

Swot analysis of handm



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The paper provides an overview on Hennes & Mauritz (H&M), analyzing the industry environment and the position in the retail market. The paper also explores the impact of the recession upon the human resource management activities, based on publicly available details of H&M, which has been analyzed and presented within the context of the perspective.

Introduction

The retail industry is usually a very dynamic, and a fast changing sector in the market. It represents one of the main sectors in the UK economy, in terms of employment, transactions and turnover, so that as a consequence, it is a highly competitive and a sophisticated industry. Thompson (2002) argues that economic conditions are an important element in the industry and he states that they may affect the way, weather easy or difficult, a business runs the activity successfully and profitable . Furthermore he claims that economic conditions may affect both capital availability, cost and demand. Companies in the fashion sector have to keep all the time the attention on monitoring the market, and should try to identify any new trends as soon as possible and, above all, they have to keep up with the customer's increasing expectations, needs and changing tastes.

As the paper shows above, the analysis will be on the Hennes&Mauritz fashion business which is considered one of the world's favourite and preferred designers of clothes and accessories for man, women, teenagers and babies. In addition, H&M it's also known not only for the fashion cosmetics and accessories but also because of the quality of the clothes , using sustainable materials like organic cotton, wool and organic denim, all being environmental friendly (H&M website (1), viewed 20 October 2010).

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According to the Datamonitor (2010, p. 4) H&M is a large clothing retailer with its operations primarily set in Europe, North America, and Asia, owning in 2009 1, 988 stores worldwide and reaching sales of 119 billion Sweden Kronor. (H&M website (2), viewed 20 October 2010). The company's main office is based in Stockholm, Sweden and employs almost 76, 000 workers out of which more than 53, 476 are on full time employment as of November 2009. H&M's strategic approach is to offer designer clothes to general population at affordable prices, the company working with such brand names as Stella McCartney, Karl Lagerfeld, Roberto Cavalli and Lanvin (Capell & Beucke 2005, p. 16; Kroll 2004, p. 71; Zimmerman 2009, p. D1; WWD 2010, p. 2).

RECESSION IN RETAIL SECTOR

Nowadays almost all kinds of industries are willing to maintain their competitive position in the market during the recession period. Most of the challenges that the retail market faces are related to the economic and the financial aspects. The fashion industry faced unfavourable situation due to the reduction of the money spent on clothes, but also due to the change in consumers' behaviour.

According to Kambil (2009) recession should last less than 2 years, and managers should take full advantage of this in order to rethink and renew their strategies and their competitive positions in the UK retail market.

The UK retail market was just one of the industries hit by the global economic downturn, as shoppers were forced to limit their spending and consumer confidence was shaken by the failure of important retail giants like

Woolworth. With the retail market getting back on its feet in 2010 – particularly the online sales segment, where UK web sales grew by 18% in August 2010 (BBC website, <http://www.bbc.co.uk/news/business-11034030>), compared with the same month a year earlier – one of the most pressing concerns is whether there will be long-term effects on consumer confidence or spending.

The retail industry has been an excellent contributor to the UK's economy. According to the British Retail Consortium, the retail sector is one of the second largest employers in the UK, employing 11% of the UK workforce, some 2.9 million people as of March 2009.

Historical evidences depict that the UK's economic development has been dominantly fuelled by the successes in the fashion industry especially because of the existence of 286,680 retail outlets in the UK (British Retail Consortium website). Over all these years, industrial success in textiles and fashion goods component have been significant and can be attributed to the continuous change and improvements in the lifestyle of the shoppers and the increasing value being placed to such products. Consumers constantly experimented different looks, styles, fabrics and ideas and their interest in fashion accessories has been stimulated by high media exposure, which have been growing over the last few years. This assiduous rise in the consumer spending on fashion products led to practically unchallenged growth in the industry.

Despite the crisis in this sector of the economy, some of the organizations managed to grow their market share. According to Kambil (2008) companies

need to focus their attention on the market share and in addition they had to launch new products and adjust the existing ones in order to improve their relations with the customers. Using H&M as a company example, they tried to beat the effects of the downturn, by launching designer clothes in partnership with well-know designers like Jimmy Choo, Roberto Cavalli and Lanvin this November (H&M website, viewed 21 October 2010).

Moreover the economic recession has affected many HR Processes and they needed to be adapted to the new economic environment and furthermore they had to be ready to face the new reality. The impact of the recession is not the same and many HR Processes can continue their regular operation without any adjustment. Even if recession has affected many fashion organisations, closing stores or slashing prices, one of the big retailers operating on the UK market, H&M , was keeping quite well, in addition they were opening stores, entering new markets, and adding new brands (Spiegel website, April 9 2008,).

Another major effect of the recession in the retail industry is the staff redundancies. According to The Telegraph website there is an important downsizing in this sector, which may affect retail organisations in many ways. The article shows that at the beginning of 2009 economists were announcing massive staff reductions between 100, 000 and 135, 000 jobs due to the “ severity of the slowdown”. Moreover the Chartered Institute of Personnel and Development predicted at that time more than 600, 000 jobs will be lost and many companies will be forced to freeze their workforces’ pay.

Sales have been also suffering by the economic downturn, reporting a volume of retail sales lower with 0.1% than October last year (National Statistics Online website, <http://www.statistics.gov.uk/cci/nugget.asp?id=256>).

Among the factors that should be taken into consideration is the current economic growth rate in the nation. This directly refers to an economy's rise in value of services or goods produced. According to the Office for National Statistics (ONS) in the case of United Kingdom, the economic growth rate in 2010 grew by 1.1% in the second quarter of the year (BBC website, National Statistics Online website, <http://www.statistics.gov.uk/cci/nugget.asp?id=256>).

Another economic factor that may influence retail business in the fashion industry is the inflation. According to the BBC newspaper, the Consumer Price Index (CPI), inflation increased to 3.2% in October from 3.1% per cent in the previous month (BBC newspaper, <http://www.bbc.co.uk/news/business-11784775>, Appendix A)

SWOT Analysis of H&M

According to Armstrong (2004) SWOT is defined as "(Strengths, Weaknesses, Opportunities, Threats) and is a popular framework for developing a marketing strategy." SWOT analysis is basically done to find out if they have sufficient resources to cover their weakness and still achieve their objective.

Strength

Hennes & Mauritz AB build its strengths by operating through complementary retail channels - stores, Internet, and printed catalogues.

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According to Datamonitor (2010) one of the significant strength of H&M Company is the request for its products which rise up the inventory turnover and enables low price cut. Customer express their preference for H&M product especially clothes because of it's quality at the best price but also because of the stores which are refreshed and reordered daily with new garments products. Moreover, collaboration with designer like Karl Lagerfeld, Stella McCartney, Roberto Cavalli and Lanvin this November, which are very well know worldwide, will improve the desire for their garments , but also will accelerate sales growth (Business week website, viewed 19 October 2010) .

Another major strength of H&M is the presence on different markets such as Europe, North America and Asia with almost 2000 stores (H&M website (4), viewed 20 October 2010). This fact is a positive aspect for the company because they can diversify their risk, but also " be sustainably- financially, socially and environmentally" (CSR Report 2009).

Weaknesses

One of the most important and noticeable weakness that H&M encounters is the segment that the fashion company targets. H&M designs clothes for young customers offering them the H&M Divided and H&M L. O. G. G collections. Second fact that can be taken into consideration as a weaknesses is the shoppers base which is influenced by the macro economic environment in a negative way (Datamonitor 2010). The article claims that H&M focus on the young segment of the market, which is one of the worst hit by the recession, with 21% rate of unemployment for teenagers under age of 25.

Opportunities

First of all, one of the most important opportunities that H&M faces is the e-commerce. According to Datamonitor (2010) H&M online sales grew by 22% with 4.7% of the total retail online sales in Europe. Moreover the online sales within more 17 European Countries (such as France, UK, Germany) are estimated to grow by 11% each year over the next five years. Even if the recession affected the retail industry, Hennes & Mauritz opened in 2009 250 stores worldwide with 25 more than they planned. (H&M website (3), viewed 21 October 2010)

Second of all, the expansion plans 2010-2011 for H&M intend to reach a 10-15 % each year. The Company tries to focus on markets like Asia where the sales double over, China Japan and South Korea. (Financial times website October 20, 2010).

Another opportunity that H&M takes full advantage of is the use of organic cotton which classified the company in the top twelve global brands and retailer using organic cotton.

Threats

Threats of the company are also related to the economic recession because shoppers spend less money on clothes. Over the year 2010 employment were expected to become worse, peaking towards the end of the year at approximately 10.3% and consumers were expected to apply for benefits. Second major threat for the organisation is the VAT which has been reduced in the UK in 2008 by 15% and in January 2010 has been changed again to 17.5%. Apart of this change the cost for cotton has been modified as well

with almost 60-75 % by the end of 2009 and with 20-30% during 2010 (Datamonitor 2010 , <http://web.ebscohost.com/bsi/pdf?vid=20&hid=7&sid=4b01c02d-b8cf-414f-b787-7f93a0b69865%40sessionmgr113>).

Human Resource Management in a recession

The retail sector is one of the most hit by the global economic recession, so that managers should handle the effects of recession as professionally as possible in a downturn. But since when human resource management is dealing with the implementation of the strategies and policies relating to the management of individuals, the department become one of the most responsible to bring the organisation on the right track during recession time. According to Kambil (2008) there are some important steps that a business should follow in order to maintain their competitive position on the market. Some of these vital steps are the improvement of prices in order to grow margins, the increase of the financial and operational efficiency, but also the concentration on the market share.

According to Armstrong (2009, p. 5) the purpose of the human resource management is to make sure that an organisation is able to perform well through its staff, but also to increase the efficiency and the capability of the business. Furthermore, it also helps the business to reach its goals by using the resources available to their best use.

One of the first processes affected by a recession is the recruitment selection policies which have been massively affected by the recession. Newell and Shackleton (2000) argues that recruitment and selection process involves making anticipation about what will happen, so that decisions are made

about who is the most suitable person for a certain job that can increase the performance of an organisation. Now managers and recruitment agencies are being extra careful who they bring in, and they prefer to rethink and implement new strategies in order to improve their relations with the customers. In addition, companies are even more demanding than before, making sure that they recruit the best candidate that can bring real value to the company.

Another significant effect on human resource management which impact an organization in recession time is the cost cutting. Retailers are conscious about the situation of the business and try to do everything to maintain their competitive position on the market. They started to cut working hours, holidays, labour costs, and travel expenses and they don't offer long-term benefits anymore. According to Retail Week website (<http://www.retail-week.com/cost-cutting-the-lean-machine/1923604>. article) organizations needed to reduce its cost not only to their store level, but also to their head offices.

The career and development process have been also affected by the recession, so that managers offer limited trainings to their staff. Selecting and training employees with great potential, contribute to the increase of the sales and organisations performance. It also leads to a more structured career path which ensures that staff has the necessary skills to improve the quality of services and products of a company.

Introducing flexible working arrangements and part-paid sabbaticals is another effect of the recession that has a significant impact on an

organisation impact on an organization. Managers prefer to make these changes, rather than implementing redundancy programmes, because it allows them to manage every cost. This measure eliminates the need of hiring extra staff for busy periods such as Christmas or Easter holidays.

The operations are also suffering due to the recession, because managers develop different channels which imply lower labour costs, such as online sales.

A number of retailers found more innovative ways to deal with cost cutting by introducing 9 day fortnights, reducing daily hours and offering unpaid sabbaticals, so we also saw an uplift in the request for interim specialists to renegotiate these new practices.

Conclusion

The middle of 2008 saw huge changes for the UK retail industry, with the sector suffering a very intense downturn and several well-known brands were disappearing from the high streets. But on the other hand there have been retailers that improved their performance during the recession. As seen above, H&M is one of them, reaching a SEK 118, 697 million turnover, and about 76, 000 employments.

The human resource management is one of the sectors that have been also affected by the economic downturn. According to Armstrong (2000) " Human resource management is a construct largely invented by academics and popularised by consultants". So that many retailers took decisive actions, like concentrating and simplifying their operations by reducing staff numbers

and costs, both through natural wastage and implementing redundancy programmes and flexible working hours.

Furthermore, there is now evidence of significant change in the retail sector. In line with the drop-off in demand for goods not being as bad as had initially been feared, retailers are now re-evaluating and rethinking their HR strategies.

In conclusion, the paper demonstrates that the current economic conditions have provided the opportunity for the UK retail industry to learn and deal better with HRM structures and recession, adding to what had already been in progress before the economic downturn, which in turn shows an opportunity to make the business stronger, successfully and profitable. Moreover, there is a lack of standard qualifications across retail sector which is also unfavourable. Government policy in this area is ineffectual and needs to be improved as soon as possible.