

# History of h and m3 report example

[Business](#), [Company](#)



## History.

H and M is a company that started in 1947. The company was started in Sweden with a main aim of selling clothes to women only. The company was then called Hennes whose meaning was “ hers”. The company continued retailing women clothes only until 1968 when the company was acquired (Rebecca, 18). After the company was acquired, men’s clothes were stocked in the stores and this necessitated the change of name into Hennes and Mauritz which was then abbreviated as H & M. the clothes initially were manufactured in Sweden and sold within the country.

## Growth

With the increase in globalization, the company has now expanded into many countries. The clothes sold by the company are manufactured and sold in many different countries. The company has been expanding its branches in various states and currently, the company operates in 43 countries. The company has many branches which are approximated to be about 2300 stores in various countries (Rebecca, 64). The company currently has about 800 factories that are the main producers of the clothes that are retailed by the company. These factories are mainly located in Asia, North America, Middle East and Europe.

With the expansion of the business into various nations, the company has benefited the locals in the countries they serve in many ways. One of the ways is through creation of employment. The company currently has over 94000 employees. It can be observed that with the increasing rate of expansion, the company is likely to create more employment to many people.

The management of the company usually takes place in Sweden at Stockholm city where the main factory is located. The main decisions of the company are made at this office. The managers in this main office make the core decisions regarding the operations of the company. However, the company relies heavily on the branches that it has all over the world.

Recently, H and M has been ranked number three retailer of clothes all over the world. One of the biggest competitors of H and M is Inditex Company that is also based in Sweden. Other competitors of the company include Azara, Arcadia and Gap Inc. All these companies produce and sell clothes to men and women all over the world.

In its globalization strategies, the company usually collaborates with other suppliers of clothes all over the world so as to reach as many customers as possible. The company manufactures clothes that are fashionable in the current world mainly targeting the youths of the age between 18 years and 45 (Rebecca, 23). This is why the company targets this population and expects to benefit a lot from the huge sales. The company attracts its customers by ensuring that its products are available to its customer's at an affordable price. The low price of its products makes the products very competitive in the market.

In addition to clothes, the company also sells various brands of cosmetics and interior concepts. The users of the cosmetics are usually the youths and this is the group of customers that the company targets most. The company has a good marketing strategy. The management of the company is aware that the customers they serve mainly use internet in their daily activities. As a result, the company has emphasized on online marketing so as to reach as

many customers as possible. In addition, the company is able to receive feedback from the customers through the internet. The company is therefore able to respond to the needs of the people so as to ensure satisfied customers. As a global company, H and M aims at reaching as many customers as possible at lower costs (Rebecca, 23). This is why the company has recorded good performance in the previous years. In order to serve more customers, the company has also engaged in selling both women and men's clothes as opposed to its strategy during the past.

Financials.

The performance of H and M Company has been good for the last several years. The analysis of performance of the company during the years 2010 is as shown below.

variable

From the table, it can be observed that the performance of the company has been good. It is due to this good performance that the company is motivated to expand its activities to many other countries as a way of increasing its sales and hence profitability. In the modern globalised world, expansion of activities in various countries is one of the ways The Company adopts to diversify risks.

One of the aims of H and M is to expand operations to many countries as possible. The company is currently planning to extend its branches to South Africa. The company aims at supplying clothes in the country and the neighboring countries. The company aims at providing cloths that are accepted in the community ethically as well as stylish clothes. This will ensure that the company meets the demands of its customers who are

mainly the youths and at the same time being in line with the requirements of the society (Paul, 31).

South Africa profile.

South Africa is a country in Africa whose economic development rate has been very high in the recent past. The country has advanced technologically in the recent past. The major industries in the country are the manufacturing industry. Some of the industries in the country include manufacturing, processing, metal industry, textile and automobile industry. These industries have grown at a very high speed in the recent past and they all have the potential to expand. These countries create employment of many citizens in the country.

Generally, the economic growth of South Africa has been very attractive to the investor. In the year 2011, the gross domestic product of the country increased to 422 billion dollars. This economic growth has resulted to the reduction in unemployment rate to a level of about 24 percent. The per capita income of the country expressed as a percentage of that of United States is about 15.06 dollars. From the observations, the living standards of the citizens of the country have improved and the country seems to be very attractive for investment. This is due to the fact that the country has potential customers due to the fact that they have higher income earnings. The country also aims at ensuring that the inflation rates are as low as possible. The country targets an inflation rate of about 3 to 6 percent. In addition, the country aims at reducing unemployment further (Paul, 17). From the observations, South Africa is a country that is attractive to invest in. The low inflation and steady economic growth rate predicts a good

environment where a business can thrive.

Resources.

There are many resources that are present in South Africa that makes it a good environment for investment. The country is rich in minerals such as gold. This attracts many mining industries in the country. The country usually exports gold, diamond, machinery and platinum. The country also has several rivers that facilitate agricultural activities. In addition, the water is one of the important factors that help the industries to run their activities effectively. In addition, the country has good fertile soils that facilitate good performance of agricultural activities. The climate of the country is very favorable for agricultural activities. This means that the country has enough raw materials for the industries that deal with agricultural raw materials.

Literacy.

Generally, South Africa offers quality education both for its citizens and foreigners who go to study in the universities in the country. It is approximated that 88 percent of South African population is literate (Paul, 20). This therefore means that there is the necessary manpower that is needed by the many industries that operate in the country. In addition, the human resource has high quality education and skills to perform their duties. The country also has experienced workers who can ensure quality productivity of any business entity.

Infrastructure.

The infrastructure of the country is good. The quality of the infrastructure in the country has mainly been facilitated by the large number of industries in the country. The infrastructure is mainly in form of good transport system

including airstrips, good communication system and quality buildings. These are some of the important aspects that support the activities of any kind of business.

The technological advancement in the country has been witnessed. Many of the industries in the country use modern technology in their operations (Rodgers, 34). This is one of the means of ensuring efficiency in operations and as a means of reducing costs of production while improving productivity.

Potential customers.

There is market opportunity for H and M Company in South America. There is a large population of youths in this country and these youths are very sensitive to what they wear. The many students in the country from the country and from other countries are the potential customers of the company. This population of the students is usually between the age of 18 and 45. The population forms 65 percent of the total population of the country. Therefore the companies can benefit a lot if it produces clothes that meet the needs of this group of population.

Another category of potential customers are the employed individuals. This group mainly consists of young people who prefer wearing official clothes (Rodgers, 21). With many industries in the country, there are many people who fall in this group. Therefore, the company should produce clothes that meet the needs of this category of employed population. This can be mainly through producing clothes that are acceptable at the working place.

The company can also produce cosmetics that are demanded by a large population of the youths. Various brands of the cosmetics are likely to

perform well in the market due to the fact that many of the youths use this product.

The society in the country is currently against unethical dressing behaviors in the society. These behaviors are very common amongst the youths. The company should therefore be aware of this and therefore should produce clothes that will be acceptable in the society. However, the company should not ignore the fact that the youths will prefer clothes that are fashionable. Therefore the company should produce clothes that are ethically acceptable as well attractive to the youths.

Entry mode.

The mode of entry that is suitable for this company is equity mode. This will enable the company to own subsidiary companies in South Africa. The company will also be able to export its output directly to the customers. This will facilitate reduced costs since the middlemen do not increase the prices of the company's products making them expensive. This mode will also enable the company to better learn the needs of the customers.

The company should enter the market in such a way that it is likely to capture a large population of the customers. This could be massive advertisement of the company and its products. This could be through mass media such as radios and televisions. In addition, the company should offer attractive prices for their products as a way of ensuring that it attracts a large proportion of the customers.

Challenges.

One of the challenges that the company is likely to face is high costs of production. This is due to the fact that the level of employment in the



country is very high and as a result, the labor supply in the country is low. This makes the labor price to be very high. In addition, the laws in the country are such that the wages of the workers in the country are high. The other challenge that the company would face is lack of enough raw materials. There are many textile industries that are operating in South Africa. These industries also need raw materials to enable them to produce output (Rodgers, 76). This competition for the raw materials is likely to result to high prices and shortage of the raw materials. As a result, the production activities are likely to be interfered with.

The citizens of the country are strongly against pollution. This industry usually produces waste products which affect the environment of the country. Many citizens have taken their complaints to the government and as a result, strict laws against pollution have been put in place. These laws are likely to affect the output of the company and in addition, they are likely to lead to increased production costs of the company. The increased production costs are likely to cause high prices of the company's products making them less competitive.

The cost of labor in the country is very high. The company is likely to incur huge costs in terms of labor costs. Regardless of the fact that the country has a large population of unemployed people, the costs of hiring labor is high.

Competition.

There are many industries that are already well established in the country. Therefore, H and M is likely to face stiff competition in the market from these

industries. The companies already have a large proportion of the market and therefore the company has to spend a lot so as to capture the attention of these customers.

The customers of the country are also against the use of some raw materials in the production of the goods that they consume. Specifically, the customers are against the use of GMO related raw materials. Many citizens in South America are likely to avoid the goods from this company after they realize that the company use GMO as their raw materials in the production of their output.

Revenue projections of the company.

The table below shows that approximate projections of the sales and net income of the company in the next three years.

Year sales in US dollars net income in US dollars

Recommendation.

In conclusion, H and M Company have a greater chance of succeeding in the South African market in its sale of clothes. This is because the company has the experience in dealing with international markets. In addition, the country has potential customers with the income to demand the company's output.

Regardless of the challenges that the company is likely to face, the company has many opportunities in the country that can ensure the good performance of the company. Therefore the company should consider investing in South Africa.

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