

Marks and spencers as the leading retailer



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Mark and Spencer's are UK's leading retailers, with over 21 million people visiting stores each week. Company offers stylish, high quality, great value clothing and home products, as well as outstanding quality foods, responsibly sourced from around 2, 000 suppliers globally. Mark and Spencer's employ over 75, 000 people in the UK and abroad, and have over 600 UK stores, plus an expanding international business. In 1998 it became the first British retailer to make a pre-tax profit of over £1 billion. Company is listed on the London Stock Exchange and is a constituent of the FTSE 100 Index. Company has Revenue £9, 062. 1 million (2009) Operating income £870. 7 million (2009) Net income £506. 8 million (2009). Mark and Spencer have overseas sourcing offices in, Hong Kong, India, Bangladesh, Turkey, Shanghai, Italy and Sri Lanka.

Company is also termed as number one provider of women's wear and lingerie in the UK, and are rapidly growing their market share in menswear, kids wear and home, due in part to our growing online business. Overall, our clothing and home ware sales account for 49% of our business. The other 51% of our business is in food, where company sell everything from fresh products and groceries, to partly-prepared meals and ready meals.

In 2007 Mark and Spencer has launched Plan A which consist of setting out 100 commitments to achieve in 5 years. But due to changing environment and company's determination has now extended Plan A to 180 commitments to achieve by 2015, with considering becoming world's most sustainable major retailer(Become carbon neutral, Send no waste to landfill, Extend sustainable sourcing, Help improve the lives of people in their supply chain and Help customers and employees live a healthier life-style) by 2015.

Despite an 18% fall in the share price in January 2008, following publication of their latest trading statement of Plan A, the company confirmed that they would be continuing with the plan, saying that there were ' compelling commercial - as well as moral - reasons to do so Company is working hard with its customers and suppliers to combat climate change, reduce waste, use sustainable raw materials, trade ethically, and help our customers to lead healthier lifestyles.

Microenvironment:

Environment encapsulates of many different influences and widely constructs theory. Economic conditions have major impact on business's profitability and achieving success. These conditions also affect both availability and cost of the capital to run the business. If economy is doing

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well that provide opportunities to business by increasing customer demand for the product, services, jobs. Factor which has direct impact on its strategic decision of the company's operation is known as Internal or Micro Environment factors. All strategic decisions of organization are influenced by these factors; these are as Strength, weakness, opportunities (what areas to be considered to gain more market) and threat of that specific organization and can be analysed through the SWOT analysis. While economic conditions of the countries, trade are influenced by Political, Economic, Social, Technological, Environmental and legal factors. These factors can be tax changes, implement of new laws, barriers in trade, government policies, labour market, employment laws, rate of interest, inflation, immigration laws, unemployment and demographic changes. These are known as Macro or External Environment factors which cannot be avoided and is analysed through PESTEL analysis.

These environmental factors have direct or indirect impact on each organization e. g. Managers to change their business strategies accordingly or understanding wider network of influences and relationship of it with business environment, structure of production, how opportunities and threat may arise in future. These environmental factors help business to make their decision accordingly.

SWOT is strategic planning tool to analyse or evaluate the organization and its internal environment and stand for Strength, Weakness, Opportunity and Threat to any organization, ventures, Project etc. This technique for evaluating the business model was 1st introduced by Albert Humphrey who

also uses SWOT at Convention at Stanford University during 1960 to present the data from Fortune 500 Companies.

Strengths

Mark and Spencer is a major British retailer throughout the country and spreading its operation throughout the world. Company is also 43rd largest retailer in the world and despite of economic downturn Sales of clothes have stabilised, and food sales have increased, group sales has increased up 3.3% with food sales up 2.7%

Weaknesses

To Practice Plan A, Business Involvement Group are said to represent the employees and are to be consulted on regarding changes to employment terms and conditions, in practice they are ineffective. BIG has also been blamed for its involvement in the erosion of individual terms and conditions of employment which were once the envy of other retail workers. M&S policy is now that if an employee has 8 shifts off over 26 weeks, regardless of the genuineness of the cause, they will receive a Written Warning. If already on warning for absence they will progress through Final Written Warning and dismissal if they have 6 shifts off within 26 weeks. An instance of this is where an employee, who was absent through a serious head injury, being placed in a Written Warning and therefore her job being at risk, missed the £350 bonus announced to staff on 8 March 2010 and will also not be eligible for the 2010 pay-rise until the 2011 pay review.

Opportunities

Rebuild the company's image with continued advertising such as the successful M & S food adverts

Focus on core market

UK has an ageing population and company has policies focusing old people requirement

Internet food shopping but opportunities may be limited but rapid online culture could be huge demand in future. However company has also started providing other services - e. g. banking, insurance, savings etc.

Threats

They also began to sell other branded goods like Kellogg's Corn Flakes from November 2008 and may ditch its own branded food in 2011 due to poor turn over beyond the ' Food to go' and ' Gastropub' lines.

General increase in internet shopping has attracted customers to go for shopping online which is spreading the online culture which may also affect its business model. Competitor product ranges which directly compete with M & S food such as Tesco finest are also major challenge for company to deal with.

Analysing External/Macro environment factors we uses PESTEL model that also classify these external factors and how they impact on organization.

Analysing these forces and factors will assist Mark and Spencer in identifying the changes in the environment which are also known as macro environment factors. Planning is made on how to cope with such changes and being

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ahead of the competitors Mark and Spencer have big impact on their policies due to these factors. These are as:-

Political Factors: These consist of government regulations and policies which also intervene the economies. Political decision does also have impact on business area. Following the European Integration and Free Trade Agreements, the market has opened up for British Companies to invest in Eastern Europe. Tesco already has 60 Hypermarket store in Hungary. Lidl is uncompromisingly fighting to maintain its market share with an aggressive pricing strategy. But due to free trade regulations Mark and Spencer's competitors has also took advantages of its higher cost structure and bit off some of its market share.

Economic Factors: These includes rate of interest, taxation changes, growth of economy, disposable income, unemployment rate, inflation and exchange rates. Higher interest rate cost more to borrow. Increased inflation rate has also increase the wage demand and cost to company and goals mentioned under Plan A might affect due to these economical and financial factors.

Economic slowdown has decrease national income and reduces the demand and affect the profitability. However, retail sector is fairly recession prone but also very sensitive to changes in interest rates. Since these economic downturn world economies have suffered heavily, stocks plummeted and prices are at all-time lows. The world economy is however, now improving and consumers are optimistic and the retail industry is once again booming.

Social Factors: Changes in social do have impact on demand of the customers. In United Kingdom population is ageing that has also increased

the cost to company in term of pension payment for their staffs because they live longer while changes in consumers taste and lifestyle represents both opportunities and threats for the industry. Opportunities in terms of new market and consumers, however, there are added threats in terms of social acceptance to alcohol

Technological Factors: New technology changes the demand for new products, new processes. Government policies toward environment and scarcity of resources have enforced companies to adapt new technology. Changes in retailing methods as such clothes sales via the Internet is now a common place in retailing. Paperless operation, the management and administration of the company are undertaken on IT systems, which are accessed through secure servers; provide flexibility in the running of the business.

Legal - National legislation for health and safety both in terms of consumer rights and also in terms of production of own natural renewable resources for making clothes. Factors relates to legal environment where company operate its business. Changing in U. K laws has made significant changes that has affected the behaviour many organizations. Introduction of age discrimination, age discrimination, disability regulation and increasing in minimum wages has big impact on Mark and Spencer. Government laws to recycle the product has also increase cost to the company.

Environmental Factors: Environmental factors include factors changing the climate and weather. Global warming is good example of that and issue has led government to implement to strict policies and force company to comply

with those policies. The renewable source of resources used in production, namely cotton and wool are environmentally friendly. The threats are in terms of legal consequences for livestock's in terms of health and safety.

Mark and Spencer need to change its corporate culture to be customer oriented and dedicate to customer satisfaction by encouraging the decision making environment that was not weight down by hierarchy i. e. low hierarchy and decentralized structure. Mark and Spencer market product for both sexes however the management of the company is predominantly male. It is advisable to achieve gender balance in management hierarchy and who understand customers well. Mark and Spencer need to carry out intense market research to identify the customers need to styles and product.

Mark and Spencer must develop an effective customer opinion and feedback system, preferably through the internet, being more convenient. Feedback received from the loyal customers must be considered seriously.

M&S need to focus on the top end of the clothing market but deliver stylish cloths, beautifully made with fantastic value.

M&S focuses on its core customers, slightly old 35-55 but neglecting the younger ages comparing with its competitors. M&S should enter this market segment either by starting new business or by acquiring another company such as Next who is well known for stylish clothes for children and younger aged consumers.

M&S should acquire George Davies brand “ Per Una” if it has excellent performance.

M&S should show its innovation and create the fashion of the future.

Searching on how the consumer’s shopping experience can improve stores environment, by changing the lay out, design, separating cloths and food to make the stores more attractive and enjoyable. This will attract new customers and improve customer satisfaction.

Improve the supply chain efficiencies

M&S has to exploit technology in its stores by introducing hand held communicators ‘ pda’ to track the cloths from the distribution onto the sales floor which helps to know exactly what is in the store from stock availability and ensure the right items will be delivered the next day similar to Next.

M&S to utilize the E-commerce, the use of web-based ordering system should reduce costs.

Furthermore, the latest market trends knowledge can be communicated to the designers and producers through media, so a manufacturer aboard can be aware of the current fashion trends in UK and deliver it fast to keep ahead of its competitors similar to Zara’s concept.

Develop Employees Skills

M&S needs to introduce training program to have innovative staff. A centralized training center would be an ideal way to train store supervisors and section managers on sales & services similar to Channel & World Disney concept.

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Furthermore hiring young motivated staff in addition to experienced staff would increase M&S competences.

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 recognize 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 reorganized in various departments especially in Sales & Marketing and HRM departments. Choosing Plan A and working hard on it reflect that company has started considering this issue and restructuring to become most responsible retailer among its competitors while maintaining the environmental changes issue policies.