H&M recovery stalls in latest lockdowns, but annual figures are encouraging

By Sandra Halliday  -  15 December 2020

H&M Group reported its Q4 and full-year sales on Tuesday and coming on the same day as Inditex’s report of its own Q3 figures, the two fashion retail giants combined gave us a good insight into how the most successful businesses have fared in this undeniably unusual year.

So how has H&M done? The world’s second-largest fashion retailer (Inditex is in first place) said Q4 – the three months to the end of November – saw net sales falling 10% in local currencies year-on-year. For the full year, they fell 18%. When converted into Swedish krona, the group’s net sales reached SEK52.54 billion (€5.1bn/£4.6bn/$6.2bn) in Q4, down from SEK 61.7 billion, and SEK187 billion in the full year, a drop from SEK232.7 billion.

The company said it had started the year “strongly and with a positive momentum until the first wave of Covid-19 had an impact. Extensive social restrictions involving temporary store closures and large drops in customer footfall to physical stores led to a substantial decrease in sales, particularly in the second quarter”.

But it saw “a strong recovery in the third quarter” that continued for much of Q4. In fact, between September 1 and October 21, sales were only down by 3% in local currencies. However, from that point up until November 30, they fell 22% year-on-year “as the recovery transitioned into a new slowdown as a result of the pandemic’s second wave”.

As is usual with H&M, the company didn't add any more commentary to these figures as it tends to reserve that for the announcement of its profit numbers, which are due in January.

However, it's clear that the company has been able to maximise its opportunities when its stores were allowed to open. But simply relying on its online operations when stores were forcibly closed put a big dent in its turnover.
open. But simply relying on its online operations when stores were forcibly closed put a big dent in its turnover. The group is accelerating its digital operations – something it was doing even before the pandemic began. But it hasn’t yet advanced far enough in this area to avoid a massive hit when the physical shops on which it relies are shut.

The company employs almost 180,000 people and it operates 5,000 stores in 74 markets, including franchise markets. While it has 52 online markets, it’s primarily a store-based business and that means vaccine rollouts around the world can’t come fast enough.

Yet looking at the overall figure for its full-year sales decline, the figures could have been a lot worse. Some companies have been driven under by similar sales declines or seen even worse figures and H&M is undeniably taking the right path in investing in digital and making its stores as appealing as possible at the same time.

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