

A Case Study of Marks and Spencer lost China

Hong Jin¹, Yunting Miao¹, Seong-Taek Park^{2*}

¹School of Business, Jiangxi Normal University

²Department of MIS, Chungbuk National University

로스트 중국에 대한 마크스앤스펜서의 사례연구

Hong Jin¹, Yunting Miao¹, Seong-Taek Park^{2*}

¹School of Business, Jiangxi Normal University

²충북대학교 경영정보학과

Abstract It is no accident that Marks & Spencer lost the Chinese market. This paper will analyze the reasons why Marks & Spencer failed to expand the Chinese market from five aspects: market environment, strategy, market positioning, marketing strategy and site selection. Discuss the enlightenment that the case brings to the enterprise in terms of culture, strategy, positioning and marketing. As a result, we found that strategies for culture, strategy, positioning, and marketing play an important role in creating corporate management strategies and competitive advantage. The results of this study are likely to be used as a very important guideline on a practical level.

Key Words : Marks & Spencer, Market environment, Strategy, Market positioning, Marketing strategy, Case study

요약 마크스앤스펜서가 중국 시장을 잃은 것은 우연이 아니다. 이 논문은 Marks & Spencer가 시장 환경, 전략, 시장 포지셔닝, 마케팅 전략 및 사이트 선택의 다섯 가지 측면에서 중국 시장을 확장하지 못한 이유를 분석하고자 한다. 이를 통해 문화, 전략, 포지셔닝, 마케팅 측면에서 이러한 전략이 기업에게 가져다주는 시사점에 대해 논의하고자 한다. 분석결과, 문화, 전략, 포지셔닝, 마케팅 차원에서의 전략이 기업의 경영전략 및 경쟁우위를 창출하는데 중요한 역할을 한다는 사실을 발견하였다. 본 연구결과는 실무적인 차원에서 매우 유용한 가이드라인으로 활용 가능할 것으로 보인다.

키워드 : 마크 앤 스펜서, 시장환경, 전략, 시장 포지셔닝, 시장 전략, 사례연구

1. Introduction

Marks & Spencer (sometimes also labeled M&S, Marks and Sparks, Marks, Marks's) is a British retailer with a head office in London. Currently, Marks & Spencer has approximately 760 outlets in

more than 30 countries around the world, including Hong Kong. Marks & Spencer is one of the most representative chain stores in the UK[1].

The requirements of Marks & Spencer are: Quality Value (Service) Innovation (Innovation) and

*Corresponding Author : Seong-Taek Park(solpherd@naver.com)

Received April 25, 20187

Revised June 4, 2018

Accepted June 15, 2018

Published June 30, 2018

Trust (Trust). In order to ensure the quality and style of the goods, all products are made by their own brands[2].

Their brands include women's wear (Autograph, per una, LIMITED COLLECTION, Portfolio, CLASSIC), men's wear (Autograph, BLUE HARBOUR, collezione), underwear, shoes and accessories.

Its style is also suitable for people of all ages. In addition, they also provide home products from bedding to photo frames, making them an ideal location for one-stop shopping.

The food of Marks & Spencer is very good all over the world. It includes a variety of sweets, biscuits, breads, chocolates, ice creams, and spices from the United Kingdom. They are pure in taste, and the ingredients are strictly controlled to maximize the absence of additives, so the shelf life of these foods is particularly short. Perhaps because of this, the food of Marks & Spencer will be called "the luxury of the food industry." [1-6]

2. Development Process of Marks & Spencer

Marks & Spencer had seven stores in Shanghai and two stores in Changzhou. It also each has one store in Ningbo, Jiangyin, Wenzhou, Suzhou, Wuhan and Qingdao. Marks & Spencer had opened 15 stores in China[3].

In 2008, Marks & Spencer officially entered the Chinese mainland market and opened its first store in Shanghai, the flagship store of Nanjing West Road. This Nanjing West Road flagship store was located in one of the most prosperous areas in Shanghai.

It was said to be the largest store in Marks & Spencer in Asia, with a total area of 3,800 square meters, a total of 4 floors, 1st and 2nd floors for women's wear, 3 floors for men's wear, 4 The floor is for children's wear and food, coffee shop.

When the store opened, the information released by the company was described as "inheriting the consistent style of Marks & Spencer in all parts of the world", and it was still the main color of the British rigorous, steady dark green and brick red.

The store was bright and the shelves were open. It was very different from the counter-style sales of traditional department stores. The products sold in the store were all self-branded products with Marks & Spencer label.

On November 8, 2011, the first Marks & Spencer Department Store in Qingdao officially settled in 1-C, Li Wei Wanda Plaza, No. 178 Jufeng Road, Lisong District, with an area of 1,300 square meters. The store was the eleventh store of M&S in mainland China.

At that time, M&S said that Li Wei Wanda Store not only provided Qingdao consumers with the most fashionable autumn and winter collections of this season, but also the brand's unique innovative technology would be presented to local consumers through M&S women's wear, men's wear, children's wear and underwear.

M&S's major sub-brands were designed in a unique style to make it easier for consumers to find the clothing that best suits their taste. At the same time, the store would also offer more than 400 quality foods including coffee, tea bags, cereals, honey, candies, chocolates, biscuits, canned foods, pasta, pasta sauces and cost-effective, high-quality M&S wines from around the world and so on.

On November 22, 2012, Marks & Spencer officially appeared in Wanda Plaza in Jiangyin, Wuxi. The store was the first store for Jiangyin and the 12th store in mainland China, covering an area of 1,600 square meters. It not only covered high-quality clothing, but also had a variety of specialty foods to provide a one-stop shopping experience for all families.

On September 28, 2013, Marks & Spencer opened its doors in front of the traditional business district

of Suzhou. Its first flagship store in Suzhou was located in No. 1 Shopping Center, with 3 floors. M&S's food and coffee business also opened at the end of 2013.

After Marks & Spencer announced its new strategic plan in March 2015, Marks & Spencer's first store in Beijing officially opened on December 18, 2015.

The store was located in Beijing World Trade Center Shopping Mall, covering an area of 1,500 square meters, adjacent to Zara and Uniqlo. In addition to women's wear, men's wear, underwear and children's wear, there was also a 120 square meter food area offering more than 1,200 foods and freshly brewed coffee.

According to the information given by Marks & Spencer, Marks & Spencer Changzhou Xinbei Wanda Store and Wuxi Jiangyin Wanda Store were closed on March 9, 2015. Shanghai Jiading Jiangqiao Wanda Store, Wenzhou Longwan Wanda Store and Changzhou Wuyue Plaza Store would be closed from March to August 2015.

Until November 8, 2016, Marks & Spencer announced that it would withdraw from 10 loss-making international markets including China, and China closed 10 stores.

The 10 shops were located in Shanghai Baoshan Wanda Plaza, Shanghai Admiralty Square, Suzhou Guanqian Street, Qingdao Lisong Wanda Plaza, Shanghai Nanjing West Road, Shanghai Xinzhuang Zhongsheng, Wuhan Han Street, Shanghai Wujiaochang Wanda, Shanghai Yuexing Global Harbor and Beijing World Trade Day.

Subsequently, on March 19, 2017, only one year after the opening of the World Trade Center in Beijing, Masa Store officially closed. At the same time in March 2017, Shanghai Wujiaochang Wanda Store and Xinzhuang Zhongsheng Store announced the official closing of the store.

On April 1, 2017, Marks & Spencer China Shanghai Nanjing West Road, Huaihai Middle Road,

and Global Harbor Stores were officially closed. Before the closure of the three stores and the closure of the stores, meant that Marks & Spencer officially withdrew from Shanghai.

On February 27, 2017, China Investment Advisory Network reported that Marks & Spencer closed all stores in mainland China.

Marks & Spencer had been groping for nine years in the Chinese market and ended up defeating the Chinese mainland market.

3. Case Analysis

3.1 Market Environment

According to the data collection, the environmental errors of Marks & Spencer's entry into the Chinese market were mainly reflected in the lack of understanding of social culture.

In the process of internationalization of Marks & Spencer, it had been copying its own brand business model in foreign markets. Before entering the Chinese market, it did not investigate or fully understand the characteristics of the consumer population, culture and economic level in China, but simply rely on their knowledge of Chinese consumers to make the Chinese market.

Generally speaking, whether it is a European or American brand or a Japanese-Korean brand, all outstanding developments will adjust the product style in time to enter the Chinese market to adapt to the taste of Chinese consumers. However, Marks & Spencer's own brand directly followed the popular style of the British market from the style, did not localize its products, and did not design products according to the Asian body.

There was a serious lack of innovation in the Chinese market, and the in-store category was all in English, and there was no corresponding Chinese. The products were not adapted to the actual situation in the Chinese market, nor can they met

the needs of Chinese consumers.

The facts also proved that Chinese consumers generally did not accept it. Although Marks & Spencer had been developing in China for many years, it was still difficult to enter the mainstream. Today, many people are still unfamiliar with the brand of Marks & Spencer.

Recommendation: Because companies are constrained by the domestic environment of the country in which they are entering the target market, before entering China, Marks & Spencer should estimate the market size of China or a specific region, familiarize with the local social and cultural environment and understand the political and legal environment. Based on this, the company makes relevant decisions[7-10].

3.2 Strategy

Mistakes in the strategic guidance and choice of Marks & Spencer's presence in the Chinese market are also one of the main reasons for Marks & Spencer's defeat in the Chinese market. That mainly reflected in the layout strategy and product strategy[5, 11].

3.2.1 Layout Strategy

Generally speaking, foreign-owned department stores in China open a store, first of all, choose a city with a higher degree of internationalization, such as Shanghai or Shenzhen, where they can stand firm and consider a city with a high degree of integration between tradition and internationalization, such as Beijing or Guangzhou.

Then enter the provincial capital cities, such as Hangzhou, Wuhan, Shenyang, Xi'an, Chengdu, etc., step by step. It is very dangerous for Marks & Spencer's strategy to lay out second- and third-tier cities in the first-tier cities without a firm foothold.

It turns out that Marks & Spencer's development strategy has been seriously wrong. Therefore, this development strategy has also been regarded as a

"negative textbook" for retail companies in China.

Recommendation: Once a company decides to enter a certain market, its layout strategy can often refer to the experience of some similar companies, and regardless of the actual innovation, it may pay a painful price.

3.2.2 Product Strategy

Marks & Spencer's department store could obviously attract people by eating and drinking, but let the wearer play the leading role. Compared with clothing, foods in Marks & Spencer's main business account for a larger proportion of its income structure.

In recent years, its food revenues have continued to grow, while apparels are in a downward trend. Many people may have seen the food advertisement of Marks & Spencer. Its unique creativity and sound image appealing quickly caught the attention of the audience and won praises from many people on the Internet.

There are also a variety of delicious cakes that Marks & Spencer offers, and they are among the top recommendations. But what is confusing is that food had never been promoted as a key business in China.

Instead, the clothing was used as a breakthrough to try to open the market, but whether it was layout or display, it did not take care of it, and the customer experience was very poor. In the aspect of clothing, high-end foreign style, Marks & Spencer's design was not as luxurious as it was; on the fashion trend, it was not as cheap as the fast fashion brand.

Recommendation: In the selection of product series, we must fully consider the preferences of the target market and target consumer groups, and choose to focus on developing business according to their preferences.

3.3 Market Positioning

3.3.1 Wrong Choice of Target Consumer Group

Marks & Spencer was targeting middle-class consumers in China, with a focus on older consumers aged 35 and older, who believed they have gradually recognized Western goods. However, it was not known that the middle class of 35 years old and above had experienced the test of the previous special historical period.

Many of them still stay in the consumption concept of "diligence and family" and prefer to choose local brands for long-term use. The 18-34 age group is China's largest consumer group. Unlike people over the age of 35, they are more likely to accept and try new things, pursue and enjoy high-quality life[12].

The deviation in the positioning of Marks & Mather's target population made it impossible to capture the eyes of young urban consumers who had "existing consumer desires and income support".

Recommendation: The same product and brand target different consumer groups in different countries and regions.

The products of middle-income people in developed countries may be suitable for middle- and high-income people in developing countries. Marks & Spencer should investigate the consumer characteristics of China's favorite products based on its existing product line.

3.3.2 Unknown Consumer Group Preference

Marks & Spencer maintained a British rigorous and steady style in China, aimed to attract Chinese middle class customers. But the reality had given a slap in the face of Marks & Spencer: 80s and 90s had not been interested in ordinary foreign goods, and they even thought that the things that Marks & Spencer's department sells were not as good as domestic[13].

Because the clothing of Marks & Spencer was too serious and cautious, the color was mainly gray and brown, and its brand positioning and clothing

were a little different. "Old-fashioned!" is the evaluation of many people in China after 80s and 90s.

The products of Marks & Spencer had no ZARA fashion, no low price of H&M, no good material of Uniqlo, and no Chinese people. The fate of Marks & Spencer can be imagined, and it is inevitable that the Chinese consumers who are asked to be higher will abandon it.

Recommendation: The times are developing and people are changing. Marks & Spencer's products and services are subject to change in the preferences of the Chinese consumer groups to cater to the tastes of consumers.

3.4 Marketing Strategy

Analyze the marketing mistakes of Marks & Spencer to explore the Chinese market from four aspects: product, price, channel and promotion[7-12, 14].

3.4.1 Product

The first step for Marks & Spencer to enter the Chinese market should be adapted to the actual situation in China. China and the UK are different, and the long-term differences in diet and living environment make the body different. In the process of operating in China, Marks & Spencer did not make product improvements based on China's actual situation.

Marks & Spencer's merchandise follows the British native size label. Apparel does not change the S/M/L/XL familiar to Chinese consumers in size, but continues to use the Eurocode labels 6, 8, 10, and 12. Make a wrong decision because the customer is unfamiliar with the size label.

These caused customers to complain that the size was too large and the satisfaction was low. Marks & Spencer's clothing is based on the British model.

The British Caucasian body is generally larger than the Chinese yellow race. Therefore, when the

goods were distributed in the Chinese market, the quantity of each type of clothing could be adjusted.

Not to cause the large-size clothing on the shelves to be purchased, and the small-size clothes were out of stock for a long time. Small code clothing for a long time out of stock is easy to reduce the customer experience.

Consumers in the 21st century have a habit of brand preference. The department stores' own brand "St. Michael" is a mid-to-high-end product brand. However, when Marks & Spencer's "St. Michael" brand had not been widely recognized in China, Marks & Spencer's adherence to a single brand strategy was not conducive to opening the Chinese market.

Recommendation: Marks & Spencer's should be customer-oriented to change the size label of the Marks & Spencer China market to a category familiar to Chinese consumers.

The distribution model is biased towards small and medium-sized clothing to ensure that the small and medium-sized clothing inventory is sufficient; large-size clothing does not press the warehouse.

Marks & Spencer invited Chinese well-known mid- to high-end brands to settle in, raising the popularity of Marks & Spencer and opening the door to the Chinese market.

3.4.2 Price

The reputation of Marks & Spencer in the UK is "good value for money, value for money". Its product pricing is only a mid-end product for UK customers, but not for Chinese consumers.

Therefore, Marks & Spencer entered the Chinese market but its pricing could not be copied. The price of Marks & Spencer in the Chinese market must be in line with the target consumer's consumption level. Pricing should be in line with the spending power of the Chinese middle class without squeezing their necessary share of spending.

Recommendation: Marks & Spencer's should

compare its products with the same type of products in China and draw up appropriate pricing. Marks & Spencer can control certain necessary costs through local procurement, reduce the original price, and maintain a certain profit margin.

3.4.3 Channel

Marks & Spencer entered the Chinese market and initially ignored the network channel. With the growing popularity of online shopping and mobile customer experience in China,

Taobao and Tmall have emerged as examples of successful online sales. In 2016, the scale of online shopping transactions in China maintained steady growth, with a market penetration rate of 12.6%. More than 80% of consumers will rely on the Internet to search before purchasing goods, and 70% of customers will also use mobile devices in physical stores.

Marks & Spencer entered the Chinese market in 2008, and only opened up network channels in 2012 to enter the Jingdong shopping platform.

Recommendation: The Internet has become an important part of consumer life, so Internet sales are an important channel. The Internet can not only realize consumer interaction, but also build customer database and integrate consumer information through mobile big data.

The consumer database lays the foundation for precision marketing and customer loyalty. Paying attention to online sales channels can not only broaden the sales channels of its own brand "St. Michael", but also enhance its competitiveness.

3.4.4 Promotion

In the department store industry, the main reason for Marks & Spencer's success is the business model of its own brand. This has also been evaluated as a "magic weapon" for the success of Marks & Spencer in many department store business cases.

But this "magic weapon" has failed in the Chinese market. Marks & Spencer's lack of marketing and publicity in China has made Chinese consumers generally unacceptable.

In mainland China, it is rare to see the advertisements that Marks & Spencer took the initiative to attack. Instead, regular in-store promotions, as well as the most traditional email marketing, and Weibo forwarding sweepstakes. Only when the Beijing World Trade Tianjie flagship store opened, they only played outdoor and subway advertisements "big-handedly".

Recommendation: Adopt propaganda means for the Chinese market. Use the "star effect" to ask the celebrity endorsement. Chinese consumers have the inertia of blindly following the trend, and believe that their own love beans are fixed thinking of big names. Consumers who follow the trend will reduce their sensitivity to price.

In this era of national entertainment, various variety shows have exerted their strong advertising effects. Proper holiday promotions and promotions can cause some potential customers to explode their huge potential spending power.

The use of festival promotions can not only increase sales, but also quickly open up popularity, and it will also help to reduce funds and reduce inventory pressure.

3.5 Site Selection

First of all, the location of the store should consider the convenience of transportation. The store location of Marks & Spencer in the UK basically allows consumers to easily reach within 30 minutes, but this advantage has not been used in China, which is a failure of the Chinese market.

Second, Marks & Spencer's food is attractive, but chooses clothing as a breakthrough. Marks & Spencer's stores in China are in the fast fashion business circle, which is the commonality of Marks & Spencer's entry into the Chinese market.

Marks & Spencer's shops are generally surrounded by fast fashion brands such as H&M, Bershka, Jack Jones, Vero Moda and Zara, and Uniqlo, or apparel brands. An important issue brought by Marks & Spencer's entry into the Chinese market is that many consumers mistakenly believe that Marks & Spencer is another fast fashion brand. For the time being, regardless of the fierce competition of fast fashion itself, Marks & Spencer costumes have a thick and rigorous British style, which is almost incompatible with fashion.

Therefore, consumers will have a larger sense of difference after comparing them with the fast fashion around them. In addition, being in the fast fashion business circle will weaken the image of Marks & Spencer's department store[15,16].

4. Inspiration

4.1 Cultural Integration

In the process of Marks & Spencer's entry into China, it was affected by the external market environment. This effect is a difference in social culture, and at the same time it fails because of the positive and reasonable reflection of Marks & Spencer.

Culture is a unique mixture that includes the values of a country or region, traditional beliefs, and guidelines for dealing with problems. Culture is deeply rooted and hard to change. Therefore, when internationalizing, we must first understand the culture of the target country and integrate the culture of the target country into the business philosophy of the store.

When the corporate philosophy is inconsistent with the local culture, it should respond promptly, adapt to the environment, achieve the goal of complying with local customs and meeting the purchasing habits of local consumers.

4.2 Strategic Deployment

Marks & Spencer's failure in China cannot be attributed solely to interference from the external environment. Mistakes in the strategic plan of Marks & Spencer in China could not make Marks & Spencer enter the profit track. In the process of internationalization, Marks & Spencer's Department Store can't rush to seek blind expansion, and after making overall planning, it will strive for stability.

If there is a big difference between the culture of the country and the culture of the target country, you should first choose the first-tier cities with higher cultural integration. This is less likely to be rejected. In the second phase of development, expansion of second-tier cities can be considered.

4.3 Clear Positioning

Correct positioning is the key to marketing. Marks & Spencer blurs the positioning of her own department store and is in the fast fashion business circle.

Market consumers need to fully understand, segment, evaluate and identify target consumers. Marks & Spencer is precisely because the target consumer group is not clear, the consumer group habits are unfamiliar, in order to develop a suitable product strategy.

4.4 Marketing Ability

Marketing ability is a key to opening new markets. Strong marketing capabilities can quickly expand brand awareness. Marks & Spencer's promotion in China is relatively small, making its own "St. Michael" brand low-profile, a large number of consumers do not know the brand, and Marks & Spencer uses a single brand strategy.

This has caused a surprisingly low flow of people in the Marks & Spencer store. In the process of internationalization, what are the channels for the target consumers to access information in

the target country?

Then spread the information to the target consumption by selecting the appropriate medium. Choose the more popular propaganda methods in the target country, or open the popularity in the shortest time by the media with a wider area.

REFERENCES

- [1] M & S. (2007). Analysis P S. Marks & Spencer Group, PLC SWOT Analysis. <https://www.marksandspencer.com/>
- [2] Mellahi, K., Jackson, P., & Sparks, L. (2002). An exploratory study into failure in successful organizations: The case of Marks & Spencer. *British Journal of Management*, 13(1), 15-29.
- [3] Campbell, D., & Rahman, M. R. A. (2010). A longitudinal examination of intellectual capital reporting in Marks & Spencer annual reports, 1978 - 2008. *The British Accounting Review*, 42(1), 56-70.
- [4] Grayson, D. (2011). Embedding corporate responsibility and sustainability : Marks & Spencer. *Journal of Management Development*, 30(10), 1017-1026.
- [5] Beaver, G. (1999). Competitive advantage and corporate governance—shop soiled and needing attention! The case of Marks & Spencer plc. *Strategic Change*, 8(6), 325-334.
- [6] Li, G., & Park, S. (2017). A Study on Patent Valuation Factors. *International Journal of Emerging Multidisciplinary Research*, 1(2), 15-21
- [7] Jin, H., Zhang, F., So, J. E., & Lee, S. W. (2018). A study on the connotation, measuring dimensions and influence factors of sense of circle in mobile social networks. *Wireless Personal Communications*, 98(4), 3087-3108.
- [8] Jin, H., Li, G., Park, S. T., & Zhu, J. (2017). The effects of consumer characteristics on information searching behavior in wireless mobile SNS: Using SEM analysis. *Wireless Personal Communications*, 93(1), 81-96.

- [9] Jin, H., Park, S. T., & Li, G. (2015). Factors influencing customer participation in mobile SNS: Focusing on Wechat in China. *Indian Journal of Science and Technology*, 8(26).
- [10] Jin, H., & Kim, M. J. (2015). A Study on the Effect of Circle Trust on Online WOM in Chinese Mobile SNS, *The Journal of Business Education*, 29(3), 85-102.
- [11] Jin, N., & Hong, J. (2012). A Study on the Highway Industry Administration and Enforcement of Laws in China Shandong, *Journal of Regional Industry Review*, 35(2), 3-22
- [12] Jin, H., & Kim, M. J. (2012). The Influence of Relationship Strength between the Buyer and the Supplier on Cooperation and Relational Performance, *International Business Education Review*, 9(4), 21-39
- [13] Jin, H., Kim, M. J., & Kim, C. S. (2012). The Effect of the Dimension of Justice on Relational Quality and Relational Performance in the Chinese Market, *Korean Business Education Review*, 27(5), 389-414.
- [14] Jin, H., & Kim, C. S. (2014). An Analysis on the Current Situation and Brand Development Prospects of the Cosmetic Market in China, *International Business Education Review*, 11(1), 249-263.
- [15] Jin, H., & Li, G. (2015). Customer Participation Behaviors and Brand Loyalty Based on the Media Characteristics of Wechat, 2015 International Conference on Social Science, Education Management and Sports Education.
- [16] Jin, H., Zhang, Y. D., & Zhang, A. L. (2015). The Effect of Control Mechanism on Relational Performance in China's Petrochemical Industry, 2015 International Conference on Social Science, Education Management and Sports Education.

Hong Jin

[정회원]



- 2012. 02 : Yonsei University Business Administration, Ph.D.
- 2012. 03 ~ present : Professor, Business School, Jiangxi Normal University, China

- 관심분야 : Management, Marketing
- E-Mail : jinhong0206@hotmail.com

Yunting Miao

[학생회원]



- 2016.03 ~ present : Undergraduate, Business School, Jiangxi Normal University, China

- 관심분야 : Management, Marketing
- E-Mail : 771022025@qq.com

박성택(Seong-Taek Park)

[정회원]



- 2010. 02 : 충북대학교 일반대학원 경영정보학과(경영학 박사).
- 2014. 06 ~ 현재: KASOM 빅데이터 전임교수

- 관심분야 : MIS, 빅데이터, 특허
- E-Mail : solpherd@naver.com