

Establishing the critical success factors marketing essay



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Marks and Spencer is one of the British leading retailers founded 129 years ago by Michael Marks and Thomas Spencer, headquartered in London, which sells luxury and outstanding quality food as well as great value clothing and homeware. Now M&S has 703 stores in the United Kingdom along with over 400 international stores in 44 countries and territories.

Establishing Critical Success Factors:

Critical Success Factors (CSFs) can be defined as the term for an factor that is necessary for an organization or project to achieve its mission. As Rockart (1979) said, it is a critical factor required for ensuring the success of an organization.

In this report, a set of main objectives for M&S will be gathered by establishing CSFs.

Vision & Mission

‘ To make aspirational quality accessible to all’ is the mission of M&S (Employee handbook, 2003), which shows what they want to meet the customers’ needs.

The company’s vision is ‘ To be the standard against which all others are measured’, which is a clear statement of intention.

Plans & Strategies

Marc Bolland set out the strategy in 2010, stood the test of the Board’s continued evaluation and delivered the company’s vision. The board all agree on the course, though challenging market conditions and retail environment had impact on their customers’ budgets and put pressure on it.

Becoming a truly international and multi-channel retailer is the company's aim, as well as the key to carry out the strategy.

In details, M&S's strategy plans focus on the following three areas:

- Focus on the UK
- Multi-channel
- International

Key Success Factors

As the CEO states in 2011/2012 annual report, Marks & Spencer has performed well with a 2% increase in sales. But sales in Clothing and Home were down 0.9% since Womenswear and big ticket furniture experienced more challenging conditions (Womenswear market share decreased by 0.5% to an unoptimistic 10.4%). M&S is the UK market leader in Womenswear (Annual report, 2012), the company should take actions to keep Womenswear on a high level. In this case, the company decided to reduce costs in order to keep profitability. This cost management may help the company build a stronger platform and become a support to the company's investment in their future plans.

Loyalty & Satisfaction(customer)

With an approximately 130 years history, M&S concerns on customers all the time. In a competitive market, M&S served a dual purpose in 2012, one is satisfying their most loyal customers, the other is encouraging potential customers to take a fresh look at M&S (Annual report, 2012). Besides, M&S

sought to enhance the M&S brand as well as make their sub-brands more distinctive, as a result, they will continue to focus on their core customers' specific needs.

Recently, food safety becomes a popular topic in UK. Food safety incidents occurred frequently, for example, Tesco horsemeat scandal. As a leading retailer of high quality fresh food in UK, M&S should put food safety to a paramount place.

Employee skills training, Supply chain (internal business process perspective)

Efficient supply chain activity is one of M&S's important critical success factors. The company continued to invest in their supply chain long with technology in keeping with the strategy to support future growth of the business, especially in international expansion (Annual report, 2012). Thus, employee training becomes an important part to achieve efficient supply chain, and it is also a critical success factor.

From the 2012 annual report, we can see that 35% of international stock delivered direct to destination, which indicated that efficiency was improved through the fully integrated supply chain operations. In addition, it reflects that the company tried to deliver products consistently on time, which could be another critical success factor.

Concept:

Balanced scorecard

Balanced scorecard was devised by Kaplan and Norton (1992) which is a number of measures that offers top managers a fast but comprehensive view of the business. Managers can look at the business through the balanced scorecard from four main perspectives, including (i) financial perspective, (ii) customer perspective, (iii) internal business perspective, (iv) innovation and learning perspective. Kaplan and Norton define balanced scorecard as a cause and effect relationship between the four perspectives.

(i) Financial perspective

According to Kaplan and Norton (2001), financial perspectives are important while non-financial perspectives are also important, since through firm's financial performances, effects from other three perspectives can be reflected.

Kaplan and Norton (1996) said that the company's financial goals are profitability, growth and shareholder's value.

The main financial objectives of M&S are maximizing profit and reducing cost.

Profit is one of the main objectives of a company since every company wants to maximize the profit, M&S is no exception. M&S's main objectives include maximizing their profit, which could be measured comparing the profit as a five year summary, through the income statement. Profit before tax was £780. 6m in 2011, with a 15. 7% decreased to £658. 0m in 2012.

Reducing cost is another important objective of M&S. In 2012, the effect of the deterioration in the economic environment impacted of M&S's strategy.
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Since sales in Clothing and Home were down 0.9% and Womenswear market share decreased by 0.5%, the company decided to focus on managing their costs tightly with aim to keep profitability. Gross margin was down 30 basis points at 40.8%, we can proceed to use gross margin to measure, in a meanwhile, profitability measures such as Operating profit, net margin, ROE and ROCE can also be used.

(ii) Customer perspective

Kaplan and Norton (1992) mentioned that, customers tend to concern about four main parts, including time, performance and service, quality, and the costs.

M&S should set main objectives for the sake of increasing market share, making customer satisfaction on a high level as well as acquiring new customers. The main objectives contain customer satisfaction (with service, product quality and price) and customer loyalty.

M&S would like to keep customers satisfaction on a high level by offering them best service and giving them highest quality products with reasonable price. It can be measured by the proportion of deficient products which customers returned to them. Meanwhile, customers' feedback from focus group, online reviews and their in-house Customer Insight Unit are also appropriate measures (Annual report, 2012).

As I mentioned in the context part, M&S's main aim is to gain loyalty of customers, in other words, it can be judged from whether the customers would repeat their purchases in M&S. They provide M&S bank service to

shoppers, specifically, M&S offer customers credit card, a set of insurance, loans, and customers would receive gift cards, vouchers and discount when shopping in M&S with the credit card. Customers' loyalty could be judged by increase in the number of M&S Credit Cards.

(iii) Internal business perspective

This part of BSC is made up of the factors that affect the employee skills, cycle time and productivity of the company (Kaplan and Norton, 1992).

Employee skills is a main objective of M&S. The company runs a flagship training programme to help employees improve knowledge and skills, for example, develop ways of measuring community health. It can be measured upon the employee who was selected for the next stage after training.

The other objective is product quality, which can be measured by regular checks on the production line. In that case, probability of finding out products with bad quality before display on shelf is much higher.

(iv) Innovation and learning perspective

According to Kaplan and Norton (1992), in global competition market, companies should make improvement to their existing products and processes, introduce new products in order to deliver value for customers, improve operating efficiency and increase shareholder value. Three main objectives of M&S are - improve employee capabilities, deliver consistently on time and product focus.

In order to survive in the competition market, a company should be innovative and upgrade their standard. M&S tried to be innovative by improving employee capabilities through flagship programme. Employee capabilities can be measured by this programme. As I mentioned in Context part, M&S tries hard to deliver products consistently on time. It can be measured by checking the stock every day. The third objective is product focus which can be measured as percentage of products that equals percentage of sales.

Summary

Balanced scorecard is a performance measurements tool which can be used by different styles of companies for their performance management (Kaplan and Norton, 1992).

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