

Marks spencers internationalization ventures and failures



Introduction

For years, successful businesses have sought to increase their share of the markets by expanding their operations and by making their products and services available to a larger percentage of customers. Expansion is normally attained on two different levels, namely, local expansion and internationalization. Globalization, and the benefits that can be sought from it, has encouraged businesses to focus more on internationalization strategies as a means of expansion while ensuring that their local footing is firm and not marred by competition or other local issues. Marks & Spencer, for one, has been trying time and again to expand its business internationally not only through franchising but also by opening retail stores (retail internationalization) in the most promising of all international markets. A look into the history of Marks & Spencer's internationalization ventures shows nothing but failure in almost all of its foreign markets leading the company to either exit these markets or partially selling off its stores (Kollewe 2010). The report throws light on the issues faced by Marks & Spencer in the past and also focuses on its current position in order to analyze the newly developed strategies for internationalization, whether or not it is worth the risk. It then follows with possible recommendations for the senior management of Marks & Spencer while ending with a conclusion that, keeping in mind the present scenario, recommends whether or not the new strategies for internationalization are worth pursuing and investing capital in to help the company regain its market value and achieve growth.

Marks & Spencer's Internationalization ventures and failures

Over the years, Marks and Spencer has faced rocky business ventures in most of the foreign lands where it decided to expand its business. Marks & Spencer has opened retail stores and franchises in many countries of Europe and also expanded its business to Canada and America. These ventures, however, did not prove to be as successful as was hoped by the company's management because they were seen as more of a distraction than benefit. The management at M&S believed that these low-profit global ventures were making the management lose its focus on UK, the primary market of M&S. The company has, therefore, been forced to resort to exit from the some of the markets and partial pullouts from others by closing or selling off 38 of its stores all around Europe under its desire to revamp its stores in Britain in an attempt to shift focus to the retail business of UK and its British customers. These pullouts have resulted in serious damage to the brand image of Marks & Spencer as the company performed 'brutal' overnight layoffs and thus causing widespread anger among employees and customers.

These unannounced and abrupt pullouts caused displeasure among M&S's loyal customers as they felt betrayed by the company for not being informed about its withdrawal from their markets. This deed of Marks and Spencer is going to cost it employee and customer loyalty in the future, if ever it wishes to step into these markets again. Employees would consider twice before accepting a job at M&S while customers too would find it hard to rely completely on the brand.

One of the major problems with Marks & Spencer's earlier ventures, as spotted by Bolland, was that it tried getting into too many markets at the same time without actually completing its entry into one market. It simply shifted its attention from one country to another in an attempt to capture more market share than paying attention towards maintaining a firm grip on the markets share captured already (Holmes 2009). This therefore resulted in less profitability and lower revenues causing the company to withdraw eventually.

Current internationalization strategy

Marks & Spencer's new Chief Executive, Marc Bolland, has set new strategies for the internationalization of M&S. A new wave of international ventures has thus been planned in an attempt to restore the company's position in Europe and to reach out to the markets of Asia. Marc Bolland's strategy of selective internationalization includes stepping carefully into international markets in order to avoid recurrence of failures that the company faced in the past. He has therefore, proposed India and China as the markets in Asia where he would introduce M&S (Roy 2008). For this, he has advised a 'selected approach' wherein only markets that promise a higher profitability would be tapped and there will be more franchises than company-owned stores.

Marks & Spencer has planned on entering India by partnering with the country's Reliance Group while for China, Bolland has clearly stated that it would proceed to, and focus on Shanghai rather than the whole of China as China is, according to him, a group of multicultural countries that neither shares a same language nor a similar view on style (The richest 2011).

The management has been advised by Bolland to make use of Chinese knowledge when establishing the company's presence in China. Bolland has also advised a combination of 'bricks and clicks' in their new internationalization strategy due to which the company would open one flagship store in the capital, a few stores in major shopping malls while the rest of the operations would be taken online as these markets have high internet density and online shopping is not an alien concept for the people of these markets. The company has also planned on moving into Egypt by opening its very first store in the country. A combination of bricks and clicks has not been emphasized upon as internet has not yet gained much popularity in the country thus rendering too much dependence on online business useless.

Egypt will not be, however, discussed in this report as the main focus of this report is internationalization with respect to India and China. The new internationalization strategies adopted by Marks & Spencer seem very promising and indicate higher profitability and customer shares than the previous strategies adopted by the company. India and China are, indeed, densely populated countries where the rich have high purchasing powers and are more aware of and interested in international brands than most countries of Asia. These countries are also host to a high number of foreign travelers that would help the company gain more in terms of sales and revenues.

Conclusion

The new plans of international expansion undertaken by Marks & Spencer are a series of carefully calculated steps that the company decides to take in <https://assignbuster.com/marks-spencers-internationalization-ventures-and-failures/>

order to prevent itself from stepping into the quicksand of failure. The company should, again, try to expand its business internationally so as to increase its business operations. Globalization is an important factor that successful companies should consider as it helps them gain recognition by people all around the world. It is about time that Marks & Spencer starts focusing on internationalization as a means of expansion to avoid being forced out of the market by competitors. By moving into the markets of India and Shanghai, M&S has not only targeted two of the most densely populated countries of Asia but also two of the largest economies in emerging markets. Investment decisions in these two countries hold a promising future for M&S that would not only be promising but also stable.

The consumer market of India is also a highly adaptable market. People of these markets are easily influenced and are more prone to shift towards international brands regardless of how expensive their products are. The market of India has adopted the concept of westernization more rapidly and it has gives higher preference to international brands than local brands. China too holds better future prospects as it has now become the second largest economy of the world (BBC, 2011). India ranks as the fifth largest economy in terms of PPP GDP (CIA World Factbook, 2011). Hence the company should proceed with internationalization.

Recommendations

Even though the market of Asia is greatly influenced by western culture, it is also inclined towards its own regional culture and traditions. In order to gain greater popularity among customers, M&S should introduce a line of traditional wear in whichever region it is targeting to operate in.

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Choosing regional brand ambassadors instead of international celebrities would help them gain popularity faster and even increase their brand equity and credibility. This would highlight the regional emphasis in the brand more.

Clothes should be stitched keeping in mind the size definitions of the region being operated in and not simply introducing apparel with UK based sizes.

M&S should opt for test marketing by opening only a flagship store first to see how well the markets respond to the idea of M&S in their country rather than investing heavily all at once.

Adopting cultures of the regions or sectors M&S is operating in will enhance brand loyalty. The company should also merge into accessories and home apparels market for the sector. Giving options under a single brand increases the likelihood of equity and attraction of customers which will directly effect on the brand and sales.

Since China and India are emerging markets, M&S should focus more on the middle-class segments of these markets.