

Marks and spencers' indian market



**ASSIGN
BUSTER**

Ever since its inception in 1884 as a stall in the Leads market by Michael Marks, the brand has been a favourite hunt for customers. After several up-gradations, launches and partnerships, the Marks & Spencer one sees today is one of the most successful brands in the UK.

With expanding markets and growing opportunities, Marks & Spencer is aiming to increase its global presence. Accordingly, the market trends of various countries were analysed and it was seen that the Indian market has a strong and steady growth and venturing into such a market would greatly help the cause of Marks and Spencer's global expansion.

Reasons for Selecting the India Market:

India has a population of over 2 billion and has long-term potential. This will ensure that the company has a larger client base and opportunities to maximise profits.

It is predicted that India's vastly fragmented retail industry will be worth a whopping £200 billion a year and may even be double its value in 2015. Entering the market at such a time can prove to be very productive.

The positive growth of the Indian middle-class opens the door for better business opportunities. The company principally aims to target the affluent pockets of the country like Delhi and Bombay.

Marks & Spencer is a known brand and the Indian people are already aware of it.

Rationale and Process:

Before entering any new market, the overseas company needs a well defined and planned process. Completing market surveys, product screening (in local surroundings), recognising sales and circulation arrangements, evaluating prices, understanding the rules and policies of the government, etc are some of the most important tasks that need to be taken care of. Accordingly, surveys have been concluded, the results of which are recorded in various sections of this report.

Booming in the Indian market is dependent upon the correct evaluation of the potential of the country, having proper knowledge of the geographical dimension and range of the market, the period of time needed to reach out to the market and assembling the appropriate infrastructure required to hold up the organization. What is needed is an enduring approach to the Indian market supported by a comprehensive plan backed up by extensive research.

Hence, the decision to venture into the Indian market was undertaken after careful research and analysing the data available. It has been noted that:

- By 2010, 720 million Indians will be of consuming age
- A rise of 32% in urbanisation
- Over 10% growth in the retail market since 2000
- Close to 8% of population working in the retail sector
- 5.5 retail outlets for every 1000 people, more than anywhere else in the world
- Organised retail contributes to over 5% of the current retail business

- Over a hundred malls all over the country
- Organised retail to capture 20% of market sales

Marketing plan for entering India:

First and foremost, it becomes important to survey the country and take into account the following six factors:

- Swiftness

How fast can the brand enter the Indian market?

- Expenditure

How much will the projects cost?

- Flexibility

How difficult is it to start or quit business in India?

- Risk

Is it safe to enter? What is the political condition there? Who are the competitors?

- Profit expectations

How soon does Marks & Spencer expect to make profits?

- Continuing objective

How long does the company wish to stay in India?

Swiftness –It will not take much time for Marks & Spencer to enter the Indian market as the partnership with Reliance Retails (details below) has already been completed.

Expenditure -The total initial investment will be a combined £29 million from both partners. Additionally, we also plan to invest £750 million to expand operations, keeping in mind the market growth in the next 10 years.

Flexibility -With laws being altered and the markets being made more foreign investment friendly, Marks & Spencer should not have much of a problem beginning its operations in India.

Risk -Though there are some amounts of political instability in the country, overall the condition is conducive. There have been reports of labour union problems too, but these are unavoidable risks that we have to undertake.

Profit expectations -With Marks & Spencer doing well in the other international markets, we hope to make profits from India soon too.

Continuing objective -Since it has been predicted that the Indian markets will grow two folds by 2015 and organised retail will capture 20% of all market sales, Marks & Spencer wishes to make its Indian stay long and fruitful.

After analysis, it is important to identify the various forms in which the overseas trading can take place. Listed below are the options available to the company for entering the Indian market:

Direct export -Directly selling products to overseas consumers.

Distribution -Selling the products to overseas middlemen who in turn sell the products to the customers.

Franchising –Marks & Spencer will issue licenses to worthy organisations that will manufacture and sell the products under the brand name. The franchisee will in turn pay a royalty to the company.

Joint Venture –A safe bet would be to enter the Indian market after getting into a joint venture with a top retail organisation in the home country.

Manufacturing in the host country – Marks & Spencer also has the option of manufacturing its products in India. This will be useful as the company will get local support and government help for creating employment opportunities in the country.

Entry Strategy:

After assessing all the (above mentioned) market entry options, Marks & Spencer plans to foray into the Indian market in mainly three forms:

1. Franchising
2. Distribution
3. Joint Venture

By franchising the business, Marks & Spencer aims to get maximum value out of the brand. The company will provide licenses to Indian investors to sell the products, and in turn will seek their help in training and marketing to ensure maximization of the profits.

Through distribution, the company aims to sell their products in stores across India. This is a lucrative option as the company can be rest assured about the quality of the products, something that cannot be completely assured in franchising. However, before adopting this strategy, Marks & Spencer must:

- Recognise the levels of distribution power
- Clearly mark out the steps to pick suitable distribution channel partners
- Understand the modules of a physical distribution structure.
- Clearly mark out the ' channel management process' steps.

Marks & Spencer has entered into a joint venture with Reliance Retail, a leading Indian organisation. The initial investment has been a combined £29 million, in cash and kind from both the parties. This joint venture gives Marks & Spencer the license to run the M&S stores in India and sell apparels and household items. In this partnership, Marks & Spencer will hold 51% of the stakes and Reliance Retail will hold the remaining 49%.

The company also aims to adopt the localisation approach. This will greatly help the cause of the brand. India being a non-English speaking country, knowledge of the local language, culture and needs becomes very important. The company aims to hire local salespersons, managers, etc to communicate with the customers directly. Also, all kinds of display, including the store names and advertisements will be in the local language as well as in English.

Compliance with the rules of Marketing Mix:

Since it is very important to conform to the four P's of marketing mix, Marks & Spencer is taking the appropriate measures to ensure that everything is in place.

- **PRODUCT:**

Marks & Spencer will begin by selling apparels and household items. Food products will not be launched as of now.

Stress on quality, style, environmental friendliness.

- PRICE:

Price will be lowered (compared to UK prices) to suit the Indian buying trends.

The price structure will be uniform in all the stores across India.

- PLACEMENT:

Stores will be opened all over India.

The main target areas will be the affluent pockets of Delhi, Bombay and other big Indian cities. The malls in these cities will be appropriate. 14 locations have already been identified.

- PROMOTION:

Marks & Spencer will promote their presence in India by several advertisements. Advertisements to be published in local newspapers, flashed on TV and radio.

The website will also be used as a promotion tool. Customers will have the option of becoming M&S Club members to receive various rewards.**SWOT Analysis of M&S:****STRENGTHS**

- One of the leading retail brands in the UK
- Enjoys good reputation
- Providing the Indian market with international goods
- Comprehensive surveys completed and solid data to support decisions

- Stores placed at great locations
- New player in the Indian market

WEAKNESSES

- Does not manufacture traditional Indian clothing
- More expensive than local retail chains like Pantaloons, Westside and Shoppers Stop

OPPORTUNITIES

- Make a solid entry and attract new customers
- Adopt the localisation approach and reach out to the Indian consumers
- Booming Indian retail market
- Indian middle class becoming increasingly affluent

THREATS

- Competing brands like NEXT and Aftershock also entering Indian market
 - M&S trends may not cater to Indian sensibilities
 - Purchasing power may decrease due to recent economic slump
- Before we progress any further, it is necessary to take a look at the SWOT analysis of Marks & Spencer to assure that our entry into the Indian market will be fruitful.

So even though there are some weaknesses and threats, it is clearly visible from the SWOT analysis that Marks & Spencer has a wonderful chance of making a successful Indian market entry. The strengths outnumber the weaknesses and threats can be overcome by proper utilisation of the

available opportunities. What is required is the proper execution of the marketing plan.

Expanding Business:

M&S plans to expand its business in India after the initial set up. Plans are already in place for expansion and a total of 3.3m square feet of space have been approved for new stores globally. With rapid growth of the retail sector and quick development of malls, Marks & Spencer will surely have ample opportunity to grow in India. It already has an Indian presence (having entered into a partnership with Planet Retail and operating 14 franchises, which will continue) and running its own stores will give them a better foothold in the country.

In addition to retailing, M&S is planning to scale up their sourcing from India. The company plans to increase the local sourcing to 70% in the next four years. The non-executive chairman of M&S, Sir Stuart Rose has announced that the company is all set to make large investments in India, which might multiply at the rate of 10%. M&S is very certain that the Indian market is the place to be in the next 10 years and so is laying the base for it presently. The company is putting in a lot of effort dealing with consultants and also plans to invest £750 million to expand operations in India.

Conclusion:

With a lot of reason to believe that it will succeed, brand Marks & Spencer is all set to enter the Indian market. It is a wonderful time to enter the market as M&S is starting operations before the retail industry is set to double in 2015. Profits will be multiplied and the brand will enjoy a good reputation.

Since prices have been marked down and the clothes have been designed to suit the Indian trends, the company hopes to strike the right chord with the consumers.

Marks & Spencer plans to begin with apparels and household items and the food items will introduced later on. Since most of the goods will be exported to India from the UK, it will be a little difficult to ship the perishable items. However, we hope to sort this issue out and very soon the stores in Marks & Spencer India will be selling the food products, which have made M&S a brand of repute the world over.

The Indian operations will be headed by Mark Ashman, who has been managing Marks & Spencer's existing Indian businesses. Spencer Sheen has been appointed his deputy. As a result, people have been joking that the Indian branch of Marks & Spencer is being operated by Mark and Spencer!