

Business in the

Community

Marketplace Responsibility Case Study



How Marks & Spencer
leads the way in
customer relationships



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Marks & Spencer

Marks & Spencer is a UK retailer focusing on clothing, beauty products, household goods and food and employing 65,000 people across its 450 stores. The company has 12 percent of the women's clothing market and is the largest single player. It has 3% of the food retail market. It also provides financial services in loans, savings and credit cards.

Marks & Spencer is one of the UK's best known brands. During 2005 it was the most reported brand in the UK press, and has achieved the double-edged sword of being seen as a British institution as much as it is a corporation. The company has a long history and a traditional approach to quality, arising from the distinctive fact that it is the only general retailer of its kind that carries only its own-label brands. The company is therefore much more closely associated with the performance and impact of its products than many of its competitors.

Marks & Spencer's approach to responsibility

Although the company has had an embedded tradition of social responsibility programmes, it had historically not tended to promote these activities widely, believing that such an approach would be contrary to the understated brand values upon which its appeal in the UK has been based. However, when the company hit a serious decline in fortunes in the late 1990s, it realised that it needed to re-examine all aspects of its approach.

On the one hand, Marks & Spencer needed to become more systematic about how it was organised. There were existing Principles and codes across the business reflecting how its commitment had grown organically in the past. These were pulled together to be more consistent and comprehensive as one Marks & Spencer Code of Ethics. The company requires its top 250 managers to sign up to the Code on an annual basis.

In addition to a robust internal Code, the company has undertaken a considerable programme of stakeholder engagement, and sought to be forward looking and intelligent about how it analyses the messages from customers, as well as being open and inclusive with some of the campaigning NGOs who it believes are often on the cutting edge for where the emerging issues are.

This has led to the company taking a more proactive approach to dealing with both customer issues and supplier issues, as well as taking a more activist approach to corporate lobbying on certain issues that affect customers. For instance, the company has:

- Banned the use of 56 chemicals from its products and developed alternatives for the chemicals used on T-shirt designs, to ensure that potential toxins are removed from the product
- Moved to only sell and use free range eggs in all products, made a strong and early commitment to FairTrade, converting all the coffee and tea that it sells as well as beginning to introduce Fairtrade cotton in some of its products

- Produced a policy to show that electronic id tagging used in products is being used responsibly and with respect to customers' privacy.

When the Corporate Responsibility team began their approach to take things forward, they started from a low base. In 2000, the company was doing poorly on all the relevant benchmarks. Marks & Spencer hit the watershed when it came bottom along with Kwik Save in the Friends of the Earth 'Campaign for Real Food'. Following that, the CR team was set up, and brought together champions from all the departments.

There were two quality approaches. For food, the focus was on policies, aims and guidelines. For clothing there were more absolutes, standards were more tightly defined. The commitment to corporate responsibility featured at every level in these quality approaches.

Having established a solid foundation across the various departments, the company decided to bring its commitment more into the spotlight. The company introduced the "Look Behind the Label" marketing campaign which talked positively about what it was doing in each of its initiatives. The move was seen as brand building rather than focused on immediate sales - underlining and reinforcing the key aspect of brand trust that had historically been given to Marks & Spencer throughout its history.

The Board had identified that there were two types of consumer trust that were important to the company, and both of which needed to be addressed: "trust for me" (i.e. consumers want the brand to be 'nice to me' - have products reasonably priced, staff pleasant to me in the store, etc) and "trust for others" (i.e. those people in the supply chain, employees, potential and existing partners, etc).

The Look Behind the Label campaign was the first time that the communication department and the marketing department joined forces to explain its approach to corporate responsibility and the first time that the company had mounted such a campaign in all its stores. Press advertisements, in-store messages, its website and in-house magazine aimed to inform all of its stakeholders how the company sourced and manufactured its products.

Why has Marks & Spencer's approach been successful?

The company took a proactive approach, fuelled by its knowledge of how its customers expected it to be worthy of their trust. It addressed technical issues that they neither understood nor were lobbying for on the basis that these should be addressed by such a company, and that these were likely to become higher profile, emerging issues at a later stage if unaddressed.

It benefited from its open dialogue with NGO's. The key NGO's recognised the company's serious intent, and both provided valuable input into how the company could do better, and have latterly given credit publicly for its achievements.

The company's approach has been built on a bedrock of values which helps its approach to remain embedded in the business. Leadership has been important, and Stuart Rose, when he took over the business in its hour of crisis, believed

that it was a business that had forgotten what it was about. From day one, he saw the importance of the company's integrity and reputation, and aimed to rebuild its fortunes without losing the important asset of trust that it already had. However, the embedded nature of the values and the way the public association with the brand has been strengthened means that a change of leader would not mean that those values would simply walk out the door.

Marks & Spencer had also well learned the lessons of the past. It chose the areas carefully where it would aim to distinguish itself. Having identified its flagship approaches, it then acted across its product range. It didn't just stock free range eggs, it stated that all of its eggs in all of its products would be free range. It didn't just give a choice of FairTrade coffee or tea, it moved all of its coffee and tea, in store and in its cafes, to FairTrade. Carefully chosen, such an approach can make a bigger impact and a stronger brand association. Badly chosen (for example, when Iceland opted to go for all organic food) such a measure can backfire. The company was therefore very careful about how its choices fitted with the overall proposition of its brand.

What have been the benefits for Marks & Spencer?

'Look Behind the Label' has been a successful campaign for the company, gaining considerable positive media coverage and a high profile. It has helped the company to address important new markets. It retained strong loyalty from its older customers - those that still remembered it in its heyday - who simply wanted it to sort out its product offering and the appearance of its stores in order to return. But there was a growing generation of young consumers for whom the brand had never been seen as relevant and for whom social responsibility is important. Without appealing to this group, the company could find itself in a diminishing market position. The 'Look Behind the Label' campaign was particularly attractive to this group, and helped to draw attention to the company's fresh approach in a way that added credibility to the brand.

As a result of its timing, as the company's fundamentals were coming together positively, and the obvious strong public appeal, the response of the financial community was largely positive. Indeed, following the 'Look Behind the Label' campaign, mainstream analysts asked the company three questions about corporate responsibility when the company presented its full year results - the first time this had ever happened, and a strong reflection of the recognition of the commitment as a factor in the company's financial future performance.

The company now regularly tops the benchmarks for different aspects of corporate responsibility, and is given credit by third party commentators in a way that helps to strengthen trust. For example, it has been rated as the leading UK retailer for responsible fish sourcing by Greenpeace and the Marine Conservation Society, and won the Best Retail Recycling Initiative in the 2005 Recycling Awards and the 2005 Institute of Grocery Distributors (IGD)/Tetra Pak Environmental Award. In 2006, it was awarded as Business in the Community's 'Company of the Year' for the second time.