



## **From ladieswear shop to global fashion group**

In September 1947 a shop opens on the main street of Västerås, a town in central Sweden. An advertisement for its opening promises fresh roses and clothes at prices to suit everyone. The shop is called Hennes and it is the first building block in what is to become one of the world's foremost fashion chains. 57 years later, H&M has turnover of nearly SEK 60 billion, employs over 40,000 people and has about a thousand stores in 20 countries (as of 26 August 2004) of Europe and North America.

H&M is the true story of the Swedish ladieswear shop that became a global fashion group. It's also the story of Erling Persson, the Västerås-born pen salesman who visited the USA and was inspired to start up a new concept of a clothing store.

The idea behind Hennes was simple: to sell fashion cheaper and faster than the competition. Right from the start it incorporated Erling's own philosophy – a set of values that would form the basis of the company: straight lines, common sense, team spirit, faith in people, open doors, short decision paths, cost-consciousness and always offering the customer a good deal. It's an approach that permeates H&M still today. Internal recruitment has always been an important part of keeping this special H&M culture alive and many employees started their careers on the shop floor.

One of Erling's favorite phrases was "We have to go where the money is, where you see all the people with carrier bags". This principle of seeking out the best shopping streets has taken H&M from its prime location on Södra Gatan in Västerås to Oxford Circus in London, Strøget in Copenhagen, Fifth Avenue in New York and the Kurfürstendamm in Berlin.

An equally cherished principle is to maintain a fast pace – but taking a "more haste, less speed" approach. In the course of the Sixties an extensive network of stores is built up across Sweden. On taking over the premises of a 200-year-old hunting and fishing store called Mauritz Widforss the company inherits a batch of menswear, providing the impetus for the company's move into men's fashion. And so the ladieswear shop Hennes (Swedish for "Hers") becomes Hennes & Mauritz – bringing Erling's vision of a store offering fashions for all the family a step closer. As the Sixties near their end, the accounts show that the idea has fallen on fertile ground: there are now 42 clothing stores in Scandinavia with turnover of SEK 150 million.

Until now, keenly-priced fashion had been hard to come by in Sweden's new welfare society. H&M changes that. If Ingvar Kamprad's IKEA furnished Swedes' homes, it was Erling's H&M that dressed the people who lived in them.

The company's first store outside the Nordic countries is not established until 1976, when H&M opens the doors of its store at London's Brent Cross shopping centre two years after the company

is listed on the stock exchange. The listing is carried out primarily in order to finance the company's international expansion. After all, people have the same taste whether they are in Sundsvall or Geneva now that the big fashion magazines are spreading their ideal everywhere, as Erling Persson says as the company prepares for its launch in Switzerland in 1978.

The previous year has seen a dramatic new venture at H&M – a store aimed at young people. It soon proves to be a milestone in the company's history. A creative team on the marketing side had thought up a store concept based on a New York model, with a rough-and-ready interior and US-inspired fashion basics. This pilot project proves to be the start of the H&M we know today – a quality-conscious fashion company with its own design department and its own collections.

By the 1970s H&M's design department already exists on a small scale, although the bulk of the range is still bought in direct from suppliers. As the 1980s approach, H&M gradually becomes increasingly sensitive to trends and more dynamic. In 1982 Erling hands over the position of CEO to his son Stefan, who takes over H&M as the company is metamorphosing from a basic hardworking chain into a modern growth company, making the change from largely bought-in ranges for the whole family to designed collections to suit different lifestyles.

As Margareta van den Bosch becomes Head of Design in 1987 another transition is taking place. Suddenly the time when customers were dictated to by the momentum of a few narrow trends is a thing of the past, as the fashion scene blossoms into a mosaic of co-existing trends. It's a development that goes hand-in-hand with H&M's own idea of offering fashion for all.

H&M expands even further during Stefan Persson's time as CEO. Sales had grown by an average of 20% per year since 1972, but now the pace is increased yet more. The decade starts with a brand new advertising strategy in which newspaper adverts are replaced by billboards featuring well-known models – at Christmas 1990 it is Elle McPherson who draws the public's attention. Collections are added and the network of stores expands into Europe country by country. Profits grow tenfold between 1989 and 1994 alone, and H&M becomes an increasingly international business. In the first half of 1991 the Nordic countries account for 70% of sales. Ten years later sales are six times higher, with the Nordic countries representing just a quarter of the business.

H&M injects even more fresh new ideas in the 1990s. The company's image is refined and its slogan "Fashion at the lowest price" is swapped for "Fashion and quality at the best price". It is also at this time that H&M starts to work seriously on corporate social responsibility and produces a Code of Conduct which all its suppliers are required to sign. A little later further decisions of principle are taken: that the company will not sell provocative childrenswear, war-inspired garments, offensive patterns or products tested on animals.

The design and buying department grows during the 1990s and onwards into a melting-pot of over a hundred buyers and just as many designers and pattern designers, from all over the world. They join forces with H&M's production offices out in Europe and Asia to produce over 600 million items every year. The lead time from an idea on the drawing board until the finished garment is in the store varies from two to three weeks up to six months, depending on the nature of the item, while new goods are delivered to the stores daily.

In 2000 H&M bridges the Atlantic with the opening of a flagship store on New York's Fifth

Avenue. Three years later sees the company opening its first store in neighboring Canada.

Rolf Eriksen, CEO since 2000, sums things up in the 2003 Annual Report: “Over the past three years H&M has increased the number of stores by nearly 40 per cent, increased turnover by nearly 60 per cent and profit after tax by 150 per cent.”

H&M is continuing its expansion in the 21st century. And the secret of its success? Fashion and quality at the best price, of course.