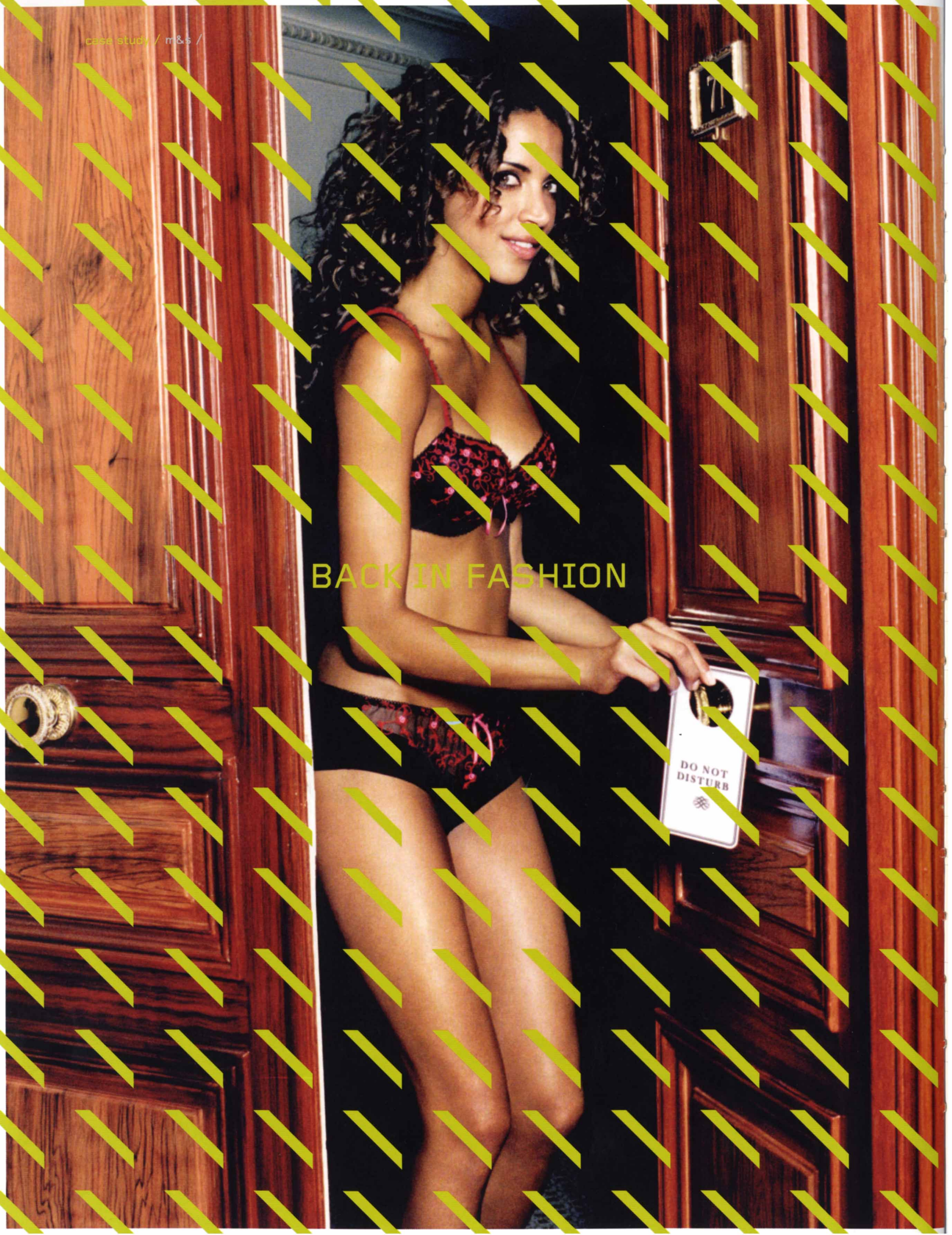

BACK IN FASHION
DO NOT DISTURB



by Timothy Everest, with shirts by Nigel Hall and shoes and accessories by Jeffrey West are a million miles from the V-necks and slippers which used to fill menswear.

It's hard to tell if men are clashing when they're suited and booted, but an outfit clash for a woman can be a veritable *cauchemar*. One retail consultant comments: 'Nobody wants to spend £100 on an Autograph jacket and then bump into somebody wearing the same thing, and that's the problem when you have that much volume.' Other retailers targeting a more affluent customer, like Ted Baker and Banana Republic, must also negotiate exclusivity with mass reach. But a 12% market share makes this issue particularly acute for M&S.



Competition in non-apparel departments comes from John Lewis for electrical goods, furniture and financial services, with Costa Coffee, Caffè Nero and Starbucks on the coffee-shop front. As M&S continues to stretch its brand, the competition will only become tougher.

Sean Pillot de Chenecey says: 'M&S is like Coca-Cola, in that anyone and everyone is a competitor. Lots of coffee shops and high-street fashion brands play either the budget or the premium game, but there's a lot to play for in the middle ground.'

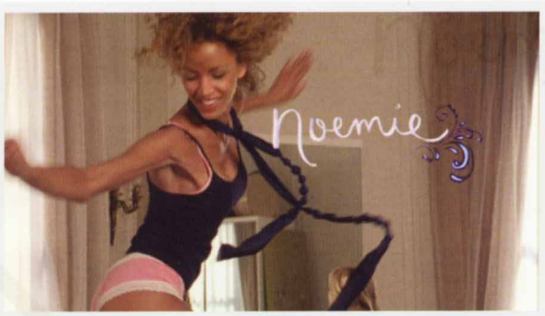
Magic & Sparkle

No other UK high street store commands the same amount of affection as M&S. Howard Saunders observes: 'If some high-street shops went bust, people would cheer. But if it was M&S, they'd shed a tear.'



Adds Urban Salon's Mowat: 'It has always been trusted and has an honest relationship with its customers – it's not there to make a fast buck out of them. That fundamental trust enables them to sell lots of different things, from car insurance to a £30 bottle of wine.' Mark Roalfe says simply: 'M&S is at the very heart of British culture.'

He adds: 'We set out to make M&S the nation's favourite brand.' While some might say that this mission is already accomplished, M&S has learnt to its peril that complacency kills. Innovative communications, particularly in digital media, could help inch it towards being a permanent fixture in the minds and hearts of consumers.



can use space. It sells lovely rump steaks, so why can't you walk in and see a guy cooking them on a grill?' Saunders mentions the Dutch department store V&D which is renowned for its eateries, alongside Tokyo food halls as positive inspiration for M&S. He concedes that the costs involved would be huge, but argues: 'It's the ultimate mark of confidence, and if M&S were to do it, it'd be like coming home, which is exactly what we want from them.'

With so many places now available to customers where they can buy coffee and muffins, Saunders believes that M&S has the brand equity – and, crucially, the delicious products – to trounce the competition.

Martha & Stuart

Considering the trust that M&S inspires, it's surprising that marksandspencer.com isn't bookmarked more often. But, as Mark Roalfe points out, the company has been busy fine-tuning its offline proposition. Nevertheless, plans must be afoot: M&S has now outsourced e-commerce and hosting to Amazon.com and also appointed lastminute.com founder Martha Lane-Fox as a non-executive in May. Change to its current website – which looks eerily similar to that of rival John Lewis – can't come soon enough, according to Sean Pillot de Chenecey, founder of the research and brand development consultancy Captain Crikey. He remarks: 'The M&S website couldn't be less interesting, involving or compelling. It's like the dullest brochure possible.'

Sparkler's John Robson assesses how M&S could maximise its online presence: 'It's easy to think of online culture as youth-based and centred around hubs like MySpace.com, but there is a bigger culture around eBay, lastminute.com, Amazon.com and Tesco.com because they have managed to be mainstream. Breaking into that culture would be fitting for M&S.'

Certain heavyweight advertisers are paving the way. Tesco.com has diversified into a community platform, while in the US Procter & Gamble recently launched its social network for women, www.capessa.com, on the Yahoo! Health platform. Offering advice on parenting, pregnancy, health, relationships and careers, the social network hub will help P&G improve its customer insight.

Pillot de Chenecey says: 'M&S could do a lot worse than taking a leaf out of P&G's book and copying like mad.' He elaborates: 'The reason why most websites fail when they play the community game online is because they have no reason to be there. But M&S – which is very much a community brand – has everything to gain.'



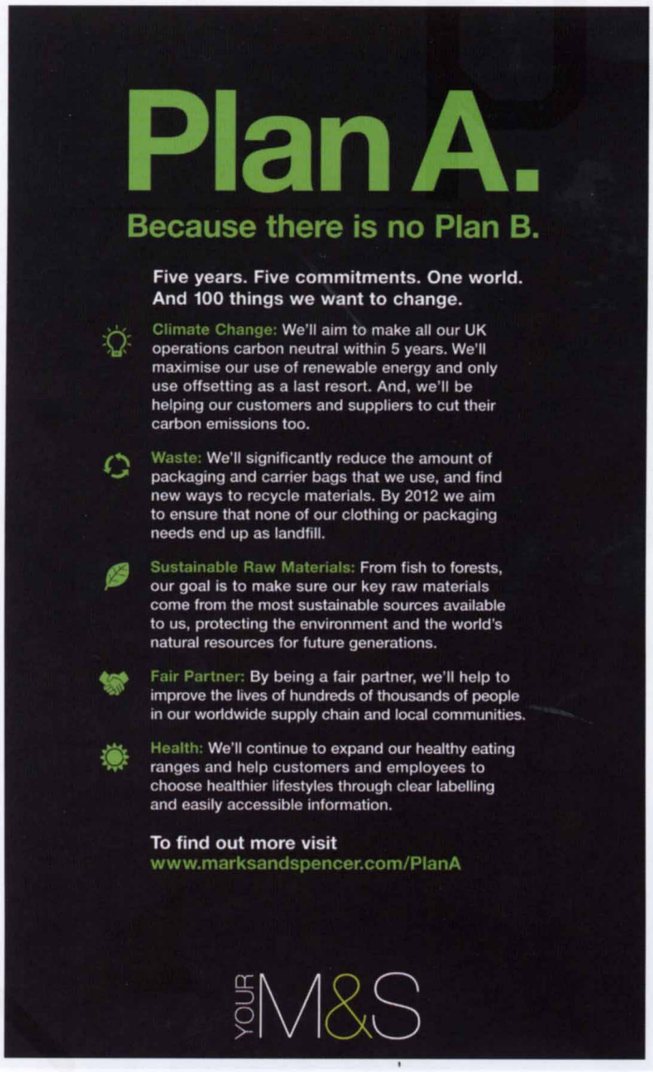


Perhaps this will be one area addressed by an agency with digital communications at its heart. It could certainly be timely, then, that three senior and soon-to-be former RKCR/Y&R staff: James Murphy (chief executive); Ben Priest (creative director) and David Golding (planning director) are leaving the agency with plans to start up such an agency. Whether M&S will be a client remains to be seen; Murphy has been very close to M&S in the past. Yet Dahlia Nahome, account manager for M&S at RKCR/Y&R insists that her agency will still service M&S: 'The relationship continues to be brilliant, with Mark [Roalfe] driving the account, as he always has.'

Might & Stealth

Once hegemonic on the British high street, M&S was eclipsed by fresher-looking rivals such as Next, Gap, Primark, Matalan and H&M, and question marks still hang over certain lines. Howard Saunders singles out its Blue Harbour menswear range: 'That cheesy guy sitting on a boat is embarrassing. I use M&S five times a week for food, but I will cut out the label from their clothes. They have upmarket food but midmarket fashion.'

The Football Association's decision to ditch Armani and make M&S the 'Official Tailor' of the England football team for the next three years has helped showcase the upmarket Autograph range for men: sharp suits designed





movement sensors as well as low-energy bulbs. The retailer will also test a new refrigeration system which has lower carbon emissions than traditional versions.

'Look Behind The Label' and 'Plan A' aren't examples of M&S posturing as a 'green' brand to pay lip-service to a trend; both initiatives have made a genuine impact on M&S' bottom line. When M&S started to stock only Fairtrade tea and coffee in March 2006, sales increased by 27%, while clothes made from Fairtrade cotton flew off the shelves. M&S quickly expanded its range, ordering T-shirts, jeans, socks and underwear.

At a time when many supermarkets are being asked to defend their business practices, M&S looks like a beacon of virtue in the high street, yet some question the economics. One marketing and retail consultant – who prefers to remain anonymous – told *Contagious*: 'If I was a shareholder in M&S, I'd be worried about it pushing up costs and pushing down profits, although I applaud them for being bold.'

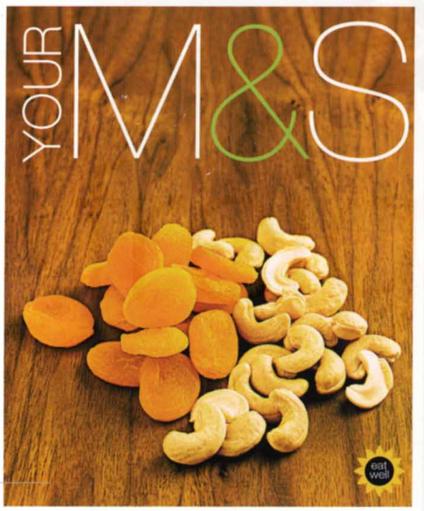
Moving & Shaking

'Bold' is a word you hear a lot about the new and improved M&S. Having sold off its international assets at the start of the millennium, it has re-embarked on global expansion. Already there are more than 200 franchise stores dotted around the globe, operating in over 30 countries; 2006 international sales accounted for 9% of overall profits. At home, too, M&S is expanding by moving into new locations such as garage forecourts, as well as opening more Simply Food outlets: 33 in the last quarter. In August it announced the launch of a new sub-brand – a standalone café concept, M&S Kitchen, with a brand identity and store design by Fitch. It's also aiming to have 70% of its stores revamped by Christmas.

To this end, M&S has been working with Urban Salon Architects whose director of architecture, Alex Mowat, explains that M&S 'used to sell yoghurts and knickers in exactly the same way; there was no spatial or atmospheric differentiation.' Following the revamps, the food halls improved how they showcased their products, and an illuminated strip at a high level helped shoppers to navigate the stores. Mowat says: 'Thanks to that strip, customers can understand how big or small the shop is, while using black in the food hall meant that the products could stand out.' Store entrances became more welcoming, while doors replaced curtains in the fitting rooms – some of which had black-and-white photos of models. The revamped stores reportedly provided inspiration for Gap which is refitting some of its outlets.

But Howard Saunders at Echochamber believes that M&S could go further by reviving its 'tatty' flagship Marble Arch outlet in central London as a genuinely innovative store. 'I want to see the new ways that M&S







COTTON & LACE PADDED BRA £12
& BRAZILIAN KNICKER £6



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Effectiveness Grand Prix in 2006, and helped restore faith in the somewhat quaint notion that traditional advertising can drive sales.

Music & Stars

M&S spent £45m (US$92m) on advertising in 2006, with the lion's share devoted to 'event' TV ads. The model Jodie Kidd starred as a stock-car racer in a black-and-white ad for M&S Money promoting car insurance. The jewel in the crown, however, is always the Christmas show-stopper. Last year this starred Dame Shirley Bassey belting out Pink's *Let's Get the Party Started* against an elaborate Arctic backdrop lifted straight from a big-budget Bond movie. And in an era where many brands are ditching newspaper advertising for sexier, nimbler alternatives, M&S regularly fills the nationals with full-page colour ads showing familiar beauties like Twiggy, Erin O'Connor, Laura Bailey, Noemie Lenoir, Lizzie Jagger and, more recently, Myleene Klass, in the latest M&S gear. The models often grace the front cover of *Your M&S* magazine too; for instance, a front-cover shoot for the Christmas 2006 issue took place on the set of the Shirley Bassey ad – a typical example of how M&S communications have become more integrated.

Redwood's board account director, Nicki Hill, comments: 'Twiggy, Myleene and the other models are a neat way for us to think about how to target the different kinds of M&S shopper.' While Hill describes above-the-line advertising as 'the big shout', the magazine is 'the deeper conversation'. 'It's a showcase to encourage footfall,' she explains. The title's National Readership Survey figure is 4.6 million – less than *Asda Magazine* (5.4m) but more than *Sainsbury's Magazine* (3.2m).

Mass & Selective

When Steve Sharp talks about his customers, he's aware that they represent a broad church. 'This is a mainstream public business – a British institution – with a large customer base of white, black, Muslim, Christian, old, young. Everyone shops at M&S.'

So how does M&S ensure that it can connect with such a diverse customer base? Sharp says: 'Plugging into popular culture is pretty important. I'll watch popular TV programmes and soak up all sorts of media.'

While M&S can clearly identify with its audience on a mass scale, there is still space around the edges for customers to have a more personal relationship with the brand. The co-founder of media brand consultancy Sparkler, John Robson, suggests that off-setting the personal relationship that people have with particular M&S products (in his case, meringue nests) against the big occasion of broadcast media, typifies M&S' modern behaviour. He says: 'Big cinematic TV ads are mixed with more intimate modes of communication. It's like Facebook: it feels intimate because it's your personal network, and yet you feel part of a bigger thing.'

Speaking of Facebook, would M&S look at home on a social networking site? Robson is not convinced. 'Remembering that M&S is a big high-street shop is an important part of the brand. That reality mixed with the glossiness of telly is critical. A youth brand could develop its own social networking site, but it might not feel appropriate for M&S.'

Maintain & Sustain

What does feel appropriate for M&S is its commitment to environmental concerns. The 'Look Behind The Label' campaign, launched in January 2006, saw M&S trumpeting its sustainable business practices. These included a commitment to Fairtrade products, free range-eggs and sustainable fish. In January 2007, 'Plan A' was unveiled. This five-year, 100-point plan committed M&S to being carbon neutral by 2012, sourcing sustainable raw materials, promoting health, reducing waste and treating suppliers fairly. Its cost is estimated to be £200m (US $410m). Stuart Rose has staked his personal reputation on this initiative, claiming that the M&S focus on ethically sourced goods responds to consumers' growing curiosity about supply chains. The company's first 'ecostore' will open in Bournemouth by the end of the year. The aim is to reduce the store's carbon footprint by 55%, equivalent to 244 return flights from London to New York. This will be achieved through initiatives such as more efficient lighting systems, incorporating daylight and

CASE STUDY / M&S / BACK IN FASHION /

FROM BASKET CASE TO CASE STUDY, BRITISH RETAILER MARKS AND SPENCER HAS DRAGGED ITSELF OUT OF THE DOLDRUMS TO RECLAIM ITS PLACE AS ONE OF THE HIGH STREET'S MOST POWERFUL PLAYERS, INCREASING ITS MARKET VALUE BY OVER £2BN INSIDE TWO YEARS. A SHREWD COMBINATION OF SMARTLY CHOSEN BRAND AMBASSADORS, SPECTACULAR TV COMMERCIALS, PR-FRIENDLY ETHICAL POLICIES, A RETAIL DESIGN REVOLUTION, SOME GOOD OLD-FASHIONED 'FOOD PORNOGRAPHY' AND A MEDIA-SAVVY CEO HAVE GUIDED THIS ONCE LUMBERING BEAST BACK ONTO THE FRAGILE LINE BETWEEN EXCLUSIVITY AND MASS REACH /

LUCY AITKEN REPORTS /

ANALYST'S INSIGHT /

By Vicky McCrorie / Editor at Datamonitor /

Marks & Spencer is one of the UK's leading retailers, generating strong revenues for its two main areas of focus – clothing and food. The company is the leading clothing retailer in the UK, holding a market share of more than 11% in the last fiscal year, while its strong food sales growth of 8.5% in the latest quarterly results demonstrate the growing appeal of its food halls to consumers.

The company has successfully emerged from its dark period of the early 2000s when it seemed as if this national institution could have gone under. However, after revamping its clothing lines to be more fashion focused and better marketing the health and premium positioning of its food offerings, the company has in the intervening years been able to prosper.

The poor UK weather this summer is one important external influence that was expected to impact negatively on company sales as consumers opt for winter woollies instead of buying summer clothes. However, M&S reported solid results for its latest quarter, with its overall sales up 7%. The company's wide product focus undoubtedly aided this sales growth, with customers opting to buy home wares instead of clothing owing to the unseasonable weather.

Another company strategy that has caught the public's imagination has been its ethical focus. At the beginning of this year the company implemented Plan A eco-plan, becoming the first major UK retailer to introduce a major push to address both environmental and social issues in the workplace. Recent ethical in-store improvements have gone down well with consumers, including selling a wider range of organic cotton clothing, and converting its entire tea and coffee ranges to Fairtrade.

Despite its strong UK performance, the company could be criticised for having a weak geographical spread. M&S derives a majority of its revenues from the UK market: nearly 93% in fiscal 2007. In contrast, macro competitors such as Wal-Mart and Tesco have global operations, making them less vulnerable to market conditions in one country. Therefore, while M&S is performing well in the UK, the company should, and most likely will, actively pursue expansion opportunities in the global marketplace.

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CHALLENGE / THE FIREWORKS WERE DAMP WHEN THE NEW MILLENNIUM DAWNED OVER M&S. ITS WOMENSWEAR HAD BECOME DOWDY AND COULDN'T COMPETE WITH BUDGET FASHION RETAILERS LIKE H&M AND PRIMARK.
COMMUNICATIONS WERE FRAGMENTED WITH NO UNIFYING BRAND MESSAGE, AND ITS FIRST TV AD HAD BEEN MET WITH DERISION. BOARDROOM POLITICS HAD PLAGUED THE COMPANY AND ITS SHARE PRICE HAD TUMBLED TO A TEN YEAR LOW. THE STORES WERE FREQUENTED PRIMARILY BY MIDDLE-AGED WOMEN WHO FORGAVE IT ITS FRUMPY DESIGN. M&S NEEDED TO REACH BEYOND THESE LOYALISTS AND MAKE ITSELF NOT JUST THE DOYENNE OF THE BRITISH HIGH STREET, BUT ALSO IN OVERSEAS OUTLETS /

SOLUTION / STUART ROSE WAS APPOINTED CHIEF EXECUTIVE IN 2004 AND WITH HIM CAME STEVE SHARP WHO BECAME EXECUTIVE DIRECTOR, MARKETING AND STORES. HE WORKED WITH RKCR/Y&R ON A NEW UMBRELLA PROPOSITION: YOUR M&S. THIS, ALONG WITH IMPROVED PRODUCTS, RETURNED OWNERSHIP OF M&S TO LOST CUSTOMERS, AS WELL AS INTRODUCING IT TO NEW ONES. FAMOUS MODELS WERE ENLISTED TO HELP SELL WOMENSWEAR, AND FULL-PAGE NEWSPAPER ADS WITH NOEMIE LENOIR IN M&S UNDERWEAR OR TWIGGY WEARING KNITWEAR HELPED TO DRIVE FOOTFALL BACK INTO THE STORE. FOR M&S FOOD, A TV CAMPAIGN STARRING HERO PRODUCTS SAW SALES ROCKET. STORE DESIGN WAS VASTLY IMPROVED, WHILE SIMPLY FOOD STORES OPENED UP ALL OVER THE UK AND BEYOND. OVERSEAS, MORE FRANCHISE OUTLETS OPENED: THERE ARE NOW MORE THAN 200 M&S STORES IN OVER 30 COUNTRIES. M&S SHOWED OFF ITS GREEN AND FAIRTRADE CREDENTIALS WITH ITS LOOK BEHIND THE LABEL CAMPAIGN AND FOLLOWED THIS UP WITH PLAN A, A PLEDGE TO RUN THE BUSINESS MORE SUSTAINABLY /

RESULTS / STUART ROSE WAS NAMED '2006 BUSINESS LEADER' BY THE WORLD LEADERSHIP FORUM. RKCR/Y&R WON THE IPA EFFECTIVENESS GRAND PRIX IN 2006 FOR ITS M&S SUBMISSION. DESPITE GROWTH BEGINNING TO SLOW, OVERALL SALES INCREASED 6.4% IN THE LAST QUARTER, WITH FOOD SALES UP 8.5%. IN SHORT, M&S EXUDES MORE CONFIDENCE THAN NOEMIE LENOIR IN A PUSH-UP BRA.
IT NOW NEEDS TO LEVERAGE THAT CONFIDENCE, BEEFING UP ITS ONLINE CREDENTIALS, AND EXTENDING ITS PROPOSITION ACROSS MORE NON-TRADITIONAL MEDIA AND COMMUNITY-BUILDING PLATFORMS /