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INTRODUCTION

The modern fashion business is a dynamic, quickly changing field that is influenced by a range of outside influences and competing pressures. H&M, a worldwide retail behemoth based in Sweden, is a notable participant in this area and presents an interesting case study. The macroenvironmental elements impacting H&M may be examined through the use of a PESTLE study. These factors include socio-cultural trends, political and economic situations, technology developments, legal issues, and environmental concerns. The competitive forces at work are further clarified by Porter's Five Forces model, which takes into account the effect of alternative products, the danger posed by new competitors, the degree of competition among competitors, and the bargaining power of suppliers and buyers. H&M's strategic growth choices, including product creation, market expansion, market penetration, and diversification, are elucidated by Ansoff's Matrix. Finally, a thorough analysis of the marketing mix—which includes product, price, place, and promotion—reveals the tactics used by H&M to keep a competitive advantage in the ever-changing fashion sector.

COMPANY BACKGROUND

H&M is a popular brand because of its outstanding men's, women's, and kids' clothing. The Swedish businessmen Hennes & Mauritz founded it in 1947, initially specializing on women's apparel. Over time, the brand's reach and product selection expanded. The global company started out with only one store in Vasteras and presently has over 5000 stores worldwide, with several sites across all six continents. The US and Europe are home to the vast bulk of its retail locations.

This essay will explain how H&M became the huge success it is now by analyzing the company's mission and vision statements and outlining its core values, which form the basis for all business decisions. (Wondershare EdrawMind 2023).

MACRO ANALYSES/ PESTLE ANALYSES

Macroeconomic factors affect businesses that rely more on the overall health of the economy. Industries that manufacture and supply needs sometimes have more independent operations. Macroeconomic variables have a bigger effect on cyclical industries, which are mostly associated with high-end products and travel. (Loo A. 2022).



Source: Pathak, R. (2020).

a) Political – **unfavourable**

Political risk is becoming more and more important to monitor because H&M is a global corporation with several sites. Owing to regulatory limitations, H&M's brands must be operated throughout the rest of the globe through franchise partners. (Ullah, N. 2021)

b) Economic – **unfavourable**

H&M has been battling the detrimental effects of inflation as well as growing energy and raw material costs. An increase in energy costs, particularly in European countries, has led to an increase in operating costs. Inflation had also resulted in higher freight costs, which put further pressure on management to find ways to cut costs (adamkasi 2023).

c) Social – **unfavourable**

An increase in population signifies the anticipated demand for the company's products and the growth of the intended market. The kinds of retailers that people would visit to buy clothes also depend on their financial situation. H&M understood the financial hardships that its consumers were experiencing as a result of low purchasing power and excessive inflation (adamkasi 2023).

d) Technological - **favourable**

Due to the significant advancements in technology over the past ten years, consumers are now well-informed about the products they are buying thanks to social media and other communication channels. Similarly, shopping through websites and mobile applications has become a primary method of doing business. Large multinational firms in the fashion industry have invested much in technological systems and information technology to meet client requirements and achieve excellent performance levels. (Radeef, A. 2017).

e) Legal – **favourable**

As a global corporation, H&M need to be well-versed in and mindful of the laws of any nation before doing business there. Regulations pertaining to imports and exports should receive special attention as they have an impact on financial factors including cost of products sold and profit margin (Radeef, A. 2017).

f) Environmental - **favourable**

The past ten years have seen a rise in consumer awareness of environmental problems. It implies that the degree to which a corporation practices environmental responsibility has a significant impact on the purchases made by its customers. As a result, many multinational corporations have prioritized implementing sustainability strategies in order to do business in an environmentally friendly manner (Radeef, A. 2017).

PORTERS FIVE FORCES MODEL



Source: (Stanke, B. 2023).

a) Competitive Rivalry - **High**

There are an increasing number of fashion-forward, cost-conscious, and internationally accessible competitors to H&M, such as Zara and Gap. But H&M was able to get to where it is now because of its manufacturing outsourcing, effective supply chain, and broad selection of goods offered under several labels (Rasha Adi 2014).

b) Threats of new Entrants- **High**

The retailer H&M benefits from economies of scale, a vast supplier network, and responsible corporate social responsibility. This means that new entrants will have to travel a very long and expensive way to catch up to more established major market players before they can catch up, and until then, established companies will be far behind. (Rasha Adi 2014).

c) Threats of substitutes - **Moderate**

Clothes cannot be directly replaced, but there are alternatives to purchasing. An extra channel for marketing and sales of apparel is provided by online merchants.. An internet presence broadens the consumer base, improves brand awareness, and gives businesses a means of reducing foot traffic in their physical locations (Promille Delirium, 2015).

d) Bargaining power of supplier- **low**

There are many of providers out there that don't really stand out. Increased globalization and international commerce have given retailers additional opportunities to source from manufacturers abroad. Furthermore, there is more competition for manufacturing in low-wage countries like China and India. Although cotton prices are growing quickly, the market for textiles is nearly entirely focused on commodities (Promille Delirium, 2015).

e) Bargaining power of buyer – **high**

There are far too many merchants on the market. Since it is free to change one's preferred brand of purchase, buyers have little switching costs. Buyers make up the majority of a retailer's revenue and are also the items' final users. Retailers therefore aim to provide what customers want and maintain their merchandise up to date with the newest styles in vogue. Retailers may set themselves apart, nevertheless, based on the range of prices, quality, and

styles they provide. However, there is a lot of clothing on the market that imitates brands, styles, and designs, which can make it harder for merchants to stand out from one another (Promille Delirium, 2015).

SWOT ANALYSES



Source: (Pruitt, B. 2021).

a) Strength

- expanding steadily and intending to expand to other international nations.
- Numerous things are available, including shoes, apparel, accessories, cosmetics, home decor, and sportswear.
- strong worldwide awareness and brand strength.
- diversified benefit plans for clients and staff (Agrawal, A. 2018).

b) Weakness

- There are only a few online retailers.
- Lower fourth-quarter revenues as a result of an uneven selection collection.

- Does not possess a plant; instead, it sources its products from over 700 vendors, most of whom are located in Asia and Europe (Agrawal, A. 2018).

c) Opportunity

- Development of businesses in Asian nations like China and India.
- Customers are paying more attention to brands.
- Customers' worries about environmental risks are growing, and they are gravitating toward sustainable methods (Agrawal, A. 2018).

d) Threats

- Risks associated with currency fluctuations.
- Rapidly evolving trends in fashion.
- Low sales in physical stores as a result of consumers' growing propensity for online shopping.
- Support for newcomers via online shopping (Agrawal, A. 2018).

SEGMENTATION/TARGETING/POSITIONING

- Segmentation

H&M employs two different forms of segmentation: psychographic and demographic.

- Demographic segmentation is the process of dividing up the market based on variables such as income, class, geography, gender, and age. By providing fashionable goods at reasonable prices, the firm primarily serves middle-class consumers and college-bound students between the ages of 15 and 30.
- Psychographic segmentation is the practice of dividing the market based on a consumer's interests, personality, lifestyle, socioeconomic status, etc. (Kumari, P. 2020).

- Targeting

H&M caters to a certain demographic of consumers who are interested in the newest trends in fashion and want to purchase stylish apparel and accessories at reasonable prices. More specifically, these are:

- Students enrolled in college: This might be a target market since they want to acquire fashionable clothes and accessories at an inexpensive price, which H&M does a great job at supplying.
- Women: This is another crucial target market as the firm also offers apparel for men and children, and women are typically the ones who buy it (Kumari, P. 2020).

- Positioning

H&M markets itself as a major player in the worldwide fast fashion industry, known for providing stylish, reasonably priced apparel to a wide range of stylish customers. The business promotes inclusion by offering clothing that is accessible to all genders and sizes, with a focus on translating runway designs quickly. H&M has successfully incorporated sustainability into their positioning while preserving a strong global footprint. This move was made in response to growing customer concerns over the ethical and environmental standards of the fashion industry. H&M's unique position in the competitive retail market is defined by its blend of affordability, trendiness, and sustainability.

MARKETING MIX

a) Product

Globally, the H&M group operates a number of retail outlets. Products in rapid fashion for men, women, and children are offered by the firm. The firm launched its apparel line first, then moved on to other fashion items, giving it a broad product range. H&M now produces and markets clothing, accessories, shoes, purses, and cosmetics. Additionally, there are other categories for these items that cater to various customer bases and offer a range of quality standards (kasi 2017).

b) Price

H&M caters to different client categories and has several brands, thus they provide a broad range of prices for their products. Most of the products that they own are affordable for middle class consumers. Although some of their labels are a little pricy, we can't call them premium brands because they don't compete with Gucci and Prada. Furthermore, their prices vary according on the region in which they are offered. This pricing variation is the consequence of additional taxes and restrictions in some countries, as well as delivery costs for certain nations. In general, H&M sets itself apart from competitors by the prices it charges for its goods (kasi 2017).

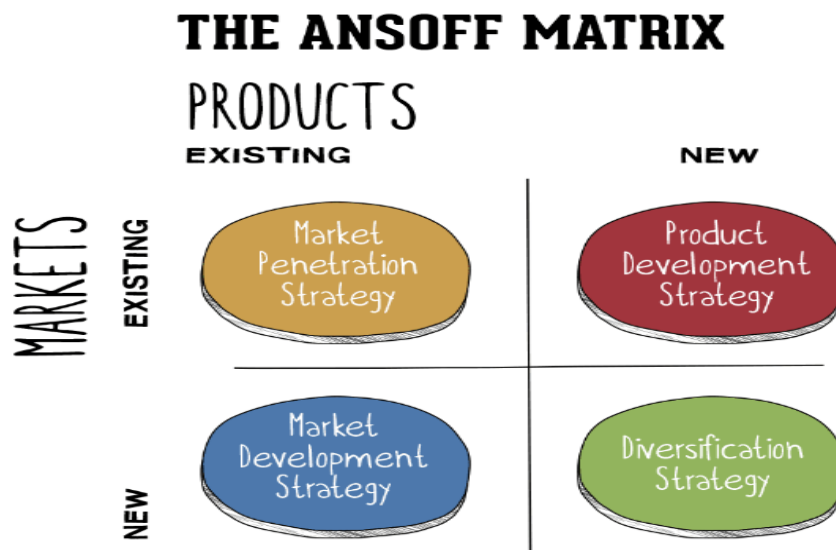
c) Place

H&M offers its items through a network of exclusive locations throughout the globe. These shops are mostly found in malls, city centers, and large cities. This is a result of the demographic that their brand is aimed at. The previous several decades have seen tremendous expansion in the global positioning of the H&M brand. Furthermore, the brand is positioned in the minds of consumers in a way that makes them think of it as an inexpensive, fashionable brand that consistently offers them the newest fashion items (kasi 2017).

d) Promotion

Depending on what is required, H&M is promoted differently in every nation. H&M uses social media, periodicals, billboards, and fashion shows to sell their products worldwide. Given the increasing importance of digital media as a promotional tool, H&M actively engages with customers via their website and app, among other digital platforms. They furthermore use celebrity endorsements to market their business globally. They also engage in a lot of CSR activity, which undoubtedly raises the value of their brand (kasi 2017).

ANSOFF MATRIX



Source: (Hanlon, A. 2021).

a) Market Penetration

The tactic of introducing current items into current markets is known as market penetration. Offering a range of discounts is the company's initial tactic. These might take the shape of promotions offering greater discounts, such as buy one get one free or discounts on larger purchases, during particular periods of the year. By promoting different designs through magazines and other means, the corporation encourages customers to try out different items and designs, which in turn encourages them to use more of the product. To lessen competition and grow its market share, H&M has also purchased a number of smaller businesses (Khankasi, A. 2020).

b) Market Development

H&M is starting out by entering new geographical areas in this regard. There are two ways to do this. Initially, the company may open stores in markets where it hasn't yet had one. The second strategy involves creating new stores in a market that is already served in order to increase client access. When a company enters a new market, it invests a significant amount of money in marketing to increase consumer awareness. The firm has established online sales in numerous countries as a new distribution channel, although its main focus is still on retail stores. H&M also creates a range of pricing schemes to target specific market segments. These might be cheap items or luxury goods aimed at a certain social stratum. (Khankasi, A. 2020).

c) Product development

The process of introducing new items into already-existing markets is known as product development. H&M has several approaches to this. The first tactic that H&M does is product development. These refer to fresh hues and designs for already-existing items. Additionally, the business produces new goods that it did not previously sell. Every new product introduction is accompanied by a significant marketing initiative. Additionally, the cloth's substance and pattern are taken into consideration while choosing the launch time. The firm bases every new design it produces on market trends, consumer wants, and feedback (Khankasi, A. 2020).

d) Diversification

When employing this strategy, a company has to launch new products in unexplored areas. H&M only operates in the clothing and accessories industries. It can diversify in a number of ways. It might practice vertical backward diversification by building its own textile mills and cotton plantations rather than buying clothing from wholesalers. The company may also expand its horizontal diversification by entering related areas such as sportswear, hosiery, and clothing. Expanding into allied fields is a safer strategy. The riskiest course of action would be to diversify into unrelated industries like consumer electronics, sports equipment, telephones, and so on. However, every diversification strategy has the ability to grow the company. (Khankasi, A. 2020).

RECOMMENDATIONS

H&M ought to concentrate on a few crucial suggestions in order to maintain stability and strengthen its position in the very competitive fashion industry. First off, customers who care about the environment will be more receptive to brands that maintain a consistent commitment to sustainability and moral behaviour. Secondly, a competitive advantage may be gained via ongoing investments in technology innovations, such as using data analytics to tailor consumer experiences and boost supply chain effectiveness. Thirdly, H&M will be able to maintain its position as a trailblazer and react quickly to changes in the market if it takes a proactive approach to keeping up with new fashion trends and consumer preferences. Finally,

in order to reduce the risks associated with market saturation and keep a wide range of customers interested, it might be helpful to diversify your product offerings and look into new markets or joint ventures. By giving innovation, sustainability, and customer-focused tactics top priority, H&M is able to manoeuvre through the competitive environment and maintain its position in the constantly changing fashion business.

CONCLUSION

To sum up, H&M's strategic actions have been crucial in securing its place in the fiercely competitive fashion business. H&M has proven to be resilient and adaptable by skillfully navigating the challenging environment through a thorough examination of PESTLE, Porter's Five Forces, Ansoff's Matrix, and the marketing mix. Positive brand perception is fostered by the company's dedication to sustainability and environmental concerns, which are in line with modern consumer ideals. H&M has demonstrated a dynamic approach to growth by utilizing market penetration techniques, creative product creation, international market expansion, and diversification initiatives. Its skillful application of the marketing mix, which includes competitive pricing, strategic positioning, product differentiation, and successful promotional efforts, further emphasizes its capacity to draw in and keep customers. Because of its strategic vision and dedication to remaining up to date with market trends, H&M is well-positioned for sustained success and growth in the rapidly shifting fashion business.

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