Hennes & Mauritz AB (H&M)
Strategic Planning Model

I. Background

Founded in 1947 by Erling Persson, Hennes & Mauritz AB is a Swedish fast-fashion retailer based in Stockholm, Sweden. It provides affordable yet stylish clothing and fashion accessories for men, women and children, as well as cosmetics, stationery and home textiles. Hennes & Mauritz offers most of its products under the brand name H&M, which generates 93% of the company's total sales. The remaining 7% comes from the company's newest brands Monki, Weekday, COS, ARKET, Cheap Monday and & Other Stories.

Hennes & Mauritz is a publicly traded company that generated $24.31 billion in sales revenue in 2017. It is the second-largest fashion retailer after Inditex (Zara's parent company), which generated $30.97 billion in sales revenue during the same year[1]. Hennes & Mauritz's group president and CEO is Karl-Johan Persson, and he is the third generation in his family to lead the business.

Hennes & Mauritz has a strong global presence that is continuously expanding. The group has opened 3,088 stores across Europe and Africa, 1,046 in Asia and Oceania, and 685 in North and South America. The countries with the highest number of stores are the United States, Germany and the United Kingdom.

Even though the group is one of the world's major apparel retailers, it has faced numerous challenges heated by a highly competitive environment in the fast fashion industry. The company's stock price has fallen more than 60% in the past three years as its profits have plunged. The drop in sales was attributed to H&M's delay in ramping up its digital strategy and its failure to translate runway designs into low-priced clothes at a fast pace. By the first quarter of 2018, the company had accumulated $4.3 billion of unsold inventory, which affected the brand's reputation among investors in the stock market.

Hennes & Mauritz has also been criticized for its operational practices. Some media outlets have accused the brand of destroying usable clothing[2], and other social media users have complained about

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[1] Even though Zara is H&M's most notable competitor, other competitors are Uniqlo, Gap, Calvin Klein, Tommy Hilfiger, Ralph Lauren, American Eagle, Abercrombie & Fitch, Nike and Esprit.

[2] In 2010, The New York Times published the story of Cynthia Magnus, a graduate student who found bags of unworn but mutilated clothing thrown away by H&M on West 35th St.
In 2017, a report from the Danish television show Operation X accused the brand of burning 60 tonnes of unsold clothing. H&M immediately issued a statement denying these allegations and explaining that it only incinerated molded clothes.

H&M's cultural appropriation and racial insensitivity[3]. Despite these accusations, H&M has strived to create a positive image by becoming a more inclusive brand and leader in fashion sustainability. It is also developing artificial intelligence technologies and partnering with luxury designers to improve its sales and stay relevant in the fast fashion industry.

II. Mission Statement

- <u>Mission</u>: "Offer customers fashion and quality at the best price in a sustainable way."
- <u>Vision</u>: "Our vision is to lead the change towards a circular and renewable fashion industry, while being a fair and equal company."

III. Statement of Problem or Opportunity

On January 7, 2018, Stephanie Yeboah —a plus-size style blogger— tweeted an image of a five-year-old black model wearing a sweatshirt with the sentence "Coolest monkey in the jungle" on H&M's UK online website. Yeboah's tweet read: "Whose idea was it at @hm to have this little sweet black boy wear a jumper that says 'coolest monkey in the jungle'? I mean. What." The tweet had 20,262 retweets, 28,037 likes and 1,700 comments. Responses debated on whether it was a racial issue or not, but the majority of comments criticized the brand.

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[3] In 2013, H&M was forced to remove all faux-feather headdresses from its stores after receiving complaints on Twitter that the accessory was offensive to Canada's aboriginal peoples.
In 2015, H&M South Africa was accused of racial bias due to the lack of black models featured in their advertisements. In tweets, H&M responded: "H&M's marketing has a major impact and it is essential for us to convey a positive image. We want our marketing to show our fashion in an inspiring way, to convey a positive feeling." The company's ambiguous response was highly criticized on social media.
In 2018, H&M sued graffiti artist Revok after the brand used Revok's artwork as the backdrop in a photoshoot. People on social media accused the brand of using a legal loophole to steal the artist's work, and called for a boycott. The company then announced it would withdraw the lawsuit.
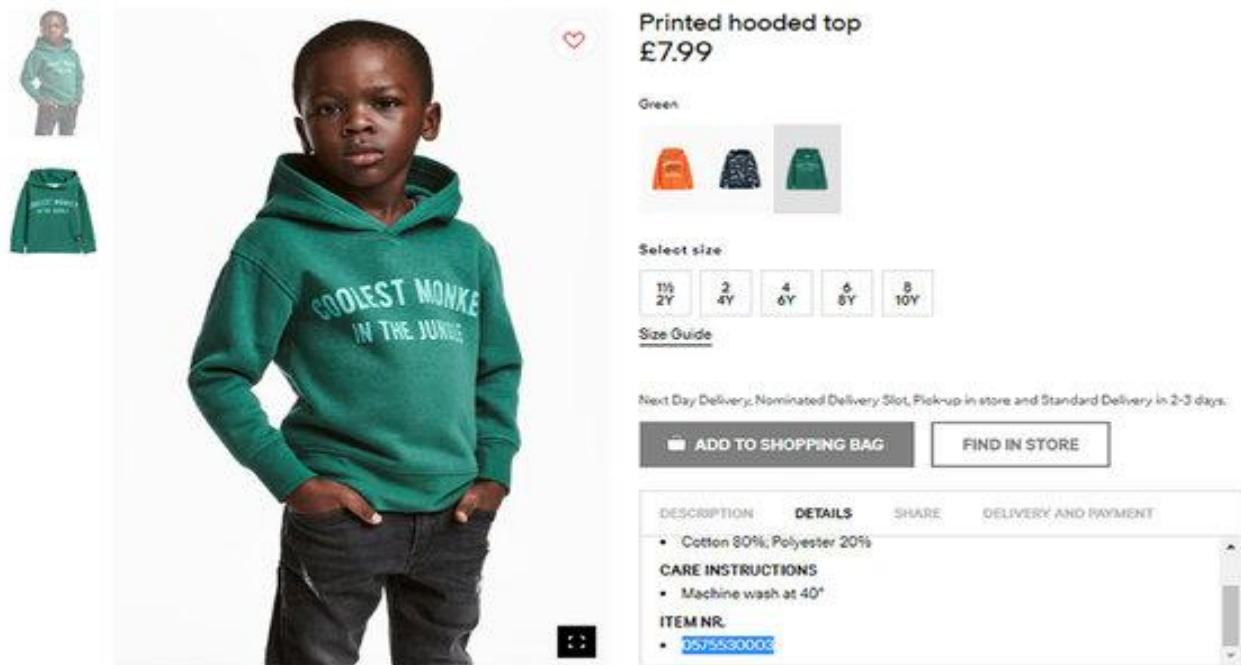
Social media outrage continued as celebrities like Jesse Williams, Questlove, LeBron James and Diddy retweeted the picture and expressed their disappointment. Also, artists like The Weeknd and G-Eazy publicly terminated their collaborations with the company.

On January 13, demonstrators representing South Africa's second-largest opposition party, Economic Freedom Fighters, gathered at H&M locations and destroyed its stores, forcing them to close[4].

Given that H&M is a global brand with a broad customer base, this crisis caused significant damage to the company's reputation all over the world, especially in countries where racism is an ongoing issue. Today's consumers are expecting brands to take a stand on social and political issues in ways they never did before, and even though Hennes & Mauritz was focusing its efforts on becoming a sustainable business that promoted diversity in its workplace, this incident raised questions regarding the company's inclusiveness and cultural sensitivity.

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[4] Julius Malema, leader of the group, gave a speech saying the following: "We must not allow the humiliation of black people to continue. No one should make jokes about the dignity of black people and be left unattended to. We make no apology about what the fighters did today against H&M. All over South Africa, H&M stores are closed because they called our children baboons. So, we are teaching them a lesson, if they don't know what a monkey is, then today they know what it is. We are not going to allow anyone to use the color skin to humiliate us and to exclude us. We are black, we are proud, we are black and we are beautiful" ("Sorry, not sorry…").

A PR campaign was needed to restore H&M's reputation on a local and a global scale. It is evident that black communities in Africa were the most disturbed by the image, which is why restoring H&M's reputation locally was important. Moreover, given that the incident was exacerbated by people's reaction on social media, H&M also had to develop a global PR strategy to restore the brand's reputation among customers, celebrities and social media followers from around the world that were offended by the image.

IV. Research
a. Research Goals

- Obtain all information on what led to the publication of the image.

This social media backlash questioned the cultural awareness and sensitivity of a *global* brand. Media outlets further criticized the vetting procedures inside the company. The brand's PR representatives must have been fully informed about which procedures failed to consider black customers in order to issue a well-informed response to the press.

- Assess perception and attitudes toward the brand on media outlets and social media after the incident.

Since this incident was triggered by a social media post that was rapidly shared and commented by users around the world, H&M's PR team should have monitored these reactions to determine the general sentiment toward the brand and measure the magnitude of the repercussions it may have had on H&M's local and global reputation.

- Assess the impact of the riots that took place in South Africa after the image was published.

Even though the incident affected the brand's reputation on a global scale, black organizations in Africa expressed their discomfort in a more violent way. H&M's PR team should have had all information on what led to the violent demonstrations in Cape Town, Pretoria and Johannesburg, and the extent to which these events harmed H&M's local employees and physical stores. Videos of the riots circulated on social media, which is why H&M's PR team should have monitored these publications closely and measured their impact on the brand's reputation.

- Understand the historical, social and political context of those offended by the image in South Africa.

Even though H&M is a global brand, understanding local audiences is essential to make well-informed decisions. There are sociological and historical reasons why the image caused more uproar in South

Africa, and H&M's PR team should have been aware of these issues in order to conceive a thoughtful response.

b. Research Methodology

Primary

- Qualitative:
    - <u>Interview with H&M's marketing department</u>: To determine what led to the publication of this image, the company's PR team should have conducted internal interviews with the marketing team. Investigating what might have gone wrong in the company's vetting procedures could help the PR team identify opportunities to make internal strategic decisions that would restore the brand's reputation outside and inside the company.

For example, finding there was no diversity within the marketing team could yield an opportunity to hire a diversity leader; or finding there was little knowledge about racial bias procedures at the company could result in a good opportunity to suggest racial-bias training.
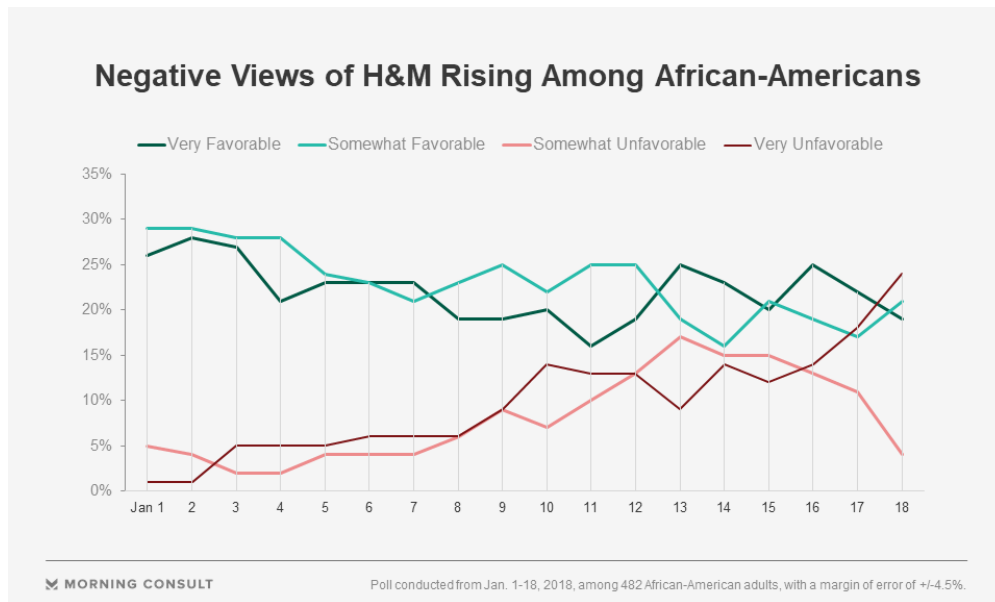
    - <u>Interview with H&M South Africa</u>: Even though this was a global reputation crisis, it was also a local crisis that triggered negative reactions among activist groups in South Africa. H&M's PR team must have conducted an internal interview with H&M's executives in South Africa in order to find all information about what was happening in its stores and how H&M's employees might have been harmed by these riots.
    - <u>Online social media analysis</u>: Since there was a social media backlash, analyzing people's comments and reactions toward the brand was essential to determine key topics to address (e.g. racism), and then adjust messaging accordingly. Monitoring sentiment could have helped H&M's PR team avoid sharing any tone-deaf social media posts. It could have also helped them determine target audiences (e.g. black influencers and activists, African-Americans, millennials) and localize the crisis response.

For example, the PR team could have found that the brand's reputation had only been harmed in countries like the U.S. and South Africa, but not in Asian or Latin American countries.

- Quantitative:
    - <u>Data analysis</u>: Quantitative data could have complemented social media analysis. Using social media monitoring tools was important to measure the general sentiment toward the brand during and after the crisis, and to understand the size of the problem. These tools

could have helped the PR team identify the social media channels with more interaction. This could have helped the PR team determine the best communication outlets for their campaign.

- o Polls: H&M issued a poll to determine how this event affected the brand in comparison to other days, and how the crisis harmed its sales. The poll targeted H&M's customers and potential customers. This helped H&M's PR team identify target audiences for its campaign.

Negative Views of H&M Rising Among African-Americans

— Very Favorable — Somewhat Favorable — Somewhat Unfavorable — Very Unfavorable

Poll conducted from Jan. 1-18, 2018, among 482 African-American adults, with a margin of error of +/-4.5%.

MORNING CONSULT

Morning Consult Brand Intelligence Poll, via Morning Consult

For example, this poll showed that H&M's unfavourability among African-American adults went from 9% (before the crisis happened) to 26% in 11 days. The same poll showed that unfavourability among white respondents before and after the incident did not change over that period of time (Gronewold, 2018).

Secondary

- Historical case studies: Studying similar cases might bring ideas to H&M's PR team on how (or how not) to respond to this crisis. Examples of these cases are Starbucks, Dove, Nivea and Pepsi.
- Media coverage: Important media channels like The New York Times, CNN and USA Today published articles on this event. Analyzing what these outlets were saying was important to identify key topics and determine how the brand's reputation was being affected on a global scale. It could also have helped H&M's PR team determine the best communication outlets for its PR strategy.

For example, they could have found that the article in the New York Times was more popular than an article in Business for Fashion, or that CNN was making more favorable comments about the brand than any other news outlet. Finding out this information was useful to determine where to go in case they wanted to spread the word about how H&M was responding to this crisis, and to target more specific audiences.

- Company's stock price and sales: A reputation crisis often affects companies' stock price and sales. H&M's PR team should have been aware of fluctuations in the market to determine if this event affected H&M's sales and price in the equity market.

- Historical context of South Africa: In his speech, South African activist Julius Malema affirmed that the destruction of H&M's stores was a way to teach the company a lesson. "If they don't know what a monkey is, then today they know what it is," he said. This showed how important it was for H&M's PR team to understand South Africa's social and political context: calling a child "monkey" in Europe does not have the same connotation as it does in Africa. This could have helped the PR team avoid sharing any tone-deaf messages that aggravated the crisis.

V. Situation Analysis (SWOTS)

Strengths:

- Strong and diversified global presence: H&M has stores in more than 60 countries across 6 continents. Its online stores are in 44 markets.

- H&M offers a wide range of products that target consumers of different age and gender. Besides offering fashionable clothes, the company sells shoes, accessories, cosmetics, stationery and home textiles.

- Wide audience and active engagement on social media. H&M is the fifth leading fashion brand with the most followers on Instagram ("Leading fashion brands ranked…") and the fourth on Twitter ("Leading fashion brands on Twitter…"). Its YouTube channel has 341,000 subscribers. The brand is responsive and interacts with its followers on a daily basis.

- The company is expanding its digital strategy and investing in artificial intelligence to predict needs in the market and enhance its customers' online shopping experience.

- H&M is leading the charge for sustainability in the fashion industry. The company has launched seven editions of its Conscious Exclusive Collection (a line that uses 100% regenerated nylon fiber

and recycled silver). The company is also one of the biggest users of organic and recycled cotton in the fast fashion industry.

- The company owns the H&M Foundation: a nonprofit organization that improves people's living conditions. The organization works to drive change in four areas: education, water, equality and planet.

- Excellent celebrity endorsement. H&M has partnered with celebrities like Lana del Rey, Labrinth, David Beckham, Madonna, and Kylie Minogue.

- Appealing designer partnerships. H&M has partnered with luxury designers like Karl Lagerfeld, Cavalli, Jimmy Choo and Versace to create stylish yet affordable lines. These fashion lines have been very successful in the past.

Weaknesses:

- The company's shares have declined by 45% over the last year. Pace of store growth is slowing down.

- H&M was late to the e-commerce market, which affected its sales and led to the accumulation of $4.3 billion of unsold inventory.

- The quality of H&M's products has been highly criticized.

- Customers on social media criticize the organization of H&M's physical stores —which is often oversaturated with clothes. They also complain about customer service.

- The brand has been accused of cultural appropriation and racial insensitivity. In the past, the brand has faced social media backlashes for its deaf-tone messages on racial matters and the appropriation of ethnic garments. People have also pointed out that there is no racial diversity in the company's board of directors.

Opportunities:

- There are more sustainable trends in the fashion industry endorsed by celebrities and influential people.

- Young consumers are more socially conscious and environmentally friendly. They look for brands that represent their values.

- There are more emerging markets where e-commerce is still in its early stages (Asia and Latin America).

- Artificial intelligence software is improving customer service and online shopping experience.

Threats:

- As one of the leading fashion companies, H&M attracts media interest and is constantly under the spotlight. Any incident could affect the brand's reputation on a global scale.

- Given the amount of followers H&M has on social media, negative messages about the brand can proliferate in a matter of minutes. This can have both local and global repercussions on H&M's reputation.

- Fluctuations in the stock market.

- Foreign exchange fluctuations: H&M's reporting currency is Swedish Krona even though most of its sales come from developed economies such as the U.S. and Europe. A sudden change in the foreign exchange rate could affect the company's profitability.

- Increased scrutiny on social media. Users are more aware and vocal about insensitive messages.

- The fast fashion industry is under pressure to be more prolific and keep up-to-date with the latest fashion trends. This trend of producing more goods at a faster rate means there is less control and a higher probability of making a negligent mistake.

- Intense competition: The fast fashion industry is subject to great competition both locally and globally. H&M's main competitor is Zara (Inditex), followed by Uniqlo, Gap, Forever 21, Calvin Klein, Tommy Hilfiger, Ralph Lauren, American Eagle, Abercrombie & Fitch, Nike and Esprit.

Strategic implications:

1. H&M is the second-largest fast fashion retailer in the world with a strong presence on social media. This strength can suddenly turn into a threat if the brand does something people consider racist, like publishing an image of a young black boy wearing a "Coolest monkey in the jungle" hoodie. Negative comments about H&M proliferate in a matter of minutes, something that required a **prompt response** on a local and a global scale.

2. H&M renders itself as a sustainable, fair and *equal* company, something young customers find appealing. Any incident that contradicts these core values can ruin the brand's credibility and drive customers away. Acknowledging the problem, taking full responsibility and **apologizing** is key to address the crisis. Instead of arguing this was not a case of racism, H&M should acknowledge people's concerns and respond to the right questions.

3. The hoodie scandal is not the first time H&M is embroiled in a racism scandal, and customers are likely to point this out on social media. Therefore, a simple apology will likely be taken as a tone-deaf message

the brand's followers have already heard in the past: it will not be credible. H&M must offer a **call to action** to show how important values like equality and diversity are for the company.

VI. Communications Goal

- The communications goal of this campaign was to defend H&M's reputation by demonstrating the brand was committed to playing its part in promoting diversity and inclusion.

To restore the brand's reputation, H&M's PR team had to acknowledge that the publication of the image was against the company's core values, and highlight how important racial diversity was for the company.

VII. Objectives

Since H&M's reputation was rapidly affected by the negative comments on social media, the PR team needed to set short and long-term objectives to defend the brand's reputation more efficiently. The team likely monitored the "chain reaction" on social media platforms to set objectives according to what was happening. It can be hard to anticipate the repercussions of a social media crisis, which is why monitoring all platforms qualitatively and quantitively is important before making any decisions.

For example, if the negative comments were only being posted on Twitter, the PR team could have set an objective to protect the brand's reputation on Twitter. If the comments were only being posted in specific countries like South Africa, the team could have set objectives to protect H&M's reputation among that specific audience.

H&M's PR team probably implemented a campaign with the following objectives:

1. By January 8, 2018, increase favorable sentiment toward the brand by 10% among H&M's Twitter followers in South Africa.

After Stephanie Yeboah's tweet on Jan. 7, H&M responded in a tweet through @hmsouthafrica's account, which indicates they were probably trying to increase the favorable sentiment toward the brand among this specific population.

2. By January 20, 2018, increase favorable sentiment toward the brand by 15% among H&M's Facebook, Instagram and Twitter followers.

In an attempt to protect the brand's reputation on a global scale, H&M's PR team used the brand's official social media pages (Twitter, Instagram and Facebook) to increase the positive sentiment toward the brand among its followers.

3. By January 20, 2018, increase favorable coverage in at least 30 global news outlets by 20% in which the coverage includes H&M's apology and overarching message.

After realizing this social media backlash had a global impact, H&M likely set a new objective targeting a wider audience. The most efficient way to do so was to reach out to the most influential news outlets.

4. By April 10, 2018, increase favorable sentiment toward the brand by 15% among H&M's Facebook, Instagram and Twitter followers and customers.

In my opinion, H&M's PR team failed to set this last objective, or simply did not reach it. Even though the company took action and hired a global leader for diversity and inclusiveness in response to the incident, it failed to communicate this effectively. This probably kept H&M from increasing its favorability among its social media followers and customers.

This objective's date was far into the future. If they had set an earlier date, the crisis would have had fewer negative repercussions on the brand's reputation.

VIII. Target Audiences

- *H&M's South African customers:* Students and young professionals who have a taste for fashion without investing a lot of money. They like to shop in physical stores. They are black and believe in social causes and movements that denounce racial discrimination. They often feel underrepresented by international brands. H&M's South African customers are active on social media. They speak more than one language (native African language plus English or French).

- *H&M's Customers on Social Media:* Millennial young professionals from all races who have a taste for fashion without investing a lot of money. They shop from brands that embody their cultural and ethical beliefs: inclusiveness, equality of rights, freedom of speech. Most of them shop online. These adults are active on social media platforms, especially Facebook, Twitter and Instagram. They believe they can promote change and call to action through the use of these platforms. These customers speak English.

IX. Key Messages

- <u>Overarching message for the campaign:</u> As a global brand, H&M has the responsibility to be aware and in tune with all racial and cultural sentiments, and the publication of this picture and print contradicted this belief. H&M regrets the image and will be taking measures to keep this from happening in the future.

Even though the overarching message affirmed the company was going to take action to prevent this incident from happening in the future, the message was ambiguous and failed to communicate a real action plan. The company mentioned it was going to hire a global diversity leader named Annie Wu, but they did not explain how she was going to repair the damage the picture had caused.

- <u>Message to H&M's South African Customers</u>: Even though this incident was unintentional, H&M has made a mistake and apologizes for the controversial image of the hoodie and will appoint a global diversity leader to drive the company's work forward. It has been a difficult and challenging week for H&M but the brand remains fully committed to its South African operation.

H&M's PR team had to be more careful about the words they were communicating to this audience, since it was clear that the brand's customers in South Africa were the most offended by the publication of the image. The message also had to address the riots that took place in H&M's stores without condemning them to avoid heating up the discussion.

- <u>Message to H&M's Customers on Social Media</u>: Even though this incident was accidental in nature, H&M has made a mistake and apologizes for the image of the children's hoodie. The incident shows the company's routines have not been followed properly and H&M will investigate why this happened. In an attempt to prevent this from happening again, H&M appointed a new global diversity and inclusiveness leader.

The message failed to satisfy social media users, who were expecting something more than an apology. Hiring a new global diversity leader was a good initiative, but H&M's PR team did not communicate who this person was or explain how this new role was going to change the company's internal procedures. Addressing these specific issues could have helped the brand protect its reputation and respond to the crisis in a more effective way.

X. Strategies

- Leverage the power of social media to apologize for the publication of the image and reiterate the company's commitment to diversity and inclusiveness by announcing the hiring of a new global diversity and inclusiveness leader.

H&M communicated most of its opinions through Twitter, Facebook and Instagram, which was probably the best way to handle a reputation crisis caused by a social media backlash.

- Spread the company's apology for the publication of the image and reiterate the company's commitment to diversity and inclusiveness by announcing the hiring of a new global diversity and inclusiveness leader to traditional media outlets.

Since many traditional media outlets picked up the story, communicating in a more official and assertive way with the media was another way to show how important this issue was for the company.

XI. Tactics

- January 8: Tweet on @hmsouthafrica's account apologizing for the image, and announcing its deletion from online stores and the removal of the garment from stores in South Africa.
- January 9: H&M published two social media posts on @hm's Instagram, Facebook and Twitter accounts apologizing for the image and announcing the removal of the image and the garment from every store.

The posts seemed unofficial: there was no signature, no spokesperson, which did not help the company show how serious they were being about this incident.

- January 9: News release (in English and French) published on H&M's website: "H&M issues unequivocal apology for poorly judged product and image."

This was H&M's official response to the crisis, which was picked up by most traditional media outlets.

- January 13: News release published on H&M's website: "Update on the current situation in our stores in South Africa."

This release was short and it did not include political opinions on the groups that destroyed the stores in South Africa. This probably helped the company handle a social situation in a "safe" way, without exacerbating the situation.

- January 16: Social media post on @hm's Instagram, Facebook and Twitter accounts announcing the appointment of a Diversity and Inclusiveness Global Leader.
- January 17: Press release on Associated Press: "After 'monkey' hoodie misstep, H&M hires diversity leader."

Even though H&M announced the appointment of this new leader on social media and in an official press release, it did not communicate what this leader was going to do to prevent this incident from happening in the future, or to make up for the harm this picture might have caused. This was H&M's

first call to action which could have had a better impact if it was announced by the CEO of the company.

- March 29: Q&A with the new Diversity and Inclusiveness Global Leader, Annie Wu: "What's next for H&M and our global leader for diversity and inclusiveness."

This Q&A discussed who Annie Wu, the new diversity leader, was, and explained in detail what she had been doing so far. It also addressed the hoodie incident, but there was very little information on how Wu was working to make up for the incident. This Q&A was published on H&M's website, but was not picked up by media outlets and was not publicized on social media. This means the message was lost and very little people heard about what the company was doing. This announcement was done three months after the incident, which did not help in restoring the brand's reputation.

- March 29: Interview with Annie Wu included in a New York Times article: "To Avoid More Racist Hoodies, Retailers Seek Diversity."

Reaching out to The New York Times likely helped H&M spread the word about their new global diversity leader. However, this was the only article where she was interviewed and where her perspectives on inclusiveness and racial bias in the fashion industry were discussed. H&M should have probably reached out to more media outlets to spread the word about Annie Wu's work.

XII. Evaluation & Measurement

Based on the objectives, the methods H&M's PR team probably used to evaluate the success of this campaign are the following:

- Social Media Engagement
  - Qualitative and quantitative analysis of the comments, and the tone of these comments, on Facebook, Twitter and Instagram one month after the incident.
  - Number of shares of H&M's posts apologizing for the incident.
  - Number of followers (compare number before and after the incident).
  - Measure social media engagement on the posts apologizing for the incident, and the posts following the campaign.

- Media Coverage Content Analysis
  - Share and tone of voice analysis.
  - Popularity of the media outlets where the articles are published.
  - Analysis of comments of readers.
  - Favorability of mention (positive and negative).

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