



Marks and Spencer, Ltd. (C)

Alan Smith, director of M&S's business development group, remained in the United States as head of the North America Division until March 1990. When Smith returned to M&S headquarters, Nigel Colne, then director of M&S's European operations, added the responsibility for North America to his portfolio.

Although Brooks Brothers and Kings Super Markets both emphasized quality and customer service, Colne said they merited different approaches. He described M&S's involvement in Brooks as covert and in Kings as overt.¹ Since Brooks was a distinctly American institution, Marks & Spencer was careful not to impose its U.K. image. M&S's contributions were in areas where customers would notice improvements, but would not directly associate them with the British parent company. In contrast, Kings benefitted from a higher profile M&S involvement. Along with particular skills in sourcing and store modernization, M&S introduced a number of product additions and enhancements in Kings stores.

Brooks Brothers

When Brooks was acquired by M&S, most of its senior executives were close to retirement. In 1989, Chief Executive Officer Frank Reilly was succeeded by William Roberti, president and chief operating officer. Having worked for Zale Corporation (one of the largest U.S. jewelry retailers) and Mervyn's (a discount department store and subsidiary of Dayton Hudson Corporation), Roberti possessed an extensive buying and merchandising background. In 1987, Robert Campeau had hired him for Brooks Brothers, then a subsidiary of Allied Stores.

M&S invested approximately \$35 million in Brooks Brothers in the three years after its acquisition. Most of the money was used for store modernization—\$7 million at the flagship store on Madison Avenue alone. During this period, Roberti continued the restructuring of the merchandising and buying areas that he had started in 1987; accelerated product development; examined efficiencies in production, closing one factory and enhancing another; and developed a new information system scheduled to go on line in late 1991.

Research Associate Dianna Magnani prepared this case under the supervision of Professor Cynthia A. Montgomery as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

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1. Telephone interview, February 22, 1991.

Brooks introduced some M&S specialty food items, such as biscuits and teas, that did quite well during the 1990 Christmas season, accounting for half a million in sales. The success convinced Brooks to continue this limited food line, developing these products under its own name for sale in 1992. The firm also did well selling men's shirts in some of M&S's U.K. stores.

In the late 1980s and early 1990s, the retailing environment was intensely competitive and overstored. Brooks's core area of tailored clothing was hit especially hard. Stating that Brooks Brothers was a brand, not just a retail store, Roberti was determined to redefine the corporate mission. While emphasizing his commitment to the retail stores, he decided to "free the firm from the chains of retailing by restructuring it around the Brooks Brothers brand name."² Toward this end, he expanded the firm's successful direct marketing program (i.e., mail order catalogues) and strengthened its involvement in the joint venture in Japan.

In 1990, Roberti created a wholesaling division to sell Brooks's merchandise in other shops. "Brooks can take advantage of others' traffic flow without facing the burden of capital investment and management that exists when you own stores," he stated.³ The division which shipped its first merchandise in February 1991 was profitable in its first year. Goods were shipped to 16 better men's specialty shops in markets, such as Memphis, Tennessee, that did not offer growth opportunities for Brooks in a store format.

The desire to expand the Brooks brand name led Roberti to reexamine the tradition of selling past season merchandise through Filene's basement, a Boston-based discount department store. He decided, instead, to establish discount outlets in Kittery and Freeport, Maine and Manchester, Vermont. These stores would sell some merchandise purchased directly for them as well as slow-moving items from the retail chain.

Roberti also saw a potential for brand name development in Europe. The company planned to analyze its potential in each country separately. "We have to tailor the format to the retail environment and the local customs," Roberti said. He envisioned a variety of formats, including joint ventures and combinations of exports and stores. For example, an agreement was made for the Italian market in which Brooks would control the distribution but would not own the stores.

Kings Super Markets

Allen Bildner retired shortly after selling Kings to Marks and Spencer. Jim Meister, an experienced food retailer who had been with the supermarket chain for 18 years, assumed the president and chief executive positions.

In the three years following the acquisition, Kings modernized all its stores. It added new lighting and refrigeration equipment, upgraded employee areas, and redesigned store layouts.

Value-added products were increased. Upon M&S's suggestion, Kings raised the proportion of bakery, produce, seafood, and delicatessen items relative to groceries. In 1991, sales of deli and bakery products accounted for about 16% of the total, double the industry average. Seafood offerings, at 5%, represented a larger proportion of sales at Kings than at competitors. Kings also

2. Personal interview, March 13, 1991.

3. Ibid.

introduced a selected line of freshly-prepared, individually-packaged items. These included marinated meats, vegetable dishes, and casseroles similar in concept to those offered at M&S stores. Some St. Michael specialties, such as teas, jams, biscuits, and toiletries were added, and a horticulturalist from M&S assisted Kings in developing a line of plants and home garden items.

Unlike its competitors, Kings had employed a sanitarian in 1988 to maintain hygiene standards. Even so, its standards greatly improved from M&S's experience with quality control. For the first time Kings tested products all along the supply chain from the animal feed to the grocery shelf. It enlisted Christian Salvesen, one of M&S's U.K. suppliers, to transport prepared foods throughout the Kings network. These goods were produced at larger Kings stores and a handful of outside manufacturers. Once products were in the stores, new refrigeration systems extended shelf life and improved taste.

Several M&S and Kings employees were involved in a personnel exchange program. The most important were the assignments of M&S Divisional Director Jaqui Wetherley to assist Meister with product development and M&S Senior Manager Chris Pavelin to help with store modernization.

Reflecting on the improvements, Meister believed that Kings had benefitted greatly from M&S's vast financial and human resources. In the three years since the acquisition, the chain went from 15 to 17 stores, with two more in the final stages of negotiation (**Exhibit 1**). Meister was confident that in 1994, Kings would reach the 25 store mark.

Exhibit 1 Selected New York Area Supermarkets

Supermarket	Stores in the New York Area	Market Share
Grand Union	104	6.9
Kings Super Markets	19	1.5
Pathmark	103	14.5
Shop Rite	68	8.0

Note: The New York Area consists of 18.1 million people in counties in the New York City area (10), northern New Jersey (13), and western Connecticut (1).

Source: *Progressive Grocer's 1991 Market Scope*