

Chapter 8

The Key Role of Retail Stores in Fast Fashion Companies: The H&M Case Study

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Abstract The chapter investigates the key role played by a system of directly operated stores in the fast fashion business model. For this purpose, a descriptive case study has been carried out on Hennes & Mauritz AB (H&M), one of the leading companies in the fast fashion sector with a wide network of retail stores across the global market. The case study has shown that the store represents the heart of H&M's business model, since, through direct control over the retail network the company is able to develop a profound level of market knowledge, advantageous for launching onto the market, continuous and successful ranges of fashion apparel.

Keywords Store design · Directly operated stores · Fast fashion retailing
H&M case study

8.1 Introduction

The competitive dynamics characterizing the fashion market related to the process of globalization have emphasized the relevance of retailing strategy as a crucial aspect of fashion management. Beyond simply representing a sales channel, the point of sale constitutes an important channel of communication for fashion companies (Kapferer and Bastien 2009; Chevalier and Mazzalovo 2015).

In previous research (Kent 2003; Doyle and Broadbridge 1999), the fashion store has been considered as a vehicle of brand communication, since its environment and internal atmosphere characterize the touch point between customers and the fashion brand (Fionda and Moore 2009; Jackson 2004). Consequently, fashion companies take great care in making their stores a place, where they can express brand identity and reinforce a brand's power.

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Specifically, this paper aims to examine the role of store management in the field of fast fashion, a very interesting area of research, although as yet underdeveloped. The research is based on a case study (Yin 2013) of H&M, one of the leading global companies in the fast fashion sector with directly operated stores spread across the global market.

The paper is organized as follows: after the Introduction, Sect. 2 analyses the theoretical background of the fast fashion business model, store design and flagship store format. Section 3 describes the methodology and examines the H&M case study; Sect. 4 contains the discussion of the findings; and, finally, Sect. 5 draws together the study's conclusions.

8.2 Theoretical Background

8.2.1 *Fast Fashion Business Model*

Over the last decade, the emergence of fast fashion has been considered a real innovation within the fashion industry since, for many years, fashion companies have tried to implement business strategies directed at reducing their time to market in order to respond rapidly to market requests (Barnes and Lea-Greenwood 2006, 2010; Cachon and Swinney 2011; Sheridan et al. 2006). Fast fashion refers to a retail strategy able to quickly adapt product assortments to current and emerging trends (Sull and Turconi 2008) by reducing demand uncertainty and variability and encouraging increased levels of fashion consumption.

Fast fashion companies combine a short time to market, i.e. the period between the production and sale of their products, while offering fashion items characterized by a clearly perceived value at an accessible price (Cachon and Swinney 2011). As argued by Barnes and Lea-Greenwood (2006), they can develop complementarity between manufacturing and distribution since they work on a system of in-season buying and provide in-store dynamic assortments of fashionable clothes capable of attracting customer interest.

Time-based competition has imposed on fashion companies the need to cut the time for each process inside the supply chain, from procurement through manufacturing to retailing (Mason-Jones and Towill 1998) and has even reduced the time between the design of a garment and its launch onto the market. When combined with efficient information management, this enables fast fashion retailers to sell garments that always remain 'fashionable'.

Two main research perspectives can be noted within the emerging literature in this area, namely the supplier-driven and consumer-driven approaches.

The first field of research studies the rapidity and efficiency of the fast fashion supply chain, directed at gaining a competitive advantage, which has seen a surge in fast fashion as a new innovative business model (Bruce et al. 2004; Christopher et al. 2004; Tyler et al. 2006; Mehrjoo and Pasek 2016). In fact, changes aimed at improving the responsiveness of fashion supply chains have been characterized by

the creation of agile supply chains (Christopher et al. 2004) oriented to real-time dissemination of new information. In addition, as argued by Choi (2016), specific information requirements must be respected in order to achieve an efficient fast fashion supply chain system.

Information is a key driver in the quick response approach based on the just-in-time manufacturing applied to clothing companies. Quick response aims at reducing markdowns and stock outs by postponing all risky production decisions until market demand becomes evident (Lowson et al. 1999; Fernie and Azuma 2004). As it is often very difficult to forecast fashion demand a priori (Choi et al. 2014), the only logical solution is to start selling the products and use early sales data to generate forecasts that are likely to prove more reliable (Christopher et al. 2004).

In contrast, an apparel manufacturing traditional cycle is composed of rigid and sequential phases separated over time by seasonality: collection's design, prototype, presentation to wholesalers, orders from wholesalers, production, delivery to wholesalers, shipping to retailers and final sale. In a similar production cycle, the presentation at fashion shows of new collections, twice a year (Autumn–Winter and Spring–Summer), is a critical stage for the subsequent production since manufacturers commence this stage only on the basis of the amount pre-purchased by wholesalers. Moreover, this latter group undertakes orders based on sales' forecasts made by retailers. Consequently, in the traditional model, the economic risk related to unsold goods has an effect only on retailers (Arrigo 2016).

Fast fashion companies have overcome this problem by introducing a major innovation in their value chain, namely garment design at the item-by-item level, instead of for the entire collection. By designing fashion products separately, they achieve two objectives: first, they can introduce new garments throughout the year without waiting for seasonal changes and, second, they can make constant use of corporate resources (facilities, employees, designers, etc.) avoiding workload peaks in particular periods (Caro and Martinez-de-Albeniz 2014). Furthermore, fast fashion production cycles require the launch of small batches of items with high frequency, resulting in flash collections, which are introduced every two weeks. This strategy affects customer behaviour and research in the field of consumer-driven perspective (Gabrielli et al. 2013; Cachon and Swinney 2011; Choi et al. 2010; Chang and Jai 2015) has focused specifically on customers. In particular, fast fashion consumption has been investigated (Joung 2014; Mcneill and Moore 2015) looking at the role that single elements within a store (such as layout, shelf allocation, lights, colours, sounds, windows and location) have on customers' shopping experience and store brand perception (Barnes and Lea-Greenwood 2006). In fact, Gupta and Gentry (2016) recently found that in perceived scarcity conditions such as those typical of fast fashion stores, where limited merchandise is supplied and merchandise availability is manipulated by the fast fashion retailer, consumers' exhibit urgency buying behaviour.

However, the store also represents for fast fashion companies a privileged way to acquire market knowledge (Barnes and Lea-Greenwood 2010) and to develop a good understanding of commercial phenomena in foreign countries. Through a system of directly operated stores disseminated globally, companies can offer

a unique assortment of fashionable products at reasonable prices. Sometimes they also have a number of stores coordinated through franchising systems that are set up to enter specific countries, where a collaboration agreement must be established to meet strict foreign legal requirements. In general, franchising is chosen by global companies to rapidly increase store coverage and brand awareness while containing the risk of failure in unknown foreign markets or, together with joint ventures, to enter countries with high entrance barriers, such as Asian countries, the Middle East or Africa (Arrigo 2010).

As claimed by Moore et al. (2010), the decision regarding store openings in new countries becomes strategic for fast fashion companies and requires detailed research at both the macro and micro level. After an exhaustive study of local players, fast fashion companies usually develop a rapid growth plan, with numerous new store openings close to the initial one. Generally, the chosen locations are in different areas of large cities, from the busiest inner city streets to any urban place or point that can guarantee a large catchment area of customers, such as shopping centres, airports and railway stations.

Finally, online commerce additionally constitutes a relevant sales channel for fast fashion companies since it allows the elimination of high costs derived from establishing and managing physical stores (such as rental charges and employee salaries) and is able to reach a broader customer base. Customer data is collected and profiled and makes it easier for the design team to identify the latest customer trends (Rickman and Cosenza 2007). Fast fashion companies can achieve superior performance using a radio frequency identification (RFID) system at the item level (Madhani 2015). In fact, besides obtaining reduced stock-out, reduced labour costs, reduced inventory costs, and enhanced visibility, they can implement a value added-customer centric approach with benefits in terms of enhanced customer lifetime value.

8.2.2 Store Design and Flagship Store Format

The process of retail store design is very complex since it involves decisions pertaining to store exteriors and interiors that need to match features of practical use and pleasant visual exteriority. Often, companies use the point of sale to differentiate themselves from rivals by providing customers with a shopping environment that is pleasant and attractive and offers a unique brand experience (Morrison et al. 2011). Using factors such as music and sound, aroma, colour and lighting, firms can generate sensory perceptions that influence each customer's experience (Turley and Chebat 2002; Turley and Milliman 2000).

As claimed by Orth et al. (2012), inside the point of sale, many cues are present and they are used by customers and stakeholders to evaluate the company. Obviously, dissimilar cues generate dissimilar customer responses. The design of the retail store environment is, therefore, a crucial element in the fashion brands' marketing strategy, as it contributes to developing a sense of prestige and excellence (Arrigo 2015; Lea-Greenwood 2013).

Many studies have been undertaken on the effects of the cues on customer behaviour and some have shown, for example, that colours can motivate or put stress on customers by influencing their desire to purchase, while music encourages pro-social behaviours and delivers store personality (Haug and Munster 2015). However, a key point in delineating store design concerns the creation of an environment capable of setting off the right customer reaction or feelings.

Haug and Munster (2015) have recently proposed a framework of fashion store design variables and constraints based on the work of Berman and Evans (1995) and Turley and Milliman (2000), in which they distinguish five categories of store variables:

- External variables (such as display windows, size of building, surroundings, parking availability, etc.);
- General interior variables (music, scents, lighting, temperature, etc.);
- Layout and design variables (space design and allocation, placement of equipment and merchandise, waiting rooms, placement of cash registers, etc.);
- Point of purchase and decoration variables (wall decoration, price displays, product displays, etc.);
- Human variables (employee characteristics and uniforms, customer characteristics and crowding).

One of these retail store variables, namely store architecture, is assumed to reflect the brand in the consistency of design and visual appearance; this is relevant predominantly for retailers whose identity is communicated and experienced mainly through their stores (Kirby and Kent 2010).

As stated by Barnes and Lea-Greenwood (2010), the retail environment contains physical elements, which converge to create a distinctive image appropriate to the fashion merchandise. The window display is the first element to interest customers and acts as a communication tool since, generally, it offers a preview of the store's assortment. Similarly, store layout is used to try to guide the movement of consumers inside the store and also provide communication cues.

For these reasons, previous research (Kent 2003; Clow and Baack 2010; Doyle and Broadbridge 1999) has noted that the store has been considered as a vehicle of brand communication, and the store environment and its internal atmosphere able to influence the relationship between customers and the retailer.

Usually, in the fashion industry, fashion garments are distributed through multiple retail formats, such as independent multi-brand stores, department stores, large specialized areas, store brand chains, flagship stores, factory outlets, hypermarkets, etc. (Hines and Bruce 2007). The retail format of the flagship store is designed to take the branding concept to an extreme level and Kozinets et al. (2002) proposed one of the first descriptions of this format based on the three key features:

- Flagship stores supply only a single brand;
- They are owned by their manufacturers; and
- Their primary purpose is building the brand image.

A further enlargement of definitions followed the first produced by Kozinets et al. (2002). For example, Mikunda (2006, p. 228) defined the flagship store as ‘*the principal store of a retail chain*’, Diamond (2005, p. 12) as ‘*the most important in a chain*’, and Frings (2009, p. 458) as ‘*the largest and most representative store in a chain organisation*’. Many features of flagship stores provide a sense of tangibility to the fashion brands and offer a space, where fast fashion companies can leverage the impact of other tools and events connected to brand reinforcement, such as advertising, promotions or other related marketing activities. Consumers frequent flagship stores not only to observe fashion items, but also to experience a fashion brand in an environment completely controlled by the retailer (Kozinets et al. 2002). Due to the strong brand experience they provide, flagship stores have a marked impact on brand attitude, brand attachment and brand equity (Dolbec and Chebat 2013).

As suggested by Manlow and Nobbs (2013), flagship stores have some key features: they are located in a large outlet in a prominent area; they offer the widest and most in-depth product assortment and provide a high quality store environment; and finally, they serve to communicate the brand positioning and values. Frequently, fashion companies open flagship stores only in the most lucrative foreign markets and consider them as a market-entry strategy (Moore et al. 2010). In this case, flagship stores can serve as an important mediator in the development and management of collaborative relationships between the fashion company and its partners within a foreign market (Moore and Doherty 2007).

Flagship stores display a considerable size and provide strong visual impact in order to attract and retain customers, generating interest and curiosity towards a fashion brand. They are usually concentrated in shopping streets visited by customers or tourists, where the density of similar fashion flagship stores is very high and fashion companies can improve their brand positioning (Arrigo 2015).

Finally, Manlow and Nobbs (2013) demonstrated that flagship store design constitutes a key component in the process realized by customers to associate an identity with a fashion brand.

8.3 Methodology: The H&M Case Study

In the previous section, the literature review on the fast fashion business model and store design has been covered in detail. In order to provide a clear picture on the relevance of a system of directly operated stores for fast fashion companies, in this section a case study will be presented. This method has been chosen since the case study is a well-established research method in business studies (Yin 2013) offering an opportunity to better understand the match between current practice and existing theory. Therefore, it appeared as the most appropriate method to investigate the field of fashion store retailing.

The fast fashion company chosen for this case study is the Swedish Hennes & Mauritz AB (H&M) which has been selected for two main reasons:

- It is one of the leading fast fashion companies in terms of global revenues with 209,921 billion SEK (237,569 mil \$), +19% reported in 2014 (Annual Report 2016a); and
- It operates in 64 markets, has over 148,000 employees and its revenues are heavily dependent on these foreign countries (95.47%) (Annual Report 2016a).

Thus, H&M can be considered a strong prototype of a global fast fashion company. Data collection was based on the secondary sources and observation of H&M retail stores in a European context. To be more precise, Milan was the city selected for direct observation of fast fashion retail stores for reasons of proximity and since it represents one of the world's leading fashion capitals in which the most important fashion brands have flagship stores (Jansson and Power 2010). The store visits helped the author to understand the key dimensions of the flagship format and to perceive the internal store atmosphere.

Additionally, the following secondary sources were used for the case study: 2015 Annual Report (2016a); 2015 Sustainability Report (2016b); 2014 Annual Report (2015); H&M 2016 Six-Month Report (2017); and the official corporate website (www.abouthm.com/en). H&M pursues a disclosure policy concerning its business processes by making freely available a great deal of information about its stores. In order to enhance the reliability of the findings, news media and academic papers were also used as sources (Yin 2013).

8.3.1 H&M History

The history of H&M dates back to 1947 when Erling Persson, its founder, opened in Västerås (Sweden) the first store called “Hennes” of women's clothing. In 1964, the first foreign store was inaugurated in Norway and, after, Erling Persson bought the hunting and fishing store Mauritz Widforss in Stockholm in 1968; the company also started selling men's and children's clothing.

In 1974, H&M was listed on the Stockholm Stock Exchange and, in the 1980s and 1990s, started its global expansion outside Scandinavia into the United Kingdom, Germany, Austria, France, the Netherlands and Luxembourg. In the 2000s, H&M also entered the North American market with store openings in the United States.

Since 2004, collaborations with famous designers and fashion icons have been agreed in order to enhance the visibility of H&M clothing. In parallel, the online shopping channel ‘at hm.com’ was launched in Europe and the company started its conquest of emerging countries through the first franchise stores which opened in the Middle East in 2006.

Between 2007 and 2009 new stores were inaugurated in East Asia (Hong Kong), Shanghai and Tokyo and the H&M brand portfolio was strengthened with the launch of COS in 2007, and the acquisition in 2008 of the fashion company FaBric Scandinavien AB that owned the brands Cheap Monday, Monki and Weekday.

Finally, in 2009, H&M also entered the home furniture sector with the introduction of its H&M Home brand.

In succeeding years, the company showed great attention towards environmental sustainability by realizing the first clothing collection, called ‘Conscious Collection’, made with sustainable materials such as organic cotton and recycled polyester. In addition, it launched the project ‘Garment Collecting’ with the purpose of closing the circle for textiles, by becoming the first fashion company to offer clothes collection in stores worldwide for reuse or recycling. In 2011, the company developed a programme directed at its employees, the H&M Incentive Programme, that provided the winner with 1 billion SEK in H&M shares.

In 2013, the brand ‘& Other Stories’ was launched, the number of H&M stores reached 3000 and the online channel was set up in the US. Moreover, the H&M product assortment became wider through the inclusion of sportswear (H&M Sport) and beauty products (H&M Beauty).

8.3.2 *H&M Overview*

H&M sells clothing, cosmetics, home furnishings, accessories and footwear for men, women, teenagers and children. Its business idea is to offer fashion and quality at the best price in a sustainable way in a range of markets. In reality, sustainability represents a key value deeply rooted in the H&M culture (Shen 2014).

Approximately, 200 employees work with sustainability as their core task, the majority of whom are based in 21 production offices worldwide, working directly with suppliers to make the supply chain more sustainable.

As a company with strong values and a long-term approach, H&M aims to use its size and influence to achieve better conditions for people by minimizing the environmental impact throughout the supply chain. H&M pursues a global development policy primarily based on: a multi-brand portfolio; new store openings and online commerce reinforcement; and digitalization and new technologies’ adoption in their supply chain processes (Arrigo 2016).

Its rapid growth is represented in Fig. 8.1 showing company sales and store numbers over the last 5 years (2011–2015).

As depicted in Fig. 8.1, a positive relationship exists between the company’s revenues and new store openings, since both variables show an increasing trend. This fact demonstrates how company growth is based on the development of store number’s worldwide. In particular, in the 2015 fiscal year, the top 10 sales markets were Germany, USA, UK, France, China, Sweden, Italy, Spain, the Netherlands and Switzerland (Annual Report 2016a).

H&M operates in all its markets through six brands: H&M, COS, & Other Stories, Monki, Weekday and Cheap Monday. Each brand has its own unique identity, and together, they complement each other well by having the goal of dressing customers in a sustainable way.

In Fig. 8.2, store brands with the number of countries with stores are presented.

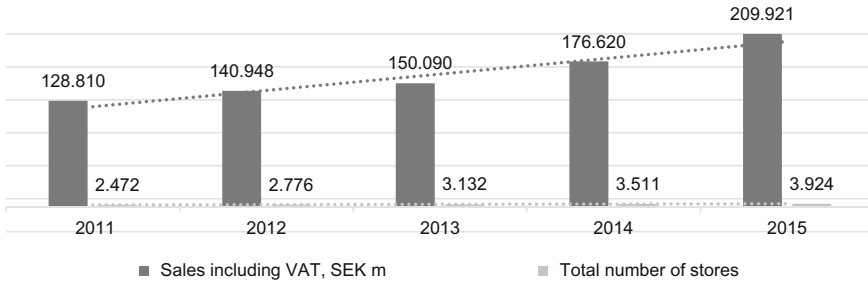


Fig. 8.1 H&M sales and store number (2011–2015). *Source* H&M annual reports (2015, 2016a)

Brand	Foundation Year	Markets with Stores	Online Markets	Store Number
H&M	1947	63	33	3,784
COS	2007	32	19	177
& Other Stories	2013	10	13	36
Monki	2006 (Part of H&M since 2008)	12	19	110
Weekday	2002 (Part of H&M since 2008)	6	18	23
Cheap Monday	2004	35 (via resellers and stores)	18	5 (2,000 resellers)

Fig. 8.2 The H&M multi-brand portfolio (August, 31, 2016). *Source* H&M website

8.3.3 H&M Business Model

Before analyzing store design and management at H&M, it is useful to explain the company’s business model, namely how H&M designs, produces, distributes and sells its offer worldwide. As will be described, the H&M business model is based on in-house design, no intermediaries, large purchasing volumes, procurement of the right products from the right markets, efficient logistics and cost-consciousness across the entire organization (Annual Report 2016a).

- *Design*

H&M creates fashion collections at its headquarters in Stockholm using a design team employing people of different ages and nationalities composed of designers, pattern makers and buyers that project new clothes focusing on good quality, the latest fashion trends, available at the best price. Moreover, H&M has been the first fast fashion company to develop capsule collections in collaboration with international designers and style icons, such as Karl Lagerfeld, in 2014 celebrating 10 years of cooperation.

- *Manufacturing*

H&M does not own factories and its manufacturing is completely outsourced to 820 independent suppliers (of which 153 are preferred suppliers, namely strategic partners), mainly located in Asia and Europe that are continuously reviewed in order to safeguard future expansion, production capacity and geographical location (2015 Sustainability Report, 2016b). The company works actively to ensure that everything customers are offered is manufactured under good working conditions and with the minimum impact on the environment. In H&M's sourcing markets, over 130 employees work to support improvements and to make sure that suppliers live up to H&M's requirements of good social and environmental conditions (Annual Report 2016a). H&M has built a sustainable supply chain by developing eco-materials, providing safety training, monitoring sustainable manufacturing, and reducing carbon emission levels in distributing and promoting eco-fashion (Shen 2014).

- *Logistics*

H&M considers logistics as a core activity by being simultaneously in the position of buyer and seller. Its efficient logistics and ecological transport systems form the basis of ensuring the availability of clothes in the stores, the best price for customers with the least impact on the environment. Efficient flows and cost-consciousness at every stage of the supply chain contributes to safeguarding the right goods in the right quantity for each store. Shipments from the suppliers' factories go directly to logistics centres that support stores placed in the geographical vicinity and, for this reason, stores do not need backup stocks since they are replenished as required from the distribution centres.

- *Retailing*

The store is considered as a key variable for H&M as consumer satisfaction takes place within this location and, consequently, H&M wants to guarantee the best shopping experience for its customers. Since every store must be easily recognizable, window displays are first designed and developed in the 'H&M test-store' in Stockholm and, then, sent to all outlets in order to be reproduced. The company target is to increase the number of stores by 10–15% per year. In addition, H&M products are offered online in many countries.

8.3.4 H&M Store Design and Flagship Stores

As explained previously in the business model description, H&M's evolution is based on the continual opening of new retail stores in major foreign cities. The process of retail store design emerges as very relevant from a brand communication perspective since it allows H&M to spread its brand identity's values worldwide.

Before examining the retail store design at H&M, it is useful to underline the rapid development of its directly operated chain of stores over recent years. In 2015,

only 156 stores were franchised, representing 4% of the total number of H&M stores, concentrated in the United Arab Emirates, Kuwait, Qatar, Saudi Arabia, Egypt, Bahrain, Oman, Lebanon, Israel, Morocco, Jordan, Thailand and Indonesia (Annual Report 2016a). Directly operated stores constitute the remaining 96%; in fact, the contract formula of franchising is chosen when entering emerging countries with high administrative barriers against foreign investors.

During the last 12 months, the company grew at a rate of more than one new store per day and moved into five new markets (Taiwan, Peru, Macau, India and South Africa) with great success. For example, the opening of H&M’s 4000th store at the Indian DLF Mall represented the biggest flagship store opening that the country had seen up until that point.

In Fig. 8.3, store expansion is depicted in the period 2000–2015, also indicating the number of markets with a commercial presence.

In order to examine the geographical location of H&M’s stores, in Fig. 8.4 the store breakdown by region is displayed (dated 31 May 2016).

The majority of stores are currently located in Europe and Africa. However, the company plans to increase its commercial presence worldwide in 2017, through the launch of 430 new stores in five new H&M markets (Kazakhstan, Colombia, Iceland, Vietnam and Georgia).

New retail stores have recently appeared in many locations and have always been well received by H&M customers. For example, the opening of the first store in Taiwan inside Taipei’s Breeze Song Gao shopping centre represented one of the most successful, and was followed up with additional five stores during 2015. Further, the new store opening in Peru was particularly popular with queues of more than 2000 customers waiting to enter to the Jockey Plaza shopping centre in Lima. Moreover, in South Africa, customers began queuing more than 24 h before the opening of H&M’s flagship store in the V&A Waterfront shopping centre in Cape Town.

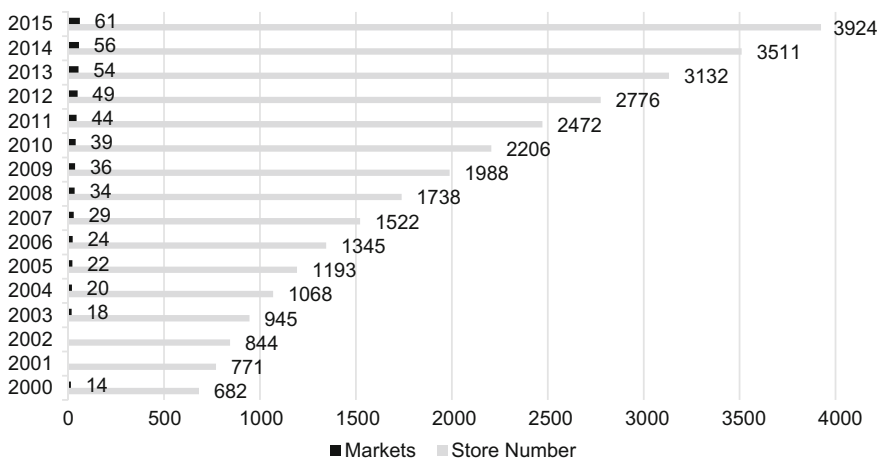


Fig. 8.3 H&M store expansion (2000–2015). *Source* H&M Annual Report (2016a)

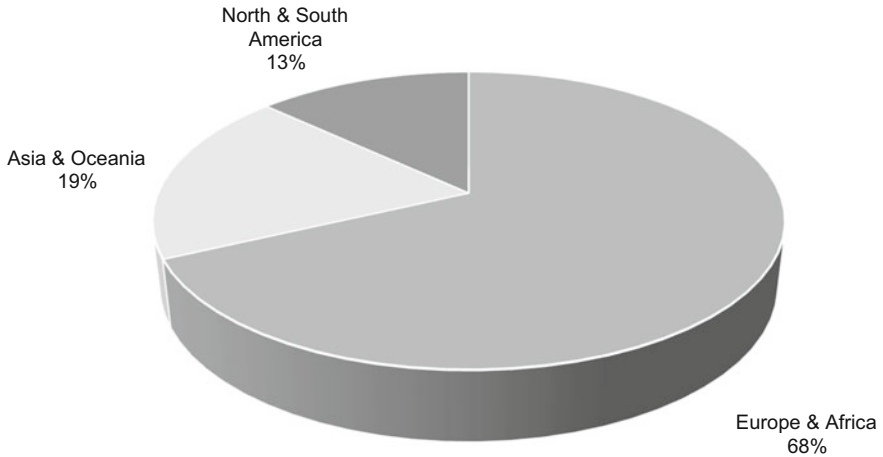


Fig. 8.4 Store breakdown by region. *Source* H&M 2016 Six-Month Report (2016)

An analysis with regard to store design and management, store location decisions, store layout and visual merchandising within H&M will now be outlined.

Firstly, concerning store locations, it is relevant to underline that in order to be sure at all times of selecting the best shopping locations, H&M does not own any store premises, instead, it arranges leaseholds. This provides the company with the flexibility to continually review the sites of its retail stores (H&M Annual Report 2016a). The chosen positions are in different areas of large cities and will certainly include the busiest inner city streets, such as Fifth Avenue in New York or Oxford Street in London, but also any point of the city guaranteeing a large catchment area and plenty of customer transit, such as shopping malls, airports and railway stations. Customers visit the former as a form of entertainment in their free time, while stations or airports are places where tourists or workers spend time while waiting to depart or carrying out their daily tasks.

Second, both product assortment and visual merchandising are carefully coordinated inside H&M retail stores. Their fashion collections are popular with customers living in large metropolises as well as those in smaller towns since they are designed to be both fashionable and classical and provide customers with the best value for money. In addition, in the retail setting, the traditional breakdown of display space into departments, typical of fashion points of sale, is replaced by large open spaces, where garments are already matched with accessories or cosmetics. Clothes are even frequently rotated in order to provide customers with a different display and encourage them to look for products seen during a previous visit. In this way, H&M aims at stimulating multiple purchases by customers and manages all the levers of the retailing mix such as lighting, wall décor, sound and in some cases even aroma, to positively influence the customer's retail experience. There are also specific instructions for store staff that control daily operations at the point of sale.

H&M flagship stores are connoted by a large, modern and new store environment able to deliver the company's brand values. As described earlier, the 'H&M store concept' is developed centrally by a team of architects in Stockholm. The team has also studied the design of the furniture for its most recent store (approximately 2385 m²) in the centre of Milan (Piazza Duomo) developing a specific project providing distinctive elements including marble, mirrors and plants of different sizes and drapes to recreate the atmosphere of an antique Milanese palace.

Generally, all H&M flagship stores are of considerable size with multiple floors and an extensive sales area. Moreover, the architecture, besides reflecting a youthful modern style, transmits the company's commitment to sustainability. In fact, environmentally friendly materials such as certified wood or recycled materials are chosen for the equipment and furniture. H&M has also undertaken to reduce the electricity consumption of each store by using electricity from renewable sources. Retail stores are also used to collect their customers' old clothes for recycling by the company. Over the 2013–2015 period, their stores globally collected 23,072 tonnes of old clothing for reuse and recycling, thereby saving both energy and natural resources (H&M website).

As stated in H&M's nine-month report (2016), in recent years the company has invested considerably in IT in order to develop and strengthen the shopping experience in different areas such as through the continued integration of physical and online stores, expanded and faster delivery options, and mobile payment solutions. In addition, H&M is working on various initiatives within advanced data analytics and RFID in order to gather sales data and deliver the best value propositions to its customers present in 64 markets, with 35 of them having online shops (H&M website). In fact, their e-commerce channel has expanded rapidly, with hm.com becoming one of the most visited fashion sites in the world; reflecting an easy to navigate website which is both interactive, and fully mobile-adapted, and features have been added in order to further increase its availability and services for customers.

8.4 Discussion

For H&M, the retail store represents a key element of its value chain by providing a space to build profitable relationships with customers and acquire a good understanding of customers in foreign countries. H&M manages almost all its stores directly and, in this way, is able to propose to customers a dynamic assortment of fashion items. From the analysis of H&M retail stores, it is possible to assert that the store environment is carefully designed to offer an open space, where customers can freely browse and try on clothes. All the retailing mix levers, such as store architecture, store display, customer service level and store atmosphere are designed in order to influence customer behaviour (as stated by Morrison et al. 2011; Turley and Chebat 2002; Barnes and Lea-Greenwood 2010).

Moreover, according to Manlow and Nobbs (2013), H&M flagship stores communicate the brand positioning and the company's commitment to sustainable development. In addition, the continual updating of its assortment by adding new items that remain on display for a brief period influences the behaviour of customers who are encouraged to visit more frequently H&M retail stores. In fact, only by so doing, are they able to checkout new offers and make purchases, increasing store traffic and multiplying sales opportunities for the company. This has a positive effect on the company's revenues and inventory costs since it generates very small stocks of items.

At this point, it is worth emphasizing that the strategic decision of having directly operated retail store chains allows H&M to achieve a number of objectives.

First, store openings in foreign markets create a link between the centralized corporate global strategy and local market need; in fact, H&M collects data on local sales that will be used to design the new product collections at the company's Headquarters. Traditionally, in fashion companies, the design of new collections is centralized around the figure of the stylist who works in isolation and, for this reason, collections are defined as 'designer-driven', strictly dependent on his ability to interpret market changes. In contrast, fast fashion companies have created a different dynamic where the designers work in teams driven by data on actual sales collected in real time, from the store network.

Second, by selling in different markets, H&M can better assess the economic risk derived from operating in the global market and can diversify the risk of failure in certain markets.

Thirdly, by owning the retail chain network, the company can gather in real time and in a direct way information and data about its customers. To restate, it is able to obtain immediate feedback about sales' performance useful to orientate the design of new fashion items. Furthermore, the choice of having many stores close to each other might appear risky for the potential effect of cannibalization between points of sale of the same company; nonetheless, it can be justified from a cost efficiency perspective. In fact, the presence of several stores in a single city makes it possible for a fast fashion company both to better control the development of its brand identity in the mind of the consumer and to split the cost of transport, delivery and communication across a broader base.

8.5 Conclusion

This chapter aimed to examine the role of the retail store in the fast fashion business model by addressing fast fashion at the supply chain-customer interface and contributing to the fast fashion academic literature from a marketing context.

The H&M case study revealed that the control over the sales network profoundly affects the company's ability to acquire market knowledge and, therefore, the opportunity to develop successful fashion collections. Through direct contact with customers and widespread dissemination of retail stores globally, H&M is able to

collect extensive data in order to build up its knowledge of a range of foreign markets. This information enables H&M to transform market instability into an element which supports the company's success. In reality, due to the accumulated data, the company is able to continuously create new collections in small batches that are immediately bought by customers.

Having a direct retail channel also provides fast fashion companies with the opportunity to better manage customer brand relationships, and to control their extended supply chains from the manufacturing to retailing stage. Moreover, in particular, flagship stores provide the right retail format in which to coordinate all elements of the retailing mix in order to communicate and disseminate the fast fashion brand's identity. As a result, it is possible to conclude that the retail store truly represents the heart of the fast fashion business model.

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