



Marks and Spencer

Marks and Spencer, a very established business and over hundred years old, has been hailed as one of the most successful companies ever until 1997. However, things began to change in 1998, and it became the perfect example of “every rise hath a fall.”

Currently the chain is undergoing major re-structuring, but let's have a quick look at the factors that have led to this demise.

Here are some of the mistakes the company made which led to its failure:

Inflexibility towards the local market:

After Marks and Spencer had to close stores in China, they learned a very important lesson that they had to adapt to the local markets. The company did not tailor its clothes to Chinese body types and shapes. It stuck to the sizes and styles it was already manufacturing which hindered its sales in the market. This eventually led to the closing of 10 stores in China mainland and 53 other stores.

Inability to pinpoint the best locations:

Another cause of failure which reflected especially in the closing of stores in China was the inability to pinpoint the best locations for stores with heavy foot traffic. In addition to this, Marks and Spencer kept making their big stores format like in the UK



in other countries. To keep the same store format the company had to make compromises on the location, and it led to the decline in sales.

Research on the fashion:

The failure of the clothing line in Germany was mainly due to the fact that the company kept its British nature in the fashion sense of the clothing it produced. It did not set well with the Germans, and they did not give a positive response to the clothes.

Conclusion:

To sum it up, the clothing line of Marks and Spencer failed due to the lack of research of the market when the company decided to expand outside the UK. The lack of research and sticking to the British design and styles did not work in other countries.

The food stores as saviors of the company:

However, this is not the end of the story. The company was still able to generate the necessary capital and not turn to ashes by turning itself into a food chain. As the clothing stores were shut down, the company decided to open new food stores.

The food sales earn the 60% of profit for Marks and Spencer representing a huge gap between earnings from food and clothes. Seeing the trends and decline of clothing sales the company is opening up more food stores which seem a wise decision based on the statistics.



Why are the food stores are successful?:

The biggest reason for the success of the food stores by Marks and Spencer is the usage of Quantum Retail's business optimization solution. The main advantage of using this solution is that it gives the optimized inventory to the company. The optimized products in the stores help use the resources intelligently. In the peak trading periods, there is little time to learn and forecast what products are needed in the inventory. The Quantum Retail's business optimization solution manages the inventory so that all the stores have the products with a fast turnover.

There are other advantages of using solution too.

Better customer service:

The ability of the Q-solution to predict the inventory has led to increasing by 5% in customer service levels. The better ability to forecast makes sure that a customer always find the product on the shelf he or she is looking for.

The flexibility of the Q solution:

The software of the Q solution is based on exceptions and is very flexible to changes. The automated system has given two main advantages to the company due to its flexibility. Firstly it reduced the workload of employees which gives them more time for strategic planning. Secondly, the flexibility of the software makes it easier to implement strategic changes in the software.

Forecasting accuracy of the Q solution:

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The forecasting accuracy of the Q-solution has reduced the warehouse costs by 3%. It automatically adjusts the forecasts to the store level when the forecasts differ giving the company an edge by cutting cost on the warehouses.

Despite the success in the food business, Marks and Spencer has been severely criticized, with business analysts questioning why such an established company is unable to retain its mark in the clothing business.

In response to this, CEO Steve Rowe has insisted that the company is on a journey. This journey is the modernization of the clothes produced by the company in which the younger generation had lost interest.

Recently, things have been better for the clothing arm of Marks and Spencer since the sales have picked up a little but the company still has a long way to go.

The changes to the clothing arm:

Launching of sub-brands:

Marks and Spencer are known to have very big stores with too much to offer under one roof making the products of the same company compete with each other. This was one of the reasons of failure as discussed earlier in the article. The solution devised by the think tank of the company is the launch of sub-brands. This has moved the huge stores of the company to the department store model which has helped the company improve. But the company still remains in limbo between a typical fashion store and a department store because it hasn't gone the whole way towards the department store style as yet.

Launching of a website:



In days gone by, pre-internet, the more stores the company had, the more revenue it had. There would often only be one store in a small town of the leading company which reduced its competitors greatly.

Up Until now, Marks and Spencer have been stuck in the past and focused on opening more stores. But in the era of internet, smaller companies than Marks and Spencer using their websites have a lot more to offer to the customer and could be generating more revenue.

Realizing this the company has launched a website and it is paying off, but still, it is not an event which can be considered as a major turnover generator for the company.

Launching a website and online sales means more competitors. There can be two options for the company in this scenario: either it protects it's profits and accepts that sales are going to decline or provide better services than the competitors. Both of the options are costly for the company since providing better services means more investment and less profit.

We will have to wait and see what Marks and Spencer decides for its future.

Closing stores:

The company has decided to close some of the stores which is an intelligent move since in the era of internet a number of stores simply are no longer viable. The company also has to put more investment and effort in building up its online sales and online presence. Thus, it needs to cut costs somewhere. The closing of excessive stores is the smart decision to do just that.



What's new in the clothing arm of Marks and Spencer:

Marks and Spencer have faced a drop in the profit in the clothing arm, but the management insists that they are on the right track since the company has taken some expensive but necessary decisions.

A new appointment has also been made in the clothing arm of the company. The clothing arm has been given to Jill Macdonald. Jill Macdonald has no prior experience in fashion. However, the decision of the appointment is defended by the company by stating that she has experience with Macdonald's and her position has broader responsibilities than fashion. Marks and Spencer believe that her position requires the ability to sell and reach the targeted market and profit, of which she is an expert.

Due to Brexit and rising inflation, people have been spending less on clothing which is another reason why the company has to work hard to earn more profits in its clothing arm.

Conclusion:

To sum it all up, the clothing arm of the company has picked up a little after it has made some necessary changes, but it still has a long way to go before it can truly celebrate its success and attain its lost status.

However, the food stores of the company are thriving and helping in the building up of Marks and Spencer.