

# **Racing the Algorithm: Shein vs. H&M**

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## **TEACHING NOTES**

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The authors prepared this case solely as a basis for class discussion and not as an endorsement, a source of primary data, or an illustration of effective or ineffective management. Although based on real events and despite occasional references to actual companies, this case is fictitious and any resemblance to actual persons or entities is coincidental.

# Teaching Notes

The following teaching notes aim to support teachers in successfully presenting the “Racing the Algorithm: Should H&M vs. Shein?” case by offering structured guidance on how to approach and present the case. These notes will help the reader understand the case enough to be able to introduce, develop and make a branding-worthy case. The case explores a strategic dilemma at the intersection of corporate brand identity, business model innovation, and algorithm driven disruption in the fashion industry.

The teaching notes outline the learning objectives and relevant theoretical frameworks necessary to understand the case’s core issues. It also provides recommendations on how to structure the discussion, how to connect managerial decision-making with the corporate brand theory, and how to maintain ambiguity to stimulate debate.

## Case Synopsis

Stockholm, March 2026. Inside the H&M Group’s headquarters, senior executives reviewed a series of industry reports projecting the rise of ultra-fast fashion platforms. Out of all, one headline stood out: “This could be the end of traditional fast fashion.” Analysts pointed out the rapid growth of Shein, a digital-only, ultra-fast fashion retailer, capable of launching new products daily using data-driven algorithms and real-time consumer signals. While on the other side, H&M had spent decades refining their global supply chains, Shein has appeared to operate under different rules. Yet, the market has revealed an uncomfortable reality: many of H&M’s core customers were and are still shopping on Shein. H&M has accelerated investments in artificial intelligence and increased their efforts to reposition the brand towards creativity and responsibility.

Now, the executive board of H&M convenes for a strategic meeting to address the intensifying pressure from Shein and its increasingly popular counterparts. Margins are tightening, younger consumers are gravitating towards ultra-low prices, and industry and market analysts continue to question whether fast fashion can survive against algorithm-driven production. During the meeting, the Chief AI Officer presents a bold proposal: fully adopt Shein’s LATR model to beat them at their own game. The argument is clear – greater efficiency, reduced inventory, faster response to changing trends, all while lowering costs.

However, **as the Chief Brand Officer**, you recognize the strategic implications extend far beyond just efficiency. H&M has built its brand on product availability, scale, global omnichannel presence, and an increasing commitment to sustainability and transparency. A sudden shift towards ultra-fast fashion may help speed and

lower costs, but it may also undermine H&M's brand identity, stakeholder trust and long-term positioning.

The board now turns to you.

**What would be the corporate brand implications of adopting the LATR model, and should H&M pursue this transformation?**

## **Learning Objectives**

H&M and Shein compete directly within the fast-fashion industry, where rivalry centers on design innovation, pricing strategies, supply chain agility, and marketing execution. In an era shaped by globalization and rapid digitalization, competitive pressures have intensified significantly, requiring brands to continuously innovate in order to capture consumer attention and foster long term loyalty. To further analyze these competitors and H&M's management decision to mirror Shein's ultra-fast strategy or not, the learning objectives aim to deeply understand a series of theoretical aspects. First, Urde's 2024 Brand Matrix serves as a core understanding of H&M's brand identity and its coherence, followed by The Corporate Brand Identity and Reputation Matrix of H&M (Urde & Greyser, 2016), Business Innovation model concept, and the role of corporate communication on brand reputation. This mix of theory allows the teacher to truly grasp the learning outcomes the students will have.

## **Theoretical Frameworks**

### *Corporate Brand Management*

Corporate brand management can be understood as a strategic, organization-wide process through which the corporate brand is deliberately developed, aligned and sustained in order to create long-term value for the multiple stakeholder groups. From the stakeholder and communication perspective, corporate brand management involves aligning corporate identity, corporate communication, and organizational behavior to ensure consistency and credibility (Roper & Fill, 2012),

At the same time, corporate brand management is not merely about external communication or image building. From an identity perspective, Urde (2024) argues that the corporate brand should be anchored in the organization's brand values, heritage, culture & mission and organizational behavior. Rather than being treated as a marketing instrument, the corporate brand is a strategic framework that integrates the vision, culture and stakeholder relationships.

Applying the concept of corporate brand management to the H&M case, the case provides a rich illustration of brand management both from a stakeholder alignment challenge but also from the identity dilemma while trying to respond to the market needs. Therefore, H&M positions itself as a fashion-forward yet sustainability-conscious retailer. The brand communicates its commitments to circularity, recycled materials, and climate targets (H&M Group, 2024). However, the

case raises the potential tensions H&M’s identity could suffer from if they decide to change their current operational model in order to respond to players like Shein.

The teaching discussion should therefore explore:

- Does the company’s decision of changing their business model undermine stakeholder trust?
- How do different stakeholders (consumers, regulators, NGOs, investors) interpret this change?

*Corporate Brand Identity Matrix*

When a corporate identity is coherent, the core shapes the entire picture, all nine elements in the three categories are well refined and well aligned. When everything clicks, the corporate brand is clear in the stakeholder’s minds, the organization’s relationships are strong, and the organization itself functions as a unified whole (Urde, 2024). H&M’s brand matrix allows to fully see the core of the brand and analyze if it is worth losing its elements through a managerial decision, and if so, how would the head of branding cope with that decision from their branding lens.

<b>EXTERNAL</b>	<p><b>VALUE PROPOSITION</b></p> <p>What are our key offerings and appeals to customers and stakeholders?</p>	<p><b>RELATIONSHIPS</b></p> <p>What should be our relationships with key customers and stakeholders?</p>	<p><b>ASPIRED POSITION</b></p> <p>What is our aspired position in the market and key customers’ and stakeholders’ hearts and minds?</p>
<b>BRIDGE</b>	<p><b>EXPRESSION</b></p> <p>What is distinctive about our communication making us recognizable at a distance?</p>	<p><b>IDENTITY CORE</b></p> <p>What do we promise, and what are the core values that sum up what our brand stands for?</p>	<p><b>PERSONALITY</b></p> <p>What human qualities form our corporate character?</p>
<b>INTERNAL</b>	<p><b>MISSION &amp; VISION</b></p> <p>What engages us (mission) and what is our direction and inspiration? (vision)</p>	<p><b>CULTURE</b></p> <p>What are our attitudes, and how do we work and behave?</p>	<p><b>COMPETENCES</b></p> <p>What are we particularly good at, and what makes us better than the competition?</p>

Figure 1: Brand Matrix. (Urde, 2024)

<p><b>Value Proposition</b></p> <p>Fashion and quality at the best price in a sustainable way. Today, H&amp;M Group is present in more than 75 markets worldwide, of which almost 60 also offer online sales. (H&amp;M, 2026)</p>	<p><b>Relationships</b></p> <p>Builds, fosters, and sustains relationships through high-profile designer collaborations, and strategic, long-term partnerships with independent suppliers based on transparency, and a sustainable, circular fashion focus. Since 2011, they have used a supplier relationship management system that helps to evaluate and develop their suppliers across several business and sustainability parameters. They reward high-performing suppliers by providing production plans well in advance. This allows factories to plan for, and better manage, peaks and troughs in demand. For our strategic suppliers, we plan our order capacity as far as three to five years ahead, which gives them the stability to invest in their facility and workforce. (H&amp;M, 2025a)</p>	<p><b>Aspired Position</b></p> <p>They are focusing on omnichannel growth – increasingly integrating our digital and physical channels so they interact and strengthen each other, building a seamless, holistic customer journey. They want to provide a seamless and inspiring experience anytime and anywhere.</p>
<p><b>Expression</b></p> <p>The brand’s highly recognizable red logo, and their personal H&amp;M Serif and Sans fonts.</p>	<p><b>Identity Core</b></p> <ul style="list-style-type: none"> <li>• We are one team.</li> <li>• We believe in people.</li> <li>• We are entrepreneurs.</li> <li>• We make constant improvement.</li> <li>• We are cost conscious.</li> <li>• We are straightforward and open-minded.</li> <li>• We keep it simple.</li> </ul>	<p><b>Personality</b></p> <p>Youthful, fast-paced, optimistic, trendy, and accessible.</p>
<p><b>Mission &amp; Vision</b></p> <ul style="list-style-type: none"> <li>• Lead the change</li> <li>• Scale innovation</li> <li>• Promote transparency</li> <li>• Become net-zero across their value chain by 2040</li> <li>• Scale circular models and systems for their products, supply chains and customer journeys (H&amp;M, 2025b)</li> </ul>	<p><b>Culture</b></p> <p>H&amp;M’s workplace is inclusive, and respectful. They encourage and help each other to win together. They see the big picture and collaborate across boundaries, sharing skills and knowledge in the best interests of the company to create unbeatable customer value. (H&amp;M, 2025b)</p>	<p><b>Competences</b></p> <p>H&amp;M excels at merging high-fashion collaborations (e.g., Mugler, Versace), and at having a top-tier Sustainability Transparency.</p>

Figure 2: H&M’s Brand Matrix. Team’s contribution. (2026)

H&M’s proposed matrix indicates that the brand’s core values are consistently and coherently represented across all nine elements of the framework, which means the managerial board would need to thoroughly assess the impact on the brand if they were to embrace Shein’s supply chain and communication strategy.

### *The Corporate Brand Identity and Reputation Matrix*

To better analyze what would happen if the board decides to embrace a similar system to Shein’s LATR model, we are now expanding the corporate matrix into the Corporate Brand Identity and Reputation Matrix. A brand's reputation is the sum of personal judgments based on past and present words and deeds, as well as future prospects. Reputation is built by image upon image, together and over time (Urde, 2024). The Corporate Brand Identity and Reputation Matrix was introduced by Urde & Greyser, and focused on how a brand’s multiple stakeholders perceive the brand, and to what extent these external perceptions match the internally driven identity.

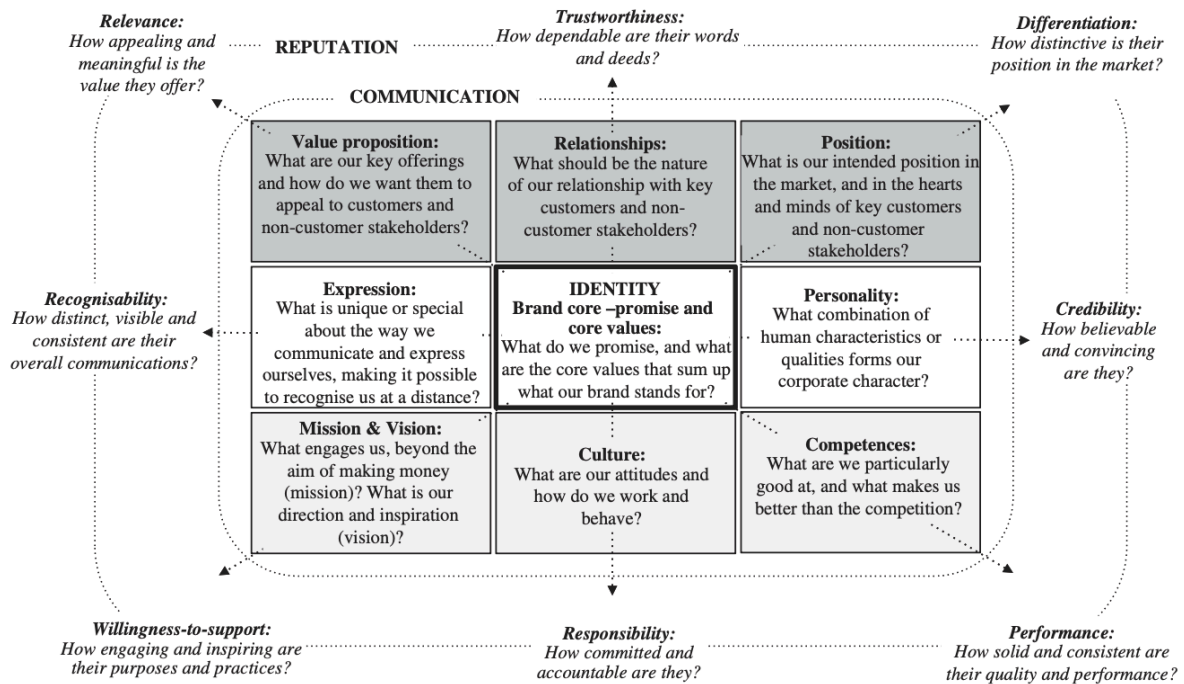


Figure 3: The Corporate Brand Identity and Reputation Matrix (Urde & Greyser, 2016)

In this case, we are presenting the possible positive and negative scenarios H&M’s brand identity and reputation might undergo. This will allow the person presenting the case to have better guidance on how to guide the case and the student’s responses. Highlighted in green, you will see the possible impact that embracing the new system might have on H&M’s brand, whereas in red, you see what happens if they decide not to do it and keep their brand as it is. The original framework only focuses on one possible outlook however, for this case we thought it would be of additional help to further explain and nurture the matrix.

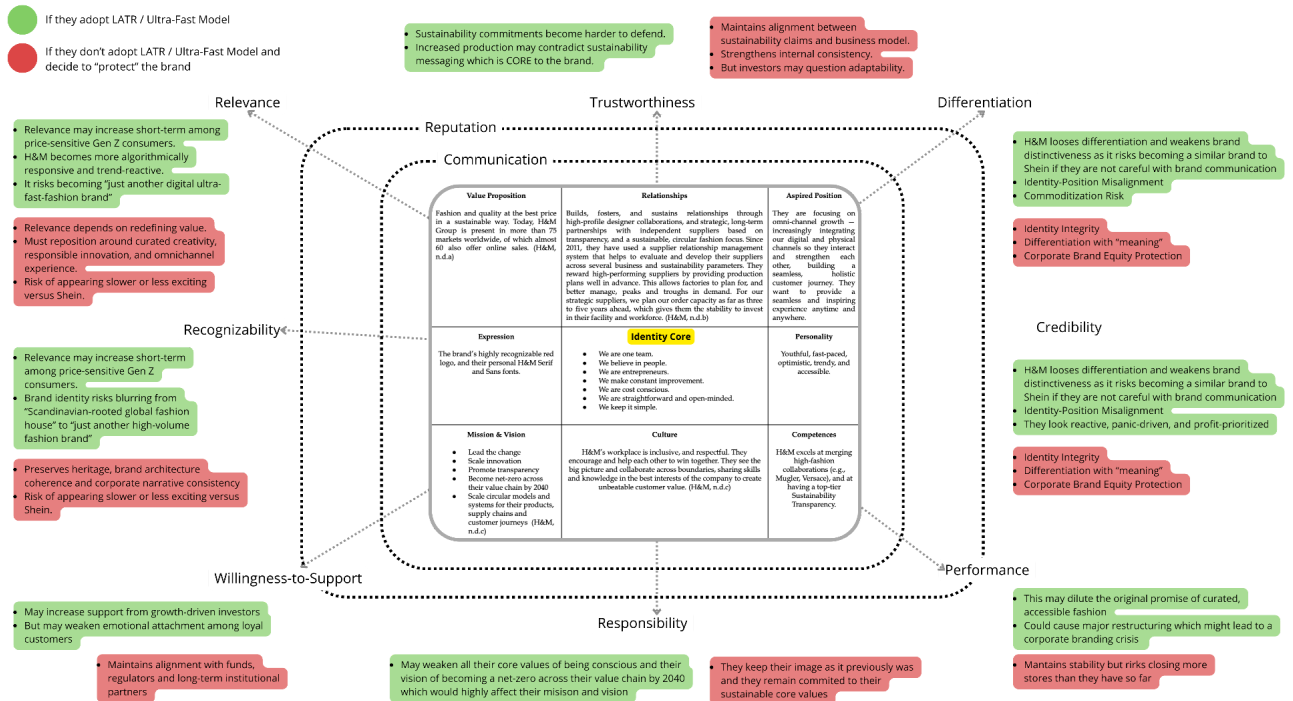


Figure 4: H&M's Corporate Brand Identity and Reputation Matrix. Team's contribution. (2026)

## Business Model Innovation (BMI)

Business Model Innovation is characterized by the art of enhancing value in an already existing business model by making changes to it (Lindgren, 2018). BMI involves changes to the content, structure or governance of key activities within the firm's value creation process (Amit & Zott, 2012). This process can be incremental or radical. In the case of H&M, BMI becomes important when evaluating whether the sustainability and AI initiatives represent genuine transformation or just an unaligned strategy to respond to players like Shein.

AI and its implementation play an important role in this discussion. H&M is starting to use AI in creativity processes and to some extent it is used in their forecasting and trend analytics. From the BMI perspective, this can lead to:

- Reduced overproduction
- Optimized markdown cycles
- Improved market response

But at the same time the implementation could lead to fragmentation of the brand identity and reputation, asking:

- Is the implementation aligned with our values and sustainability objectives?
- Do we want to be linked to Shein as a competitor?
- Do we want to be ultra-fast fashion?

The central debate is therefore whether AI and sustainability are transforming the business model or stabilizing it under competitive pressure.

### *Corporate Communication as Strategic Stakeholder Activity*

According to Roper & Fill (2012), corporate communication refers to the strategic management of communication between an organization and its multiple stakeholders, all of this with the aim of building reputations, legitimacy and long-term relationships.

Therefore corporate communication ensures consistency between what the organization says, what it is (identity), and what it does (behavior). Misalignment between these could lead to damaged corporate reputation.

In the case of H&M, corporate communication plays an important role in shaping stakeholders perceptions around sustainability or in case of the selection of the LATR model.

H&M communicates actively about:

- Climate targets
- Circularity initiatives
- Recycled materials
- Garment collection programs
- Ethical sourcing commitments

Therefore, the teaching tension would be in terms of misalignment:

- Do H&M's sustainability communications align with the operational model?
- Is there consistency between the corporate messaging and the supply chain model?

The case is meant to allow students to assess whether H&M's corporate communication:

1. Strengthens corporate reputations through transparency and strategic alignment
2. Potential risks like greenwashing.

This case shows that corporate communication is not only about "communicating" what is right but also for it to be reflected and embedded in the organization's practices.

### **Key Learning Objectives**

The purpose of this case is to deepen students' understanding of how corporate brand identity constrains and shapes strategic decision making in times of disruption. Through H&M's potential response to Shein's ultra-fast business model, the case enables students to critically examine the intersection of corporate brand management, business model innovation and stakeholder perception.

1. Understanding corporate brand identity as strategic action.
  - a. Recognise that a corporate brand is not merely a communication tool but a strategic promise rooted in identity, culture and values (Urde, 2024).
  - b. Understand how the corporate brand identity matrix structures identity through interconnected elements like mission, vision, culture, competences, and positioning.
  - c. Appreciate that strategic decisions must align with the brand core so that identity fragmentation can be avoided.
2. Understand the relationship between identity and reputation.
  - a. Understand how identity influences stakeholders perception.
  - b. Evaluate how changes in business models may alter stakeholder perceptions of relevance, credibility, differentiation and responsibility.
3. Evaluate business model innovation through the brand perspective.
  - a. Understand Business Model Innovation as changes in value creation structure, governance or content.
  - b. Assess whether adopting Shein's LATR model represents genuine strategic decision or reactive imitation.
  - c. Analyze the tension between operational efficiency and brand coherence.
4. Reflect on corporate communication and stakeholder alignment
  - a. Understand corporate communication as a strategic activity that shapes legitimacy and trust (Roper & Fill, 2012).
  - b. Identify risks of misalignment between operational practices and brand identity.

## Discussion Questions

### *Main Question*

You are part of the Executive board from H&M Group.

**What would be the corporate brand implications of adopting the LATR model, and should H&M pursue this transformation?**

### *Assisting Questions*

- Which elements of H&M's corporate brand identity are non-negotiable?
- Would adopting LATR strengthen or weaken H&M reputation?
- Are H&M and Shein competing in the same strategic space?
- What are the risks of not adapting?
- Can AI-driven acceleration coexist with sustainability commitments?
- If H&M adopts a more aggressive AI-driven model, should it communicate this explicitly?
- What risks of perceived greenwashing may arise?
- Could we pilot this under a sub-brand to protect the corporate brand?

## Teaching suggestions

### *Pre-presentation*

Preparation material should be distributed at least 24 hours in advance. The teacher should:

1. Review the case thoroughly
2. Understand the real-life strategic trajectory of H&M.
3. Review the mentioned frameworks.

### *Introducing the Case*

To begin the case with an icebreaker, the teacher should ask the participants how many have visited an H&M store or online shop recently. Also, if they have ever purchased from online retailers like Shein. This would introduce the topic of the case to the audience in a smooth way.

Following the icebreaker question, the presenter should proceed with the prepared case presentation.

### *Case Discussion*

To prepare for the case discussion, it is advised that participants assume the role of Executive Board of H&M Group. The discussion questions should be prominently displayed and reiterated by the teacher prior to the discussion. Additionally, we advise the teacher to ensure participants have a clear understanding of the background and context of the case. To facilitate and guide the discussion, the teacher should take the role of mediator.

Possible emerging alternatives could be:

1. Full implementation of LATR
2. Selective AI implementation
3. Brand differentiation strategy
4. Market redefinition

The teacher should document tensions as well as guide the discussion with the stimulation question presented in this document to keep the discussion open and going.

### *Concluding the Case*

Once the designated time for the discussion phase is over, the teacher should summarise the main discussion insights and transition to the conclusion phase. During this stage, the teacher should present the real-life management decision, with the help of visual aids. Additionally, it is strongly recommended for the teacher to draw comparisons with the insights and real measures taken.

Emphasis should be placed on:

- Identity coherence
- Long-term brand equity
- Is competing always the right response to disruption?

### Time Plan

The following is a suggestion for structuring the case lesson with the different elements of the case. **Figure 4** provides an overview of the time plan.

<b>4 minutes</b>	<b>5 minutes</b>	<b>12 minutes</b>	<b>4 minutes</b>	<b>5 minutes</b>
Present H&M's background	Explain industry disruption and dilemma	Main Discussion	Real-Life Decision	Reflection & Key Takeaways

Figure 5: Time Plan

### Exemplary Board Plan

To ensure the outcome of the case is successful, it is essential for the presenter to understand the key points that need to be emphasised during the presentation the following board plan is presented **Figure 6**. The objective is not to arrive at a yes or no answer, but to evaluate the consequences of different strategic pathways through the perspective of corporate brand identity and reputation.

Strategic Option	Identity Impact	Reputation Impact	Communication Risk	Long-term Brand Effect
<b>Full LATR Adoption</b>	Possible identity shift toward efficiency-driven model	↑ Relevance ↓ Trustworthiness risk	High risk of sustainability misalignment	Margin gains but risk of identity dilution
<b>Hybrid AI Integration</b>	Controlled adaptation	Balanced relevance & credibility	Moderate	Evolution without identity drift
<b>Brand Differentiation</b>	Reinforced sustainability & heritage	↑ Differentiation ↓ Risk of reduced relevance	Low	Strong identity clarity
<b>Market Redefinition</b>	Maintain coherence	May appear evasive	Low	Clear positioning but competitive risk

Figure 6: Exemplary Board Plan

For further development of the case discussion, an illustrative matrix can help the class identify H&M and Shein’s positioning against similar retailers. Figures 7 and 8 show how H&M might fill the open position in the quadrant ‘Ultra Fast Fashion’ and ‘High Quality/Sustainability’. Students can suggest examples of other fast fashion retailers like Zara or Uniqlo, while the presenter then highlights how H&M might be able to shift into this previously unoccupied space by adopting the LATR model.

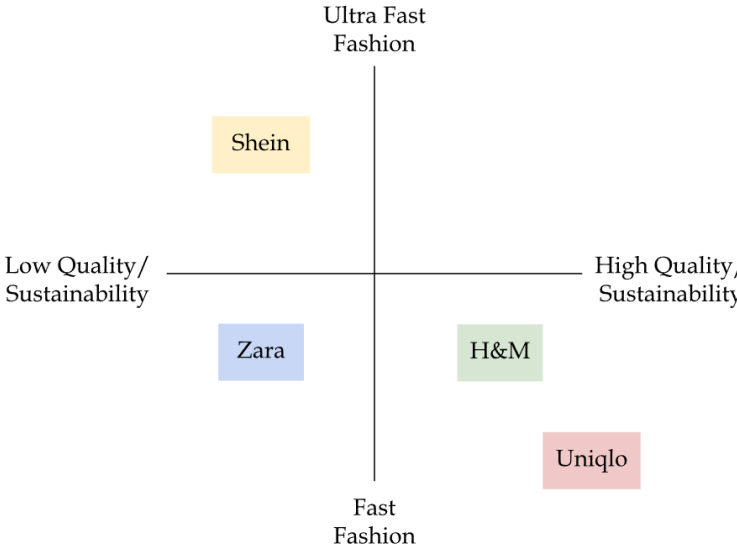


Figure 7: Retailer Positioning 1, Exemplary Board Plan

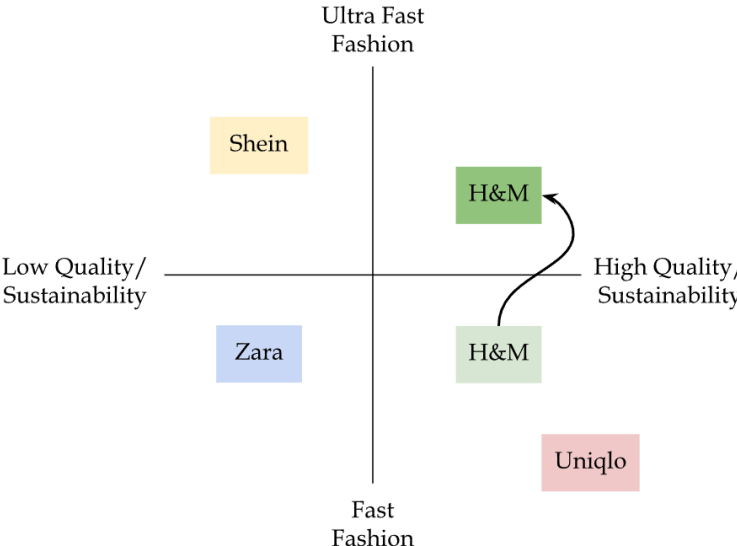


Figure 8: Retailer Positioning 2, Exemplary Board Plan

## Reflection

Reflecting on the process of developing “Racing the Algorithm: H&M vs. Shein,” the most important takeaway was the realization that management decisions are rarely about choosing between black and white, but about finding the shades of grey. In this case, that meant navigating between operational efficiency and brand integrity. As we moved through the research process, it became clear that while the “bottom line” often demands speed and cost reductions, the brand core requires consistency and legitimacy.

While writing this case, we learned the difficulties of remaining objective when two parties have equally valid goals. While the board meeting was hypothetical, the scenario and its implications are very real. If we were positioned as the Chief AI Officer rather than the Chief Brand Officer, we would naturally have very different motivations and background information going into this meeting and subsequent decision. Despite our background in marketing and branding, we had to format this case with a purely business lens, allowing the participants to more accurately insert themselves into the scenario. A good case study does not provide a simple solution, it highlights a problem where every potential path can carry a heavy trade-off.

Working with this case also allowed us to apply the theoretical concepts we have learned throughout ‘Corporate Brand Management and Reputation’ and ‘Strategic Brand Management.’ For example, maintaining H&M’s brand identity is paramount in the final management decision here, while we also must balance the wants and needs of our stakeholders. Applied to a real industry disruption, these concepts allowed us to see a clearer definition of what these theories are in practice. We also noticed broader changes to the fashion industry than we initially thought. AI has infiltrated every possible corner of the business world, and fashion is no different. We even saw a trend of fashion brands becoming more tech brands. If H&M were to mirror Shein’s model, they would not just be changing their production, they would be changing their promise to their stakeholders.

Collaborating on this research reinforced how essential it is to “criticize” early on. What we mean by criticize is that we initially wrote off Shein from being a competitor with H&M, as that was our perception as consumers of these brands. However, the process of case writing forced us to learn and acknowledge their real innovation within supply chain operations. Shein is not the first company to develop a forecast demand model, but they are pioneers in the fashion industry for the scale that they have achieved with the LATR model. This realization shifted our perspectives from a critique of Shein to an appreciation of their innovative approach. It was after that moment that we were able to see that H&M’s “rejection” of the LATR model is not just a moral commentary on Shein, but a real defense of their competitive advantage and brand identity.

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