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European fashion industry's response to Covid-19 pandemic: a comparison between luxury and fast-fashion brands

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INTRODUCTION

The year 2020, we have just gone through, will go down in history as one of the most challenging ever.
As we all know, indeed, it forced most people to adapt to new realities, to confront with creating new ways of learning, working, and, more in general, living our lives. The world nearly stopped, and we had to give up on our social lives, obliged to stay home and to respect several rigid rules.
We basically found ourselves stuck in a parallel reality when, in February, what at the beginning of the new year seemed to be just a Chinese matter showed up in Europe. The first known infections from Sars-Cov-2, in fact, were discovered in Wuhan, China, at the beginning of January, and barely a month later, on the 30th of January, the World Health Organization declared the outbreak of the Coronavirus a public health emergency of international concern (Ritchie, et al., 2020).
Fortunately, almost two years have passed since then and the joint action of the sanitary restrictions and the vaccine has led to a "new normal". At the beginning of October 2021, the 45.8% of the world population had received at least one dose of a COVID-19 vaccine (Ritchie, et al., 2020), and this allowed us to gradually reopen restaurants, cinemas, theatres, stadiums, shopping malls, fitness centers, to almost eliminate restrictions related to travels and to nearly come back to a normal lifestyle.
Economy is slowly and gradually recovering too. The crisis deeply hit almost all industries that suffered from the drop in sales, store closures, supply chain disruption, trade interruption resulting in the unavailability of raw materials.
When it comes to the fashion industry, it suffered its worst year with almost three quarters of listed companies losing money (Amed, et al., 2020). Customers have spent far more time at home losing interest for clothes, they have not been able to access stores as usual, being forced to switch to the virtual shopping experience, that is not suitable for everyone.
In addition, from a managerial point of view, there were several issues related to the fact that employees had to work from home as much as possible, providing raw materials was very challenging due to the stop in trade and the tragic situation that many countries were living. In addition, the coronavirus pandemic has fast-forwarded important trends and dynamics, that were already in action even before the crisis, and that are reshaping the industry.
Tackling all these problems and coordinating the whole machine was really challenging but, now that we are probably looking at the end of the sanitary emergency, we can say they made it!
Despite the uncertainty, that has reached unprecedent levels, and the increasing competition, companies within this field have managed to recover already in 2021.
Given all that, it could be very interesting and helpful to understand what are the main changes carried out by the pandemic, how they have been addressed, what strategies have been successful and which did not. It could be useful, for instance, in order to enrich the expertise in the managerial field, exploring the

differences in terms of strategies and changes that have been carried out respectively by the fast-fashion industry and luxury fashion industry in response to the outbreak of the pandemic.

Many researchers have investigated the impact of Coronavirus on fashion industry, such as Brydges and Hanlon, (2020), and Rrustemi and Baca, (2021), but, since it is a recent phenomenon and it is not completely over, there is still much to be explored.

Literature focused mainly on the changes carried out in the supply chain, since the supply and demand disruptions that have been caused by the pandemic had resonating effects on supply chain activities and management, resulting in a pressing need for flexibility (McMaster et al., 2020).

Another topic that caught the attention of many researchers is the acceleration in the shift in perspective related to sustainability (Casey, 2021; Neumann, 2020). The emergency situation revealed a new awareness and sensitivity to the environmental issues.

Another big matter that has been investigated by Nurnafia, et. al., (2021) is related to the marketing function: capturing customers' attention is getting harder and harder, since people spend much more time online becoming passive. This results particularly challenging considering that all fashion shows, due to sanitary restrictions, have become online streaming shows.

Therefore, this research is going to investigate the impact of Covid-19 pandemic on the financial indexes and the main changes and strategies carried out to overcome the crisis respectively in the fast-fashion and luxury fashion industries. For this purpose, the leading European fashion groups operating in the two segments are going to be analyzed.

Specifically, the subjects of the investigation will be the Sweden H&M Group and Inditex group, one of the world's largest fashion retailers, for the fast-fashion industry. While for the luxury fashion industry, this paper will analyze Kering and Louis Vuitton Moët Hennessy (LVMH), that are the two main global luxury groups. Regarding these latter, only the Fashion & Leather Goods division is going to be taken into account.

The methods that are going to be implemented differ in relation to the object of the research.

When it comes to the impact of the Coronavirus pandemic on financial indexes, the official financial reports that have been published by the conglomerates will be taken into consideration, working on secondary data.

While when it comes to the changes and strategies applied by the fashion players, instead, it appears appropriate relying upon semi-structured interviews involving store managers, marketing managers, product managers, which are the ones that directly dealt with the problems coming with the pandemic and struggled in order to best solve them.

1. FASHION INDUSTRY OVERVIEW

Year 2020 was the year in which everything changed, the year in which almost three quarters of listed companies within the fashion industry lost money (Amed, et al., 2020). Due to the pandemic and the consequent restrictions, the industry suffered its worst year on record: supply chains were disrupted, stores closed, many companies faced bankruptcies, many employees lost their job. Indeed, when McKinsey's reporters have asked executive to choose three words to describe the future of fashion industry, they replied "uncertain", "challenging" and "disruptive".

At the same time, the Coronavirus pandemic, we have been living in for two years now, has accelerated trends that were in motion even before the crisis, for instance the consumer behavior shift, the urgence for fairness and social justice along the whole supply chain loudly claimed - especially by young generations - the shopping shift to digital.

Therefore, in order to win the competition, fashion companies must be able to develop a strategy that can properly fit the market and industry priorities and needs. The key principles for managing the change will be flexibility and agility: these skills, matched with the use of data and analytics, will allow firms to implement a new business model that focuses on high-quality and reliable production capacity, downsized collections tailored on the needs and taste of local customers, and an innovative approach to the retail that is able to perfectly mix the physical and virtual experience.

Thus, in order to better understand the fashion industry, its characteristics and the challenges companies are facing, we need to look into the main trends and consumer shifts that are influencing the state of fashion.

1.1 MAIN TRENDS IN THE FASHION INDUSTRY

1.1.1 Digital revolution

One of the most relevant trends that, with Covid-19 related restrictions, had the opportunity to emerge even stronger and be speeded up is the digital transformation. During the lockdown, fashion retailers made a definitive shift toward online channels. According to McKinsey's estimates, e-commerce shares of fashion sales jumped from 16% to 29% globally, since also the non-digital natives embraced innovations like livestreaming, customer service video chat, and social shopping (Amed, et al., 2020). Most likely, this trend will only accelerate in the future, resulting in further closures of brick-and-mortar stores, at least the way we know them today; for example, Inditex has already announced the closure of 1,200 stores worldwide focusing on digital growth (Inditex, 2020). Thus, as many executives state, digital transformation represents the biggest opportunity by far for 2021. Nevertheless, because customers demand ever-more sophisticated two-way digital interactions, fashion players must find new ways to optimize the channel mix and properly integrate the online experience with the human touch. "*Retail isn't dead, but boring retail is dead*" said

Rania Masri, chief transformation officer of Chalhoub Group, a retail and distribution company (Amed, et al., 2020).

Furthermore, fashion companies, more than ever, need to win the challenge since, according to McKinsey, excellent customer experience results in excellent financial results. Kering's decision of moving in-house the e-commerce functions, previously managed by Yoox Net-a-Porter via a joint venture, can be seen from this perspective. As explained by its chief client and digital officer, indeed, a quarter of their business and most of their interactions with customers happen online and, for this reason, they want to control that experience. Furthermore, by directly managing these functions, they will be able to provide customers with the seamlessly experience between channels they ask for (Amed, et al., 2020).

According to Grégory Boutté, only big brands or brands that are part of big conglomerates can improve this experience, since the digital strategy, that is necessary to implement in order to fulfill customers' expectations, requires significant investment. And the need for huge investments and the widened gap between the best-performing companies and the rest, are likely to lead to the increase in M&A activity, which would allow stronger companies to expand geographically and in terms of product category (Amed, et al., 2020).

E-commerce is not the only way firms can provide their customers with innovative, customized, and immersive shopping experience: collaborations exist between fashion companies and video games, AI is likely to play a relevant role in boosting conversation and forecasting sales for new products, and messaging apps are getting more and more popular in supporting consumer purchasing decisions.

1.1.2 Social justice and environmental sustainability

Another aspect that has been amplified by the Coronavirus pandemic is the public awareness of social injustice in the supply chain. During the crisis, "*consumers have become more aware of the plight of vulnerable workers in the fashion value chain*" and now they expect companies to ensure dignity, security, and justice (Amed, et al., 2020). Actually, as factories closed in early 2020, orders were cancelled and payments were deferred, thus suppliers across the world, according to McKinsey report, have lost over 16 billion in revenues between April and June 2020; consequently, millions of workers faced the risk of losing their job (Amed, et al., 2020).

Even though consumers have been interested in social welfare and human rights for a long time now, the infringements of such an issue by fashion companies have not always translated into declining sales. After the pandemic, however, according to a survey by McKinsey, 66% of consumers state to stop buying products from companies which do not respect such principles. Also, according to Neuman et al., (2021), perception of social responsibility directly affects consumers' attitudes towards fashion brands, as well as trust, that is a direct predictor of purchase intention. In addition, according to Medcalfe and Miralles Miro (2021), there is a strong positive correlation between sustainable practices and financial performance in fashion firms.

Therefore, nowadays, fashion firms strongly need to put much more effort on this cause, focusing on concrete plans and showing transparency and authenticity, moving away from transactional, short-term supplier relationships in favor of deeper partnerships. Louis Vuitton, for instance, bears to protect people and the planet, as underlined by its chief executive Michael Burke, who believes that "*the bigger and the most successful you are, the more you should be held to that responsibility*" (Amed, et al., 2020).
In particular, when it comes to environmental sustainability, we all should be extremely concerned since fashion industry is the second largest polluter industry in the world, producing over 92 million tons of waste per year and consuming 79 trillion liters of water per year (Niinimäki K., Peters G., Dahlbo H. et al., 2020). The situation becomes even more tragic when we consider fast-fashion industry, in which a full garbage truck is sent to a landfill every second (Gerretsen I., Kottasová I., 2020).
There are some companies really committed to these issues, such as H&M, that in 2010 launched the collection "Conscious" using organic cotton and recycled materials; it also publishes annual sustainability reports since 2002 and adopts in-store recycling programs (H&M Group, 2021). However, for many types of textiles, viable recycling solutions do not exist or are not commercially available at scale and still, in general, climate and water impacts are larger compared to the benefits provided via employment and wages (i.e., energy, carbon and water impacts represent 2% of global totals, but the wages paid out are only 1.4% of global wages) (Peters, Li, Lenzen, 2021).

1.1.3 Destination shopping interruption

Another aspect we need to underline is the effect on fashion companies, especially luxury fashion companies, of travel interruptions. A great proportion of revenue for some brands, mainly for some product categories, indeed, came from foreign customers, who benefit from tax cuts and differences in exchange rates by shopping in Europe.
The disappearance of this target, due to Covid-19 related restrictions, resulted in an even slower recovery of sales and made fashion players aware of the need of finding ways to get closer to their priority consumer groups and, at the same time, tailor their offer in order to make it more suitable and appealing for the local market. We expect, thus, to see changes in the assortment, in marketing and in-store staff profiles.

1.2 THE FUTURE OF FASHION

Having seen the main trends within the industry, the discussion should now focus on what fashion companies could do in order to deal with this uncertain and challenging scenario.
According to McKinsey, winning brands will be those able to define clear, long-term ambitions while managing the business with flexibility, resilience, and speed (Amed, et al., 2020).

Concepts like speed, flexibility, agility will be of paramount importance because firms need to make and implement major decisions faster than before, reshaping their operating model, in order to navigate an uncertain short-term future, as stated by more than 80% of interviewed leaders. Strategies, undoubtedly, must take into consideration trends seen above, trying to forecast which of them will remain after recovery and which will not, and must adapt to multiple scenarios. Organizations, in order to better implement these major changes, should rely on cross-functional teams, that would give them the required agility to quickly respond and capture market opportunities; obviously, this will require enabling greater autonomy down the hierarchy and fostering communication and information sharing across the organization.

Fashion companies, furthermore, are called to address a big issue: demand for fashion, according to "The State of Fashion 2021", is "*unlikely to bounce back due to restrained spending power amid unemployment and rising inequality*" (Amed, et al., 2020). Europe, in particular, is considered to be the worst-hit region in 2020, with 22% to 35% decline in sales. A full recovery of global fashion sales is expected only in 2022. Luxury segment, instead, suffered less than others, since "*appetite for expensive discretionary items remains high among some wealthy consumers and is expected to remain so in 2021*". Luxury conglomerate Kering, for instance, reported as some brands in its portfolio are already returned to grow (Amed, et al., 2020). Financial uncertainty is not the only source of change in the consumer demand, since Covid-19 related restrictions had an impact not only on the volume of demand but also on the consumer choices about what to wear, resulting in a casualization trend. Formalwear category was deeply hit in favor of casualwear, athleisure and activewear, all categories that are expected to grow in importance for many fashion players. Therefore, winning brands will be those that will manage to quickly satisfy new consumers' request, adapting to the new consumers' behavior, while staying true to their brand identity.

Approach to assortment strategy and inventory must be more demand-focused. It is now clear that more products and collections do not necessarily lead to better financial results, but, on the contrary, excessive inventories result in huge lost in revenues. The pandemic exacerbated the situation by increasing inventory levels, nevertheless, this kind of issue already existed before Covid-19, when just the 60% of garments were sold at full price (Amed, et al., 2020).

In addition, according to McKinsey's surveys, after the crisis, consumers want to purchase more long-lasting, high-quality items. Therefore, fashion companies, need to reduce the stock keeping units (SKUs) leveraging technology and analytics to gauge consumer sentiment prior to production.

1.3 THE FASHION INDUSTRY BEFORE THE PANDEMIC

So far, the main trends carried out and speeded up by the Covid-19 outbreak in the fashion industry have been discussed. Nevertheless, it seems appropriate, in order to have a clearer vision, to have a look at the industry as it was before the pandemic crisis.

With the term fashion industry, we refer to the industry division 14 in the Nomenclature of Economic Activities (NACE) codes list that is the statistical classification of economic activities in the European Community.

This division includes all tailoring, in all materials, of all items of clothing and accessories; and it also includes the fur industry (for skins and wearing apparel).

When it comes to evaluating the dimension of the fashion industry, it is possible to rely on the key figures of 2019, that have not been affected by the Covid-19 pandemic. Hence, with respect to the industry dimensions before the crisis, the fashion industry, in Europe, counted 89,600 companies, with 970,000 employees and €76.9 billion of revenues. With €32.4 billion, Italy generated the most revenue in Europe in 2019, followed by Germany (€12.81 bn) and France (€7.10 bn); while Portugal had the highest growth rate from 2018 to 2019 (3% revenue increase). Therefore, Europe is higher in terms of industry revenues globally compared, even though the ease of doing business is much lower than in other parts of the globe such as North America and United Kingdom (Statista, 2020).

Nevertheless, in Europe, the industry production decreased from 2018 to 2019 and some reasons could be the high cost of goods sold (that, for instance, in Germany reaches even the 71% of turnover, due to the high dependency on goods and services from suppliers) and the staff costs (that in France, for example, are the highest amounting to 17% and are even higher for small companies, that cannot take advantage of the economies of scale). Another relevant item of expenditure within fashion industry is the cost related to research and development, that from 2012 to 2019 increased by 4.1% (Statista, 2020).

Despite the large number of people working within the fashion industry during 2019, the level of employment decreased by 1.6% from 2014 to 2019 (Statista, 2020). One of the reasons can be found in the high staff costs cited above; however, the most important factor impacting upon the number of employees is definitively represented by the job automation, that is shaping the future of work across all industries. While boosting productivity and enhancing the quality and quantity of products and services, automation also produces disruption to the job market. The risk is high especially for Eastern European countries, in which the share of industrial production that can easily be automated is larger. On the other hand, Nordic economies face lower risks being characterized by relatively higher average education levels and employment rates. While countries such as United Kingdom, that are service-dominated, are in between having medium levels of potential automation.

1.4 LUXURY FASHION INDUSTRY

The fashion industry could be represented as a pyramid (Figure 1): the bottom side stands for the mass market, characterized by low prices and large mass retailers; above it we find the branded mass, distinguished by competitive pricing and capillary presence achieved through retail and franchising, and massive marketing activity; at the top there is the premium sector, that is overtopped by the luxury sector.

This last is characterized by high prices, legitimized by the high quality of style and research and perceived high brand value (Figure 1, Bain & company).

Figure 1. The pyramid represents the fashion industry and its several sectors.
Source: elaboration on Bain & company material

The luxury industry is featured by small and medium size players, pursuing artisan tradition, with strong awareness among customers, and by large conglomerates, such as LVMH and Kering. Entry barriers are very high due to the relevant role of experience and know-how but also to the huge investments that are required especially in marketing and distribution activities. At the core of the industry there is, undoubtedly, the product development, that for luxury products takes much more time with respect to fashion items, with a fashion cycle lasting 18 months. Talking about other features of the industry, intangibility is nearly the main one, because luxury is about creating and satisfying desires, not selling necessities; therefore, luxury brands must always find the proper equilibrium between exclusivity and accessibility.
Luxury market consists of several segments: personal luxury goods, luxury cars, luxury hospitality, fine wines & spirits, gourmet food & fine dining, high-quality design furniture & homeware, fine art, private jets & yachts, luxury cruises.
When it comes to the personal luxury goods segment, it can be further segmented into five categories: luxury leather goods, luxury watches and jewelry, luxury fashion, luxury eyewear, prestige cosmetics and fragrances. With the term "luxury fashion" we refer to the segment including apparel and footwear, that in 2019, with $106.2 billion in revenues, accounted for 34% of the luxury goods market revenue, followed by the prestige cosmetics & fragrances category (24%) and by the luxury watches and jewelry category (20%). Within the luxury fashion segment, moreover, luxury apparel generates the highest revenue, accounting for 68% of the luxury fashion revenue in 2019, (while luxury footwear accounted for only 32%) (Statista, 2020).

Europe, in 2019, presented the largest share in revenue in the luxury fashion category, reporting 36% share compared to 31% in the American continent, 28% in Asia; and sales are forecasted to increase at a CAGR of 5% from 2012 to 2025, following the path of the overall luxury goods market that will increase, according to the estimates, at a CAGR of 5.4% from 2021 to 2025. Within Europe, Italy was the country presenting the highest revenue, $6 billion, followed by United Kingdom and France ($5.9 billion) (Statista, 2020).

As seen above for the fashion industry in general, also the luxury fashion industry is undergoing structural changes due to the pandemic. In this industry as well, indeed, it is expected to see main adjustments due to the emerging trends speeded up by the Coronavirus, such as casualization of outfits, digitalization, sustainability, new retail (Statista, 2020).

When it comes to the digitalization of the luxury industry, it is possible to underline that online sales are gaining market share worldwide, with the online retail's share of luxury goods reaching 10.1% in 2019. Nevertheless, in the world of luxury, the importance of physical store continues to increase: 87% of consumers in Japan and Western Europe prefer in-store purchase (Statista, 2020). Therefore, luxury brands need to readjust the channel mix, taking into consideration the fact they have been overstored in the past, but they cannot completely get rid of the brick-and-mortar retail. They should be able to provide their customers with a fully immersive and seamlessly shopping experience, bridging the gap between physical and digital. Hermès, for instance, restructured its retail network all over the world, by closing some stores and opening some new ones in growing markets and focusing on department stores, where its growth lies (Amed, et al., 2020).

Undoubtedly, luxury players could not do these main changes without digital technologies, that will help companies not only capturing customers' preferences and enhancing customer relationship in-store and online, but also creating new products and customizing fashion items.

An overall Luxury 4.0 model is emerging, in which digitalization affect the entire consumer journey and the overall supply chain (Statista, 2020).

Another huge trend that has already been seen within the overall fashion industry is the so called "casualization", that in this scenario results in premium brands cannibalizing the high-end luxury brands market share, being expected to become the new drivers of market growth. This trend has been speeded up in particular by millennials and by men, whose number in the luxury customers' population has rapidly increased, outweighing the number of female luxury shoppers.

For what concerns millennials, instead, another fundamental shift in consumer behavior they have brought into the market is the preference for experiential luxury, that consists in the fact that the emotional fulfilment takes the precedence over owning products, and that, moreover, is in line with their ethical values, their environmental concerns and the luxury democratization. This can seamlessly explain the success of companies such as "Rent the Runway" and "InstantLuxe", that allow customers to satisfy their fashion desire by renting the fashion items instead of buying them, fulfilling, among other things, the need for change in the wardrobe, that is now more frequent than before. Luxury brands are, therefore, beginning to

embrace the idea of managing their own rent services, as this would help them to tap into new consumer segments.
Luxury industry has been particularly hit by the lack of global tourists, another trend among those seen above. Indeed, according to a 2017 Deloitte study, global tourists account to almost 47% of luxury goods purchases (Statista, 2020). In particular, "more than 75% of the total growth in global luxury spending, over $65 billion, could be attributed to purchases made by Chinese consumers, either at home or abroad" (Lambert Bu et al., 2017). Chinese millennials, specifically, start buying luxury items at a much younger age, leveraging their condition of belonging to the one-child generation, using them to express a financial and social status.

1.5 FAST-FASHION INDUSTRY

Going back to the former pyramid representing the fashion industry (Figure 1), the discussion will proceed considering the "Branded mass" section, that is made of basic brands, sport brands and apparel retailers, both traditional retailers and fast-fashion retailers. Fashion players within this category apply competitive prices and rely a lot on massive marketing campaigns; additionally, they are capillary present through their own retail stores and franchise agreements.
The analysis will now focus on fast-fashion companies. This term refers to some players within the fashion industry, that rely on a highly profitable business model, that consists in mass-producing at low costs and selling at low prices fashion items that replicate last trends that have been seen on the catwalks. At the core of this specific segment of the industry, therefore, there is speed: efficient supply chains and quick response manufacturing methods make the production process - from the creation to the delivery - last only few weeks. Brands are able, thus, to stay ahead the last trends customers want to wear. In order to be profitable, however, the entire system must rely not only on flexibility and efficiency, but also on poor quality of the raw materials, like polyester and nylon, and low labor costs. Poor quality and the need to always keep up with fashion trends, clearly, results in a shorter product lifecycle.
Therefore, the concerns that have been seen before in relation to the environmental sustainability and the protection of human rights are in this sector particularly pronounced. Even though the term fast fashion may often be associated with the concept of "fashion democratization", because latest trends are made available to anyone at small prices, it also represents a human and environmental health risk. Growth of water-intensive cotton, release of untreated dyes into local water sources, workers' low wages and poor working conditions are only some of the phenomena observed in this industry. The negative externalities at each step of the supply chain have created a global environmental justice dilemma.
According to Statista (2020), in 2019 the annual total carbon emissions released by the Inditex Group amounted to 508,012 metric tons, for a total volume of greenhouse gas emissions of 1,660,447 metric tons

released only by the leading European apparel retailers (along with Inditex group, Marks & Spencer, Asos, C&A, Next, Sports Direct, JD Sports, H&M, Arcadia Group).
Furthermore, according to the Global Slavery Index (2018), in 2016 there were 40.3 million people in some form of modern slavery (i.e., term that covers slavery, servitude, forced and compulsory labor, as well as human trafficking).
As said before in relation to the overall fashion industry, also customers' expectations and behaviors are gradually changing. Even before the pandemic, especially young consumers claim fair conditions for workers along the entire fashion supply chain and authentic commitment to the environmental cause. For instance, in Italy, in 2019, 91% of total consumers in a Statista survey, affirmed clothing manufacturers should be obliged by law to consider ethical aspects in the production of their clothing; the same consumers also declared they would like to buy cruelty free and vegan fashion. Furthermore, in France, in 2019, respondents of a Statista survey declared to participate in sustainable fashion-related practices such as clothing donation (49%), deposit in store or in a clothing depot (49%), sale of clothing (22%), purchase of organic cotton clothing (18%). In Denmark, in 2019, interviewees have been found to face difficulties, instead, in buying ethical and eco-friendly clothes, due to the fact that is hard to discern eco-friendly brands (32%), it is not clear which eco-friendly aspects are fulfilled (29%), it is too expensive (24%). In Belgium, 66% of respondents declared to not be prepared to pay more for ethical clothing and textiles (Statista, 2020).
There are some fast-fashion companies that, despite the overall scenario, seem to be more involved and committed to the environmental cause, such as H&M, that in 2020 was ranked as the most transparent fashion company worldwide, by Fashion transparency index score. Additionally, some brands have also started to publish the so called "Modern slavery statement".
All the trends which have been seen before, that are characterizing the fashion industry in general obviously apply also to fast-fashion brands.

1.6 LEADING EUROPEAN GROUPS IN FAST-FASHION AND LUXURY FASHION INDUSTRY

After discussing the main changes and trends occurring within the fashion industry and how it looked like before the pandemic, the following paragraphs will explore the industry with the aim of learning more about the leading European fashion groups.
In particular, the analysis will focus on the two main groups in the fast-fashion business, that are Inditex and H&M Group, and the two main groups in the luxury fashion business, namely, LVMH and Kering.
Hence, a brief overview about these conglomerates will be given.

1.6.1 Inditex

Inditex is one of the world's largest fashion retailers, with eight brands (Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home and Uterqüe) selling in 216 markets through its online platform and its 6,654 stores.

This global company operating in several stages of the fashion pipeline (i.e. design, distribution, retail) started out in 1963 as a small family business in a modest workshop, called Confecciones GOA, making women's clothing for distribution. After 12 years, Amancio Ortega, founder of Inditex, opened the business's first store in A Coruña (Spain). This one will be followed by other nine stores in some of the most prestigious shopping districts all over Spain in a matter of years.

In 1985 Inditex was officially founded and in 1988 the geographical expansion began with the first opening of Zara's stores in Portugal. The brand, indeed, will enter several markets within a few years, opening new stores in New York (1989) and Paris (1990), just to mention a few.

Between 1991 and 2003 Inditex expanded its stable, taking on six more brands: Massimo Dutti, Pull&Bear, Bershka, Stradivarius, Oysho, Zara Home. In 2001, the conglomerate goes public on the Madrid Stock Exchange.

In 2007 the company counted more than 2,000 stores in 56 markets, and it began its move into the online e-commerce, with Zara Home at first, and with Zara later on, in 2010. All brands, including Uterqüe the last created one (in 2008), started to sell online by 2011.

Today Inditex keeps expanding both online and offline and the secret of its ability to manage several digital and physical stores located almost all over the world lies in its business model.

This latter is based on three key pillars: flexibility, digital integration, and sustainability. And it centers around customers, stores, sourcing, design, products and logistics. The customer is at the very centre of the model. The company, indeed, aims at creating value through beautiful, ethical, and quality products having always in mind what customers want. Obviously, meeting customer needs is not easy, especially in this fast-changing scenario, and requires meticulous organization, attention to detail, and technological innovations in every step of the value chain. This becomes particularly challenging for a company that refreshes stores and online platforms with new styles twice a week.

The integrated stock management system helps Inditex's brands in achieving their goals. It is in place in 5,777 stores in 89 markets and allows to fulfil customers' online orders both from store warehouse and online stockrooms, so that delivery times can be shortened, and customer service enhanced.

Another valuable tool among others is the Radio frequency Identification (RFID) system, that makes staff able to help customers finding items instantly in-store, nearby or online, speeding up stocktaking. The RFID system has been developed internally by the team.

Along with customers, stores and online platforms are at the centre of the model, being the beating heart of the business. All Inditex stores are situated in high-profile commercial areas and have a distinctive aesthetic which is carried through to their online platforms.

Both physical and online store collections are refreshed twice a week and orders can be delivered anywhere in the world within 48 hours or even less. Such efficiency and flexibility are achieved thanks to the 10 logistic centres of the group, that are situated in Spain, near to the headquarters. These latter are systematically upgraded (11 billion have been invested in technologies since 2012), and the last innovative system that has been introduced is the Inditex Open Platform, a digital platform developed in-house that enables a full integration of stock management and positions the company as a truly digital one.
Another undisputed fundamental over which the business model is built is the design team. Over 700 talents that translate the needs, the desires, the aspirations of the customers into the fashion visible into the stores. This team is strongly involved also in the sustainability commitment, since making responsible fashion begins at the drawing board.
Obviously, the design team needs to be backed by the production, that is, thus, a crucial component of the business model. Inditex imposes rigorous standards to the entire manufacturing process, testing products in own laboratory dedicated to footwear and other 28 external laboratories. These testing procedures are part of The Picking Programme, the most efficient tool for checking the quality of products and constantly improving the precision and efficiency of the production model.
A further element on which the business model lies is the sourcing of products and raw materials. Inditex works with 1,805 suppliers and 8,543 factories worldwide and all of them are required to follow the Code of Conduct, that applies stringent standards in terms of protection of human rights, health and safety, and environmental aspects. In addition, Inditex uses a traceability system in order to verify how products are made and where they come from. Over the last year, indeed, 3,062 pre-assessment audits, 5,689 social audits, 781 special audits and 1,342 traceability audits have been made.
This is in line with the deep commitment in the sustainability cause, that involves all aspects of the business. For instance, 100% of the stores are eco-efficient (with flagship stores having obtained full LEED or BREEAM certifications, that are two of the most respected benchmarks in environmental standards for green buildings), in 2021 the 81% of the whole amount of energy used in stores, logistics and headquarters was renewable (with a commitment to reach 100% in 2022) and more than 35% of garments have the “Join life” label, that indicates more sustainable processes or materials (it is estimated that by 2023 100% of cotton will be sustainable).
Furthermore, they aim at achieving net zero emissions by 2040 and creating a circular economic model, a life cycle for products so that nothing goes to waste and resources are used efficiently. In order to meet these goals, Inditex works with a variety of partners, from non-profit organizations and universities to governments. For all the cited achievements and the further commitment to protect biodiversity, reduce the consumption of water, energy and other resources, avoid waste and combat climate change, in 2016 Inditex was named as group leader for the retailing industry in the Dow Jones Sustainability Index and top Greenpeace’s Detox Catwalk, being described as “exemplary” in the approach to zero discharge of hazardous chemicals along the productive process.

Inditex is strongly committed also to people. Employees are considered to be the greatest asset and they are provided with technical, skill-based or language training programmes in an inclusive work environment. For these reasons Inditex, according to Merco Talento, is the Best Company to work for in Spain for nine years in a row. Also the human rights of workers across all their suppliers and manufacturers are protected.
In addition, the group invests in social programmes supporting the communities living in the place in which it operates, and employees have the opportunity to become solidarity ambassadors for the company.
A committee continuously assesses the effectiveness of measures and initiatives, evaluating new proposals aligned with the evolution of the company and the industry.

1.6.2 H&M

H&M group defines itself as "*a family of brands and businesses driven by the desire to make great design available to everyone, in a more sustainable way*". The brands building up this family are H&M, H&M HOME, COS, & Other Stories, Monki, Weekday, ARKET and Afound. Each of them has its own unique identity and they are organized in a multi-brand matrix, in which a number of group functions support all brands creating synergies between them.
The story of the company starts in the 40's in Sweden, when a new fashion chain for women, called "Hennes", opens aiming at providing them with frequently updated fashion at affordable prices. The "M" is added in 1968, when Hennes acquires the Stockholm-based hunting apparel and fishing equipment retailer Mauritz Widforss, and the name is changed to Hennes & Mauritz. The product range grows to cover fashion for men, babies, kids and youths and also the first steps of a worldwide expansion are taken. In 1974 the stores are rebranded with the abbreviation "H&M" and the company is listed on the Stockholm Stock Exchange. Between the 80's and 90's the company continues expanding in Europe and began its move into the online e-commerce. In 2000, the H&M group expands outside Europe, in the US market, opening a flagship store on the Fifth Avenue in New York.
As the Inditex group, its main competitor, the H&M conglomerate aims at accelerating its digital development and integrating digital and physical channels in order to deliver the best customer experience both online and offline.
Nevertheless, the aspect on which the company invests the most, as can be perceived by browsing on their webpage, is the sustainability. The group aims at being climate positive throughout the entire value chain by 2040. They are working on this goal since the beginning. In 2010, indeed, H&M launched its first collection made entirely out of sustainable material and some years later it became the first big fashion brand in the world to provide detailed information on product level about materials and the supply chain.
The ambitious sustainability strategy is developed jointly with external and internal experts and focuses both on the company itself and the industry in general, given the fact that they want to lead the change to a better fashion future. In particular the sustainability commitment focalizes on three main areas: innovation, transparency and inspiring sustainable actions. This means that the company stimulates transformation by

identifying and testing new solutions and new business models, and the progress is openly shared to create accountability, speed the transformation and encourage other businesses and people to make more sustainable choices.

There is also a non-profit global foundation named after the group, that was privately founded by the Stefan Persson's family, founder and main owner of H&M Group, to track the progresses made in relation to the UN Sustainable Development Goals 2030, by funding, co-creating and sharing solutions to the world's most urgent challenges.

Obviously, the commitment to environmental and social sustainability affects also the supply of raw materials: partners and suppliers are required to respect the company's policies and produce "in a way that contributes to sustainable development, respects human rights, preserves natural resources and helps maintain biodiversity".

The overall business is gradually transforming from a linear model (that articulates into taking, making and wasting) to a circular model, in which the value of resources and products is maximized by reusing and repairing them as much as possible and by recycling them at the end of their life. This process starts with design and obviously involves the entire value chain, but it concerns also the store buildings. For instance, H&M group is reusing the interior and building materials in new stores and refurbishment, and it is donating or re-selling the materials that it cannot use.

In 2020, the conglomerate also explored several exciting ventures across its brands related to new business models that could help the cause.

Additionally, being customers more and more environmentally conscious, the company is promoting new ways of experiencing fashion such as rental, resell and repairing.

1.6.3 LVMH

Founded in 1987, LVMH is the world's largest luxury group, with 75 Maison across 6 business sectors (Wines & Spirits, Fashion & Leather Goods, Perfumes & Cosmetics, Watches & Jewelry, Selective retailing, other activities) and 150,000 employees all over the world.

Its history begins in 1987, when the merger between Moët Hennessy and Louis Vuitton produces LVMH. Over the years, the conglomerate acquires brands becoming larger and bringing together exceptional Houses, that create products embodying exclusive savoir-faire and heritage. The group aims at ensuring the development of each of them, providing all the brands with the needed resources, while respecting their identities.

Even being distinct and unique, all the Maison share the same values. Creativity and innovation are part of their DNA, and the perfect balance between the two is achieved by continually renewing their offer respecting the heritage while resolutely looking to the future.

Excellence is at the heart of the promise made by the group to its customers and it involves a meticulous attention to detail and to perfection. The quest for the highest quality is a constant across the entire value

chain. Another value strongly infused by LVMH in all its brands is the entrepreneurial spirit, that encourages both risk-taking and perseverance, also in individual initiatives. This leads to high motivation and the achievement of ambitious objectives within teams.
Another aspect really stressed by the conglomerate is the commitment to work for a better future, meaning that every action taken by the group and its employees is required to have a positive impact on the entire ecosystem and the places in which they operate.
Obviously, also the business model is based on pillars that are in line with the values shared across the company. First of all, the organization is decentralized, and this results in agility, responsiveness and efficiency, and in a high degree of autonomy. Brands, indeed, are supported towards an organic growth by the group but they are able to keep running their business in line with their identity and heritage. In LVMH supporting brands and creating synergies does not only mean investing and sharing huge resources, it refers also, and mainly, to the sharing of best practices and expertise: talents are connected to one of the world’s most creative and innovative community.
As seen before, excellence is one of the four imperatives articulated by Bernard Arnault, and this reflects also in the business model. Vertical integration, in fact, allows to control every link in the value chain fostering excellence both upstream and downstream. In addition, since the excellence of the products and services of the Maison derives from the savoir-faire of artisans, LVMH strongly believes it is its duty transmitting métiers and ensuring craftmanship is valued by future generations and preserved. For this reason, the conglomerate invests huge resources in several initiatives that are intended to develop savoir-faire that has been passed on for centuries, such as “Métiers d’Art”, “Institut des Métiers d’Excellence”, “Thélios”, “Les Journées Particulières”.
Another fundamental aspect of the business model is the balance across business segments and locations: a well-distributed geographic footprint and the proper balance between its activities allow the group to withstand the impact of shifting economic factors.
When it comes to sustainability LVMH “*views protecting the environment as not simply an obligation, but an imperative and a source of competitiveness*”. The brands within the group, indeed, directly depend on natural resources for the creation of their products, and accordingly their long-term success lies on the safekeeping of the natural ecosystem.
“*Our position as a leader entails social and environmental responsibilities. We need to go further than simply meeting standards*”, states the Chief Executive Officer of LVMH, Bernard Arnault.
This is why activities connected to their commitment to environmental sustainability are matched with initiatives in the social field. The group plays a distinctive role in society, both in France and around the world, and their long-term commitment yields tangible benefits. The fundamental principle around which their initiatives are built is the respect for people and their individuality. This emerges not just in the solidarity activities with their host regions and communities, but also in the relation with partners and employees.

1.6.4 Kering

Kering is a global Luxury group managing the development of a series of renowned Houses in Fashion, Leather Goods, Jewelry and Watches: Gucci, Saint Laurent, Bottega Veneta, Balenciaga, Alexander McQueen, Brioni, Boucheron, Pomellato, Dodo, Qeelin, Ulysse Nardin, Girard-Perregaux, and Kering Eyewear.

The vision of the group is visible and clear already from the name. It is pronounced "caring" reflecting the feeling in the relationship with Maison, employees, customers, stakeholders and the planet. Furthermore, in the Breton language, "ker" means "home", reflecting the purpose of creating a welcoming place in which brands and their employees can flourish and grow. Similarly, the owl that has been chosen as emblem symbolizes wisdom, vision and protection, the three qualities at the core of the management model.

"Empowering imagination" is Kering's signature, promise and commitment: the group promotes "modern, authentic and genuine Luxury", and creativity is at the very heart of its strategy. The group, thus, ensures total creative freedom to its Houses, that results in a guarantee of creative risk-taking and sincerity, in line with the concept of luxury it supports.

It's the expertise and inspiration of the Houses that guides Kering's growth. The group, indeed, since its creation has continually evolved and developed, becoming in 2018 a pure player in Luxury.

Its history begins in 1963, when François Pinault founds Établissements Pinault, a timber trading company, in Rennes. It rapidly grows, diversifying into the specialized retail distribution and being listed on the Paris Stock Exchange in 1988. Its focus will shift to the Luxury industry in the late 1990s. In 1999, indeed, François Pinault purchases a 42% stake in the Gucci Group, acquires Yves Saint Laurent and Boucheron. Later on, he will acquire the Italian high-end leather good house Bottega Veneta, Balenciaga, and he will sign a partnership agreement with the Alexander McQueen House.

In 2005, François-Henri Pinault replaces Serge Weinberg as Chairman and CEO of PPR, the new name of the company, that he transforms into a global luxury group by progressively selling the Group's other activities and acquiring iconic luxury Houses. Some years later, indeed, in 2012, Brioni enters the company, followed by two of the most beautiful Italian jewelry Houses Pomellato and DoDo the following year.

In 2013, the name changes to Kering and the conglomerate adopts a new visual identity embodied in a new logo. Two years later, the high-end eyewear entity Kering Eyewear is created aiming at managing the design, development and distribution of Eyewear collections for Gucci, Cartier, Saint Laurent, Balenciaga, Bottega Veneta, Alexander McQueen, Stella McCartney, Alaïa, Courrèges, Montblanc, Brioni, Boucheron, Pomellato, McQ, Puma.

The success of the group over the years lies, obviously, also in its business model, that combines agility, integration, and responsibility. As in most of the conglomerates, the creation of synergies is a fundamental part of the process. It allows to share some of the functions (such as logistics, property, information systems and media buying) and results, thus, in the possibility for brands to focus on the core of their business, that is the creation and design of the products and of the inspiring stories that go along with them, and the delivering of an excellent customer experience. Therefore, while maintaining their own identity and distinctive positioning, Houses play complementary roles in a “coherent ensemble”, sharing resources, but also best practices and savoir-faire with one another.

In recent years, Kering has also added vertical integration to its business model, since it allows to control each link of the supply chain and pursue excellence in each step of the process.

Throughout its whole history, the group has showed a strong commitment to the environmental cause. According to François-Henri Pinault, indeed, “Luxury and sustainability are one and the same”. Therefore, sustainability is far more than an ethical necessity, it is perceived as a “driver of innovation and value creation”. This is the reason why, since its creation, Kering promoted several initiatives and developed several tools that wishes to share with its peers across the entire industry. In 1996, for instance, the group published its first Code of Ethics, with the purpose of placing social and environmental responsibility at the center of the business. Some years later, it will also establish a Group Ethics Committee in order to ensure code implementation and monitor feedbacks. In 2007 Kering goes further by creating a Sustainability Department that reports directly to the CEO.

A very powerful tool developed by the company is the Environmental Profit & Loss account (EP&L), that enables firms to measure in monetary terms the impact of their activities on the planet. Five years later, in 2016, this tool will be transformed in app, to guarantee a more intuitive and immediate usage.

Some other meaningful initiatives are: the creation of the Kering Foundation, whose purpose is to combat violence against women; the ethics training campaigns held every year for its employees to fight corruption, fraud, conflict of interest; the Charter co-created with LVMH to safeguard fashion models’ working relations and well-being.

The strong commitment showed by the company and the numerous initiatives it is involved in have led to various recognitions: in 2013 Kering was listed on the Dow Jones Sustainability Index (DJSI) World & Europe; in 2017 it is named the world’s most sustainable textile, apparel and luxury goods corporation, according to the Corporate Knights’ Global 100 index; and subsequentially, it was ranked the second most sustainable company in the world across all sectors in the 2019 Corporate Knights Global 100 ranking.

2. METHODS

As highlighted so far, this research aims at detecting the European fashion industry's response to the Covid-19 pandemic, meaning the main changes that have been brought by the sanitary emergency from a financial point of view and the strategies carried out to get the business behind the wheel.
Different methods will be applied to analyze the different aspects of interest.

2.1 Methods applied on the financial analysis

In order to cover the first part of the analysis, that is the one related to the main changes brought by the Coronavirus from a financial point of view, it seems appropriate carefully analyzing the balance sheets and other financial documents filed by the companies of interest. In addition, data coming from Yahoo Finance and Orbis, which are two of the world's largest financial databases, will be employed.
Therefore, this part of the analysis relies upon secondary quantitative data, meaning existing data which have been collected by others.
At the very beginning, the companies which would have been subject of the analysis have been selected. The choice has been guided by some statistics reporting respectively the leading European luxury goods companies based on sales worldwide in 2019 and the leading European fast fashion brands based on total revenue worldwide in 2019.
As shown in figure 2, in 2019 the biggest European luxury goods companies in terms of sales were LVMH SA and Kering SA. While the biggest brands in terms of revenue in the fast-fashion segment were Zara and H&M, as shown in figure 3.
For this reason, LVMH, Kering, Inditex and The H&M Group have been selected as the subject of interest of the analysis.
Nevertheless, when it comes to Inditex and The H&M Group, the whole conglomerate can be picked, operating all the brands in the fast-fashion industry, while this is not the case for LVMH and Kering. The first one, indeed, owns more than 70 Maison across 6 business sectors, and the latter one operates in the "Fashion and Leather Goods" segment, in the "Eyewear" sector and in the "Watches and Jewelry" sector.
In relation to these two conglomerates, thus, a different approach has been applied: data does not come from the consolidated balance sheet, that takes into consideration the group as a whole, but from financial documents that analyze just the "Fashion and Leather Goods" division. Within the LVMH Group, the "Fashion and Leather Goods" division is made up of 14 Houses, namely Christian Dior, Kenzo, Emilio Pucci, Givenchy, Marc Jacobs, Berluti, Moynat, Loewe, Louis Vuitton, Rimowa, Patou, Loro Piana, Fendi, Celine; while within the "Fashion and Leather Goods" division of the Kering Group there are the Maison Gucci, Yves Saint Laurent, Bottega Veneta, Balenciaga, Brioni, Alexander McQueen.

In the LVMH financial document data related to the single divisions can be found, thus, for the purpose of the analysis it was possible to rely on this kind of data.
The financial documents provided by the Kering Group, instead, are structured in a slightly different manner: data related to the biggest brands taken as single entities are disclosed. Unfortunately, such data were not available for all the Maison in the "Fashion and Leather Goods" division. Nevertheless, it can be observed that Gucci, Yves Saint Laurent and Bottega Veneta in 2019 accounted for the 82% of revenue and the 95% of recurring operating income, respectively, of the overall group, and for this reason they have been considered to provide a fulfilling proxy for the division they represent.
When it comes to Inditex and H&M, instead, given the fact that it was possible to rely on the consolidated balance sheet, the financial analysis has been performed in a slightly more detailed manner. Not only, indeed, ratios which are typical of the profitability analysis have been reported and compared, but also the solvency analysis has been performed. This is based on the Cash-flow statement, that refers to all the companies' activities, hence, for the reasons explained above, it was not possible to consider it in the case of Kering and LVMH for the purpose of this research.
In addition, for the two fast-fashion companies, also the share price trend has been investigated, relying on data and charts coming from the Yahoo Finance datasets for Inditex and from the Orbis datasets for H&M.
In both cases, while considering the whole group (for Inditex and H&M Group) and while considering just the "Fashion and Leather Goods" division (for LVMH and Kering), data reported for the 2019 financial year has been compared to data reported for the 2020 financial year, in order to disentangle the effects related to the Coronavirus pandemic.

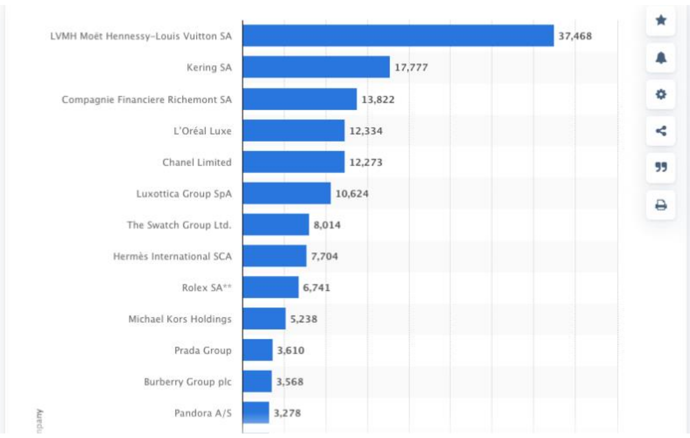

Figure 2 Leading European luxury goods companies based on sales worldwide in 2019. Source: Statista. (2020)

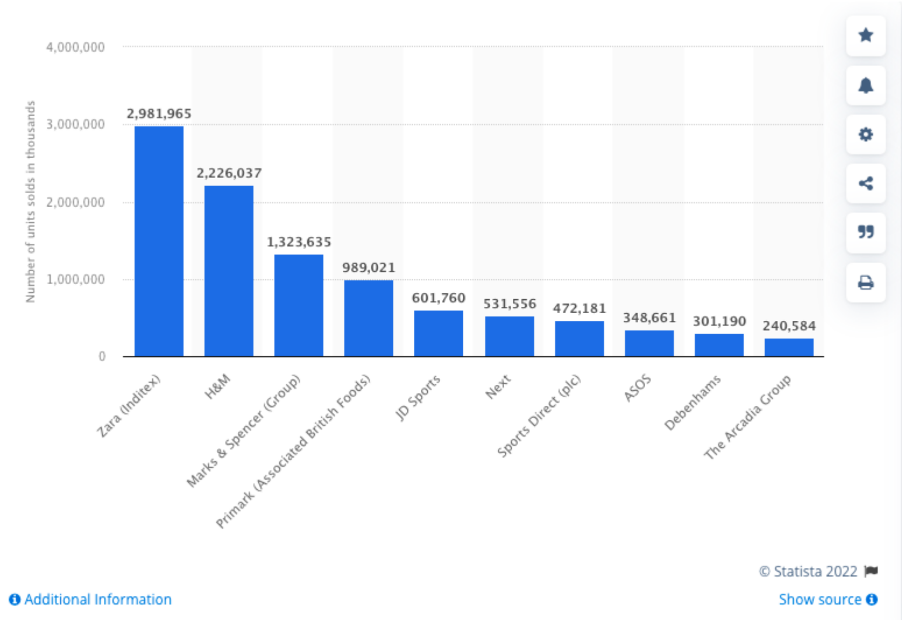

Figure 3 Leading 10 European fast fashion brands based on units sold per year worldwide in the financial year 2018/19. Source: Statista. (2020)

2.2 Methods applied on the analysis of strategies

As explained above, the second part of the research aims at detecting the way European fashion companies passed through the crisis and the strategies they implemented to get the business behind the wheel.

For this purpose, the same groups which have been considered for the financial analysis will be taken into consideration.

Furthermore, primary data have been collected relying on a semi-structured one-to-one interview, that has been submitted to thirteen employees working within different departments of Zara, H&M, LVMH and Kering groups. Further information about the sample is contained in table 1.

	Maison	Position	Department	Gender	Age
Employee 1	Brioni	Worldwide shoes and leather goods merchandising & sales planning manager	Merchandising	Male	31
Employee 2	Loro Piana	Global retail planner	Merchandising	Female	28
Employee 3	Bulgari	Heritage & archive manager	Marketing	Female	58
Employee 4	Gucci	Store manager	Retail	Male	36
Employee 5	Loro Piana	Leather goods collection merchandising specialist	Merchandising	Female	36
Employee 6	Gucci	Social media specialist	Marketing	Female	28

Employee 7	Fendi	Global brand strategy and product marketing specialist	Marketing	Male	42
Employee 8	Zara	Store director business unit	Retail	Male	38
Employee 9	Zara	Retail general manager	Retail	Male	54
Employee 10	H&M	Global head of e-commerce	Marketing	Female	37
Employee 11	H&M	Regional head of merchandising East-Europe	Merchandising	Male	41
Employee 12	Zara	Store manager	Retail	Male	33
Employee 13	Bershka	Store manager	Retail	Female	29

Table 1 Information about the sample

The semi-structured interview has allowed to capture some shades of the discussed topics which otherwise could not be appreciated.

When it comes to the questions, they have been designed to not go too in deep into information that companies may have not been willing to disclose, using a plain and intelligible language. In addition, data has been anonymized.

Most of the interviews have been conducted via telephone and some others via Skype, based on the availability of the interviewee.

First of all, participants have been introduced to the research, getting an explanation about the scope of the interview. Then, they have been asked to give their informed consent to go ahead with the conversation and, after the approval, the interview began.

The first two questions which have been proposed to the employees are:

- "*How would you describe 2020 year in 3 words?*"
- "*Covid-19 pandemic highlighted the need for digital to be at the core of the strategy, the need for a shift in the profitability mindset (less is more), but also for a shift in the store concept meeting the expectations of local customers and young generations. Given all these trends and changes in the industry, what do you expect your company and division to do?*".

Then, respondents have been questioned about the level of autonomy they experienced over this period:

- "*We are all in this together" or "We can win against the virus only together" are expressions we have often heard and that have had the capacity of stimulating a strong sense of community, also within companies. Perceiving the deep involvement and commitment of their employees in tackling this crisis, many companies empowered them and provided them with a higher degree of autonomy and freedom. Did this happen in your company too?*".

At this point the conversation went more in deep into the techniques and strategies adopted by companies:

- *“Technology has undoubtedly been of paramount importance in allowing companies keeping carry out their businesses. What were the main difficulties? And what role did technology play? What are, instead, the main gaps technology is still not able to address?”*
- “How did you manage to satisfy the increased demand for home delivery during lockdown? Did you need to partner with other companies for this purpose?”.

Then, some questions have been proposed in relation to retail and their expectations about the future:

- “*Even before the pandemic, a revolution was affecting the concept of retailing and it still is. How do you imagine the store of the future for your company?”*
- *“Have you been able to rearrange lease contracts for stores and other assets you have not used due to Covid-19 related restrictions or have you been forced to pay the entire amount agreed before the crisis?”*
- *“What does your company plan to further improve the customer relationship management? And what role do technology and data play?”.*

The last question, instead, was related to communication:

- *“Even before the pandemic it was possible to observe in people the inability to pay attention to a post on social networks, a campaign or whatever over a long. Definitely, Covid-19 and the associated isolation have emphasized this issue. How do you handle this? How does your company manage to attract customers’ attention and interest?”.*

All the interviews have been recorded, with the agreement of participants, in order to transcribe and carefully review the collected answers.

Once all the employees have been heard, data have been organized by summing up all the replies to a single question, which have integrated with each other.

3. RESULTS

3.1 Financial analysis results

3.1.1 LVMH

The Covid-19 pandemic and the related restrictions imposed by government, the store and production facilities closure, the halt in international travel severely disrupted LVMH's operations and affected the financial statement. They were responsible, indeed, for the reduction in revenue and the overall deterioration in profitability across all the business groups.

Group's revenue, that in 2019 amounted to €53,670 million, were reported to be down to €44,651 million on the 31st of December 2020. The breakdown in revenues by geographic region of delivery shows that the most resilient area, when it comes to purchases in brands belonging to LVMH Group, was Asia (that accounts for the 41% of revenue), followed by the United States and Europe (each of which accounts for the 24% of revenue).

Going into detail, looking at the breakdown of revenue by business group, it can be observed that the Fashion & Leather Goods business group registered a decrease in organic revenue of only 3%. For other business groups such as Selective Retailing, Watches & Jewelry, Perfumes & Cosmetics, instead, the drop in revenue was tougher. They recorded, indeed, a decrease in organic revenue of 30%, 23% and 22%, respectively.

Therefore, looking at the bigger picture, it can be said that LVMH showed good resilience in an economic environment disrupted by the health crisis.

The results of the financial statement derive from a strong recovery in the second half of the year, arising from the early economic rebound of Asia and the sharp acceleration in online sales, partially offsetting the effect on revenue caused by the closure of the Group's stores for several months.

All the LVMH Maison can be considered, therefore, well positioned to take advantage of the further recovery in the upcoming years, that will make them regain strong momentum in the medium term.

In order to understand how the Group reacted to this period of unprecedent uncertainty and what activities have been carried out to deal with the crisis, it could be useful to look into each single Maison.

Louis Vuitton, the main House in the Fashion & Leather Goods business group, for instance, was able to direct all its effort and resources on an effective and high-quality digital service strategy. The brand, indeed, aimed at transforming and enhancing the customer relationship. All the numerous innovations over the year were presented through new formats, along with the collections.

Christian Dior Couture launched a series of innovations throughout the year as well. It focused, indeed, on new creative collaborations set to design limited editions, such as the Air Dior sneaker, which was an immense success, or the revisitation of the iconic Lady Dior bag made by ten artists around the world. Also,

a new flagship store in Paris and two major stores in China were inaugurated. In addition, the Maison launched the "Dior Talks" podcasts, inspiring conversations on art, culture and society, that really helped the brand to stay in touch with its customers despite the emergency situation and allowed it to position itself as an intimate friend. The effort put in these activities resulted in an increased market share in all regions.
Another House demonstrating great resilience over this year is Fendi. It, thus, saw exceptional growth both in online sales and in China.
Loro Piana focused on the customer experience providing its customers with an extended customization service, that includes new categories of products. Its last campaign, "Somewhere in Loro Piana", has been a major success through which the brand is trying to target a younger clientele. It also opened a new flagship store in in Tokyo's Ginza district, featured by an innovative and immersive sensory journey through the heritage and high-quality savoir-faire of the Maison.
Along similar lines, Celine engaged in a digital transformation to keep up with the fast changes imposed by the pandemic. It launched its e-commerce in twenty countries and an e-commerce mini program on WeChat for Chinese customers, who represent a relevant share of the audience and have been crucial in upholding the recovery of the brand.
Another relevant change that may be observed in the financial statement of the LVMH Group is related to the profit from recurring operations. This is an accounting figure measuring the profit coming from the operations carried out in the business, after deducting operating expenses, depreciation and cost of goods sold (COGS). Therefore, it shows how much of the revenue will eventually become profit.
At the group level, this measure has consistently decreased, being €11,504 million in 2019 and €8,305 million in 2020. For what concerns the Fashion & Leather Good business group, the operating income has not been heavily affected by the pandemic. Nevertheless, the drop was really huge in other business groups such as the Selective Retailing business group, for which the operating income in 2019 amounted to €1,395 million and became equal to -€203 million in 2020, and the Perfumes & Cosmetics business group.
If the item of the income statement named "other operating expenses" is subtracted by the profit from recurring operations, it is possible to obtain the operating profit, that is also referred to as earnings before interest and taxes (EBIT).
It can be observed that, in comparison to the year 2019, "other operating expenses" increased: it amounted to €68 million in 2020 and €20 million in the previous year.
The huge amount reached by the overall operating expenses summed up to the reduced revenue leads to the decrease in profit from recurring operations and in EBIT.
Nevertheless, the rise of operating expenses and other operating expenses can be explained by several factors.
First of all, operating expenses include rent and lease. All of the Maison took steps to renegotiate their leases in order to optimize their lease expenses, but it was not possible for all of them. Therefore, brands had to

sustain a cost for assets they have not used over the year to run the business and that have had a heavier weight considering the reduction in revenue.
Another important aspect that needs to be considered when talking about operating expenses is the inventory cost. Year 2020 was characterized by a slower inventory turnover, meaning weak sales and possibly excess inventory, resulting in higher holding costs.
Undoubtedly, the largest share of the operating expenses can be explained by the activities put in place by LVMH in order to offer direct support in the fight against the pandemic.
The Group and all its employees, indeed, were wholeheartedly committed to the cause and they engaged a number of initiatives since the beginning of the emergency. LVMH used all its effort to produce hand sanitizer, masks and gowns for health care facilities, local government offices and key service providers. Really quickly, Louis Vuitton started producing non-surgical masks in its workshops in France, further expanding the production capacity by opening a new workshop in Vendôme. Similarly, Baby Dior workshop in Redon started producing masks for front-line workers, while workshops in Italy made gowns for hospital staff.
Fendi took part to these initiatives as well, through donations, in particular to the Lombardy region, and by producing protective masks and gowns for hospitals.
The Group also provided financial and logistical support to the French health authorities, managing to import ventilators, blood tests and all the medical devices its Houses were not able to produce on their own.
Other expenses that have been sustained by LVMH and by the single business groups are related to the protection of their own employees, along with providing office equipment, technical infrastructure, and training courses to make their work force stay ahead of the change. In addition, a task force was formed to address the employees' related health, well-being, and safety issues. Huge resources were deployed to create inter-Maison communication and training platforms aiming at enhancing working conditions from remote.

3.1.2 Kering

The Covid-19 pandemic affected Kering's financial figures as well. The downturn was felt particularly in the first half, when the majority of the group's stores were forced to close. In the second half of 2020, instead, despite the additional restrictions and closure within the fourth quarter of the year, the decline was limited. The luxury houses within Kering reached cumulatively €12,677 million revenue, compared to €15,383 of 2019. Breaking down revenue by region, it can be observed that the Asia Pacific region, including Japan, accounts for the 46% of revenue, followed by Western Europe (27%) and North America (21%).
When it comes to product categories, it appears evident that more than half of revenue comes out from the leather goods sale, while the remaining part is divided among shoes, ready-to-wear, watches & jewelry. When it comes, instead, to the breakdown of revenue by House, Gucci occupies a prominent position,

representing the 59% of the overall revenue, followed by Yves Saint Laurent (14%) and Bottega Veneta (9%).
Other brands, meaning Balenciaga, Brioni and Alexander McQueen that belong to the Fashion & Leather Goods business group but also brands in the Watches & Jewelry business group such as Boucheron, Pomellato, DoDo, and others, represent just the remaining 18%. This is the reason why in the following part of the analysis, while exploring the key financial aspects of the Fashion and Leather Goods Houses within Kering, only Gucci, Saint Laurent and Bottega Veneta will be taken into consideration.
In addition, the same happens also in relation to the recurring operating income, accounting Gucci for the 78% of the total amount.
Over 2020, the recurring operating income was heavily hit by the economic crisis equaling €3,367 million and presenting, thus, a decrease of €1,675 million. This could be due not only to the general decrease in revenue, but also to the increase in operating expenses. These include the costs related to health measures put in place (purchases of hand sanitizer and face masks, exceptional measures for regularly disinfecting premises, etc.) and the costs connected with the initiatives carried out by the Group. Kering, indeed, has contributed to the fight against COVID-19 in France, Italy, China, and the United States. Many Maison within the group such as Yves Saint Laurent, Brioni and Balenciaga, for instance, started producing in their workshops officially approved face masks. In addition, the Group managed to purchase 3 million surgical masks from China, which it supplied to the French health service, and made financial donations to institutes researching into Covid-19 and hospitals.
Even though Gucci yielded the largest recurring operating income compared to the other Kering's brands, its financial figures still suffered a drastic reduction. Its revenue, that in 2019 equaled €9,628 million, in 2020 amounted to €7,441 million. The same applies to the recurring operating income that dropped by €1,332 million.
Gucci, that is one of the world's leading luxury fashion brands both in terms of revenue and profitability, was experiencing a powerful business momentum since 2015, when embarked on a new chapter of its history under the management of Marco Bizzarri and the creative direction of Alessandro Michele. Together they brought a breath of fresh air in the company, combining new aesthetics and a new creative vision with an innovative strategy and execution in the way of doing business.
Nevertheless, the Maison follows the same trend as the whole Group and even the whole industry when it comes to the 2020 financial items: also for Gucci as a single brand, indeed, revenue decreased and operating costs increased due to the initiatives taken in the fight against the Coronavirus. The House launched two fundraising initiatives for the Italian civil Protection department and the World Health Organization and donated €1 million to each of them. It donated €411,000 to UNICEF in order to support the fair distribution of Covid-19 vaccines. It also supported the victims of domestic violence during lockdowns with the #StandWithWomen campaign. The support went also to Italian small and medium-sized enterprises: Gucci provided its suppliers with favorable conditions and fast access to loans from Intesa Sanpaolo. As other

Maison of the group, it mobilized its workshop to produce face masks for the health services. Obviously, Gucci's effort focused also internally, supporting employees during lockdown with new ways of working from remote and with best-in-class health and safety measures.
Another huge component contributing to the increase of operating expenses is that related to the stores. Houses which did not manage to rearrange contracts had to pay huge amount of money for rents even when stores were forced to stay closed. For Gucci this aspect was particularly relevant owning an extended network of 483 directly operated boutiques.
When it comes to the other brands belonging to the Fashion and Leather Goods business group, they recorder more or less the same trend as Gucci.
Nevertheless, Yves Saint Laurent shows a less pronounced decrease in revenue and in recurring operating income with respect to Gucci. The brand's fast recovery was backed by the digital strategy that involved the adoption of a directly controlled platform to transform the digital sales experience and resulted in a consistent growth in online sales. However, it had to sustain huge operating costs as other Maison, taking part to the initiatives of the group such as the manufacturing of face masks, the financial donations to public hospitals (Saint Laurent donated €110,000 to New York and Los Angeles hospitals, and almost €450,000 to an NGO charity operating in Africa and India).
Finally, with respect to Bottega Veneta, an inversion of trend in relation to revenue can be observed. Brand's revenue, indeed, increased over 2020 with respect to 2019, being €1,168 million at the end of the first year and €1,210 million at the end of the following one.
This could be explained by the strategy engaged by the Maison: it focused on strengthening its design and product development capabilities adding to its core business ready-to-wear and shoes. This attracted an international broader audience increasing online sales.
In addition, most of its stores remained open being located mainly in Japan and in the Asia-Pacific region, that together represent more than half of the revenue.
On the other end, the recurring operating income shows the same trend as other Houses. Bottega Veneta, as the other fellow brands within the group, indeed, was charged with huge operating expenses, including donations to charities, hospitals and scientific research entities. In addition, the Maison made an investment to provide its customers with moments of escape and inspiration during the lockdown: it developed a new platform, called "Bottega Residency", celebrating all forms of art, literature and music.

3.1.3 Inditex

The European fast-fashion group Inditex proved its resilience also in the unprecedent circumstances the year 2020 imposed. Its model, centered around flexibility, integration of physical and online stores, and sustainability, allowed the company to keep running the business making the Executive Chairman Pablo Isla "*prouder than ever*", as he writes in the Executive Chairman's statement.

As in most of the companies in all the economic sectors, revenue were severely impacted by the Coronavirus pandemic; even though the contraction was contained at 24,5% (without considering currency effects) thanks to the strong growth in online sales. They, indeed, represent the 32% of net sales compared to the 14% of 2019.

Nevertheless, Inditex had to take some actions in order to be able to fulfill the unexpected huge number of online orders. The integrated stock management system (SINT), that was already in operation within the company, was a worthy ally enabling them to fulfill €1.2 billion online orders from stores. In addition, the conglomerate developed a new system to meet the delivery and availability of items in high-density delivery areas: the "Urban Minihub". This innovative approach allows the company to improve process efficiency and environmental sustainability at the same time, because it reduces the distances travelled to deliver, increases the alternatives offered to customers to return orders, fosters local employment.

Despite the huge increase in online sales, net sales dropped from €28,286 million (2019) to €20,402 million (2020). This is undoubtedly due to the stores closures that have been imposed by governments. Only the 18% of Inditex's stores around the world was fully operational during the year.

Many strategies have been employed by the Houses within the group in order to rebound sales, but they have not achieved the desired goal. For instance, Zara incorporated new product categories, launching the first lingerie collection and the first high-end jewelry collection. Bershka, Stradivarius and Pull & Bear have jumped into the world of music, through capsule collections with global artist, concert programs on social networks, musical talent support projects. The Join Life collection has been launched also by another brand within the group, Massimo Dutti, strengthening its responsibility for the environment and sustainability. While Oysho launched the "Train With Us" program on its website and its social networks to encourage its customers practicing yoga and functional training during lockdowns; it also expanded its product categories with the meditation collection and the first line for personal care.

Coming back to the key financial indicators, it can also be observed that both EBITDA and EBIT have suffered a decline, the first reducing by €3,046 million and the second by €3,265 million. The first acronym represents the earnings before interest, taxes, depreciation and amortization, while the second one indicates the earnings before interest and taxes, thus the operating profit.

Nevertheless, in this case, the huge reduction in EBITDA and EBIT cannot be attributed to operating expenses; it is due to the drastic decrease in revenue. Even though, indeed, Inditex took several initiatives over the year to support the fight against Covid-19, operating expenses reduced by almost the 17%. Therefore, the company was able to implement measures intended to conserve liquidity and profitability through close control of all lines of expenditure. In addition, Inditex received some payments from social security systems or other government departments in various countries in order to safeguard economic activity.

It seems appropriate to mention some of the activities Inditex has implemented over the course of 2020 to support the governments with whom the company collaborates, the hospitals and to protect its employees, customers, and suppliers. For instance, in Spain they purchased and transported more than 177 million units of medical equipment, the company donated €2.5 million to Médecins sans Frontières (MSF) and allocated more than €40 million to the Covid-19 social response program.

When it comes to the health, safety, and well-being of its employees, Inditex managed to standardize and adapt its staff's work processes and adopt preventive measures and protocols. It was also able to collect data on the epidemiological situation among employees. All this was possible thanks to the creation of emergency management committees. In addition, to those who could work from remote laptops and other useful tools were delivered, in order to guarantee business continuity.

All the activities put in place to support and protect employees resulted in the "Healthy Workplace Certification" in Spain, Italy, the United Kingdom and Ireland, which corroborates that the company's priority over the year has been to preserve employment.

Huge resources have been allocated also to support the companies Inditex works with. The group, indeed, upheld all its purchase commitments and made its suppliers implementing safety measures for their employees.

Going deeply into the key financials, it could be useful to conduct a solvency analysis with the aim of assessing the financial equilibrium of the company, that is the ability of the company to pay back its obligations. In order to conduct this analysis it is necessary to look at the cash-flow statement, a financial document describing the cash generation in a company, meaning the ability of the company to generate cash and the activities through which cash is generated and the ones by which cash is used. The statement of cash-flow, thus, reports three types of cash-flow activities: i., operating activities, ii., financing activities, iii., investing activities. The first one reports all the cash transactions which are related to the core business, the second one the cash transactions that affect the debt and equity of the company, while the last one records all the cash transactions related to investments in non-current assets.

When it comes to Inditex's cash-flow statement, it can be observed that the cash-flow from operating activities is positive and equal to €3,017 million. This is a good sign because it means that the cash-in is greater than the cash-out, thus the company is able to generate cash through its operating activities. Nevertheless, the amount severely decreased with respect to 2019, when the cash-flow from operating activities was equal to €6,900 million. This decline could probably be associated to lower cash-in rather than to higher cash-out, given the observations made above in relation to revenue.

With respect to the financing cash-flow, instead, the cash-flow is negative both in 2019 and in 2020 and amounted to €-2,786 million in the last year and to €-4,629 million in the previous one. This means that the company is still paying back its debt but, with respect to the precedent year, it is also getting some liquidity from banks or shareholders. In detail, additional credit facilities have been arranged and the payment of extraordinary dividends has been delayed in order to increase liquidity. Nevertheless, still payments relating to non-current financial debt have been made and dividends have been distributed (although a lower amount with respect to 2019).

The cash-flow from investing activities, instead, is positive. This means that Inditex has not invested over this year. While the amount of cash deriving from investing activities was negative at the end of 2019, indicating that the business was growing.

Going on with the financial analysis, it could be useful to conduct a profitability analysis as well. This allows to assess the economic equilibrium of the company, that is its ability to generate a profit. Running the profitability analysis several ratios are used. Some of them are the return on equity (ROE) and the return on common equity (ROCE).

The first one represents the ratio of net profit over equity. In the Inditex's financial statement is found equal to 8%. Therefore, it has recorded a huge fall since 2019, when it was equal to 25%. This is a powerful tool for investors to assess the business conditions, as from this value it is possible to understand whether the company is still able to generate a profit. In this case it is, even though in 2020 the expected return of those who have invested €100 buying Inditex shares is only €8, while in 2019 it was equal to €25.

ROCE, instead, was equal to 10% in 2020. This value is higher than that of ROE just because of the way it is calculated: ROCE is the ratio between comprehensive income and equity, where the comprehensive income is net profit plus other comprehensive income, that is a quantity for which the company does not receive a cash-in. Therefore, the difference between the two ratios is not based on business transactions but on valuation effects.

Inditex S.A. is a public company listed on the stock exchanges of Madrid, Barcelona, Bilbao and Valencia, and on the Automated Quotation System, since 23 May 2001, under the ISIN code: ES0148396007" is what is stated on the corporate website.

The share capital amounts to €93.5 million and it is represented by 3,116,652,000 registered shares, which belong all to a single class and series, have the same voting and profit-sharing rights and are represented by book entries.

At the end of 2020, a total of €1,090 million, that is €0.35 per share, have been distributed to shareholders as a dividend for 2019.

For what concerns the share performance, as is shown in figure 4, the price was quite volatile, with a huge downturn in March, as lockdown and sanitary restrictions were imposed all over Europe. It started increasing during the next months with some ups and downs, reaching the highest pick between November and December, when the economy began to recover with the release of the first vaccines.

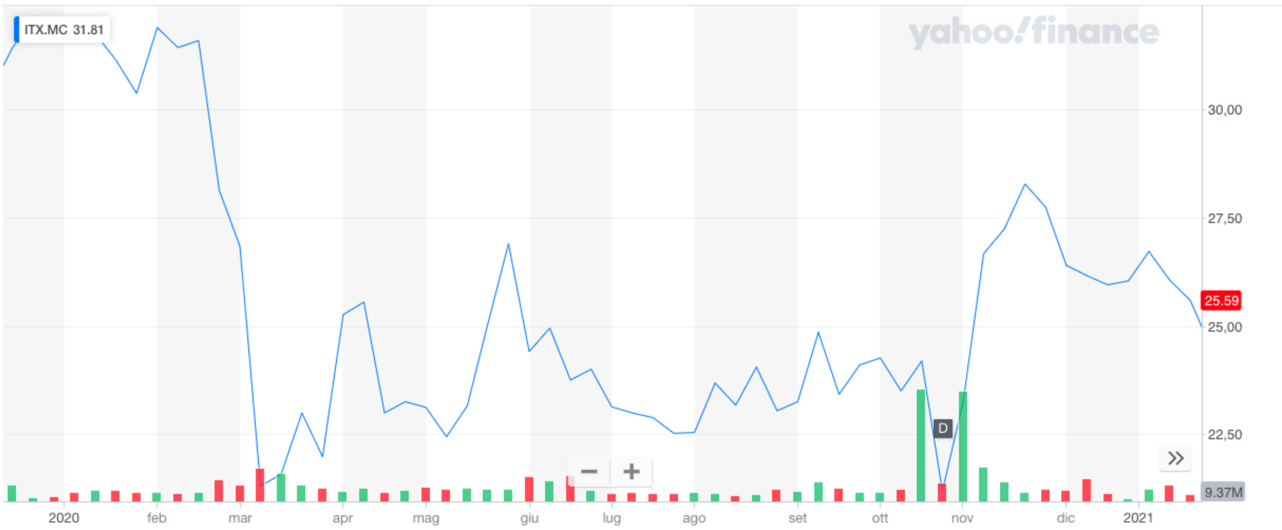

Figure 4 Chart representing the Inditex's share price trend. Source: Yahoo Finance. (2021).

Undoubtedly the pandemic has affected the business having an impact on profit. Nevertheless, on the financial report published by the company claimed that "*the Group's long-term business plan remains in effect as the pandemic is considered to be a temporary situation that does not alter its long-term expectations*".

3.1.4 H&M

"*The year 2020 was marked by the Covid-19 pandemic, which had a significant negative impact on the H&M group's results*", these are the words used by Helena Helmersson, CEO of H & M Hennes & Mauritz AB since 30 January 2020, to start her letter to stakeholders.

Nevertheless, she also stated that even though they are still managing the negative effects of the pandemic, the group stands strong and is focused on its transformation to realize a sustainable and profitable growth. Sales, as highlighted in the CEO' s letter, had a strong development in the first quarter, when Coronavirus started spreading in China resulting in some localized lockdowns but was not affecting other areas around the globe at all. In March, instead, when the world locked down, sales dramatically dropped. They gradually started recovering as sanitary restrictions were eased, in the third quarter, but dropped again when a second wave of pandemic brought a new slowdown.

In order to mitigate the severe adverse effects that the Covid-19 pandemic had on the conglomerate, a series of measures encompassing all parts of the business were taken, including product purchasing, investments, rents, staffing and financing. The priority was securing the company's liquidity and continued financial flexibility. For this reason, all approved and planned investments have been reconsidered and, in some cases, scaled back. Also store-related costs, for example staffing, rents, have been readjusted. The group, for instance, managed to renegotiate several store leases in order to optimize expenditure. To this same end, a huge number of physical stores have been closed over 2020. The group has recorded a net decrease of 58 stores and this is planned to be even larger in 2021, when the company is going to have a net decrease around 250 stores.

On the other hand, huge resources have been destinated to investments in digital and supply chain. The pandemic, indeed, has accelerated the shift in consumer behavior that was already in motion even before 2020 and the group aims at staying ahead of the competition by keep focusing on digital growth and optimizing the store portfolio, as well as the integration of offline and online stores. This is why, during the year, H&M went online in Australia and South Korea (where it launched an e-commerce platform named SSG.COM), while COS, Monki, Weekday, & Other Stories and ARKET all opened online in Bulgaria, Croatia, Cyprus, Estonia, Greece, Latvia, Lithuania, Luxembourg, Romania, Russia and Switzerland. ARKET joined the famous Tmall platform in China as well.

All the effort placed on the improvement of the online channels resulted in a very good result: the 28% of group's net sales was represented by online sales, that, partially compensating for the drop in physical store sales, are also responsible for an improvement in profit along with cost reductions and increased full-price sales.

Therefore, The H&M Group demonstrated to be well equipped to handle the great challenges brought by the sanitary emergency, being able to implement quickly and efficiently a series of measures allowing to end up the year in profit.

The measures taken by the conglomerate reflect all the principles and objectives the company pursues in the long-run, meaning improving the customer offering and the customer experience (both online and offline) to build long-term and value-creating customer relationships.

The management had to keep measures related to sustainability as well, being this one of the key pillars of the company's strategy and a field in which H&M is very active: the group, unfortunately, was forced to interrupt the garment collective activity because of logistical disruptions and temporary closure of sorting centers in some markets.

Some of the initiatives, obviously, were related to the employees' safety and well-being. To support them the group decided to guarantee full compensations for the first 14 days of closure and, subsequentially, to provide them with technical support and training for remote working. Employees who were not able to work from home, instead, have been provided with personal protective equipment, sanitation protocols and training.

The implemented measures, thus, have been able to grow the customer base, ensure safety all over the company and protect liquidity and financial flexibility, but failed to increase revenue, that, has seen above, had a volatile trend over the year. Specifically, net sales decreased from SEK 232,755 to SEK 187,031, meaning suffering a decrease equal to 20%. The revenue decline resulted in a reduction of the gross profit as well and it was so dramatic that it also affected the operating profit, even though selling and administrative expenses decreased by 14% thanks to government support. Namely, the operating profit, that was equal to SEK 17,346 in 2019, was recorder to be SEK 3,099 at the end of 2020.

Going on in the analysis of the income statement, it is possible to notice that the financial item "interest expense and similar items" amounted to SEK 1,299, compared to SEK 331 in 2019. This may be due to some interest-bearing liabilities that the H&M Group underwrote over the course of the year. From the balance sheet, indeed, it can be seen that the voice "other interest-bearing liabilities" in the long-term liabilities section increased a lot, being SEK 234 in 2019 and SEK 50,458 in 2020. In the section of current liabilities, the items "liabilities to credit institutions" and "other interest-bearing liabilities" increased as well. Because of the rise of these items, the "profit after financial items" further declined, while over the previous year it remained quite stable with respect to the operating profit, being interest income and expenses almost equal.

In order to better understand the group's profitability, it could be useful to look at some key financial performance measures. The return on equity, ROE, for instance, represents the expected return of an investor who buys some shares of the company. For The H&M Group, ROE dramatically fell, since it was equal to 23.3% in 2019 and it was only 2.2% in 2020. The same trend can be observed in relation to the return on capital employed (ROCE). In this case, it amounted to 3.2% in 2020 (and to 23% in 2019) but the difference with respect to ROE is only a matter of valuation, it is not based on business transactions.

After conducting the profitability analysis, it seems now appropriate going deep into the solvency analysis aiming at assessing the financial equilibrium of the company, meaning its ability to payback its obligations. It is performed looking at the cash-flow statement, that describes through which kind of activities cash is generated. The cash-flow from operating activities include all the cash transactions that are related to the core business. In the group's cash-flow statement resulted to be positive and equal to SEK 25,900. It is undoubtedly a good sign because it means the company is able to generate cash through its operating activities, but if the result of 2020 is compared with that of the previous year it can be noticed that it has decreased. This is both due to lower cash-in and higher cash-out.

When it comes to the investing cash-flow, it reduced as result of less investment to grow the business. This is quite obvious given the dramatic situation companies had to go through during this year.

For what concerns cash-flow from financing activities, it represents the cash transactions affecting equity and debt of the company. In this case it amounts to SEK -15,159, being SEK -18,292 at the end of the previous year. When this quantity is negative the company is paying back instead of getting liquidity, therefore it can be concluded that the group is paying back some financial liabilities but with respect to 2019 is also getting some liquidity.

The H&M Group is listed on Nasdaq Stockholm, Sweden under the symbol H&M B.

Shares' trend is represented in Figure 5. An increase in price can be observed between the end of year 2019 and the beginning of 2020, but as the Coronavirus starts spreading over the world the share price is subject to a significant drop. It begins recovering in April, despite the sanitary restrictions imposed by governments and since then the trend is increasing until the end of the year.

Regarding the dividend payout policy, it has been decided to not distribute dividends, given the situation the business was facing. Nevertheless, the board of directors' intention is for the group to continue to provide shareholders with a good return while ensuring a solid financial position for the business.

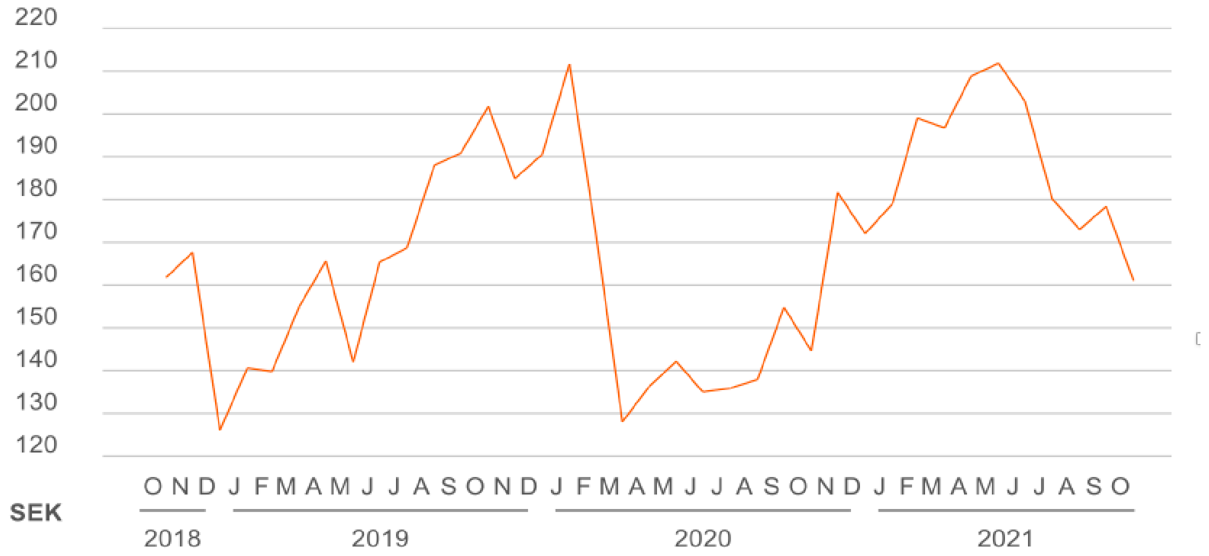

Figure 5 Chart representing the H&M's share price trend. Source: Orbis. (2021).

3.2 Results of the analysis of strategies

As explained above, some questions have been asked to people working within the European fashion industry to better understand, from an employee's point of view, the main changes that occurred during the pandemic and how companies reacted to them.

First of all, interviewees have been questioned to describe year 2020 in three words and the most frequent ones have been "stressful", "dynamic" and "challenging". When the totality of terms which have been cited is taken into account, indeed, the adjective "stressful" appears with a frequency that amounts to the 15%, being cited by the 46% of respondents, and the other two terms "dynamic" and "challenging" with a frequency equal to the 18%, being cited by the 54% of respondents.

In particular, with respect to the first world – "stressful" - they told they experienced a lot of stress due to the need for speed in delivering projects, that resulted in higher error probability and lower attention to details. This feeling was very strong especially at the very beginning of the pandemic, in March 2020, when almost the whole world was put in lockdown and companies found themselves with stores closed and the Spring Summer 2021 collection already delivered. At that time, the situation was further exasperated by the physical distance between employees, who were forced to work from home but needed to collaborate even more in order to find a way to support SS21 sales and avoid the excessive accumulation of inventories.

Other words that occurred several times during the interviews are “dynamic” and “challenging”: companies faced unexpected needs and requests and they had to suddenly adapt their business model to meet customers’ necessities, both in terms of assortment and in terms of business development. There was a need for solving clients’ pain points by collecting needs, standardizing the approach and building consistency across the globe. For this reason, a new way of working was introduced: the so-called “test and learn” approach, that underlined the need for each company to find its own way to play during this unprecedent period. Obviously, to do so digital was essential more than ever. No difference was observed between employees of luxury Maison and those working for fast-fashion companies, they all shared almost the same experience.

Subsequently, research participants have been asked what they expect from their companies. Covid-19 pandemic, indeed, highlighted the need for digital to be at the core of the strategy, the need for a shift in the profitability mindset (i.e., less is more), but also for a shift in the store concept meeting the expectations of local customers and young generations. Almost all of the replies contained the word “digital”. Brands operating in the fashion industry had already invested a lot in the digital transformation, but 2020 year represented a strong accelerator in terms of mindset, a powerful driver for change, requiring a step further, meaning that the whole customer experience needs to be rethought in a “phygital” ecosystem.

Furthermore, fashion companies require a new value-creation model in customer engagement, they need to be where customers are. The sanitary emergency permanently changed our perceptions, our priorities and our routines and employees expect their brands to adapt to the new world providing their clients with a seamlessly integrated experience across touchpoints, engaging with the new personas who arose after the crisis. This kind of expectations in relation to the future of fashion companies brings together fast-fashion and luxury companies’ employees. All the respondents, indeed, claimed the need for a change in the value-creation model and for organizations to be more digital than ever.

The third question that has been asked to the interviewees is related to the degree of autonomy they experienced across this year. A strong sense of community together with a huge commitment in tackling the crisis, indeed, emerged, leading many companies to empower their employees providing them with a higher degree of autonomy and freedom. This was the case for most of the interviewees, especially in the fast-fashion segment, but in the luxury segment as well, who were required to perform completely on their own tasks that before were assigned to groups, when shortage of staff was encountered. Nevertheless, suddenly asking people to take risks they have never had to take before may be scary, therefore companies should have been ready to offer support, but in most of the cases they were not able to.

Another huge question was the one related to the main difficulties companies had to face and the role played by technology in this context. While answering this question, fashion companies’ employees recalled all the troubles resulted from the cessation of the production and the disruption of the entire supply chain, the problems connected to the relations with suppliers and other partners, the challenges related to the delivery of products. This last aspect was underlined especially by representatives of fast-fashion companies, since these firms recorded a tremendous increase in online sales, much more than luxury firms: for instance, the percentage of online sales on the total of sales represented the 32% for Inditex, while the 12.5% for Kering. All the interviewees, however, agree that the hugest struggle was the closure of stores all around the world and the related loss of direct contact in the relationship with customers.

It was reported to be very difficult in particular for luxury Maison, indeed, deliver the excellent customer experience they strive for through the e-commerce. When entering a store, customers have the opportunity to enjoy the whole welcoming experience, to feel smells and sounds, to touch products in order to appreciate their quality and all their characteristics, while the online experience lacks all these aspects.

Employees tried to fill the gap by using the technologies at their disposal. Text messages have been adopted to keep alive the relationship with customers, along with the app, that allows to try on items, save the preferred ones and make the purchase.

The same kind of approach has been adopted by fast-fashion companies' employees as well in order to stay in touch with clients; however, in this case, the most commonly used tool was the marketing emails.

In this context, thus, data demonstrated its role even more allowing to track and understand new customers' habits and to contact the right client, in the right moment and through the right channel in a more exclusive and cool way. It also enabled to develop business strategies according to recorded data, being more effective. Nevertheless, this was not enough, and companies are now managing to deliver the excellence of their customer experience despite all the limitations they are forced to comply with. Materialization is one of the key aspects they are focusing on right now: mixing together tangible and intangible through artificial intelligence and augmented reality.

Another key point is humanization, because digital experience needs to be humanized to deliver to customers the *wow effect* that brands want to achieve. A step further towards this direction has been made by Fendi, that realized the "Virtual Room", a fitting room designed for a remote experience that allows the client advisor to engage with the customer through the video and digital interactive contents while keeping the level of engagement they always had in store. Through this tool, indeed, people can appreciate the full reality of colors and all the details of the item thanks to innovative cameras, pay by a simple click and even invite friends.

Subsequently, the employees whom the interview was submitted to replied to a question related to the demand increase through online channels most of the companies experienced over the 2020 year and the way they managed it. What has been pointed out is that in most of the cases companies had to make some adjustments to their processes to be able to satisfy customers' demand. In order to better support the warehouse that was struggling, some brands implemented the "ship from store" mechanism. It consists in making the stores fill orders in the place of the warehouse when the product is available. The strategy aims at relieving the pressure on magazines by reducing the quantity of orders they have to handle; in addition, by increasing the footprint of the warehouse using stores as mini distribution centers, a reduction of transportation costs and required lead time is achieved.

Companies, however, preferred to keep operations in-house as much as possible avoiding partnering with other firms to fulfil the unexpected demand. They were fully aware, indeed, of the need to leverage, even more today, on an excellent customer experience.
In relation to this question, all the respondents reported the same experience.
Later on, since Covid-19 pandemic resulted in a revolution affecting the concept of retailing, interviewees have been asked to imagine the store of the future for their companies. They all agreed on the fact that in the future the store will be as digital as digital platforms are: the exploitation of tools implemented by the aid of virtual reality and artificial intelligence will allow clients to have an experience similar to that of digital platforms in brick-and-mortar stores as well.
In addition, brands were forced to shift from global to local customers, due to the interruption of customers' flows from foreign countries. This resulted in a change in the way shop assistants engage with clients and a change in the assortment. On the other hand, indeed, habits and needs have changed across all the countries, people do not participate to events and parties, so outfits are getting more casual and sporty.
This trend is boosted being in line with young generation's tastes, namely generation Y and generation Z, that is expected to represent more than the 70% of the total personal luxury goods market in the upcoming years, being a relevant target for brands.
Nevertheless, companies need to be in line with young customers' value as well. They are perceived, nowadays, no more as economic actors only, but as socio-cultural actors, which are expected to deliver social, cultural and economic value. For this reason, an adjustment in the way stores are managed is required.
Actually, brands are already paying much attention to the sustainability concept, avoiding loss and overproduction by managing inventory in a more efficient way. For instance, customers won't be able to purchase all the items of the collection in all the sizes in store anymore, but they will have, instead, the possibility to try on the selected item or a similar one and to make the purchase so that the product will be immediately shipped at home. This allows to be more flexible and produce less. Items, indeed, won't be stuck in the store and, maybe, remain unsold, but will directly be shipped from the central warehouse.
Another strategy some companies are implementing in order to be more effective and reduce overproduction consists in presenting a virtual collection, whose items can be added to a wishlist and eventually bought by customers before the production, that will start only once the purchase has been made. In addition, several executives plan to adopt other measures to reduce overproduction such as the reduction of the number of collections and SKUs, the improvement of analytics for consumer insights, the implementation of a more agile supply chain, the revision of the assortment structure. Someone proposed even to move to a seasonless assortment.
These kinds of strategies involve luxury Maison more, since fast-fashion companies, by definition, find it more difficult to bring together the sustainability issue and their way of doing business. However, since they are aware of the relevance of the topic for customers and for the planet, they are managing inventory in a

more efficient way and are leveraging on analytics in order to better forecast consumer demand. For instance, Inditex, in order to reduce overproduction, is trying a new approach that consists in producing just few pieces of a new item to send to stores and, once the demand has been well-established, the production proceeds based on this data.

Then, interviewed employees have been asked whether or not brands have been able to renegotiate rent contracts as result of the store closure. Unfortunately, almost all of them replied they were not. Nevertheless, they could leverage on some fiscal benefits.

Some of the companies this research takes into consideration decided to move to secondary streets in order to reduce the impact of rent on the financial position. This choice, indeed, was expected to not have a huge impact on the business since companies are targeting local customers who are familiar with less relevant streets as well.

Another question that has been submitted to the employees is about the future plans of each company to improve the customer relationship management (CRM) and how technology can help. As said before, according to the interviewees, company nowadays, to really engage with customers, must be in line with their values and commitments and concretely act to their aid. Consumers, especially young consumers, buy only from brands that are genuinely committed to their causes. Therefore, values will be a key aspect in the upcoming years, but the involvement in social and environmental battles won't be enough. Employees believe another important point in the relationship with customers will be the customization. The personalization of products and services is already a reality for most of the fashion brands, especially luxury ones, but companies need to go further trying to personalize the relation with each client as well. Customers want to enter a store, or virtually enter a website, and feel that the shop assistant remembers them, knows exactly what they need and desire, their size, their tastes. Each relation should be unique.

Obviously, this kind of approach requires data and new technologies to be implemented. Data, indeed, can really help in tracking and understanding customers' needs and habits. However, this innovative approach implies a new way of collecting data as well. Clients should not be asked to share their contact information, to provide details about where they live or their profession: this info is not relevant anymore and undoubtedly is not enough to provide the kind of relationship people expect.

There are already some projects going toward this direction, such as an app that allows shop assistants to have a direct and close relation with clients by having the possibility to enter their wishlist and even their closet in order to be able to suggest outfits in line with their tastes and the clothes they already own.

The interviewees coming from the luxury industry imagine that future will bring much more flexibility, interactivity and personalization even in fashion shows: each client will have the opportunity to join catwalks in which models change based on their tastes.

When it comes to CRM, another hot topic is omnichannel. Customers, indeed, not only want to feel unique while going shopping, but they also want to observe items through a channel, make the purchase through another one and pick up the product in a different location or receive it straight home. In a word they ask for a seamless experience. Nevertheless, building this kind of experience is not easy as it may seem. It must be seamless for the client but at the same time simple to be used for shop assistants; this is the reason why it should be co-designed with people working into the stores. In addition, every action the client may want to perform should be done via smartphone, since it is the most immediate tool. And the system should be scalable, meaning that the brand starts small and then builds up on that. Obviously, also for the omnichannel aspect technology and data play a key role.

Both respondents coming from the luxury and those coming from the fast-fashion sector agreed on the need for providing customers with an omnichannel experience and a customized relationship, even though it can easily be inferred that they will be implemented in different ways.

Finally, since Covid-19 pandemic and the associated isolation, forcing us to spend most of the day in front of a screen, have emphasized the inability of people to pay attention to a post on social networks, a campaign or whatever over a long, employees have been asked how brands are going to handle this issue, how they will manage to attract customers' attention and interest.

Undoubtedly, it is not an easy task. Companies, both fast-fashion and luxury ones, must manage new and different channels and tools to engage with an always connected consumer adapting the brand DNA codes to a new language.

In addition, as Coronavirus started to spread and travel restrictions to be imposed, all brands focused on local customers, who, for this reason, have been flooded with promotional messages, calls and invitations. And when the same client is contacted by many brands fatigue sets in.

Therefore, the only thing fashion companies can do consists in making clients understanding they are interested in a genuine relation, focusing less on the commercial side and more on building long-term relationships that continue beyond the crisis. Communication, thus, must be authentic and vertical, meaning that all touchpoints are integrated, synergic and aligned in transmitting the same message.

In order to do so, companies are delivering their message also through innovative channels, such as TikTok, that can boast the highest engagement rate per post versus other social networks. Being where customers are, indeed, makes communication easier. Some brands leveraged on challenges that spontaneously emerged on the platform as well.

Instagram still remains a valid tool, since almost half of the people make a purchase after having seen a product or service on it.

In addition, luxury brands are experimenting innovative formats going beyond traditional fashion shows, surprising with creativity and state of the art execution.

Another powerful tool that allows companies to be close to their customers and that is spreading in particular across the luxury industry is gaming. Fashion gaming is a new frontier where brands are slowly approaching to promote and sell their products through various apps and platforms. For instance, they sell branded costumes used by players to change the appearance of their characters inside the game.

In order to deliver their messages and engage with an increasing portion of audience, they also adopted NFTs, that stand for “non-fungible tokens”, a non-interchangeable unit of data stored on a blockchain associated with a particular digital or physical asset.
There are, instead, some companies that prefer to stay away from massive platforms and, in some cases created their own channels to deliver messages to customers, while in some others disappeared from socials for a while to create hype.

4. DISCUSSION OF RESULTS

There is no doubt that Covid-19 pandemic represented a strenuous war whose effects are still clearly evident. It had an impact on health, society and economy involving companies across all sectors all over the world. Detecting and figuring out the main changes that companies had to face and the way they addressed them was considered to be interesting and helpful for researchers and practitioners as well. Throughout history, indeed, there has always been the opportunity to learn from times of crisis. In detail, going in deep into the strategies that have actually been implemented by companies across this year may contribute and enrich the expertise in the managerial field.

In addition, Coronavirus brought such a disruption that there is no way to come back to the normality before the pandemic. For this reason, it is crucial deeply understanding what did happen across 2020 year in order to be prepared for the upcoming future.

From a financial point of view, what came out of the research is that all the groups that have been analysed faced a significant reduction in revenue. And the drop was so dramatic that the huge increase in online sales, representing the 28% and the 32% of net sales for H&M Group and Inditex respectively, did not manage to mitigate its effect on profits.

Obviously, luxury groups have experienced a huge reduction of revenue as well. Even though, the fashion and leather goods division this research was interested in registered a lower decrease in organic revenue, that amounted only to the 3% for LVMH.

This difference in the reduction of revenue may be attributed to the fact that these companies target different segments of the market and the pandemic has further widened the gap between rich and poor, resulting in an increase in wealth for the first and a further reduction for the latter.

In either case, the fashion groups that have been investigated, both the fast-fashion and the luxury ones, showed good resilience in an economic environment disrupted by the health crisis. Operating all over the world, indeed, they could leverage on the different scenarios across different countries, managing to rebound already in 2021 despite the economic conditions of Europe, that accounted for only the 24% of revenue and the 27% for LVMH and Kering respectively.

Over the first nine months of year 2021, indeed, LVMH accumulated revenue for €44,177 million, reporting an organic growth of 40% with respect to 2020 and of 11% with respect to 2019. And the fashion and leather goods business group experienced an even larger increase in revenue: it grew by 57% with respect to the last year and by 38% with respect to 2019.

The same trend observed for LVMH reflects in Kering's last financial figures. The group, indeed, over the first nine months of 2021, grew by 9% with respect to the revenue recorder in the first nine months of 2019. When considering Gucci, that is the biggest Maison of the group and can approximately represent the whole fashion and leather goods business group, it may be observed that over the first nine months of 2021 it

accumulated revenue for €6,661 million, against the revenue accumulated over the same period in 2020 that amounted to €5,160 million.
When it comes to the fast-fashion groups, by analysing the documents published by Inditex in relation to the third quarter of 2021, it may be noticed that in 3Q21 sales grew by 21% with respect to 3Q20 and by 10% with respect to 3Q19. And the same applies to the H&M Group, where net sales in local currencies increased by 13% in the first nine months of 2021 compared with the corresponding period last year, amounting to SEK 142,154 million in 2021 and to SEK 134,482 million in 2020.
When it comes to the strategies these companies have implemented in order to get over the crisis, as emerged from the interview that has been conducted, they had to significantly rethink the way of doing business.
First of all, business models had to be adapted, both in terms of assortment and in terms of business development, to meet new and unexpected customers' needs. And, in order to do so, companies had to test different combinations, learning step by step and at their expenses what did fit and what did not. This need for reshaping the business model was also due to the shift from global to local customers and to young customers imposed by the travel restrictions.
However, a change in the assortment and the style was not enough, because generation Y and generation Z have very high requirements in terms of values. According to them, indeed, companies are no more just economic actors, they are socio-cultural actors, that are expected to deliver not only economic value but to genuinely commit to their customers' causes. This is the reason why, in order to reduce waste and overproduction, fashion companies have implemented inventory management strategies as well: for instance, most of the orders are directly handled by the central warehouse, the number of collections is going to be reduced, similarly to the number of SKUs.
Sustainability commitment will be undoubtedly upheld with the aid of new technologies, that are at the core of the new configuration of the industry. Data and technology have represented a strong ally for employees even across the worst period of pandemic, when almost all countries were under lockdown and one of the biggest issues consisted in providing customers with an excellent customer experience even at a distance.
For all these reasons, companies are investing huge amounts in digital and they plan to do so in the upcoming year as well.
In addition to this, they plan to invest on building a seamless omnichannel experience for their clients and on tailoring a customized experience for each of them.
These two are, roughly, the key pillars for fashion companies along with communication, that cannot be disregarded while taking strategic choices since it will more and more be crucial for the success of a brand.
Companies must be consistent and authentic in engaging with customers leveraging on new tools and formats.
From what emerged from a financial and strategic perspective, this analysis fills a gap in the literature, which focuses mainly on the effects of the pandemic on the supply chain activities, on the acceleration in the

shift in perspective in relation to sustainability, and on the difficulties in engaging an always connected audience.
In addition, the research that has been conducted may increase the expertise in the managerial field, helping entrepreneurs, who may replicate winning strategies and initiatives, be inspired by the approach of the analyzed groups to come out of a crisis in the future, and also detect errors and limits improving the implementation of such strategies.
Nevertheless, Covid-19 pandemic, unfortunately, is not over yet; therefore, this research cannot provide the whole picture. For this reason, it also represents an input to further investigate this topic when the sanitary emergency will be over, and all the necessary data will be available.

CONCLUSION

This research points out how the European fashion groups which have been analyzed, namely Inditex and the H&M Group for the fast-fashion segment of the industry, and LVMH and Kering for the luxury segment, responded to the crisis that the Covid-19 pandemic unleashed.

What comes out of the analysis is that these conglomerates proved good resilience also in the unprecedent circumstances the year 2020 imposed and in an economic environment completely disrupted by the sanitary emergency.

They, indeed, suffered a dramatic decrease in revenue resulting in poor financial indexes but managed to strongly rebound since the beginning of year 2021, meaning in almost a year from the start of the outbreak. In detail, they not only grew by significant percentages with respect to 2020 levels but were also able to exceed pre-pandemic levels.

Their ability to withstand the international downturn was, undoubtedly, upheld by their presence across the globe, that allowed them to leverage on the different scenarios that were taking place in different countries and to rely less on revenue coming from Europe, that was characterized by a slower recovery with respect to other regions.

Nevertheless, their resilience can be attributed, to a larger extent, to the strategic decisions undertaken by the companies. The fashion conglomerates that have been analyzed, indeed, implemented a series of measures aimed at maintaining and protecting the customer relationship, that was endangered by the social distancing. For instance, companies adapted their business models both in terms of assortment and in terms of business development and used new technologies and data to track the changes in customers' habits and tastes and provide them with a shopping experience that was as engaging and immersive as possible. Investments in digital and the capability to test with perseverance different strategies in order to understand which ones could be the best fit, thus, resulted in customer loyalty and in the ability to engage with new local customers. Along this process, obviously, the fashion groups this research investigates in made an enormous effort in protecting their employees' health and in providing them with all the instruments and the support they needed to work from remote as well.

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SUMMARY

The year 2020 will go down in history as one of the most challenging ever. The world nearly stopped due to the COVID-19 breakthrough, that forced us to give up on our social lives staying home and complying with several rigid rules to protect our health as well as everyone else's.

Obviously, the sanitary crisis had a dramatic impact on economy as well, affecting almost all industries, that suffered from the drop in sales, store closures, supply chain disruption, and trade interruption resulting in the unavailability of raw materials.

When it comes to the fashion industry, it was tragically hit as well, suffering its worst year with almost three quarters of listed companies losing money (Amed, et al., 2020).

Before the pandemic crisis, in Europe, fashion industry counted 89,600 companies, with 970,000 employees and €76.9 billion of revenues, representing a large part of the total Gross Domestic Product (GDP).

Nevertheless, Coronavirus completely reshaped the whole industry; indeed, it fast forwarded trends and dynamics that were already in motion even before the crisis, among which the digital transformation, that had the opportunity to emerge even stronger and be speeded up. Additionally, the digital transformation has been considered as the biggest opportunity by far for 2021 by many executives: the e-commerce shares of fashion sales, indeed, jumped from 16% to 29% globally (Amed, et al., 2020). Therefore, fashion players must find new ways to optimize the channel mix and properly integrate the online experience with the human touch.

Another aspect that has been amplified by the Coronavirus pandemic is the public awareness of social injustice in the supply chain. Actually, as factories closed in early 2020, orders were cancelled and payments were deferred, hence, suppliers across the world, according to McKinsey report, have lost over 16 billion in revenues between April and June 2020; consequently, millions of workers faced the risk of losing their job (Amed, et al., 2020). Therefore, consumers, who have been interested in social welfare and human rights for a long time now, became even more aware of this plight across the fashion pipeline changing their attitude and trust toward brands. They expect companies to ensure dignity, security and justice to their employees, and brands would do better to meet customers' requirements and put much more effort on this cause, being sustainable practices and financial performances highly correlated. Maison should, for instance, focus on concrete plans showing transparency and authenticity and moving away from transactional, short-term supplier relationships in favor of deeper partnerships.

Another aspect that deserves to be underlined is the effect on fashion companies, especially luxury fashion companies, of travel interruptions. A great proportion of revenue for some brands, mainly for some product categories, indeed, came from foreign customers, who benefit from tax cuts and differences in exchange rates by shopping in Europe. The disappearance of this target, due to Covid-19 related restrictions, resulted in an even slower recovery of sales and made fashion players aware of the need of finding ways to get closer

to their priority consumer groups and, at the same time, tailor their offer in order to make it more suitable and appealing for the local market.
Therefore, winning brand are the ones that demonstrated to be able to define clear, long-term ambitions while managing the business with flexibility, resilience, and speed (Amed, et al., 2020). They had, indeed, to implement major decisions faster than before, reshaping their operating model, in order to navigate an uncertain short-term future, and developing strategies that take into consideration the new trends and features that will survive after the crisis.
However, thanks to the joint action of the sanitary restrictions and the vaccination campaign, and the strong ability in tackling all the problems they faced and coordinating the whole machine, fashion companies have managed to recover already in 2021.
Given all that, it could be very interesting and helpful to understand what are the main changes carried out by the pandemic, how they have been addressed, what strategies have been successful and which did not. It could be useful, for instance, in order to enrich the expertise in the managerial field, exploring the differences in terms of strategies and changes that have been carried out respectively by the fast-fashion industry and the luxury fashion industry in response to the outbreak of the pandemic.
Since the phenomenon is recent and it is not completely over, indeed, these topics have not been comprehensively explored yet.
Therefore, this paper aims at detecting the European fashion industry’s response to the Covid-19 pandemic, meaning investigating the impact the Coronavirus had on the financial indexes and the main changes and strategies carried out to overcome the crisis by analysing the leading European fashion groups operating in the fast-fashion and luxury fashion industries respectively.
When it comes to the luxury fashion industry, this term is used to refer to the sector of the fashion industry that is characterised by high prices, legitimized by the high quality of style and research and the perceived high brand value. It is featured by small and medium size players, pursuing artisan tradition, with strong awareness among customers, and by large conglomerates, such as LVMH and Kering. Entry barriers are very high due to the relevant role of experience and know-how but also to the huge investments that are required, especially in marketing and distribution activities. At the core of this industry there are, undoubtedly, the product development (the fashion cycle can last even 18 months for luxury products), and the intangibility, because luxury is about creating and satisfying desires, not selling necessities. This research focuses just on one category, the one including apparel and footwear, within the personal luxury goods segment, that is one of the nine segments the luxury market consists of.
When it comes, instead, to the fast-fashion industry, it is featured by players relying on a highly profitable business model, that consists in mass-producing at low costs and selling at low prices fashion items that replicate last trends that have been seen on the catwalks. In this case, at the core of the industry stands speed: efficient supply chains and quick response manufacturing methods make the production process - from the creation to the delivery - last only few weeks. In order to be profitable, however, the entire system must rely not only on flexibility and efficiency, but also on poor quality of the raw materials, like polyester and nylon,

and low labor costs. Poor quality and the need to always keep up with fashion trends, clearly, results in a shorter product lifecycle.

In detail, the subjects of the research, that have been identified based on sales or units sold worldwide across 2019 as reported by Statista (2020), are the Sweden H&M Group and the Spanish Inditex group, for the fast-fashion industry, and Kering and Louis Vuitton Moët Hennessy (LVMH), for the luxury fashion industry. Regarding these latter, which are the two main global luxury groups, only the Fashion & Leather Goods division has been taken into consideration.

Different methods, obviously, have been applied while analysing the financial indexes and the pursued strategies. When it comes to the impact of the Coronavirus pandemic on financial indexes, the official financial reports that have been published by the conglomerates have been taken into consideration. In addition, data coming from Yahoo Finance and Orbis, which are two of the world's largest financial databases, have been employed. This part of the analysis, thus, relies upon secondary quantitative data, meaning existing data which have been collected by others. Nevertheless, it appeared appropriate considering the whole conglomerate only as regards Inditex and The H&M Group, whose brands all operate in the fast-fashion industry. While this is not the case for Kering and LVMH: the first owning more than 70 Maison across 6 business sectors, and the latter operating in the "Fashion and Leather Goods" segment, in the "Eyewear" sector and in the "Watches and Jewelry" sector. In relation to these two conglomerates, thus, a different approach has been applied: data does not come from the consolidated balance sheet, that takes into account the group as a whole, but from the financial documents that analyse just the "Fashion and Leather Goods" division when it comes to LVMH, and from financial documents related to Gucci, Yves Saint Laurent and Bottega Veneta, when it comes to Kering, (these Maison in 2019, indeed, represented the 82% of revenue).

When it comes to the changes and strategies applied by the fashion players, instead, primary data have been collected: semi-structured interviews have been submitted to store managers, marketing managers and product managers. These people, indeed, are the ones who directly dealt with the problems coming with the pandemic and struggled in order to best solve them, and this kind of tool allows to capture some shades of the discussed topics that otherwise could not be appreciated. Thirteen employees working within Brioni, Loro Piana, Bulgari, Gucci, Fendi, Zara, H&M and Bershka have been involved. Most of the interviews have been conducted via telephone, and some others via Skype, based on the availability of the interviewee. In addition, data have been anonymized, and conversations have been recorded, with the agreement of participants, in order to transcribe and carefully review the collected answers. The questions which have been proposed to the employees were mainly related to their perceptions and thoughts about the pandemic, the way it has been managed within their companies and the conditions they had to work in. In addition, participants have been asked to share their expectations about the future for their Maison and the role of technology.

From a financial point of view, what came out of the research is that all the groups that have been analysed faced a significant reduction in revenue. And the drop was so dramatic that the huge increase in online sales,

representing the 28% and the 32% of net sales for H&M Group and Inditex respectively, did not manage to mitigate its effect on profits.
Obviously, luxury groups have experienced a huge reduction of revenue as well. Even though, the fashion and leather goods division this research was interested in registered a lower decrease in organic revenue, that amounted only to the 3% for LVMH. This difference in the reduction of revenue may be attributed to the fact that these companies target different segments of the market and the pandemic has further widened the gap between rich and poor, resulting in an increase in wealth for the first and a further reduction for the latter.
In either case, the fashion groups that have been investigated, both the fast-fashion and the luxury ones, showed good resilience in an economic environment disrupted by the health crisis. They, indeed, were able to secure liquidity and preserve the continued financial flexibility, by implementing a series of measures, readjusting costs and reconsidering all the planned and approved investments. Operating all over the world, moreover, they could leverage on the different scenarios across different countries, managing to rebound already in 2021 despite the economic conditions of Europe, that accounted for only the 24% of revenue and the 27% for LVMH and Kering respectively. Over the first nine months of year 2021, indeed, LVMH accumulated revenue for €44,177 million, reporting an organic growth of 40% with respect to 2020 and of 11% with respect to 2019. And the fashion and leather goods business group experienced an even larger increase in revenue: it grew by 57% with respect to the last year and by 38% with respect to 2019.
The same trend observed for LVMH reflects in Kering's last financial figures. The group, indeed, over the first nine months of 2021, grew by 9% with respect to the revenue recorder in the first nine months of 2019. When considering Gucci, that is the biggest Maison of the group and can approximately represent the whole fashion and leather goods business group, it may be observed that over the first nine months of 2021 it accumulated revenue for €6,661 million, against the revenue accumulated over the same period in 2020 that amounted to €5,160 million.
When it comes to the fast-fashion groups, by analysing the documents published by Inditex in relation to the third quarter of 2021, it may be noticed that in 3Q21 sales grew by 21% with respect to 3Q20 and by 10% with respect to 3Q19. And the same applies to the H&M Group, where net sales in local currencies increased by 13% in the first nine months of 2021 compared with the corresponding period last year, amounting to SEK 142,154 million in 2021 and to SEK 134,482 million in 2020.
When it comes to the strategies these companies have implemented in order to get over the crisis, as emerged from the interviews that have been conducted, they had to significantly rethink the way of doing business within a stressful and challenging environment. According to the 46% of the employees who took part in the research, indeed, year 2020 was "stressful", due to the need for speed in delivering projects. Other adjectives which have been cited to describe the period marked by the pandemic are "dynamic" and "challenging", since companies suddenly faced unexpected needs and requests that they had to satisfy.
First of all, business models had to be adapted, both in terms of assortment and in terms of business development, to meet new and unexpected customers' needs (i.e., Coronavirus, indeed, impacted both the

volume of demand and the choices about what to wear: a relevant shift from formalwear to the casualwear, athleisure and activewear has been observed). In order to adapt to this changing scenario, companies had to test different combinations, learning step by step and at their expenses what did fit and what did not.
This need for reshaping the business model was also due to the shift from global to local customers and young customers imposed by the travel restrictions. Covid-19 pandemic, indeed, also highlighted the need for a shift in the store concept meeting the expectations of local customers and young generations: the whole customer experience needs to be rethought in a "phygital" ecosystem.
However, this kind of adjustments were not enough, because generation Y and generation Z have very high requirements in terms of values. According to them, indeed, companies are no more just economic actors, they are socio-cultural actors, that are expected to deliver not only economic value but to genuinely commit to their customers' causes. This is the reason why, in order to reduce waste and overproduction, fashion companies have implemented inventory management strategies: for instance, most of the orders are directly handled by the central warehouse, the number of collections is going to be reduced, similarly to the number of SKUs. These kinds of strategies involve luxury Maison more, since fast-fashion companies, by definition, find it more difficult to bring together the sustainability issue and their way of doing business. However, since they are aware of the relevance of the topic for customers and for the planet, they are managing inventory in a more efficient way and are leveraging on analytics in order to better forecast consumer demand.
Sustainability commitment will be undoubtedly upheld with the aid of new technologies, that are at the core of the new configuration of the industry. Data and technology have represented a strong ally for employees even across the worst period of pandemic, when almost all countries were under lockdown and one of the biggest issues consisted in providing customers with an excellent customer experience even at distance. It was reported to be particularly difficult for luxury Maison; indeed, it is way more complex to deliver the excellent customer experience they strive for through the e-commerce. When entering a store, customers have the opportunity to enjoy the whole welcoming experience, to feel smells and sounds, to touch products in order to appreciate their quality and all their characteristics, while the online experience lacks all these aspects.
In addition, another big problem was the one related to the fulfilling of online demand: fast-fashion companies, indeed, recorded a tremendous increase in online sales, much more than luxury firms (the percentage of online sales on the total of sales represented the 32% for Inditex, while the 12.5% for Kering). For all these reasons, companies are investing huge amounts in digital and they plan to do so in the upcoming year as well. In this context, indeed, data demonstrated its role even more allowing to track and understand new customers' habits and to contact the right client, in the right moment and through the right channel in a more exclusive and cool way. It also enabled to develop business strategies according to recorded data, being more effective.
In addition to this, they plan to invest on building a seamless omnichannel experience for their clients and on tailoring a customized experience for each of them.

These two are, roughly, the key pillars for fashion companies along with communication, that cannot be disregarded while taking strategic choices since it will more and more be crucial for the success of a brand. Companies must be consistent and authentic in engaging with customers leveraging on new tools and formats.

Another aspect that deserves to be underlined is the strong sense of community together with a huge commitment in tackling the crisis that emerged across this year, leading many companies to empower their employees providing them with a higher degree of autonomy and freedom. In some cases, they were even required to perform completely on their own tasks that before were assigned to groups, and reported they needed some support that brands were not able to offer.

From what emerged from a financial and strategic perspective, this analysis fills a gap in the literature, which focuses mainly on the effects of the pandemic on the supply chain activities, on the acceleration in the shift in perspective in relation to sustainability, and on the difficulties in engaging an always connected audience.

In addition, the research that has been conducted may increase the expertise in the managerial field, helping entrepreneurs, who may replicate winning strategies and initiatives, be inspired by the approach of the analysed groups to come out of a crisis in the future, and also detect errors and limits improving the implementation of such strategies.

Nevertheless, Covid-19 pandemic, unfortunately, is not over yet; therefore, this research cannot provide the whole picture. For this reason, it also represents an input to further investigate this topic when the sanitary emergency will be over, and all the necessary data will be available.