

`Marketing Strategy for H&M

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Executive Summary

Hennes &Mauritz (popularly called H&M) is a world-known fast fashion clothing brand that was founded in 1947 by Erling Persson in Sweden. The macro-environment analysis highlights that H&M deals in a competitive retail industry which comprises umpteen global MNC brands that have similar offerings for the customer as a result of which the brand faces higher buyer switching, the higher threat of new entrants, higher competitive rivalry and moderate to a higher threat of substitutes but since the production process and supply chain management of the brand is rather robust, it gives the brand strong leverage over suppliers. Likewise, the SWOT analysis conducted for the company potentially highlights areas where the company needs to focus essentially such as their rising inventories and inability to further capitalize the developed US markets. However, the brand is backed by strong factors such as healthy brand equity, a sound financial scorecard and a good network of retail outlets worldwide which allows it to explore and take further risks to foster growth and sustainability. The marketing mix analysis conducted for H&M shows their sound grip on the marketing aspects related to its product offerings which have been identified as per the segmentation and target marketing strategies as differentiated clothing for young individuals looking for affordably fashionable clothes that comply with contemporary trends. Moreover, the pricing strategy adopted by H&M sets it apart from its competitors and it is their affordable pricing concept that has helped them develop the positioning of "affordable retailers of trendy clothing" in the minds of the consumers. H&M's distribution strategy being B2C segment follows a one-way distribution channel and since they have a stronghold over their production units and supply chain, the brand can save significantly on lead-time and transportation cost. Likewise, the promotional strategies followed by H&M makes use of effective Integrated Marketing Communications employing efficient advertisement across all the identified medium ensuring the customers seek unified message most engagingly. The recommendations presented in the report are aimed at improving the existing marketing strategies of H&M and pertinently focus on the way of reducing the rising inventory issues and utilizing online sales channel in the light of the present pandemic crisis that can eventually help the brand sustain through the competing and harsh present-day environment.

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Introduction

In the world of fashionable apparel brands that have global presence and high-quality clothing, H&M certainly makes its mark (H&M Group 2021). Established in 1947 by Erling Persson in Sweden Hennes & Maurtitz (popularly known as H&M) is known for their inexpensive and fashionable clothing (H&M Group 2021). The brand initially started as a sole women clothing store but later on expanded the offerings to men's segment. Presently H&M is established as a global brand with more than 1300 stores across 24 countries with a formidable workforce of nearly 50000 employees. The purpose of this report is to discuss the marketing strategies of H&M (H&M Group 2021). The ensuing sections will provide analysis based on macro-environment factors which will inform to the strengths and opportunities of the company. Further sections will present the STP analysis followed by discussion of the present marketing mix of the company. Based on the present situation, recommendations will be provided that can be used by the company to improve on existing strategies leading to conclusion that summarize key findings of the report.

Discussion

Macro-environment Analysis

The external factors affecting the present position of H&M can be understood through Porter's Five Forces model which helps in assessing the market attractiveness of a firm in terms of its profitability (Helmold 2019).

Porter's Five Forces Model

Forces	Level	Rationale
Bargaining Power of the Buyers	High	The bargaining power of the buyers is very high in the case of H&M because the company deals in a highly competitive retail garments segment where there are several options of brands available at the customer's disposal (Nguyen 2020). Therefore, the customer can choose to associate with any brand that provides them a better offer to their liking and thus H&M has to rely heavily on their quality of products and pricing backed by promotions to attempt retaining their buyers (Nguyen 2020).
Bargaining Power of the Suppliers	Low	Contrary to bargaining power of buyers, H&M holds a leverage over its suppliers because the company collaborates with several vendors to procure raw materials at competitive rates and can easily switch

between the suppliers that offer high quality materials at lower prices to the company (H&M Group 2020). Additionally, the advent of globalization has led to access of many competitive markets such as India and China and the brand's trade and export policies help in taking the support of cheaper supply of raw materials from such countries (H&M Group 2020).

Threat of Substitutes

Medium to high

Apparels don't have direct substitutes. However, the threat of substitution can be considered for brand per say. That is, if H&M brand is not available then the buyers would not have much of a problem because there are other companies available to substitute H&M's offerings equivalently (Done Good 2019).

Threat of New Entrants

High

The threat for new entrants is high in the case of H&M because of the nature of the brand deals in Apparels and accessories which are abundantly available across the world (H&M Group 2020). Entering the apparel industry across any region in any country is relatively easy and does not require much investment. Additionally, new brands are seeming to incorporate sustainable fashion which makes use of eco-friendly products and that is a concept fast catching up with several consumers across the globe (Done Good 2019). Therefore, it can be concluded that threat of new entrants that might not be established brands and yet provide value for money is certainly a cause of concern for H&M

Competitive Rivalry

High

H&M operates in a highly competitive market surrounded by umpteen global and local brands that offer similar apparels to a similar target audience. As such the competitive rivalry between the firms is very high and the companies are constantly working to outdo the other either through promotional tactics of value offerings (Nguyen 2020). This implies that H&M operates in a sensitive environment and has to constantly keep a track of its activities against those of the competing firms to

adequately sustain and maintain their brand equity in the marketplace.

SWOT Analysis

The internal factor affecting the situation at H&M can be understood through a SWOT analysis that will help in formulating the key aspects of the strategic plan for any business. These are characterized as strengths and weakness which are internal factors affecting the business and opportunities and threats which are external factors affecting the business (Gurel and Tat 2017).

<p>STRENGTHS</p> <ul style="list-style-type: none"> • H&M is a global well-recognized brand with strong value proposition of providing affordable and fashionable clothes (McKinsey & Company 2020) • Sound financial scorecard. According to H&M Group (2020) the company reported net profit of EUD1.87 million which although was lesser than its previous year's financials yet the industry analysts have considered the performance as acceptable. • Global presence across different countries with multiple stores and both e-commerce support which allows the customers to purchase the brands both physically and through online retail (H&M Group 2021). • Affordability. The brand is known for providing apparels and other offerings at the most affordable prices that lets the consumer enjoy the feel of a premium brand at a reasonable price. This factor has consistently marked as a distinguishing factor and strongly contributed in brand's favor against its peers (H&M Group 2021). 	<p>WEAKNESS</p> <ul style="list-style-type: none"> • Prone to imitability and replication in designs that have led to impact on customer associations in the last few years. • Since the company essentially deals in fast fashion it implies that the brand has to continuously keep adapting to trends. This results in surge in unsold inventory which leads to increase in non-operational cost for the company • H&M is a trend follower instead of trend creator. Over the time survey analysis have shown that the demand for H&M clothing has seen a decline because the company does not have anything "unique" to offer against competing brands. • Inability to capitalize developed markets like the US where the brand has exhausted its potential and has even shut down several of its stores because of falling revenues in the country (Danziger 2018).
<p>OPPORTUNITIES</p>	<p>THREATS</p>

<ul style="list-style-type: none"> • Producing sustainable clothing. The contemporary environment is heavily advocating the need for sustainable and eco-friendly clothing options which H&M can explore and turn the cause in their brand's favor. • Exploring opportunities for e-commerce in developing Asian and European countries. • Growing purchasing power of the consumers in target countries can help the brand in experimenting with pricing options on a slightly upper side. 	<ul style="list-style-type: none"> • Pressure on maintaining retail stores during the pandemic is a huge threat on existing revenues of the company • Emerging brands and existing brands competing to provide sustainable clothing pose intense competing threat to the brand.
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STP Analysis

This section provides the STP analysis for H&M which is a key marketing tool that helps in identifying precisely which segments are targeted by the brand.

Segmentation

According to Kotler and Keller (2012) since business cannot cater to all the customers therefore, they choose the ones that most suit their requirements. Market segmentation allows a business to divide the market into different categories (segments) where segments contain a group of customers who share a similar set of needs and wants. Thus, marketer identifies the appropriate segments that suit the business in the best interest and attack those target markets (Kotler and Keller 2012).

For H&M the segmentation has been done in the following manner

Geographic Segmentation (Segmentation by regions)	H&M segments its target customers on the basis of different regions and is available across 73 countries most of which are emerging and developed nations.
Demographic Segmentation	H&M segments its offerings on demographic variables such as Gender: Available for Men and Women Age: Preferably young consumers up to 40 years Income: having a reasonable propensity to spend

Psychographic Segmentation

H&M segments its offerings on psychographic variables such as

Individuals looking for vibrant clothing

Individuals looking for affordable high-quality clothing

Individuals who are image conscious

Individuals who are likers for trend and fast fashion

Targeting

Targeting follows the process of segmentation wherein the marketers contemplate amongst identified segments to choose those that posit the best opportunities which is termed as target markets (Kotler and Keller 2012). Target markets are identified customer profile which have specific traits that would most likely choose the proposed product/service.

In the case of H&M the target market is identified as young vibrant working individuals who are looking for trendy and fashionable clothing at affordable brands. Specifically, H&M follows differentiated target strategies that allow the company to produce product for a identified segments that have the most potential value (Kotler, Kartajaya and Setiawan 2018). H&M creates clothing for majorly young women looking for affordable fashionable clothing and have been able to churn the maximum revenue in this particular segment.

Positioning

Positioning is defined value that the marketer wants to build in the minds of the consumer for their product or service offerings (Kotler and Keller 2012). For H&M the positioning statement is defined as follows:

H&M provides low-cost high-quality trendy designed fashionable clothing for those seeking fast fashion clothes.

Overall STP analysis for H&M indicates that the brand typically targets women consumers who are looking to buy fashionable clothing at affordable prices. The key aspect of segmenting indicates that H&M relies heavily on Geographic and psychographic segmenting strategy which indicates that the primary locations where the brand has been gaining success is Asian and European countries (refer Appendix – I). Likewise, the global positioning strategy of H&M positions it as a affordable and fashionable brand. According to McKinsey & Co (2020) report, H&M is one of the most sought after “less-expensive” retailers ascertained by consumers of Russia where the market is being increasingly captured by the brand.

Marketing Mix Analysis

<p>PRODUCT</p>	<p>Product mix refers to the goods and services that are offered by a company to its customers (Kotler and Keller 2016). H&M offers clothes for women, men and children. It has a wide variety of clothes ranging from designer collaborations to everyday basics and casual wear. The brand also deals in accessories, shoes, bags and beauty products (H&M Group 2020a).</p> <p>H&M provides quality products to its customers. Quality here also relates to the method of manufacturing and its degree of environmental sustainability. It consciously maintains transparency about the method and place of manufacturing of all its products in its effort to continuously improve the sustainability of its products. One of the distinguishing features of H&M is that it strives to make its customers environmentally conscious by making them aware of the product life cycle. It shares fashion recycling information of its products and every H&M store across the globe has H&M garment collection box where people can drop off their textiles of any brand and in any condition and, they get a reward voucher against their contribution. This is an interesting strategy that gives H&M a competitive advantage over the other brands (H&M Group 2018).</p>
<p>PRICE</p>	<p>Price mix refers to the money that a customer pays for the product or service. H&M follows value-based pricing strategy (Kotler and Keller 2016). For this H&M outsources its production to countries where the labor cost is cheap and the cost of production can be minimized. Along with this H&M follows a strict cost control plan. H&M focuses on studying the customer demands and prepares bulk stock in advance, this reduces the lead time and helps in placing order for raw material at right time and at economical prices. Since H&M deals in fast fashion clothing it produces both in bulk which gives the company the advantage of economies of scale and reduces the cost of production, hence the affordable pricing strategy can be achieved (Damnjanovic 2014).</p>
<p>PLACE</p>	<p>Place mix is the part of marketing mix which deals with how the marketer decides to define the channel through which the product or service should reach the consumer (Kotler and Keller 2016). As part of its distribution strategy, H&M offers its products through physical stores and online channels. H&M is a retail chain and caters in a B2C (Business to Customer) offering where the products reach the consumers through one-level channel. One-way channel of distribution implies that producer manufactures the product and sells to retailers who then sell it ahead to the consumers (Kotler and Keller 2016). H&M has collaboration with 800 global suppliers who are responsible for producing the products for the company. The</p>

production facilities of H&M are located in select Asian and European countries and the brand procures produced clothes and supplies it to its retail outlets which are responsible to cater the consumers (H&M Group 2020b). Likewise, the brand has adopted online distribution strategy wherein the products are available through company owned website and third-party regional online channels. This is handled by integrating the supply chain logistics with company owned warehouses which are strategically located near the regional manufacturing facilities which reduces lead time and transportation costs (H&M Group 2014). These warehouses are able to cover the online sales demand for the respective regions and thus help the brand in reaching out to their target customers effectively. The brand has since 2013 maintained an open policy of disclosing their suppliers and partners which is an extensive display of their robust supply chain (H&M Group 2014). A recent report by Friedman (2020) has validated that H&M is keeping more focus on their online distribution strategies in the ongoing pandemic crisis. As such, the company has planned to shut down nearly 250 global stores and amp up their online distribution channel to cater the needs of the contemporary consumer who is more inclined to make online purchase of the products than physical store access.

PROMOTION

Promotion mix is the key element of the marketing mix that allows the marketer to showcase their product or services to the target audience through different means and channels (Kotler and Keller 2016). H&M has been successfully utilizing integrated marketing communications strategy for promoting their products and offerings to their target audience worldwide. Integrated Marketing Communications allows the marketer to promote their products and send same message across all the defined promotion channels to ensure that a unified message is received to all the consumers across all the channels. Over the years, H&M has been using the following promotion channels as part of their IMC strategy:

Billboard Advertising: This is one of the most fundamental form of advertising that the brand has relied upon to create a visual impact on its target audience in key markets. H&M has been known to utilize Billboard advertising especially in countries like USA taking a feature in the famous Times Square New York that is known to be the hub of marketer's paradise (Refer Appendix-II). Billboard advertising has been effective in gaining customer attention and setting the brand in parallel with competing brands like Zara and GAP who use similar strategy to gain consumer traction (BL Lighting n.d.).

Television Commercial: Another important traditional media marketing strategy followed by H&M is launching Television commercials that are differently developed for all its target regions. The Television commercials feature a mix of models and celebrities that help the brand gain recognition and allow them to advertise their vibrant offerings and sale offers to a large audience.

Mobile Marketing: Mobile marketing has been one of the key promotional tools that has brought H&M immense success since 2006. The brand has collaboration with Mobiento a mobile marketing agency that uses MADS' technology platforms and has been well-known to partner with brands like British Airways and automaker Mini and Minicooper. Mobiento has helped H&M tap into their existing consumer base by allowing them to sign up on the stores and receive alerts and sales offers including exciting promotions and discounts through SMS coupons (Industry Dive 2021). The customers need to retain the mobile messages and present them at the store during the time of purchase to avail them. This strategy has been extremely beneficial in helping the brand increase customer footfall especially during festive, holiday and sales season and is a reliable marketing tool for the brand till date.

DIGITAL PROMOTIONS

The brand has been using online platforms to promote their offerings in the form of Website Advertising, Social Media Marketing (Facebook, Instagram, YouTube), H&M Blogs, Internet Banner Advertising, Third-party Promotions and Influencer Marketing (H&M Group 2021)

Recommendations

To further improve on their existing marketing strategies H&M is suggested to consider the following:

Focus on quicker disposal of inventories – As discussed and highlighted that the brand has faced a perpetual challenge of rising inventories that have eventually affected the customer satisfaction as well. It is therefore suggested that the brand considers quicker disposal of the rising inventory of clothing. Instead of eventual dumping of clothes that go off-trend, the brand can consider providing the clothes to local audience through social media influencers as part of free giveaways as part of their promotional strategies that aim to associate new customers. The brand can collaborate with social media influencers and announce such giveaways as part of interesting online contests. This will result in the following benefits:

- The inventory is disposed off quickly
- The new customers feel positive about the brand

- H&M gets a strong brand association as the new customers would feel valued and want to purchase with the brand in future

Improvement in existing online sales strategy – This suggestion comes especially keeping in mind the ongoing pandemic crisis which has made online sales an imperative resort for most of the brands. H&M may consider shutting down non-key stores across the globe and use the proceeds in strengthening their online sales distribution channel in an attempt to sustain the revenue streams in the trying market conditions.

Focus on expanding the distribution channels – This suggestion comes in extension of the previous suggestion wherein the brand is suggested to introduce distribution warehouses near their manufacturing facilities so that the purchase and delivery times can be effectively reduced and the brand is able to compete above its competitors and add faster delivery as a differentiating factor among existing offerings.

Conclusion

In the contemporary world of changing trends and fast fashion, H&M has a global prominence. The brand has effectively positioned itself as affordable fashion clothes among the target audience of young consumers looking for trendy and fashionable clothing. However, the macro-environment factors such as threat of competing firms, and exhausting their performance in developed markets does pose some limitations along its progress. It is also noteworthy to mention that H&M's inculcation of sustainable fast fashion clothing is being increasingly recognized and the suggestions to focus on strengthening their existing online sales and distribution channels can eventually help the brand in building and enhancing its present marketing mix.

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Appendices
