



Marketing Fundamentals External Analysis & Evaluation

Marks and Spencer

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INTRODUCTION

Marketing can be referred to a set of strategies adopted by an organisation in order to analyse the customer needs and implement strategies to fulfil those identified needs so that it can maximise the profits, increase the sales and keep ahead in the existing competition (Rust, 2020). It is basically the concept of acquiring customers, meeting their needs and maintaining a healthy relation with them. Marketing is widely used by the firms around the globe in this era. The concept of marketing is not just about selling, it is about psychology of knowing what people want, why they buy and what motivates them to make spendings on something (Deepak and Jeyakumar, 2019). The chosen company for the following report is Marks and Spencer which is a multinational British retailer. The firm was founded in 1884 and is headquartered in Paddington, London, UK (About us, 2023). The organisation is one of the largest luxury food, clothing and home companies that combines style and comfort. The following report will present an understanding of the process and stages of marketing. The role of the marketing environment and situational analysis models will be included in the report. In the end some credible future recommendations on growth strategies for the organisations will be provided.

MAIN BODY

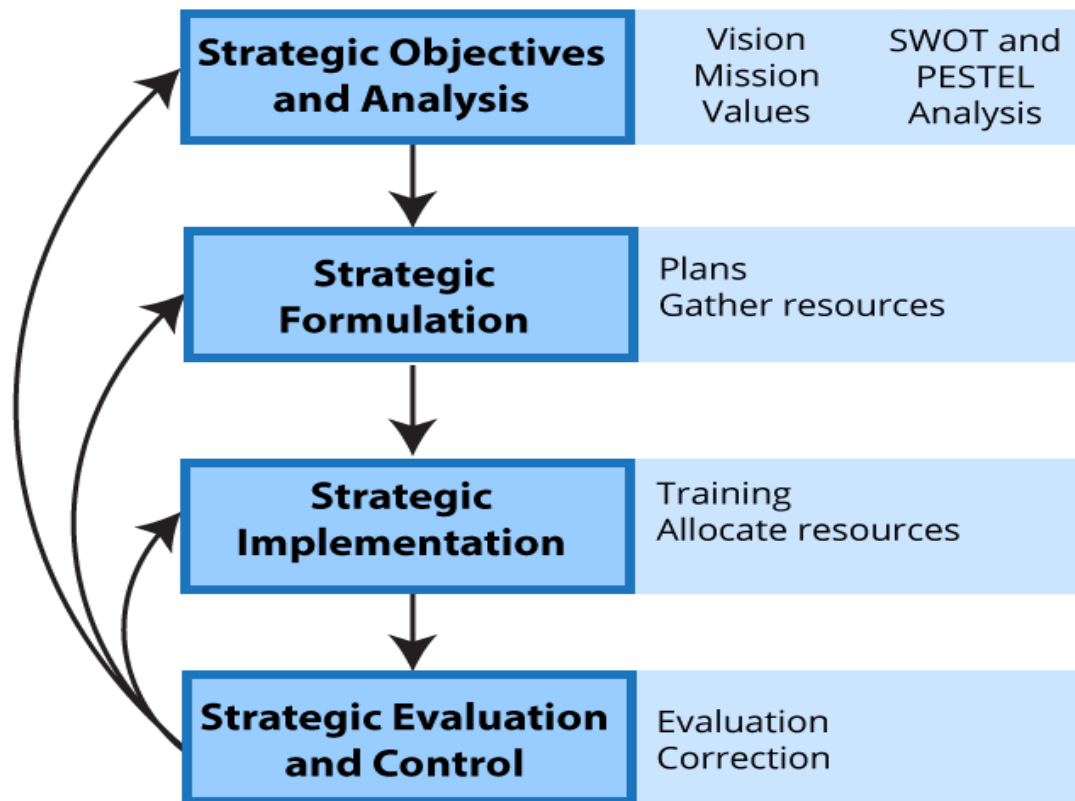
Marketing process

The process of marketing is a series of various steps that enables companies to identify the issues of customers, identify market opportunities and create marketing materials so that to reach to the desired customer base. It is a series of steps followed by organisations in order to promote their services and products to the potential clients (Park, 2020). This process is used by companies to analyse different opportunities available in market so that to exploit the profitable gaps. The process aims to select the target market and develop smart marketing strategies. It contributes to the effective management in marketing. The steps in the marketing process have been discussed below:-

- **The situational analysis:** It is the foundation of the marketing plan. This analysis includes a thorough examination of the external and internal factors that in a one way or the other affects the business of an organisation. This analysis helps in creating an overview of the firm which leads to a better understanding of these factors affecting the company's future. This analysis includes the PESTLE analysis, Porter's 5 forces model

and SWOT analysis. The PESTLE analysis is used to examine the external factors, such as political, economic, social, technological, legal and environmental factors, whereas the Porter's 5 forces model helps in evaluating the competitive environment. SWOT analysis, on the other hand, is used to analyze the organization's internal strengths, weaknesses, opportunities, and threats.

- **Objectives:** These are the specific results that an organisation aims to achieve within a set time-frame and with the use of available resources. Setting clear and achievable objectives is crucial in the marketing process. Objectives must be specific, measurable, achievable, relevant, and time-bound. They may include goals such as increasing sales, launching a new product, improving brand awareness, or targeting a new market segment.
- **Strategies:** In this step the organisation makes a general plan or a set of plans with the intention of achieving a goal over a long period of time. This includes the STP analysis and marketing mix. Once the objectives are set, the organization needs to develop marketing strategies to achieve them. The STP analysis (Segmentation, Targeting, and Positioning) is used to identify the target market and create a marketing mix that resonates with their needs and preferences. The marketing mix includes the 4 Ps: product, price, promotion, and place, which help in creating a comprehensive marketing plan.
- **Implementation:** This is the fourth step of the marketing process which involves putting a plan or decision into execution or effect. Implementation is the execution phase of the marketing plan, where the marketing strategies are put into action. The implementation phase may include activities such as product development, pricing, advertising, sales promotions, and distribution.
- **Control:** The last stage of marketing process involves a set of procedures and practices that are employed by the companies in order to regulate and monitor their marketing activities to achieve the strategies and objectives of marketing. This involves evaluating the results of the marketing efforts and making necessary adjustments to improve the outcomes. Performance indicators such as sales, market share, customer satisfaction, and brand awareness are monitored to determine the effectiveness of the marketing plan.



Source: (<https://courses.lumenlearning.com/suny-principlesmanagement/chapter/stages-and-types-of-strategy/>)

External environment analysis

The analysis of external environment is the process through which companies objectively analyse the changes occurring in the industry they are operating that could affect their current business functions and operations. The organisations perform this analysis in order to adapt to the changes and continue growing and succeeding in the market. In order to analyse the external environment of Marks and Spencer, following models and frameworks have been used:-

PESTLE Analysis

It is one of the best way to perform an external environmental analysis that could influence a business. The Pestle analysis allows the firms to look at the economic, political, technological, social, legal and environmental influences on the success of its business (Samusenko, Plaskova and Prodanova, 2020). This analysis helps firms in encouraging the business growth in new areas, anticipate and adapt to the changes. The Pestle analysis of M&S

has been done in order to better understand its current and future market. Here is the Pestle analysis of Marks and Spencer:-

- **Political: Free trade** is one of the most positive aspects of this factor. Marks and Spencer chiefly operates in UK along with lots of locations around the world. Free trade enables the company to import foreign products to sell in its stores at low comparatively prices while maintaining the satisfactory profit margins. Political factor that may negatively affect the operations of M&S is the **Brexit**. The term Brexit is used for the UK's decision to leave the European union. Following this decision, it is unclear where the country will stand in terms of tariffs and trade regulations, but many of the outcomes seems to be unclear for the retailers of UK. It may result in loss of many free trade policies which may result in higher cost of products for the end users.
- **Economic:** M&S is a retail giant and the current market trend in UK is tilting towards the smaller retailers. The small retailers provide lower markup price which enables M&S to retain premium status. Rather than the premium products of the company, the customers of UK is preferring local retail stores. These budget stores are a direct threat to the firm's target market to which it still has not been able to devise a means of combating it. Economic factor positively influencing the company is fiscal and monetary policies that are properly managed has the UK government has strong finances and it has maintained low inflation rates.
- **Social:** M&S has a long-standing reputation in the United Kingdom. This reputation has made the brand less trendy among younger consumers who prefer newer and more trendy retail chains (*Marks and Spencer PESTLE Analysis, 2019*). The last ten years have seen a significant increase in the consumption of ready meals, which is a massive opportunity for any food store. The organisation has been trying to dominate this industry and it reportedly holds one of the UK's top ten ready meal distributor positions. The firm has been attempting to control this market and it is said to be one of the top ten distributors of ready meals in the UK. These factors have positive impact on the company.
- **Technological:** Marks and Spencer has embraced two major trends in modern-day retail: self-checkout and online shopping. Self-checkout is a cost-saving measure that provides a faster checkout experience for customers. The company has already implemented self-service checkout systems across its stores. The retail chain has also established a strong

e-Commerce presence, offering almost all of its goods online, including clothing, foodstuffs, and home products. Unlike some other major food stores in the UK, M&S does not deliver food items to its customers. These factors have been influencing positively to the operations and profits of the organisation.

- **Legal:** Marks and Spencer has faced various legal disputes over the years, which have impacted its brand image negatively. One of the most recent disputes was with the Frascati landlord (*Dispute erupts between M&S and Frascati shopping centre landlord, 2017*). This case, along with other legal issues, has made it challenging for the brand to maintain a consistent reputation throughout its long history. Additionally, the changes in Britain's trade laws after Brexit are expected to have a significant impact on the brand. These legal factors are beyond the control of any business strategy and could pose a significant challenge to Marks and Spencer's future success.
- **Environmental:** Marks and Spencer has made a commitment to become a more sustainable retailer in order to maintain its luxury brand image. This pledge includes addressing various environmental issues such as carbon emissions from manufacturing processes and deforestation for farming land. Although this move towards sustainability is not unique, still it is an important initiative for many UK retailers. The firm's decision to sell fair trade products aims to compensate foreign producers in a better way. It also has an environmental benefit as smaller producers who follow more sustainable business practices generally benefit the most from fair trade.

Porters five forces

Marks and Spencer's is renowned for its premium goods and top-notch customer support. However, considering the fierce rivalry that the retail sector is, it is difficult for M&S to hold onto its market share. Here is an analysis of the external factors affecting M&S's competitiveness based on the Porter Five Forces model:-

- **Threat of New Entrants:** Due to the high initial capital requirement, economies of scale, and well-established brand recognition, the retail industry has a high barrier to entry. However, the growth of online shopping has helped to lower some of the entry barriers, allowing for the entry of smaller online retailers (Martinez-Contreras and et. al., 2022). Due to M&S's established market presence and well-known brand name, potential competitors may be discouraged from entering the market. Additionally, M&S has

developed relationships with suppliers and vendors, making it challenging for new competitors to enter the market and compete.

- **Bargaining Power of Suppliers:** M&S works with a wide variety of suppliers, including food and clothing producers. Despite being a significant and well-known retailer, M&S's ability to influence suppliers is somewhat constrained. To guarantee consistent product quality and availability, M&S needs to maintain positive relationships with its suppliers. In addition, if there are few competitors in the market or if they are a unique supplier, suppliers can exert more influence during negotiations.
- **Bargaining Power of Buyers:** Customers of M&S are numerous both domestically and abroad, and many of them are devoted to the company. Due to the availability of alternatives and the ability to switch to competitors, buyers still have some negotiating power. Online shopping has also given consumers more leverage in negotiations because it's simple for them to compare the prices and goods offered by various merchants.
- **Threat of Substitute Products or Services:** M&S is challenged by competing food and clothing retailers in the fiercely competitive retail sector. Online shopping, alternative food retailers, and fast fashion retailers are just a few of the many options available to customers for replacement goods or services. M&S can set itself apart from rivals thanks to its superior products and customer support, which offer a distinctive value proposition.
- **Intensity of Competitive Rivalry:** The retail sector is renowned for having fierce competition, and M&S is up against a variety of businesses in both the food and clothing industries. Fast fashion retailers, discount stores, and online merchants are competitors. M&S needs to continuously innovate and set itself apart from rivals in order to hold onto its position. To increase productivity and enhance the customer experience, M&S has been modernising its supply chain and investing in technology.

Advantages of the model

Some advantages of using Porter's Five Forces for Marks and Spencer are discussed below:-

- **Provides a systematic approach:** Porter's Five Forces gives a well-structured framework for evaluating the Marks and Spencer competitive environment. This enables the business to evaluate each force methodically and pinpoint the crucial elements that influence how competitive the market is for it.

- **Helps in making strategic decisions:** Marks and Spencer can determine its advantages and disadvantages in comparison to its rivals by examining the five forces. Making strategic decisions about marketing, pricing, and product development is possible with the help of this information.
- **Identifies potential threats:** Marks and Spencer can identify potential dangers to their business using Porter's Five Forces. For instance, the study can show that there are lots of new competitors, which would make the market more competitive and lower the company's market share.
- **Provides a benchmark for performance:** Marks and Spencer's performance can be compared to that of its rivals using Porter's Five Forces analysis. This might assist the business in determining what areas require work in order to stay competitive.
- **Assists in resource allocation:** Marks and Spencer can more efficiently distribute resources with the use of Porter's Five Forces. For instance, if the study reveals that suppliers have significant bargaining power, the business may need to devote more efforts to finding better suppliers or negotiating better terms.

Recommendations on Growth strategies for Marks and Spencer

Growth strategies are a set of tactics and actions that businesses use to expand their market share, increase revenue and achieve sustainable growth. There are several growth strategies that businesses can adopt, depending on their goals and resources. Some of the most common growth strategies include market penetration, market development, product development, diversification and acquisition. In order to analyse the growth strategies for Marks and Spencer, Ansoff matrix has been performed:-

Ansoff Matrix

The Ansoff Matrix is a strategic tool that aids companies in choosing their approach to product and market expansion. It was created by Igor Ansoff in 1957 and is used to find different business growth prospects. Market penetration, product development, market development, and diversification make up the matrix's four distinct tactics. Market penetration is the process of growing a company's market share by offering more of the same product to current clients (Zanjani, S and et. al., 2020). A new product's introduction to an existing market is known as product development. Selling current items to new markets is the main goal of market development. The final aspect of diversification is creating new items for new markets. The

Ansoff Matrix helps companies assess the potential risks and benefits associated with each strategy and choose the most appropriate one to achieve their growth objectives. Here is the analysis of M&S:-

- **Market Penetration:** Increased market share in current markets with existing products is referred to as market penetration. By employing this tactic, Marks and Spencer may draw more customers to its current stores and encourage current customers to make more frequent purchases. This can be accomplished through specialised marketing efforts, giveaways, and loyalty schemes. To further improve the total consumer experience, Marks & Spencer might concentrate on enhancing their customer service, product quality, and shop design.
- **Market development:** It entails bringing existing products into new markets. This approach can be used by Marks & Spencer to increase their market share in new areas or to focus on different types of customers. For instance, Marks and Spencer might increase their business operations in nations like China or the United States where they now have a modest presence. They can also introduce new product categories, such as those for health and wellness, or new product lines targeted at younger consumers to reach new customer segments.
- **Product development:** As part of product development, new goods are released onto the market considering taste and preferences of the customers. This strategy will certainly help Marks & Spencer in expanding its product selection line and winning competitive advantage over more clients. They could also add additional food, housing, or clothing businesses to complement their present offerings. Additionally, Marks and Spencer can collaborate with other businesses or designers to create specialised product lines that could be catered to specific market niches or consumer preferences.
- **Diversification:** It refers to launching of novel products into brand-new markets. Marks & Spencer can employ this strategy to explore new business opportunities and reduce their dependency on existing products or markets. People can start their own bars or inns to enter the hospitality industry, or they can start their own online store to enter the technology industry. However, because it necessitates sizable investments in R&D, marketing, and operations, diversification is frequently the riskiest growth strategy.

Recommendations

Based on the Ansoff Matrix analysis of Marks and Spencer following are the two growth strategies that the company could apply.

- **Product Development:** To draw customers and boost sales, Marks and Spencer might concentrate on creating novel and inventive items. The business can work with suppliers to develop new environmentally friendly items that meet the expanding customer demand for such goods. For instance, the business may launch a fresh line of foods made with organic and regional ingredients, plant-based meal alternatives, and collections of eco-friendly items. This would set Marks and Spencer apart from its rivals and appeal to the expanding demographic of environmentally concerned consumers.
- **Market Penetration:** Increasing its market share in current markets is another tactic Marks and Spencer might use. To draw more people into its stores, the corporation might do this by utilising aggressive marketing efforts, loyalty programs, and special discounts. The business might also boost its e-commerce platform and spend money on digital marketing initiatives to increase its online visibility. Marks and Spencer would be able to compete with other internet shops and reach a broader client base as a result.

CONCLUSION

According to the aforementioned report, Marks and Spencer's external environment is analysed using the PESTLE methodology. The investigation has revealed that, even so, there is room for growth in a variety of directions, including the rising appeal of prepared foods and the growing propensity for online shopping. Along with this, the business also faces challenges like how Brexit will affect trade laws and legal matters. The paper proposes two growth strategies for Marks & Spencer: market penetration and product development, using the Ansoff Matrix from the report mentioned above. These strategies involve expanding the company's existing product lines and markets, and they might help it maintain its competitiveness in the face of shifting consumer preferences and market trends. By routinely observing and reacting to changes in the external environment as well as looking for strategic growth opportunities, Marks and Spencer may be able to position itself for continued success in the fiercely competitive retail sector.

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