

A STUDY ON CONSUMER PREFERENCE OF H&M AND ZARA

Srishti Gambhir, MBA Student , K.R. Mangalam University, Gurgaon-Sohna, India

Dr. Anshika Prakash (Associate Professor), K.R. Mangalam University, Gurgaon-Sohna, India.

ABSTRACT

The paper aims to gain knowledge about the brand H&M and ZARA Globally as well as In relation to its recent entry in India. Since, it has given consumer a new choice for the fast fashion products. In the clothing industry firms compete successfully by applying different business-models. H&M and ZARA are two extremes in the clothing industry. H&M's business-model mainly focuses on outsourcing and ZARA's business-model mainly focuses on in-house production. Also presence of its competitors from past few years has lead to a comparative study for the same. The prime aim of the paper is to study three things i.e. the brand, the consumer perception about H&M and ZARA and Comparison between both brands. It mainly focuses on Consumer preference of their brand.

Keywords: Clothing Industry, H&M and ZARA brand, business-models, Comparative study, Consumer Preference.

INTRODUCTION

H&M and ZARA are two successful firms in the clothing industry. The Swedish H&M has been a leading firm for several years but it seems like H&M are confronted with tough competition from the Spanish clothing firm ZARA. In 2006, ZARA succeeded to take over H&M's role as Europe's biggest fashion retailer. The clothing industry has changed over the past years and today clothes are a mass consumption market and the low price fashion producers H&M and ZARA explore these possibilities in different ways. The secret of ZARA's success is that it has developed its own road and ignores the traditional fashion. Some argue that in the future ZARA will be forced to apply a business-model that is more similar to H&M's.

About H&M

H&M was established in Västerås, Sweden in 1947 by Erling Persson. H&M is short for Hennes & Mauritz as these two words are Swedish words and mean "HER & HIM" in English. H&M offers fashion clothes and cosmetics for women, men, teenagers and children that are assured of good quality at the best price. The H&M products range is broad and varied, which is aimed at satisfying every customer of different tastes and requirements. H&M wishes to cultivate fashion interest into everyone and products are available at any H&M outlets at any time. Another important strategy is that collections of H&M are of a large scale and new products would appear in the stores every day. H&M's fashion concepts have been mainly divided into four

parts: women, men, children and cosmetics. Since H&M consists of different groups or different fields, it has different characteristics and different functions. H&M works on a business concept of fashion for all, where this venture serves the customer with stylish clothes, classic look at the affordable price. Also the tie ups of H&M with big designers have helped them to establish themselves among the best fast fashion retailers where they provide the consumer with best designs from the popular designers at an affordable price due to their effective logistics

Below is the Strengths, Weaknesses, Opportunities & Threats (SWOT) Analysis of H&M.

Strengths are:

- 1.H& M are the one of the largest global clothing retailer
2. H&M have about 2300 stores in approx 45 countries and around 95000 people employed under them
3. The store offers quality and trendy clothing at affordable price, we can say designer clothes at department store prices.
4. Their overall delivery time is very low, it takes only 12 weeks for their products to come from the design stage to the retailer phase.

Here are the weaknesses in the H&M SWOT Analysis:

1. Buying large volumes could lead to overstocking and later on lead to lowering of the already affordable prices.
2. H&M have put in a lot of capital and maintenance fee for all the different types of machines required to produce clothes for each target segment.

Following are the Opportunities in H&M SWOT Analysis:

1. Online shopping is gaining a lot of importance which can be tapped by H&M
2. Emerging economies will support H & M's expansion plans
3. H&M are well positioned to tap the niche organic apparel market.

The threats in the SWOT Analysis of H&M are as mentioned:

1. Weak competitive situation as the prominence of value retailers and premium luxury brands increases.
2. H&M newest business line home-ware has not been able to click in Europe and hence is leading to lowering sales.
3. Unemployment is also continuously pressurizing their target segment to discretionary spending.

MAJOR COMPETITOR

About ZARA

H&M's success through the years but it seems like H&M's faces tough competition from the Spanish retailer Inditex, parent firm of ZARA. In March 2006, ZARA succeeded to take over H&M's role as Europe's biggest fashion retailer. ZARA belongs to the apparel Industrial de Diseño Textile, more known as Inditex and it has over 3,100 stores in around 70 countries, where ZARA makes up around 1,020 of these stores in 68 countries. ZARA store was opened in 1975 in Spain, by Amancio Ortega Gaona. The ZARA "concept" first contained of look-a-like trend clothes with low-price. This resulted in a success and more ZARA stores were opened in Spain. However, design and production process needed long lead-times, often six months between the design of a garment and delivery to retailers, which limited manufactures and distributors. Due to this a new business-model was developed in 1984. The new business-model, with short lead-times reduced its design to distribution process to just 10 to 15 days (Strategic Direction, 2003). The firm developed its own in-house team designers, which made clothing based on popular fashion at the same time as producing the firm's own design. Because of this and the fact that ZARA coordinates all ZARA's activities from its headquarters in La Curona in Spain, enables ZARA to respond to the consumers' demand of the latest trends and offer fresh designs at ZARA stores twice a week during the year. This can be seen as an astonishing strategy in a time when "outsourcing" is the hottest term in the industry p around 1,020 of these stores in 68 countries.

Below is the Strengths, Weaknesses, Opportunities & Threats (SWOT) Analysis of Zara.

Strengths are:

1. Zara have more than 2000 stores all over the world
2. Part of one of the most biggest Spanish retailers in the world
3. Zara have a well established brand name worldwide
4. Their supply chain management is extremely low cost as well as most of their processes like operations, manufacturing are all vertically integrated.

Here are the weaknesses in the Zara SWOT Analysis:

1. Limited marketing and advertising as compared to some other brands
2. High competition for Zara means limited market share and high brand switching

Following are the Opportunities in Zara SWOT Analysis:

1. There are more global markets which Zara can explore
2. They can also enter into segments and expand those areas where they haven't

3. Online marketing and ecommerce is gaining importance which can be tapped by Zara.

The threats in the SWOT Analysis of Zara are as mentioned:

1. The high end fashion merchandisers can be a major threat to them
2. Economic downturn can also be a threat to their target segment
3. There is a large amount of consumer switching taking place
4. Fake imitations can decline the sale of Zara products and hurt business

REVIEW OF LITERATURE

ZARA

Most of the previous literature has classified the motives for retail internationalization into push and pull factors. Push factors are those that encourage the organization to search for international opportunities. Pull factors involve attractive conditions in the host market. (Alexander, 1995b). Hence the internationalization of Zara is a reactive response to the domestic market maturity. According to Caste llano , there were other push factors related to economic conditions behind the internationalization: “At the end of the 1980s, the Spanish economy pointed toward a decrease in consumption in general terms. In our sector -fashion clothes in a good quality at affordable prices-the consumption showed a slow pace of growth” (Martinez, 1997). Furthermore, a change in the Spanish consumer behavior was taking place during that time; they started to spend more on spare time, travelling and education, and less on clothes.

McGoldrick (1995, 2002) provides a third group of factors related to the organisation, the facilitators or enabling factors. The expansion of Zara in New York (1989), Paris (1990) and Milan (2001) was justified by image and status reasons (Castellano, 2002; Ortega and Blanco, 2004) as mentioned earlier.

Zara’s internationalization has passed through several phases. The ‘stages’ notion has been supported by Johanson and Wiedersheim-Paul (1975), Bilkey and Tesar (1977), Cavusgil (1980) and Treadgold (1990) whose model identifies three stages of international development. Zara has moved through a learning curve during these phases (Treadgold, 1990).

H&M

Bass, F. M. and Talarzyk, W. W. (1972) “An Attitude Model for the Study of Brand Preference”, *Journal of Marketing Research*, vol. 9 Issue 1, pp. 93-96.

Bergenhengouwen, G. J. et al. (1986) « Competence Development – A Challenge for HRM Professionals: Core Competences of Organizations as Guidelines for the Development of Employees”, *Journal of European Industrial Training*, vol. 20, No. 9, pp. 29-35.

Birchall, J. "Sampling and Samples Written by Joan Birchall from Rainbow Research". Retrieved on April 28, 2009, from http://www.marketresearchworld.net/index.php?option=com_content&task=view&id=23&Itemid=1

Bower, J. L. and Christensen, C. M. (1995) "Disruptive Technologies: Catching the Wave", Harvard Business Review, vol. 73, No. 1, pp. 43-53.

Capell, K. and Beucke, D. (2005, June 6) "Attention Frugal Fashionistas", Business Week, Issue 3936, p. 16.

Christensen, C. M. and Raynor, M. E. (2003) The Innovator's Solution: Creating and Sustaining Successful Growth. New York: Harvard Business School Press.

OBJECTIVES OF THE STUDY

- 1.) To gain In depth knowledge of the brand.
- 2.) To know the Consumer buying behavior of both brands.
- 3.) To draw a Comparative study between H&M and ZARA.

RESEARCH METHODOLOGY

Sample size and design

A Sample of 50 Consumers was taken.

Sample Location: Gurgaon

Data Collection

Two types of data sources are considered.. Primary data was collected through questionnaires and Secondary data was collected through Internet, Journals, and Articles and from Company website.

Analysis of the Survey

To analyze consumer buying behavior for H&M and ZARA a closed ended & non-disguised questionnaire was prepared with structured set of questions. The Age categories of respondents are as follows:

- The occupation was divided into 3 sectors as
 - Homemakers, Working and Student. The majority of the respondents constitute students as 74%.

- Consumers prefer more of ZARA, thus further taking it as the main competitor for H&M an analysis was conducted to figure out the reason of preference for ZARA.
- The most preferred brand in field of Fast fashion is ZARA. Also the On-Store employees of H&M and ZARA both feel that they are peer brands.
- According to sample size consumers prefer ZARA because of Quality, Style, Sustainability & Location of the store whereas H&M has also shared the same level of agreement but in comparison to ZARA the agreement of consumer is more towards ZARA.
- From Price Point and Ambience of the store, H&M has received maximum agreement of the respondents over ZARA.

FINDINGS

- ZARA is highly priced as compared to H&M and that is another reason they believed that the former brand is serving better quality than the latter.
- Price of branded clothes is not a big issue for people. People prefer branded clothes over non-branded regardless of high price.
- H&M is on introductory stage therefore it is assumed that the brand serve good quality due to its high reputation abroad and the word of mouth by Indian consumers who have shopped H&M globally however for majority of the shoppers a trust factor is yet to be established for H&M.
- Also referring to consumer's psychology ZARA is priced highly makes the consumer believe that the brand is serving good quality.
- Fashion, family and friends influence the choice of brand.
- Zara includes the customer in the decision-making process, whereas H&M dictates the decisions down to the customer.

CONCLUSION

In this, I conclude that from H&M and ZARA the firm has succeeded in satisfying the employees with its effective ZARA policies and also making them a part of the success of the firm. Because of Quality, Style, Sustainability & Location of the store whereas H&M has also shared the same level of agreement but if it compares with H&M Consumer preference is for ZARA. The firm has focus on 3 major chunks that they feel are responsible for their growth in the global market - Internal customers -External Customers -Environment (Sustainability). Both companies have a strong brand identity; they just need to be introduced in a different manner so consumers are aware of their existence.

Zara has shown significant earnings growth every year, and new Zara shops continue to open everywhere. It is evident that Zara is enjoying considerable success in the industry by using effective retailing strategies, such as fast fashion, QR and innovation.

REFERENCES

Bhasin, H. (2018, January 11). SWOT Analysis of ZARA. Retrieved from Marketing 9 1 Website: <https://www.marketing91.com/swot-analysis-zara/>

Case Study: Zara's Entry into Indian Retail FashionMarket. (n.d.). Retrieved from MBA Knowledge Base Website: <https://www.mbaknol.com/management-case-studies/case-study-zaras-entry-into-indian-retail-fashion-market/>.

H&M 1: "About H&M" [online] (cited 20 September 2007) Available from [URL:http://www.hm.com/gb/abouthm_abouthm.nhtml](http://www.hm.com/gb/abouthm_abouthm.nhtml)

H&M 2: "The H&M Brand" [online] (cited 20 September 2007) Available from [URL:http://www.hm.com/gb/abouthm/factsaboutm/thehmband_thmbrand.nhtml](http://www.hm.com/gb/abouthm/factsaboutm/thehmband_thmbrand.nhtml)

[History of Zara](#)

[MarketLine. \(2009, April 17\).](#)

[MarketLine. \(2008, July 8\).](#)

