

# Strategic analysis of marks and spencer



**ASSIGN  
BUSTER**

Marks & Spencer is one of the UK's leading retailers, having 600 stores in home country and more than 200 stores across the globe. Michael Marks started the penny bazaar stall at Leeds in 1884. After Michael Marks Simon Marks' became a chairman of M&S in 1926 to 1964. M&S is well known for its quality and styles (Hawkesby, 2008).

## **M&S Analysis**

### **Value for money:-**

In 1884 when Michael Mark started a business, he did not have a good command on English language so he had a sign on his stall: " Don't ask the price- It's just a penny". In 2009 M&S chairman Sir Stuart Rose launched three days return of penny bazaar. During these three days 20 selected items were sold at 1p at 300 M&S branches (Sibbles & Carter, 2009). The main point is can that slogan work in today's competitive market? It cannot work in today's market. M&S is one of the UK's largest retailers. It sells various items in its stores. The cost of production of these goods is not same so they cannot sell their goods on same price like Michael Marks was selling in 1884. Even if they diversify the profit earn from the other good to the other goods, which will not help them to achieve break even sales. For example profit on milk cannot set up the loss on selling of bread. Now a day all rivals of M&S are trying to achieve lowest production cost. All are trying to put more value for money for their product by obtaining maximum benefit with the less use of resources. Value for money does not mean reduce spending but it can be achieved in diverse ways with:

Reduce cost

Reduce inputs

Get more improvement in product quality

Increase output with less input of raw material

Marks & Spencer is to position itself as a value for money brand, and admits it has too expensive. Prices will come down as it encourages suppliers to source more products abroad.

In today's tough competition M&S is trying to put more and more value of money in their products. To reduce cost of goods, they suggest their supplier to import goods from the other countries. They have improved their inventories and logistics.

### **Resources and core competences:**

Physical resources: Each organisation has same resources as its competitors have but the way it manages use their resources differentiate from others. For example M&S is having the same store sites in UK as Tesco, Sainsbury's and ASDA have. M&S is having following physical resources:

Value for money product: – By the use of appropriate resources M&S has got the good value for its products. Today they have their own brands which are very popular in today's competitive market. They are continuous trying to develop their products that will help them to survive in the retail industry. However most of their suppliers are UK based so they are still facing product cost problems.

Own brands products: – M&S is using their own brand name for each and every product. They have achieved good quality standards. They are the first retail chain which sells their own brands. They do not world famous brands in their stores like Coca-Cola, Nestle, and Cadbury etc. Despite of selling own brands they have maintain their quality standards. However it is quite difficult for some loyal customers of M&S to buy other popular brands in M&S stores. They have to go to other retailers for purchase other than M&S brands. This is quite unrealistic in today's cut throat competition; it results many of M&S loyal customers switch over to its rivals such as Tesco and Sainsbury's.

Store sites and store displays: – As we know Marks & Spencer has established long time ago, they have found that many of their stores are too small. They have planned to expand their store area by converting their stock rooms into floor area. That brings new logistic problem. They have found new solution as a satellite stores. They have started to distribute stocks to small braches from the main branch. However they have long range of food products it is very difficult to manage these perishable food items without stockrooms.

Core competences: Core competences mean some factors which differentiate a product or a brand from others. As we know Marks & Spencer has long range of products produced under its brand name. The quality of product is better than the other brands. They always try to provide more value of money to its customer.

**Strategic vision and organisation culture:-**

Increases the markets share in UK with own product and with own unbeatable quality standards is the main vision of Marks & Spencer. It had much more autocratic organisation structure. However it has been changed with the time change. Now the organisation structure has been transfer to flatter organisation structure. The member of staff can take quick decisions when it's required and it provides more accountability (The times).

**SWOT of Marks & Spencer:-**

Strengths:

M&S is using its own brand name with the wide product range. St Michel brand is very popular, used for cloths and food product. It has competitive prices advantages, it has increase overseas important. It has expanded its business not only in UK but all over the world. With their own brand name they booked pre tax profit of £1bn in 1988 (Hawkesby, 2008). It has very favourable location on high street which attracts more and more customers. It has some particular group of loyal customers. M&S has strong work force and skilled staff. New changes by new chief executive Roger Holmes brings new opportunities in retail business. Tighter staffing level increase operational funds.

Weakness:-

In today's cut throat competition, M&S is struggling with the high cost of production. It's focusing on particular class of society which narrows the scope of number of customers. Weak logistic reduce the availability of goods and products. Reduce the number of staff results poor customer service.

<https://assignbuster.com/strategic-analysis-of-marks-and-spencer/>

Depends on local supplier results high cost of production. Tough competition in food market such as Tesco, Sainsbury's and Asda enter in fast and frozen food market. In 2008 it's over all sales were 6. 2% down and even though inflation in grocery products it's food sales were down by 4. 5% (Finch, 2008).

Opportunity:-

M&S can diversify their business like other retailers have done e. g. Tesco mobile, Tesco finance, Sainsbury finance etc. With diversification Marks & Spencer can expand their area of business and they can transfer the profit earn by different sectors. M&S can increase the number of products with its famous brand name St. Michel. M&S can go for the franchisee to increase their number of customers and it will help them to increase the share of in market.

Threats:-

M&S has started to sell other brands in their stores which may reduce the popularity of their own brands. If M&S will try to diversify their business it may creates shortage of funds. M&S has closed down many of their stores due to raise the funds which may cause the negative effect on their share prices. Due to closing down some stores, it will lose market share.

## **PESTEL of Marks & Spencer :-**

Political:-

Marks & Spencer has been operated in more than 40 countries. It is highly influenced by the political changes in these countries, e. g. if the government

<https://assignbuster.com/strategic-analysis-of-marks-and-spencer/>

of UK changes immigration law than it may be affect M&S migrant staff. Now a day the governments inspires retailers to offer mix job of flexible, lower paid and locally based jobs to highly skilled, higher paid and centrally located jobs (Balchin, 1994).

#### Economical:-

UK economy is developed economy, per capita income is more than the other developing countries. It is favourable factor for M&S. however the cost of production is also high in UK that is unfavourable factor. It reduces the margin of profit of the company.

#### Social:-

The population of UK is growing slow and the number of working women is increasing it boost sales of M&S food products. UK is the fashion hub that means there is a great opportunity of branded and stylist clothes.

#### Technological:-

Online shopping is taking place of store chopping which can reduce the investment cost in new stores. Self-checkout tills are available to reduce queue time.

#### Environmental:-

Now a day more and more retail stores are using recycled bags and packing materials which cost is very less and they are getting cost benefit from. The environmental laws are also very strict in UK.

Legal: – UK's labour law is very strict rather than other countries. It strictly follows human right laws in which employees can be protected from the employer.

## **Question 2- M&S before 1990**

### **Success of M&S strategy:-**

Simon Marks put M&S on the new level of growth. During his leadership many strategic changes has been made such as diversification. They have product ranges not only in food products but also in clothing, groceries etc. He introduced today's popular St. Michael brand name. It differed the M&S from its competitors. The expansion program had been taken placed which expand store area. However with this expansion several problems occurred like logistic problem. They were expanding their business at international level.

### **Porter 5 forces:-**

Threat of new entrants:-

The UK food market is dominated by very less competitors like Tesco, Asda, Sainsbury's and Marks & Spencer. Out of these companies Tesco is having monopoly in UK retail industry. The entry barriers in food industry are very tough in UK because of health and safety law. However in clothing industry, there are so many competitors in UK like NEXT, River Island etc. M&S are the only one who does food and branded clothing together.

Bargaining power of suppliers:-



It should be noted that M&S is relying on very few UK based suppliers which increases suppliers bargaining power which results high cost of products for M&S. therefore M&S is planning to source products from abroad at cheaper rate. Asda is having huge bargaining power with its supplier because it imports goods form overseas.

Bargaining power of customers:-

In UK food and clothing industry the customers are having nice bargaining power. In UK customers believes in bulk shopping. If they find some products very cheaper in one store they will buy other products from same store. M&S is having monopoly in its food quality and its clothes are very fashionable and trendy clothes which are customers' favourite. Other super markets are expanding their business in banking, pharmacies etc. e. g. Tesco finance and Tesco mobile. That will increase customer's bargaining power.

Threat of substitutes:-

Today competition is very tough in both food and cloth markets. M&S is having its own St. Michael brand for cloths, in fashion industry fashion cannot sustain it changes when time changes. M&S is having threat from its competitors in cloth industry. M&S have to change their designs according to current fashion demand.

Rivalry:-

Rivalry increases if the number of firms increases. In UK there are very few super market chains existing. They all compete for the market share, the rapid food industry growth increases rivalry. On the other side food is a

<https://assignbuster.com/strategic-analysis-of-marks-and-spencer/>

perishable good which increases the rivalry. M&S, Tesco, Asda and Sainsbury's all are trying their best to sell food products. On the other side in cloth market M&S have to face both super market competition and individual brands competition.

### **Question 3- M&S After 1990**

#### **Weak Strategy:-**

Despite of serving good quality of product, M&S is losing its market share in retail industry. They have taken its eye off from the customers, it means they believe that if your image and reputation is good that means you satisfied your customers. On the other side its rivals Tesco and Asda increase the relationship with the customers. M&S was much more relying in its suppliers to maintain good quality standards which results high cost of goods sold. M&S is suffering from high cost of goods so it is very difficult to sustain its market share and it also increases the competition. M&S was suffering from old fashioned clothes. It was popular for trendy cloths but now the time has been changed and customers' needs highly fashionable clothes.

#### **Two new strategic approaches:-**

Stuart Rose the new chief executive of Marks & Spencer has implied many changes after he joined M&S. The former CEO Holmes has put 400 other brand products in M&S to increase both sells and customers interest. However Stuart Rose is planning to cut the number of outside product to 100 which is not a wise decision (BBC, 2010). He is planning to refocus on M&S brands but it should be noted that today there so many different brands are used by different customers. If he plans to imply this idea, M&S may be lost his more market share in retail industry. His changes for cloth products are <https://assignbuster.com/strategic-analysis-of-marks-and-spencer/>

appreciable and it will raise the sales of cloths of M&S. He should also think about unrelated diversification e. g. he can start M&S mobile or in related diversification he can increase the number of food products.

### **Conclusion:-**

As part of huge retail industry M&S has to make some thorough changes in its strategy. It should have to sell other brand. This will help it to gain sustainability in this competitive market. It is very popular for its clothes and its food quality standards. These will help it to increase number of loyal customers. More and more products sourced from overseas will help it to compete in the price.

**Word Count: 2251**