International operations of marks and spencer

Introduction

Marks and Spencer Group plc, a leading and century-old Britain retail giant, which is selling of clothing, food and home products all over the world. After experienced the failure of international expansion about a decade ago, the company stages a comeback on internationalization and intends to form good relationship with customers worldwide. Therefore, this report is going to explore the reasons why M&S failed in the past, identify the recent development on international operation and give recommendations for the future expansion.

History of Internationalization

M&S has a long history of international expansion. It makes use of diverse types of entry modes worldwide which combined of entry modes from organic growth, joint venture, and franchise agreements to partly or wholly-owned subsidiaries (Whitehead 1994, p. 41). This kind of widely use of ownership models and countries give the priority of the company to perform well globally even when some individual markets may not that good.

The company began its tentative internationalization activities by exporting its St. Michael brands products in the 1940s (Alon 2000, p. 5). Then M&S formalized some of its export activities through franchise agreements in the 1970s. In the next two decades, a gradual expansion occurred both in number and geographic scope. By 1998, M&S had almost 500 stores in over 30 countries with the retail sales of almost £8bn. Meanwhile, the company owned Brooks Brothers and Kings Supermarkets in the United States (Burt et al 2002b, p. 200).

However, three years later, Marks and Spencer sold its Brooks Brothers brand and Kings Supermarkets (USA) businesses, turned the Hong Kong stores into franchises in a downgraded regional structure, closed the European stores which were unprofitable (Burt 2002a, p1). Under these circumstances, M&S faced a survival crisis on its overseas market and most of the company's direct international activities were compelled to stop. As a consequence, the reputation of the company went downhill both at home and abroad.

Reasons of Failure

Marks and Spencer suffered sluggish sales, slump in profits and a sharply declining market share owing to all sorts of external and internal reasons.

Externally, more ambitious and vigorous competitors entered this market and therefore M&S faced more stiff competition over the 1990s. Moreover, technological changes happened in retailing industry. New entrants were more likely to use the computerized systems and adopted new methods of operating which could improve effectiveness and efficiency. Nevertheless, Marks and Spencer still depended on the old systems and approaches. Therefore, the company gradually fell behind (Mellahi et al 2002, p23).

Internally, first of all, the company did not have a unified, well-recognized and trusted brand name when exploring the international market. The company did not build up the brand effect. For instance, M&S did not change the names of the US chains after it bought Brooks Brothers and Kings Supermarket and used Brooks Brothers' chain to open the market in the Far East (Alon 2000, p. 8). Therefore, the company could not touch customers through its brand image, whereas brand image is vital in marketing literature.

Then, M&S did not consider the customer's needs on global market in early years. The company transferred their business formula from the United States to Canada without any modifications. Nevertheless apparently, the Canadian stores required customization to local needs (Alon 2000, p. 7). It is an economy that driven by customers. If a business could not satisfy its customers' needs and keep the customers in a cost-effective way and then it would confronted with losses.

Moreover, the company " lack of clear retail positioning and design" (Burt et al 2002b, p. 213). After enter each markets, M&S did not have a long-term plan for the sustainable development. Supply chain always to be a problem and the company did not solve it properly. Canada had these problems for years which gave no guidance on the United States purchase. Moreover, many elements make M&S run smoothly in the UK market but did not work on the global market and the business became a series of activities with little synergy and cooperative effect (Burt et al 2002b).

Last but not the least, the company did not have an overall and long-term development plan of international expansion. Such as the company signed franchise agreements in numerous countries, but used diverse franchisees and different types of franchise arrangements. Therefore, over a long period of time, the international activities of the company were directionless and lacked internal communication (Burt et al 2002b, p. 213).

Recent Development

After the failure of first-round international expansion, Marks and Spencer utilized contraction strategy that focus on domestic market to deal with the crisis. Ten years later, M&S is rebuilt as a trustworthy brand which demonstrates its quality, fit, and service are reliable and consistent. Globalization is imperative and overseas expansion is regarded as an opportunity for future growth. Therefore, the company is fully equipped to renew global extension.

Circumstances change with the passage of time, now M&S has 327 stores overseas in 41 territories (includes Republic of Ireland)(Marks and Spencer Group plc 2010). As can be seen from the chart below that Southern and Eastern Europe is the key area to expansion and there would be great opportunities in emerging markets such as the Middle and Far East, as well as the Indian subcontinent.

Source: Marks and Spencer Group plc

Moreover, M&S set a five year plan to raise international business to 15 to 20% of total Group Revenue from 2008. The company established some guiding principles to help complete the plan in 2010. Specifically:

" Growing our Central and Eastern European partnerships; building sustainable businesses in India and China; accelerating growth with our franchise partners; and continuing to explore new opportunities." (Marks and Spencer Group plc 2010)

Therefore, M&S focuses on the sustainable development of the company and proceed with internationalization sequentially. In addition to the European market, emerging markets, such as India and China, are potential areas which need to pay close attention for the next step. Furthermore, the company intends using multiple channels to drive the international business.

Recommendation and Conclusion

In order to achieve better performance in international expansion, M&S needs to use past history for guidance and look to the future.

To begin with, the company needs to transfer the " M&S" from a national into an international brand. It is unlikely for a company to deliver a brand into a new market without any further consideration. Therefore, the first decision should be made is whether " use a brand in all chosen markets or to differentiate it depending on market peculiarities" (Kuvykaite and Mascinskiene 2010, p. 446). Since a brand is a promise to make customers know who you are and then help the company generate customer trust. Therefore, the company need identify the brand positioning, symbol, logo and other images to arouse brand awareness.

Following the point mentioned above, the company must have detailed market research and expansion strategy. The business strategy should generally cover the ambition, positioning, investment and organisation (Lasserre 2007). Under the strategy, the company need has clear defined short-term and long-term objectives with a suitable value proposition to the market. The company also should organize itself properly and excavate a sustainable competitive advantage which is difficult to replicate or imitate.

Moreover, analyze each specific market and meeting customer needs such as supply good quality products at a lower price playing a vital role in the overall strategy.

Another important point is that the company should choose a suitable entry mode for each individual target market and come up with the follow-up ways of development. The company can choose any of these entry modes (namely export, license and franchise, alliance, joint venture or wholly owned subsidiary) or some combination of them to enter a host country. It is depending on the country's specific situation because the choice of entry confines the firm's overall strategy (Johnson and Tellis 2008). In order to be able to resist challenges of entering a new country and has an efficient operation, the company should be concern with activities after establishment.

Finally, all the plans and strategies must be implemented smoothly and adjust according to the changes of the market timely. It is well known that an effective implementation is always superior to a great strategy. A company can never succeed unless it can implement and carry out its strategy effectively (Sterling 2003, p. 27). Moreover, the strategy should also keep pace with the newly developed technologies, the changes of market environment of a specific country or region and most important thing is looking squarely at the alteration of customer's needs. Only in this way can the company use the market knowledge and power to tackle all the difficulties and successfully entering a new market and survive.

Marks and Spencer is gaining momentum in internationalization which helps the company seeking new markets and reduces the dependency on the UK economy. Moreover, as the company has a rich experience on international expansion in the past, therefore, it could learn from the past mistakes and create a better future. In this way, the company's international business offers considerable opportunities for long-term growth, as well as helps it grow into a world famous enterprise.