

IMPACT OF COVID-19 ON FASHION INDUSTRY

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ABSTRACT

Since the beginning of year 2020, coronavirus pandemic has impacted lives, economies, businesses and countries to an extent nobody had imagined or had foreseen it. With the initial breakout of COVID19 in Wuhan Province China, it has now affected 215 countries and more than 24 million individuals. For the first time in years, more than 70 countries have been under lockdown which has led to unrest in economy of various nations. And with many sectors as well as industries bearing the repercussions of the impending recession, Fashion Industry also has been extremely vulnerable to the situation with production been ceased, sourcing – imports - exports halted, retailers and offline channel completely shut, and the change in the consumer behaviour. With the motive to understand the extent of impact on Fashion Industry, this paper is attempting to comprehend the journey of the industry and how it is coping up with aftermath caused by the pandemic. The paper examines how the outbreak has altered the process for Designers, Brands, Consumer, Marketing and supply chain in the fashion industry and how digital transformation is the most important key in making the most out of this unprecedented situation. This disruption has made the industry to think of sustainable – all seasonal products, depend and utilize more of local resources and have a robust digital presence along with the strategy.

Keywords: Fashion, Retail, COVID19, Pandemic, Digital Transformation.

Introduction

It has been more than six months since World Health Organization declared the novel coronavirus or COVID-19 as a global pandemic. With the initial breakout of COVID19 in Wuhan Province China, it has now affected 215 countries and more than 24 million individuals. With COVID-19 being an airborne disease, there are major steps undertaken by various countries and their governments to minimize the human interaction. According to the WHO, COVID-19 is primarily transmitted from symptomatic people to others who are in close contact through respiratory droplets, by direct contact with infected persons, or by contact with contaminated objects and surfaces. Hence it has been utmost necessary by the people to maintain social distance, wear a mask when moving out of home and wash hands as much as possible with soap and water. This has led to severe consequences by disrupting the lives of millions of people all around the world, businesses, industries and economy. Since the beginning of year 2020, coronavirus pandemic has impacted lives, economies, businesses and countries to an extent nobody had imagined or had foreseen it. For the first time in years, more than 70 countries have been under stricter lockdown to curb the spread of COVID-19, which has led to unrest in economy of various nations. The countries are still reeling from the rising cases and deaths due to the virus, overworked and burdened health systems, hunger and starvation, unemployment, and economic crisis. The impact on coronavirus is not limited to few countries or industries, but it is evident across all the industries. And the fashion industry also has been gravely affected by these changes and the pandemic.

Research Methodology

Objectives

- To study the impact of the coronavirus on the Fashion Industry
- To identify and discuss the condition of the global fashion industry & its future.

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Significance

To understand the implication and repercussions of COVID-19 pandemic on the functioning of global fashion industry & how it has changed the course for various companies to survive.

Limitations

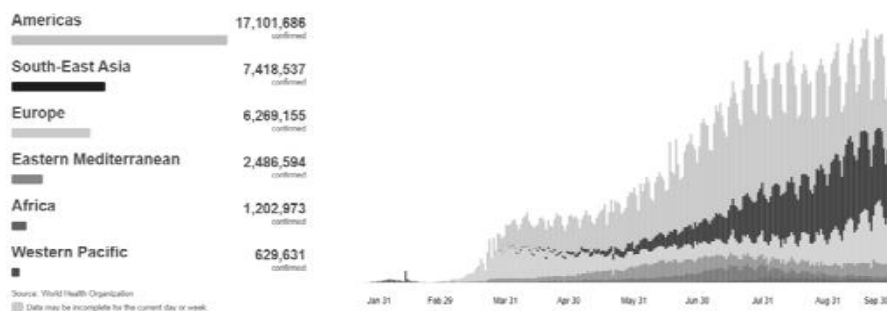
The study is confined to understand the consequences in fashion industry only, whereas various industries like – Travel, Leisure & hospitality, aviation, Luxury goods sector etc., are impacted due to the pandemic and change in consumer behaviour.

Data Analysis

• COVID – 19

Coronavirus disease is a new infectious disease that is caused by a new virus, and can be easily transmitted from person to person. Coronavirus or COVID-19 was first detected in December 2019 by health authorities in Wuhan City in the People's Republic of China (Macksoud, Schrag, Richards, & Alberts, 2020). It was declared as an epidemic by USA CDC and WHO raised the status to Pandemic. Globally as of September 2020, there have been more than 35 million cases recorded worldwide and more than 1 million deaths around the globe (WHO, coronavirus disease dashboard). With over more than 6 months into pandemic, many countries have been impacted with USA, India and Brazil being the most affected economies with the highest number of cases.

Fig 1: COVID-19 Situation



Source: World Health Organization

One of the important steps taken by various countries to stop the spread of this deadly virus was to decrease the human interaction which in case will help the governments and medical institutes to keep a track of the infected people and reduce the transmission. The countries medical healthcare systems experienced heavy burden with more number of fatal cases.

Initial measure to stop the transmission was to declare lockdowns in most of the countries where it was not allowed for the people to come out of the houses in big numbers unless it was essential. Shutting down of borders, halting international flights, restricting domestic transportations and bans on mass mobility were required to stop people from travelling and minimizing the chance of infection. This led to the total shutdown of economic activity which was never experienced before individuals, businesses and government. There are more than 100 players in the market from various countries who are trying to come up with a vaccine for the coronavirus. Few of them have reached the final stage for trials and with some of them in Phase I and Phase II trials in various markets.

• COVID - 19 & Impact on Economy & Business

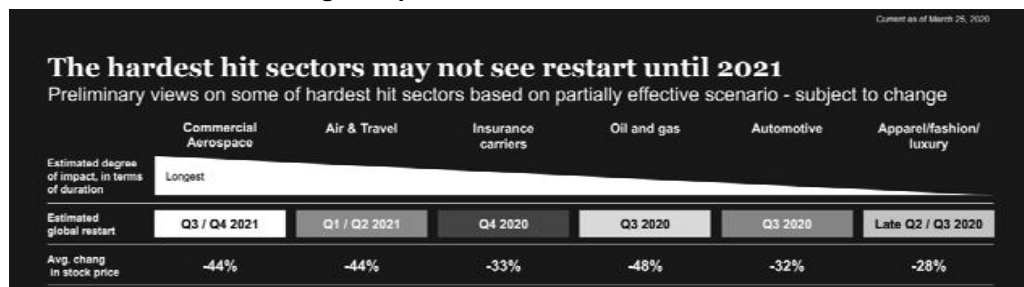
Well there is no way to prove the consequences of coronavirus on the economy, but the general belief among the economists is that it has severe impacts on the global economy. With the worldwide shutdowns of the market and lockdown, it has resulted into drastic changes in the way the businesses were done. People were only concentrating on buying and stocking on the basics and essentials. It has disrupted the supply chain immensely, with the borders and transportation shut down. Its spread has left businesses around the world counting costs and wondering what recovery could look like. According to the International Monetary Fund (IMF), the global economy is expected to shrink by over 3 per cent in 2020 – the steepest slowdown since the Great Depression of the 1930s. The pandemic has pushed the economy in recession which can lead to various consequences of job loss, businesses running out of cash, hunger and poverty, decline in manufacturing output and shutting down of various small and medium enterprises. The IMF's estimate of the global economy growing at -3 per cent in 2020 is an

outcome “far worse” than the 2009 global financial crises. Economies such as the US, Japan, the UK, Germany, France, Italy and Spain are expected to contract this year by 5.9, 5.2, 6.5, 7, 7.2, 9.1 and 8 per cent respectively (Indian Express, 2020).

In 2020, total loss from the impact of coronavirus pandemic has been estimated to be one trillion dollars (Inc42, 2020). Mark Zandi, chief economist at Moody’s composed a list of five especially vulnerable sectors: mining/oil and gas, transportation, employment services, travel arrangements, and leisure and hospitality (Brookings.edu, 2020). China from where the virus has emerged is also known to be the global manufacturer hub. It is considered to be the world’s factory by catering to various industries like – energy, automobile, textile, agriculture, coal and mobile devices etc., and supply intermediate products to final manufacturers. Similar to the developed nations, the other developing countries are economically injured to the disturbance in the global supply chain.

The industries hardest hit by the pandemic and lockdown are the travel, commercial aerospace and insurance, which might have a slow recovery, though recovery may be quicker for domestic travel. The crisis has also amplified existing challenges or vulnerabilities in the aerospace and automotive industries, which will affect their recovery rates (weforum, 2020).

Fig 2: Impact of COVID-19 Sector-Wise



Source: Weforum & McKinsey

- **COVID -19 Impact on Fashion Industry**

Considering the fact that during lockdown the most important thing to human was the health and the essentials. We were back to being basics and wanted to spend only on essentials items, since large number of population was unclear and wasn’t educated enough about the virus. This does lead to the empty shelves in the grocery stores as people were hoarding, and on the other side anything that was not essential was bearing the burn. And Fashion Industry was one such sector which took the strike of declining sales and business. Not only the shift in consumer behaviour towards essential items, but also the hampering of the supply chain because of lockdown and closed borders added fuel to the struggles of fashion industry. And all of this has led to the closures of the big retailers’ shops and outlets on the high street as well as malls.

Until the start of the pandemic, the sales forecast for 2020 looked promising. However, the COVID-19 crisis has dramatically affected the fashion industry worldwide – while many retailers are concerned about the sales figures, it is clear the wider sector faces significant structural changes, which will affect customers’ behavior, the fashion calendar and even people’s style (CGTN, 2020). This disease has not only forced the biggest retailers in fashion capitals to close but also hitches the global supply chain with brands and buyers postponing orders or deferring payments. This has also led to cancellation of fashion events, fashion shows and conferences related to Apparel industry. Let us look closely at UK, since it attracts a lot of tourists every year, London is the hub of cultural activity with maximum retail space in Europe. And London has been badly hit by the current situation with a drop of 20% in spending. Besides the lockdown of the retail spaces, lot of fashion companies had also suspended operation online or stopped taking online orders temporarily as it results in delivery delay and they also wanted to stop spread of the virus. COVID-19 has impacted various facets of the fashion industry, be it Designers, Brands, suppliers, manufacturers, retailers or workers. Below are few pointers being discussed s to the stakeholders bearing this burden due to covid.

- **Brands and Designers:** The brands and designers have been miserable in context to make their business keep running due to the COVID-19 situation. Though to survive in the market, the brands will have to keep themselves evolving with the situations, and that is something few brands have tried worldwide. Some brands have been lucky, like Bath and body works who

started promoting more of hand soaps and sanitizers. With people staying more indoors, the sale of lulu lemon and their sweatpants increased during the period. There are some brands who were not able to sell their summer collection due to lockdown, are trying to clear their inventory through various channels with huge discounts.

On the flip side of the coin, there are brands who are suffering from the situation like JC Penny who filed for bankruptcy, Zara and wrangler closing stores, brands and companies laying off people and employees in order to survive. At the parallel space, the Indian designers who majorly sell occasion wear and festive wear have been finding it difficult to pull through.

- **Collections & Fashion Shows:** Since mass gatherings have been banned in various countries because of the nature of the disease, all the fashion shows have been cancelled since then. Because of the cancellation of the shows, lot of models and their agencies have made their profession very unstable. As for models, fashion shows, fashion weeks, editorial shoots were the source of earning major chunk of their income. Lack of fashion shows has disrupted the fashion cycle, with Gucci also announcing season-less fashion. Lot of brand have checked out their spring summer collection to directly cater the market for further seasons. Frankfurt's Textile Fair, Shanghai Apparel Fabrics Event, Yarn Expo, Material Show in Boston and Portland as well as Berlin's sourcing fair etc., are also few shows that have been scrapped.
- **Retailers:** According to McKinsey Global Health and Crisis report, 65% of Europe and US consumers are going to cut down their apparel spending. This has been the shift in consumer behavior mid covid crisis, which has led to over stocked warehouses for both online and offline retailers. Many Clothing retailers had to shut their shops down to save their employees and customers from contracting the virus and many online shopping websites has seen dip in the orders which has left the retail in a sad situation. Seasonality is another issue with fashion, brands cannot sell spring summer collection during winters and vice versa.

Though there has been declining demand in few categories of fashion, there are brands who have done well in loungewear and active wear with 70% increase in sales since most people work from home now. Inditex has announced the closure of 1 200 stores worldwide, including ZARA, Pull & Bear and Bershka. Their plan is to move towards a larger online retail platform. Similarly, globally the second biggest fashion retailer - H&M reported almost a 57% drop in local currency sales for the period 1st May- 6th May while seeing its online sales grow by close to a third. "It may take six months for the larger companies to revive and 12 months for the smaller retailers. Retailers are sitting with six months of unsold inventory," said Kumar Rajagopalan, CEO of RAI. The behavioral changes that the pandemic has brought about is likely to only further accelerate digital purchase of clothes & accessories.

- **Supply Chain and Suppliers:** Apparel industry has one of the most integrated supply chain with various functions in different countries. The adoption of fast fashion by fashion consumers has strengthen and fasten the supply chain with shorter lead time. China, being a leading supplier of many raw materials and textiles such as cotton, and Bangladesh being a powerhouse for apparel manufacturing, are just two examples of globalization in this industry. President of Italian chamber of fashion, has revealed how china coronavirus outbreak is likely to be a nightmare for multi-million dollar fashion industry in Italy. With Chinese people in quarantine and travel restrictions, Chinese were missed in various fairs. Internal shifts in countries central to fashion's supply chain like China and Italy (both gutted by COVID-19 in its early days) will have an impact on the global fashion industry.
- **Labor:** Fashion Industry have always been on the radar for its inclination towards low cost labors in developing countries like – India, Bangladesh, Sri Lanka and Vietnam. The pandemic has severely affected the working labor in these textile and apparel manufacturing hubs. With low income, no formal agreements and poor working conditions has forced an estimate of 6 million garment workers in destitution. The coronavirus pandemic has led to worldwide store closures and now many apparel brands are refusing to accept completed garment orders, leading to factory closures. According to Dr. RubanaHuq, president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), "\$10 million in orders were canceled across 20 factories." Primark, one the biggest importers from Bangladesh, has canceled all supplier orders that have yet to reach its distribution centers (Sidders, 2020). Similar to Primark, Arcadia Group has temporarily frozen payments to suppliers, M&S has ditched plans to order £100 million worth of product (Wood &Sweney, 2020). As per a Bloomberg report, as many as 1089 apparel production units have cancelled orders worth roughly around \$2.8 billion due to

COVID. On the other side of the world a similar situation is unfolding. The Garment Worker Center describes how garment makers in Los Angeles are often not eligible for unemployment benefits (Fashion Revolution, 2020).

Future for the Fashion Industry

Fashion Industry has been severely affected by the virus as discussed in the above pointers. Online sales are picking but it cannot fill the gap for the offline retail sales. According to the report by BCG the revenue for the industry this year will be dropped by one third of the total sales. Countries are reopening and people are trying to go back to normal, but fashion industry cannot go back to how it used to be. The behaviour, preferences and mindset shifts that has taken place during the lockdown and because of covid will lead to permanent changes which includes growth of e-commerce and increased demand of sustainable slow fashion.

Around the world, more people are shopping online and due to COVID-19 lockdowns which also have led to an uptick in first-time e-commerce shoppers—14% of consumers in the US and 17% in China bought fashion online for the first time because of the pandemic. Accordingly companies should strengthen their online operations and initiate Omni channel business models. Fashion Industry is likely to see a behavioral shift in consumers who will prefer and will start choosing small independent stores and support local vendors and businesses. Brands and designers will innovate ways to connect with their consumers by taking their fashion shows virtually. Everybody from any corner of the can join them virtually and brands will be able to carry on the tradition of the Fashion events.

In an online interview, editor of Vogue, Anna Wintour, said that this is an opportunity to rethink the wasteful impact and the excessive consumption that we have all indulged in. Which means that the consumer going forward are doing to invest in more sustainable products across all categories. Customers want clothes that can last and with more and more emphasis on Work From Home, they want more eco-friendly options since they are drawing connections between climate change and pandemic as well. According to Accenture report, 62% of consumers agree that they will increase their focus on climate change and how their actions impact the planet

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