

What impact does Covid-19 have on the Fast Fashion Industry(H&M) and Luxury Fashion Industry (Louis Vitton)?

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Abstract: This report is going to discuss the impact of Covid-19 on fast fashion industry and luxury fashion industry. In this paper, it will specifically discuss H&M(fast fashion) and Louis Vuitton since they are quite well-known among the public. The research questions are: What is the impact of Covid-19 on both Louis Vuitton and H&M? What are the challenge for both fast-fashion and luxury industries in the context of H&M and Louis Vuitton? What are the potential solutions and strategies for improving the current situation and future trends faced by H&M and Louis Vuitton? The paper uses a mix of qualitative and quantitative method. For the first research question, the paper uses a quantitative method to demonstrate the revenue changes of both companies because of the pandemic. After that, it uses qualitative method by a questionnaire. All the participants are the staff from H&M and Louis Vuitton. For the final research question, the report uses a qualitative method. It asks participants on what can both company do to recover from the pandemic. It also uses academic resources to find out others' thought on improvements. It is suggested that H&M should focus on online store and Louis Vuitton should pay more attention to marketing innovation by launching new collections to attract more customers. It should also focus on online purchase and ensure a on time delivery. It is also suggested that Louis Vuitton should also build a good brand image by engaging with customers.

Keywords: Covid-19; Fast fashion; Luxuries; Revenue; Share/stock price

Introduction

The outbreak of Covid-19 at the end of 2019 became a huge event globally. Many countries had to start lockdown and staying-home strategies, which became necessary to control the spread of the disease (Sintema, 2020).^[1] Even though these measures effectively control the pandemic, they still have a negative impact on society. Furthermore, the negative impact of Covid-19 on society was also enormous. More specifically, it directly affect because of the pandemic, many stores and restaurants had to close according to government policy, and they can not get their income due to the lockdown. As a result, a great number of workers might face unemployment and even lose their jobs due to the pandemic(Douglas, 2020). The pandemic has led to financial losses for many fashion brands, especially for those who rely heavily on physical sales. This article will focus on the fashion industry, specifically H&M(fast fashion) and Louis Vuitton(Luxury). This paper seeks to investigate whether the pandemic has had an impact on different types of fashion industries while H&M and Louis Vuitton are representative of fast fashion and luxury brand.

1. Literature Review

It will use both qualitative and quantitative methods including demonstrating the numerical figures to represent any profit changes during Covid-19 and producing several questionnaires to ask for staff or peers opinions. The result of the quantitative method will be illustrated through excel or line graph while questionnaires will be generated through some website links. Furthermore, this paper will also investigate the challenges that H&M and Louis Vuitton have to face and provide some solutions based on experts' opinions. According to the report for 2020, H&M generated global sales of 22.48 billion (Sato, 2020). Meanwhile, according to white and Aloisi, In 2020, Louis Vuitton's sales declined by 17% compared to the previous year, as the company was forced to close many of its stores and delay the launch of new products. However, the e-commerce sales of Louis Vuitton raised significantly during the pandemic in May and June, since more customers start their online shopping(White and Aloisi, 2020). However, these two industries also come up with some strategies to recover from the impact of Covid-19. Some of them tried to connect with customers and try to use some marketing strategies to advertise their goods and gradually changed their selling strategies (Ansari & Ganjoo, 2020).

2. Research Question

2.1 Research Questions

- (1) What is the impact of Covid-19 on both Louis Vuitton and H&M?
- (2) What are the challenge for both fast-fashion and luxury industries in the context of H&M and Louis Vuitton?
- (3) What are the potential solutions and strategies for improving the current situation and future trends faced by H&M and Louis Vuitton?

2.2 Population and sampling

For the questionnaire, there are two for each question since each question needs one questionnaire. Only research question two and three need questionnaire. There are 40 participants for H&M among two stores in Manchester and 19 participants from Louis Vuitton from London and Manchester. In the first research question, H&M participants need to answer closed questions while Louis Vuitton participants need to answer a open question. The result will be demonstrated through a pie chart In the second question(RQ3), all participants will be asked to choose a optimal choice from the closed question. The result will be illustrated through pie charts.

3. Results

3.1 Data Analysis

Explanation: the sales of H&M experienced a decrease because of Covid-19 from around 24,000 million dollars to approximately 19,600 million dollars from 2015 to 2021.

Explanation: Revenue of Louis Vuitton decreased during the Covid-19(2019-2020) but then increased significantly during the next year(\$75,000millions).

Explanation: The chart above shows Louis Vuitton's revenues in five different groups from 2021-2022 which is during the pandemic. All of them increased.

4. Discussion

Nearly 50% of the H&M staff believe that financial losses are the biggest impact of the pandemic for H&M(Figure 3). According to figure1, H&M kept going upwards until 2019, which reflects that it is quite popular before the outbreak of Covid-19. In 2017, H&M's sales peaked, which is 27696.63 million in US dollar. Although H&M's sales have fluctuated slightly, it still remain around 20,000 million until 2019. However, during 2019, the revenue significantly dropped. It decreased from 22,321.2 in 2019 to 19,736.3. Although it recovered by 2021, revenues did not increased very much. Situation in Louis Vuitton was somewhat better than H&M. According to the participants, most of their shops in the UK are temporarily closed in early 2020, leading to a lower revenue in 2020. The revenue decreased from \$60,000 million in 2019 to around \$52,000 million in 2020(Figure 2, Figure 3). Unlike H&M, revenue of Louis Vuitton did not take as big a loss as H&M. In 2021 their revenues rose straight to \$75,000 million, an increase of 30%.

Most of the H&M participants think that the most significant impact of Covid-19 is financial loss which comprise of 48%. Moreover, 15% believe that it has reduced the demand for H&M purchases and 12% believe that the pandemic has disrupted H&M's supply chain. A small minority of 5% believe that the impact of the pandemic has been a shift from offline to online sales(figure 3). The results are similar at Louis Vuitton. According to the appendix, Louis Vuitton closed some of its offline shops, so their revenue was also affected. Louis Vuitton employees also mentioned employment issues, but said they continued to pay their staff during the temporary closures. However, although it is mentioned in literature review that Louis Vuitton experienced a 17% decrease in revenue.

To recover from the pandemic, Zhao suggests that Louis Vuitton should increases its brand affinity through cause marketing and gain numerous benefits by donating money to the social organization. LV stated on 17 out of 40 people think H&M should focus more on online sales since more people go shopping online more frequently. They think H&M should invest in improving its e-commerce platform. 25% of them think H&M should develop local manufacturing to prevent production delays since many of the suppliers were forced to shut down or

reduce production due to lockdown. On the other hand, Louis Vuitton staff do not think online shopping is a good way because it might reduce or lose the uniqueness. Almost half of LV participants think that the best solution is innovation.

5. Conclusion

In conclusion, the impact of Covid-19 on Louis Vuitton and H&M was significant and quite similar. Firstly, the financial losses is the most obvious for H&M while Louis Vuitton was able to recover from its financial losses more quickly. Furthermore, according to the Louis Vuitton's staff, H&M's staff and Thomas, they both recognize unemployment as one of the major impacts of Covid-19. They both think the pandemic has disrupted the supply chain of their company. suppliers were forced to shut down or reduce production during the early months of the pandemic due to lockdown and restrictions on movement. Besides, Pandemic has changed the way that H&M sells, customers also change their shopping style. they are used to making online purchases, which introduces a new way of shopping. In addition, all participants gave their opinion on how the company should recover. Even though they might think of different solutions to recover, both of them mention sustainability, which demonstrates that sustainability is important in business. It is suggested that H&M should focus on online sales. As a fast fashion brand, more customers find it more convenient to buy online. As a result, H&M should focus on investing in online platforms. For Louis Vuitton, it is suggested that they should focus on innovation such as launching new collections to attract more customers. They also need to enhance their services, such as on time delivery services. They also need to enhance their interaction with consumers, such as sending them wishes on festivals regularly and ask them for suggestions on the brand, which can be efficient for expanding brand awareness and retaining some customers.

References

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