

MARKETING MANAGEMENT MARKS AND SPENCER LTD:

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Assignment 2

MBA General Management

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1. Introduction

Marks and spencer ltd is one of Britain's recognised leading retailers. The company has managed to sustain a chain store of retail business based on variety, trading under a single business name for over a century. Marks and Spencer (M &S) now employs over 80,000 people to serve up to a tune of 32 million. The company is committed to inspiring, staying in touch, innovating and maintaining the integrity as they do business. This is done through constant innovation as they develop their products, ensuring that each customer get a delightful shopping experience in any Marks & Spencer store, regardless of the country.

1.1 Background

At the start of the business, Marks focused on selling each good for a single penny, a model that grew his business to a warehouse and up to 5 penny bazaars by 1890. Marks was joined by Spencer in 1894 and formed Marks & Spencer. The business has largely evolved since the incorporation of the partnership into the limited company in 1903, sustaining enough profitability to diversify in to trading in fashion and homeware as well as food, with 1463 stores operating in 57 countries.

In today's modern economies, competition for customers has intensified, with companies seeking to gain competitive advantage over each other; thus, analysing and understanding the market or business changes inevitable. At a micro level, understanding the Political, social, economic, technological changes affecting a business as suggested by Hooley *etal* (2009, p.59) is fundamentally important in Marks & Spencer's success.

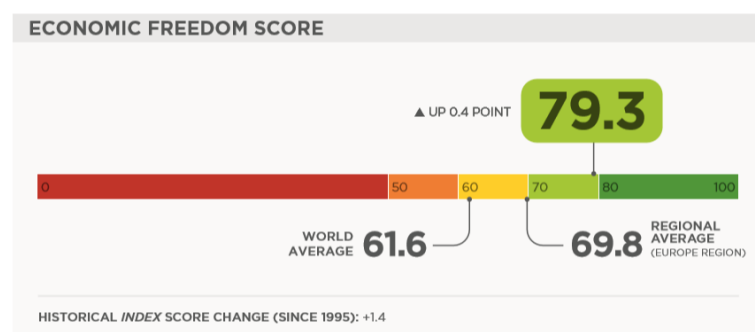
2. Market environment factors affecting Marks & Spencer

Analysing the Market environment at a macro level, requires the application of a model such as PEST to evaluate the impact of the market changes on the company's marketing strategies and thus respond accordingly as well as examine the change with in the environmental changes (Hooley *etal.*, 2009, p.59).

2.1 The Political and economic factors

Political changes are said to create economic changes and the reverse is true (Hooley *etal.*, 2009, p.61), and as such, Marks and Spencer (M&S)' main base of operation; the UK market may be spontaneously affected by these changes. According to the heritage foundation index, UK was ranked 3rd out of the 45 EU countries, 7th in the free economic countries with a 79.3 score in economic freedom as shown in figure 1 below.

Figure 1. UK's economic freedom score on a world and EU region ranking.



Source: www.heritage.org (2020)

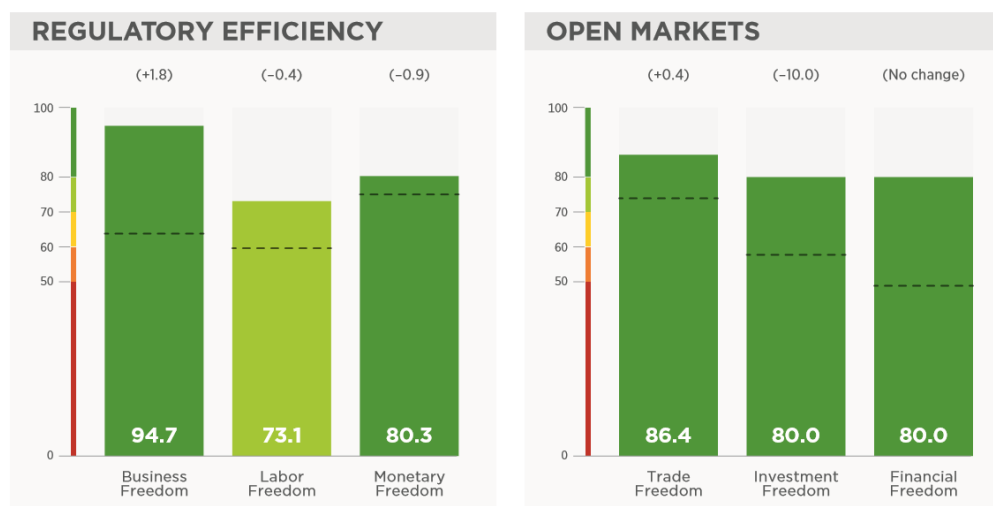
As shown in figure1. above, to M & S, UK's high economic score means low interest rates which influences the consumer's economic decisions and business confidence as suggested by Hooley *etal* (2009, p.61). The creation of the EU single market worked in favour of M&S giving the company access to more than 320 million potential customers, not to mention the free movement of people and goods across the EU countries. More over access to various labour markets across Europe is a

favourable change that gave M & S privileges of economies of scale as trading costs were lowered to improve economic growth rates and thus competing somewhat favourably with other brands originating from the rivaling USA. With UK joining the EU, trade between UK and EU countries was expected to increase from 12 % to 33% (NIESR, 2016). However, the recent Brexit is not favourable to Marks & Spencer as it is most likely going to reduce access to the common market as well as trade according to Emmerson *et al* (2016).

2.2. Legal factors – Supranational and National governments recognition

The removal of regulatory restrictions in EU, as well as encouraging mutual recognition of all the EU single market countries regulations through the provision of legal right to object unfair trade, like additional costs and undesirable trade policies (Emmerson *et al.*, 2016). Thus recognition of both national and supranational governments in the EU common market, makes it favourable for M&S to operate, and even continue to expand in various countries within the single market, because it is able to fairly and directly compete in those countries (Hooley *et al.*, 2009, p.63). This supranational and national government recognition works in favour of M&S as it benefits from UK's regulatory efficiency and the open market environment as shown in figure 2 below.

Figure 2. UK's Regulatory efficiency and Open markets rates



Source: www.heritage.org (2020)

Figure 2 above, shows that companies such as M & S tend to access UK's 94.7 business freedom score, 73.1 labour freedom score, 80.3 monetary freedom regulation amidst 86.4 trade, 80 investment and 80.0 financial freedom scores according to the 2020 economic freedom index (www.heritage.org, 2020). Furthermore, the protection through the efficient, accountable and transparent legal and regulatory system is favourable to M & S making it easy for the company to compete without worry of unfair regulation.

2.3. Social factors: Population growth

By 2018, the UK had reached a population of 66.4 million, owing this growth to migration. This is both favourable and unfavourable to M&S because, as the potential customer base increases, so the changes in their needs which M&S may not be able to address immediately and may cause the company to incur losses. Moreover, as the numbers have continued to grow, there have been changes in the structure of the population as well, with less children being born as people tend to live longer and thus a shift in the later ages structure. This implies changes in people's live styles as cohabiting is happening in more families while more young adults living with their parents are increasing in number (www.ons.gov.uk, 2019). This may have an impact on M & S's inventory requiring

immediate adaptation to the aging population needs and wants since ageing is happening impacting businesses in both developed and developing countries as suggested by Rocha *et al* (2005).

2.4 Technological factors: Online shopping boom

Many retailers in the UK with bricks and mortar businesses, have struggled to the rise of online shopping platforms such as Amazon.com. M & S was seen to experience a decline in sales in all their main products, with shares dropping as low as 4.8%. This prompted the company to combine the food with clothing to boost sales and cut costs. Online shopping has impacted some M & S' competitors such as Debenhams and House of Fraser who have had to shut down some of their outlets as well. None the less, M&S projects its future growth to come from selling clothing and home goods online amounting to a third of their total sales in a period of five years (Mathis, 2018). Ultimately, one can consider technological changes to be unfavourable in the short term leading to the shut down of several stores, although in the long run it works in favour especially with M&S, expansion costs reducing considerably as they do not need to setup a brick and mortar store to start operating anywhere they like.

3. Analysing Marks and Spencer's microenvironment using Porter's five forces

Although Porter's five forces are configured depending on the industry, their impact can't be ignored. This is because the stronger forces tend to have an impact on the industry profitability, and as such they form the basis for strategy formulation (Porter, 2008).

Figure 3 Porters five forces



Source: Porter (2008).

Threat of new entrants

The threat of new entrants is high due to the rise of online shopping and low start-up costs for online business such as wish, amazon and Alibaba alongside drop shipping services. New online stores are opening providing competitive services and products in the fashion industry.

Power of rivalry

The competitive power rivalry is high for M & S due to the fact that, the food and beverages market is dominated major super by brands such as Asda, Tesco, Morrisons and Sainsburys, with M & S in the 9th position according to Butler (2019). Moreover, there is very high competition from other major brands in the fashion industry such as Waitrose Wood (2020).

Power of substitutes

Furthermore, the threat of substitutes is very high and comes from M & S' direct competitors such as ASDA and Tesco offering cheaper alternatives in food and clothing while the high end clothing competitors such as John Lewis and Waitrose continue to provide high qualities alternatives in fashion (Wilkes and Laverie, 2007).

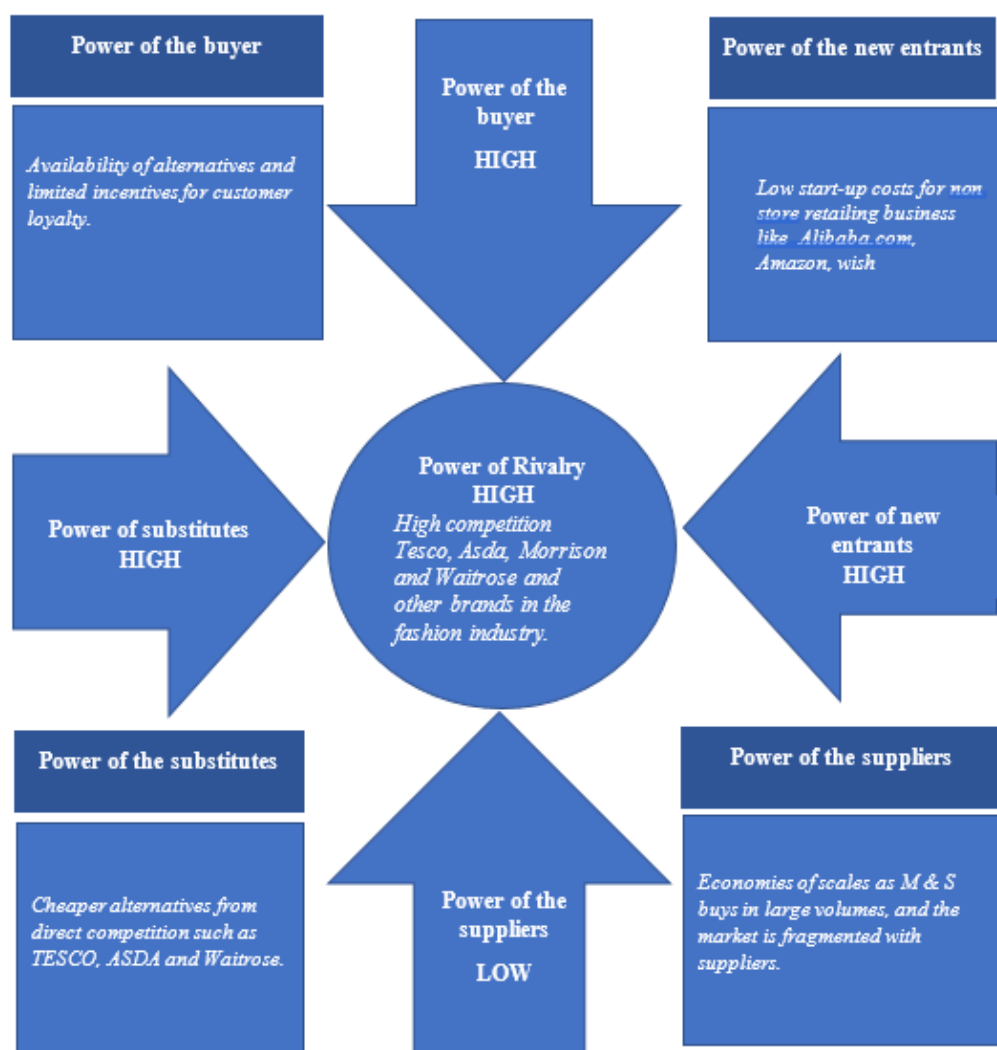
Bargaining power of customers

M& S customers have high bargaining power due availability of a variety of alternative products and hence mores chances for the customers to deliberately select what and where to buy from and this gives them more power to decide where and who to buy from Wood (2020).

Power of suppliers

On the other hand, the supplier's power is low on M & S because the is retail industry is fragmented with suppliers and since M & S has its own brands. Some of the products are manufactured in their own subsidiaries. Moreover, because M & S buys in bulk, it is able to enjoy economies of scale and tying suppliers into long-term contracts.

Figure 4. illustration of Porters five forces analysis on M & S



Source: Author

As shown in figure 4, porters five forces are the main external forces determining how M & S should respond to competition, however it is inevitable for M & S to conduct a SWOT analysis to understand both the internal and external weakness.

4. Marks and Spencer's SWOT analysis

Analysis of the business environment is a critical part of the strategic management, as such a planning tool like SWOT is inevitable during the planning process (Spee & Jarzabkowski, 2009). See figure 5 below for the SWOT analysis carried out on M & S, where the strengths and weaknesses are internal while the opportunities and threats are external.

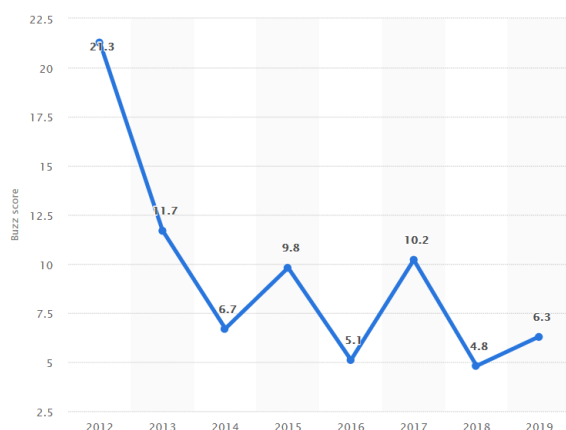
Figure 5. SWOT analysis carried out on M & S

STRENGTHS	WEAKNESSES
• <i>High brand recognition.</i> • <i>Variety of high quality products and popular designer brands such as.</i> • <i>More presence through their numerous outlets and stores(1463 stores operating in 57 countries 703 of these in the UK).</i>	• <i>Negative perception of M & S products due to bad promotion strategies.</i> • <i>Un effective supply chain causing delays in the supply of goods to M & S.</i>
• <i>Overseas expansion</i> • <i>Market segmentation</i> • <i>Technological advancements</i>	• <i>Increasing competition.</i> • <i>Changing customer needs.</i> • <i>Limitations in supply of raw materials.</i>
OPPORTUNITIES	THREATS

Strengths and weaknesses

M & S' strengths are embodied in their high brand recognition (Jackson & Sparks, 2005) plus the Variety of high-quality products and popular designer brands such as Autograph, Par Una, Marks and spencer among many more. Also, the presence of numerous stores and outlets is a strength that M & S capitalises on. However, M & S is still susceptible to weakness such as the negative perception of its products. Although the negative perception is reducing, according to the ratings from Buzz score (Statista , 2020) as shown in figure 5 below which be because of bad promotion strategies whereby, most young people think that M & S does not have many products for the young people.

Figure 5. M & S Perception of Marks & Spencer's fashion retail brand in the United Kingdom.



Source: Statista (2020)

Opportunities and Threats

Marks and Spencer's opportunities include the ability to expand in growing product areas such as, home, beauty and food to provide more variety to their loyal customers who still trust their innovation and quality. The global technological advancements have also created more opportunities for sales growth to capture the online shopping customers according to M & S' strategic-report (Marks and Spencer, 2019). However, because technology is not without context (Jackson, 1996) the internet poses a threat that comes with online shopping as most brick and mortar businesses are closing. Moreover, the threat that Brexit may disrupt M & S' supply chain is one that cannot be overlooked (Hendry *et al.*, 2019). While five forces' model is good in analysing the business environment, it has disadvantages and limitations.

4.1 Advantages of Porter's five forces model

- According to Porter (2008, p.80), the model enables the company to understand the industry's competitive forces and what cause them. In the same manner the model reveals the areas to concentrate on for maximum profitability at the same time it works as a framework that can be used to predict and influence competition.
- Furthermore, the model enables companies to prepare for strategic positioning as it provides information regarding the industry structures.
- Kare-Silver (1997, p.46) argues that the model has an advantage of being simple and therefore it makes it easy to analyse market forces.
- Moreover, the model is the most popular and effective model in competitive strategies and business strategy both in practice and academic field (Brandenburger, 2002).

4.2 Disadvantages of Porter's five forces model

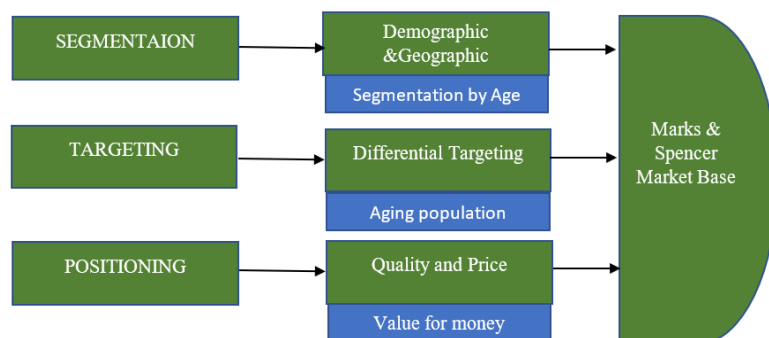
- The model tends to overlook the fact that the market is not homogeneous, since buyer behaviour tends to fluctuate in markets where product differentiation is extensive just like in highly segmented markets. This may lead to the implementation of a strategy that would otherwise be beneficial in a totally different environment (Thurlby, 1998).
- The model considers the power of rivalry to be the principal force in the model, however it ignores the fact that industry is extremely dynamic and it does not deal with the main influencers of competition such as company size, product differentiation, concentration and structure of the industry (Luffman *et al.*, (1996).

- The model is static in nature, yet the industry structures are dynamic due to the competition and adoption of new strategies by the competing firms within the same industry (Faulkner and Campbell, 2003, p. 249).

5. Segmentation, Targeting and Positioning strategies used by M & S

During the process of segmentation, descriptive characteristics like Demographic, psychographic and geographic domains are essential (Minhas and Jacobs, 1996). See figure 6 for M & S' STP strategy.

Figure 6, an illustration of M & S' STP strategy



Source : Author

Segmentation

As Kotler (1988) argues, segmentation enables identification. As per for M & S, clustering of customers as posited by Dibb (2000) is applied at the segmentation stage focusing on demographic and geographic domains. As such M & S uses variables such as income, age and gender as evidenced in their sale of high-quality brands of lingerie, men, women and kids wear and home ware, in their demographic segmentation (www.corporate.marksandspencer.com, 2019). Furthermore, M&S' geographic segmentation focuses on markets in Europe, Asia and the Middle East and is now using their online presence to access American and Australian Markets.

Targeting

M& S uses the differentiated targeting approach considering its most loyal and profitable customer groups as mostly the people above 50s for their clothing products, although the suggestions from the current C.E.O indicate a need for change from focusing on customers above 55 years whilst cutting prices of clothes without compromising the quality (Wood, 2017). M & S applies a different marketing mix for children and younger generation of people with brands such as Pa una, and beauty products like Pixi, Prai, Ren and Nuxe.

Positioning

M & S uses product quality as well as the product-price positioning strategies, whereby it capitalises on the offer of value for money products. Moreover, this is done by emphasising the provision of high quality, stylish clothing, home products alongside the food and now financial services. In the 2019 strategic report, M& S reported a 65% KPI score on value for money perception, and 58% score on customer style perception. This means that M & S has created a brand that is perceived to have style and provide value for money.

However, M& S appears to have a challenge with market entry clothing prices being high and, in some case, considered less fashionable in comparison with competing brands such as Zara (Wood, 2017) and hence the need to have a feasible marketing mix strategy. M& S continues to sell its fresh

and high quality convenient products represented in 5 major categories: protein dairy and deli, instore bakery, produce, frozen and desert meals, hospitality aswell as on the move foods/meals.

Figuer 7. UK grocery industry perceptual map



Source: making business matter limited (2020)

As shown in figure 6 below, the perceptual map shows M & S as a premium quality brand with of a high price.

6. Marks and Spencer' marketing mix strategies (4Ps).

The marketing mix although criticized for being production focused as opposed to being customer focused (Popovic, 2006) is an essential tool in assisting marks and Spenser attain competitive advantage. The 4Ps are well represented by the product which signifies innovation and information, place which signifies where customer can reach the products, price focusing managing competition and lastly promotion which makes information available about the products (Allen and Fjermestad, 2001)

Product

As for Marks and spencer the product strategy involves the sale of high-quality clothing, food and home products (www.corporate.marksandspencer.com, 2019). This is not far from Kotler's definition of a product as any thing that takes the market's consumption, acquisition and attention and is able to meet one's need or want, can be offered as a product (Kotler, 1994). M & S uses both the line extension and range branding strategy. One brand name is used across all own products ranging from men's wear, to women's wear, home and food, and at the same time, a range of other brands to cater for the old young and kids markets, such as the classic collection, Pa una (www.corporate.marksandspencer.com, 2019).

Place

As Kotler (1994) suggests that place is related to channels used to market the product. M & S used direct distribution channels such as own high streets store, and outlets as well as online channels which have been reported to increase the online market share while the sales in home and clothing products have gone to 22% (www.corporate.marksandspencer.com, 2019).

Price

While other business operations elements cost the company money, price focuses on revenue generation (Kotler, 1994). Because they sell premium quality brands, M& S prices inhouse developed brands on a scale on medium while maintaining a competitive pricing strategy to enable it to compete in the volatile fashion industry (www.corporate.marksandspencer.com, 2019)

Promotion

According to Kotler (1994), promotion includes all means used by the company to communicate the merits of a product with the intent to influence their buying decision. M & S capitalises on all forms of promotion ranging from TV commercials, Print and social media, mobile ads and its website to influence the customer's buying decision (www.corporate.marksandspencer.com, 2019).

7.Conclusion and recommendations.

As posited by Ansoff (1988) the market-product matrix often referred to as Ansoff matrix would be essential in defining a company's strategic direction, by drawing on matching the available market and product possibilities with the necessary strategy.

Figure 8. Application of Ansoff matrix on Marks & spencer.

Market		Products	
		Existing	New
	Existing	Brand protection and development • Market penetration • Market consolidation	Product development • Maintain same quality • Customization
	New	Market Development • Market segmentation • Open new stores to acquire new territories • Introduce new brands	Diversification • New products same brand • Introduce new brands

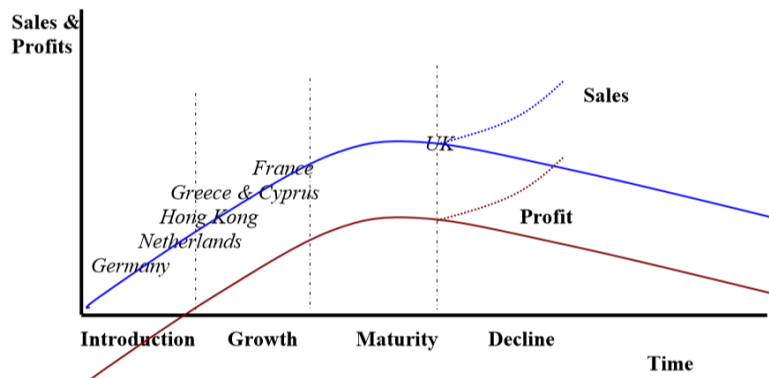
Source: Author

As shown in figure 8 above, when it comes to existing markets, it would be best that M& S capitalizes on brand protection and development by investing in market penetration strategies like pricing and promotion strategies to consolidate its market share. Whereas, new markets and new products would require the company to consider diversification where new product of the same brand could be introduced whilst maintaining the same high quality. However customisation of the new products in existing market is a good strategy for M & S as well.

M & S Product life cycle

Market development in M & S varies based on the country of operation. The UK market was observed to have reached its saturation point as evidenced by the 85 store closures or relocation in the M & S 2019 strategic report (www.corporate.marksandspencer.com, 2019), while in other countries the case is different. see figure 8.

Figure 9. illustration of M& S' product life cycle.



Source: Vrontis & P. Vronti (2000)

In their research, as indicated in figure 9 above, Vrontis & P. Vronti (2000) argued that different M & S operation were at different stages on the life cycle with Cyprus, Greece and France already in the growth stage while Netherlands and German operations were just setting of at the introduction stage. This may be because each the macro environment affects the business differently depending in the country.

Porters generic strategies model

A company can use differentiation focus, cost leadership along with product differentiation and cost focus to attain competitive advantage (Murray, 1988).

Figure 10. Porters generic strategies



Source: www.toolshero.com (2020)

As shown in figure 10, by focusing on the differentiation strategy, M & S would be able to provide high value products that meet its customer's perceptions. This could be done across M &S' product line, ranging from providing high quality food and fresh meals to it improvement of its own brands in clothing industry to compete with major brands like Zara and Harrods.

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