

## Hennes & Mauritz

Hennes & Mauritz (H&M) management philosophy is “**be fashionable with quality at the best price**”. This swedish brand business model is supported by:

- Fashion
- Low costs
- For all the family

The company has different concepts in function of the different segments - children, teenagers, women and men, always with H&M *umbrella*..

According to this, and trying to maximize its growth, H&M is **reflecting about the development of a new brand for one of the segments** and they decided to launch an international market research company which will try to answer to this question. You are invited to participate in this consultant team, as a junior consultant.

The company as available **market**, **company** and **main competitors** information.

### 1. Market Growth

#### Main Companies Revenues

(million euros)

	2008	2007	2006	2005	2004	2003
Hennes & Mauritz	4.902	4.781	4.486	3.262	2.998	2.456
Inditex	3.521	3.454	3.250	2.870	2.712	2.450
Next	3.089	2.910	3.019	2.819	2.632	2.340
Benetton	1.987	1.873	2.098	1.943	2.129	2.346
Arcádia	1.110	1.210	1.597	1.532	1.432	1.286
Coin	1.443	1.430	1.557	1.444	1.234	1.110
TOTAL MARKET	21.052	20.238	20.197	18370	17.837	16.588

#### Total Revenues by segment (%)

	2008	2007	2006	2005	2004	2003
Women	33%	34%	43%	47%	51%	53%
Men	17%	16%	15%	15%	14%	12%
Children	15%	17%	14%	11%	10%	12%
Teenager	35%	33%	28%	27%	25%	23%
TOTAL MARKET	21.052	20.238	20.197	18370	17.837	16.588

### 2. Company

H&M was founded in 1947 by Erlig Persson, in Sweden. He decided to creat a new concept, which was based on low price for women. Two decades later, in 1968, Mr. Persson decided to buy the Mauritz Widforss, which was located in the city centre of Estocolmo. As a result, he decided to change the name of the company, which became Hennes & Mauritz.

Later on, he decided to sell men wear. A few years later, they think it would be better to improve their clothes quality, particularly for children and teenager, following the trend for these segments. H&M image was stronger than in the very beginning of their business.

### H&M Total Revenues by segment (%)

	2008	2007	2006	2005	2004	2003
Women	59%	58%	62%	64%	68%	71%
Men	9%	8%	7%	8%	9%	8%
Children	9%	12%	12%	10%	6%	6%
Teenager	23%	22%	19%	18%	17%	15%
<b>TOTAL</b>	<b>4.902</b>	<b>4.781</b>	<b>4.486</b>	<b>3.262</b>	<b>2.998</b>	<b>2.456</b>

### H&M Sales for the first 10 months 2010 (Million euros)

MONTHS	SALES
January	538
February	321
March	301
April	337
May	350
June	414
July	526
August	446
September	414
October	502

Portfolio Analysis was developed to analyze company situation.

<b>MARKET ATTRACTIVENESS</b>	<b>Weight</b>	<b>Ranking</b>
Market Size	0.20	5
Annual Growth Rate	X	5
Profit Margin	0.15	4
Competitive Environment	0.20	5
Legal Aspects	0.05	3
Socio Cultural Aspects	0.10	4
Technological Requirements	0.05	4
Environment Aspects	0.05	4
<b>COMPETITIVE POSITION</b>	<b>Weight</b>	<b>Ranking</b>
Market Share	0.15	4
Brand Reputation	0.20	5
Channel Control / Distribution	0.15	4
Promotion / Advertising	Y	4
Perceived Quality	0.20	5
Unit Costs	0.15	5

### 3. Competitors

Inditex is H&M main competitor in Portugal. This Spanish group, which well known brand is Zara, is well established in 45 countries, with more than 1500 stores in Europe, America and Asia. 80% of Inditex total sales come from Europe stores.

#### Inditex Total Revenues by segment (%)

	2008	2007	2006	2005	2004	2003
Women	52%	53%	54%	58%	54%	55%
Men	11%	11%	10%	10%	11%	12%
Children	15%	14%	14%	13%	14%	12%
Teenager	22%	22%	22%	19%	21%	21%
<b>TOTAL</b>	<b>3.521</b>	<b>3.454</b>	<b>3.250</b>	<b>2.870</b>	<b>2.712</b>	<b>2.450</b>

Benetton is the second most important H&M competitor.

**Benetton Total Revenues by segment (%)**

	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
Women	32%	33%	34%	38%	34%	36%
Men	8%	6%	5%	4%	5%	7%
Children	31%	34%	34%	32%	30%	29%
Teenager	29%	27%	25%	26%	29%	28%
<b>TOTAL</b>	<b>1.987</b>	<b>1.873</b>	<b>2.098</b>	<b>1.943</b>	<b>2.129</b>	<b>2.346</b>

**4. Communication Investments**

The following information is available:

Total communication investments in this market were 375.23 million Euros

H&M invests 4% of total Sales in communication.

Inditex uses only 0,3% of total sales for communication in season sales. Their decision is supported by the conviction that word of mouth is the most efficient communication process.

The other competitor, Benetton, invested 93,65 million euros in 2002.

**5. Market Research**

There is no information about consumer buying process. However, the company as a focus group discussion, which indicates that women, men and teenager decision making process are different::

**Women:**

- They prefer high or medium cloth quality.
- The importance of Price depends on social class
- Cloths are used as social identification

**Men :**

- They prefer high or medium cloth quality
- Comfort is main attribute
- Brand name is very important
- Price is not important

**Children:**

- Parents buy clothes for the children
- Durability is the main attribute, followed by comfort
- Strong colors and modern design are other important attributes

**Teenagers:**

- Quality is not important
- They look for “differentiation” in terms of originality
- Brand name is a key aspect.

They is also a Means-End-Chain information (25 interviews):

<b>ATTRIBUTES</b> <ul style="list-style-type: none"><li>• Price (13)</li><li>• Modern Look (18)</li><li>• Brand (20)</li><li>• “Fashion” (17)</li></ul>
<b>BENEFITS</b> <ul style="list-style-type: none"><li>• Green Consumer (9)</li><li>• Opportunity cost (18)</li><li>• Style and personaly (21)</li></ul>
<b>VALUES</b> <ul style="list-style-type: none"><li>• Satisfaction (17)</li><li>• Pleasure (21)</li><li>• Self-estimate (22)</li></ul>

Based on the information gathered by the consultant company, you are invited to answer to the following questions:

1. Develop a situational analysis based on:
  - a. Market;
  - b. Competition
  - c. Internal competencies
  - d. SWOT analysis
  - e. Portfolio Analysis: **BCG** and **GE/McKinsey**. **Based in portfolio analysis, do you think it would be important to launch a new brand for one of the segments? Which one?**
2. Think about this new brand oriented for one the segments. What would be the target? Which are the most important segmentation variables?
3. Define the positioning strategy for this new brand
4. How would you propose the approach for a product mix strategy?
5. For the new brand, develop a promotion strategy, knowing that H&m does not invest in TV