BUSINESS ECONOMICS PROJECT

H&M T-SHIRT

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INDEX

PARTICULARS	PAGE NO.
INTRODUCTION	3
PRODUCT ANALYSIS	4-5
PRICING	6-7
SUPPLY	8
ELASTICITY	9-10
DISTRIBUTION CHANNELS	11
CONCLUSION	12
BIBLIOGRAPHY	13

INTRODUCTION

H&M is a Swedish multinational clothing-retail company known for its fast-fashion clothing. H&M operates in 74 countries with over 5,000 stores under the various company brands, with 126,000 full-time equivalent positions. It is the second-largest global clothing retailer, behind Zara.

Mission

> Invest in people, communities and innovative ideas to drive long-lasting positive change and improve living conditions." The statement highlights how this organization delivers its fashions and crafts to the world.

Vision

> The company practices of H&M are expected to figure in a manner that's socially, culturally, and environmentally friendly. By sustainability, they assert that it's important to handle both current and future generations' wants.

Values

> H&M is built on solid foundations. It's business concept "Fashion and quality at the best price" is as clear as their values, which are based on a fundamental respect for each individual and include a firm belief in their people.

PRODUCT ANALYSIS

"H&M is a leader in the fast fashion space"

The secret to the success of H&M can be attributed to the fast fashion business model. Fast fashion relies on moving a large volume of merchandise from the designer table to the showroom floor in the shortest amount of time possible and at a reasonable price. Aimed at young, fashion-conscious urban consumers, their products are trendy and they're cheap, bordering on disposable.

While fast fashion is not limited to H&M, the Swedish brand has a distinct business model. Unlike Zara, H&M does not manufacture its products in-house but outsources its production to more than 900 independent suppliers around the world, mainly in Europe and Asia, which are overseen by 30 strategically located oversight offices.

SWOT ANALYSIS

STRENGTH

Effective Strategy
Global Presence
Competitive Pricing
Variety of Products
Strong Online Channels
Efficient Supply Chain

OPPORTUNITY

Exploit e-Commerce Fully
Focus on Emerging Markets
Improving Lifestyle

WEAKNESS

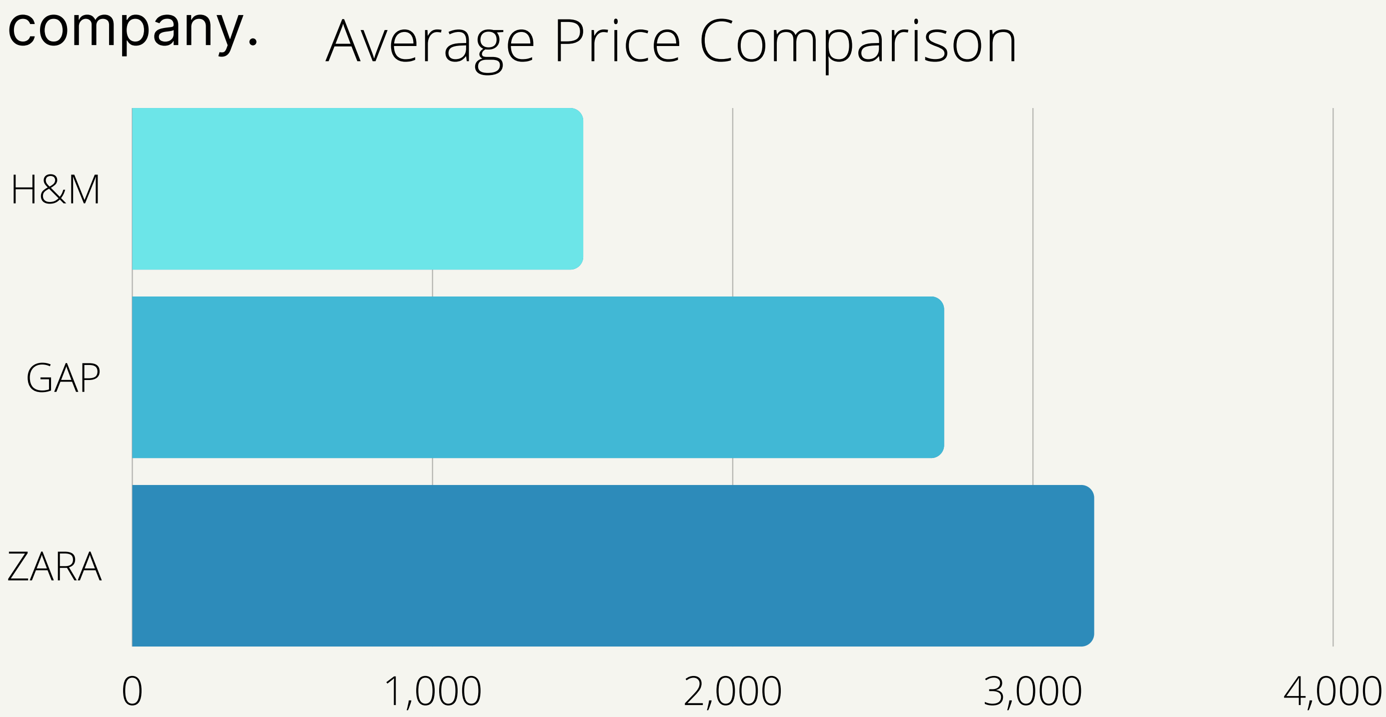
Dependence on Outsourcing
Controversial Products
Uninspired Fashion
Dependence on third party suppliers

THREAT

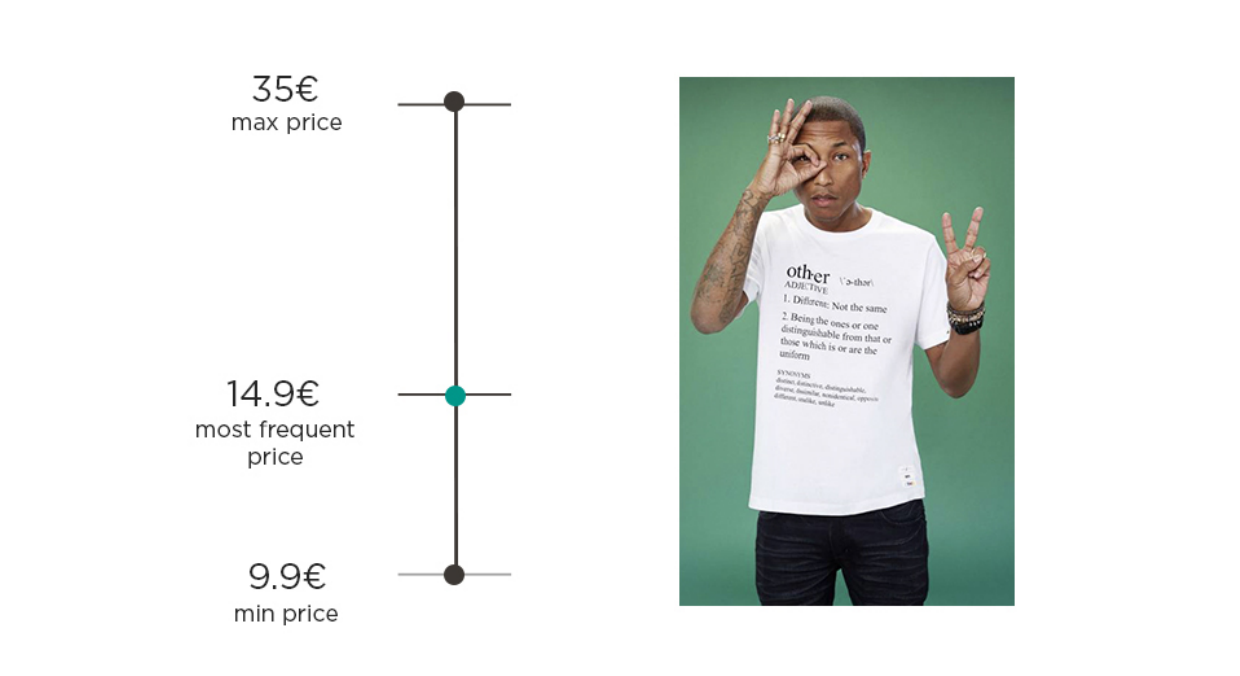
Evolving fashion trends
Intense competition
Rising labour costs
Exchange fluctuations

PRICING

H&M offers high quality clothes at a premium price. The major competitors of H&M are GAP and Zara. As compared to both of these brands, H&M products are prices relatively lower as a part of it marketing mix pricing strategy. These is due to lower cost of manufacturing and transportation costs by H&M. As compared to Zara, H&M offers more variety of products. On an average H&M products are priced at ₹1500 whereas that of Zara are ₹3200. High quality and considerably lower prices attract the youth and hence leads to increase in sales for the company.



T-SHIRT PRICING

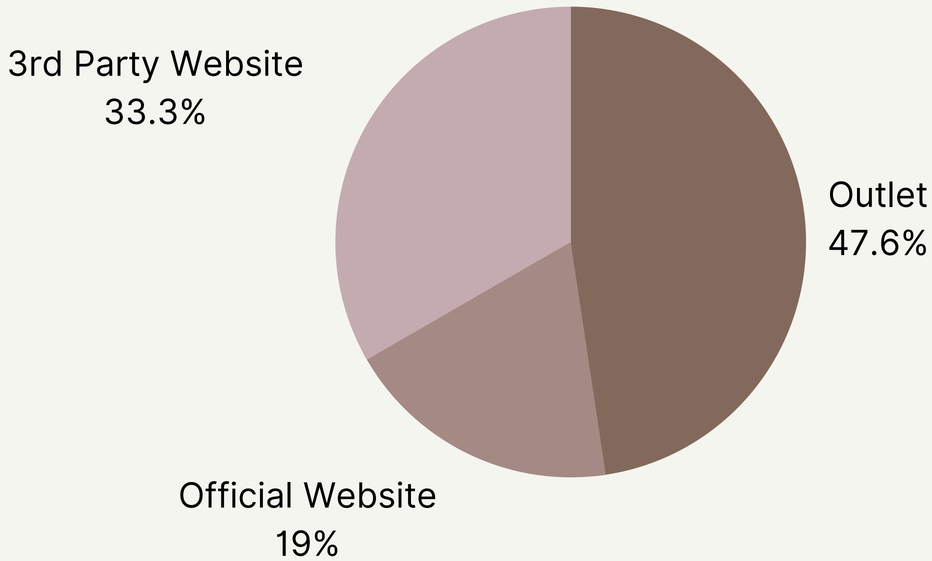


As seen above the average price of a H&M T-shirt is around 15€ or around ₹1500 while maximum is around ₹3500. The pricing follows H&M's strategy of providing quality products at a fair price.

Price Range	Count of Name
>2000	2
1000-1500	6
1500-2000	6
500-1000	7

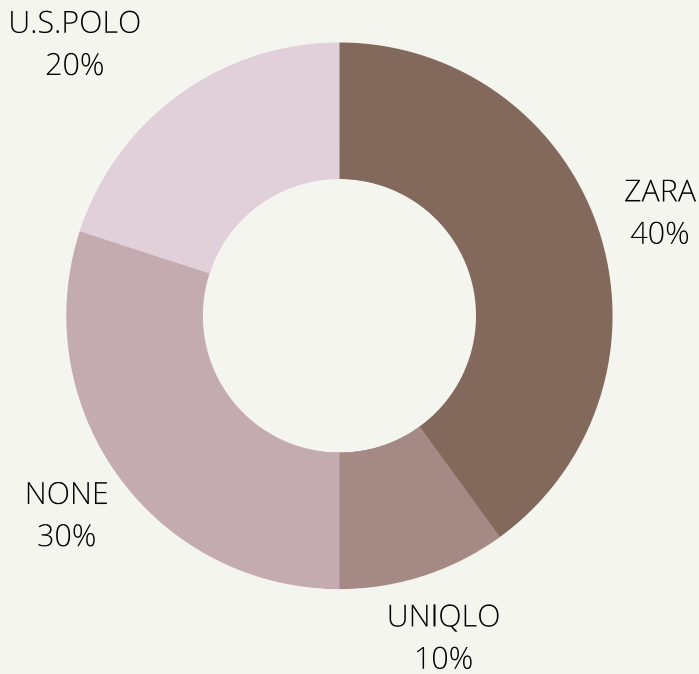
The data also indicates that a significant portion of population buy the product below its minimum selling price through the use of discounts and third party offers thus signaling us the higher demand of T-shirts at lower prices.

SUPPLY SIDE

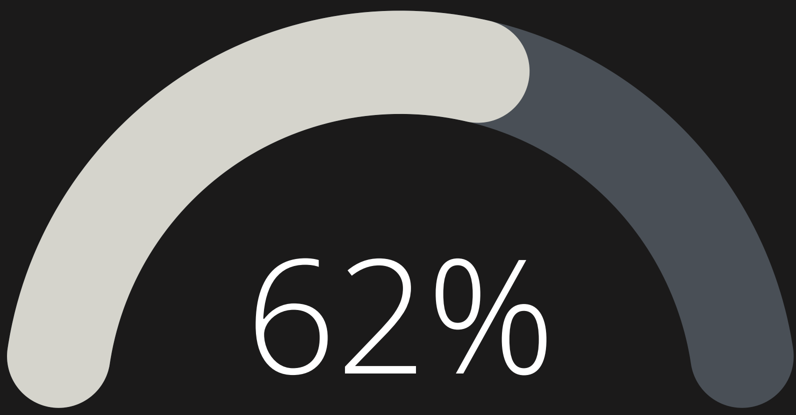


From our data we can clearly see the most number of T-shirts bought are directly from the company franchises around the country and it also shows that 3rd party websites are preferred over the the official H&M website indicating a lack of services offered by the company.

When asked about which other brands/stores do they prefer over H&M 7 out of 10 people preferred some other brands such as Zara or U.S. Polo over H&M. This signals us of intense competition and little brand loyalty towards one company.



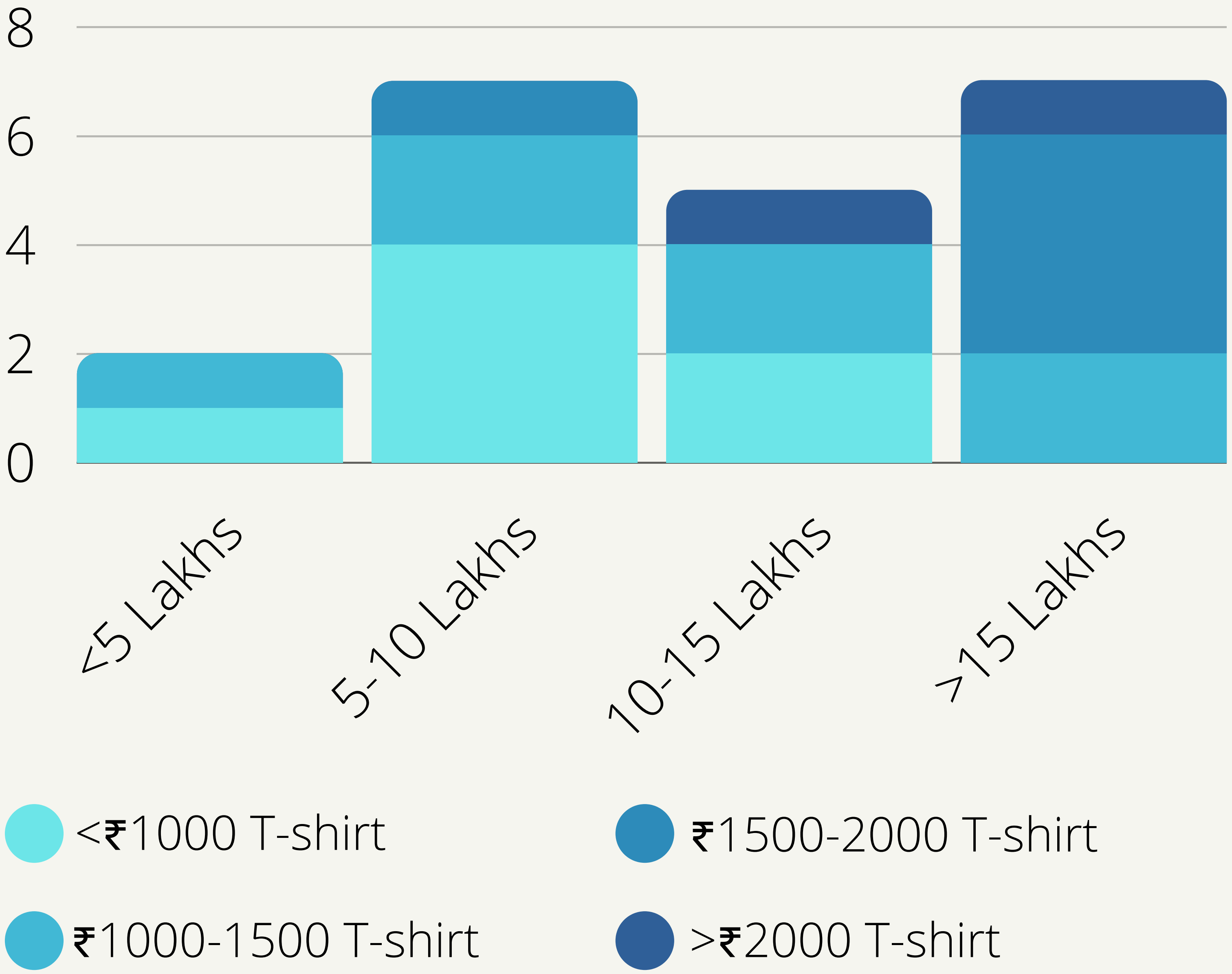
PRICE ELASTICITY



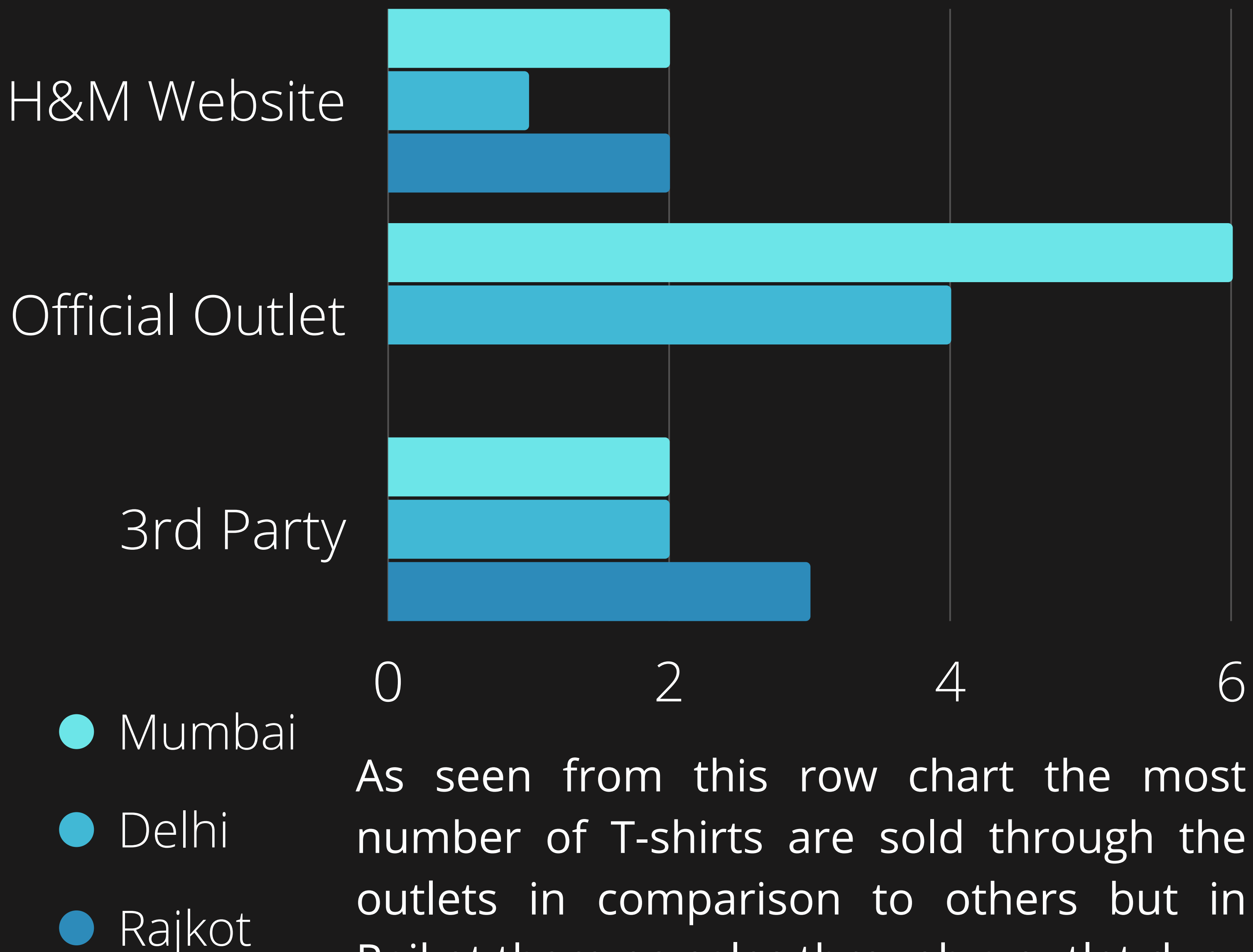
From the data collected, 62% of the group selected price as the most important factor on which they decided whether to buy the T-shirt or not. People who kept price as the main distinguishing feature from the competitors preferred other brands and stores due to its better quality at same price levels. As the price increases over ₹2000 only 10% of the people stick to the brand while others were quick to turn to other sources. Thus we can clearly say that there is very high price elasticity and any changes in pricing leads to drastic changes in quantity demanded

INCOME ELASTICITY

From the data collected we can clearly see that the income of the individual heavily affects the demand for T-shirts. People earning under 10 Lakhs prefer to buy T-shirts under ₹1500 and with a increase in income the demand for expensive T-shirts increase while the demand for cheaper T-shirts decrease. The ₹500-1000 T-shirt acts as a inferior good which is substituted with a rise in income.



DISTRIBUTION CHANNELS



As seen from this row chart the most number of T-shirts are sold through the outlets in comparison to others but in Rajkot there no sales through a outlet due to lack of one. H&M owns various outlets across the country but it's presence is mainly in metro cities and thus a absence is felt in case of smaller cities. Thereby increasing sales through online shopping platforms both officially or through verified 3rd Party vendors.

CONCLUSION

H&M tries to offer new fashion, high quality and reasonable price goods 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.

But customer satisfaction and brand awareness are not all that matters and even H&M faces certain problems. There is a intense competition from other brands such as Zara, UNIQLO, Macy's which further hinder the growth of the company. Due to its product and pricing policies it lacks behind others in terms of selling clothes which are fashionable and gives good value for money. Also lack of funds and networking leads to fewer outlets across the country which further leads to customer choosing other brands over H&M due to inconvenience and speed of delivery.

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