

Overview and analysis on Marks and Spencers

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Abstract

The study focuses on the brand - Marks and Spencer. It is an analysis of the company's performance in allocating resources towards product development and outreach activities. The study provides future predictions based on industry trends and provides recommendations on improvements. The paper also discusses the consequential impact of the COVID-19 pandemic.

Introduction

The covid 19 pandemic has impacted all spheres of the market. While the e-commerce and Pharma sectors have seen a good boost in its revenues, clothing brands and non essential items have seen a dip in sales. Our research focuses on the brand Marks and Spencer. The company was established in 1884 by Michael Marks and Tom Spencer and its first outlet was opened in London in 1903. The company was efficient in the 1900's with being the first to introduce significant products that are still used till date. They were the first to revolutionise underwear and lingerie for both males and females in the 1920's and were the first to introduce "good quality and nutritious" microwavable food, according to their official website. This shows that they understood what the market required and were always the first to introduce new products that would become staples. They constantly worked on their technology and strived to make better products which is far from what can be said about their performance now.

Catherine Shuttleworth, retail analyst and chief executive at retail marketing agency Savvy, told the BBC "You've got to change to survive. While Marks was saying it, they weren't necessarily doing it, but it has now changed the way they work even at a simple level." This indicates the declining motivation to innovate and the company losing their key differentiation point. The company has failed to keep up with fashion trends.

Clothing sales in particular were dented by lockdowns and the desire for more casual clothes, the firm said. Between July and September (2020), clothing sales in its city centre stores, for example,

were down by 53%. The company has shown inefficiency by not updating its policies, failure to engage and attract customers.

Analysis

The company was late to join the e-shopping sphere. It started retail on its website in late 2019, which is quite late in comparison to other retailers in the same market. To quote,

“M&S is way behind. Only 18.5 per cent of its clothing and home sales are online, against Shore Capital estimates of 24 per cent nationally, and current annual growth of 5 per cent will not get it to its 33 per cent target by 2022.” The company has partnered with Ocado, for its food retail. This alliance has proved to be quite beneficial to the company, which has made 750 new lines in home-care, groceries etc to broaden its appeal on the Ocado platform. This alliance has also been beneficial for Ocado as reportedly, according to the retailers official website “Ocado Retail's revenue grew by 27% in the first half of 2020, with sales growth up over 40% in the second quarter in response to the heightened demand for online grocery brought on by the COVID-19 pandemic. As demand increased, the business prioritised its vulnerable and loyal customers. The online channel now represents 14% of the UK grocery market and this number is continuing to grow.

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Quarterly like-for-like revenue growth of the food division of Marks & Spencer in the United Kingdom (UK) in the financial year 2020/21



Figure 1. Shows the revenue growth of the food division of marks and Spencer in the UK in the financial year 2020-21

It has to work on its clothing line and bring it up to speed like other companies.

Retail & Trade > General Merchandise

Quarterly revenue growth of the clothing & home division of Marks & Spencer in the United Kingdom (UK) in the financial year 2020/21, by channel



Figure 2. Shows revenue growth of the clothing and home division in the UK for the financial year 2020-21.

Major complaints about the brand's fashion line include that the brand doesn't listen to what the consumers want anymore and one of its customers went on to say that they make "25 year old models wear clothes made for someone who is 65". The brand needs to work on changing its entire clothing line as it has lost its appeal to the consumers. They have however, taken a step towards bridging this problem by making consumer satisfaction surveys, but if it isn't acted upon then the point of making this survey is null. The brand has recognised the fact that it needs to change with the times as the CEO of the company, Steve Rowe spoke about how the pandemic forced the

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company to compress three years' of changes into a single year - a hint, perhaps that the crisis may have come by chance at a good time in his plan to revive the company's fortune. Allocative Efficiency is defined as a state of the economy in which production is aligned with consumer preferences; in particular, every good or service is produced up to the point where the last unit provides a marginal benefit to consumers equal to the marginal cost of producing. In its failure to produce what the consumer wants, marks and Spencer as a brand is allocatively inefficient. Its inefficiency also points to poor management of capital and an overall problem in ineffective leadership and management. However not all hope is lost for the company as they have an established

Brand image and a loyal consumer base. They still have a lot of trust among UK citizens because of their consistent high quality products since the 1900's. If the company focuses on re-branding itself and providing clothes that people actually want to wear, the brand can reach new heights. The company has also started remodelling its stores both internationally and in the UK.

CAPITAL EXPENDITURE			
52 weeks ended	28 March 20 £m	30 Mar 19 £m	Change £m
UK store remodelling	60.3	26.0	34.3
New UK stores	33.3	40.1	(6.8)
International	12.3	11.0	1.3
Supply chain	39.2	48.7	(9.5)
IT & M&S.com	84.5	88.2	(3.7)
Property asset replacement	102.4	69.0	33.4
Capital expenditure before disposals	332.0	283.0	49.0
Proceeds from property disposals	(2.7)	(48.1)	45.4
Capital expenditure	329.3	234.9	94.4

Figure 3 shows the brands capital expenditure

Approximately,600 of its stores have been shut down during the pandemic and 7,000 job cuts have been put into place across stores and management in August, this will enable the business to emerge from the crisis in a "stronger, leaner and more focused position", the firm said in a statement. Mr Rowe also went on to say "My goal remains unchanged - that is to deliver the long-

term transformation for M&S, building a brand that is more digital in a world that will never be the same again."

Conclusion

In conclusion, the brand has undoubtedly taken a hit with making a loss of £87.6m for the first time in 94 years when the pandemic hit. The retailer reportedly made a loss of £87.6m, compared with profits of £158.8m in the same period last year (pre pandemic). However, as mentioned in the paper, if the company works and listens to what its consumers want, most of the issues faced by them will be solved. The company does seem to be working in the right direction and only the future will show us if they're successful in not only retaining their quality but also if they're successful in rebranding and adapting to what the current market calls for and going through the transformation that the CEO so passionately speaks about.

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