

A brief introduction of marks spencer marketing essay



Marks & Spencer (M&S) is one of the UK's leading retailers with over 21 million customers visiting our stores every week. We sell high quality, great value clothing and home products and outstanding quality food. We source our products responsibly from 2, 000 suppliers around the world. Over 76, 000 people work for M&S both in the UK and in 41 territories overseas, where we have a growing international business.

TASK 1:

Vision and strategic imperatives of Marks & Spencer:

Following is the vision statement of Marks & Spencer (M&S);

“ To be the standard against which all others are measured”.

Strategic imperatives of Marks & Spencer;

Focus on the UK

‘ The first element is to focus the entire organisation on our UK business, with a mission to make aspirational quality accessible to all. This is the heart of the Company, and it's vital we get it right.

We're returning to our unique fundamental strengths — those things for which Marks & Spencer has always been famous.

From now on, we'll only sell our own brand. We've tried selling other company's brands – Orange mobile phones, for example – but it's clear that there's very little or no extra value in buying such products from Marks & Spencer. Everything from M&S must be distinctive and must conform to the Company's uniquely high standards.

The way to ensure that is to re-take command of our supply chain — another of Marks & Spencer's traditional strengths. In the past, one reason we were able to offer such innovative, high-quality, competitively priced products was our unique, direct relationships with our suppliers. We now know that returning to this kind of partnership will help us, once again, to provide the products and value our customers want.

Furthermore, Marks & Spencer will only operate in sectors of the market where it has real scale and authority. In food, for example, we have just under four per cent of the total UK market, but up to 30 per cent in our chosen categories - including such fast-growing sectors as ready meals and prepared foods.

Every one of our products must - and will - exhibit the quality, value and innovation for which Marks & Spencer used to be famous. That's 'quality' reinterpreted for the times in which we live. In the past, 'quality' meant clothes you could wear for years and years. Today's customers are more sophisticated ... more discriminating. They still want quality clothes that last, but they also emphasise other criteria such as style and fit. We must satisfy these aspirations as well as the more traditional demands.

In restoring these fundamentals, we're also making our stores more attractive and easier to shop in, while focusing more sharply on our classically stylish, core customers.

At the same time, we're strengthening the retail business by building on the great asset we have in Marks & Spencer Financial Services.'

Sell or Close loss-making businesses.

‘ So to the second element in the plan.

In order to concentrate totally on restoring our UK business, we could no longer afford to support non-core activities ... nor continue to subsidise loss-making businesses. We're therefore selling Brooks Brothers and Kings Super Markets in the US. We've also closed our direct clothing catalogue operations.

In addition, we've announced our proposal to close our subsidiary stores in Continental Europe. Now, despite what you may have heard, our business in Europe was not a success. In the last three years it's lost nearly £100 million, with losses of £34 million in the last 12 months.

Our stores were too big, and we hadn't properly understood the markets before we invested in them.

The only solution now is to admit our previous mistakes and stem the losses. This conclusion was hard to reach because we knew that we'd have to cause distress to our loyal people in those stores. But the fact is, we don't have a sustainable business in our current circumstances. We're now in the process of consulting our staff — as indeed we always intended to do.

The plain fact is that we have to restructure in the interests of our 60, 000 UK employees and our 400, 000 shareholders. We have to reduce the complexity of M&S so we can focus all our attention on that part of the business on which our success really depends. There is no alternative if we want the Company to succeed.

So there you have the first two elements of the plan – focusing on the UK and selling or closing loss-making businesses.'

Change the Capital Structure.

' The third element is to change our capital structure to improve one of the key financial criteria on which investors base their decisions — namely, return on equity.

Return on equity and an asset has traditionally been low for Marks & Spencer. One of the main reasons is that M&S owns an unusually large proportion of its property ... and returns are lower in property than they are in retailing. I'd much rather realise the assets and give the money back, so that you can invest it as you like. For this reason, we've decided to sell or securitise those properties that we don't really need to own.

This doesn't mean that we're selling or closing stores. Our customers won't see any difference, whether we own or rent the property in which we operate.

As part of this decision, we made a commitment to hand back £2 billion to our shareholders. I know some of you are already calling in and asking when you can collect your £2 billion! Well, be patient. We're talking about March 2002 and later this year we'll announce full details of how you'll get your share.

Add that to the rising share price, and I hope you're starting to see the value building up.'

' So that's the plan. Of course none of this means anything unless customers and shareholders see real changes. So I'm happy to report that the plan is taking effect. There's a new energy and momentum as we move from strategy to action and you'll notice the difference in our products and stores in the coming months.

That said, there's bound to be a time lag between implementing these improvements - which we're doing as fast as we can - and starting to see significant movement in sales and profits.

I said there'd be a lag between implementing the plan and earnings starting to rise, and we're in this period now. During this transition, we need your support and we need to be realistic in our expectations. In broad terms, what we're shooting for is to restore our reputation in clothing, while developing our growth categories such as home, beauty and food.

That's the plan for the next three years. In the shorter term, I'm aware that I promised results within two years of last year's AGM and I stand by my commitment. Whether, by ' results', we mean an upturn in sales across the board, I'm not prepared to promise at this point. The task was tougher than I expected, so it's bound to take longer than expected for the full turn-around to happen. But we should begin to see progressive signs of improvement.

The plan will succeed, because it focuses the entire organisation on the three things that matter most to our customers - our products, our stores and our people.

As we move to implementation, let's look at what's happening under each of those headings.'

Product

' In terms of products, we're building on our knowledge and understanding to provide exactly what our customers want.

To do that – as I mentioned earlier – we're focusing our teams on the classically stylish, core customer. That's not to say we're turning our back on our younger shoppers. These will be served by Per Una supplied by George Davies — products made exclusively for us and according to our standards, but in such a way that doesn't distract our own people from the core Marks & Spencer customer.

Two weeks ago, the fashion press was invited to see our autumn clothing collection. Everyone who came was impressed. Although we still have some way to go, we're rediscovering our strengths ... superior style, quality and value, good-looking clothes that fit and wear well. That's what you – and all our customers — have said they want.'

Stores

After products, the plan addresses our stores.

Last year we showed you a video of Fosse Park – one of 25 stores we refurbished as part of our ' new concept' last year. This year we're taking the most effective elements of these stores and applying them to a further 100 locations – 60 by October and the rest by March. In total, the changes will

extend to around two-thirds of our space, so most of our customers will notice the difference.

I hope you'll feel excited by what you find when you walk in. If you're enthused as customers, you should also be excited as shareholders because you'll know we're getting it right.

We're also looking for new ways to meet customers' needs. Yesterday we opened the first of a new, small store format in Surbiton. This caters exclusively for customers who want to buy our prepared food products more conveniently, and it's called ' Marks & Spencer Simply Food'. There's another opening in Twickenham next week. In the coming year, we'll be testing these and other ideas to help make our products more accessible, to more customers, more often.

So products ... stores ... and crucially, our people.'

People

' In the last couple of weeks, we've announced a new head of women's wear to complete the clothing team for our UK Retail business. This year we've also appointed a new Creative Director for Clothing, new heads of design for men's wear and children's wear, and new heads for stores and foods.

I'm pleased to say we're able to recruit top talent because good people do want to be part of this turnaround team.

Our leaders are now working to motivate their teams, restore their confidence and get everyone lined up behind the changes.

Marks & Spencer's employees are some of the most skilled and dedicated in the industry. When all 60, 000 are pulling together to provide what our customers want, they can exercise a powerful influence on our results.

We'll benefit even more when we move our head office to Paddington Basin. There are good economic reasons for that ... but I expect it to have a positive effect on our whole culture, and the way we work together to meet our customers' needs.'

Changing Attitudes

Marks & Spencer is the biggest clothing brand in the UK by a huge margin. Ten million customers a week come into our stores. We're one of the best known, best trusted, retail brands in the world. We have a very special place in the nation's affections, the most loyal customers and a tide of goodwill that wants us to succeed.

Constant criticism makes life a whole lot harder for our people who are out there serving our customers every day. It also affects our customers' behaviour and therefore does slow down our recovery.

In the past year, we've put in place a strong leadership team. This team has developed a robust plan and is making very good progress in its implementation. We're doing everything possible to improve the value of your investment in Marks & Spencer.

As I said at the start, all of us in this room have a common interest in seeing this Company recover. I'm asking now for your continued loyalty and support for the 60, 000 employees who are working very hard to get it right for our

customers ... and for our 400, 000 shareholders who've supported us through this difficult time and are wanting us to return their Company to health.

Despite our troubles, the qualities that made us great are still there and waiting to be reapplied in today's marketplace. If such a company were to be offered to investors for the first time, I'm pretty sure you'd want to buy the shares. So take heart. Profits and value will return as we get back to what we do best and restore the fundamental strengths of this great business.

The strategic intent was to have a simple pricing policy and the use of the ST MICHAEL LOGO as a sign of quality.

Had structured formula for all its stores whereby a set of principles were held as core to the organisation

The value chain was well managed suppliers been local and control could be exercised over suppliers and the manner in which the supply to the customers was dealt with in a uniformed manner throughout.

The company was well funded through public listing and held value for shareholders.

The business was in a cash cow phase with business and financial risk being medium.

The company had a high market share within their target market with the promotion of their flagship product the ST MICHAEL brand.

The company had a strong competitive position.

Products were valued by customers due to high quality.

Products were made locally and perceived to be of high quality as they were British products.

Chinese boom of imports had not yet really affected the market.

Customer loyalty was built and maintained.

The corporate culture and top down structure suited the environment.

Before globalisation could affect local markets in the UK the environment was relatively stable.

Corporate culture of the “ family atmosphere” was adequate for the pre-globalisation era.

There was an understanding of what the customers valued - good quality at a good price.

The stores were adequately staffed to supply a good consumer service to the client.

There suppliers were totally reliant on them and thus placed them in a high position over suppliers.

Critically analyse the impact of the external environment over M&S strategy:

The external environment scanning is concerned with the forces and factors that impact upon M&S. However, analysing those forces and factors will assist M&S in identifying the change in the environment, is often referred to as the macro-environment, planning in how to cope with such a change, and being ahead of the competitors in the adaptation to the new environment and the response to the market demands. PESTEL framework and Porters Five Forces model are the techniques that author uses to identify and analyse the problems that M&S experienced in the mid to late 90's. Then the author carries out an internal analysis of the organisation's resources and competences. Resource audit, value chain and SWOT analysis are the techniques to examine the activity of the M&S in order to reveal what was the basis of their competitive advantage. Furthermore, the author uses the cultural web analysis in order to identify what were the main cultural features of M&S until the mid 90's. And discusses were the resistance to cultural change originated and what aspects need to be changed. Finally the author identifies and evaluates the strategic choices available to M&S by using BCG matrix, Strategy Clock and Ansoff model techniques.

EXTERNAL ENVIRONMENT

Political

European Committee decision to permit free flow of trade among themselves and other countries under foreign trade regulations makes companies to

import their products over time easier than before. M&S competitors took advantage of its higher cost structure and bit off some its market share.

Economic

M&S competitors are specialised in niche markets and consumers' focus which make them to provide a much better consumers satisfaction. They prefer to import their products from abroad for cost savings, this fact puts M&S in a cost disadvantage for a perceived " higher quality".

Social

Consumers' concept in the marketplace has changed; they do not sense British products as of high quality. There is a shift in demand for more fashionable clothing. Moreover the price sensitivity of the majority of the consumers has increased leaving M&S in a less competitive position.

Technological

Media played major role of communicating new fashions to the customers. This knowledge can be communicated to the designers and producers, so a manufacturer in Thailand or China can be aware of the current fashion trends in UK. Technology theses days are even more quickly copied than before. Moreover due to the transportation speed a shipment of stock from a country in far Asia will only take a few days instead of a preview time period of over a month.

Environmental (Ecological)

Selling products produced by suppliers has a much greater affect on the environment on how these products are used and disposed by consumers. Retailers use a huge range of raw materials to produce their goods. Because of this, it is critical to manage the use of these materials sensitively and pay proper regard to how they affect natural habitats and bio-diversity.

Legal

Offering customers high standards of quality product are essential to meet their requirements. M&S are known for delivering world class quality products.

Porters Five Forces Model

This model was developed by Michael E. Porter in 1980. This model is used to identify the sources of competition in the retailing industry (anon, 2004a; anon, 2004b). These forces as described as follows:

Bargaining Power of Suppliers

More than 90 per cent of M&S suppliers were British. M&S bought directly from a few UK suppliers all their stock that they manufacture which created a situation where the supplier was reliant on M&S and vice versa. The problem of this approach is that overseas suppliers produced products on lower cost. The bargaining power of suppliers is quite low when it has concentrated purchasers. When the sales declined rapidly in late 1990s, M&S outsourced globally to reduce its cost similar to its competitors which resulted a lower bargaining power of its UK suppliers.

Bargaining Power of Buyers

In general, bargaining power of buyers is high. Customers seeking classical clothing became price sensitive and some others seeking high image became fashion sensitive. M&S competitors were more customers focused which took away its potential customers. In addition UK consumers were not willing to pay a premium price for supporting British products. M&S had misread its target market, therefore a consumer oriented strategy is needed instead product oriented strategy.

Threat of Entrants (Barriers to Entry)

In the retailing clothing sector M&S faced a competition both in the higher and lower ends of its market. ASDA with its own brand name George and Matalan are offering high quality clothes at low prices. Both companies' clothes have a classical style, which attracted UK consumers who were traditional customers of M&S. In addition, stores like Gap, Oasis, Next BHS, Top Man & Zara offered high quality clothes of latest fashions that attracted the fashion orientated younger customers. Furthermore, Tesco and Sainsburys offer their own high quality range food that was a traditional market of the M&S (Johnson and Scholes, 2002; anon, 2001)

Threat of Substitutes

The threat of substitutes is high. In the cloths retail sector after the mid 1990s there has been a great increase of retailers operating with foreign imports. Consumers are prepared to pay a premium for a label or they can buy similar products with lower price.

Competitive Rivalry

M&S operates in a very competitive environment. Its competitors are more customers orientated and more in tune with the needs and the demands of the customers. Such as on cloths sector, Next & Gap have exploited the demand for young people and in food sector, Tesco and Sainsbury have developed its ranges of ready cooked meals.

In UK there are no exit or entry barriers but the market is mature and therefore there is no bounce for a new company, or a company from abroad to come and compete in these markets. In contrast M&S experienced Exit barriers when under the France law they were not permitted to close their France stores and make their employees redundant with just a week's notice.

Produce a list of Marks & Spencer's stakeholder groups both internal and external,

STAKEHOLDERS OF MARKS AND SPENCER

A Stakeholder is any individual or group who has a connection with the company. Stakeholders don't all have equal importance to a firm but they all play a part in the existence of the company. Stakeholders can be split into 2 categories; internal stakeholders or external stakeholders.

Internal Stakeholders of Marks and Spencer

Internal stakeholders are groups within the firm and are important to the welfare of the company. The Internal stakeholders in Marks and Spencer are;

Staff and Management

Staff and Management at all levels are important stakeholders of Marks and Spencer as they rely on their positions within the firm to earn a wage.

Working for the firm is their primary source of income.

Owners and Shareholders

Owners are also internal stakeholders as they depend on the profits of the company for their income.

Members of the public and often people who work within the company invest their money by buying shares in Marks and Spencer, with hope that the value of the shares will increase, through the company remaining profitable. The shareholders are internal stakeholders as their money is used to benefit the company by providing the means for further investment and expansion of the company.

External Stakeholders of Marks and Spencer

External stakeholders have a role in the success of the business as they sell to and buy from the firm, but do not work for or belong to the firm. Not only do they contribute to the success of the company but to benefit themselves.

The external stakeholders in Marks and Spencer are;

Customers

Customers are one of the most obvious stakeholders for a company. The customers of Marks and Spencer buy their products to benefit themselves and in the same instance Marks and Spencer are making a sale.

Suppliers

The suppliers are also external stakeholders as they are firms in the business environment that sell their goods to Marks and Spencer benefiting both parties.

Communities/General Public

Communities and general public can be seen as external stakeholders as the firm's goods or processes of production can have an impact on them. Marks and Spencer have to consider whether or not their products are produced as environmentally friendly, and that their methods of production do not generate high levels of pollution.

Three external stakeholder groups and comment on Marks & Spencer's approach to dealing with them.

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TASK 2: Marks & Spencer – CSR, social inclusion and work experience

The importance of international trade, economic global markets to organisations in general and Marks particular

Economics deals with the proper allocation and efficient use of scarce resources. International economics is also concerned with allocation of economic resources among countries. Such allocation is done in the world markets by means of international trade. Under the concept of free trade, the best products are produced and sold in a free competitive market. Such benefits of production efficiency like better quality and lower price are available to all peoples of the world.

One fundamental principle in international trade is that one should buy goods and services from a country which has the lowest price, and sell his goods and services to a country which has the highest price. This is good for the buyers and for the sellers. Another, with free trade, the less developed countries have the opportunities to accelerate the pace of their economic development. They can import machines and adapt foreign technology. They can send their scholars and technocrats to more progressive countries to gain more knowledge and skills which are relevant to the particular needs of their developing economies.

In the final analysis, no country in the world can be economically independent without a decline in its economic growth. Even the richest countries buy raw materials for their industries from the poorest countries. If every country produces only for its own needs, then production and consumption of goods would be limited. Clearly, such situation hampers economic progress. Furthermore, the standard of living of the people all over the world would have no chance to improve. Because of international trade, people with money can acquire goods and services which are not available in their own countries. Hence, satisfaction of consumers can be maximized.

TASK 3: Corporate governance within regulatory environment

Critically assess the importance of leadership with regards to change, business ethics and corporate social responsibility within large retail player like M&S.

Change within organisations can take on a wide variety of forms and includes different types of organisational action. The pursuit of organisational change is usually related in one way or another to the goal of improving performance and productivity. These ends can be attained through various forms of organisational change. Some of these variations include growth, modernization or improvement and development of skill; through reduction in workforce or reorganisation; through financial reorganisation or changes; or through a combination of these. The way in which the transformation of an organisation is carried out is reliant almost entirely on the leadership style and the culture that are present in the organisation. This is one of the

most important reasons that leadership is crucial to the successful implementation of organisational change.

Leadership is a key factor in a succession of development in which establishing vision, implementing change and guiding staff members are linked in a continuous process. Sustaining a culture of change requires the type of constant effort and commitment that only leaders can properly direct. Especially in times of uncertainty and change, employees look to the leader figures in the organisation. Leaders are key to casting the vision for change, directing it and reinforcing it at all levels. Without the vision and guidance of leadership, productive change is not possible.

Another reason leadership is so important to the process of transformation is related to the external environment. Leaders serve as a go-between between the internal and external environment. Just as leaders do not exist in isolation, neither do their organisations. Leaders must be in tune with the external environment in which their organisation functions as well as the organisation's own internal environment. During times of change, leaders mediate between the two in order to maintain balance by making sure neither clashes with its counterpart. The successful transformation of any organisation is reliant on the leadership's proper handling of these environments and ability to adapt the direction to changing circumstances.

The distinction must be made between leaders of change and change agents. While the former typically hold senior and top management positions, the latter can be found at all levels within the organisation.

Successful implementation of change depends on the premise that strong

leaders will cultivate and support change agents through training and development, and equally important – listening. The focus on developing and strengthening change agents is a crucial part of the change process which only leadership can complete.

During the difficult process of change, good leaders establish a climate of trust between themselves and their staff, thereby fostering faith that things will get better. Doing this makes dealing with radical change easier on everyone. On the other hand, poor leadership creates a lack of hope, which, if not properly addressed prior to implementing change, can ultimately lead to the failure of said change.

Business leader are expected to run their business as profitably as they can. A successful and profitable business in itself can be a tremendous contributor toward the common good of society. But if business leaders or department managers spend their time worrying about “ doing good” for society, they will divert attention from their real objective which is profitability and running an efficient and effective organization.

Applying ethics in business makes good sense. A business that behaves ethically induces other business associates to behave ethically as well. If a company (or a manager) exercises particular care in meeting all responsibilities to employees, customers and suppliers it usually is awarded with a high degree of loyalty, honesty, quality and productivity. For examples, employees who are treated ethically will more likely behave ethically themselves in dealing with customers and business associates. A supplier who refuses to exploit its advantage during a seller’s market retains

the loyalty and continued business of its customers when conditions change to those of a buyer's market. A company that refuses to discriminate against older or handicapped employees often discovers that they are fiercely loyal, hard working and productive.

Comment on how the company might have to rethink its competitive strategy for different regulatory structures and economy.

“ The value chain describes the activities within and around the organization which together create a product or service”

Marks & Spencer should give emphasis on the delivery of goods to its customers in the best possible way. This is a very significant way to improve profitability and to foster competitive advantage in the market place. In this instance, clients have to receive the product that they purchase in satisfying ways such as delivering an up-to-date, fashionable high quality garment to the customer accompanied by an affordable competitive price.

There is a need for Marks & Spencer to improve its procedures on its inbound logistics, operations, suppliers, store designing, layout and many more. Their warehouses should be made clear of old stocks to give way to new up-to-dated stocks. The packaging of their products should also be given due considerations. It is recommended for M & S to consider purchasing supplies from overseas to save cost so as to provide customer product at less price. There is also a need for M & S to redesign their store in ways that give space, convenience, and comfort to customers while they are browsing, fitting and shopping.

Moreover, it is recommended for M & S to employ the use of information technology system to facilitate smooth and fast running services to its suppliers and customers.

Apparently, Marks & Spencer are already taking steps on the same way. It is to be expected that following this model M & S will regain its competitive advantage one of these days.

Identify and discuss th