Marks and spencer essay sample

Business, Marketing

Marks & Spencer p. l. c. is one of the most recognizable clothing retailers in the UK. The company´s stores also sell food and homeware and provide financial services. M&S has enjoyed a consistent record of success and profitability since its origins, with a worldwide reputation for its innovative, high quality products and competitive prices. However, M&S´ prestige and outstanding long-term performance have been hit in recent years by falling sales and declining customer satisfaction. The aim of this report is to identify the key factors that allowed M&S to outperform its competitors up to the mid 1990s. This assignment also explores the reasons behind M&S´ recent crisis and it suggests a number of strategies to regain competitive advantage and to deal with the challenges M&S faces, currently and into the future.

Question 1

Identify M&S´resources and capabilities up to the mid 1990s and hence the sources of competitive advantage

We can use two different approaches to identify the main drivers of M&S´ success up to the mid 1990s, as well as its recent crisis. A well-known approach is to examine the external environment in which M&S operates. PEST analysis or Porters 5 Forces model are common techniques associated to this traditional approach. Although the external environment has an indisputable impact upon M&S´ performance, it is also important to carry out an internal analysis of the organisation. This second approach examines M&S ´ ability to use available resourses and competences or to create them in order to build sucess. We can also enumerate various techniques associated to this new approach: resourse audit, value chain analysis, activity mapping, core competence analysis, power/interest matrix, sinergy analysis, strategy evaluation techniques, SWOT analysis… etc.

EXTERNAL ENVIRONMENT

1. 0 PEST Analsysis

PEST is a mnemonic for political, economic, social and technological factors. It is the most frequently used tool to analyse the impact of the general enviroment upon an organisation.

Political: British political system offers stability and encourages capitalism. Current legislation and market regulations favour M&S´ operations.

Economic: The consumption of most goods is likely to increase when the economy is booming and it tends to decline during recessionary periods. After the recession of the early 1990s, the UK and many other countries entered a period of sustained economic growth and high levels of consumer expenditure.

Social: The requirements of consumers are changeable. For example, the clothing market is particularly sensitive to fashion trends. Lifestyle can also have a significant influence on our eating habbits (i. e. Organic food, ready-to-cook meals…etc.). Understanding these requirements is crucial, if M&S wants to remain competitive and increase its market share.

Technological: A substantial investment in technology is necessary to operate efficiently in a competitive market. Modern IT systems can improve productivity and lower the costs (e. g. the use of computer systems has unabled firms to automate and accelerate their buying procedures and reduce the supply cycle for all merchandise) Furthermore, customers are increasingly making use of the Internet and firms have to be prepared to offer online services for their home shopping.

2. 0 Porters Five Forces Model

This model was developed by Michael E. Porter in 1980. He identified 5 forces that shape every industry and determine its attractiveness and potential profitability. These forces as described as follows:

The Porters 5 Forces analysis for M&S is given below:

Bargaining Power of Buyers

In general, bargaining power of buyers is high. It very much depends on the segment we target. Buyers´ power is lower in the exclusive segment (i. e. cloths from luxury designer firms) and higher in other segments, as they can usually choose from a variety of companies.

M&S gained customer loyalty from high quality products that were priced competitively. One of M&S´ current problems is that people demand either brand names or discounted products. M&S is therefore stuck in the middle. M&S´ product-orientated strategy in the late 1990s has become ineffective. The bargaining power from buyers is increasing and therefore, a more consumer-orientated strategy is needed.

The Bargaining Power of Suppliers

M&S´ success has a lot to do with its long-term relationships with its suppliers. Some of them had supplied M&S for over a hundred years (i. e. Dewhirsts). M&S bought directly from a few UK suppliers, without the use of an intermediary, like most of its competitors. This created a heavy reliance of those suppliers on the company. M&S could then try to lower its costs by putting pressure on suppliers (e. g. rappels from large purchases).

The bargaining power of suppliers is generally quite low in this industry. M&S value chain has made it even lower. Also, when sales declined rapidly in the late 1990s, M&S outsourced globally to reduce its costs. As a result, the bargaining power of UK suppliers was also lowered.

The Treath From New Entrants

Brand name and large capital requirements build up high entry barriers. It´s difficult for any new entrant into this market to compete directly with some established retailers already operating on a large scale. Another entry barrier is advertising. Existing companies can be said to be reasonably protected from intense competition.

The Threat From New Substitutes

The threat from substitutes is high. As we said earlier on, consumers are demanding either a brand name or discounted products. They are either prepared to pay a premium for a label or they can go for similar products with lower prices.

Rivalry Among Existing Firms

Competition among exisiting firms is strong. Many competitors have adopted and even developed some of M&S´ best practices to respond more quickly to market changes. As a result, M&S´ market leadership is being challenged and the company´s market share has been eroded.

In the food sector, Tesco has developed its range of ready cooked meals. Sainsbury has similar offering, but with competitive prices. Boots has improved brightly coloured children´s clothes and gifts. Gap has exploited the demand for young with more street credibility. Next have also targeted a different segment successfully. Debenhams offers designer names in its clothes and furniture ranges. Intense competition has therefore impacted on M&S´ operations at a time when St. Michael brand seems to have lost its appeal.

If M&S wants to remain competitive, it has to change its generalized view of the market and use proper market segmentation in order to regain its appeal and meet changing customers´ needs.

INTERNAL ANALYSIS

The success or failure of M&S not only depends on the external environment in which the company operates. It is also important to study the capabilities of M&S to use the resources and competences available to it.

Gerry Johnson and Kevin Scholes split these resources and competences between those that are similar or easy to imitate by other organisations and those that are better or difficult to imitate.

Same as competitors or easy to imitate Better than competitors or difficult to imitate

Resources Necessary Resources Unique Resources

Competences Threshold Competences Core competences

Resources and Competences of an Organisation

Necessary resources and threshold competences are the essential requirements to operate and compete in an industry. Unique resources and core competences confer sustainable competitive advantage and added value to an organisation.

We can assess the resources of an organisation through a resource audit.

3. 0 Auditing the Resources of M&S

In broad terms, resources can be splip up into 2 types:

A) Tangible resources

Physical – The building, machinery, facilites, equipment used by the organisation.

Human – The people involved within the organisation

Financial – Available cash and ability of an organisation to raise capital

B) Intangible resources

These include patents, brand names and reputation. These resources are particularly important for an organisation, as they are often difficult to identify or copy by competitors. Hence, they are potentially more valuable in creating competitive advantage. Richard Hall (University of Durham) draws a distinction between intangible assets and intangible resources. Intangible assests can be legally protected or not. Intangible resources can be split up into functional skills and cultural capabilities.

Using this classification, the resources available to or created by M&S up to the mid 1990s are:

Physical

-373 M&S stores.

-85 franchises with partners outside the UK.

-173 Brooks Brothers stores.

-40 Kings Super Market stores.

-Wide range of high quality own-brand products.

-Tills and other equipment.

Little can se said from M&S case study about these stores, except that " M&S ´s somewhat puritanical ´value-first´ retailing model of spartan interior, harsh lighting, crammed clothing racks and ´serve-yourself-if-you-can´ may be outdated". All stores were similar in layout, design etc, leaving no scope for changes based on local environment, lifestyle or demographic characteristics. For example, some individual stores were allocated the same merchandise simple because they were of similar size.

This audit should consider other factors like age, condition, capacity, location…etc.

Human

-Loyal, hardworking and motivated staff.

-Experienced and knowledgable management team.

-Supply-chain management, skills in outsourcing.

-Good buying and merchandising skills

-Low hierarchy that allows excellent internal communications between head office and stores (e. g. " the chairman spends two days a week every week in-store talking to managers and salespeople to find out what is selling and where the problems are")

Financial

-M&S doubled its profits in the five years up to 1997, when the pre-profit tax reached £1 billion for the first time. It is reasonable to believe that M&S enjoyed a healthy level of cash available with which to fund its future investments and international expansion.

-Increasing share price leads to higher potential financial sources.

-Triple-A credit rating makes it easier and cheaper for M&S to raise further capital from banks.

-As to the working capital management (stock, creditors, debtors…), not much detail is given apart from the fact that UK suppliers receive prompt payment of bills in return for M&S´ greater control over products and tight conditions.

Intangible

-Good image of the company.

-High reputation.

-Customer loyalty.

-Trade marks (St. Michael brand´s perception of high quality standards)

-Long-term Partnerships with suppliers.

-M&S´ culture.

-Employee and supplier know-how

-Registered designs and ability to innovate

4. 0 Value Chain Analysis

Successful strategic management requires winning, retaining and balancing resources. Having identified M&S´ resources up to the mid 1990s, we now need to analyse the way in which these resources are utilised to gain competitive advantage and to create products and services valued by its customers/users.

The value chain is a way of describing an organisation in terms of the activities it performs using the resources available to it in order to create products or servicies valued by its customers or users. This generic value chain analysis could be used to identify M&S´organizational capabilities up to the mid 1990s:

PRIMARY ACTIVITIES

Inbound Logistics:

-Long-term and non-contractual relationship based on mutual trust and understanding.

-Integrated business process with suppliers in terms of product specification, material management, quality control and so on.

-Sharing knowledge and information throughout the supply chain

Operations:

-Exclusive quality control in the operation process.

-Dealing direct with manufacturers instead of through intermediaries, understanding and controlling products from raw materials to finished goods.

-Subcontracting production with very tight conditions to suppliers.

-The costs of stockholding were carried by the supplier.

-Working across within franchises.

Outbound Logistics:

-Franchise agreement overseas such as Greece, Indonesia, Thailand and so on.

-Good Store location.

Marketing and sales:

-Motivated and competent sales force.

-Total Marketing Ethos as a substitute for a marketing department.

-No real segmentation

-Effective pricing strategy.

-Comfortable shopping environment

-High quality products with good value for money

-Wide ranges of products and services

Services:

-Offering the highest standard of customer care (Johnson and Schole, case study 1997).

SUPPORT ACTIVITIES

Firm Infrastructure:

-Subcontracting with suppliers as well as outsourcing domestically and internationally

-Development of financial services such as availability of credit cards

Technology Development:

-M&S’s technologists working together with suppliers to gain knowledge about product development (e. g. with Dupont-Lycra)

-EPOS (Electronic points of sale – computarized tills) system to help M&S improve productivity so that it can respond faster to market changes

-Customer ordering system (mailing system)

-Having its own website for online selling, which allow customers to see products and service online

Human Resource Management:

-Good appraisal system for employees such as store management training program and so on (Morgenstein & Strongin, 1992)

-Specialist advisers in key departments

-Staff service initiatives

Procurement

-Minimising the environmental impact of their operations and merchandise

-A well established supply base, with a high product specification standards

M&S is a multi-business organisation. It is therefore important for M&S to create " synergy" between its different business units by ´transfer of skills´ and/or ´sharing of activities´ between the value chains of separate business units. No information is given in our case study regarding this important issue.

From our previous analysis, we can identify M&S´ core competences up to the mid 1990s. M&S uses these core competences to gain competitive advantage and outperform its rivals. (Activity mapping could also be used to identify core competences)

– Sourcing methods

-Ability to deliver high value, reliable, consistent quality products (Broad differentiation as opposed to cost leadership up to the mid 1990s)

Competitive Advantage

Low Cost Differentiation

CompetitiveScope Broad Low Cost Leader Differentiation

Narrow Low cost focus Differentiation focus

-The trust from investors and customers

-High quality of management

5. 0 Analysing Culture & Stakeholders in 1998

M&S´ corporate culture and key stakeholders can also influence the organisation´s strategy. This section has been incorporated from :

http://www. dur. ac. uk/p. j. allen/mastran. html

Cultural Web for Marks & Spencer in 1998

Rituals & Routines

“ Buy British”

Buyers (in Head Office) decide clothes ranges rather than rely on feedback from the tills

Staff checking stock or counting cash in tills

“ M & S way of doing things” – difficult to question

Stories

Success stories from past – machine washable pullovers and chilled convenience foods

Reputation for quality at slight price premium

Symbols

Traditional (old fashioned?) stores with rows of clothes racks

Head Office – Michael House, Baker Street, London

Store on most British high streets

Own store card not credit cards

Control Systems

Top-down, rigid management approach and systems

No system of notional rents to evaluate store performance

Few senior appointments from outside the company as managers start as graduates and work way up through the ranks

Power Structures

Sir Richard Greenbury – Autocratic chairman & chief executive

Senior management team and head office-based buyers take key decisions

Organisational Structures

Hierarchical – importance of Head Office

Decisions taken at centre with little devolution of responsibility to stores and store management

Traditional & long-standing relationships with key suppliers

The Paradigm

“ Head Office knows best” based on long record of success

Traditional approach to retailing – the “ British” store – national icon

Paradigm Change at Marks & Spencer

The story of Marks & Spencer over the past few years is perhaps the most vivid example of the Icarus Paradox. With a long history and presence on every British high street, the company was looked upon as the example of British retailing at its best. It seemed to be successful at whatever it did and had survived, even prospered, through the ups and downs of retail trends. This makes the shock of their recent problems more prominent and much has been written about them.

Top-down control systems had helped them to maintain good performance, particularly through past retail recessions, though there is evidence that these controls were now too rigid in key areas – even ritualistic – but that now important areas like individual store performance were ignored. The problems of that emerged in 1998 could be seen as a failure of existing systems and their tightening to address the changing market conditions.

Decisions to introduce in-store bakeries, delicatessens and meat counters, overhaul supply chains, buy more from outside the UK and smarten the tattiest stores can all be seen as attempts to change the strategy, but largely within the current paradigm.

The removal of Sir Richard Greenbury and latterly Peter Salsbury, with the introduction of new management from outside the company, headed by the Belgian Luc Vandevelde, perhaps indicates a more radical departure from the past. The radical revamp of the major stores and the ill-fated national advertising campaign are also symbolic of the changes taking place. These moves may be seen as an attempt to address the old paradigm within the organisation.

However, at the time of writing these notes (Summer 2001) Marks & Spencer is still in difficulties, with some signs that new approaches are working in places but with many failures and public relations problems as well. A walk around one of their stores also raises questions about how far the changes have permeated the organisation as a whole – the old paradigm might have been abandoned but a new paradigm is still far from clear.

Key Stakeholders in Marks & Spencer

Although not all stakeholder groups are mentioned directly in the illustration, Figure 8: 4 should allow for some judicious " reading between the lines". The key stakeholder groups include:

The senior management team – perhaps there is a good case here to break this down further. This allows for separate treatment of stakeholders like the former Chairman Sir Richard Greenbury, other long-standing senior managers like Peter Salsbury and the new management team, in part made up of outsiders like Luc Vandevelde, but also including some of the existing team.

Shareholders – again this category might be split further to gain a better understanding of the situation. The changes at the top have mainly come about as the result of pressure from major shareholders like the pension funds, consisting of fund managers and their teams of professional analysts. Smaller shareholders, many private individuals traditionally held shares in the company, can exert little direct power, but can decide to sell up their holdings.

Analysts and commentators – acres of print, from the financial and news pages of the newspapers to stockbrokers' reports have been written on the current position of the company. These writers may have little direct influence but their thoughts are read by many of the other key stakeholders and so are worth identifying separately.

Employees – have an obvious interest in the future of the company in terms of job security and prospects. The decision to close Marks & Spencer's store chains in France and the rest of Europe in 2001 brought protests across The Channel to London.

Suppliers – the decision to radically change their supply chain has affected many of Marks & Spencer's traditional suppliers – with closures and redundancies hitting the headlines.

Customers – the decline in sales is a reflection of many customers deciding to do at least some of their shopping elsewhere – though it is worth stressing that Marks & Spencer is still the largest British non-food retailer.

A Stakeholder Map for Marks & Spencer

Low

Power

High

Low High

Interest

Comments and Approach to Managing Stakeholders

Perhaps the main change at Marks & Spencer is the departure of Richard Greenbury and much of the old senior management team. The old top-down autocratic style has disappeared. The new team led by Luc Vandevelde is in a much weaker position, largely due to the increasing involvement of the major shareholders, whose interest and power have both increased as a result of the problems. Whilst Marks & Spencer was performing well then the major shareholders were largely satisfied, so having little day-to-day interest in the company, and their power was latent.

Small shareholders have little power except that of selling their shares, though they can make life difficult for the Board at the Annual Meeting and letters to the press! Employees have high interest but little direct power – though they need to be considered when introducing a new strategy. What little power suppliers could exert has been reduced, as a result of the changing supply chain, and some of the newer suppliers are likely to have less interest as they supply other retailers along with M & S.

The analysts and commentators have become important for the influence they can have on other groups. Whilst customers are important to the ultimate success of the strategy, their influence is indirect (shop at M & S or not?) and M & S's strategy is unlikely to be a major concern over the breakfast table.

In terms of managing the process of creating a new strategy at Marks & Spencer, then the new management team" major concern must be the major stakeholders. Unless they can satisfy this major stakeholder group then their job prospects are probably grim. Even a take-over is not out of the question. Much management time will need to be devoted into the “ selling” of the strategy to this group, perhaps modifying the strategy itself to take on board their concerns.

For most of the other stakeholder groups the priority will be explanation of the strategy and trying to convince groups like the analysts and commentators that they have a good plan for the future. Managing public relations in general and in particular (for the analysts & commentators) is critical. As at the time of writing, the evidence of their success in these activities is patchy – with some good news stories about sales successes still being drowned out by other poor performances and disputes about executive performance bonuses for Luc Vandevelde.

Question 2

Critically evaluate the strategies that Greenbury was following and the way they were implemented.

M&S had been successful in terms of profit and market share until the mid 1990s, but in 1998 profit dropped and shares feel drastically. This section evaluates the strategic decisions that led to M&S´ recent crisis.

Richard Greenbury was M&S´ CEO and chairman from 1991 to 1998. He inherited the management style of previous chief executives, which is a “ top-down management style”. He controlled almost every aspect of the business including supplier control, merchandise and store layout. He was involved in daily operations and decisions. His centralized authority did not allow store managers and employees to participate in the decision making process.

He enforced an autocratic approach, which enhanced the “ inward-looking culture”. He excluded his subordinates´opinions, which prevented him from getting the real feedback of his decisions and changes in the market environment. (e. g. the customer satisfaction survey showing declining satisfaction was kept away from him)

In order to analyse what went wrong at M&S, we first need to look at the strategic decisions made by Richard Greenbury:

-Started the expansion programme in Europe and America in the early 1990s. The strategy was one of becoming the world´s first trully global retailer.

-Halted this expansion programme in 1998.

-Cut the number of full-time sales assistants in order to cut costs.

-Aggressive capital investment (2. 2 billion pounds long-term expansion programme).

-Purchase of 19 Littlewoods department stores.

-Double refurbishment at M&S and Littlewoods.

-Bought excessive stock for the Christmas season in 1998

6. 0 Evaluation of M&S´ Strategy

One of the key reasons why Richard Greenbury failed to lead M&S is to do with his top-down management style. The traditional way of management in M&S worked successfully until the mid 1990s, because the market environment had not changed. However, in today´s rapidly changing environment, this highly centralized hierarchy and autocratic management style together with the inward-looking culture isolated M&S from the outside world (i. e. although Greenbury visited the stores regularly to supervise the operations, he could only get false feedback or no real feedback due to fear among the staff).

M&S concentrated too much on its operations, but failed to examine the external stakeholders´attitudes and expectations. While competitors were offering " fashionable" products at similar prices or discounted products, M&S still positioned " classic, wearable fashions" now at an uncompetitive price. M&S was stuck in the middle of the market with competitors cutting edges at both ends.

M&S always used the same UK supplier, because they felt they could provide the highest quality goods. They also believed customers wanted to " buy British". M&S was hugely surprised when costs escalated and competitors successfully started buying merchandise from low cost countries without any impact on demand.

Customers began to complain about products and services. M&S did not do much in response to these complaints, which made customer even more disappointed and unsatisfied. M&S lost sight of what what consumers wanted (fashions) and blamed “ High Street trading conditions” for this (e. g. the retail business had fallen off a cliff).

Employees, as a group of stakeholders, had no power in decision making and did not feel trusted, so they did not share a sense of responsibility and ownership.

All stores were similar in layout, design, etc, leaving no scope for modifications based on the local environment. The individual stores were allocated merchandise dependent on floor space. Stores of the same size were sent the same clothes. Greenbury failed to understand that customers tastes are different and change according to lifestyle and demographic characteristics. M&S neither understood nor tailored the offerings to the various growing market segments.

M&S tried to expand internationally applying the British model. It did not give importance to the fact that Continental Europe, America, Canada were entirely different from UK. The company should have learned to adapt to the local culture and trading patterns. Expansion of the selling space was also made at the wrong time.

Even though a big percentage of customers were women and much of the merchandise was womenswear, the decision makers predominantly men.

M&S did not have a customer loyalty card, when almost all its competitors had one.

6. 1 SWOT Analysis

Another way to evaluate the strategy followed by Greenbury is to identify the strengths, weaknesses, opportunities and threats (SWOT analysis). Here is an example of a SWOT analysis for M&S that I have copied from the Internet:

It is well known that for a long period of time Marks & Spencer was considered to be the market leader and UK's best established store in the retail sector. They were known as the top clothing retailers and they pioneered the development of chilled convenience foods in the 1980's . They had a simple philosophy, which was to produce high quality products under a well known, recognised brand name at considerably affordable prices. However, for the last few years, Marks & Spencer's marketing philosophy has come under attack as other companies invaded and commenced to eat into the market share , and hence the company lost its competitive stance , which led to a decline in profits. Competition from the smaller stores became more intense, stores such as Next and the Arcadia Group (Retailers such as Topshop, Burtons) were climbing the ladder and gained high market share (see Appendix E) simply because they targeted specific markets and target audiences. In order to identify how Marks & Spencer can increase its performance and once again regain a high market share it would be necessary to identify their strengths, weaknesses, opportunities and threats.

Strengths

Probably the biggest strength that Marks & Spencer possesses is its built reputation. The company has been in business for over one hundred years and therefore have built a great reputation for excellent service, quality and value for money . The brand name/image known as St. Michael is another asset to the company as high quality products have been delivered under this name targeted at all audiences . Another key strength is the fact that they possess good high street presence . Marks & Spencer stores are located on well known high street streets which are highly populated, hence suitable for lunchtime and convenient markets.

This brings me to the food business. The food business remains Marks & Spencer’s top strengths, it has continued to be very successful in a competitive market (see Appendix B) Appendix B clearly shows how strong Marks & Spencer’s food sector is. Sales in food products have continuously been increasing since the year 1997 where the annual sales brought in 2, 714, until last year where the food sales reached 2, 926. The company has great reputation for convenience, innovation and quality in this department . These factors have assisted them to maintain their high market share in the food sector. Marks & Spencer also sells financial services which includes a store credit card, personal loans and life insurance .

Appendix A shows the financial performance of Marks & Spencer from the years 1997-2002 (year ending March), it can be seen that the company’s turnover (annual sales) had been in gradual decline since the year 1998 where turnover was at £8, 243 (m) until 2001 where turnover was at a low £8, 075 (m), however sales increased to £8, 135 (m) in the year 2002 which show good signs overall for the company

Weaknesses

One of the main weaknesses that the company suffers from is the ‘ old fashioned’ image which is also a strength described earlier. The public consider Marks & Spencer as being behind the times in terms of their product range and the image and brand name is not appealing to the younger target audiences . The entire image of Marks & Spencer has become dull and are no longer viewed by the younger generations as a retail store that provides latest clothing material. It is a weakness that they do not have a broad knowledge about the market for this younger generation which is essential. The company offers a variety of clothes which are aimed at all segments and from this it is evident that there is no specific target audience that Marks & Spencer aims at.

This can be clearly seen within the stores as each segment does not have its own department. This is a weakness due to the fact that people like individuality whilst they are shopping, for instance a teenager would not want to walk through the clothes range for 60+ elderly people just to get to the teen area. Hence stores need to be more segregated . The key weakness is Marks & Spencer’s clothing department (see Appendix D) The statistics show that sales of clothing have been in constant decrease since 1998 where annual sales stood at 4309, however in the year 2001 annual sales stand at a low amount of 3731. Performance in this area has been lacking for several years.

Promotion is another weak factor. The company has always used ‘ word of mouth ‘ advertising to promote their products which was effective in the past decades, however rivals such as Gap have intense advertising campaigns which are effective in persuading the public. A weak factor which gives the company less competitive advantage is the fact that they are restricted to their own brand label in all of their departments, whereas other supermarkets sell products not only from their own brand but other well known promoted brands which gives them competitive advantage.

Oppurtunities

It is essential for Marks & Spencer to take advantage of all the opportunities that they encounter. A key opportunity is to restructure the company in terms of focusing on individual segments and commence to use appropriate marketing strategies to target these individual segments. Marks & Spencer recently took the opportunity to use one of the most recognised sports stars in the world, David Beckham , who opened his clothing line aimed at younger children. Of course this was a great move made by the company. Another key opportunity is that Marks & Spencer has the power over suppliers . Of course, the industry is very big and if a supplier does not offer them what they want and need, Marks & Spencer can turn to another supplier.

Threats

The competitive nature of the market that Marks & Spencer functions in is a big threat. Competition is intense from other retailers such as Top Shop, Gap and Next . These retailers offer more of the fashionable and trendier designs in clothing which appeal to the younger audience, whereas intense competition from Next, Debenhams and BhS offer better value for cloths targeting teenagers and middle aged men. So key information like this shows that the market for clothing is clearly segmented by age and is very evolving and therefore Marks & Spencer would have to keep up with the latest fashions and styles in order to compete with these top retailers.

The clothing industry itself apposes a few threats, this being that the clothing industry is mature and the market is not saturated , therefore people always need new clothes and due to this new clothing stores are always opening which means more competition for Marks & Spencer. Although Marks & Spencer's performance in the food sector is a strength, food chains such as Tesco and Sainsburys have accelerated their competition by taking advantage of internet technology which enables consumers to shop from home through the internet and hence food shopping in conveniently delivered to home . Another threat to the company is the stock market, the company should closely watch their share price, if the share price falls too low, then people would be reluctant and nervous about investing substantial amounts of money into the shares of the company . After all, Marks & Spencer do not want to be another victim of a ' take over', even becoming the subject of one would give out a bad message to the public that the company is doing bad business.

Conclusion and Recommendation

It is clear from the analysis that Marks & Spencer require a great deal of reorganising in various departments. The company needs to find a way that will boost their market share and hence one again be the best retailers. A big drawback is that the public consider Marks & Spencer to be ' old fashioned', due to this, it is vital that the image of the company is brought in line with the 21st century in order to win back the customers that were lost to the likes of Next, Gap and Topshop. The company's main objective is to be at the forefront of fashion, to do this it is also for Marks & Spencer to target specific markets in the clothing industry so that people feel that the store is designed specifically to meet their needs. Certain measures need to be initiated to boost sales and new styles and products need to be introduced. As a business it would be necessary to create a plan that will satisfy all segments in the fashion market, a way of doing so would be to identify the key factors which influence people of various ages when they are buying clothes.

A problem is that people shop at places which target specific age groups, for instance under people under 40 shop at Next because their product range is more fashionable and is targeted at specific age groups Marks & Spencer need to strive ahead, and anticipate what is going to be fashionable in six months to one years time. Certain measures need to be initiated to boost sales and new styles and products need to be introduced, this can be done by carrying out intense market research which will identify what styles/products the public wants and needs. Rather than following other stores, they need to re-establish themselves as an organisation that shows innovation and hence create the fashion of the future. Maybe researching on how the consumer's shopping experience can be enhanced, improve lighting, adding trendy music in the teenager's area, changing the layout of the store to separate the various segments, overall making the store more attractive and aesthetically pleasing, all these concepts will attract new customers and improve customer satisfaction.

Overall, the store colour scheme is unattractive and unappealing to the younger target audiences as is the lettering of the St. Michael brand, the company should attempt a more appealing and radical approach fitting for the new century. Due to the nature of the market, Marks & Spencer need to decide weather they want to target a specific market, which would be beneficial, or a wider target audience, which will not be so rewarding. Marks & Spencer also require investment is advertising and e-commerce. They need to adopt an effective advertising strategy which enables them to compete and out perform retailers such as Gap and Next. Launching online shopping will increase market share as it offers the consumer an alternative way to purchase goods. Another aspect which can be looked into is that Marks & Spencer is one of the few retailers which does not offer the ‘ points’ or ‘ reward’ system, from this customer loyalty can be increased because more and more people would want to earn points or rewards, hence this would increase sales.

Question 3

What strategic priorities should Luc Vandevelde, the new chairman address in 2000?

7. 0 Recommendations for Future Strategies

In order to regain competitive advantage, Luc Vandevelde should consider the following list of recommendations.

-M&S needs a major organisational and cultural change. A more democratic style of management and a low hierarchical structure will encourage greater participation in the decision making process.

-M&S also needs to reverse its current inward-looking culture to an outward-looking culture. Adopting a more consumer-focused approach will allow the company to react more quickly to changes in the market environment and competitors´ strategy.

-Implement a large scale promotional campaign to project a new corporate image.

-Shift of suppliers, from mainly UK suppliers to cheaper suppliers from low cost countries.

-Undertake similar promotions and advertising to keep up with competitors.

-M&S should consider moving to either end of the clothing market. M&S is currently stuck in the middle of the clothing reail market, which made it lose competitive edge.

-The resources and competences of M&S should be the primary determinants of its future strategies. M&S should hold core competences to gain competitive advantage in the industry. Accordingly, M&S should build its core competence by utilizing and combining its resources and competences, especially unique resources such as brand name and image, to develop new competitive advantages.

-M&S should conduct market research to find out what customers really want.

-M&S should consider appropiate market segmentation.

-Understand and treat each store as individual SBU.

-Separate the food and clothing divisions into separate stores.

-Introduce a new loyalty card for its customers.

-Increase the number of women in its top management who understand customers well.