

# Five forces analysis of marks and spencer marketing essay



**ASSIGN  
BUSTER**

Five forces analysis was used to analyze a competitive environment of the business. Five forces was looks at five key areas there are threat of entry, bargaining power of buyers, bargaining power of suppliers, the threat of substitutes, and competitive rivalry.

### **Threat of substitutes**

**High because a lot of products produce by other retailer in lower price**

### **5 Forces of Marks & Spenser**

#### **Rivalry among competing firms**

High because products which similar quality, similar price and up-to-date were provided by other retailers.

#### **Bargaining power of buyers**

High because customers are price sensitive.

#### **Bargaining power of suppliers**

Low because concentrated purchase from British suppliers.

#### **Threat of entry**

**Low because high cost of entry to the market.**

#### **Threat of entry.**

It is hard for Marks & Spencer to have a new entrant in its sector because high cost of entry and maintenance are needed in entering the clothing market. M&S is experienced in its field for long time, which has many distribution channels and cost advantage on new entrants due to their knowledge in this field. Thus threat of new entrants is low due to huge

capital and confidence of customers represents significant barriers to entry and the market is also sensitive to reputation.

### **Bargaining power of buyers**

In general, bargaining power of buyers is high. Consumers were either seeking classical clothing became price sensitive or seeking high image became fashion sensitive. M&S competitors were more focus on customers which took away its potential customers. M&S had misread its target market, because UK consumers were not willing to pay a premium price for supporting British products, they just want a lower price with high quality products, therefore a consumer oriented strategy is needed instead of product oriented strategy.

### **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 bargaining power of suppliers is quite low because M&S was concentrated purchase from few suppliers only.

### **Threat of substitutes**

Substitution would reduce customers' demand for a particular ' class' of products because customers able to switch to the alternatives. In the cloths retail sector, there are a lot of retailers operating with foreign imports by lower price. Consumers today are prepared to pay a premium for label or they can buy similar products with lower price. Thus, the threat of substitutes of M&S is high.

## **Competitive Rivalry**

Competitive rivalry is likely high because there is the threat of substitute products, and suppliers and buyers in the market attempt to control. M&S was faced the threat of competitive rivalry due to other companies enter into its market with similar quality goods with affordable similar price and up-to-date fashion. For example Gap, Oasis and Next has started offering similarly priced goods, yet more design focused with up-to-date fashions.

## **SWOT**

SWOT analysis is a tool for an organization to analyze its environment of business. It is the first stage of planning and helps marketers to focus on key issues. Once the key issues have been identified, they were able to feed into their marketing objectives. SWOT stands for strengths, weaknesses, opportunities, and threats. SWOT analysis can provide a guide to firms when implement a particular strategy.

## **SWOT analysis on Marks & Spencer**

### **Strengths**

M&S is the high street giant, has stores all over high street in UK.

Provide highest standards of quality.

Encourage suppliers to use the most modern and efficient production techniques.

Excellent relationship with its employees.

M&S is mature and profitable company beside this it has large slice of the market share of many retail sectors and is a leader in others.

M&S has reputation of quality and value associated with the brands ' St Michael', ' Per Una' & ' M&S'.

## **Weakness**

Reliant on particular British suppliers

Old & classical fashion image

Lack of clear marketing strategy

Poor customer services

Technology is poor

All ranges of cloths were not segregated neither display probably

Internet technology such as online purchase

## **Opportunities**

Keeping in line with the competitors

Rapid changes in technology

Focus on the cloths market segment by age

Products diversity

## **Threats**

Intense competitions

Clothing industry is mature and market not saturated

Expansion into international markets

## **Strengths**

M&S were success in terms of supplier control, merchandise and store layout. The success M&S under Simon Marks was often attributed his understanding of customer preferences and trends. They also provide highest standards of quality by encourage suppliers to use the most modern and efficient production techniques.

## **Weakness**

M&S was vulnerable to their competitors because M&S fail to introduce up-to-dated fashionable clothing to keep pace with the environment. M&S was stocked generic clothing range with wide appeal to the public. However, buyers are often had to make choices, which would outlast the fashion and trends. Besides that, they always used British suppliers due to believing that it would give them highest quality actually made them weak in competition because M&S competitors were using lower price material from overseas suppliers to keep the costs down which gave the competitors cost advantage in clothing market.

## **Opportunities**

M&S have a wide opportunity to go global to improve and expand its business. They also have the opportunity to include more overseas supplier, which will actually give them cost advantages. They also have the

opportunity to use available technology in sales and production to improve their functioning and to gain competitive advantage.

## **Threats**

They are in strong competition with Gap, Oasis and next, who are offering similarly priced products yet more fashionable. M&S is also in some amount of competition from discount stores like Matalan, and “ George” range at Asda. M&S is also in threat from Tesco and Seinsbury’s who moved into offering added value foods, which had been pioneered by M&S.

## **PESTEL Analysis**

Environmental influences and trends can be affected in layers around an organization in their business. The most general layer is the macro-environment such as political, economical, social, technological, environmental and legal (PESTEL) can provide an overall picture of the variety of forces at work around the organization.

PESTEL of Marks and Spenser

## **Political Factors**

Marks & Spencer is based in U. K., which has a very stable political scenario, which is very helpful for them. Therefore M&S is not facing any current problem due to politics. In addition, the European Integration and Free Trade Agreements, the market has opened up for British Companies to invest in Eastern Europe. M&S competitors took advantage of its higher cost structure and bit off some its market share.

## **Economic Factors**

Marks & Spencer's current economic environment in U. K. is favorable as because of low level of interest rate which signals a healthy economy that in turn means more disposable income, which is beneficial for any industry.

## **Socio-cultural Factors**

Marks & Spencer has outlays in different part of the U. K. as well as in some other parts of the world (recently they opened a store in Bombay, India) therefore they are in vast and diverse socio cultural arena. It is important for M&S to adapt to these changes in customers taste from region to region and be able to cater according to the regional taste will hold the key to success. 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 Factors**

Changes in retailing methods as such clothes sales via the Internet is now a common place in retailing. Paperless operation, the management and administration of the company are undertaken on IT systems, which are accessed through secure servers; provide flexibility in the running of the business. Marks & Spencer's competitors are more advanced in use of technology compare to them, for example M&S did not have a loyalty card or internet shopping option when almost other retailer had. This technological backwardness can affect in gaining competitive advantage. Though recently M&S have started using technology to increase its potential.



## Environmental Factors

M&S was need to takes part of it. 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. The renewable source of resources used in production, namely cotton and wool are environmentally friendly. The threats are in terms of legal consequences for livestock's in terms of health and safety.

## Legal Factors

National legislation for health and safety both in terms of consumer rights and also in terms of production of own natural renewable resources for making clothes. M&S are known for delivering world class quality products. Offering customers high standards of quality product are essential to meet their requirement.