Brand development of H&M

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Abstract

Title: Brand development of H&M
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Aim: These days, brands play an increasing important role in our life. Most of firm work hard for brand development. The purpose of this study is to analyze the brand development of H&M in general and how it starts opening in China.

Method: We make a case study on H&M in this research. We collected primary and secondary data. The primary data is collected by two interviews. And we collect the secondary data from literature study, newspaper, homepage and annual reports of H&M.

Result and conclusion: H&M develops its brand successfully around the world. It not only creates a wonderful reputation and healthy brand image in consumers’ minds, but also makes them satisfied. Even it has been doing well in its penetration in the Chinese market.

Suggestions for future research: The research on H&M’s corporate social responsibility (CSR) and brand development in China are still limited. For further study, we suggest to focus on the corporate social responsibility and the brand development in China.

Contribution of the thesis: This study may be useful for the people who are interested in brand development. Especially, this study may offer some information on brand development for clothing firms.

Key words: brand, brand development, clothing, design, H&M
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1. Introduction

It is the introduction section of the thesis presenting the background, aim, limitation and disposition. We will present why we are interested in researching how H&M develops its brand in general and starts it specifically in China.

1.1 Background

Today, brands play an increasing important role in our life. Brands can offer significant benefits to consumers (Kevin, 2008). For example, a brand does not only identify the source of a product or service, but also helps consumers distinguish different brands and products. To firms, brands can supply many essential functions such as making the product handling simple and offering legal protection to the firm and products (Kevin, 2008). Therefore, most of firms focus on brands so as to promote the development of them. They expend extra efforts to make a successful or a worldwide brand. H&M is one of these companies that focus on brand development and extension.

H&M was founded in 1947 in Sweden and its main business is to sell clothes, accessories, footwear and cosmetics in the world (H&M Corporate Social Responsibility Report 2007, 2008). H&M continuously pursues a successful and global brand. One of its business concepts is to work globally and enter into new markets in the future (H&M in Words and Pictures 2008, 2009). Today, there are more than 1700 stores in 33 countries all over the world (Ibid.). Meanwhile, H&M entered into the Chinese market in 2007 (Business Week, 2007). There are many challenges for H&M to develop its brand. In this thesis, we focus on how H&M develops its brand in general and opens up the market in China.

There are many research papers on creating product brand, but we found that there is little study on how a specific company develops its brand. In our opinion, the
branding process should be quite different because of the different situations of each company. Accordingly, we will focus on a concrete company called H&M to conduct an in-depth study.

The reason for choosing H&M to develop our thesis is because of the personal interest. We have found that H&M’s products are fashionable and are of good quality at a good price. We plan on exploring the brand development of H&M in this study and then evaluate its success.

1.2 Aim

Currently, H&M aggressively develops its brand and has entered new international markets around the world. Many H&M stores have been built in the world. The aim of this study is to analyze the brand development of H&M in general and how it starts opening in China.

Research questions about the brand development situation of H&M include:

- How does H&M develop its brand in general?
- How does H&M start opening and brand development in China?

1.3 Limitation

There are some limitations in this study. First of all, the work only focuses on a specific company which also means that it does not look on the whole trade. Furthermore, we have a limited time and interviewers of the research; therefore we could not include all aspects of brand development in our study.
1.4 Disposition

The thesis is divided into six parts. In the Introduction, we present why we carry out a research on how H&M develops its brand in general and specifically in China. In Methodology section, we take up a methodological discussion and introduce the process of data collection. In the chapter of Theory, we establish the theoretical framework which includes branding, store design and so on. In Empirical study, we show the empirical findings including presentation of H&M and the interviews in H&M head office. In the part of Analysis, we make a critical analysis combing the theory and the findings. In Conclusion, we conclude how H&M develops its brand in general and makes a brand development in China. Meanwhile, we will make our comments about H&M brand development in China.
2. Methodology

This chapter presents the research methods and working structure. We describe how we choose this subject and collect the data.

2.1 Research strategy

Money et al. (1998) characterized the process model from Howard and Sharp (1983) as “Identify a broad area of study; select the research topic; decide the approach; collect the evidence; analyze or interpret the evidence and present the findings.” (Money et al., 1998)

According to Howard and Sharp’s process model, we identified a broad area of study and determine the research topic. The research of H&M is selected. We are focusing on H&M to do our research since H&M is a company headquartered in Sweden. It has markets all over the world including China. And we are Chinese students studying in Sweden. Accordingly, we choose H&M to analyze the brand develop process and how H&M has extended its market in China. Based on the company’s development situation and researchers’ knowledge and background, it is interesting to research how to develop the brand and expand the market in China.

In an effort to the research topic and, in order to make the research realistic, we used the following items below:

- Literature study (books, articles and journals in the library).
- Read the news reports of H&M (with a focus on China).
- Read homepage and annual reports of H&M and conduct the interviews with managers and the staff.

2.2 Research design

After the research strategy, it is important to choose a suitable method to collect data.
There are two research methods—qualitative method and quantitative method. The qualitative method is to focus on the individual to obtain a deeper understanding of the situation while the quantitative method focuses on gathering a great number of facts to analysis the states. (Hussey & Hussey, 1997)

In order to obtain more point information, we found it appropriate to conduct the interviews. Therefore we adopted the qualitative method. The results from this method provided us a deeper understanding about how H&M developed its brand and how it developed in China. By interviewing the head of investor relations, the resource director and staff, we acquired valuable information.

2.3 Data collection

2.3.1 Primary and Secondary Data

There are two types of data collected in this thesis—primary data and secondary data. Primary data is the data which forms new data for a specific purpose (Hussey & Hussey, 1997). The primary data in the thesis are the interviews from the manager, director and staff in H&M. We conducted interviews with Nils Vinge, the head of investor relations; Christina Hansson, the resource director; Hanna Eliasson, the staff respectively. They all offered useful information and their opinions for this project.

The secondary data, which is the data written by another author. It’s already exists and for a different purpose (Hussey & Hussey, 1997). The secondary data comes from the related literature; textual analysis and the information published on the homepage of the company, i.e. the articles about development of the brand and fashion area, the annual report, the corporate social responsibility (CSR) report, the film about H&M’s work and the online interview. H&M’s homepage contains the interview with CEO and the managers in different departments. It is an effective method to collect exact secondary data.
2.3.2 Case Study

A case study facilitates a more multi-dimensional representation of the subject (Money et al., 1998). Hyder and Abraha (2003) illustrates case study from Yin (1994) as an empirical investigation that researching a contemporary appearance within its real-life context when the borders between appearance and context are not obvious. They also suggest that case study approach is flexible and helpful in describing a process. For this advantage, we apply a case study method in this study.

H&M’s homepage contains the annual reports, financial reports, films of how they are working at the company and the interviews of CEO and managers from different departments. Based on this information, we learn general concepts about the developing process of H&M. However, we needed specific information for our research topic. Accordingly, we decided to do the interview with the managers and staff to collect this information.

The researchers could collect the data by personal interview, telephone, mail, computer or a combination of these as an approach (Blumberg et al., 2008). We chose personal interview with Christina Hansson and Hanna Eliasson in the H&M store. On 12th May, at the H&M store in Gävle, Christina and Hanna fervidly welcomed us and answered our interview questions. We also choose the mail interview with Nils Vinge because we had contacted many managers from different department in H&M, and most of them said that all the information that they could offer was on the H&M’s homepage, and the information was current. Nils Vinge, the head of investor relations in H&M answered our questions on 20th April through email. Mail interview also has the following advantages:

- Allows contact with otherwise inaccessible respondents.
- Often lowest-cost option.
- Expanded geographic coverage without increase in costs.
- Respondent who cannot be reached by phone (voice) may be accessible.
2.3.3 Working Structure

The figure 1 portrays working structure of the research. There are mainly three steps. In the first step, we identify the study area and select the subject. We focus on the Swedish fashion brand and select the company H&M as our case study. In the second step, the literature is thoroughly studied and interviews are conducted to collect the data. We read the related literature about the thesis and conduct the interviews with the head of investor relations and staffs in H&M. In the final step, according to the theories and findings, we analyze the data and derive the conclusion.

Figure 1 Working structure (The authors, 2009)


3. Theoretical framework

The theoretical framework of our study including building a brand, brand loyalty, store design, Chinese consumer needs and behaviours, and human resource management was introduced in this section.

3.1 Building a strong brand

American Marketing Association (AMA) defined a brand is a “name, term, sign, symbol, or design, or a combination of these elements.” The Customer-Based Brand Equity (CBBE) model illustrates a sequence of steps for building a strong brand, each of which follows the previous one when successfully achieving the objectives. The steps are as follows:

1. Establishing the proper brand identity in customers’ minds with a specific product class or customer need. Who are you? Like establishing the information to the customer H&M is a clothing brand, is a fashion brand.

2. Firmly creating the brand meaning in customer minds by linking the tangible and intangible brand associations. Let the customers know what the company could supply. What are you?

3. Eliciting the right customer responses to this brand identification and brand meaning. In the process of building the brand, the operators need to know the responses from the customers. Let the customers know what about you?

4. Through convert brand response to form appropriate relationships between customers and the brand. Build the relationship between customers and the brand is a key step. Let the customers know what about you and me?

Shortly, we could illustrate these four steps in “brand identity” “brand meaning” “brand responses” “brand relationships”. From identity to meaning to responses to relationships, the steps are in a certain order. Therefore, we cannot start meaning

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1 Major part of 3.1 is adopted from Keller K.L., 2008
unless we have formed identity; responses cannot take place unless developed the right meaning; and we cannot build a relationship unless we have elicited the proper responses.

The brand-building process could be illustrated in Figure 2. As we can see, building blocks up the left side of the pyramid show a more “rational route” to brand building, whereas building blocks up the right side of the pyramid represent a more “emotional route.” Mainly strong brands were built by increasing both sides of the pyramid.

Figure 2    Customer-Based Brand Equity Pyramid

3.1.1 Brand Salience

Salience is a tactic to identity the brand. Just as the figure 2 correspond. Aaker and Joachismsthaler (2000) define brand identity “a set of brand associations that the brand strategist aspires to create or maintain”. “Achieving the right brand identity means creating brand salience with customers.” (Keller, 2008) Brand salience is the propensity of the brand to be noticed or thought of in the situations of buying (Romaniuk and Sharp, 2004). Brand salience is a sign to measure awareness of the brand. Brand awareness related to customers’ ability to remember and recognizes the brand, to be able to link the brand name, logo, symbol under different situations. This
is especially important in building brand awareness to help customers understand the product or service category, and know what products or services are sold under the brand name. It also ensures that customers know what basic functions the brand provides to them.

3.1.2 Brand Performance

Brand performance is one of the tactics to creating the brand meaning. It’s the second step to building a brand. The product is the heart of brand equity, because it is the first influence consumers experience with a brand. Regardless of whether the product is tangible or intangible, it is a prerequisite for successful marketing to designing and delivering the product to satisfies consumer needs. To create brand loyalty and resonance, marketers must ensure that consumers’ experiences with the product meet their expectations. Brand performance transcends the product’s components and features. The following factors often underlie brand performance: Primary ingredients and supplementary features, Product reliability, Service effectiveness, Style and design and Price.

3.1.3 Brand Imagery

Brand imagery is the other main type of brand meaning. “Brand imagery hinges on the extrinsic properties of the product or service, including the methods in which the brand attempts to meet customers’ psychological or social needs. It is the way that people think about a brand abstractly, rather than what they think the brand actually does” (Keller, 2008). Brand image and brand identity are often have the same meaning at the corporate level (Ind, 1990). Essentially, brand identity means the sum of the entire ways one firm chooses to identify itself to publics; brand imagery is the perception of the firm by the public (Marguiles,1977). Therefore, imagery refers to more intangible aspects of the brand. Consumers could form imagery through their own experience or through advertising or word of mouth. Many kinds of intangibles
can be related to a brand. Such as: User profiles, Purchase and usage situations, Personality and values, History and experiences.

### 3.1.4 Brand Judgments

Brand judgments are one type of response. It’s the third step to build a strong brand. “Brand judgments are customers’ personal opinions about the brand or evaluations of the brand” (Keller, 2008). Customers could make variety of judgments with a brand. But four types are most important: Judgments about quality, credibility, consideration, and superiority. Customers are likely to rely deeply on their experiences during the consumption process (Zeithaml et al., 1993). Favorable customer judgments are essential in developing the equity of a brand (Katsani, Pitta, 1995).

### 3.1.5 Brand Feelings

Brand feelings are the other type of response. “Brand feelings are customers’ emotional responses and reactions to the brand” (Keller, 2008). More and more companies are trying to tap into more consumer emotions with their brands. The following six types of brand-building feelings are important:

1. Warmth.
2. Fun.
3. Excitement.
5. Social approval.

### 3.1.6 Brand Resonance

The final step of the model is brand resonance. It reflects the relationships between the customer and the brand. It focuses on the final relationship and level of customers’ identification with the brand. Brand resonance expresses the nature of the
relationship between customers and brand and the extent customers feel about the brand. We can classify brand resonance into the following categories: behavioral loyalty; attitudinal attachment; sense of community; active engagement.

### 3.2 Brand loyalty

Brand loyalty is considered as an insistent purchase under high involvement for a brand (Assael, 1998). Brand loyalty means that consumers have positive attitudes and repetitive purchases for a brand. It can keep a long-term customer loyalty and make a persistent profit. Meanwhile, it can reduce marketing cost and provide competitive advantage for the business. (Tepeci, 1999)

There are some ways of creating brand loyalty:

1. Building brand awareness. There are many methods of increasing awareness such as advertising, promotion activities and business press (Grover and Srinivasan, 1992). Customers will be able to pursue the product after being aware of the brand (Tepeci, 1999).
2. Creating the reputation. In order to increase the reputation and develop the brand loyalty, firm can sell the high-quality product or service and operate at a premium price (Ibid.). After creating the reputation, firms can successfully attract new customers and have a good sale (Rogerson, 1983).
3. Establishing a positive brand image. A brand image can differentiate a product or service from other homogeneous products. “The brand image plays an important role in product choice because consumers attempt to reinforce their self-image by buying products that are congruent with their self-image.” (Tepeci, 1999)
4. Maintaining an innovation and making customers satisfied. Customers’ ideas and needs are always changing. Therefore, companies should maintain innovation for the product or service. When making innovations, firms should consider customers’ attitudes and perceptions. They should try their best to satisfy customers’ wants and needs. (Ibid.) If the consumers get more satisfaction, they
will be more loyal (Jones, 1990).

3.3 Brand development

3.3.1 Store image and store design

Store image is the “overall perception of a store perceived by consumers” (Hunt and Keaveney, 1992). “Personality of the retail store” that makes consumers perceives stores and then influences their purchasing behaviour and loyalty (Claycomb and Porter, 1997). That means the characteristic store can attract consumer and make them loyal. Store image mainly includes the store environment, store atmosphere, fashion, selection and quality of merchandise, sales personnel (Kent, 2003). Store atmosphere has an impact on consumer behaviour such as creating messages, attention and an affective response (McGoldrick, 1990). The store environment means the exterior design and the internal environment in the store (Ward et al., 1992). Therefore, people must focus on the internal and exterior environment when design a store.

Retail design has an important influence on retail branding (Kent, 2007). “Store as design” does not only relate consumer behavioural needs to branding, but also is an integral part of successful strategies for the clothing retailers (Kent, 2003). Design is the necessary part for a store. Some researches show that the modern branch designs have a more positive impact upon cognitive, affective and responses to the environment (Peter and Steve, 2005). For example, within a store, window displays provide a long consistent opportunity for creative practices and play a functional role to present a choice of the products sold inside (Kent, 2007), and larger windows have a favourable psychological affect for the staff and consumer (Heerwagen, 1990). With the expansion of retail design’s application, many people are familiar with it and make more business and improve customer experiences (Kincade and Moye, 2002).
3.3.2 Human resource management

In the present day, more and more people recognize that human resource management (HRM) is very important to the business and it can achieve a positive performance (Gonzalez, 2004). This refers to the people management. Effective human resource management can develop employees’ ability and make them work competently (Huntley, Kleiner, 2005). It is used widely in the firms. Besides, it can develop the brand promise (Aurand, Bishop, Gorchels, 2005). It helps firms to have a better internal communication, makes staffs understand the brand of the firms and the importance of themselves to the brand promise well (Interbrand Insights, 2001). In other words, human resource management plays an important role in branding in the firms. Human resource managers should focus on the many aspects to develop its staff and satisfy their needs. There are some contents below: (Holton, Swanson, 1997)

- Recruiting employees according their abilities.
- Offering equal and sufficient compensation to them.
- Training them and make them have a good performance.
- Treating them fair in the management.

Besides, they should protect employee’s rights and freedom, and design the training program though improving their abilities, knowledge and skills (Huntley, Kleiner, 2005).

3.4 Chinese consumer needs and behaviors

As the largest emerging economy country in the world, many foreign firms enter into China, bringing their brands that represent status, modernity and cosmopolitanism (Belk and Zhou, 2004). Meanwhile, with the rising income, Chinese customers pursue foreign brands that can attain their self-worth (Kim et al., 2002). Therefore, it is very important for international companies to know about Chinese consumer needs and behaviors. After that, they can successfully make a wonderful strategy to develop their
brand in China.

3.4.1 Chinese consumer needs

There are three types of consumers’ needs: functional, social and experiential needs (fashion advocates). In Chinese consumers’ minds, functional needs are the most important. Chinese consumers consider social needs as the second highest, and the experiential needs as the least significant. However, among some Chinese consumers, experiential needs play an important role in purchasing behavior. The higher experiential needs these consumers have, the more money they tend to spend on purchasing clothing. Contrarily, functional needs have a negative influence on Chinese consumers’ purchase behavior. They do not like to spend a lot of money on clothing if they highlight the function needs. To sum up, for Chinese clothing markets, the experiential needs are the most important factor to make a purchase decision in clothing. In other words, “the experiential image should appeal to Chinese consumer up-markets for clothing purchase.” (Ibid.)

3.4.2 Chinese consumer behaviors

Consumers usually consider brand, design, color, price, quality, and country-of-origin when they buy clothing (Hui et al., 2004). It is suggested that Chinese consumers more and more highlight designer, brand name, and social values of a product or service. At the same time, they are also more loyal to the brand and they often read fashion magazines. (Zhang, 1999) More Chinese consumers actively purchase fashion goods (Kim, et al., 2002). They highlight fashion very much these years. Consequently, many apparel retailers provide the fashion magazines, and media for their customers (Hui et al., 2004).
4. Empirical findings

The empirical findings includes the presentation of H&M, quality, price and fashion, communications with consumers, store design, human resource management, and corporate social responsibilities (CSR).

4.1 Presentation of H&M

In 1947, H&M was created in Sweden (H&M Corporate Social Responsibility Report 2007, 2008). It offers a huge range for men, women youth and children, including clothes, accessories, footwear and cosmetics. Its business concept is to “offer fashion and quality at the best price”, and work globally and enter into new markets in the future. Over 1700 stores are open in 33 countries all over the world at this time. In 2008, H&M’s group sales including VAT had an excellent result. From the diagram below, we can see that they reached SEK 104 billion, an increase by 13 percent over the last year. Their profit and the earnings increased as well. (H&M in Words and Pictures 2008, 2009)

<table>
<thead>
<tr>
<th>KEY RATIOS</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales including VAT, SEK m</td>
<td>104,041</td>
<td>92,123</td>
</tr>
<tr>
<td>Sales excluding VAT, SEK m</td>
<td>88,582</td>
<td>78,346</td>
</tr>
<tr>
<td>Change, %</td>
<td>+13</td>
<td>+15</td>
</tr>
<tr>
<td>Operating margin, %</td>
<td>22.7</td>
<td>23.5</td>
</tr>
<tr>
<td>Profit after financial items, SEK m</td>
<td>21,190</td>
<td>19,170</td>
</tr>
<tr>
<td>Profit for the year, SEK m</td>
<td>15,294</td>
<td>13,588</td>
</tr>
<tr>
<td>Earnings per share, SEK (before and after dilution)</td>
<td>18.48</td>
<td>16.42</td>
</tr>
<tr>
<td>Change, %</td>
<td>+13</td>
<td>+26</td>
</tr>
<tr>
<td>Return on equity, %</td>
<td>44.3</td>
<td>46.4</td>
</tr>
<tr>
<td>Return on capital employed, %</td>
<td>61.1</td>
<td>63.7</td>
</tr>
<tr>
<td>Share of risk-bearing capital, %</td>
<td>75.7</td>
<td>78.5</td>
</tr>
<tr>
<td>Equity/assets ratio, %</td>
<td>72.1</td>
<td>76.9</td>
</tr>
<tr>
<td>Total number of stores</td>
<td>1,788</td>
<td>1,523</td>
</tr>
<tr>
<td>Average number of employees</td>
<td>53,430</td>
<td>47,029</td>
</tr>
</tbody>
</table>

(H&M in Words and Pictures 2008, 2009)
4.2 Quality, price and fashion

“Offer fashion and quality at the best price” is H&M’s business concept. For example, from the picture on the right side, we can see that the clothes are fashionable, good-quality with a reasonable price. It insists on enhancing the quality and design of the products in order to meet consumers’ needs. H&M works closely with its suppliers to maintain product quality. It has extensive tests and quality controls for the products. It does not accept the products from suppliers until it makes sure that the products meet its quality requirement. Meanwhile, H&M focuses on the safety of products. It made a lot of things such as the following product policy to protect the safety of consumers. (H&M Corporate Social Responsibility Report 2007, 2008)

H&M’s product policy:

- “H&M does not sell real fur.”
- Instead, it sells leather which comes from sheep, buffalo, cattle and pigs.
- The down and feathers have been antiseptic and washed in H&M’s requirement.
- The materials of products must be safe.
- Clothes of Children must be handy and comfortable. H&M never sell the stimulating clothes to children.
- All clothes must be made a mark with their original country.
- H&M requires qualifications from Forest Stewardship Council (FSC) for the wooden products, which originally come from the tropical rainforest area.
“Fashion for everybody” is the central concept in the world of H&M. There is a large fashion design department at H&M, which includes more than one hundred designers. Designers at H&M have trend seminars, study fashion magazines, and watch fashion movies in order to keep creative and obtain fashion knowledge and concepts. They not only focus on the surroundings and any change with the clothing, but also socialize among people to know what their customers are keen on and need. At the same time, they have to see the retroactive influences that have a functional role in purchasing behavior. It is an important aspect for tailors and designers to think about. They often discuss how H&M should work and keep fashion and modern. After finding out the fashion trends, they will transform them into fashions for everybody. For instance, the trends for 2009 are that “A romantic, feminine style with floral patterns and a focus on the waistline”. And guys like the relaxed style with blazer and chinos. People also focus on the animal prints and safari inspired clothes. Subsequently, H&M makes them into fashionable clothes. For example, from the chart above, we know that the clothes are fashionable and modern. Besides, though the products are good quality and fashionable, the price can still keep a good price for consumers. (Ibid.)

Through “offering fashion and quality at the best price” to customers, H&M makes them satisfied and builds a successful brand.
4.3 Communications

H&M builds good communications for its brand. It maintains its own website in the Internet, where extensive lots of information including the products displayed, operation of H&M, news and reports are listed. Therefore, customers can obtain information that they need in the website. In addition, H&M advertises in its store, on the internet, on TV, and in newspapers. It tries to disseminate its business concept that quality and fashion are offered at the best price to consumers. Meanwhile, H&M stresses the healthy brand image and it finds some people who are healthy and respectable to show in their advertising. (H&M Corporate Social Responsibility Report 2007, 2008) H&M establishes a successful brand image by building good communications.

Some advertising policies are made by H&M as follow: (Ibid)

- Design may kinds of advertising campaigns clearly and simply to inform its customers well and show them the new and fashionable products and the price of them.
- Make advertisement in all markets of H&M, while mix media in local.
- Advertise its concept for men, women, teenagers and children through different styles and factors.
- Make a unique guiding principle in advertising for children’s notion.

4.4 Store design

H&M focuses the store design vastly because it believes that the store is the most important medium to communicate with customers and the right store design can attract more consumers. It also thinks that the displays play the same role as the store and the design of these should stir up a feeling without stealing the limelight from the clothing. Therefore, H&M makes a new internal design program for the stores in a new market every two or three years. The essence the program is to make the store
smart, simple and sustainable. It needs to work in many conditions and it coerces designers to make each store exceptional. When establishing a new store, the designers have to make it stirring and attractive and make everyone feel comfortable. For example, from the diagram above, we know that the design of a store in Barcelona is very modern and attractive. That makes people to know and remember the store and its brand successfully. (H&M in Words and Pictures 2008, 2009)

At H&M, display windows are the first place that consumers encounter. Therefore, the windows and other important areas, change approximately every second weeks in their stores all over the world. This idea can attract customers successfully and emphasize the best products. Also, the approach that they present the products is important to make people familiarize themselves rapidly and without difficulty between different styles and departments. (Ibid.)

From the interview, we found out that in the store of H&M in Gävle, the design is modern, beautiful, fashionable and bright. For bringing in sufficient products to satisfy consumers, the store is a little crowded. Therefore, when they display products, they try to make the space much bigger and everyone feel comfortable. There are new goods everyday so that they change the product display any time. And they usually put the new products at the head of the store so that consumers can be attracted well. Besides, they put the products which have the same color or similar color together, and make the suits and shorts together. That facilitate consumers visit and choose them. H&M attracts its customers well and makes them know and pursue its brand after it makes the retail branding.
4.5 Human resource management

H&M’s colleagues and staff are one of the most important factors to make an enduring success. At the end of 2008, H&M employed 73,000 staff members at various locations around the world. While entering into a new market, H&M always recruits locally. At the beginning, the new employees always obtain help from the more skilled staff. For instance, when opening a store in China, H&M brought some excellent staff members from seven different countries to help Chinese employees. After the Chinese became familiar with the operation, then they became the authority in Chinese market. (Ibid.)

H&M believes in developing global guidelines on equal rights, diversity and against discrimination. H&M believes in its staff and recognizes their potentials. Accordingly, it focuses on the company loyalty more than education. H&M tries to make employees feel that everyone is a part of H&M’s success. (Ibid.)

At H&M, employees’ human rights are respected, which is essential in H&M’s operations. It focuses on employees’ working hours, health and working safety, equal right, salaries and profits. It persistently works hard for skills development for its colleagues and employees. It usually offers training and career progression to them. At H&M, all store employees must have two week’s course training. They must learn something about the customer service, textiles, stocks and cosmetics. Furthermore, H&M supports job rotation in an effort to develop their staff. This means that each staff works in different positions such as dealing with the cash-desk, customer service, fitting rooms, displays, creating advertising, and campaigns in a store. (H&M Corporate Social Responsibility Report 2007, 2008)

From the interview of one store in Gävle, we knew that the human resource management is good and relaxes: H&M has a good support, which offers the medical and bodybuilding benefits to them; it has a group that all employees can discuss with
each other when something happens; what is more important, they are respected and freedom. Employees also told us that they like their jobs and they can keep in touch with new fashion and arrivals. They are active all along. They communicate with the customers directly and well so that they know needs of them. They are kind, friendly and patient so that they can offer a good service to them. Therefore, we find out that employees are the basic of H&M’s success and brand development.

4.6 Corporate social responsibility (CSR):

Corporate social responsibility (CSR) is an integrated part of how H&M run their business. In H&M CSR Report 2007, H&M’s CEO, Rolf Eriksen, and CSR Manager, Ingrid Schullström, discuss corporate social responsibility in H&M.

Ingrid Schullström said that, “over the years they have evolved their approach to CSR. They started to focus more on CSR in 1997 and their main objective has been to improve working and environmental conditions in the supply chain. Now their focus on the environment has also increased both in the supply chain and in H&M’s own activities—climate change and water are two main areas of concern.”

Rolf Eriksen said, they focus their efforts and make a priority of the areas where they as a company have the biggest impact and where they also feel that they can make a difference. As a global company, they have global opportunities but alongside those are global risks. It is important that they apply the same values to all their operations, and throughout their global supply chain. Being a Scandinavian company they want to bring their sense of social responsibility which they take for granted in our society, to all H&M operations, independent of where they are located.

“We have to accept that any responsibility issue arising from any corner of the world may affect us.” Ingrid Schullström added.

Rolf Eriksen mentioned that the most of their customers are also interested in
supporting their CSR efforts. He is convinced that CSR can minimize their risk and create long-term value, both for society and their shareholders, and is important for H&M’s long-term success. H&M protects environment and benefit of customers by this way. Consequently, it makes customers believe in it and develops it brand.

4.7 H&M brand development in China

In 2007, H&M came to China. China is a new market for H&M. In the interview, we found out that Nils, the head of investor relations, is very confident with starting opening in China. He mentioned a lot about brand development in China.

Firstly, though it is unique and different from the western country, each new market has more similar challenges than differences. H&M has sufficient experience to develop its brand in China. It still keeps its main business concept to offer customers good quality, fashionable and reasonable price products. That leads to a good result that it attracts lots of Chinese and makes them love the brand. For example, the picture as followed is about a store of H&M in Beijing. When I was in Beijing this June, I visited this store and found out something. It was quite a big store. But still it was very difficult for us to walk in the store. There were so many customers there. Many kinds of clothes are shown in the store. Most of customers can pick the fashionable clothes they like there.

H&M, 2009, Store opening in Beijing, China
Furthermore, it has a plan to open stores in another city in China during these coming years. But it will make it step by step. It has opened stores in Beijing, Shanghai and Hong Kong. It is not working with the brand extension but going in for increasing the existing business proposition. Finally, it constantly gets close to its customers and it often communicates with them by stores, media, outdoor and the Web. In the website, we can find out there are lots of information about the products and the operations of H&M.

“Meanwhile, it has long and good experience in human resource management,” Nils said. There are about 1109 employees in China (HM in Fugures2008, 2009). Nils also told us that H&M used the Swedish management style to manage the employee in China. Because it found that Swedish management works well in China. After entering into Chinese market, H&M becomes a well-known name for many Chinese people. It is very successful in China in the first two years. In 2008, the net sales of H&M in China are SEK 827 million, which increased by 81 percents than the year of 2007 (Ibid.). In this part, we found out that H&M makes fashionable, good-quality and reasonable-price products, and a successful brand in Chinese market.
5. Analytical Discussion

We make a critical analysis according the theory and findings, and discuss all the aspects of brand development in this study.

5.1 Building a strong brand and brand loyalty

In the theory framework, we had showed that there are four steps to build a strong brand: establishing brand identity, creating brand meaning, eliciting responses to this brand identification and brand meaning, and forming suitable relationships between customers and the brand. Besides, four factors are very important to create brand loyalty, which includes building brand awareness, creating the reputation, establishing a positive brand image, and satisfying customers. In the study, we found out that H&M followed these well.

H&M creates its brand awareness through advertisement, stores, media and website. It has a good performance. Customers know its brand well. Meanwhile, it makes a corporate social responsibility strategy these years. It respects and protects the environment, and keeps a healthy image. Therefore, it gets a good reputation and good brand image in customers’ minds. The biggest success of H&M is that it “offers fashion and quality at the best price”. Consumers can easily get the wonderful products they like with a reasonable price at H&M. Besides, H&M keeps a close relationship with consumers. It not only communicates them well, but also offers a high-quality service to them. Consumers can get satisfaction from the products and services.

Therefore, H&M builds a successful brand and brand loyalty through utilizing the suitable theory and approaches.
5.2 Brand development

In the study, the theories showed that store design and human resource management play an important role in branding.

5.2.1 Store design

Store design is a good strategy for clothing retailers to attract consumers. H&M has a good experience on store design. At H&M, people stress the store design and argue that successful store design can make a good communication with customers. Every two or three years H&M make a new design program for stores and make them comfortable and inspiring.

Employees at H&M usually change the products around the display windows or other important areas. They want to emphasize the best and newest products instead. As a result, H&M successfully communicates with consumers and attract them well.

5.2.2 Human resource management

Human resource management can develop the brand promise and make staffs understand the importance of them to the brand promise well. In the human resource management, managers usually focus on some contents such as offering equal and sufficient compensation to employees, respect their rights and freedoms, training and trusting them. H&M develops these well. H&M work hard for developing staff’s equal rights, knowledge and abilities. It is essential for H&M to respect employees’ rights.

Besides, H&M has a good support for the staffs. At H&M, each employee has to learn some knowledge required. Meanwhile, H&M support each employee to work in different positions that can improve their ability. H&M believes in its staffs. It makes lots of projects to make them loyal and work hard. They work hard and became the
5.3 Brand development in China

In the theory of this study, we can find out experiential needs (fashion advocates) play a very important function in purchasing behavior in Chinese consumers’ minds. Clothing retailers should make the fashionable appeals in clothing. Meanwhile, Chinese consumers pay an attention to the designer, brand name and social values of the products. H&M make fashion successful in China. It insists on the main concept that “Offering fashion and quality at the best price”. It always makes the products new, fashionable, high-quality and reasonable-price. So Chinese like H&M very much. Furthermore, H&M keeps a close relationship with Chinese consumers. It has a lot of channels (Stores, media, outdoor and Web) to communicate with them well. In the website of H&M, we can find out a lot of information about the products and news of H&M. Consumers can find and learn something they need or feel interested. This is the same as Keller’s opinion that make a good relationship with consumers.

Finally, it is suggested that good human resource management can attain a positive business performance. H&M develops this well. It has sufficient and good experience in human resource management. It makes the Swedish management style to manage people in China, which is a relaxed and freed management. And it works well in China. Employees work hard and become the main factor for H&M’s success.

H&M develop its brand through these techniques. H&M makes a successful result and its brand has been well known for many people in China.
6. Conclusions

The author’s own comments and suggestions for future study will be presented in this part. The research questions will be answered together.

6.1 Own comments

This research gives us an opportunity to know more about the company H&M, know more about the Swedish brand and study how to build a strong brand and develop it. After analyzing the development of H&M, we know that:

In the process of developing the brand, H&M creates its brand awareness through advertisement, stores, media and website. H&M offers new fashion, high quality and reasonable price to satisfy consumers’ self-image and need. Through corporate social responsibility strategy, it develops a good image about the company. Besides, H&M keeps a close relationship with consumers, which helps H&M developing its brand and brand loyalty all over the world.

When developing its brand and extending the market in China, H&M following its main business concept “Offering fashion and quality at the best price”. H&M pays attention to communicate with the consumers through store design, media, display and website. It used the same Swedish management style to manage the employees in China. It is very successful in China in the first two years. In 2008, the net sale of H&M in China is close to 1 billion SEK, which increased more than 80 percents than the year of 2007. At the same time, when more and more people know H&M, it opens stores in different cities in China step by step.

Chinese customers increasingly emphasize brand name, designer and entrenched social and cultural values of a product or service (Zhang, 1999). China is the second largest market in Asia. Understanding Chinese consumers’ decision-making styles is
important for H&M to extend the market in China.

At the same time, we still have some deficiency in the process of the research. Like the interviews are not adequate, we should interview more people to get the efficient information. English is not our mother tongue; so the language is not authentic enough.

6.2 Suggestions for future study

In our study, we found that there is still a lot of space could be enhanced on H&M’s corporate social responsibility (CSR). H&M started to focus on CSR since 1997; it’s their core objective all the time even in the future. They emphasized the importance of CSR in their success. Consumers pay more and more attention in companies’ corporate social responsibility. Therefore, in future study, more research is needed to enhance how they carry out the CSR.

China is composed of many different customer segments, each with dissimilar characteristics. H&M is expanding the market to different cities in China step by step. In future, one could collect more diverse consumer samples to generalize the results and, representing consumers’ behavior from different cities. This research can provide information which products the consumers favor, when they do so, why they choose to do so, and how they are influenced by media advertising, sales promotion, store display and word of mouth.

H&M has markets all over the world. It is important to know the segment of fashion lifestyle in each country. Our future research could focus on the segment of fashion lifestyle and culture in different countries. Through subdivide this we could know global consumers’ attitudes toward the brand of H&M and their purchase intention for H&M.
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Appendix

Interview questions for the head of investor relations, and employees.

Brand development in China
1. What difficulties does H&M face in developing its brand in China? How does H&M solve the problems?

2. While entering Chinese market, how does H&M make the Chinese people love its brand? What aspect does H&M focuses most in order to attract Chinese?

3. Does H&M have a plan to open stores in other cities in China besides Hong Kong, Shanghai and Beijing? How does H&M make the brand extension process in China?

4. China is different from the western country, how does H&M develop its brand in local market of China?

5. How does H&M close to its customers? What communication channels does H&M apply to make consumers know more about it?

6. How does H&M manage employees in China? What are the differences from western countries in human resource?

7. Comparing with local firms in China, what are the advantages of H&M? And comparing to the other international fashion companies?

Store design
8. How do you think about the store design of H&M? What’s the most impression to you about its design?

9. Normally, how do you display the products to attract the consumers?

Human resource management
10. Do you enjoying working at H&M? What attract you to work hard in H&M?

11. How do you think about the human resource management of H&M? What kinds of welfares does H&M offer to the employees usually?
12. In your opinion, what kind of role do the staffs play in making H&M successful?