

# Investigation and evaluation of two organizations management essay



**Edu  
Pony**

Marks and Spencers is one of the major British retailer companies. It has over 895 stores all over the world in more than 40 countries. marks and spencers have over 600 domestic stores and 295 international stores. marks and spencers is the UK's largest clothing retailer and a high end food retailer. marks and spencers is the world's 43rd largest retailer. It sells clothes, food and wine, furniture, flowers and gifts and electronic products. It has made a pretax profit of over 1 billion £ in 1998. They were the first British retailer to achieve such target. This clearly indicates that marks and spencers is a retail giant and has been an undisputed leader in the retail sector as far as the United Kingdom market is concerned. It has also proved itself in the international retail market and plans to expand its business in more directions and covering newer international market.

Marks and Spencer was founded by Michael Marks and Thomas Spencer in 1894 as their first store in partnership at Cheetham Hill Road, Manchester. They made their reputation on a policy of only selling British made goods in 20th century. This was something extremely new in the market and hoped to capitalize on the buyer's sense of belongingness to UK They sold food and clothes under the " St. Michael" brand which they introduced in 1928. They are also repudiated for having the most generous 35 days return policy on the British High Street. By 1950 almost all the goods were sold under " St. Michael", women clothes and uniforms of girls were under " St. Margaret" label until the whole thing became " St. Michael". The Asian food was introduced as the beginning of the cautious international expansion. Marks and Spencer opened stores in Europe in 1975 and in Ireland in 1979. This was a calculated step as Asian food was gaining popularity in the west and

also the inflow of Asians in the western countries was on an upswing. This idea clicked and the company made huge returns.

The company is known for emphasizing quality and offering fair value for money. Marks and Spencers has been a historic iconic retailer of British Quality goods. Marks and Spencers is aware of the fact that a solid and consistent growth is only guaranteed if it maintains its standards and delivers the best quality at the most reasonable rates. Being retail oriented company; customer satisfaction is of utmost importance and Marks and Spencers ensured it by healthy customer relations and most importantly provided post sales services to its customers. In 1973 the company expanded in Canada. At a point they had 47 stores there. But they had never been able to improve their as a dull retailer. In late 90's efforts were made to improve and unprofitable locations were closed, but it wasn't successful. So they had to close the remaining stores in 1999. In 1975 they expanded in France by opening the stores in Paris. Paris being the world's fashion capital, there was already stiff competition and it made it tough for Marks and Spencer to survive in such highly competitive environment. Except for Paris the European operation did not fare and the stores were sold in 2001. The Company acquired Brooks Brothers and Kings Super Markets in US but they were sold off. Several factors like these combined to throw Marks and Spencer into a heavy fall in 1997/98, which took everybody by surprise. These were the results of some bad decisions taken by Marks and Spencer which resulted in downfall of the company. The company's share fell by 70% approx. and its profits degraded from 1 billion to 145 million £ at the end of 2001. In 2001 there were changes in their business focus. They started

accepting credit cards and a new range of clothes was introduced. They also redesigned their business model. This resulted in some recovery but the problem still remained. In 2004 there was an attempt to take over marks and spencers by Bhs boss, Philip Green and Arcadia group. In Feb. 2007, marks and spencers announced to open world's largest Marks and Spencer store at Dubai festival city. This surely turned out to be an intelligent move as Dubai is slowly becoming the trade capital of the world. Dubai, which is the most popular emirate of UAE, is now one of the hottest destinations for shopping, trading and travel and tourism industry. The high end Zendra Rhodes Collection was introduced in late 2009.

### **PERFORMANCE:**

Marks and Spencer is listed on LSE (London stock Exchange) as a constituent of FTSE 100. Here is Year/Net Profit plot for Marks and Spencer.

From the above data we can conclude that

- There was a heavy fall in 1998.
- In year 2001 the profits were very low only £ M 2. 8.
- There was some recovery in 2003-04 but they were still facing problem.
- From 2006 to 2008 there is some improvement.
- There is a significant decline in 2009.
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### **BRITISH HOME STORES (Bhs):**

“ British home stores” is a departmental store chain in Britain which have branches in high street locations. They are primarily selling clothing and

household items such as bed linen, cutlery, crockery and lighting. Now they have also started selling furniture etc. Bhs competes on value and quality. They are targeting at lesser part of the population as compared to John Lewis and Marks and Spencer. They have over 186 stores all over UK. The company is listed on LSE (London stock Exchange) as a constituent of FTSE 100 and is currently owned by Sir. Philip Green.

### **HISTORY:**

In 1928 the first shop of Bhs opened in Brixton. They copied the business model of United Kingdom arm of US based FW Woolworth in that the price of goods was at max 1 shilling. In 1929 the maximum price was increased to 5 to enable the company for expanding the range of products. This includes furnishing and drapery. Bhs became Public company in 1931. After World War II selling based on price was stopped and goods with value and quality to money have been started to be offered. Bhs started expanding in 1970-80. They also opened the stores in indoor shopping malls. In 1977 they launched a joint venture with the firm “ Sainsbury’s” to create hyper markets using SavaCentre brand. Sainsbury’s took control of the whole brand in 1989 and converted all the stores. There was a downturn in business in 1980’s which was tried to be fought with the reconstruction of the stores and high profit margins selling. Bhs had to close its overseas stores during these times. In 1985 they opened first franchise store. Such stores now operate in Europe and Middle east. There was a merger between Bhs, Habitat and Motherhouse. In mid 90’s the brand went under reinvention under the guidance of retail design house 20: 20. In May 2000 Philip Green took over Bhs (for £ 200 million) and changed the company from public to private (Ltd).

In May 2005 Philip Green bought Etam UK (which included good girls' fashion retailers). To improve Bhs' girl's perception as a whole the stand alone brands were integrated into Bhs. On Feb 27 2009, the company announced its merger with sister company Arcadia.

**Performance:**

The current condition of Bhs is not good. It is owned by Philip Green. Marks and Spencer's performance is at present much better than Bhs. The growth is slow in retail market. To have a major growth you have to steal your rival's sales. Hence the gain of marks and spencers is resulting in Bhs loss. Philip Green is implementing cost cutting programs to increase the margin. There is a scope of improvement for others here. Cost pricing in this sector is continuously increasing because of the increase in energy and utility prices which accounts for £ 12 million fall for Bhs. For revitalizing of the brand Green is investing at least £ 100m and if he pulls this one out next time we will be discussing about marks and spencers slow recovery.

**Task 2:****QUESTIONNAIRE:**

The questionnaire has the questions on the following fields for evaluating the performance of both companies:

- Product design
- Shelf price
- Brand image
- Advertising
- Product range

- Shelf space
- Logistics
- Information and Customer relationships

The answering of the questions has to be done on interval level. Questions specifically meant for staff members are marked as (SM). Rest can be answered by all.

### **QUESTIONS:**

#### **A) Product design:**

1) How is the efficiency of the product designing process? (SM)

1. bad
2. excellent

2) Which product generation method is preferred? (SM)

1. Based on idea
2. Based on need

3) How good are solution designing and production methods? (SM)

1. Poor
2. Excellent

#### **B) Shelf price:**

1) How is spending at each level of production handling and distribution?

(SM)

1. Very less
2. just right
3. Very high

**C) Brand image:**

1) Which brand is more preferable?

1. marks and spencers
2. Bhs

**D) Advertising**

1) How much does the firm spent on the marketing? (SM)

1. very less
2. just right
3. Very high

2) Which brand's advertisement is more enlightening about the product?

1. marks and spencers
2. Bhs

**E) Product range**

1) Which brand has wider variety of products to choose from?

1. marks and spencers
2. Bhs

2) Which brand fulfills the better product requirement?

1. marks and spencers
2. Bhs

**F) Shelf space**

1) Which brand has better stores?

1. marks and spencers

2. Bhs

2) Which brand store is easily reachable?

1. marks and spencers

2. Bhs

### **G) Logistics**

1) How good is the flow of goods, resources and information in the company?

(SM)

1. Poor

2. Excellent

### **H) Information and Customer relationships**

1) Which brand's store provide better information about the product?

1. marks and spencers

2. Bhs

2) Which brand's customer service is more satisfactory?

1. marks and spencers

2. Bhs

### **Statistical output:**

- Output stats after a survey of 150 persons.
- Result interpretations of the survey:
- Product design process of Bhs is more efficient than that of marks and spencers .
- Idea based product generation is preferred more in Bhs, whereas it is almost balanced in marks and spencers .

- Shelf pricing efficiency of Bhs is much better than that of marks and spencers .
- marks and spencers brand is more preferable as compared to Bhs.
- Advertising marks and spencers spent more on Advertising.
- Product range marks and spencers have wider variety of products.
- Shelf space of marks and spencers is slightly better than Bhs.
- Logistics of Bhs are better than marks and spencers (there is not much difference).
- Information and Customer relationships:
- Customers are more satisfied with marks and spencers as compared to Bhs.
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### **CONCLUSION:**

From the result of the above survey and from the information collected from the various other resources we can conclude that:

- marks and spencers ' s (Marks and Spencer) is a much bigger company as compared to Bhs. marks and spencers have over 695 stores whereas Bhs only have over 185 stores. marks and spencers ' s net profits and turnovers are much higher than those of Bhs'. Marks and Spencer can invest into more number of ventures and more capital which is generated by its huge network round the globe.
- marks and spencers is more famous and older brand as compared to Bhs. marks and spencers operations are more widespread as compared to Bhs. marks and spencers ' s targeted customers are much larger than those of Bhs. marks and spencers usually targets high end

customers whereas Bhs do not. Product range of marks and spencers is much higher than that of Bhs. Customers prefers marks and spencers over Bhs.

- However, the internal operations, functions and working of Bhs are more coordinated better and efficient than that of the marks and spencers . This can prove beneficial to the company in the long run and this can result in Bhs having more output to input ratio as the system is more efficient.

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### **ROCOMMENDATIONS:**

From our current analysis I can say that Bhs has improved its internal structure to its maximum. There is a need to revitalize the plans, if that is successful then there is a good chance that Bhs might improve to the required level.

However, marks and spencers have scope of improvement in its internal structure which will bring significant change in its profit margin. Currently marks and spencers have better hold of market but if they can side by side update their structure then they can avoid majority of the downfalls they face.

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