

ASSIGNMENT: SITUATION ANALYSIS ON MARKS AND SPENCERS

NAME: LARA YASMEEN BINTI AIRUL REDZMA

MODULE: MARKETING IN PRACTICE

MODULE CODE: BMBM5024

LECTURER: GWYNETH JONES

EXECUTIVE SUMMARY

As one of the premier British retail companies Marks & Spencer (M&S) maintains its position through offering superior food items and clothing and home products. The business began operations in 1884 and spread across the globe as it built strong market positions in the UK and Europe and Asia throughout its existence. For the year 2022/23 Marks & Spencer produced £11.9 billion in revenue that split evenly between £7.2 billion food sales and £3.7 billion clothing and home products (Marks & Spencer, 2024).

As part of its sustainability drive M&S directs its Plan A initiative toward waste reduction and emission reduction and ethical supply chain development. The company has dedicated funds to develop its e-commerce business which resulted in a 4.8% increase in digital sales and extended online capabilities with Ocado.

The retail company M&S maintains its supply chain quality while addressing inflation and rising raw materials costs and Brexit trade concerns through digital and environmentally friendly initiatives. The company remains competitive against Tesco Next, Sainsbury's and other retailers by keeping its high product quality standards and loyal customer base as well as its sustainability initiatives.

The company intends to advance its growth trajectory through digital transformation and product development and sustainability adherence.

TABLE OF CONTENTS

Executive Summary.....	1
Table of Contents.....	2
1.0 Introduction.....	3
1.1 Market Performance.....	3
1.2 Target Market.....	3
2.0 External Analysis.....	4
3.0 Competitive Environment.....	9
4.0 Internal Analysis.....	11
5.0 SWOT Analysis.....	12
6.0 Recommendation.....	13
7.0 Conclusion.....	14
8.0 References.....	15

1.1 INTRODUCTION TO MARKS & SPENCER

A British multinational retailer selling high class clothing and food merchandise along with home products to its customers, Marks & Spencer produces as an entity. The first M&S was made by Michael Marks and Thomas Spencer as they created this retail chain into a world noted global brand in the UK. Despite its major markets in the Europe and Asia territory, the retailer is doing business operations in various countries. M&S maintains a reputation as an organization dedicated to quality standards combined with sustainability initiatives along with constant product innovation for its broad range of customers (Marks & Spencer, 2024b).

1.2 Mission Statement

M&S's aim is to be a responsible retailer that sells sustainable, high quality products in an outstanding way. The company produces responsibly produced food, stylish and durable clothing and innovative home products to elevate lives. M&S continues to place sustainability at the heart of how it does business as all its operations manifest itself in its Plan A initiative to cut waste, lower the carbon impact of M&S's operations and support ethical sourcing.

1.3 Market Performance Data

The food retail and clothing departments of M&S secures an established market dominance in the UK retail environment. For the year ended 31 March 2022, M&S Group plc had a total revenue of £11,967 million which represented an increase of 9.6 per cent on the corresponding period of the prior year. Total sales at M&S were £7.2 billion, also contributed by the food segment, while the clothing and home sales sector brought in £3.7 billion.

2.0 EXTERNAL ANALYSIS

2.1 Assessment of Current External Market Conditions

The retail operations of Marks & Spencer (M&S) take place within an intense market setting that responds to economic changes alongside changing consumer tastes and new technology developments. Consequently, the modern day retail is characterized by continuous growth in online shopping as consumers now desire stores which offer convenient, sustainable and tailor made shopping experiences. With the launch of online platform expansion, the company seeks to improve digital networks so as to consider Omnichannel retail solutions based on customer convenience in their purchases (Hee et al., 2021).

M&S faces the problem of rising costs of raw materials as well as inflation and the ability to maintain the profit margin for the company and formulate pricing strategies in view of these problems; M&S needs to have supply chain operations to be adaptable and efficient. At the time when discount supermarkets M&S open, there is the pressure that fast fashion will be entering the market, and M&S has to stress the product uniqueness and product quality standards, efforts on sustainability and their customer service to remain competitive. Plan A enhanced M&S' aspirations to sustainability in the supply chain and enhanced customer requirements for ethical sourcing and corporate responsibility (Shen, 2014).

2.2 Market Size and Growth

The retail industry throughout the United Kingdom operates at over £400 billion annually while the food and clothing sectors drive most of this total. The retail giant M&S demonstrates persistent revenue expansion through its analysis of both segments as it reached £11.9 billion in earnings during its 2022/23 financial year-end. By satisfying growing consumer desires for refined grocery products and high food quality, the food unit of the organization accomplished strong results. Better products and cheap prices along with the booming online sales have helped recover the clothing and home division (Ramus and Asger Nielsen, 2005).

As more people are selecting digital stores as opposed to traditional methods, the UK marketplace for online retail is growing rapidly. M&S' response to the changing market was to secure 4.8% growth in its digital sales. Consequently, the company allocated its resources to strengthen its e-commerce system by utilizing the AI personalization solutions and cooperating with Ocado and other grocery ordering platforms (Marr, 2020).

2.3 PESTEL ANALYSIS

Political

However, due to Brexit policies, trade regulations are implemented directly leading to rise in import/export expenses and direct consequences on supply chain operation (Seely et al., 2016). With M&S's foreign business operations, the additional tariffs, delivery issues and new obligations to comply in terms of the EU have followed the UK's departure from the EU.

Retail companies are compelled to change their business operations by government sustainability programs. Recurring expenses from upcoming government regulations of carbon releases and waste controls are being taken in their stride at M&S, with the company maintaining proactive environmental policy adoption.

The workforce strategy of M&S receives direct impact from employment policies and labor laws which especially target their distribution centers and retail outlets.

Economic

Since the cost of living grows, one's way of spending amounts of money changes as consumers switch from purchasing luxury items to economical ones. For M&S's wide range of customer demographics, the product selection approach has been adapted to present high quality products at reasonable prices (Nassar, Gad and Kortam, 2021).

An increase in trade costs raises import bills and then prompts pricing decisions of the company. As a major proportion of M&S's clothing comes from international sources, M&S requires proper currency risk management.

When the company is in a state of economic instability the customers also increase their purchase of cheaper products and hence the company develops some sophisticated promotional schemes, loyalty systems and flexible pricing tactics (Choudhury, 2020).

The market volatility during euphoric and recessionary times cuts down consumer willingness to spend freely for clothes and home items which demands M&S to pay more attention to build strong brand values and to advertise sustainable quality.

Social

Customers are more interested in ethical and eco-friendly products, which is why M&S is putting more effort into using sustainable packaging, supporting fair trade and sourcing materials responsibly (Grayson, 2021).

As part of the basic trend of the UK population to age, M&S decided to revise its product selection, especially in clothes, and food choices. M&S alters the fashion styles and groceries it stocks to fulfil the needs of the elderly health conscious, yet still allows the younger people to have access to the products they desire.

Due to increasing consumer demand for sustainable food choices resulting from an awareness of environmental issues, M&S is still developing its vegan and organic product range (van Bussel et al., 2022).

M&S has also been making sure that its consumers find it convenient to make digital purchases as people have begun to intently look for click-and-collect features made available on various store locations. By doing this, customers are given more opportunity to shop online but also to take advantage of pick up in store capabilities.

Technological

Meanwhile, AI systems and data analytic tools aid M&S to fine tune how customers engage with different aspects within the company and how to make supply chain operations more effective. In addition to applying AI recommendations and predictive analytics modeling to provide individualized shopping experience for customers, M&S also utilises AI to improve inventory performance (Joel et al., 2024).

It has been owing to growing e-commerce activity and mobile shopping that digital transformation keeps moving ahead. M&S continues its dedication to invest into site structure and mobile applications and social media features to retain online customer base.

M&S now spends money automating its store management systems and its distribution network infrastructure to increase operational output. Together with such automated warehouses, business operations employ self checkout systems and smart shelves, helping them save operational costs and improve service delivery quality.

In addition, M&S is looking to update its strategy for engaging with its brand through digital marketing as well as partnering up with influencers. The company keeps in touch with digital savvy consumers via social media platforms and content campaigns as well as strategic partnership to build stronger online reputation (Gilliland, 2023).

Environmental

The number one business goal is achieving sustainable packaging solutions while minimizing supply chain carbon emissions. To cut plastic pollution, M&S wants to expand recycling work and secure environmentally friendly product supply (Marks and Spencer, 2024).

M&S's motivation to invest in renewable energy systems and sustainable farming with an energy efficient retail design was based on the growing set of environmental regulations to which retail businesses have to comply.

Customers are increasingly concerned with an eco-friendly world and the brands are also being judged on this factor when making purchases. In response to these expectations, M&S continues its Plan A sustainability program, which is aimed towards cutting emissions, ethical sourcing and circular economy practices.

Climate changes, including changeable weather patterns, are destroying supply chains of agricultural commodities both in terms of availability and pricing. To combat this, M&S works closely with its suppliers to help with more sustainable food supply sourcing methods as well as a resilient and reliable supply chain.

Legal

To be able to practice M&S, the fundamental requirement for both the practices and regulations is in line with the UK consumer protection statutes as well as data privacy laws. M&S must pass GDPR data protection standards and demonstrate to the customers how their transactions that they have captured are handled (Marks and Spencer, 2019).

The strict labor legislation forces the organizations to control the strategies of these human resource management with those of supplier companies. Ethical labor practices are a vital part of M&S's reputation, and this mainly is the case in the context of M&S's international supply chain operations.

M&S also has to follow the rules concerning sustainability marketing and advertising. It means delivering transparent, accurate information about what it is doing to be ecologically friendly as opposed to making unsubstantiated claims (Şenyapar, 2024).

It is also concerned with protecting the unique product designs and brand identity it has crowded out its competitors with. Intellectual property rights are important for M&S's protection of its creative assets and ensures its continued dominance in the market.

3.0 COMPETITIVE ENVIRONMENT

3.1 Porter's Five Forces Analysis (Bell, 2024)

Force	Analysis
Threat of new entrants	The entry barriers to market are high for most of the new entrants due to brand loyalty and high capital requirement, but digital first brand and niche retailers can disrupt the market with innovation.
Bargaining power of suppliers	M&S' strategy to work with diverse suppliers means that they have the low to moderate levels of supplier bargaining power. However, fluctuations in raw material costs and regulatory changes still influence supplier negotiations.
Bargaining power of buyers	For customers, there are many opportunities for shopping here in the market for food and then for clothes, though bearing a premium for quality goods, however, they also seek sustainable practices and competitive prices. M&S needs to innovate hence the pressure to improve value propositions remains on all the time (Hermundsdottir and Aspelund, 2021).
Threat of substitutes	The competition with fast fashion companies that have their large and inexpensive trendy selections and discount supermarkets that have reduced prices, put a great deal of pressure on M&S's clothing assortment and grocery department.
Industry rivalry	The sector is also characterized by a very high level of competitive rivalry, due to each of these major companies (retailing: Tesco, Next and Sainsbury's) revising its business strategy. In order for M&S to remain competitive amongst other retailers, they require to excel in its topnotch quality sustainability and digital leadership.

3.2 Key competitors

Competitor	Strengths	Weakness	Market share	Strategies
Tesco	It has a wider store presence, stronger brand recognition, a wider selection of groceries.	Concentrates on less on the better and higher quality products than M&S	27% (Tesco , 2024)	Puts a lot of emphasis on low cost products, website growth and private-label product ranges.
Next	Robust online retail capabilities, and strong fashion appeal.	Lacking diverse product ranges other than clothing and basic home items	7% (Hargreaves Lansdown, n.d.)	Invests in digital transformation and e-commerce to enhance customer convenience.
Sainsbury's	Competitive pricing, extensive grocery network.	M&S has a lower premium position than products	15% (Sainsbury, 2024)	Offers to competitors the production of value based products with sustainability initiatives in order to capture budget focus customers.

4.0 INTERNAL ANALYSIS

4.1 Key Resources

M&S has great supply chain infrastructure and solid store locations with robust brand value. In order to enhance its online reach and market uniqueness, the company has developed its digital operations and its own original brands in food and clothing. Its workforce expertise as well as knowledge of sustainable practice brings to the company unique market advantages.

4.2 Assets and Key Capabilities

Physical and digital infrastructure is controlled by M&S, including signature retail stores and material storage sites, and online marketplace facilities. The company as an industry leader has its innovative capabilities in sustainable retailing as well as customer service supplemented by the supply chain optimization. The company develops its presence in new markets through strategic partnerships with Ocado.

4.3 Internal Strengths and Weaknesses

M&S has strong points, such as their loyal customer base and their first class product quality as well as robust sustainability promises. Its difficulties in aligning the clothing fashion products with the company makes the company face obstacles because its operational expenses are still high. The company has to continue innovating digitally and expand digitally, or else it will lose its standing in the market (Hadi, Aslam and Gulzar, 2019).

5.0 SWOT ANALYSIS

STRENGTHS	WEAKNESSES
● Strong brand reputation and customer loyalty. ● Robust food segment with quality and innovation.	● High operational costs and past struggles with fashion alignment. ● Slower digital transformation compared to some competitors.
OPPORTUNITIES	THREATS
● Growing demand for sustainability and ethical sourcing. ● Expansion of e-commerce and AI-driven customer personalization.	● Premium brands as well as discount providers play a role in making competitive pressure to emerge in the market. ● Economic fluctuations impacting consumer spending.

5.2 Strategic Marketing Direction

Sustainable operations together with digital advancements and other new products are used by M&S to provide higher customer satisfaction. Data analytics is used by M&S in developing its strategic marketing approach that involves personalizing their products with the aim of retaining customers via maintaining the values for quality on their digital platforms and market success (Kelk, 2024).

6.0 CONCLUSION

In summary, Marks & Spencer has been a strong and responsive brand able to hold its ground in the cutthroat retail sector. By focusing on its principles of sustainability and high quality offerings and customer support, M&S successfully serves current shoppers. M&S's innovations especially in the areas of digital and increasing sustainable practices have been addressing market challenges so as to maintain a strategic position over competitors. As a result, moving forward M&S will succeed due to consumer loyalty on food products and brands and focus on improving fashion and online accessibility and service. If M&S can also focus on sustainable practices and customer-individualized interactions, the company can maintain success and expand its retail realm.

7.0 REFERENCES

1. Marks & Spencer (2024). *Investors*. [online] Investors. Available at: <https://corporate.marksandspencer.com/investors>.
2. Marks & Spencer (2024b). *Our History*. [online] Marks & Spencer. Available at: <https://corporate.marksandspencer.com/about-us/our-history>.
3. Hee, S.N.J., Mohd Rizal, A., Khalid, H., Ho, T.C.F. and Sahimi, M. (2021). Increasing Customer Satisfaction through Omnichannel Retailing. *International Journal of Academic Research in Business and Social Sciences*, 11(11). doi:<https://doi.org/10.6007/ijarbss/v11-i11/11267>.
4. Specialist ERP Software for the Fashion Industry | ZEDONK. (2024). *The Impact of Supply Chain Issues on Fashion | Zedonk*. [online] Available at: https://zedonk.co.uk/emag_article/the-impact-of-supply-chain-issues-on-the-fashion-industry/.
5. Shen, B. (2014). Sustainable Fashion Supply Chain: Lessons from H&M. *Sustainability*, 6(9), pp.6236–6249. doi:<https://doi.org/10.3390/su6096236>.
6. Ramus, K. and Asger Nielsen, N. (2005). Online grocery retailing: what do consumers think? *Internet Research*, 15(3), pp.335–352. doi:<https://doi.org/10.1108/10662240510602726>.
7. Marr, B. (2020). *The Amazing Ways Ocado Uses Artificial Intelligence And Tech To Transform The Grocery Industry*. [online] Forbes. Available at: <https://www.forbes.com/sites/bernardmarr/2020/10/30/the-amazing-ways-ocado-uses-artificial-intelligence-and-tech-to-transform-the-grocery-industry/>.
8. Seely, A., Lang, A., Smith, B., Mills, C., Harari, D., Thurley, D., Webb, D., Pyper, D., Potton, E., Ares, E., Downing, E., McGuinness, F., Grimwood, G.G., Danby, G., McIver, I., White, I., Dawson, J., Woodhouse, J., Lunn, J. and Booth, L. (2016). Brexit: impact across policy areas. *commonslibrary.parliament.uk*. [online] Available at: <https://commonslibrary.parliament.uk/research-briefings/cbp-7213/>.
9. Nassar, Y., Gad, G. and Kortam, W. (2021). The Effect of Demographic Variables on Price Sensitivity of Customers A Field Study. *Archives of Business Research*, 9(4), pp.101–142. doi:<https://doi.org/10.14738/abr.94.10023>.

10. Choudhury, R.G. (2020). Marketing Mix and Customer Loyalty in Services Marketing. *Services Marketing Issues in Emerging Economies*, 1(1), pp.167–177.
doi:https://doi.org/10.1007/978-981-15-8787-0_12.
11. Grayson, D. (2021). Embedding corporate responsibility and sustainability: Marks & Spencer. *Journal of Management Development*, 30(10), pp.1017–1026.
12. van Bussel, L.M., Kuijsten, A., Mars, M. and van 't Veer, P. (2022). Consumers' perceptions on food-related sustainability: A systematic review. *Journal of Cleaner Production*, 341(130904), p.130904.
13. Joel, O.S., Oyewole, A.T., Odunaiya, O.G. and Soyombo, O.T. (2024). LEVERAGING ARTIFICIAL INTELLIGENCE FOR ENHANCED SUPPLY CHAIN OPTIMIZATION: A COMPREHENSIVE REVIEW OF CURRENT PRACTICES AND FUTURE POTENTIALS. *International Journal of Management & Entrepreneurship Research*, 6(3), pp.707–721. doi:<https://doi.org/10.51594/ijmer.v6i3.882>.
14. Gilliland, N. (2023). *How Marks & Spencer has innovated its social media presence*. [online] Econsultancy. Available at:
<https://econsultancy.com/marks-spencer-social-media-innovation/>
15. Marks and Spencer (2024). *Plastics and packaging*. [online] Marks & Spencer. Available at:
<https://corporate.marksandspencer.com/sustainability/plan-a-our-planet/plastics-and-packaging>.
16. Marks and Spencer (2019). *Data protection policy | M&S*. [online] Marksandspencer.com. Available at:
<https://www.marksandspencer.com/c/data-protection-policy>.
17. Şenyapar, H.N.D. (2024). Unveiling Greenwashing Strategies: A Comprehensive Analysis of Impacts on Consumer Trust and Environmental Sustainability. *Journal of Energy Systems*, 8(3), pp.164–181. doi:<https://doi.org/10.30521/jes.1436875>.
18. Hermundsdottir, F. and Aspelund, A. (2021). Sustainability Innovations and Firm competitiveness: a Review. *Journal of Cleaner Production*, [online] 280(1), pp.1–18. doi:<https://doi.org/10.1016/j.jclepro.2020.124715>.
19. Bell, S. (2024). *Porter's five forces - The framework explained*. [online] Mindtools. Available at: <https://www.mindtools.com/at7k8my/porter-s-five-forces>.

20. Tesco (2024). *Tesco PLC Annual Report and Financial Statements 2024*. [online] Available at: https://www.tescopl.com/media/zgvhd0dn/tescos_ar24.pdf.
21. Hargreaves Lansdown. (n.d.). *Next plc (NXT) Ordinary 10p Shares Statements & Reports*. [online] Available at: <https://www.hl.co.uk/shares/shares-search-results/n/next-plc-ordinary-10p-shares/financial-statements-and-reports>.
22. Sainsbury (2024). *Annual Report and Financial Statements 2024*. [online] Available at: <https://about.sainsburys.co.uk/~media/Files/S/Sainsburys/documents/reports-and-presentations/annual-reports/2024/sainsbury-annual-report-and-financial-statements-2024.pdf>.
23. Hadi, N.U., Aslam, N. and Gulzar, A. (2019). Sustainable Service Quality and Customer Loyalty: The Role of Customer Satisfaction and Switching Costs in the Pakistan Cellphone Industry. *Sustainability*, 11(8), p.2408.
doi:<https://doi.org/10.3390/su11082408>.
24. Kelk, P. (2024). *Marketing Plan Marks and Spencer P.L.C*. [online] ResearchGate.
doi:<https://doi.org/10.13140/RG.2.2.27861.95206>.