Marks and spencer strategy evaluation

MARKS AND SPENCER (a)MARKS AND SPENCER’s SUCCESS This question is answered in relation to the success achieved before the downturn in performance in the late 1990’s. •The strategic intent was to have a simple pricing policy and the use of the ST MICHAEL LOGO as a sign of quality. •Had structured formula for all its stores whereby a set of principles were held as core to the organisation •The value chain was well managed suppliers been local and control could be exercised over suppliers and the manner in which the supply to the customers was dealt with in a uniformed manner throughout. The company was well funded through public listing and held value for shareholders.

•The business was in a cash cow phase with business and financial risk being medium. •The company had a high market share within their target market with the promotion of the their flagship product the ST MICHAEL brand. •The company had a strong competitive position. •Products were valued by customers due to high quality. •Products were made locally and perceived to be of high quality as they were British products.

This can be especially true after the post wars years and before companies started large scale globalisation. Chinese boom of imports had not yet really affected the market. •Customer loyalty was built and maintained. •The corporate culture and top down structure suited the environment. •Before globalisation could affect local markets in the UK the environment was relatively stable. •Corporate culture of the “ family atmosphere” was adequate for the pre-globalisation era.

•There was an understanding of what the customers valued – good quality at a good price. •The stores were adequately staffed to supply a good consumer service to the client. •There suppliers were totally reliant on them and thus placed them in a high position over suppliers. Knowledge of the industry having been operating from the late 19th century. •Superior brand image to competitors – differentiation strategy through product quality and brand image •The company protected their brand ST MICHAEL as a quality brand •High entry costs for new competitors.

(b)BASIS OF COMPETITIVE ADVANTAGE MARKS AND SPENCERS competitive advantage eminated from its concentration on a product differentiated basis by supplying a product of high quality, manufactured in the UK and carrying the brand name of ST MICHAEL which it built over a long period of time and marketed to a loyal consumer base. c)MARKS AND SPENCER DOWNTURN •The company did not react to a changing environment. •The top down structure was autocratic and led to a bureacratic environment within the organisation •Strategy was being developed by top management without understanding the problems that were being experienced in the operating environment. •They failed to recognise the fact that their competitors were obtaining products from Asia at much cheaper prices, whilst they continued to use more expensive local suppliers. •Competitors encroached on their market share by understanding the consumer better. The company’s “ one size fits all” strategy stocked their stores with products similarly across the board where different consumers in different areas had different needs.

They basically did not understand consumer needs, whereas other companies where aiming at cost leadership they were still trying to differentiate with a quality brand in a cost leadership market. This equated to only the very loyal customers buying from their stores. •Management did not understand the culture that had developed within the organisation and store managers would hide the true facts from executives, true of the bureacratic environment that had been created. They followed a global strategy of market development into other countries at a point in time when they didn't even understand their own home countries operating environment, a recipe for disaster and one also experienced by LEISURENET. •Competitors easily imitated their lower end product range in food and clothing and in doing so took market share from M&S.

•Competitors were concentrating on CRM whereas M&S where totally neglecting this fact and were not reacting in terms of programmes such as loyalty programmes. Food and clothing was marketed under one brand whereas they are tow completely different products and should be treated as such. The negaitive spin off of this type of marketing is that if one brand performs badly it immediately affects the brand of the other product. •There was a single strategy for both food and clothing whereas they should be strategised differently and individually.

With the common brand the consumer can become confused and relate the marketing of the brand to both products where the intention was for the one product range. The company diversified into areas such as mail order and e-commerce, areas that they were not familiar with and which ended up failing and costing the company. •At the end of the day they did not pay enough attention to their products such as clothing which they ended up putting outdated clothing lines on their racks and the general images of their stores, even their main store in London was found to be “ tacky” by consumers, not good for a company that is trying to market a quality brand to consumers. (d) EVALUATION OF CHANGE INITIATIVES The first move was to become more customer focused, which was a step in the right direction, but initially not enough was done to determine the exact needs of their target market.

I believe they also lost touch of who their target market in fact was. They were still taking for granted who their consumers actually were. •The second move was to decentralise the buying function to stock what the customer wanted, again they did not research the consumer or make use of technology such as data mining to determine what the customer needs were and were approaching it with the right idea but executed it badly. More control and responsibility seemed to be handed to store owners but the problem was that many of the old dinosaurs were still in play such as GREENBURY, although not CEO he was still involved.

•The company withdrew from some of it operations in foreign countries, which was a step in the right direction in that it could concentrate on the market that it knew best, the UK. •There was a move to use international suppliers, which was a step in the right direction as it could now source products cheaper and the value chain could become more cost effective. They diversified into home and internet shopping, an area that they were unfamiliar with and did not understand fully. •A new chairman from outside the company was brought in, which was a move in the right direction, so that new and brighter strategy from outside the organisation could be developed. •The stores received more staff to boost service levels on the floor, this was definitely needed to enhance the diminishing image of the store. •The structure was made flatter and more strategically aligned along strategic business unit lines, which was essential to tackle the different environments that the product ranges were operating within.

More products were sourced from Asia to enable the company to become more cost effective, this was needed to enable them to follow a more cost leadership strategy with their lower end products and to a degree with their branded products. •He tried to do a culture change which was really needed to adapt to a modern environment that is constantly changing. •To generate business the brand was revamped, this was needed to create a fresh image in the mind of consumers and would be more appealing. A single brand was again created the MARKS AND SPENCER BRAND, this single brand strategy across the board I believe was a mistake and was the same mistake made again with a different brand name they just swopped ST MICHAEL for MARKS AND SPENCER. •The value chain was revamped to suit the style of the individual stores which was a move in the right direction.

•The image of the company was boosted and brought into the public eye, this was needed to bring the new revamped image into the minds of consumers giving them constant reminders that M&S had changed and were now better than before. The development into international markets and diversification moves failed miserable and they ended up withdrawing from both. (e) SUGGESTED FUTURE STRATEGY •Research and define the target market, use technology such as data mining and make use of surveys to achieve this objective. •Once the target market has been re-defined, research the needs of those consumers and determine how value can be added. •Brand the product lines, such as clothing and food separately. And again within if there is to be different target markets such s budget clothing and niche clothing, brand separately and market differently, this way there is no confusion in the consumers mind about what the marketer is trying to tell them in advertising.

•Create and maintain a flatter structure and involve the store managers in the formulation of strategy, that input can be obtained from the operational level. •Withdraw from international operations and diversified operations and concentrate on the food and clothing sector in the UK. •Do a full analysis of the internal and external environment. •Research competitors thoroughly. •Investigate and institute a loyalty programme.

Institute effective CRM. •Create strategic business units along the lines of the various brands. •Once new brands are in place build and protect those brands. •Through CRM obtain customer loyalty.

•Enter a strategic partnership with a financial institution to offer credit facilities to consumers. •Research the food sector and if it finds that this sector is too cumbersome rather build its core compentencies on the clothing sector. •Build the new image in the minds of consumers and constantly remind them of this new image. •Revamp the stores in line with customer preferences demographically and do continous upgrading. Follow a cost leadership strategy with low end brands and only differentiate with niche products. •Do internal development of staff and make it one of the best companies to work for, thereby attracting the best minds in the business.

•Align the corporate culture with the strategy. •Be constantly aware of the changing environment and react accordingly. •Be the benchmark in the industry through constant R&D and be the market leader. •Involve all levels in strategy implementation and manage resistance and conflict to strategy change, a plan should be developed as part of the strategy planning.