ANALYSIS OF H&M HOME SUPPLY CHAIN

Internship Report

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Date of Submission:
9th September, 2018
Analysis of H&M Home Supply chain and implementing such in Bangladeshi Market of same Arena

Internship Report
Letter Of Transmittal

9th September, 2018

Mr. Md. Fazla Mohiuddin
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BRAC Business School
BRAC University
66 Mohakhali, Dhaka- 1212

Subject: Submission of Internship Report

Dear Sir,

I have arranged an Internship Report on "Analyzing of H&M Brand, H&M Home" which I am submitting alongside this letter. It was a great experience to gain knowledge working under your guideline and setting up this report additionally improved my understanding about how to get ready and compose a report.

I am certain that this report will help you to comprehend the reason about my determination of the point and to get an understanding about the process of Branding and Marketing of H&M. I have attempted my best to take after your rules in setting up this report. I have displayed what I do accept to be most critical data to make my report as particular and rational as could reasonably be expected.

I trust that this report will satisfy your prerequisites. Much obliged to you for your kind thought and direction. I trust my exertion would fulfill you.

Sincerely yours,

Aynan Haque Ashrabee Oishi
ID- 15304122
BRAC University
Acknowledgement

I have many thanks to make, when preparing the report, my respected supervisor Tanzil Ahmed (HR Business Partner, Country and GPO, H&M Bangladesh) provided proper guidance and invaluable comments on each of the sections of the report. He has greatly improved the readability of the text. I am pleased to thank all employees of HR department for their unconditional help.

My sincere thanks go to my supervisor for letting me choose this topic and providing me with his guidance and support which bring out an outcome of this report. I value his co-operation and sacrifice of valuable time.

I want to thank my family member for supporting me and empowering me in each conceivable path from the earliest starting point till the finish of my work. Last however not the minimum, I thank the GOD for keeping me healthy and fit and enable me to finish my report on time.

All through my internship I have learnt numerous things about the H&M culture whose advantages are a long way past and I have created myself scholastically, professionally and socially.
I have made this report on the foundation of three months practical experience and knowledge at “H&M”. The internship program allowed me to learn about the real practices and practical scenario of a multinational company. H&M (Hennes & Mauritz) is a Swedish multinational clothing-retail company. The company was founded by Erlin Pesson in 1947. The company is known for its fastfashion appeals for gents, ladies, and children. H&M and its accompanying brands operate in 62 countries with over 4,500 stores and it has employee around 132,000 people. It is the second largest international clothing retailer of the world Ever since the inception the company was always been in profit and growth. But the competitors like INDITEX, prime mark, CK H&M was facing some challenges in making profit by holding its existing market share. The inventory was piled up with almost 50% of the gross production. However Home Supply Chain with its new broaden product line helped to grow its existing market share into a bit. It did not only increase the revenue but also focused with minimum expenses thus maximum output. This can eventfully work with any falling industry which makes relevant product in Bangladesh.
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I-Part-1: Organization Overview

Chapter 1

1.1 Company Profile

Hennes & Mauritz is a Swedish multinational clothing-retail company known for its fast-fashion clothing for men, women, teenagers and children. H&M and its associated companies operate in 62 countries with over 4,500 stores and as of 2015 employed around 132,000 people. It is the second-largest global clothing retailer, just behind Spain-based Inditex (parent company of Zara). The company has a significant on-line presence, with on-line shopping available in 33 countries.

1.2 History of H&M

The H&M group reaches fashion fans across the globe and has come a long way since the first Hennes store opened in the Swedish city Västerås in 1947. Follow us on a tour through the first 70 years of bringing fashion to the world in an exciting and conscious way.

1947 - 1959

In the year of 1946 the 30-year-old Swedish entrepreneur Erling Persson goes on a road trip through the USA. In New York, the idea of selling women’s fashion in a new way is born. The following year, 1947, Persson opens a new women’s wear store in Västerås, Sweden. He calls it Hennes, Swedish for “Hers”. The soon-to-be-famous Hennes logotype is designed by the founder himself. A first store in Sweden’s capital, Stockholm, opens in 1952. When a second Stockholm store opens in 1954, the popularity is already at fever pitch. That same year, Hennes takes out a full-page colour ad in Sweden’s largest daily, a pioneering belief in the power of marketing. The 1950s closes with the opening of a flagship store in the first of five skyscrapers built in the Hötorget area in central Stockholm.
1960 - 1979

In 1968, Hennes acquires the Stockholm-based hunting apparel and fishing equipment retailer Mauritz Widforss, and the name is changed to Hennes & Mauritz. This is the start of offering of men's and also children's clothing, leading to H&M offering clothes for the entire family. The expansion is rapid: by 1969, Hennes & Mauritz has 42 stores. During these decades, the international growth begins. Norway comes first, followed by Denmark, U.K., and Switzerland.

In 1973, Hennes & Mauritz starts selling underwear. The same year, ABBA-member Anni-Frid Lyngstad becomes the first "supermodel" to be photographed for the company, wearing make-up from the new cosmetics range. The growth pace increases even further, with five or six new stores opening every year.

In 1974, Hennes & Mauritz is listed on the Stockholm Stock Exchange. The same year, the stores are rebranded with the abbreviation “H&M”.

In the late 1970s, modern teenagers get their own version of H&M as the Impuls concept is launched, inspired by U.S. denim stores.

2000 - 2009

In 2000, a major H&M flagship store opens on Fifth Avenue in New York. The opening of the first store in the U.S. marks the start of the expansion outside Europe. H&M and Karl Lagerfeld take the world of fashion by surprise in 2004, teaming up to show that design isn't a question of price. Since this first designer collaboration fashion giants like Versace, Roberto Cavalli, Alexander Wang and Stella McCartney have been invited to make their design accessible to fashion fans globally. The expansion of online sales continues, initially to European countries. H&M goes far east, opening the first stores in Shanghai and Hong Kong in 2007. 2007, marking 60 years after the first Hennes store opened, COS is born. The honour of hosting the first store goes to London, UK. Weekday, Monki, and Cheap Monday are welcomed to the H&M group through the purchase of FaBric Scandinavien AB. Home styling becomes more fun thanks to the launch of H&M Home in 2009. In 2000 Rolf Eriksen is appointed CEO. Karl-Johan Perssson takes over as CEO in 2009.
2010 and onwards

In 2010, H&M for the first time launches a full fashion collection made from sustainable materials. The H&M Incentive Program for all H&M group employees is launched in 2011. Garment collecting is introduced worldwide in 2013. Since the start, more than 45,000 tons of old textiles have been brought by customers into the H&M stores for reuse and recycling. Long live fashion! Yet another member is added to the H&M family, “& Other Stories”. An independent brand created within the H&M group, with design studios in Paris and Stockholm. Launch year: 2013. The rapid expansion continues, there are now H&M stores in Europe, North America, Asia, in the Middle East, Africa, South America, and Australia. In 2014, the new H&M Sport is launched with fashionable sportswear in functional fabrics for the entire family. The same year, H&M’s shoe concept is extended and updated. H&M Beauty is on everybody's lips, as a full range of specially designed makeup, body care and hair styling products enters the scene in 2015. To accelerate the development of bold and disruptive ideas that can help close the loop for fashion. The Global Change Award is launched in 2015 by the H&M Foundation. The Global Change Award is a challenge designed to spur early innovations that can accelerate the shift from a linear to a circular fashion industry, with the aim of protecting the planet and our living conditions. The new brand ARKET is created as a modern-day market offering a broad yet selected range of essentials for men, women and children and a smaller assortment for the home. Launched in 2017, ARKET has its roots in the functional and timeless design of the Nordic tradition. The first store opens on Regent Street in London as well as online at arket.com in 18 European markets.


1.3 Brands within the H&M group

The H&M group provides a portfolio of clearly defined fashion brands. Each brand has its own unique identity and together they complement each other well which enable the company to offer
customers a variety of different styles and trends at different price points. H & M Hennes & Mauritz AB comprises of eight separate brands:

1.4 H&M Values

All brands within the H&M group share the same values. They are the red thread that helps create our unique culture where WHAT we do and HOW we do it is equally important for our business success.
The value of values

“The fabric of the company values are woven into everything we do. We are open-minded and curious. We are inspirational seekers. We are explorers. We believe in endless possibilities. And we believe in people. Individually our values may seem obvious. But put them together and our unique company culture is born. Their values are part of who they are. So let them be your guide. You just may find that they are not only words to work by, but to live by too.” H&M. (2017, December)
1.5 Background and history

H&M values are not just words. They origin from when Erling Persson founded the company in 1947. From the very start he combined an entrepreneurial business mind with a value driven way of working. Since then the core of the organization values has remained the same, while employees all over the world have put them into action. The counter shows stores for the following brands within the H&M group: H&M, COS, Cheap Monday, Monki, Weekday, & Other Stories and ARKET. The store counter gets its information from the IPS system.

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H&M. (2017, December)
II-Part-2

Chapter-2

2.1 Introduction

According to my internship interview, I was selected in H&M Bangladesh under Country and GPO team as an intern. The report focuses on the core of the effectiveness of the overall marketing process of Home supply chain in H&M. Moreover, the critical analysis of the whole marketing process in a bad situation and its effectiveness will be discussed in detail as well.

2.2 Objective

The objective of this report is to provide a clear vision of the overall marketing process of Home supply chain in H&M Bangladesh its effectiveness. However, broad objective is the general goals to be achieved on the basis of practical experience. To gather practical knowledge and experience about the analysis of H&M Home supply chain and learn the corporate environment and norms for near future fulfilling the academic regulations.

2.3 Methodology

This report contains number of information related to Product Manufacturing and overall marketing department of H&M. So both primary and secondary method are used to collect data and information.

- **Primary Data**: To collect data related to cost including all expenses before sales, I had to conduct “semi-structured interview” with Global Marketing Executive, Manager of Marketing Department. Basically, the analysis part was based on the information I have collected through the interview which I have conducted. However, some information is provided on the experience I gathered in my internship period.
• **Secondary Data**: This report contains the history, mission, vision, product related information, working procedure of H&M, has been collected through the website and journals. Some information has been taken from the other similar report which will be clarified in the literature review part.

### 2.4 Limitation

I had to go through some obstacles to finish this report properly. These difficulties have been considered as limitations. Such as

• Lack of updated information: Information taken as secondary source was not updated according to the changes.

• Confidential Information: Financial information, process related information, proper turn over related information is considered as confidential information as per H&M rule. So, it was difficult to analyze these issues without having appropriate information.

• Limited knowledge area: in a period of three months, it was very difficult to understand the different aspects of H&M Brand rather understanding the procedure of department.

• Time Constraints: Understand a corporate culture within three months is very difficult. Hence, making an efficient report based on a short period experience is a big challenge indeed.

• Unable to attach questionnaire: While interviewing I was told not to put up some information in my report and also not to include questionnaire in the Appendix section for confidential issues.
Chapter-3

3.1 Impact of Home Product Marketing in H&M

3.1.1 H&M Home Products

Classified by Room

- Bedroom
- Living Room
- Bathroom
- Kids Room
- Kitchen
- Outdoor

Classified by Product

- Cushions
- Bed Linen
- Towels
- Bathmats
- Shower Curtains
- Blankets
- Curtains
- Rugs
- Storage
- Decorations
- Candles & Candleholders
- Glassware
- Porcelain
- Kitchenware
• Tablecloths
• Table Runners
• Tea Towels
• Napkins
• Aprons
• Dressing Gowns

Source: The following details are retrieved from H&M online website

PREMIUM QUALITY

£34.99

Source: The product information was retrieved from H&M online website.
PREMIUM QUALITY

£34.9

Source: The product information was retrieved from H&M online website.

CONSCIOUS

£39.99

Source: The product information was retrieved from H&M online website.
PREMIUM QUALITY
£69.99

Source: The product information was retrieved from H&M online website.
3.1.2 Home non-textile

Specific Information related to Home interior non-textile products of H&M group.
3.1.3 Plastic Manufacturing Process
A document describing plastic production and potential risks.

Introduction

These are guidelines to help stakeholders understand the production process from raw materials to the final products, potential risks that the QA and technicians need to be aware of, as well as the problems and defects that can occur during bulk production. Stop orders and related customer complaints have also been highlighted to provide an overview of our current products, which will help us execute the whole process efficiently in the future.

Material description

Plastic is a material comprising a wide range of synthetic or semi-synthetic organic compounds that are malleable and can be molded into solid objects. Plastics are typically organic polymers of a high molecular mass, but they often contain other substances. They are usually synthetic, most commonly derived from petrochemicals, but many are partially natural. Plasticity is the general property of all materials that can be irreversibly deformed without breaking. This occurs to such a degree with this class of moldable polymers that their name reflects this ability.

Physical properties

- Resistance to corrosion and chemicals
- Low electrical and thermal conductivity
- High strength-to-weight ratio
- A wide range of colors available, including transparent
- Shock resistance
- Good durability, low cost
- Easy to manufacture, water-resistant and low toxicity

Raw materials

- PET (PETE), polyethylene terephthalate
- HDPE, high-density polyethylene
- PVC, polyvinyl chloride
- LDPE, low-density polyethylene
- PP, polypropylene
- PS, polystyrene
- PMMA, acrylic
3.1.4 Candle Manufacturing Process

A document describing candle production and potential risks
Introduction

These are guidelines to help stakeholders understand the production process from raw materials to the final products, potential risks that the QA and technicians need to be aware of, as well as the problems and defects that can occur during bulk production. Stop orders and related customer complaints have also been highlighted to provide an overview of our current products, which will help us execute the whole process efficiently in the future.

Material description

Waxes are a diverse class of organic compounds that are hydrophobic, malleable solids when they are close to ambient temperatures. They include higher alkanes and lipids, typically with melting points above approximately 40°C (104°F), melting to produce low viscosity liquids. Waxes are insoluble in water, but soluble in organic, non-polar solvents. Different kinds of natural waxes are produced by plants and animals, and occur in petroleum.

Paraffin wax is a white or colorless soft solid that comes from petroleum, coal or oil shale. It consists of a mixture of hydrocarbon molecules, with between 20 and 40 carbon atoms. It is solid at room temperature and begins to melt above approximately 37°C (99°F); its boiling point is >370°C (698°F). Common applications for paraffin wax include lubrication, electrical insulation and candles. It is not the same as kerosene, another petroleum product that is sometimes called paraffin. Paraffin wax marked a major advance in candle-making technology, as it burned more cleanly and reliably than tallow candles, and was cheaper to produce.

Physical properties

- White, odorless, tasteless, waxy solid.
- Melting point between approximately 46 and 68°C. It is insoluble in water.
- Paraffin wax is an excellent electrical insulator.
3.1.5 Glass Manufacturing Process

A document describing glass production and potential risks.
Introduction

These are guidelines to help stakeholders understand the production process from raw materials to the final products, potential risks that the QA and technicians need to be aware of, as well as the problems and defects that can occur during bulk production. Stop orders and related customer complaints have also been highlighted to provide an overview of our current products, which will help us execute the whole process efficiently in the future.

Material description

Glass is an amorphous material that exhibits a glass transition, which is the reversible transition in amorphous materials (or in amorphous regions within semi-crystalline materials) from a hard and relatively brittle state into a molten or rubber-like state. Glass is typically brittle and can be optically transparent.

At higher temperatures glass gradually becomes softer and more like a liquid. It is this latter property which allows glass to be poured, blown, pressed and moulded into such a variety of shapes.

Physical properties

- Amorphous
- Brittle
- Transparent
- Good electrical insulator
- Unaffected by air, water, acid and other chemical reagents
- Absorb, transmit and reflect light
3.1.6 Home Supply Chain Impact on Overall Marketing

Non-Season Issue

Usually H&M as a retail store display and sells woven, knit, intimate, shoe other than home product. But most of us we can understand product sell has got some season impact. However in case of Home Product it does not need any such season campaign reflection. Because in most cases such home utensils are purchased randomly. Although during festival eve the sell can get increase little bit. Still people frequently buy home products. So during winter season even the regular knit sell goes off still home product goes on.

Improvising Sales

The retail stores in Germany, China, Hong Kong, France, and Australia have shown rapid sales in some off-peak season. It is because of the product demand that time. However, this has happened while few travelers had gone to buy garment product and found stuffs like home. None of them were aware about the fact that H&M has retail home products.

Lower Advertising Cost

As there are many products thus the advertising cost is already averaged. But since home supply chain is added, the public connection has been an issue. Previously it was only connecting the segments of youth, adolescent. Now it is focused with mid aged people as well. That is an important breakthrough now. As a result, the advertising expenses have gone down.

Sustainable

Home product is the most sustainable product. Because it can be either reused or destroyed by natural impact.
Chapter 4

4.1 Analyzing and applying new marketing strategy for H&M and Bothers Furniture

4.1.1 H&M Six-Month Report

First half-year (1 December 2017 – 31 May 2018)

As per The H&M group’s sales including VAT amounted to SEK 114,017 m (113,907) during the first half-year. Sales excluding VAT amounted to SEK 98,165 m (98,368). In local currencies, sales including VAT were unchanged. Profit after financial items amounted to SEK 7,275 m (10,920). The group’s profit after tax amounted to SEK 6,010 m (8,354), corresponding to SEK 3.63 (5.05) per share.

Second quarter (1 March 2018 — 31 May 2018)

The group’s sales including VAT increased by 3 percent to SEK 60,463 m (59,538) during the second quarter. Sales excluding VAT amounted to SEK 51,984 m (51,383). In local currencies, sales including VAT were unchanged. Gross profit amounted to SEK 29,164 m (29,345). This corresponds to a gross margin of 56.1 percent (57.1). Profit after financial items amounted to SEK 6,012 m (7,708). The group’s profit after tax amounted to SEK 4,638 m (5,897), corresponding to SEK 2.80 (3.56) per share.

In recent times The H&M group is going through a period of transformation to make the company even more customer-driven, efficient and flexible. This includes necessary transitions to the new logistics systems that will allow them even better availability, speed and transparency. However, sales and profits were temporarily affected by interruptions in connection with such transitions carried out in the second quarter in major markets such as the USA, France, Italy and Belgium.

The rapid transformation of the fashion retail sector continues, and H&M is in a transitional period that is both exciting and challenging. Challenging because it is complex, extensive and the pace of change is fast. Exciting because the company can see positive trends and big potential in connection with improved work and investments.

The company was carrying too much stock and still had some imbalances in the H&M assortment. As part of their transformation work they are transitioning the logistics systems to make supply chain even faster, more flexible and more efficient. These transitions are complicated and can result in temporary interruptions, as unfortunately occurred during the second quarter in some of their major sales markets. This negatively impacted sales in the USA, France, Italy and Belgium.

H&M GLOBAL. (2017, January)
4.1.2 Impact of Home supply chain products into gross sale

In two comparative years the sale could have imposed a negative growth but for introducing Home Supply Chain multiple new segment were added. Even the brand value is increased as home product is cheap and the sale is increased in many times. On the other hand the advertising expenses went down because of new market segment.
As per the report analysis, 2016 was the indicative year for declining sales for H&M. Compared to 2011-2014 the impact was turning serious because common dress and no new trend added as fashion. Even the inventories were piling up.
Fig: Impact Percentage 2017 including home supply chain

H&M expected a loss for the quarters 2017-2018. However it did not happen because introducing home supply chain in vast quantities. The home products are cheap priced but for the patent value and market demand impacted great significance. Whereas small brand like ARKET, COS was turning sedative for H&M.

4.1.3 Brothers Furniture

Brothers Furniture Ltd is a name that is synonymous with quality modern productions, their professionals have a combined experience with furniture productions of over three decades. Their technical skills and experiences are not only limited within the territory of Bangladesh, rather it has broadened throughout the whole world. The sales and decorating staff have only but one mission to assist and that is client satisfaction. They are dedicated to provide you with proven
expertise with your fabric coordination and finish selection. Their production coordinators strive to have a quality product produced in a timely and efficient manner. Increasing demand for their wooden home furniture office furniture, door, mattress and hospital items. They are one of the very few among Bangladeshi furniture manufacturers experiencing export business which gives them the opportunity to achieve an international quality. WELCOME TO OUR COMPANY. (2018, July).

Brothers Furniture Ltd guarantees two things:

- First, their prices are guaranteed to be the competitive most.
- Second, they guarantees customer satisfaction in quality and workmanship.

Mission: Grow through service.

Vision: Brothers is dedicated to the highest quality of customer service delivered with a sense of warmth, friendliness, individual pride and company sprit.

Product Categories:

- **BED ROOM**
  - Bed
  - Almira
  - BST
  - Chest of Drawer
  - Dressing Table
  - Bed Room Chair
  - Showpiece Stand

- **DINNING**
  - Dining Table
  - Chair
  - Side Board
  - Showcase
  - Rocking Chair
  - Oven Stand

- **LIVING ROOM**
  - Sofa
  - Center Table
- TV Trolley
- Magazine Trolley
- Magazine Shelf
- Divan
- Telephone Table
- Shoe Rack
- Coffee Table

Estimated table for Brothers furniture (inclusive and exclusive of Home Products)

<table>
<thead>
<tr>
<th>Products</th>
<th>2016</th>
<th>2017</th>
<th>2019/20 (Estimated)</th>
</tr>
</thead>
<tbody>
<tr>
<td>BED ROOM</td>
<td>75crore</td>
<td>85crore</td>
<td>115crore</td>
</tr>
<tr>
<td>DINNING</td>
<td>110crore</td>
<td>65crore</td>
<td>155crore</td>
</tr>
<tr>
<td>LIVING ROOM</td>
<td>25crore</td>
<td>15crore</td>
<td>60crore</td>
</tr>
<tr>
<td>HOME PRODUCT (All)</td>
<td></td>
<td></td>
<td>120crore</td>
</tr>
<tr>
<td>Total Sales</td>
<td>210cr</td>
<td>165cr</td>
<td>450cr</td>
</tr>
</tbody>
</table>

WELCOME TO OUR COMPANY. (2018, July)
Chapter 5

Recommendation

- H&M is needed to focus on customer needs as different need is found now with separate customer segment.
- H&M needs to work with Quality and R&D team.

Conclusion

H&M is the finest company who maintain all norms relevant to compliance and tax. The global marketing team always work with due diligence. However, to continue with this success the focus should be updated and diversified. On the other hand, company like Brothers should bring better combination of new concentration. Thus, the growth with good profit can always be ensured for customers. In this report, I have tried to imply my experience and knowledge from not only HR courses but also from the general courses that I had in the University mostly marketing. I have tried give my level best to identify how the adding of a new supply chain “Home” can be beneficiary in H&M.

Last but not the least I would like to remark that H&M is producing high quality product and they are also providing quality service to take the garments industry towards further success. Therefore, the Bangladesh government should also be significant and cooperative to help the businesses grow.
Reference


- Bleber, Nicholas (2018, March 27). FASHION giant H&M has posted plummeting profits that have resulted in its biggest shares crash in a decade. The Daily Star.


Bibliography

H&M Home products sources have been retrieved from H&M’s online website.