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Company of the Month:

MARKS & SPENCER

When we first looked at *Marks and Spencer* in 2001, it was a very successful and much-loved British high street retailer, noted for the economically-priced but good quality clothes it sold. The company were expanding into different business areas, such as insurance, and, at the same time, attempting to expand its business outside Britain.

Background

Marks and Spencer plc (known also as ***M&S***) is a major British retailer concentrating on clothing and food. They also have international outlets.

Marks and Spencer made their reputation in the 20th century on a policy of only selling British-made goods, relying on quality rather than price to encourage custom. During the 1980s and 1990s, they started buying more clothing from cheaper suppliers outside Britain. *Marks and Spencer* began to lose market share. Financial troubles and their inability to appeal to younger customers did not alter the general trend. However, in 2001, with changes in their business focus such as the introduction of the "Per Una" clothing range designed by George Davies, accompanied by a redesign of their underlying business model, profits rose sharply and *M&S* recovered much of its market share. Other changes to tradition included accepting credit cards and opening their stores on Sunday occasionally.

They attempted to break into the US market, and also into the French market. This latter was particularly unsuccessful, and eventually they were forced to close all their French stores, though because of the legislation set in place by the French government to protect their labour force, this was a costlier exercise than the *Marks and Spencer* management anticipated.

Developments

As we can see *Marks and Spencer's* success was based on its dominant position in a particular segment of the retail market. In recent years, *BHS* (formerly *British Home Stores*) has become a major player in this same segment. *Top Shop*, *Next* and *The Gap* started by targeting the young end of the clothing market. As their young customers aged, they remained faithful to these outlets, rather than moving their custom to *Marks and Spencer*.

Tesco, the supermarket chain, started selling clothing for children and adults, and many families started to buy their clothes in the same store where they bought milk, eggs and pizza. They stopped making special journeys to *Marks and Spencer*.

M&S failed to respond adequately to this increased competition. As a result, its market image became middle-aged. Customers perceived that wearing *M&S* clothing would mark them as being old-fashioned, unimaginative and unambitious.

M&S still have 10 million customers every week but these customers are buying less. The M&S customer profile is getting older and older, and, as we all know, older customers spend less money on new clothes than the young.

The Take-over battle

Philip Green has been the leading figure in the British retail sector in recent years. He was the architect of development of *BHS*. Arcadia, Philip Green's retail group also includes *Top Shop*, *Dorothy Perkins* and *Miss Selfridge*. During the summer of 2004, Philip Green, one of the richest men in Britain, attempted a 9 billion pound take-over of *Marks and Spencer*. This attempt failed. *M&S* appointed Stuart Rose (previously Chief Executive of the Arcadia Group) as the new Chief Executive of *Marks and Spencer*.

What happens now?

At the same time as *Marks and Spencer* announce a continuing decline in sales, Philip Green announces a 30% increase in profits. The most exciting battle in the British High Street continues.

Exercises

1 Check your understanding of the following words and expressions.

retailer	market share	legislation	segment
dominant position	major player	competition	customer profile

2 Read the following extracts from the text. Which developments were good for Marks and Spencer and which developments were bad?

a noted for the economically-priced but good quality clothes
b relying on quality rather than price to encourage custom
c began to lose market share
d inability to appeal to younger customers
e profits rose sharply
f this was a costlier exercise than the *Marks and Spencer* management anticipated

g dominant position in a particular segment of the retail market
h they remained faithful to these outlets
i started to buy their clothes in the same store where they bought milk, eggs and pizza
j market image became middle-aged
k would mark them as being old-fashioned, unimaginative and unambitious
l The *M&S* customer profile is getting older and older
m older customers spend less money on new clothes than the young
n attempted a 9 billion pound take-over
o a continuing decline in sales

Groupwork

What would you advise Stuart Rose, the Chief Executive of Marks and Spencer to tell the Board of Directors?

a They should sell *M&S* to Philip Green?
b They should try to sell *M&S* to someone else (e.g. Tesco)?
c They should abandon their older customers and attempt to get younger customers?
d They should reduce all their prices by 25% to get back their market share?
e They should increase their prices by 9% to get more profits?
f Another idea?