marks & Spencer faces fall in profits, sales and market share as well. As the organisation is one of leading multinational retail company of UK so, it focuses on customer centric approach and provide better quality products and services to its customers.

Business environment

There are various business environment factors some controllable on the other hand, some are uncontrollable that required to change business policies accordingly. These environmental factors affect business in positive as well as in negative manner. So, Marks & Spencer analysed all factors in order to overcome negative impacts and enhance opportunities. Business environment is divided into tow parts that are described below:

Micro business environment: These factors are closely associated with the organisational operations that affects the business functioning. Marks & Spencer analysed all aspects that are include in micro environment such as customers, suppliers, government and government, employees and competitors. All these factors of respected business are affected by the covid-19 pandemic.

Macro business environment: Macro environment is related to the external factors that affect the all functioning of Marks & Spencer and these are not in the control of organisation. So, respective organisation has to formulate effective strategies accordingly in order to overcome all negative impacts of external environment factors (Lee, Ahn and Kim, 2018). It is also known as the PESTEL that contains all external factors are discussed below:

Political factors: These factors are related to various government interventions in economy that includes number of government policies, political stability and instability foreign

policies, taxation policies and various trade restrictions that affect the Marks & Spencer functions. The fashion industry has to follow all rules and regulations that are made by the government. Labour and environment laws are some factors on the bases of that strategies and plans are formulated by the respective organisation.

Economic factors: Economic factors are related to aggregation of various factors that affect the Marks & Spencer in positive as well as in negative manner such as inflation and exchange rates, economic growth, interest, employment as well as unemployment and disposable income of customers (Long and Nasiry, 2019). In the situation of covid-19 situation the economic growth is too slow, unemployment rate is high and customers do not have money to spend on shopping that affect the organisation performance as well as its profitability level.

Social factors: As the fashion industry is the industry that is mostly affected by the socio-cultural trends so, properly analysis of these factors become important for Marks & Spencer that includes population growth, health consciousness, age, distributions and career attitudes. These facts impact the industry by in which manner the industry understand its customers needs and demands.

Technological factors: The fashion industry always aware about the technological changes in order to produce products and supply or deliver them to potential customers. There are various factors such as innovation, automation, research and development and technological advancement are included that affect the Marks & Spencer in different manner. These advancements enable the respective organisation to response market opportunities and develop more effective communication and distribution channel between organisation and customer through use of social media as well as digital mediums.

Environmental factors: Environmental factors become more important for the Marks & Spencer because of scarcity of raw materials, health hazards, climate and weather changes and population as well. All these factors affect the functioning of organisation so proper analysis is necessary and effective and strong policies are formulated that reduces the harmful impact on environment (Roskamp, 2018). Respective organisation implements corporate social responsibility in their activities to sustain in competitive environment.

Legal factors: legal factors include various factors such as health as safety, customers rights and laws, employment regulations as well as product labelling and product safety that are implemented by the Marks & Spencer to perform all organisational functions in legally correct

manner. In the production of fashionable products all safety measures must be followed that create more customer base.

Porters' five forces model: The Porters' five forces model facilitates Marks & Spencer to analyse competitive environment of business. There are five factors that affect the business functions and activities of fashion industry as well and successfully implementation help organisation to gain various sustainable competitive advantages. All factors are discussed below:



Figure 1 Porter's five forces, 2020

Threats of new entries: The threat of new entries is low for Marks & Spencer because the sector involve high cost to enter as well as maintenances are required in order to enter in clothing industry. As the respective organisation is in this field for long time and have enough experiences so it takes various cost advantage than new entrants. There are number of barriers for new entrants as well.

Bargaining power of buyers: Bargaining power of buyers is high for Marks & Spencer such those customers either find classical cloths are price sensitive or customers who seek high image are fashion sensitive. Marks & Spencer focus on customers demand as the customers want to high quality products at low prices.

Bargaining power of suppliers: Bargaining power of suppliers are low because most of suppliers of Marks & Spencer are British (Sedakova, 2019). The respective organisation bought materials from a few suppliers that create the suppliers reliant towards the organisation.

Threats of substitutes: Substitutes of particular products reduce the demand as customers have many options to switch the product of company from another. In the fashion sector, Marks & Spencer face high threat of substitutes because many competitors are also operating in same products with foreign imports at low prices, so customers easily switch brands.

Competitive rivalry: Competitive rivalry is high for Marks & Spencer as the organisation face high threat of substitute products, suppliers as well as buyers (Wang and Ha-Brookshire, 2018). The organisation face competition because number of new competitors are entered within industry and offer better quality products and services at low prices with latest trend.

Critically assess the opportunities and challenges that these forces have presented to the key players in the fashion industry

SWOT analysis: SWOT analysis is defined as the tool that is help the organisation to analyse its internal business environment. SWOT is stand for strengths, weakness which as internal factors and opportunities and treats are external factors that affect the business function as well as performance. The analyse guide Marks & Spencer to implement strategies in effective manner to attain all defined goals and objectives. The factors are discussed below:

Strengths: As the Marks & Spencer is well known fashion hub that have number of stores all over the high street of United Kingdom. There are various internal sufficiency such as it provides better quality products to its customers and maintain better relationship with employees. Organisation encourage suppliers to adopt technological aspects and it is the profitable organisation among fashion industry as well as covers large share of market.

Weakness: Marks & Spencer has various internal insufficiencies like the organisation is rely on particular British suppliers, it has ineffective technology, market strategy and customer services as well. Apart from that organisation is maintained old and classical image in customer's mind and do not segregated or displayed its cloths properly.

Opportunities: Opportunities are external factor that facilitates the organisation to gain various competitive advantages over its competitors (Thomas, 2020). Marks & Spencer focus on all segments of customers according to their age, provide diversify products, implemented all technological and innovative aspects according to advancement to attain all competitive advantages as well as lead the market.

Threats: Intense competition, expansion in global market are the biggest threat that is faced by the Marks & Spencer because competitors also providing better quality products to customers and decrease the market share of respective organisation.

Why and how some firms have been able to adapt better than others to this changing business environment

In the pandemic of covid-19 business face various challenges that affect their business productivity and profitability. There are various changes are happened in business environment also in which all organisation performs business activities and earn profit. Organisation which become aware about the current business environment and formulate their mission, strategies and responsibilities accordingly and evaluate respective changes and obstacles that affect business. In the pandemic which organisations understand the changes and organise whole organisation activities in proper manner (*Adapting to change in a changing business environment,2021*). Frequently changes that are required to run business in effective manner as well as build different skills and enhance continuous learning is the key that enables the Marks & Spencer to adopt all changes that are happened in the business environment better then any other competitors as well as other organisations.

CONCLUSION

As per the above report, it can be concluded that business environment is consist various internal as external factors that affect business activities and functions as well. Proper analysis of these factors are necessary to run in effective manner. In covid-19 pandemic every organisation and industry get affected. There are various tools such as PESTEL analysis which stand for political, economic, social, technological, environmental and legal factors which are related to external environment. Apart from them Porters' five forces and SWOT analysis help organisation to evaluate business environment to develop effective strategies accordingly.

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