



BA BUSINESS MANAGEMENT (BABMGSH-LI)

Assignment One

Module: Marketing Fundamentals (LCBB4004)

Lecturer: Dr Piyumika Kithulgoda Gamage

Student name: Antoaneta Andreeva-Metodieva

Student ID: 2215257

TABLE OF CONTENTS

History and company information	1
Business model	2
Market segmentation	3
SWOT analysis	5
Strengths.....	5
Weaknesses	6
Opportunities	7
Threats	8
Conclusion	9
References	10

MARKS AND SPENCER – TAKING TRADITION INTO THE MODERN RETAIL WORLD

WITH OVER A CENTURY-LONG HISTORY BEHIND ITS BACK AND AMONG THE LEADING RETAILERS ON THE BRITISH AND WORLD MARKETS M&S HAS STOOD THE TEST OF TIME AND CONTINUES TO EXCEL IN ITS VENTURES.



Starting as a stall in an open market in Leeds back in 1884 by Jewish immigrant Michael Marks.

Initially, the business offered simple homewares under the slogan “Don’t ask the price, it’s a penny”, which proved to be a successful strategy, along with Marks’ hard work, that excelled his business. Over a period of 10 years, the fame of Marks’s Penny bazaar continued to grow and Tom Spencer was invited as a business partner. On the 28th of



September 1894 Marks and Spencer was born. The two expanded the business with stalls and stores under the name of Penny Bazaar keeping the initial penny slogan. Over the years the company continued to grow, surviving two world wars. Using innovation and research Marks and Spencer has become a staple in British retail and

at present days employs over 65000 people throughout its support centres, warehouses, and stores and serves more than 30 million customers per year (Marks and Spencer Group PLC, 2022).

M&S's strong suits are strong brand awareness, a wide assortment of products and services for customers, fair pricing and exceptional quality, a strong relationship with the supplier, and a higher level of moral and social responsibility for customers.

This blog will focus on the marketing model of the company, as well as critically evaluate its strengths and weaknesses.

The **BUSINESS MODEL** of Marks and Spencer Group PLC consists of a family of accountable businesses with each sector overseen by a dedicated management team accountable for operation within their division including supply, management and finance.

M&S has a tradition of offering its own brand products, however, due to rising competition and dynamic fashion trends, a curated range of external brands has been added to its shelves. Their abundant stock portfolio consists of men's and women's apparel, children's clothes, shoes, bags, furniture, home furnishings and accessories, cook and tableware, groceries and cafes, insurance and financial services.

General perception of the company's pricing policy according to customers is of value for money. Whereas prices are considered to be in the medium-high range, quality is considered to be worthwhile. To be in line with the competition the company offers value and basic ranges throughout its stock, attracting customers with varying purchasing abilities. A dynamic pricing strategy is used in the form of seasonal sales as well as multiple-purchase discounts.



An omnichannel distribution model is applied to comply with customer demand and ease access to goods. Grocery is distributed through multiple physical stores consisting of full-line stores, food halls (in-store), home and outlet stores and stand-alone M&S Foodhalls as well as the recently launched venture with Ocado

online grocery store. Apparel and home sectors are accessible through physical stores and MS2 online platform.

A strong 65000 workforce serves through different operations demonstrating strong involvement and contributing with expertise in development and sourcing. They serve over 30 million customers a year across the United Kingdom.

M&S highlights the need of providing a consistent message across all modes of communication. Marks & Spencer uses print media, web, TV commercials, and social media campaigns. In 2018 the company launched the “M&S insiders” program, where employees showcase brands’ fashion on Instagram. With 30 per cent better follower engagement compared to external influencers, they create some of best performing social media content. In 2020 the company relaunched its digital loyalty scheme which currently has over 15mil subscribers (Marks and Spencer Group PLC, 2022).

In today’s vast market and numerous competitors, retaining and attracting customers by creating value and satisfying their needs is essential. To better understand who their clients are, what they need and want, and to be able to offer the right products and services to the right people at the right time the method of segmentation can be used.

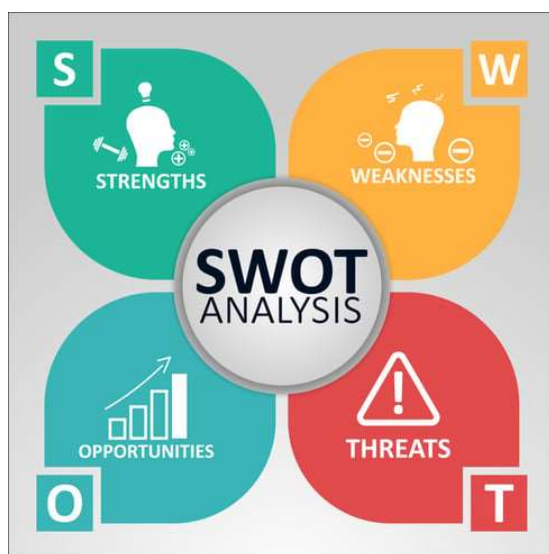
MARKET SEGMENTATION is the process of breaking a market into separate segments of users with varied demands, features, or behaviours that may need alternative marketing tactics or mixtures (Kotler et al, 2018). According to Kotler et al., consumer markets could be divided into four main categories: geographic, demographic, psychographic, and behavioural. **GEOGRAPHIC** segmentation refers to location – countries, cities, and neighbourhoods. Selecting the right location is essential for the outlets’ success as needs and wants are likely to differ in different areas. For example, opening a full-range store in a small village will very likely fail, i.e. using this category helps determine the optimal size (and number) of outlets and offer limited stock popular to the particular area. **DEMOGRAPHIC** segmentation analyses the population's variables such as age, race, gender, occupation, education and religion. This is the most commonly used base for segmenting consumer types as needs are often dependent on demographic variables. The lifestyle and personality of customers are evaluated through psychographic segmentation and behavioural segmentation looks into users’ attitude and response to products.

Being generally perceived as upper-middle class-oriented, Marks and Spencer is looking to address a wider variety of customers from different social levels by offering a wider

range and affordable substitutes for their products. They are also working towards becoming relevant to younger people as their current clientele consists mostly of 50+ age. Updating the style of home brands, implementing current web promotion trends, and adding 3rd party brands to their catalogue aim to attract a wider age range of users.

Over the last decade, negative events such as Brexit and the Covid pandemic have affected the performance of the organization by dropping yearly home and clothing revenue by 90% in 20-21 (Davey, 2021). The closure of 30 stores had to be considered after already closing or relocating 59 retail units (Newlands, 2021). Furthermore, after Brexit, M&S was forced to withdraw 600 food lines from its Northern Ireland stores (McCambridge, 2022). However, it wasn't all bad as the company strategically purchased 50% of online grocery delivery giant Ocado in August 2019. This joint venture has significantly increased M&S's grocery revenue after launching own produce on Ocado's website in September 2020.

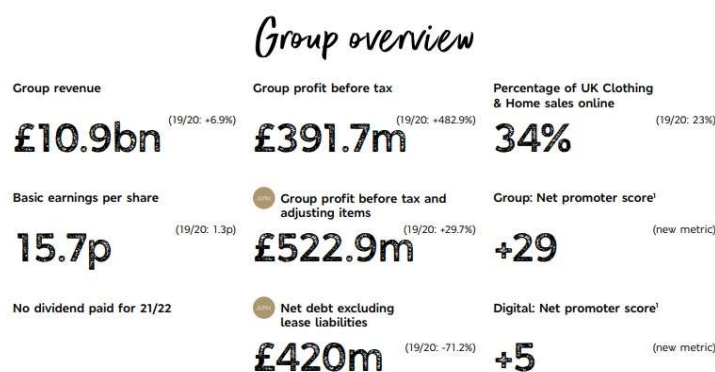
Strategic planning refers to an organization's process of identifying its strategy, or direction and deciding how to use its resources, including money and people, to execute its goal. Strategic planning can make use of a variety of business analytical methods, such as **SWOT ANALYSIS** (Bishop, 2013). To develop a successful marketing strategy, a company needs to evaluate its position and define its strengths, weaknesses, opportunities, and threats. The company's marketing strategy could be evaluated by implementing Neil Borden's marketing mix concept, also known as the 4 Ps of marketing.



One of the company's core **STRENGTHS** is its store network. Marks and Spencer Group PLC operates 1035 stores and online services in the United Kingdom alone plus a further 452 stores over 100 international markets. The wide range of products consisting of men's, women's, and children's apparel, home furnishings, cookware, food, wine, flowers, financial services etc. along with a good brand reputation with a long-standing tradition is sure to attract more

significant customer numbers. It sells products under various brands such as Autograph, Limited collection, Blue harbour, Per Una, REN, Josh Wood, Shay & Blue, Limited edition, M&S collection, Indigo collection, Twiggy, North coast, and big & tall.

In the past M&S was set to offer own-brand produce, however, with the increasing rivalry from stores such as H&M, Zara, Next, etc. they have reconsidered this principle and have moved on to offering carefully curated brands on their shelves. Expanding supply channels through improvements in online shopping platforms and joining Ocado's online grocery store has positively impacted the company's profits.



Better financial performance improves the company's potential to generate sufficient returns to shareholders and designate appropriate funding for expansion plans.

The Group reported revenue of £10.9 bn for financial year 21-22 with a 6.9 per cent increase from the previous year. Revenue increased by 47.8 per cent due to a rise in net sales in the UK Clothing and Home sector, 18.7 per cent in the International segment, and 8.7 per cent in the UK Food segment. In addition, the corporation recorded a rise in operating margin and net income of 5.3 per cent and 254 per cent, respectively, in financial year 2022. This indicates improvement in operational performance. In 2020 M&S relaunched its online loyalty programme (Sparks) leading to doubled member count of over 15 million. Also, online purchase fulfilment time has been reduced by creating new outlets. Marks and Spencer PLC has refrained from paying dividends to their shareholder for the financial year of 21-22 in favour of improvement and development (M&S, 2022).

An increase in the company's liabilities is a **WEAKNESS** that prevents M&S from meeting its obligations. An increase of 3.3 per cent (from £2295.8 in FY 2021 to £2370.8 in FY 2022) could jeopardise future investment plans and affect investors' trust (MarketLine 2023).

The Ukraine invasion has caused the company to seize trade in the Russian Federation completely and has limited export to Ukraine. Due to Brexit, M&S is facing £26.9mln in EU border costs and tariffs as well as approximately £15mln impact on trading.



On the bright side, however, **OPPORTUNITIES** alike strategic contracts and collaborations as well as launching new products are not short of sight. Following the success of the merge with Ocado in 2019, M&S has joined forces with Costa coffee to further expand its market presence offering 30 of its best-selling classics in the largest coffee shop

chain in the country. A collaboration with Mamas and Papas expands the offering of baby merchandise ranging from clothing and accessories to car seats, pushchairs, and furniture (MarketLine, 2023). Keeping up with the new online trends is of essential importance to the company. Following the launch of the M&S Insiders programme, the company is taking things further by creating a virtual influencer named MIRA (Marks & Spencer, Influencer, Reality, Augmented) which aims to attract the attention of younger clientele (Marks and Spencer PLC, 2022).

In addition, Steve Rowe, the chief executive of Marks and Spencer PLC, mentions the possibility of further growth through their Reliance joint venture in India in his 2022 annual report letter.

The firm aims to gain from the expanding worldwide internet retail sector. According to an internal study, the global internet retail market is set to reach \$2,796.4 billion by 2025. Asia-Pacific accounted for 42.8 per cent of the worldwide online retail industry value, followed by the United States (31.2 per cent), Europe (21.7 per cent), the Middle East (0.7 per cent), and the Rest of the World (3.7%) (MarketLine, 2023).

Despite the positives faced during the last financial year, **THREATS** could further challenge the group's financial situation. Raising labour costs will inevitably affect the company's operating expenses as the minimum hourly rate for workers over the age of 25 rose from

£8.91 to £9.50, from £6.56 to £6.83 for those between 18 and 20 years of age and from £4.30 to £4.81 for those under 18.

The ever-evolving fashion trends and existing and emerging competitors are also a threat to the company's performance. A continuous update of products is necessary to keep up with current trends and avoid customers shifting loyalties to competitors.

Price, range of goods, quality, retail location, service, and marketing and promotional activities all impact industry rivalry in a highly competitive market. Among its major rivals are Boohoo Group Plc, H & M Hennes & Mauritz AB, Next PLC, Inditex SA, French Connection Group PLC, Debenhams PLC, J Sainsbury PLC, Selfridges Retail Ltd, Asda Stores Ltd and Tesco PLC. Some of these rivals have longer operational histories, more technical, marketing, distribution, and support resources, larger brand recognition, and greater financial capabilities than the firm, which may limit the company's ability to create innovative goods and expand its business.

In conclusion, good overall performance in FY 2020-21, along with the advantages of a reform, have resulted in a positive performance for M&S. Profit before tax and adjusting items has reached £522 million for the quarter, compared to £403.1 million in FY 2019-20. Profit recovery, along with a focus on working capital and strictly monitored investment spending, have resulted in significant free cash flow and a substantial decrease in net debt. M&S Food has experienced a 10 per cent increase in sales.

Along with an increasing margin mix and the advantages of the "reducing price" initiative, has contributed to a significant rise in operating profit. The level of operations in new outlets (Ocado and Costa Coffee) strengthens confidence in the company's long-term potential for development. Ocado Retail has experienced a decline in basket sizes and trade shape, resulting in a 4 per cent drop in sales and a lower contribution to Company profits. Despite the negatives, further development of the venture in undertaken showing trust in it's potential.

With the M&S brand accounting for more than 25 per cent of the typical Ocado basket, there is considerable future potential for the two businesses to pursue. Clothing & Home saw a 3.8% increase in revenue, fuelled by internet purchases. Cutting choice count by

20% over a period of three years has resulted in strong growth in key sectors and a decrease in products into sale. The better full-price mix has resulted in a significant increase in operating profit. The budding “Brands” platform already includes roughly 40 apparel brand collaborations, own or investment companies. The business is building a lineup of outlet relocations to contemporary, well-located properties in the renewal model with omnichannel potential. The ten shops that debuted last year performed 11 per cent better than expected and are on course to repay their investment in only 1.5 years.

Alongside company's partners, the International division has delivered a 4% increase in retail sales, including a strong success in the Middle East and an increase in online sales of more than £250 million due to growth in regions with a physical presence and worldwide platforms. While the £31 million cost of entirely departing Russia and business interruption in Ukraine has been provided and will result in a contribution loss, many avenues for additional development are being explored, particularly over the Reliance collaboration in India.

Throughout the year, Marks and Spencer Group PLC has reset Plan A with the goal of reducing its carbon impact by a third by 2025 and becoming a net zero firm by 2040. While there is still much work to be done, the company has shown its significance and has the potential for significant future development (Rowe, 2022).

REFERENCES

- Bishop, T. (2013) *Principles of marketing management*, World Technologies
- Davey, J. (2021) Reuters, 3-minute read available at [https://www.reuters.com/business/retail-consumer/ms-profit-seen-crashing-90-lost-year-pandemic-2021-05-21/#:~:text=LONDON%2C%20May%2021%20\(Reuters\),pandemic%20hammered%20its%20clothing%20sales](https://www.reuters.com/business/retail-consumer/ms-profit-seen-crashing-90-lost-year-pandemic-2021-05-21/#:~:text=LONDON%2C%20May%2021%20(Reuters),pandemic%20hammered%20its%20clothing%20sales). Accessed: 27th March 2023
- Kotler. (2020). *Principles of marketing* (Armstrong, L. C. Harris, & H. He, Eds.; Eighth European edition, Pearson.
- MarketLine (Firm) (ed.) (n.d.) MarketLine Advantage.
- Marks and Spencer Group Plc (2022) "*Shaping the future*", Annual report 2022, available at <https://corporate.marksandspencer.com/investors> accessed: 27th March 2023
- Marks and Spencer Group PLC (2022) Annual report 2022, Available at: https://corporate.marksandspencer.com/sites/marksandspencer/files/marks-spencer/m-and-s_ar22_full-ar.pdf accessed: 29th March 2023
- Marks and Spencer PLC (2022) MARKS & SPENCER EXPERIMENTS WITH AR TO LAUNCH ITS FIRST VIRTUAL INFLUENCER available at: <https://corporate.marksandspencer.com/media/press-releases> Accessed: 29th March 2023
- McCambridge, J. (2022) Independent, Marks and Spencer boss: Brexit forced us to withdraw 600 lines from Irish stores, Available at <https://www.independent.co.uk/news/uk/marks-and-spencer-brexit-northern-ireland-ireland-republic-of-ireland-b2076859.html> Accessed: 27th March 2023
- Newlands, C. (2021) Marks & Spencer closures: M&S to shut 30 stores as Covid forces retailer into multi-million-pound losses. Available at: <https://inews.co.uk/news/marks-spencer-shut-30-stores-pandemic-multi-million-pound-losses-1020015> Accessed: 28th March 2023
- Rowe, S (2022), *Chief executive's statement*, Strategic report 2022, Marks and Spencer Group Plc available at: https://corporate.marksandspencer.com/sites/marksandspencer/files/marks-spencer/m-and-s_ar22_strategic-report.pdf accessed: 27th March 2023