

CORPORATE BRAND MANAGEMENT AND REPUTATION

MASTER CASES

**Damned if you do, damned if you don't.
H&M's challenge in establishing a
sustainable reputation.**

By:

Felix Ellqvist

Nicholas Kisling

Katharina Junge

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Corporate Brand Management and Reputation: Master's Cases

The "Corporate Brand Management and Reputation: Master's cases" is a case series for applying the case method of teaching and learning in higher education. The cases are relevant to brand strategists in private and public sector organisations, as well as academics and students at universities, business schools, and executive education.

The cases are written by groups of master's students as a course project. The specially developed case format is defined as: *"A management decision case describes a real business situation leading up to a question(s) that requires assessment, analysis, and a decision reached by discussion in class. The alternative approaches and recommendations from the class discussion are followed by a description of the choices made by the case company. This description is then discussed by the class."*

The student groups select the topics of their case providing updated and relevant insights into the corporate brand management. The cases can be used as "written cases" (handed out and read in advance, later to be discussed in class) and/or as "live case" (presented by the teacher following a discussion in class). Each case includes teaching notes, visuals with speaker's notes, learning objectives, board plans, and references.

The mission of the series is *"to develop cases for discussion providing insights into the theory and practice of corporate brand management and reputation, with the intent of bridging the gap between academic teaching and managerial practice."*

The series is a result of co-creation between students and teachers at the elective course Corporate Brand Management (BUSN35 – five-credit course/eight-week half-time studies), part of the master's program International Marketing and Brand Management at Lund School of Economics and Management, Sweden. The cases represent the result of the intellectual work of students under the supervision of the head of course.

Although based on real events and despite references to actual companies, the cases are solely intended to be a basis for class discussion, not as an endorsement, a source of primary data, or an illustration of effective or ineffective management. The cases are free to be used and are to be cited following international conventions.

Editor

Mats Urde

Associate Professor

mats.urde@fek.lu.se

Head of master's course Corporate Brand Management (BUSN35), part of the master's program International Marketing and Brand Management.
Lund School of Economics and Management, Sweden.

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WRITTEN CASE

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KATHARINA JUNGE

WRITTEN CASE

Re: Putation

"(Un)sustainable fashion: H&M breaks promise."

"H&M sued for greenwashing claims, again."

"H&M under fire!"

Helena Holgersson is sitting in her office on the top floor of H&M's Stockholm Headquarters staring at the headlines flickering on her computer screen. It has been a week of intensive media coverage on the latest greenwashing accusations towards the company she has been in charge of since she was appointed CEO two years ago. Or shall we say: another week? Throughout her quarter-century at H&M, the company had faced repeated criticism over environmental pollution, exploitation and customer delusion. Meanwhile, H&M had taken numerous initiatives to make the company a sustainable industry leader, setting up ambitious environmental goals and a circular mission, reporting yearly, taking measures to strengthen workers' rights, and innovating textile production processes for the better. *Damned if we do good, damned if we don't*, Holgersson murmurs and turns away from her computer. *Is the criticism ever going to stop?* Every measure taken seems to only make the media more eager to find flaws in H&M's operations and with every negative headline the company risks losing trust among their stakeholders. Torn, the CEO turns back to her computer and starts writing an email to the executive team. **Subject: Should H&M continue to be vocal about their sustainability efforts?**

History and background

H&M was founded in 1947 by the Swedish entrepreneur Erling Persson. Ever since, the company has grown to become one of the largest fashion corporations in the world. Today the H&M Group is home to a variety of brands, including COS, Monki, Arket, Weekday, Afound, & other stories, and – of course – its flagship brand H&M. The company's expansion has led to a presence in 78 markets with

approximately 5000 stores worldwide, 3947 of which are held by the eponymous H&M brand. Only outmatched by Inditex SA, H&M Group totalled 223,553 Million SEK, placing the Swedish retailer second in revenue in the fast fashion sector. The present case focuses on H&M as the most prominent and yet most controversial brand in the group's portfolio. While the brand today promises to provide affordable, on-trend clothing with a sustainability focus, this consciousness was not always given.

When Helena Holgersson started her career at H&M in 1997, the company was just facing an international wave of outrage. A Swedish TV documentary called "H&M: Latest fashion, but at what price?" had uncovered child labour and poor working conditions at suppliers in China and the Philippines. While H&M initially denied the allegations, the company came under increasing pressure as additional allegations emerged. The Clean Clothing Campaign (CCC) surfaced several violations of core labour rights at H&M suppliers in Bangladesh and India, among other countries, and carried out an international campaign against the company. A survey showed the extent of the damage to H&M's reputation: Three out of four Swedish customers surveyed stated they would no longer shop at H&M. In response, the management announced that they were "open to everything to get rid of the stigma of an exploitative and unethical company" (Köhnen, 2006, own translation). Later that year, H&M introduced a company code of conduct that still obliges the fashion company's suppliers to ethical standards today.

On January 1, 2020, 23 years after, Helena Holgersson was appointed the new CEO of the H&M Group. Holgersson had previously played a key role in driving and developing the company's sustainability initiatives as Head of Sustainability and Global Head of Production. Taking over from Karl-Johan Persson, a member of the founding family, who struggled in maintaining market share against lower-priced competitors and novel digital platforms, the new CEO promptly declared her clear mission to further put sustainability "at the heart of how we operate and develop the group" (H&M Group, 2020, p. 4). H&M published its first-ever corporate social responsibility (CSR) report in 2003, described by the company as "a first attempt to make H&M's commitment to sustainability understandable for a wide group of stakeholders" (H&M, 2003, p. 2), stating that "the journey towards the publication of this report has been one of insight and learning" (ibid). While the 1997 scandal surely was a wake-up call for the company, proving "damned if they don't", the 2003 publication of its first CSR report may be regarded as the public kick-off to H&M's sustainability strategy. In the 83-page report, the company outlined their sustainability vision and objectives for the implementation of its code of conduct in their supply chain, as well as the company's environmental impact, objectives, and targets. Throughout the years, the sustainability report fused with the company's annual report, underlining both the environmental and social commitment turned brand strategy, and the stakeholders' and consumers' increasing demand for and attention towards sustainability issues.

H&M has often been labelled as a „pioneer in sustainable fast fashion“ (Yang, Song & Tong, p. 6) by industry experts and has successively ranked high(est) on the Fashion Transparency Index. However, H&M continues to see itself confronted with repeated accusations of exploitation and *greenwashing*, *see Exhibit 1*. Greenwashing refers to “the dissemination of false or deceptive information regarding an organisation’s environmental strategies, goals, motivations, and actions” (Becker-Olsen & Potucek, 2013, p. 1318). In 2019, the Norwegian Consumer Authority notoriously accused the company of misleading marketing of its "sustainable"-labelled Conscious Collection. Two years into Helena Holgersson’s new role as group CEO, the next and most recent reputational setback hit the company. In 2022, H&M faced multiple lawsuits in US federal courts, again accusing the company of greenwashing.

The conflict between fast fashion and sustainability

The most recent accusations are not novel to Helena Holgersson, but they are rather the culmination of a decade-long, fierce global debate, the CEO reflects. H&M’s brand promise of “offering the latest styles (...) – always”(H&M, n.d.) is exemplary for today's fashion industry that is characterised by rapid speed and transience. Originating in the 1960s, the fast-paced production and distribution system of *fast fashion* has been widely criticised for its detrimental impact on people and the environment. As marked out by Kapferer (2015, p. 19),

„The business model of fashion is based on the necessity of making as much money as possible at the start of the season before the item goes out of fashion. (...) In addition, relocation of production to low-wage countries is the norm because this maximises gross margins by reducing the costs of manufacturing and quality controls.“

The outsourcing of textile production has brought both positive and negative impacts on these countries. As seen in Bangladesh, where the collapse of the Rana Plaza textile factory in 2013 resulted in over 1,100 deaths and exposed poor working conditions at the production site that produced garments for H&M, among other fashion brands. The incident exemplifies how workers' safety is often compromised in fast fashion production, with below-average wages, long working hours, and harmful chemical exposure being the norm. In addition, illegal child labour and underpayment are frequently reported in the supply chains of fast fashion.

But the tensions of course do not end here. Fast fashion's environmental problems start with the production and cultivation of raw materials, such as cotton, which often occurs in monocultures, endangering biodiversity. Conventional cotton production is estimated to consume up to 26,000 litres of water per kilogram. In addition, the use of pesticides and chemical substances summate to a 20% share of responsibility for global industrial water pollution. Polyester and other synthetic

fibres further contribute to water pollution due to microplastic release during washing. The fashion industry is a significant contributor to carbon emissions, estimated at 1.7 billion tons annually. At the end of their lifecycle, clothes usually end up in landfills or are burned. Due to the high cost and technical complexity of recycling, only about 13% of all garments are currently recycled. This highlights a major dilemma in the fast fashion industry: frequent trend changes and low quality lead to more than half of tops, pants, and shoes being discarded within three years, according to a Greenpeace study (Greenpeace, 2015). The dominant low-price strategy in the industry often makes recycling financially unviable.

A never-ending cat-and-mouse game?

H&M, however, has invested heavily in research and development of new recycling methods. As a result, in 2010, the company presented its first collection exclusively made of recycled polyester, organic cotton, and other sustainable materials, coined the *Conscious Collection*, intended as a strong statement of how the company aims to increase the percentage of sustainable materials used in production. Ever since, the Conscious Collection has established itself as a constant part of the company's assortment. While the collection has received positive feedback from consumers, with many appreciating H&M's efforts to offer more sustainable fashion, however, it also received backlash. The collection is characterised by a limited quantity and higher price. While on the one hand, it may be argued that the limited edition allows for H&M to avoid overproduction and is therefore a responsible decision, the exclusive nature of the collection has been criticised for creating an increased demand through artificial scarcity and capitalising on the sustainability trend. Furthermore, the Conscious Collection was subject to the most recent outrage in the company's history. In 2019, the Norwegian Consumer Authority legally accused H&M of marketing the collection as more sustainable than it actually was. In 2022, H&M faced legal action from two US federal courts. In both New York and Missouri, the plaintiffs repeated the 2019 greenwashing accusations, pithily claiming that they had consequently overpaid for the products, assuming they were sustainable when they actually were not. H&M reacted, stating that the company took the allegations seriously and would be thoroughly investigating the case. The lawsuit, however, made headlines all around the world, damaging the company's conscious image.

Around the same time of the year, further negative headlines were made across the pond. In an attempt to increase transparency, H&M launched its own version of the Higg Index Sustainability Profile in 2021, a program based on independently verified environmental impact data from the Higg Materials Sustainability Index (MSI), which was intended to provide environmental performance scores for materials on selected products across the company's online

stores in Europe and the US. Each product would be given a score based on the environmental impact of the materials used for production, allowing customers to compare the environmental impact of their purchases based on factors such as the amount of water and fossil fuels used in the materials. Contrary to its intention of allowing customers to make more informed purchasing decisions, an investigation by the renowned US news outlet *Quartz* revealed that half of the environmental scorecards provided were misleading or, in several instances, even entirely inaccurate. The revelations forced H&M to remove the scorecards from its website and fundamentally revise the program.

At H&M, social and environmental sustainability are an executive responsibility and “part of the [company’s] DNA” (Transformational Company, n.d., n.p.). In an attempt to increase awareness for H&M’s sustainability core value, the brand launched its *Garment Collecting Programme* in 2013, sloganed “Let’s close the loop.” To date, it provides customers with the option to turn in used clothing for the company to recycle or reuse, in return for a 15% discount on their next H&M purchase. H&M is working with an external business partner in the further process, which is sorting and classifying the clothes into three categories: rewear, reuse and recycle. Accordingly, the textiles are either donated to second-hand clothing charities, converted into scrap fabric, such as cleaning cloths or recycled. In fact, most collected garments are still wearable and can be reworn. While it may be argued that those clothes are therefore rescued from the landfill, critics blame the clothing donations for destroying the textile industry in the receiving countries, where the garments anyways still end up being thrown away at some point. Similarly, the reused scrap fabrics often end up being single-used. Only 0.1% is recycled into new material. The critics have therefore - again - been accusing H&M of using misleading claims and breaking promises, arguing that the campaign only creates incentives for further purchases by removing guilt through the donation.

An even more complex controversy arose in 2021 following H&M's action to stop buying cotton from the Xinjiang region of China due to uncovered forced labour of Uyghurs, signalling the company’s corporate responsibility. While the decision was praised in Western countries, the Chinese reacted with a boycott, accusing H&M of attacking China. The backlash led to a decrease in sales in the country and ultimately to the closure of several stores. The outrage exemplifies the diverse and, at times, contradictory expectations of internationally operating companies, and the question arises if these companies can ever satisfy all stakeholders simultaneously?

Of course, this is only a glimpse of the measures taken by H&M and the criticism it received in return. It seems to be a never-ending cat-and-mouse game: The more vocal the company is about their commitments, the louder it echoes back from the critics. “Unpicking H&M's sustainability report has become the spring activity for those interested in sustainable reform of the fashion industry”, *The Guardian* wrote once (Siegle, 2013, n.p.). Damned if they do, damned if they don't, one could conclude.

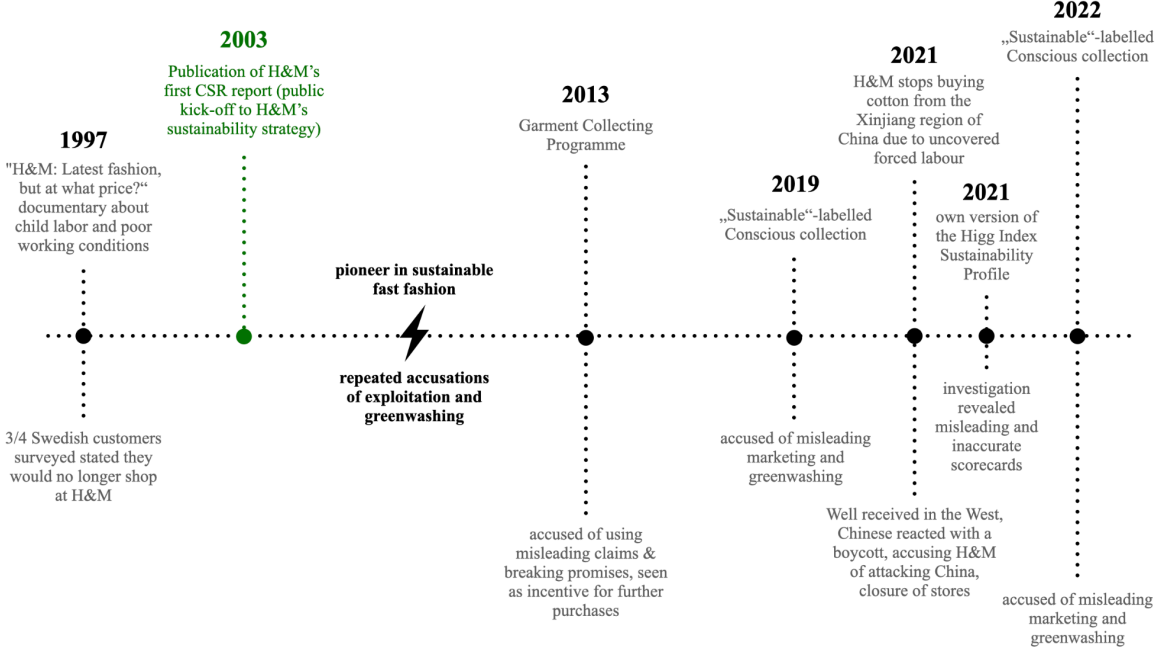
The subtle sound of an email notification snaps Helena Holgerrson out of her thoughts:

Re: *Should H&M continue to be vocal about their sustainability efforts?*

Let's talk this through.

The H&M executive team is meeting for a strategy discussion. As a member of the team, would you advise H&M to continue to be vocal about their sustainability efforts?

Exhibit 1 Actions and reactions timeline



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