

# IDENTIFYING OPPORTUNITIES AND GROWTH FOR H&M WITHIN ECOMMERCE

(A study on Gen Z and Millennials)

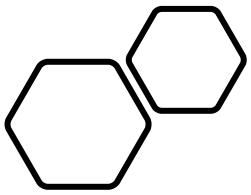
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16 August 2022





# AGENDA

- Business Objective
- Data and Methodology
- Predictive Modelling: Spenders vs Non-spenders
- Market Segmentation
- Summary and Recommendations



# BUSINESS OBJECTIVE



# GENERATION Z AND MILLENNIALS

There are 1.2 billion young people today representing about 16% of the global population

The youth are considered as the main agents of change and progress

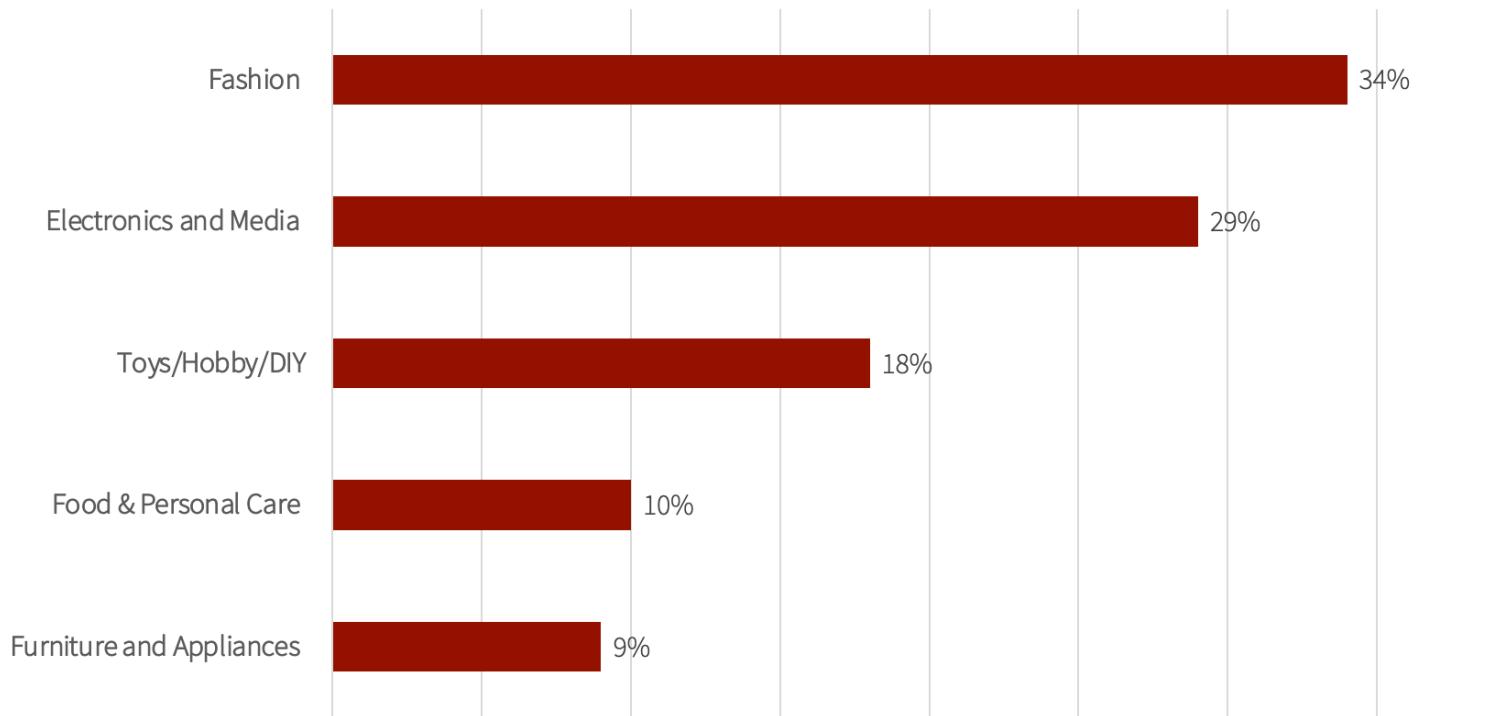
Several opportunities and potentials can be expected from these age group as they are the next in-line in terms of purchasing power



Source: United Nations, [State of the World's Youth](#)

# ECOMMERCE IN SLOVAKIA (2021)

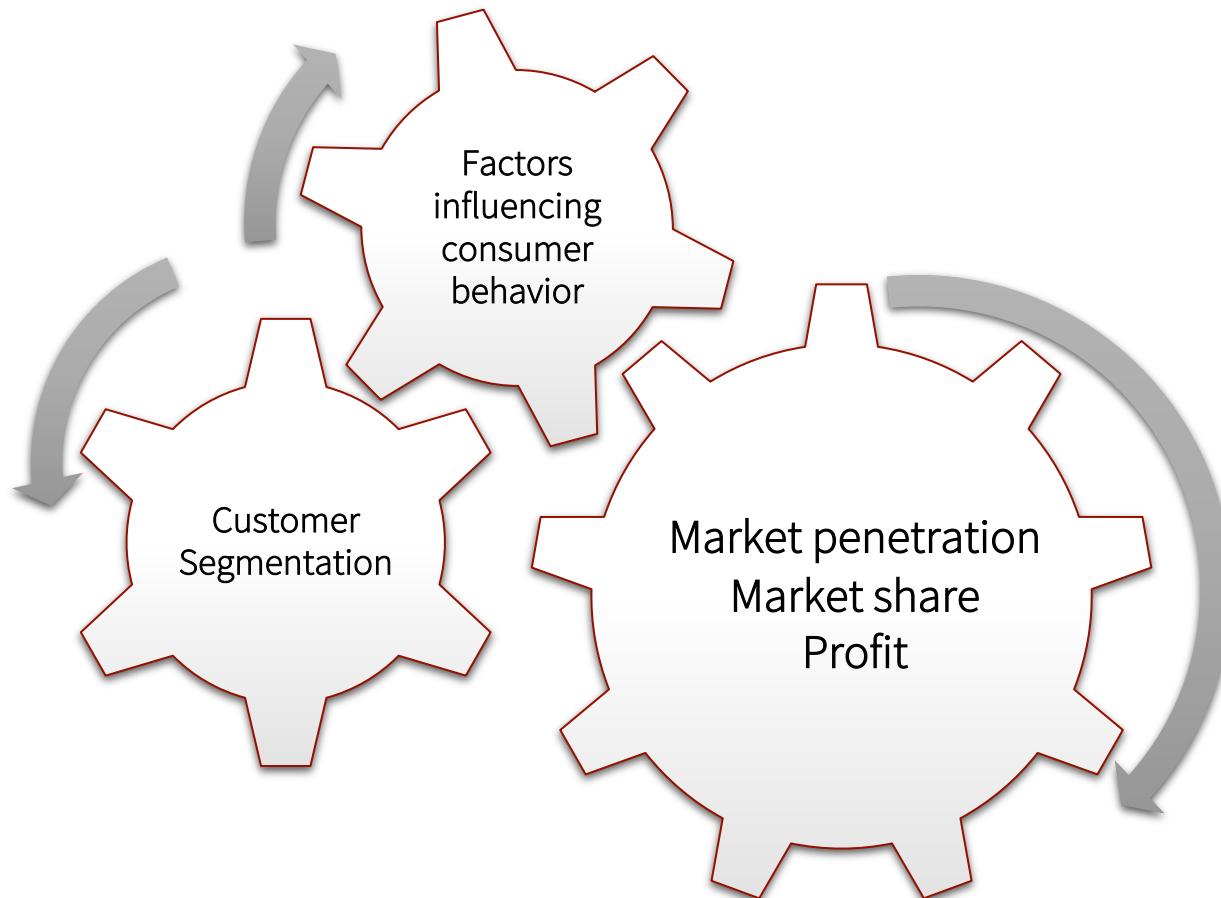
Top ecommerce segments in Slovakia



- Ranked 59<sup>th</sup> largest market
- Revenue peaked at US \$1.4bn
- 3.5 million users
- H&M ecommerce ranked 5<sup>th</sup>
- Top local sites:  
[alza.sk](https://alza.sk), [mall.sk](https://mall.sk), [itesco.sk](https://itesco.sk)

Source: *The Ecommerce Market in Slovakia*, [ecommerceDB](https://ecommerceDB.com)

# GROWTH OPPORTUNITIES



Young people in Slovakia represents **35%** of the total population

Source: "[COST CA18213 Rural NEETs in Slovakia: 2009/2019 Overview](#)

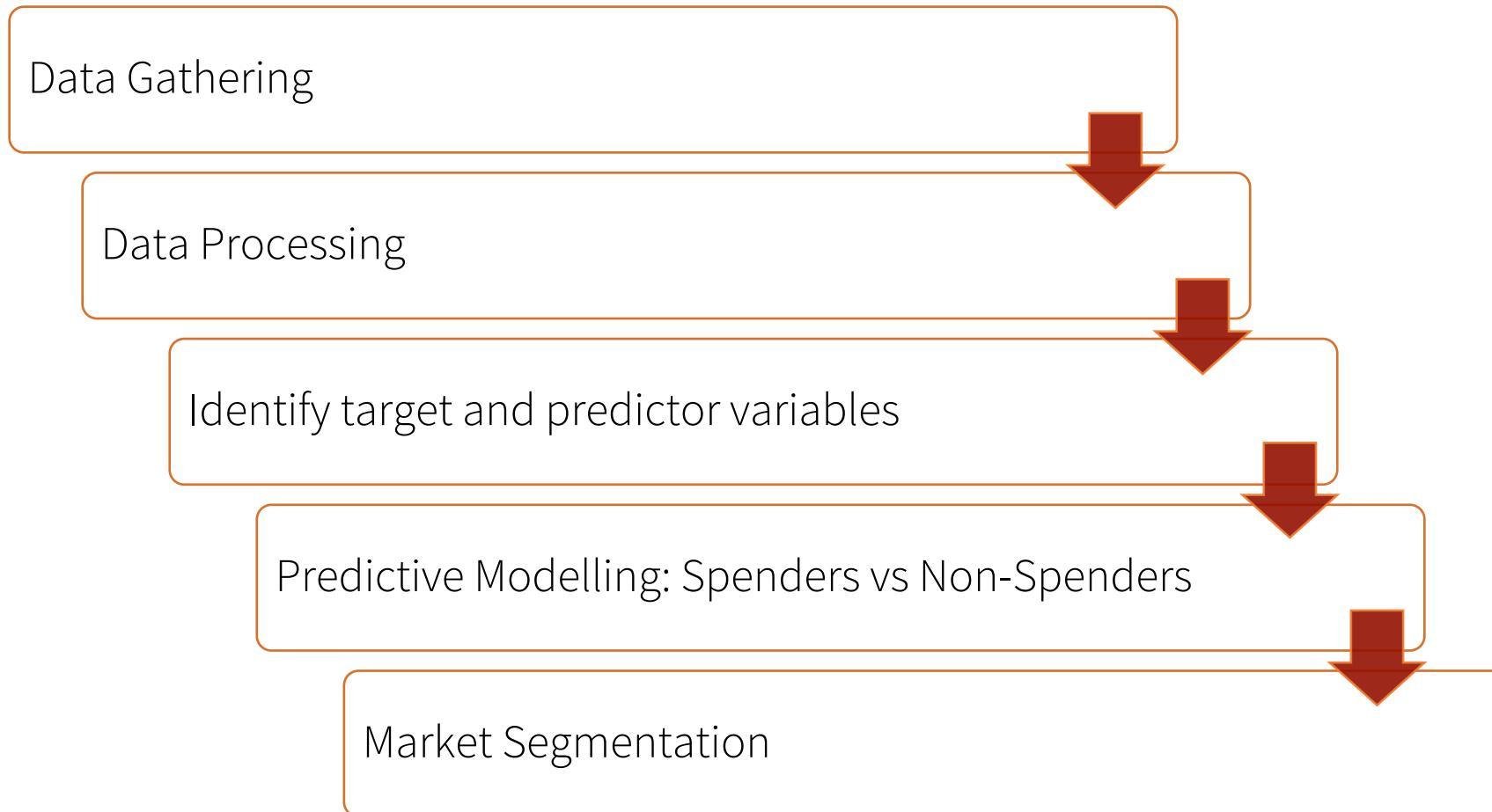
# DATA AND METHODOLOGY

# DATA SOURCE

- Statistics students from University of Bratislava, Slovakia (2013)
- Snowball sampling methodology
- Computer-Assisted Personal Interviews (CAPI) and Paper Interview
- Respondent criteria: 15 to 30 years old, Slovakian nationality
- Total sample size: N = 1,010
- Questions included: *Music preferences, movie preferences, hobbies & interests, phobias, health habits, personality traits, spending habits, and demographics*



# METHODOLOGY



# ASSUMPTIONS AND LIMITATIONS

- Survey data was not sampled randomly; sample distribution may not reflect actual population census.
- Spending patterns are based on Likert scale (1 as strongly disagree, and 5 as strongly agree), instead of actual purchase spending.

# SPENDERS VS NON-SPENDERS



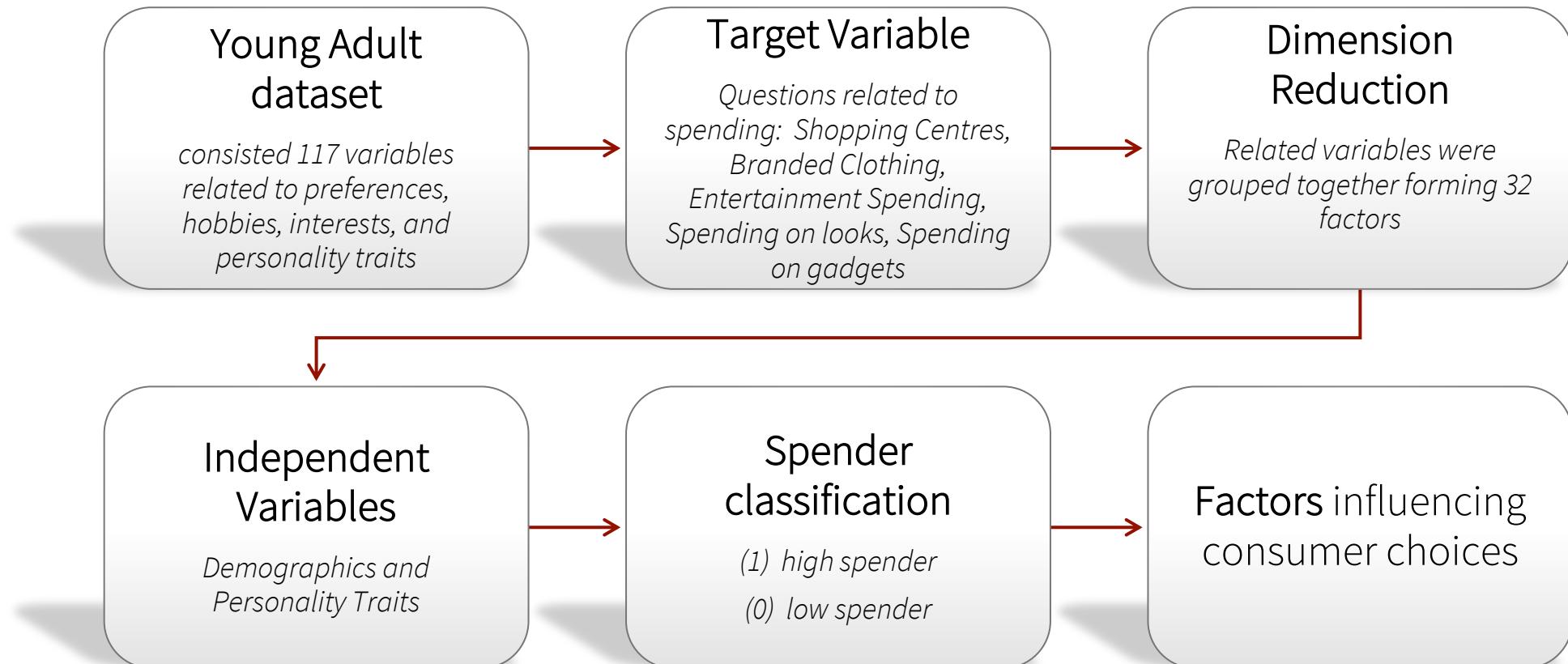
# THEORY ON CONSUMER BEHAVIOUR

“Howard-Sheth Model of Consumer Behavior” was established by John Howard and Jagadish Sheth in 1969

The theory focuses on **explaining the impact of different factors** such as social, psychological, influences regarding consumer choices, behaviors, and its outcome

Based on the output derived from applying our model, the theory on buyer behavior was inferred as it is inline with the objective of this project

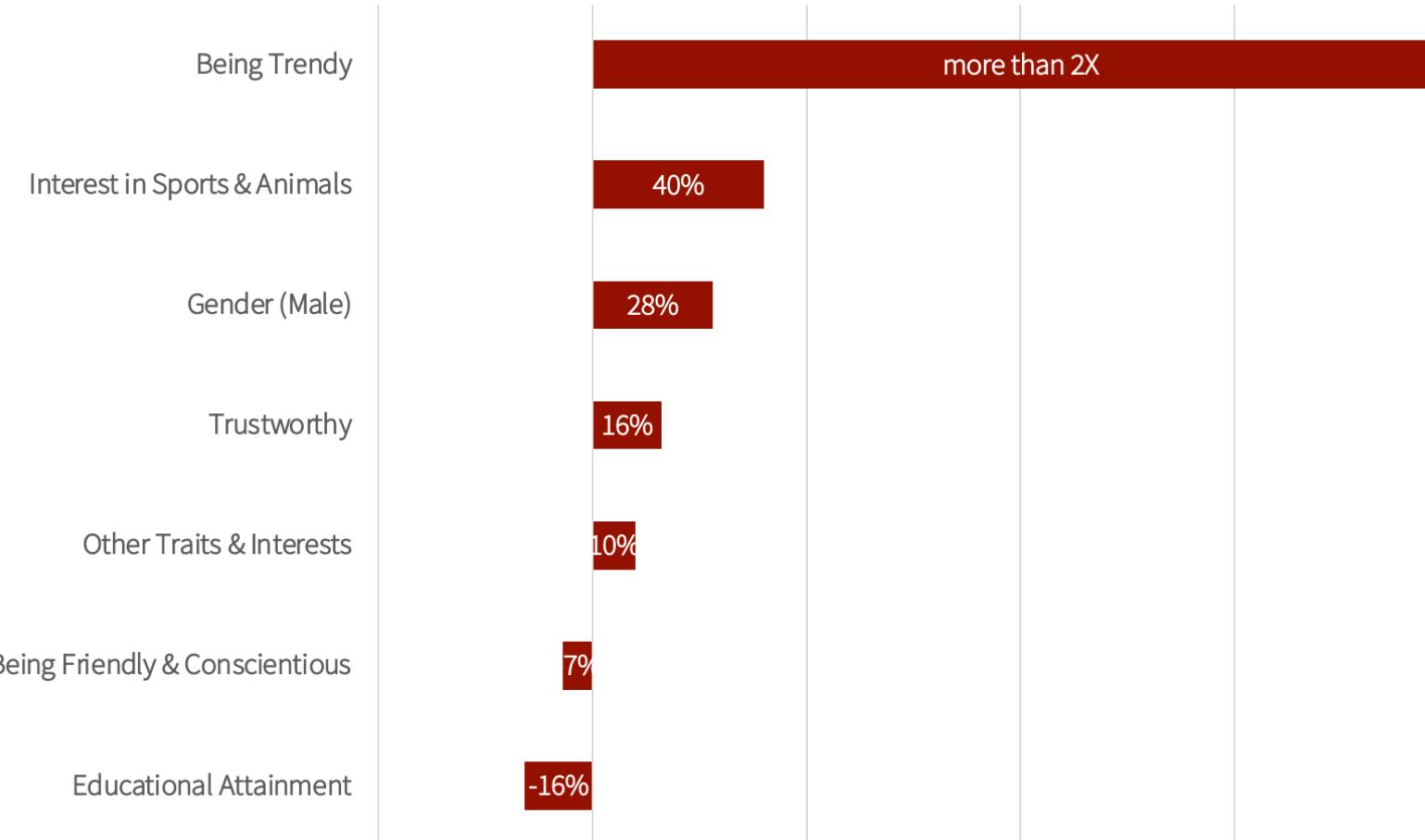
# OUR THOUGHT PROCESS



# FACTORS INFLUENCING CONSUMER BEHAVIOUR

gender, education, interest in art, interest  
in computer technology, being physically  
active, being extrovert, being  
trendy, friendliness, trustworthiness, interest  
in animals, and conscientiousness

# FACTORS INFLUENCING CONSUMER BEHAVIOUR



- Focus on influencing consumer behavior for profit opportunities
- Ecommerce companies could further explore on marketing efforts and initiatives as they are found to be effective in terms of profit opportunities

# MARKET SEGMENTATION

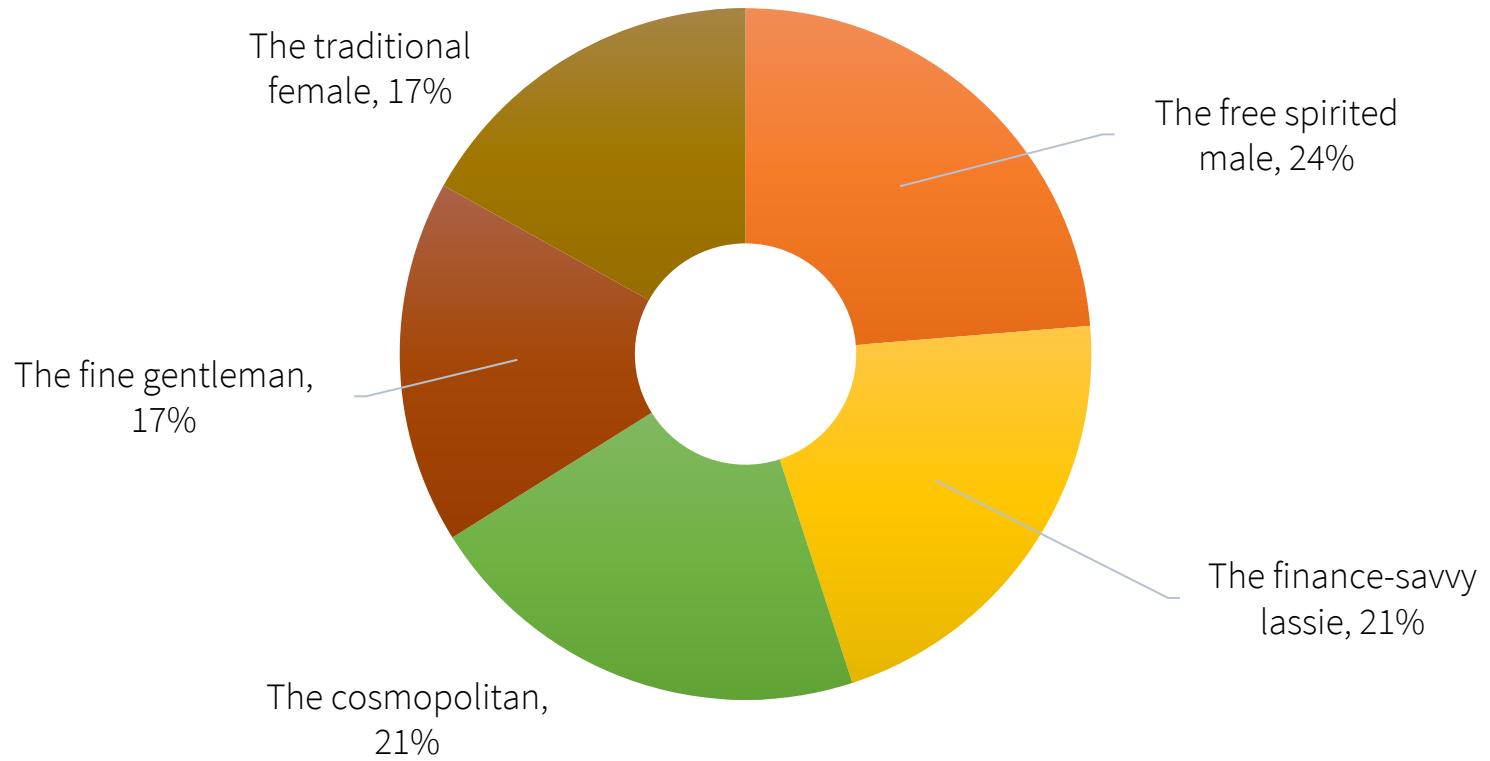
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# MARKET SEGMENTATION



- Segments from cluster analysis using gender and personality traits
- Preferences and behavior across segments were also checked for differentiation

# MARKET SEGMENTATION



## The Free spirited

- Male
- Stoic
- High internet use



## The Finance-savvy

- Female
- Conscientious
- Smart spender
- Introverted



## The Cosmopolitan

- Female
- Trendy
- Extroverted
- Physically active
- Spends on looks and food



## The Fine Gentleman

- Male
- Trendy
- Extroverted
- Physically active
- Spends on branded clothes and entertainment



## The Traditional

- Female
- Easy-going
- Low internet use
- Likes shopping malls

# MARKET SEGMENT APPEAL



# TARGETING

SEGMENT APPEAL	SEGMENT NAME	RECOMMENDED STRATEGY
BEST PROSPECTS	The Fine Gentleman	<ul style="list-style-type: none"> <li>▪ Focus on premium products</li> <li>▪ Social media and email marketing</li> <li>▪ Loyalty programs</li> </ul>
	The Cosmopolitan	<ul style="list-style-type: none"> <li>▪ Focus on the latest trends</li> <li>▪ Social media and email marketing</li> <li>▪ Loyalty programs</li> </ul>
IMPROVE	The Free Spirited	<ul style="list-style-type: none"> <li>▪ Focus on practicality</li> <li>▪ Ad retargeting, email marketing</li> </ul>
	The Traditional	<ul style="list-style-type: none"> <li>▪ Increase ecommerce usage</li> <li>▪ Offer promotions, rewards, discounts for online purchases</li> <li>▪ Traditional advertising (print, billboards, word of mouth)</li> </ul>
	The Finance-savvy	<ul style="list-style-type: none"> <li>▪ Focus on savings</li> <li>▪ Offer promotions, rewards, and discounts for online purchases</li> <li>▪ Partnerships with financial institutions for rewards and benefits</li> </ul>

# SUMMARY AND RECOMMENDATIONS



# SUMMARY

- Ecommerce continues to be a growing segment in Slovakia; Gen Z and Millennials expected to be biggest source of growth
- Personality traits, along with demographics, are good predictors of Gen Z and Millennials spending
- Major factors affecting whether he/ she would be a low or high spender are: *gender, education, interest in art, interest in computer technology, being physically active, being extrovert, being trendy, friendliness, trustworthiness, interest in animals, and conscientiousness.*
- Conduct marketing campaigns that would aid in influencing consumer behaviour and needs to encourage spending
- Utilize market segments to customize marketing initiatives and advertising according to an individual's profile
- Focus on retaining and growing high value segments through consistent marketing and loyalty programs
- Convert or acquire low spenders to high value consumers

# NEXT STEPS

- Predictive modelling for each identified segments to find if any differences in predictors
- Conduct quantitative and qualitative studies that would provide more in-depth insights on goals and motivations of Gen Z and Millennials
- Conceptualize loyalty programs to boost high value customers
- User interface A/B testing to make online purchasing more appealing to customers
- Customized marketing campaigns and more personalized product offerings
- Explore partnerships with financial institutions for rewards and benefits



# THANK YOU!

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