

We're Known for our quality, now we're building our credentials in style: Marc Bolland, CEO, M&S

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Marc Bolland is the CEO of Marks and Spencer, a 130-year-old leading British retail company, a British icon and bellwether for the High Street with stores in about 40 countries. They opened for business in India in late 2013 with Reliance Retail as partners. Marc took over in 2010 with plans to grow the company into an international multichannel retailer. He talks to **Kamini Banga** about the transformation at M&S, appealing to young as well as its older core consumers and keeping up with changing shopping habits riding on new technology. Edited excerpts:

On Global Retail

On a global level two major shifts are happening; first commercialization of the internet growing at different speeds across the world. Britain is the fastest growing for general merchandise, with penetration higher than 15% of services on internet. The US and North Europe are around 10% while a number of countries are still below 1%. I believe there will be a growing interest worldwide for buying on the web. The idea of people not buying certain product categories like luxury dresses from Gucci on the Net, has been proven wrong. We were the first retailer in the UK to go mobile and found that someone bought a new bed and sofa on his cell phone.

The second major shift is happening in developing countries. The concept of a High Street - a street just for shops and services - is a very European idea. However, future of retail around the world is in big shopping malls especially in Mexico, Brazil, India, and Asia. India is the only exception where even today a commercial street will have single stores, offices and residences next to one another. But even there, we see shopping malls grow. Some shopping centres have a mix of international and local brands which is preferable because it preserves the local culture.

On Challenges in Retail

In e-commerce, the challenge is building a profitable business model. The last mile or delivery impacts profits negatively. So for pure e-commerce companies profitability is a challenge. For shopping malls to get good return on investment you need to find the right one. So many malls are coming up but it is important to choose one where the economic activity in and around the

area will pick up very fast. In China, for example, there are so many malls but not enough economic development, so it might take some time to grow.

Refunds in clothing can eat into profits because you are dealing with seasonality in fashion. Let me explain. You order a green and a blue dress. When they arrive the blue was not what you had originally thought and you return it. If that is a staple item or work-wear and not categorised as high fashion, there is no problem. However, if you do not return a seasonal item for three weeks then it is a huge cost to the company because it is past its sell-by-date.

On M&S Transformation

E-commerce is an important source of growth for us. When I arrived in the company three years ago, I said, the future of retailing is going to be multi-channel. Historically, we have been focused on stores but now our focus is online sales and flagship stores.

M&S is going international looking at new markets and in some cases going back to markets we had withdrawn from. We have identified Europe, Middle East and Asia as our areas of interest. These have about 400 shopping malls and we would like our presence in 80 of them. Historically, Europe is where we started and Asia is the fastest growing region while the Gulf has strong affinity with M&S.

The M&S brand has a strong resonance with Commonwealth countries. M&S is not just a British icon because a bit of the London lustre rubs off on us. London has iconic status for aspiring young and old Central Europeans and Russians. In Moscow today, a big aspiration is to own a flat in London.

Tradition to Trend

Today, people are buying based on their lifestyles. Traditionally, target audience has been defined by demographics of age, income, etcetera. This is no longer true. People do want to follow trends in fashion and are quick to buy into those. Along with normal media channels, social media is driving awareness and motivations thanks to fashion bloggers. Our new collection is a grey, black and ochre yellow colour palette. I saw similar colours in the Paris fashion week. For the first time in M&S we have the trends completely interpreted for a wide range and at affordable prices. So it is about trends and lifestyle and not so much about affluence and age.

Our communication too is in keeping with today's trends. For example, our last campaign for the women's wear collection was not on television - a first for M&S. It was on Facebook and we had 10 million hits in five days probably the largest ever in Britain. So part of the transformation is to get the product styling right with better quality in an environmentally friendly way and reach out via social media.

M&S Positioning

We are not aiming for the 16-25 year olds. Our customer is 30 years old and older with one or two children. These women are not throwing away clothing but they do want change and do that by layering. So somebody would buy our cashmere cardigan because it is washable and reasonably priced but will put it together with a fashionable blouse and a scarf bought from the latest H&M collection.

The lady who was our core customer 10 years ago is 50 years old and still likes the quality of our products but she wants style and trend too. We never talk about old and young but we deliver what we call a more styled product that has universal appeal.

Ours is what I call a mid-market brand. We are in the same price range as the mainstream high street brands such as Zara. However, our quality is completely different. What we have today will last two seasons and several washes. In the past, we did not enjoy the same style credentials as they had, but now we have two new designers - a British designer and a designer from Zara.

In terms of image we want to portray what was done in the Olympics - creativity and our rich British heritage of quality and values.

On India

JV - During my time in Heineken I worked on some JVs and know that some work very well. But it all depends on the partner and in the Ambanis we have all the three things we need: knowledge about India, retail and real estate. So we are extremely happy.

It is true that a lot of companies are withdrawing from international markets. Tesco closed shop in the US but we are a completely different business model. Our model is largely international franchises and partnerships. In contrast, Tesco has been setting up businesses alone.

Currently, we have around 40 stores in India and over the next two years, we plan to double them. By then, India will be our most important market outside of the UK.

The Indian consumer is not so different from those in the rest of the world. Even in recessionary times, while people are price conscious there will be those that want quality because they understand that it lasts.

Localising Product Offerings

No, we haven't done that. We can quickly respond to certain trends, and also buy and design in India, if needed. But we won't make garments specifically for the Indian market. We believe that the Indian consumer would also like to have a universal style and that is what we will bring. There is a far better knowledge of the M&S brand in India because of our shared history. A number of Indians have visited England, were educated there, or have relatives living there. So if people go for a more western look and more western style, I think we are very well positioned.

What M&S Stands For

It is the four things that I referred to. We combine style, British heritage, with really high quality garments that are sourced keeping the environment in mind. We are unique in bringing all this together to the market. We are best known for the quality of our garments and are now building credentials around styling.