



Melissa Halik, Matt Domagala, Ali Abuihmoud and Marcus McMath

Executive Summary

- Erling Persson, Hennes in 1947
- Mauritz Widfross in 1968
- Huge inventory issues
- Inferior to competitors
- The Year of Transformation



Background

- 1947-1959
 - 1947 Persson open first store in Sweden
- 1960-1979
 - Name change to H&M
- 1980-1999
 - Offer online shopping
- 2000-2009
 - First store in U.S.
- 2010-Present



The Problem

- Had more than \$4.3 billion dollars of unsold inventory.
 - Had a drop in quarterly sales
 - Causes an increase in markdowns.
- Net income crashed by 11% back in January 2017.
- Two reasons why H&M is struggling:
 - Slow supply chain management.
 - Has double the lead time.
- Many customers have been moving towards their other competitors, like Zara, and online stores.

The Cause

- Online store have been pulling in many of the customers due to the speed and the price of their items.
 - With people constantly being in the stores, they turn to shopping online.
 - Causes loads of inventory in each store to be untouched.
- H&M is on a legacy infrastructure, but has slowly been trying to improve their IT infrastructure.

Results/Solutions

- Get rid of excessive inventory
 - Increase markdowns on outdated products
 - Could lead to lower profits and sales
 - Investing heavily in supply chain technology
 - New logistic systems, advanced analytics to predict consumers wants
 - Ship them to new foreign markets
 - Asia, Latin America



Cont.

- Faster supply chain processes
 - 80% of their suppliers are in Asia, Southeast Asia
 - Have more offices in the region
 - Better communication, better processes
 - Faster delivery
 - Move suppliers to Eastern Europe
 - Turkey
 - Cheap, quicker deliveries to Europe and US
 - Adapt to fashion trends quicker, leads to lower unwanted inventory
 - Cut lead time to half
 - Build a better, more efficient automated warehouses
 - Better technology foundation, better data

Cont.

- Reaching out to consumers
 - Improve shopping experiences
 - Improve online sales
 - Afound store- widen popularity
 - Customer service



Questions

1. With regards to the \$4.3 billion of unsold inventory, what would be the best solution for H&M to proceed with?
1. How can H&M become a better competitor with companies such as Zara?

References

- <https://www.businessinsider.com/why-hm-business-is-struggling-201804>
- <https://consumerist.com/2017/03/30/hms-supply-chain-problems-could-translate-to-discounts-for-shoppers/>