

# A Study of Fashion Retailer's Crisis Management Strategies Based on the U.S. Market

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**Abstract.** The global fashion industry faces challenges as it steps into 2023, with indications of a slowdown due to macroeconomic factors. This highlights the importance of crisis management strategies, especially for fashion retailers in the U.S. While existing literature delves into the effects of crises on brand equity and trust, there's a gap concerning U.S. fashion retail. This research seeks to bridge this gap, focusing on the industry's crisis management against external and internal crises, considering the complex dynamics of consumer expectations and sustainability. The U.S. fashion retail sector's crisis management is presently disjointed and often short-term, emphasizing immediate damage control over lasting solutions. This approach also suffers from issues like strategy misalignment, failure to anticipate crises, and not learning from past mistakes. This study suggests adopting a holistic strategy centered on foundational values, prioritizing long-term resilience, aligning actions with consumer values, proactively engaging online, and emphasizing continuous adaptability. The research underscores the vital importance of effective crisis management in maintaining brand trust and reputation. Properly addressing these challenges is expected to boost brand equity and consumer loyalty and ensure sustained success in the unpredictable fashion industry.

**Keywords:** Crisis Management, U. S. Fashion Retail, Brand Equity & Trust.

## 1. Introduction

### 1.1. Research Background

The global fashion industry, a cornerstone of the consumer economy, is confronting a series of challenges as it moves into 2023. Recent reports suggest that the sector is anticipated to experience a worldwide deceleration due to macroeconomic tensions and declining consumer confidence [1]. The impact was already felt during the second half of 2022 when the industry grappled with deteriorating macroeconomic and geopolitical conditions. While the United States is expected to have a relatively robust economy compared to other global leaders, the challenges are far from negligible [1].

In this tumultuous landscape, the topic of crisis management strategies for fashion retailers operating in the U.S. market gains paramount importance. Understanding how these retailers navigate economic slowdowns, consumer behavior shifts, and increasing sustainability concerns can provide a roadmap for the industry. Crisis management is not merely a reactionary measure but a proactive strategy that safeguards the brand, maintains consumer trust, and ensures business continuity [2].

Effective crisis management strategies are essential for business resilience. By examining successful case studies and best practices in crisis management, retailers can better prepare for potential economic downturns and other uncertainties. A nuanced understanding of crisis management could help companies make strategic investments, reengineering their supply chains, overhaul marketing strategies, and optimize organizational structures [2]. The eventual goal is to ensure that businesses are not merely surviving but are resilient and adaptive in the face of crises.

From a societal viewpoint, the research topic contributes to broader conversations about sustainability and ethical practices in the fashion industry. As businesses face public scrutiny for their environmental and social impacts, avoiding "greenwashing" and being transparent about sustainability initiatives become key aspects of crisis management [2]. The findings of this research could serve as a guideline for ethical communication and practice in crises, thereby contributing to creating a more responsible and socially conscious fashion industry.

## 1.2. Literature Review

Dawar & Pillutla examined how crises related to product harm affect brand value, particularly how consumer expectations serve as a moderating factor. Utilizing an expectations-evidence framework, the research revealed that consumer expectations play a vital role in interpreting firm responses during a crisis. The study employed a field survey and two laboratory experiments to test hypotheses related to crisis response and its impact on brand equity [3]. In the fashion retail context, this study offers critical insights into the potential impact of crisis events on brand equity and how consumer expectations may influence outcomes.

Kim & Woo explored how three global fashion retailers—Zara, H&M, and Uniqlo—responded to both external and internal crises during the COVID-19 pandemic. Utilizing the Situational Crisis Communication Theory (SCCT) framework, the research offered a comprehensive view of how fashion retailers have maneuvered through social and brand crises. It emphasized the interrelatedness between social and brand crises and underscored the importance of adequate crisis management strategies and Corporate Social Responsibility (CSR) efforts [4].

Xie & Peng emphasized the harmful impact of negative media coverage on aspects such as customer satisfaction, buying intentions, and the general perception of a company and its brand value. The authors explored how companies can repair customer trust, outlining various coping strategies such as apologies, disclosure, and economic compensation [5]. The research also emphasized the role of competence, benevolence, and integrity in re-establishing trustworthiness [5].

Cleeren et al. examined the role of advertising in restoring brand reputation and consumer trust. It employed real-world scanner data from a product recall case in Australia, providing empirical evidence on the timing of trial purchases and the effectiveness of advertising efforts post-crisis [6]. It suggests future research should consider other variables, such as the content of advertisements and attitudinal measures of brand equity [6].

## 1.3. Research Gap

While the existing literature has provided valuable insights into the effects of crises on brand equity, consumer trust, and effective crisis management strategies, there remains a gap in the context of fashion retailing in the U.S. market. Most scholars have mainly studied global brands or focused on crises in other industries. Very few have studied the unique dynamics of fashion retail in the United States, which often involves a complex interplay of fast fashion, sustainability issues, and highly dynamic consumer expectations.

Moreover, while some papers have examined the impact of external factors like the COVID-19 pandemic, research is scarce on how internal crises, such as supply chain issues or ethical concerns, affect fashion retailers, specifically in the U.S. market.

This research aims to fill these gaps by focusing on fashion retailer's crisis management strategies based explicitly on the U.S. market while also incorporating the influence of consumer expectations and internal crises into the analysis.

## 1.4. Research Framework

This research seeks to fill a gap in the literature by focusing on crisis management strategies for fashion retailers in the U.S. market. The study examines how these retailers handle external and internal crises, such as economic challenges, consumer behaviour shifts, supply chain issues, and sustainability concerns. Structurally, the paper begins with an introduction and literature review to identify the gaps this research aims to address.

Subsequent sections provide case studies on the U.S. fashion retail landscape, and an analysis of current crisis management approaches. This analysis aims to uncover specific shortcomings in existing strategies. The "Suggestions" section offers tailored, actionable solutions for each identified problem, designed for immediate implementation or future planning.

The paper concludes by summarizing key findings, reiterating the study's business value, and acknowledging its limitations while suggesting directions for future research. By blending theoretical

and practical insights, this research aims to provide a comprehensive, actionable overview of crisis management in the U.S. fashion retail sector.

## 2. Case Description

Amidst an increasingly challenging global landscape with forecasts of economic slowdowns and shifting consumer behaviors, the U.S. fashion retail industry remains a significant economic pillar. Valued at approximately \$2.4 trillion and growing at an annual rate of 5.5%, this sector is the nation's biggest employer in the private industry, offering employment to one out of every four U.S. residents [7]. The sector is broad, spanning apparel, footwear, and accessories, and caters to diverse consumer tastes, ranging from high-end luxury items to affordable casual wear.

TJX Companies, Nike, Ross Stores, and Gap Inc. are prominent among the top contributors in this sector. These firms drive considerable revenues and play a significant role in employment. TJX Companies leads the pack with an annual revenue of \$48.55 billion, followed by Nike at \$37.4 billion in 2020. Ross Stores and Gap Inc. are also strong performers, with revenues of \$18.916 billion and \$15.89 billion in 2022, respectively [8].

The industry is not solely about revenue generation; it's also a crucial employer. For instance, Nike employed over 75,000 people globally in 2020, and Ross Stores had more than 88,000 employees in the same year [8]. These companies offer a plethora of job roles, ranging from supply chain logistics and manufacturing to marketing, sales, and executive positions, thereby contributing substantially to the U.S. job market.

As the industry faces uncertain times, the decision-making strategies of its leaders become increasingly critical. According to Testa & Karpova, executives in this sector rely on a multifaceted approach involving collaboration, adaptability, speed, gut instinct, and creativity [7]. To make well-informed choices, these executives rely on various sources, including internal and external statistics, insights from social media, and industry publications.

In summary, the U.S. fashion retail industry is a pivotal player in the nation's economy and job market, even as it grapples with a myriad of intricate challenges. The sector is known for its nimbleness and capacity to adapt, attributes supported by data-driven decision-making processes and a wealth of diverse resources. However, as the industry faces global economic uncertainties, internal operational crises, and evolving consumer preferences, its resilience is increasingly under scrutiny. A comprehensive understanding of this landscape is vital for evaluating how companies within the sector can effectively manage crises and adapt to a swiftly changing business environment.

## 3. Analysis on the Problem

### 3.1. Current Situation

The existing approach to crisis management in the U.S. fashion retail industry is significantly disorganized and lacking in maturity, indicating an urgent need for a shift towards more planned, systematic methods. While there's broad recognition of the critical role that crisis management plays, the prevalent strategies are often more reactive than they are all-encompassing. For instance, well-known brands such as Nike have initiated extensive Corporate Social Responsibility (CSR) programs to build brand image [8]. However, these initiatives often operate in isolation, failing to address complex challenges like supply chain disruptions, ethical labor practices, or sustainability—factors that modern consumers deem increasingly crucial [8].

The immediacy of current challenges is amplified by emerging crises like the cost-of-living crisis, which affects consumer spending on apparel and places additional pressure on retailers [9]. Brands are also wrestling with specific controversies that have far-reaching implications. Furthermore, brands like Nike, The North Face, and Reebok are navigating legal issues around chemical safety, specifically concerning their products' high levels of bisphenol A (BPA) [9].

Examples like Gap Inc., which suffered revenue loss and reputational damage due to an ill-prepared supply chain during the COVID-19 pandemic, exemplify the shortcomings of reactive crisis management [8]. When crises do arise, the prevailing responses can be categorized into three main approaches:

First, public Relations: Brands usually resort to hiring PR firms to manage the narrative, often prioritizing reputation management over real solutions [3].

Second, consumer Engagement: Social media platforms are leveraged to appease consumer sentiment through campaigns or direct apologies, providing only short-term relief without restoring long-term trust [9].

Third, remedial Actions: Brands undertake immediate actions such as product recalls or discounts, but these don't address the root causes of crises [3,5].

Apart from these, issues like sustainability and ethical manufacturing, which are increasingly important to consumers, are generally either glossed over or inadequately addressed. This is sometimes manifested in "greenwashing," where brands make exaggerated claims about their sustainability efforts, leading to public backlash when discrepancies emerge [2].

In summary, the current strategies more closely resemble quick fixes rather than comprehensive, long-term solutions. While offering temporary relief, these approaches don't resolve systemic issues, jeopardizing brand equity and consumer trust for the long haul. The challenges of the cost-of-living crisis, workers' rights controversies, and chemical safety issues underline the urgent need for a more integrated and proactive approach to crisis management [9].

### **3.2. Problem Identified**

The crisis management strategies in the U.S. fashion retail sector reveal several specific problems that warrant immediate attention:

#### **3.2.1. Lack of a comprehensive approach**

Firstly, the crisis management efforts are notably disjointed and reactive. Brands may engage in isolated initiatives, such as CSR programs, but these often don't dovetail into a cohesive strategy that addresses various facets of modern business challenges—like supply chain disruptions, ethical labor, or sustainability [8]. This compartmentalization means that even well-funded CSR initiatives fail to provide a safety net when crises hit, as seen in the case of Gap Inc. during the COVID-19 pandemic [8].

#### **3.2.2. Short-term focus**

Secondly, the current crisis management efforts are predominantly short-term in focus. Whether employing PR firms to spin a positive narrative or using social media to placate consumer sentiment, these strategies aim for immediate damage control rather than long-term resilience [3,9]. This is symptomatic of a 'band-aid' approach to crisis management, which might provide immediate relief but does not address the root causes and leaves brands vulnerable to future crises.

#### **3.2.3. Neglecting consumer priorities**

Thirdly, there's a glaring disconnect between what consumers increasingly value—such as sustainability and ethical labor practices—and what brands actively address in their crisis management plans. The existing superficial measures, including "greenwashing," erode public trust when consumers eventually discover the truth [2].

#### **3.2.4. Absence of proactive measures for emerging crises**

Lastly, the industry seems ill-prepared for emerging crises, like the cost-of-living crisis, which have broad implications on consumer spending behaviors [9]. While these crises unfold, brands appear to be scrambling for tactical solutions rather than following a well-defined strategic plan. This lack of preparation causes financial loss and deteriorates brand equity and consumer trust [9].

### **3.2.5. Failure to learn and adapt**

Furthermore, it's apparent that lessons from past disruptions, such as those faced by Gap Inc., haven't been effectively incorporated into newer, more robust crisis management strategies. This perpetuates a cycle of vulnerability where brands find themselves unprepared for the next inevitable crisis [8].

In summary, the problems in crisis management within the U.S. fashion retail sector can be attributed to a lack of integration, short-term focus, and a failure to proactively align strategies with consumer values and emerging economic realities. This fragmented approach hampers the sector's ability to effectively navigate crises, thereby putting both their financial viability and reputational equity at risk.

## **3.3. Reason Analysis**

To comprehend the various shortcomings in the crisis management strategies employed by the U.S. fashion retail sector, it's crucial to delve into the root causes.

### **3.3.1. Organizational inertia and siloed departments**

One underlying reason for the lack of a comprehensive approach to crisis management in the U.S. fashion retail sector is organizational inertia. Companies that have been successful in the past may find it difficult to pivot or adopt new strategies. Additionally, departments like CSR, supply chain management, and public relations often operate in silos, leading to fragmented efforts that fail to respond holistically to crises [8].

### **3.3.2. Focus on short-term profit margins**

The short-term focus can be attributed to the quarterly earnings pressures that most publicly traded companies face. There is often an overwhelming emphasis on immediate profit margins, which makes it difficult for firms to allocate resources for long-term planning, including proactive crisis management. This mindset prioritizes immediate reputation salvage over systemic solutions [3,9].

### **3.3.3. Lack of consumer-centricity**

The disconnect between consumer values and corporate initiatives can partly be blamed for the lack of consumer-centric research and engagement. While many brands engage in market research, the emphasis may be on immediate consumer preferences, such as style and price, over long-term concerns like sustainability and ethical manufacturing. This oversight can lead to crises that could have been anticipated and prevented [2].

### **3.3.4. Lack of adaptive capacity and learning culture**

The failure to adapt or learn from past mistakes often arises from a corporate culture that doesn't emphasize continuous learning or adaptive strategies. Without a culture that learns from successes and failures, firms are doomed to repeat the same mistakes, perpetuating vulnerability during crises [8].

### **3.3.5. Regulatory gaps and external pressures**

Finally, in some instances, the absence of stringent regulations or insufficiently enforced existing ones can contribute to inadequate crisis management planning. External pressures from shareholders and stakeholders who prioritize immediate financial returns over sustainable practices can exacerbate this problem, making it even more challenging for brands to invest in robust, long-term crisis management strategies [9].

In conclusion, the underlying reasons for the specific problems in crisis management within the U.S. fashion retail sector include organizational inertia, a focus on short-term profits, a lack of consumer-centric planning, poor adaptive capacity, and the absence of supportive external conditions. These root causes make it difficult for the industry to evolve its crisis management approaches and successfully navigate its many challenges.

## 4. Suggestions

Given the problems identified in the U.S. fashion retail sector regarding crisis management, several targeted solutions can be proposed.

### 4.1. Adopt a Comprehensive and Integrated Crisis Management Framework

In our interconnected era, isolated crisis management is inadequate. Fashion retailers should adopt a holistic strategy, assimilating all business facets. Drawing from Amed & Berg, anticipating economic shifts and evolving consumer behaviors is crucial [1]. Merging CSR with supply chain tactics ensures brands uphold ethical and environmental pledges throughout production and distribution, bolstering brand trust.

Kim & Woo emphasize the alignment of crisis responses with a brand's foundational values [4]. Instead of isolating crisis strategies in separate departments, responses should be collective, echoing a brand's guiding principles. For example, sustainability-focused brands should underscore their environmental efforts even amidst adversities.

Amed & Berg also highlight the merits of optimizing digital marketing strategies, underscoring the importance of agility in an age where online narratives sway public perception swiftly [1]. A proactive, integrated approach anticipates crises, tailoring responses to uphold a brand's promises and values.

### 4.2. Transition to Long-Term Resilience Building

The transient nature of short-term damage control measures can often leave fashion brands vulnerable to recurring crises. Instead, the emphasis should shift towards fostering long-term resilience that not only withstands challenges but also prepares the brand for future uncertainties. Drawing on insights from Xie & Peng, one realizes the undeniable power of trust in anchoring a brand's reputation [5]. By adopting transparency as a core tenet and maintaining open lines of communication, brands can effectively counteract and diminish the lasting effects of negative press.

However, merely being transparent is not enough. Fashion brands must continuously exhibit competence in their craft, benevolence in their dealings, and unwavering integrity in every decision [5]. This trinity of values resonates deeply with consumers, making them more forgiving during missteps and more loyal in the long run. By embedding these principles into their brand DNA, fashion retailers can deflect short-lived crises and cultivate a loyal customer base that believes in their ethos, ensuring sustainable success in an ever-evolving market.

### 4.3. Align Strategies with Consumer Values

The modern consumer landscape demands authenticity and alignment with core values more than ever. Building on Rather, R.A.'s findings, crises like COVID-19 have heightened these expectations, while warnings against "greenwashing" by Amed & Berg emphasize the risks of insincerity [10,11].

Fashion brands must prioritize genuine narratives over mere marketing slogans. Social media is instrumental in fostering customer brand engagement [11]. But its true potency lies in conveying genuine brand stories anchored in sustainability and ethical actions. In our digital age, any discrepancy between claims and reality can erode trust rapidly.

Addressing the pandemic-induced perceptions of risk and fear is essential. Beyond reactive measures, brands should highlight their intrinsic commitment to consumer well-being, focusing on safety and health. Brands can form enduring bonds by genuinely reflecting consumer values in their strategies.

Embracing technological innovations, especially those that reduce pandemic-related risks, showcases a brand's adaptability and alignment with modern consumer needs. For instance, innovations like touchless interactions or virtual fitting rooms address safety and underline a brand's forward-thinking approach.

#### 4.4. Implement proactive monitoring and engagement systems

In today's digital era, where online narratives can swiftly influence brand images, proactive monitoring is vital for fashion retailers. As van Noort & Willemsen emphasized, active webcare isn't optional but essential. Instead of reacting to emerging crises or negative feedback, brands should harness advanced monitoring tools [10]. These tools scan for early signs of issues and gauge broader consumer feelings, helping brands preempt and address concerns.

But it's not just about monitoring. Authentic engagement is key. Brands should cultivate a two-way dialogue with consumers, building trust, addressing misconceptions, and showcasing their responsiveness. This engagement, rooted in genuine care, personalizes the brand experience, ensuring consumers feel valued and heard.

By actively listening and genuinely interacting, fashion retailers can navigate the digital landscape more effectively, preventing potential crises and fortifying their relationships with consumers.

#### 4.5. Continuous learning and adaptation

In the ever-evolving fashion industry, brands must be nimble and responsive. Trump's research emphasizes the need for a tailored approach to crises rather than relying solely on a standard playbook [12]. Hence, continuous learning and adaptation are crucial.

Fashion brands must institute strong feedback loops, capturing insights from both significant disruptions and minor setbacks. This ensures they can identify vulnerabilities in their strategies and fortify their approach. Given today's digital interconnectedness, real-time consumer feedback provides a wealth of information. Listening to these consumer voices allows brands to discern what resonates, what misses the mark, and areas of potential innovation.

Moreover, aligning with Trump's insights, flexibility in strategy is essential [12]. Brands must be prepared to adapt, ensuring their responses fit the specific nuances of each situation.

In light of the aforementioned problems, it's evident that the U.S. fashion retail sector needs a revamp in its approach to crisis management. By transitioning to more comprehensive, long-term, consumer-aligned, proactive, and adaptive strategies, brands can better navigate the tumultuous business environment. Regular monitoring, genuine engagement, and continuous learning will be the pillars supporting this new approach. Embracing these solutions is expected to help fashion retailers enhance their resilience and relationship with stakeholders.

### 5. Conclusion

#### 5.1. Summary of Key Findings

The U.S. fashion retail sector currently exhibits fragmented and often reactionary crisis management approaches, failing to address the multifaceted challenges the industry faces adequately. Current strategies primarily focus on quick fixes, prioritizing reputation management and damage control over comprehensive, long-term solutions. Several core problems emerge, including a lack of integrated strategy, a predominantly short-term focus, misalignment with consumer priorities, an absence of proactive measures for emerging crises, and a consistent failure to learn from past mistakes.

To remedy these issues, several recommendations have been put forward:

1. Adopting a holistic and integrated crisis management strategy aligns with a brand's foundational values.
2. A transition from short-term damage control to fostering long-term resilience and focusing on trust-building through transparency, competence, and integrity.
3. Aligning brand narratives and actions with genuine consumer values reflects authenticity and commitment.
4. Proactively monitoring and engaging in the digital space to preempt potential issues and strengthen brand-consumer relationships.

5. Emphasizing continuous learning and flexibility in strategy to ensure brands remain nimble and adaptable in the face of evolving challenges.

## 5.2. Research significance

This research presents significant business value by highlighting the inadequacies in the current crisis management strategies within the U.S. fashion retail sector. In an era where brand image and consumer trust are paramount, the potential consequences of not addressing these inadequacies are detrimental to brand equity and bottom lines. The proposed suggestions are anticipated to enhance resilience in navigating crises, bolstering brand reputation, and cultivating long-lasting trust among stakeholders. This would, in turn, lead to increased consumer loyalty, positioning brands for sustainable success in the volatile fashion market.

## 5.3. Limitations and future directions

While this study provides a comprehensive overview of the crisis management challenges and offers concrete suggestions for the U.S. fashion retail sector, it is not without limitations. Primarily, it heavily relies on secondary data, potentially overlooking some brand-specific strategies in the vast U.S. fashion retail sector. Moreover, not every strategy may fit every brand due to differences in size, market, and demographics.

Future research can focus on primary data collection, like interviews with industry experts, to delve deeper into crisis management nuances. Exploring tech innovations for crisis management and understanding consumer trust in the fashion sector are also significant areas. Besides, A comparison of global crisis management tactics in fashion would be beneficial.

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