

MKTU9M3 Fundamentals of Marketing

Autumn 2016

Coursework Assignment (50%)

The assignment will be based on Case 4 "*H&M and social media: an effective market research tool*"

from Fahy & Jobber (2015), *Foundations of Marketing* (5th edition), McGraw-Hill

Task

Read the case and read more widely around the company and topic to answer the following question:

- How do H&M use social media to understand, create, communicate and deliver customer values?

Submission due by **11.00 hrs on Tuesday 1st November 2016**; length of answer: **2,000 words**

Further introduction to H&M and the assignment will be provided in the lecture (L15) on 13th October.

Assignment Submission Process

Your assignment must be submitted by **11.00 hrs on Tuesday 1st November 2016** via the assignment box outside **Room 3B44**.

One hard copy should be delivered to the assignment box outside 3B44 and one electronic copy submitted via Turnitin on Succeed. The hand in date and time apply to both the hard copy and the electronic copy. Failure to submit either copy on time will result in a deduction of marks

Case 4

H&M and social media: an effective market research tool



Introduction

Sweden's Hennes & Mauritz AB, more commonly known as H&M, is a retail clothing powerhouse, famous for its reasonably priced 'fast fashion'. With six different brands sold in 3,300 stores spread out over 54 countries, the company is second only in size to its direct competitor Zara.

H&M has been ranked as one of the world's top 25 brands. It achieved this level of recognition not by luck, but rather by effective marketing and branding efforts, using and implementing the latest technology available, and carrying out good market research. In addition to its online website, the company communicates and interacts with customers through its huge social media presence. People can follow the latest fashion (and non-fashion) developments at H&M on Facebook, Twitter, Instagram, YouTube, Google+ and Pinterest, as well as on their mobile phones through apps for iPhone and Android. H&M also has a presence on China's social networks by way of Youku and Sina Weibo and via Russia's VKontakte.

As part of its marketing and branding efforts, H&M developed a social media strategy, a key component of which

states that through the effective use of social media 'millions of H&M fans and followers share ideas and opinions and get quick answers to their queries'. This allows the company to get closer to its customers, allowing for better communication and feedback, and (it is hoped) more useful marketing data. H&M collects massive amounts of raw (and technically, anonymous) information through the use of such data analysis tools as Google Analytics and Core Metrics. What allows H&M to do this is something known as 'cookies'. These are text files that are created every time you visit a particular website, and they can contain useful and valuable information about your interests and shopping habits.

The benefit of social media is that H&M can get out its message and promote its brand, while at the same time it can gather, store and interpret huge amounts of data (often referred to as 'big data'). Looking at the numbers and statistics one can't help but be amazed at the results H&M has achieved. The company has more than 14 million fans on its Facebook page alone, where it regularly posts updates promoting new products and lets customers know about upcoming promotions. It also has contests where entrants can win prizes. In addition, H&M

live streams runway fashion shows, giving fans 'an exclusive front row seat'. By keeping its Facebook page fun and dynamic, H&M enjoys a high level of interaction with customers. What seems to get people's attention the most, however, are the photo gallery updates. These normally attain 30,000 'likes' and are commented on by hundreds of people. Facebook entries result in the generation of an enormous amount of information. Studies have shown that Facebook conversations can give an indication as to the future demand and trends for a variety of products and services. An analysis of this data could very well assist H&M in identifying where fashion styles are heading and help it make more accurate forecasts regarding material needs (allowing for more efficient sourcing decisions). Furthermore, by using advanced statistical analysis on its Facebook page data, it was determined that a high level of interaction and use by people on Facebook was positively correlated with quarterly sales at H&M.

The company is extremely popular on Pinterest as well, with users interacting with the H&M brand 145,000 times in one month alone back in 2013. But an analysis of these interactions shows that there is a major problem. Many of the photos, videos and other objects that users 'pinned' to their pinboards sent people to dead H&M links when they were clicked on. In just one example, a popular pair of H&M shoes was shared almost 2,700 times among users in only 30 days. But the link for the shoes led to a webpage that informed you that 'this item is no longer available'. Unfortunately, 'Pinterest is driving a ton of people to [H&M's] website, but they can't buy anything when they get there,' says Apu Gupta, CEO of a Pinterest data analytics firm called Curalate. Pinterest has an array of powerful analytical tools. Companies can track and monitor Pin activity, allowing them to identify and analyse trends over a given period of time. It is also possible to find out which Pins are the most popular, which ones get shared the most, who exactly interacts with them and what people associate them with. What is puzzling is that Pinterest appears to be providing a massive amount of research data regarding what is popular and what is in demand, and that H&M is not utilizing it to its full potential. This marketing data could provide insight into what customers want, what other products they might want or need, and potential markets and customers that are presently not being satisfied. This could very well be resulting in a huge amount of lost sales, in addition to a diminishing of H&M's brand among some users.

The company has also received criticism over the way it uses its Twitter feed. While seen as being efficient when it comes to posting new product and promotion information, there are complaints that the site is lacking when it comes to responding to comments or queries that users post. Research shows that H&M generally answers between five and 10 comments a day (with most of the company's responses directing users to a dedicated customer service link). This in comparison to the hundreds of customers that companies like ASOS and Nike respond to every single day. Twitter, like almost all social media outlets, has powerful analytical tools for collecting and analysing data as well. The relative lack of interaction and engagement on

the part of H&M could be interpreted as a missed opportunity to 'talk' to its customers in order to gain useful insights and qualitative marketing data. One recent Twitter bright spot, however, was a Q&A session hosted by H&M 'brand ambassador' David Beckham. The legendary football player answered about 30 questions from fans, with the event being generally well received.

H&M's use of Google+, Google's social networking site that is meant to (eventually) compete with Facebook, appears to be another social media and marketing research success story. H&M has been able to gather over 2.5 million fans, making it one of the most followed brands on the service. It accomplished this through its colourful and well designed 'G+ page', which receives daily updates. The goal, according to Miriam Tappert, global social media manager at H&M, is not to duplicate the experience one would have shopping at an H&M store or online at the company's website. Rather, H&M simply wanted to 'be where our customers are, have a dialogue and share the latest fashion'. By partnering with Google it is hoped that H&M will gain access to Google's technology as well as its massive amount of market data. One powerful component of Google+ is its 'Ripples' feature. This allows companies to create interactive graphics showing how users of their G+ sites are sharing information found on those sites. This in effect allows companies to see how information 'ripples' across a network, an important marketing research tool that lets H&M see who is using its information and who possible new customers might be. It also tells them, practically in real-time, just how effective a particular marketing campaign is. This could then allow H&M to analyse the information it is receiving and make any needed adjustments to its marketing strategy. Based on their market analysis, the company could perhaps extend a successful product line or introduce a whole new range of products to attract new customers who previously were not interested in H&M (market research shows that once a consumer identifies with a fast fashion brand, they are more receptive to new product offerings from that same brand). Conversely, H&M could more quickly end unpopular promotional campaigns or product lines. As a result of effectively using all that Google has to offer, it has been reported that H&M has achieved an impressive 22 per cent increase in click-through rates.

But while H&M reportedly makes an effort to provide unique content for Google+, some critics say that a lot of what is on offer appears to be duplicated across its Facebook page, meaning that there really isn't a reason why a person would follow both. Some also note that while H&M has a large number of fans on G+, the actual interaction between people and the Google site is actually relatively low.

H&M has found other ways to use technology to connect with its customers and collect market data, entering into a partnership with the online game MyTown. This arrangement allows the company to collect information as to where a player of the game is located. If the person is playing the game on a mobile device in close proximity to an H&M store, they are

awarded virtual clothing and bonus points. If they use their mobile device to scan certain products in the store, they have a chance to win prizes. A preliminary analysis of the market data received showed that of 700,000 customers who visited the game online, 300,000 eventually went to an H&M store where they scanned an item.

Another example of the power of data and its analysis come from the example of Citibank, the US financial services giant. Banks are in the enviable position of having huge amounts of information regarding the economic well-being of cities, regions and countries, and can quickly detect trends or changes in commercial activity. Citibank makes this information available to companies like H&M (and, unfortunately, Zara) for a price, in order to help them identify the best locations for new stores and centres of production.

The importance of current market research data can be further highlighted by H&M's activities with regard to social responsibility. Many studies have shown that people are becoming increasingly concerned about the environment, global warming and the future of the planet, as well as the future of the human species. Even in the USA, research shows that a majority of Americans are more concerned about the environment than they are about the economy. H&M has positioned itself well to take advantage of these studies and the data generated. The company is using social media to promote the fact that it is a responsible corporate citizen and concerned about the environment. It recently started a programme called 'Conscious', which promotes the recycling of old clothes. H&M is asking customers to bring into its stores any unwanted clothes, from any brand and in any condition, so that they can be recycled. But there is also a business side to this initiative. The company is simultaneously promoting its 'Conscious' line of clothing, which is made from environmentally sustainable material. Oddly enough, the environmental initiative was first promoted through a printed media campaign. Laura Maggs, H&M's sustainability manager, says that many people are unaware of the programme, but hopefully that will change once a planned social media campaign fully kicks in. The company is optimistic that what will be good for the planet will also be good for the H&M brand. And that a whole new market will open up as a result, providing new opportunities for revenue streams.

But H&M has found out that, while an excellent market research tool, there is also a dark side to social media. And that while good news travels slowly, bad news travels like wildfire. In spite of all of its efforts at research, data analysis and attempts at better understanding its customers, H&M has had to face several crises.

Social media and the spread of controversy

In early 2013 H&M found out just how powerful social media could be, to its detriment. Julia, a 21-year-old Swedish woman, had recently become upset over H&M's decision to sell a shirt

with the face of the deceased rap star Tupac Shakur on it. She posted a negative comment on H&M's Facebook page, saying that selling a shirt with the face of a man who was convicted of sexually abusing a woman might not be the best thing for the company's image. The woman's comment received over 2,800 responses, many of them negative and some of them extremely violent, stating that she should be sexually assaulted and even murdered. One commenter gave out the woman's home address. Julia felt so threatened that she filed a complaint with the police. H&M later apologized for the way it handled the affair.

In Canada the store came under fire for selling headdresses that resembled the kind traditionally worn by the indigenous people of North America (otherwise known as Aboriginal or First Nation peoples). Many people complained that the item was culturally insensitive, and thanks to the use of social media, the story took on a life of its own. After receiving the complaints, a local company spokesperson announced that H&M would be removing the controversial item from all of its stores in Canada. H&M also had to face charges of animal cruelty. PETA (People for the Ethical Treatment of Animals) released a video showing rabbits having their hair pulled out by hand while they screamed and withered in pain. PETA purported that the practice was taking place in China and that the rabbit's hair was used to make popular angora fashion items sold in the West. H&M reassured the public that it maintains the highest ethical and moral standards when sourcing material, but shortly thereafter announced that it was halting production of all angora products. The company even faced charges of anti-Semitism after introducing a men's t-shirt that had a skull in the centre of what appears to be a Star of David (the historic symbol of the Jewish people). The controversial design was reportedly first noticed by a blogger who spread the story by Twitter, asking people to complain. H&M addressed the situation quickly, removing the questionable item from stores and offering an official apology.

Social media as a marketing tool

H&M has become adept at using social media as a powerful marketing tool, as well as an effective data mining tool. And the company appears to be becoming more adept at dealing with the almost never ending controversies that seem to come with being a global brand. It is constantly promoting the fact that it is a responsible corporate citizen with a high regard for sustainability. The company has several million followers on various social media platforms, many of whom are passionate and loyal. This is both a strategic asset and a steady source of market data. In order to keep them happy it is clear that H&M needs to ensure that its brand communication is clear, reliable and consistent. And that it must continue to 'crunch the numbers' and analyse the data in order to meet customers' expectations with a continuous line of 'fast fashion' products that satisfy

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This case was prepared by Tom McNamara and Irena Descubes, ESC Rennes, from various published sources as a basis for class discussion rather than to show effective or ineffective management.