



Customer satisfaction in the fashion industry

Case study of HM case company

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Abstract

Webster (1994) pointed out that due to changes in the competitive environment; customer has become the most important strategic resources for enterprises. Customer service is complexity and invisibility, especially different political, economic, social environment can also influence customer satisfaction. Hence, this thesis is aiming at comparing the difference of case company's customer satisfaction between Sweden and China, mainly focus on core customer group. The methods which are used in this thesis include collecting primary data from questionnaire result, and some references are from the literature review and case company's annual report. The theories, including PEST (Politic, Economics, Social and Technology) for Swedish and Chinese markets; the measurement standard of customer satisfaction, for instance, 4Ps (Product, Price, Place and Promotion) are all summarized by scientific articles and books. The case company is H&M Company which is a Swedish famous fashion brand, so Sweden has a mature market for this brand, and China is one of the most potential markets for its development. The differences between these two markets are service, price and design acceptance. The main factors of difference are the different PEST in China and Sweden, also the less product choices for Chinese customers is also affect Chinese customer satisfaction. Finally, the suggestions for improve quality, service and localization in different markets are presented in accordance with SWOT method.

Key words: H&M Company, Differences, Swedish core customer groups' satisfaction, Chinese core customer group's satisfaction, PEST method, SWOT method

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1. Introduction

This part provides the overview for the research problem and case company. The purpose and outline of this paper are also mentioned in the introduction part.

1.1 Background

With the development of global economic integration, the competition between the enterprises is more and more fierce; many enterprises are face to changeable market requirements. Webster (1994) points out that due to the competitive environment changes; customer becomes the most important strategic resources for enterprise. From many researches can be found that customer satisfaction greatly affects the company profitability. Satisfied customers will have high loyalty, and these customers will increase repeated purchase intention, so as to affect the company's market share and return on investment (Bolton and Drew, 1991). If companies want to satisfy the customers' demand, they must clearly understand the consumer's requirement on quality, functionality, denotation and price (Fonvielle, 1997). However, because of different regions, there is different demand intensity. For example, customers who have different psychology and income, for well-paid people, they tend to pursue high quality, for low-income people, their consumption psychology tend to bargain. Therefore, enterprise should according to the needs of different customers demand to decide the marketing structure.

1.2 H&M Company

At present, companies have paid more attention to international marketing for surviving in fierce competition. The international marketing it is associated with many business processes, such as culture, political interaction and economic transactions (Bradley, 1991). There will be many difference and uncontrollable variables in different countries. Challenges in different political system, culture, technology,

income level and life style will all influence the marketing strategy.

H&M Company is a Swedish fashion company and was found in 1947 by Erling Persson in Vasteras Sweden. Now, H&M has a huge market and becomes one of the most popular fashion brands in many young people's mind. The main markets for H&M are European market and Asia market. There are many differences in two market's political, economic, culture, technology and life style; the H&M Company will make a different plan and strategy in order to meet different customer demand. For example, in Sweden and China exists different culture and income level aspect between those two countries. On the one hand, Chinese prefer more delicate clothes style, but Swedish like more simple style. On the other hand, Because of the different income, the price in Chinese market may lower than Swedish market, and Swedish perhaps is willing to spend more money on shopping clothes, however, Chinese probably will not. Thereby, this paper is aim at discussing the different of customer satisfaction in Chinese market and Swedish market for H&M Company.

1.3 Purpose

The purpose of this thesis is analyzing customer satisfaction with H&M case company between Sweden and China.

1.4 Research questions

Is it possible to identify the difference between Chinese and Swedish customer satisfaction?

Why are there differences between Chinese and Swedish customer satisfaction?

How to improve the customer satisfaction for the case company?

1.5 Outline

The structure of this thesis is mainly concluding six sections. The first section is the general introduction for the importance of customer satisfaction and H&M Company. The second section is primary state what methods are used to achieve the purpose. Then, the third section is focus on comprehensive theories which are from books and journal for H&M Company customer satisfaction analysis. The fourth section presents the result of H&M Company core customer group's satisfaction which is based on the questionnaires. The fifth section shows the analysis for finding part and makes further discussion for H&M how to improve the core customer group's satisfaction. In the sixth section, it provides the final conclusion for the thesis and directly related purpose

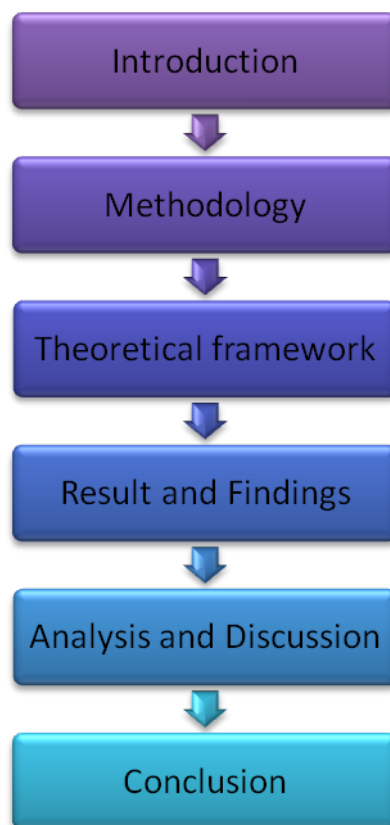


Figure 1: The structure of the thesis work

2. Methodology

This section outlines the approach we used to fulfill the purpose. The methodology part will make reader clearly know how we performed the study, what we have done, how we did it and why we choose this method. The concrete methods which are used in this thesis is discussed as follow

This study mainly includes two parts, the one is the theoretical study and the other is the empirical study. Different methods were used to completing this thesis. We searched several of journals, articles and books to support the information's integrity and validity. Therefore, primary data and secondary data are the foundation of this thesis analysis. Firstly, the course book about *total quality management* and *Principles of Marketing* are needed to read in detail, based on the basic knowledge to write this thesis. Meantime, find other books from library, search in academic data basis to find some customer satisfaction articles and H&M company situation, both of them are the foundation framework to writing this paper. Secondly, the comprehensive knowledge about H&M product, operation and report are clearly showed in its official website. In addition, the relevant quality and customer satisfaction theory are collected from many academic articles. All of articles with different opinions are discussed and concluded. The key word of “customer demand and satisfaction”, “Different PEST in Sweden and China” and “H&M product” are search on Google Scholar. Besides, we also make the questionnaires in Sweden and China for customer satisfaction, so that we can find the difference or similar opinions about H&M product in different area. What is more, we also make a connection with own opinion and experience when act as H&M’s consumer to provide strong help for H&M products.

2.1 Data collection and analysis

2.1.1 Primary data

As Walliman (2005) pointed, the primary data is the data observed, experienced or recorded close to the fact, are the nearest one to the truth, this data provides the wealth information for researchers. The primary data can from questionnaires, interview, empirical testing and recorded observations. Therefore its validity is greater than the secondary data. In this thesis, we use questionnaires to provide our primary data. Consider about the comprehensive customer satisfaction questionnaires, we collect the online and offline questionnaires both in Sweden and China. Finally we receive 57 questionnaires papers back and 80 people participate in the online questionnaires. At first, there are 58 Chinese and 69 Swedish who actively take part in our questionnaires, partly 40 are Chinese students, and 50 are Swedish students. In order to balance the basic young people's number, we add more 10 practical questionnaires for Chinese students. At the end, there are 137 participants join the questionnaires. The questions and the collect results will directly illustrate the Chinese and Swedish customer satisfaction of H&M. Here we just focus on H&M's main customer group which is belonging to 18-25 years old. So, the Finding part will show the customer satisfaction result of 50 Swedish and 50 Chinese who are 18-25 years old. We will analyze H&M product according to the result of questionnaires and give some suggestions for H&M satisfy their core customer group.

2.1.2 Secondary data

Secondary data means the data is collected from published source, mostly from books, journals and periodicals. Secondary data is often readily available. With the help of internet and electronic media, the secondary data become more reliable. This thesis's references are primary based on secondary data collection. Give case company comprehensive introduction from the official website, and collect some quality and customer satisfaction books and articles to sustain theory and discussion part.

2.1.3 Data analysis

Data analysis is very necessary to measure and to make comparison and to explain (Walliman, 2005). Data analysis is practical which means extracted useful information from collected data. Quantitative analysis method will be the main method in this Thesis. Besides, there will be the questionnaires and some H&M product data, for instance, the product price level collection. PEST method (Political, Economic, Social, and Technology) will be used for discussing H&M China and Sweden comparison result. SWOT method (Strength, Weakness, Opportunity, and Threat) will be used for analyzing case company present and future situation, so that can help company make a great improvement.

2.2 Research method

2.2.1 Quantitative method

Quantitative method is a research method that focuses on the collection and analysis of numerical data. For instance, statistics, tables and diagrams are often used in the articles (Walliman, 2005). In this thesis, the data collection from two countries' customer demand and satisfaction questionnaires will state in the result part, and this data is the foundation for follow part's analysis. Meantime, other data sources which are from website and H&M store, such as the price level, will also be used in this thesis.

2.2.2 Qualitative method

As the name indicates, qualitative method is the one that do not involve in statistics and measurements. It aims at analyze attributes, qualities and make distinctions. Interview is one of the most useful qualitative techniques (Amaratunga et al., 2002). Due to some limitation, there is no direct interview for our thesis. We try to use e-mail to ask H&M if the company can give us some information and utilize questionnaires

to strongly support the results of H&M customer satisfaction in Sweden and China. After analyze the customer satisfaction questionnaires, we will provide the suggestions for H&M improvement. In order to make the research for H&M customer satisfaction and improve aspects, the qualitative method will be used for questionnaires analysis.

2.3 Research strategy

As Walliman (2005) pointed, the research strategy depends on what kind of research that is going to be done; it is not the simple theory that can be summarized step by step. Case study is a very important research strategy for this thesis. In order to help readers clearly understand the research problem, it is essential to use theory analyze the case company and comparing theory with result, finally give the best further discussion for case company. The case study also refers to information and secondary data collection such research method.

2.4 Validity and Reliability

2.4.1 Validity

Validity is the quality research that makes it scientific and trustworthy. The validity is divided into internal and external part (Sharan, 1995). To ensure the work validity, the internal validity means how accordance with one reality findings. The external validity refers to the application for one finding to other situations. On the one hand, the questionnaire gives the strong support for further discussion. On the other hand, the sources of journal, book and website are also carefully checked and analyzed to ensure their validity.

2.4.2 Reliability

Reliability is the certainty that the research is enough to be trusted. The primary data

and secondary data improve the whole work's reliability. The published books and journals are the foundation method for this thesis. Especially, the whole thesis is based on different countries' situation to make the analysis of H&M core customer group's satisfaction. In order to increase reliability of this thesis, the multiple methods of questionnaires, literature review and internet were used for data collection.

2.5 Company selection

H&M is the biggest clothing company in Sweden and it owns a huge market all over the world. There are many consumers go to H&M store for shopping; especially most of them are young people. The H&M business concept give the customer between 6-65 years old people best value by providing fashion and quality product at the best price. H&M is good at design, promotion and customer service; there is no doubt that many loyalty customers for H&M product. However, the product quality is the biggest shortage for H&M. The product has fashion and environmental characteristics, but its clothes cannot wear for a long time, sometimes, the clothes will become smaller and poorer after washing it. Meantime, H&M is the Swedish local brand, many Swedes are familiar with this brand, and it has the profound culture in Sweden. Therefore we decide to analyze H&M Company and give improvement suggestion for quality or customer satisfaction. In the thesis, we will focus on comparing H&M core customer satisfaction between Chinese market and Swedish market. There may have some difference or similar aspects for H&M different market, so that we can do the comprehensive research for H&M Company. Besides, we have already learnt knowledge of customer satisfaction theory and H&M Company in the previous study. There is the geographical advantage for doing site questionnaires and company product experience. Hence, we decide to choose H&M as the case study company.

2.6 Limitation

There are some limitations in the work:

Firstly, the biggest limitation is there is no direct interview to support the whole article. We tried to write E-mail to H&M Company to ask if they can give a chance to do the interview, but there is no reply for a long time. We also go to the H&M store, but the staff said they are busy with this season's new product work, they do apologize that they do not have enough time for the interview. So we decide to make questionnaires from the customers instead of interview H&M Company. Besides, make the site survey and internet survey for H&M product and service. Every consumption behavior is followed by market demand; the questionnaire is the feedback of customer needs. So, we believe this questionnaires method will also provide the strong validity and reliability for the thesis work.

Secondly, we will also make a survey in Sweden and China, this is the huge task for us and we do not know how many people would like to fill the questionnaires in the internet. Moreover, the result and information form internet questionnaires may also have some incompletes and limitations.

3. Theoretical Framework

This section provide the concepts, definitions, theories and analytical model that we have used when analysis the problem. It is the basic for the whole thesis's comparison discussion.

3.1 PEST analysis

The PEST analysis is useful for company understands the business direction, position and potential. It is a framework to review the market situation which includes Political, Economic, Social and Technological factors. Especially, it is a great tool for company compares more than one different market analysis, so that the company can clearly understand what's the different of customer needs in different markets (Kotler et al., 2008)

Political factor

The political environment is a complicated factor for many international companies. Especially, one country implementing socialism system and other country is pursuing capitalism system. A political statement based on economic sanction, while, the economic prospects enhanced by political action (Onkvisit & Shaw, 2004). There are some examples for Political consideration:

- Internal political issues
- Government and Trading policies
- Traditional institution system
- Inter-country relationships
- Conflicts and Wars
- Funding and Initiatives

Economic factor

All businesses are affected by global and national economic factors. The economic

environment will assist company indicate how consumers behave in society. If a country is undergoing economic recession, this will result in low consumption power and high unemployment. On the contrary, if a country owns the florescent economy, the company will get more benefit in this market. The following is some examples for economic factor:

- Internal economic growth, interest rates and inflation
- Business cycle stage
- Income level
- Labor supply and costs
- Technological impact
- Globalization impact and International trades
- Government investment

Social factor

The third PEST aspect pays attention to society such as family, media. The social forces will shape people's interest and attitude and what people purchase (Rui, 1995). For example, the population changes will have a direct influence for company market plan. The decrease of birth rate will result in customer reduce and demand fall. The increase of population trend may lead to different customer needs for a company (Onkvisit & Shaw, 2004). There are some social factors below:

- Population
- Education and Culture
- Social attitude and press attitude
- Lifestyle

Technological factor

Technology revolution has increased the information change rate between the company and customers. The faster information exchange helps company react quickly for customer increasing demand (Bergamn & Klefsjö, 2003). For instance, the Internet produces a profound influence for company e-commerce. Technology will

continually impact on consumer expectations and habits. Here are some factors for technological environment:

- Advanced technology impact
- The technology development level
- Internet influence
- Technology transfer

3.2 Organization strategy

3.2.1 Mission and Vision

It is important for every organization to answer the question “What are we doing?” “For whom are we doing?” “Why are we here?” and “How are we doing?” This is often formulated with the mission statement. The mission statement gives the basis of company existence and guidance for clarify business objectives. In order to achieve the good mission, it should be based on the customer benefit and market needs that a company aims to fulfill. The reasons for customer buying products and services from this company can also be explained by the clear mission statement (Bergamn & Klefsjö, 2003).

Evaluate organization aspirations for future work can be supported by vision statement. It gives a organization the image of where it is heading and estimate of when target will be achieved (Bergamn & Klefsjö, 2003). It requires a company to decide how aims and objectives could be realized through resource marshalling and action plans. If a company intends to set up a good vision, there is a need for company think about the visualizable, desirable, clear, flexible, communicative and stable characters of company vision (Hill et al., 1998)

3.2.2 Customer relationship management

The customer relationship management is capture information at every possible

customer touch points like the customer purchase, sales force, website, feedback and marketing research. Customer relationship management requires company continuously communicate with customers, understand customers' demand and improve products and services (Bergamn & Klefsjö, 2003). Firstly, company can take advantage of innovation method for product development. For example, implement innovation on social conscious such as "green" product. Beside, make use of technology development to carry out e-commerce innovation for internet customer relationship improvement. Secondly, build up the organization culture to motivate customer's brand loyalty. Company can gain many benefits from customer relationship management (Anderson & Sullivan, 1993). By communicating, understanding and implementing customer expectations, it can provide higher customer service level.

RFM model

RFM stands for

Recency - How recently did the customer purchase?

Frequency - How often do they purchase?

Monetary Value - How much do they spend?

RMF is a method for analyzing customer behavior and defining market segments and is one of the most useful models for measure customer relationship management. (Stone & Jacobs, 2008).

3.2.3 Service management

Service quality is a perfect level feeling when customers come into contact with the service (Rust and Oliver, 1994), the pursuit of service quality is an important factor for enterprise ensure long-term competitive advantage. Parasuraman (1985) suggested that in order to improve customer service satisfaction, company should be considered into the service intangibility, inseparability, variability and perishability these four aspects. The good customer service is all about bringing customer back and sending

them away happy. No matter in what kind of enterprises, listen to you customers and deal with customer changeable demand and complaints. Sometimes make the questionnaires or survey for the customer's new need and expectation. This is also the good service method to meet customer satisfaction.

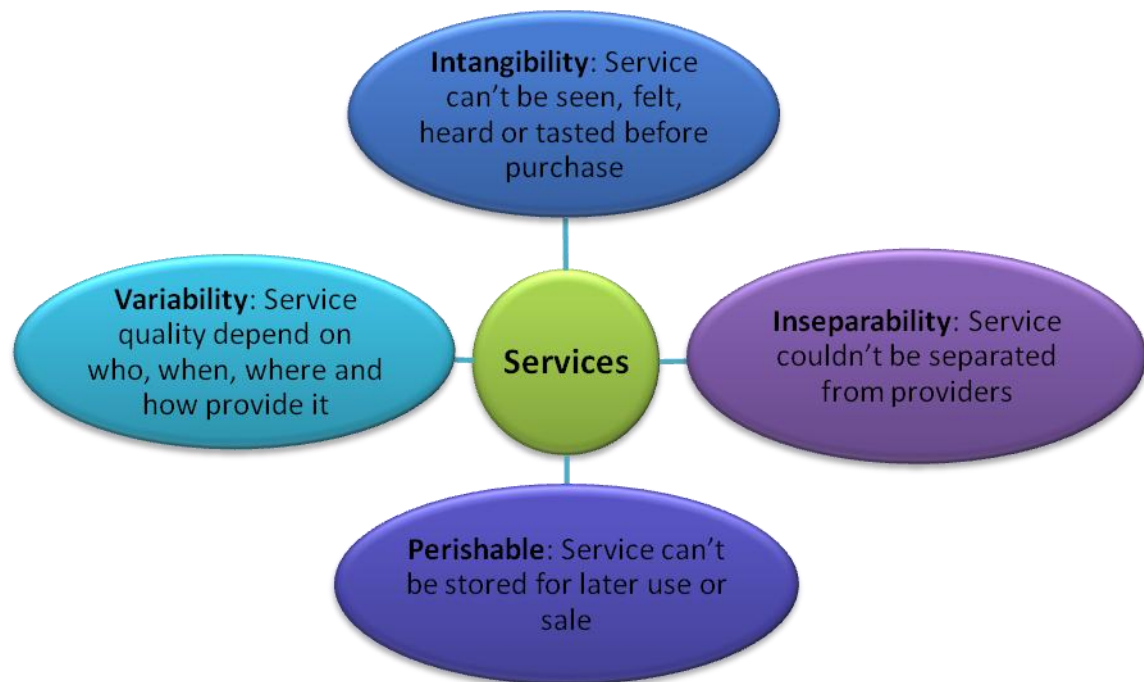


Figure 2: Four service characteristics (Kotler et al., 2008)

Information technology

In this high developed world, many companies choose the digital network to establish online shopping market. The Internet has fundamentally changed customers' notion of convenience, product information and service. The online shopping pays more attention to business-to-customer (B2C) online market (Stanton, 1987). The online shopping method gives the consumer a convenient shopping experience without geographic restriction. The inventory is global synchronization, consumer order product from the official website, and customers can receive a package in a short time. Catalogue shopping also conform the future development trend E-commerce. Hence, the development of online shopping could provide the strong support for meet customer high demand (Franklin, 1982).

3.3 Product management

3.3.1 Positioning and Segmentation

Positioning

In order to increase customer value for a product's certain attributes or characteristics, the Ries (2002) put forward that a company should shape a distinctive image, and vividly convey this image to customers, so that the products can own a certain position in the market. Market positioning is not what you did on the product itself, but it's what you have done in the mind of the potential consumers. The positioning of enterprise's existing products and potential products can greatly meet different psychological consumers need. However, a comprehensive product positioning requires enterprise from product properties, price, function, user, class, and competitors to make a serious consideration (Bagozzi et al., 1998)

The key for market positioning is the enterprise should try to find better competitive advantage on its own products. Whether it decide to take preference competitive advantage or price competitive advantage, they requires enterprise take all efforts to understand consumers needs. So enterprise market positioning can be done follow three steps. First, analysis the present situation of the target market, confirmed the potential competitive advantage; then accurately choose competitive advantage, make preliminary positioning for the target market; finally through some promotion activities, transmit enterprise's unique competitive advantage to potential customers, and according to the variation of consumer needs or preferences, the enterprise can consider repositioning the product (Brooksbank, 1994).

Segmentation

According to Kotler (2008) pointed, the market segmentation is sub-dividing a market into the distinct and homogeneous customer sub-groups. They may differ in their wants, resources, buying practice and buying attitudes. For matching different

customers' unique needs, the small segments can help company reach more effective and efficiency with the product and service. In order to meet customer satisfaction and make the effective segmentation, the company should consider whether its segmentation is measurable, accessible, substantial, differentiable and actionable (Hunt & Arnett, 2004).

The following form shows the formal segmentation for different small groups.

Variables	Typical breakdowns
Geographic segmentation	Divided market into nations, states, regions, countries and cities such geographical units
Demographic segmentation	The market groups based on gender, age, family size, family life cycle , education, income, nationality, generation, religions and race
Psychographic segmentation	Divided buyers into social class, life style and personality characteristics groups
Behavioral segmentation	The knowledge, attitude and responses to product are the foundation measurement standard for this segmentation

Figure 3: Segmentation variables for consumers market (Kotler et al., 2008)

3.3.2 Product decision

Quality Function Deployment

The aim of QFD is to translate customer needs into product and process characteristics. Firstly, it need company make the market analysis to find out customer expectations. Then, the company also need to exam competitors ability. Finally, identify the key success factors for company product. So as to achieve product quality

function deployment, the company should seriously consider about product planning, product design, process design and production design these four steps (Bergamn & Klefsjö, 2003).

Product attributes

Developing the product involves defining the product benefits and these benefits are delivered by Quality, Features, Style and Design. These attributes directly influence the customer's product reaction (Kotler, 2008). For product quality is one of the company's core positioning tools and closely has relationship with customer satisfaction. Some people said the quality is the freedom from defects, other people think the quality is when customers come back. Some businessmen suggest that quality start with customer demand, go beyond customer satisfaction and ends with customer retention (Julien & Tsoni, 2013). Product has level and consistency those two dimensions. When developing a product, the company must first choose the quality level to support product positioning, such quality level means product durability, precision, reliability and other related attributes (Bergamn & Klefsjö, 2003). For product consistency require company drive for high level of conformance quality and quality should be measured in terms of consumer perception. For product features, the company need to understand how customers like the product, what is the favorite product special feature for customers and which features could company to improve. In addition, distinctive product style and design is another way to add improves customer satisfaction. A good design begin with the deep understanding of customer needs and shaping the customer use experience (Kotler et al., 2008)

Price, Promotion and Place

There are the main two types about price. One is Value-based pricing and other is Cost-based pricing (Kotler, et al., 2008). If the company chose the first type, it must regard customers as the core value, first understand the customer needs, what the customers' desire value, and then the company can set the cost follow by customer demand identification. The second type is treating suppliers or manufactures as the

core to decide the cost, this may not be able to satisfy customers' demand. Besides, the company can also choose to set the high price or low price for its product, but need to care many aspects when it decides price level, for instance, quality and market price sensitivity.

For promotion aspect, the company can do some activities like making advertisement, sale promotion or use public relationships to attract customer to buy its product. Meantime, make communication with customers; know customer's demand and feedback to help it design the message. As the result, there will be more loyal customers and achieve benefits between each other (Percy, 2008).

When deciding the place part, the economic, population and crowd degree are important causes for a company to choose the sale place. It's the common phenomena that a company like setting place where it's in a big city, in downtown such great places. The managing marketing channel is also the part for place choice. Especially the Vertical marketing system is the main channel organization for a company to think out. The company should combine the own condition to decide whether the Corporate VMS, Contractual VMS or Administrated VMS is suitable (Kotler et al., 2008)

Brand development

With the changeable customer demand, the company can choose to make brand development when it possesses enough strength. There have four choices for a company developing brand. The first one is Line extension. The Line extension occurs when a company wants to extend present brand names to new colors, size or ingredients for existing product category. And always use the low cost and low risk way to introduce the new products (Kotler et al., 2008). Hence, on one hand, the line extension could satisfy customer desires for a variety, on the other hand, there is the risk for quality loose due to the low cost. If a company intends to extend current brand name to new products in a new category, it can choose Brand Extension method to

make the development (Bäckström & Bauer, 2012). Due to a well-regarded brand have many loyalty customers, and these customers are expecting the brand can give them more new and innovation products. Hence this new product will be accepted quickly and customers will pay more attention to this brand's development. Multibranding provide a way to set up different features and comply with the different consumption motivations. The company can develops two or more brands in the same product category. This method can give the strong support for current brand and attract more new customers (Kotler et al., 2008). When there is the new product introduces without the appropriate ascription for existing brand, or a company may think the current brand is waning and there need a new brand for keeping current customers, the enterprise could conduct a new brand name to meet customer satisfaction (Huirui, 2011). What's more, the company can also choose the brand association to cooperate with other brands for further product development, through the brands association to build deeply memory in the customer's mind (Kotler et al., 2008).

International Product decision

The international company will be faced with different product design and customer demand in different countries. The company need to decide which products could be introduced in different markets, how many products could be standardized production And how many products the company should make some special changes for the world market. Because of different economic condition, physical environment, legal requirement and competition, mostly company must usually make some distinguish product consideration to adapt different countries' consumers. For example, the company can add local element into products, or appropriate adjust the price and promotion method for different economic situation (Huirui, 2011).

3.4 Improvement management

3.4.1 SWOT analysis method

SWOT analysis will be used for company self-assessment, so that can help a company better understanding its present situation. SWOT analysis method it is an extract of the findings of both external and internal audits which pat attention to organization's critical strengths and weaknesses as well as the opportunities and threats facing the company (Kotler et al., 2008). Marketers need to identify the main strengths and weakness for current company operation because it is the foundation for company make the product modifies and development, also assist company catch the potential opportunity to gain more future customers. The economic climate, demographic changes, market and technology will become the influence factors for company opportunity analyze. Meantime, for the sake of avoid or increase treats for company product development, the organization also need to think about competitive activity, channel pressure and different politic blocks.

Definitions of SWOTs

	Helpful to achieving the objective	Harmful to achieving the objective
Internal (attributes of the organization)	Strengths	Weaknesses
External (attributes of the environment)	Opportunities	Threats

Figure 4: SWOT Analyze (Sharing knowledge Management Website, 2013)

3.4.2 Sustainability

In order to achieve the sustainability, firstly the company need to reduce the harm to the environment, like using high technology, saving energy during operation and help suppliers to protect the environment. Secondly, pay attention to societal marketing by consider the social long-run interests and customer real demand. Thirdly, it's necessary to know the market ethics, so that there will be guidance for employees have the right philosophy and ethical behavior. (Kotler, et al., 2008) Meantime, The Company can also do some charities to help people and strength its reputation.

4. Findings

This section provides the findings for H&M company customer satisfaction comparison. The overview of H&M Company background and product is shown at first so as to give readers' basic information about case company. The result and data collection from customer satisfaction questionnaires will be displayed in this part. What difference or similar for H&M Chinese and Swedish markets according to customer satisfaction would be concluded. What are the factors for different customer satisfaction and what aspects need to improve for H&M Company will also be showed in this part

4.1 Company background

In 1974, Erling Persson was set up H&M Company in Sweden. H&M AB comprises have five different independent brands-H&M, COS, Monki, weekday and Cheap Monday. (Facts about H&M, 2012)

From now, H&M has around 2,500 stores worldwide in 44 markets selling clothes and cosmetics, total number of employees more than 94,000 people. In facts H&M do not have their own factories, so there are over 700 independent suppliers maintain cooperation with H&M in Asia and Europe. (Facts about H&M, 2012)

H&M headquarters is located in Stockholm, company important functional departments such as design purchasing, banking and finance, development, show the design, advertising, public relations, human resources, logistics, IT and customer service department are based in the headquarters. At the same time, the company has offices in global 15, 22 production and office is responsible for about 700 suppliers to communicate in this 22 production in the office, nine in Europe, and 11 in Asia, in Central America, one in Africa. (Facts about H&M, 2012)

4.2 Questionnaire collection

Conclude the questionnaire result, there are 50 young Chinese and 50 young Swedish join the questionnaire. From the questionnaire, 90% of Swedish young people are living in the city where its population is less than 100, 0000, and there is no one who lives in the city where its population is more than 500, 0000. On the contrary, no Chinese young people live in the country where its population is less than 100,0000,most of them are living the city with more than 500,0000 population. Secondly, most Swedish young people's income is around 5000-1,0000Kr per month, also many of them own the salary which is more than 2,0000Kr monthly. Even for most of students, they also have income every month. However, the entire Chinese student they do not have income according to the questionnaire, and most Chinese young people get a little low salary between 1000-5000Kr per month. For the opinion about H&M price, most Swedish young people think it is the cheap price for H&M product. But most Chinese young people feel it is a moderate price for H&M product, even some Chinese think the price is a little expensive for them. Hence, most Chinese young people prefer accepting H&M product which is around 100-200Kr, but 53% Swedish young people want to accept the price which is between 200Kr and 300Kr. For the aspect of design, there is no Chinese young person so satisfied with H&M product design, and many of them like delicate style for H&M product. On the opposite, many Swedish young people, they are so satisfied with H&M's design. Besides, for H&M service evaluation, there is no Swedish young person not so satisfied with its service, however, 10% Chinese young people they are not so satisfied with service. With the reason why these 100 young people want to buy H&M product, there are 11% Swedish young people would like to buy H&M product due to its brand. Reversely, there is no Chinese young person who buys H&M products because of H&M brand. In addition, 42% Swedish young people will go to H&M store once a month and many of them would spend 200-400Kr for buying H&M product per month. On the contrary, many Chinese young people just like going H&M store for half a year, and many of them would like to spend less than 100Kr for

H&M product monthly. What is more, Some Chinese young customers expect that H&M can improve its design, service, and price decision. But no matter for Chinese young customers or Swedish young customers, they are all suggesting H&M must improve its quality aspect.

4.3 Different results between Chinese and Swedish young customer satisfaction

4.3.1 Price

What is your opinion about H&M product price?

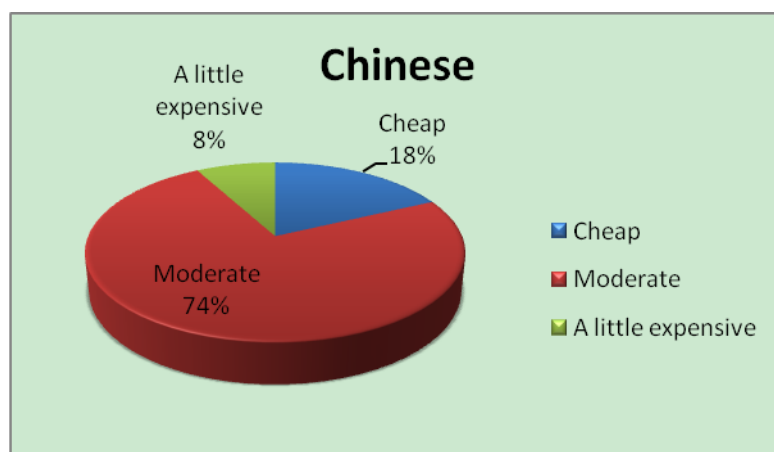
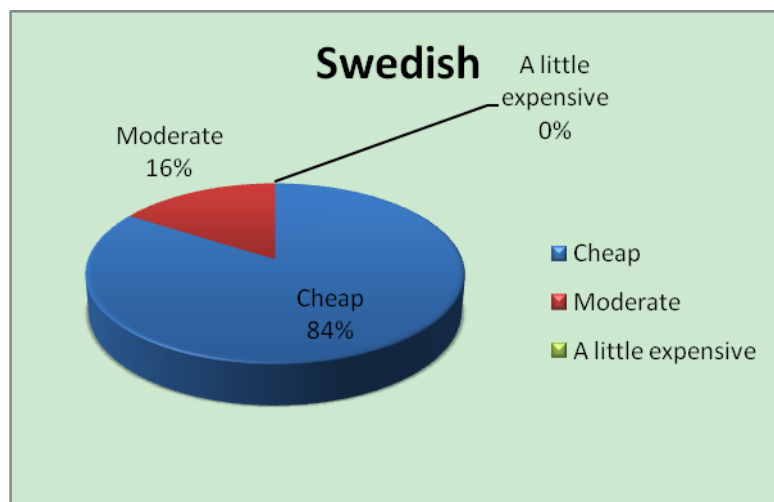


Figure 5: The answer for the H&M price

(Collect the data from questionnaire, more information from APPENDIX. 1)

What is the price you can accept for H&M product?

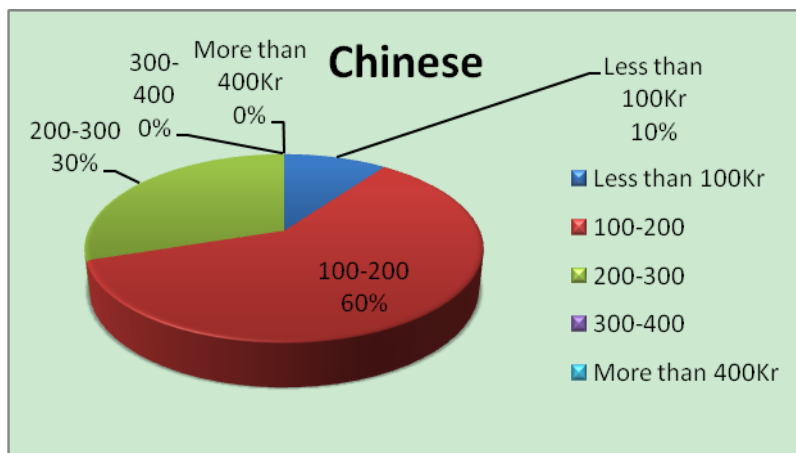
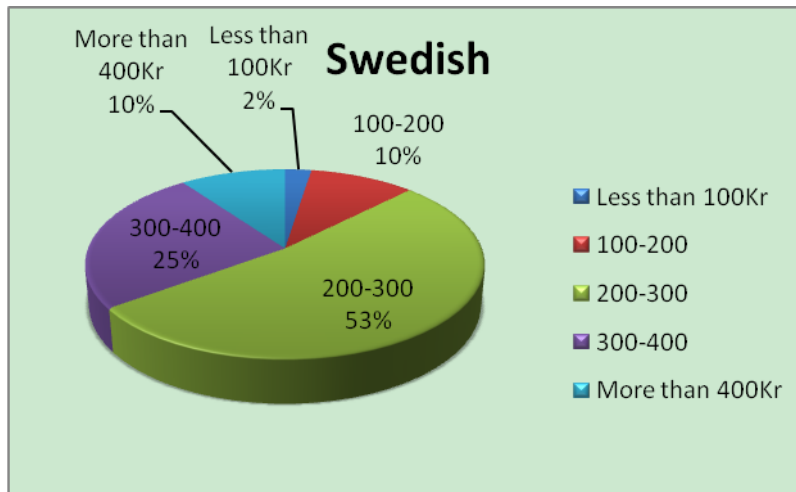


Figure 6: The answer for the H&M price

(Collect the data from questionnaire, more information from APPENDIX. 1)

Firstly, there is the price acceptance difference between Chinese young customers' satisfaction and Swedish young customers' satisfaction. There are 84% Swedish young customers think H&M's product price is cheap and no one point out that the price is a little expensive, and most of Swedish young customers can accept the price between 200Kr- 400Kr, it means that they are satisfied with H&M product price. However, there are 74% Chinese young customers think the price for H&M product is moderate, some of customers feel a little expensive when they buying H&M product. Hence, there are 60% Chinese more willing to accept H&M product price level which is around 100Kr-200Kr. This implies many Chinese young customers are not so satisfied with H&M price.

The main reasons for causing this price satisfaction difference are two countries' different national condition, economic developed level and consumption concept (Franklin, 1982). Sweden is a developed country, a capitalist economy, an open political and social environment give Swedish clothing industry a good economic and social support (Alvesson, 2012). Due to the welfare system, the Swedish people do not need to worry about living, medical treatment, children education, unemployment, and retirement. The rich welfare measures provide a protective umbrella for many Swedes. And nowadays, Relative to Swedish people, Chinese people makes money, save money and not willing to spend money, it seems they are moderate consumption desire for seeking similar security welfare (Zhenyi, 2010). Besides, China is a developing country, there is the fierce competition environment and distance with developed country, the Chinese income and consumption level is lower than developed countries (Rui, 1995). For different income condition, there are two forms to present Swedish income per year and Chinese income per year see table X and table Y.

Table X, China (Carriban, 2012)

Profession	Salary per year(Kr)
Financial Industry	70265
Information and Computer Industry	59919
Health care Industry	5000
Culture, Sports and Entertainment Industry	38319
The Mining Industry	38224
Public management Industry	36268
Transportation and Postal Industry	36224
Education Industry	35042
Business service Industry	34318

Table Y, Swedish (Derthoo, et al., 2012):

Profession	Salary per year(Kr)
Teacher	312000-348000
Doctor	600000-720000
The library staff	312000
Company executives	480000-1020000
Company engineers	487200
Real estate salesman	384000-468000
Store clerk	280000-350000
Cleaner	270000
Financial, marketing staff	450000-580000
The company administrative staff	360000
Policeman	320000-350000

From these two forms can see, the average Chinese income per year is around 35000, especially for Chinese young people. However, the average for Swedish income per year is around 350000. Hence, this is reason why most Chinese young people think the price for H&M product is moderate, but most Swedish young people think it is cheap.

4.3.2 Design

How do you think about the H&M product design?

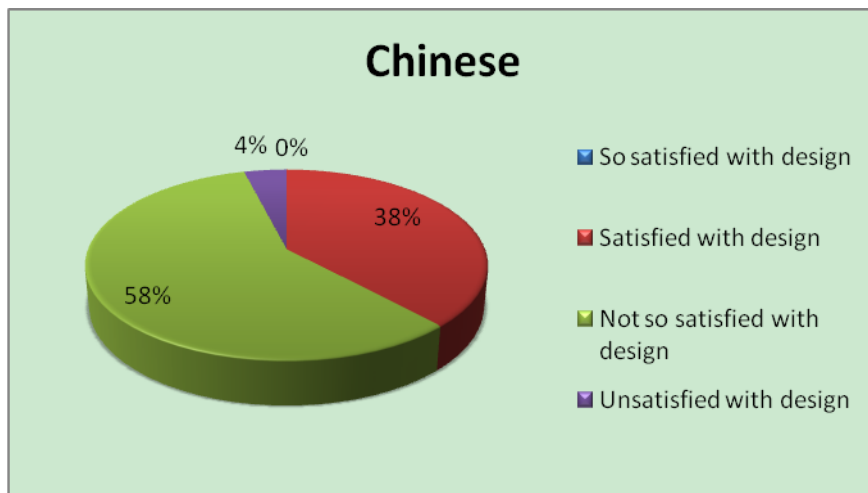
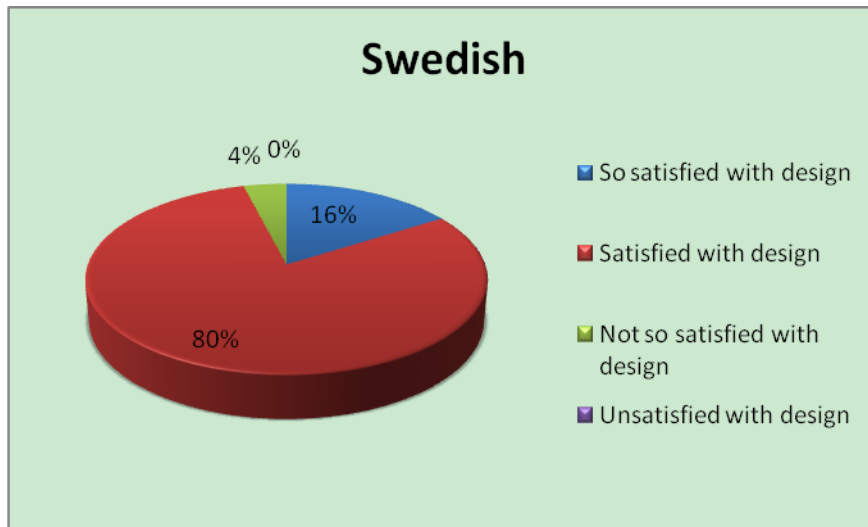


Figure 7: The answer for the H&M design

(Collect the data from questionnaire, more information from APPENDIX. 1)

Which style you prefer for H&M product?

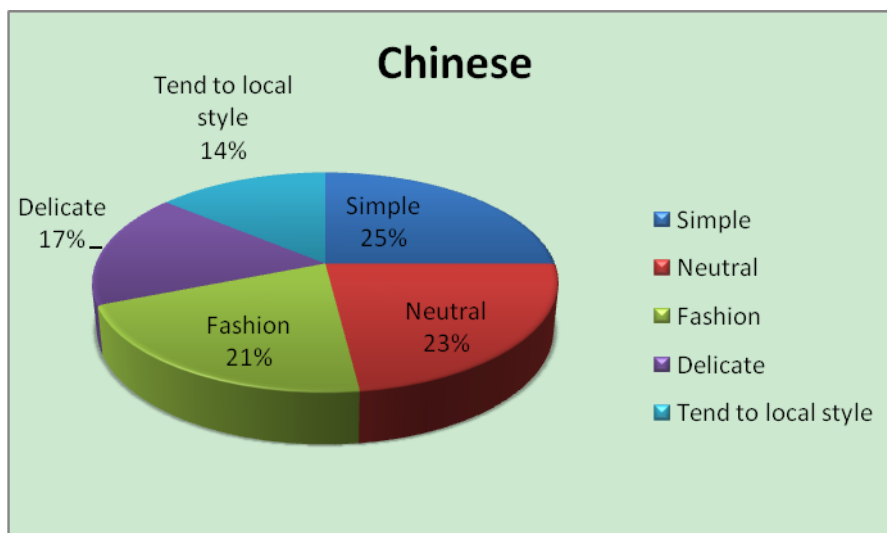
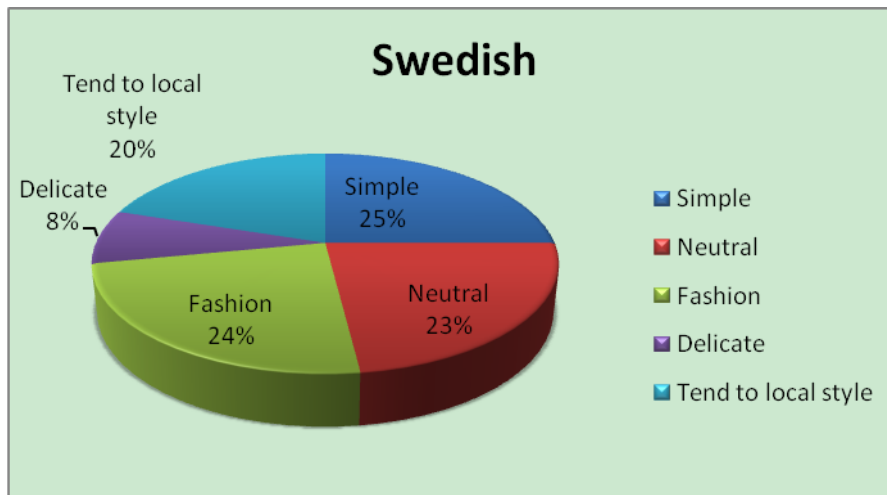


Figure 8: The answer for the H&M style

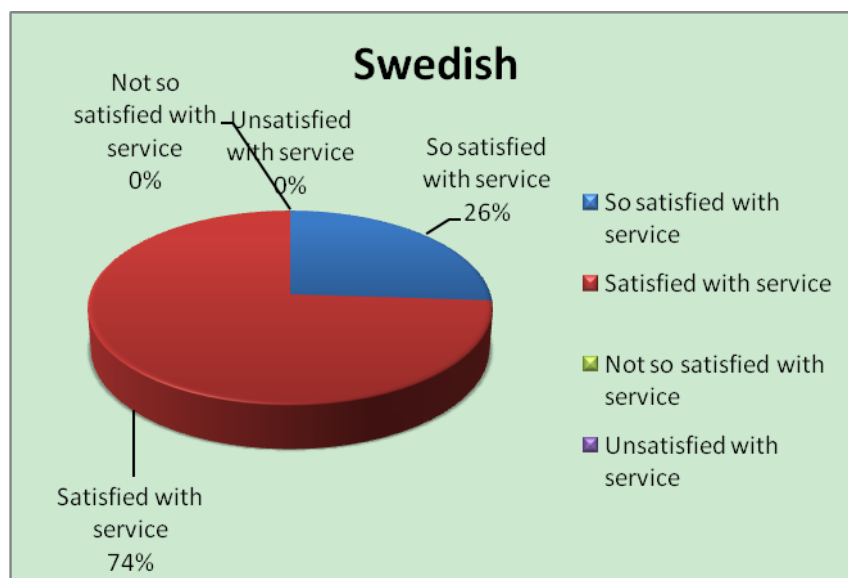
(Collect the data from questionnaire, more information from APPENDIX. 1)

Secondly, there is the design and style difference between Swedish young customer satisfaction and Chinese young customer satisfaction. More than 50% Chinese young customers are not so satisfied with H&M design; even there are 4% young customers unsatisfied with the design. And 17% Chinese young customer prefer delicate H&M product style. For Swedish young customers, 80% of them are satisfied with H&M design, and they think the simple and neutral clothes style is more suitable for them. Hence, the national condition factor, social environment factor and culture factor has close relationship with such different satisfaction phenomenon. Different social and

cultural affect enterprises in different extent, social and cultural elements are very important, including: demographic, social mobility, consumer psychology, lifestyle changes, cultural traditions, and values (Kotler, 2008). For China, it owns the long traditional history and culture, many Chinese consumers have the style emotional framework and limits when they buying products (Jiaxun, 2008). Although many young people accept and pursue fashion, most of them still like delicate and a little traditional style products, they are not as open and fashion as European young consumers. Sweden is a country where has the open social cultural environment. Swedish education mode is more tend to encouraging students' creativity and flexible application. Compared with many Asian countries, they accept new things faster, and own more open and creative mind than many Asian young people (Lingfeng, 2009). What is more, compared with Chinese young people, Swedish young people's lifestyle is more simple than Chinese, but is more quiet and relax than Chinese young people.

4.3.3 Service

How would you think about H&M service?



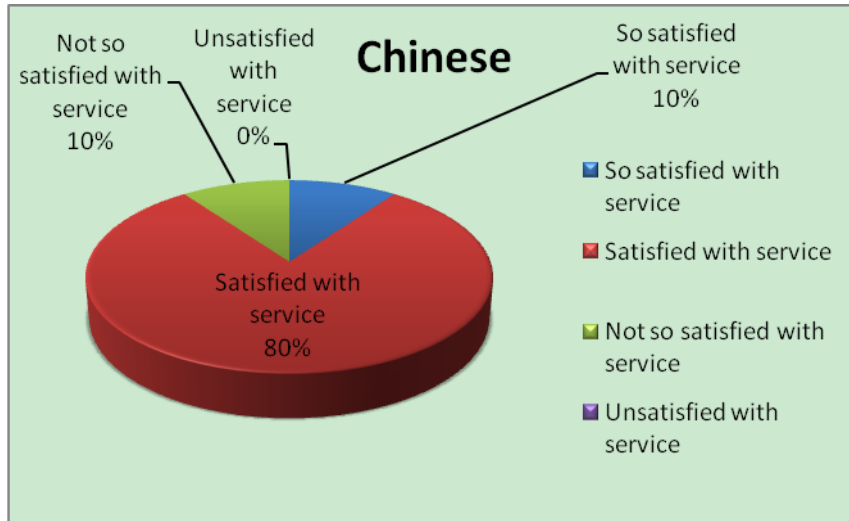


Figure 9: The answer for the H&M service

(Collect the data from questionnaire, more information from APPENDIX. 1)

Thirdly, there is the service satisfaction between Chinese young customers and Swedish young customers. From the graph can conclude, there are 26% Swedish young customers so satisfied with H&M service, and 74% Swedish young customers satisfied with H&M service. Even though there are 80% Chinese young customers satisfied with its service, but 10% of Chinese young customers are not so satisfied with H&M service. On the one hand, from H&M annual report point out, the online Chinese shopping customers is more than Swedish (H&M 2012 annual report, 2012). The advent of the Internet era, more and more people choose online shopping in China, there are lots of online shopping mall emerge in recent years. According to a survey shows that there are more than 500 million Chinese shopping access the internet in 2012. The following picture shows the online shopping increase in China

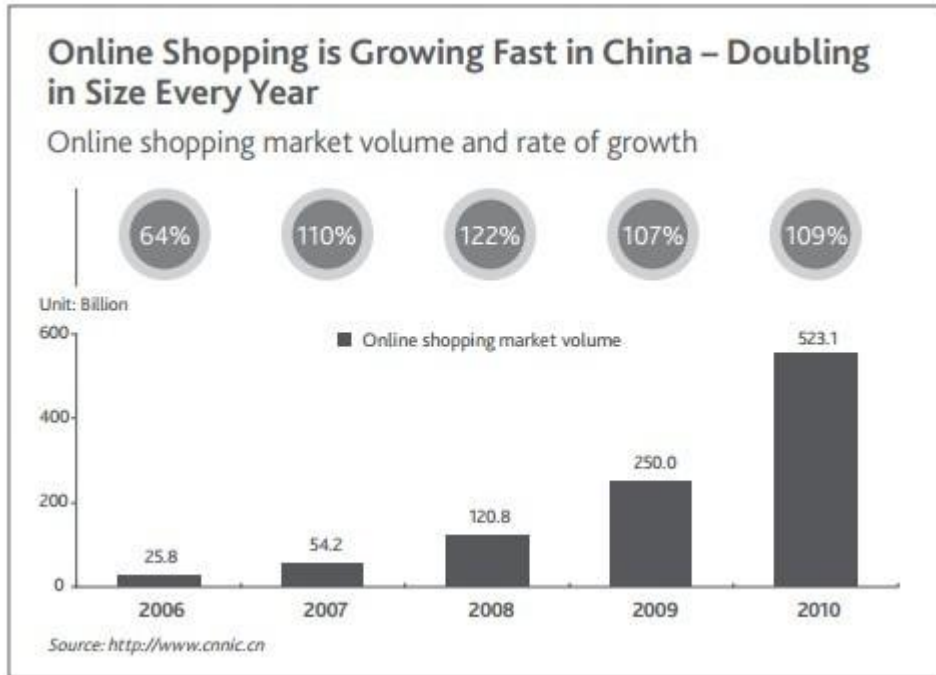


Figure 10: Winning in Greater China 2012

However, there are some problems about return when Chinese young customers buying H&M online products (Customer satisfaction on H&M online product, 2013). On the other hand, according to some complaints about H&M Chinese store service, some employees' working attitude is not so good when customers need their help (H&M employees' working attitude, 2013)

4.3.4 Customer loyalty (Brand awareness)

Why do you want to buy H&M product?

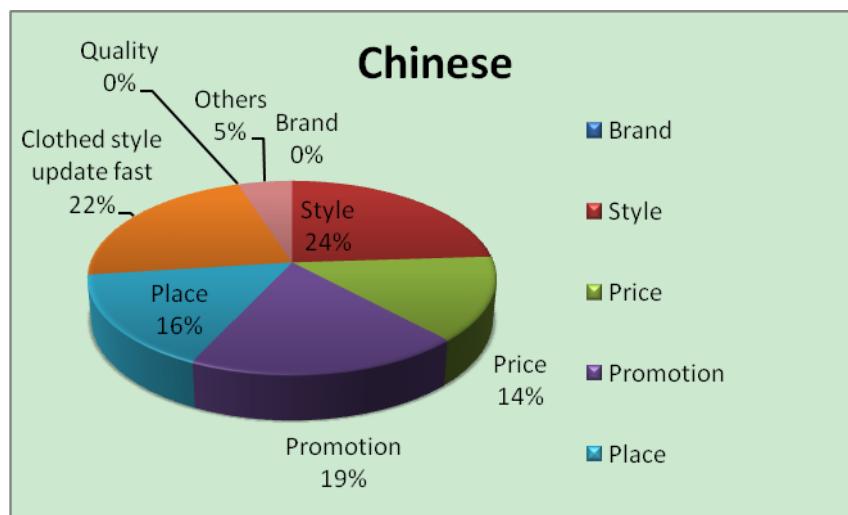
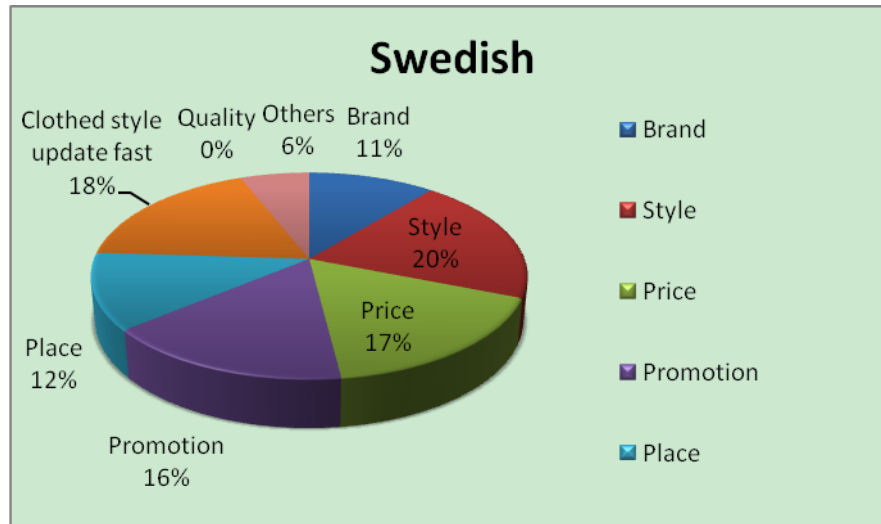


Figure 11: The answer for the H&M product

(Collect the data from questionnaire, more information from APPENDIX. 1)

How often do you buy H&M product?

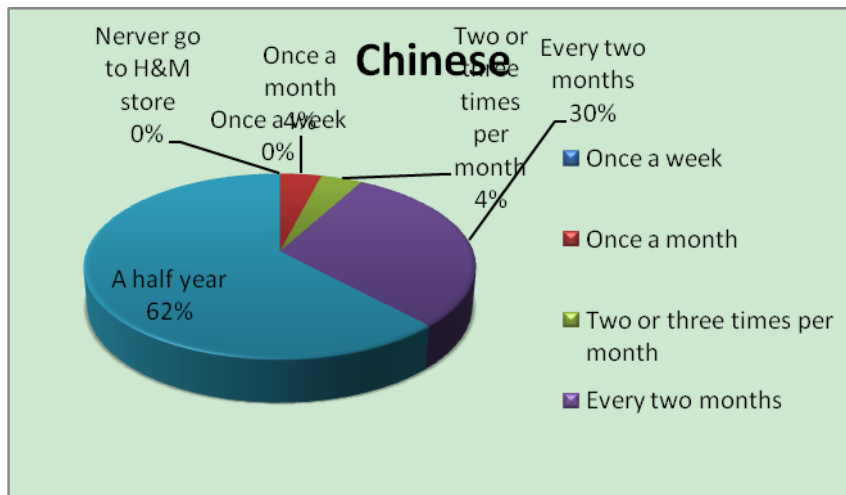
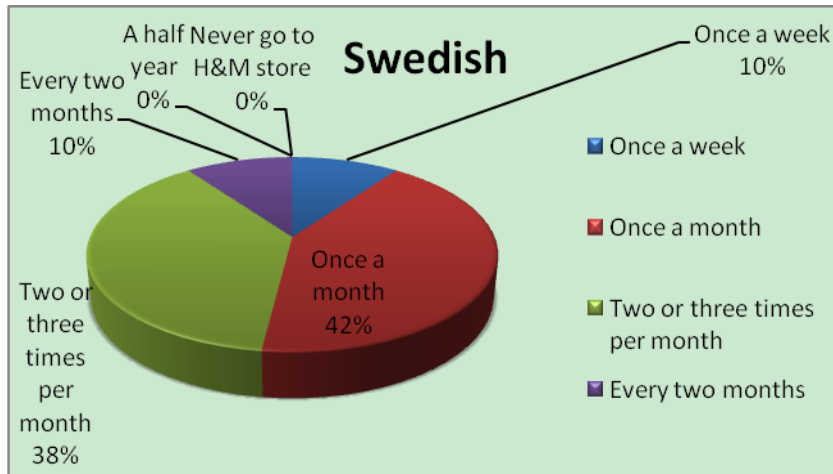


Figure 12: The answer for the customer buys H&M product frequency (Collect the data from questionnaire, more information from APPENDIX. 1)

How much money you will spend on H&M product per month?

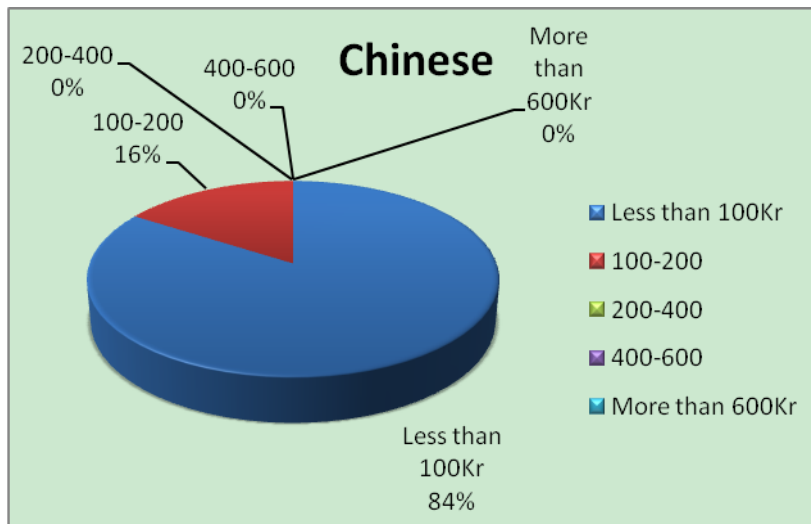
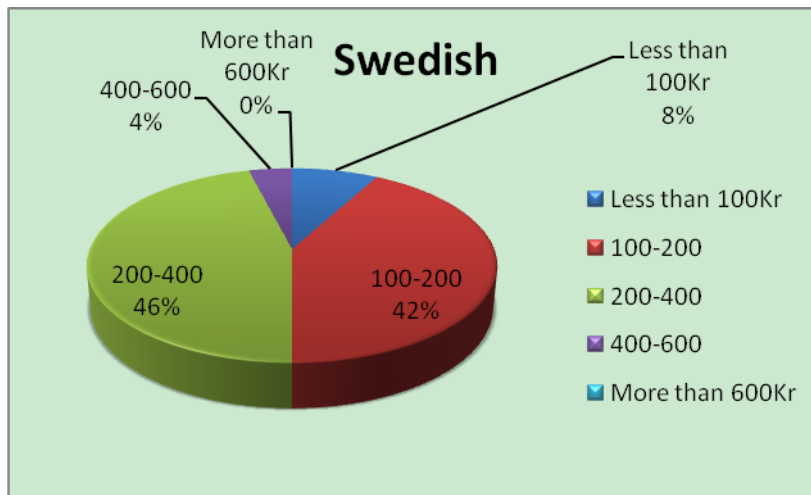


Figure 13: The answer for the H&M consumption level
(Collect the data from questionnaire, more information from APPENDIX. 1)

Fourthly, there is the customer loyalty difference between Chinese young people and Swedish young people. According to the questionnaire result, 11% Swedish young people buy H&M product due to its brand effect, and many of them would like to buy H&M product once a month. However, no Chinese young people will buy H&M product because of its brand effect, and 62% of them go to H&M store just for half a year. Also they do not want to spend so much money on H&M product per month. The customer loyalty can be decided by consumption Recency, consumption Frequency and consumption Monetary. Hence, from the Chinese and Swedish young

customer's consumption Frequency and consumption Monetary, the Swedish young customer's brand awareness and loyalty is higher than Chinese young customers. Because there are national condition and consumption psychology difference in China and Sweden (Lupeng & Jieying, 2009). The information collected by the Swedish statistic agency, compare the two graphs, directly to know women will expand more money on clothes, especially the majority buying force customer is between 20-29 ages those who like the fashion clothes.

Figure.14 Women expenditure on clothes in SEK 2007-2009

SEK/age	13-19	20-29	30-49	50-64	65-
Clothing and footwear	6320	9790	8890	7010	5770
Clothing	5030	7960	7120	5920	4760
Footwear	1330	1370	1330	1230	420

Reference: (Women and age – expenditures per person, 2007–2009 in SEK, 2010)

Figure.15 Men expenditure on clothes in SEK 2007-2009

SEK/age	13-19	20-29	30-49	50-64	65-
Clothing and footwear	5400	6970	6160	3510	2290
Clothing	4480	6040	5390	2740	1900
Footwear	920	910	770	770	390

Reference: (Men and age – expenditures per person, 2007–2009 in SEK; 2010)

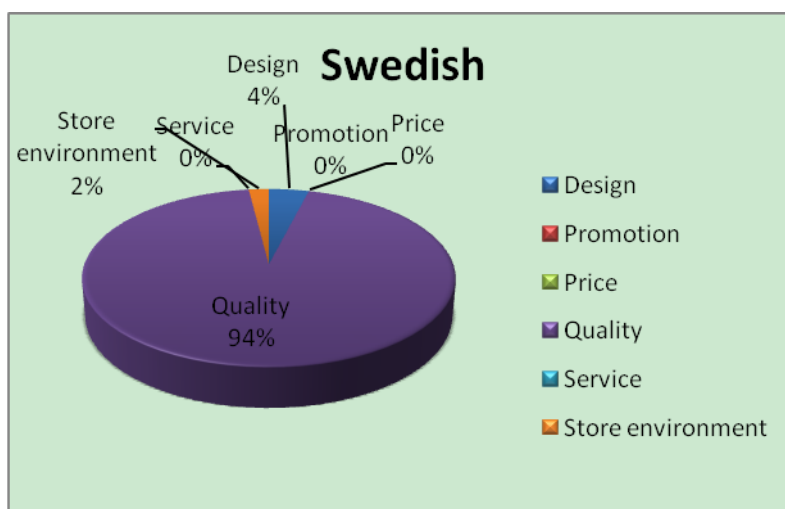
The following H&M 2012 profit graph can also prove this result.

	2012	NO. OF STORES 30 NOV. 2012	2011	NO. OF STORES 30 NOV. 2011
Sweden	6,625	177	6,704	173
Norway	4,495	111	4,322	104
Denmark	3,444	94	3,362	90
UK	8,968	226	7,921	213
Switzerland	5,389	82	5,553	80
Germany	25,499	406	24,997	394
Netherlands	5,608	124	5,885	118
Belgium	2,696	70	2,609	66
Austria	3,992	68	4,002	66
Luxembourg	374	10	345	10
Finland	1,987	53	1,948	47
France	8,341	182	7,806	168
USA	11,950	269	9,209	233
Spain	4,917	146	4,968	132
Poland	2,401	103	2,255	89
Czech Republic	642	31	603	24
Portugal	701	23	732	23
Italy	4,016	104	3,667	87
Canada	2,802	61	2,491	58
Slovenia	405	12	420	12
Ireland	495	16	441	15
Hungary	492	26	397	20
Slovakia	282	13	212	10
Greece	685	25	621	22
China	4,884	134	3,283	82
Japan	2,385	22	1,476	15
Russia	1,824	37	1,299	19
South Korea	540	11	373	6
Turkey	408	11	283	8
Romania	512	19	267	11
Croatia	488	11	215	6
Singapore	383	2	104	1
Bulgaria	101	4	-	-
Latvia	30	2	-	-
Malaysia	84	2	-	-
Mexico	40	1	-	-
Franchise	1,914	88	1,229	70
Total	120,799	2,776	109,999	2,472

Figure 16: H&M 2012 annual report

4.3.5 Quality

Which aspects that H&M can for improve?



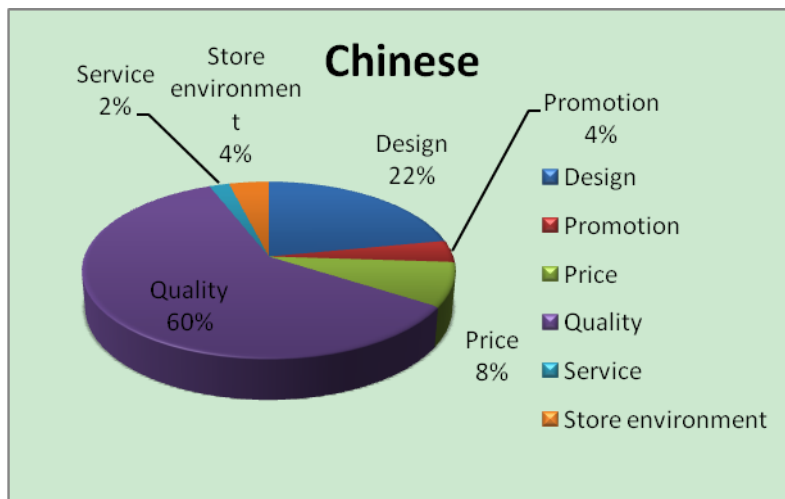


Figure 17: The answer for the H&M improvement

(Collect the data from questionnaire, more information from APPENDIX. 1)

Finally, there are 94% Swedish young people suggest that H&M should improve its product quality, and 60% Chinese young people also expect H&M can improve product quality. According Chinese H&M product survey, Since 2007, H&M has at least three times be labeled on substandard quality by Chinese qualitative inspect department . On January 28, 2012, according to a report by Shanghai quality supervision departments showed: the number for “605040/2011.6” H&M knitted sweater fiber content is not consistent with product label. In June 2010, the Shanghai quality control department also found that a H&M knitting leisure coat’s PH is unqualified in sampling (Xin, 2012).Therefore, one of the most important things for H&M development is pay more attention to quality aspects. This result will be applied in H&M improvement discussion.

5. Analysis and Discussion

In this section, we will analyze and discuss the previous section according to stated purpose, research question on theories and research results. Meantime, suggestions for H&M improvement will also be discussed in this part.

5.1 PEST analyze for different customer satisfaction reasons

According to the questionnaire result, there become many differences between Chinese young customers and Swedish young customers, especially on the price, design and brand loyalty aspects. The main reason for appear this different result is the different PEST (Political, Economic, Social and Technology) situation.

Sweden is belonging to a capitalist road of constitutional monarchy; the modern Sweden has set up a pretty democratic system. Democratic principle is not only determines the country's management style, also reflected in the various social levels which from kindergarten to different workplaces. As an equality and transparency country, every citizen has a chance to express own opinion, and has the right to supervise public institutions. In addition, without too many wars and conflicts' influence, relative to other European countries, the Swedish political environment is more stable. Especially the government implements a series of welfare policies for improving Swedish living standards. For instance, the entire Swedish citizen enjoys the right of free education from primary school to University.. China is a socialist country. And Chinese also own the right for social supervision and express opinion in China. However, relative to the European countries, Chinese political environment is not as stable as Sweden, and some local government power is too concentrated, so sometimes it can lead to the inequality of social environment. And most important,

because China has been experienced too many wars and conflicts in the past, the current political environment is also be influenced by a lot. On the other hand, even though the Chinese government also issued relevant welfare measures, but these welfare measures is more focused on the basic relief, civil education and medical treatment also need to be rely on Chinese themselves (Rui, 1995).

Sweden has a so great economic environment with the high industry development. The world famous brand of H&M, Ikea, Volvo and Ericsson has created a great economy value for Sweden. Now, from GDP survey, Sweden is one of the world's ten richest countries. Swedish economy is based on iron ore, timber and hydroelectric energy, and at the same time, vigorously develop the telecoms industry, automobile industry and the pharmaceutical industry. Furthermore, Sweden highly welfare is connected to the high tax system. The Facts on the Sweden tax agency, the top marginal tax rate of labor income is 57%, the compulsory social security contribution tax rate is 32%. The Value added tax (VAT) tax rate is 25% and the Taxed in percent of GDP (2005) take 51 percentage rate. The state income tax on legal entities (company income tax) is 26.3 percent of the net taxable profit. Hence, relatively high tax gives the support for Swedish government economic investment and welfare policy. Although there exist high tax policy in Sweden, the average income for working citizen is more than 2, 0000 per month according to Swedish income form (Derthoo et al., 2012). But in China, there is a serious phenomenon within the economic environment: the gap between rich and poor is too big. In accordance with the result part of Chinese income , most Chinese monthly salary are from 1000Kr to 5000Kr, especially the undergraduate's wage is around 2000 to 4000Kr for a month (Carriban, 2012). So, compare the Swedish citizen's income, first of all, the overall level of Chinese income is low, it has made an impact on domestic demand. The disparity between the rich and the poor is more aggravated the severity. The uneven distribution of wealth structure is severely weakened the social total consumption ability. That is why H&M's some young Chinese customers think H&M product is a bit expensive. China has more population than Sweden, but so far, H&M's profit in

the Chinese market is not more than the Swedish market gains (H&M 2012 annual report, 2012).

Sweden only has no more than 10 million populations. Due to the highly democratic and open political and social environment, Sweden is a real feminist country. In 2000, Sweden and Finland was named a model of equality between men and women in the world by the UN. In Sweden, a variety of welfare systems let citizens enjoy a high quality life and work. And behind the high salary and welfare is the high tax. Sweden provides social security funds through higher taxes, and then the government equally allocates such funds to every citizen. In such a social and cultural background, the Swedish life is more comfortable and less pressure. Mostly, they do not need to waive weekend and holiday for completing work, the whole society are in a calm, relaxed and comfortable state. Free education from kindergarten to university help Swedes gain an open and creative mind for work and life. Relative to China, Swedish life tend to be simpler and stable (Alvesson, 2012). China owns the largest population in the world. On the one hand, a large number of population can have a positive effect on consumer spending growth, on the other hand , it also become the heavy burden of economic development. Due to a large population, the economic benefit assigned to each person is a little small; the gap between rich and poor becoming bigger. China is not like Sweden has high welfare of education, health care and housing system. Many Chinese, especially young people in China, bear great burden and pressure for education, healthcare and housing expenses. The people who are in social bottom level, they may not have enough money to pay for the cost of education from kindergarten to university. So relative to Europe's a lot of developed countries, Chinese education level are slightly behind of them. Besides, because the influence of Chinese traditional thought and exam-oriented education system, many Chinese thought is more rigorous rather than more open. So this is one reason for why some Chinese young consumers are not very satisfied with H&M design (Zhenyi, 2010).

Sweden has the high level in IT, biological medicine, new materials and

environmental protection technical research. The 3G network has covered the three-fourths of the Swedish population. In order to realize the sustainable use of energy, the Swedish government spends a lot of money for researching new technology in recent years. And actively make cooperation with other countries for committed to study environmental and sustainable utilization of materials and energy. Chinese IT technology is also in the developing stage. Especially in the era of network, now many Chinese prefer using online shopping to get the product, so at present, e-commerce reach a high level in China technology development. Confirm to the theme of sustainable development, China is also devoted to environmental material research and technology, but due to technical constraints and started lately, green technology is slightly lags behind developed countries.

5.2 Organization strategy

5.2.1 Mission and Vision

H&M stands strong in a challenging market. HM increased sales by 8 percent in local currencies and continued to gain market for the fashion retail industry in many countries. At present, In order to satisfy more Swedish young customers' green and sustainable consumption mind, H&M will increase investment on organic cotton, and working to improve traditional cotton cultivation, using more cotton in sustainable way in Swedish market (H&M annual report, 2012). Due to the latest financial crisis in European, Luxury fashion is no longer popular either buys the best or buys the cheapest. H&M cleverly link fashion and price in Swedish market , and it propaganda a new claim: HM might very cheap, but HM product is really fashionable. For Chinese market, H&M focus on expend its stores and influence in China, and plan for launch new product categories for Chinese young customers. Meantime, H&M will try to enter more third-tier cities (Winning in Greater China, 2012).

5.2.2 Customer relationship management

RFM is one of useful model for Customer relationship management. According to Stone and Jacobs (2008) pointed, the RFM model can be decided by consumption Recency, consumption Frequency and consumption Monetary. As the above Swedish clothes expenditure forms can see, the consumption monetary in Swedish young women customers is around 5400 per person yearly, and the clothes cost for Swedish young men customers is around 4200 per person yearly. Meantime, in accordance with questionnaire result, there are 42% Swedish young customers like going H&M store once a month, even 38% of Swedish young customers would like to shop H&M product two or three times per month. And 42% of them will cost 100-200Kr for H&M product per month, 46% of them are willing to spend 200-400Kr on H&M product monthly. Hence, the customer relationship with Swedish young customer is great according to RFM model analysis. On the contrary, there are 84% Chinese young customers would spend less than 100Kr for buying H&M product monthly, unexpectedly no Chinese young customers willing to expend more than 200Kr on H&M product per month. In addition, from the questionnaire, most Chinese young customers just go to H&M one a half year. Hence, Chinese young customer's brand awareness and loyalty is lower than Swedish young customers.

5.2.3 Service management

H&M provide the good service in Swedish store. When you go to H&M store in Sweden, the staff will passionate ask what you need and want to buy. If you cannot find the suitable size or style, you can ask the staff for the help. And when you pay the product, there is the smile service from staff. The return policy for H&M is within one month, you can return the product freely, whether you want to change or back money. However in China, there are 10% Chinese young customers not so satisfied with its service according to questionnaire. Follow some complaints about Chinese customers, someone said, there is no good face when he/she ask help for finding the right size.

And sometimes, the staff seems not so patient when customer returns the products in China (H&M employees' working attitude, 2013)

Information technology service

Technology innovation: Sandblasting is a technique used to give clothes, in particular the denim jeans for worn-out and decorative design. In some media reported, this technology will bring risk for worker's health. Hence in 2006, H&M start taking measure of protection requirement for suppliers when using Sandblasting. Through the media technology development, more and more customers received the information from the internet and phone's software. The reasons that H&M launched the software for Iphone and Android, and then the customer will more easily connect with the H&M garments (H&M annual report, 2012).

The e-commerce has a high developed for H&M product sold. There are 37.8% of China's population are choose to shopping online now, In 2012, retail sales through internet are account to RMB 18 trillion. It is obviously that online shopping become a habits of Chinese consumers, it will boost the development of e-commerce. Due to the online shopping just at start stage in China, there will be vast potential for future development (Winning in Greater China, 2012).

5.3 Product management

5.3.1 Positioning and Segmentation

Positioning

Compare with other clothing brand, the market positioning for H&M is the great combination with popular and good price. In a certain extent, H&M is belongs to fashion brand, customers can completely feel the strong fashionable atmosphere in H&M store, H&M collect the present most popular element in each commodity. Whether it is the broken beautiful series in spring and summer, or the personality rivet

design, can make a lot of young people love it unceasingly. And because of the product diversification, H&M has set the parity popular positioning in consumers' mind. In fact, there have a little different positioning in Chinese core customers' mind and Swedish core customers' mind. According to questionnaire result, there are 84% young participates think the price for H&M product is cheap, and 16% young participates consider H&M price is moderate. For Chinese young participates, just 18% of them think the price for H&M product is cheap, and most of them consider it is a moderate price for them, the rest of 8% participates think the price is a little expensive. In collection with Chinese salary collection, the average annual wage per Chinese is forty thousands (Carriban, 2012). Hence, even though the market positioning for H&M is a cheap and fashion brand, in combination with different countries' core customers' opinion and salary condition, the positioning of middle and low brand is belong to Swedish core customers' mind, and positioning of middle brand is belong to Chinese core customers' mind.

Segmentation

About geographic part, H&M is widely distribute in Europe, Asia, America, and North Africa and mainly located in the cities which have high economy and fast-paced society. According to H&M 2012 annual report, there are 177 stores in Sweden, and the annual profit is 6625 million in 2012; 134 stores are located in China, and the annual profit is 4484 million in 2012. In accordance with high income cities survey of China are mainly in first-tier cities which are Beijing, Shanghai, Hangzhou, Shenzhen, Hong Kong and Second-tier cities which are Chengdu, Wuhan and etc. The consumers in these cities have higher incomes, clothing are their first main consumption (Winning in Greater China, 2012). H&M invest on the great potential for continued expansion new market in Chinese market.

H&M's core customer groups are teenagers and adults, whose age is from 15 to 25 years old class, whether men and women, even a whole family can find suits goods at H&M. And the price is most suitable middle-income level family and people. In

Sweden, many students have 5000-10000Kr income per month according to questionnaire result; hence, many of them have high consumption ability for H&M product. In China, most of students who are under 22 years old do not have income for every month, but their parents have medium incomes can afford their daily consumption , consumers under 30 receive medium incomes have consumption capacity for H&M middle price level product .

In psychological segmentation aspect, H&M is aim at meeting the working class, middle class and upper middle class, Lifestyle is achievers, believers and strivers. Especially for the young man, those who follow fashion, H&M has attracted a lot of such personality gens. Because H&M primly establish in prosperous metropolis, so when most young people buying H&M goods, after that, a lot of people unconsciously to join the H&M's loyal customers rank, especially for Swedish young people.

In business segments, H&M group with five brands of different collections are H&M, COS, Monki, Cheap Monday and Weekday. Different brands with different operation ideas, Such as COS offers cutes and comfortable modern and urban clothes; Monki is personal creativity and expression, provide the clothes and accessories for young women; Weekday with independent fashion trend like the street style clothes and jeans; Cheap Monday combines the street fashion and subculture with a catwalk vibe (H&M annual report, 2012).

5.3.2 Product decision

4Ps (Product, Price, Promotion and Place)

Product:

Garments, accessories, cosmetics and shoes are the main four categories for H&M products. Many of them are popular among the consumers. When company choosing clothes' raw materials, it is regards the low cost and high comfort as the foundation, as

the same time, chose some green materials to meet customers' sustainability mind, especially for Swedish young customers.

In order to keep up with customers' changeable demand, H&M continually creates more new products and add more present fashionable element to attract more customers. Through the cooperation with some Luxury brand or the famous star, H&M is also committed to expanding its brand. For instance, the cooperation with luxury brands like LANVIN and VERSACE.

At the same time, H&M's all products have gone through the control and inspection, including size, buttons, zipper, etc. The most important is the special popular element design; it always let H&M give customer with pure and fresh feeling in European market (Facts about H&M, 2012). The main products are similar in Sweden and China. But there are no cosmetics and house articles in Chinese market. Meantime, due to the different national condition and culture background, the Swedish young customers prefer simple and neutral clothes; Chinese young customers prefer delicate design. Hence, there are a little changes for H&M product design in Chinese market, the designer add little Chinese elements in products and change type version for trying to satisfy Chinese customers, but most product design is same whether in Sweden and China (Facts about H&M, 2012) .

Price:

Due to the basically same currency conversion rate between Krona and RMB, the price for H&M product is relatively semblable in Chinese market and Swedish market. Price: Through H&M online shop website, there is a collection for H&M clothes, pants, Accessories, shoes and cosmetic price (H&M annual report, 2012).

Clothes	Spring and Autumn clothes: 100~500 SEK
	Summer clothes: More than 100 SEK~400SEK
	Winter clothes: 200~600SEK
Pants	Long: 100~300SEK
	Short: 100~300SEK
Accessories	Cap: more than 100SEK ~200SEK
	Necklace, Bracelet, Earring, Hair accessories: more than 100SEK~200SEK
	Bag: 200~400SEK
	Scarf: 100~200SEK
Shoes	200~400SEK
Cosmetics	More than 100SEK~300SEK

In the light of questionnaire collection and Chinese income collection, most Chinese young people have 2000-4000Kr salary per month. If they buy one clothes, one pant and one shoes for H&M product in a month, it will cost around 700Kr for them. It means except for other expense (Rent, food, transportation and etc), the cost for H&M product will occupy more than a quarter of expense for many Chinese young people. Hence, the H&M product's price for Chinese young customers is moderate, even a little expensive. On the opposite, there is around 30000Kr income for Swedes. Even though for Students, many of them can earn income around 50000-100000Kr per month. Therefore, if they buy product in H&M for every month, it will not occupy so much money on income. This is the reason why most Swedish young customers think H&M product is cheap for them.

Promotion:

The promotion model for H&M Swedish and Chinese market are the same. In 2004, the shining appearance of top designers Karl Lagerfeld, leads a fashion storm in clothes industrial. The cooperation with fashion godfather had built the perfect luxury brand and parity fashion fusion in consumer's mind. At the same time, marketing promotion let H&M' sale rate crazily improved. In 2005, H&M invited Italy model Mariacarla Boscon as spokesperson; in 2007, specially invited Madonna and Kelly as designers. High-profile propaganda help H&M raise its brand value. H&M adopt the diversified strategy, print advertising slogan on bus station; post a huge poster in the building outside wall; even in some shopping bags, there is also appear H&M advertising. What is more, take advantage of PR to strength its brand. H&M keep close connect with the media in order to showcase its fashions and increase knowledge about the company. H&M also communicates regularly with the press and financial markets. Before the new goods show in the market, the news and magazine try to first report H&M's new collection (Facts about H&M, 2012). H&M also takes some sales promotion like seasonal discount, member card discounts coupon and so on.

Place:

H&M is using administered VMS. H&M does not have its own production business model. It is outsourcing the entire production process to the global 700 clothing manufacturers, about sixty percent in Europe, forty percent in Asia. Corporate with different suppliers and sign the contract with various businesses for allowing them franchise H&M goods. H&M owns an effective distribution channel. The goods arrive at one of the distribution centers and there are different distribution centers supporting the stores in a geographic region. (Facts about H&M, 2012) After the careful choosing the location, H&M owns around 2500 stores in Europe, America, Asia and other areas' prosperous big city.

According to H&M 2012 annual report, there are 177 stores which are located in Sweden, and 134 stores are set up in China. In Sweden, basically there have at least

one store in each city, however in China, the stores are mainly established in big cities, which are mainly in Beijing, Shanghai, and Hong Kong, and there are no H&M stores in relatively small cities (Winning in Greater China, 2012). This may be the one reason for low brand awareness in some Chinese young people.

Brand

H&M owns H&M, COS, MonKi, Weekday, Cheap Monday, H&M Home and Other Stories these seven brands in Swedish markets. Meantime, in order to improve the quality conscious in customer minds, H&M make cooperation with many luxury brands like Sonia Rykiel, Jimmy Choo, Lanvin, Versace, Marni for its Swedish market (Facts on H&M, 2012). In Chinese market, there just have H&M, COS and Cheap Monday these three brands (Winning in Greater China, 2012). Compared with Swedish Markets, Chinese consumers own less consumption varieties and H&M sub-brand choices when they go to H&M store.

Through the questionnaire investigation, 11% Swedish participants want to buy H&M product due to the brand effect, but none of Chinese participants buy H&M product because of its brand. There are some factors that lead to this difference. Firstly, H&M is a long history Swedish clothing brand, and it is one of most important pillar brand in Sweden. So, many Swedes will have affection for their own country's popular brand. Secondly, the positioning for H&M is the combination of price and fashion. In many Swedish young customers' mind, a brand which belongs to parity and fashion position will become the most favorite brand when they chose shopping. Thirdly, H&M enter Chinese market is in 2007 (Winning in Greater China, 2012). Hence, H&M is a relatively new brand for Chinese, and coupled with most H&M stores are set up in Chinese major cities, many relatively small cities do not have H&M stores. Hence, H&M brand influence is not profound in Chinese consumers.

International market

Now H&M have 86 stores in 28 cities in China, which mainly are Beijing, Shanghai, and Hong Kong etc (Lupeng & Jieying, 2009). The brand reputation in Sweden is more highly than in China due to the brand influence and different customer loyalty. The style, price, promotion and packaging are basically same whether in Swedish market and Chinese market. To some extent, H&M is more represent Nordic style, and the update speed in China is not as fast as Swedish Market, hence, some Chinese consumers are not so satisfied with H&M products due to the different national condition and market condition. Moreover, compare to other fashion brand in China, the quality of H&M cannot satisfy the consumer, because there are lots of brands have very good quality but same price with H&M.

5.4 Improvement management

5.4.1 SWOT analysis

Analyze H&M Company according to SWOT analysis, to provide a relevant improvement for H&M current situation.

Strength	Weakness
1. The commodity combine price and fashion	1. Low quality
2. Product diversification	2. Basically same design whether in Sweden or China
3. Good brand image in many markets	3. Stores only set in big city in China
4. Widely geographical market	4. Not so good service in some Chinese H&M stores
5. Corporate with famous designers and good suppliers	5. Have not set up strong brand image in China
6. Good vertical management system	
7. Make best use of high technology	
8. Efficient investment with promotion and place selection	

9. Set the good and suitable plan for future	
<p>Opportunity:</p> <ol style="list-style-type: none"> 1. The increase of population 2. the economic fast development in Europe and Asia 3. the phenomenon of substance price increase quickly, more people pursue the parity fashion 4. High technology development ,like the online market 5. Business expansion in new and present markets 	<p>Treats</p> <ol style="list-style-type: none"> 1. Fierce competition and more competitors into market 2. Localization demand 3. The change of consumer behavior 4. High space of society development 5. The change of clothing market trend

Strength:

H&M’s main strategy is lower cost and differentiation. In order to reduce the cost, firstly use the Just in Time management system, keep the delivery time vary two to five weeks. It also regularly provides limit goods which are designed by famous designers or actors. Like the competitor Zara, H&M is pay more attention to young people, so that the design is more special and fashion. Meantime, H&M has the constant growth market strategy due to constantly opening the new stores. It plans to open around 3000 stores around the world until 2013 and look for occupy market share from competitors. (H&M annual report, 2012). In addition, H&M's functional strategy is based on the organization development and research as it looks for the new model which is different from competitors. In order to create the special and fashion commodity, it has more than 100 designers to design the new model. (Huirui, 2011). Furthermore, H&M make the best use of IT system to promote online sale. In 2006, H&M launched the first campaign and now continuously use this channel to attract more customer groups and H&M club's membership. (Huirui, 2012).

Weakness:

H&M rapidly fast expansion in global market may cause the management issues such as H&M pay too much attention on expansion market, and ignore the quality of the products and the demand of customers. Besides, sometimes due to some defect work in clothes, such as the suture of thread or clothes material, there is appearance some recall commodities. Furthermore, H&M mostly set its stores in big cities; this is not convenient for small towns' customers who like H&M products to buy its commodities. What is more, there have some problems with quality. Although, the H&M's core philosophy is combine good quality, good price and fashion together. But there also exist quality issues because of the some material choices or operation process. For instance, in 2008, H&M be detected that PH value and clothing ingredients is not match with tag (Xin, 2012).

Opportunities:

First of all, as the world's population continual increase, consumer groups are also growing up so fast. Especially in China has 1.3 billion populations; the huge consumer market will bring a lot of chances for H&M development. At the same time, with the rapid development of economy, people's consumption level become more and more high and they pay more attention to the popular elements. Many young people pursue fashion like tide clothes, colorful clothes and so on. H&M Clothes Company will be very satisfied with their choices to entry Chinese market. But the economic development is also associated with the substance's prices increasing, whether in developed Europe, or in developing Asia, overall trend of rising prices seems particularly outstanding in the clothing market. A lot of clothes from the original 100 or 200 turn to 300 or 400, even more expensive. Many consumers want to buy the fashion style with the affordable price. So parity popular is the most satisfying choice in consumers' heart. In addition, the improvement of technology industry takes consumer market to a high tide. Not only has the advanced design and production technology into clothing market, but also the development of network let

online shopping become popular. What is more, no matter what type of markets, all of them are constantly to broaden the market, then this will contribute to the clothing market's expansion and during the expansion, there will appear some investment or social opportunities.

Treats:

Opportunities and threats are interdependent. When a lot of opportunities appear in this changeable market, also accompany many threats. To start with, it is the intense business competition. With the expansion of the market, there will be more and more competitors and the strength of the competitors will also become stronger. Especially in the clothing industry, the company will continue design the different new clothes, or make some promotion activities, or use the monopolistic competition to get more customers. In addition, the client's psychology is hard to fathom, consumers could like this type and design in this week, next week will soon change themselves preference. Although many people pursue popular and fashion at present, but customers' really need is the suitable popular element for them. And the market is continuously changing the trend adapt to the society's fast pace. In the clothing market, may be this quarter's style trend is restoring ancient ways, the next quarter will be change to in style of pure and fresh.

5.4.2 Improvement for Sustainability

According to SWOT analysis and questionnaire result, there are many aspects that H&M need to improve for meet customer satisfaction. First of all, the quality is a biggest problem that both Swedish and Chinese customer believe. Although H&M always kept the low-cost route, but low price also should be based on the good quality. In the material selection aspect, except for environmental protection side, H&M should pay more attention to choose the solid and comfortable cloth as raw materials. In the production process, the suture for clothes should be more careful; for making cosmetics, H&M need to reduce chemical substance. In addition, H&M ought to

improve its quality inspection system, and strengthen the detection and evaluation of quality and low price together.

Secondly, H&M should pay more attention to customer relationship. For instance, appropriately do some market research for customers' feedback, improve the shortage of goods; Can occasionally organization memberships some activities, to increase memberships' brand loyalty; increase the official website's richness, can put more interesting trend stories and fashion magazine reports, so as to improve attractive for customer; Besides, timely arrange employee training, let every employee clearly know, the smile and patient service is the basis whatever the service that customer need.

Thirdly, due to the different economic and social background in Sweden and China, H&M can consider make some adjustment in Chinese market. It could add more Chinese elements in clothe, and make more corporation with Chinese designs ,let commodity combine China and European style in accordance with Chinese characteristics, which will cater to more Chinese consumers' taste. Meantime, increase the promotion in Chinese market, so that there will be Chinese consumers can accept H&M product price. H&M also should continue in publicizing increase investment, now, in China's regional many people still do not know HM is a what kind of brand, HM should strengthen the investment in advertising for more and more Chinese consumers know the culture and rand idea. What is more, there is the different feeling when you shopping online and shopping in stores, hence, H&M need to consider expend more stores in relatively small cities, so that those small cities' customers can not only shop online, but also personally go to H&M store, let such cities' consumer can know more H&M.

Finally, the investment in the future for H&M should also pay attention to businesses in the emerging countries, such as the Chinese market. In the development of products to increase investment, such as invited the famous fashion designer design clothes, using more sustainable development materials, manufacturing technology of adding new machine to improve work efficiency, in the quality inspection should also increase investment and explore new areas and increase in charity input.

6. Conclusion

This section is the conclusion directly related to the thesis purpose.

According to thesis's analyze, there are some differences between H&M Swedish customer satisfaction and Chinese customer satisfaction. First of all, most Swedish core customers think the price for H&M product is cheap, but most Chinese core customers feel the price for H&M product is moderate, and there are some people also think it is a little expensive for buying H&M products. Secondly, due to the design for H&M products is more tend to Nordic style, Swedish core customers are mostly satisfied with its design, and however, Chinese core customers are not so satisfied with H&M product design. Thirdly, there are some bad service attitude in H&M Chinese stores, so some Chinese core customers are unhappy with H&M service when they shopping in its Chinese stores. Besides, Swedish core customers are fond of going to H&M store for shopping, and many Chinese young customers are prefer shopping online for H&M products. Finally, according to RFM (stands for Recency, Frequency, and Monetary Value) model analyze, Swedish core customers are willing to shop H&M products more frequently, and some customers would like to buy H&M products are because of its brand. On the opposite, Chinese core customers are not as loyalty as H&M Swedish core customers.

The main reason for appear this difference is the distinct political, economic, social and technology situation between Sweden and China. Especially, China is a developing country, and Sweden is a developed country. There have many differences about income, political system (e.g. different welfare system), culture and history for these two countries. In addition, the other reason for these different customer satisfactions is the basically same marketing strategy in H&M Swedish markets and Chinese markets. What is more, H&M's sub-brands in China are less than it is in Sweden, this result in the less choice for Chinese consumers. And most Chinese

H&M stores are located in major cities; there are no stores in Chinese small cities. Hence, some consumers who live in small cities do not know H&M, and many consumers cannot go to H&M stores for shopping in their city. Therefore, there are many aspects that H&M should to improve.

According to the case company of H&M brand, we can conclude some suggestions for enterprise how to improve its customer satisfaction. To start with, quality is the core aspect that every enterprise should pay attention to it. If the company loses the quality, it will lose the basic competitiveness and customer trust. Hence, it requires company improve its quality inspection system, regularly conduct thorough inspection for the sampled production. Meantime, H&M own the factory in China; it can help company save a lot of logistic costs in Chinese market. Hence, it can contribute such saved cost into quality investment. Next, company should also focus on developing customer relationship. Periodically make the customer survey for collect customers' feedback and suggestion for product and product development. And timely introduce the new products to the market and customers, so as to meet customer changeable demands. Thirdly, every customer expects receiving great service when they consume the company products. So, no matter what customer need, the employees must try their best to help customers and solve customers' problem. Especially provide the "smile service", this need company make the regulation and training for employees' working behavior. Finally, this is the most important thing for many international companies; try to make localization in different markets. Due to there are many differences about national condition and customer segmentation. For example, make the adjustment about product price in developing countries and developed countries. Furthermore, regard sustainability as the core development strategy; try to be a "green company".

Further discussion

Clearly understand the customer satisfaction and have a plan for how to improve the

customer satisfaction is the key aspect for enterprise to think about. From the whole thesis's discussion, there exist many dissatisfied aspects with H&M Chinese core customers. Hence, there will be an interesting topic for H&M developing the Chinese markets: will H&M appear different marketing strategy for further Chinese market development? From the H&M case analyze, how could other enterprises entry Chinese market? Indeed, it is may be a necessarily for international company to adjust strategy in different markets. It can be regarded as a good topic to discuss more.

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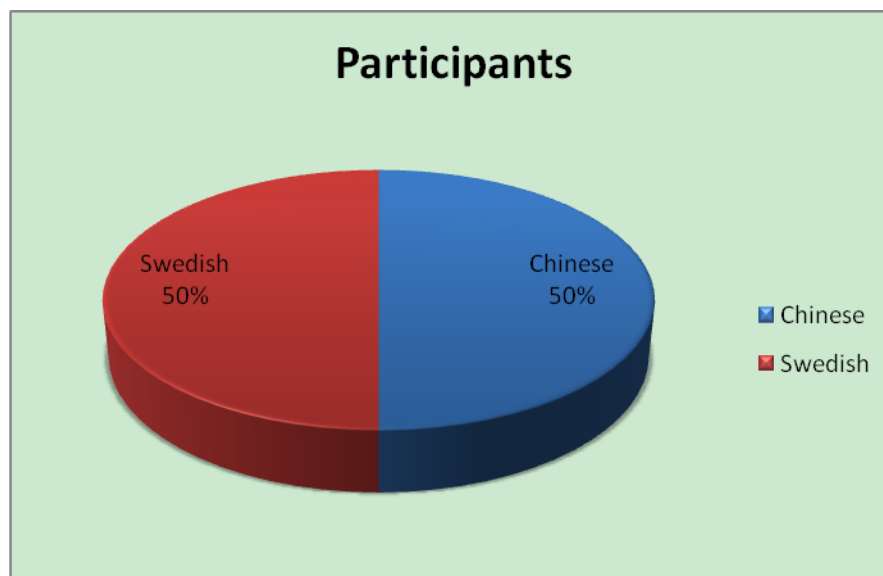
Appendix I

Questionnaire Methods

In this thesis, we use the questionnaire to collect the data about customer demand and satisfaction with Chinese and Swedish. We collect the customer feedback from the internet website (<http://www.sojump.com/>) and practical questionnaires in Gavle. Finally we receive the 57 questionnaires papers back and 80 people joins the website questionnaires. 68 are Chinese and 69 are Swedish who actively take part in our questionnaires. All together 137 persons join the questionnaires. From the questions and the collect results will directly illustrate the Chinese and Swedish customer satisfaction of H&M. Here we just focus on H&M's main customer group which is belonging to 18-25 years old. Hence, the following collection graph showed the result of 50 Swedish and 50 Chinese who are part of 18-25 years old.

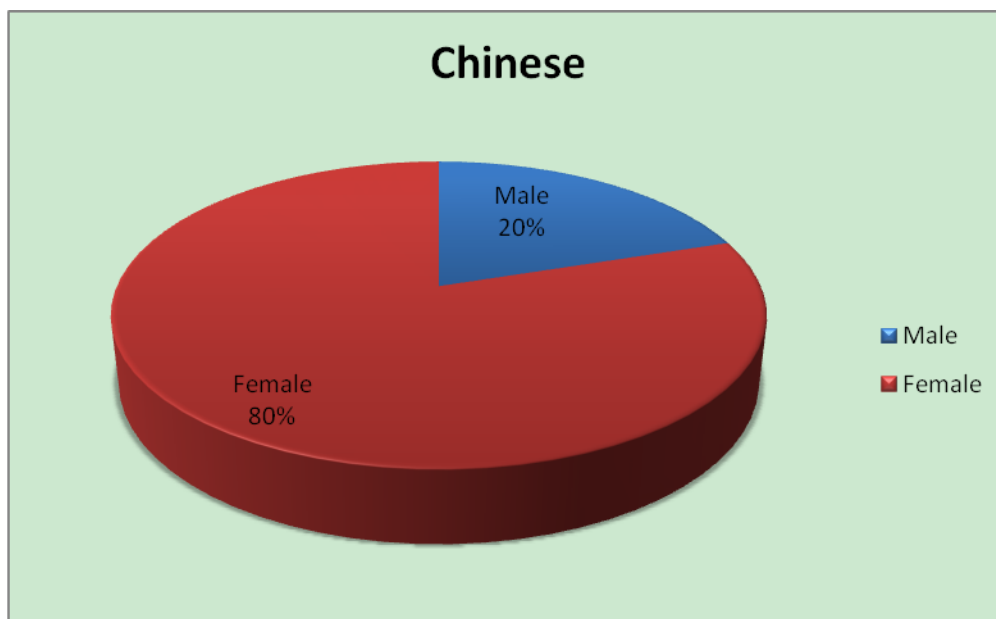
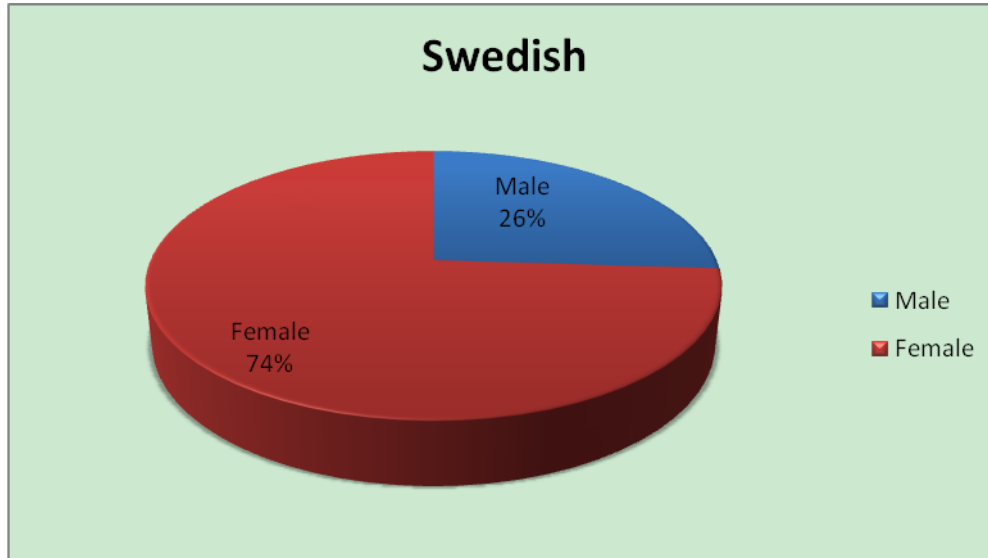
1. What's your nationality

- Swedish
- Chinese



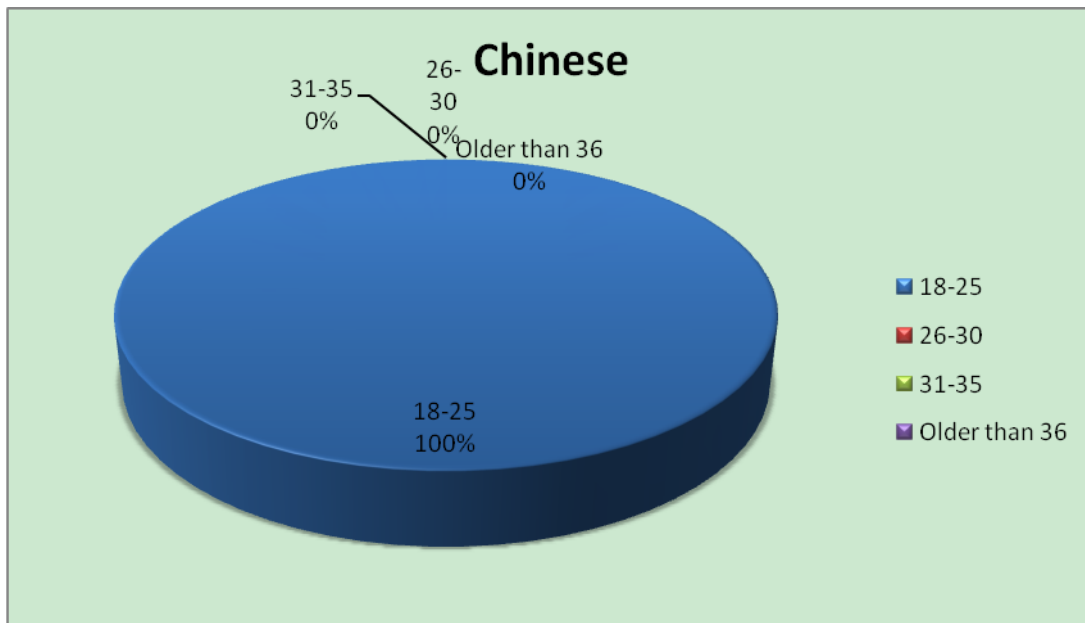
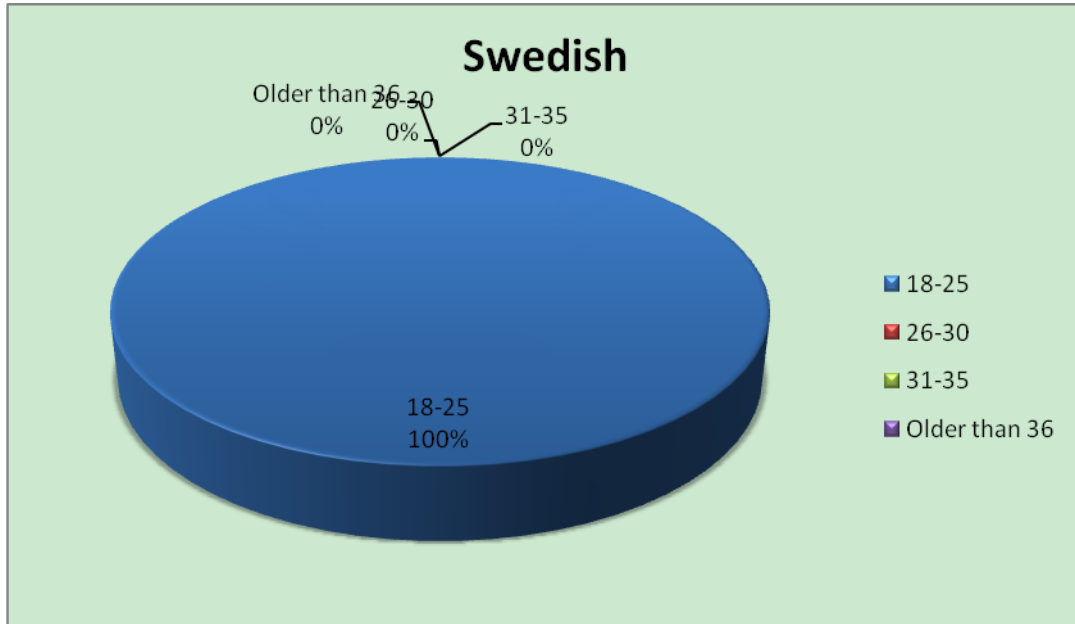
2. What's your gender

- Male
- Female



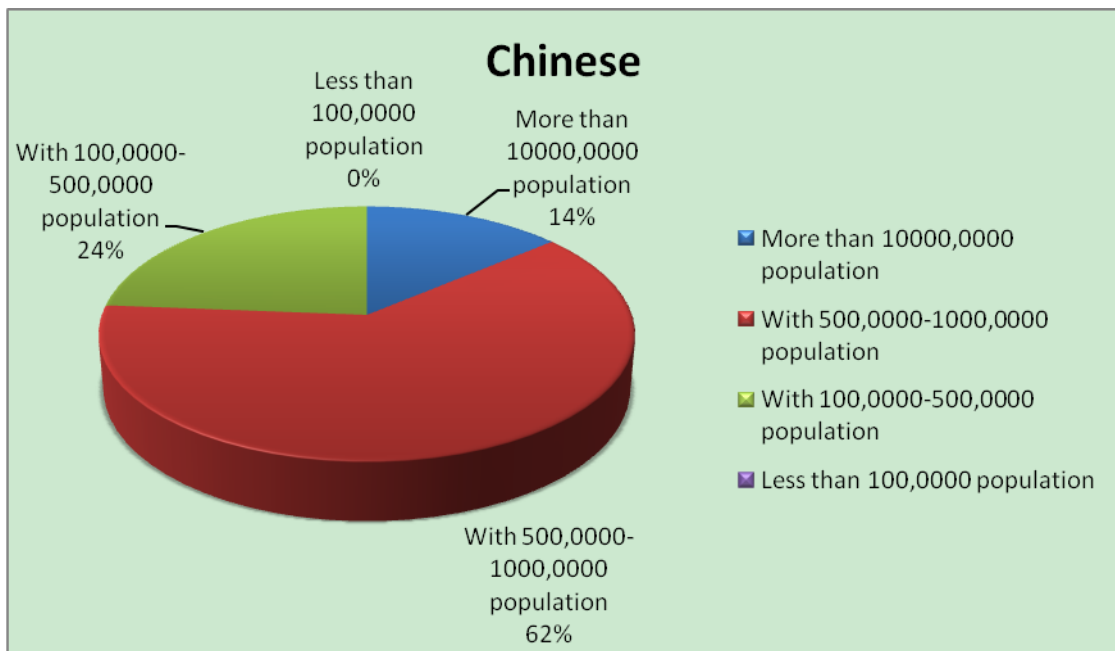
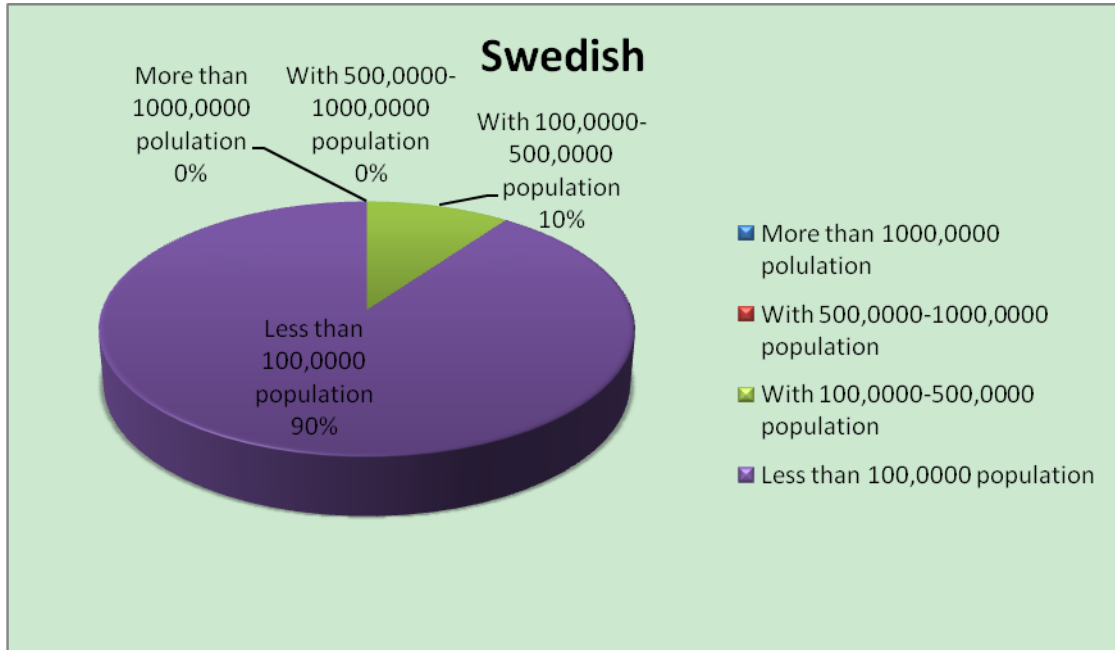
3. How old are you

- 18~25
- 26~30
- 31~35
- Older than 36



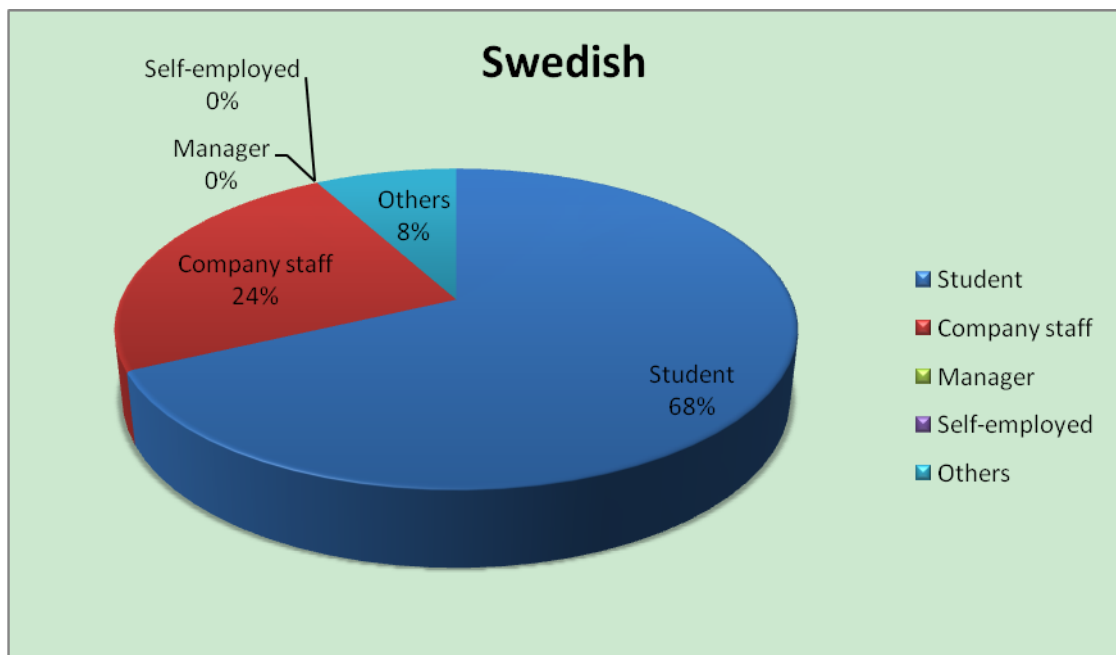
4. The city where you live

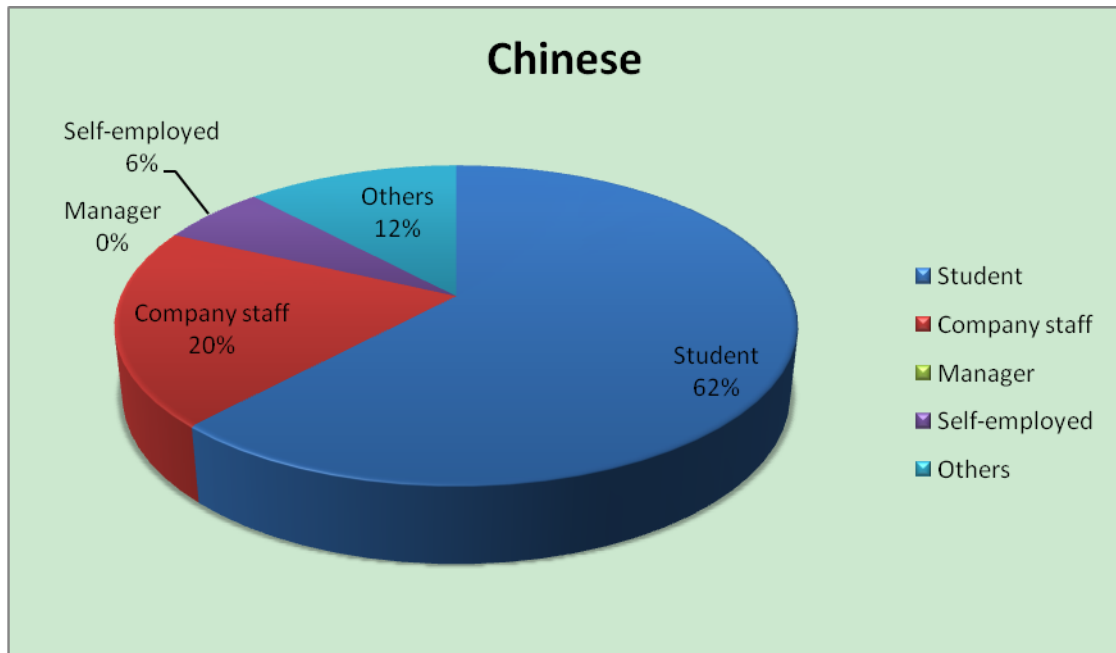
- More than 1000,000 population
- With 500,000~1000,000 population
- With 100,000~500,000 population
- Less than 100,000 population



5. What's your profession

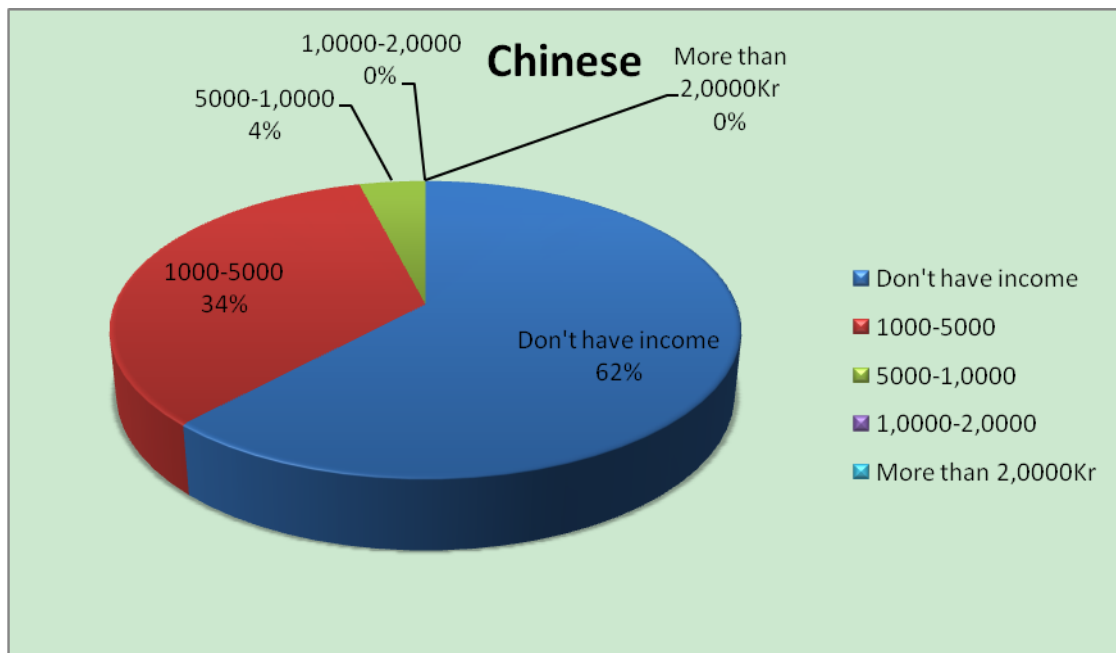
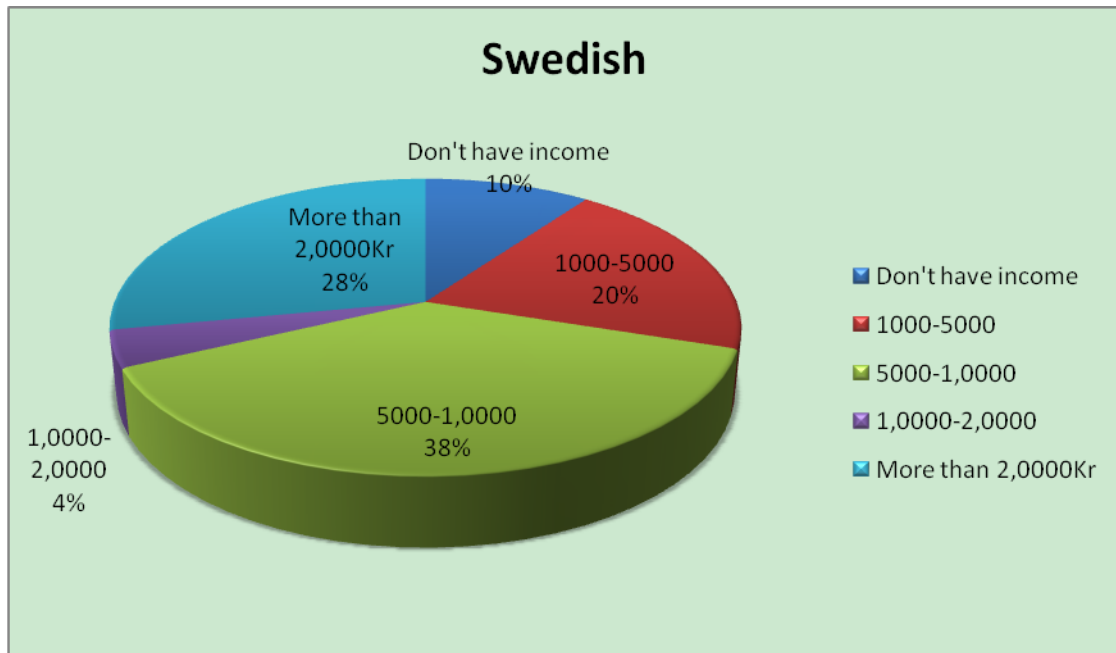
- Student
- Company staff
- Manager
- Self-employed
- Others





6. How much about your income per month

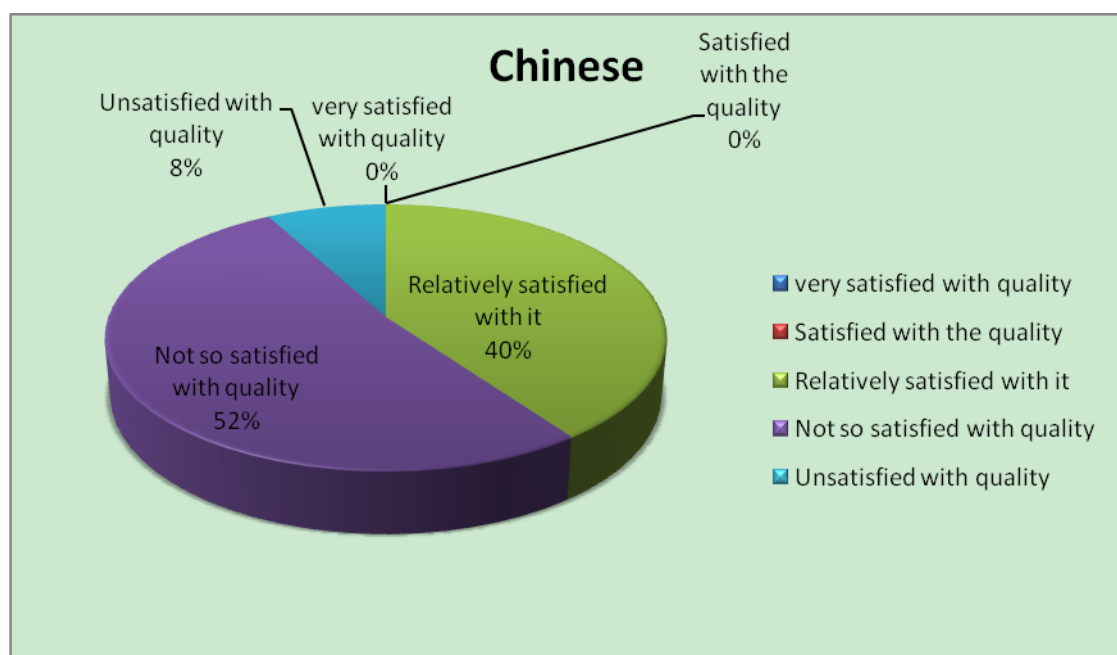
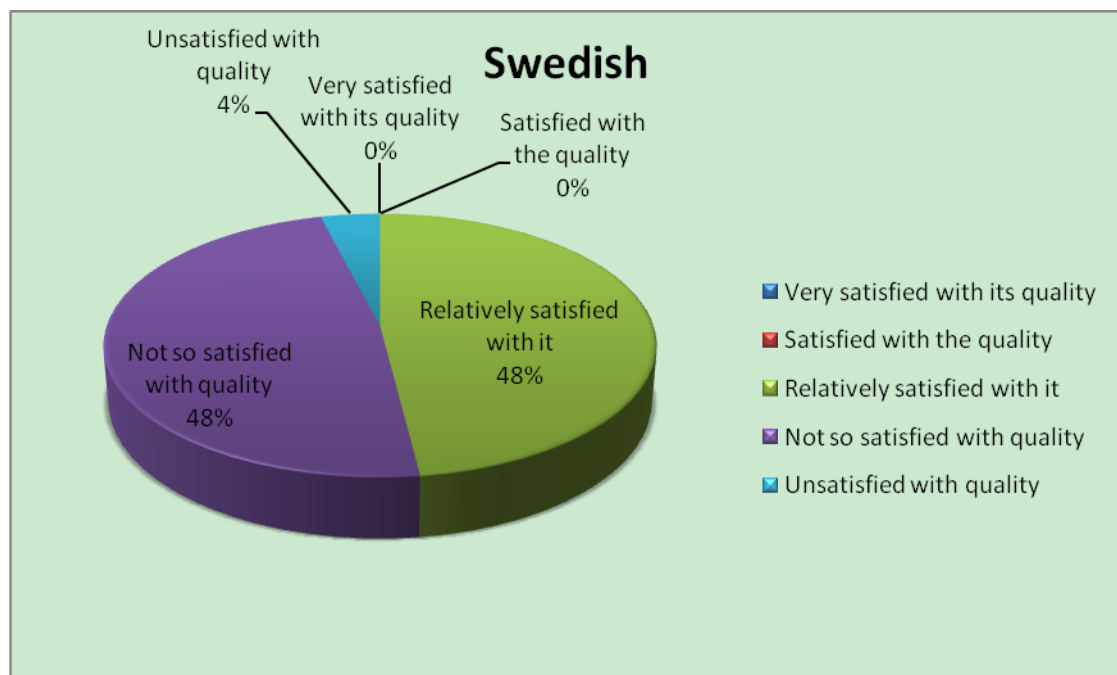
- Don't have income
- 1000~5000
- 5000~1,0000
- 1,0000~2,0000
- More than 2,0000 Kr



7. How do you think about H&M company product quality

- Very satisfied with its quality
- Satisfied with the quality
- Relatively satisfied with it

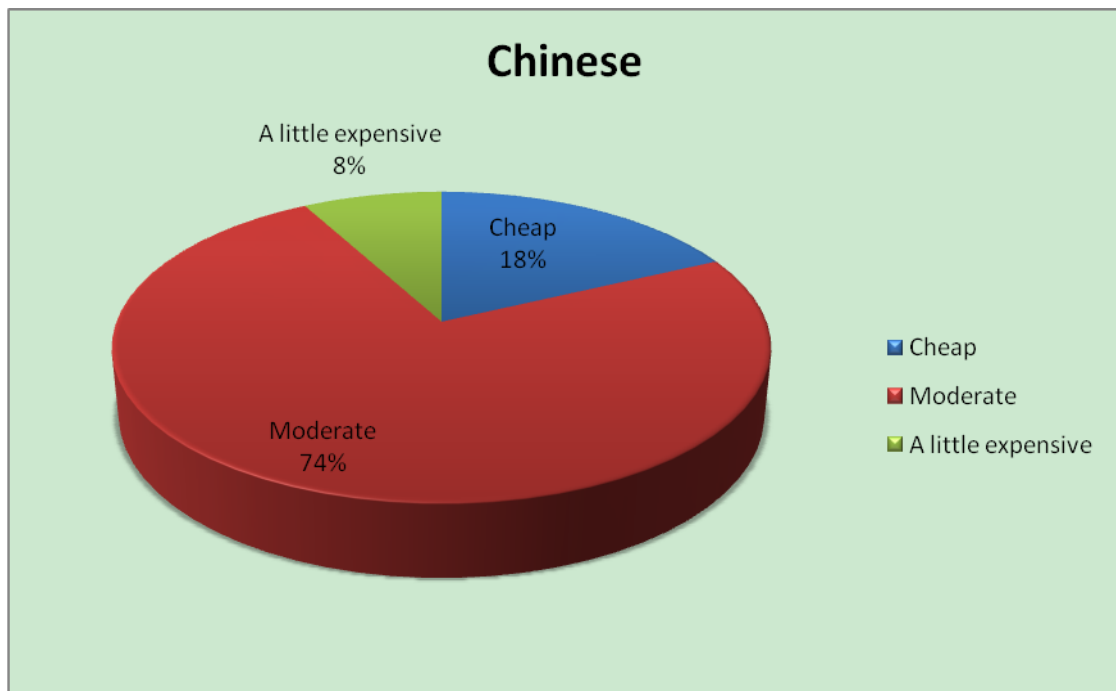
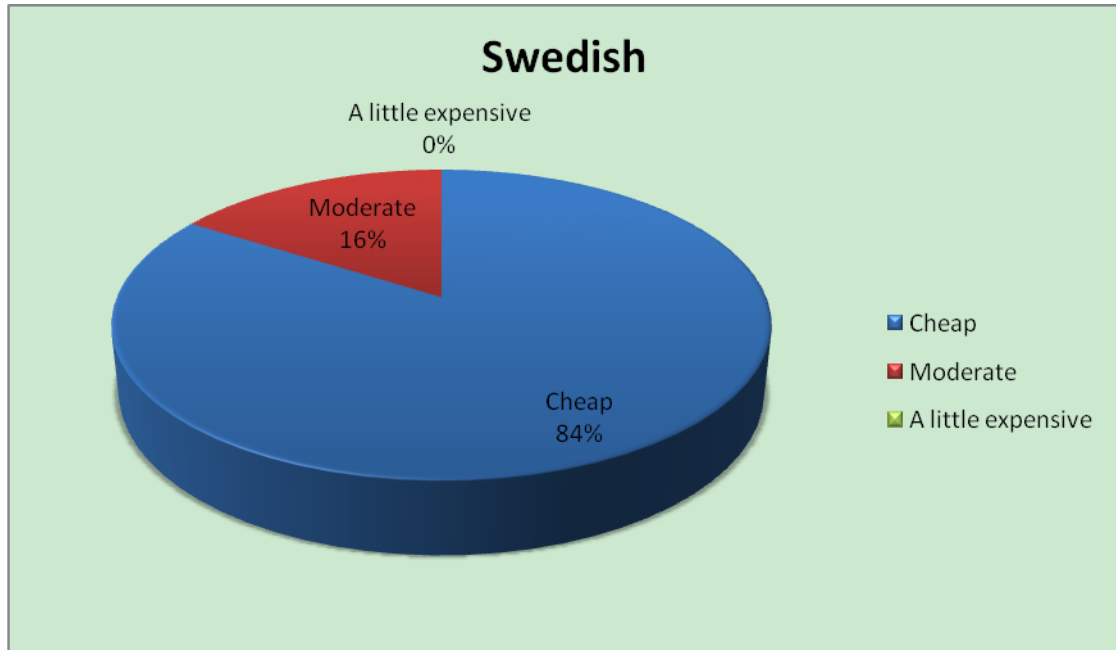
- Not so satisfied with quality
- Unsatisfied with quality



8. What's your opinion about H&M product price

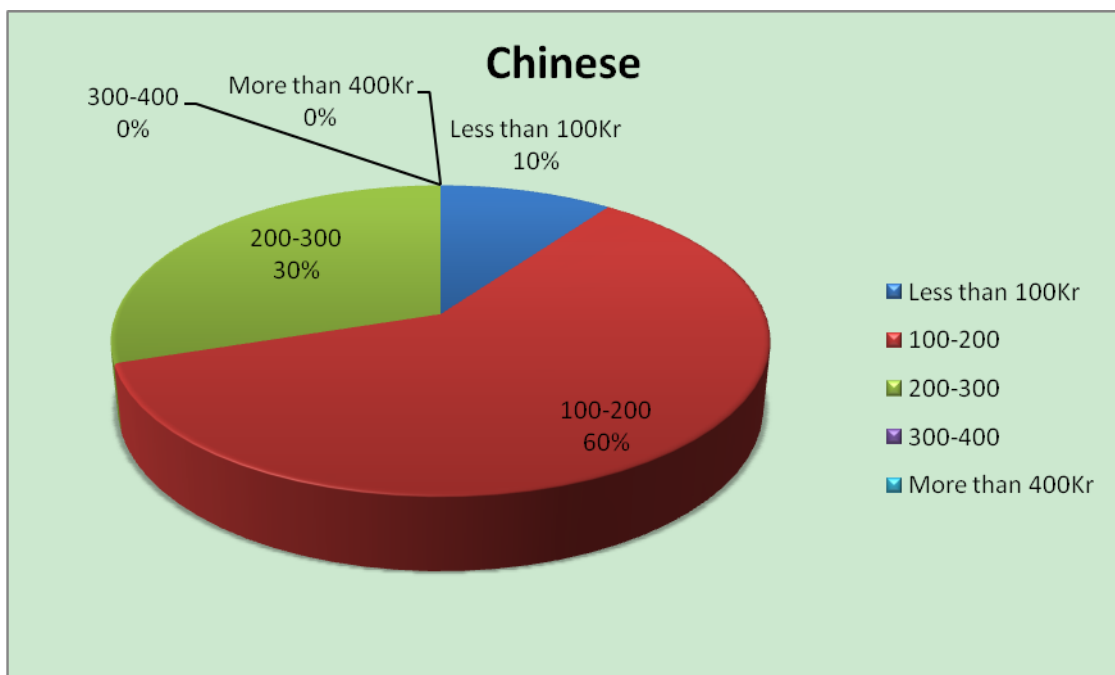
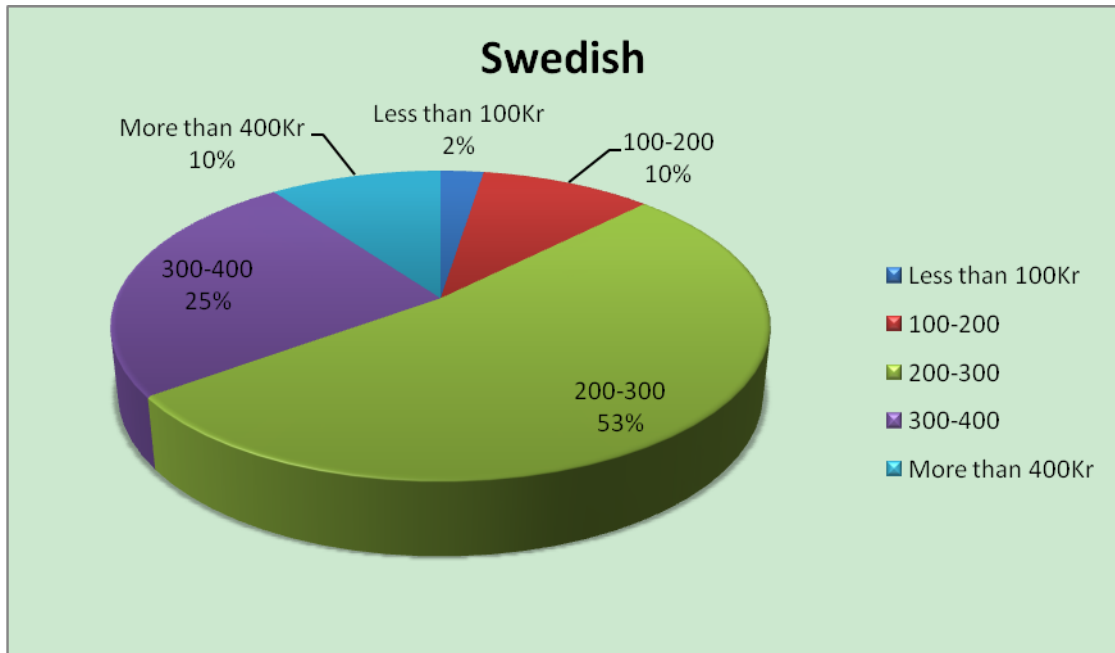
- Cheap

- Moderate
- A little expensive



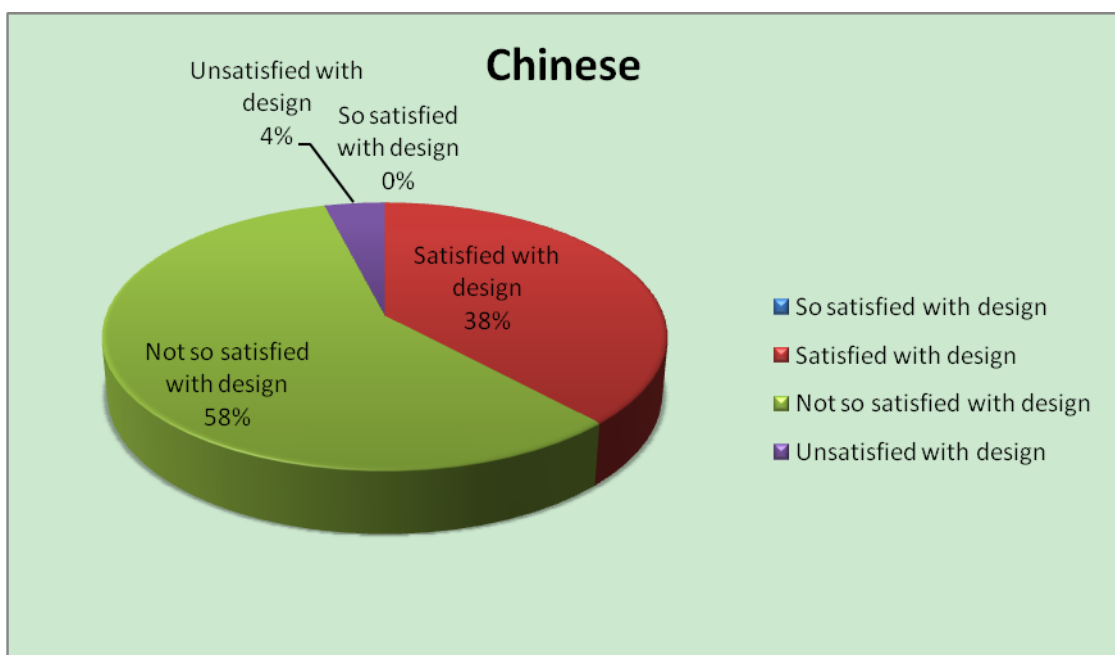
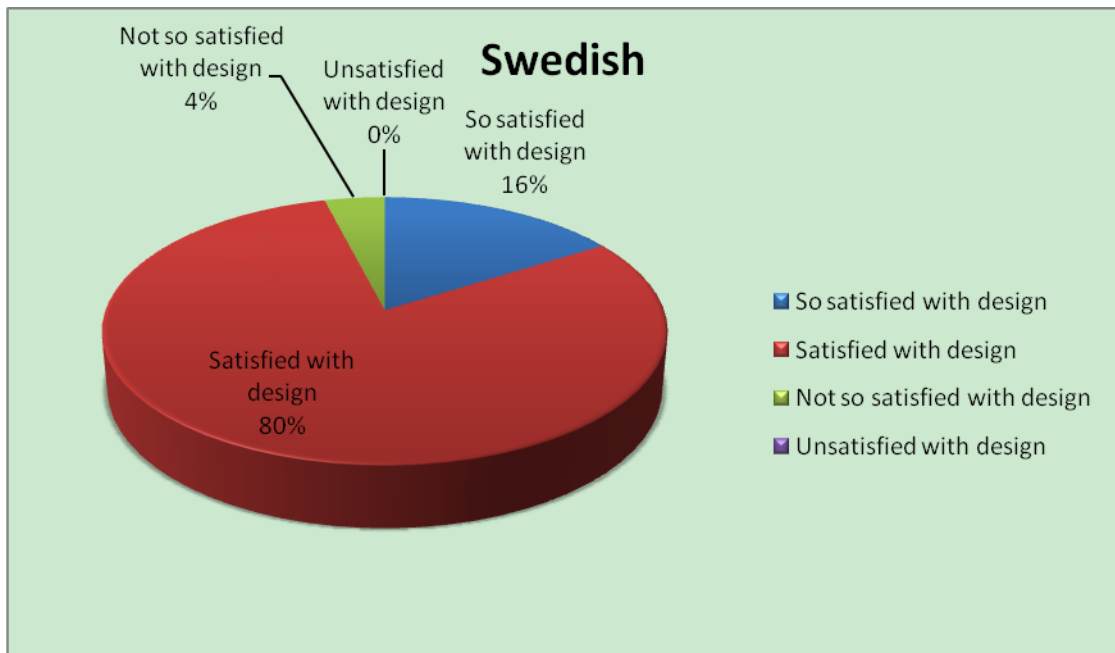
9. What's the price you can accept for H&M product

- Less than 100 Kr
- 100~200
- 200~300
- 300~400
- More than 400 Kr



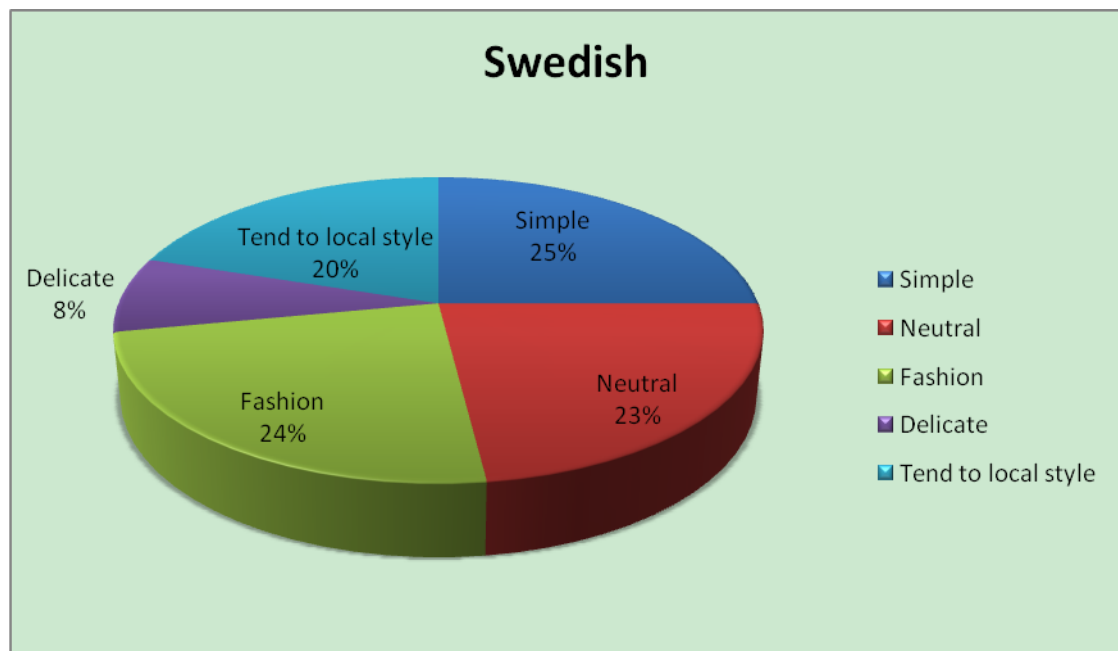
10. How do you think about the H&M product design

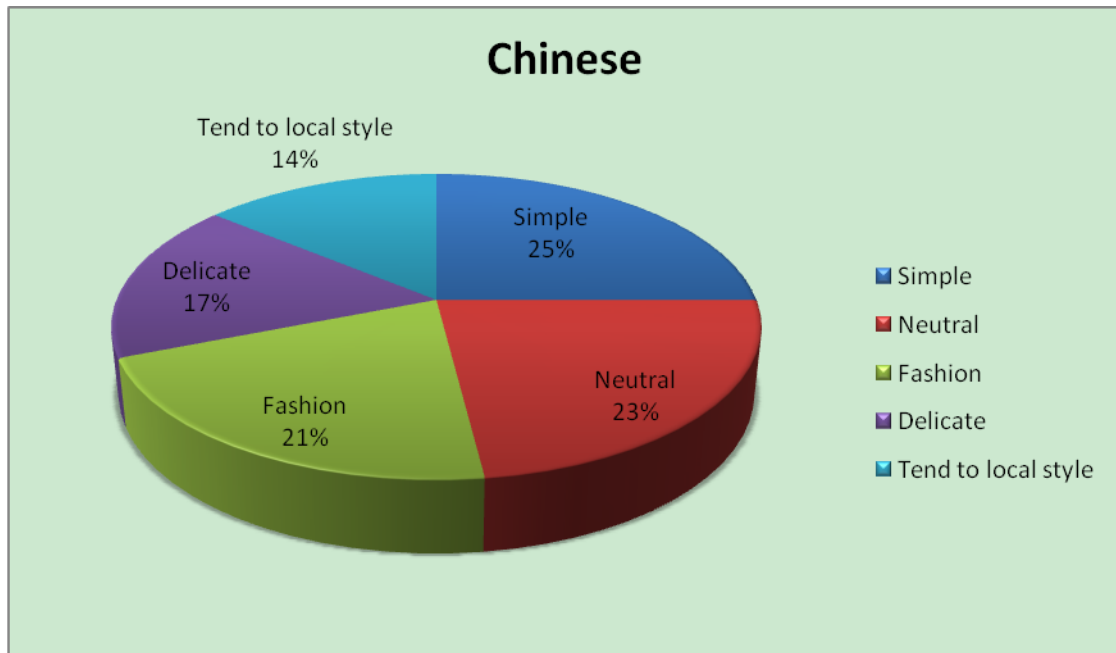
- So satisfied with design
- Satisfied with design
- Not so satisfied with design
- Unsatisfied with design



11. Which style you prefer for H&M product

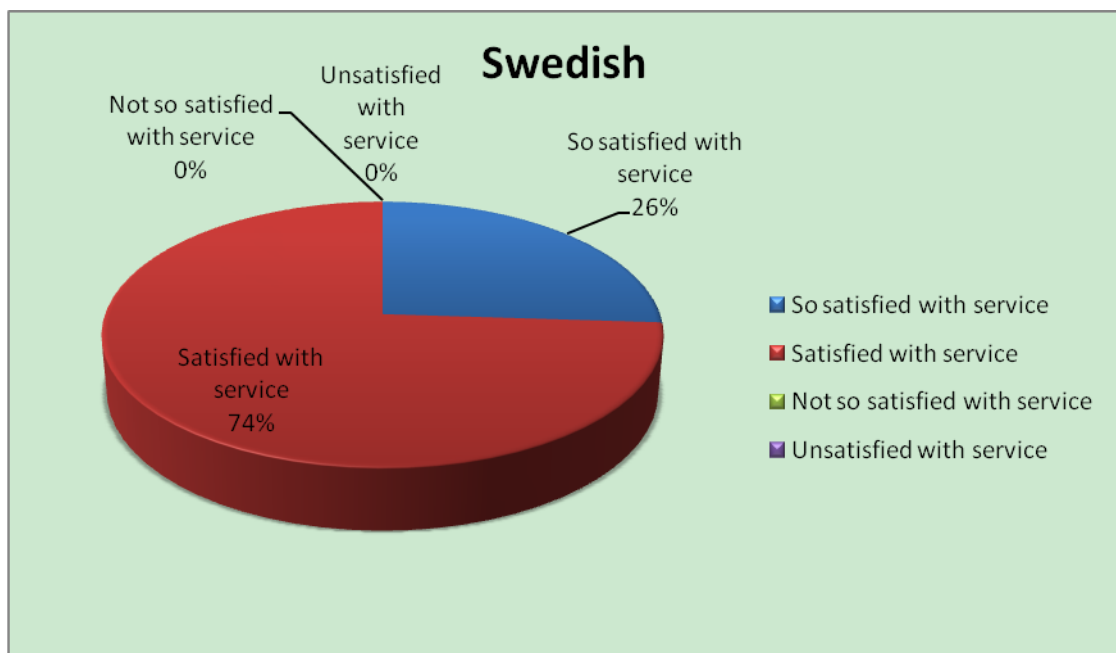
- Simple
- Neutral
- Fashion
- Delicate
- Tend to local style

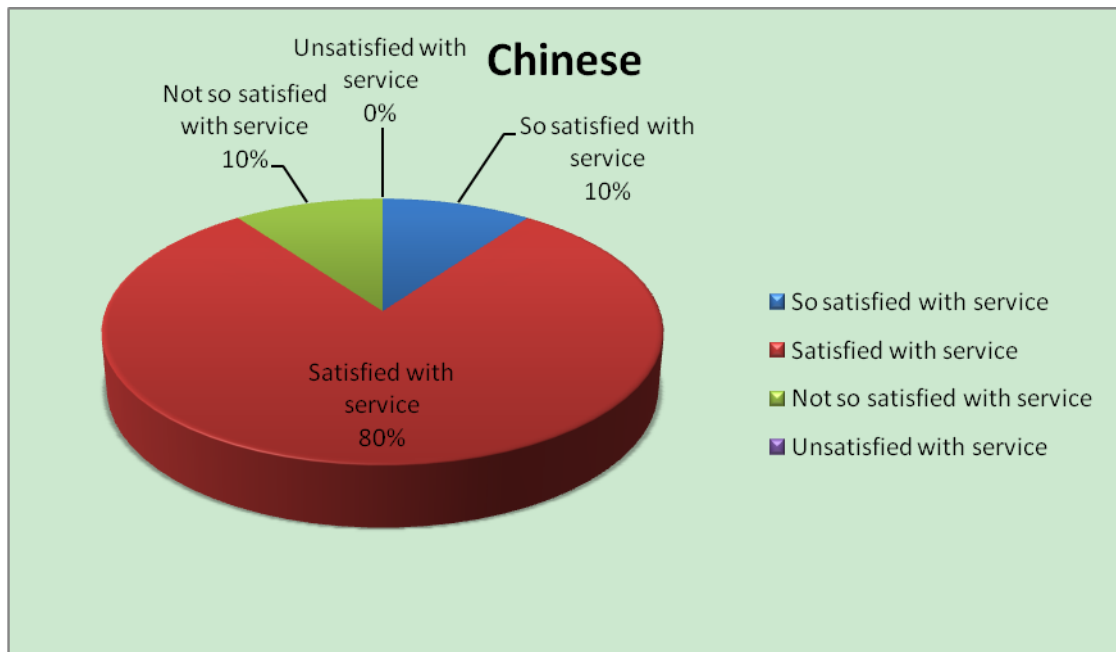




12. How would you think about H&M service

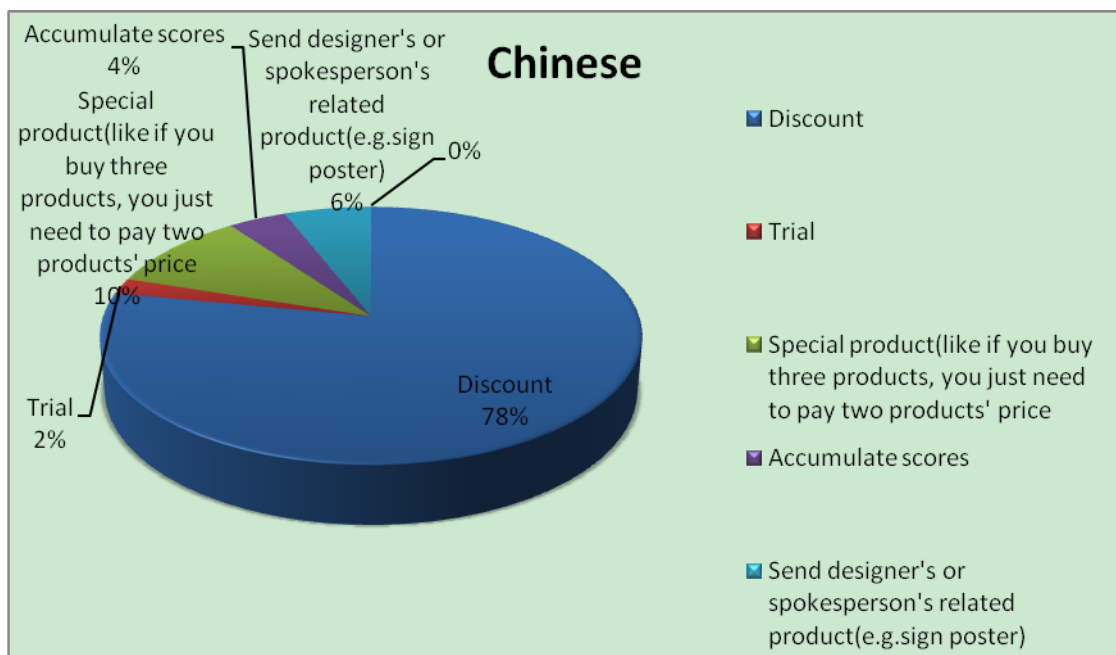
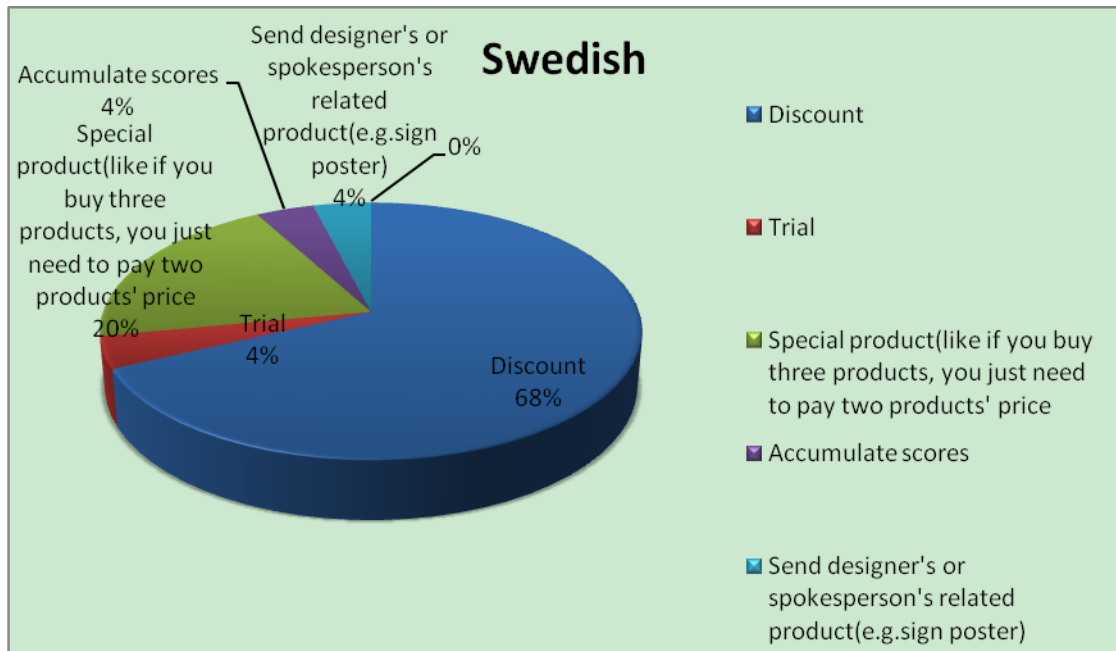
- So satisfied with service
- Satisfied with service
- Not so satisfied with service
- Unsatisfied with service





13. Which promotion style do you prefer for H&M product

- Discount
- Trial
- Special product(like if you buy three products, you just need to pay two products' price)
- Accumulate scores
- Send designer's or spokespersons related product (e.g. sign poster)



14. Why do you want to buy H&M product

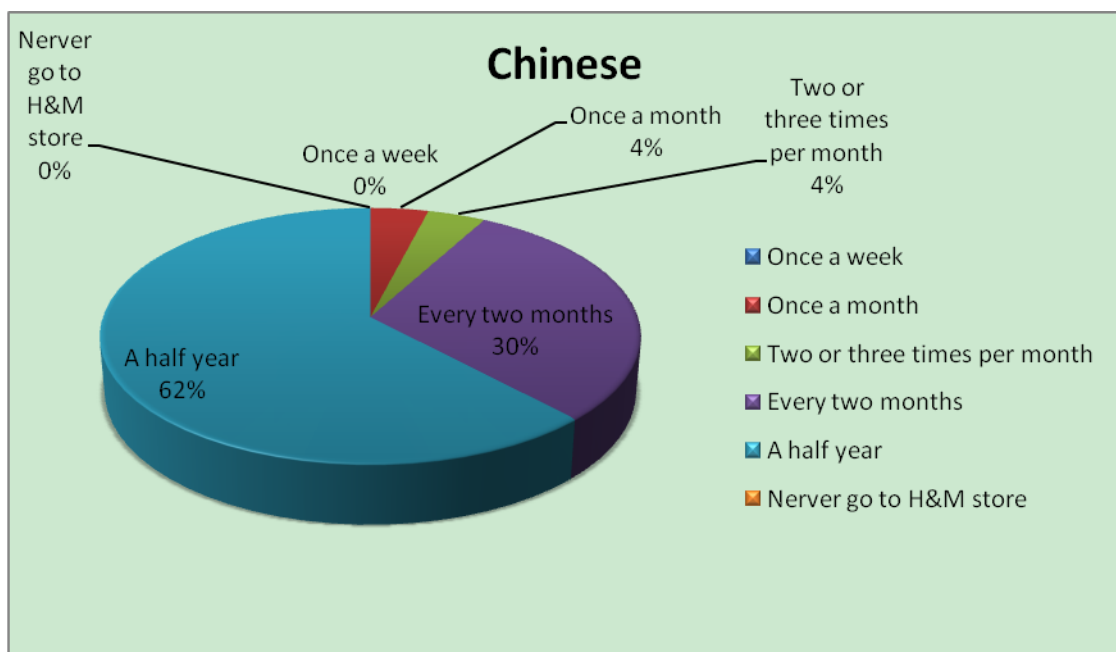
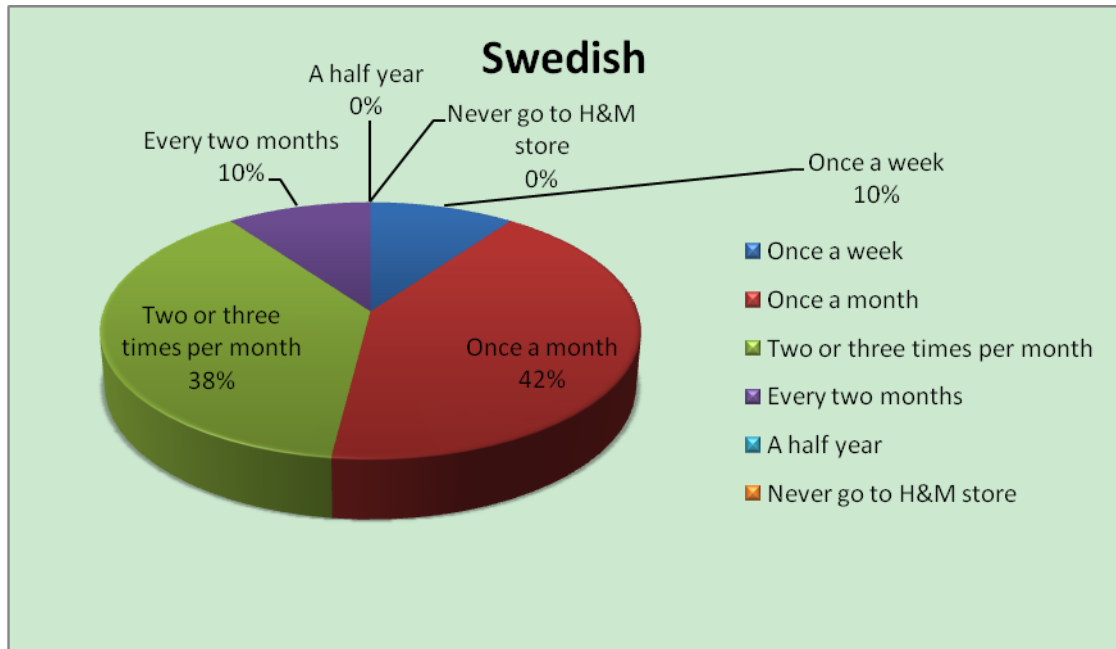
- Brand
- Style
- Price
- Promotion



15. How often do you buy H&M product

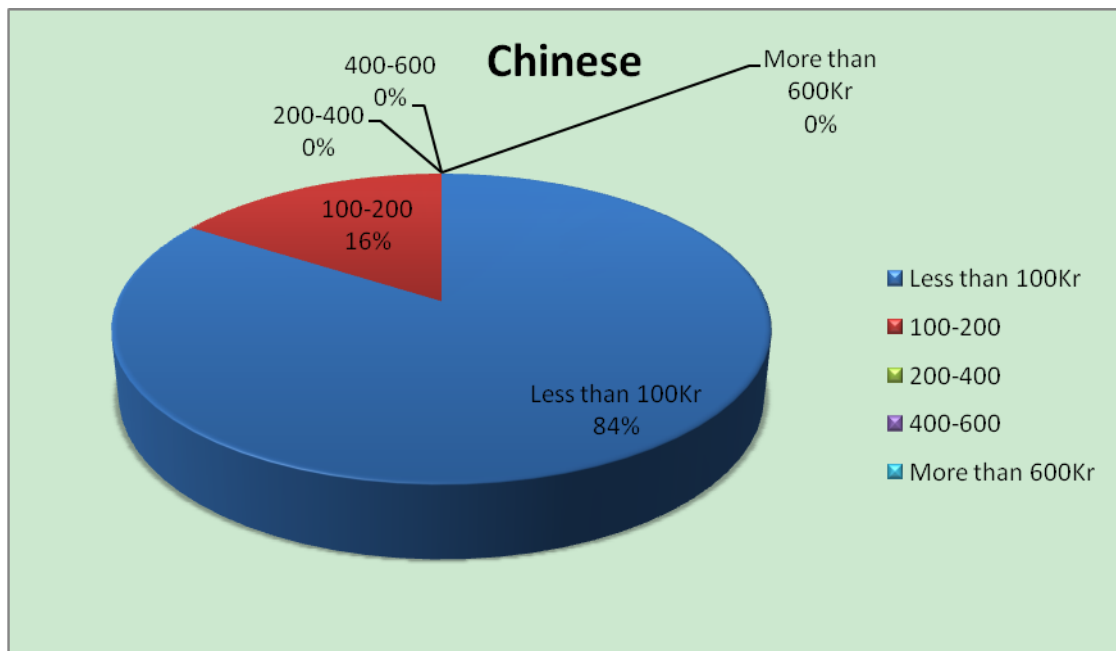
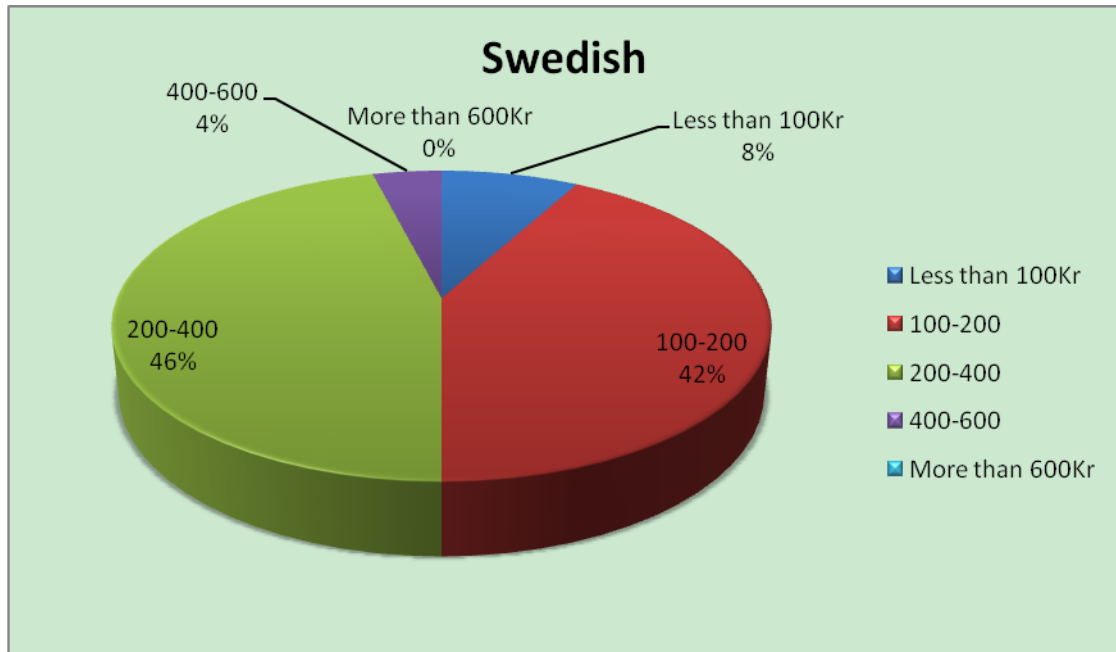
- Once a week
- Once a month

- Two or three times per month
- Every two months
- A half a year
- Never go to H&M store



16. How much money you will spend on H&M product per month

- Less than 100Kr
- 100~200
- 200~400
- 400~600
- More than 600Kr



17. Which aspects that H&M can for improve?

- Design
- Promotion
- Price
- Quality
- Service
- Store environment

