

# Business strategy of marks and spencer commerce essay

[Business](#)



Marks and Spencer is one of the biggest traders having inheritance of more than one hundred and twenty years. It has more than 895 stores in more than 40 regions all over the world. Its head office is in U. K, in the city of Westminster. Michael Marks from Slonim, Russia and Thomas Spencer a cashier from Yorkshire are the pioneers of this U. K's biggest retailers. At Leeds (Kirkgate market) in 1884, Michael Marks started his own business by opening a penny bazaar stall. Then to develop his business he opened a shop at Manchester with the partnership of Thomas Spencer. After the death of both the pioneers of the company Michael Marks Simon became the chairman of company while William Chapman took the helm until 1960. During the Era of Michael Simon Company touch the highest point . The business was floated as a public limited company after 10 years. In 1998 it was the first company of U. K who earned the profit of one billion pounds after tax deduction. Marks and Spencer prohibited smoke first time in store that later on became a legal offence to smoke at public places. Marks and Spencer mainly deals in Clothing, Home Ware, Food, Technology, Beauty, Financial Services, Energy and Hospitality.

### **PLAN A:**

The Customers are becoming more conscious about natural and environmental issues, so for this Marks and Spencer launched plan A, which consists of 180 commitments to overcome the challenges. Many problems are related with Climate Change, Waste Reduction, Ethical Trading, Sustainable Raw Material and Health. To tackle these changes Marks and Spencer is doing much effort. In March 2010 Marks and Spencer expanded plan A & introduced 80 more commitments and added them up with the

existing ones. In these commitments their primary focus is on climate changes, waste, natural resources, fair partner, health and well being. These five main pillars are described below:

### **CLIMATE CHANGE:**

Due to an increase in greenhouse gases produced by the human activities the earth is getting warmer day by day & causing many damaging consequences. In 2006/07 Marks and Spencer cut their carbon emissions to 8% by reducing the usage of energy. Marks n Spencer also committed that up to 2015, they will improve their energy efficiency by 35%.

### **WASTE:**

Every year the U. K has to throw away 400 tonnes of waste that comes from construction, industry, households and discarded packaging. The waste that is not recycled ends up in landfill sites which take many years to decompose. Marks and Spencer claimed that in the year of 2009/10 they have achieved the recycling level to 88% while reducing the amount of waste to 16%. They have reduced the food waste by 29% as compared to the years 2006/07. Marks and Spencer collected 133 million clothes hangers and reused 76% of them and recycled the rest. They have also recycled their construction waste up to 89%. Marks and Spencer are committed to do that by 2015 they want to landfill help their customers to recycle or reuse their packaging and products. They will also help their suppliers to reduce the waste and to gain zero rates as well.

## **NATURAL RESOURCES:**

In plan A Marks and Spencer aimed to get as much of their raw material from their natural resources as possible. It is the U. K's first company who has signed the WWF sea food charter, with 62 % of their wild sea food. Marks & Spencer also purchased Green palm certificate to cover all the palm oil to use their Marks and Spencer product.

## **Fair Partner:**

Marks and Spencer has a vision that they are very strong in their communities and ensure good working conditions. Marks and Spencer has the lowest employee turnover rate in UK retail i. e. 14%. Marks and Spencer is offering competitive salaries, discount to their employees, bonuses and share save options to their employees. It provides different training programmes to the employees. Every employee has to undertake Marks & Spencer Career Path Training and learning programmes . While the managers have to attend the different workshops to boost their capabilities. Marks and Spencer is trying to provide the best salary packages for the employees.

## **Health and Wellbeing:**

Unhealthy food is one of the main factors of many health problems. According to the part of the commitment of Plan A Marks and Spencer encouraged its customers and employees to get healthy and nutritious food by developing new product ranges. Marks and Spencer has launched online diet forums and health newsletters to allow active dialogue with the customers on nutrition and health. Marks and Spencer has removed artificial

flavours and colours from all of its food products and soft drinks. It has also removed 90% of salt in its products. Very few of the products still does not meet the required standard of health and nutrition but Marks and Spencer is working hard to bring it in line according to the required standard.

### **Analysis of the external environment:**

According to plan A Marks and Spencer has also taken into consideration the external environment of the company. External environment means the factors that directly or indirectly affect the internal function and perhaps business strategy and objectives as well. Most common factors of external environment are political, social, economic and technical. These factors are totally out of control of the organisation, but the company could be able to take some steps to overcome these challenges. Basically the external environment defines the competitive situation of an organisation and potentially can have both positive and negative impacts on businesses. Target analysis has four major categories of external factors that affect the company's capability to grow. Based on operation region, external environment is divided into three interactive segments which is remote, industrial and operational environment. External factors produce different influences on the company's productivity. On the other hand some influences are inter-linked with each other. For example information technology completely changed the way of work, customer behaviour and life style as well. Based on PEST analysis four major factors are going to be discussed in detail.

### **Political Environment:**

Political stability in a country attracts the investors to do investment and that is a very key factor to grow business. Secondly, government trade policy, is either flexible or hard. Every organisation operates under the government policy about trade and within the legal frame work. The legal frame work covers many areas like tax rates, employee's benefits, wage legislation, trade regulation and tariff. Suppliers, customers and competitors are also affected by the political environment.

### **Economical Environment:**

Economic conditions also affect organisation's external environment. In this regard some factors that influence business are tax rates, inflation, money supply, government need, economic growth rate and the tendency to spend at international and national level.

### **Social Environment:**

In social context, normally Britain customers lean towards a specific product. In every transaction product quality matters a lot, but it could easily be beaten by offering lower pricing of the same brand. Some fresh analysis about Britain's customers is that they prefer some fashionable styles over classic trends. This can be seen in Marks & Spencer's case because they are still struggling to get a bigger market share. This indicates that British buyers are very keen about their wealth.

### **Technological Environment:**

Now a days a large number of the population is able to use the internet. It means that by using e-commerce many organisations can widen their

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horizons and do many more operations. This can be seen in foremost companies like Sainsbury, Tesco and ASDA as well. These days most of the trading and purchasing is done through the internet, and it has also become a competitive advantage of Marks and Spencer.

### **Analysis of External Environment of M&S:**

The U. K retail market is very eye-catching. The company has full support from the government. Because Marks & Spencer has rich historic values and has become a very powerful organisation in the business world, new competitors are finding it very challenging to keep up with the quality of products and services that Marks & Spencer provide.

### **Analysis of the organisation's internal environment and identification:**

In Plan A Marks and Spencer has taken internal analysis, which is also called SWOT analysis. This is a very important part of business development. SWOT analysis is a simple structure for generating strategic alternative from a situation analysis. SWOT is an abbreviation for Strengths, Weaknesses, Opportunities and Threats. In late 1960, Edmund defined SWOT structure. Learned, C. Roland, Christiansen, Kenneth Andrews and William d Goth in "Business Policy, Text and Cases" (Homewood, IL; Irwin 1969). In the 1980s General Electric Growth Council used this form of analysis. Basically, it throws light on the company's strengths & weaknesses. The strengths highlight the different aspects that bring results in market value and the weaknesses draw the attention to those areas which need improvements. SWOT analysis is fruitful where you have to tackle a complex situation in a limited time frame. Organisation of an effective strategy is based on a clear <https://assignbuster.com/business-strategy-of-marks-and-spencer-commerce-essay/>

definition of the organization's mission. For the success of an organization it requires some necessary ingredients which are listed below: Strategy must be carefully verbalized, applied, manageable and accomplished. Internal analysis of the organisation is an essential part in the strategic planning process. During 2005-06 Marks and Spencer had seventy thousand employees globally. The Company changed the employee's structure according to the nature of the customers that used the products and services of Marks & Spencer. Marks and Spencer also pledge to promoting equal opportunities regardless of age, disability, race, views about politics, working hours and religion. Marks and Spencer arrange flexible working schedules for fatherhood, adoption and IVF treatment, child and career break to boost their employee's uniformity. Marks and Spencer also runs Business Involvement Group (BIG), which is a work demonstration forum in all their stores and offices that inspire their work force to share information and develop discussion about the company's business. If we talk about salary and welfare, the company has some incentive packages that include fundamental fixed pay. As for training, in 2005-06 more than 102, 000 days were fixed for training purpose in which Marks and Spencer try to develop inner aptitude and skill of their workers. Marks and Spencer proved that they have great concern about health and safety of their employees by providing a wide range of work related health services. The company's code of ethics is also developing to give guideline to their member concerning their responsibilities towards customers, workers, stockholders, dealers, societies, government and the environment.



## **Identification of the major issues challenging Marks & Spencer:**

Marks and Spencer is one of the UK's biggest traders, giving different services to their customers in the field of food, clothing, and house hold products. They tried at their best level to give good customer service at an affordable price, but it is not always very easy. Marks and Spencer are losing their trend towards the youngsters and their other opponents in the market are taking advantage of this weak point. This is the biggest challenge that Marks and Spencer is facing nowadays. To overcome this weak point Marks and Spencer is also taking steps to provide cheaper products to their customer, but for this they have to import their raw materials, which also lessen the Marks and Spencer's image of " British Goods Seller". Cards and cash methods have been used for payment since 2001. Marks and Spencer have seen very tough times during the period of recession, but now it seems as though everything is going back to normal. The company's thirteen weeks before the start of OCT (2010) was very hope full. Homeware made an astonishing growth in sales up to 7% and food stuff which was last year 3. 6%, this year it increases up to 3. 7%. The clothing section is also growing and is the most rapidly expanding sales item of Marks and Spencer. During the autumn the women shoes sales touched a record, which Marks and Spencer claims that it was because of their strong advertisement.

## **External environment and the impact on the strategic direction of the organisation:**

Strategic direction means those incentives that a company adopts for the achievement of its target i. e. how to produce, develop and sell its products.

Basically strategic direction is the planning that an organisation follows for the marketing of its products. Marks and Spencer introduced a plan that they named as 'PLAN A' the purpose behind which is to become world's most sustainable retailer. For the success of any organisation it is very necessary to keep an eye on the environmental changes that occurs outside the organisation. As these changes affect the strategy of any organisation, it has to alter its rules and regulations according to the environmental changes. There are four main external environmental factors that effect the strategic direction of any organisation. a) Political b) Economic c) Technological d) Social

The political condition plays a vital role to put an impact on the strategy of an organisation as it refers to the government policies. If the government introduces new laws and the organisation has some policies or rules and regulations that conflicts with the existing government laws, it has to alter its rules and regulations and make them according to the government's policy. The change in the political condition can affects the strategic direction of the organisation as every government has its own policies and the organisation cannot work against the laws of the country. Economic condition has also a deep effect on the strategic direction of an organisation. The economic condition of any country has a deep rooted effect. It includes taxation rates, economic growth rate and capability to invest at national and international levels. The rapid change in technology is another factor that can affect the strategic direction of an organisation . With the passage of time new techniques and machines are coming up and it is very important to adopt new techniques for the development of a business. In the social environment the consumer plays a vital role to affect on the

strategic direction of the organisation. The organisation has to provide the products and services according to the requirements of the consumer. The lifestyle trends, ethical issues, media views, law changes, buying access, brand, religion beliefs, demographics and fashion are the social factors that can affect the strategy of the organisation.

## **What should the organisation do to achieve or maintain competitive advantage in its industries?**

### **Competitive advantage:**

" A company's competitive advantages are the features that give permission to do best even in average industry extensive performance and free entry into the industry as a whole." Every company has some definite abilities which make it different from other companies in the same industries. It has some unique competences that cannot be replicated by the opponents. Many companies complete their management price by using effective use of skills to organise their jobs. One example of such a company is Marks and Spencer. This company use technology to locate their goods. The company also use technology to coordinate between different departments. It brings more proficiency and less expenditure, and as a result production cost is low. On -the-counter payment was also introduced by Marks & Spencer. It was very beneficial for the company as they need only a small amount of employees, so as a result labour cost was minimized and profit margin were increased. Marks and Spencer with more than 100 years of experience have a competitive advantage over most of their counter parts, because the company earn the trust and reputation among the customers, their workers and suppliers. Their customers have an extensive collection and are fully

confident about the company's products and services. They also get value for money as well. Marks and Spencer demonstrates a shared sense of doing things, with their strong inner structure that moves around permanent employment relationships and strong organisational routines. In the external environment Marks and Spencer fully focus on product specification and design to continue their relationship with the customer, which lasts for many years. As part of their business accountability the company has strong conservational and communal responsibilities. TSE Stated that Marks and Spencer use modern methods of management like consumer research, planning, personal management, product innovation, staff training and many more and has proved itself as a founder and outshined among all other companies (1985). Marks & Spencer maintain a strong organisational structure that is run by comparatively normal employees who get excellent results over many years, although many changes have occurred in the economic environment (1995). Although, over the recent years, due to the big recession the company has had to face downfalls in some of their retailing areas, but they have managed to overcome all their uncertain hurdles through flexibility, that their opponents view as unnerving. According to an analyst Terhi Halme (2008) , Even though Marks and Spencer has carried out extensive reformation over the past years, the company's competitive advantage has not been fully revived, so the firm could be able to answerable to the current down turn in British retail market. The decline rate during the past few months has been increased in their food unit and as a result revenue has dropped. Because of this, the food sector is also losing its market share. The management have to step up marketing and

promotional spending to protect the market share. Additionally the team confidence is also diminish because of changed management, and therefore not been able to generate sustainable improvements. It is possible that Asian and Middle East companies that are in search of western products will take a look at the market shares of Marks and Spencer as presenting buying opportunities at the present price, especially during this recession.

### **Conclusion:**

Marks and Spencer's main aim is to become the world's most sustainable retailer by 2015. To achieve this target Marks and Spencer introduce Plan A in which it has highlighted five factors to achieve their business goal that is climate change, waste, sustainable raw material, fair partnership and health. There are some internal and external environmental factors that affect the business strategy of the organisation. Internal factors are under the control of the organisation that deals with the strengths and weaknesses. But the external environmental factors are beyond the control of the organisation. Marks and Spencer has also taken initiative to maintain and improve its position. It provides good customer services, using modern techniques, and provides products according to the demand of the customers.