H&M closes Shanghai flagship store, hurt by lockdowns and consumer backlash

June 24, 2022

H&M has shut its flagship Shanghai store, its latest closure in China where consumer demand has slumped amid COVID-19 lockdowns and the fast-fashion retailer has borne the brunt of a backlash against companies that refuse to use Xinjiang cotton.

Although it was open earlier this month, the three-storey building in downtown Shanghai was on Friday boarded up with its H&M signage gone.

The world's second-biggest fast-fashion retailer entered China in 2007 with the opening of the Shanghai flagship store and rapidly expanded. It had more than 500 stores in mainland China early last year but its website currently only lists 376, including the flagship Shanghai store.

The company declined to comment, citing a blackout period prior to its first-half earnings report on June 29.

Although nearly a month has passed since Shanghai lifted a strict two-month lockdown, consumers have yet to return to malls in significant numbers.

Chinese consumers have also beat a retreat from its products after a letter in which H&M expressed concerns about allegations of forced labour in the Xinjiang region came to light in 2021.

Other brands that publicly disavowed Xinjiang cotton such as Inditex's Zara, Nike and Adidas have also suffered with Chinese netizens calling for boycotts and Chinese celebrities refusing to work with them.

But the backlash against H&M, the first foreign retailer to express concerns, has been particularly harsh. Unlike other brands, its products remain unavailable on major Chinese e-commerce sites such as Tmall and JD.com.
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UN experts and rights groups estimate over a million people, mainly Uyghurs and other Muslim minorities, have been detained in recent years in a vast system of camps in China’s western Xinjiang region.

Many former inmates have said they were subject to ideological training and abuse in the camps. China denies all accusations of abuse.