

Leeds University Business School – Research and Innovation Podcast

Episode 18: [How COVID-19 has increased the complexity of the fashion industry and its supply chains](#)

Speakers: Dr Matthew Davis, Dr Mark Sumner and Fergus Dowling

Matthew: Hello, and welcome to this latest episode of the Leeds University Business School's Research and Innovation Podcast, I'm Dr Matthew Davis and I'm an associate professor here at the Business School. And today I'm joined by two guests.

Mark: My name is Mark Sumner, I'm a lecturer in sustainability and fashion at the School of Design at the University of Leeds.

Fergus: Hi, and I'm Fergus Dowling, I'm a research assistant at the University of Leeds, working on a project looking at the impact of COVID on the management of modern slavery.

Matthew: Brilliant, thank you so much. And that's a really good introduction, Fergus, to the topic of today's episode. So, we're going to be talking about the impact of COVID-19 and the associated lockdowns on the global fashion industry and, in particular, thinking about what the effect has been on how brands and firms manage worker rights and relationships in their supply chains. So, I guess a good place to start would be to ask you, Fergus, I think, what you've seen from the data and the research you've been doing around the impact of COVID-19 on how brands have been operating and the effect on their business?

Fergus: Well, what we're, kind of, seeing is it's a really mixed bag, and it's very, very difficult to give a broad brush for every single brand because not only have they all had to deal with store closures and changes in consumer purchasing practices, of the fact that we're not going out and all this, but they're also having to deal with a complete difference in changes overseas as well. So, broadly speaking, it's a very complex state of affairs.

Matthew: And Mark, what are you hearing from colleagues in the industry in the interaction you've been having with, particularly, UK-based fashion brands and retailers?

Mark: I think, as Fergus has pointed out, it's a very complex area, and, even without COVID, the global supply chain for fashion is very complex, and what we're seeing is that some brands who

generally have a quite resilient structure around managing modern slavery and ethical compliance, tend to be working better and responding better to COVID. However, what we did see at the very start of the COVID impact, because no one really knew what was going on in the supply chain, no one really knew how COVID was impacting that global supply chain which touches China, India, Pakistan, Vietnam, Cambodia and a multitude of other places, because no one really knew what was going on, there was a very strong tendency for people to go, “I need to protect my business, my workers,” and not be so focussed on what was happening in the extended supply chain.

So, there is a real complex situation at the moment with different levels of response to different types of COVID impacts, and it really is a very mixed bag in terms of what we’re seeing within the industry. But, of course, within the UK industry, we know that retail pre-COVID was employing almost a million people within the retail community, and what we are seeing as a result of COVID with these changes in shopping practices that Fergus mentioned, is lockdowns and the change in purchasing patterns has meant that we’ve seen a huge number of store closures, we’ve seen lots of redundancies in the UK, and we don’t think that’s going to stop. We think that there will be a continuation of that trend. So, there is a real issue, both in terms of workers in the UK, but also workers in that extended global supply chain.

Matthew:

That’s interesting, Mark, and I wonder if either of you could really think about, well, how does the current disruption we’ve seen which has been profound, from what you were just saying, Mark and Fergus, how does that compare to past shocks that the industry has had? I’m thinking in particular of the global financial crisis, 2008, or events like Rana Plaza factory collapse and so on, which have really shocked the industry before? How does this compare?

Mark:

I think there are some key factors about COVID which makes it different to other shocks, but there are some analogies we can pull through, some similarities we can pull through. So, the financial crisis in 2008-9 tended to impact the demand side of the supply chain, Western markets tended to reduce the amount of orders that were being placed, whereas Rana Plaza had more of an impact on a more localised, supply side. So, the Rana Plaza disaster occurred back in 2013, nearly 1300 people died in the factory collapse, and that factory collapse led to major changes in the industry in terms of how they manage and how

they identify issues associated with worker rights. And what we saw around that time was a huge number of UK retailers really focussing on what they can do around worker rights and worker protection.

What we're seeing with COVID is we're seeing an impact on demand side and an impact on the supply side. We also have a real issue about: we don't really understand the scale, the duration and the types of impact COVID is having on supply and demand. And, as a result of that lack of knowledge, we're seeing people making decisions that, you know, are maybe not the best decisions at that time. And, of course, hindsight is a great thing. But what we're seeing now is because things are happening so quickly, and happening on that global basis, it's making it really challenging to really understand how COVID is having a long term impact.

Fergus: Going off the supply and the demand shock is it's not just both, but both of them happening at the same time in different parts of the world, and those repercussions from each of those impacts then having further impacts on each other. So, it's a real, as we keep saying, a mixed bag. But because of that, it's creating its own set of issues. Then, obviously, scale is completely different, but that in itself, as well, the scale of it, is causing issues in itself. It's creating strain in different areas and really, kind of, pushing apart any weak links in the chain. So, although the financial crisis was primarily focussed over here in the West, the true global-ness of the pandemic is really coming through in the levels of the impacts.

Matthew: I wonder, then, for both of you, you were talking about the change, and how this is unprecedented, what do you think might the implications be for supply chains and those working within the supply chains, then, looking forwards from now? Do you think there's going to be any change in what's happening, any challenges or opportunities there?

Mark: I think it's interesting, if we look back again at something like Rana Plaza. When Rana Plaza happened, there was a large proportion of the industry, and external stakeholders, who said, "Rana Plaza was such a major shock to the system, to fashion and clothing, that the system would change forever." I think there is an argument to say there have been some small changes that have become, sort of, the norm within the fashion industry, but the scale of, and the duration of, those changes isn't what we

thought it was going to be. And, as Fergus has said, the scale of what we're seeing with COVID is huge, obviously. It's an obvious statement.

But I think it may be too early for us to be able to predict and say what are going to be the repercussions of this, and how long those repercussions are going to remain, sort of, set within the industry. I suspect that we are going to see some major changes, and I'm hoping some of those major changes are going to be really positive in terms of things like improving transparency and improving the relationship and the connection between brands and suppliers. But we are in a situation where no one has been in before, this is the first time we've all faced a pandemic, obviously, and everyone is responding and reacting in different ways.

And I think the long term repercussions of COVID, and the way that the industry works, is going to be something that we're reporting on and looking at and feeling through for the next four, five, six years to really understand what those impacts are. But I think we are starting to see, as I say, some positives coming out of the COVID crisis, which I think is going to... in a perverse way, I think are actually going to mean that suppliers in the supply chain may have better structures, and brands have better management systems to support workers and try and minimise the instances of things like modern slavery.

Matthew:

It's great to hear that you think there are going to be positives coming out of this, and I guess one of the questions that comes to my mind from looking at some of the discussion around other industries as well after this, and the need for greater resilience and diversification, there seems to be a tension here in terms of, maybe, needing to diversify more, so we're not concentrated so much in one region in case there are lockdowns or other, kind of, natural disasters and so on that might occur, versus wanting to, maybe, re-shore production or to have shorter supply chains so you know your suppliers better and you can work more intensively with them. How do you see this playing out? Do you see a trend or a desire to, kind of, re-shore some of this production, or do you think that is just not going to happen?

Mark:

I think the COVID situation is going to throw up the complexity of the industry, and there are too many commentators around fashion who seem to think it's a quite simple process. We decide what the trends are, we get a factory to make them, and we sell

them. And actually, the reality is much more complex than that. Re-shoring only really applies to garment making. There is, yes, a little bit of fabric production in the UK, but supplies of the raw materials, cotton production, wool production, polyester production, viscose production, the bulk of that is overseas, and, in fact, is beyond the boundaries of the European Union, for example.

And in cotton production, for example, as an agricultural system, that is open to all sorts of real, big issues associated with modern slavery and also will be open to all sorts of issues associated with the impact of COVID. So, re-shoring, bringing garment making back to the UK is going to address some issues, but it doesn't address those bigger issues that are out there. And I know, Fergus, in terms of some of the research that you looked out, what we found was that different tiers of the supply chain have been impacted in different ways by COVID to more and less greater extents.

Fergus:

Yes. And to, kind of, come in on what Mark is saying, what is interesting is we know how the UK brands have reacted and there has been a complete mixed bag of reactions. So, some have cancelled orders, some have guaranteed that they are going to pay for all their orders, but what does that mean, kind of, moving forward? Because, obviously, we can see that sales have completely dropped, so they are going to have huge amounts of stock and I think stock left over that they will probably push on in the future, but how is that going to translate down? Because, at the minute, we're not seeing that there is a kind of a fall in payments towards garment workers, but there is a fall further down in the tiers. And it's interesting to see how is that impact then going to maybe carry on up through the supply chain and something that I read recently is that the price of cotton has actually dropped to as low as it was in the financial crisis. So, that is another issue that is probably yet to be felt and that will most likely translate through the supply chain and probably won't come into effect in maybe a year or so's time.

Mark:

And that's a really interesting point. The financial crisis 2008-9, for the fashion industry, saw cotton prices fall as low as they had been for 15, 20 years. And, in some ways, that was seen in a positive way by the industry, meaning that cotton prices, because they were low, meant it was easier and cheaper to buy the cotton. But it was disastrous for the cotton farmers themselves, and there are over 100 million cotton farmers in the

world reliant on the price of cotton to provide income. The consequence of the crash in 2008-9 for the cotton price was, three or four months later, we saw a quadrupling in the price of cotton.

Now the complexity of how all of these things worked is... well, just reflects the complexity of the fashion industry. So, we've got all of these different things going on. What do commodity traders do when the prices fall so low? What happens to the planting of cotton? All of these things have repercussions that have impacts that go on for six, twelve, eighteen, twenty four months. So, what we're seeing with COVID is really the front end of that shock, and we are going to be seeing ripples going through the supply chain going up and back along the supply chain as we see changes on the supply side, as Fergus was pointing out, the price of cotton going down. That has repercussions.

But what we're also seeing at the same time is this change in consumer purchasing patterns, which means that we're going to see changes and fluctuation in orders and the rate of change of those orders. And these two things are going to collide somewhere in the middle of the supply chain where we could have a tsunami of issues coming up. And I don't think we've seen that yet. So, we've potentially got more stuff to deal with in terms of what the implications are.

Matthew:

Well, that's interesting, isn't it? Because I think a lot of the attention has been on the immediate, short term, impact, isn't it? Kind of, closure and cancelling of orders and what that means for suppliers. But, as you were saying, Mark, this could be something that really runs into the next few years, and I guess one of the worries is where you see those prices drop, and the margin is squeezed, that's where you have the temptation, or the pressure, I guess, on workers and in terms of looking to find the competitive advantage which may not be to everybody's advantage, I guess, in the supply chain.

I think some really interesting themes coming through there, and I think we could talk a lot more about all of these, really, and I guess this is the reason why, or one of the reasons, why our current research project is looking at the impact within the fashion industry and supply chains. And if you're interested in finding out more about this research, you can visit our project web page or get in touch with us directly. The details are available in the episode description. We'd be delighted to hear

from people in the industry to gather your views on this topic. It's not something that is going to go away, I think this is a theme we will be following up on for quite some time. So, please do get in touch. But with that, Mark and Fergus, I'll let you say goodbye.

Mark: Thanks very much for the opportunity to be involved in the podcast, and we look forward to getting any feedback at all from anyone that has listened.

Fergus: Yes, thanks very much for having me on.

Matthew: And thanks for listening.