

Marks and spencer internal and external factors



Analysts did not expect there to be a “ double-dip” recession first, but changes in consumer spending trends raised concerns for keeping a keen eye on consumer confidence by carrying out in-depth customer surveys every month. This was to become and stay realistic. Leaders of large firms are very cautious regarding UK economic environment.

UK is considered to come through the deepest ravages of the economic turmoil recently and in such a situation still M&S managed to post profits of £632. 5m for the last financial year. With the worst effects of the recession behind , the strong foundations in place, and its core values helped M&S set for growth under hard circumstances. At £632. 5m, M&S’s adjusted pre-tax profits for the 12 months to 27 March were 4. 6% higher than a year ago but well below the £1bn profits achieved in 2008. These stats along with the new budget announcement, impact on consumer spending remains a cautious issue and will have impact on outlook for the year ahead.

Business Environment Analysis

PESTLE

The external environment of Marks & Spencer is comprised of all the elements that determine what the it needs to compete in its respective industry. Following is highlighted some factors of M&A’s external environment and how they effect Marks & Spencer in executing its strategies:

(P)OLITICAL

European Integration and Free Trade Agreements have opened up markets for British & other Companies to invest in Europe. Thus, causing M&A to fight

hard to maintain its market share with aggressive strategies. Generally any trade is allowed in UK provided that it does not oppose public policy, public order, or any existing law in the land. But for Marks and Spencer, the most troublesome political elements that they have to contend to deals with the issue of labour laws and industrial relationship.

In the long history of M&A, its development efforts have been controlled by many infringements in labour laws in local operations and also in international initiatives.

(E)CONOMIC

UK Retail sector is quite recession prawn and also very sensitive to changes in interest rates. With the event of September 11, the world economies have suffered heavily, Once the customers and economy was on boom track after September 11 post effects, the financial crisis of 2009-09 has again set the economies struggle for survival. UK economy after fighting hard has now regained its system and consumers are again optimistic and the retail industry is once again booming. The United Kingdom being a hub of commerce in Europe, has consumers not limited to only locals but flocks of tourists also, thus creating much variations in base trends and retail business.

(S)OCIAL

Changes in consumer taste and lifestyle represent both opportunities and threats for the industry. UK consumer have a loyal tendency particularly towards brand. Quality of the product, but these factors can be easily overcome by fairly competitive pricing strategy from a competing brand. Moreover, consumers preference towards trendy styles rather than classics

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are also apparent in UK consumer market. This is specially in case of Marks and Spencer, as it has struggled hard to gain a greater market share of its customers. This makes evident that UK consumer places high value on their money.

(T)ECHNICAL

Changes in retailing methods such as Internet used as online shopping store is a common practice in retailing, widening the scope of ecommerce.

Moreover, Paperless operation and use of IT systems has provided flexibility in the executing operations of the business. Online marketing activities over the net is also becoming one of the competitive advantages held by the leading retail companies in UK.

(E)NVIRONMENTAL

The renewable and environmentally friendly sources of resources used in production are opted by most of the companies across globe now which has posed greater struggle for companies to maintain its market share. For Marks & Spencer, careful use of fabric and raw materials is a greater concern now.

(L)EGAL

National legislation for health and safety both in terms of consumer rights and also in terms of production of own natural renewable resources for making clothes is closely monitoring practices of companies so as to evaluate them on complying with legal restrictions .

Analysis of the External Environment of Marks and Spencer

The retail environment in UK appears to be extremely attractive. Companies, although have government support still there exists in the market some level of difficulty in penetrating the retail market, especially for new entrants, due to the strong hold of monoliths This is also true companies like Marks and Spencer, having strong historical background that their environment is essentially welcoming and neglecting the fact of cutthroat nature of the competition there are chances of immense demise for companies.

PORTER'S 5 FORCES

Porter explains that five forces exist in a market, which determine the intensity of competition and profitability of M&S .

The first is the threat posed by new entrants, the high capital expenditure and customers changing expectations put significant barriers to entry, making market also sensitive to reputation. But, with emergence of low cost manufactures a significant threat is posed for M&S market. There is an opportunity in the low price/ low economy (fast) sector and BHS and Top Shop or ASDA may also consider introducing low cost home products. The second is the threats from substitutes, as there are many retailers in both clothing and food sector, M&S has serious concerns regarding this. The third force is the threats from the bargaining power of buyers, this is strong for both M&S and the entire food retailing industry with a large number of alternative suppliers, hence, the aggressive pricing strategy which causes strong competitive rivalry in the industry and is getting intensified because of little or no differentiation in the basic product offered. Last is the threats from the suppliers bargaining power which is considerably low for food

industry, due to a range of alternative sources of supply available for products.

SWOT

SWOT Analysis will help us in understanding Marks & Spencer's current situation in terms of strengths and where improvements are required within the business and what outside environmental threats it faces along with what new opportunities are available in the short and medium term.

(S)TRENGTHS

- Diverse ranges of Products – Food, Clothing, Financial products, furniture, wine and Home
- Largest retailer in the United Kingdom by sales.
- Strong Cash Flow Position
- Increase turnover and trading profits
- Leading Premium Quality Food Retailer
- Brand Awareness

(O)PPORTUNITIES

- New Products
- Innovation & Alliances
- Customers demand change to more value for money products
- Develop overseas supply chain

(W)EAKNESSES

- Perception of High Prices
- Customer disinterest
- Environmental issues: Pollutions
- Substitute products or technologies

(T)HREATS

- New & existing competition
- Volatility in Price of raw products
- New legislations
- Economic recession
- Low cost retailers
- · Extremely high competition

Analysis of the Macro environment & Microenvironment

M&S is rated a successful multinational corporation. It has created its large number of loyal customer base by providing them with its high quality, good service, comfortable shopping environment and convenient access to outlets and products. But, due to the immense competition in market and also M&S's own wide product ranged offered it has to revise its marketing segmentation approach, especially in reference to clothing market.

Consumers have changing fashionable design and coloring requirements and M&S as is facing different target markets need to change its designs, cuts and color schemes to meet their demands. These need to specific and separate for women and young consumers who are its main target.

M&S also needs to enhance stock management. Combing its information technology system with stock management ca help M&S find problems immediately and solve them efficiently to supply products timely.

M&S also needs to consider the global economic environment, where the economic recession has caused deciling sales for M&S, it should focus more towards mid-age and mid-class as its target group as now their incomes can afford the high price of M&S.

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Trend Impact Analysis

Proposed Strategic Plan for M&S

After doing analysis of the environment of the M&S, the proposed strategic plan will be considering both the internal as well as external environment.

Initially its value chain should be focused on:

- Value Chain

The value chain of the organisation is coined primarily by Porter as a tool to recognise the inherent capabilities of the organisation to realise its competitive advantage. The following will describe the primary activities and support activities of the company.

- Primary Activities

The primary activities take in hand several specific functions of the company: inbound logistics, operations, outbound logistics, sales and marketing, and service. Marks and Spencer receives its inventories from its suppliers, initially the strategy was to stay limited to English suppliers but eventually this trends is now shifting and now suppliers include international suppliers also. Marks and Spencer is involved in the direct selling of apparel, foodstuff, and even home furnishings. The sales and marketing of the company should be the most prioritised elements for the organisation, due to the intense competition present in the industry, vying for consumer favour and to add value to the brand , it takes a step above the rest of these primary activities.

- Support Activities

For these support activities, the company needs to have hold of its f human resource and technology, where with help of proper training of common employee, the company can ccreate knowledge of its products and their awareness during the processes of selling to customers. Use of technology in similar manner can significantly infused in the operations of Marks and Spencer. This includes providing online transactions and loyalty cards on which they should be doing continuous improvements and innovation.

Strategic Options Available

To create sound strategic options for the M&S, they must consider the benefits and impacts those can have on company financial position and customer base also. Following are discussed some options which following the current recession and UK competitive market structure can be of good benefit for the company

Brand repositioning: this technique if used to create fresh feeling in the minds of customers for the brand after frequent intervals. Moreover brand repositioning requires a lot of work on new targets, segments and options, the changing consumer trends and demands can be well handled by M&S using such strategies

The rapid competition demand fast and logical decisions which are flexible and designed in such a ways that immediate implementation is possible as customers don't have time now and immediately switch to other brands. Thus the structure of decision making should be redesigned to make it more integrated and flexible.

Of the many strategic options available for Marks & Spencer it appears that Marks and Spencer could focus on refurbishing its operations. For instance, the company should look into a partnership with the more current and competitive players in the retail industry. This can help broaden the overall outlook of Marks and Spencer regarding their standing in the market.

Marks & Spencer needs to move ahead with major technology-driven change projects, despite cautiousness over the economy. Improvement in systems can also take place to improve supply chain processes which includes enhancing stock management systems to provide more accurate real-time stock level information.

Getting Cost efficiencies by introducing some new point-of-sale system and better customer service to all stores

Building a strong multichannel capability can also be useful which will result in more website development and introduction attractive and more efficient facilities and stock availability information for customers