

H&M Case Study

Strategic Marketing

2010-2011

1 a) Market

- Very competitive market , concentrated in big players, with strong channels control and vertical integration in order to give faster answers to consumers and accelerate the *time to market*;
- Growth market illustrated by the revenues of the main European companies (2003-2008).
- Total Market Revenue in 2008 = 21.052 million of euros;
- Market grew 27% since 2003 but in the last year the growth is only 4%;

1 a) Market – Continue

- The market has different concepts in function of the different segments
 - children, teenagers, women and men. The teenagers and women segments are the most representative in the total revenues.
- The Teenagers overcome the women segment in 2008 for the first time in this market revenues.
- Teenager: $(0,35 \times 21.052) / (0,33 \times 21.238) - 1 \times 100 = 10,3 \%$

Total Market: $(21.052 / 21.238) - 1 \times 100 = 4\%$

→ The teenager segment is growing above the market ;
- Others considered relevant.

1 b) Competition

- H&M represents 23% of the total market (21.052/4.902);
- The biggest competitor is Inditex with 16% of market share;
- Inditex main revenues came from women segment (52% in 2008)
- In 2003 there were 4 players with very similar market shares – H&M, Inditex, Next and Benetton;
- Since 2005 H&M highlights its leadership on the market;
- Benetton has lost 5% of its market share since 2003 giving one more reason to the high growth of H&M;
- Others considered relevant.

1 c) Internal competencies

- H&M was founded in 1947 in Sweden.
- New concept based on low price.
- Over the years they decide to improve their clothes quality.
- Very strong image.
- Quality at best price
- Clothes for all family
- Full-concept (Umbrella brand)
- Growth rates for the 4 segments;
- Weight and evolution of the 4 segments

1 d) SWOT

Strengths

- The price of its products;
- Modern Look;
- Constant change to find new trends;
- Brand awareness;
- Leader on total revenues market;
- Company Experience;
- Full concept.

Opportunities

- Children Segment (Benetton lost 4% of market share in the children segment last year).
- Large adherence to best price fashion clothes
- Modern look (18%), Style, self-esteem (22%) are factors well used by the company in its clothes.
- Men segment is growing over the years.

1 d) SWOT

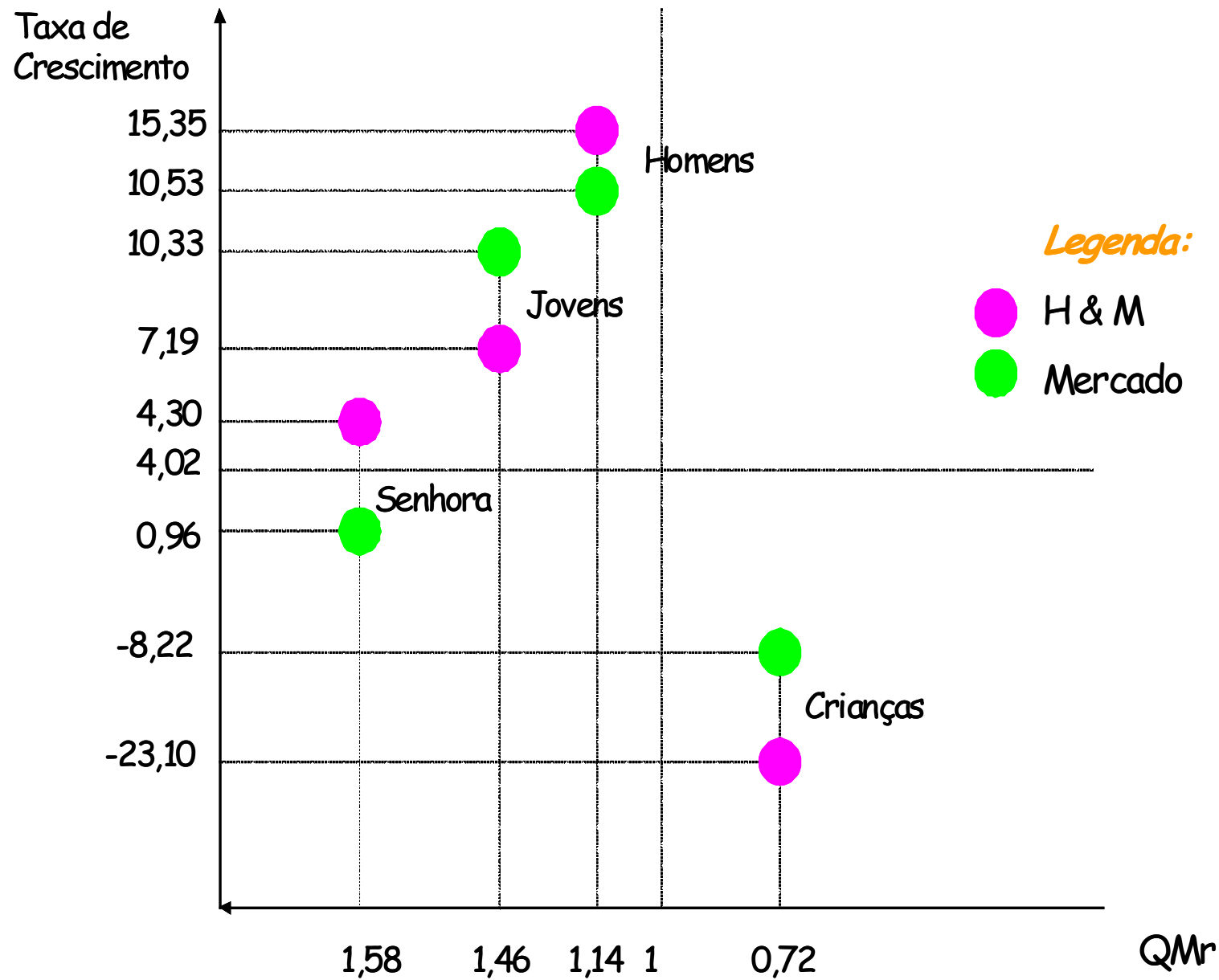
Threats

- Difficult economical situation
- Inflation of prices
- Competitive prices
- Variety of substitute products
- Consumers are not loyal, specially the teenagers;
- Benetton Market share in Teenagers Segment is growing.

Weaknesses

- Lost of market share in the “women” segment to its main competitor, Inditex.
- Low market share in “Children” segment in comparison to its main competitors in this segment (Inditex & Benetton)
- Declining of 3% sales in Children segment last year;
- February, March, April and May are very poor sales months.

1 e) Portfolio Analysis: BCG



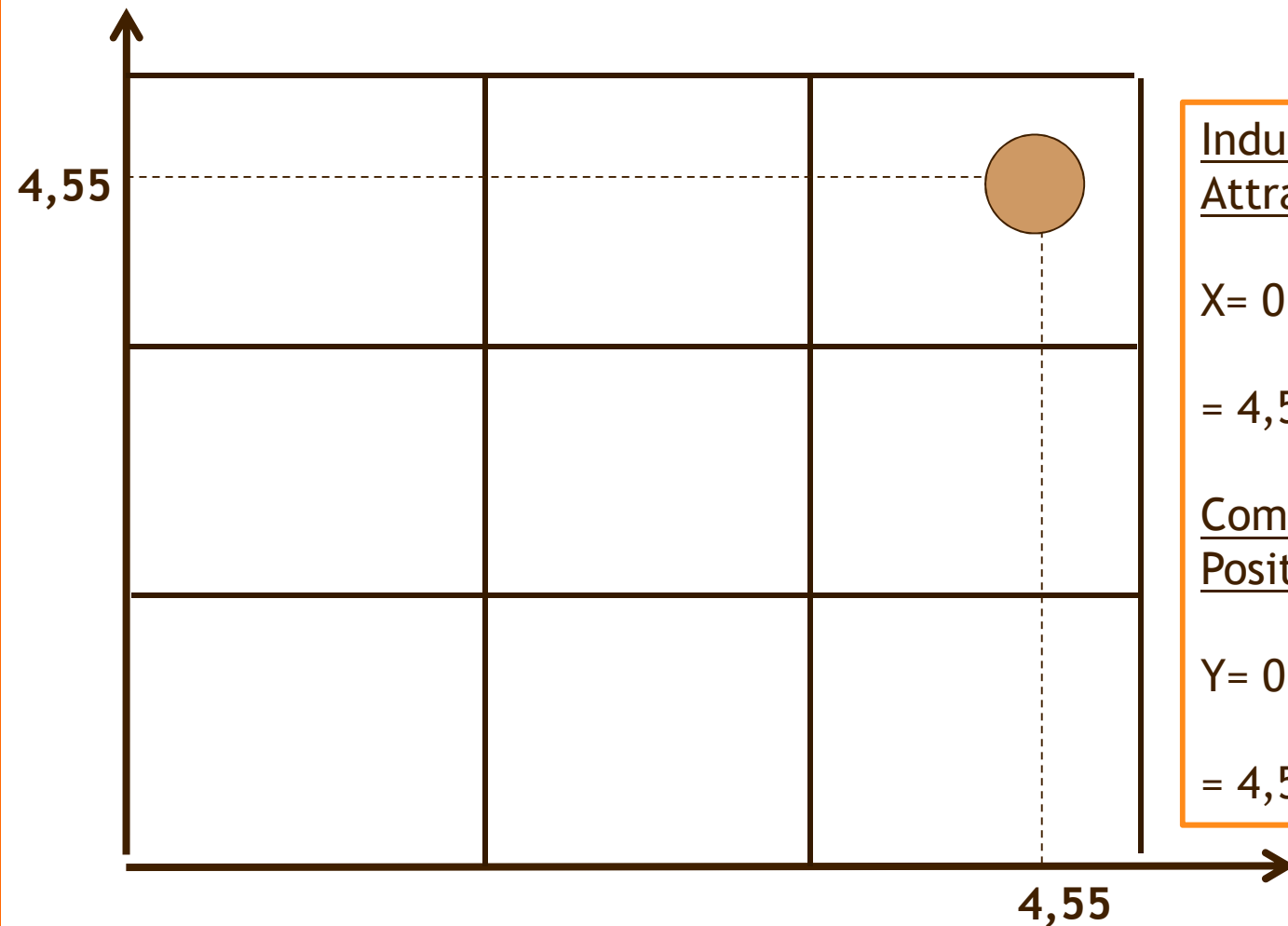
1 e) Portfolio Analysis: BCG

Reference Rate = $[(\text{Total Revenue 2009} / \text{Total Revenue 2008}) - 1] * 100 = 4\%$

Segment	Competitor	Value(Million euros)
Women	Inditex	$0,52 \times 3.521 = 1.830 \text{ €}$
Men	Inditex	$0,11 \times 3.521 = 0,387 \text{ €}$
Children	Benetton	$0,31 \times 1.987 = 0,616 \text{ €}$
Teenager	Inditex	$0,22 \times 3.521 = 0,775 \text{ €}$

	Women	Men	Children	Teenager
Relative Market Share	1,58	1,14	0,72	1,45
Growth Rate H&M	4,30%	15,35%	-23,10%	7,19%
Growth Rate Market	0,96%	10,52%	-8,22%	10,33%

1 e) Portfolio Analysis: McKinsey



Industry
Attractiveness:

$$X = 0,2$$

$$= 4,55$$

Competitive
Positioning:

$$Y = 0,15$$

$$= 4,55$$

1 e) Conclusions and recommendations

- The most contributive segment for H&M growth is Teenager, although men is being growing internal and external with the higher growth rate.
- The women segment is growing up the market but is losing its main importance in the market and the companie;
- The children segment is the most problematic one and it needs a repositioning for two reasons: first to mantain the full concept philosophy of the companie and second it's a huge oportunitie to face the economical crisis and to fill the gap of the 4% Benetton market share lost in children segment.

Recomendation:

- Increase the bet on young clothes oriented
- Invest a large number of recourses in children segment – Children grow year after year, why buy durable clothes? Bet on strong color and modern designs
- Extend the men segment to a new level /young chiq line)

2 – Target and segmentation variables

- New Brand Segment – Men Young Chiq line
- Urban consumer, lives mainly in Lisbon or Porto, is young(until 34 years), belongs to medium social class. He's a consumer who values the brand and the price and he likes a modern look, he felt benefit in his style and personality and values his self-estimate.
- Segmentation Variables:
 - Social-demographic – Social Class, Age, Income, Location (living area)
 - Behavioral – Brand Loyalty; Price Importance
 - Values – Satisfaction and Self-estimate
 - Psychographic – Lifestyle and personality

3 – Positioning Strategy for new brand

■ *Young Chiq*

■ Perceptual Map

■ Golden Triangle of Positioning:


- Competitors Positioning: Diversity and price
- Consumers Expectations: Being fashion with a modern look at the best price; Change clothes all seasons.
- Products Strengths: The line helps the consumer to make the transition between the teenager and the adult times, giving the possibility of using adult clothes adapted to a young and urban consumer.

■ **Identification**: Line of urban men clothes, young chiq design, transition between teenaging and adult age.


■ **Differentiation**: Be and look different for all teenagers, be a step forward, fashion and irreverent.

■ **Slogan**: Take a fashion step...

4 – Product mix Strategy

Product	Young Chiq Day	
Description	<p>Line that aligns fashion urban clothes with accessories for day. Jeans and casual trousers (it can be used with blazers), t-shirts (basic), Shirts, blazers (casual), jackets, knitwear and coats.</p> <p>Accessories: glasses, ties (not classic ones) bags, belts, scarfs, gloves, shoes, hats.</p> <p>This line has all the consumer need to feel fashion and stylish. He can get naked to the store and leave hot like a model.</p>	

4 – Product mix Strategy - continue

Product		<i>Young Chiq Night</i>
Description		<p>A dark night line for a urban and young consumer who loves to go out. This line is all in black, silver and white colors.</p> <p>For the night the line only has trousers and jeans (limited edition) and blasers. The rest can be combined with the day line.</p> <p>It will also have one or two suits to this young consumer who sometimes need to do presentations to companies/universities or just like to go to a dinner well dressed.</p>

5 – Promotion Strategy : not invest in TV

Product	<i>Young Chiq Day</i>	<i>Young Chiq Night</i>
Promotion Strategy Description	<ul style="list-style-type: none"> • Contract some promoters to go out to the mainly malls of Lisbon and Porto to distribute some vouchers announcing the “next step” with a day and a discount of 10€ when purchasing more than 60€. • Create a Facebook profile with H&M next step where you can invite friends to acumulate points, you can have a lot of interactive campaigns, fashion advices, cool places to go out, etc. • Sponser some fashion events or agencies to dress its models with H&M clothes. • Etc. 	<ul style="list-style-type: none"> • Contract some promoters to go out to the mainly points of the Lisbon and Porto night (Bairro Alto, Santos, Ribeira) to distribute some vouchers announcing the “next step” with a day and a discount of 10€ when purchasing more than 60€. • The same promoters will anounce with a microfone over the streets a raining of surprises at midnight in a specific place and gather a group of people. At the predicted time they will shoot t-shirts, ties and scarfs (they are light and a cool sample of what the this new line could represent). • In the store, when buying the new line (superior to 60€) offer a drink in a bar (partnership with H&M)