

# Marks and spencer sparks benefits

[Business](#), [Company](#)



In national level, we face the fact that U. K. has not adopted Euro as the country's currency, replacing current Pound Sterling. This is because the country's Pound Sterling has maintained a good value as a currency. In addition, the country should pore over the advantages and disadvantages not only in the short term but also for long-term basis.

However, in corporate level, the adoption of Euro is demanding. This is because UK-based multinational retailers like Marks and Spencer face the situation where their outlets scattered throughout the European countries in which some of them use Euro as currency.

Concerning the situation, Marks and Spencer decides to welcome Euro as new currency with a positive attitude. The company recognizes the abundant opportunity that lies beneath the phenomenon and prepared for the change many years before the Euro was introduced. We will find later in this paper that the company spent millions of pound sterling to accept payment in Euro.

## International Business

### 1. Statement of the Problem

Performing business in international markets possesses significant differences compared to doing business in the local markets. For instance, local managers –especially managers of developed countries- are usually accustomed to market economy, the concept of private property, legal assurance and many other characteristic of an advanced economy. Nevertheless, business in developing countries might be characterized with centralized economy, uncertainty of property rights, and other types of instability.

The differences might be due to cultural, legal, political and economic environments of various countries. Going abroad, managers would have to think of factors they never have to consider before. Hansen & Mowen (2003) stated that doing business in a global environment would require management to 'shift perspective'.

## 1. Literature Review

### II. 1 Internationalization and International Finance

Financially, a company would have to face increasing uncertainty if they are to expand their market globally. Exchange rate issue is one of the most popular issues. Most countries today are using the free-market currency where the value of money fluctuates according to market conditions. This should be a major concern for a company who wish to expand its business abroad. Exchange rate fluctuations can either magnify corporate profit or take it away instantly.

Financial experts are discussing this matter endlessly to find a possible solution for the increasingly important problem. For example, due to this exchange rate issue, many multinationals are now designing a centralized cash management. This effort is performed to create a focus on addressing the exchange rate issue. Along the line, it is discovered that the method also has the benefits of providing extra profit from speculation activities.

Concerning the issue, in this paper, we will discuss the effect of exchange rate on multinational companies from EU countries. To be specific, we will focus the study on a United Kingdom-based multinational company, Marks and Spencer.

## II. 2 UK and the Euro

UK was one of the countries who obtain special treatment in the Maastricht treaty of the European Union. The country is given the prerogative rights to choose whether they join the Euro. Currently, UK is an example of a country in the Europe that does not use Euro as their currency (Yusof, 2004).

After an intense debate among the British government, Britain agreed to join The Euro in January 1, 2002. This decision generates various reactions from UK companies and organizations. In the year 1999, after the decision is made, managers and employees often complained about getting ready for both the Y2K and the Euro. However, the preparations were seemed to pay off nicely due to the existence of a brand new Euro market within the country (Clark, 2001)

## II. 3 UK Retailers

By the year of 2001, more than half of Britain's retailers are already prepared to accept payment in Euro. Some of them, like Harod's, Selfridges and John Lewis, and many others, have been planning for the change for years.

Despite the fact that 50-70 percent of Britain were against Euro adoption, supermarkets in Britain start accepting Euros for their shopping trolleys and parking tickets. Nevertheless, there are those companies that strictly refuse to acknowledge the Euro, for instance Next Plc (Kroder, 2001).

## III. Methodology

In this paper, we employ qualitative analysis on the chosen subject about Euro currency. Qualitative analysis, by nature, describes the object of study based on the criteria elaborated in the determination of the subject. Comparisons are sometimes conducted for differentiation purposes, but generalizations are not required, thus statistical justifications are not mandatory.

Due to the nature of this study we are using the qualitative method to describe how Euro impact UK retailers especially Marks and Spencer. Within common circumstances, actual field study is required for deeper understanding of the object, but relating to resources available, we are taking advantage of existing information about the subject and the object of study through literatures, journals, and internet articles. In short, the elaborations and conclusions on this journal are based on passive observations and literature reviews.

#### 1. Discussion: Marks and Spencer and Euro Adoption

#### IV. 1 Corporate Background

Marks and Spencer is an international food, clothing and home products retailer, based in United Kingdom. It was founded by Thomas Spencer and a Jewish Immigrant Michael Marks. In terms of marketing, the company has a distinct characteristic most market analysts are aware of. The company does not use television commercial and relying only to its reputation to market its products until the mid-1990, where its first TV commercial were broadcasted (' Company Profile', 2005).

In 1997, the company became the first British retailer to make profit before tax over £ 1 billion. To date it has 383 stores in United Kingdom, 7 in Ireland, and 10 in Hong Kong. It has 175 franchised outlets around the world and 27 Kings Supermarkets with the total number of 603 business location worldwide (‘ Company Profile’, 2005). Within this paper, we will discuss how the existence of the Euro affected the company.

## IV. 2 Mark & Spencer and the Euro

### IV. 2. 1 Controversial Decision

Since the Euro was first launched in January 1, 1999, Marks and Spencer has already stated that they are planning to accept Euros in all of their 300 stores when the time comes. In fact, the preparation for the Euro started in 1997, before the single currency is applied. This is obviously a logical decision because the company has stores or franchises in 10 of the 11 countries joining the Monetary Union. The Euro opened a market of 300 million new people in the Continental Europe for the corporation.

Nevertheless, the decision to accept the Euro was rather controversial because UK, where Marks and Spencer’s main business location still hasn’t decided to join the Euro at the time. The company continued to price in sterling until the government decided to embark on the Euro (Clark, 2001).

### IV. 2. 2 Preparation

Paul Smith, Euro project manager for Marks and Spencer stated that significant amount of training is required to get the staff ready for the changes. In 2001 alone, the company spent £2 million in the preparation of the Euro. The company produces videos in six different languages in order to

ensure that all employees understand what Euro would mean to them. The first attempt of organizing the process was by forming centralized steering committee.

The preparation of accepting Euro in all outlets of Marks and Spencer is critical since retailers like Marks and Spencer must carry out appropriate moves such as keeping two cash lines going for two months, spending extra cost incurred by the complications in their businesses (euro/national currency conversion, decisions on accepting notes and coins) and doing adjustment to new euro pricing (Béguelin, 2002).

In a Journal, it is revealed that the fascinating of Euro currency has driven some retailers such as Marks and Spencer, those who have many outlets scattered in many locations in Europe, to adopt the changes in order keep their business flows.

Among the preparation of using Euro in outlets of Marks and Spencer includes the preparation to immediately accept Euro-denominated Eurocheques, traveler and personal cheques. Bell (1999) revealed that for this objective, Marks and Spencer had spent more than £100 million on making the company still “euro” friendly.

Furthermore, it was soon realized that dividing responsibility to individual management teams would be a more effective way. Due to the decentralization strategy, some branches are more advanced in the preparation of Euro compare to others. For instance, France is considered the most advanced in terms of pricing. In 1999, they have already producing brochures with prices in Francs and Euros (‘EuroCase study’, 1999).

There are various issues needed to be considered in the preparation of the Euro. Managers would have to start thinking about how to price products, how the Euro would affect suppliers and partners. The company has upgraded their computer system significantly due to both the Y2K and the preparation of Euro. In terms of suppliers, within the transition time, the company decided that they would use Sterling to make deals with their suppliers because 85 % of corporate sales are within the UK ('Euro Case Study', 1999).

Pricing is also an issue for the company. Changes in prices might be necessary to cope with the change of currency. Nevertheless, these changes could cut away some of the corporation's margin, or the opposite, it could lower down the trust of consumers. Management has finally decided that price changes would not be the heavy point because they believe that maintaining customer's trust is more important than good looking prices ('Euro Case Study', 1999).

#### IV. 2. 3 Impact of Euro on Marks and Spencer Business

The most obvious effect of the Euro was in the form of cheaper and easier cross border business in most Europe. Technical steps for companies within member countries are costing the companies a considerable amount of money. Competition within the member countries is significantly enhanced. This is due to the fact that customers are now able to compare prices more directly around many international products. Another reason why competition was significantly enhanced was because the European countries are known for their tendencies to trade locally. That custom are changed



considerably with the arrival of the single currency (' How will the Euro', n. d).

Nevertheless, the presence of Euro did not affect member countries only. For companies exporting to the Eurozone, the market was becoming a lot tougher because there were more new exporters attracted to the potentials of the single market. The increased transparency in prices was a tremendous appeal because companies did not have to worry about exchange rate fluctuations anymore (' How will the Euro', n. d). More and more countries were attracted to the potential of having a combined market and since the Eurozone countries launched the Euro in January 1 1999, the number of non-Eurozone countries joining the Euro was increasing rapidly.

### 1. Conclusion

The Euro phenomenon affected international business significantly, including business in the United Kingdom. There are many positive remarks, but there are also skeptics believing that the system would soon collapse.

However, unlike several of the largest retailers in Britain, Marks and Spencer welcomed the new currency with a positive attitude. The company recognized the abundant opportunity that lies beneath the phenomenon and prepared for the change many years before the Euro was introduced. The company spent millions of pond sterling annually since 1998 to be prepared for accepting payment in Euro.

The preparation paid off as in several of the first years of using the Euro, Marks and Spencer experience a significant incline of sales generated from the new single international market.

## 1. Recommendation

Although joining Euro also promotes several disadvantages for UK at national level, I suggest that UK retailers, especially those who have outlets scattered throughout the Europe, to adopt Euro since it gives several benefits they might have especially concerning growth.

Some of benefits that retailers might have, like already showed by Marksand Spencer, include the opportunity to costcuttingby removing the need to convert from the Pound Sterling to the Euro in every transaction.

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