

# Presentation of h and m marketing essay



**ASSIGN  
BUSTER**

The Swedish clothing company Hennes Mauritz, also known as HM, opened their first store in 1947 in Västerås and was founded by Erling Persson. At that time the company name was Hennes because they were only selling womenswear. During the following ten years the company opened up several stores in Sweden, and in 1964 they took their company abroad when they opened up in Norway. In 1968 the company changed their name to Hennes & Mauritz when the selling of men's and children's clothes begun. A few years later, in 1974, the company was listed on the Stockholm Stock Exchange. Between 1976 and the 1990s H&M continued to expand in Europe. In 1998 they started selling their clothes online in Sweden, and soon in other European countries. In 2000 the first H&M store opened up on Fifth Avenue in New York. To differentiate H&M from other cheap clothing companies they started to do collaborations with designers as Karl Lagerfeld, Stella McCartney, Madonna, Jimmy Choo and David Beckham. In 2007 the first Asian stores opened in Hong Kong and Shanghai. This year they also launched a new store concept called COS. To develop the store concept even more and penetrate the market, H&M launched H&M Home in 2009. Since the start up in 1947 H&M has made a big expansion at the global market, with approximately 2600 stores in 44 different markets. Today the head office is placed in the capital of Sweden, Stockholm. Here are also the main departments for design, finance, accounts, expansion, interior design, advertising, communication, HR, logistics, IT and sustainability placed. The chairman of the board is Stefan Persson who is son of the founder Erling Persson (hm. com, 2012-09-14).

## 2. Environmental influences

Doole and Lowe (2008) define international marketing as the company's marketing mix decisions in different nations. To get an overview of how a company's international marketing can be influenced by the environment it is a good idea to use an environmental analysis model as the SLEPT-model. This model split up the world in five segments; social/culture, legal, economic, political and technological. For a successful international marketing strategy it's important for the company to understand how the environment can affect the marketing in other countries (Doole & Lowe, 2008).

Figure 1. The SLEPT-model (Doole & Lowe, 2008).

### **Social/Culture**

Under the social and culture influences we found for example language, religion, buying behaviour and material culture. For some companies the brand name can be a problem when they go international, since differences in the language can give the brand name another meaning (Doole & Lowe, 2008). For H&M this hasn't been a problem. But religious differences can in many ways be a problem for a clothing company like H&M. In Sweden there's no problem for women to wear short skirts and dresses, but in countries with a strong religious view it may not be accepted for women to show their legs and dress provocative. This can also be an obstacle in H&Ms advertising. We think that it's important to adapt the advertising to the different countries to maximize the profit. When it comes to material culture it's important for a company like H&M to be aware of which materials will work in which country. In Sweden many people are against fur and because of that it would be a

<https://assignbuster.com/presentation-of-h-and-m-marketing-essay/>

bad idea to launch a clothing line only made of fur in Sweden. But in other countries, like China where people aren't that against fur, it could be a success. These are some social and cultural factors that will influence the customers buying behaviour (Doole & Lowe, 2008).

## **Legal**

The laws in the home country and in the countries that the company act in can affect the business in various ways. There can be restrictions for advertising and tariffs for export and import. The law can force companies to make changes in their marketing mix, which can affect the profit (Doole & Lowe, 2008). H&M has stores in 45 different markets and they have to know the legal environment in each country so they don't break any rules. Piracy can also be a big problem in countries like India, China and Thailand where they copy the clothes and sell it for a cheaper price. This may not be such a big problem for H&M since they're not an exclusive and expensive brand.

## **Economic**

To have knowledge about the state of the markets in the world is central for a company as H&M in order to decide in which markets they can be profitable. There are constant currency changes and economic growth. Some countries have a more balanced economy than others and the challenge is to find an international marketing strategy that can be used in several markets (Doole & Lowe, 2008). For H&M it's important to analyze the potential of the market before they expand there to see the potential of it and the purchase power.

## **Political**

Political factors, as the government's attitude to business and changes in the national regulations, are a major part in the decision of the international marketing strategy. Countries that are less developed face more political risks than well-developed countries. Political risks as civil disorder and riots will affect the

company's profit (Doole & Lowe, 2008). Since H&M have stores in a lot of different markets it's important to always be updated and aware of political changes in the different markets that can affect their business in a negative way.

## **Technological**

Technological development will help many companies to grow and reach out to new markets. With Internet, cell phones and e-mail it's possible to use the technology in a lot of different ways to communicate all around the world with suppliers and customers (Doole & Lowe, 2008). For H&M the technology has been a big opportunity for them to sell their clothes online. People today tends to have less time to go shopping and finds it comfortable to be able to shop directly from their homes.

To be able to make the most profitable global expansion it's important that H&M are aware of these environmental influences that will affect their international marketing strategy.

## **3. Business idea**

H&M's business concept is easy – fashion and quality at the best price. This is what will guide the designers and managers creative process from the

<https://assignbuster.com/presentation-of-h-and-m-marketing-essay/>

production to the store. They want to find a balance between fashion, quality and the best price. The individual customer is always in focus and no matter what age, taste or individual style you have you will always find something at H&M. Additional to this they have seven core values:

Keep it simple

Straight forward and open-minded

Constant improvement

Entrepreneurial spirit

Cost conscious

Team work

Belief in people

H&M value to have good relationships with their suppliers in order to lower their production costs. In that way it will be possible for H&M to sell fashionable clothes to a low price to the customers. 60 percent of the goods are produced in Asia and 40 percent are produced in Europe. Even if H&Ms clothes are cheap, they still have a gross profit of 53 percent. They have also set up a growth target for the company to increase the number of stores by 10-15 percent per year (hm. com, 2012-09-14).

#### **4. H&Ms strategies**

Andersson (2000) defines a strategy as a pattern in a stream of actions. He means that strategies and the internationalization process are dependent of

entrepreneurs. The entrepreneurs are the ones that start the internationalization for a company. We have created a SWOT-analysis for H&M to get a good view over the company and their strategies and be able to give suggestions for their future strategies.

## **Strengths**

- Fashionable clothes
- Low price
- Co-operations with famous designers and celebrities
- Available
- Small inventory
- Something for everyone

## **Opportunities**

- Expansion
- New product lines
- Online markets

## **Weaknesses**

- Not so exclusive
- Quality
- Small inventory

- Chaotic shops

## **Threats**

- Competitors
- Technological changes
- Global changes

## **Strengths**

We believe that H&M's biggest strength is their business idea to sell fashionable clothes to a low price that almost everyone can afford. Since they are able to outsource the production to factories in Asia and Europe to a low price, they're able to sell the clothes to a low price as well.

To make their clothes even more attractive at the markets, H&M have started to use famous designers as Jimmy Choo and celebrities as Madonna to design collections for them. We think that using a person with a strong personal brand is a good way to compete with other budget stores and also with clothing companies that are more exclusive.

Karl Lagerfeldt for H&M, (hm.com).

Another big strength is the availability. H&M have stores in 44 countries in the world and also a big online shop for those who don't have access to a physical store.

The inventories in the stores are small which can be a strength since they don't need a warehouse at every single store. This will minimize the costs.



A big strength is also their big range of products. They have something for everyone, whether you're a woman, a man or a child. H&M are able to fill people's needs when it comes to clothes. They even have cosmetics and home interior.

## **Weaknesses**

The biggest weakness that we see for H&M is that their clothes aren't that exclusive. Because of the low price and their many stores many people today shop almost all their clothes at H&M. If you buy a dress you can be sure that some of your friends will have the same one. Maybe this is one reason that people like to buy more expensive clothes from an exclusive brand, because then not everyone else will have the same dress.

For clothes that are so cheap as H&Ms you can't count on having the best quality. A top that costs 49 SEK may have lost its shape after a few washes. But the people who shops at H&M are probably aware of this weakness and still found it profitable to buy their clothes.

The small inventory, as we mentioned, as strength can also be a weakness. If a product is very popular and there's a big demand for a specific piece of clothing the inventory will sell out before they get a new delivery. One risk with a small inventory is that it's hard to know how much to order of each product.

H&Ms shops are always very chaotic, there are a lot of clothes everywhere and it's hard to find a structure. If you just want one specific piece of clothing you may give up before you've find it since it's hard to know where to look

for it. In some cases the customers will go to another store that's easier to shop in.

## **Opportunities**

Since H&M's brand name is well known all over the world they have great opportunities to expand even more and open new stores. They have used the technological development to reach out to their customers over the Internet., but sometimes people prefer to have a physical store to shop in and that's why we see an opportunity in open up new stores. H&M has put up a growth target, which match this opportunity; they should increase the number of stores to 10-15 percent per year.

Another opportunity that we see for H&M is to expand their product line even more. From the beginning they were just selling womenswear, then they included clothes for men and children as well. Today they sell cosmetics and home interior as well. In the future they could start to sell other products that will attract the typical H&M-customer.

They already have a big online market in Sweden and a lot of other European countries, which have been a success. An opportunity will be to expand the online market in more countries and increase the sell even more.

## **Threats**

Today we believe that the H&M's biggest threats are the competitors like ZARA, Mango and Gina Tricot which have the same kind of business idea – to sell fashionable clothes to a low price. It's important for H&M to differentiate themselves from the competitors and be able to offer more to the customers.

Technological changes can also be a threat if companies don't manage to keep up with the development. It's as important for H&M as for every other company to never lean back and relax; they always have to move forward.

Global changes, which will affect the markets where H&M are active, can be a threat. If a country will put up regulations that will influence the import or export it can be a problem for H&M since they are dependent on the trade with other nations to get the material that they need and also to send their products to the stores all around the world.

### **H&Ms strategy**

Doole and Lowe (2008) say that global companies, as H&M, should use standardized marketing programmes, which will work in a lot of different nations. But at the same time they must adapt some of the operational activities to the local markets. The hardest thing for a global company is to decide which activity should be standardized and which activity should be adapted to the specific markets. It's important to find a balance between standardisation and adaptation (Doole & Lowe, 2008). For H&M we believe that the advertising is important to adapt to the local market, since religion and values can differ much between countries. But overall, H&M see the world as one market. They use the same products and operations in all of their markets, and since they have been expanding so much it seems to be a strategy that works.

Today H&M have a strategy that they call H&M Conscious, which will provide for a more sustainable future. This strategy include seven steps:

Provide fashion for conscious customers

<https://assignbuster.com/presentation-of-h-and-m-marketing-essay/>

Choose and reward responsible partners

Be ethical

Be climate smart

Reduce, reuse, recycle

Use natural resources responsibly

Strengthen communities

From these seven steps we can see that H&M are very concerned about the global environment and that they want to make a contribution for a better world. Since they are a worldwide company they have the power to influence many people. In Sweden the questions that concern the climate has become a very central part, and H&M use their position to spread the message around the world (hm. com, 2012-09-17).

Doole and Lowe (2008) points out two strategies that often are used by global companies; the global strategy and the multi-domestic strategy. With the global strategy the company doesn't make a difference between the domestic market and foreign markets. They try to discover an identical segment that can be found in every country and from this they develop a global strategy. For H&M this is pretty easy since there are markets for people that want to buy fashionable clothes to a low price in almost every country. Clothes are probably an easier product to market in this way, than for example food or electronic products. Lewis and Housden (1998) define the global strategy as standardized products and promotion. Doole and Lowe

(2008) say that companies with the global strategy often focus on the competition with other global firms. They can enter markets that may not be so profitable just because a competitor acts there. With the global strategy the marketing mix are almost the same for every nation. Andersson and Svensson (2009) say that companies with a global strategy sells the same thing in the same way at every market. We can see this phenomenon in H&Ms international strategy.

Companies that use the multi-domestic strategy are often companies that still don't have a well-known brand name, but wants to develop a global business. With this strategy the marketing mix is adapted to each market. The company believe that the difference between international markets is so big that they need to adapt their strategy to meet the needs in every country. That's why they often create an individual marketing mix for the different markets (Doole & Lowe, 2008).

For a company as H&M, which already is well known all around the world, the multi-domestic strategy seems to be to complex. We believe that H&M use more of a global strategy where they don't change their marketing mix so much from country to country, even if there are some small adjustments in the promotion.

To conclude H&Ms strategy we can see that they are very focused on global expansion and finding the most profitable markets. Before they enter a new market they do an analyze of the market potential; demo-graphic, purchase power, economic growth and risks. Andersson (2000) calls this entry strategy for the economic view. By analyzing a market and get a good knowledge

about it, the company can find the best solutions and make the best decisions for an entry.

H&M also focus on renovating the existing stores to give the customer a better experience when they shop at an H&M store. A big part of their strategy is of course their cost-efficient production that makes their vision and business idea possible.

### **Future strategies**

Andersson (2000) give a good suggestion on a future strategy for smaller companies; start to expand in markets that are psychologically close to the domestic market. H&M used this strategy when they started to expand globally. The first H&M store outside Sweden was the one in Norway, which is a nation that is very similar to Sweden, both when it comes to values and political climate. Today H&M have already expanded their business to 45 countries and have become trustworthy on the global market. So a future strategy could be to expand even more on the markets where they already are big, for example in Germany and the US. As we mentioned in our SWOT-analysis, an opportunity could be the online market. The US is H&Ms second biggest market, after Germany, but they still don't have an online shop here. To open up the online store in the US, and also in Asia, would be a good direction for H&Ms future strategy.

Andersson (2000) believe that internationalization must be started by someone, and in many cases that someone is an entrepreneur. He mention three different types of entrepreneurs; the technical entrepreneur, the marketing entrepreneur and the structure entrepreneur. The strategies for

internationalization will look different for the three types of entrepreneurs. To strategy about expand the online market would probably be something that the marketing entrepreneur would suggest since he/she focus on which marketing channels to use.

Andersson (2000) describe the technical entrepreneur as someone who focuses on the product. We think that a suggestion for a future strategy concerning the product would be to create more trends. If we compare H&M to one of their biggest competitors, Zara, they seem to be a step behind when it comes to be the first with the latest trends. H&M could in the future focus more on the creativity in their designs and try to be first on the market with the latest fashion.

Another opportunity in the future could be to focus more on each market and try to maintain and improve their position in the already existing markets. Champy (1995) say that a company that wants to succeed globally need to value cultural and ethnic diversity. Andersson (2000) think it's a good idea to use native experts in the different markets since they often can solve problems in an easier way. This could be a good strategy for H&M to improve their position in each market.

### **How does the overall strategy influence H&Ms international strategy?**

Andersson (2000) say that the internationalization process is a part of a firm's strategy and many global companies, as H&M, have developed a worldwide strategy. Their global strategy means that they see the world as one market and they use the same strategy in all countries. H&Ms

international strategy is therefore very similar to their overall strategy. Svensson and Andersson (2009) say that a company's international strategy often is very similar to the corporate strategy, which we can see is the concept for H&M. When H&M started up in Sweden in 1947 their vision was to sell fashionable clothes to a low price, and that vision still haven't changed. This may be one of the biggest reasons to why H&M are one of the biggest clothing companies in the world. From the beginning they have had a clear vision and strategy of how to succeed. To keep as much as possible of their overall strategy in their international strategy seems to be a winning concept.

## **5. Choice of markets**

H&M operates in 44 different markets across the world. Germany, France, The United Kingdom and The United States are the four largest markets. H&M has also introduced several shops during the last decade throughout Asia and the Middle East (hm. com, 2012-09-18). According to Andersson (2004), firms in an early stage of internationalization in a mature market, like the global fashion industry, can succeed by a slow, incremental internationalization strategy. A slow, incremental internationalization strategy basically means a firm starts to expand to markets that are physically close to the “ home market”. H&M follows this concept as they first chose to expand to the other Scandinavian countries followed by expanding to The United Kingdom and Germany (hm. com, 2012-09-18).

When the firm becomes larger and more internationally known the choice of markets is more dependent on the competitors of the firm, in this case H&M's competitors (Andersson, 2004). H&M has chosen traditional fashion



markets like France, The United Kingdom and The United States. More recently H&M chose to enter emerging fashion markets like Singapore, a country whom has displayed a unique growth pattern in recent years (grailresearch. com, 2012-09-18).

Figure 2. The world of H&M (hm. com).

## **Which factors have influenced the choices?**

In H&M's expansion strategy they mention how it is critical for the H&M brand to have stores positioned in the best business location to be able to offer a great shopping experience for the customers (hm. com). Before entering a new market (a new country or city), the market's potential is questioned. The most important factors influencing these choices are the demographic structure, purchasing power, economic growth, infrastructure and the political risk. Doole and Lowe (2008) also say that it's important for a company to do a marketing research before entering a market. If the company have knowledge about a market it will help them reducing the risks. Hill (2007) agrees with this argument and point out that a central part when it comes to market choice is to evaluate the potential of the market in the long run. Attractive markets are the ones where the company can find a balance between risks, costs and benefits. Doole and Lowe (2008) mean that a market research will make it easier to find the most profitable markets. There are three criteria that are important to evaluate; the accessibility, the profitability and the market size. H&M are always doing a market analysis before entering a new market and are therefore able to see if there are any benefits at the market. Dunning (1988) explains how economic factors are the most important when it comes to entering new markets. It coincides with <https://assignbuster.com/presentation-of-h-and-m-marketing-essay/>

H&M's vision as they mostly look into economic factors such as the purchasing power, economic growth and political risks. Also Nordströms (1991) study corresponds to H&M's vision as they both question the markets potential. Nordströms study implies that the markets potential is the most important explanatory factor regarding choice of markets (Andersson, 2004).

## **Future markets**

H&M claims that they are positive towards new business opportunities as well as a future expansion of the firm. They target to increase the number of stores and sales with 10-15 percent while they continue to have a high profitability. With their 275 new stores planned they have a lot of new markets to examine in the future. The markets with the highest expansion possibilities are China, the United States and the United Kingdom. Other markets expected to have opportunities for growth is France, Italy and Germany.

Another future plan H&M has is to continue and expand their business within online sales, especially in the US, which is the largest e-commerce market in the world. (hm. com, 2012).

Australia is another market that could be a great opportunity for H&M. One of H&M biggest competitors, Zara, opened up their first store in Australia during the spring of 2011. According to The Sydney Morning Herald, H&M are looking for places where they can open up stores in Australia and they will probably open up “down under” in 2013 or 2014 (market. se, 2012-10-01). Since Zara entered the Australian market first they have a first mover

advantage, and H&M have to work harder to conquer the Australian market when they enter it in the future.

## **6. Market entry strategies**

Companies market entry strategies are closely connected to their expansion strategy (Zekiri & Angelova, 2011). In the 1990s Johanson and Vahlne (1990) presented a model that explains the pattern of the internationalization of a firm. The model is called the Uppsala model and explains the internationalization as a passive process where export isn't a regular activity and the internationalization is made in small steps. "At the start no regular export activities are performed in the market, then export takes place via independent representatives, later through a sales subsidiary, and eventually manufacturing may follow" (Johanson & Vahlne, 1990, p. 13). The company starts to expand to countries that are close to the home country and then they expand their market step by step. This traditional model has been very criticized since the internationalization today often is much more rapid (Andersson & Svensson, 2009). Today there's much more global competition, which can be explained by the increased technological development which makes it easier for a company to reach out to the whole world.

H&M's entry strategy can't be explained by the Uppsala model since they don't take on a passive role in their internationalization. Instead, H&M are actively searching for new markets. Their entry strategy is based on good knowledge about foreign markets. Doole and Lowe (2008) and Hill (2007) explain that it's important to do market research before entering a market and this behaviour can be seen in H&M's market entry strategies.

<https://assignbuster.com/presentation-of-h-and-m-marketing-essay/>

H&M have during their internationalization choose to enter new markets by establish wholly owned subsidiaries. With this strategy H&M are able to control all their processes within the company, which in many ways can be seen as a big advantage.

To connect H&Ms entry strategy behaviour we have used Zekiri and Angelovas (2011) five different entry strategies;

Exporting

Licensing

Franchising

Joint venture

Direct investment

Zekiri and Angelova (2011) explain that foreign direct investments provide a high degree of control and an ability to get a good knowledge of the customers and the market. Wholly owned subsidiaries are therefore the same thing as foreign direct investments and this is the entry strategy that H&M use.

### **Which factors have influenced their choices?**

H&Ms main entry strategy is foreign direct investments, since this is the best way to have full control over the business and the processes in the company. Zekiri and Angelova (2011) say that to be able to use this strategy the company need a high level of resources and commitment.

The PEST factors are a big influence when a company choose which foreign markets to enter (Zekiri & Angelova, 2011). The PEST factors used when analyzing the environment and are known as the political and legal forces, economic forces, socio-cultural forces and technological forces. The main factors that have influenced which markets H&M should enter are the psychological distance between the domestic market and the foreign market, and also the state of the market, which include all the PEST factors.

The psychological distance is dependent on how similar the markets are when it comes to language, political distance, infrastructure, culture and education levels for example (Johanson & Vahlne, 2003). H&M started their internationalization process in 1964 when they opened up a store in Norway. Three years later they expanded their business to Denmark. The next step was to enter the European market, after that the North America, Middle East and Asia. As many other companies H&M have started the internationalization process in countries that are close to the domestic market, both in aspects of geographical distance and in psychological distance. The culture and the values in Norway and Denmark are very similar to the Swedish ones, and therefore these countries are pretty safe to enter according to Doole and Lowe (2008).

The state of the market is a important factor to take in consideration before entering a new market. Hill (2007) means that the first thing a company must do is to evaluate the long run profit based of the risks, costs and benefits. As we mentioned before H&M are doing very deep market research before entering a market. Markets that are politically stable and well developed are preferable to enter (Hill, 2007).

## **Future market channels**

Even if H&M have improved the online store, the biggest distribution channel is their stores all around the world. In the future we think it would be a good strategy to take more advantage of their online store and try to introduce it to more markets. The customers in USA, for example, haven't been able to shop online until the spring of 2012. Since Internet is a very accessible marketing channel a company can use this in a lot of different ways to reach out to their customers.

Social media, as Facebook and Twitter, is a market channel that has grown fast and is today used by many companies to reach out to existing and potential customers. H&M are today established on Facebook, Twitter, Instagram, Google+ and YouTube. Each network is updated regularly so that they always can influence their customers and be present in their minds. This type of marketing channel is good since many individuals are active on these social networks. It's also a cheap way to market the company. H&M also introduced their own app in 2010 where the customers can explore the latest arrivals and find out what's new (hm. com, 2012-09-26). H&M are using the technological development in a very profitable way and the challenge is to always be updated with the latest technology.

## **7. Study of a new market – India**

India is the world's biggest democracy and has more than one billion inhabitants. About 300 million of these belong to the middle class and have relative good purchase power. The upper class in India consists of approximately 15 million people that are very rich. The economic growth in India has been one of the largest in the world during the last couple years.

<https://assignbuster.com/presentation-of-h-and-m-marketing-essay/>

The religion is a central part of the society and most of the habitants are Hindus, 80, 5 percent. The second biggest group is the Muslims, 13, 4 percent (swedishtrade. se, 2012-10-03).

India has strengthened their position in the world by developing good partnership with other nations, such as USA, China, Japan and EU. EU is Indias' biggest trade partner since they have done a lot of direct investments in India (swedenabroad. com, 2012-10-03). Even if India is open for direct investments there's a special rule for foreign clothing companies. The government have decided that foreign clothing companies only can own 51 percent of their organization in India. 49 percent