

PGDM-IB (2017-19)
FRANCHISING & GLOBAL RETAILING
Subject Code: IB 414
Trimester IV End Term examination, September 2018

Time allowed: 2 hrs 30 min

Max Marks: 50

Roll No: _____

Instruction: Students are required to write Roll No on every page of the question paper, writing anything except the Roll No will be treated as **Unfair Means**. In case of rough work please use answer sheet.

Section A

Attempt any three.

Word limit: 300 words

M M = 5 * 3 = 15

1. Some factors of internationalization can act as both barriers and drivers. Explain this statement with three appropriate examples.
2. With reference to Alexander's matrix, pick any major Indian retail company and describe where this company sits within the matrix. How will this influence the company's prospects for success in the international environment?
3. Outline some protectionist policies being utilized by the Indian government which could disrupt current or future expansion of retail activity. Are these policies justified to protect the smaller indigenous retailers? Give your views on the same.
4. What are the norms and requirements of franchising? Discuss in detail with the help of suitable examples.
5. What is meant by strategy of avoidance? Give examples.

Section B

Attempt any two.

Word limit: 500 words

M M = 10 * 2 = 20

1. Choose a specialist retail operation which you are familiar with, that does not have international retail outlets. Using the Simpson and Thorpe's PLIN model's four factors, assess the company's international viability.
2. E-bay has quit the Indian ecommerce scene. Is it better to divest from underperforming markets and invest in upcoming markets or should the company have continued? Give reasons for your decision.
3. According to the GRDI and Deloitte reports, which are the five major economic trends in international retail? Enumerate and explain.

Section C

Case Study is compulsory and is for 15 marks.

COMPANY FOCUS I.1

MARKS & SPENCER

Sarah Marie De Nardi-Cole

Marks & Spencer plc—or *Marks & Sparks*, as natives of the United Kingdom so lovingly refer to it—celebrated its centennial in 1984. From the beginning, it has been attracting the attention of customers and retailers alike. The purpose of this case study is to explore one specific area in which the company has been extremely successful and has proved itself a pioneer in the rubric of British retailing: internationalization.

Description of the Company

Target Market

Marks & Spencer's ideal customer is someone who is looking for good quality, classic-style clothing. If you are in the market for corduroy flares, Marks & Spencer is not the store for you. Marks & Spencer has said that its core customer is a 25- to 55-year-old average British person, male or female, the epitome of middle England.¹ The typical Marks & Spencer customer is middle to upper class, as well as a little older.

Product

All of the merchandise offered at Marks & Spencer is sold under the store's private label, *St. Michael*. Most of the products are manufactured in the United Kingdom with one known exception: hosiery. An agreement between Marks & Spencer and Sara Lee Corp., better known in the United States as Hanes and L'Eggs, stipulates that hosiery items manufactured by Sara Lee and labeled *Sara Lee for St. Michael* are sold through the various Marks & Spencer outlets.²

Marks & Spencer's products fall into two categories: food and general merchandise. General merchandise includes men's, women's, and children's fashions, and encompasses all areas of clothing such as slacks, suits for both sexes, handbags, footwear, sweaters, dresses, socks, ties, lingerie (for both sexes), as well as goods for the home (towels, soaps, etc.), toys for children, books, and a newer line of cosmetics.

In the area of food, there is also a wide product range. All of the products in the food areas are also sold under the *St. Michael* name. Marks & Spencer offers

more prepared products than its competitors and averages 15 to 20 varieties of product categories.³ The company's stores carry a variety of perishables by way of fruits and vegetables. In fact, Marks & Spencer claims to have at least a dozen different ways to purchase broccoli,⁴ and about 120 ways to buy chicken breasts.⁵

All tastes can be found at Marks & Spencer, including (but not limited to) Indian, American, Thai, Chinese, Italian, French, and of course English, Scottish, and Irish.⁶ Marks & Spencer's groceries also offer an interesting range of beverages: bottled waters, beer, wines, and, of course, a wide selection of teas and biscuits.

Finally, in addition to the edible and potable goods offered at Marks and Spencer, the company also offers financial services. One of the financial products offered to its customers is the Marks & Spencer credit card, which provides credit to shoppers. It is, however, the only credit source used at the company. If customers do not pay with a Marks & Spencer card, they must pay with cash. With the credit card, customers can receive a credit limit of 20 times what they deposit. Customers then earn interest on the balance when their deposits are greater than their purchases.⁷ Other financial products include personal loans, personal equity plans, unit trusts, and life insurance.

Price

Typically, Marks & Spencer's pricing strategy was to fix a price limit for all the merchandise sold in its stores so that working-class customers could afford it. The company then searched for products that could result in profit while selling at the price fixed for its working-class patrons.⁸

Today, Marks & Spencer still believes in a sort of one-price range strategy internationally. It accomplishes this by maintaining close relationships with its suppliers. This relationship helps Marks & Spencer get good prices on merchandise through economies of scale. Marks & Spencer stipulates all manufacturing details to its suppliers, from the number of stitches in a buttonhole to

length of a hemline. In this way, Marks & Spencer can be assured the quality it desires while, at the same time, having the power to negotiate on price.

Coats Viyella plc. is a large clothing manufacturer based out of Manchester. This company sells around \$400 million of apparel goods annually to Marks & Spencer.⁹ Smaller manufacturers would not be able to handle any other accounts besides Marks & Spencer. This is where Marks & Spencer derives some of its bargaining power.

What does this mean to consumers? It means simply that at Marks & Spencer customers will not be required to pay a high price for something of mediocre quality. With respect to prices on food items, Marks & Spencer has the same sort of relationship with its manufacturers, which, in return, means moderately priced items. The general price range in the grocery section is roughly between U.S. \$1.50 and U.S. \$4.50 (£1 to £3) for anything from side vegetable dishes to ready-made meals.¹⁰

Place

Marks & Spencer stores have two formats. The first format consists of clothing and housewares, with the basement of the store usually being dedicated to grocery items. The second format is nothing but grocery items. Marks & Spencer stores were, in the beginning, all centrally located in the *high street* area of bigger cities (*high street* meaning Main Street in British English). Some changes have come about in this area due to competition, however, and Marks & Spencer can now also be found located on the outskirts of town. In fact, in one instance, due to the lack of space in Great Britain, Marks & Spencer set up an agreement with one of its competitors, Tesco, to share a parking lot (or *car park* in British vernacular) but have competing facilities.

As for size, the chain average is 35,000 to 40,000 square feet, (3,252 to 3,716 square meters) but size varies depending on location. Marks & Spencer has a minimum net space requirement of 100,000 square feet (9,290 square meters) for stores found at the outskirts of towns.¹¹

Promotion

Marks & Spencer tends to frown on advertising and, in fact, tends to avoid it.¹² Some exceptions are made, but most often Marks & Spencer depends on word-of-mouth. The Marks & Spencer name is well-known throughout the world and the company relies on this fact for its advertising needs. An all-out advertising campaign is only undertaken when there is a new product or a new retail format. For instance, the new Marks & Spencer

store in Paris required some advertising to compensate for low name recognition.¹³ Marks & Spencer also depends on its pleasant store layout, its quality for price strategy, and its large selection to sell its goods.

History

It all began when Michael Marks met a wholesaler merchant in Leeds who offered to lend him £5. Marks asked if he could use this sum to buy purchases from the warehouse.¹⁴ This marked the beginning of Marks' peddling.

The peddling soon led to bigger and better things. Marks opened a stall in the Leeds market. From the start, an interesting strategy to attract customers as well as to facilitate communications was put in motion. Marks took all of the items he offered that were sold for a penny, and put them in one area of his stall. Above this section he placed a sign saying, "Don't ask the price, it's a penny."¹⁵ His penny-pricing concept was so successful that Marks decided to carry, from then on, only items costing a penny. By 1901, Marks had acquired 11 shops, 24 stalls, and a new partner, Tom Spencer, who had been a cashier at the warehouse where Marks was lent the £5 to begin his business.¹⁶ Marks & Spencer boasted shops in other cities besides Leeds, including Manchester, Birmingham, Newcastle, and finally London.¹⁷

By the time Simon Marks (Michael Marks' son) assumed full control of the company, it had 10 stores in market halls, with a total of 145 branch stores in all. The majority of these stores were located in London. The philosophy of providing value for money was still religiously followed at Marks & Spencer, even though the price offered was no longer a penny. For instance, management at Marks & Spencer established a price limit of 5 shillings per item in 1927.

Marks & Spencer was able to put a price limit on its items because of another business principle it deemed invaluable—efficient distribution methods. In 1926, Simon Marks introduced the now famous St. Michael label, named after the company's founder, Michael Marks. Management gradually replaced other brands with its own until 1949, when all Marks & Spencer stores were selling only the private label. This was an important move by the company and is one of the main reasons Marks & Spencer is so successful today. Although neither of the partners at that time wanted to get into their own production, they realized the advantages of buying in bulk and the influence they enjoyed over the manufacturers when so doing.

Marks & Spencer continued to follow the principles that it had developed, which included:

encouraging suppliers to maintain high quality standards in production and working environment, offering customers a selective range of high quality merchandise, simplified operating procedures, and supporting British industry and buying abroad only when new ideas, technology, quality and value were not available in the U.K.¹⁸ (page 38).

These principles are what helped the company to expand. In fact, Marks & Spencer had its first taste of international expansion as early as 1940.

Marks & Spencer Today

Today, few people in the world have not heard of Marks & Spencer, especially in the retailing realm, where the company is considered Britain's leading retailer. Marks & Spencer has had such an impact in the United Kingdom that it has been said that the nation's evolution is shown through the changes and progress at Marks & Spencer.¹⁹ As for success, evidence of this would be that by 1994 the company had captured 18% of the U.K. market. At that time, 33% of British women were wearing Marks & Spencer undergarments. Market share in some areas was up to 40%. Men's suits had captured 20% market share.²⁰ Profits in 1994 grossed £851 million (\$1.39 billion) on sales of £6.5 billion (\$10.6 billion). This made Marks & Spencer Britain's most profitable retailer. Marks & Spencer stores today are present throughout England and Ireland, with 55 stores in London alone.²¹ The United Kingdom is not the only site, however, for successful Marks & Spencer outlets, which are now located around the globe. These outlets come in various forms. To comply with foreign government restrictions, Marks & Spencer now has franchises, subsidiaries, and wholly owned stores under names other than Marks & Spencer, such as Brooks Brothers and Kings Supermarkets.

As of 1996, there were 645 locations of Marks & Spencer worldwide, with 373 stores in the United Kingdom, Europe, Hong Kong, and Canada. The countries in which Marks & Spencer owns outlets (with the number of outlets and their locations) are as follows:²²

- *Belgium*: 3 stores in Brussels, Antwerp, Liege.
 - *Canada*: 48 stores in Barrie, Ontario; Bramlea, Ontario; Burlington, Ontario; Calgary, Alberta; Coquitlan, British Columbia; Dieppe, New Brunswick; Edmonton, Alberta; Etobicoke, Ontario; Halifax, Nova Scotia; Hamilton, Ontario (2); Kelowna, British Columbia; Kingston, Ontario; Kitchener, Ontario; London, Ontario; Mississauga, Ontario; Montreal, Quebec.
 - *France*: 17 stores in Belle Epine, Boulevard Haussmann, La Defence Quatre Temps, Lille, Lyon, Marseille, Nantes, Nice, Parly (2), Reims, Rosny (2), Rouen, Rue de Rivoli, Strasbourg, Toulouse, Velizy (2), Villiers en Biere.
 - *Germany*: 1 store in Cologne.
 - *Hong Kong*: 7 stores in Causeway Bay, Central, Harbour City, Queen's Road, Central Queensway, Shatin, Taikoo Shing.
 - *Ireland*: 2 stores in Cork, Dublin.
 - *Spain*: 5 stores in Barcelona, Madrid, Serrano, Seville, Valencia.
 - *The Netherlands*: 2 stores in Amsterdam, The Hague.
- As for franchises, in 1996 Marks & Spencer had operations (followed by the number and their locations) in the following countries:²³
- *Austria*: 3 stores in Vienna.
 - *The Bahamas*: 5 stores in Nassau, Freeport, Cayman Islands.
 - *Bermuda*: 1 store in Hamilton.
 - *Canary Islands*: 4 stores in Gran Canaria, Tenerife.
 - *Cyprus*: 8 stores in Limassol, Larnaca, Paphos, Paralimni, Nicosia.
 - *The Czech Republic*: 1 store in Prague.
 - *Finland*: 5 stores in Helsinki.
 - *Gibraltar*: 1 store in Gibraltar.
 - *Greece*: 9 stores in Athens, Crete, Kavala, Thessaloniki, Larissa.
 - *Hungary*: 2 stores in Budapest.
 - *Indonesia*: 6 stores in Jakarta.
 - *Israel*: 7 stores in Tel Aviv, Jerusalem, Haifa, Kfar Saba, Ashdod, Rechort.
 - *Jersey*: 2 stores in St. Helier, St. Brelades.
 - *Malaysia*: 2 stores in Kuala Lumpur.
 - *Malta*: 2 stores in Valletta, Sliena.
 - *The Philippines*: 2 stores in Valletta, Manila.
 - *Portugal*: 6 stores in Lisbon, Oporto.
 - *Singapore*: 7 stores in Singapore.
 - *Thailand*: 6 stores in Bangkok.
 - *Turkey*: 1 store in Istanbul.
- Finally, stores owned by Marks & Spencer, but not under the name of Marks & Spencer, include Brooks

Brothers, Inc. located in the District of Columbia and in the following U.S. states:²⁴ Alabama, California, Connecticut, Florida, Georgia, Illinois, Kentucky, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Missouri, New Jersey, New York, North Carolina, Ohio, Oklahoma, Pennsylvania, Tennessee, Texas, Virginia, and Washington. The Kings Supermarkets are all located in New Jersey.

Having clarified that Marks & Spencer is, indeed, an international retailer, we can move on to look at how they became international.

Evolution of an International Retailer

Luca Pellegrini, in his article "Alternatives for Growth and Internationalization in Retailing," talks about the different modes of internationalization for retailers.²⁵ He maintains that most retailers follow the same pattern. In the appendix to that article, Pellegrini gives examples of different retailers and describes how they became international. One of these companies is Marks & Spencer. Pellegrini illustrates its international growth in steps:

Step 1—Original market.

Step 2—Adjacent market.

Step 3—Other national market.

Step 4—Other similar countries for Marks & Spencer; this would be France, Belgium, Spain, and the Netherlands.

Step 5—Other similar countries.

Step 6—Other foreign countries.

Steps 1 through 6 were all carried out with the original store type.

Step 7—Other similar countries: D'Allairs, Peoples (CDN)—retail men's and women's wear.

Step 8—Brooks Brothers (USA)—department stores.

Step 9—Kings Supermarket (USA)—supermarkets.

Steps 7 through 9 involved similar store types.

As we can see, Marks & Spencer did not stray far from its original format. The way in which Pellegrini portrays Marks & Spencer's internationalization is valid. However, he neglects to mention the very first step the company took in internationalizing. This first step was taken, as mentioned previously, as early as the 1940s.

Marks & Spencer's first attempt at internationalization was exporting.²⁶ This is an interesting concept for a retailer because, in most cases, exporting is a strategy used by manufacturers when internationalizing.

Exporting is seen as a way to "test the waters," so to speak. For a retailer to do so is unusual. This factor supports the concept that Marks & Spencer is a "manufacturer without factories." Because of its close and controlling relationship with suppliers, Marks & Spencer was able to export its unique private label brand—St. Michael—to foreign countries.

There is not much in print about Marks & Spencer exportations; Briggs simply notes that by 1955, the Marks & Spencer Export Corporation was exporting goods worth £703,000 (\$1,146,000) overseas.²⁷ Its exporting continues today. In Marks & Spencer's 1996 online annual report, export store sales are reported as having increased by 11.7% and total shipments from the United Kingdom to subsidiaries and franchises by 12.3%.²⁸

After first exporting in the 1940s, Marks & Spencer went overseas. Contrary to what might be expected, however, the company went overseas somewhat by force. This was due in part to its own saturation of the British market, as well as to economic and political factors. The political pressure that Marks & Spencer felt was perhaps the determining factor. At that time, some members of the Labour Party were threatening that leading retailers might be candidates for a future nationalization program.²⁹ These two factors combined with the perceived cultural proximity of Canada were enough to make the management of Marks & Spencer believe that going there was a sensible decision. It would be safe to assume, as well, that the market south of the Canadian border was also deemed as very attractive.

In 1973, Marks & Spencer bought three Canadian chains—People's Department Stores, Inc. (budget-priced stores), D'Allaird's (clothing for older women), and Walker's clothing stores—which were made into stores similar to the Marks & Spencer stores in Britain.³⁰ The company's entry into Canada received much negative press, and for a valid reason. It had made a mistake on entering into the new market. Marks & Spencer had assumed that Canada was so culturally similar to Britain that no modifications to its retail format were needed. The company's strategy was simply to transport the formula that had been working so well in Britain to Canada.³¹ When they realized their mistake, management at Marks & Spencer went about correcting it. Eventually, they began to use merchandise made mostly in Canada, and the food department was expanded. In addition to changing the marketing mix, Marks & Spencer eventually closed some of the

inner city outlets and opened others in suburban areas.³² However, the company was slow to change its habits, and this resulted in an operating loss of 9.7 million Canadian dollars (US \$7 million) for 1988.³³ The Canadian venture was difficult for Marks & Spencer. The company lost money for the first decade of its existence.³⁴ The stores operating under the D'Allaird's name have since been closed in order to help management concentrate on improving performance in other Canadian operations.³⁵

Although its first overseas experience was not a pleasant one, Marks & Spencer was not deterred. The company next decided to enter a European market. Perhaps this was because this market was physically closer to Great Britain. In addition, even though the languages are different, European cultures are similar in many aspects. Marks & Spencer decided to venture into France, opening its first outlet in Paris in 1975. The location was prime, on the Boulevard Haussman, which is in an area of Paris renowned for its boutiques. French consumer habits were studied and a marketing mix was planned. The products offered would differ from those sold in the United Kingdom in an attempt to shape the offering to the market. Clothes were made to have a somewhat snugger fit, and French wines were added to the grocery area.³⁶ The company soon noticed, however, that the French items were staying on the shelves and the British imports were quickly disappearing. This convinced Marks & Spencer executives to change their marketing mix, and the store has known great success since. This positive experience abroad served as a catalyst not only for the company to open stores in different provinces in France (by 1990, there were eight stores in France), but also for it to expand to Belgium. Belgians also got to know Marks & Spencer in 1975. The first store opened in Brussels, and it was followed seven years later by another store in Antwerp.³⁷

Realizing that its operations in Europe were well underway, and that business in Canada was slowly improving, resulting in profit, Marks & Spencer decided to enter the U.S. market. Incidentally, Marks & Spencer found it appropriate to go into its second North American market the same way it entered the first: by acquisition. In April of 1988, Marks & Spencer purchased Brooks Brothers, and in August of the same year, Kings Supermarkets. Brooks Brothers and Marks & Spencer actually had quite a lot in common. Both sold only private label goods, both worked closely with

their manufacturers, and both had been around since the latter 1800s and early 1900s. Both also had a very well-developed, loyal customer base.

Although the pair had much in common, this acquisition received a great deal of bad press. This is principally because Marks & Spencer paid \$750 million—an enormous sum—to acquire Brooks Brothers. In fact, this figure amounted to 30 times the chain's estimated net profits for 1987 (the year before the acquisition).³⁸

Management at Marks & Spencer did not let the bad press discourage them and went ahead with the deal. The agreement had its sweet side. Not only did Marks & Spencer get the U.S. chain consisting of 47 stores, but it also got a 21-store joint venture with Daido Worsted Mills in Japan. In addition, a special agreement stipulated that the previous owners of Brooks Brothers, the Canadian Campeau organization, could not compete against Brooks Brothers in the United States or in Japan for five years. At the time of the acquisition, Brooks Brothers also had three factories in Long Island City and North Carolina, its own charge card, and a direct marketing catalogue.³⁹

After the takeover, the Brooks Brothers' product line changed slightly. The first change was an expansion of the sportswear selection and additions to the women's line.⁴⁰ In addition to widening the product base, and in an effort to attract a younger clientele, Marks & Spencer cut prices and opened stores in outlet shopping centers.⁴¹ Besides acquiring a new customer base, Marks & Spencer also acquired new products for its European stores. The company has been known to take a Brooks Brothers classic like the \$259 blazer, examine it, and duplicate it to sell through its outlets in Europe.⁴²

The Kings Supermarkets have also witnessed a few changes. This chain, which had been family owned and profitable since 1936, was well-known for quality and innovation. Because of the strong national brand loyalty in the United States, Marks & Spencer decided that having a mixture of national brands in addition to its own St. Michael brand would provide a better merchandise mix in stores.

After entering the American market, further expansion in Europe seemed like the best bet. Building on its past successes in France and Belgium, Marks & Spencer opened its doors in Madrid, Spain, in 1990. As in Paris, the location chosen was in an ideal area, situated in the well-known shopping district of Calle Serano. Before opening this store, however, Marks & Spencer had tested the market by venturing into a franchise agreement with Galerias Preciados (Marks &

Spencer already had departments within the existing Galerías stores). Then the company moved to open its own store.

This expansion marked not only the company's first attempt to enter a Spanish-speaking country, but also its first joint venture. The joint venture was between Marks & Spencer and Cortefiel, one of Spain's most successful retailers.⁴³ An explanation for the decision to enter the joint venture could be the somewhat unstable political environment in Spain at that time. The country had just emerged from an oppressive dictatorship period under Franco not too long before the Marks & Spencer opening.

Finally, after Europe and North America, Marks & Spencer turned to another area of industrialized nations, the Far East. As the company had already acquired Brooks Brothers outlets in Japan, expanding into Hong Kong seemed like the next logical step. In the early 1990s, Marks & Spencer opened three outlets in Hong Kong. The merchandise for these outlets was sourced from Great Britain, and in 1994, Marks & Spencer concentrated on building an adequate distribution center to enable it to supply merchandise in a more timely and cost-effective manner.⁴⁴

After opening outlets in the Far East, Marks & Spencer decided to return to an area of the world in which it had previously known success, Europe. In January 1996, Marks & Spencer announced that it would be opening its first outlet in Germany.⁴⁵ Europe's largest and wealthiest nation, with a large population not to mention a clothing market that is double the size of the United Kingdom's. The site chosen for the first store was Cologne.

Future Projections

Marks & Spencer can truly be called an international retailer. What does the future have in store for the company? Clearly, more expansion, both domestic and international. One may think that the United Kingdom is saturated and that there is no place else for Marks & Spencer to go but abroad. Nevertheless, if there is one thing to be learned from the Marks & Spencer story, it is that improvements can always be made. There is still growth potential for this quasi-national British landmark. It plans on opening new stores, as well as extending the ones that already exist.⁴⁶ It is also considering TV shopping as an option for future U.K. growth.⁴⁷

Even though Far East sales were down in 1995, probably due to the costs of opening the company's seventh outlet in Hong Kong during that year (it has since opened its eighth), this region of the world has also been judged a potential area for business. These outlets are boutique/specialty stores not full-scale department stores. Some stores have been repositioned to sell only underwear and hosiery. Marks & Spencer opened a store in South Korea in 1997. Marks & Spencer decided against opening a store in Japan due to excessive property costs but has established a resident office in Shanghai, China, that could amount to a future opening—most likely resulting in a joint venture because of the strict political barriers to foreign retailers.⁴⁸ Europe is also a target for future growth. Marks & Spencer plans to open additional stores in Germany. Continued business will also be pursued in Spain. As for other cities in Europe, the company has plans for Paris. Comparable in size to London, but with only 7 stores compared to London's 55, Paris is seen as one city in Europe where new outlets are conceivable. Finally, a little closer to home, the company plans on further growth in the Republic of Ireland.

Conclusions

It is possible to extrapolate Marks & Spencer's recipe for success in analyzing the company's future projections. The key ingredients would be innovation, determination, and, surely, perspiration. We can see that the company's growth is cyclical. It did not give up on internationalizing when the Canadian venture did not go as planned. Instead, management learned from its mistakes and used this knowledge to grow elsewhere. In addition, it would appear all too easy for a company to become overzealous as the result of success in one region and consequently want to make this new market its home. This is not what Marks & Spencer did. The company went back to the Asian market after its European success, and then back to the European market after its Asian success while constantly improving its current operations and opening franchises in all regions of the world. Finally, if there is one keystone in Marks & Spencer's success, it is efficient distribution through close relations with suppliers. Marks & Spencer started on this creed when Michael Marks first started peddling. The fact that it has kept this tradition for well over a century is remarkable and commendable, not to mention undoubtedly, traditionally British.

DISCUSSION QUESTIONS

1. Marks & Spencer has a close relationship with its suppliers. Describe the advantages and disadvantages of such a relationship for both sides.
2. Marks & Spencer's private label, St. Michael, has been in existence for over 50 years, yet in the United States, a strategy of mixing national brands and private labels was used. What is the attraction to the development of a private label for retailers?
3. Examine the list of areas in which franchises and wholly owned stores were pursued. What conclusions can be drawn?
4. What is meant by economy of scale? Give examples of how Marks & Spencer takes advantage of this. Are there any examples of economy of scale to be found in the study?
5. Marks & Spencer has been called a manufacturer without factories because of the tight relationship it has with manufacturers. Upon acquiring Brooks Brothers, Marks & Spencer also acquired factories that were producing merchandise for Brooks Brothers. The company sold these factories and has stated that it is not ready to get into production for itself. Discuss why large retailers such as Marks & Spencer may be hesitant to expand vertically.
6. Certain changes had to be made to Marks & Spencer's merchandise mix in Canada. More items produced in Canada were included. In France, the French items were left on the shelves and the British imports flew out of the store. Discuss the cultural differences that may explain the predicaments.
7. Marks & Spencer offers financial services as well as general merchandise to its customers. Its credit card program varies greatly from those used by department stores in the United States in that customers make a deposit (e.g., \$5) and receive credit for four times their deposit (\$20). When customers' deposits exceed their expenses, interest is earned on the difference (e.g., deposit \$5, credit equals \$20 [four times deposit equals credit]). If purchases equal \$15, the remaining balance of \$5 can collect interest. Could this be the next step for U.S. retailers? Why or why not?
8. Acquisition was used in both Canada and the United States, two countries that are perceived as culturally similar but geographically much larger than the United Kingdom and at quite a distance from the company's headquarters. Wholly owned subsidiaries were used in France and Belgium with a joint venture in Spain. Marks & Spencer's sights are now set on China. Studying past strategies used, what predictions could be made, if any, regarding the company's entrance into China's market?
9. Marks & Spencer uses a single brand, and has similar outlet requirements for all of its stores, but it does shape its merchandise somewhat to local markets. Would Marks & Spencer be considered a global or a multinational retailer and why?
10. Discuss Marks & Spencer's steps to international growth as discussed by Luca Pellegrini. What would a logical Step 10 be?

ENDNOTES

1. "British Institutions: Marks & Spencer Store of Value." (1993). *The Economist*, Vol. 327, June 26, p. 63.
2. Wahl, M. (1993). "Pushing Yankee Products in Lord Rayner's Court." *Brandweek*, Vol. 24, July 12, p. 26.
3. Schurer, M. (1995). "Marks & Spencer." *Supermarket Business*, Vol. 50, February, p. 108.
4. Schurer (1995).
5. Marcom, J. Jr. (1991). "Blue Blazers and Guacamole." *Forbes*, Vol. 148, November 25, pp. 64-68.
6. Salmans, S. (1980). "Mixed Fortunes at M&S." *Management Today*, November, pp. 66-73.
7. Tse, K. K. (1985). *Marks & Spencer: Anatomy of Britain's Most Efficiently Managed Company*. Great Britain: Pergamon Press.