

Investigation of handm



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Introduction

This report is focused on the investigation of H&M, one of the leading fashion and clothing brand in Sweden. If an industry has decided to conquer the other market, there are many choices that will be opened. These options may include the cost, risk and the degree of control that the company will encounter. In entering an international business, it is important that the management H&M should be able to choose a marketing entry strategy and carefully choose the product that the company will market. Since H&M wants to be known in global market, there are many other strategies to choose from like global, transnational, international and multidomestic strategies. And because of the business status and appealing strategy such as brand and branding of H&M, the company are becoming known for their global consumer.

Since, fashion has invading people style of living the product that has been chosen to go international market is the fashion cosmetics such as clothes, denims and other beauty cosmetics. Hence, this paper provides a brand and branding strategy for the clothing company. The company is a well-known brand of fashion and clothing-H&M.

Company Background

It is now a widely held view that the world economy has entered a much more complex phase where individual national economies have become inextricably linked. In this new world economy, resources and markets have ceased to have the indelible national identity of the past (Jones, 2002).

Restricted resources and markets that were once legally isolated have become much more accessible to enterprises that have acquired a global

strategic vision. To the more visionary global enterprises, the world is but a borderless environment with homogeneous consumers who have developed an unforgiving taste for the most sophisticated and high-quality products. In response to the needs of these global consumers, the enterprises have developed global products. How such homogenised consumers are served, however, is a question of the strategic orientation of the enterprises and their ability to exploit the ever-evolving global economic environment (Jones, 2002). With this regard, H&M, a company in Sweden engaged in clothing and a leader in fashion business shows significant impact to their consumers in accordance to their brand and branding strategies.

As stated in the company website, H&M AB (originally known as Hennes & Mauritz), is a Swedish clothing company, known for their inexpensive and fashionable clothing offerings. It was established in Västerås in Sweden in 1947 by Erling Persson, though at the time it only sold women's clothing and was called Hennes, Swedish for "hers." In 1968, Persson acquired the premises and inventory of a Stockholm hunting equipment store named Mauritz Widforss. Included in the inventory was a supply of men's clothing, prompting Persson to expand into menswear. Accordingly, he renamed the store Hennes & Mauritz, later abbreviated to H&M (H&M, 2009).

H&M is considered as one of the world's favourite and preferred designer of apparels and clothing for man and women. In addition, H&M is also known not only for their fashion cosmetic but because of the quality of the clothes designed durability and the funkiness of its clothes. Through the online stores, H&M provides the US, UK and European Market exclusive clothing designs. The main goal of this company is to provide innovative designs of

apparels and clothes for different types of people in different countries all over the world. The company has been known because of its strategy of providing clothing designs exclusively for each country's preferences and needs.

Aim and Objectives

H&M is considered as one of the world's favourite and preferred designer of apparels and clothing for man and women. In addition, H&M is also known not only for their fashion but because of the quality of the clothes designed durability and the funkiness of its clothes (H&M, 2009). The H&M mission, "Fashion and Quality at its best price". In addition, their handbags, shoes and accessories are also creating big sales and positive reactions from consumers. Through the online stores, H&M provides the US, UK European Market and Asian Market exclusive clothing and even handbag designs. H&M also offers perfumes and watches. The main aim of this company is to provide fast fashion goods (haute couture, ready-to-wear, handbags, perfumery, and cosmetics among others) in different countries all over the world (H&M, 2009). The company has been known because of its strategy of providing fashion designs exclusively for each country's preferences and needs which was positively accepted and loved by consumers. With this, the main aim of this paper is to evaluate the current brand management strategy of H&M. In addition, this paper also considers the following objectives i. e. to explain the basis on which the brand is to be valued, justify H&M's brand decisions and demonstrate the role of marketing mix in supporting their development proposals.

H&M Brand and Branding

Branding is perhaps the “ hottest” of contemporary marketing strategies. Branding involves the building, maintenance, enhancement, and exploitation of brand equity, which has been defined as the “ value a brand name adds to a product” (Broniarczyk & Alba, 1994, p. 214). The fundamental concept is that a recognizable brand will more easily attract and retain customers than an unrecognizable one. A strong brand is said to enhance “ the value of a product beyond its functional value” (Cobb-Walgren, Ruble, & Donthu, 1995, p. 25), and serve “ as a powerful heuristic cue for evaluation and choice decisions” (Park, Jun, & Shocker, 1996, p. 453). That value accrues both to existing products or services and to brand extensions, whereby a strong brand is leveraged to introduce new products.

Currently, H&M was glorified in Sweden with great labour and sufficient fabric suppliers and garment manufactories. And for its venture in Vietnam, low cost labour can be possible in competitive value which could cut down H&M’s production cost. Sufficient suppliers could provide H&M with bargain and various fabrics while manufactories could assure of lead-time. Owing to different figure and weather, H&M needs to modify the pattern for Asian markets and innovate lightweight and washable clothes for Asian weather.

Aside from the said factors such as innovativeness, quality of products, human resources, production cost and other, the issue of brand and branding are vital for H&M development. Actually, brands enable consumers to easily distinguish one product to another. Aside from this, the H&M brand logo enables the company and the owner of the brand name to enjoy the goodwill associated with the name so as not to be taken advantage by

others. Moreover, it enables H&M to communicate the benefits of the product vis-à-vis competition. Actually, the creation of H&M as brandname follows several requirements. In creating a brand name and as seen in the success of H&M, a certain name should be distinctive, has a pleasant meaning, can follow legal requirements, easy to remember by its consumers, and easy to pronounce (Crystal, 2000).

In addition, developing and managing a brand image is an important part of a firm's marketing program (Roth, 1992). Both advertising practitioners (Ogilvy, 1963) and marketing researchers (Gardner & Levy 1955) have long advocated the use of a clearly defined brand image as a basis for market success. A well-communicated brand image enables consumers to identify the needs satisfied by the brand (Park, Jaworski & MacInnis 1986) and thereby differentiate the brand from its competitors. In fact, developing a brand image strategy has been prescribed as the first and most vital step in positioning a brand in the marketplace (Park, Jaworski & MacInnis 1986). As a long-term strategy, a consistent and effective brand image helps build and maintain brand equity. In addition, brand images can provide a foundation for extending existing brands (Park, Milberg & Lawson 1991).

Consequently, the creation of Product Brands that as well as consumer perception promotes product differentiates or product advantages. Thus, marketing professionals and organizations focuses on branding by positioning their Product Brands into the consumers.

On the other hand, more businesses are considering the importance of building and managing brand names because of the intense competition

within the globalized economy, emerging trends in marketing, brand extension, acquisitions, and many other activities that cause confusions in the business (Laforet & Saunders, 1999). Consequently according to Balmer & Wilson (1998), researchers in marketing, public relations, and corporate communications are concerned with corporate identity management and the benefits branding bring to the business.

Analysis and Evaluation

Brand Strategy

From the start of operation, H&M have earned a lot of compliments in both quality of products and its presentation, stylish atmosphere and the warm and friendly services. To be known in the market place, the brand H&M was distributed directly to its clients and consumers. And to be known internationally, one of the strategies that H&M utilise was joint venture with distinguished distributor of apparels, clothes and cosmetics, providing them with great offers.

Actually, in 2003, H&M announced its entry into the traditionally exclusive Milan fashion scene. Initial analysts declared that the high-fashion Italian market would be extremely resistant to the entry of this low-end competitor. It remains to be seen if H&M and other low-end retailers will be able to find a market there. In February 2004, The Gap, another prominent international retailer, sold off all of its German outlets to its competitor, H&M (H&M, 2009).

H&M is co-operating with Stella McCartney and introduced a line by her in the autumn of 2005. The planned face for this campaign was British model Kate Moss. On 20 September 2005, H&M announced they have dropped Moss for the advertising campaign of their autumn clothes range, stating <https://assignbuster.com/investigation-of-hm/>

that her image was “ inconsistent with H&M’s clear dissociation of drugs” in light of recent drug allegations. The contract was reportedly worth £4 million a year. Singer and model Tamyra Gray was featured in a short film and promotion campaign for the new denim jeans for women as well (H&M, 2009).

H&M launched its first American outlet on March 31, 2000 on New York’s famous Fifth Avenue. Following the success of that flagship, additional outlets were opened in the SoHo, Gramercy, and Herald Square areas of Manhattan, followed by outlets in Upstate New York in Syracuse, Utica, and West Nyack. The brand then expanded to other regions of the country, including Chicago and its outlying suburbs.

The first two H&M stores to appear on the West Coast of the US opened in San Francisco, California on November 19th, 2005. One store is located at 150 Post Street (next to Brooks Brothers), and the other store–H&M’s bigger West Coast flagship–is located at 150 Powell Street.

H&M opened its first Canadian store in Fairview Mall in Toronto and soon after, its flagship store in Toronto’s Eaton Centre in March 2004. Following great financial success, H&M opened ten other stores within the Greater Toronto Area. Certainly, expansion into Western Canada started in 2007, continuing into 2008 through 2010 (H&M, 2009).

As stated by Bennett (1998), when a company like H&M enters a foreign market, it needs to consider carefully all the available options, the costs, the distance, firm experience and size, possible loss of control and the risks involved. Furthermore, the market entry strategies chosen have to relate to <https://assignbuster.com/investigation-of-hm/>

the company's overall strategies. The methods for entering oversea markets are Bennett (1998):

- Exporting- is the marketing and direct sale of domestically produced goods in another country.
- Join venture- is a collaborative arrangement between unrelated parties which exchange or combine various resources while remaining separate and independent legal entities.
- Licensing/Franchising- consents a company in the target market to use the property of the licensor such like trademarks and patents.
- Direct investment- is the direct ownership of facilities in the target market.

For expansion in the global market, there are instances in which H&M faces strict restrictions on the location and number of outlets they could open. With this, H&M develop great branding strategy to enter the foreign market. As reported, during the time of the IPO in 1974, H&M was only present in Sweden, Norway and Denmark but in 1976 the company started to enter non-Nordic region, and currently H&M had more than 1, 500 stores from 28 countries (see Figure 1).

As reported in the company website, H&M are developing great branding strategy known as the COS (H&M COS, 2009). COS refers to Collection of Style, a fashion concept started by H&M with a fashion show at the Royal Academy of Arts in London and the opening of a signature COS store on Regent Street , 2007 (H&M COS, 2009).

Brand Confusion and Value

With regards to the current brand status of H&M, imitators are also becoming prominent. They tend to confuse consumers by developing H&M logo-like. Despite of this threat, the company H&M are not just simply ignoring this but instead they are making sure that their product is of best quality and trendy (H&M COS, 2009). H&M understands that their products can be copied by competitors but their brand cannot. In addition, the successful branding of H&M provides a competitive advantage for them that cannot be easily matched by competitors because H&M penetrate not only the consumer mind but also the consumer's feelings eliciting the positive attitude of the consumers towards the brand. With this, the brand value of H&M shows great ties with their consumers (H&M COS, 2009). H&M has the power to combine brand value in terms of creating and building sectors in signifying reality in becoming one of Sweden's successful fashion and clothing industry and a better strategy cycle is visible in opening up useful opportunities for growth in Sweden fashion and the added potentials in developing and expanding globally. Actually, the customers view H&M as prestigious, exiting, chic and relaxing because of the overall business value that it evokes. The design of each fashion house and products has its own unique personality that gives every H&M's products a bit of spice. The quality of products and its values adds to the personality of the H&M. One of the competitive advantages of H&M is its being distinctive. It stands out among its competitor in Sweden. H&M achieved distinctiveness by creating a more vivid set of brand associations with the customers. The brand values of H&M are expressive values that say less about the product and more about

the customer. The brand values of H&M reflect and enhance the customer's sense of him/herself by providing a key source of brand differentiation.

Brand Equality Management

In terms of the right of ownership linked to the brand, the company H&M, which is privately owned, strictly controls all design, manufacturing, distribution, and advertising to ensure the highest level of quality (H&M, 2009). And from this, H&M still use the so-called Centralization process as part of their ventures in global market. H&M's competitive advantage in the textile and fashion industry is mainly their admirable portfolio of references (H&M, 2009). With their years of experience and dominance in the market in providing fashioned textile and silk products, they have gained a long list of loyal clients who have impressive business backgrounds by themselves. This promotes the brand image and value chain of H&M to potential customers as one of trustworthiness and quality. If such companies in H&M's references were deeply satisfied with the products and services that H&M provides, larger chances of attracting possible additional clients in their already long list are sizeable.

Since the company are offering consumer products such as handbags, clothes, fashion accessories, etc., then H&M are using the pull strategy whereas mass media advertising are used in global market. In addition, H&M are also using the International Structure for its product structure to maintain the value of product in International market. For H&M, it is evident that the size of their market share against their competitor is of advantage because they are positioned in the low-priced, contemporary market segment (see figure 2), targeted at the modern urban consumer. Here, H&M

provides its target consumers for its product. In addition, issues pertaining to customers' loyalties, habits and self-concept are also evaluated. H&M considers that social class that describes how individuals want met their comfort and satisfaction, what they consider important about the brand, their opinions on various issues, and their interests. As reported, the company's target markets are stable. As for the price margin, H&M are pricing their products competitively. The price of each product depends on the type and raw materials used for the products. However, H&M are using the so-called Multipoint Pricing whereas H&M's pricing strategy may affect the rival's pricing strategy in another market. The prices would be in par with those existing luxury stores, with the business relying on the store ambience and quality of service/products. Using all the available information in this report, the pricing objective of H&M would be to offer the best-fashionable products. With that in mind, the pricing strategy included the cost of providing fashionable products to the customer (electricity costs, labour costs, raw materials cost, etc.). The management team believes that H&M products have unique and defensible attributes which could support a high price.

Brand Equity

H&M focuses on consumer-based brand equity. H&M developed a strong brand that increased the consumer's attitude strength toward the products associated with the brand. Attitude strength of the costumers is built by experience with the product. H&M built a strong brand by increasing the customers' awareness about the establishment. The consumer's awareness

and associations lead to perceived quality, inferred attributes, and eventually brand loyalty.

Brand Development: Brand Design Approach

The brand design approach of H&M is fully consumer focused. It starts with the customer. H&M's approach is a description of brand meaning that is neither too abstract nor too concrete, executable but not overly encompassing. The approach shows how meaning is to be attached to the brand.

Consumer Focus

H&M makes its brand more meaningful to the customers. The place where the establishment looks for potential sources of meaning is in the customer's life. H&M focuses on the customer's life and look for stories to which it can add meaning - meaning that is relevant and adds value to the customer's life. H&M offers a cool and chic but never boring atmosphere that targets the youth, professionals and young families who love fashion and quality apparels and clothes.

International aspect of Branding

Currently the H&M has a website that caters to its customers over the Internet by offering information about the company. Since H&M is a fusion of fashion and quality clothing, the company is looking at different countries for expansion. H&M uses the Modification strategy and develop branding method such as the COS that addresses the needs and wants of each market. From the previous discussion, t H&M has utilised some marketing concept to be able to be competitive in the business world, specifically, the clothing and fashion industry. And since the main mission of the company is

to provide apparel, clothing and fashion suitable for the current trend with appropriate prices, the company should efficiently create a product that would enable the client to buy it and be satisfied about it (Vernon, 1966).

The internet was useful in reaching H&M's customers with new services such as the clothing and fashion information. The internet should use for the benefits of the customers. The H&M's website fosters brand identity and loyalty and develops long-term relationships with customers. H&M's products are advertised in the internet in the form of banner ads. Internet users can click on the banners to visit the H&M's site for more information about the products and services.

Conclusion and Recommendations

The above discussion has evaluated the branding strategy of H&M as clothing and fashion business. Through this analysis, the company has utilised some marketing concept to be able to be competitive in the business world, specifically, the clothing and fashion industry. And since the main mission of the company is to provide apparel, clothing and fashion suitable for the current trend with appropriate prices, it is recommended that the company should be more innovative in making clothing and fashion that would make them known in the marketing arena, locally and internationally. To be able to be known worldwide, the company must include in their strategy the acquisition and merges, to properly utilise branding strategy. By acquiring, other famous company within the fashion field, the company can easily enter the marketing arena in the global competition.

Since H&M still wants to expand in the global market, the company should utilised a strategic marketing move, including a strategic planning in order to make the market be know in the marketing environment. The company should make it possible to be connected to their target market thru the use of technological advancement like the e-marketing. Moreover, this marketing entry strategy should considered as effective since the company has included all the factors to be assessed in order to make the business prolong its competitiveness and survive in the threatening place of the market.

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