# The strategic planning of marks and spencer

Business, Strategic Management

Marks and spencer started from small stalls becomes one of the uks leading retailers with over 15 million people visiting every year. It is giving to its customers great value clothing, high quality, stylish products as well as outstanding quality of food from different authenticated suppliers.

The whole of the report revolves around the strategic planning of well renowned company marks and spencer, it will explore the external environment, its existing business plan, major factors affecting it and the strategic option is also given in this report through which it can overcome the predicted barriers.

## Companies overview

Marks and spencer is come to existence in 1894 by the partnership of Michael with Tom Spencer. They employ over 65000 people, running 450 stores and also flourishing international business. In 2007 Marks & Spencer (M&S) was the UK's largest clothing retailer with a market share of 11. 1%.

Food sales accounted for 49. 8% of its UK business and had a market share of 4. 3%. The group's

international business accounted for 7. 1% of turnover and had grown to 219 franchise stores in

34 territories worldwide as well as 8 wholly-owned stores in Hong Kong and 13 in the Republic of

Ireland. During 2007, it opened 36 new stores including the group's largest ever franchise store in Dubai at 52, 000 sq ft. and also opened its first store in Taiwan under a joint venture with President Chain Store Corporation.

Strategic management provides overall direction to the enterprise so Johnson and Scholes define strategy as follows:

“ Strategy is the direction and scope of an organization over the long-term: which achieves advantage for the organization through its configuration of resources within a challenging environment, to meet the needs of markets and to fulfill stakeholder expectations”.

PEST Analysis

Pest analysis is concerned with the environmental influences on a business. The acronym stands for the political, economic, social and technological issues that could affect the strategic development of a business.

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.

Porter 5 Forces Analysis

The five force models is basically industry specific within which the firm exists and operates. The rationale behind this model is that industry profitability is not determined by the product quality, nor it embodies high or low technology. It is determined by the structure of the industry. M. Porter, Competitive Advantage of Nations, Macmillan, 1990 Porter explains that there are five forces that determine industry attractiveness and long-run industry profitability.

Threat of new entrants

New entrants to an industry can raise the level of competition, thereby reducing its attractiveness. The threat of new entrants largely depends on the barriers to entry. High entry barriers exist in some industries whereas other industries are very easy to enter. The most common form of entry barriers are usually the scale and the investment required to enter an industry as an efficient competitor. In consumer product industry this dimension of competition is well prominent. All the existing domestic companies are well set up, reputed, organized and stable manufacturers in the industry and have their own distinct places in the market. A potential entrant may find it uneconomical to take on existing occupants and if it does the gain of market share at the cost of large capital investment besides powerful retaliation of existing manufactures. It may take years (at-least 5 – 6 years) for an entrant to build reputation for product quality no matter how large its initial advertising campaign is.

Threat of substitutes

The presence of substitute products can lower industry attractiveness and profitability because they limit price levels. The threat of substitute products depends on: – Buyers' willingness to substitute – the relative price and performance of substitutes – the costs of switching to substitutes The product category Marks and Spencer has is subjected to great threat as different other companies of UK like Primark deals with the same kind of products.

Bargaining power of suppliers

Suppliers are the businesses that supply materials & other products into the industry. The cost of items bought from suppliers (e. g. Raw materials, components) can have a significant impact on a company's profitability. If suppliers have high bargaining power over a company, then in theory the company's industry is less attractive. The bargaining power of suppliers will be high when: There are many buyers and few dominant suppliers – there are undifferentiated, highly valued products – suppliers threaten to integrate forward into the industry.

Bargaining power of buyers

Buyers are the people who create demand in an industry. The bargaining power of buyers is greater when – there are few dominant buyers and many sellers in the industry – products are standardized – buyers threaten to integrate backward into the industry – suppliers do not threaten to integrate forward into the buyer's industry. At the same time Pull strategy is followed as bottom up approach where end users pull the preferred product.

Intensity of rivalry

The intensity of rivalry between competitors in an industry will depend on: The structure of competition – for example, rivalry is more intense where there are many small or equally sized competitors; rivalry is less when an industry has a clear market leader The structure of industry costs – for example, industries with high fixed costs encourage competitors to fill unused capacity by price cutting. Degree of differentiation – industries where products are commodities have greater rivalry; industries where competitors can differentiate their products have less rivalry. Switching costs – rivalry is reduced where buyers have high switching costs – i. e. there is a significant cost associated with the decision to buy a product from an alternative supplier Strategic objectives.

Swot Analysis

SWOT analysis is an important tool for auditing the overall strategic position of a business and its environment. Once key strategic issues have been identified, they feed into business objectives, particularly marketing objectives. SWOT analysis can be used in conjunction with other tools for audit and analysis, such as PEST analysis and Porter's Five-Forces analysis.

SWOT ANALYSIS OF MARKS AND SPENCERS

Strengths

Marks and Spencer is a powerful brand. It has a reputation for value for money, convenience and a wide range of products all in one store. M & S has grown substantially over recent years, and has experienced global expansion. The company has a core competence involving its use of information technology to support its international logistics system. For example, it can see how individual products are performing country-wide, store-by-store at a glance. IT also supports M & S efficient procurement. A focused strategy is in place for human resource management and development. People are key to M & S business and it invests time and money in training people, and retaining a developing them.

Weaknesses

M & S is the World's largest retailer and control of its empire, despite its IT advantages, could leave it weak in some areas due to the huge span of control. Since M & S sell products across many sectors (such as clothing, food, or stationary), it may not have the flexibility of some of its more focused competitors. The company is global, but has a presence in relatively few countries Worldwide.

Opportunities

To take over, merge with, or form strategic alliances with other global retailers, focusing on specific markets such as Europe or the Greater China Region. The stores are currently only trade in a relatively small number of countries. Therefore there are tremendous opportunities for future business in expanding consumer markets, such as China and India. New locations and store types offer M & S opportunities to exploit market development. They diversified from large super centers, to local and mall-based sites. Opportunities exist for M & S to continue with its current strategy of large, super centers.

Threats

Being number one means that you are the target of competition, locally and globally. â€¢ Being a global retailer means that you are exposed to political problems in the countries that you operate in. â€¢ The cost of producing many consumer products tends to have fallen because of lower manufacturing costs. Manufacturing cost has fallen due to outsourcing to low-cost regions of the World. This has lead to price competition, resulting in price deflation in some ranges. Intense price competition is a threat.

Stakeholders Expectation

Stakeholders Expectation are those without which our strategic analysis will remain incomplete is about the expectation of stake holders. Stakeholders are those individuals or groups who depend on the organisation to fulfil their own goals and on whom the organisation depends. Share holders expectation includes, Corporate governance chain, Formal requirements and boundaries within which strategy is developed, Organisational stakeholders, Other groups (internal and external) which have expectations and potential influence The expectation of the stake holders of M & S conflicts between, Short-term profitability versus growth, Family control versus professional managers, Financial independence versus share/loan funding, Public share ownership demands openness and accountability, Cost efficiency may mean job losses, Mass markets may compromise quality, Mass public service provision versus specialist services

Generic models for strategic plan

According to Porter, Marks and Spencer is followed by a strategic generic model and the main categories are:

Cost leadership

Diffferenciation

Focus

Marks and Spencer is a fascinating case of a company that has lost its strategic focus. Its story illustrates how even the strongest of businesses cannot afford to take their eyes off the competition.

M&S lost its way as the UK's leading retailer in the late nineties. Its profits, which had peaked at over 1bn [pounds sterling]. fell by hall as consumers rejected its clothing. In response to competitive pressure from new and existing players, M&S made major changes to its strategy in 1998-2000. These included decisions to more away from its St. Michael brand and to accept credit cards.

By 2004 the company was lacing a huge number of issues, including problems with service standards, dated store formats and the alienation of its traditional customer base. M&S's stock was falling sharply. The share price, which had been as high as 650p in 1997, had declined to 270p.

By this time, Rose had unveiled his recovery strategy: selling M&S Money: buying the Per Una brand: refunding around 2. 5bn [pounds sterling] to shareholders: closing the new Lifestores concept and some Simply Food stores: improving products and services: and broadening M&S's appeal and customer base.

Green stated that his offer was final, which meant he would not increase it again for six months unless another bidder appeared. The shareholders decided to back Rose. Green withdrew his offer and the share price fell back to 340p, which was 60p (or a total of 1. 3bn [pounds sterling]) less than Green's final offer. He faced following challenges while doing this right.

Increase sales and market share without losing margins. (Rose has been coy about this, putting the emphasis on cost savings.)

Cut costs without undermining quality or service. In 2004 M&S planned around 300m [pounds sterling] of cost savings, but clearly a proportion of these in 2005-06 would be needed to cut prices to competitive levels.

The recent history of M&S highlights the need to manage shareholder value and deliver quickly, especially during turnarounds. In this situation, Rose might find the strategic option grid helpful.

This grid has been used by number of major companies, including Tesco and Diageo, to develop strategies. The options for M&S include:

Incremental strategy

This would not really improve M&S's long-term competitive advantage and it would be a high-risk approach, because the business would become even more exposed.

Float off food

This would make shareholders better off, since the business is probably undervalued. It would not be inherently hard to do this.

Close more stores

This would focus the company on its key outlets, but it might damage the brand and decrease customer loyalty in the process.

Rationalise the product

For example stop selling men's shoes. This would " declutter" the business and provide an opportunity for growth.

Increase franchise space

This would allow in other products, which would create more interest.

Strategy of Marks and Spencer to Improve Performance

Marks & Spencer plans to spend £200 million over the next five years on going green strategy as the battle to become the most environmentally friendly retailer steps up.

The high street giant, which launches its strategy with an advertising campaign in March, has set some challenging targets, including a pledge to stop sending all waste to landfill and to reduce $CO_2$ emissions by 80 per cent.

However, the aspirations will be closely scrutinised by non-governmental organisations, which will want to see if M&S will be able to maintain its commitment to them in future years as the deadline to meet its targets near. Stuart Rose, the chief executive, said that he hoped that the cost of the programme would be offset by increased sales.

Last year the retailer launched a Behind the Label campaign, which highlighted Marks & Spencer's environmental and ethical business practices and was one of the retailer's most successful advertising schemes.

Mr Rose said: " We think this is the right thing to do because our customers, employees and, increasingly, shareholders are asking us to. We believe those people will embrace a responsible business."

M&S has worked on the project for six months, taking advice from Jonathon Porritt, the former director of Friends of the Earth, who said: " This plan raises the bar for everyone else – not just retailers but businesses in every sector."

M&S's detailed 100-point plan covers climate change, waste, raw materials, fair trade and healthy living.

Elements also include reducing the amount of food imported and labelling those goods flown in, opening a model green factory and four stores and using 50 per cent bio-diesel in its lorry fleet.

The retailer also wants to reduce packaging by 25 per cent and to use recycled plastic bottles to make polyester for use in clothing and home furnishings.

Rosemary Byrde, global Fairtrade policy adviser at Oxfam, said: “ Marks & Spencer is to be applauded for leading the way. We look forward to seeing the difference this will make and to other major retailers following suit in the near future.”

Robert Napier, chief executive of WWF-UK, the conservation organisation, said: “ Such bold aspirations as outlined by Marks & Spencer can only help to drive other supermarkets and the retail sector towards supplying products in a way that protects our planet and sustains the natural resources we depend upon.”

The first change that M&S shoppers will notice is a range of fair trade cotton T-shirts. About 20 million garments will be produced over the next 12 months, accounting for about a third of the world’s supply of fair trade cotton.

Retailers fought to seize the green agenda throughout last year as environmental and fair trade issues had become increasingly important to shoppers and regulators.

Marks and Spencer's Mission, Vision, Values and Objectives

Marks and Spencer's corporate objectives are incorporated in its mission statement. This outlines what the business is and what it should be. Mission statements set out in writing what the firm wants to achieve and often include information on the values of the business. M&S outlines its core business as clothing and Food. Its financial objectives is to deliver shareholder value in terms of increase returns, but also in terms of increase sales and market share in retailing. It beliefs and values are outlined as " Our customers continue to see Marks & Spencer as the place to shop for special food, produced to exacting standards". M&S also sees its workforce as an important part of its plan and also considers modernising its stores as a key corporate objective.

Vision: The standard against which all others are measured

Mission: Making aspirational quality accessible to all

Values: Quality, value, service, innovation and trust

M&S also outlines its corporate social responsibility in its mission statement and considers the needs of other stakeholders too.

" We have a strong tradition of corporate social responsibility (CSR) but we want to make sure CSR is integrated into our operations at every level..."

Finally, M&S also outlines its strategic intent (vision) in its corporate objectives. M&S wants to continue its differentiation strategy by delivering freshness, quality and innovation.

Strategic Implementation

This process involves distribution of resources (financial, personnel, time, and technology support). The next step involves assigning tasks or responsibilities to specific individuals or groups to make the environment clean and it needs to disseminated into the company effectively and efficiently, monitoring the progress and results. Careful assessment of the process, controlling for variances and making the required adjustments form vital components of this process.

Strategy Evaluation

As the term suggests, this process includes evaluation of the efficacy of the organizational strategy implemented.

Therefore, successful strategic management must include clearly defined objectives, careful assessment of both the internal and external situation to formulate the strategy, implementing the strategy and making the required adjustments as and when required.

The company must possess a clear vision of its long term plans or a clear business vision. This also includes assessing the financial and strategic objectives. " Financial objectives involve measures such as sales targets and earnings growth. Strategic objectives are related to the firm's business position, and may include measures such as market share and reputation". (quickmba, 2007). The Environmental scan includes the following elements: Internal analysis of the firm, Analysis of the firm's industry (task environment) and External macro environment (PEST analysis).

After deriving and inferring the information from the environmental scan the company should be able to carefully identify and address its weaknesses and external threats and evaluate its strengths. A competitive edge in the market in the market can be based on cost or differentiation.

The stage of implementation essentially involves distribution and organization of the company's resources and staff motivation to achieve the set objectives or goals. Evaluation and control includes monitoring the strategy and fine-tuning it as required.

## CONCLUSION

After mid 1990s M&S began to experience internal problems such as information flow breakdown and together with the fact that top management was concerned with international expansion M&S was drifted away from its core values such as consumer care and customer satisfaction. M&S failed to recognise that consumers were becoming wiser and its competitions much stronger. Most of consumers consider M&S to be old fashioned company, this image has to be changed to be in line with the market demand and regain its lost customers to other competitors. Based on the analyses, the author feels that M&S requires to be focus on its strategic plan therefore, in formulate a strategy envirmental analysis is required, which will be analysed through pestle, the current situation of Marks and Spencer is also captured then a strategic plan is constructed to overcome the barriers, then it is implemented and evaluated to ensure long-term success.

Business must try and use as many tools as possible in order to come out with the best strategy for the organisation. However, firms must try and evade the limitations of these tools so as to formulate the best strategy.