

Understanding the Impact of Covid-19 on Fashion Brands and Designing a Flexible Business Model

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ABSTRACT

As the Covid-19 virus spread, most countries dramatically restricted social life in order to slow its rapid spread, leading to a complete shutdown of the economy. The virus gripped almost every industry. Amongst them, the fashion retail sector suffered the most because it was of least priority to customers. Due to the closure of stationary retail stores, online shopping became the only means for consumers to satisfy their consumption needs and hence it is more important than ever to upscale their online presence. For the post-pandemic world, brands should prepare for the new normal by adapting to a model which caters to the needs of the consumers without compromising on the profits. Any brand hit by the pandemic is suggested to take the staircase approach i.e to first focus on the recovery from losses and then focus on profits. Fashion brands can recover and retailers can change these sudden developments into lucrative opportunities by adopting the proposed flexible business model in this paper.

Keywords: Flexible Business Model, Covid-19, Fashion Retail Sector, Digitization

1. INTRODUCTION

During the COVID-19 pandemic, most countries dramatically restricted social life in order to minimise the spread of the virus. These restrictions ranged from bans on large events and the closure of schools and retail stores leading to a temporary shutdown of the economy [1]. Like so many sectors of the economy, the coronavirus pandemic has taken a harsh toll on many fashion brands and retailers. "Anxiety" and "worry" could very well define the feelings with which the fashion brands, and its top executives, faced the year 2020.

Since stay-at-home orders were enacted in mid-March, major companies have struggled to sustain their operations as temporary store closures and many consumers losing their jobs caused marked declines in revenue. The virus has led to many major retailers and companies to file for Chapter 11 bankruptcy protection [2]. Through November, retail sales in clothing and fashion accessories stores declined 28.5% year-over-year, the steepest drop in all of retail, even worse than the 19.4% decline in the hard-hit restaurant sector. Department stores, heavily dependent on fashion, garnered a 17.5% loss in revenues [3]. A McKinsey consumer-sentiment survey, conducted in April 2020, demonstrated a significant drop in consumers' intention to purchase. However, this was different for offline vs online channels. In Europe and North America, according to the survey, the purchase intention declined 70

to 80 per cent offline and 30 to 40 per cent online. Similarly,

74 percent of Chinese consumers said they avoided shopping malls [4]. Due to the closure of stationary retail stores, online shopping became the only means for consumers to satisfy their consumption needs and hence it is more important than ever for the brands to upscale their online presence. E-commerce has been predominant during the pandemic, and retailers are trying to put effort into building, improving, and promoting their business online. Some small retailers that did not manage online stores before the shutdown are trying to develop temporary solutions to sell their products online, e.g., by posting products on social media sites [5].

All of this is helping the brands recover, but the recovery is slow and in some cases there is no recovery at all. For the post-pandemic world, brands should prepare for the new normal by adapting to a flexible model which caters to the needs of the consumers without compromising on the profits. Any brand hit by the pandemic is suggested to take the stairway approach i.e to first focus on the recovery from losses by cutting down costs and then focus on profits. Fashion brands can recover and retailers can change these sudden developments into lucrative opportunities by adopting the proposed flexible business model in this paper.

2. LITERATURE REVIEW

According to a report by Mckinsey [6], fashion was not at the top of consumers' minds during the pandemic because they were primarily worried about health. But recently, they have been shopping for fashion again whether as a pastime, passion, or way to have fun. Online players have seen that the demand curve is in line with the state of the crisis.

Brands have been thinking about how to manage the crisis in the short term and then move on to the long term. They agree that the crisis has accelerated the use of digital and believe that the opportunities and paradigm shifts that have emerged will persevere post crisis [6].

People who would have bought items offline before are now moving online. Brands including Zalando are selling its items via a direct-to-consumer program and have been successful in making profits. Several other brands are trying to make their platform about community instead of talking about discounts. They have realised that people are passionate about belonging and togetherness and have also started charity sales with a range of profiles to raise money, which were very successful.

Small Fashion retailers are wondering how they can use technology to continue design. They are seeking collaborations and linking with start-ups with 3-D designs and Digital Showrooms. These retailers are looking for solutions to increase liquidity, clear overstock, and launch or expand direct-to-consumer business.

All in all, Fashion Brands are figuring out ways to cope and survive the pandemic by adapting to the new normal and making changes to its business model but still there is a big question mark on how this will evolve.

3. METHOD

The Research aims to identify the problems of the Fashion Brands which are affected by the onslaught of the pandemic and find different approaches to design a system which is feasible to make the business of Fashion Brands run smoothly and gradually stabilize. The problem identification is initiated with a secondary research in which we have studied the Business dynamics of Fashion Brands during the pandemic and post pandemic. Post Secondary research, we have understood the complexities and the gaps in the business models through few inferences and carried out our Primary research in an Etic perspective. Though it is a descriptive research, the observation method has been used as a tool to make inferences and map new opportunity areas and identify the right problems and compatible solutions. In the solution finding approach, the staircase structured approach has been followed in order to arrive at a Flexible business model.

The Research is carried out in order to reinforce the Design Methodology of the Flexible Business model and evaluate it with different frameworks in the Business like PESTEL, VARS, VRI frameworks. The proposed Business model is one of the better solutions which is to be tested and

developed in the actual implementation scenarios considering the variables of situations during or post pandemic. For the prototyping and analysis of this business model, there are few methods to be followed and frameworks to be incorporated for future analysis.

The current research intention is to suggest the possibility of building such an effective, flexible business model for the Fashion brands to connect with. The solution in the format of Flexible business model is emphasized as a system instead of a product directly. Hence the design approach basically started with the sub-system design of managing the operations that are carried out by the fashion businesses and helping them with other business operations and strategies in order to serve the purpose of making them withstand the losses and move gradually to expedite the sales and make profits. The flow of the Research components and the detailed design of the flexible business model is mentioned in the section 4 below. Design of Flexible Business Model

The Flexible Business Model aims to be an excellent system to help fashion brands better manage their business and profit during and after pandemic. Its design allows established companies to integrate it into their existing business models. Businesses that are not mature and need to be guided can plug into this system and run it. This model can be used as a product-to-service model or a subscription model. The following Figure 1. describes the components involved in the system design. These components are interconnected and play a crucial role in every single business operation.

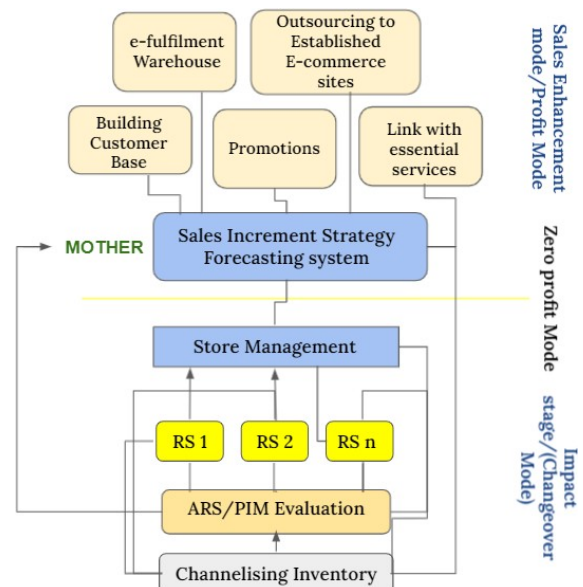


Figure 1. Design Framework of Flexible Business Model

3.1. Components of the Flexible Business model

The Mother: The name itself suggests that it takes care in any type of situation. Hence, mother is the core component of this entire business model that will take care of any business like a child. Mother as a system can be implemented as a website, server or any other assisting product.

Functions of the Mother

- a. Connects with every component of the model and does the job of directing the business to specific channel thereby increasing prof
- b. Provides forecasts about the business
- c. Helps the connecting agent (Fashion brand) to strategize and execute the business well.
- d. Provides AI based consultancy to the connecting agents
- e. Helps in identifying opportunity areas for the connecting agents to make profits and be self reliant.
- f. Can act as feedback and consultancy service among the third parties and other stakeholders.
- g. Helps with Omnichannel commerce
- h. Order Management system
- i. Helps with App commerce
- j. Marketplace Integrator
- k. Helps with connecting potential 3rd party platforms for sale
- l. Helps with connecting e-fulfillment Warehouse for Inventory Management

The Mother is always there, with or without the pandemic. Whenever its child (the client) is in trouble i.e experiencing loss or not making enough profits, it will rescue it. Mother's selfless nature allows its children (the clients) to Plug-in and Plug-out according to their convenience. They can plug-in with the mother on a subscription basis.

Store Management: Store management is a subsystem which receives feedback from the retail stores and gives it to the mother. Primarily, it gives instructions to Retail stores about the goods and stock management during the strategy implementation.

RS1 to RSn: RS means Retail Stores which always have existed for a Fashion brand but were shut for quite a long time due to the pandemic. These stores can once again function actively according to the suggestions of Mother and the business operation outsourcing done by the Fashion brand. These stores can act as mini inventories during the pandemic and help in the reduction of logistics cost as well.

Channelizing Inventory: Goods from the inventory/warehouse are smartly channelized to different retail stores on the basis of the feedback received from the goods management system and the ARS (Audience Response System). This entire operation is driven by Mother and it is also feasible for the 3rd party Fashion Brand to operate.

ARS Evaluation: ARS (Audience Response System) is a tool to obtain consumer data of a specific brand and

provide them with reviews, responses to the product and needs of specific product. The main purpose is to convey to the mother about the purchase range of customers in a specific area near the retail store.

PIM Evaluation: Product information management is an industrial process that manages all the information needed to market and sell products through distribution channels. This product data is created by internal organizations to support multi-channel marketing strategies. This multi-channel marketing strategy is established by the mother, and the PIM assessment is based on feedback received from inventory and retail stores. In the second phase, PIM communicates feedback and analysis to the mother to advance business operations and continue to develop business strategies for their respective fashion brands.

Link with Essential Services: Link with Essential services is a business channel where the mother can drive the client (Fashion Brand) to create a profitable link between the essential service and fashion items. During the pandemic, there was dire need of essential services like grocery, household products, vegetables, medicine etc. So, we can link the sale of clothes with these essential products by providing discount coupons and offers linked to other products in demand. This cross-promotional strategy can be used for increasing sales and profits for both the brand and the essential services.

Promotions: Here, the Marketing team of the Mother and the Fashion brand can collaborate to build a comprehensive strategy for promotion according to the needs and wants of the customer, changing consumer behavior, availability and accessibility of products and market trends. However, promotion strategies can also be suggested by the mother purely as a consultant.

Building Customer Base: This strategy includes the conversion of some potential customers to clients/intermediaries to increase the sales and give them a commission for doing it. People have a higher tendency of buying items when their closed ones have bought it too. It creates a sense of trust. Mother can utilise this behavior and give the selling power to potential customers. This will create customers within customers and promote word of mouth as well thereby improving sales.

E-Fulfillment Warehouse: It is one of the immediate solutions provided by Mother to the Fashion Brand based on the evaluation of its situation during the pandemic. Fulfillment centers are the facilities from which an ecommerce business's orders are shipped, inventory is stored in the fulfillment center. By outsourcing fashion e-fulfillment, mother can help the brand increase storage capacity, without adding any additional fixed costs like that of buying a new warehouse. It will also help meet demands for unforecasted sales and allows brands to manage the increase in daily orders without increasing overheads on staff, or equipment.

Outsourcing the Sales to E-commerce sites: Brands whose sales channel is not very strong digitally and diverse enough to reach the potential customers online can utilise this feature. The sales can be outsourced to existing powerful E-commerce platforms to increase profits.

4. CONCLUSION

Fashion brands must quickly adapt to the new normal by adopting the Flexible Business Model proposed in this paper and by readily embracing innovation, because the new normal is here to stay.

The Flexible Business Model will help Fashion Brands cope with the impact of pandemic and handle their business dynamics in a better way. It will create a good scope of micro business models within the business models itself. The universal design of the model helps it to be incorporated in the already existing business models of brands and run the business more profitably. It will further help the brands communicate, engage, and interact with customers in new ways thereby making more profits.

There is a lot of improvement scope for this business model to become more efficient and sustainable. Once the prototyping of this model is done, we can better understand the practicality and complexities of the model in detail.

5. SCOPE

There is a lot of scope for the Flexible business model's execution as an independent organization or a system, else it can also be a part of established business models of Fashion brands and their redesigned frameworks.

Flexible business model framework can also be applied to other businesses apart from fashion, with necessary changes to the model. In addition to this, there is an excellent scope of designing revenue models for this model and applying the model in the existing markets. This can also create more employment opportunities as a system.

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