

Racing the Algorithm: H&M vs. Shein

MANAGEMENT DECISION

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So What Did the Board of H&M Decide?

In the months following the executive board meeting, H&M did not launch a full-scale imitation of Shein's LATR model. While leadership acknowledged the operational efficiency and inventory optimization advantages embedded in Shein's ultra-fast system, the board ultimately rejected a radical structural shift toward ultra-fast fashion.

Brand Authenticity and the Risk of De-positioning

After deliberation, leadership at H&M determined that fully replicating the ultra-fast production model associated with Shein would represent a de-positioning of the brand. While Shein thrives on a purely "born-digital" model focused on micro-trends, H&M's value proposition is tied to a hybrid omnichannel experience and a legacy of curated European design. While algorithm-driven product batching and rapid testing models like LATR offer advantages, adopting such a system would reposition H&M from a global omnichannel fashion retailer to a reactive digital commodity. Consequently, the leadership team concluded that H&M must compete on brand resonance and emotional connection rather than relying on algorithms.

The board recognized that this would change not only operations, but also stakeholder expectations and the perceived authenticity of H&M's sustainability claims. The board recognized that a shift to ultra-fast cycles would ultimately create too large of a credibility gap for environmentally-conscious stakeholders, both internal and external.

The decision, therefore, was not framed as "speed vs everything," but as a question of more long-term brand cohesion.

Rationale

H&M's brand has been built around three pillars: global accessibility through omnichannel presence, creative fashion at scale, and public commitments to sustainability and transparency. A full transition to an ultra-fast model could create tension between these commitments and a production system optimized primarily for rapid trend exploitation.

Moreover, ultra-fast fashion models are facing more and more regulatory and reputational scrutiny in the European Union. Given H&M's strong European heritage and high visibility as a company, leadership acknowledged that mirroring Shein's model could increase legitimacy risk at a time when expectations for environmental and social responsibility are intensifying. The board therefore concluded that imitation would not necessarily translate into sustainable competitive advantage.

Strategic Direction

Rather than replicate Shein's model, H&M continues to choose to evolve within its existing strategic framework. The company has already publicly communicated investments and usage in AI, mainly to improve forecasting, personalization, and operational efficiency. In 2025, H&M debuted its "Digital Twin" models on their website – fully authorized, labeled, AI-generated copies of 30 of its real models. These digital twins showcase the company's direction regarding creative usage and AI transparency. **See Exhibit A.** Leadership reaffirmed that technology would serve as an enabler of better execution and creativity, not as a way to redefine the company as an ultra-fast fashion competitor. This approach allows H&M to pursue efficiency in a variety of areas while preserving alignment with its publicly communicated sustainability ambitions and corporate brand positioning.

Furthermore, H&M already specifically utilizes AI in their current processes, claiming that "predictive AI is one of the techniques that enables [them] to meet customer demand quicker with higher accuracy and precision, as well as better align supply with demand." Where Shein uses the AI-enabled LATR model to achieve peak efficiency with minimal inventory risk, H&M is using AI to complement its current offerings.

Identity Preservation and the Rejection of the Ultra-Fast Archetype

An ever-important conversation that brand managers must have is staying true to the brand and not playing to the competitors. In this regard, there is an avoidance of brand convergence within the ultra-fast fashion sector. Leadership recognizes that, for H&M, adopting Shein's LATR model would mean surrendering its unique market position. By adopting the fast, low-cost model of digital platform, H&M risks becoming a mere imitator of its competitor, ultimately validating Shein as the new industry standard. To prevent brand dilution, the decision to not adopt the model ensures a clear distance from the ultra-fast distinction, and better preserves H&M's identity as a global fashion curator with a physical presence and design that Shein cannot replicate.

Exhibit A Digital Twin, an AI-powered project by H&M



Source: <https://hmgroupp.com/news/hm-continues-its-exploration-of-creativity-with-ai/>