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From Runway to No Way: COVID-19's Impact on the Fashion Industry

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COVID-19 has impacted every element of our lives. Grocery shopping, chatting with friends, and going to work have either become a virtual experience or an opportunity to mask up and brave the world. This pandemic has also greatly affected the fashion industry. Despite the athleisure market boom,¹ there are some apparel companies facing economic unrest. Major retailers including J.Crew, Neiman Marcus, JCPenney, and Stein Mart have filed for Chapter 11 bankruptcy.² In fact, approximately 25 “retailers, big and small, have filed for Chapter 11 protection this year, far exceeding the number for all of last year.”³ Chapter 11 bankruptcy permits a business organization to devise a plan for the reorganization of its financial situation.⁴ Each company creates a strategy that will benefit them and satisfy their creditors. This reorganization plan is approved or denied by the court.⁵

J.Crew and its sister store, Madewell, have been experiencing financial hardship since the start of the pandemic. J.Crew is the mecca of all things blue and white striped, while Madewell is known for its casual and comfortable denim. In May of 2020, J.Crew filed for Chapter 11 bankruptcy. Their reorganization plan was approved, involving a combination of repaying secured

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¹ Catherine Salfino, *Why Growth in Athleisure Is the Pandemic's Silver Lining*, SOURCING JOURNAL (Aug. 13, 2020, 5:40 PM), <https://sourcingjournal.com/topics/lifestyle-monitor/coronavirus-athleisure-bcg-klaviyo-american-eagle-offline-aerie-npd-226232/>. Allied Market Research estimated the athleisure market will be valued at \$257.1 billion in 2026. This is an anticipated 6.7% annual growth rate from 2019.

² Lee Clifford, Phil Wahba & Fortune Editors, *A running list of companies that have filed for bankruptcy during the coronavirus pandemic*, FORTUNE (Aug. 12, 2020, 11:10 AM), <https://fortune.com/2020/08/04/companies-filing-bankruptcy-2020-due-to-covid-list-filed-chapter-11-coronavirus-pandemic/>

³ *Stein Mart to close hundreds of stores after going bankrupt*, CBS NEWS (Aug. 12, 2020, 4:54 PM), <https://www.cbsnews.com/news/stein-mart-bankruptcy-chapter-11/>.

⁴ JAMES BROOK, PROBLEMS AND CASES ON SECURED TRANSACTIONS, 5 (Erwin Chemerinsky et al. eds., 3rd ed. 2016).

⁵ *Id.*

debt and loans, accompanied by store closures.⁶ As many states enter less restrictive COVID phases, J.Crew will hopefully see more in-store shoppers, gearing them up for a successful holiday season.

On the other hand, Stein Mart filed for Chapter 11 bankruptcy later in the pandemic. Prior to filing, the store attempted to endure the virus through temporary closures and federal financial assistance.⁷ Even so, as of August, the discounted department store is planning to close “most, if not all, of its 280 stores.”⁸ Stein Mart is implementing a reorganization plan where they hope to get the best value through the liquidation of all of its assets.⁹ The CEO claims Stein Mart is not able to sustain business due COVID-19 and the struggling fashion industry.¹⁰ Despite the store closures, Stein Mart hopes to maintain its online presence, allowing bargain shoppers to stay up-to-date with the trends.

As we enter the seventh month of COVID-19, I aspire to casually walk through a mall, enjoying my favorite stores without worry of social distancing and the transmission of germs. Although online shopping has become a norm, it lacks the allure of feeling the fabrics, trying on new styles, and picking up impulse items at the checkout counter. With Chapter 11 bankruptcy significantly impacting the fashion industry, it is hard to imagine what the future will hold for many retailers and runways.

⁶ Jake Silbert, *J.Crew Expected to Escape Bankruptcy in September*, HYPEBEAST (Aug. 26, 2020) <https://hypebeast.com/2020/8/j-crew-group-inc-bankruptcy-chapter-11-september-equity>.

⁷ *Supra* note 3. Stein Mart benefited from the federal Paycheck Protection Program.

⁸ Tamara Lush, *Stein Mart files for bankruptcy; to close nearly 300 stores*, APNEWS (Aug. 12, 2020) <https://apnews.com/141e6fa97eec391e951af2456bab347b>.

⁹ Timothy Gibbons, *Stein Mart closing all stores, lays out liquidation plan*, PHOENIX BUSINESS JOURNAL (Aug. 13, 2020, 12:51 PM) <https://www.bizjournals.com/phoenix/news/2020/08/13/stein-mart-closing-all-stores.html>.

¹⁰ *Supra* note 8.