

LEVEL 7 ASSESSMENT SPECIFICATION

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Programme:	MBA		
Module:	Strategic Management		
Module code:	HKBM7013	Contribution to Overall Module Assessment (%):	100%
Lecturer:	Dr Terence Li	Internal Verifier:	Dr Alice Te
Assignment Title:	Project Report	Word count (or equivalent):	5,000 words (+/- 10%)
Submission deadline:	4 November 2024	Return date of provisional marks & written feedback:	4 December 2024
Submission method:	All written assessments, where practical and possible, must be submitted via Turnitin unless otherwise instructed by the Lecturer. (Please DO NOT put this assessment specification into Turnitin or it will match many similarities with other students' submissions.) Alternative submission method (if applicable): Late submission of the assessment will result in a late penalty mark. Penalties for late submission: Up to one week late, maximum mark of 50%. Over one week late, 0%. Only the Extenuating Circumstances Panel may approve a change to submission dates.		
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I. Executive Summary

It is known that H&M is one of the largest fashion retail companies worldwide. However, H&M has been facing significant challenges in recent years, particularly in the Hong Kong market. The company has experienced stagnant sales and declining operating profits. The reasons for this are intense competition from Zara and Shein brands, the increasing cost of living, and the evolution of consumers expectations. This has made H&M change their mode of approach from expansion to focus on containment of losses, a case witnessed by a cut in the number of H M stores in Hong Kong from 13 locations in 2021 to 4 locations by October 2024.

The report attempts to evaluate the present business climate of the H&M company with the use of PEST analysis and Porter's Five Forces and relations to the forces that impact other players in the fashion retail today. High competition coupled with high price elasticity in terms of the consumers and high chances of future growth prospects due to the emergence of e-commerce channels and sustainability participation.

Considering the broader context, it would be important to point out a set of solutions that the company may implement in the future. In the first instance, companies should consider using a more integrated approach with a mix of short-term tactics and long-term plans. In the immediate to short term, H&M should implement selective cut down costs, revise its e-commerce platform and explore social media for sales. Long-term approaches should include heightened emphasis on product differentiation through creativity and sustainability in a bid to respond to the needs of price regulators.

The recommended actions are in line with H&M's strategy of making sure that sustainable fashion is affordable and easy for their customers. The changes are going to enable H&M to deal with the prevailing challenges and grab future opportunities for growth both within and outside Hong Kong. As far as the implementation of strategy is concerned, useful information will include routine monitoring of performance metrics.

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1. Introduction

1.1. Company Background

Hennes & Mauritz AB, commonly known as H&M, is a Swedish multinational clothing company with an international outreach. Founded in 1947 by Erling Persson in Västerås, Sweden, the company initially started as a women's clothing store called "Hennes," which means "hers" in Swedish. Later, in 1968, it expanded its target market by targeting men and children and rebranded to its current name after acquiring Mauritz Widfors. Over the decades, H&M has spread its operations around the globe establishing notable footholds in Europe, North America, Asia and the Middle East with over a thousand outlets around the globe (H&M Group, 2023).

However, H&M has encountered significant challenges in recent years, marked by a decline in company performance. The fast fashion giant has faced flat net sales and a drop in operating profits (H&M Group, 2024) (CNBC, 2024). These challenges have prompted H&M to abandon its 2024 earnings margin target, underscoring the need for strategic realignment in a rapidly evolving retail landscape (OmniTalk, 2024).

1.2. Recent business performance in Hong Kong

H&M entered Hong Kong market in 2007, opening its first stores as part of its broader strategy to expand in Asia (H&M Group, 2024). Initially, the brand was able to experience growth and established a notable presence in the region. However, recent business performance indicates a significant shift in focus, with now prioritizing minimizing losses over expansion.

According to recent news, the number of H&M shops in Hong Kong has decreased from 13 in 2021 to only 4 as of October 2024 (HK01, 2024). This represents a nearly 80% reduction in the number of stores, highlighting the difficulties H&M faces in sustaining its operations in the region. The closure of H&M's store at Murray House in April 2024 further proven the brand's difficulties in maintaining a strong retail presence in Hong Kong (SCMP, 2024).

To understand the recent performance of the company, this report will commence by reviewing the company's current and recent business environment in the Hong Kong region. The strategic management practices adopted by the firm will also be examined and to propose ways that would improve the competitive edge and the profitability of the firm. Key areas of focus will include understanding the macroeconomic factors influencing consumer spending, evaluate within the industry, H&M's supply chain and its operational efficiencies.

1.3. H&M's Vision, Mission and Values (VMV) and their strategic direction

To analyse the strategic management of the company, we must analyse H&M's Vision, Mission and Values (VMV). The VMVs work as a guiding framework for the purpose of determining and providing the strategic direction of the company (Johnson, et al., 2017), they also help to align stakeholders with strategic objectives, fostering trust and cooperation vital for implementing initiatives. They are critical to a company's strategic management, forming the foundation for all organizational activities and decisions (Kaplan & Norton, 2000). The vision focuses on the aspired future of the organization such an outlook shapes the strategic intent in the long term, whereas the mission states the core reason and goals of the organization, while values represent the principles concerning which actions will be taken within the organization (David, 2010).

With reference to the annual reports and official website in H&M (H&M Group, 2018, 2020, 2021, 2022, 2023, 2024), their VMVs are:

Vision: "To lead the change towards circular and climate positive fashion while being a fair and equal company." This vision emphasizes towards promoting sustainability and equity with the overall goal of making the fashion sector more ecologically and socially responsible.

Mission: "To offer fashion and quality at the best price." This mission reflects H&M's goal of making stylish, high-quality clothing accessible to a broad audience, ensuring that customers can enjoy trendy apparel without facing high costs.

Values: H&M's core values emphasize building a positive company culture and guiding their operations. These values include a commitment to sustainability, quality, affordability, and inclusivity. The company aims to foster a diverse and inclusive environment, both within its workforce and in its product offerings, ensuring that fashion is accessible to everyone, regardless of their background or identity.

1.4. Relationship Between Strategic Direction and VMVs

H&M's strategic direction is significantly influenced by its vision, mission, and core values, particularly in the areas of sustainability, inclusivity, and innovation.

H&M have consistently been embedding them into their business model over the years, they remains committed to addressing their sustainability issues with several activities aimed at minimising their negative impact on the environment and improving sustainable practices. Noteworthy examples include 85% of all sourcing being from sustainable materials with a view of 100% in the year 2030 (Sustainability Magazine, 2024). The corporation has further shown a decrease of 22 percent in its greenhouse co-emission gases in the year 2023 (Supplychaindive, 2024).

Their mission is also in line with sustainable development where they see the need to get new materials and invest in technologies that are environmentally friendly. The recent opening of The Open Lab initiative by H&M Foundation and HKRITA demonstrates H&M's view in providing fashion and quality products at competitive prices while adopting sustainable principle through investment in technology (H&M Foundation, 2024).

Mentioned from previous part, inclusivity is one of the core values of H&M. The company is pursuing a strategy of reducing prices and improving the quality of retailing, offering a wider price variation and price ranges to cater customers with different financial abilities (PPCRAO, 2024).

With the VMV of H&M settled the boundary for the strategic decision, H&M strategic with multiple focus of sustainability, innovation and inclusivity, sought to surround the boundaries which were defined by their VMV.

2. Analysis on current environment in casual wear industry in Hong Kong

Hong Kong's unique position contributes to a dynamic business environment. To analyze the current state of the apparel retail industry in Hong Kong, this section will employ multiple analytical frameworks. The analysis will utilize PEST analysis (Aguilar, 1967) and Porter's Five Forces (Porter, 1979) to examine external factors, while value chain analysis (Porter, 1998) will be applied to evaluate internal factors. These frameworks will help understand the various forces impacting the fashion and apparel retail industry.

2.1. External Environment Factors – PEST Analysis

2.1.1. Political Factor

To stimulate Hong Kong's retail sector, the Chinese government has announced several initiatives to encourage mainland visitors' shopping activities. A key measure is the increase in the duty-free quota from RMB 5,000 to RMB 12,000, which will take effect from July 1, 2024 (The Standard, 2024).

Moreover, the Individual Visit Scheme has expanded its reach to 59 cities, which now include all provincial capitals in the mainland. The purpose of this kind of expansion is to attract visitors from more mainland areas (news.gov.hk, 2024).

These policy measures are likely to increase the number of mainland visitors coming to Hong Kong and increase their spending during their visits, which in turn would be beneficial to a numbers of retail sectors specially fashion.

2.1.2. Economic Factor

The Linked Exchange Rate System between the Hong Kong Dollar (HKD) and United States Dollar (USD), has created significant economic implications (HKMA, 2024). While this fixed exchange rate regime has ensured stability with the US dollar, it has caused high volatility in the value of HKD in relation to other currencies which to a large extent affects the spending power of persons both domestically and internationally.

The high valuation of the HKD has especially eroded the ability for Hong Kong's retailers to be competitive on international markets. For instance, the value of CNHY fell to HKD at its lowest levels since 2008, while the value of Japanese Yen has continued to lose value down to 1990 levels. This depreciation of currency gave rise to adverse exchange rate fluctuations that have hit hard retailers in Hong Kong (Spiro, 2024).

The challenges are further compounded by China's sluggish economic recovery. This economic slowdown has significantly altered consumer spending patterns and

dampened the shopping enthusiasm of visitors to Hong Kong (PwC HK, 2024). The situation is particularly critical given that Hong Kong's tourism industry heavily depends on mainland Chinese visitors. Consequently, the combination of lower-than-anticipated visitor numbers and evolving consumption patterns has resulted in widespread negative impacts across Hong Kong's retail landscape.

2.1.3. Social Factor

A 2022 joint survey by The Hong Kong Polytechnic University and Uniqlo revealed a significant shift in consumer clothing preferences. Customers increasingly favour versatile casual wear that prioritizing comfort and functionality which this trend reflects broader changes in culture and lifestyle preferences where evolving to accommodate more flexible, practical choices (The Hong Kong Polytechnic University, 2022).

The study also highlighted growing consumer consciousness around sustainability, with more customers actively seeking eco-friendly fashion options, demonstrating an emerging alignment between personal comfort and environmental responsibility in purchasing decisions.

2.1.4. Technological Factor

As online shopping becomes more commonplace, it is transforming the retail environment of the clothing business. The growing trend of online shopping is owing to the development of the e-commerce platforms (Census and Statistics Department HKSAR, 2024), this perspective is also backed up by the survey (The Hong Kong Polytechnic University, 2022). E-commerce research also indicated customers are likely to use foreign online stores like Taobao when looking to shop online (Wong, et al., 2024). These trends show the relevance and likely challenges for clothing retails brands about strengthen their investment in efficient ecommerce strategy, explore how to adapt to the current market conditions.

Furthermore, for clothing brands to effectively communicate and interact with consumers, the inclusion of digital marketing and social media is a necessity (Sundaram, et al., 2020). Through the application of these technologies, brands will be able to provide customers with the shopping experience they want and will be hard to lose track of in the technological era.

From the PEST analysis, we can identify the potential opportunities and threats for the fashion retail industry in Hong Kong:

Table 1: Summary of Opportunities and Threats from PEST Analysis

Opportunities	Political - Raise of duty-free quota from RMB 5,000 to RMB 12,000 - Individual Visit Scheme has been extended to 59 cities Social - Practical and versatile clothing - Growing awareness of sustainable wearables Technological - e-commerce offers an economical channel for retails - Social media Marketing
Threats	Economic - Strong HKD buying power - Weak recovery of China regions Technological - e-commerce allows customers to buy through non-local shopping platforms

Source: Created by author

2.2. External Environment Factors – Porter's Five Forces Analysis

Other than the PEST analysis, Porter's Five Forces by Michael E. Porter provides another valuable tool for analysing the competitive landscape of Hong Kong's fashion retail industry (Porter, 1979). The competitive environment can be examined through the following five forces:

2.2.1. Competitive Rivalry

The competitive rivalry in the fashion retail industry in Hong Kong is high. The market is saturated with international and local brands competing for market share, such as Uniqlo, Zara, Giordano, Baleno. These companies engaged in aggressive marketing, frequent new product launches, and price competition to attract consumers. The fast fashion trend further intensifies competition as brands strive to quickly adapt to changing consumer preferences.

2.2.2. Threat of New Entrants

The fashion retail business industry in Hong Kong stands noted to be having high entry barriers. This is because the cost of setting up a retail shop is high in Hong Kong compared to other regions (The Standard, 2024). Also, even the rise of e-commerce platforms has lowered entry barriers for new players, established global brands like Zara, and Uniqlo have strong brand recognition, which can deter new entrants.

2.2.3. Bargaining Power of Suppliers

The bargaining power of suppliers in the fast fashion industry is relatively low. Fashion companies typically source materials from a wide range of suppliers across different

countries, which reduces dependency on any single supplier. The abundance of suppliers, particularly in regions like Asia (statista, 2024). This allows companies to negotiate favourable terms and switch suppliers if necessary. However, with the current trends towards sustainable wearables, this might result into an increased supplier power because manufacturers are likely to need suppliers with certain technologies or regulations.

2.2.4. Bargaining Power of Buyers

Buyers in Hong Kong have high bargaining power due to the availability of numerous fast fashion brands and alternatives from global and local brands. There is low switching cost between brands as consumers are mainly price sensitive and fashion driven. Also, the existence of e-commerce platforms allows for greater buyer power as they make it easier to compare prices and obtain reviews which further boosts the buyer's bargaining power. To capture the consumers' loyalty, the brands need to make new designs all the time and sell them at reasonable prices.

2.2.5. Threat of Substitute Products

Regarding the fashion products offered, the threat of substitutes may be classified as low. Other than fast fashion products, rental fashion, second-hand clothing, luxury fashions are some of the alternatives, but fast fashion remains the dominant segment of the fashion marketplace. Nonetheless, increasing concern for ecology and growing demand for sustainable fashion may shift the preference of customers towards a different range of substitutes

Summarize the factors in the 5 forces analysis, the fast fashion casual wear industry in Hong Kong is considered moderately favourable. Competitive Rivalry and Threat of New Entrants are high, which affecting the level of competition being moderate due to the low chances to have new entrants, but intense competition hold between the existing local and global brands within Hong Kong. Bargaining Power of Suppliers relatively low with high Bargaining Power of Buyers could cancel out the cost and income (sales). Due to the low bargaining power of suppliers could maintain a low cost of production while the high bargaining power from buyers leading to the price of the products could not mark for a high price. For the threat of substitutes, this affects the market size in Hong Kong. As of the substitute is low, this tells the market size for fast fashion remain a relatively large market. Overall, these factors lead to a moderate favourable consideration.

2.3. Internal Environment Factors – Value Chain Analysis

Value chain analysis is considered as an internal industry factor because it focuses on the internal processes and activities within a company that contribute to its competitive advantage. By examining the primary and supporting activities of the company, areas

for improvement can be identified, such as cost reduction, and differentiation (Porter, 1998).

H&M, reflecting its operations from design to customer engagement, with a strong emphasis on sustainability and digital transformation. With the reference from annual reports from the company and official website, the analysis breaks down the primary and supporting activities that contribute to H&M's operations.

2.3.1. Primary Activities

1. Inbound Logistics

- H&M has a supply chain consisting of around 600 suppliers across the globe, with its production coming significantly from Asia (about 70%) and Europe (30% approx.) (H&M Group, 2024). The firm's objectives set a situation by the year 2030 where it is expected that all H&M's cotton, linen and polyester will be fair-trade materials (H&M Group, 2023).

2. Operations

- H&M does not engage in production and outsource over 99% of it to a variety of factories across other countries. Design and production processes are conducted from Stockholm, where geographically dispersed teams work to create collections in a timeframe that would satiate consumer needs. They also incorporate cutting-edge technologies in the form of AI tools to optimize supply chain processes and keep stock levels in check (H&M Group, 2023).

3. Outbound Logistics

- H&M operates several high-tech distribution centers that utilize advanced logistics systems. These centers are strategically located for managing stocks, importing products and goods, to optimize product flow to stores and online customers. The company supports an omnichannel retail strategy, allowing customers to shop seamlessly across physical and online platforms (H&M Group, 2023).

4. Marketing & Sales

- The company employs an omnichannel marketing strategy that integrates physical stores with online platforms. The number of customers participating in H&M's loyalty program has reached over 114 million and it offers individually targeted opportunities and enhances participation (H&M Group, 2023).

5. Service

- Customer service is channel of integration which allows "Click & Collect" and easy returns of products purchased on web in the physical store. H&M has garment recycling schemes and other services which promote

more sustainable living as part of their brand messaging (H&M Group, 2023).

2.3.2. Supporting Activities

1. Firm Infrastructure

- H&M has a clearly structured corporate governance in place that promotes transparency and accountability. Members of the board are from various fields of expertise like retail, fashion, digitalization, and sustainability. The board also routinely monitors the company's sustainability performance and establishes high objectives for sustainable sourcing and harvesting of materials along with the impact of climate on business activities (H&M Group, 2023).

2. Human Resource Management (HRM)

- The expansion of e-commerce has elevated the need for specialization in technological and logistical skills, which has called for a review of workforce requirements. Due to this, H&M emphasizes training and development so that its employees' skill sets are appropriate for the digital world. The firm also believes in diversity and inclusiveness, providing the organization with a healthy workplace where all workers are respected (H&M Group, 2023).

3. Technology Development

- In order to enhance the online shopping experience, a huge amount of resources have been directed towards e-commerce and supply chain management. Advances include AI-based predictions and consumer behavior understanding (H&M Group, 2023). The firm employs technology in enabling some of the sustainability goals which involve improving the recycling methods. This initiative also includes collaboration with startups from the sustainability area (H&M Group, 2023).

4. Procurement

- H&M's procurement strategy framework depicts future goals that encompass all materials to be sustainably sourced by the year 2030. The firm joins forces with its suppliers in order to guarantee the ethicality of the production process and its conformity to ecological requirements (H&M Group, 2023).

The value chain of H&M describes the company's focus on sustainability, digitalization, improving technology and sustainable procurement to foster supply chain effectiveness as well as competitiveness in the vast world of fashion. Concerning the Value Chain Analysis for the H&M listed above, they are mentioned about the global

scales, due to the limited availability of information, detailed information for Value Chain Analysis in Hong Kong could not be fully analyzed. However, we could assume the same tactics are applied as of the corporate level strategy.

3. Evaluation of Corporate, Business strategy with the changing business environment

3.1 Effectiveness of current strategies in Hong Kong

A Balanced Scorecard (BSC) approach will be used to analyse the connections between H&M's corporate and business strategies with reference to the external and internal environment in Hong Kong. We will evaluate the company in terms of its four key perspectives: Financial, Customer, Internal Processes, and Learning & Growth. Using these components allows us to assess how H&M aligns its strategic objectives with operational performance and stakeholder expectations.

3.1.1. Financial Perspective

Revenue Growth

Refers to the information from recent annual reports, H&M remains positive profit growth. With the calculation, there are 11.5% of growth rate in profit (profit after tax) (H&M Group, 2023). Although no detailed financial information mentioned about Hong Kong region, defensive strategy has been applied to Hong Kong region, which might suggest a decline in profits for Hong Kong.

Cost Management

In line with the previous sections, H&M is currently closing the retail stores in Hong Kong, including one of the flagship stores in Hong Kong, which is an action of defensive strategy, retrenchment of business. The immediate concern for H&M in Hong Kong is to reduce costs due to high rental expenses, changing social environment and attitude towards online shopping and changing economic environments, these are significantly affecting the profitability for the company.

3.1.2. Customer Perspective

Customer Satisfaction

Many consumers in Hong Kong prioritize affordability over sustainability. Although there is a growing awareness of environmental issues, price sensitivity remains a significant barrier. Which are demonstrated from the spending pattern of preferring to purchase retail items from mainland and online shopping websites. As of sustainable products often come with higher price tags, this may deter budget-conscious shoppers from making eco-friendly choices.

Market Segmentation

H&M appeals to the target middle-class client whose expectation is to receive fashionable but affordable and sustainable clothing, with an emphasis on stylish seasonal clothing. However, customers are now more inclined towards casuals for work and leisure, which are comfortable and functional as opposed to only being trendy. The change in market segmentation caused the decrease in the market share in the industry.

3.1.3. Internal Processes Perspective

Customer relationship management

H&M focuses on technology for better customer experience, such as integrating mobile app features with in-store services to create a seamless shopping experience, services like "Click & Collect" help in managing the customer expectations. Nevertheless, the benefits started to erode since most of the fashion retailers also implemented the e-commerce applications in order to sustain customer loyalty (unity marketing, 2021).

3.1.4. Learning & Growth Perspective

Organizational Culture

The company cultivates innovation and responsiveness and encourages employees to submit solutions for process improvements and customer interaction. It has been stated in the core values of the company that the company is working towards ensuring a diversified and supportive environment, within its staff base and its products.

Technology Adoption

The transition of e-commerce and AI-supported management created a demand for skills in technology and logistics. Therefore, H&M continuously explores new technologies that can improve operational efficiency and enhance the shopping experience for customers. This includes data analytics for better demand forecasting and personalized marketing efforts.

In summary, the strategies employed by H&M in Hong Kong have proved to be ineffective that the H&M has no option, but to follow a defensive strategy. The non-effectiveness of strategy can also be proven by the expansion of Uniqlo in Hong Kong. Uniqlo is planning to increase the number of locations and open a GU brand restaurant in sports, at Kai Tak Park this year (The Standard, 2024). In contrast, further adjustments on the strategies will be necessary to enhance the company position in Hong Kong.

4. Recommended change in strategy

4.1. Corporate and Business Strategies changes with short-term, long-term analysis

With the analysis of current strategy in Hong Kong by Balanced Scorecard (BSC) approach, change in corporate and business strategies are needed. The price sensitivity among consumers is high and the most influential factors when making purchase decisions. Given these challenges, H&M has to not only revise its competitive pricing policy but also improve programs aimed at increasing customer engagement.

4.1.1. Short-Term Strategy for H&M in Hong Kong

Given the existing retail difficulties in Hong Kong, it is advisable for H&M to adopt moderate retrenchment measures and not completely roll-back. There is a need to conserve costs but there should not be an aggressive pull back which can be detrimental to the brand equity and relationships with customers in the future.

Targeted Cost Reductions

Focus on specific areas where costs can be reduced without compromising product quality or customer service. For instance, optimizing supply chain logistics can reduce expenses without sacrificing inventory availability. Implement temporary cost-saving measures, such as reduced hours or staff adjustments, and recruit part-time staff. This flexibility allows H&M to respond dynamically to market conditions.

Strengthening E-Commerce Integration

H&M is already investing in upgrading its digital presence. Continued focus on creating a seamless omnichannel experience will be crucial to attract and retain customers. E click-and-collect options, allowing customers to order online and pick up in-store. This helps not only with saving the store rents but also brings extra chances for customers to make an additional buying.

Utilize Social Media Platform

With this increasing trend of live commerce, H&M should also leverage this trend to promote their products more effectively (yahoo!finance, 2024). However, it should be noticed that what types of wear or fashion should be presented to avoid conflict with the product images.

4.1.2. Long-Term Strategy for H&M in Hong Kong

In the long-term strategy, it should aim to leverage differentiation strategy based on the product innovations, innovations, sustainability and moving away from the concept of fast fashion to more functionality and durability. H&M has to switch from an incremental growth strategy to a differentiation market that emphasizes and prioritize on product quality, functionality. The changes could be not only benefit to Hong Kong region, as of the research mentioned, the moving of strategy could also be benefit as to other Asia region including China.

Product Differentiation Strategy

The favour of customers towards functional and durable products is the main driving force for the change in strategy. The current fast fashion strategy from H&M may be no longer as profitable as before.

Shift Toward Quality and maintain sustainability

This strategy helps them achieve economies of scale while keeping prices competitive. H&M could improve its business performance by concentrating on higher-end goods that better satisfy the needs of consumers who prefer sustainability. This would include cutting back on the number of new collections that are introduced and increasing the quality of the existing range (ECDB, 2024).

Continuous innovation and digitalization

- **Products with new materials:** Companies like Uniqlo have made a step further by fabricating their own fabrics that functionality is guaranteed on the coat (Aaker, 2023). As of H&M has already invested in producing sustainable fabrics, rather than sustaining, H&M should enhance its investments in functional textiles in order to tap into a broader demographic, and thus remain within the strategic orientation of the firm to the VMV.
- **Digitalize management:** With the fast development of technology and AI technology, efforts should be made to increase the adoption of these technologies. For example, AI can provide personalizes customer experiences through tailored product recommendations, increasing satisfaction and loyalty. Additionally, it supports sustainability by optimizing resource usage and reducing environmental impact, aligning with H&M's eco-friendly goals. These applications can serve as a motivation for H&M to pursue further technological developments, which will facilitate accomplishment of its operational and strategic goals.

For Business strategy, Dynamic Pricing Models as Best Cost Provider can be implemented in order to remain competitive in Hong Kong market, which allows H&M to generate the maximum revenue while still appealing to the price-oriented customers.

- **Real-Time Analytics:** H&M should invest in advanced data analytics tools to monitor market trends and consumer behavior continuously. Leveraging sales figures, inventory figures, and prices of competitors among other factors, H&M will be able to initiate changes in their prices. For instance, during peak shopping seasons or promotional events, prices can be temporarily lowered to stimulate demand.
- **Seasonal Pricing Strategies** H&M can implement seasonal pricing strategies where prices are adjusted based on the time of year or specific holidays. For example, offering discounts during major shopping events like Black Friday or Chinese New Year can attract more customers while clearing out seasonal inventory.

4.2. Evaluating with the strategic with VMV

To evaluate the strategic, it should be monitored by the consistency, consonance, advantage and feasibility.

Alignment with H&M's VMV

H&M's core values emphasize sustainability, affordability, and customer-centricity. The proposed strategies remained focus on sustainability with product differentiation that emphasizes quality and functionality. Additionally, implementing a robust competitive pricing strategy enables H&M to cater to price-sensitive consumers in Hong Kong, ensuring that sustainable products remain accessible without compromising the brand's value.

Adaptive Response to Price Sensitivity

High inflation and steep living costs in Hong Kong has led to increased price sensitivity within the retail market. H&M's Dynamic Pricing Models afford them the opportunity to modify their prices depending on current market conditions; this ensures the firm remains competitive during periods of high revenue while maximising revenue during peak sales periods. The other area of focus that the company shall be done is strategic cost cutting but not substituting for quality so that H&M retains its brand equity and responds to market pressures for lower prices.

Creation of Competitive Advantage

Product Differentiation: Prioritizing high-quality and functional products allows H&M to distinguish itself from competitors who still rely on traditional fast fashion models. This change is not only in line with customer demand but also helps in brand building as a sustainable fashion good producer.

Omnichannel Experience: Enhancing e-commerce capabilities and integrating online and offline shopping experiences makes H&M competitive in market's competition since customer behaviours has chances of change after the pandemic.

Feasibility of the Strategy

The feasibility of these strategic initiatives is supported by following factors:

Market Trends: The growing market of consumers demanding both sustainable and functional products is a market niche that can be tapped by H&M through the differentiation strategy it seeks to pursue.

Technological Advancements: Investing in AI for optimization of supply chain and data analytics to enhance the customer experience is feasible in the modern ecosystems. These advancements can achieve efficiency across operations while being consistent with H&M's sustainability objectives.

Monitoring Implementation

To ensure successful implementation of these strategic changes, H&M should create comprehensive monitoring framework which involves designing KPIs that measure sales growth, customer engagement, inventory turnover, and sustainability targets while tracking customer's experiences through surveys and feedback channels. In addition, regular market assessments will help monitor competitive positioning and consumer behaviours, allowing for changes to strategies in accordance with changing market conditions, coupled with routine internal discussions where performance against strategic objectives is reviewed.

5. Supporting strategies in dealing with the environment changes

Apart from the strategic change which has already been discussed, the adoption of a new marketing campaign is also essential to maintain brand visibility and attraction of customers. The campaign shall mainly focus on the following:

Social Media Campaigns

Social media has become having the same impact as conventional media. Utilizing social media platforms will also help reach a targeted audience while promoting content more effectively across the board. User-generated campaigns or campaigns related to sustainable practices or that focus on a personal style can promote community engagement. For instance, launching hashtags competitions against clients with H&M products enhances brand exposure and interaction.

Collaborations with Influencers

Partnering with local influencers who resonate with H&M's brand image can significantly enhance promotional efforts by tapping into the influencers' established audiences. To illustrate, when Calvin Kelvin teamed up with Anson Lo, who is well known in that area, it was able to push through greater numbers and brand visibility through Lo's presence (Tatler, 2024). Such collaboration not only amplify marketing campaigns but also foster a deeper connection with local consumers, aligning the brand with cultural trends and preferences.

6. Conclusion and Recommendations

6.1. Conclusion

In conclusion, H&M faces significant challenges in the competitive retail landscape of Hong Kong, marked by declining sales and increased price sensitivity among consumers. To cope with these challenges, the company has to embrace a robust strategic realignment which cuts both short- and long-term strategies. Short-term strategies should include targeted cost reductions, enhanced e-commerce integration, and leveraging social media for effective marketing. These measures will help H&M maintain operational flexibility and customer engagement during turbulent times.

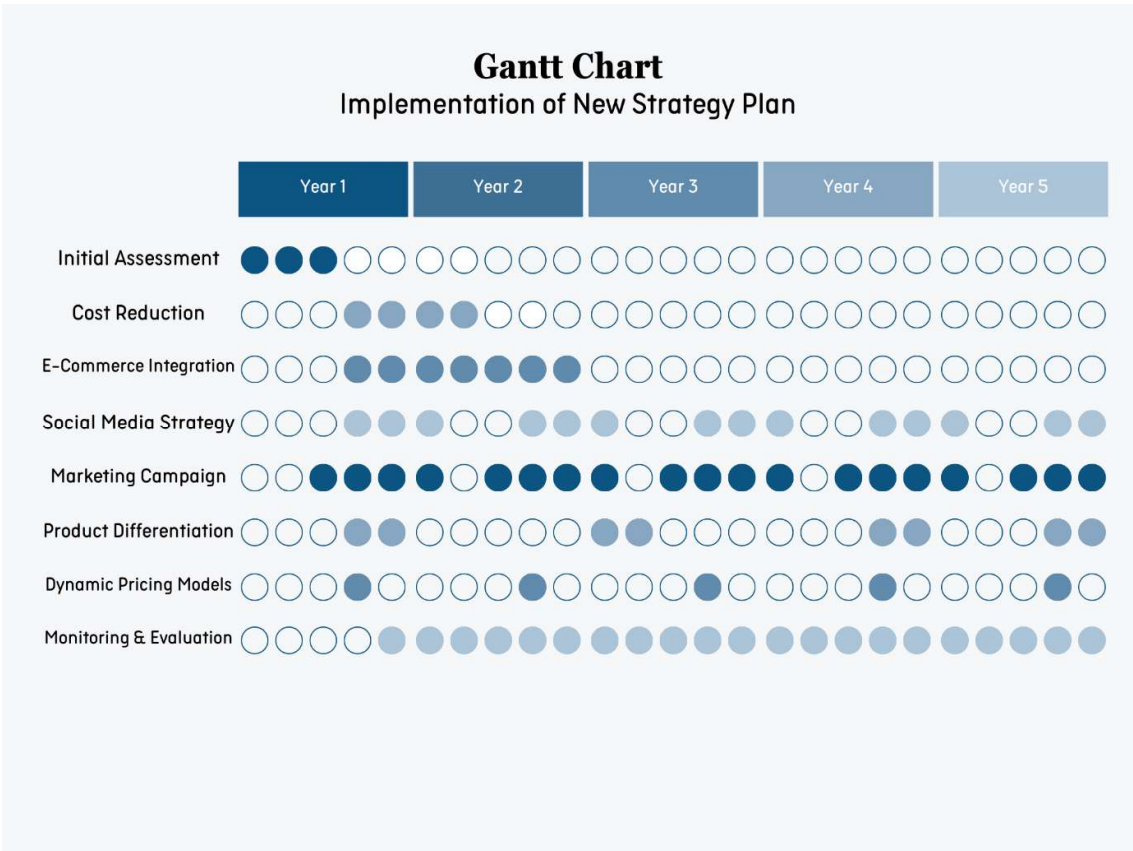
For the long term, H&M should pivot towards a differentiation strategy that emphasizes product quality, functionality, and sustainability. By investing in innovative materials and technologies, as well as adopting dynamic pricing models, H&M can better cater to the evolving preferences of consumers while reinforcing its commitment to sustainability.

Ultimately, aligning these strategies with H&M's vision, mission, and values will be crucial for restoring brand equity and competitive advantage in the Hong Kong market. Continuous monitoring and adaptation to market conditions will ensure that H&M remains responsive to consumer needs and positioned for future growth.

6.2. Gantt Chart

For strategy implementation, the timeline is depicted in the following Gantt Chart:

Chart 1: Gantt Chart for 5 Years Strategy Plan



Source: Created by author

6.3. Contingency plan

In case of the situation of retail sales worsen, H&M must implement a more aggressive retrenchment strategy that prioritizes significant cost reductions across all operational areas. This includes making drastic operational cuts, such as immediately reducing store hours to align with decreased customer traffic and considering temporary closures of underperforming locations. Additionally, H&M should focus on aggressive supply chain optimization by streamlining logistics and renegotiating supplier contracts to achieve substantial savings without compromising product availability.

Immediate enhancements to e-commerce platforms are also essential to capture shifting consumer behaviour, supported by robust digital marketing efforts to drive traffic and sales.

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