

Analysis of marks and spencer's international strategy

[Business](#), [Strategy](#)



Introduction

This report looks at the current international strategy adopted by M&S, what are the past issues of the company, what steps it took during the time of downfall and how did it overcome its mistakes to bounce back in the global market with its new marketing strategy. The report is a mix of the academic research and the case study materials provided from which the final conclusion can be drawn as to the organization should proceed to internationalization or not during current market situations.

Background to the Marks & Spencer

M&S as a business organization came into existence in 1884 when it was just a penny bazaar. Today after 125 glorious years of growth and expansion, the company is the biggest retailer in the UK. Its product ranges from clothing, food products and household accessories etc. It entered the international market by franchising in countries such as Canada, USA, France, Belgium, and Ireland etc. By the end of 19th century, the international market was on the verge of collapse due to improper management by the senior management of the company. Thus the company decided to withdraw its presence from the international market and instead concentrate only on the home market. (M&S company history 2011)

Past issues related to M&S

M&S first entered the global market by targeting Hong Kong and South Africa by exporting its products to these countries under the brand name of St. Michaels. Eventually it terminated its contract with Do dwells, which in turn proved to be a disaster for the company as problems related to the local

retailers and franchise did not allow the company to build a strong base in the Asian market. (Bevan 2001).

M&S targeted the Canadian market through family tie-ups and was successful in operating 275 stores across the country. By the end of the 80's it entered the US market through purchasing a retail market chain named King's supermarket and Brooks brothers. But eventually the North American market did not accept M&S as a competitive brand due to lack of clear branding and positioning of its products. It was unable to satisfy the customer's demand; also a large number of competitors did not give M&S a chance to sustain itself in the market. (Sparks 2005).

M&S did not offshore its productions to a different country due to quality concerns. This led to an increase in the cost of production which in turn led to charging higher prices from the customers. On the other hand, the customers did not find the product appealing so as to pay a premium price for its products.

Similarly M&S entered the European market without any strategy to be adopted and mainly on the belief that its current business techniques would hold good in catering these markets as well. It started expanding its operations in a haphazard situation without a rational strategic approach to it. (Mellahi et al. 2002)

Current business climate

By 2001 the company withdrew all its overseas operations and started concentrating in the domestic market. It is a good decision that they took, as there were many flaws that would have taken a lot of time to rectify along <https://assignbuster.com/analysis-of-marks-spencers-international-strategy/>

with huge losses to bear. The global market has currently undergone a recession stage where M&S was deeply affected by decreases in profit margins by 11% from the year 2005 to 2007. Only during the year 2009 it had performed a profitable business with 17% and 5% increase in profits and market share respectively. Its time when the company is recovering and finding new opportunities to enter the international market with a planned and structured system to target the global consumer retail market.

The company has carefully analyzed its past mistakes and then has structured its plans for the future. The next three years is to concentrate mainly in restoring its stability in the market by improving the marketing of their products into various segments and classifications. At the same time it will set foundation for the future expansion through mediums such as space grows, improving multi-channel retailing and to built its capability further to become an international company. (Cameron et al. 1988)

Reviewing its current international strategy

On the basis of the past issues within M&S and the steps taken to cater the current business climate, we have seen the changes related to the target market, mode of entry in the new market, benefits to enter new market, rectification of past mistakes and setting clear objectives for internationalization etc. M&S has decided to stabilize itself from the recession and build up its market share in the UK for the next three years; simultaneously working on rational international decisions. These measures show that the company is clear about its vision and mission related to its future. The following points discussed below prove to satisfy me to go forward with the current international strategy, as they have understood the <https://assignbuster.com/analysis-of-marks-spencers-international-strategy/>

demand in the international market and should implement its strategy accordingly. The current major steps taken by the company are:

To enter large markets such as India, China and Europe etc where there is already a demand for this brand. Concentration in one particular market and finishing it first and then moving to another area proves better positioning and marketing for the product. M&S can change its marketing style from product driven to market driven. This helps the company to understand the regional demand of their products and to cater it accordingly. (J M&S results and multi year strategy 2010)

Franchising is a great option rather than opening their own store. Choosing the appropriate franchisee will improve market capturing and sales in that particular country. E. g. to cater the Indian market M&S has tied up with Reliance group. On the other hand, the franchising schemes cannot be same in all the countries due to political, economic and social factors. This could create operational problem for the company in the long run. (Quinn and Doherty 2000)

Concentration on brand positioning and brand awareness is been done so that the market is aware of the different products and brands the company is offering. Thus there will be no confusing in the mind of the customers related to brands. There can be a possible threat of not accepting a product by different markets or there can be a very low demand for the same. Also M&S overseas do not keep food items and accessories unlike UK. Thus it creates huge difference in the brand positioning between two or more countries. (Eyring et al. 2011)

The company never grasped the advantage of patented USP such as storm ware clothing range in order to distinguish itself from other company. Today they are looking forward for such restructured range. E. g. fusing storm ware technology into jeans, t-shirts etc.

(J M&S results and multi year strategy 2010)

Flagship stores are to be placed in each region along with supporting stores such as smaller outlets and Internet channels so that the customer can feel a heavy presence of this brand in the market. Amazon platform is currently reliable for the company.

(J M&S results and multi year strategy 2010)

It is practically not possible for the company to perform as planned in its international strategy. There would be uncontrollable factors, which may lead to variations from its objective. The degree of variation can also determine the success and failure of the company. Adequate financial back up is needed for research and development in each particular market. Thus the risk is also high which the company is taking, if not successful in sustaining in the new market there would be huge loss for the company.

Recommendations

The company should offshore its manufacturing units to different geographic regions so they can cater different markets well. This will change the British brand image to global brand image. Example: Apple Inc is an American company, which contains the software made in Hyderabad, India and the

product manufacturing is done in Taiwan. Thus it contains a global brand image.

Adopt decentralization system in the organization so that delegation of work can be encouraged, thus involving the regional departments to participate in the major decisions to be taken. Example: Toyota involves every subordinate to participate in the decisions to be taken so that they can receive more opinions before taking any decisions.

M&S is an umbrella company which involves different products such as food, GM clothing and accessories etc, it has to carefully balance the brand image of all these products simultaneously. It will be a challenge to the company to maintain all the demand in all the countries. Therefore the company should segment and position its products to the lowest possible level before entering that particular market i. e. appropriate portfolio management. (Eyring et al. 2011)

M&S is always special by taking a step forward at maintaining a high quality that reflects its brand image, thus the company can strongly capitalize on this image for future growth. (Bolland presentation 2010)

For every market there should be a particular marketing style in order to attract more customers. The marketing can be through different medium such as Internet, radio, television, banners & hording etc. The marketing should be done keeping in mind the culture, traditions and lifestyle of different regions.

The company should adopt the characteristics of a multinational company where the revenue generated should be retained in that department instead of transferring it to the home country. The benefit is that the company does not have to manage the foreign exchange from around the world plus these funds can be capitalize for further growth and expansion within that region.

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