

Marketing Fundamentals Analysis and Evaluation

H&M

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Introduction:

Covid-19 has affected the businesses in each and every industry. The businesses are currently trying to navigate their organisational practices through a wide range of issues which are interrelated with the impact that Covid-19 has caused. This particular report is based on H&M, and it is concerned about the internal and external environment analysis of the company in the prior covid situation. The report will analyse the internal as well as external business environment of the chosen organisation, through implementing relevant models of analysis such as, Porter's value chain, VRIO, Porter's five forces, and PESTLE.

Main Body:

Background of the chosen company:

H&M is a company which is running its business globally in the clothing retail industry. The company's headquarter has been established in Stockholm. The company offers a wide range of clothing products for men, women, and children. The term H&M is an acronym for Hennes & Mauritz (Mo, 2015). The company has been operating over 4500 stores in all over the globe, and the company has set up their own strategies in the business practices for ensuring growth of the overall business.

Internal environment analysis:

The internal environment of a business can be described as the environment which is directly connected with the organisation and has the ability to create an impact on the daily practices and tasks of the business.

For analysing the internal business environment of the company, H&M, the analysis model Porter's value chain and VRIO has been utilised in this report.

Porter's Value Chain

For getting a better understanding about an organisation, it is important to understand the organisational structure. This is a framework that helps to develop a structure which follow

the interconnected activities within an organisation, starting from the acquisition of raw material to providing the products in customer's hands (Nagy, *et al.*, 2018). Porter's value chain includes five primary activities such as, inbound logistics, operations, outbound logistics, marketing and sales, and service; and four secondary activities such as, firm infrastructure, human resource management, technological development, and procurement. Through Porter's value chain, the report will analyse the strong and weak links of the business practices in H&M.

Primary activities:

Inbound logistics

H&M does not acquire any plant for their manufacturing process, and the company outsource their production requirements globally (Mäkelä, 2020). H&M has to depend on various outside suppliers for delivering the essential inputs for the production process of the company. Because of the covid pandemic, the company had to face several issues in supply chain that has impacted their whole production process. Covid made the inbound logistics slower and cause delay in supply chain process.

Operations

The company uses a centralised in-house designing model. The product design operations mainly took place in the company headquarters. With the help of several designs and patterns, the company can quickly create different fashion designs through various designers, and the company has to implement thorough research on the market for being able to identify the on-going trends among the consumers in the targeted market (Arrigo, 2018). The company has straight connection with their production office which allows them to conduct immediate production process and provide them the advantage of efficient cost. However, because of covid-19 the production operations of H&M had to face issues because of the shortage of production workers.

Outbound logistics

The company uses proper transportation system for transporting their products to the estimated stores. The usage of reliable transportation system helps the company to reduce the charges of labor. However, because of covid-19 the company had to face delayed

transportation of their garments, from the factories to the stores in all across the globe. The company uses a comprehensive and integrated distribution solution for connecting the warehouses, distribution centres and physical stores, and they ensure to fulfil the product need of each and every store through proper communication for timely delivery of the products (Mäkelä, 2020).

Marketing and sales

The company focuses on providing affordable fashion products to the customers. Because of the benefit from the economy which they get from bulk purchases, the company get the ability to negotiate with the suppliers for providing big discounts (Li, *et al.*, 2021). The market strategy of H&M is quite strong as it has been helpful for them to create a good position in the global market. The company works with famous designers and utilise famous faces in the advertising to create a long-time impression, and the company uses the social media efficiently as well. However, it is important to note that H&M had to close over 200 stores as covid drive the sales towards the online shops.

Services

H&M consider their services to be a very important aspect for the business. The company provides formal and basic training to the employees for helping them to adopt the values and practices of the organisation (Wischer, 2020). Moreover, after the covid-19, the company has been training their employees for maintain the hygiene protocols properly, which will help them to provide a high-quality service experience to the consumers, without the fear of virus spread. The company introduces several welfare initiatives for their employees and try to provide an excellent work environment, for increasing the efficiency and effectiveness of the employees (Wischer, 2020).

Secondary activities:

Firm infrastructure

Presently H&M have near about 4,800 physical stores in over 70 markets globally, and consists approx. 170,000 employees worldwide. The headquarter from where the main

activities on the company such as purchasing, logistics etc. are being operated has been situated in Sweden. The company has over 25 local production offices that handle about 15,00 factories, exchanges valued information to cope up with the on-going trends and accomplishing the while process timely. The company deals in 50 online market which has helped the company to maintain their profitability at a certain point in the prior covid situation (Mohamed Mahmoud Fouad, and Emadeldin, 2021).

Human resource management

H&M focuses on providing a cooperative organisational culture, that promotes employee engagement, encourage creativity, supports trial and error learning, and help the employees to enhance their inner skills and abilities (Sergeevna, 2020). The company encourages teamwork. The company fulfil its social responsibilities through recruiting the locals as employees for their physical stores, and ensure to provide equal treatment to each and every employee. The company has undertaken strict safety and hygiene measures after the spread of covid-19, in order to ensure the well-being of the employees (Sergeevna, 2020). To be ethically correct, the company make sure to sign agreements of employment with their employees, which is determined by law.

Technological development

H&M which is a garment retailer company, uses latest information technology and systems for improving the logistic and production process of the company, and influencing reduction of the cost as well. After the outburst of covid-19, the company has implemented temperature checking and sanitisation machines for daily temperature check and maintain hygiene to ensure safety of the logistic and the delivery team. The company provides the online payment option to the consumers for maintain a safe distance and providing zero physical contact delivery services (Mohamed Mahmoud Fouad, and Emadeldin, 2021).

Procurement

The company doesn't own any production factories, and totally rely on their suppliers and their abilities. However, certain increasement in the prices of the raw materials can greatly impact the profitability of the company (Arrigo, 2018). As an example, increased price of cotton, which is an important material for producing the company's cloths, can significantly

increase the production cost of the garments. Increased production cost will result the price of the clothing to increase, which can directly impact the consumers to find alternatives in lower price range, especially the online consumers that are increased because of covid. However, the company can easily switch their suppliers for improving their quality and reduce costs.

VRIO

VRIO is a strategic tool of analysis which is used for analysing the resources of an organisation and determine their core competencies and competitive advances (Pesic, *et al.*, 2013). The analysis model analyses the resources and core competencies through evaluating the aspects like – value, rare, imitable, and organisation.

Valuable

H&M has created a power brand image over the time, which is unique and has potential integrity. Their brand image has been improving as time is passing by, which is all because of the good quality products they offer and their nonstop effort (Lanzolla and Markides, 2021). However, it is also noticeable that, as because of covid-19, the consumers in the online shopping field have increased significantly (Koch, *et al.*, 2020), and it has resulted the company to enhance their online presence, and it has ultimately turn out to be beneficial for the company's brand image. The company has successfully gained high recognition, mainly because of their online presence. As the company runs their business in the global market, they highly value their suppliers, and creates a strong and long-term relationship for ensuring an efficient distribution system.

Rare

The company has to deal with global operations and maintain its global presence properly. As they operate their business globally, H&M has high exposure towards various cultures and norms of different societies. Being a multinational conglomerate, H&M has been seen to have high adaptability towards all of these factors. The risk assessment functions of the company help them to identify the opportunities which they can utilise in their favor. While majority of the company's stores are being closed because of covid-19, the company has

successfully identified the opportunity in online shopping platform, and eventually utilised it for attracting more consumers and gain profitability (Koch, *et al.*, 2020).

Imitable

As the company operates their business in the cloth retailer industry, their products are highly imitable (Nguyen and Huong, 2020). However, the company have to ensure that the quality of the products is high, which can be difficult to imitate. The location strategy of the company is imitable as well. The marketing communication can be imitated as well; however, H&M has created strategical marketing communication which is helpful for reducing the consumption. The company gives a unique customer experience which cannot be imitated.

Organization

The company enjoys a considerable financial strength, which is however got affected at a certain level by the emergence of covid-19. This economic strength helps the company to test out new opportunities for the development of new as well as existing products (Ly, 2021). The company provides in-house training for their employees, which are particularly designed for different roles. The company has implemented special hygiene protocols for the safety of the employees as well as consumers, after the whole covid-19 situation.

External environment analysis:

Porter's Five Forces

Porter's five forces is an analysis model which helps in identifying and evaluating several competitive forces which shapes a business and determine the strengths and weaknesses in the external business environment (Khurram, *et al.*, 2020). The competitive forces are -

Threat of new entrants

H&M has been in business for quite a while now. Stating from a global view point it will be quite difficult for the new entrants to become a huge force of threat for H&M, as they will need a lot of investment for building inventories, gathering fund for the startup, marketing cost, cost for research and development and many more (Tran, 2020). On top of that, the way covid-19 has hit the economies, in this situation will be much tougher for them to compete

against the well-established companies like H&M. Moreover, being an organisation in the fashion industry, it will be hard for the new entrants to produce differentiated products. In addition, H&M has already established a strong distribution network, which will take a long time for the new entrants to create.

Bargaining power of the consumers

Because of the availability of the various alternatives such as Zara, Gap and many others, and also the low switching cost makes the bargaining power of the consumers a high force. Because of the minimal switching cost, the consumers can easily select another brand in accordance to their needs, which results in low to zero brand loyalty. The COVID-19 has hugely changed the purchasing actions of the consumers (Koch, *et al.*, 2020). The consumers are preferring shopping online, more than traditional shopping. And online shopping has made it much easier for them to find alternatives. Therefore, the bargaining power of consumers has become quite high for H&M.

Bargaining power of the suppliers

As there are numerous suppliers and manufacturers available in the fashion sector, thus the bargaining power of the suppliers becomes low. As H&M trades in the international market, they have a larger range of options to select the suitable sources, and they can also backward integrate through collaborating with the suppliers for fulfilling the requirements of the organisation (Su, 2020). Moreover, H&M operates their business in the Indian and Chinese market where the labor costs are comparatively cheap, which makes the suppliers' switching cost very low. In addition, because of the COVID situation, most of the supplier companies had to face a major economic crisis, therefore they will try to keep the engagement with the big companies like H&M, at any cost.

Threat of the substitutes

The threat from the substitute products is low, as garments are irreplaceable. However, because of the higher rate of online shopping resulted from the COVID-19, the sales in the physical stores of H&M have reduced significantly. Thus, the company has been focusing on developing their online selling strategy for maximising their recognition and profitability. The other firms in the market have been researching and designing better products to meet the

expectations of the consumers, therefore it is important for H&M to follow and take chance of the latest trends in the market, and embrace the changes (Ullah, 2021).

Competitive rivalry

The competitive rivalry is very high for H&M, as there are several popular fashion companies like Zara, UNIQLO, Gap etc. exist in the market in which H&M operates their business (Su, 2020). Moreover, the turbulence of economy cause by covid-19 has impacted the spending of the customers. Most of the consumers search for products that offers low price and high quality, and because of the availability of alternatives, offered by the rivals, the competition gets much more intense for H&M. In addition, online shopping has made the competitors more powerful.

PESTLE

The PESTLE analysis model has been utilised for analysing the factors in the external environment that can influence the success of the business. The elements of this analysis model are -

Political

H&M operates its business in all over the globe; therefore, it becomes important for the organisation to understand the political situation of each country, as it can impact their business. Moreover, the company have to acknowledge the laws set up by the government of the countries for ensuring that the business operations go smoothly.

Economic

Because of the inflation, the cost of the raw materials such as cotton, that are necessary for producing garments have been increasing rapidly. This is causing the manufacturer companies to increase the cost of the production, and impacting the scopes of gaining profit in the market as well. Covid-19 has impacted the economy of every country and every business sector which is highly influential for minimising the profitability of H&M as well. As the company trades in the international markets, the demand for efficient suppliers as well as manufacturers in the low-income countries increases, and the competition among the

companies that operate business in the fashion retailer market increases (Ullah, 2021). In addition, the covid-19 has impacted the consumers in way in which their spending pattern has been changed significantly. It has become important for the company for identify the pattern and develop their pricing strategy in accordance.

Social

Every culture in the society has their own beliefs and choices which influences their fashion choices as well. As an example, the European countries embraces the latest fashion trends faster than the Asian countries. H&M have to understand the requirements of the consumers in each country to provide them the expected services. Moreover, because of covid-19 there comes a certain change in fashion, as it also became a necessity (Brydges, *et al.*, 2020). The consumers are using mask now for the sake of their safety, which can be a big opportunity for H&M, as they can use this chance to produce fashionable mask which will cater the need of safety and style of the consumers. However, consumers are growing concern about the sustainability of the environment, which H&M have to understand and utilise to produce sustainable products (Javed, *et al.*, 2020).

Technological

As the advances of technology are getting developed, it is giving the consumers to get well informed about the products and their purchase preferences. Most of the consumers in this age uses online platforms for purchasing and gathering information about the products there are interested in (Dudakov, *et al.*, 2020). Therefore, it has become important for the companies to ensure that they are utilising the websites well for grabbing the attention of the potential consumers. H&M have to use their websites well. Also, because of the covid-19, the consumes have become very conscious about their hygiene. The company can utilise their website to promote about their hygiene maintain practices for gaining the trust of the consumers. Moreover, the company can actively utilise technology for improving their logistic system and increase its capability to ensure efficiency.

Legal

Every country has their own law and regulations which the businesses had to follow in order to ensure its smooth progression. As H&M operate their business in various countries, it has

become important for the company to understand the necessity of following the laws. The company had to follow the laws related to import and export (Hokkanen, 2020). The restrictions related to the shipment may not become a big concern. Moreover, because of Covid-19 the governments in most of the countries have implemented new safety regulations for minimising the spread of the virus. The company has been required to follow each regulation for promoting safety and consciousness.

Environmental

The consumers have been embracing the green culture and glorifying the sustainable products. The consumers in this age are self-aware and they understand their needs very well, they prefer to buy products from those companies that are socially responsible and offers eco-friendly products (Brydges, *et al.*, 2020). Therefore, it has become important for H&M to grow awareness and produce more sustainable products.

Conclusion:

Covid-19 has been very impactful upon the business of every sector. However, it has been crucial for H&M to find the opportunities even in the times of economic turbulence to ensure that the level of damage doesn't get high. This report has analyzed both, the internal as well as external environment of the company for gaining an understanding about the impact of covid-19 on the business.

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