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## **FINANCIAL CRISIS IMPACTS ON FASHION INDUSTRY: STRATEGIES FOR SURVIVAL**

*The consequences of the financial crisis in fashion industry have been studied, the strategies of business conduct in the sphere of fashion have been analyzed.*

**Relevance.** The financial crisis of 2008 had a great impact practically on everyone. It brought changes in different spheres of our lives. Speaking about the economic side it is possible to say that most industries suffered due to the crisis and fashion industry wasn't an exception. In fact, it wasn't well covered in the mass media about what problems this industry faced.

**The aim of the study.** Is to consider and analyze the impact of the economic crisis on the world fashion industry. We will speak on the consequences of the global recession and the strategies of business conduct, chosen by world famous fashion designers to let their business stay afloat.

**Main part.** Today fashion industry is one of the most fast growing industries worldwide. This industry includes clothes, accessories and cosmetics production. Its rapid expansion is connected with the increasing level of people's welfare: people want to look good and more money allows them to purchase things of a higher price. Lately fashion industry mainly worked for women, but today's world of fashion also involves men and even kids.

During the economic downturn many people lost their jobs that resulted in problems with money. Such a thing has definitely changed the consumer's behavior. People started to consider their spending behavior and choose between the most necessary things and those that they could save on. What concerns clothes, we can assert that here are two tendencies: some people began to buy a cheaper attire or postpone such a purchase, the others continued to buy clothes of famous brands. But the first tendency has resulted in the decrease of the number of consumers and the fashion clothes stores became a lot less crowded. For some designers this has brought considerable losses. For example, in 2008 a well-known fashion house Christian Lacroix went bankrupt and its losses were 10 million euro. Its main consumers were the Americans and the failure resulted from a low demand on the American market. The similar situation is with Versace. The designer had to close its stores in Japan as the losses were around 30 million euro. Chanel, a brand at the forefront of the industry, had to cut 200 jobs despite being one of the most successful companies in its sector. Some designers didn't take part in fashion weeks as they weren't able to prepare and present their collections. Such a tendency took place especially in the autumn 2009. Designers Vera Wang and Betsey Johnson decided to unveil their latest runway collections in a way that

coincides with the dire situation happening in the United States. Both designers have decided to pull out of showing their Fall/Winter 2009 collections in Bryant Park during New York Fashion Week, citing the recession in the economy as their major reason for doing so. The Florentine designer Roberto Cavalli couldn't present the JUST CAVALLI line, because the company ITTIERRE with whom he collaborated in the creation of this line, was facing some economic problems and was no longer able to guarantee him a collection that would live up to the brand image and its popularity around the world.

During our research we singled out the most negative consequences of global financial crisis on fashion industry:

- many big names in the fashion industry are facing financial problems, many of whom have even declared their negative condition. Some of these companies are hoping for a take-over;

- a great deal of fashion companies have started to fall into credit problems. In the last few months, various companies worldwide have filed for bankruptcy;

- many companies are negotiating for a partnership deal with willing investors in order to help their finances;

- a lot of events, innovative plans are being canceled;

- considerable extension of mergers and acquisitions;

- many fashion labels in fashion hubs like Italy are holding emergency talks with the government and are appealing to support their industry or at least lessen the effects of their financial slowdown;

- a great number of fashion houses are not showing their collections for fall 2009 due in the season as the shows will cost them thousands of dollars with no guarantees of returns;

- many designers have set the trend of smaller or more reserved shows.

- designs also seem to be affected by the crisis as many shows featured only quiet colors and minimalist lines.

Due to the fact that the financial crisis has spread its influence on all spheres of life, it is of vital importance for fashion enterprises to invent new marketing strategies which will enable them to earn profit or at least stay in business. People handle their money differently which asks for new business approaches. The fashion industry needs to react in the right way to conquer this economic crisis in order to keep their valued customers.

At the end of 2008, when the crisis is gaining momentum, lavish spending habits have gone in the past. So far as consumers will think twice before spending their money on designer textiles and fabrics, fashion houses needed to come up with some fresh ideas and innovative strategies in order to save their business. Individuality and innovation have become the keywords for securing future of any brand. Consumers have to be given exactly what they need and in the way they desire.

So in the second part of our research we studied the strategies adhered by leading fashion houses and designers in crisis.

Consumer spending has got lower resulting in pressure on retailers' margins. Therefore, the business will have to focus on protecting gross margin by way of

loss prevention, price optimization and efficient inventory management systems.

Consumers will have to be provided with consistent brand and service offering through multiple touch points-stores, online, social commerce sites, blogs, mobiles, etc. Value-added services such as "buy online, return at stores" etc. can only help establish brand loyalty among customers which is the success necessary for survival. Social media channels are increasingly being used and are very effective means to reach consumers for promotion and brand loyalty.

Private labeling was the buzzword of 2009. Private labels provide higher margins, increased flexibility and the capability of responding fast to changes in fashion trends.

A strong brand identity will be crucial for international success as stronger brands will be able to take advantage of their brand strength for global expansion using alliances and franchise arrangements.

New technologies like kiosks, RFID, mobile devices, smart carts, wireless sensors, contact less payment solutions, magic mirrors and virtual closets etc. decide the shopping process of technology savvy consumers. Providing a variety of services such as mobile vouchers, coupons and loyalty cards, location based services, mobile purchasing and building mobile social networks is a strategy used by many companies of fashion industry.

Some designers attract buyers by creating short films and organizing online-webcasts, by which they can show new collections.

Sustainability, reduced carbon footprint, eco-friendly fashion and green supply chain will become more prevalent terms. Brands genuinely committed to environmental cause will get rewarded.

Today's consumers' demand customized fashion tailored to their individual lifestyle needs. So, those companies that provide online template to customize their shoes, bags, t-shirts etc. will get ahead.

**Conclusions.** Thus we can say that fashion industry, as well as many other industries, has suffered from the economic downturn of 2008. Low demand, debts, job cuts have found a place in this rapidly developing area. Fashion designers had to reconsider their activities and adjust to an unstable situation. They had to work out new strategies to survive in such hard times. Innovation and experiments became the most important points in this sphere. Such things helped most fashion houses to maintain or even to improve their positions.

## References

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