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1 Introduction

Everyone is facing a tougher year in 2020 due to COVID. The fashion industry was one of the affected industries whose sale significantly declined, customer behaviour changed and interrupted supply chains globally (Jaglan, 2021).

Work hybrid and work from home is the new normal after COVID it not only changed our ways of working but also changed the customer behaviour of outfits. During COVID for prevention people are staying home most of the time which affects the desire to purchase apparel, fashion, and luxury products. Since social networking has been reduced people have changed their habit and tend to purchase athleisure and casual-wear (Balchandani and Berg, 2021).

Casualism is the trend for clothing after COVID consumers not only for good looking but also look at the cost performance value of the items that they picked (Kochhar, 2023). This report will look into one of the fast fashion market leaders H&M. Through the group vision, mission and value to understand their strategic direction. Analysis the current market status by five forces analysis, marketing positioning and comparison then looking for the opportunities.

Furthermore through the value chain analysis to review the internal business and how it can support the vision, mission and value, also the strengths and weaknesses. At last will look into the strategic implementation and provide relevant recommendations.

1.1 Company Background

H & M is a multinational fast fashion retailer which has been established in Sweden since 1947 by Erling Persson with his wanting to make great fashion available and affordable for everyone. In the 1980s H&M expanded the business globally starting from Europe, America, Asia, Oceania and Africa through physical stores and online platforms (H&M Group, 2024).

Nowadays H & M group offers clothing, accessories, homewear, home decor and beauty by different tier of brands. Current H&M operated over 4000 stores across the world with 78 markets and 60 online markets (H&M Group, 2023).

1.2 H&M Group Vision, Mission and Value (VMV)

This section will look at the H&M group's vision, mission and value to understand how it drives the strategic direction.

Vision: Make great fashion available to everyone and to do it in the right way. He built the foundation for a customer-focused, creative, value-driven and responsible company (H&M Group, 2024).

Mission: Make fashion and design accessible to everyone in a way that is good for people, the planet and our business (H&M Group, 2023).

Our mission is to make sustainable fashion accessible to all (Champions, 2021).

Value: We are the best we can be and bring out the best in everyone and the business (H&M, 2024).

Through the VMV can understand H&M would like to put their customer first by providing fashion and design accessible to everyone. As a responsible company it also focuses on sustainability and commitment with the societies.

1.3 Strategic direction

Through the H&M mission we can understand sustainability is the main focus for their current business strategy.

Sustainability is a long-term ambition which needs to refer to the government policies to set up the goals and programmes, also supported by internal and external activities to ensure the sustainability process can across the whole business development end to end. It is also considerate of the plan, learning and social commitment.

2 Industry review

In this section firstly will look at the overall current business performance and will specifically look at the Asia, Oceania & Africa region then will focus on the Hong Kong clothing retail market to understand how H&M performs in Hong Kong.

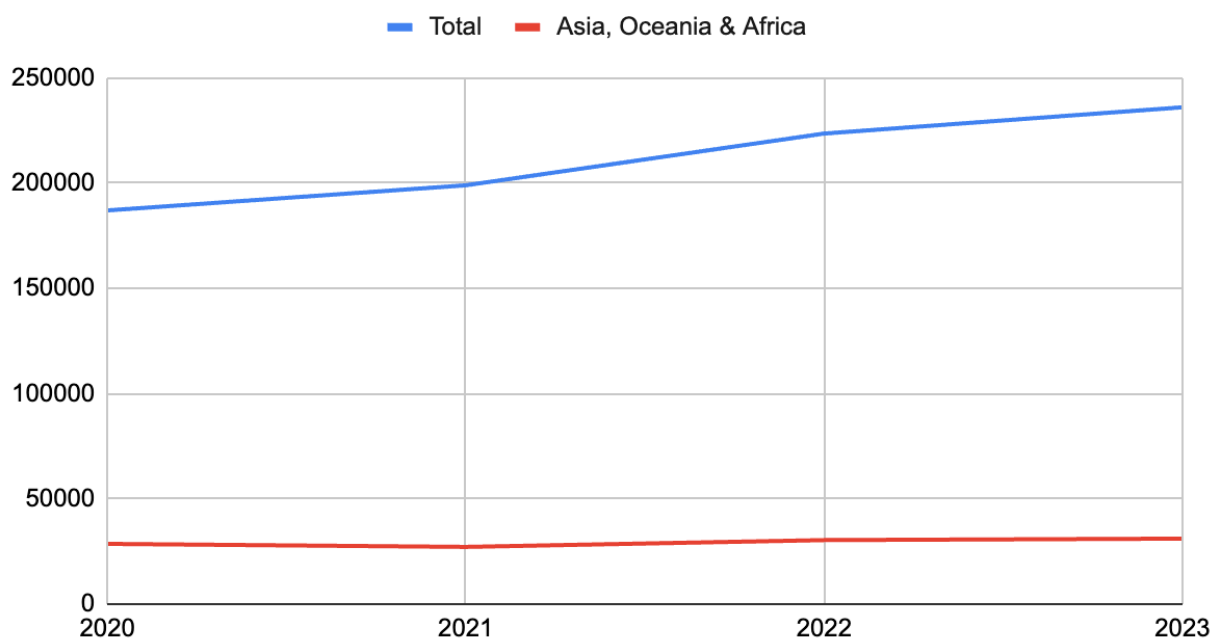
Furthermore, understand the main competitive forces in the fast fashion industry through the five force analysis and analysis of the current Hong Kong market position then to find out the opportunities.

Current business performance

In 2023 H&M group is performing well as the business sale is slightly growing which raised 2.28% from previous year. However the number of stores is reducing 3.67% from the previous year, as the group is transforming physical stores to online stores (H&M Group, 2023).

Figure 1: Sales per region: 2022 to 2023

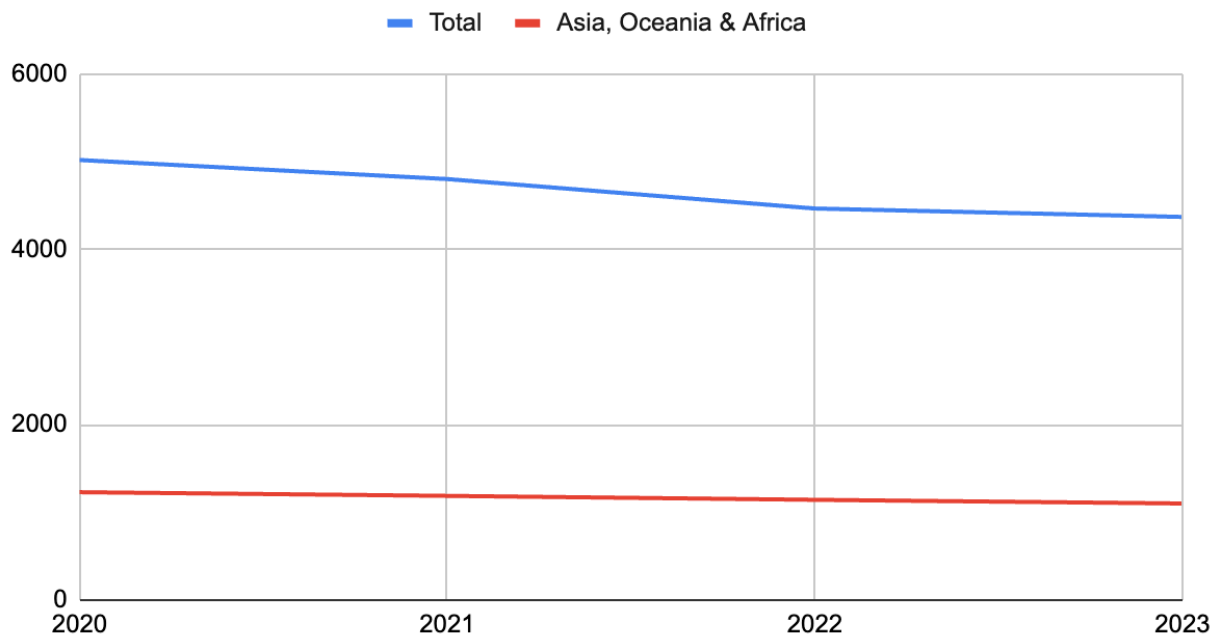
Sales per region: 2020 to 2023



Sources: H&M Group 2020 to 2023 and contribute by writer

Figure 2: Store per region: 2022 to 2023

Store per region: 2020 to 2023

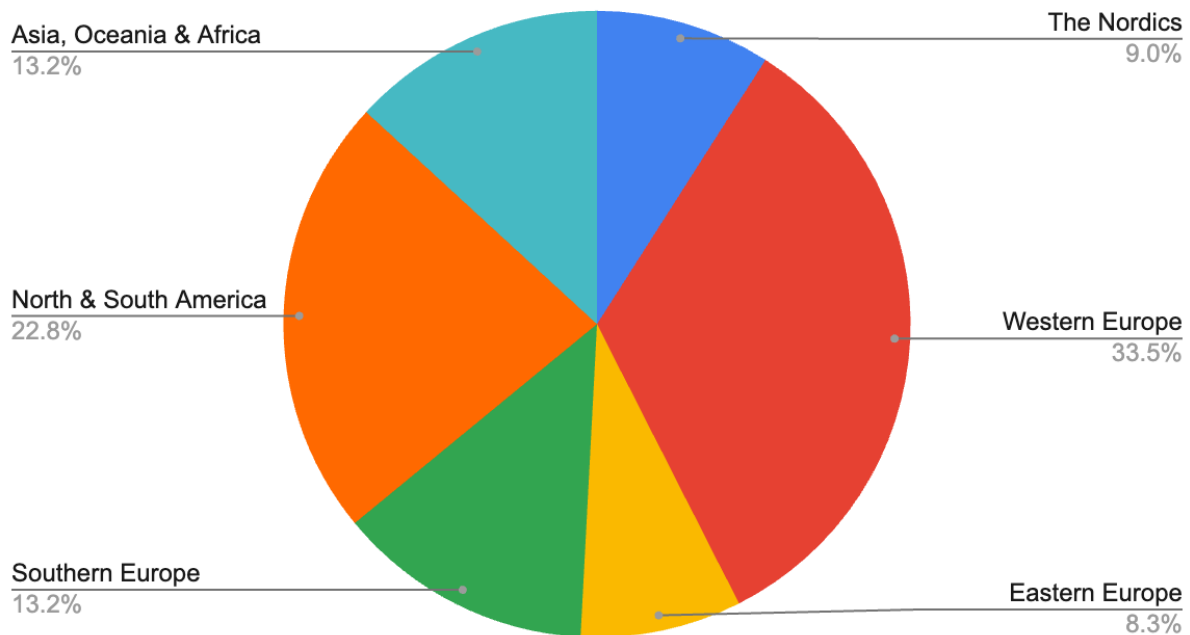


Sources: H&M Group 2020 to 2023 and contribute by writer

When we specifically focus on the Asia, Oceania & Africa region in figure 1 and 2 we can see the sale and store remain flat over these 4 years. According to figure 3 that shows the Asia, Oceania & Africa region is 13.2% for the total business which means the Asia, Oceania & Africa region weighs a very small amount of impact for the business individually.

Figure 3: Sales share per region: 2023

Sales share per rignon



Sources: H&M Group 2023 and contribute by writer

When doing the observation for the Hong Kong market found that since 2021 the number of stores is continuously reducing from 13 stores to 4 left. According to the news updates 1 of the stores in Mega Box is tending to be closing, as there are no new launches, no stock replacement and mega sale (HK01, 2024). It seems that H&M is planning to withdraw Hong Kong gradually.

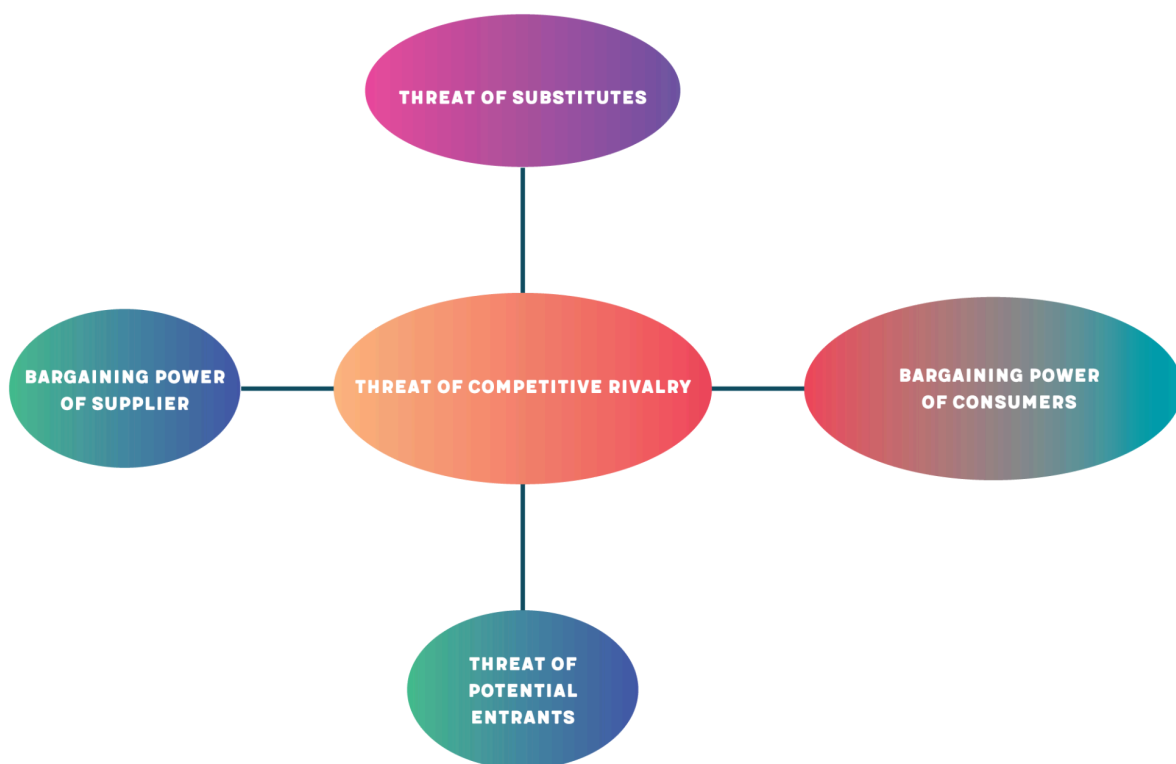
Although the H&M Group does not provide the data specifically for Hong Kong and we are not able to directly measure the performance. However we look at the Report on Monthly Survey of Retail Sales 2024 September in clothing, footwear and allied products is continuously dropping year to year August -12.6% and September -8% compared with the same month in last year (Census and Statistics Department ,2024). The result shows that the

fashion industry is not performing well in Hong Kong and that may be the reason why H&M is reducing the number of stores in Hong Kong, or even in the whole Asia region.

2.1 Five force analysis based on Hong Kong Market

Through the five force analysis to understand the main competitive forces in the fast fashion industry. Will explain each competitive force individually if they are favourable for H&M.

Figure 4: Five force analysis based on Hong Kong Market



Sources: Contribute by writer

Bargaining power of consumers

Currently there are numerous options for consumers to purchase not only in physical stores but also online platforms. Also customer behaviour could be changed based on their lifestyle, trend or peer impact. As H&M is targeting an undifferentiated market which consumers bargaining power is high and unfavourable for H&M.

Bargaining Power of suppliers

Bargaining Power of suppliers is low to moderate for H&M. As there are various suppliers cooperating with H&M and also has its own production factories and raw material farms.

Threat of potential entrants

It is easy to enter and establish in the apparel industry as there is no significant technical knowledge required through physical and online platforms which is unfavourable for H&M as the threat of potential entrants is high.

Threat of substitutes

Threat of substitutes also is high, as there are numerous direct and indirect competitors for H&M and the whole industry which is unfavourable. Also customer behaviour has changed after COVID and consumers tend to be wearing more casual and comfortable leisurewear that is suitable for them to work from home or hybrid.

Threat of competitive rivalry

Based on the above factors the threat of competitive rivalry is high. Apparel industry is very competitive and very dynamic. Cost of shifting for the market is very low, the threat of competition is high and bargaining power of consumers is high, those factors are unfavourable for the business under the undifferentiated market.

After the analysis, bargaining power of consumers and threat of competitive rivalry are the major forces for the industries by following threat of substitutes and less forces are bargaining power of suppliers and threat of potential entrants. Consumers play the major role for the industry which is related to the supply demand, if the consumers are not purchasing your product that will directly affect the whole business not only the sale.

2.2 Market position and comparison

As mentioned, in the current Hong Kong market there are numerous competitors such as Zara, Mango, M&S, Cotton On, COS, Uniqlo but also online platforms such as ASOS, Zalora, Shein and even TaiBao.

Position mapping

Figure 5: Position mapping in Hong Kong Market



Sources: Contribute by writer

According to the position map based on Price and Quality levels H&M is close to the centre where H & M's products are at an affordable price with fair quality. As a result H&M is not seem that outstanding from the market, so it is difficult to attract consumers.

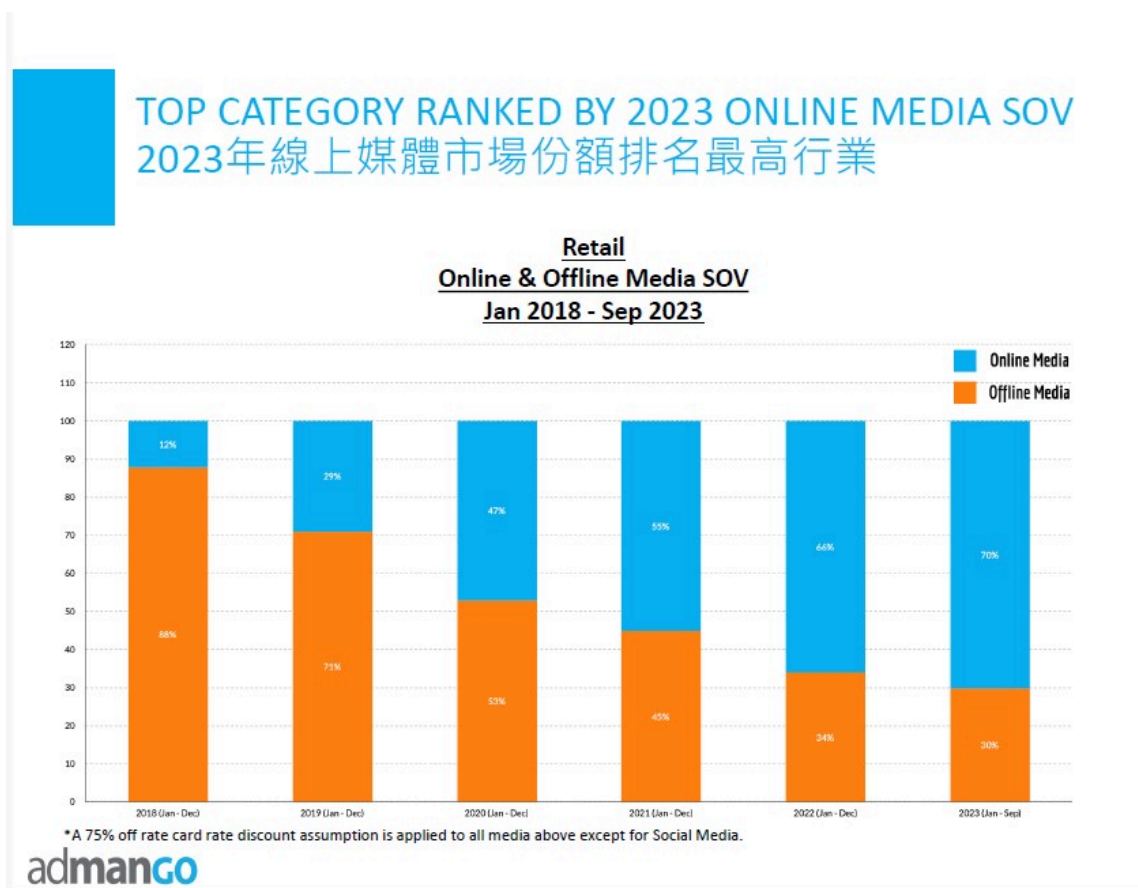
If consumers are looking for more fashionable and premium outfits Zara, COS, Mango, ASOS can be their options. Vice versa looking for entry levels of outfits Uniqlo, Cotton On, and others online retailers platforms can be their alternatives.

2.3 Opportunities?

H&M in Hong Kong marketing is unclear, the group should look for new opportunities such as online shopping and develop the niche market for special materials.

Business transform to online is the current trends on figure 6 shows the result from 2018 to 2023 online retail online market share is increasing and up to 70% (AdmanGo, 2024). Also look at the online sales in Sep 2024 weigh 10.4% of the whole market share (Census and Statistics Department The Government of HKSAR, 2024).

Figure 6 Retail Online & Offline Media SOV: Jan 2018-Sep2023



Sources: AdmanGo, 2024

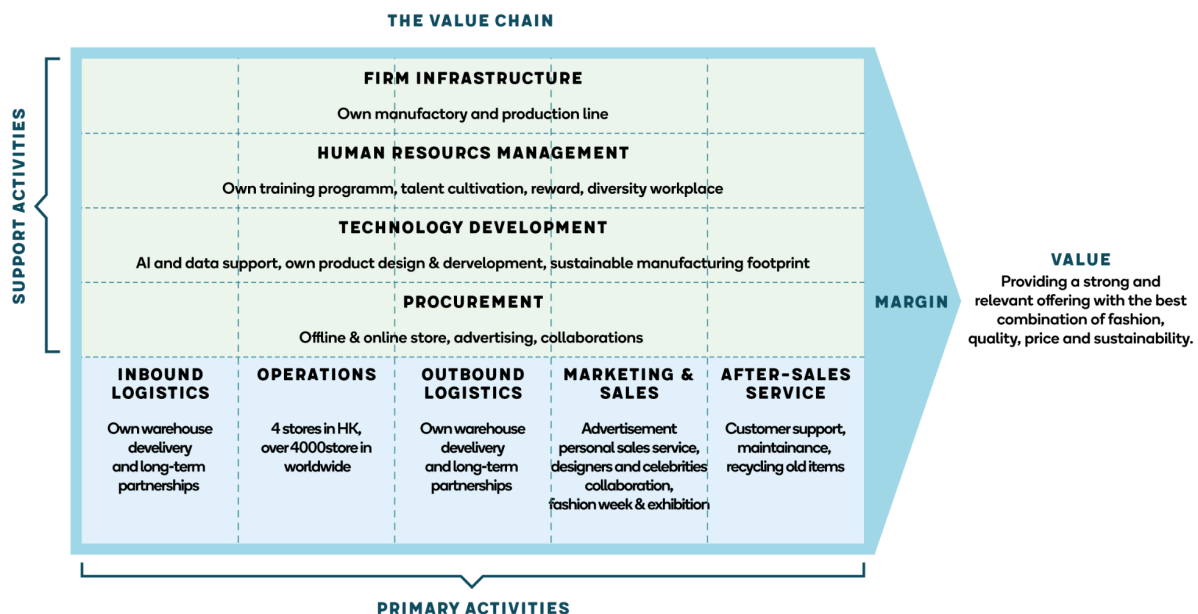
Also according to the group sustainability strategic focus should be looking for new sustainable materials such as organic materials, fibre from recycled plastic or paper and ect. It also can be supported by campaigns for customers to learn together how they can recycle their old outfits and how they can maximise and create the value for the existing outfits.

3 Internal Business review

This section will analyse the existing value chain from H&M to elevate the primary and support activities that are able to support the vision, mission and values for the group.

3.1 Value chain analysis

Figure : H&M Value Chain analysis



Sources: Contribute by writer

H&M provide a complete train service for their own business. From the raw materials are supplied by long term relationship, qualified and stable suppliers then transit to their own manufactories for productions in different regions. H&M also has their own product development and design team and collaborate with designers and celebrities for special editions (H&M Group, 2024).

3.2 Internal support for VMV

The group strategy focuses on sustainability, not only the product production but also the whole operation and administration across the business. That can link back to business vision, mission and values as mentioned in section 1.2. The actual result shows in 2023 highlights there is 22% reduction in scope 3 greenhouse gas (GHG) emissions and rich 85% recycled or sustainably sourced materials for the consuming products which included 25% recycled materials (H&M, 2023).

Which means H&M deliver the sustainability message across the whole business and also deliver to their customers and public by action.

3.3 Strengths and Weakness

The strengths of H&M are that the group is one of the largest global clothing retailers worldwide. Second the store offers quality and trendy clothing at affordable prices, we can say designer clothes at department store prices. Also have the capability to collaborate with guest designers from different brands internal and externally. Even focusing on the sustainability strategy H&M remains affordable by using few middle-men and buying large volumes cost consciously.

On the other hand the weakness of the group may be overstocking when purchasing large volumes of material that will create cost impact internally. A multinational business H&M managing numerous brands globally will need to pay huge capital and maintenance fees for all different types of machines required to produce clothes for each target segment.

Also H&M actually without a unique selling point except low price with low quality which is creating conflict with their mission. As they mentioned to provide good design and good quality of clothing for all. However the reality is that consumers do not share the same feeling.

4 Conclusion & Recommend

Through all the analysis, believed H&M are not 100% meeting their strategy. As the outcome cannot hit the consumers expectation which is one of their weaknesses.

However the strategy focuses on sustainability are doing well from the business.

5.1 Recommendation

Remain few physical stores and focus on online platforms as online purchase is the trend recently. Online platforms can provide personal customer services that can support customers for product information, fashion tips or styling matching suggestions.

Increase engagement on social media

The online platform can improve the interaction through social media which can increase the customer engagement.

Effective use in social media which helps to increase customer engagement. Correct platform can help to understand the target audience, draw the audience's attention, keep engaging, then analyse the data and adapt to the strategies (Wibowo *et al.*, 2021). Good customer engagement can bring customer retention, create new customers, strengthen customer loyalty and enhance customer satisfaction (Lim and Rasual, 2022).

Engage customer recyclability

In Hong Kong there is a lack of support for garment recyclability. H & M except to manage the recycling by themselves also can work with local third parties such as Redress to enhance the acknowledgement of garment recyclability for their customer.

Also can cooperate with celebrities and KOLs to demonstrate how to modify/transform the existing (old) garment to a new clothing to motivate customers to create a second life for the existing garment.

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