

History of the blue harbour brand marketing essay



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BUSTER**

In 1884 Michael Marks, a Russian born Polish refugee opened a stall at Leeds Kirkgate market. Since then, Marks and Spencer was born, opening over 300 stores worldwide and also being the UK's largest clothing retailer.

In 1999, online shopping was introduced to their website for customers to enjoy in the comfort of their own home. The internet had just started to become known and more and more people were starting to use it, so Marks and Spencer took this opportunity and set this up at the correct time.

In 2000, M&S brought out their healthy 'Count on us' range, for the healthier people on diets or who were just watching what they ate.

Their 1st 'Simply food' stores opened in Surbiton & Twickenham in 2001, selling nothing but healthy food, no home furnishing or clothes like the normal stores.

They also launched 'Per Una' a brand of clothing specifically targeting the fashion-conscious women. Shortly after in January 2001, 'Blue Harbour' was introduced, a casual wear brand for males.

'View form' and 'DB07' another brand of clothing was introduced in 2002, 'View form' for sportswear and 'DB07' for children designed in collaboration with David Beckham.

Mission Statement

Marks and Spencer's mission statement is broken into 3 parts which include:

Vision – To be the standard against which others are measured

Mission – To make aspirational quality accessible to all and

Values – Quality value, service, innovation and trust.

This mission statement has been kept up since the start of making it; M&S have worked hard to achieve all these factors. Even though there have been ups and downs during the years they have tried hard and have kept to their word.

There are many companies which look up to M&S and measure themselves against them, helping their company to improve and gain more customers.

Marks and Spencer's have been known for their quality value, service, innovation and trust to all their customers who as a company they have stuck to very well. They are continuing to attract new customers as well as keeping their old ones, offering them new and improved products all the time.

Objectives

Every year M&S had many objectives which were to be met, they were not really split into long term and short term but just objectives as a whole for each coming year.

In 2001, they had many objectives but their main ones were attracting new customers, developing stronger relationships with their suppliers, aim for market leadership and also to restore the heart of M&S, stop non-core and profit losing activities and also to keep an effective balance sheet calling these three sectors their fundamental strengths.

In 2002, not only did they want to develop stronger relationships with suppliers but also to build on a unique relationship with their customers. They needed to keep rebuilding on their fundamental strengths, continue to regain market leadership with value, quality and also appeal.

It was aimed for M&S to open their 1st standalone home store in spring 2003, also to improve every aspect of their company, overcome the competition and continue to attract more customers to their stores.

Before 2004, the M&S fundamental strengths were changed, which included improving the management team, still ensuring the balance sheet was effective and also delivering impactful but low cost improvements.

In 2005, M&S only wanted to refocus on their core values in their business which is quality, value, service, innovation and trust.

Pestel Analysis

In this section a PESTEL analysis will take place and will look at the external factors that impact on Mark and Spencer's performance.

Political

According to the Marks and Spencer website there are constraints on out of town shopping has been but in place by the government. This is causing problems for M and S. This is because it is highly expensive for retail stores to be in the centre of large towns and cities with all the business rates and M and S is not selling enough produce to break even with these extra expenses they have to pay for being in the centre. M&S is trying to move some of

there stores out of the centres but with constraints it is causing problems for them. The UK not having the Euro is working as a disadvantage to M&S in relation to there western European store because M&S products are too expensive as there are being sold at UK prices.

Economical

The UK economy and currency is relatively strong compared to other countries so the strength of the pound is working as a disadvantage to Marks and Spencer's in the UK and abroad. (www. bitc. org. uk)

Current world events have affected global economies, which may result in fluctuations within the industry. This may lead to unpredictable consumer and supplier behaviours.

Sociological

Market trends are constantly changing and Mark and Spencer's have always struggled to keep up with them. For example, Life style changes have made people more aware of their health, which has resulted in higher demand of quality health care related products. People are concerned with value for money.

Consumers are concerned with their image, for example; they must have the latest labels.

The population in the UK is ageing and with this, more people have a higher disposable income.

Technological

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Internet shopping has led to international buying opportunities, which means the consumer has an enormous amount of options when it comes to shopping. This means that the competition has also increased, but Marks and Spencer's can use it to their advantage to promote new products and help to show that Marks and Spencer's is an up to date company. (www.marksandspencers.com)

Environmental

M&S is restricted to where they can build its stores because of the restrictions on Brown field sites and Green field sites. M&S can only build on Brown field sites which restricts them to having to stay in urban areas with competition.

Legal

The government is constantly redefining trading laws, which enables Marks and Spencer's to trade for longer hours, for example; longer shopping hours on a Thursday. Marks and Spencer's must follow advertising laws which are put in place to protect the consumer, but also to promote fair competition between companies.

SWOT Analysis

The Swot analysis looks at a company's strengths, weakness, opportunities and threats which are likely to have an impact on the company's performance.

Strengths

Marks and Spencer's has been running since 1884 and has a good traditional reputation especially with the older generation. Marks and Spencer's is also one of the biggest retailers on the high street having stores in most cities and large towns and with thirty other stores across the globe. (www.marksandspencers.com) The brand name is known in nearly every household. Marks and Spencer's has a diversity of products such as food, underwear, menswear children wear, women wear and furniture.

Weaknesses

Fashions are constantly changing and Marks and Spencer's has an inability to keep up with changes in the retail market.

There are also problems with focusing on the right target markets in terms of products and customers. (www.bitc.org.uk)

Many consumers still feel that Mark and Spencer's products are old fashioned and out dated compared to competitors. Even though this is something that Marks and Spencer's is constantly trying to change.

Marks and Spencer's is now experiencing poor performance across the globe which has resulted in the pull out of foreign operations.

Opportunities

Marks and Spencer's has the opportunity to collaborate with other companies to widen up product range even more. They could also collaborate with designers to help bring new ideas, and help expand on their furniture and beauty products.

Threats

There is constant competition from competitors such as John Lewis, Debenhams and Next. And especially from younger clothing competitors such as New Look.

Ever changing fashions trends which Marks and Spencer's struggle to manage is threatening Marks and Spencer's performance.

Gap analysis and Ratios

A gap analysis involves identifying a gap or weakness in a specific company and looking to bridge that gap in order to meet a target objective as to where the company wants to be.

The following quote helps to further identify a gap analysis:

“ Gap analysis, consists of defining the present state, the desired ‘ or target state’ and hence the gap between them. In the later stages of problem solving the aim is to look at ways to bridge the gap defined”

www. lfm. eng. cam. ac. uk [January 23]

An example from Marks and Spencer is there downfall in the womenswear market, which in 2004 fell 0. 6% to a 10. 4% share of the market.

Competition in womenswear has increased dramatically with women demanding style, quality, outstanding value and real choice.

In order for Marks and Spencer to reclaim this market share they set out a clear plan, this involved listening to customers better during store visits,

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focus groups, better use of market data and keeping a closer eye on tracking trends, tracking competitors and also evaluating their own performance.

From a purchasing point of view they looked to strengthen their buying teams, giving clearer responsibilities for design, buying and merchandising.

The companies' buying strategy changed to buy less, more frequently meaning better ranges and fresher lines of stock.

It was also vital that Marks and Spencer didn't miss out on key trends like they previously did in 2003 such as with cardigans.

In order to further close that gap Marks and Spencer learnt that they have to cater for particular needs and markets.

For instance it is estimated that 42 % of womenswear bought is by women under the height of 5ft 3 inches, Marks and Spencer didn't previously cater for these, often producing large, baggy clothing.

Now Marks and Spencer have now produced a petite range in 33 of its stores in order to cater for this market.

The three ratios that were decided in order to assess Marks and Spencer's financial position were the current ratio, gearing ratio and return on capital employed ratio.

Firstly the current ratio can be calculated by dividing current assets by current liabilities, this identifies how far a firm can meet its short term liabilities from its current assets without having to raise finance by borrowing, selling fixed assets or issuing more shares.

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A ratio less than one for a period of time is a cause for concern; Marks and Spencer's did have a healthy current ratio until 2003 but in the last couple of years they have dipped below one causing concern, whereas for example a competitive company such as Next has stayed consistent for the last 3-4 years.

Secondly the gearing ratio can be calculated by total borrowings x 100 % and then divided by the capital employed.

The ratio shows the proportion of capital employed, which is financed by borrowed funds.

The relationship between both, ought to be balanced with shareholders funds significantly larger than the long term liabilities in order to have a health gearing ratio.

The higher the gearing ratio, the higher the risk to the company is, as high levels of borrowing represent a significant risk to the company.

In 2004 Marks and Spencer's was sky high, massively bigger than that of competitors Next.

The last ratio analysed was the return on capital employed, this can be calculated by Operating profit x 100% and then divided by capital employed.

The ratio is an important indicator of how efficiently the business is being managed.

As a rule if a company has a low return on capital employed then it is using its resources inefficiently even if the profit margin is high.

In the years 2004-2005 both Marks and Spencer's and Net's ROCE have been high indicating a healthy return on capital employed.

Five force analysis

Porter's five forces model (below) can be used to help make an analysis of the competitive environment for a company within a certain industry. In this case, it is Marks and Spencer in the food and clothing industry.

Source: Adapted from Porter, M, (1998) Competitive strategy, New York, free press

QuickMBA, Strategic Management (1999) states that:

“ The strategic business manager seeking to develop an edge over rival firms can use this model to better understand the industry context in which the firm operates.”

The threat of new entrants

There are a variety of major companies in the market such as Next, Debenhams, Sainsbury's and Tesco with regards to selling clothing and food products. These are well known companies which are strong in the market so the threat of new entrants is low. A company such as Marks and Spencer (M&S) has a strong brand name which therefore creates a barrier to entry for potential new entrants. Companies would probably experience high start up losses in an attempt to try to promote its products in terms of trying to prise loyal customers away from M&S.

There is the threat however of company take over where one company buys another one out. Examples include Morrison's taking over Safeway and Walmart taking Asda in bids to try and create better companies without having to build many stores around the country. The government is also keen on new businesses starting up in the market to try to discourage a monopoly situation

Bargaining power of suppliers

M&S has over 2000 direct suppliers where 1500 are for clothing and 500 for its food. Marks and Spencer's corporate site online (2005) states:

“ 90% of other products are now sourced overseas.”

Overseas suppliers provide plenty of choice for M&S and also cheaper labour.

The market that M&S is in also makes it easier for the company to bargain with their suppliers because there are many suppliers which provide clothing and food which are relatively undifferentiated so M&S can go to another supplier if they feel there are better suppliers to go to as opposed to their current ones.

Bargaining power of buyers

There are many clothing and food companies to choose from in terms of the consumer so it is the consumers who can dictate the price by demanding quality products at good prices. Clothing and food are not specific items unlike a Ferrari sports car. Food and clothing are readily available to everyone and so therefore it is important for a company like M&S to offer

quality goods at right prices in order to compete in a very price orientated market. With a Ferrari sports car, it is a very prestigious item and therefore prices are not as important for Ferrari. M&S therefore needs to add value to their products such as the Autograph range of clothing launched in 2000 which

The threat of substitute products

If a product from a different company is cheaper then consumers may switch to that product. If there are low switching costs e. g. substitute products are much cheaper than M&S ones then there could be more consumers switching to the cheaper product. For example, a pair of jeans in M&S is £25 but in Primark the jeans are £6. There are many retail stores selling clothes which are competing with M&S and therefore could act as substitute products. To counteract the threat of substitutes, M&S must concentrate on ensuring absolute product quality and customer service to keep loyal customers.

The intensity of rivalry amongst existing competitors

There food and (especially) the clothing market has fierce competition and M&S must compete with companies such as Next, Debenhams, Tesco and Sainsbury's for selling both their food and clothing products. These companies are all trying to obtain the largest market share possible in the retail sector.

Conclusion

Overall, M&S (Marks and Spencer) have established themselves over 120 years as a well known high street name. The mission statement that has been created by M&S, highlights that the company aims to be the standard to which other companies look too in terms of retailing. The objectives highlight on continuously improving the company (objectives in 2005 focused on the core values of the business). The SWOT analysis shows that M&S is a very well known company although is poor at keeping up with fashion changes and therefore must be wary of changes and regard them as a threat.

The five force analysis shows intense competition within the industry with big companies such as Next and Debenhams selling clothes and Tesco and Asda selling clothes and food. M&S must be wary of substitute products with stores such as Matalan and Primark offering these products and also M&S must recognise that the customer has high buyer power as they have the choice of many retailers at different prices.