

Marks and spencer case study assignment

[Business](#), [Management](#)



The company's stores also sell food and homeward and provide financial services. M has enjoyed a consistent record of success and profitability since its origins, it a worldwide reputation for its innovative, high quality products and competitive prices. However, M's prestige and outstanding long-term performance have been hit in recent years by falling sales and declining customer satisfaction. The aim of this report is to identify the key factors that allowed M&S to outperform its competitors up to the mid 2000s.

This assignment also explores the reasons behind M&S' recent crisis and it suggests a number of strategies to regain competitive advantage and to deal with the challenges M faces, currently and into the future. Question 1 Identify resources and capabilities up to the mid 2000s and hence the sources of competitive advantage. We can use two different approaches to identify the main drivers of M's success up to the mid 2000s, as well as its recent crisis. A well-known approach is to examine the external environment in which M&S operates.

PEST analysis or Porter's 5 Forces model are common techniques associated to this traditional approach. Although the external environment has an indisputable impact upon M's performance, it is also important to carry out an internal analysis of the organization. This second approach examines M's ability to use available resources and competences or to create them in order to build success. We can also enumerate various techniques associated to this new approach: resource audit, value chain analysis, activity mapping, core competence analysis, power/interest matrix, synergy analysis, strategy evaluation techniques, SOST analysis... Etc. 1.0 PEST Analysts PEST is a mnemonic for political, economic, social and technological <https://assignbuster.com/marks-spencer-case-study-assignment/>

factors. It is the most frequently used tool to analyse the impact of the general environment upon an organization. Political: British political system offers stability and encourages capitalism. Current legislation and market regulations favor M&S' operations. Economic: The consumption of most goods is likely to increase when the economy is booming and it tends to decline during recessionary periods.

After the recession of the early 1980s, the UK and many other countries entered a period of sustained economic growth and high levels of consumer expenditure. Social: The requirements of consumers are changeable. For example, the clothing market is particularly sensitive to fashion trends. Lifestyle can also have a significant influence on our eating habits (i. e. Organic food, ready-to-cook meals... Etc. . Understanding these requirements is crucial, if M wants to remain competitive and increase its market share.

Technological: A substantial investment in technology is necessary to operate efficiently in a competitive market. Modern IT systems can improve productivity and lower the costs (e. g. The use of computer systems has enabled firms to automate and accelerate their buying procedures and reduce the supply cycle for all merchandise) Furthermore, customers are increasingly making use of the Internet and firms have to be prepared to offer online services for their home shopping. 2. 0 Porters Five Forces Model
Nils model was developed by Michael E. Porter in 1979.

He intentionally shapes and determines every industry and its attractiveness and potential profitability. These forces as described as

follows: The Porters 5 Forces analysis for M is given below: Bargaining Power of Buyers In general, bargaining power of buyers is high. It very much depends on the segment we target. Buyers power is lower in the exclusive segment (I. E. Cloths from luxury designer firms) and higher in other segments, as they can usually choose from a variety of companies. M gained customer loyalty from high quality products that were priced imitatively.

One of M ' current problems is that people demand either brand names or discounted products. M&S is therefore stuck in the middle. M&S' product-orientated strategy in the late asses has become ineffective. The bargaining power from buyers is increasing and therefore, a more consumer-orientated strategy is needed. The Bargaining Power of Suppliers M' success has a lot to do with its long-term relationships with its suppliers. Some of them had supplied M&S for over a hundred years (I. E. Thirsts). M&S bought directly from a few I-J suppliers, without the use of an intermediary, like most of its monitors.

This created a heavy reliance of those suppliers on the company. M&S could then try to lower its costs by putting pressure on suppliers (e. G. Rappels from large purchases). The bargaining power of suppliers is generally quite low in this industry. M&S value chain has made it even lower. Also, when sales declined rapidly in the late asses, M&S outsourced globally to reduce its costs. As a result, the bargaining power of UK suppliers was also lowered. The Threat From New Entrants Brand name and large capital requirements build up high entry barriers.

It's difficult for any new entrant into this market to compete directly with some established retailers already operating on a large scale. Another entry barrier is advertising. Existing companies can be said to be reasonably protected from intense competition. The Threat From New Substitutes The threat from substitutes is high. As we said earlier on, consumers are demanding either a brand name or discounted products. They are either prepared to pay a premium for a name brand or they can go for a lower price. Among Existing Firms costs are lower.

Competition among existing firms is strong. Many competitors have adopted and even developed some of M's best practices to respond more quickly to market changes. As a result, M's market leadership is being challenged and the company's market share has been eroded. In the food sector, Marks & Spencer has developed its range of ready cooked meals. Next has similar offerings, but with competitive prices. Debenhams has improved brightly colored children's clothes and gifts. Gap has exploited the demand for young women with more street credibility. Next has also targeted a different segment successfully.

Debenhams offers designer names in its clothes and furniture ranges. Intense competition has therefore impacted on M&S's operations at a time when its Michael brand seems to have lost its appeal. If M wants to remain competitive, it has to change its generalized view of the market and use proper market segmentation in order to regain its appeal and meet changing customers' needs. The success or failure of M&S not only depends on the external environment in which the company operates. It is also important to

study the capabilities of M&S to use the resources and competences available to it.

Gerry Johnson and Kevin Scholes split these resources and competences between those that are similar or easy to imitate by other organizations and those that are better or difficult to imitate. Same as competitors or easy to imitate Better than competitors or difficult to imitate Resources Necessary Resources Unique Resources Competences Threshold Competences Core competences Resources and Competences of an Organization Necessary resources and threshold competences are the essential requirements to operate and compete in an industry.

Unique resources and core competences confer sustainable competitive advantage and added value to an organization. We can assess the resources of an organization through a resource audit. 0 Ululating ten Resources AT M In broad terms, resources can be split up into 2 types: A) Tangible resources Physical – The building, machinery, facilities, equipment used by the organization. Human – The people involved within the organization Financial – Available cash and ability of an organization to raise capital B) Intangible resources These include patents, brand names and reputation.

These resources are particularly important for an organization, as they are often difficult to identify or copy by competitors. Hence, they are potentially more valuable in creating competitive advantage. Richard Hall (University of Durham) draws a distinction between intangible assets and intangible resources. Intangible assets can be legally protected or not. Intangible resources can be split up into functional skills and cultural capabilities. Using

this classification, the resources available to or created by M&S up to the mid 1990s are: Physical -373 stores. 85 franchises with partners outside the UK. -173 Brooks Brothers stores. -40 Kings Super Market stores. -Wide range of high quality own-brand products. -Tills and other equipment. Little can be said from M&S case study about these stores, except that “ M&S ‘ s Mathew’s ‘puritanical value-first’ retailing model of Spartan interior, harsh lighting, crammed clothing racks and ‘ serve-yourself-if-you-can ‘ may be outdated”. All stores were similar in layout, design etc, leaving no scope for changes based on local environment, lifestyle or demographic characteristics.