



BA BUSINESS MANAGEMENT (BABMGSH-LI)

Assignment Two

Module: Marketing Fundamentals (LCBB4004)

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Definition of Marketing

What is the true meaning of marketing? The general perception of marketing is the idea of generating sales through advertising using TV, newspapers, social media commercials etc. However, making a sale, whether of a product or a service, is the very last step of a process through which companies engage with customers effectively to understand their needs and wants in order to develop products and services that deliver high customer value and price.

In other words, marketing is a managerial and social procedure through which people and businesses obtain what they require and desire through the creation and exchange of value. Therefore, we define marketing as the process by which companies engage customers, establish strong customer relationships, and create customer value in return of profit.

The marketing process can be easily visualised in Figure 1.1 The Marketing process (Kotler, 2019, p.6) depicts the process of creating value and building customer relationships resulting in captured value from customers in return.



Figure 1.1 The marketing process: creating and capturing customer value

The first four steps of this marketing process concentrate on creating customer value by researching customer needs and the current market situation. Through marketing segmentation and targeting a consumer-oriented marketing strategy is created. In other words, companies need to establish which customers can be best served in order to achieve optimal profitability. Through market segmentation and targeting, marketers can establish their target consumers, and then think about how to best present their products and services to this audience. To convert a marketing strategy into customer value, companies should build a unified advertising plan comprising of a mix of product, price, place and promotion.

Being aware of consumers' needs, expectations and purchasing abilities can help companies develop products and services with strong brands and real value to consumers. Ensuring offers are distributed well and available to target users to prevent loss of customer loyalty. Through promotion, companies showcase their product with an effective marketing campaign that resonates with their target audience. The final step of Fig. 1.1 shows the value that companies capture from customers. Offering superior customer value creates a satisfied user audience that is more likely to retain its customers in the long run.

Marketing process

Four components comprise the marketing process: strategic marketing analysis, marketing-mix planning, implementation, and control (Kotler et al., 2023).

- Strategic marketing analysis - In profit-driven organisations, the objective of marketing is to meet customer requirements profitably. Therefore, businesses must first determine which and whose requirements they can satisfy. Companies should identify the needs of different consumer groups or segments in order to offer a product that delivers value to the targeted group. Positioning is a crucial aspect of marketing strategy that entails creating and delivering an image that clearly defines the organisation or brand in contrast with competitors.
- Marketing mix planning - once a strategy has been developed, companies must determine which approaches will be most useful in carrying out that strategy. Product, pricing, location, and promotion are the four pillars of the marketing mix that must be considered when developing a tactical marketing plan to meet the demands of a certain demographic of consumers.
- Implementation of marketing plan - typically, businesses employ various companies to generate marketing, promotion of sales, and media concepts, but this can result in desynchronisation across aspects of the marketing mix. Combining marketing aspects can help businesses use their resources more productively and distribute advertising spending more effectively. This has resulted in integrated marketing communications, in which all promotional methods are viewed as part of the same effort and each instrument is given full attention in terms of cost and efficacy.
- Marketing evaluation and control - The success of a marketing strategy depends on regular assessments of its performance. Annual plan, revenue, performance, and strategic control are the four main forms of marketing management. The annual plan is monitored through comparing expected and real sales and accounting for any deviations. The sales of one firm are compared to its competitors in a market share study. The ratio of a company's marketing budget to its sales is one way to evaluate the efficacy of that budget. From a business's point of view, such costs can be estimated through financial analysis. Finally, measuring success by customer happiness. The capacity to keep tabs on revenue, earnings, and costs is made possible through profitability and efficiency controls. A business's capacity to keep tabs on its profits reveals how well certain goods and customer demographics perform financially.

Marks and Spencer situational analysis

➤ Micro environment factors

To better understand the position of M & S on the competitive landscape analysis through the method of Porter's 5 forces can be used. This method gives insight into the company's position based on forces such as threat of new entrants, new substitutes, bargaining power of buyers and suppliers and competition.

Marks and Spencer is an international apparel, home furnishings, grocery and financial services retailer headquartered in London, with over a thousand retail and online shops worldwide. With a history of 138 years, the company has a well-established reputation of value for money and strength to retain customer loyalty. Marks and Spencer operate in a mature market with well-established players that look to retain their market share. Establishing a new entry into this market would require a substantial investment.

Due to the size of the business and the range of goods offered, the threat of new entrants can be considered relatively low. However, the company's food and apparel sectors face strong competition from rivals such as Asda, whose brands such as George and Matalan are attracting previously loyal M&S customers with lower prices. In addition, fashion brands such as Zara, H&M, Primark and Next etc. are targeting younger, fashion-savvy clientele with their up-to-date fashion and affordable prices. Due to this, the threat of substitute products to the company's grocery and apparel sectors is relatively high. During recent years M&S was struggling to deliver on fashion trends losing many of its loyal customers to its existing and emerging competitors. The company has been forced to reconsider their middle-high price policy in order to regain its competitiveness in relation to rivals offering low-price imported fast fashion items.

The food sector has faced high competition from rivals such as ASDA, Sainsbury's, and Morrisons who have developed food ranges that match the traditionally high quality of M&S groceries.

Furthermore, the bargaining power of buyers and suppliers is considerably high. With the increasing cost of living and the ever-evolving fashion trends, customers are less likely to pursue brands and stay loyal to British produce and shift preferences to lower-cost fashionable designs widely available through competitors.

Following the legacy of using mostly British produce until the 1900's gave suppliers a high bargaining power. However, with the increasing rivalry of competitors offering imported goods at significantly lower prices, M&S has been forced to outsource its production and look for

suppliers overseas, gaining the benefit of lower production costs. This has led to decreasing bargaining power of their British suppliers (BBC, 2013).

The company operates in a highly competitive sector with a strong and growing number of rivals from supermarket chains, home and fashion retailers. Another big shift has taken place in the retail industry, thanks to the development of the internet and catalogue shopping and rivals' provision of nearly identical products at lower costs and more convenient and enticing in-store experiences.

➤ Macro environment factors

Several **political** factors have affected the company over recent years. The National Audit Office (NAO) estimated that the UK has lost GBP17 billion (\$23.6 billion) in three months of 2021 due to Brexit restrictions. In the second quarter of 2021, total commodities trade between the United Kingdom and the European Union decreased by 15%, and it is anticipated that UK border costs will rise in the near future. The Office for Budget Responsibility (OBR) forecasts that Brexit will reduce the UK's trade intensity by 15% and net migration from 224,000 annually in 2023 to 205,000 annually beginning in 2026 (MarketLine, 2023).

Table 3: Analysis of the political landscape	
Current strengths	Current challenges
▪ Strong performance across several governance indicators ▪ Strong position in global politics	▪ Tense ties with China
Future prospects	Future risks
▪ Top priorities of the government in 2023 ▪ Increasing cooperation with Indonesia	▪ The impact of Brexit on the UK economy
Source: MarketLine	©MARKETLINE

Following BREXIT, M&S has faced £26.9mIn in EU border costs and tariffs as well as approximately £15mIn impact on trading. The company has been forced to withdraw over 600 food lines from its Northern Ireland stores (McCambridge,2022). Following the Russian invasion of Ukraine, Marks and Spencer have completely seized their operations in the country making a loss of over £31 million as a result. As stated by Denton (2022) "M&S said it was facing higher food costs, driven by global supply issues and labour shortages, while factory, transport and freight costs, as well as continued supply issues in China, were putting pressure on its clothing and home arms".

International enterprises view the political and **economic** institutions of the United Kingdom favourably as they are open and competitive. The nation has a strong scientific background and powerful high-tech production capacities in the aerospace, defence, and automobile industries. The strength of the United Kingdom resides in its knowledge-based industries, such as finance, software, and medicine.

The United Kingdom has a high per capita GDP and a favourable investment climate, but it faces challenges in the form of declining productivity and a drop in its export market share. In 2020, the Covid-19 pandemic slowed the economy and increased unemployment. The economy grew the following year by 7.5% as a result of the elimination of Covid-19 restrictions. The economy expanded by 4.2% in 2022 despite skyrocketing inflation. Due to high levels of inflation, a sluggish global economy, political and financial market volatility, and declining productivity, the economy is projected to contract by 0.9% in 2023.

In the instance of M&S however, several macroeconomic factors have impeded the company's performance in recent years. Increased inflation in cost of sold products and operations. Inflation in food cost caused by international supply issues as well as export-related expenses, lack of workforce and reduced UK production supplier capacities.

The home and clothing sector has been affected by increasing production and shipping costs along with issues with imports from China.

Furthermore, the cost of living crisis has reduced the buying capacity of customers which will inevitably affect sales volumes (M&S Annual report, 2022)

As per their annual report, M&S have a clear vision of the economic situation and is taking steps towards maintaining clientele by "lowering cost" programme in their grocery sector, making investments in their venture with Ocado online grocery store and developing their digital sales platforms. Staying relevant in terms of fashion and cost will discourage loyalty shifting by customers. In addition, following the example of Sainsbury's supermarkets "Aldi price match guarantee" could draw the attention of cost-savvy buyers by breaking the perception of an "expensive grocery store" and popularising M&S produce amongst low-cost supermarkets' clientele.

Looking at the **social** factors, the standard of living in the United Kingdom is comparable to that of advanced countries. Years of economic expansion have contributed to the establishment of a solid social infrastructure. The medical and educational services provided in the United Kingdom are among the finest in the world, however, an alarming level of income inequality exists among the population of the United Kingdom. In accordance to the OECD, the Gini coefficient of equalised income available (an indicator of income inequality) for the

United Kingdom in 2019 was 0.36, ranking it between the highest in Europe. For comparison, Germany had a coefficient of 0.30, Sweden 0.28 and Belgium 0.26. A score of zero for the Gini coefficient corresponds to perfect equality, whereas a score of 100 refers to total inequality.

As stated in MarketLine's Country analysis report on the United Kingdom (2023), the OECD predicts that the elderly dependency ratio in the United Kingdom will increase from 31.0% in 2015 to 53.0% in 2075. This is due to the decline in the economic support ratio following the global financial meltdown, which has reduced worker tax revenue. This could have significant effects on the nation's finances, given the government's efforts to reduce the deficit.

The ageing population trend requires that firms adapt strategies to suit the need of the current generation.



Applying the method of market segmentation would give M&S the ability to differentiate its customers by different aspects in order to use a tailored approach when addressing customers. Directing relevant content to each target group is more likely to yield positive outcomes.

Figure 1.2 Market Segmentation

On an internal level, M&S strongly emphasise inclusion, diversity, equal opportunities, personal development and mutual respect. The company has invested £11m in a "Product academy" where employees receive face-to-face training. The company has also launched an apprenticeship programme in Data Science and AI in retail (M&S 2022).

In **technological** aspect, the United Kingdom has a leading innovation environment. An increase in investment in research and development is positive, but a lack of qualified workers could pose a significant challenge to the economy. The rise in cyberattacks is another source of worry (MarketLine, 2023).

Within the next phase of transformation, M&S has planned investments in technology to support its digital transformation and systems enhancement to facilitate more responsive trading. With Ocado Retail sales consisting of over 25 per cent of the M&S brand, a substantial return has been received for both companies. As the companies collaborate further, they will be able to fully leverage the M&S brand, technology capabilities, and cross-marketing opportunities. The firm is also planning to re-platform from its' old operating system to the "Ocado Smart Platform" in the upcoming financial year. This is a significant technological

upgrade, and once completed, Ocado Retail's website and ordering functionality will be among the best in the industry.

The Covid-19 pandemic has resulted in a lack of skilled workers in key areas such as digital, technology and data science and has led to an increase in labour costs. Essential operational roles such as supply chain and distribution have also been affected.

To combat these issues, M&S continuously invests in internal and external talent development to strengthen capability at all levels, creating future leaders and driving internal career progression (M&S, 2022).

The **legal** system in the United Kingdom is well-established, open, and effective. Legislations are implemented in a pragmatic manner, considering the interests of all parties, and creating an atmosphere that is friendly to business. Several agencies with jurisdiction over particular fields ensure that laws are fairly enforced. The government has implemented broad tax avoidance regulations to combat tax evasion.

The investment community's best interests have guided the development and revision of laws affecting the UK's economic climate. Therefore, most international companies located outside of Europe favour establishing a European headquarters in the United Kingdom. The UK has low foreign direct investment restrictiveness, which on a national level is considered a positive. However, this could pose a threat to existing companies from overseas enterprises entering the local market. Governments' planned corporate tax increase from 19 to 25 per cent for companies with annual profits over £250 000 would put further strain on Marks & Spencer's financial situation (MarketLine, 2023).

If the UK intends to maintain the **environment** in the long run, it must cut its pollution emissions. International and domestic agreements have established targets, but the problem is reconciling economic expansion with environmental advancement. The Environment Agency of the United Kingdom plans to cut overall carbon emissions by 45% by 2030. The transition to comprehensive pollution prevention is a crucial aspect of environmental management, however, it is only partially accomplished and its reach is still confined to significant sources of pollution. The 2011 Energy Act has set a dramatic shift in the provision of energy-saving for both domestic and business sectors. The act's goal is to allow and guarantee low-carbon energy sources while also ensuring fair competition in energy markets.

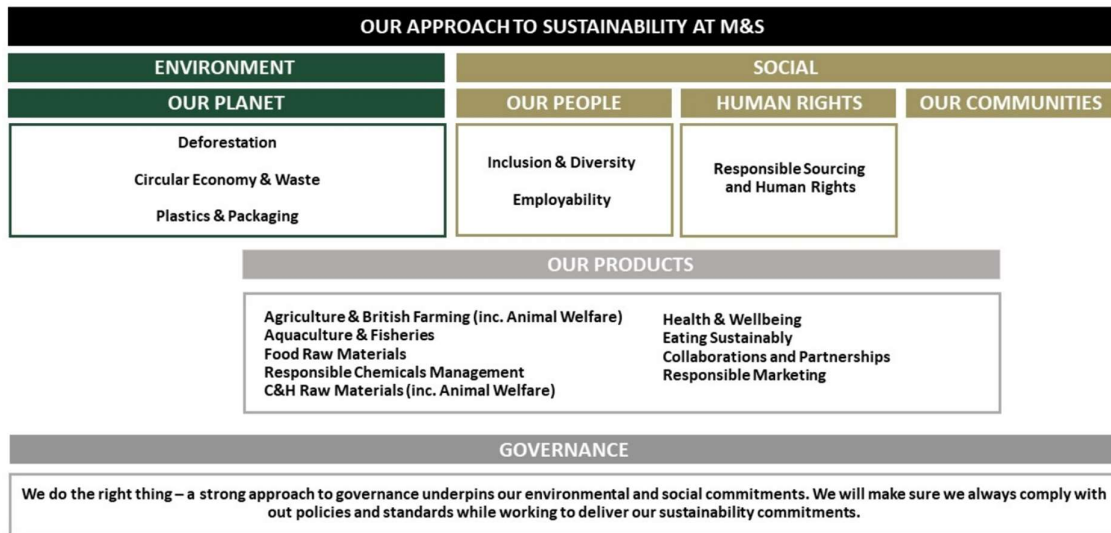


Figure 1.4 M&S Sustainability approach

M&S aims to become a net zero business across its value chain by 2040. This includes Scope 1 and 2 emissions from stores, offices and warehouses, and dedicated logistics network; and indirect, or Scope 3, which includes emissions associated with sourcing and manufacturing company's products (M&S, 2022).

Product and market strategy

Product and market strategies refer to the influence a specific product or product line has on certain market.

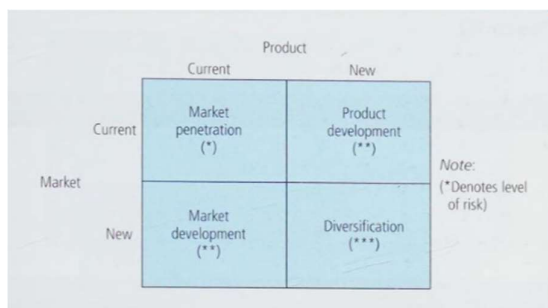


Figure 1.5 Ansoff Matrix

The four elements of the Ansoff Matrix are as follows:

- **Market penetration** – increasing existing product sales into existing markets. A competitive pricing strategy, a sales promotion, or advertising can help to increase a business's share in a current market. Existing consumers and products represent a low-risk starting point for planned expansion.

Accentuating on customer favourites through advertising and sales promotion, for example, “3 for 2” offer on certain clotheslines or “dine in for 4” offers on food can help

retain current customers and draw interest from rival users. M&S is famous for its quality childrenswear and schoolwear and has the potential to outperform rivals such as Next, Matalan or Asda's George with the correct pricing strategy.

In the food sector, M&S has already made a strategic step in popularising their products through their joint venture with Ocado reaching out to customers who wouldn't necessarily look into M&S food halls. Adopting comparison strategies such as the "Aldi price match" adopted by J Sainsburys can change the users' perception of unaffordable quality. The launch of the "ReMarksable" value range is another example of this strategy.

- **Market development** – refers to launching existing products in new markets. This could include opening branches in new countries, finding new distribution channels or finding new market segments.

M&S has already implemented this strategy through their collaboration with Ocado and Costa where some of the company's existing products are offered. The development of their online platform has led to an increase in home and clothes sales. The firm is also working toward shifting physical stores from town centres to the outskirts in order to reach new customers. They are also exploring the possibilities of opening branches in India.

- **Product development** – updating product lines to retain competitiveness. The introduction of new products in existing markets is a way to remain relevant.

The launch of the "Sports Edit" on the M&S website is a way to appeal to customers with an active lifestyle. Adding international cuisine items to their product portfolio as well as catering service for special events is another example of this strategy.

The company is famous for its high-quality lingerie, however, at present it proves to be more popular amongst older generations. Developing a youth lingerie line, combined with the "bra fitting" service (rarely offered by other retailers) can help popularise the segment amongst the younger generation. Expanding the maternity clothing range is another opportunity for development. Adding a "bridal" range (similar to Coast and Monsoon brands) is a further area that can be considered.

- **Diversification** – venturing into unfamiliar and unrelated products and activities. Diversification can be related – venturing into operations similar to existing ones (for example Financial services – insurance) which can be considered lower risk. However, unrelated diversification is considered high risk due to a lack of experience and knowledge in the required field. It involves large financial investment and time with an uncertain long-term result.

M&S currently has an abundant product and service portfolio, therefore concentrating resources and effort on the development of the existing operations would prove more beneficial compared to entering into new ventures.

Conclusion

Marks and Spencer have been a staple on the British market for over a century, building a reputation for traditional, sustainable, British produce. Whereas the company has maintained its fame for quality, over the years focus on tradition has led them to fail staying relevant to the new trends. This led to a drop in their popularity in the '90s and early 2000s. The company, however, has re-evaluated its market position and is now taking steps to rebuild its relevance and gain the position it once had.

With the threat from new competitors entering the British market along with rivalry from existing enterprises, M&S has made a plan to restructure its management, products and operations. The company has shifted their view from tradition to customers and is now working to meet customer demands and current trends in fashion, food and distribution channels.

Going into strategic partnerships with Ocado and Costa Coffee is sure to increase the fame of their grocery sector. Updating legacy stores, shifting shop floors to create an easier-to-navigate system and improve customer experience. Developing the M&S online shopping channel and the creation of additional distribution depots is set to further increase revenues. Breaking the “own brand only” trait and adding external brands to its shelves is a successful path to retaining and attracting custom. The company has adopted a lower price policy in a bid to combat the consequences of the Covid-19 pandemic and the current cost of living crisis.

Economic factors such as the lack of a specialised workforce are battled through internal training and talent development programs.

This conclusion is based on the information in the companies' 2022 Annual review, the information in which shows the company's clear view of its current situation and its strategic plan for improvement.

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