Marks and spencer narrative essay

The M & S Company was a partnership between Michael Marks a polish refugee stall holder and Tom Spencer a cashier. It became a public limited company (PLC) in 1926 which built on the core values of quality, value for money, service, innovation and trust Marks and Spencer do well during the war years and expand opening stores in Southern as well as Northern England. They quickly established a sound reputation for quality, value and corporate responsibility becoming a household name and firm shopper favorites by the 1960's with stores throughout the UK.

Marks and Spencer is one of the countries leading company's specializing in clothing, food, home furnishings and financial services. With nearly four hundred M & S stories throughout the UK representing over 12. 5 million square feet of prime retail space and serving over ten million customers every week. The group has a turnover in excess of eight thousand million pounds and the company also traded in thirty countries worldwide up until late 2002. Kay argued that the success of M & S was founder in architecture which is defined as the ' network of relational contracts within, or around, the firm'.

M & S could be seen as exhibiting both these features as a good employer offering both stability of employment and pay and conditions which compared favorably with competitors; and offering the security of long term business relationships and technical support to suppliers. Kay singled out that M & S as having a long term competitive advantage in retailing and this was in line with many other anther commentators who have regarded it as one of the best managed companies in British. However, judgments of the performance of the company have changed radically in recent years.

In this report, we will answer the ten questions which base on Kay John's conceptions of architecture and competitive advantage and the company Annual Report given in the case study. In the year of 1998 annual report and financial statement , M ; S reported a 5% increase in group turnover and a 6% increase in pre-tax profits, the 10% increase in the dividend for that year reflected, However, after that The ' crisis' of M ; S stemmed initially from the decline in corporate profitability, We can see the detail from table one.

As the table showed, every section increase obviously from 1997 to 1998, an addition income of exceptional operating appeared in 1998, the operating profit reached a peak which was 1, 116. 7 million. However, in the next period, there was a rapid decline in operating profit; it was just 512 million which was less than half of year 1998. The reason caused operating profit to slump was that the expenses increase progressively while the income was stable.

Compare with 1998, in 1999, the cost of sales, staff costs and other costs increase over 100 million, especially, the depreciation reached 300 million which was double of year 1999. The sales of clothing and of foods are the two main businesses in M; S, in both cases the firm's products has been positioned at what can be described as the top end of the mass market, more recently M & S entered the financial services market offering its own store card but also insurance and management of unit trusts.

Now, I already counted the operating margins between financial services and the retailing businesses from the data of table two. As you can see, generally, the operating margin of financial services was much higher than retailing businesses, even the lowest operating margin in financial services was higher than the highest margin of retailing business. Why it was so mush difference? I analysis it because for the financial services, it focus on the human resources, whatever how many cases have been done, the wages still have to pay stable.

It was depend on how many employees worked. But for the retailing business, there were focus on raw material, machines and working labour as well. The distribution was more complicated than financial services. As we known, the second major part of the M&S retail business is sale of food. Also it was known as a pioneer by producing high quality chilled convenience foods. But in recent years, many others supermarket are doing similar this kind of organic food, but selling them at a slightly low price, such as Tesco and Sainsbury.

According to case study, in the Greenbury contribution to 1999 Annual Review and Summary Financial Statement, he argued that there was a need to change ‘ the way we buy goods’ and that this would include ‘ pursing cost saving’ and that company was adopting a policy of sourcing ‘ more goods abroad’. According to Kay (1993) concept of external architecture, it is relations with other enterprise particularly suppliers of good and service. Meanwhile, it is based on where firms share knowledge or establish fast response times on the basis of series of relational contracts between or among them.

However, in this case study again, after 1999 they have been reducing source of its clothing suppliers from 60% to 10%. It shows M&S is trying to find more low cost source suppliers from aboard instead of keeping high source suppliers from UK. If the M&S need some source urgently, they could not got get them as much as they want from UK suppliers, also they will pay for much higher price for getting those source. Therefore it is changing way with their suppliers from Kay' external architecture.