

The strategies of marketing mix marketing essay



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There can be many reasons for wanting to be internationalized like saturation in the home market, the desire of export your product and catch new type of customers in new markets, little opportunity to growth in the own country... H&M wanted to get a strong brand and arrive to the best cities and establish their shops. They are looking always for the best cities and places to build their shops in order to get more and more customers all over the world. When they decided to internationalized, their wish was to become in a great famous brand, and finally they got it, because as I said, it is a well-known company situate in 47 different countries which is also planning to build new shops in more different ones. (See appendix2)

Target Market

H&M's primary target market is based on consumer both men and women between 18-34 years old. In order to satisfy the target customer, they produce good design clothes with good quality and all of that in very cheap prices, so that, the customers of H&M are very satisfied with it because it offers them everything they want. (See appendix 3)

Market Selection Criteria

(Keegan, W., J. and Schlegelmilch, B., B., 2001)

When a company wants to be internationalised in a new country it must answered this question so as to know exactly where to establish their brand:

(See appendix 4)

Which market is the best?

Philippines

Portugal

As it can be seen in this two graphics, without a shadow of doubt it can be said that the most secure country to enter in is Portugal. First of all, although this graphics not shows the complete reason, it is the main reason for choosing Portugal. As it can be seen, in Portugal the corruption is really high, the government is not as competent as in Portugal, the infrastructure is not as prepare as in Portugal to be able to build stores... Finally, making the positive and negative points of each country, it is clear that Portugal is the best option not only because of these results, but also because the geographic location of the country. (Global Competitiveness Report, 2012-2013) (See appendix 5)

Portugal

OPPORTUNITIES

THREATS

POLITICAL

Parliamentary representative democratic republic

—

ECONOMIC

High income mix economy

The financial crisis

ECOLOGICAL

Many land hectares

Ecology conservation Laws

TECHNOLOGICAL

Pioneer of technology

The financial crisis

FASHION INDUSTRY

Growth in the industry

The financial crisis

LEGAL REGULATORY

Control competition

Not allowed aggressive competition

(Technology Portugal, 2009)

(Economy of Portugal, Wikipedia, 2012)

(Politics of Portugal, Wikipedia, 2012) (See appendix 6)

Competitors (See appendix 7)

Indirect Competitors

H&M does not have many Indirect Competitors in the sector, however, there someone that are strong and that they are gaining presence in the online shopping: (See appendix 8)

H&M

ASOS

Direct Competitors

As everywhere nowadays, in Portugal also there are many fashion retailers that are establishing their shops in many cities so as to get more benefits and became much more international brand. In the case of H&M, it would have many competitors, and the main one it would be Inditex. (Retail Index, 2012) (See appendix 9, 10, 11, 12)

H&M vs. Inditex

The major competitor of H&M is Inditex, this table shows what main differences are between them:

Outsourcing of Core Activities

Group Model

Competitive advantage

Segmentation

Communication

- No own factories
- 80% is produced in Asia

- Cheaper
- Major margins
- 39, 7% of cost upon sales
- Need to create collection well in advanced
- Single chain
- Major margins in the short run
- Collaborations with Luxury brands, singers...
- Own industries
- 40% is produced in Europe
- Major flexibility
- Major ability for growth
- 44, 3% of cost upon sales
- New collection every 2 weeks
- Different Chains
- Major dynamism and growth in the long run
- Collaborations with new designers, actors...

(Moda Rapida, 2012)

Customers in Portugal

In all countries the customer do not have the same purchasing habits, how are the shopping habits of Portuguese young consumers?

Factors that influence in clothing purchasing

At the time of purchasing clothes, young consumer In Portugal prefers not to have anybody behind them asking all the time if they need any help, that is, they prefer to go to big stores and have a look for everything and then if they need any help ask to a staff although they think that are really impersonal places. They prefer to be “ free”, they want to be comfort when they are shopping.

Shopping Behaviour and the influence of others

Portuguese young consumers prefer to go shopping alone for many different reasons:

More freedom of movements: They like to go alone as they don't need to be all the time calling to the other persona come here, go there and so on.

More independence in choice: Young consumers do not like to be influenced by anyone; they like to buy things without any other opinion, if they like it they would buy it without having anybody prejudicing them.

Individual decision: As it is individual decision, nobody would be saying anything bad about the clothes.

Purchasing choice criteria

What are looking for the customers at the time of buying clothes? They based their purchase in some factors that finally are the ones that makes one to take the decision of buying one thing or another.

Low Price

Comfort

Good Design

Good Quality

Brand Name

Does not have any influence in purchasing criteria as nowadays almost all brands are equal.

(Information sources and clothing, 2012) (See appendix 13)

Perceptual Map

Low Quality

High Price

High Quality

Low Price

INDITEX

CORTEFIEL

MODALFA

C&A

H&M

PRIMARK

MANGO

GAP

In order to create the perceptual, I use my perception about the fashion brands in the world, that is, I collocated each of the company in the position that I perceive. As it can be seen, in the same square we can find H&M and Inditex, but for my point of view, although the price of it is more expensive, the quality is much better so that its positioning is greater than H&M's one. Apart from this, it can be said that for young people, Cortefiel and Mango are so equal in the quality and in the price and also GAP and C&A although being so expensive, their quality is very high. Finally, as for the brands with the lowest quality, although their low price is so attractive for punctual occasions, customers prefer to buy in companies that offer them a major quality.

Recommendation

I really recommend H&M to go to Portugal as it can offer many advantages to H&M starting with its geographical location. Although the financial crisis is affecting many consumer, as H&M has very low prices it can be a very good opportunity for the young people to get fashion clothes with their low income, so as nowadays the physical aspect is gaining importance, H&M would find a very good opportunity in Portugal

(About H&M, 2012)

Appendices

Appendix: H&M

1980/90

Stores open in Germany and Netherlands. Stores open in France, and the use of celebrities to the advertisements

1947

1977

1976

1974

1968

1964

1952

Sales of cosmetic started.

First store opened outside Scandinavia, In London.

Listed on the Stockholm's Stock Exchange

Hennes buy the fish store Mauritz Widforss, and the name is changed to Hennes and Mauritz.

First store opened in a foreign country, in Norway.

Hennes open in Stockholm

First store open in Västerås (Sweden), with the name of Hennes

2012

Plan to open Bulgaria, Latvia, Malaysia, Mexico and Thailand.

2011

H&M open in Romania, Croatia and Singapore.

2010

First stores open in South Korea and Turkey. Monki goes to Asia, H&M home open in Sweden.

2009

First store open in Russia and in Beijing. H&M home is launched, Weekday and Monki open in Germany

2008

First store open in Tokyo. Adquisition of Weekday, Monki and Cheap Monday brands.

2007

First Asian store in Hong Kong and in Shanghai. Expansion of online sales. COS stores launched.

2006

Major expansion of online and catalogue sales

2004

Initiates designer collaborations with luxury brands

2000

Stores open in US, Spain and in many European countries.

H&M's presence all over the world

H&M world map.

300+ stores

200+ stores

100+ stores

50+ stores

20+ stores

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10+ stores

1+ stores

Upcoming stores

([HHYPERLINK “ http://en. wikipedia. org/wiki/File: H&M_world_map.](http://en.wikipedia.org/wiki/File:H&M_world_map.svg)

[svg”&HYPERLINK “ http://en. wikipedia. org/wiki/File: H&M_world_map. svg”](http://en.wikipedia.org/wiki/File:H&M_world_map.svg)

M world map, Wikipedia, 2012)

H&M Group

H&M as Inditex is completed by many different brands, that is, H&M is group that is composed by some different brands:

H&M:

It produces a broad and diverse range of fashion for men, women, youth and children, furthermore, it also sales cosmetic, accessories and products for home.

COS

It offers customers a combination of timelessness and distinctive trends, for both women and men.

Monki:

It is a very creative brand that offers to the customer the opportunity to express itself.

Weekday:

It offers urban fashion for men and women always at the best price.

Cheap Monday:

Cheap Monday combines influences from street fashion and subcultures with a catwalk vibe.

H&M's expansion strategy

H&M is so conscious at the time of opening new stores in other countries, that is, it thinks that the stores should make much stronger the brand and attract customer giving them the best shopping experience as possible.

When H&M is moving to a new country, so as to see if it would be profitable or not to enter in it analyses the political, economic, demographic, and infrastructural environment. It creates very modern stores in all the countries that it establishes its business so as to offer a great shopping time to the customer. Furthermore, it is working in making its stores much more ecological so as to save the world and do not damage it.

H&M is looking for a great expansion in the future; it is planning to open many new stores in many different countries, so as to create a very strong brand.

H&M SWOT analyses

Strengths

Brand recognition: Low Price and style: It has presence in al over the world and people know it because of the fashionable clothes that sales in a very cheap price

Operational efficiency: As it has a great control in the logistic area, it is able to have low cost and maintain really good margins.

Opportunities

Untapped potential in emerging markets: As the lifestyle is changing everywhere, people is much more aware of its physical aspects, so that, the fashion is gaining presence.

Internet retailing: The fashion industry is increasing every day, and nowadays with the help of internet they can growth in an incredible manner, it gave them a great opportunity to growth.

Weaknesses

Reliance on outsourcing: The reliance of Inditex products put H&M in critical situation as Inditex appeals much more to customers.

Modest presence in emerging markets: It a well-known brand in the whole world, but the major presence is only in Europe and in North America.

Threats

Non-food expansion of grocery retailers: Many supermarkets like Tesco, are thinking in competing in the clothe industry with H&M.

Fast fashion becoming more competitive: Its major competitor is Inditex, that also does fast fashion, but new competitors also are appearing very strong

(Ryerson, 2009)

Vertical Integration

H&M has a vertical integration strategy in which was pioneer establishing it some years ago. Due to this strategy, the company is now able to collect information about the sales and customers and use it in order to make a

better strategy always so as to get more profits for the future and catch much more customer.

(Europa. eu, 2012)

LCCP, GCCP or FCCP?

In the case of H&M, it can be said that this company is GCCP(Global Culture Cultural Positioning), as they are a multinational that they sale their self saying that the customer is part of the global family. Although they need to adapt maybe their strategy in each of different country, they sale their brand as a global company; actually all their products are the same in all countries, they offer the same products for the customers of different places, “ Being the part of the global family” is the message that they are selling to the customers mind.

Appendix: Internationalization Motives

There are 2 kinds of motives that prompt the companies to internationalised, Proactive and Reactive motives. In the case of H&M there some points inside those factors that do not have any sense, so only the main points are going to be explained.

Proactive Motives

Profit and growth goals

All companies want to growth, and so as to get that the best option is to go abroad and establish their brand in new countries. This is one of the main reason why the companies want to internationalized, in order to become i and bigger and be well known in the whole work.

Managerial urge

It is a motivation that the managers of the business have; their motivation is to be part of a company that works all over the world.

Foreign market opportunities/market information

H&M could see many opportunities to growth in foreign markets as is a company that have great presence all over the world. However, it is not established in all countries, so if it wants to become a bigger brand, it should observe what opportunities offered each country and see if it is profitable or not.

Economies of scale-learning curve

Being internationalized, offers H&M the advantage of the economies of scale as it could produce high amount of clothes at the same time.

(Hollensen, S., 2007)

Reactive Motives

Competitive pressure

H&M could be scared for example of the competitive pressure of Inditex as it has a great strategy that helps it to continue in the top level. If the company see that other brands are growing all over the world and that are gaining customers and getting profits, the no internationalised company also would want to get all that. So for that reason, H&M would like to enter in more and more countries so as to be a great company.

Domestic market: small and saturated

H&M was created in Sweden many years ago, but as the market was becoming so small to compete there, it decided to enter in new countries so as to growth its presence.

Extend sales of seasonal products

As maybe the demand in the home country is not very big and it does not give the opportunity for the company to get the desire profits, they would find new opportunities to get what they want in foreign countries.

(Hollensen, S., 2007)

Appendix: How to choose the target market?

Targeting is the action of evaluating and comparing the different groups of consumers and chooses which is the most suitable for the company.

Companies have to base their research in 3 points:

Current segment and the growth: It will be enough profitable to the company to centre only in that segment?

Competitive intensity and potential competition: If that segment has a great competition, it is suitable to enter in?

Compatibility and feasibility: If that segment give problems to the companies, could another company catch them?

(Keegan, W. J. and Schlegelmilch, B. B., 2001)

When H&M creates its brand he had surely been thinking about these points at the time of creating its designs. When the companies are creating their collections they must be thinking on the target market as they are the
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wanted customers and they should create those clothes that appeals to them.

Appendix: Market selection Criteria

Market Potential

Here the company should analyse if the market satisfied completely the customer and also if the customers has the necessary ability to purchase the product that the old retailers offer them. (International market selection, 2004)

Market Size:

The companies need to observe how much of the market it can expect to could afford.

Market growth:

They have to observe how much have grown this sector in that country during all the years so as to know if they would find and increase or a decrease in the industry.

Competitive Intensity:

The Company have to make a great research relating with the competitors of the industry in that country so as to know in what position they are and how strong are the competitors.

Entry Barrier:

In all countries are entry barriers to foreign companies so as to protect the future of the home country industries. They should make many deals so as to finally get into a new market.

Political Environment

The government of a country affects a lot the business life because of the changing policies, regulations and laws. Furthermore, the government of each of the country is who choose which businesses will receive protection and which is going to face an open competition. Furthermore, the political stability of a country will affect the action that government will take, and finally that actions will have many influences in an enterprise. (Sirkeci, I. and Cawley, R., 2012)

Economic Environment

Nowadays the economy has change radically, due to that factor all countries are now potential targets for every company. When a company has to make research in global marketing, the economy dimension of the world is crucial as it has great influence in this point. (Keegan, W. J., Schelegelmilch, B. B., 2001)

Demographic Structure

The company should observe how has change the demographic in the objective country so as to control the evolution of the Target customer.

Purchasing Power

It has to know how is the purchasing power of the objective customer so as to know if they are going to get benefits or loses in that country.

Infrastructure

The retailer need to observe if the infrastructure of the country is good or not so as to build and factories in that country. The country must have strong

infrastructure so as to build powerful companies, strong social, economic, aerial...infrastructure.

Appendix: Philippines and Portugal

So as to choose the most appropriate country to enter in, many things must be analysed as it can be seen in the paper. However, not only those shown points are important, there many other things like the GDP, unemployment rate, population, innovation... that should be take into account when an enterprise want to be opened in that country.

Philippines

Population: 93, 6millions

GDB per capita: 2, 007\$

Infraestructure: 3, 1

Macroeconomic environment: 5

Goods market efficiency: 4, 1

Labor market efficiency: 3, 9

Having a look to these different score between 1-7, it is clear that Portugal it is clear that Portugal is much more secure country to establish their company. Although the most relevant dates had been explained before in the pages, this also are very important at the time of choosing the country to enter in. so finally, Portugal is the country that will be analysed for the report.

Financial market development: 4

Technological readiness: 4, 6

Portugal

Population: 10, 7 millions

GDP per capita: 21, 559\$

Infraestructure: 5, 5

Macroeconomic environment: 4, 2

Goods market efficiency: 4, 3

Labor market efficiency: 3, 8

Financial market development: 4

Technological readiness: 5, 3

(The Global Competitiveness report, 2012-2013)

Appendix: Portugal

Political Environment

Portugal has a constitutional republic and a parliamentary system in which a semi presidential regime is establish. The prime minister is elected every four years and is the person who led the government, furthermore, the president of the government is elected every five years.

(Doing business in Portugal, 2012)

Economic Environment

There can find many industries that has established their main company in Portugal, for example, in the case of Inditex, it has one factory there as the production is cheaper than in Spain. But although been a developed and high income country, it has the lowest GDP in Western Europe, and besides, the population has the lowest purchasing power of the European Union.

(Economic of Portugal, Wikipedia, 2012)

Regulatory Environment

The Law 18/2003 In Portugal is create to maintain a competitive economy, not to have an unfair competitive and so heavy one. The law prohibited the company to make agreements that would affect the competition between economic agents in national territory. In addition to this, the companies are not allowed to make a very aggressive competition so as not to affect the sector in that country.

(Doing business in Portugal, 2012)

Fashion industry

Nowadays the textile industry in Portugal represents just under the 10% of outputs. The situation in Portugal is not the best, but the companies that are surviving are having great profits, so people is seen as an optimist market. Many different brands produce their clothes in Portugal like Fred Perry, Inditex, Paul Smith because of the process is not as expensive as in other European countries, , however, although the industry is surviving, all the companies has suffered losses during the financial crisis. Every type of

industry are suffering now due to the 2008 financial crisis, in many countries many companies closed their factories, nevertheless, the textile industry in Portugal is growing up again so slowly but is growing, every brand are getting now profits, so for H&M it could be a great opportunity as the industry is having good results nowadays. Besides, it must be said that H&M's strategy is very similar to Inditex ones, its clothes are so cheap and finally a country that is suffering a lot because of the crisis, population wants to have the opportunity to buy cheap fashionable clothes. Inditex is having great results in the country, so as H&M prices are cheaper, why it would not get many profits? Portugal as I said, can offer H&M many great advantages.

(UK reuters, 2012)

Barriers to enter in country

There many barriers in all countries for different companies that wants to establish their brand there are (Hollensen, S., 2007):

General Market Risks

The main barriers are the great competitiveness that H&M could find in Portugal, the different culture and language, because the Swedish and Portuguese people are so different at the time of working and also the language is totally different. In addition to this, it is no easy to find a new distributor in a foreign country, they should make alliances an all of that work so as to get a great position, and finally, it must be said that it is a very difficult work to adapt all the company for that new culture and make a great company overseas.

Commercial Risks

Although Portugal is in Europe too, there are always delays in the delivering of the export products or some damages in them. Beside this, there are always changes in rates and that could have a great influence in the cost of a company.

Political Risks

This subject is a little bit special; companies have to take caution as politics have great influences in all countries. H&M have to take into account how is the law of the exports in Portugal, what type of restrictions have impose the government, the thoughts of the citizens...

Opportunities of entering in the Portugal

Investing in Portugal it would give companies many advantages for many different reasons (Doing business in Portugal, 2012):

Strategic access to market

Due to the Portugal economic openness and also because of its strategic geographical position it can offer great opportunities to different companies between EU and also different markets. As it has relations with Brazil and is near Africa, it offers great advantages so as to make exports and imports.

Cost competitive, qualified and flexible workforce

The Portuguese employers are known for having great attitudes at the time of adapting their self to new technologies, strategies and so on.

Excellent environment to live and work

It is a country that offers the companies very secure areas and ensure the security for their production, and so on as it is very pacific place.

Infrastructure

As during the last year Portugal has made great investment so as to modernizing its communication infrastructures, it is great country to establish a company as it can be adapted very easily to the new technologies that the company will bring with it.

Appendix: Competitors

Market 5 forces

Threats of New entrance

Rivalry among existing competitors

Threat of Substitute products or services

Bargaining power of buyers

Bargaining power of suppliers

(Keegan, W. J. and Schlegelmilch, B. B., 2011)

Referring to H&M, although it is a great company, its major competitor is doing everything much better than H&M does. H&M it would be the new entrance in that country and of course all those competitors like Inditex, Cortefiel and so on would be threat of it as they would need to “ fight” with one more company. However, knowing that new entrance, those companies may start making much more deals with the suppliers so as to have the ability to offer much better products and service to their customers and not to lose them. Finally, H&M has a great positive factor to the consumers that

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could be a great advantage to its competitors. It makes many alliances with famous designers like Versace, Moschino... so as to create new collection that are attractive to young consumers as they feel with higher status. Inditex should be worry about that as luxury brands are so attractive to consumers, but if it continuous doing a hard work it will be as everywhere the winner of the sector also in Portugal.

Appendix: ASOS

ASOS is an online beauty store that provides the customer many products of different brands in very cheap prices. That is, the consumer can buy in the same website clothes from many different brands like Adidas, Armani, Topshop... it sales hundreds of brands, that's why it became so attractive to the customer, because it can find in the same place clothes from everywhere.

ASOS was created firstly in United Kingdom in 2000, but them while it was gaining presence in whole Britain; it started going abroad and gaining presence in many countries of Europe. After that, the market of US was prepared to ASOS arrival as everyone wants to have the opportunity to buy many brands' product in the same place.

(ASOS, 2012)

Appendix: MOFALDA

Modalfa is a Portuguese fashion brand that offer the customer very fashionable clothes in a cheap prices. In Portugal, as I explained before, it is a great competitor for H&M as it offers the customer similar opportunities as H&M do.

(Modalfa, 2012)

Appendix: CORTEFIEL

Cortefiel is the first brand created by “ Cortefiel group” in 1946, which offer the customer an elegant and comfortable style with very high quality. With this personal style, Spanish brand has open its road to many countries and it is very strong competitor for many other companies. Its target customer is based on men and women between 35-45 years, and although H&M is addressed to young people, finally all consumers are important for every company. (Cortefiel, 2012)

Appendix: C&A

C&A is a fashion company that has presence in 20 different countries of Europe. People have a very good perception about C&A, it offers 10000 different products in all the countries, and although it’s high prices, the products have very high quality, the clothes lasts for years so people do not mind to pay more for those clothes. (C&A, 2012)

Appendix: Inditex

The Inditex group is the most powerfull competitor of H&M and as it, has many different brands inside that are very famous and makes the more and more strong everyday:

ZARA: Zara has presence in 85 countries and it has opened 1671 stores in the best places of the cities. For Zara there is no any limit, they want to be in all the countries of the world in the future, and due to its great strategy it can get it as it is opening new stores every day.

Pull & Bear: It was created in 1991 especially for young people as it has very juvenile style. Is it one of the most profitable brands in terms of Urban clothes as every young person goes there to get urban style clothes.

Massimo Dutti: It has 567 stores spread in 53 different countries. It offers Urban and casual styles both for men and women, its target market is based on men and women adults, that's why the growth of the prices and the change in the style comparing with other brands.

Bershka: It was launched in 1998 and nowadays it has 839 stores in 63 different countries, and as it is known, it appeals basically to the young target market.

Stradivarius: It produces clothes, accessories, shoes... and its clothes are a combination of elegant and hippie clothes that appeal a lot for young people.

Oysho: Oysho sells the latest fashion trends in women's lingerie and intimate apparel

Zara Home: It is specialised in home decoration and linen things that attract so much to women because of its reasonable prices.

Uterqüe: It is the newest brand of Inditex and it is the most expensive brand of the group.

(Inditex group, 2012)

Zara is the most powerful brand of the group, is the main competitor of H&M alone as I said. In the above image appear where Zara has its stores. (Zara targetmap, 2012)

Appendix: Customers

The culture in which the consumers have been grew up have many influences in the priorities that the customers give to different activities an