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Marks & Spencer's Strategic Response to The Covid-19 Outbreak

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Introduction

This essay starts by looking at Marks & Spencer history and its reach. It points out what position Marks & Spencer is in now in the industry. Then, it depicts a little picture of the global fashion industry. Next, it tries to carry out a SWOT analysis of the fashion industry. Then, it explains the value chain process of the industry. It, at this point, looks at the new approaches Marks & Spencer has come up with to respond to the pandemic. Finally, it comes to an end with a concluding remark and providing recommendations.

Marks & Spencer

Marks & Spencer is one of the largest British multinational corporations in the clothing industry. It is based in London, England. It was founded by Michael Marks and Thomas Spencer in 1884 in Leeds. It has a large workforce of approximately 78,000 employees as of today. It has about 1519 stores in 62 countries all over the world (Marks & Spencer, 2020). It has around 44 dedicated shop-like websites that offer online shopping experiences. It promises to provide products that come with great value.



Source: Logo Eps (2017)

Marks & Spencer's Global Position

Marks & Spencer is a fashion brand with a strong presence in the global apparel market. It has locations in about 62 countries, which indicates its global footprint. It operates in different markets based on geographical segmentation (Lacy, et al., 2020). Its main operational region is in the UK while international regions include Europe and Asia. In addition, it has registered franchisees in different markets. This is just the offline and physical operational units. Recently, Marks & Spencer has expanded its business through the help of online channels. As part of the expansion of online channels overseas, it has launched 46 websites, which are dedicated to its new markets, to accelerate its growth on a global scale (BBC, 2021). This will enable mark & spencer to increase its sales and profits without any sunk costs. It incurred losses last year, for the very first time in its 94 years of journey, due to Covid-19. To recover from the losses, Mark & Spencer management has decided to increase its digital presence as it saw growth in online shopping during the pandemic. E-commerce transactions have increased to a great degree, which is the only way to keep the business of Mark & Spencer going.

Global Fashion Industry

The global fashion industry has been going through a very dark and depressing time. In a word, it was at a deadlock last year. Manufacturing plants and factories have remained close mostly in the year. But the scenario is changing gradually as people in the industry are thinking of new approaches to be back in business (Zhao, 2021). Some of them have already gotten back production of clothes and other wears. This is the right course of action for the time being because there is no point in sitting idle and doing nothing. Drastic and abrupt change is hard to cope with initially. With time, it will become normal as businesses get used to the new environment (McKinsey, 2021).

SWOT Analysis of Fashion Industry



Source: Mind Tools (2018)

Strengths

Demand-Led

The fashion industry is demand-driven. The units and quantities demanded by consumers dictate the production intensity and modes of production. If there is huge consumer demand, mass production is used to manufacture the clothes (in & Shin, 2020). If it is less, the

production process is loosely concentrated. This ensures that no extra units for which there is no demand get produced. This is one of the great strengths of the industry.

Cheap Labour Facility

Businesses in the industry shift their production to countries where labour cost is minimal and cheap. Third world countries like Bangladesh, Rwanda, and Ethiopia offer very cheap labour rate, which helps businesses in the industry earn a larger profit margin (Ozdamar-Ertekin, 2017).

Easy Global Reach

Clothing is an essential product across the whole world, regardless of economic and social conditions. Businesses in the industry produce clothing products for the global market as they enjoy global reach to a significant degree (Ledezma, 2017). Besides, there are incentives and facilities for export-import efforts.

Weaknesses

Obsolete and Outdated Equipment

Equipment used for manufacturing clothing products in the least developed countries has become obsolete and outdated. These countries still use old processes for production while state-of-the-art equipment and machinery have been proven to be far more productive. There is very little use of automation processes in manufacturing activities.

Underskilled Labour Force

Labourers who work in the garments industry are mostly underskilled. Most of them do not have any formal training and work-related diploma degrees. As a result, they underutilize the production resources that they work with (Ceccagno, 2017). They sometimes waste valuable resources due to a lack of how-to-use knowledge.

Lack of Research & Development Efforts

The fashion industry operates and functions on the outdated knowledge that was established a long time ago and no longer applicable in today's realities (Gaudenzi, et al., 2021). This has been the cause of missing out on the latest market trends and tendencies. The fashion industry is dynamic. It changes and evolves every now and then.

Opportunities

Favourable Trade Agreements

There are a number of trade agreements existent in many nations. Economic integration such as NAFTA and SAFTA work to make the trade conditions and agreements between ally nations (Barbu, et al., 2018). This presents enormous opportunities to expand into new markets. Interstate trade relationships improve along the way, which creates further business opportunities.

Potential African Markets

Most African markets still remain unsophisticated in nature. For that matter, there is almost little to no access to clothing products made by foreign businesses. This is a huge opportunity for clothing brands to expand their business operations in these markets that still have untapped potential.

Increasing Research Endeavours

Research in the fashion industry is still limited to a few attempts where there are ample opportunities for research endeavours. Key people in the industry are beginning to realize the power of research efforts and their impact on business growth. The trend has started already, but, it is not growing rapidly.

Threats

Increasing Competition

Competition in today's business world is always on the rise and it will continue to remain the same in years to come (Morrison, 2016). Businesses in the fashion industry have to embrace the competition and adapt to changing situations as quickly as possible. If any business fails to cope with the ever-dynamic situation, it will be out of operations in just no time.

Volatile Input Costs

Input costs determine a wide range of important factors such as pricing, overall production, etc. Inputs used in the production process are volatile in terms of costs (Berlingieri, et al., 2018). This, at times, increases the overall production costs, which affects the profit margins significantly. production costs sometimes reach so high that they can endanger any business.

Less Organised Manufacturing

Manufacturing activities are not well organized in the fashion industry. As a result, there is often inconsistency in product quality (Shen & Chen, 2020). The production rate varies many

times, which gives rise to concerns relating to supply shortages. This disrupts production flow and slows down production processes to a great extent.

Value Chain Analysis of Fashion Industry

Inbound Logistics

Inbound logistics deals with factors such as acquiring raw materials and storing them in warehouses. It is the most fundamental activity in the value chain of organisations. In the fashion industry, it plays the most important role as it handles materials and other supporting items needed to produce the final products (Todeschini, et al., 2020).

Operations

In this stage of the value chain process, raw materials are converted into the final products that consumers buy. This is basically the processing unit in the process that turns input into valuable outputs just like computers convert data into information. In the context of the fashion industry, operations include manufacturing clothing products, packaging, and labelling them.

Outbound Logistics

Outbound logistics involves all the functions that help final products reach their end-users that are known as consumers. Supply chain partners and channels step in to get these final products to the end consumers. Businesses in the fashion industry use shipping as the primary mode of transportation and take the help of trucks as a supporting mode of transportation (Daniels, et al., 2014). Due to the pandemic and its resultant lockdown, supply chain channels have faced numerous difficulties.

Marketing and Sales

Marketing and sales work to let the people know what the products are and at what locations they are available. This is the link that connects the consumers with the sellers who are otherwise isolated. Marketing strives to learn what people need and want. From that learning, businesses design their products in line with consumer wants and needs.

Service

Service means the after-sales service. It is the last activity in the process but is as important as other ones. It complements the other primary activities and ensures that the consumers come back to buy and encourage them to remain loyal. Loose customer service can be the reason for losing loyal customers and even prospective customers.

Marks & Spencer's Covid Response

Marks & Spencer, for the first time in history, reported losses in the year 2020 due to disruption caused by Covid-19. As a result, it cancelled placing new orders but ensured that it will honour the already placed orders and accept them as soon as they arrive. However, it has come up with different approaches to respond to the impact of Covid. It has formed dedicated response teams based on four key areas: coworkers, consumers and business continuity, financial reporting resilience, and supply-demand.

Marks & Spencer's Approaches to Respond to Covid-19:

Commitment towards Suppliers and Workers

- Marks & Spencer made payments for product shipments placed before the production was shut down.
- Marks & Spencer paid for all the products made, despite them not being shipped.
- Marks & Spencer is committed to making sure that every fabric does not get wasted.
- Mark & Spencer eased its payment terms by extending them to 120 days from 75 days.
- Mark & Spencer ensured that its suppliers receive cash payments.
- Mark & Spencer paid its workers' wages on time with support packages.

Support for Cotton Farmers

- Mark & Spencer recognises the importance of cotton farmers and provides them with financial support.
- Mark & Spencer invested in cotton firms to help the cotton farming people survive through the Covid crisis.
- Mark & Spencer has partnered with BCI to support the people in cotton farming communities that have been affected by the Covid outbreak.
- Mark & Spencer and its other counterparts have joined hands to provide insurance for affected people in the cotton-growing community whose losses have been covered by the insurance.

Help for Workers

- Marks & Spencer has partnered with NGOs to conduct interviews of workers to understand how Covid-19 has affected them.

- Marks & Spencer has launched concerns reporting initiative for workers to better help them.
- Mark & Spencer has introduced virtual complaint lodging platforms where workers can report if they feel they are treated unfairly.

Conclusion

Marks & Spencer is trying hard to cope with the new normal and it has been successful in doing so in some aspects. It has gone on to create a positive impact for its partners—suppliers, cotton farmers, workers, and other core business partners. It has made payments for product orders placed but not shipped yet. It has acted in a very socially responsible manner in the face of the epidemic. For this attempt of shouldering the responsibilities of its partners, it deserves a huge amount of appreciation and big credit.

Recommendations

- Marks & Spencer should channel its positive energy in all of its supporting units.
- Marks & Spencer should continue to act in a socially responsible manner as part of its corporate social responsibility efforts.
- Marks & Spencer should make sure that it takes care of all of its employees in the pandemic.
- Marks & Spencer should work to reduce its environmental footprint.
- Marks & Spencer should initiate Covid support programmes.

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