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Macro-Environmental Scanning of H&M

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Abstract

This study examines the macro-environmental factors influencing H&M and the ways in which these external forces shape the company's business strategies and competitive position in the global fashion industry. The analysis applies the PESTLE framework to political, economic, social, technological, legal, and environmental factors, alongside a SWOT analysis of the company's internal strengths and weaknesses and its external opportunities and threats. The study also considers consumer perceptions and purchasing behaviour through survey results. The findings highlight the influence of global supply chains, inflation, changing consumer preferences, digital transformation, regulatory expectations, and sustainability concerns on H&M's operations. The survey further indicates the importance of balancing style, quality, affordability, and environmental responsibility. The study concludes that continuous macro-environmental scanning is important for identifying risks and opportunities and for supporting strategic decision-making in a changing fashion retail industry.

1. Research Background and Rationale

My interest in analysing H&M began with a simple observation from my everyday experiences. Whenever I visited a shopping mall, regardless of the location, an H&M store was almost always present. The brand's consistent global presence made me curious about how a single fashion retailer could maintain such strong visibility and customer recognition in an industry filled with constant competition.

Each visit to an H&M store revealed something different. New collections appeared frequently, store layouts changed, and fashion trends seemed to be adapted almost immediately. This continuous cycle of innovation and adaptation reflected the fast-paced nature of the fashion industry and raised questions about the strategies required for a company to remain competitive in such a rapidly changing market.

Later, after watching a documentary exploring the fast-fashion industry, my curiosity developed into a deeper interest in understanding the wider forces influencing fashion businesses. The documentary highlighted the environmental, social, technological, and economic challenges faced by companies operating within this sector. It demonstrated that maintaining a leading position in fashion requires more than simply producing attractive products; it requires businesses to constantly analyse external factors, respond to consumer expectations, and adapt their strategies.

This experience inspired me to conduct a macro environmental analysis of H&M. By examining the political, economic, social, technological, legal, and environmental factors affecting the company, this project aims to explore how H&M has managed to sustain its competitive position within one of the world's most dynamic and saturated industries.

2. Introduction

In today's rapidly changing business environment, companies are constantly influenced by various exte

rnal factors that shape their strategies, operations, and overall growth. No organisation functions independently, as changes in consumer preferences, economic conditions, technological advancements, government policies, and environmental concerns can significantly impact business decisions. Therefore, understanding and analysing the macro environment is essential for businesses to identify opportunities, overcome challenges, and remain competitive in the market.

The fashion retail industry is one of the sectors that experiences continuous transformation due to changing trends, evolving customer expectations, and increasing awareness regarding sustainability. With the rise of fast fashion, a business model which prioritizes the rapid and large-scale production of cheap clothing items, consumers now demand affordable, accessible, and trend-focused clothing. However, in recent years, factors such as ethical production, environmental responsibility, and digital transformation have become increasingly important in influencing purchasing decisions. This has created both opportunities and challenges for global fashion brands.

H&M, also known as Hennes & Mauritz, is one of the world's leading fashion retailers and serves as an interesting example for analysing the impact of macro environmental factors on business strategy. Founded in Sweden in 1947, H&M has expanded globally by offering affordable and fashionable clothing to millions of customers. The company operates in a highly competitive industry where it must continuously adapt to changing market conditions, technological developments, and shifting consumer expectations.

This project aims to conduct a macro environmental analysis of H&M by examining the various external factors that influence its business operations. Through the use of tools such as PESTLE analysis and SWOT analysis, this study will explore the political, economic, social, technological, environmental, and legal factors affecting the company. It will also examine how H&M responds to these challenges and identifies opportunities for future growth.

The purpose of this research is to understand how external environmental forces shape the decisions of a global fashion brand and highlight the importance of effective strategic planning in achieving long-term success.

3. Research Methodology

This study uses a mixed-method approach, combining primary research through a consumer survey with secondary research from company reports, industry publications, academic work, and other credible institutional sources. The approach supports an examination of the external factors affecting H&M and how these factors influence its business environment and strategic decisions.

3.1 Primary Data

Primary data was collected through a questionnaire designed to understand consumer perceptions and purchasing behaviour towards H&M. The survey explored the factors influencing customers' purchasing decisions, including style, quality and price; the effect of economic conditions on spending; awareness of the environmental impact of fast fashion; the importance of sustainable clothing; and preferences relating to technology such as virtual try-on. The responses were used to identify consumer expectations and relate them to the social, economic and technological factors discussed in the analysis.

3.2 Secondary Data

Secondary data was gathered from published company information, industry reports, institutional publications and academic sources. The main sources consulted include:

- H&M Group annual, sustainability and supply-chain reports, which provide information about the company's operations, business model and sustainability commitments.
- Statista reports and statistics, which provide industry and company-related data on fashion retail and market performance.
- McKinsey & Company and The Business of Fashion publications, which provide analysis of fashion-industry trends, competition and technological developments.
- International Labour Organization publications, which support the discussion of labour conditions and worker protection in garment supply chains.
- European Commission and United Nations Environment Programme publications, which provide information on textile sustainability, circularity and environmental regulation.
- IBM Institute for Business Value, Deloitte and International Monetary Fund publications, which provide wider context on consumer behaviour, changing expectations and economic conditions.
- Michael Porter's work on competitive forces and competitive advantage, which provides a theoretical basis for analysing business strategy and competition.

These sources were used alongside the PESTLE and SWOT frameworks to connect wider industry developments with H&M's business environment. The bibliography lists the sources consulted for this study.

3.3 Merits and Limitations of the Study

Merits

1. The consumer survey provides primary insights into perceptions and purchasing considerations relating to H&M.
2. The use of company reports, industry publications and institutional sources provides a broader evidence base for the analysis.
3. Combining PESTLE and SWOT analysis helps examine both external influences and their strategic implications for H&M.
4. The study considers economic, social, technological, legal and environmental factors rather than examining the company only from a financial perspective.

Limitations

1. Survey responses reflect the views of the participants and may not represent the preferences of all H&M customers.
2. The survey measures reported perceptions and preferences rather than verified purchasing records or actual consumer spending.
3. The study relies on publicly available information and does not have access to H&M's confidential internal data, detailed advertising metrics or private strategic documents.
4. Industry conditions and consumer preferences change over time, so some published data may not reflect the latest developments.

4. Company Profile of H&M

4.1 Overview of H&M

H&M, officially known as Hennes & Mauritz AB, is one of the largest fashion retail companies in the world. Founded in Sweden in 1947, the company has transformed from a small women's clothing store into a global fashion organisation operating across more than 75 markets worldwide. With thousands of

stores and a strong online presence, H&M has established itself as one of the most recognisable brands in the international fashion industry.

The company follows a fast fashion business model, where it focuses on quickly identifying fashion trends, producing affordable clothing, and delivering products to consumers at competitive prices. This approach has allowed H&M to attract a wide customer base, particularly among young consumers who seek fashionable products at accessible prices.

As of recent financial reports, H&M generates annual revenues of over $20 billion, making it one of the largest players in the global apparel industry. The company's market value fluctuates based on stock performance, but it remains among the most valuable fashion retail brands globally. Its large-scale operations, international supply chain, and strong brand identity contribute significantly to its position in the competitive fashion market.

4.2 History and Growth of H&M

H&M was founded in 1947 by Erling Persson in Västerås, Sweden. Initially, the company was established as a women's clothing store called "Hennes", which means "hers" in Swedish. The brand focused on providing stylish clothing at affordable prices, a concept that became the foundation of H&M's future success.

In 1968, the company acquired a men's clothing store called Mauritz Widforss, resulting in the creation of Hennes & Mauritz. Following this expansion, H&M began entering international markets and gradually developed into a global fashion retailer.

Over the years, H&M expanded beyond traditional clothing retail by introducing additional brands and product categories. The company now operates through multiple brands including H&M, COS, Monki, Weekday, and & Other Stories, allowing it to target different consumer segments.

The company's growth has been driven by its ability to adapt to changing market conditions. While its original success was based on affordable fast fashion, H&M has increasingly shifted towards digital transformation and sustainability due to changing consumer expectations.

"Erling Persson wanted to make great fashion available to everyone and to do it in the right way. He built the foundation for a customer-focused, creative and value-driven company."

4.3 Business Model and Revenue Generation

H&M's business model is centred around offering fashionable products at affordable prices while maintaining large-scale global operations. The company generates revenue through multiple channels:

1. Physical Retail Stores

A major source of H&M's revenue comes from its network of physical stores located across different countries. There are approximately 4,118 physical stores in various locations around the world. These stores allow customers to experience products directly and provide the brand with visibility in major shopping destinations, hence strengthening brand identity.



H&M strategically and intentionally places stores in high-traffic locations such as shopping malls and city centres to maximise customer reach. Physical stores also support brand recognition and customer loyalty.

2. E-Commerce and Digital Platforms

With the growth of online shopping, H&M has significantly invested in its digital platforms. Customers can purchase products through the company's website and mobile application, allowing H&M to reach consumers beyond physical store locations.

The online channel has become increasingly important due to changing consumer behaviour, particularly among younger generations who prefer convenient digital shopping experiences.

3. Designer Collaborations and Limited Collections

H&M generates additional brand value through collaborations with luxury designers and popular personalities. Partnerships with designers such as Karl Lagerfeld, Balmain, Giambattista Valli, and Stella McCartney have helped the company attract attention from new consumer segments.

These limited-edition collections create excitement, increase customer engagement, and strengthen H&M's brand image.

4. Multiple Brand Portfolio

H&M operates several brands targeting different market segments

H&M: Affordable mass-market fashion

COS: Premium minimalist fashion

Monki: Youth-focused fashion

Weekday: Contemporary streetwear

& Other Stories: Higher-end fashion and lifestyle

This diversified portfolio allows H&M to reach different consumer groups and reduce dependence on one market segment.

5. Global Supply Chain

H&M works with an international network of suppliers, mainly across Asia and Europe, rather than owning most manufacturing facilities. This helps reduce costs and maintain competitive prices, but also creates challenges related to labour conditions, ethical sourcing, and environmental sustainability.

4.4 H&M's Marketing Channels and Strategies

H&M uses both digital and traditional channels to attract customers and increase sales.

1. Social Media Marketing

H&M uses platforms such as Instagram, TikTok, and YouTube to promote collections, collaborate with influencers, and engage younger consumers through visual content.

2. Influencer and Celebrity Marketing

Collaborations with influencers and celebrities increase brand visibility, create trends, and help H&M reach specific consumer groups.

3. Digital Advertising

Targeted online advertisements use consumer interests and shopping behaviour to personalise marketing and improve conversions.

4. Loyalty Programmes

The H&M membership programme offers rewards, discounts, and personalised recommendations, encouraging repeat purchases and customer loyalty.

5. Sustainability Marketing

H&M promotes initiatives such as garment recycling, sustainable materials, and circular fashion to respond to growing consumer interest in environmentally responsible fashion.

6. In-Store Marketing

Stores use visual merchandising, product placement, seasonal displays, and store layouts to influence purchasing decisions.

4.5 Analysis of H&M's Business Strategy

H&M's success comes from combining affordability, global reach, trend responsiveness, and effective marketing. Its digital presence also allows it to adapt to changing consumer behaviour.

However, fast fashion faces criticism over environmental impact, textile waste, and supply-chain ethics. H&M must therefore balance profitability with sustainability to maintain long-term competitiveness.

Overall, H&M demonstrates how branding, market segmentation, technology, and consumer insights can help a global company remain competitive in a changing industry.

5. Macro Environmental Scanning of H&M

5.1 PESTLE Analysis Framework

A macro environment refers to the larger external factors that influence the operations, strategies, and performance of a business. These factors are usually beyond a company's direct control but can significantly affect its opportunities, challenges, and decision-making processes.

To analyse these external influences, this study uses the PESTLE analysis framework. PESTLE is a strategic marketing tool used by organisations to examine the Political, Economic, Social, Technological, Legal, and Environmental factors that impact their business environment.

The framework helps companies understand external trends, identify potential risks, and develop strategies that allow them to adapt to changing market conditions. Unlike internal analysis methods that focus on a company's resources and capabilities, PESTLE focuses on external forces that shape the industry in which the organisation operates.

For a global fashion retailer such as H&M, analysing these factors is essential because the company operates across multiple countries and is influenced by changing consumer behaviour, international regulations, technological developments, and sustainability expectations.

The six elements of the PESTLE framework are

Political Factors: These include government policies, trade regulations, political stability, and labour laws that influence business operations.

Economic Factors: These involve economic conditions such as inflation, consumer purchasing power, currency changes, and market growth that affect demand and profitability.

Social Factors: These examine changes in consumer behaviour, cultural trends, lifestyle preferences, and societal expectations that influence purchasing decisions.

Technological Factors: These include advancements in technology, digital platforms, artificial intelligence, and innovation that impact business processes and customer experiences.

Legal Factors: These involve laws and regulations related to employment, consumer protection, data privacy, and business operations.

Environmental Factors: These focus on sustainability concerns, climate change, resource usage, and environmental responsibilities that affect how companies operate.

By applying the PESTLE framework to H&M, this report aims to understand how external environmental factors influence the company's strategies, challenges, and future growth opportunities.

5.2 Political Factors Affecting H&M

Political factors play a significant role in influencing the operations of global fashion companies like H&M. Since the company operates across more than 75 markets and depends on an international supply chain, changes in government policies, trade regulations, labour laws, and political stability can directly affect its costs, production processes, and business strategies.

Unlike companies that manufacture products within a single country, H&M follows a global sourcing model. The company does not own most of its manufacturing facilities but works with independent suppliers across different regions. H&M currently works with over 550 commercial product suppliers and more than 950 tier-one factories across Europe, Asia, and North America. These suppliers collectively employ over one million workers, making political and regulatory conditions in manufacturing countries highly important for H&M's operations.

1. International Trade Policies and Supply Chain Regulations

H&M's fast fashion model depends on an efficient global supply chain where raw materials and finished products move between different countries. Therefore, trade policies such as import duties, tariffs, and customs regulations can directly influence production costs and pricing strategies.

Many of H&M's products are manufactured in countries such as Bangladesh, China, India, and Turkey, where production costs are relatively lower. However, political decisions regarding international trade can create uncertainty by increasing costs or delaying supply chains.

For example, increasing protectionist trade policies in major consumer markets have encouraged fashion companies to reconsider their dependence on specific manufacturing regions. H&M has responded by exploring more regional supply chains to reduce risks associated with tariffs, geopolitical tensions, and transportation disruptions.

Analysis

This highlights how political decisions outside H&M's direct control can influence profitability. While global sourcing helps H&M maintain affordable prices, it also creates vulnerability because political disruptions in one region can affect the entire supply chain.

Case Study: Bangladesh Garment Industry and Labour Regulations

One of the most significant political challenges faced by global fashion retailers, including H&M, is maintaining ethical supply chains in developing countries.

Bangladesh is one of H&M's major production markets and plays a crucial role in the global apparel industry. However, political discussions around worker rights, minimum wages, and factory conditions have increased pressure on international fashion brands.

Following years of concerns regarding garment worker safety, Bangladesh introduced stronger labour regulations and increased monitoring of factory conditions. H&M responded by increasing supply chain transparency and publishing information about its suppliers. The company reports that its supplier network includes hundreds of factories in Bangladesh, with more than 500,000 workers involved in production.

The issue became especially significant after major labour protests in Bangladesh, where garment workers demanded higher wages due to rising living costs. These disruptions demonstrated how political and social conditions in manufacturing countries can directly impact fashion supply chains.

Business Impact on H&M:

Challenges:

Possible production delays due to labour disputes.

Increased costs due to higher wage requirements.

Greater pressure to ensure ethical sourcing.

Opportunities:

Improved transparency can strengthen consumer trust.

Responsible supply chain management can improve brand reputation.

Analysis:

The Bangladesh case demonstrates that political factors are closely connected with social and ethical responsibilities. For H&M, maintaining low prices while ensuring fair labour practices is a major strategic challenge. The company must balance cost efficiency with compliance and corporate responsibility.

2. Government Sustainability Policies and Regulations

Governments worldwide are introducing stricter environmental policies that affect fashion companies. Regulations related to carbon emissions, waste management, and sustainable production are becoming increasingly important.

The European Union, one of H&M's major markets, has introduced stronger sustainability expectations for companies operating within the region. These policies encourage businesses to improve supply chain transparency and reduce environmental impact.

H&M has responded by increasing its focus on sustainable materials and circular fashion initiatives. In 2024, the company reported that 89% of its materials were recycled or sustainably sourced, reflecting the influence of changing regulatory and political expectations.

Analysis

Environmental regulations create additional operational costs for H&M but also provide opportunities for differentiation. By adapting early to sustainability policies, H&M can strengthen its reputation among environmentally conscious consumers.

Overall Impact of Political Factors on H&M

Political factors create both opportunities and risks for H&M. The company benefits from globalisation and international trade, which allow it to access affordable manufacturing and expand into new markets. However, dependence on global suppliers exposes H&M to risks related to trade restrictions, political instability, labour regulations, and sustainability policies.

Therefore, H&M's future success depends on its ability to create a flexible supply chain, maintain ethical standards, and adapt quickly to changing political environments.

5.3 Economic Factors Affecting H&M

Economic factors play a crucial role in influencing the performance of fashion retailers such as H&M. Since clothing is generally considered a discretionary purchase, changes in economic conditions directly affect consumer spending patterns, production costs, and overall profitability. Factors such as inflation, interest rates, exchange rate fluctuations, and changes in disposable income influence both customer behaviour and business decisions.

As a global fashion retailer operating in more than 75 markets, H&M is exposed to different economic conditions worldwide. The company must constantly balance maintaining affordable prices for consumers while managing increasing operational costs.

1. Inflation and Changing Consumer Purchasing Power

Inflation is one of the most significant economic challenges affecting the fashion industry. When prices of essential goods such as food, fuel, and housing increase, consumers often reduce spending on non-essential products such as clothing.



During the global inflation crisis of 2022 and 2023, many consumers became more price-conscious due to rising living costs. This created challenges for fashion retailers because customers began delaying purchases or shifting towards cheaper alternatives.

H&M experienced pressure during this period as increasing costs of raw materials, energy, transportation, and wages affected profitability. The company reported declining profits in parts of 2022 due to higher expenses and reduced consumer demand.

To respond to these challenges, H&M focused on cost reduction strategies, improved inventory management, and maintaining competitive pricing to attract budget-conscious customers.

Analysis

Inflation creates a difficult balance for H&M. Increasing prices may protect profit margins but risks losing customers who are looking for affordable fashion. However, H&M's positioning as a relatively affordable brand provides an advantage compared to premium fashion retailers during periods of economic uncertainty.

Case Study: H&M's Response to the 2022 Inflation Crisis

In 2022, the fashion industry faced significant economic pressure due to rising inflation and supply chain disruptions following the COVID-19 pandemic. Production costs increased due to higher energy prices, transportation expenses, and raw material costs.

H&M responded by introducing cost-saving measures and improving operational efficiency. The company announced plans to reduce expenses by approximately SEK 2 billion annually through organisational restructuring and efficiency improvements.

At the same time, H&M avoided heavily increasing prices because its core customer base depends on affordable fashion. Instead, the company focused on improving inventory control and reducing unnecessary costs.

Impact:

Challenges:

Reduced consumer spending.

Higher production expenses.

Pressure on profit margins.

Strategic Response:

Cost reduction programmes.

Better supply chain management.

Maintaining affordable pricing.

This case demonstrates how economic changes can directly influence strategic decisions within global businesses.

2. Currency Fluctuations and International Operations

Since H&M operates internationally, currency exchange rates significantly influence its financial performance. The company earns revenue in multiple currencies but reports financial results in Swedish Krona (SEK).

When currencies fluctuate, the value of international sales and operating costs can change. For example, a weaker currency in a major consumer market may reduce the value of revenue when converted back to SEK.

Similarly, since many products are manufactured in countries such as Bangladesh, China, and Turkey, changes in exchange rates can affect production costs.

Analysis

Currency fluctuations create uncertainty for H&M because the company must manage financial risks across different markets. To reduce this risk, H&M uses global sourcing strategies and financial planning to maintain stability.

3. Growth of Emerging Markets

Emerging economies represent a significant growth opportunity for H&M. Rising middle-class populations, increasing urbanisation, and greater access to digital shopping have created new consumer markets.

Countries in Asia, the Middle East, and other developing regions provide opportunities for expansion due to increasing demand for international fashion brands.

H&M has expanded into several emerging markets through both physical stores and online platforms, allowing the company to reach new customer segments.

Analysis

While emerging markets provide growth opportunities, they also require H&M to adapt its strategies according to local income levels, cultural preferences, and consumer behaviour.

4. Competition and Price Pressure

The fashion retail industry has become increasingly competitive due to the growth of online-first brands such as Shein and the continued expansion of competitors like Zara.

Shein's business model focuses on extremely low prices, rapid trend identification, and direct-to-consumer online sales. This has increased pressure on traditional fast-fashion retailers like H&M to improve efficiency and offer greater value.

Analysis

Economic competition has forced H&M to invest more in digital transformation, personalised marketing, and supply chain improvements. While lower prices attract customers, H&M must differentiate itself through brand reputation, sustainability initiatives, and quality.

Overall Impact of Economic Factors on H&M

Economic conditions have a direct impact on H&M's revenue, costs, and consumer demand. Inflation and rising production expenses create challenges, while emerging markets and digital expansion provide opportunities for growth.

H&M's ability to maintain affordable pricing while adapting to economic changes is essential for its long-term success. The company's strategy demonstrates the importance of flexibility and cost management in a highly competitive global fashion industry.

5.4 Social Factors Affecting H&M

Social factors refer to the cultural trends, consumer behaviours, lifestyles, and societal expectations that influence how businesses operate. For a fashion retailer like H&M, understanding social changes is essential because purchasing decisions are strongly influenced by personal identity, cultural values, social media trends, and changing expectations about brands.

The fashion industry is particularly sensitive to social changes because consumers do not only purchase clothing for practical purposes but also use fashion as a form of self-expression. Therefore, H&M must continuously analyse consumer preferences and adapt its products and marketing strategies accordingly.

1. Changing Consumer Preferences and the Rise of Conscious Fashion



One of the biggest social changes affecting H&M is the growing demand for sustainable and ethical fashion. In the past, consumers primarily focused on factors such as price, convenience, and trends. However, modern consumers, particularly younger generations, increasingly consider a company's environmental and social responsibility before making purchases.

Research shows that younger consumers are more likely to support brands that demonstrate ethical practices. A global survey by IBM found that nearly 57% of consumers were willing to change their purchasing habits to reduce environmental impact.

This shift has created both opportunities and challenges for H&M. While the company's affordable fast-fashion model has contributed to its success, it has also faced criticism regarding textile waste, overconsumption, and environmental impact.

H&M's Response

To adapt to changing consumer expectations, H&M has introduced several sustainability initiatives, including:

Garment collection and recycling programmes.

Increased use of recycled and sustainably sourced materials.

Promotion of circular fashion models.

Analysis

Sustainability has become more than just an environmental concern. It has become a major factor influencing brand loyalty and consumer trust. For H&M, adapting to this social trend is essential to remain relevant among environmentally conscious customers.

2. Influence of Gen Z Consumers

Generation Z has become one of the most influential consumer groups in the fashion industry. Born into a digital environment, Gen Z consumers are highly influenced by online trends, social media personalities, and brand values.

Unlike previous generations, Gen Z often evaluates brands based on

Authenticity

Social responsibility

Inclusivity

Digital presence

H&M has targeted this demographic through affordable fashion, influencer collaborations, and strong social media campaigns.

The company uses platforms such as Instagram, TikTok, and YouTube to showcase new collections, create fashion inspiration, and engage directly with customers.

Analysis

The rise of Gen Z has changed the traditional fashion marketing model. Instead of relying only on advertisements, brands must now create online communities and maintain continuous engagement with consumers.

H&M's ability to adapt to digital consumer behaviour has helped it maintain relevance among younger audiences.

3. Social Media and the Impact of Fashion Trends

Social media has transformed how fashion trends are created and consumed. Platforms such as TikTok and Instagram allow trends to spread globally within hours, creating demand for new styles at a much faster pace.

H&M benefits from this trend through

Influencer marketing.

User-generated content.

Online fashion campaigns.

Celebrity collaborations.

A strong example is H&M's designer collaboration strategy, such as the H&M x Balmain collection in 2015. The collaboration gained significant attention through celebrity promotion and social media engagement, creating a sense of exclusivity around affordable fashion.

Analysis

Social media has reduced the gap between fashion brands and consumers. For H&M, digital engagement allows the company to identify trends quickly and respond to consumer demand. However, it also increases pressure because trends change rapidly and customers expect constant innovation.

4. Increasing Demand for Diversity and Inclusivity

Modern consumers increasingly expect fashion brands to represent different cultures, body types, and identities. Advertising that lacks diversity can negatively affect brand perception.

H&M has attempted to respond to these expectations through more inclusive marketing campaigns featuring models from different backgrounds and promoting a wider representation of consumers.

The company has also expanded product ranges to appeal to different customer groups, including children, teenagers, and adults.

Analysis

Inclusivity has become an important element of brand identity rather than simply a marketing decision. Brands that successfully represent their customers are more likely to build stronger emotional connections and customer loyalty.

5. Changing Attitudes Towards Fast Fashion

Although fast fashion allowed brands like H&M to achieve rapid growth, changing social attitudes have created challenges for the industry. Increasing awareness about overconsumption and environmental damage has caused some consumers to question the fast-fashion model.

The rise of second-hand fashion platforms and sustainable clothing movements reflects this change in consumer behaviour.

H&M has responded by attempting to move towards a more circular fashion model through recycling initiatives and sustainable collections.

Analysis

The future of H&M depends on balancing the affordability that made it successful with the growing demand for responsible fashion. The company must prove that sustainability is integrated into its business model rather than being only a marketing strategy.

Overall Impact of Social Factors on H&M

Social changes have significantly influenced H&M's strategies, from product development to marketing communication. The rise of conscious consumers, Gen Z influence, digital trends, and demand for inclusivity have forced the company to rethink traditional fast-fashion practices.

While these changes create challenges, they also provide opportunities for H&M to strengthen customer relationships, improve brand reputation, and develop a more sustainable approach to fashion retail.

5.5 Technological Factors Affecting H&M

Technology has become one of the most influential forces transforming the global fashion industry. Advancements in artificial intelligence, e-commerce, data analytics, and digital marketing have changed how fashion companies understand consumers, manage supply chains, and deliver products.

For a global retailer like H&M, technological adaptation is essential to remain competitive in an industry where customer expectations are constantly changing. The rise of online shopping and technology-driv

en competitors has pushed H&M to invest heavily in digital transformation.

1. Growth of E-Commerce and Digital Retail

The rapid growth of online shopping has significantly changed the fashion retail industry. Consumers increasingly prefer the convenience of browsing and purchasing products through websites and mobile applications rather than visiting physical stores.

H&M has responded by expanding its digital platforms and integrating online and offline shopping experiences. The company's online store operates across multiple markets, allowing customers to access its products globally.

The growth of e-commerce became particularly important after the COVID-19 pandemic, when many consumers shifted towards digital shopping. H&M accelerated its digital transformation by improving its mobile application, online shopping experience, and delivery services.

Analysis

Digital retail provides H&M with opportunities to reach a wider customer base and collect valuable consumer data. However, it also increases competition because online-only brands can operate with lower costs and respond faster to trends.

2. Artificial Intelligence and Data Analytics

Artificial Intelligence (AI) and data analytics are increasingly being used by fashion companies to understand consumer preferences and improve decision-making.

H&M uses data-driven technologies to

Analyse customer purchasing patterns.

Predict fashion trends.

Improve demand forecasting.

Manage inventory more efficiently.

By analysing data from online searches, purchases, and customer interactions, H&M can better understand what products customers are likely to purchase.

Analysis

The use of AI helps H&M reduce the risk of overproduction, which is a major challenge in the fast-fashion industry. Better forecasting allows the company to produce more accurately, reduce waste, and improve profitability.

3. Technology in Supply Chain and Inventory Management

Efficient inventory management is essential for H&M because the company operates thousands of stores worldwide and manages millions of products.

H&M has implemented technologies such as automated systems and data analytics to improve stock management. These systems help the company track product demand and ensure that popular items are available while reducing excess inventory.

The company has also explored technologies such as RFID (Radio Frequency Identification) to improve product tracking and supply chain visibility.

Analysis

Technology allows H&M to create a more responsive supply chain. In a fast-changing fashion market, the ability to quickly identify demand and adjust production provides a significant competitive advantage.

4. Digital Marketing and Social Commerce

Technology has transformed fashion marketing by allowing brands to communicate directly with consumers through digital platforms.

H&M uses

Social media advertising.

Influencer marketing.

Personalised online recommendations.

Mobile notifications.

Digital campaigns.

Platforms such as Instagram and TikTok have become important channels for creating trends and promoting new collections.

The company's designer collaborations, such as the H&M x Balmain collection, gained significant attention due to digital promotion and celebrity-driven online campaigns.

Analysis

Digital marketing allows H&M to build stronger relationships with consumers and target specific customer groups. However, it also means brands must constantly create engaging content to remain visible in a highly competitive online environment.

Case Study: Competition with Shein and Technology-Driven Fashion

The rise of Shein represents how technology has disrupted the traditional fast-fashion industry. Unlike traditional retailers that rely heavily on physical stores, Shein uses a digital-first business model based on artificial intelligence, online consumer data, and rapid production cycles. Shein analyses online searches, social media trends, and customer behaviour to identify emerging fashion trends quickly. The company can reportedly introduce thousands of new designs daily, creating significant pressure on traditional retailers.

H&M has responded by increasing investment in digital platforms, improving data analysis, and strengthening its online shopping experience.

Analysis:

The competition with Shein demonstrates that technology is no longer just a support function but a core business strategy. For H&M to remain competitive, it must continue integrating technology into product development, marketing, and supply chain management.

5. Future Technologies in Fashion Retail

Future technological developments may further transform H&M's operations. These include

Virtual fitting rooms using augmented reality.

AI-powered personalised shopping experiences.

Automated warehouses.

Advanced sustainable production technologies.

These innovations can improve customer satisfaction while helping companies reduce costs and environmental impact.

Overall Impact of Technological Factors on H&M

Technology has significantly influenced H&M's ability to compete in the modern fashion industry. Digital platforms, artificial intelligence, and data-driven decision-making have improved efficiency and customer engagement.

However, technological advancement has also increased competition by allowing digital-first companies to challenge traditional fashion retailers. Therefore, H&M's continued investment in technology is essential for maintaining its global position and adapting to future changes in consumer behaviour.

5.6 Legal Factors Affecting H&M

Legal factors refer to the laws, regulations, and compliance requirements that influence how businesses operate. For a global fashion retailer like H&M, legal considerations are extremely important because the company operates across multiple countries with different labour standards, environmental regulations, consumer protection laws, and data privacy requirements.

Failure to comply with legal requirements can result in financial penalties, supply chain disruptions, and damage to brand reputation. Therefore, H&M must continuously monitor legal changes and ensure that its business practices meet international standards.

1. Labour Laws and Worker Protection Regulations

One of the most significant legal challenges for H&M is managing labour standards within its global supply chain. Since the company relies on suppliers across countries such as Bangladesh, China, India, and Turkey, it must ensure that factories follow regulations related to wages, working hours, workplace safety, and employee rights.

The fashion industry has historically faced criticism regarding poor labour conditions in manufacturing countries. As a result, governments and international organisations have introduced stricter regulations to protect garment workers.

H&M has developed a Supplier Code of Conduct that outlines requirements regarding

Fair wages.

Safe working environments.

Prohibition of forced labour.

Protection of worker rights.

Analysis

Labour laws create both challenges and responsibilities for H&M. Ensuring compliance may increase production costs, but it also helps protect the company from legal risks and improves consumer trust. In an industry where ethical concerns strongly influence purchasing decisions, responsible supply chain management has become a competitive advantage.

2. Environmental Laws and Sustainability Regulations

Governments worldwide are introducing stricter environmental regulations that affect fashion companies. These laws focus on areas such as carbon emissions, waste management, chemical usage, and sustainable production.

The European Union has introduced several sustainability regulations that require companies to improve transparency and reduce environmental impact. These regulations have influenced H&M's approach towards sustainable materials and circular fashion.

H&M has increased its use of recycled and sustainably sourced materials and publishes sustainability reports to demonstrate compliance with environmental expectations.

Analysis

Environmental regulations create pressure on H&M to redesign parts of its business model. Although sustainable practices may increase costs in the short term, compliance helps the company adapt to changing consumer expectations and avoid legal penalties.

3. Consumer Protection and Product Safety Laws

Fashion retailers must comply with consumer protection laws regarding product quality, safety, pricing transparency, and advertising.

H&M must ensure that

Products meet safety standards.

Product information is accurate.

Marketing claims are not misleading.

Failure to meet these requirements can lead to legal action and loss of consumer confidence.

Analysis

Consumer protection laws encourage businesses to maintain quality standards and build trust. For H&M, maintaining transparency in product information and marketing communication is essential for protecting its global reputation.

4. Data Protection and Online Privacy Regulations

As H&M expands its digital platforms, data protection laws have become increasingly important. The company collects customer information through online purchases, mobile applications, and loyalty programmes.

Regulations such as the European Union's General Data Protection Regulation (GDPR) require companies to:

Protect customer information.

Obtain consent for data usage.

Maintain secure digital systems.

Analysis

Digital transformation has created new legal responsibilities for H&M. While customer data helps improve personalised marketing, misuse or poor protection of information can result in financial penalties and damage customer trust.

Overall Impact of Legal Factors on H&M

Legal factors significantly influence H&M's operations, from its supply chain management to its digital platforms. Labour regulations, environmental laws, consumer protection requirements, and data privacy rules require the company to maintain high standards of compliance.

Although legal requirements can increase operational costs, they also provide opportunities for H&M to strengthen its reputation as a responsible global retailer. In an increasingly conscious market, compliance with legal and ethical standards is essential for maintaining customer trust and achieving long-term growth.

5.7 Environmental Factors Affecting H&M

Environmental factors refer to the natural and ecological conditions that influence business operations. In recent years, these factors have become increasingly important as businesses face growing pressure from governments, investors, and consumers to reduce their environmental impact.

For H&M, environmental sustainability has become one of its biggest strategic challenges. As one of the world's largest fast-fashion retailers, the company has been criticised for encouraging mass production and overconsumption. At the same time, H&M has invested significantly in sustainability initiatives in an effort to reduce its environmental footprint and strengthen consumer trust.

1. Climate Change and Carbon Emissions

The fashion industry is estimated to contribute between 2% and 8% of global greenhouse gas emissions, making it one of the world's most environmentally intensive industries. Large retailers such as H&M depend on global manufacturing and transportation networks, which contribute significantly to carbon emissions.

To address this issue, H&M has committed to achieving net-zero greenhouse gas emissions across its value chain by 2040. The company has also increased its use of renewable electricity in its own operations and invested in energy-efficient stores and distribution centres.

Analysis

Climate change has shifted from being an environmental issue to a business issue. Consumers, investors, and regulators increasingly expect brands to demonstrate measurable progress in reducing emissions. For H&M, investing in cleaner operations is essential not only for regulatory compliance but also for maintaining consumer confidence.

2. Sustainable Materials and Circular Fashion

The production of conventional textiles consumes large quantities of water, energy, and raw materials. As a result, fashion companies are under increasing pressure to adopt more sustainable production methods.

H&M has introduced several initiatives to reduce its environmental impact, including increasing the use of recycled and sustainably sourced materials. According to the company's latest sustainability reporting, approximately 89% of the materials used in H&M products now come from recycled or more sustainably sourced materials, with the long-term goal of reaching 100%.

The company also promotes circular fashion through its garment collection programme, encouraging customers to return unwanted clothing for recycling or reuse.

Analysis

These initiatives demonstrate H&M's efforts to move from a traditional linear business model of "produce, use, and dispose" towards a circular economy. However, achieving large-scale sustainability while maintaining a fast-fashion business model remains a significant challenge.

Case Study: H&M's Garment Collecting Programme

In 2013, H&M launched its global Garment Collecting Programme, allowing customers to return unwanted textiles of any brand to H&M stores. The collected garments are sorted for reuse, recycling, or conversion into other textile products.

The programme aims to reduce textile waste while promoting circular fashion. Customers who participate also receive discount vouchers, encouraging both recycling and repeat purchases.

Although the initiative has received positive recognition for increasing awareness about textile recycling, critics argue that recycling alone cannot fully offset the environmental impact of producing millions of new garments each year.

Business Impact

Benefits

Strengthens H&M's sustainability image.

Encourages customer participation in environmental initiatives.

Supports the company's circular fashion strategy.

Challenges

Limited recycling capacity compared to total production volumes.

Continued dependence on the fast-fashion model.
Ongoing scrutiny from environmental organisations.
Analysis
The Garment Collecting Programme demonstrates how sustainability can become both an environmental initiative and a marketing strategy. While it encourages responsible consumer behaviour, its long-term effectiveness depends on reducing overall textile production rather than relying solely on recycling.

3. Water Consumption and Resource Management

Textile production requires significant amounts of water, particularly during cotton cultivation and fabric dyeing. Growing concerns about water scarcity have encouraged fashion companies to improve water efficiency throughout their supply chains.

H&M has invested in water-saving technologies and works with suppliers to improve water management during manufacturing. These initiatives aim to reduce environmental impact while improving production efficiency.

Analysis

Responsible resource management has become increasingly important because environmental performance now influences investor confidence, government regulations, and consumer purchasing decisions.

Overall Impact of Environmental Factors on H&M

Environmental factors have become one of the most influential external forces shaping H&M's business strategy. Climate change, resource scarcity, and increasing consumer awareness have encouraged the company to invest in sustainable materials, circular fashion, and carbon reduction initiatives.

However, the company continues to face the challenge of balancing its fast-fashion business model with growing expectations for environmental responsibility. H&M's future competitiveness will depend on its ability to move beyond sustainability commitments and demonstrate measurable progress through transparent reporting, responsible production practices, and continued innovation.

6. SWOT Analysis of H&M

Strengths	**Weaknesses**
Globally recognised brand operating in over 75 markets.	Heavy reliance on the fast-fashion business model, which faces increasing criticism for its environmental impact.
Strong omnichannel presence through over 4,000 stores and a well-established e-commerce platform.	Dependence on outsourced manufacturing exposes the company to supply chain disruptions and labour-related controversies.
Competitive pricing strategy that appeals to a broad customer base.	Lower profit margins due to rising production, transportation, and raw material costs.
Successful digital marketing campaigns and high-profile designer collaborations that enhance brand visibility.	Intense competition from brands such as Zara, Shein, Uniqlo, and Primark.
Strong commitment to sustainability through garment recycling programmes, use of recycled materials, and ambitious climate targets.	Sustainability initiatives have occasionally been criticised as insufficient, leading to allegations of greenwashing.

Diversified product portfolio including H&M, COS, Monki, Weekday, Arket, and & Other Stories, allowing the company to serve multiple market segments.	Large-scale global operations make it challenging to maintain consistent quality and compliance across all suppliers.
Opportunities	**Threats**
Growing global demand for sustainable and ethically produced fashion.	Rapidly changing fashion trends increase the risk of unsold inventory and overproduction.
Expansion into emerging markets with rising disposable incomes and growing middle-class populations.	Economic uncertainty and inflation reduce consumer spending on discretionary products such as clothing.
Increased use of Artificial Intelligence, data analytics, and digital technologies to improve customer experience and inventory management.	Stricter environmental and labour regulations may increase operating costs.
Growth of circular fashion through clothing resale, rental services, and garment recycling initiatives.	Geopolitical tensions and supply chain disruptions can affect production and product availability.
Opportunities to strengthen customer engagement through personalised marketing and loyalty programmes.	Increasing consumer preference for second-hand fashion and slow fashion alternatives may reduce demand for fast fashion.

6.1 Interpretation of SWOT Analysis

The SWOT analysis highlights that H&M possesses several competitive strengths, including its globally recognised brand, extensive retail network, strong digital presence, and ability to provide fashionable clothing at affordable prices. These advantages have enabled the company to maintain a strong position within the global fashion industry despite increasing competition.

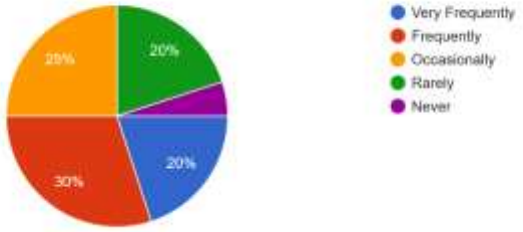
However, the analysis also reveals significant challenges. H&M's dependence on the fast-fashion model exposes it to environmental criticism, supply chain risks, and reputational challenges. Rising production costs and intense competition from both traditional retailers and digital-first brands further increase pressure on profitability.

At the same time, opportunities such as the growth of sustainable fashion, technological innovation, and expansion into emerging markets provide promising avenues for future growth. To capitalise on these opportunities, H&M must continue investing in sustainability, digital transformation, and customer-centric strategies while addressing the environmental and operational challenges associated with its business model.

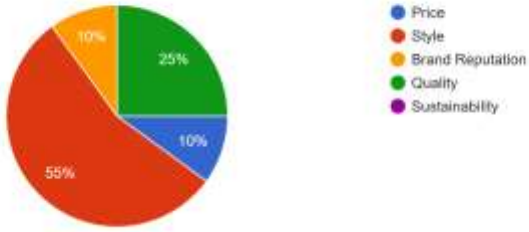
7. Survey Results

This survey was conducted to understand consumer perceptions and purchasing behaviour towards H&M as part of an environmental scanning analysis. The aim of the survey is to examine how external factors such as economic conditions, changing consumer preferences, technological developments, and growing environmental awareness influence customers' attitudes towards H&M and their purchasing decisions. The responses provide insights into current consumer expectations and help identify opportunities and challenges that H&M may face in its external business environment.

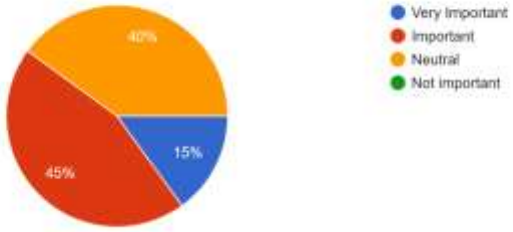
How often do you purchase clothing from H&M?
20 responses



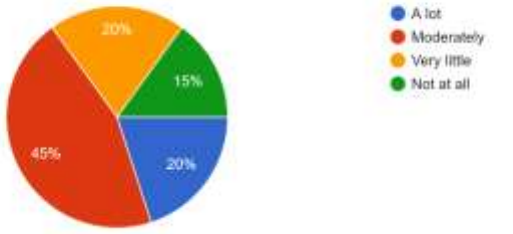
What factor most influences your decision to buy clothing from H&M?
20 responses

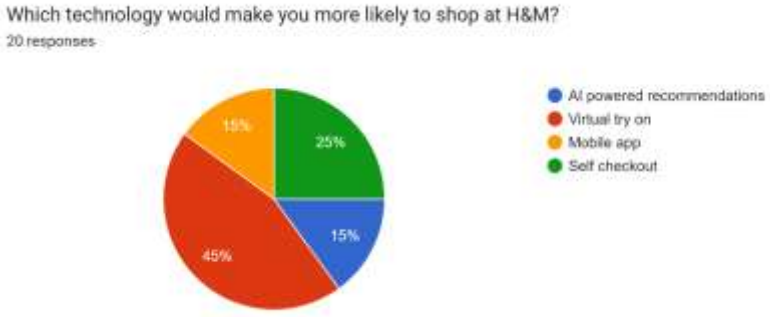


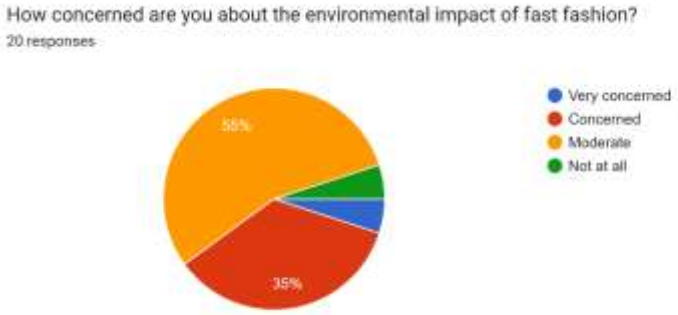
How important is sustainable/eco-friendly clothing when choosing a fashion brand?
20 responses

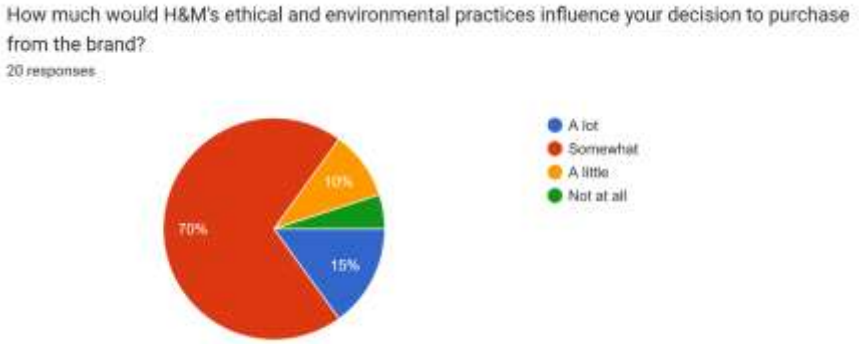


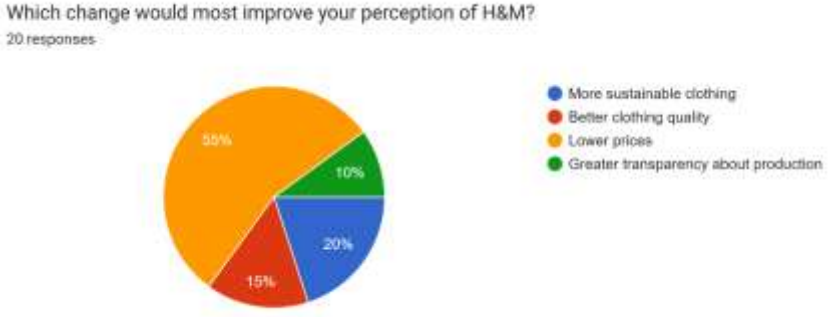
How much does the current economic situation affect your clothing purchases?
20 responses











7.1 Overall Analysis

The survey responses show that style and quality are the main factors influencing consumers' decisions to purchase from H&M, while price is also significant for some respondents. Most participants showed at least some concern about the environmental impact of fast fashion, and sustainable clothing was considered important by several respondents. Economic conditions affected purchasing decisions to varying degrees, with many respondents reporting a moderate or high impact. Virtual try-on was the

most preferred technology, while lower prices was the most common change respondents wanted from H&M. Overall, the results highlight the importance of balancing affordability, fashion and quality with growing environmental expectations.

7.2 Reflection

Conducting this survey helped me understand how environmental factors can directly influence consumer behaviour and a company's marketing decisions. The responses showed that consumers do not consider just one factor when choosing a fashion brand, but are influenced by economic conditions, technology, product preferences and environmental concerns. I also found it interesting that although many respondents were concerned about fast fashion's environmental impact, lower prices remained a major preference. This demonstrates the challenge H&M faces in balancing consumer affordability with sustainability, which is an important consideration in its environmental scanning.

8. Conclusion

The purpose of this project was to examine the macro environmental factors influencing H&M and evaluate how these external forces shape the company's business strategies and competitive position within the global fashion industry. By applying analytical frameworks such as PESTLE and SWOT analysis, the study provides a comprehensive understanding of the opportunities and challenges that H&M faces in an increasingly dynamic business environment.

The findings reveal that H&M operates in an industry characterised by rapid technological advancements, evolving consumer preferences, intense competition, and growing environmental and legal expectations. Political regulations and global supply chain dependencies continue to influence the company's operations, while economic conditions such as inflation and changing consumer spending patterns directly affect profitability. At the same time, social trends have shifted consumer expectations towards sustainability, inclusivity, and digital engagement, requiring H&M to continuously adapt its marketing strategies and business model.

The analysis also demonstrates that technology has become a key driver of competitiveness within the fashion industry. Digital commerce, artificial intelligence, and data-driven decision-making have enabled H&M to improve operational efficiency and enhance customer experiences. However, increasing competition from technology-driven retailers and the growing popularity of circular fashion present significant challenges that require continuous innovation.

Despite these challenges, H&M remains one of the world's leading fashion retailers because of its strong global brand, extensive market presence, and ability to respond to changing market conditions. The company's investments in sustainability initiatives, digital transformation, and customer engagement reflect its commitment to maintaining long-term competitiveness in an evolving marketplace.

Overall, this study highlights that macro environmental scanning is an essential tool for strategic decision-making. Businesses that continuously monitor political, economic, social, technological, legal, and environmental developments are better equipped to anticipate change, manage risks, and identify opportunities for growth. For H&M, future success will depend not only on responding to external challenges but also on balancing affordability, innovation, and sustainability while meeting the expectations of consumers in a rapidly changing global fashion industry.

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