Morrison and marks and spencer essay

Globalisation, the new information technology, and deregulation of financial markets has eased the provision and search of finance. Millions of shares are traded every day on the world's stock markets.

(Penman, 2003). Investors who trade on these stocks are often forced to ask themselves whether they are buying or selling at the right price. (Penman, 2003). They often attempt to provide answers to these questions by turning to various media including internet chat rooms, printed press, " talking heads" on television and financial networks, who often voice opinions on what they feel the stock prices should be.(Penman, 2003).

In addition, investors consult investment analysts who provide an almost endless stream of information and recommendations to sort out. There are often claims that some shares are undervalued and vice versa. (Penman, 2003). This information at times becomes confusing leaving the investor with no clear indication of what the true prices of stocks should be. (Penman, 2003). Under such circumstances, the investor is forced to make the investment decision following his/her instinct or based on the information provided by the market.

(Penman, 2003). Investors who make the decision based on instinct are referred to as intuitive investors while those who make investment decisions based on capital market efficiency are referred to as passive investors. (Penman, 2003). Passive investors carry out their investment decisions based on the assumption that the market price is a fair price for the risk taken, that is, that market forces have driven the price to the appropriate point.

(Penman, 2003). These investment mechanisms appear to be very simple, as they do not require much effort. (Penman, 2003: pp 3). However, both investors run risks that are even more than the risks of the firms they are investing in since they can either pay too much or sell for less and as a result suffer a decrease in returns on their investments.

(Penman, 2003). According to Penman (2003), the intuitive investor has the problem of the intuitive bridge builder: “ one may be pleased with one’s intuition but, before building gets underway, it might pay to check that intuition against the calculations prescribed by modern engineering as not doing so may lead to disaster”.(Penman, 2003: pp 3). The passive investor runs the risks of either paying too much or selling for less should stocks be mispriced. (Penman, 2003).

Although economic and modern finance theory (Bodie et al, 2002; Penman, 2003) predicts that capital markets are perfect it is good practice to check before taking action. (Penman, 2003). Therefore, both the passive and intuitive investor run the risk of trading with someone who has done his homework well, that is, someone who has analysed the information thoroughly.(Penman, 2003). This study is aimed at carrying out a comparative analysis of four UK based retail companies with particular focus on macroeconomic environment, industry analysis, products, customers, strategy, finance and value so as to enable the researcher gain a reasonable basis for providing recommendations to investors on which company’s stock they should buy, sell, keep or hold. The rest of the paper is organised as follows: Section 2 provides an analysis of the macroeconomic environment in which the companies are operating, Section 3 analyses the retail industry, which is the industry for the four companies under study, section 4 provides analysis of each of the companies, including products, customers, employees, management, corporate governance and a valuation of each of the companies' stocks.

This section also provides a methodology for approaching the valuation and an appraisal of the method used as opposed to other methods. Section 5 provides a conclusion and a recommendation to investors on which company to hold, buy or sell.