

# Alert

## IP - Review

### Covid-19 and the Fashion Industry: what is the impact of the virus (especially) on the fashion, luxury and apparel sector in Italy?

I do not want to follow a purely legal approach, but I'd rather give a short overview of what kind of consequences the spread of the pandemic brought to the fashion sector (and not only) in our country. I will terminate my intervention with an optimistic view, trying to anticipate the trends of the future.

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The lockdown (from March 9th until hopefully May 3rd, 2020) imposed the closing of many activities including fashion shops. Amongst the others, the consequences on the industries and the consumers are the following:

- a) stop of sale and purchase activities in the traditional shops;
- b) increase of on line sales and advertising (according to the last figures TIK TOK overtook INSTAGRAM);
- c) general cut of the consumptions;
- d) general decrease of production;
- e) postponement/cancellation of fairs, events and exhibitions;
- f) donations to hospitals and the entire community by the fashion industries. This has amplified and strengthened their reputation and image.

**THE LEGAL AND JURIDICAL CONSEQUENCES OF THE ABOVE FACTUAL CIRCUMSTANCES ARE MAINLY THE FOLLOWING:**

- **re-negotiation** of the renting fees for shops and showrooms, between tenants and landlords, on the basis of contractual clauses, such as the one of force majeure;
- the impossibility to fulfil the contracts due to the lockdown and the stop to the production based on force majeure can be demonstrated and certified by the apparel and accessories manufactures to the foreign clients thanks to the assistance of the Italian Chambers of Commerce, which can release a "**force majeure certificate**";
- **conversion** of manufacture activity from purely apparel products to protective equipment and devices such as masks, scrubs and lab coats (Zegna and Armani as well as many other small factories in Italy followed this path). In this respect it is worth mentioning that the government rendered it easier to obtain the certification for the sale of said protective products;
- **employment measures**: many fashion companies (as well the industries of other sectors), imposed their employees to take their annual leave (holidays) and/or imposed smart working to all the employees who are able to work from remote. (according to the statistics, the phenomenon of smart working caused also an increase of 26% of hackers' activities attacking the servers of the companies not only in the fashion sector);

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- the majority of the companies made use of the temporary **layoff** made available by the State in addition or in alternative to the holidays and the smart working;
- the lack of demand and the lowering of the production will probably determine the **closing** of many factories, the start of **insolvency procedures** and a raising of the **unemployment** with the consequent application of other social **safety nets** by the State;
- the government has allocated **funds** to realize an advertising campaign in order to promote the Italian export, through the Italian Foreign Commerce Agency (ICE);
- **urgent fiscal Measures** issued by the government concerning the possibility of deducting the renting fees paid in the months of March and April 2020 from the taxes up to a 60% of the amount paid;
- possibility of **lending money** at a low interest rate, with the guarantee of the State;
- for what concerns civil **judicial litigations**, Italy has frozen all the terms until May 11th. The same applies to all the administrative procedures in front of the Italian **Trademark and Patent Office**;

**FINALLY I WOULD LIKE TO HIGHLIGHT SOME POSSIBLE TRENDS FOR THE FUTURE (BLOWING AN OPTIMISTIC BREEZE OVER THIS CATASTROPHE).**

- 1) **Quiet Brands**: it is possible to forecast an inclination by the public to prefer “quiet brands” that will reinforce core values such as quality and legitimacy.
- 2) **Revenge spending/shopping therapy**: in certain countries where the lock down has been terminated, we have already witnessed a shopping “revenge attitude” by the side of the consumers, as a reaction to all the limitations born in the last period. This might be a trend, however, the negative economic impact due to the crisis, will probably drive the majority of the consumer to choose low cost products.
- 3) **Hedonism**: we can expect luxury and fashion consumers to focus on self-indulgence products and services direct to satisfy more personal needs, especially in the fields of beauty, wellness and sports.
- 4) **Online**: the lock down boosted all online services, including e-commerce and digital marketing as people have been recently forced to live even more in a digital world. Fashion industries will certainly be able to surf this wave.
- 5) **Sustainability**: the Covid-19 forced all consumer to deeply think about our planet, our future as human beings and the way to preserve them. Sustainability is therefore a tool and an aim at the same time, a path which has already been opened in the recent past and that will be followed by an increasing number of consumers and companies.

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**This newsletter is for the sole purpose of providing updates and general information. It is not intended to convey or constitute a legal opinion, nor it can be considered in any way as a substitute for specific legal advice.**

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