

**Title:** Will Marks and Spencer survive and can it thrive?

**Name/Number of Host:** Nashrin Ali 1709478

**Host Organisation:** Marks and Spencer

**Date of Report Publication:** 20<sup>th</sup> July 2018

## **Executive Summary**

The purpose of this report is to critically analysis strategies to ensure the long-term survival of the organisation Marks and Spencer. The company have been facing many problems over several years and needs a dramatic restructure to ensure survival in the cut throat world of retail. Marks and Spencer were scrutinised for their high pricing when compared to like for like items that were sold for relatively cheaper in rival stores. The added factor of not understanding their customers' fashion trends and attracting only older customers deterred younger cliental from spending with them. With rising rents and high running costs of staff has left the company closing several stores. This has given chief executive Steve Rowe an opportunity to restructure the remaining stores to enable them to survive on the high street. The company have taken initiatives in addressing their need to have an online presence with the need to make changes to their website and also grab the attention of customers with the use of advertisng via various media.

## **Contents Page**

|                                                                    |    |
|--------------------------------------------------------------------|----|
| 1.0 Terms of Reference.....                                        | 1  |
| 2.0 Procedure.....                                                 | 1  |
| 3.0 Findings.....                                                  | 2  |
| 3.1 Overview of the organisation.....                              | 2  |
| 3.2 Marks and Spencer monitoring and reviewing<br>of problems..... | 2  |
| 3.3 Nature, Scope and Impact.....                                  | 3  |
| 3.4 Analysis of Marks and Spencer.....                             | 4  |
| 3.4.1 SWOT Analysis of Marks and Spencer.....                      | 4  |
| 3.4.2 PESTLE.....                                                  | 7  |
| 3.4.3 Stakeholder Analysis.....                                    | 9  |
| 3.4.4 Stakeholder Analysis diagram.....                            | 12 |
| 3.4.5 Problem solving using stakeholder analysis.....              | 12 |
| 4.0 Conclusion.....                                                | 13 |
| 5.0 Options.....                                                   | 14 |
| 6.0 References.....                                                | 15 |

## **1.0 Terms of Reference**

On the 18<sup>th</sup> of June 2018 a report has been requested by the host organisation Marks and Spencer. The report has been requested to be submitted on the 20th July 2018 and the purpose of this report is to highlight the nature, scope and impact of the current issues Marks and Spencer are currently facing. The author Nashrin Ali will be conducting this report to discuss the problems.

## **2.0 Procedure**

A number of textbooks, articles and journals will be researched to gather relevant information to compile this report.

### **3.0 Findings**

#### **3.1 Overview of the Organisation**

Marks and Spencer are a British multinational retailer and specialises in the selling of clothing, home products and luxury food products. Marks and Spencer were founded by Michael Mark and Thomas Spencer in 1884 (BBC 2000). They first started off as a Penny Bazaar in Leeds (Carter 2018). According to the company archivist (Carter) Marks and Spencer uses its heritage on a daily basis to identify their branding and launching new products. M&S currently has 979 stores across the U.K. including 615 that only sell food products (BBC news 2017).

#### **3.2 Marks and Spencer monitoring and reviewing its problems**

According to The Guardian (2016) Steve Rowe (who has been with M&S for 25 years) has taken over as chief executive and faces the challenge of bringing the company out of a rut where clothing sales have slumped for the past three years. His predecessor Marc Bolland (six-year tenure) did manage to leave a legacy whereby he brought the company into the 21st century by modernising its supply chain and embracing the internet.

Though the food halls thrive with customers, the problem lies with clothing sales. Due to fall in sales M&S have announced the closures of one in three of their stores (The Guardian 2018). After nearly 115 years in the trade their stores are looking shabby and dated though attempts have been made to modernise through the introduction of coffee shops.

### **3.3 Nature, Scope and Impact.**

According to the article (The Guardian 2016), surveys from their client base suggest that company's pricing are 20% higher than their competitive peers such as Next and Debenhams and the impact has left the company with shrinking share losses. The pricing gap is of a problem when compared to like for like items in Next for example, a M&S value t-shirt is priced at £15 compared to Next's price of £12. Another problem M&S are currently facing is the availability of "best seller" items where they are running out of popular sizes quickly. Rowe must ensure his buyers can predict their popular items and in turn order enough stock to satisfy customers' demands. M&S (The Guardian 2018) have revealed that the decision to close 100 of their core clothing and home branches was vital for the future of the struggling business. This has left an impact on their 1,500 employees who face losing their jobs currently. Under the radical transformation plans Rowe has vowed to reduce shop floor space which is dedicated to clothing and homeware. According to the Financial Times (2018), Rowe has stated the

reason for loss of sales is due to inflation and consumers are prioritising their spending's and budgeting while on the BBC news website (2016) it has been reported that the reason behind weak consumer confidence is due to the European Union referendum in the UK. M&S's decision to run fewer promotions has resulted a 5% downfall in sales alongside their summer sales starting two weeks later than the year before.

### **3.4 Analysis of Marks and Spencer**

#### **3.4.1 SWOT Analysis of Marks and Spencer**

|                                                                                                                                                                                                                          |                                                                                                                                                                                                                                               |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p style="text-align: center;"><b>STRENGTHS</b></p> <ul style="list-style-type: none"> <li>• Great market experience</li> <li>• Strong brand (M&amp;S are well established)</li> <li>• International presence</li> </ul> | <p style="text-align: center;"><b>WEAKNESSES</b></p> <ul style="list-style-type: none"> <li>• Loss in sales (clothing and homeware)</li> <li>• Older customer base</li> <li>• High pricing of products</li> <li>• Vast competition</li> </ul> |
| <p style="text-align: center;"><b>OPPORTUNITIES</b></p> <ul style="list-style-type: none"> <li>• More online sales</li> <li>• More focus on their food sector (supermarket)</li> </ul>                                   | <p style="text-align: center;"><b>THREATS</b></p> <ul style="list-style-type: none"> <li>• Competitor rivalry</li> <li>• Modernise supply chain</li> <li>• Weak online presence</li> <li>• Failed to grasp target audience</li> </ul>         |

## Strengths

Marks and Spencer have a great market experience as a leading recognised retailer in the UK. Its journey as a Penny Bazaar back in 1884 in Leeds (Marks and Spencer 2018) gives them a great strength in the retail market.

Marks and Spencer have a strong brand and are widely known for the quality of their products. According to a survey conducted by Which? In 2017 who surveyed 6,800 people and asked how satisfied they were with the supermarket and if they would recommend them to a friend, resulted M&S being placed in 2<sup>nd</sup> position as a premium supermarket (Which? 2018).

The M&S name has an international presence boasting 1,433 stores worldwide including Europe, Middle East and Asia. The vast number of stores alongside the website has aided in their success (Marks and Spencer).

## Weaknesses

Marks and spencer have experienced a loss in sales of both food and clothing during the Christmas period in 2017, The impact on the company resulted in plans to close 14 stores across the country (BBC, 2018). Another factor to the closures were due to rising business rates and high costs of staff. Marks and Spencer are widely known to cater for the older generation though this is not true, this perception has

caused problems for the company as teenagers and younger people tend to avoid their stores. Analysts have stated that click and collect are very popular amongst other retailers but due to M&S's older customer base, they are reluctant to use this method and prefer to shop instore (BBC, 2018). Long gone are the days where M&S were regarded as the epitome of shopping for all. When times are tough consumers flock to the stores who offer discounts to save money. This alongside the vast competition they face from other chain retailers and supermarket has put them in a unfavourable position in the retail market (Ritson 2017).

### Opportunities

Though Marks and Spencer have an online presence it is nowhere near as good as other retail giants across the UK. The company have an opportunity to succeed online and should seek this strategy to grow. The company's revelation to move a third of its product sales online for a digital first future is a step in the right direction (Rigby 2017).

Steve Rowe had revealed to opening 200 Simply Food stores over the next five years but now will open 80 which is to be equally split between M&S and franchise partners. The reason being that their food sector showed an increase of sales of 4.4% which were driven by new store openings. M&S should seek to focus on their existing stores and restructuring and remedying immediate issues.

## Threats

M&S face stiff competition against other retailers who offer like for like products. Their clothing sales have been disappointing for the past five years despite efforts. Competitor Debenhams reported that sales of similar products rose by 3.5% (Independent 2017). The Guardian (2018) state that the growing competition the internet has created has made it easier for consumers to compare and shop around for products and M&S have failed to grasp the demands.

According to the Guardian (2017), Marks and Spencer have stated the need to modernise their supply chain, especially the warehousing and IT department which needed to be swifter and low in cost due to the company's future where 30% of its sales were online.

Marks and Spencer have failed to grasp the female demographic and their appeal. Even the older generation are dressing more fashionably than the past and M&S have not kept up with the trends or pace. The sub-brands such as Per Una and Limited Edition lack conviction and consumers are confused at who the brands are targeting.

### **3.4.2 PESTLE**

## Economic

M&S faced a dive in profits of 64% due to weak sales of clothing. Chief executive insisted that company were on the road to recovery despite their low sales performance (The Guardian 2017). Pre-tax profits were reported to be down by 10% on sales. But once charges including pay and pension alongside store closures in the UK and overseas resulted the pre-tax profit to dive by 63.5%. Rowe has appointed Jill Mcdonald to oversee the clothing arm of the company. Though she hasn't worked in the fashion industry Rowe was confident in her, highlighting her experience with likes of Halfords and Mcdonalds and stated "the business is not just about picking knitwear, it's running the buying departments, sourcing operations, logistics and marketing.... it's a much broader job" (The Guardian 2017).

## Sociological

Social factors that need addressing is the company's clothing range, which don't appeal to the mass market. The older generation are reporting that M&S don't meet their desired trends and don't understand who the clothing range is targeting. The company's efforts to cut corners on quality to reduce pricing to rival competitors like Primark has backfired. Marks and Spencer's customers have more variety and

choice now so M&S need to seek to adhere to the desires of the female demographic (The Guardian 2018).

### Technological

M&S will be introducing a trial of an online grocery shopping service to test its customers need for home delivery. M&S food hall is a lot smaller than other supermarkets as they only stock 7,000 products compared to Tesco who stock 40,000 products. The trial will take place in the smaller stores which would involve staff picking orders from the shelves (The Guardian 2017). M&S need to adapt to a wired world and learn from other competitors and how they are thriving online. It is reported (The Guardian 2018) that a staggering quarter of clothing and footwear is purchased online. Though the company have a home delivery warehouse they are struggling with demands.

### **3.4.3 Stakeholder Analysis**

#### Primary Stakeholders

The primary stakeholders of Marks and Spencer are:

- Customers

The company can monitor the sales of products. This will enable them to keep an eye on consumer spending and

profit targets. Through the use of research and surveys the company can take on feedback. The use of social media can help aid with the company's vision (Marks and Spencer 2018).

- Employees

M&S take action by the use of business involvement groups and have an annual 'your say' survey which will ensure employee voice is heard. The company have devised a plan A email initiative alongside an independent internal hotline solely for employees. Due to store closures employees face job losses so campaigns need to address this (Marks and Spencer 2018).

- Suppliers

M&S are committed to paying their suppliers a fair price and support local communities and ensure their supply chains are in good working conditions (Marks and Spencer 2018).

- Investors

The company's objective is to build a sustainable business through consistently and profitable growth and to ensure that they are acting responsibly in meeting their accountability to shareholders and wider stakeholders. The governance framework enables the company to

express their standards in business (Marks and Spencer 2018).

### Secondary Stakeholders

Secondary stakeholders are:

- Media

M&S have invested 20% of their budget on media on storytelling to target a personalised message to its audience. According to Vizard (2015), An M&S spokeswoman said much of the media budget will go on social media, sharing content and distributing campaigns on social media. She added that the company has a very active fan base on social media and the company are seeking to engage with them with relevant content.

- Government and regulators

M&S are engaging with the government through industry groups and trade bodies to shape public policy that are relevant to the company's interests. The company are committed to share an insight in developing effective sustainable solutions (Marks and Spencer 2018).

### 3.4.4 Stakeholder analysis diagram (Power/Interest matrix)

#### Level of Interest

|       |      | Low                                                                                                                            | High                                                                                          |
|-------|------|--------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|
| Power | Low  | <div>A</div> <ul style="list-style-type: none"><li>• Customers</li><li>• Employees</li></ul> <p>Minimal effort</p>             | <div>B</div> <ul style="list-style-type: none"><li>• Suppliers</li></ul> <p>Keep informed</p> |
|       | High | <div>C</div> <ul style="list-style-type: none"><li>• Media</li><li>• Government and Regulators</li></ul> <p>Keep satisfied</p> | <div>D</div> <ul style="list-style-type: none"><li>• Investors</li></ul> <p>Key players</p>   |

### 3.4.5 Problem solving using stakeholder analysis

Customers play a big role in the sales of M&S's products. The company need to utilise customer feedback to understand their needs. By the use of email feedback and surveys this can be achieved (Marks and Spencer 2018). Employees need to be kept in the loop in terms of their job security. Investors need to have confidence in Mark and Spencer and their

investment in the company will see a growth and a return. Ethical working conditions and a fair wage is paramount in keeping supply chains happy and satisfied. Media play a big role in marketing M&S and their ethos. It is essential to get their demographic accurate in the form of advertising. Governmental issues can be addressed by the company through collaboration and finding innovative sustainable resources' (Marks and Spencer 2018).

#### **4.0 Conclusion**

On completion of the report the author can conclude that Marks and Spencer have faced a number of downfalls which has impacted their profit margins and has resulted in the decision to close several stores down in the next few years. Rowe's decision for the closures is agreed by the author as research shows that retail shopping has moved online and customers don't only use the internet to shop and browse but also compare prices and services such as click and collect is providing popular. Another downfall was their pricing which was relatively higher than like for like items in competitor stores. Marks and Spencer need to address this without cutting corners on the quality of their products. They also need to keep up with public demand and recognise their popular items and order more stock. M&S have established

that one of the reasons for their loss in sales is due to the customers' weak confidence in their clothing styles and felt that the company were "out of touch" with current trends. The hiring of Jill McDonald can help with this side of buying operations.

## **5.0 Options**

- M&S should invest in the development of their online website and offering more stock quantities
- M&S need to source supplies without compromising on the quality
- M&S need to focus on a target market and focus on the needs of that demographic. Understand current trends and apply that style to their clothing
- Keep up with rival competitors' and offer like for like items at the same price
- Due to the closures of their stores they should focus on what products sell and only stock those items. Their food hall has proved popular amongst consumers

## 6.0 References

BBC, 2018. *Marks and Spencer plans to close up to 14 stores.* [Online]. Available at: <http://www.bbc.co.uk/news/business-42886154>. [Accessed 4 July 2018].

BBC News, 2016. *Marks and Spencer clothing sales plunge in first quarter.* [Online]. Available through: <https://www.bbc.co.uk/news/business-36732737>. [Accessed 4 July 2018].

BBC News, 2017. *M&S slows its food store expansion plan.* [Online]. Available at: <https://www.bbc.co.uk/news/business-41911960>. [Accessed 4 July 2018].

Carter, K.,2018. *134 years of history, 70,000 historic objects, 1 nationally accredited retail archive.* [Online] Available at: <https://corporate.marksandspencer.com/blog/134-years-of-history-70-000-historic-objects-1-nationally-accredited-retail-archive>. [Accessed 4 July 2018].

Independent, 2017. *Tesco, Marks & Spencer, Debenhams, John Lewis and co cheer strong Christmas trading.* [Online]. Available at: <https://www.independent.co.uk/news/business/news/tesco-marks-spencer-debenhams-and-co-cheer-strong-christmas-a7523311.html>. [Accessed 4 July 2018].

Marks and Spencer, 2018. *Advocacy*. [Online]. Available at: <https://corporate.marksandspencer.com/plan-a/delivering-plan-a/leading-with-others-to-accelerate-change/advocacy>. [Accessed 5 July 2018].

Marks and Spencer, 2018. *About us*. [Online]. Available at: <https://corporate.marksandspencer.com/aboutus/our-heritage> [Accessed 4 July 2018].

*"M&S launches underwear boutiques" (Business). United Kingdom: BBC. BBC. 23 October 2000. Retrieved 15 March 2017*

*Plummer, Robert (28 April 2017). "M&S online food delivery service will be no piece of cake". BBC News. Retrieved 28 April 2017*

Rigby, C., 2017. *M&S closes stores and targets online growth in a digital-first future*. [Online]. Available at: <http://internetretailing.net/2017/11/ms-closes-stores-targets-online-growth-digital-first-future/>. [Accessed 4 July 2018].

Ritson, M., 2017. *This is not just a decline, this is an M&S decline*. [Online]. Available at: <https://www.marketingweek.com/2017/07/12/mark-ritson-ms-decline/>. [Accessed 4 July 2018].

Vandeveld, M., 2018. *Big high-street stores feel chill of consumer spending freeze*. [e-journal]. Available through: <https://www.ft.com/content/72b119ca-f6b3-11e7-88f7-5465a6ce1a00>. [Accessed 4 July 2018].

Vizard, S., 2015. *M&S invests 20% of media spend in social media as it ups focus on storytelling*. [Online]. Available at: <https://www.marketingweek.com/2015/06/04/ms-invests-20-of-media-spend-in-social-media-as-it-ups-focus-on-storytelling/>. [Accessed 5 July 2018].

Which?, 2018. *The best and worst supermarkets of 2018*. [Online]. Available at: <https://www.which.co.uk/news/2018/02/the-best-and-worst-supermarkets-of-2018/> – Which? [Accessed July 2018]

Wood, Z., 2016. *The challenges facing Marks & Spencer's new chief*. [e-journal]. Available through: <https://www.theguardian.com/business/2016/apr/02/challenges-facing-marks-spencers-new-chief-steve-rowe>. [Accessed 4 July 2018].

Wood, Z., 2017. *M&S profits dive by nearly two-thirds as clothing sales slide*. [Online]. Available at: <https://www.theguardian.com/business/2017/may/24/m-and-s-profits-clothing-sales-restructuring>. [Accessed 4 July 2018].

Wood, Z and Butler, S., 2018. *Marks & Spencer to close 100-plus stores by 2022 in 'radical' plan*. [e-journal]. Available through:

<https://www.theguardian.com/business/2018/may/22/marks-spencer-close-stores>. [Accessed 4 July 2018].

Wood, Z and Butler, S., 2018. *Seven reasons why Marks & Spencer is in trouble*. [Online]. Available at:

<https://www.theguardian.com/business/2018/may/23/seven-reasons-why-marks-spencer-is-in-trouble>. [Accessed 4 July 2018].