

MARKS AND SPENCER REPORT

BMSK4004 Problem Solving and Decision Making



MARKS &
SPENCER



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Executive Summary

From a Penny Bazaar in 1884 to the multinational retail giant today, Marks and Spencer (M&S) now faces one of the biggest challenges it has ever encountered, one that could potentially lead to its demise. The company has announced a five-year UK store estate programme which has led to a series of store closures all across the UK, one that is referred to as a “radical transformation”. This report aims to discuss the challenges it faces as well as some of the factors contributing to the problems, and analyses its current situation using a Fishbone diagram, as well as performing SWOT and PESTLE analyses in an attempt to better understand the whole scenario, before providing a conclusion and recommendations to remedy or tackle the current situation.

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Introduction

Marks and Spencer (M&S) started as a Penny Bazaar at Kirkgate Market in Leeds by Michael Marks in the year 1884 (M&S (a), 2018). He later went into partnership with Tom Spencer ten years later, giving birth to the name “Marks and Spencer”. Today, it has grown into an iconic multinational retailer that sells everything from food and clothing to home essentials, as well as its own-brand products and other financial services.

Despite its stronghold in the retail sector, M&S has encountered the same challenges, causing the company to announce a five-year UK store estate programme which led to a series of store closures all across the UK (M&S (c), 2018). Following that, the retail giant announced plans to close 100 stores by 2022, a move which it claims is “vital” for its future (BBC News, 2018).

In this report, the author discusses the problem currently faced by M&S like most high street retailers. After which the author performs several analyses of the causes of the problems at M&S by using SWOT and PESTLE analysis, as well as a stakeholders’ analysis in the M&S scenario.

Based on the analyses performed, the author draws a conclusion that identifies the main problems faced by M&S, and provides his recommendations based on the conclusion.

Current Problems

Customer Base

A huge proportion of M&S’s customer base have “grown old in M&S”, and the company has failed to cater for younger customers, which could be the reason why under-30s are not shopping or working in M&S (Matt Baylis, 2018). In addition, younger generations rarely consider M&S to be a place to shop as it is widely viewed as “where my parents shop” or “granny pants” (Adam Gale, 2016; Varia Solutions, 2017). As Dr Martin Friesl (2018) argues, M&S needs rejuvenation, but it is questionable whether it is capable without injecting some fresh new blood.

Changes in Lifestyle

Simon Goodley (2012) argues that in addition to getting the merchandise that are not “on trend”, when they get it right, they did not get enough to meet the demand. Middle-aged and even elderly women now dress much more fashionably and M&S has failed to keep up (Zoe Wood and Sarah Butler (b), 2018).

Migration to the Internet

Like other high street retailers, M&S has been affected by the trend that shifted to online shopping, as well as higher costs including business rates at a time of shrinking consumer spending (Andrea Felsted, 2017; Hilary Osborne, 2018). Migration to the internet has also forced M&S to face greater competitions (Zoe Wood and Sarah Butler (b), 2018). Despite efforts made by its predecessor Marc Bolland to invest massively in logistics and a state-of-the-art distribution centre, that was unable to fulfil the customers' demands in a timely manner (Nils Pratley, 2018). In reality, M&S has been playing catch-up in an industry defined by digitally-led fast fashion, and it needs to make sufficient investment in its e-commerce platforms and customer experience in order to survive in the sector (Russ Shaw, 2016).

The Analyses / Findings

The Fishbone

To illustrate the factors contributing to M&S's current situation today, the Fishbone diagram (Bowen, 2016; Shelly & Rosenblatt, 2010) is used. From the diagram in Appendix 1, the factors that resulting in M&S's current problems of losing competitiveness and plunging of profits are:

(1) Trends

M&S has failed to take onboard the implication of globalisation that is made possible by the popularisation of the internet (Russ Shaw, 2016). It has also failed to take into consideration of the shrinking buying power and the increase of shoppers who are on lookout for bargains (Andrea Felsted, 2017; Hilary Osborne, 2018).

(2) Overheads

Since its establishment over a century ago, M&S has collected a motley array of stores, some of the smaller local outlets are shabby and dated while some of the larger stores are too big and difficult to navigate (Zoe Wood and Sarah Butler (b), 2018).

(3) Branding

One of the recognised problem with M&S is its lack of focus on customers (Varia Solutions, 2017). It was said to be *"in an attempt to be everything for everyone has become nothing to no-one"* (Varia Solutions, 2017). With its fashion line generally seen as ubiquitous, beige and amorphous, it will need to think and act like a fashion house to change that (Kate Jones *et. al.*, 2017).

(4) People

The loyal customer base of M&S who determined its success in early years could now be detrimental to its business as younger generations sees M&S as the shop for the older generation (Varia Solutions, 2017). In fact, it has never been able to fully understand the market, as it is also said to have always been getting things a little wrong (Zoe Williams, 2015). Furthermore, its attempts to win the online market share is severely undermined by its slow website and the distribution centre's inability to keep up with the fast-paced internet demand (Nils Pratley, 2018).

(5) Positioning

Dr Martin Friesl (2018) argues that one of the two selection pressures faced by high street environment is *"the ability of high street brands to achieve value-creating synergies between its online and high street formats"*. Much is correct in terms of the situation M&S is in since its profit began to shrink in recent years. Amir Qamar (2018) states that M&S has built a reputation based upon classic styles and quality, which is presently at risk when M&S has attempted to compete with rivals like H&M and Primark, the quality of their goods was compromised. Furthermore, its sub-brands like Per Una and Limited Edition have caused more confusion in its overall positioning rather than giving it much edge amongst younger shoppers.

(6) Systems

M&S has always been playing catch-up in terms of strategic restructuring or the migration to the internet. It is also a known fact that its online operation is not up to speed with rivals or able to meet with customers' expectations (Nils Pratley, 2018). Dr Martin Friesl (2018) argues that M&S urgently need rejuvenation due to its *"high street dinosaurs"* nature and structure. In addition, its current wide-scale store closures will certainly bring about a lot of challenges to the system, calling upon an imminent review and restructuring of the current system.

Stakeholder Analysis

In order to understand the importance of each group of stakeholders, the stakeholders are placed in a *"stakeholder matrix"*. Obviously, shareholders hold the highest amount of power in terms of its actions as well as the highest interest as the performance of the business directly affects their financial benefit. On the other hand, the customers are given rather high powers as the satisfaction of the customers will directly contribute to its survival or demise.

Sadly enough, from its wide-scale closure of stores, one can formulate that it does not give much importance to the employees although they could play important roles on the company's overall success. Even the business partners are given higher powers in the as the support from business

partners are essential for the survival of any business. From its Plan A 2025, one can conclude that M&S does give a lot of weight when it comes to community influence.

PESTLE Analysis

To better understand the situation faced by M&S, a PESTEL analysis is performed, focusing only on the **economic, social and technological** aspects and illustrated using the following table: -

Economical

It is obvious from the previous sections that the current economical factor affecting M&S is the global economy slowdown which causes the shrinking of disposable income for most consumers, leading to more and more people looking for bargains in shopping (Andrea Felsted, 2017; Hilary Osborne, 2018). Furthermore, the popularisation of the internet allowing easy online shopping in the comfort of one's home, creating a battle between high street stores and internet-based stores that are usually able to sell at lower prices due to lower overheads

Socio-cultural

As most of its current loyal customer base "grow old with M&S", it is facing a critical point whereby it urgently needs to widen its customer base to include consumers of other age groups (Matt Baylis, 2018). Also, due to its image and the perception that M&S is "where parents shop" (Varia Solutions, 2017), it is less appealing to younger shoppers. Furthermore, its recent announcement of wide-scale closure of more than 100 stores would definitely affect its corporate image.

Technological

As more and more consumers turn to online shopping instead of browsing the physical stores, M&S will need to be at the top of its game in order not to lose its market share to its rivals. Previous incidents of a slow website, incompetent distribution centre and under-performing logistics system are just some of the technological issues that M&S will need to address without delay (Nils Pratley, 2018).

SWOT Analysis

Strengths

Since its establishment, M&S has grown to become an iconic British firm (Amir Qamar, 2018). It has a long history of excellent customer service and a well-established network of stores. It has a strong loyal customer base that has grown up and grow old over the years (Matt Baylis, 2018). M&S has a diverse line of business including food market, clothing, home essentials, and so on (M&S (a), 2018).

Decades after decades of strong growth and rapid expansion means M&S is financially strong despite its recent “radical transformation” initiative that sees a wide-scale store closure (Amir Qamar, 2018). The launch of its ambitious customer focused “Plan A 2025” sustainability plan (M&S (d), 2018) undoubtedly earns this retail giant huge reputation and a positive corporate image.

Weaknesses

It has in the past unable to understand the consumers’ lifestyles or preferences (Zoe Williams, 2015). In its efforts to meet customer demands, it appeared to have been lost as its sub-brands seemed to be targeting different groups, causing it to fail to attract its loyal and core customers as well as new and younger shoppers (Amir Qamar, 2018). Also, its long operation of over a century accumulated many stores that are dated, putting a huge burden onto the company (Amir Qamar, 2018). Despite its attempt to migrate to the online world and the massive investment in its state-of-the-art distribution centre, its lack of experience in online world clearly showed in its slow website and sheer incompetent in fulfilling customer orders (Nils Pratley, 2018).

Opportunities

The wide-scale closure frees up resources for it to allocate to better use. It can also draw upon its global presence to aid in the sourcing of merchandise or to shift its dependency on the UK market (Amir Qamar, 2018) as not everywhere is facing the same economic slowdown. Furthermore, the restructuring of its current operating model means that it is opening up a whole new world to its potentials. Although it started its online venture with the wrong foot, making it right finally could bring huge potentials to the company.

Threats

M&S is facing fierce competitions from other retail stores as well as those online (Andrea Felsted, 2017). The uncertainties brought upon by Brexit and the post-Brexit economy has caused many consumers in the UK to be more cautious on their spending, putting even more pressure onto the ever shrinking buying power (Kate Jones *et. al.*, 2017). M&S has also been unable to follow the changing trends in consumer lifestyles and seems to still believe that women over 50s should put on dull dresses (Zoe Williams, 2018).

Conclusion and Recommendations

From the above analyses, it is rather obvious that the threat that M&S faces is far from over, and it will need to fully utilise all its strengths in order to survive. As Dr Martin Friesl (2018) pointed out that M&S urgently needs rejuvenation. Its current move to close more than 100 stores UK wide is a wise move that has taken too long to happen, as the company chairman Archie Norman said that the

business was “on a burning platform” (Hilary Osborne, 2018). Archie Norman also warns that without radical change, the company may not be able to survive (Alys Key, 2018).

Much of the problems that M&S is facing are caused by its inability to act proactively to the change in trends and consumer preferences or lifestyles. Araújo & Gava (2012) argue that companies should anticipate change and respond to the change before they are forced to do so. While actively closing the underperforming stores, investing on a much faster and reliable e-commerce storefront and improving the efficiencies of the crucial logistics system to ensure timely delivery of goods, the company should also invest on better understanding its strategic positioning and its target market. A huge proportion of its branding / positioning problem was caused by its ambiguous product lines which failed catastrophically to paint a clear portrait of the M&S brand (Zoe Wood (b), 2018). Apart from that, M&S should also try to update its existing stores, simply to beat the saying as John Ibbotson of retail consultancy Retail Vision put it, ‘who needs time travel when you can walk through an M&S and experience the 70s first hand?’ (Adam Gale, 2016).

In short, leading a company that has been operating successfully for more than a hundred years is certainly a big task, let alone trying to change it or even to make it sustainable. One needs to bear in mind that although the long history has its advantages, it also carries with it a lot of unnecessary baggage that at times need to be unloaded so the company can fly high once again.

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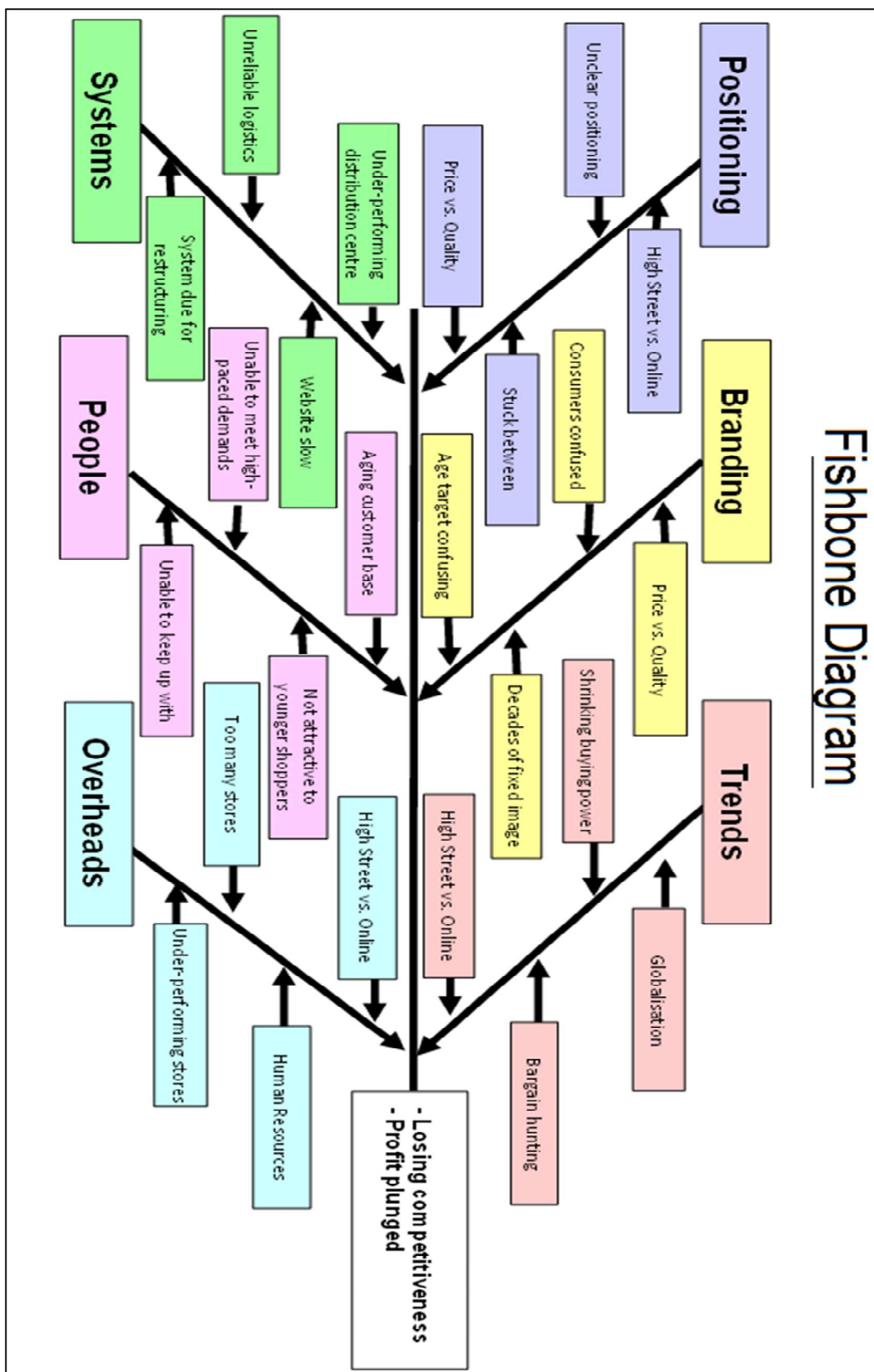
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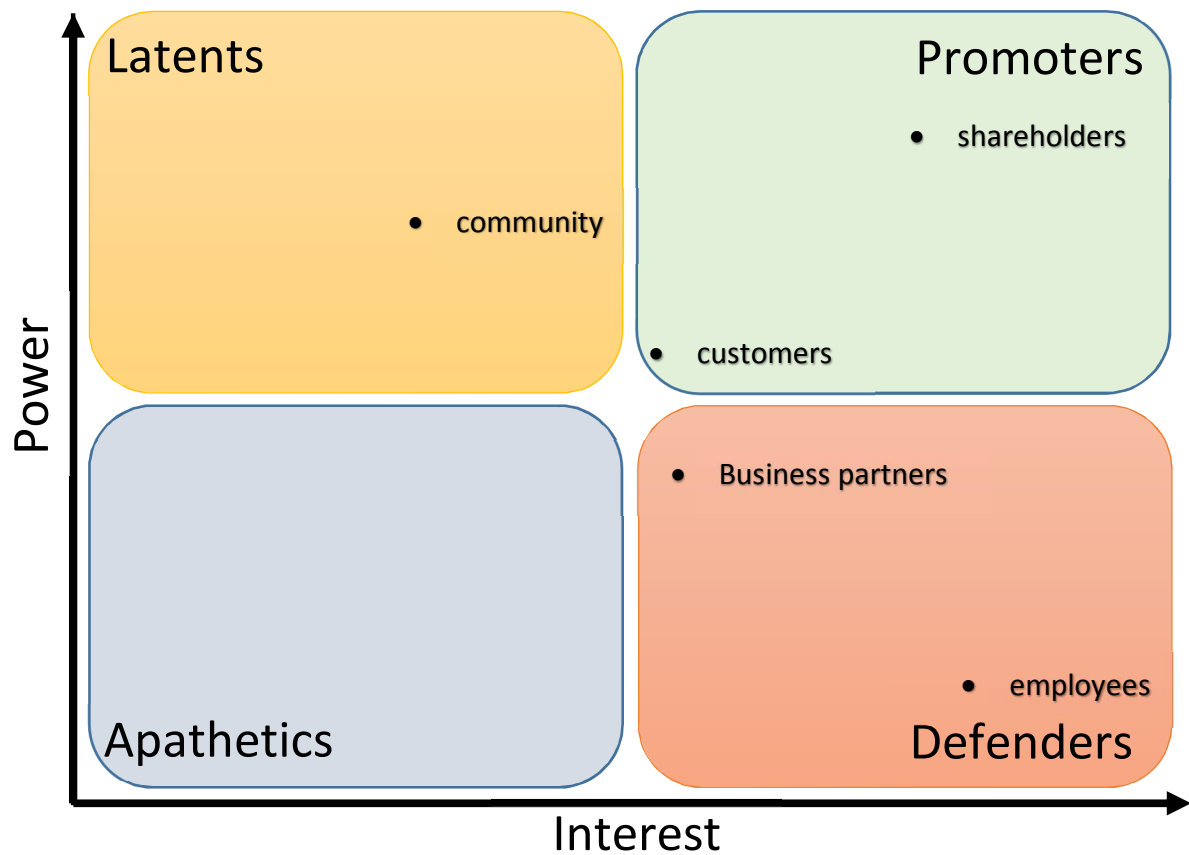
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Appendix 1: The Fishbone Diagram



Appendix 2: Stakeholder Matrix



- Stakeholder matrix

Appendix 3: PESTLE Analysis

Economical: - global economy slowdown - shrinking of disposable income - greater competition online and offline	Socio-cultural: - aging customer base - perception on target age group - corporate image after massive store closure	Technological: - non-competitive website - underperforming distribution centre - underperforming logistics
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- PESTLE Analysis on Marks and Spencer

Appendix 4: SWOT Analysis

Strengths • Long history, well-established • Strong customer base • Diverse business line • Financially strong • Excellent corporate image • Strong reputation in M&S Simply Food	Weaknesses • Failed to understand the consumers • Lack of experience in online world • Unable to fulfil orders despite massive investment • Too many physical and underperforming stores • Unable to effectively position / branding causing confusion
Opportunities • Wide-scale closure frees up resources • Global presence • Restructuring current operating model • Developing their website could open up huge potentials	Threats • Fierce competitions from other retail stores as well as those online • Brexit uncertainties • Changing trends in consumer lifestyles

- SWOT Analysis of Marks and Spencer