

Introduction

To compete in today's modern retail environment, an organisation depends more than ever on its ability to develop business opportunities as and when they arise. A key element in developing a business strategy is for decision-makers to build on the unique elements which help that organisation to do well.



Understanding and building on this capability is particularly important in ensuring that the core strengths and competencies of the organisation not only fit the business environment but also help to develop it further and faster than its competitors. This strategic capability to respond to changing conditions will help counter threats to the organisation's development.

Marks & Spencer aims to become the world's leading volume retailer with a global brand and global recognition. Its unique retailing formula has already enabled the company to enter a large number of markets around the world. Marks & Spencer owns no factories and does not make the goods which are sold in its stores. The core competence at the heart of this formula, which provides many advantages over competitors, is that of the supplier relationship.

All organisations have to obtain resources in order to provide goods and services. This is known as the supply chain. Marks & Spencer has a policy of buying and dealing directly with suppliers. This partnership spans the whole supply chain, including producers and raw material suppliers. It is a symbiotic relationship - the organisations work together and depend on each other for success. The strength of these relationships has provided Marks & Spencer with many advantages over its competitors. These advantages, in turn, lead to benefits for customers, such as better product quality, value, availability and constancy of supply.

This case study focuses on how this special relationship with the supply base enables Marks & Spencer to serve customers better. The lingerie market will be used as an example.

Market position

When looking at an organisation's competitive position, it is important to understand the opportunities that exist within a market, as well as other competitive threats. A market can be defined as: *'a collection of individuals and organisations who are actual or potential buyers of a product or service'*. The market environment in which organisations compete is usually known as the micro-environment.

This refers to all the factors that influence an organisation's activities in a market, such as changes in the needs and expectations of customers, as well as patterns of competition.

Lingerie is a market which incorporates both core and fashion products - changing consumer trends and tastes influence the type and nature of products produced and required. As a result, organisations must constantly develop new product concepts in response to customer demand. If an organisation does not meet these demands and expectations, it will fail. For a company like Marks & Spencer, building on one year's product successes presents a challenge for the following year, while products which have been less successful will leave gaps to fill and areas to develop.

Decision-makers at Marks & Spencer cannot afford to be complacent when developing goods for such a market. Sound judgement, experience and entrepreneurial flair are all required to understand the complex cycle of the fashion market.

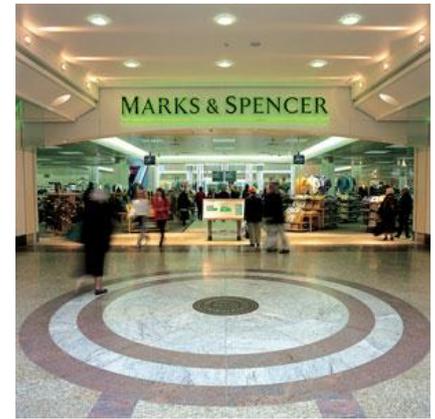
The lingerie market in the UK is worth more than £1.75 billion. Marks & Spencer has a 40% share of this market and is, therefore, a clear market leader. However, the improved performance of competitors and new entrants to the industry mean Marks & Spencer must strengthen its position. Consolidating a market position is concerned with strengthening and further developing that position - it does not mean standing still. Competencies, such as mutually advantageous supplier relationships, must be continually developed to improve competitive advantage.

Integration of the supply chain

The common objectives for Marks & Spencer and its suppliers are to:

- increase sales
- minimise stocks
- minimise commitment
- maximise flexibility.

The key to doing this has been to manage, or integrate, the supply chain so that both Marks & Spencer and its suppliers are working towards the same business objectives. Communication is therefore important between all parts of the chain to ensure that the differences between demand from customers and the suppliers' ability to meet such demand can be minimised.



Developing supplier relationships

Marks & Spencer's ability to respond quickly to changing customer needs lies with mutually advantageous relationships developed with suppliers throughout the supply chain. Many of the suppliers have seen their businesses grow alongside that of Marks & Spencer. The strength of these relationships and the mutual trust and support each provides is a critical element for the development of each business.

An important element in managing this supply chain is 'fairness'. Working closely with a limited number of suppliers involves helping each of them to meet their own business aspirations, but not at the expense of other key suppliers. The starting point for managing the supply chain is to coordinate Marks & Spencer's business strategy with each of the suppliers' business plans. This will provide the structure and direction for each supplier to follow.

Marks & Spencer's strategic objectives are to develop all new products so that they:

- fully satisfy the customer in terms of comfort and fit
- are available at the required time
- are clearly specified so that they can be launched into any manufacturing site
- provide the maximum benefits permitted by each design.

The beginning of season strategy meeting provides suppliers with the opportunity to discuss their expectations with Marks & Spencer, such as the areas of business they would like to grow. It also enables Marks & Spencer's decision-makers to provide suppliers with a realistic assessment of where they need to develop. Discussions at this stage may broach issues such as how to encourage others to take their products further forward and how to spread knowledge.

At the heart of this process is integrity. It is important that all parties are dealt with in a fair and equitable way which sustains relationships to provide long-term business opportunities and developments.



Supplier strategy

For many lingerie suppliers, Marks & Spencer is often their main customer. These relationships are interdependent - Marks & Spencer depends on the capabilities of its suppliers to help meet customer requirements. If Marks & Spencer is successful in meeting the needs of its customers, then the suppliers will also reap the benefits and rewards.



Planning a business strategy with suppliers helps to provide a clearer brief for all parties involved in the process of supply. Interim meetings provide a useful opportunity for suppliers to provide feedback from trade fairs and discuss trend predictions. Much of the information provided for these meetings is market-

driven. Working with suppliers enables Marks & Spencer to combine its own experience with that of suppliers to identify new product ranges which will fit in well with other existing product ranges.

Meetings with suppliers help to provide a clear structure for the range of products at an early stage. They also identify key issues, e.g. which fabrics to use, technical priorities and establishing the number of products which will be bought for that season. It is important that potential problems are foreseen and solved. More detailed meetings earlier mean less crisis management later.

Meetings also involve discussions on the development of the previous season's products so that priorities can be established for the forthcoming year. This might include:

- sales patterns
- trends in the market and fashions
- colour palette and theme boards
- yarns, fabrics, trims and components
- the general shape, fit and direction of the range.

The buying process

Members of the buying team work with either primary suppliers who manufacture garments or secondary suppliers who provide the fabrics as part of the range building process. By working with suppliers throughout the buying process, Marks & Spencer's contribution to the finished product is all encompassing.

The buying team comprises:

1. **Selectors** - work closely with Marks & Spencer's design group and suppliers, and are responsible for offering choice to customers and delivering it into stores on time. Doing this involves considerable research in order to keep up-to-date with the latest trends.
2. **Merchandisers** - are responsible for profitability. Their role involves negotiating prices, estimating the quantities needed, sales analysis and scheduling the production with manufacturers and suppliers.
3. **Technologists** - develop and monitor specifications and quality control systems. They act as technical advisors to the selectors and merchandisers, as well as to manufacturers. They also work on long-term projects with secondary suppliers which provide the business with advances in manufacturing and fabrics.

Nicola Lewis is a selector for Marks & Spencer. She began working for Marks & Spencer after leaving university. Beginning her career in Stores, she has now moved into the Buying Group. Nicola helps to compile a well-balanced range of products which will appeal to Marks & Spencer's core customer base but which also has plenty of newness to move the range forward. Managing the supply base involves two buying cycles based on two seasons, Autumn and Spring. It involves working up to 18 months ahead.

Developing and cementing relationships with suppliers is central to Nicola's role as a selector at Marks & Spencer. Working in a fast-changing business environment with a broad mix of personalities and characters, she feels that by building relationships that encourage people to be individuals, they become a source of creativity and innovation. Working with suppliers provides Nicola with independence and empowerment to manage a project. It also involves being a member of a team focused on meeting customer needs.

Fabric suppliers come from across the world. Discussions enable designers to share their ideas and discuss innovations in a way which helps them to become more competitive. After careful analysis, which involves assessing the design, production viability and cost, white sealing takes place. This is the pre-selection of prototypes which meet the criteria with the intention to buy.

Marks & Spencer selectors, merchandisers and technologists then work with each supplier to help prepare products to meet the high standards necessary for the stores. This involves:

- **First fit** which provides information and measurements establishing the base size for the style
- **Pre-production** meetings to discuss production viability of Marks & Spencer standards and confirmation of packaging details
- **Test lots** which confirm the viability of patterns as well as make-up methods and standards



- **Grades** which approve dimensions and fit of sizes identified
- **Wearer trials** which assess the performance of garments in customer use. The fit, fabric, trims, colours and labels are all important for this final stage of development.

Courtaulds Textiles is a large textile company which, as a major supplier, has had a relationship with Marks & Spencer that goes back more than fifty years. Staff at Courtaulds Textiles work closely with those at Marks & Spencer through shared goals and values. If a product range is successful for Marks & Spencer, then Courtaulds Textiles will also reap the rewards.

Courtaulds Textiles believes that Marks & Spencer's demands for excellence have helped it to become a better manufacturer. Working with staff at Marks & Spencer has led employees at Courtaulds Textiles to recognise that the customer is constantly looking for newness.

This has stimulated investment and innovation which has fuelled the market towards technological and scientific development. At the same time, wider policies such as quality and environmental standards have helped Courtaulds Textiles to become a better business.

Standards and quality



Green sealing the product is the term used when the product is bought and owned by Marks & Spencer. It is the standard used to authorise bulk production. To meet the stringent requirements for Marks & Spencer, products must be the very best that design, technology and manufacturing

can achieve. This provides real, practical benefits for the final customer.

Specifications and standards are established which enable everybody involved with the garments to understand the requirements. Monitoring specifications, standards and quality involves working closely with suppliers, with co-operation throughout the supply chain.

- Specifications are those aspects of a product which can be realistically measured or assessed, such as the quality of raw materials used, product dimensions and product performance.
- A standard is a physical example agreed between a customer and a supplier. Quality refers to the individual characteristics of each product that enable it to satisfy customers. For an organisation like Marks & Spencer, quality is particularly important in providing a framework which enables Marks & Spencer products to develop a competitive advantage over rivals.

One important link in the relationship between Marks & Spencer and Courtaulds Textiles is the exchange of electronic data using Electronic Data Interchange (EDI). Courtaulds Textiles helped to develop the system with Marks & Spencer. The system transfers information, such as prices, images and product details, between each organisation's computer systems.

Another key development has been the increased use of video-conferencing, which, by linking garment suppliers and raw material suppliers to Marks & Spencer, has helped to improve communication and reduce lead times.

Conclusion



As the leading company in lingerie retailing, Marks & Spencer has set benchmarks for the whole industry to follow. Although the Company has a large market share, it faces fierce competition from other top retailers.

The key element in furthering its competitive advantage has been the development of strong supplier relationships. Through management of the supply chain, Marks & Spencer has clearly differentiated its activities within the industry to create a dynamic and responsive lingerie business which recognises people as a source of innovation.