

The description of strategy of marks and spencer marketing essay



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First of all before talking about the current strategy of MS we need to mention about the old strategy of MS first. The strategy of MS was to focus on the quality of food. They provided the best quality of fresh food to consumers and they work with only British suppliers. Moreover, the relationship between consumers is very importance. They concerned more about the consumers' satisfaction. So, they became the biggest retailer in the England in 1990 because their market shares were growth rapidly. After that M&S was planning to restructure their strategy. First of all, they tried to increase their variety of food especially bakeries. Second, they introduced their new products such as clothes. Third, they want to attract new consumers by creating new website and at the same time they are trying to keep their old consumers as well. Last one, they are expanding their shops to many countries included Europe and Asian, which made M&S well know until nowadays.

2. The analysis of external environment

2.1 PESTEL

Political factors

The government was set the role for all retailers to follow and if any retailers do not follow this role, they need to be fined or in some cases the retailer shops need to be closed down. Once M&S did not follow this role, they are the first retailers to go down to the fair-trade route on both clothes and food. The fair-trade policy has included cut salt and fat in M&S foods, recycled packaging and animal welfare protection.

Economical factors

According to the current economic, people do not have much money as the past or we can say that people do not have much cash to pay for expensive items or luxury items. M&S was affected too much with this recession. There have been many people lost the job because some M&S shops were closed. In order to be survived M&S has launched the special promotion during the Christmas event. It is a discount 20% two days during the Christmas event and 20% off for wine and Champagne. They need to change the way they doing in the market in order to still being the head of retailers in market.

Sociological factors

According to the changed in society, M&S wants to be as a multi-channel retailer. They created website for consumers to shopping online. For another meaning they are trying to catch up other competitors such as Asda. Moreover, they improve their quality of products especially clothes. In order to be attractive, they need to be in trend in fashion and keep information up to date to make consumers interested.

Technological factors

The company need to continuously communicate with consumers, for M&S, they put much importance into advertising and it is work. M&S has it own presenter as an actress, which well know. Moreover, M&S website is easy to use and the color is interesting. More importantly, information in M&S website is up to date.

Legal factors

M&S always update the law included taxation change. They want to make sure that health and safety legal protection is up to date. For a good example is in M&S products will contain information about who is produced, how much it contain even the portion in children and adult.

Environmental factors

According to the issue of environment today, many companies are pressure. They need to be very friendly to environment but for M&S they did not worry because they already a plan which is very friendly to environment and that plan called Plan A. This plan is included decrease waste to the land, health promoting business and etc.

2. 2 Porter's five forces of competition

As stated by Andrew (2001), the Porter's generic strategies framework assist the business to evaluate a competitive atmosphere. The five Porters force mainly deal with entry threat, power of buyers and suppliers, substitute's threat, and competitive rivalry.

Threat of entry

According to Porter (1980), entry freedom into a new market is normally considered an indication of the extent of company's competitiveness. Porter further states that the larger the barriers to entry, the less the threat of new companies moving into the market. Marks and Spencer individually can keep prices low strategically to minimize possible entrants into the market. This is called entry deterring pricing that establishes a barrier to other competitors. As stated by Anthony (1999), these barriers are unique characteristics of an

industry that defines it. The barriers decrease the pace at which new firms enter the industry thus maintaining low profits levels for other companies.

Power of buyers

For Marks and Spencer to root to its customers, it has to emphasis on grassroots acquisition of customers so as to offer an enlarged bargaining power to them. Consumers can improve their bargaining power suppose the services or products of an organization are not affordable or are of low quality. The consumers an also have strong bargaining power suppose they purchase standard, undifferentiated goods from suppliers. The buyers will be weak if producers can over own retailing if the producers are not standardized and the buyer cannot switch to another product (Johnson and Scholes, 2002). The company has tried to minimize such cases for high competitive advantage. The company has also to find new delivery methods that will improve customer satisfaction.

Power of suppliers

According to Porters (1980), a supplier can have influence suppose the company works within a limited market and there is a degree of substitutability. As asserted by Grant (2005), there are some factors that determine the power of the company to attain all the needed account to meet the relevant profits. There are credible onwards integration threats by suppliers, supplier's concentration, cost of switching suppliers, and its powerfulness to boycott low quality products (Anthony, 1999). The company has to maintain a chain of suppliers for its products to beat the competition.

Threat of Substitutes

Porter (1980) describes the threat of substitution as the identification of substitute products that can perform the same function as the product in question. Marks and Spencer experiences some threats from the products of other companies. To an economist, intimidation of competitors take place supposes the product demand is affected by change in price of the competitors. Marks and Spencer's products demand have been adversely affected by the strategic change in prices of other companies (Coyne, 1996). The new fashions available and the changing dressing mode are creating high competition between Marks and Spencer and other competitive companies.

Rivalry

Marks and Spencer faces high competition because various companies have emerged producing high quality products at affordable prices. This high concentration shows that the company has many competitors and majority has an important market share. To counter competition, Marks and Spencer has managed to lower prices so as to gain a temporary advantage. It has also strived to improve their product features and qualities during the manufacture (Grant, 2005).

3. The analysis of internal environment

The internal environment of Marks and Spencer will be evaluated through value chain analysis, resources and competences framework, and VRIO framework.

3. 1 Value Chain

Primary activities

Inbound logistics: Marks and Spencer has launched warehouse consolidation programme. M&S opened its new warehouse in Bradford which combined all of its food suppliers from four centres into one site. Also, building a second new warehouse in the East Midlands which will provide e-commerce facility along with National Distribution Centre. These make it greater control over the supply chain.

Operations: M&S established wide ranges of sub-brand based on better and best quality products to satisfy customer needs. For the food business, M&S launched in-store bakery to deliver freshness of products to customers. In addition, M&S modernised its stores in order to improve the atmosphere in the store and make more inspiring shopping environment.

Outbound logistics: M&S has a variety of channel operations, which provide a flexible range of order and delivery options. M&S gave extra convenience service for online shopping by offering next day delivery options.

Marketing and sales: M&S offers many of high impact promotions. For example, Dine In for £10 continued to increase in popularity. The promotional campaign provides greater value to customers and also gains competitiveness against competitions. The company also invested in advertising in newspapers and magazines.

Service: In order to maintain and raise customer service standard, M&S introduced staff zoning across Food Halls and provided more staffs in the store.

Support activities

Firm infrastructure: M&S has a flatter organisation structure or fewer layers of hierarchy. This structure gives a quick response when the organisation requires a decision.

Human resource management: M&S has well-trained staffs related to their role in the organisation. All staffs have a personal development plan based on their result of a performance review that takes place every 6 months.

Technology development: M&S continued to innovate new products in order to gain more choice for customers. The company also invests in technology such as developing a new store format which using technology to improve the range and ease of shopping.

Financial management and control: M&S has enough financial sources of fund and is underpinned by strong balance sheet. The organisation manages all expenditure carefully and spends every penny wisely.

3. 2 Resources and Competences

Threshold resources

M&S has over 703 stores across UK and over 304 international stores across 44 countries in which there are sufficient experienced staffs to service customers. In order to maintain quality of goods, M&S has long-time suppliers to ensure ethically sources and the highest quality of raw material.

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Distinctive resources

M&S is one of the leading retailers in UK. It has long history and strong brand. M&S's stores always appear on high street and retail parks as well as stations, airports, and out of town. Its largest store, which has selling space around 170, 000 square feet, is located at London's Oxford Street.

Threshold competences

M&S provides a variety of products such as clothing, food, and home products along with good service in store.

Distinctive competences

M&S provides outstanding quality of goods and has ability to produce more and more innovative products. The company launched different shopping channels to make customers easier to shopping.

Table 1: Resources and Competences

Threshold Resources

Threshold Competences

Long-time suppliers

A large amount of stores

Experienced staffs

A variety of products

Service in store

Distinctive Resources

Distinctive Competences

Brand reputation

Store location

High quality of goods

Innovative products

Multi-channel retailer

3.3 VRIO

The analysis of VRIO framework will focus on distinctive resources and competences. Due to threshold resources and competences are not rare in the retail industries result in competitive parity.

Table 2: VRIO framework

Resources and Competences

Valuable?

Rare?

Difficult to Imitate?

Exploiting by the Organisation?

Competitive implications

Brand reputation

Yes

Yes

Yes

Yes

Sustained competitive advantage

Store location

Yes

Yes

No

Temporary competitive advantage

Quality of goods

Yes

Yes

Yes

Yes

Sustained competitive advantage

Innovative products

Yes

Yes

Yes

Yes

Sustained competitive advantage

Multi-channel

Yes

Yes

No

Temporary competitive advantage

4. SWOT analysis

4. 1 Strengths

Innovative strategies

M&S is always known for its innovative products and services, customers are attracted towards new products which are launched in markets. M&S attracts customers for its enhanced product line and differentiation strategies.

Online market share & growth

M&S enjoys a huge market share online, its virtual stores caters to the need of people who doesn't shop in stores due to lack of time. It caters them all to live healthy with good quality products by delivering at their door steps.

Customers loyalty & satisfaction

Customers are loyal and satisfied with M&S as shown in the food and health survey conducted by business society for food and health in 2011.

Customers given preferences to choose from variety of food products available, they prefer M&S for its good quality and customer services.

Leadership style & brand recognition

Leadership style followed by M&S is impressive to take over the bigger market share as the customers like innovative products. M&S delivers the best innovated product to their customers which helps in raising their brand value and more satisfied customers.

4. 2 Weakness

Neglecting the youth demands

M&S is weakened as seen in the study, among the youth and its demand, it failed to cater the needs of the youngsters. Satisfied category of customers is aged between 30-50 years. It should focus on its clothing brand to take over the interest patterns for youngsters to gain more market share.

Lesser growth in food market

It has been seen that the growth opportunities are prevailing in the market to open new stores and capitalise the market but M&S is seen to be reluctant to open new stores for growing demand & needs.

4. 3 Opportunities

Innovative strategies

The clothing segments needs to be revised and should be categorised in manner to generate revenues as customers prefer the M&S clothing line but they are unable to locate their brand for the best customer category.

New product line & departments

Instead of focusing only on M&S food, it should cover major segments in the market so as to make the brand value high and differentiated product line.

Online business enlargement & expanding their services

M&S should try innovating its virtual stores, stores like Littlewoods, Topshop, Asos, plays major roles in virtual market and caters to the need of allot of customers.

4. 4 Threats

External competition

The market players who are the biggest threat to the brand as their are leading stores which are in close competition with M&S could attract the customers with better quality products and differentiated prices, brands like Asda, Tesco, Sainsbury in food retails; and Gap, Next, Topshop in its clothing chain.

Environmental & political changes

Changes may affect the business units and their pre-planned budgets as it will disturb the strategies being planned and will cause in taking up measures to rectify the changes environment problems are growing with the

ongoing demands and companies catering masses are considered to be guilty for over using the resources causing exploitation.

Threat of new entrants

Market entrants is the biggest threat for M&S, as multinationals might agree in a joint venture of merger with the local community to give a tight competition to M&S.

5. A description of the competitive strategy

In the generic strategy M&S is defined as " Differentiation Strategy ". M&S is broad differentiation. According to the quality of products, M&S's products are premium than other rivals such as Tesco and Asda. The company focused on the quality of products in order to gain the higher price than rivals. As everyone knows, M&S products are unique. They sell only their products, which receive the trust from customers for many years. Their products are different from rivals. Moreover, according to the Porter 5 forces, it showed that the possible of new entrants is low because it needs much money to invest into this business and it is difficult to pull customers from M&S. customers felt very safe when shopping with M&S even online shopping. They know that they can get the high quality products. More importantly, M&S service is quite difference from rivals. Customers will get a very good service from M&S staff. It is one point that makes M&S difference from other rival not only products.

6. Is the strategy consistent with the external environment and the resources and competences of the company?

We can say that M&S's strategy is successful. It attracted customers by using several strategies such as " Plan A" which concern about environment. M&S is one of the environmental friendly companies, which focused on carbon neutral and zero waste to landfill. Moreover, most customers recognize the quality of M&S products. It provided high quality along with innovative products, which allow customers to have more alternatives. This is a key factor that leads M&S sustainable growth. Furthermore, M&S has long-term and strong relationship with its suppliers; therefore the company can maintain the products' quality. Altogether, M&S has flexible strategies to quickly response market changes in order to achieve the customer needs.