

Marketing Management IB3A50 – Lecturer Dr. Nathan Subramanian

# Marks & Spencer Marketing Plan

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# Executive Summary

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Whilst Marks & Spencer's food sector has seen increased revenues in the last few years, the company's clothing business has been losing market share since the 1990s. This report highlights some of the key factors that has led to this situation and subsequently recommends areas for improvements and actions arising from the analysis of Target Markets, Brand Positioning and the four elements of the Marketing Mix.

Despite Marks & Spencer's problems, the company still retains a loyal customer base and owing to their old customer base they will benefit from the aging population of UK. However, they need to ensure they keep attracting the next generation of loyal customers by enticing younger customer into their stores through increased differentiation of sub-brands and collaboration with designers as Debenhams have done.

Marks & Spencer has made significant efforts to reinstate their customer's perception in their quality produce by advertising the new autumn/winter range with emphasis on the better quality and product finish. This has had a positive impact but further efforts especially in supply chain management are needed to deliver on the quality promise.

Mintel's research (2013) points out how the clothing retail consumer is increasingly valuing ethically produced goods and clothes made in Britain. M&S is moving in the right direction with their Plan A but there is an opportunity to differentiate in the market by bringing some manufacturing to UK, which combined with right PR would reinforce Marks & Spencer's brand image in quality.

The recommendations suggested in this report are to support Marks & Spencer's intermediate and long-term objectives with a focus on UK like-for-like growth.

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# Introduction

## Company Profile

Marks and Spencer Group plc (M&S) is a leading retailer in clothing, foods and homeware in the UK and it operates in more than 40 countries around the world. M&S is headquartered in London and in 2012 they employed approximately 81,000 people. (MarketLine, 2013) The company's 2013 financial results in terms of revenue are listed below per category:

Total revenue %	Q1	Q2	Q3	Q4	FY
<b>UK</b>					
Clothing	-5.0	0.2	-2.1	-2.6	-2.4
Home	-6.1	-1.4	-2.5	1.4	-2.2
General Merchandise	-5.1	0.1	-2.2	-2.2	-2.4
Food	2.9	3.9	2.7	6.3	3.9

Figure 1: Financial Performance. (M&S Annual Report, 2013)

## Corporate Objectives

Marks & Spencer's focus is on driving like-for-like growth in the UK in addition to expanding to international markets (see figure 2 below).



Figure 2: Corporate Objectives. (M&S Annual Report, 2013)

Despite the general merchandise revenues going down by 2.4% this year (2013) and significant market share losses in the clothing business, their food business has delivered good performance (see figure 3 and 4) in spite of the economic recession and high inflation rates as demonstrated in Appendix 1. Consequently, the focus of this report is on the clothing business and how the decline in this sector could be turned into long-term growth. Furthermore, even though



Figure 3: General Merchandise vs. Food revenue. (M&S Annual Report, 2013)

M&S is expanding to international markets we focus on UK in this report where most of its revenue comes from (see figure 4).



Figure 4: M&S Performance. (Factiva, 2013)

# Market Environment

## Competition and Consumer Behaviour

Marks & Spencer's downturn since the 1990s is mostly due to external factors in the market environment and M&S' inability to adapt to them (K. Mellahi, 2002):

- Existing retailers in the UK such as Next transformed into strong price and quality competitors to M&S, new retailers such as Zara and H&M captured an increasing proportion of the market, discount players such as Matalan and Primark expanded, and older department stores re-invented themselves as brand-led boutique collections including Debenhams.
- The expanded manufacturing capacity in Asia resulted in an influx of increasingly high quality but significantly cheaper goods into western retailers. Initially M&S was reluctant to change its 'buy British' policy, but when it was forced to do so to compete in the market it became a public relations (PR) disaster.
- Technological change obviated M&S' competitive advantage in the supply chain front (Tse, 1985)

Marks and Spencer's unwillingness to react to these changing external factors and the top management driving for profit (as shown in figure 5 below) instead of long-term growth resulted in lost market share and a damaged brand.

*A Study into the Failure of Marks & Spencer*

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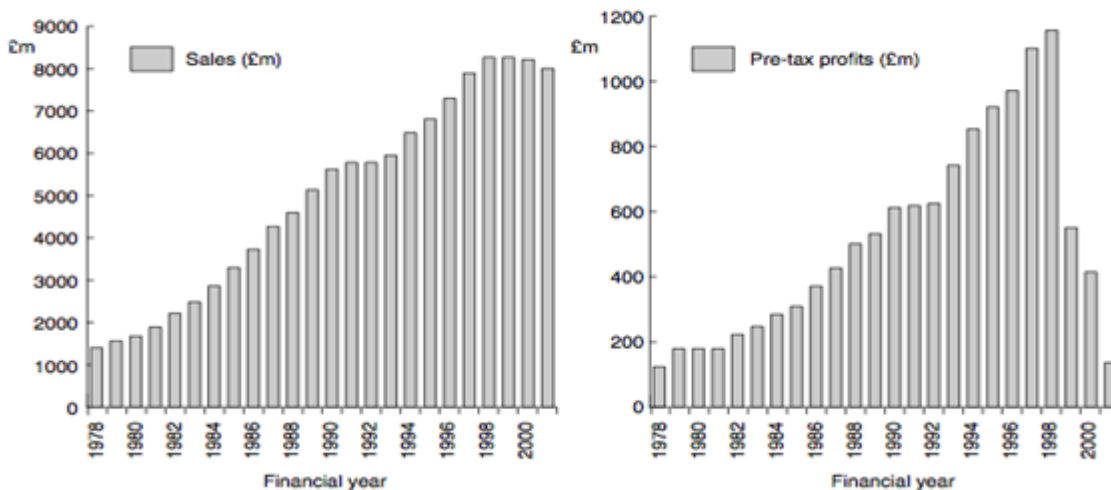
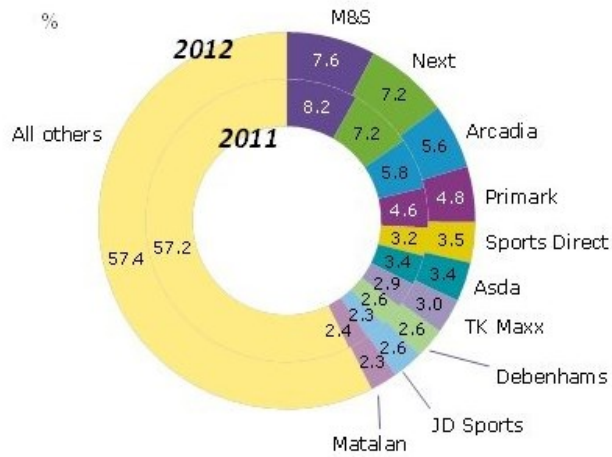


Figure 5: Business performance. (K Mellahi, 2002)

Figure 63: The UK's ten leading clothing retailers' shares of spending on clothing and footwear, 2011-12



Some figures estimated. Share of consumer spending on clothing, accessories and footwear excluding VAT. Market shares may be overstated for some retailers that have non-clothing/footwear operations.

Source: Companies/ONS/Mintel

Figure 6: Clothing retailing market share by consumer spending. (Mintel, 2013)

Mintel's research shows that consumer spending has fragmented away from the mid-market retailers such as M&S and Matalan, whereas value retailers with strong fashion credentials were winners among the very top specialist retailers in 2012. Among the high performers were Primark and TK Maxx each who gained share. Non-specialist retailers such as Sports Direct, Debenhams and JD Sports also outperformed M&S. (Mintel, 2013)

M&S' womenswear saw a steep decline in performance this year (2013), market share down by 9.9% (M&S Annual Report, 2013). Whilst department stores Debenhams and John Lewis have been investing in womenswear, it is likely that M&S has lost share to these competitors (see figure 6). (Mintel, 2013)

However, Mintel's Brand Research highlights that M&S remains the most trusted brand when compared with other retailers, which is one of the factors that keeps consumers buying some of their clothes from the retailer despite quality problems with some of their garments. (Mintel, 2013)

# Market Segments and Current Brand Position

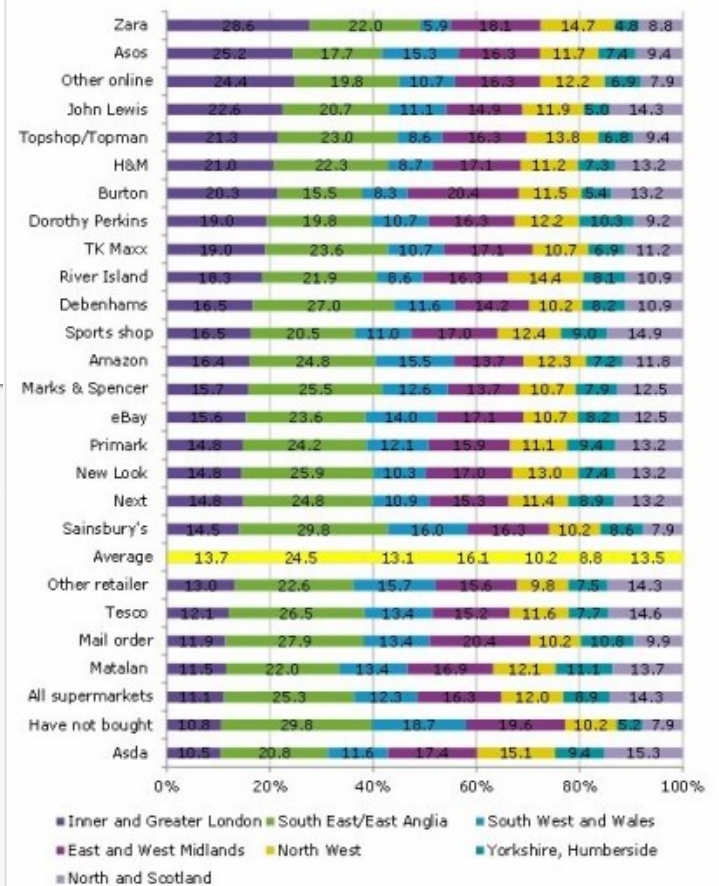
## Geographic

As demonstrated by Mintel's research in figure 7, people's shopping behavior varies geographically.

People living in Inner and Greater London buy more clothes from mid-market high street fashion retailers such as Zara and Asos, while those living in the South East/East Anglia, East and West Midlands prefer Primark, Matalan and supermarkets. (Mintel, 2013)

Figure 40: Customer profile, by region, July 2013

Base: 2,000 internet users aged 16+



Source: GMI/Mintel

Figure 8: Customer profile geographic by region. (Mintel, 2013)

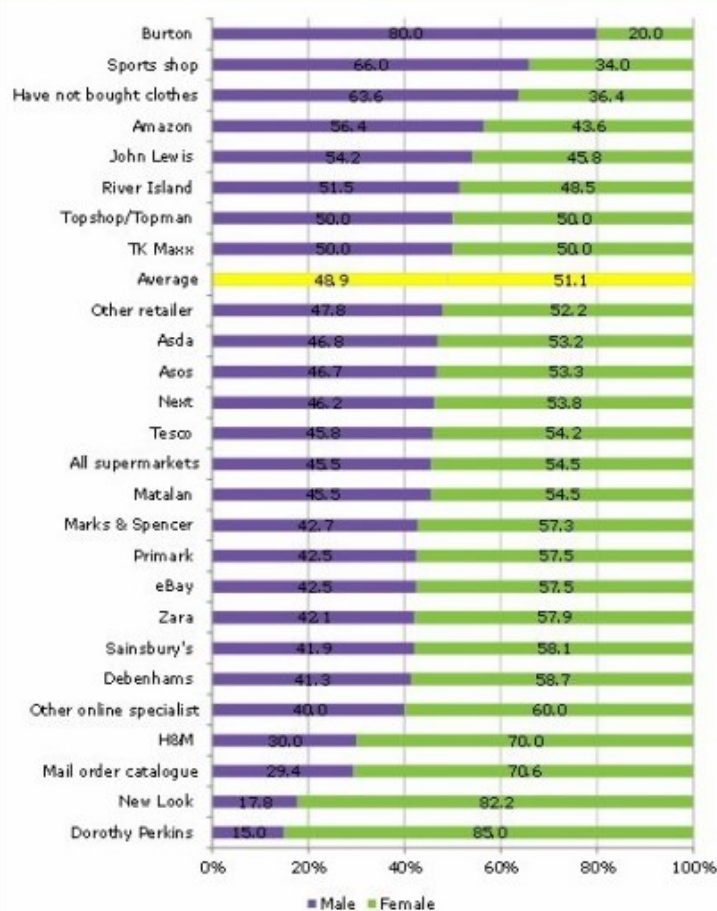
## Demographic

### Gender

57.3% of M&S' shoppers are women against the national average of 51.1% (see figure 8).

Figure 37: Customer profile, by gender, July 2013

Base: 2,000 internet users aged 16+



Source: GMI/Mintel

Figure 7: Customer profile by gender. (Mintel, 2013)



## Age

While Mintel's consumer research shows that M&S is beginning to attract younger customers, the retailer continues to have one of the oldest customer bases in the clothing sector (see figure 9 below) (Mintel, 2013)

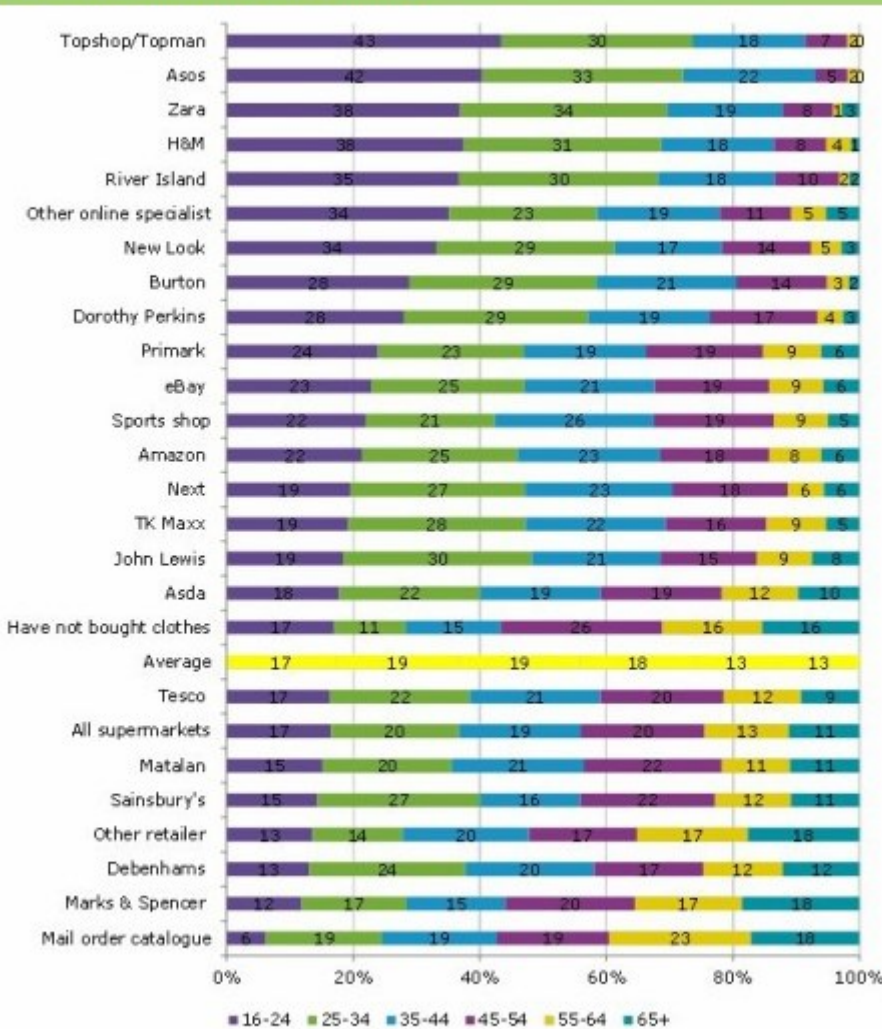
Primark has the widest appeal among a broad range of age groups and this is likely to have attributed to its success, which (Mintel, 2013) yielded an increase in operating profits by 15% in 2012. (Neville, 2012)

In 2011, Merrill Lynch analysed that about half of womenswear purchases come from over 45-year-olds, up from 37 per cent two decades ago. M&S benefits from the continuation

of this trend as it generates two-thirds of its womenswear sales from the over-55s segment. (Elder, 2012)

**Figure 38: Customer profile, by age group, July 2013**

Base: 2,000 internet users aged 16+

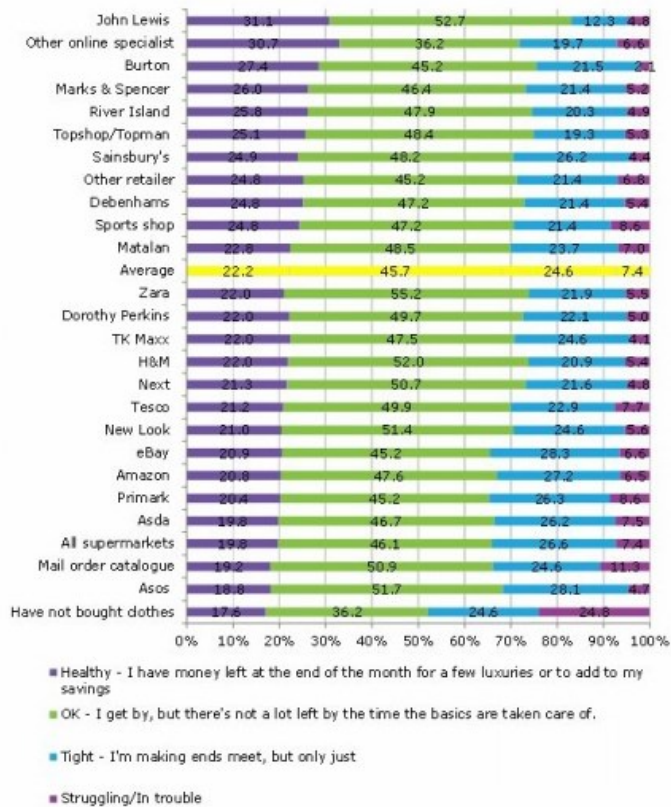


Source: GMI/Mintel

**Figure 9: Customer profile by age group. (Mintel, 2013)**

Figure 41: Customer profile, by state of finances, July 2013

Base: 2,000 internet users aged 16+



Source: GMI/Mintel

Figure 11: Customer profile by state of finances. (Mintel, 2013)

### Socio-economic status

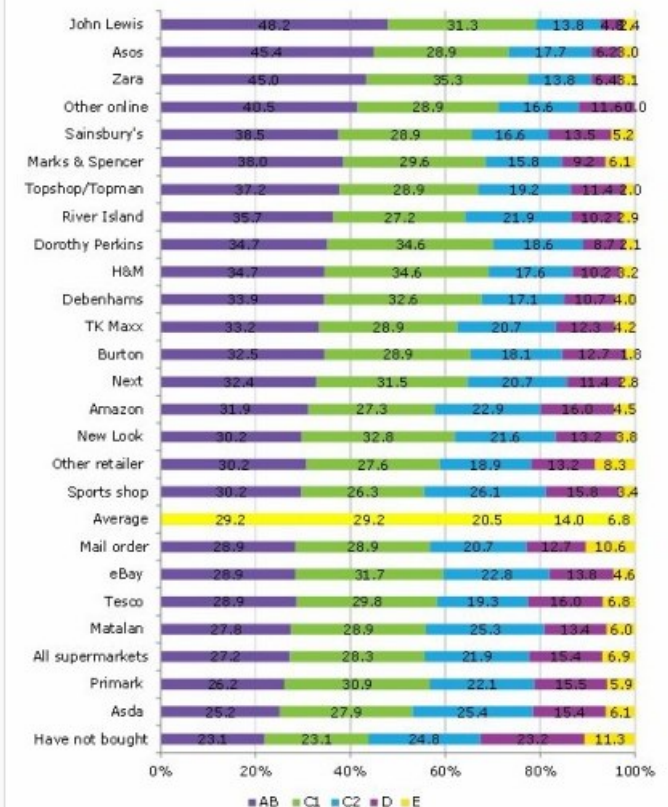
In 2013, M&S appeals most to affluent ABs (upper middle class to middle class) as demonstrated in figure 10, which reflects the fact that it is losing customers in the middle mass market. (Mintel, 2013)

### Psychographic

Mintel's Clothing Retailing Report 2013 evaluates that consumers increasingly value individuality, which leads to problems for broad-range players at the middle of the market including M&S. (Mintel, 2013) (Hasson, 1995)

Figure 39: Customer profile, by socio-economic group, July 2013

Base: 2,000 internet users aged 16+

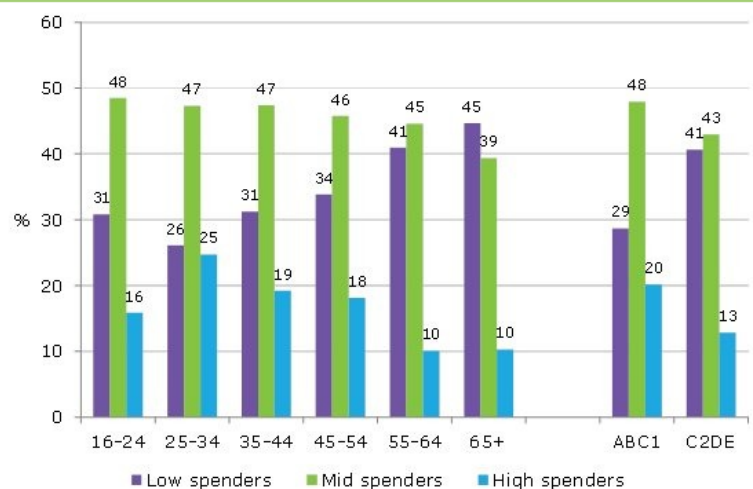


Source: GMI/Mintel

Figure 10: Customer profile by socio-economic group. (Mintel, 2013)

Figure 48: Amount spent on clothing in the last 12 months, by age group and socio-economic group, July 2013

Base: 1,897 internet users aged 16+ who have bought clothes for themselves in the last 12 months



Note: these figures exclude the 3% of consumers who responded "Don't know"

Source: GMI/Mintel

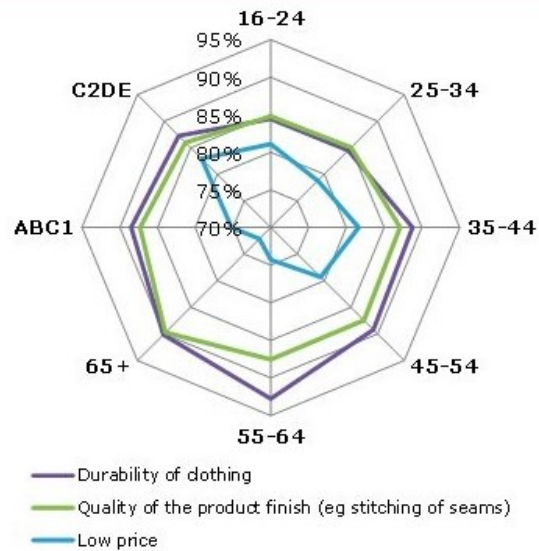
Figure 12: Spending by age and socio-economic group. (Mintel, 2013)

## Behavioural

### Benefits

Figure 53: Agreement with following statements as important 'Durability of clothing', 'quality of the product finish', 'low price', by age group and socio-economic group, July 2013

Base: 1,897 internet users aged 16+ who have bought clothes for themselves in the last 12 months



Source: GMI/Mintel

Figure 13: Benefit prioritisation by age and socio-economic group. (Mintel, 2013)

### Quality vs. Price

Mintel's research shows that people who shop at John Lewis, Zara, Debenhams and M&S place the most importance on quality of the product finish and the durability of clothing, while consumers who buy from Primark, Matalan and supermarkets see low price as more important. Especially the youngest customers aged 16-24 see low price as a priority. (Mintel, 2013)

### Fashion

Over 50% of under-35s state that the latest fashion is an important factor. While interest in the latest trends diminishes as people get older, nearly four fifths of 25-44s state that the latest fashion is important suggesting that the average customer is becoming more fashion-savvy. (Mintel, 2013)

### Clothes made in Britain – ethical factors

Over-55s are interested in clothes being made in Britain, four fifths stating this as important. Whilst high spenders spend a lot of money on updated collections they also are interested in clothes produced in UK. Moreover, the retailing market has seen a growing interest in producing some of their garments in the UK to deal with issues of short lead times as consumers demand more regularly updated collections including Primark who opened a factory in Leicester in May 2013. (Mintel, 2013)

### Brand loyalty

Mintel's consumer analysis demonstrates that a quarter of clothes shoppers tend to buy from the same retailers. While this attitude is common among consumers aged over-65, there are brand loyal people in the younger customers, too. Customers who are store or brand loyal are most interested in the durability and quality of clothing, with over 90% of these consumers describing it as important. Consumers who shop at M&S and Dorothy Perkins are the most brand loyal. (Mintel, 2013)

## Target Markets and a Positioning Strategy

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M&S is trying to accomplish a competitive advantage with its Plan A, in a similar fashion that Unilever has done with its Sustainable Living Plan in the FMCG industry. This is well in line with the socio-cultural and environmental factors that influence the consumer behaviour as detailed in Appendix 1.

88% of the clothing retailing consumers say durability of clothes is an important factor and 87% say the same about quality as shown in figure 2 of Appendix 1. Quality of M&S' goods used to be a Point-of-Difference for M&S, but this has become questionable along with quality problems in its autumn range (Felsted, 2013) This highlights the problems that M&S has had with its supply chain management. They should reinforce their positioning in this market segment by urging for better operational and quality management.

While M&S should start delivering on their quality promise they also have to catch up on the Competitive Points-of-Parity with regard to fashion. To respond to the greater demand from consumers for updated collections M&S has recently introduced rotated collections changing every few weeks in some of its ranges. In this respect they are moving to the right direction. (Ruddick, 2012) (Mintel, 2013)

M&S could differentiate itself in the market by targeting the customer segment that demands for ethically produced goods and clothes made in Britain. In addition, this would reinforce their position in the quality goods segment and introduce an opportunity to enhance their brand image through PR.

Despite M&S' problems, the company still retains a loyal customer base and they are well placed to benefit from the aging population. (Mintel, 2013) However, they need to ensure they keep attracting the next generation of loyal customers by enticing younger customer into their stores.



# Marketing Mix

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## Product

The company's strength throughout the history has been the quality of its goods, and despite all the problems people still associate the M&S brand with quality. As 87% of customers value the quality of clothing as important, the company is doing the right thing in reinforcing the quality image of its products in its latest autumn/winter collection. (Mintel, 2013) The year 2014 will show how they are delivering on this quality promise.

M&S has an opportunity to both reinforce its position in the quality goods market and target the increasing number of consumers interested in clothes made in Britain by bringing back some of its manufacturing to UK (Mintel, 2013). They would join the line of many companies including General Electrics, Google and Ford who are "reshoring" some of their manufacturing due to rapidly changing customer demand, high shipping costs and wages that are rising in Asia. (Economist, 2013) Through a 'British clothes' line, there is potential to bring back the famous St Michael brand and possibly combine it with a warranty policy.

Ruddick (2012) notes that M&S has retreated to safe ground in womenswear by stocking items that have been popular in previous years. In their existing product lines clearer differentiation and sub-branding for different target markets is required to attract different target markets and increasingly fashion aware customers. Mintel (2013) suggests that a solution could be to collaborate more closely with designers as Debenhams have done. (Mintel, 2013)

Especially the older generation sees customer service as very important and 66% of all customers see in-store customer service as important. (Mintel, 2011) Even though the focus should be on the product, customer service is an important part of the brand perception and continuous staff training should be maintained.

Four fifths of consumers see return policies important and a quarter places a high importance on free returns or a longer refund period. People who shop online for clothes at M&S, Debenhams and John Lewis are the most concerned by a retailer's returns policy. (Mintel, 2013) As a result, M&S needs to ensure they have a streamlined process for returned goods and that returning clothes is a pleasant experience for the customer.

## Place

Marks & Spencer is aiming for a multi-channel approach in its distribution strategy.



Figure 14: M&S Business model. (M&S Annual Report, 2013)

**Stores** - Products are sold through 766 stores across UK in diverse locations across high streets and out of town retail parks. A new store concept has been introduced to over two-thirds of the stores.

In 2012, Mr Pollard told the analysts of City that M&S is now also attracting younger customers. Even though it is not their core target market this is a positive direction indeed because the company needs to ensure they have a consolidated customer base in the future when the older generation of loyal M&S customers die out. (Ruddick, 2012) To attract more young customers, smaller specialist stores could be opened under new sub-fascia. In addition, this would respond to the increasing individualism in the society.

**Online Sales** – M&S had a 16.6% increase in online sales in 2013. This resonates with the national boost in sales made via Internet as shown in figure 4 below and figure 28 in Appendix 1.

UK STORES HIGHLIGHTS	
Total UK portfolio	766
Premier	12
Major	59
High street	228
Outlet	48
Simply Food (owned)	176
Simply Food (franchised)	243

Figure 15: UK store portfolio. (M&S Annual Report, 2013)

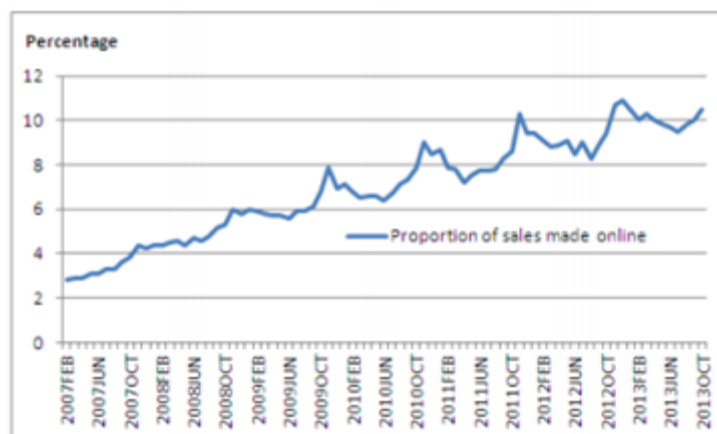
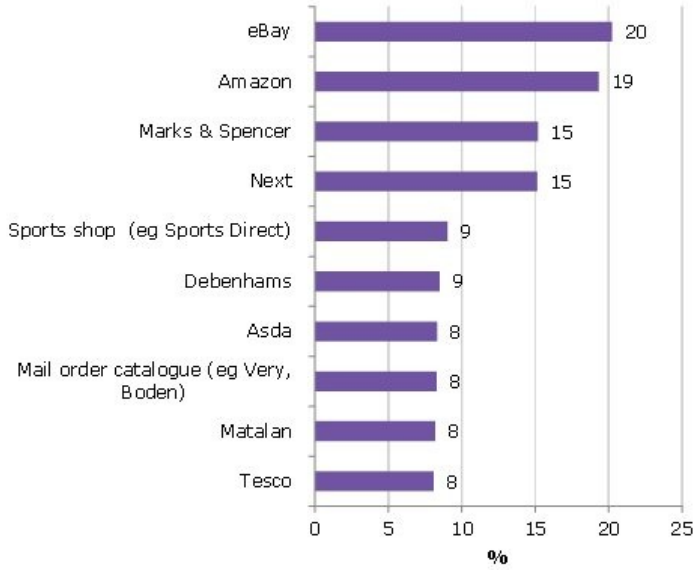


Figure 16: Online sales as a proportion of all retail sales. (Office for National Statistics, 2013)

**Figure 90: The consumer: Retailers where clothes have been bought online in the past 12 months, July 2013**

Base: 2,000 internet users aged 16+



Source: GMI/Mintel

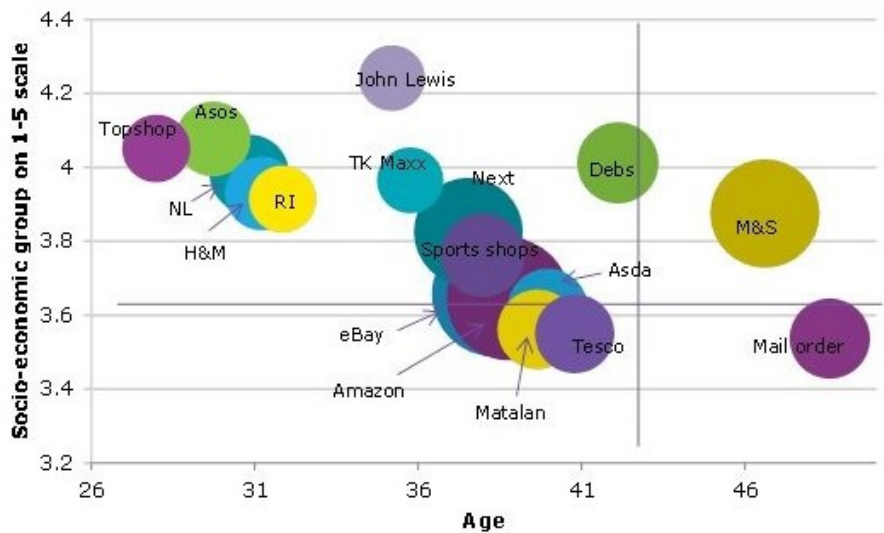
M&S is doing well with online sales in comparison to other retailers (see figure 17) and their online customers base is relatively old, the average online shopper being around 46 (see figure 18 below).

**Figure 17: Online shopper distribution among retailers. (Mintel, 2013)**

A more agile, aligned and adaptable supply chain (Lee, 2004) with a pull strategy is required to respond to the growing consumer hunger for updated collections and the company's recent stock management problems. A potential solution to this problem is to bring external expertise into the house in supply chain management.

**Figure 46: Profile of online clothing shoppers, by age and affluence, July 2013**

Base: 2,000 internet users aged 16+



Note: initials have been used for some retailers:

RI: River Island

NL: New Look

Debs: Debenhams

Source: GMI/Mintel

**Figure 18: Profile of online shopper by age and affluence. (Mintel, 2013)**

## Promotion

### a) Advertising and branding:

The refreshed advertising campaign for the autumn/winter womenswear ranges has had a strong impact on sales. However, M&S needs to focus on delineating the sub-brands further, ideally by bringing further celebrity and designer input into the brands. Nick Bubb, an independent retail analyst, commented for Telegraph that 'Rosie for Autograph lingerie' is a step in the right direction. (Ruddick, 2012)

### b) Public relations

In addition to getting celebrities to endorse the company's clothes, M&S could get a celebrity to endorse their Plan A and sustainable working ethics, in the same way as Nestlé has done with Nespresso and George Clooney (Nespresso, 2013). This combined with the new 'British clothing' line the company's brand image would see great enhancement potential through PR and the company would appeal to the customer segment that increasingly values ethically produced clothing.

### c) Direct and online marketing:

M&S has currently online presence in the social media including Twitter, Facebook and Youtube in addition to direct online marketing. A recent study by Bazaarvoice, a US-based company that does online reviews for retailers including Marks & Spencer and Next, found that when a brand's response to a negative online review offered to refund, upgrade or exchange a disgruntled customer's product, consumers were 92 per cent more likely to purchase than those who saw no response. (Twentyman, 2013) With the recent negative media attention toward M&S (Felsted, 2013), this study underlines the importance of responsiveness in the online social media, which Marks & Spencer has to pay attention to.

### d) Sales promotion

M&S faced difficulties in 2012 when Debenhams ran seemingly non-stop promotions. As a result Debenhams like-for-like sales grew 5%, but special offers helped M&S to grow their like-for-like sales 1.1% for the last quarter of 2012. This demonstrates how Debenhams drives its profits by investing some of its gross margin in price cuts and promotions. Debenhams CEO emphasises their strategy in using discounts to sell products that do not have the anticipated demand (Wood, 2013). M&S could take example of this and its success in the Food sector where they have deals such as Roast for £5 and Chinese Takeaway for two under their new promotional campaign. (M&S Annual Report, 2013)

### e) Personal selling

Personal selling does not play a major role in M&S' business but through customer service and in-store selling the consumers perception about M&S' brand and business can be affected.



## Price

Taking into account that the majority of the company's customers are in the affluent ABC1 group, and M&S customers value quality of clothing over low price (Mintel, 2013) they have the potential to use value-based pricing by providing quality goods with slightly higher prices than its competitors such as Primark and H&M. However, in order to boost like-for-like growth this should be balanced with regular promotional discounts especially in goods that are not picking up demand as anticipated.

If M&S were to invest in bringing back some of its manufacturing back to UK, the new lines would have the potential to be sold at a premium given that there is most interest in clothes made in Britain from high spenders and 67.6% of M&S' customers are in the affluent ABC1 group. Even in the mid-spenders group there is potential as they show above-average interest in new collections and are increasingly mixing and matching more expensive clothes with cheaper clothes. (Mintel, 2013)

One of the problems underlined by Mintel's research in 2013 was M&S' insufficient differentiation between sub-brands. A differentiated pricing strategy that its competitor including Zara has used to attract different socio-economic groups would be part of the solution.

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# Appendix 1 – PESTLE analysis

- **Political** factors
  - EU directives that regulate the working conditions of suppliers

- **Economic** factors

Despite the economic downturn and stagnating GDP, the consumer spending (figure 17) has picked up with consumer confidence in recent years (see figure 13)



Figure 19: UK GDP growth 2000-12. (Mintel, 2013)

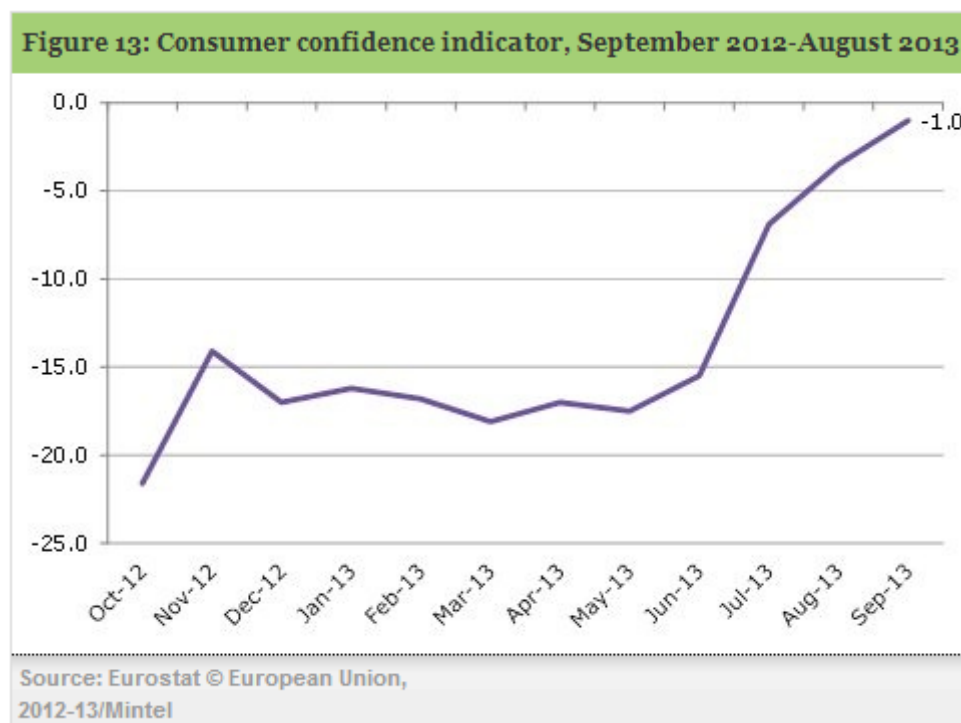


Figure 20: Consumer confidence indicator 2012-13. (Mintel, 2013)

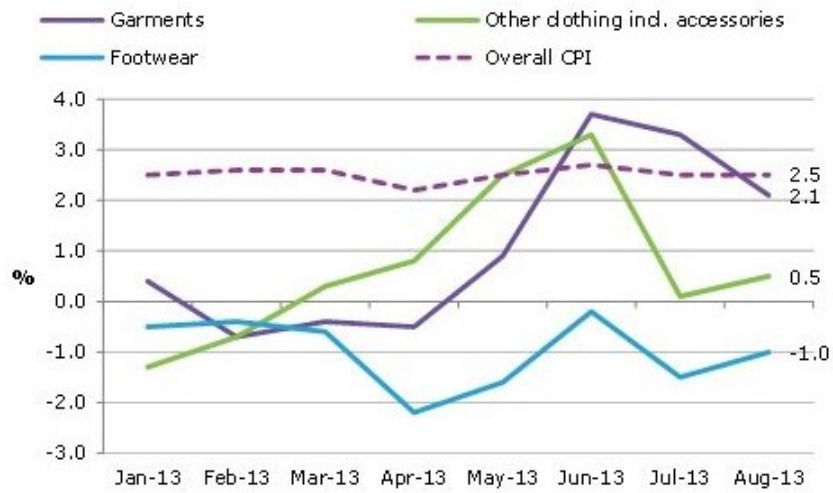
Figure 17: Consumer spending on clothing and accessories (incl. VAT), 2008-18



Figure 21: Consumer spending on clothing and accessories. (Mintel, 2013)

- Some economic factors such as high inflation rates have made life highly difficult for some people in the UK. The inflation is well above the target rate band of the Bank of England (2% +/- 1%), which is part due to the successive increases in the rate of VAT (2.5 point in Jan 2010 and again in Jan 2011). Especially, the increase in food price inflation is unprecedented. (Mintel, 2013)

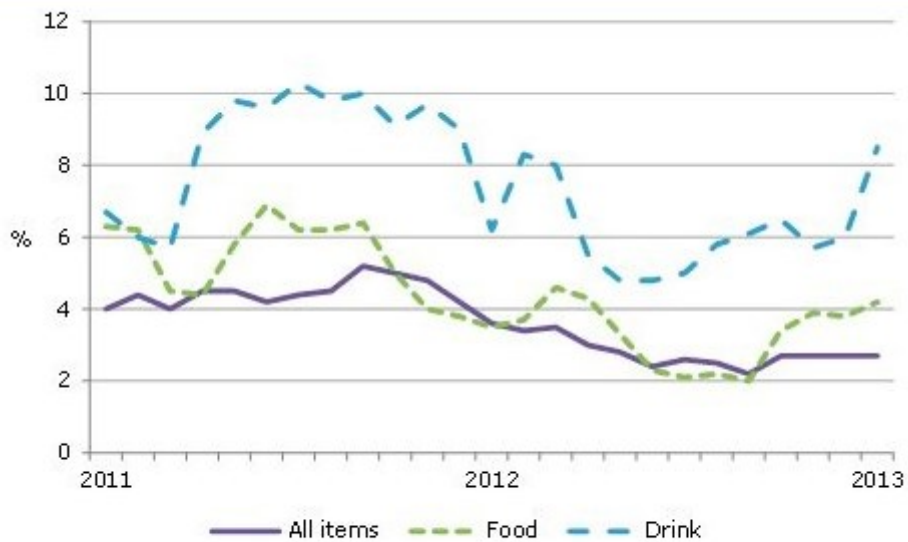
**Figure 10: Monthly consumer prices inflation: annual % change, selected categories, January-August 2013**



Source: ONS/Mintel

Figure price

**Figure 20: UK: Inflation in food and drink, 2011-13**



Source: Office for National Statistics/Mintel

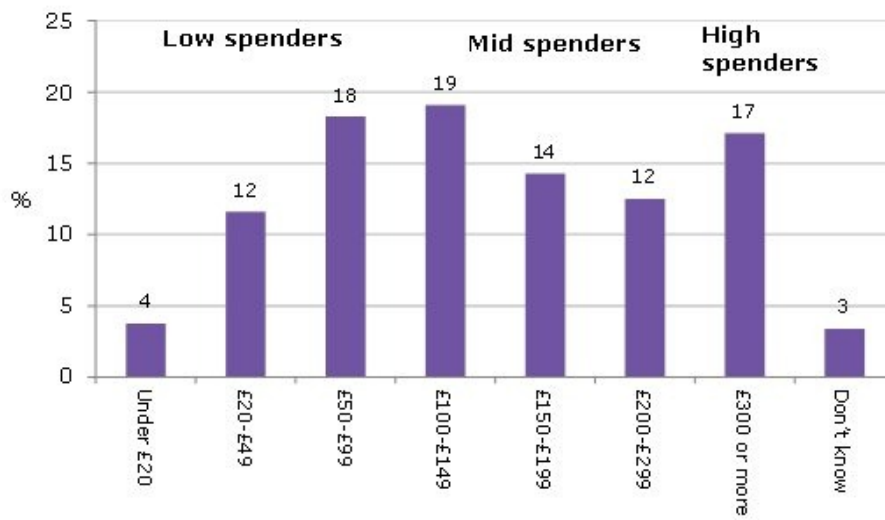
22: Consumer inflation in clothing. (Mintel, 2013)

**Figure 23: UK price inflation in food and drink. (Mintel, 2013)**

- Mintel's research shows that almost half of the people in the UK are mid-spenders and have spent between £100 and £299 on clothes for themselves in the last 12 months. A third of clothes shoppers are low spenders and have spent £99 or less on buying new clothes, whereas one in six are high spenders and have spent £300 or more on new garments (see figure 24).

Figure 47: Amount spent on clothing in the last 12 months, July 2013

Base: 1,897 internet users aged 16+ who have bought clothes for themselves in the last 12 months



Source: GMI/Mintel

Figure 24: Amount of money spent on clothing. (Mintel, 2013)

- High unemployment rate (see figure 19) is affecting consumer spending negatively

Figure 19: UK: Unemployment rate, 2001-12



Source: Office for National Statistics/Mintel

Figure 25: UK unemployment rate. (Mintel, 2013)

- **Socio-cultural** factors

The aging of UK population is demonstrated by Mintel's research, and especially the

number of people who are over 64 is increasing as shown in figure 26 below.

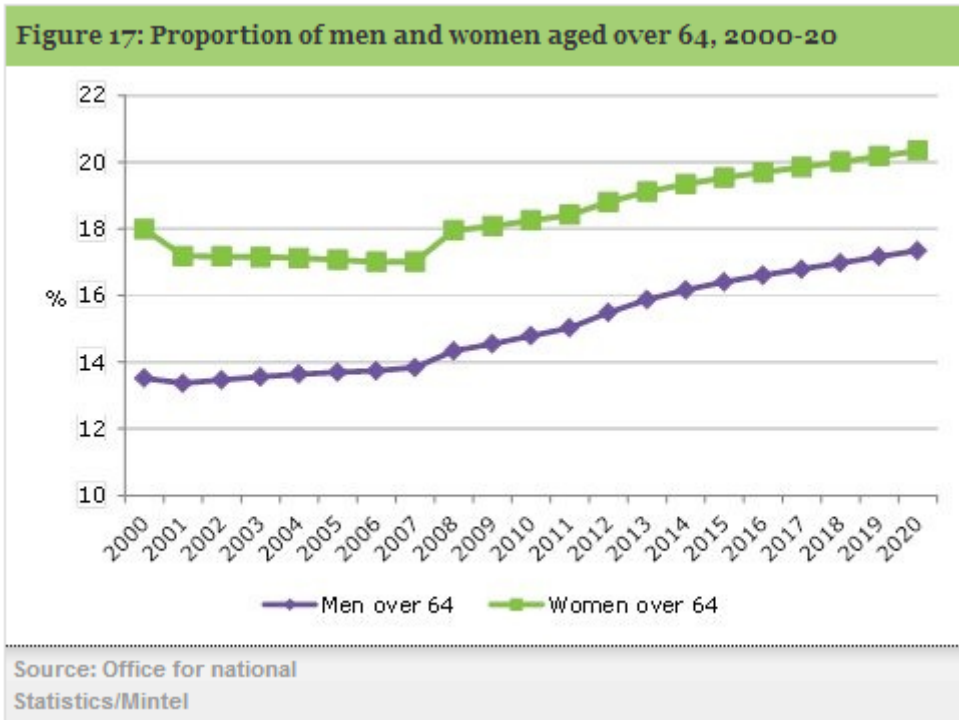
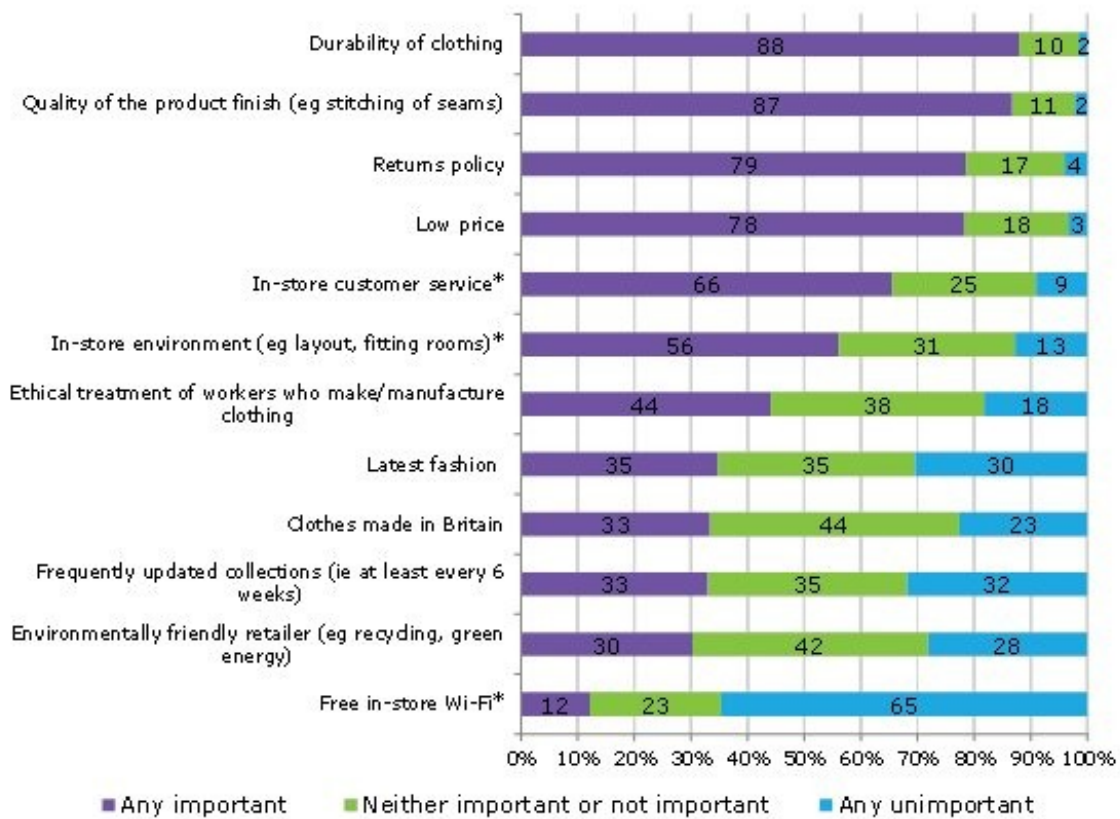


Figure 26: Aging population in UK. (Mintel, 2013)



**Figure 52: Importance of factors that influence clothes shopping, July 2013**

**Base: 1,897 internet users aged 16+ who have bought clothes for themselves in the last 12 months**



\* 1,838 internet users aged 16+ who have bought clothes for themselves and shopped in-store in the last 12 months

Source: GMI/Mintel

**Figure 27: Factors affecting consumer behaviour. (Mintel, 2013)**

- **Technological factors**
  - Internet and online shopping has been increasing in the past years as is shown in figure 28 below.

**Figure 62: Estimated distribution of spending on clothing by online/offline, 2011-13**



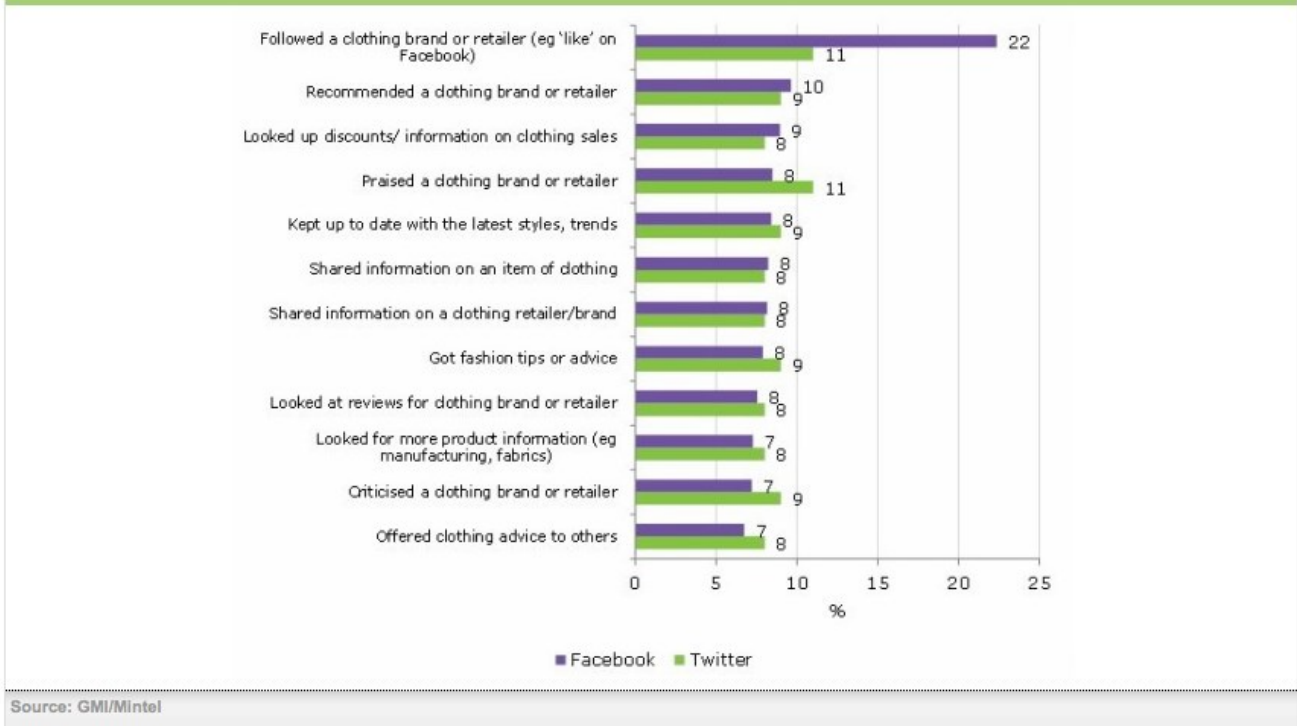
Source: Mintel

**Figure 28: Increase in online spending. (Mintel, 2013)**

- Social media presence

**Figure 95: The consumer: Use of Facebook and Twitter for fashion, July 2013**

**Base: 1,485 Internet users aged 16+ who have bought clothes for themselves in the last 12 months and use Facebook, and 822 Internet users aged 16+ who have bought clothes for themselves in the last 12 months and use Twitter**



**Figure 29: Consumer usage of social media for clothing. (Mintel, 2013)**

- Promotions and discounts done through social media
- Big Data – Customer Insight – Understanding customer behavior via the use of loyalty cards.
- E-commerce (K. Mellahi, 2002)
- RFID tags (Jones P., 2004)
- **Legal** factors
  - Local restrictions and regulations in manufacturing countries such as China and India
  - Increased costs in legal departments due to online shopping business that requires careful planning with regard to terms and conditions in e.g. return policies and product warranties
- **Environmental** factors
  - Ethical concerns: 30% of people environmentally friendly retailers as an important factor (see figure 27)