H&M vs. Zara
Comparing Marketing Strategies
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Introduction

For this term paper, our group will be comparing two companies, H&M and Zara, and their marketing strategies and taking the information we compile and developing a new marketing plan for one company. We will be analyzing each company’s marketing strategy individually and then comparing them to see which company has the best marketing strategy. From there, our team will then develop a new marketing plan for one of the companies.

Both of these companies have equally done very well with their marketing strategies in the past and even better in the past year of 2008 while being under the influence of the economies downfall. Sustainability has been the main marketing strategy that has made H&M a highly successful business and continues to do so to this day (H&M, 2008). In the case of Zara, its marketing strategy consists of high turnover in which the company usually has ten thousand single items per year running through their stores (Zara: Cool Clothes Now, Not Later). With each company having a highly successful marketing strategy, our team will examine each strategy carefully and design a new marketing plan for one of the companies.

The topic we have chosen to write about is important because Zara and H&M are well-known companies that are popular amongst young consumers. These companies are focused on heavily in most of the classes we are taking, so learning about each marketing strategy will help educate us better on where they stand in the apparel industry in reference to others we know about. Comparing Zara and H&M hopefully will give us a better understanding about the two companies and how we can make their marketing strategies better.

Our team will research for this paper using a full scope of the many resources available to us, in order to have the most complete research available. We will check the UNCG Library’s databases, journals, e-encyclopedias, and use the research and citation guides for this paper. For
this term paper, we will be specifically searching for materials related to the consumers and retail, marketing, and multicultural business fields.

The most pertinent information will be located in the form of statistics, company profiles, consumer data, and trade data. Some examples of research sources our team will be utilizing are: books, journal articles, magazine articles, encyclopedia articles, business databases and miscellaneous online sources such as blog posts, and websites. Specifically we will be researching on consumer, apparel, and retail related subject guides and resources.

In organizing our paper we will start out giving a brief overview of the two companies, what we will highlight within the rest of the paper, and our plan to develop a marketing plan for one company. In the following paragraphs we will give history about Zara and H&M so the reader has a visual idea of what the companies are all about. Then we will break down the marketing strategies already in place for each company. After the explanations of each strategy we will go into detail about our new marketing plan for Zara and H&M. Each paragraph about the companies, marketing strategies, and our developed marketing plan will be organized according to company name. So, all the Zara information will be grouped together and all the H&M information will be together so it is easier for the viewer to read.

Zara

History of Zara

Zara’s history begins with the owner company, The Inditex Group. Inditex Group is a large company based out of Spain running around one hundred stores dealing with textile design. Inditex operates over 4,350 stores worldwide with brands like Massimo Dutti, Bershka, Oysho, Pull and Bear, Zara, Zara Home, Uterque, and Stradivarius (History of Zara, 2008). Amanico
Ortega Gaona, CEO, founder, and Spain’s richest man founded Zara in 1975. Zara’s first store was in A Caruna where the headquarters now lay and featured lower priced lookalikes of high end, popular products selling to women, men, and children (Zara (Clothing) 2009).

Beginning in the nineteen eighties Zara began experimenting with differentiating the design, manufacturing and distributing progression in order to condense lead times and respond faster to new trends. Gaona considered this to be “instant fashion.” Instead of individuals, Zara used information technologies and groups of designers to base its improvements in fashion. In 1998, the company began its international development through Portugal’s second city, Porto. By 1989 Zara entered the United States and by 1990 entered France. Zara’s international development expanded to Mexico in 1992, Greece in 1993, and Belgium and Sweden in 1994. Zara continued to open stores around the world until there were stores in seventy countries. This includes more than 519 stores in Spain, 116 stores in France, 87 stores in Italy, and 45 stores in the USA (Zara: Cool Clothes Now, Not Later).

**Zara Performance:**

**Financials:**

Since Zara is a subsidiary of the parent company Inditex, this report includes some financials about Inditex. According to the Datamonitor report from the Marketline industry profile of the French apparel retail industry profile (2008); this included charted information on Inditex about revenues and profitability. Their revenues started in 2004 with about $8 million and steadily rose to about $15 million in 2008. Inditex’s profit margin started off somewhat low in 2004 at 11.6%, and peaked in 2007 at 13.3%. In 2008, their profit margin is back down at 12.1%. (pg. 20)
Recent Expansions:

According to Tiplady (2006), Zara reported a 21% sales growth of $8.15 billion in 2005, which put it just ahead of H&M who reported $7.87 billion in sales in 2005. Zara’s parent company, Inditex, opened 448 new stores in 2005; while H&M only opened 190 new stores. Their expansion plans included adding as many as 490 stores in 2006. By 2010, their global total was expected to be almost 5,000 stores. So far in 2006, Zara has expanded cautiously in the United States, with only 19 stores. Meanwhile, their biggest competitor, H&M, has 91 stores in the US, which is still cautious. According to retail analyst, Piaggi, “Inditex’s cost growth is exceeding its sales growth at the moment; I’d like to see more penetration of existing markets before it moves into others.” Other analysts worry that Zara will be unable to stick to its fast pace, with so many more stores to supply. (pg. 1-3)

“In 2008, Zara’s parent company, Inditex had planned to expand by 640 new stores.” (Capell, 2008, pg. 66)

“Zara is (currently, as in 2009) present in 71 countries, with a network of 1,475 stores located in major cities throughout the world. The group also has a distribution center in Zaragoza, called Plataforma Europa, which distributes to all the Zara stores within Europe.” (Marketline France Apparel retail industry report, 2008, pg. 20)

Threats and Opportunities- ZARA

Some threats that affect ZARA include international expansion, geographic scope, and intense competition. Zara recognizes that the company needs to have a competitive advantage in order to survive, so they are constructing a second distribution center in Zaragoza. Also the company is still looking to expand internationally. Expanding in Spain is difficult for the company because of past experience in Sweden. Zara is considering expansion in North
America, but is concerned that it is already suffering from retail saturation, less fashion-forward sense, the demand for plus sizes, lots of competition, and not enough demand for the clothing.

Some opportunities faced by Zara are expansion into other countries such as Europe focused primarily on Italy and scale up its distribution system. If Zara continues to expand it will then help to create a more recognizable brand name to consumers and in turn also help make a higher profit. In the construction of the second distribution center will help the growth of the company (“Zara history and,” 2009).

**Current Marketing Strategy - ZARA**

Zara is considering setting up loyalty programs to create a link with its customers and increase the number of people that visit the stores. Also the company is heavily concentrated on improving its logistics system which is very important to the company in having success in the clothing industry (Euromonitor International, 2009). Zara markets towards the Euro-chic crowd who wants more fashionable clothes with a shorter lead time. Zara produces lower quantities of clothing, therefore the supply of their items are very scarce. Zara relies more on location of a retail establishment rather than advertising to attract customers. Only .3 percent of sales are spent on advertising for the company compared to that of its competitors who spend around 3.5 percent. Zara is more concerned with finding the exact retail site that best suits the company rather than spending the extra money on luring customers into the store (Dutta, 2002).

**H&M**

**History of H&M**

The history of H&M started with a man named Erling Persson, who was a Swedish former salesman that became fascinated with America’s high-volume efficient outfits that
Barneys and Macy’s carried. Persson first discovered the outfits when coming to the United States after World War II. Persson brought the retail concept – that high turnover produced lower prices – and brought it back with him to Sweden. It was then that Erling chose to open his own store which he called Hennes, standing for “hers” in Swedish. During this time the store only sold women’s clothing (International Directory of Company Histories, 1999).

The company Hennes was established in 1947 in Vasteras, Sweden and by 1968 Persson had purchased the men’s sportswear inventory and property of a Stockholm hunting equipment store which was named Mauritz Widforss. Erling Persson then changed the name of his store Hennes to Hennes & Mauritz to express the expansion, and later downgraded to just the abbreviations H&M. When Persson began to exporting his business overseas he began with Norway in 1964 and then joined Denmark in 1967. Persson bought the inventory, which was a left supply of men’s clothing which lead him to expand into men’s apparel. By 1970 Hennes & Mauritz developed a children’s clothing line and by 1978 the store offered much of all family clothing. With Hennes & Mauritz offering a wide range of family clothing, it helped the company expand with the new generation of youth wanting to be able to express their individualities. Besides its Scandinavian base, Hennes & Mauritz expanded into the British market by 1976 with mixed results, however while a long growth retained, by the later years of the 1990’s H&M realized that their company had better results in their European market than their Scandinavian market. Back in Sweden, Persson developed a Rowells mail-order company which in turn was the pedestal for H&M Rowells, H&M’s mail-order subsidiary. Persson then expanded the company into Switzerland’s main cities which promptly became a stronghold. When H&M opened a store in Germany by 1980 it caused a stir in their clothing retail market because of the traditional clothing had usually been dull or stodgy. In the 1980’s H&M decided
to open cut price stores called Galne Gunnar however abandoned the idea after ten years realizing that keeping the name to H&M alone made more of a profit for the company. H&M’s is known for being of good quality and of good price. Persson’s son had soon to become the lead of the company, expanding stores slowly across Sweden and by 1990 H&M became one of the largest Swedish retail stores and the fifth largest company in the country. During this period of expanding internationally to which Persson referred to it as “global fashion,” he began to realize the surfacing of trends. Television shows such as MTV, celebrities in Hollywood, Madison Avenue Advertising, and the internet invented the national border fads among teenagers and other groups around the world. H&M’s international expansion was intense and one of the first of its kind. By 1994 the company had overseen SKr 13.5 billon in their sales, which 70 percent of was from outside Sweden. Within the same year Germany took over the Swedish sales making it their number one single market and by the end of the decade Germany had doubled their Swedish numbers (International Directory of Company Histories, 1999).

In 1998 H&M concord France with opening up six different locations in Paris and surrounding locations when analysts had doubts that the company would be successful with Frances’ snobbish apparel shopper. H&M eventually moved into southern Europe at the end of 1999 after long waiting to tap into Spain and Italy’s competition such as Zara and United Colors of Benetton. By 2000 H&M finally came to the United States after historically being a European brand and set its dominance (International Directory of Company Histories, 1999).
H&M Performance:

Financials:

According to the Datamonitor report from the Marketline industry report of Sweden’s apparel retail industry profile (2009), which included charted information about the revenues and profitability of H&M, the revenues from H&M have increased each year. The revenue chart started in 2004 at about $10 million, and has risen to about $16 million in 2008. Their profit margin dropped significantly from about 14.7% in 2004 to about 12.9% in 2005. Each year after that, the profit margin increased again and is basically stabilized again at about 14.7% in 2008. (pg. 20) According to the ReferenceUSA company report (2009), “For the nine months ended 31 August 2009, H&M: Hennes & Mauritz AB’s net sales increased 18%. Net income for the period increased less than 1%. Net sales reflects increased sales in several geographical segments, especially in Switzerland, Germany, China, Italy and the United States. Net income for the period was partially offset by increased administration charges and higher selling expenses.” (pg. 1)

“H&M operates its business through three geographical segments: Nordic region (17.3% of total revenue during fiscal year 2008), Eurozone excluding Finland (56.4%) and Rest of the world (26.3%).” (Marketline Company Profile, 2009, pg. 2) According to the Marketline company profile of H&M (2009), revenues (rounded off) by geography are as: Euro Zone excluding Finland, H&M’s largest geographical market, accounted for 56.4% of the total revenue in the fiscal year of 2008. Revenues from Euro Zone excluding Finland reached $7,673.5 million in 2008, an increase of 15% over the fiscal year of 2007. The Nordic region accounted for 17.3% of the total revenue. Revenues from Nordic region reached $2,353.5 million in 2008, an increase of 2.04% over the fiscal year of 2007. The Rest of the world regions
accounted for 26.3% of the total revenue. Revenues for the Rest of the world reached $3,570.7 million in 2008, an increase of 16.8% over the fiscal year of 2007. (pg. 3)

**Recent Expansions:**

According to the ReferenceUSA company report (2009): “H&M: Hennes & Mauritz AB (H&M) is engaged in designing and retailing of fashion apparel and accessories. The company offers a range of apparel, cosmetics, footwear and accessories for men, women, children and teenagers. H&M …operates in 34 countries… primarily operates in Europe, North America and Asia. The company is headquartered in Stockholm, Sweden and employed approximately 73,000 people, out of which 53,430 are full time employees as of November 2008.”

H&M had started their global expansions earlier than Zara, so they have had a longer time period of success in the performance area. An article in BusinessWeek (2002) states that in their first attempt at international expansion, H&M opened a store in London in 1976. When this article was written in 2002, H&M was leading the market versus its major competitors, Gap and Zara. According to the author, Capell (2002), by the end of 2002, the company had plans to increase their number of stores to 844, which would have been an increase of almost 75% from 1996-2002. Also by the end of 2002, H&M was planning to open 45 stores in the United States; and by 2003 to open 23 more stores. Their expansion goals also included entering a new country every second year. At times, breaking into the US market wasn’t easy. Out of the stores opened in 2000, some stores were too big, and others were in poor locations with too many inexpensive competitors. But by the third quarter of 2002, they had already cut their losses from the US stores in half. (pg. 106-110)

As mentioned in BusinessWeek’s Europe’s Top Performers (2008) article, as of May 2008, H&M has 145 stores in the United States. Zara currently has only 31 stores in the United
States at the same time. “Some of H&M’s early locations performed poorly and were later closed. H&M has been gaining traction, and people see them as successful,” says consultant Dana Telsey. “H&M still needs to build name recognition outside major cities,” she states in the article.

**Threats and Opportunities - H&M**

Some of the threats that H&M faces is declining consumer confidence and intense competition. H&M is facing major competition, but so are other companies that are trying to make it in this tough retail world.

Some of the opportunities that H&M has are business expansion in new and existing markets, H&M home initiative, and establishing a footprint in Japan. All of these opportunities will allow the company to continue to grow and further establish a recognizable name that consumers will be able to place on key items when deciding where to shop ("H & m,").

**Current Marketing Strategy - H&M**

Current strategies that H&M are marketing to its consumer are through a mobile marketing campaign to promote the latest collection. In doing this mobile marketing strategy consumers receive SMS coupons, mobile banner ads placed on major portals and media sites. H&M is using Mobiento to market this strategy and its sister company Adiento, which is an ad network. This campaign was geared toward consumers in Sweden. H&M launched their first campaign in 2006 and is still continuing to use this channel to cover a wide range of consumers. The main goal for this marketing technique is to promote the latest seasonal trends for that particular season and to drive membership of the H&M Club. Consumers can sign up for this by going to the website and entering in their mobile number (Butcher, 2009).
To help gain customer traffic in the store H&M has also used celebrities such as Karl Lagerfeld, Roberto Cavalli, Rei Kawakubo, and Jimmy Choo to help increase sales. One of the major ad topics that H&M may market is the Fashion Against Aids campaign. The specific collection featured t-shirts, tank tops, and hooded sweaters designed by Designers Against AIDS (DAA) and by several music artists including Rihanna, Timbaland, and Ziggy Marley. Nearly 25% of the sales from this collection went to HIV/AIDS prevention projects. Also in 2005, H&M used Stella McCartney to help add style to the collections. With the introduction of these major stylists, H&M wanted to increase their market share especially in the English market. In 2006, H&M spent $17 million on advertising in the U.S. and in 2007 the company spent nearly $18 million as of the middle of November (“Financial desk: h&m,” 2008).

Our Marketing Plan

When deciding which company to construct a new marketing plan for, our group determined upon H&M because of its access of information. Zara is a private company for which is difficult to find information upon. Our firm realized that Zara would be in more need of a new marketing strategy rather than H&M, however, H&M could possibly beat Zara with their access to celebrities and more promotion.

Marketing Objectives

Our team has decided on three basic objectives to include in our marketing plan. The three main objectives are: to make the H&M brand name more well-known by advocating more advertising, to focus on the fact that H&M’s average sale prices are often lower than their competitors, and to use the economic slowdown as an opportunity to expand by securing more low-cost locations and prepare for future growth.

The first main objective of our marketing plan is to make the H&M brand name more well-known, especially outside of major cities. Nationally in the United States, many people are
unaware of H&M and what they offer. Zara may have a slightly faster lead time, but H&M uses a different strategy. Around one quarter of their stock is made up of fast-fashion items, but they also keep a large inventory of basic, everyday items sourced from cheap overseas, mainly Asian, factories. (Tiplady, 2008) For this reason, we feel that H&M will be more appealing to the masses in the American teen and young adult segment. Some consumers might be afraid to go too fashion-forward, so those that have a more reserved style may also find something at H&M.

As far as making the brand name more well-known, we suggest the company utilize more advertising opportunities. To create more national brand awareness, we suggest they place advertisements in all of the well-known fashion magazines. We also suggest that H&M place advertisements during popular teen and young adult television shows in the United States. Another useful advertising outlet is online. We suggest placing ads on all of the popular websites including: teen chat sites, Facebook, etc. Basically, in online websites the target market would be frequently visiting.

The second objective of our marketing plan is to focus some advertising towards the fact that H&M’s average sale prices are often lower than those of their rivals. (Capell, 2008, pg. 11) H&M relies on relentless focus on cutting costs, and the executives in the company buy as cheaply as possible and keep overheads low. (Capell and Khermouch, 2002) The advertisements focusing on projecting H&M’s cheap, yet quality, apparel image will help keep the brand image positive amongst their teenage consumers, who are in search of a better value for a cheaper price.

The third objective of our marketing plan is to use the current economic slowdown as an opportunity to expand by more easily securing lower-cost locations throughout the United States. “As economic conditions worsen, H&M, which leases its store sites, is finding it easier to secure prime locations at better terms, especially in the US.” (Capell, 2008, pg. 11) This will become a
great advantage for H&M; hopefully once the economy picks back up, they can use the opportunity to expand to cheaper locations for future growth in the brand.

Once H&M has utilized advertising to get their brand name more well-known to the consumers, focus on informing the consumers about cheaper sale prices, and expand to lower-cost locations, the brand can prepare for future growth and even focus on developing their sub-brands and maintaining their acquisitions.

**SWOT Analysis:**

**STRENGTHS**
- Providing quality fashion at best price through strong procurement and designing strategy
- Wide geographical market presence
- Collaboration with designers

**WEAKNESSES**
- Product recall

**OPPORTUNITIES**
- Business expansion in new and existing markets
- H&M Home initiative
- Establishing a footprint in Japan

**THREATS**
- Declining consumer confidence
- Intense competition

(n.d.). *H & m hennes & mauritz ab*

**Marketing Mix**

When beginning to discuss about H&Ms’ marketing mix, we first must acknowledge what H&M is known for, their product and cheap prices. H&M designers design fashionable and trendy apparel products that are of respectable quality. Their product line includes t-shirts, fashion shirts, cardigans, jeans, pants, undergarments, dresses, jackets, shoes, purses, jewelry, and other fashionable trendy accessories.

H&M is able to offer their consumers fine quality apparel at an economically friendly price. Hennes & Mauritz is able to provide superb quality products for a low price due to their
reduction of a middle man who buys the material for the company and sells the material for a higher margin. H&M buys their apparel fabrics in bulk straight from the suppliers (H&M Clothing, 2009).

According to the ReferenceUSA company report (2009), H&M mainly operates in North America, Europe, and Asia and the company’s headquarters is located in Stockholm, Sweden. H&M stationed its stores in highly profitable cities around the world in order to achieve the most benefits of the company.

Hennes & Mauritzs’ promotional strategy includes mobile marketing through SMS text messaging, celebrities, charities, and popular music artists (Butcher, 2009).

For our group’s marketing plan for H&M, we all noticed that their advertising is minimal. For this, our group decided that H&M should incorporate more of their company budget into more advertising; advertising in more teen and early twenties targeted magazines, Facebook, as well as teen crazed chat websites. With these advertisements, the company’s main focus point should be their pricing to get consumers interested in the brand. Our group also decided that the company should broaden its location stores throughout the USA. For the products being sold throughout the United States, there should be a small selection in each store dedicated to a fashion collection. This way it keeps the consumers interested in new items as well as persuades them to become more interested in the brand itself by perhaps checking out the company website to see if they can get more fashionable items. As of now, there are almost twice as many stores in Europe as well as an online store while the USA only has select few stores over the west and east coast. H&M has proven itself to be quite successful so far in the United States however could be far more successful with an online store. Opening an online website to Americans would have a large impact on sales and brand image.
Competition

Hennes & Mauritzs’ current competition includes other affordable fashion apparel retailers such as Forever 21, Zara, Topshop, and The GAP (H&M Hennes & Mauritz AB, 2009). These companies have similar marketing strategies such as H&M and most have had success, however are still not as worldwide as H&M has been able to reach since the opening of the company. H&M may come across more competitors if and when opening new locations throughout the USA, however if the proper amount of advertising is done H&M should significantly further its advancement in the industry.

Conclusion

In conclusion, Zara and H&M have much to accomplish internally and externally as companies. To be fully established as a brand both companies will need to alter some of the aspects they have already created to be where they are at today. Both brands are well known in certain areas of the world and have formed a strong brand identity. To keep growing each company will need to make some adjustments and some compromises so consumers are more exposed to the fashion brands. H&M has already formed a recognizable name in the U.S. by having selective advertisements and a strong apparel line. If the company wants to continue to be a dominant trendy company then implementing the marketing plan that we have come up with may help to spread the name to more consumers. To make a mark on the U.S. market, Zara has many changes that need to take place in order to do this. Both companies have a strong brand identity; they just need to be introduced in a different manner so consumers are aware of their existence. Both apparel companies have the ability to spread in the U.S. and be highly
successful. It is a huge risk, but it will not damage the name or the price to make their products available to more people.

Works Cited


