AN INTERNATIONAL MARKETING CASE STUDY: 
MARKS AND SPENCER IN KOREA 

By 

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THESIS 

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Professor Tony Michell 

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CHAPTER ONE: INTRODUCTION

1.1 Background and Purpose of Study

During the 1990's British retailer Marks & Spencer was obsessed with expansion, particularly in Asia, where it planned to increase its presence by 300% before the year 2000. After expanding to nearly every country in Southeast Asia it was only natural to view North East Asia as the next target. Anticipating full retail liberalization, Marks & Spencer (M&S) officials arrived in Seoul in 1994 to begin work on a feasibility study for possible entry into the Korean market. When the decision was made to enter, Kim Sung Joo of Sun Joo International was awarded the franchise for Korea.

It has been suggested that the Korean Financial crisis was the main culprit in the near demise of Marks and Spencer in Korea, but this paper argues differently. This study suggests that Marks & Spencer joins a long list of foreign companies that didn't take the time to understand the Korean market and the resources needed to succeed. This study suggests flaws in strategy and marketing were present from the outset, and these were substantial enough to deal a deathblow to the operations without the assistance of a financial meltdown.

This paper has several objectives. First, is to present a case study of international marketing. Second, to analyze the social, economic, and market conditions of Korea in the mid-1990's so the reader can fully appreciate Marks and Spencer's operating environment. Third, to explain the retail liberalization polices which allowed Mark's and Spencer to conduct business in Korea. Lastly, to present and assess Marks and Spencer's strategy for the Korea, with emphasis on marketing.
1.2 Organization and Methodology of Study

Chapter 2 discusses what makes Korea a unique environment for foreign businessmen examining Korea's culture, government, competitive environment, and the chaebols. Chapter 3 examines Korea's retailing liberalization policies and their implications. Chapter 4 presents a Mark's and Spencer case study focusing mainly on its operations in Korea and its franchise partner Sung Joo International. Chapter 5 provides analysis and implications of the study.

Material concerning Marks & Spencer in Korea largely obtained through press reports and interviews with industry experts. A strategic planning tool called SWOT is employed to evaluate the strengths, weaknesses, opportunities, and threats of the Korean market circa 1995. Since this paper involves the discussion of "marketing", and the phrase "marketing mix" appears throughout the case study it is important to clarify what these terms mean. Philip Kotler provides the following definitions:

- Marketing is a social and managerial process by which individuals and groups obtain what they need and want through creating, offering, and exchanging products of value with others.

- Marketing Mix is the set of marketing tools that the firm uses to pursue its marketing objectives in the target market. (Kotler, *Marketing Management* (Prentice Hall, 1997,p.9, p.92)

There are many types of marketing mixes, but the one utilized for the case study to help organize the material is commonly referred to as the "four Ps": product, price, place (i.e. distribution), and promotion.
2.1 Overview of the Business Environment

Korea has long been considered a difficult and unforgiving market. This can be exemplified by the survey conducted by Philippe Lasserre and Jocelyn Probert of Western managers operating in the Asia Pacific region. The survey clearly indicates that the Asia Pacific region is quite distant from what Western managers are used to. Korea in particular stands out as being extremely unclear (in terms of its political, legal and ethical system) and very unfamiliar (in its business competitive context) than other countries in the region as shown on Figure 2.1


Note: Previous survey in 1993, placed Korea in the position Vietnam now holds.

Part of the explanation of Korea's "strangeness" was a result of the low level of contact with the West before this century. Historically, Korea was in the Chinese sphere of influence and
in modern times suffered colonization from Japan not from Western powers that colonized much of Asia.

Other aspects that add to Korea's unique business environment are as follows:

1) Korea has a very strong local competition in most business areas. Until recently when they began to go global, these companies were unfamiliar competitors to new foreign companies.

2) Korean companies had unfamiliar products and aggressive pricing strategies aimed at market share rather than profit.

3) Korea is the product of rapid growth without (until the end of 1997) any prospect of a sustained downturn. This bred a different attitude towards business than in the west where recession is almost as common as growth.

4) Korea changes fast, and an impression of Korea gained in one era does not prepare the foreigner for the speed of changes in another era.

5) Korea has its own system of laws and legislation broadly dating to Japanese law, itself modeled on German legal codes. None of these embody aspects of Anglo-Saxon law. (Michell, "What Makes Foreign Companies Successful in Korea?" Seoul: Korea Associates, 1998, p.1)

2.2 Dimensions that Affect Business in Korea

Four dimensions that make the Korean business environment unique will be examined to give the foreign businessperson an understanding of what differentiates this market from others. The dimensions to be discussed are culture, government, competition, and he chaebol. (Ibid, p.2)
Culture

In Korea, the traditional Confucian social structure, though eroding, is still prevalent. Relationships are very important and Koreans are very conscious of form, rank and social and family status. Traditional Korean culture gives seniors and precedence over juniors and women. It is based around the five important relationships (o-run) of Confucianism governing an individuals relationship with the king (loyalty), parents (filial piety), elders (respect), spouse (division of responsibility) and friends (trust) (American Chamber of Commerce, "Guide to Doing Business in Korea," Seoul: AMCHAM, 1998, p.44). Korea's Confucian culture places an emphasis on human relationships rather than monetary relationships The Korean language has its own nuances and imprecision's and reinforces cultural differences. Few foreigners learn more than the basics. Within a foreign company there is a information gap between the few Koreans who speak English really well and the mass who speak very little.

Largely due to a history of conquest by foreign powers, nationalism is a major component of Korean culture. This has major implications for the foreign business manager who must be acutely aware of local sentiment when conducting business activities. Nationalism periodically raises its head in relation to foreign economic encroachment. Local newspapers routinely warn the citizens about “excessive” consumption of foreign products. In 1991 Sung Joo International had to close down three of its largest boutiques due to a campaign against luxury foreign products. The Korean government encouraged mobs to protest in front of the stores to show its displeasure at the company for selling $5,000 Italian handbags ("Up & Comers, Like Father, Like Daughter," Forbes, June 3, 1996). The government routinely promotes the virtue of exports, but imports are perceived to be a threat. Media fed
images of successful foreign “invaders” such as Amway, which was apparently too successful too quickly, suffered a public relations nightmare with media and civic group attacks (see Appendix B). There was an instance in 1996 when O’Kim’s Pub, a popular expatriate pub, was denied supplies of Guinness Beer before St. Patrick’s Day because the “fiz” level did not meet Korean government standards. Another case involved a major department store (Midopa) that was under threat of a hostile take over from a foreign entity. Local media put out patriotic calls and domestic capital was mobilized to support the share price of the retailer and prevented a hostile take-over. As Korea modernizes and becomes wealthier this problem has abated somewhat. However, at the onset of the financial crises, public opinion makers made calls to reduce imports and foreign travel, with considerable success.

**Government**

The rules of doing business in Korea limit behavior of commercial activity. Whereas the Anglo Saxon legal system is permissive unless prohibited, the legal system tends to be prohibitive unless permitted. While the legal system has changed for the better in the 1990’s, the government still appears to outsiders to preside over a bizarre maze of regulations. This is complicated by the nature of Korean law. While some laws are changeable by the National Assembly, both the Presidential decree and the Ministerial decree which implements the legislation can be changed at any time. Because of Korea’s fast growing economy, the law was often left vague to allow a rapid adaptation to new circumstances. These laws are administered by government and quasi government organizations, industry associations, which administered many of the details in their own interest. Foreign companies were often unable to join the Korean industry associations. (Michell, Ibid, p.3)
Competition

Companies must learn to deal with new competitors and a competitive environment where the rules of the game are different. Competitors in any country live within a confided set of rules, which seem opaque to outsiders. Stepping outside the rules invites an appeal by locals to the Korean government, which as broad range of administrative tools at it’s disposal not easily open to legal challenge. In extreme cases a “team attack” may occur, such as the Amway case, whereby the government, competitors or the media turn on the foreign company.

Western companies come to Korea and find themselves up against local companies which are organized differently, view the market differently, view the market differently, and believe in market share rather than profit as an indicator of success. Far from being content with being confined to Korea or to any particular core area of products, Koreans have global ambitions and will do whatever it takes to realize them.

Chaebol (see Appendix A)

Major Korean firms are generally referred to as chaebols. A chaebol can be defined as a business group consisting of large companies which are owned and managed by family members or relatives in many diversified business areas. The Japanese zaibatsu of the 1930’s provided the pattern on which Korean chaebols molded themselves. Although South Korea’s major industrial programs did not start until the 1960’s the origin of the country’s economic elite can be traced to the 1950’s. Following the Japanese departure many of the assets of Japanese firms ended up in the hands of Korean businessmen which grew them into the modern day chaebol.
Park Chung Hee who came to power following a military coup in 1961, enlisted the support of these entrepreneurs in his efforts to modernize the economy. Businesses were given incentives to export, including preferential treatment in obtaining low-interest loans, import privileges, permission to borrow from foreign sources, and tax benefits.

In 1997, the turnover of the ten largest chaebol was equal to 53% of Korea’s GNP. (Lassere, Philippe, and Hellmut Schutte, "Strategies For Asia Pacific: Beyond the Crises," London: Macmillan Business Press, 1999, p.99). With privileged access to resources, and a low-cost disciplined work force, the chaebol gained a competitive advantage in labor intensive manufactured goods. In the 1990’s, the chaebol became global players in shipbuilding, construction, steel, semiconductors, consumer electronics and cars.

The features of the chaebol are:

- They are a collection of companies surrounding a core company
- Diversification into many unrelated business lines often at the direction of government and not based on prudent business analysis.
- The companies hold shares in each other.
- A large network of small and medium sized suppliers

(East Asia Analytical Unit, "Korea Rebuilds From Crises to Opportunity," Commonwealth of Australia: Department of Foreign Affairs and Trade, 1999, p.200)

The Korean people generally have a love/hate relationship with the chaebol. They are grateful for their role in developing the country, at the same time they dislike the chaebol’s domination of the economy. The chaebol have been blamed for absorbing large amounts of
credit thereby stifling the growth of small and medium sized firms. Repeated attempts to rationalize the chaebol business activities have proven largely unsuccessful.

From the 1980's, policies have been introduced to reduce the concentration of power of the chaebol because of fears of their threat to equity, efficiency, and growth (Ibid, p.201). However, governments avoided more market-based approaches like the threat of competition and the discipline of bankruptcy, because they have guaranteed the chaebol's foreign loans. Instead it used regulations to attempt to control chaebol expansion, diversification, loan guarantees and ownership-control and management structures.
CHAPTER 3: THE KOREAN RETAIL INDUSTRY

3.1 The Changing Dynamics

The Korean retail industry progressed slowly until the mid-1990's, after which time the retail industry began to take impressive strides towards advancement and liberalization. The Korean retail market after the mid-1990's was influenced by two main drivers: The Korean government's agreement to full-scale liberalization with the implementation of the GATS (General Agreement of Trade in Services), and the economic crises of 1997 which induced extensive economic reforms. (Association of Foreign Trading Agents in Korea, "How to gain Access to the Korean Market." Seoul: AFTAK, 1999, p.52.) Foreign retailers entered the domestic market in the early 1990’s bringing much-needed diversification and competition among existing and new retail formats.

For the past 45 years, small, family-operated mom-and-pop stores represented the Korean retail industry. Typically, these stores averaged around ten square meters and employed fewer than two people (see Table 3.1). Since these stores make up a very large portion of retail employment and sales, they are largely to blame for the fact that Korea 32% of US labor productivity (see Table 3.2) (Suh, YongGu, "Korean Retail Market Market: Present and Future," Korea Institute for Industrial Economics, 1999a, p.3)

<table>
<thead>
<tr>
<th>Employees per Establishment</th>
<th>Labor Productivity Index US 1992=100</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA 8 1992</td>
<td>Japan 1994</td>
</tr>
<tr>
<td></td>
<td>Korea 1993</td>
</tr>
<tr>
<td></td>
<td>Japan 54</td>
</tr>
<tr>
<td></td>
<td>Korea 32</td>
</tr>
</tbody>
</table>

The Korean government aggressively pushed ahead with its export-oriented economic strategy, with great emphasis on the manufacturing sector, up until the late 1980's. With the help of this strong support from the government, many Korean manufacturing industries were able to gain a competitive edge throughout the world. Unlike the manufacturing industry, the Korean retail industry was put on the back burner without receiving any notable form of support from the government. However (Ibid, p.3.), the government began to take interest in the retail sector when market liberalization became an urgent task for Korea to achieve.

Department Stores, which were the only competitive retail format in Korea until the 1990’s, enjoyed more than 20 percent annual sales growth rate over the last decade. However, reflecting the full scale market opening in 1996, and the financial crises 1997, more than 20 department stores went bankrupt including “New Core”, the biggest department store chain, and Midopa, one of the oldest department stores in Korea. Only department stores associated with large business groups such as Lotte and Hyundai are likely to survive due to their relative financial stability. (Suh, YonGu, "Asian Consumer in the 21st Century," 9th Asian Retailers Convention and Exhibition, 1999b p.16)

Figure 3.1 illustrates the consequences of retail format diversification following liberalization and the increase in middle income consumers.
3.2 Distribution Channel Overview

Distribution channels are defined as the individuals and organization also called intermediaries, used to get products from producers to consumers. Here is a description of four types of distribution channels by Philip Kotler (Figure 3.4).

- A zero level channel, or direct marketing channel, involves only the producer and consumer.
- A one level channel contains one intermediary.
- A two level channel. Involves a wholesaler
• A three level channel contains three intermediaries, typically adding a jobber between the wholesaler and retailer. This channel is used when wholesalers cannot properly service retailers on their own.

Figure 3.2 Overview of Distribution Systems

<table>
<thead>
<tr>
<th>Level</th>
<th>Description</th>
<th>Diagram</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zero-level</td>
<td>Manufacturer to Consumer</td>
<td><img src="Zero-level.png" alt="Diagram" /></td>
</tr>
<tr>
<td>One-level</td>
<td>Manufacturer to Retailer to Consumer</td>
<td><img src="One-level.png" alt="Diagram" /></td>
</tr>
<tr>
<td>Two-level</td>
<td>Manufacturer to Wholesaler to Retailer to Consumer</td>
<td><img src="Two-level.png" alt="Diagram" /></td>
</tr>
<tr>
<td>Three-level</td>
<td>Manufacturer to Wholesaler to Jobber to Retailer to Consumer</td>
<td><img src="Three-level.png" alt="Diagram" /></td>
</tr>
</tbody>
</table>


3.3 The Korean Distribution System

In the beginning of industrialization, Korean manufactures saw little need to develop sophisticated infrastructure for marketing and distribution because they enjoyed a sellers market. The modernization of the distribution industry began in the early 1980's with the proliferation of business districts, investment by large companies, and the appearance of department stores. (AFTAK, Ibid, p.52)

As a result of continued rapid growth of the economy the distribution system is changing as new infrastructure is established and old facilities are streamlined. However, the wholesaler has continued to play a small role as most companies deliver their goods directly to retailers (see Figure 3.3). Like Japan, Korea’s distribution system shares several features that distinguish theirs from their Western counterparts. The Japanese and Korean systems depend on a large number of middlemen to deal with many small retailers. Also,
manufacturers exercise control over the channels of distribution. Another trait is the laws in these two countries protect the foundation of the system, which is the small retailer.

Figure 3.3 Korean Distribution System

[Figure 3.3] Most Korean manufactures have their own distribution organizations that control most of the distribution market.

Source: “The Changing Retail Environment in Korea,” Anderson Consulting presentation, June 24, 1998,
3.4 Consumption Patterns (circa 1995)

A number of factors such as increasing income levels, social and cultural change, and changes in consumer lifestyles have caused changes in consumption patterns in the mid 1990's. Five areas of changed consumption patterns are examined:

**Increase in Food Consumption Levels**

With increased household income there has been a rise in the consumption of high quality foods and food additives, and expanded use of processed “instant foods” and a decline in the consumption of rice and Barely.

**Increase in demand for services**

A large demand has been created for such services as travel, and private education. For the first time in history, the number of outbound travelers exceeded inbound visitors in 1995. The explosion in private education is best exemplified by the proliferation of foreign language institutes as workers and students seek self-improvement.

**Increase Demand for Consumer Durables**

Korea showed a surge in the demand for durable goods such as passenger cars, color TV’s VTRs, audio goods, refrigerators, washing machines, and microwave ovens.

<table>
<thead>
<tr>
<th>Table 3.3 Car Ownership</th>
<th>1989</th>
<th>1996</th>
</tr>
</thead>
<tbody>
<tr>
<td>Car Ownership (Thousand)</td>
<td>Persons Per Car</td>
<td>Car Ownership (Thousands)</td>
</tr>
<tr>
<td>Passenger Cars</td>
<td>1,558</td>
<td>27.2</td>
</tr>
</tbody>
</table>

Market Specialization

Consumption patterns became more specialized along the lines of age, educational background, sex and income level. Retail organizations specializing in these target markets grew in number. Luxurious department stores aimed at middle and upper-income groups increased in the 1990's along with shops specializing in infant supplies, and school supplies.

Diversification of Consumer Financing

The diversification of consumer financing such as the expanded use of credit cards for both domestic consumption and overseas travel, boosted consumption in general. Despite these advances in consumer financing, Koreans still prefer paying for goods in cash or on a lump-sum basis as opposed to credit cards or by an installment basis. (AFTAK, Ibid, p. 50)

3.5 Market Liberalization Process

The Korean government began a series of three-year plans in 1988 designed to improve the efficiency and productivity of the retail and distribution industry. One of the major objectives was to open up the domestic market. The first stage of this process occurred in 1989 when the regulations on the establishment of foreign companies’ subsidiaries and the inflow of foreign direct investment were eased. Further regulations were eased until the market was fully liberalized in 1996 (see Table 3.4).

A further measure was taken in 1998 to allow large-scale discount stores using less than 20,000m2 in land size, to be located in the “green belt” around Seoul. The government's purpose was to promote the discount store format to drive down retail prices by bring price competition. However, foreign direct investment (FDI) in department stores and shopping malls is still prohibited, with the objective of protecting one of Korea’s most developed retail formats (department stores).
As previously stated Korea’s path to retail internationalization has been reactively slow compared with other countries in the region. Hong Kong and Singapore can be categorized as fully open markets in the retailing industry. Taiwan’s distribution sector was fully liberalized in 1986, ten years earlier than Korea.

Table 3.4 Market Liberalization

<table>
<thead>
<tr>
<th>Steps</th>
<th>Date</th>
<th>Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stage I</td>
<td>7/89-6/91</td>
<td>Regulations on the establishment of foreign companies’ subsidiaries and the inflow of foreign direct investment (FDI) were relaxed.</td>
</tr>
<tr>
<td>Stage II</td>
<td>7/91-6/93</td>
<td>Foreign retailers are permitted to establish stores (10 maximum) at a size not exceeding 1000 meters squared. Full liberalization in the introduction of retail technology.</td>
</tr>
<tr>
<td>Stage III</td>
<td>7/93-12/95</td>
<td>Negative list for imports announced. Relaxation of store limit for foreign retailers (up to a maximum of 20 stores: Maximum 3,000 square meters per store)</td>
</tr>
<tr>
<td>Stage IV</td>
<td>1/96-Present</td>
<td>Full liberation of store limits Zoning regulations are still existing</td>
</tr>
</tbody>
</table>


**3.6 Implications of Changing Environment**

- Multinational retailers will introduce “Worlds best practices” along with the introduction of modern formats. Manufactures and distributors must be able to meet their requirements.
- Power shifts from suppliers to retailers
- More customer empowerment, traditional retail business models rely on weak, uniformed consumers who have little knowledge about the attributes of the product. By contrast,
business models based on consumer power help customers learn about products, know their options and make intelligent decisions

- Korean retailers must be proactive in importing best management practices and further develop skills in retailing such as merchandising, category management, global sourcing, and logistics. Joint venture operations with world-class players can be considered a viable option for quick skill building.

The Korean retail market has increasingly become an international marketplace as many multinational retailers such as Walmart, Carrefour, and Tesco are now expanding their operations in major urban centers around the country (see Appendix C). Furthermore, Korea's recent reforms, entailing radical changes in the use of land, capital, financial and labor markets, are expected to facilitate the entry of more foreign retailers into the market. Table 3.8 shows the breakdown of market share by retail format.

Table 3.5 Market Share Breakdown by Retail Format

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Department Stores</td>
<td>13.82%</td>
<td>15.51%</td>
<td>15.75%</td>
<td>14.19%</td>
</tr>
<tr>
<td>Super Markets</td>
<td>3.78%</td>
<td>3.77%</td>
<td>3.79%</td>
<td>4.29%</td>
</tr>
<tr>
<td>Discount Stores</td>
<td>0.89%</td>
<td>1.65%</td>
<td>2.85%</td>
<td>4.38%</td>
</tr>
<tr>
<td>Non-store Sales</td>
<td>0.45%</td>
<td>0.59%</td>
<td>0.69%</td>
<td>0.86%</td>
</tr>
<tr>
<td>Traditional Markets</td>
<td>81.05%</td>
<td>78.49%</td>
<td>76.92%</td>
<td>76.29%</td>
</tr>
<tr>
<td>and Small Retailers</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

CHAPTER 4: A CASE STUDY OF MARKS & SPENCER

Vision without strategy is lame;

Strategy without vision is blind;

But the uniting of vision and strategy

Reflects an integrated mind.


Marks and Spencer does not have a formal mission statement but it does have a sense of mission.

4.1 Business Philosophy

1. To sell merchandise of the highest quality and outstanding value
2. To offer the highest standard of customer care in an attraction shopping environment
3. To improve the quality standards continually throughout our operations by investment in modern technology
4. To pursue mutually rewarding long-term partnerships with suppliers
5. To ensure staff and shareholders share in our success
6. To nurture good human relations with staff, customers and the community
7. To minimize the environmental impact of our operations and merchandise

Source: Marks & Spencer Press Release, June, 1996
4.2 Marks and Spencer's History

Marks & Spencer’s history starts with Michael Marks, a 19-year-old Lithuanian fleeing anti-Semitic persecution in Russian Poland. In 1884 he opened a stall in Leeds. His English was that he laid out all of his merchandise and put up a sign saying “Don’t ask the price—it’s a penny.” Self-service took hold rapidly; in 1890 he had “penny bazaars” in five cities. In 1894, Tom Spencer, a cashier in one of the supplier’s joined the business.

In 1903 a Limited Partnership was formed which proved fortuitous since both men died within 5 years of signing the agreement. The partnership gave adequate provisions for the company to transfer the next generation of shareholders.

After WWI, Marks & Spencer changed the nature of the clothes retailing by designing and commissioning clothes rather than just by buy them, and created a mass market that spanned class barriers.

In 1926, Marks & Spencer Limited becomes a public company. In 1928, Marks & Spencer registers the “St.Michael” clothing label that becomes the company's symbol.

During WWII, the British government relied on Marks & Spencer to bring dependable clothing to the population. In the decades following the war Marks and Spencer expanded to continental Europe and eventually to Asia in 1988. (Marks-and-Spencer.com)

Corporate Strategy: Competence and Cultural Building


Marks & Spencer has a very strong and effective culture, which stresses concern for both staff and customers, and where top management is highly visible, there are few layers of management, and there is a very high identification of the staff with the firm. Consequently, M&S tends to attract and keep some of the best staff in the industry. M&S has outstanding
skills in buying and merchandising which result in market leadership in most product categories. M&S also has low administration costs, as a result of few management layers and excellent communications between head office functions and the stores. Once this type of culture is created, it affords an economic advantage that is difficult for competitors to break. (Ibid, p.102)

**Diversification Strategy**

Diversification is usually driven by the wish and financial ability to expand beyond the limits of existing markets and the desire to reduce business risk by developing new lines. Diversification should build on core competencies rather than detract from them. Illustration 4.1 shows M&S’s diversification strategy.

<table>
<thead>
<tr>
<th>Original core business</th>
<th>Key skills</th>
<th>Growth Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clothes Retailing</td>
<td>Supplier Management</td>
<td>Diversification into</td>
</tr>
<tr>
<td></td>
<td>Value-for-Money</td>
<td>food, furniture, flowers</td>
</tr>
<tr>
<td></td>
<td>Branding</td>
<td></td>
</tr>
</tbody>
</table>


The core competencies of buying and merchandising, branding, stock management and customer care were reinforced by the diversification, even though although at the time it seemed to be an odd move to industry observers.

**Merchandising**

Marks and Spencer stores have a spartan but efficient appearance. To reduce the dependence on sales clerks, the store stresses self-service merchandising. Thus, clothing information is displayed and the food products have detailed labels. It uses clearer example store fronts are plain
Private Label/Branding

Marks and Spencer is a pioneer in selling its unique among large international retailers in selling its own brand “St.Michael” to differentiate from competing products, which traditionally has assured consumers of quality.

Supplier Relationships

Marks & Spencer’s prides itself on close links with suppliers, some of whom sell 90% of their output to M&S. This close relationship enables it to buy cheaply and efficiently, while giving the supplier continuity, prompt payment, and security in exchange for them to accepting slightly lower than average margins. (Pawlyna, Andrea, "British retailer on the roll," Asian Business, April, 1996). Quality control over suppliers is considered draconian and the prices offered are firm. Marks and Spencer’ s relationship with it is suppliers can be called a “vertical marketing System”.

(See Appendix D)

4.3 Marks & Spencer in Asia  (End of 1996)

Marks and Spencer’s expansion Asia began in 1988 with a opening of a department store in Hong Kong. The next eight years brought seven more stores to Hong Kong. M&S used franchising as the method to expand throughout Asia. The goal is to have 15 stores in Hong Kong by 2001 and 45 across the region. Japan has been excluded from expansion plans due to excessively high rents. Along with new stores, the company is looking for more manufacturing sites in the region: In 1996, only 7% of its products are soured in Asia

Marks & Spencer Operations in Asia Pacific (End of 1996)

- Australia
  Seeking a partner with which to franchise stores in major cities
• China Representative office in Shanghai whose roles are to source merchandise and evaluate market for eventual retail entry.

• Hong Kong
  Eight owned stores totaling 132,000 sq. ft. Regional headquarters to support trading and sourcing activities. A Total of 650 staff works in stores and headquarters.

• Indonesia
  Five franchised stores operated by PT Maikelindo totaling 52,200 sq. ft

• Malaysia
  Two franchised stores operated by Robinsons totaling 22,600 sq. ft.

• Singapore
  Seven franchised stores operated by Robinsons totaling 69,700 sq. ft.

• Thailand
  Six franchised stores operated by the Central Group totaling 69,500 sq. ft.

• The Philippines
  Six franchised stores operated by Rustans totaling 27,700 sq ft.
  Source British Embassy/Marks & Spencer
  (Marks & Spencer Press Release, June, 1996, Obtained From British Embassy)

4.4 Marketing Mix in Asia

The core market for Asia are women in their mid-20's to late 40's. Customers in Asia tend to be younger and more affluent compared with typical M&S customers in Britain.

Generally all M&S stores carry much the same lines of merchandise. However, space limitations prevent M&S from offering its full range of merchandise in Asia. No fresh food sales are done in Asia although 40% of sales in Britain are fresh food. Only 7% of sales in its Asian operations come from the sale of food items such as biscuits and cakes. M&S home furnishing lines are also not sold in Asia. Concessions were made for the Asian figure such as padded bras, not sold outside of Asia, and high percentage of smaller sized clothes.

(Pawlyna, Ibid)
Price is one drawback for M&S shoppers in Asia in that merchandise costs 20% to 40% more than in Britain. Transportation and high rents are the main drivers of cost. Other factors include duties, and franchise operating agreements, which add 5% to 10% to the cost burden. (Pawlyna, Ibid)

In terms of promotion, building up the M&S’s brand among Asian consumers has been an expensive proposition. The company spends heavily on image advertising in newspapers and magazines, which is not necessary. (Pawlyna, Ibid)

4.5 SWOT Analysis for Korean Market (Pre-Crises)

If Marks & Spencer's advance team had conducted a SWOT analysis it would resemble the following:

**Strengths**

- Korea joined the OECD an organization made up of the worlds most advance economies and its per capita GNP surpassed $10,000 in 1995.
- Korea is home to a sizable urbanized middle class and a free spending affluent class.
- Apparel sales have increased steadily throughout the early nineties (see Appendix I).

**Weaknesses**

- Koreans are largely unfamiliar with the M&S brand and culture, which means large amounts of advertising, will be needed to educate them. Market research indicates (1994) that just 1% of the Korean population is aware of the Marks and Spencer brand (Interview, Shim, HiChu, British Embassy). To achieve say 15% brand awareness, $5 million to $10 million would be needed for advertising. Mass media costs are not necessarily prohibitive by international standards: cost of a full color page in a major daily newspaper is around $60,000, cost of a commercial slot, if it can be secured, is about $5,000. However, for the scale of the operation these costs would be prohibitive.
• Buying habits of Koreans are contrary to M&S’s philosophy of year around value. Koreans are conditioned to wait for big seasonal department store sales to do the bulk of their shopping.

Opportunities

• Korean domestic retail industry is woefully underdeveloped as previously mentioned. Koreans will be eager for a new shopping experience in a market dominated by traditional retail formats.

• Marks & Spencer can capitalize on the growing popularity of foreign private labels such as Benneton, and Liz Claiborne.

• Marks and Spencer can achieve first mover advantage in establishing a new retail format based on quality private label products at medium prices.

Threats and Non Tariff Barriers

• Heavy taxes on imported materials and arduous customs clearance procedures can be costly and time consuming.

• Some improvements have been made in customs clearance, time has dropped from 21 days to 15 days for many products and 3 days for some items, this still is high compared to other countries. (East Asia Analytical Unit, Ibid, p.58.)

• Food and food additive codes are not based on international standards. (Ibid, p.58)

• Ingredient lists involve releasing proprietary recipe or formulas. (Ibid, p.58)

• Retail competition is fanatical and Koreans are known to be fast learners so successful new formats can replicate quickly.

4.6 Operational Issues
Beyond the framework of the SWOT analysis the Marks and Spencer team had numerous operational issues to consider before entering the Korean market.

**Labeling**

By law, every item sold in Korea must carry details about the product on its machine washable/dry clean label in the Korea language. Cumbersome procedures such as manually imputing data regarding lining, padding and sizing etc. created major difficulties in the smooth flow of merchandise into the country.

**Tariffs**

Import duty for clothing, footwear and toiletries from January 1997 are subject to increase in tariffs from the standard 8% to 13% on various items. This will affect approximately 38% of M & S's product range. The Korean government has indicated it intends to scrap this uniform tariff rate system and will now apply a variable rating process and changes will be made without using the guidelines set by the World Trade Organization.

**Product Registration**

This can be cumbersome, with all toiletries and cosmetics requiring testing and long registration/bureaucratic formalities. It is extremely difficult to provide the level of detail required for the documentation and will result in a phased introduction of toiletries and cosmetics into Korea.

**Pricing**

The average price uplift against UK levels is 75%. In addition, by law all products are required to display two prices on the label, the imported/factory price and full retail margin,
thus giving the customer the impression that the importers mark up is much higher than domestic products.

Media

Television and radio advertising, is controlled by the Korean Broadcasting Advertising Corporation (KOBACO), which is operated by the government. As a result, commercials have to meet certain government-stipulated standards in areas including public morality, fairness and truthfulness. KOBACO sets both pricing and time slots in consultation with the broadcasting companies. Foreign companies have long complained about the fairness of this system with regards to available advertising space for their products. Another impediment was the shortening of length of commercials to 15 seconds from the previous 30 seconds. A new promotion campaign will have to be established for the Korean market.

Systems

The Korean franchise will commence operations with the "Profit" and "Replenishment" systems. Due to the complex labeling/tagging requirement a complete new computer systems has to be developed which accesses information from the UK headquarters fabric composition database. (Document, "Operational Issues", British Embassy)

4.7 Marks and Spencer in Korea (Background)

"I am confident that Marks & Spencer's Korean operations will prove equally as successful as our stores in other Asian countries, especially given the fact that South Korea is one of the world's largest economies and Seoul alone is home to some 11 million prosperous consumers." "The Korean venture therefore moves Marks & Spencer a significant step closer to achieving its target of trebling existing store footage in the Asia-Pacific region by the end of the century."

Mr. Paul P D Smith Regional Chief Executive, Asia Pacific Region (1996)

Source: Marks & Spencer Press Release, June, 1997
Marks and Spencer choose Kim Sung Joo of Sung Joo International to be the franchisee in Korea. Sung Joo International faced intense competition most notably from major department stores for the right to represent M&S in Korea. Other suitors were Lotte department store, Shinsaegae Department, and Samsung group’s retail division. Marks and Spencer officials had strong reservations about associating with a large chaebol, due to concerns about the independence of the operation. Company officials believed Sung Joo International was the most compatible with their values and was known locally for dependable clothing and excellent customer service (Korea Herald, April 12, 1997). Another attraction of this firm was its experience in importing labels such as Gucci and Yves Saint Laurent and the company's familiarity with western style marketing techniques (see Appendix E). Sung Joo International also brings an established distribution network, which has been a major barrier for foreign companies entering Korea as previously stated.

After securing the franchise agreement Kim entered in a joint venture with her father's company Daesung, (see Appendix F) to form a new corporate entity called D&S. This new entity would own 66% of the franchise, with the remainder belonging to Sung Joo International and other individual shareholders. The idea behind the partnership was to coordinate M&S expansion plans with Daesung’s substantial commercial real estate developments. Thus M&S would be used as a magnet to draw other tenants to the property (Koera Herald, Ibid)

Marks and Spencer’s flagship store located in Myong-dong opened April 11th (see Appendix G). This area is one of Seoul’s main shopping districts where an estimated 1.2 million to 1.6 million, people pass every day (see Appendix). Another large-scale store was located in the fashionable Apku-Jong district and opened the same time (see Appendix H).
4.8 Franchise partner Analysis of Sung Joo International (SJI)

Strategic fit

Both Sung Joo International and Mark & Spencer share the same motive, which is to exploit the rapidly expanding Korean middle class. Kim Sung Joo said:

“I would say that the Korean market is not fully mature and broadly consists of two segments, that is one where the merchandise is special and the price is outrageously high and the other which is an ordinary market. The ordinary market is divided between a middle market (30% to 40%) and a conventional market (40% to 50%), this somewhat immature state of the market offers room, which I would call a ‘rich market.’ This is a market for the middle-class people and this we are going to penetrate with our M&S products.” ("Marks & Spencer in good hands in Korea," Korea Post, October, 1997)

There was concern among Marks and Spencer officials entering a venture with a large Korean chaebol. It was feared that that the relationship with a large chaebol would be nothing more than a "knowledge extraction" of Marks and Spencer operating systems, thus increasing the competitiveness of their own retail operations.

Kim Sung Joo was also interested in M&S expansive product lines:

“Another reason I choose M&S,” she said, “is that they handled not only ladieswear but a wide range of other products, including menswear, lingerie, childrenswear, accessories, a selected range of toiletries and cosmetics, and even dry goods.” “The product range covers people of all ages-from children up to senior citizens,” she said. (Ibid)
Capabilities fit

For M&S, Sung Joo international brings necessary resources, assets, and competencies. With the support of Daesung group, SJI has substantial financial backing coupled with her own successful businesses. Tangible assets at her disposal are Daesung group’s real estate holdings, which will be brought to bear for future expansion plans. As an intangible asset, Kim Sung Joo's own fame can be parleyed in creating a positive image for the company. Cultural fit

Kim Sung Joo learned western merchandising methods while she was working for Bloomingdale’s in New York in the mid-1980's. This experience encouraged her to introduce Western style retailing to Korea. Educated at the London School of Economics she became aware of M&S brand and renowned distribution system. Kim Sung Joo used her Western background as leverage to secure licenses to import leading fashion brands. Organizational fit

Bigger was not better in the eyes of Marks & Spencer's country team. The one advantage Sung Joo International absence of a large bureaucracy, a characteristic of large Korean companies. This would allow for decisive decision making and a clear channel of communication.

4.9 Marks and Spencer's Marketing Mix in Korea

The following merchandise was as follows: ladies', men's and children's clothing, lingerie, toiletries, and cosmetics, accessories and footwear. The company did not introduce dry goods at the initial stage.
Praise for "functionality" and numerous sizes were given for Marks and Spencer's women's underwear. Less praise was offered for M&S's other apparel offerings, as the styles were perceived to be staid at best.

Compared with Korean department stores, Marks and Spencer's did achieve its goal of seizing the middle ground in terms of price. Women's innerwear proved extremely popular as these items could be purchased for 30 to 60% cheaper than locally produced products. Outerwear proved to be a more difficult sell (Mail Kyung Je, September 8, 1997). Brand conscious Koreans remained unconvinced of a reasonable price high quality strategy.

The location of the Marks and Spencer's flagship store in Myung-dong, and the other department store in Apkujong can be called into question. Myung-Dong is a famous trendy shopping district for young people, hardly the traditional market segment for M&S. This particular site also lacked adequate parking and the building itself could not be viewed from any main streets. The Apkujong store was visible from a main road but it was located in one of the wealthiest neighborhoods in Seoul, an area famous for people who looking for "snob" appeal in their purchases. These people are more likely than other Koreans to be aware of Marks and Spencer's middle class image abroad due to their ability to travel overseas. They may have already formed a prejudice about this store and are unlikely to be swayed by a more upper-class makeover.

M&S used several promotional techniques to lure customers into the store. Celebrating its 100th day in Korea all merchandise was reduced 30%. Another promotional event held in October 1997 involved a free shopping day for customers who won a drawing. During the event customers were asked to fill out a card with their name and address after making a purchase. At the end of the day, 4 lucky customers would have their name drawn from a
pool and the winners would receive a refund of their purchase price (Mail Kyung Je, June 9, 1997).

Marks and Spencer claimed to have introduced to Korea the “free shopping” environment whereby full product information would be provided for the customer without need of sales clerk explanation. For clothing and footwear, prices and available sizes were clearly marked on a chart next to the items. Used to aggressive sales clerk in department stores some customers were confused by the apparent "cold" attitude of the staff. Lack of knowledge of Marks and Spencer culture can be blame for some of the confusion. Accept for greeting the customers, the staff was trained to "speak only when spoken too". (Apparel Times, September, 1997)

Branding of Marks and Spencer was a failure, attempts to link the store to the shopping habits of the royal family were to no avail. The positioning was far too upscale for Korea to be believable.

4.10 Financial Crises

Perhaps one could have foreseen difficult times entering the Korean market with economic turbulence swirling around the country with the recent collapse of two chaebols in the early 1990's, but few could have envisioned the nightmare that would unfold. After opening it’s doors in the spring of 1997 amidst the “Asian Flu”, M&S was about to be plagued by events beyond the realm of any business scenario planning.

The Asian crises began to move northward and the full brunt was felt when the Korean Won began to depreciate rapidly past the 1000 won per dollar mark representing a 20% slide during the month of November. The won continued to slide reaching the unimaginable 2000 won per dollar depreciating more than 50% in a two-month span. This was an enormous
burden for any company that needed imports, but for M&S it was a catastrophic blow, since it was selling only imports to a already import averse population.

**Collapse of the Middle Class**

The economic power of the middle class weakened as household income tumbled relative to the highest income bracket. Last year nominal income for those in the highest income bracket (top 20%) (Bracket 5) decreased by only 0.3% (see figure 4.2). On the other hand, nominal income for those in the lowest income brackets (bottom 20%) (Bracket 1) decreased by 17.2%. And, although depth of decrease in the lower brackets’ income was deeper than that of the higher brackets’ income, consumption expenditures decreased almost evenly (9~12%) regardless of income levels.

![Figures 4.2] Income/Consumption Variation Comparison (1998. 4/4) (Unit: %)


**Contraction of Household Consumption**

Analysis of the composition of consumption in Korea before and after crisis shows that expenditures for clothing/footwear recorded the biggest decrease of 26.4% compared to 1996,
followed by eating out (23.0%), and entertainment/recreation/cultural services (22.6%) [see Table 4.2]. However, expenditures for fuel/electricity increased due to a hike in rates. Consumers repressed consumption unless it directly related to daily living needs.

Changes in Composition of Consumption Expenditures [Table 4.2]

(As compared with the corresponding period of previous year) (Unit: %)

<table>
<thead>
<tr>
<th></th>
<th>1997</th>
<th>1998</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td>6.3 9.3 8.5 7.0</td>
<td>-6.7 -2.8 -5.3 -14.4</td>
</tr>
<tr>
<td>Consumption Expenditures</td>
<td>4.2 5.2 4.5 8.2</td>
<td>-10.7 -8.8 -13.2 -16.8</td>
</tr>
<tr>
<td>Food/Beverages</td>
<td>5.1 7.4 6.9 4.5</td>
<td>-14.3 -17.0 -16.1 -20.2</td>
</tr>
<tr>
<td>(Eating Out)</td>
<td>13.6 16.1 17.0 17.0</td>
<td>-23.0 -24.3 -28.0 -28.7</td>
</tr>
<tr>
<td>Rent</td>
<td>-2.1 -12.5 1.4 6.8</td>
<td>-8.0 3.9 -10.4 -6.9</td>
</tr>
<tr>
<td>Fuel/Electricity</td>
<td>13.6 13.0 4.9 12.2</td>
<td>8.2 20.3 18.8 14.1</td>
</tr>
<tr>
<td>Clothing/Footwear</td>
<td>-7.4 -3.5 -4.3 -0.1</td>
<td>-26.4 -23.9 -30.0 -35.1</td>
</tr>
<tr>
<td>Health/Medical Care</td>
<td>4.9 3.9 -0.1 9.7</td>
<td>-11.2 -15.4 -4.2 -7.1</td>
</tr>
<tr>
<td>Education</td>
<td>9.5 15.3 5.8 15.6</td>
<td>-6.8 -6.0 -8.7 -7.7</td>
</tr>
<tr>
<td>Entertainment/Recreation/Culture</td>
<td>5.0 3.2 10.7 15.1</td>
<td>-22.6 -28.7 -29.4 -26.3</td>
</tr>
<tr>
<td>Transportation/Communications</td>
<td>8.1 2.5 4.8 21.6</td>
<td>-0.9 2.3 -4.6 -10.8</td>
</tr>
<tr>
<td>(Transportation per one person)</td>
<td>4.3 -2.6 -2.8 25.7</td>
<td>-4.8 -1.9 -10.7 -17.7</td>
</tr>
<tr>
<td>Others</td>
<td>1.9 3.9 3.0 4.3</td>
<td>-9.0 -3.5 -10.9 -21.4</td>
</tr>
</tbody>
</table>

Table 4.3 shows the impact of the financial crises on modern retail formats with department stores and convenience stores largest decrease in sales. Table 4.6 shows the impact on clothing sales showing a huge drop in clothing purchases.

[Table 4.3] Retail Format Revenue

<table>
<thead>
<tr>
<th></th>
<th>1997</th>
<th>1998</th>
<th>± (%)</th>
<th>1997</th>
<th>1998</th>
<th>± (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department Store</td>
<td>355.9</td>
<td>315.8</td>
<td>-11.3</td>
<td>85.6</td>
<td>80.0</td>
<td>-6.5</td>
</tr>
<tr>
<td>Discount Store</td>
<td>204.2</td>
<td>199.4</td>
<td>-2.4</td>
<td>82.5</td>
<td>79.1</td>
<td>-4.1</td>
</tr>
<tr>
<td>Supermarket</td>
<td>4.9</td>
<td>4.8</td>
<td>-2.3</td>
<td>36.2</td>
<td>36.0</td>
<td>-0.5</td>
</tr>
<tr>
<td>CVS</td>
<td>1.6</td>
<td>1.4</td>
<td>-11.6</td>
<td>57.3</td>
<td>64.3</td>
<td>12.3</td>
</tr>
</tbody>
</table>


Note: 1. The total number of CVS decreased by 313 in comparison with 1,978 in 1997.

[Table 4.4] Changes in Purchasing Place of Clothing Before/After the Crisis

<table>
<thead>
<tr>
<th></th>
<th>Conventional Market</th>
<th>Department Store</th>
<th>Discount store</th>
</tr>
</thead>
<tbody>
<tr>
<td>Women's</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Before</td>
<td>16.9%</td>
<td>42.4%</td>
<td>N/A</td>
</tr>
<tr>
<td>After</td>
<td>26.1%</td>
<td>24.3%</td>
<td>20.7%</td>
</tr>
<tr>
<td>Men's</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Before</td>
<td>N/A</td>
<td>47.7%</td>
<td>11.2%</td>
</tr>
<tr>
<td>After</td>
<td>N/A</td>
<td>32.2%</td>
<td>23.1%</td>
</tr>
<tr>
<td>Casual</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Before</td>
<td>17.9%</td>
<td>24.7%</td>
<td>N/A</td>
</tr>
<tr>
<td>After</td>
<td>22.2%</td>
<td>N/A</td>
<td>22%</td>
</tr>
</tbody>
</table>

Source: Survey by the Korea Chamber of Commerce and Industry, 1998, cited in Suh Yong Gu, a.
4.11 Implications of Crises

"People are influenced by groups by groups in which they are not members. Groups to which a person would like to belong are called aspiration groups." Philip Kotler ibid p.177

The consumers most likely to aspire to use Marks & Spencer's products were those most devastated by the financial crises. As shown in Table 4.2, The crises disproportionately affected those in the lower income brackets. Before the crises, these groups had well founded hope of social mobility and entrance into the middle class and would have responded positively (aspiration) to Marks & Spencer's quality at a medium price concept.

Another consequence of the crises was government inspired though not necessarily initiated frugality campaign. In June 1998, marketing research firm Taylor Nelson-Soferes, conducted a nationwide survey which indicated that almost every Korean adult believes that they are helping Korea by spending less and saving more (Richardson, David, "Frugality Campaigns, Imports, M&As and the Morning After, July/August 1998). This widely held belief proved disastrous for foreign and domestic businesses alike. Results from the same survey showed that those who belonged to Marks & Spencer's target market in terms of income also registered the strongest resistance to imported products, with 75% of the respondents having a negative reaction. (Ibid)
Anticipating the crises, Sun Joo International reduced inventory from 7 billion won to 2 billion won (excluding M&S) by discounting merchandise and closing stores. The Myung-dong flagship store was closed in April 1998 to reduce investment expenses. The Apku-jong store continued operations but on a smaller scale. Marks & Spencer ended its experiment with independent stores and filtered merchandise into established department stores. These efforts along with steady sales of its high-end lines helped mitigate the loss sustained by its Marks & Spencer operations. (Textile Times, July 1998)
CHAPTER 5: ASSESSMENTS AND RECOMMENDATIONS

5.1 Assessment of Study

As shown in Figure 2.1, Korea remains an unfamiliar place to the Western businessman, though showing improvements over the previous INSEAD survey. When confronted with such unfamiliarity, prejudices about how business should be done must be removed, and a new paradigm established.

The government's efforts to liberalize and modernize the retail distribution sector should be commended. The once closed distribution system was an impediment to economic development, exemplified by extremely low labor productivity. With the introduction of new retail formats, Korean consumers are now free to enjoy new shopping experiences with overall lower prices.

Marks and Spencer made a logical choice to enter the Korean market. A strong economy, expanding middle class, appeared suited for Marks & Spencer's expansion plans. The lack of success the company experienced in Korea can be attributed to several key factors: The choice of Sung Joo International as a franchise partner, the marketing mix of Marks & Spencer in Korea and the market entry strategy raise some important issues.

Marks & Spencer expressed a well-founded fear of entering a venture with a large chaebol. Historically, joint venture arrangements with chaebols are short term, around seven years on average, and usually involve a knowledge or technological extraction before separating from partner. Marks and Spencer is a strong culture company with a standardized method of operations which would eventually lead to conflicts with the chaebol partner who also possess a strong culture and a "different" way conducting business. Kim Sung Joo on the
other hand, is an experienced boutique operator, but mass retailing is a different business and it unclear whether Sung Joo International was capable for such an undertaking. But what is clear from interviews and documents obtained for this study, is that Kim Sung Joo possesses intense public relation skills that can be used to create the image of capability. The choice of the franchise partner ultimately was Marks & Spencer's, a partner analysis should have addressed those issues.

Marketing mix in Korea was another cause for concern. In terms of the product offering, the outerwear was simply too boring for a nation of fashion conscious consumers, Marks & Spencer does not produce customized clothing for individual countries. However, the innerwear did generate some excitement due to "comfort" and "functionality". Unfortunately, M&S's private label dry goods were not introduced in Korea, it would be assumed that this would have aided an brand acknowledgment and differentiation.

The price and resulting positioning of Marks & Spencer in Korea was considerably higher than that of Britain, and also higher than the other Asian locations. Who was the target market? With an average 75% price increase over Britain, the positioning may have too high for its original target market and M&S's global image was too low for affluent department store customers who didn't aspire for the image of "St. Michael's" middle class contentment. Kudos again from shoppers for Marks & Spencer's innerwear, as it was sold cheaper than many domestically produced products.

Marks & Spencer entered Korea with low acknowledgment this continued throughout the initial entry phase, failing to generate even a "grand opening" spike in public awareness. Several in store promotions were fresh, but any goodwill generated would have been canceled by the sale force "frozen in place" leaving customers feeling persona non grata.
Locating Marks & Spencer's flagship department store on the fringes of the Myung-dong shopping district was a blunder in market research. It was an extremely expensive venue in an area popular for youthful trendy shoppers, not resembling at all the profile of a Marks & Spencer customer. The Apku-Jong store location has merits for enhancing brand image, but more of an impact would have been made if it were located closer to the main shopping district in Apku-Jong.

5.2 Suggestions for Market Entry

Beginning with Carrefour, an examination of other foreign retailers' market entry strategies offers some useful lessons.

Carrefour and Marks and Spencer both entered the Korean Market at the same. Both were unfamiliar to the Korean consumer and both were trying to establish new retail concepts. The similarities end there, Carrefour proceeded on an expansion binge that brought 9 stores within 3 years (see Table 5.1). Introducing technology driven mass retailing on a massive scale, Carrefour was intent on changing the competitive landscape. Focusing on new satellite cities surrounding Seoul where conventional markets are not a factor and by sheer force of presence changed the buying habits of the consumers.

Originally, Tesco was minority partner in its joint venture with Samsung, this partnership spawned a "HomePlus" discount store in the city of Taegu. Following the financial crises, Samsung was urged to sell non-core assets, as a result Tesco proceeded to acquire a majority stake in the venture. The “HomePlus” format was well received by consumers and is preparing for a nationwide rollout aided by Samsung group’s prime real estate holdings. The Samsung/Tesco joint venture is held a model for blending of Eastern and Western management systems (Interview, Richardson, David, June 14, 2000)
Walmart offers another market entry method, acquire a foreign mass retailer already established in the market. After surveying the Korean market for several years Wal-Mart bought four existing Makro stores and proceeded to add one supercenter. Buying an established business, Wal-Mart was relieved of some of the initial capital investment costs for land and buildings. As a late entrant, the concept of "value for money" for general merchandise purchases had already been established, thus Wal-Mart was relieved of the burden of educating the consumer.

For a successful entry to be made, two elements must be present: a commitment of resources, and a commitment of time. The transaction costs in Korea are exorbitant relative to other markets and this should be made explicitly clear in any business plan. Once the resources are committed, patience is the order of the day, as profit realization also will take longer than other markets. This study did not find enough evidence to suggest Mark & Spencer was willing to commit the necessary resources and support the local franchise partner to make "St. Michael" a household name.

<table>
<thead>
<tr>
<th>Table 5.1</th>
<th>Korean Operations of the World's Top 20 Retail Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company</td>
<td>Home</td>
</tr>
<tr>
<td>Wal-Mart</td>
<td>USA</td>
</tr>
<tr>
<td>Carrefour</td>
<td>France</td>
</tr>
<tr>
<td>Tesco</td>
<td>U.K.</td>
</tr>
<tr>
<td>Costco</td>
<td>USA</td>
</tr>
<tr>
<td>Promodes</td>
<td>France</td>
</tr>
</tbody>
</table>

Source: Suh, Yon Gu, Ibid, a.
APPENDIX A

Evolution of the Korean Chaebol

The development of the chaebol has followed a marked pattern of gradual upgrading of competitive advantages.

Source: Lasserre, Schutte, Ibid, p.97
In 1997, Amaway Korea LTD. (AKL) faced an unprecedented orchestrated campaign by domestic organizations it's Korean business.

In February 1996, just one year ahead of the launch of the anti-Amway movement, a survey conducted by a leading research firm revealed that 69% of respondents were purchasing Amway products for one simple reason, superior product quality. One product in particular, <Dish Drop>, was riding high. By the end of 1996, it was taking up 15% of detergent sales in Korea, mostly at the expense of several local brands from chaebol operated companies.

In March 1997, as AKL's sales continued to grow, a national coalition of 80-plus consumer and environmental groups, under the umbrella of the National Council of Consumer Protection Organizations (NCCPO), formed an "anti-Amway committee". The NCCPO invited coalition members, TV and print media to an open forum to debate "the problems of Amway" without inviting any Amway representative.

The charges against Amway were as follows:

- Being a major cause of the Korean trade deficit
- Buying an environmental award from the UN
- Damaging Korean traditional values and social relationships
- Deceptive product demonstrations
- Selling a product (Dish Drops) that is a main cause of water pollution in Korea
Amway successfully fraught these allegation through legal action, but the damage was done, AKL lost half its active sales agents and a significant market share.

Source: The Journal, American Chamber of Commerce in Korea, Perspectives on Amway Korea’s “Soap Opera,” Nov/Dec, 1997 p.49
APPENDIX C

Players in the Market

<table>
<thead>
<tr>
<th>Retail Format</th>
<th>Company Name</th>
<th>Store Name</th>
<th>No. of Stores</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount Store</td>
<td>New Core</td>
<td>Kim's Club</td>
<td>24</td>
</tr>
<tr>
<td></td>
<td>Shinsegae</td>
<td>E-Mart</td>
<td>16</td>
</tr>
<tr>
<td></td>
<td>Carrefour Korea</td>
<td>Carrefour</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>Costco Cos</td>
<td>Price Club</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Tesco-Samsung</td>
<td>Home Plus</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>Lotte</td>
<td>Magnet</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>Wal-Mart Korea</td>
<td>Wal-Mart Supercenter</td>
<td>5</td>
</tr>
<tr>
<td>Department Store</td>
<td>Lotte</td>
<td>Lotte Department Store</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>Shinsegae</td>
<td>Shinsegae Department Store</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>Kumkang Development</td>
<td>Hyundai Department Store</td>
<td>11</td>
</tr>
<tr>
<td>Supermarket</td>
<td>Nongshimga</td>
<td>Nangshimga</td>
<td>21</td>
</tr>
<tr>
<td></td>
<td>Hae-Tae</td>
<td>Haetae Supermarket</td>
<td>66</td>
</tr>
<tr>
<td></td>
<td>LG Distribution</td>
<td>LG Mart</td>
<td>60</td>
</tr>
<tr>
<td>Convenience Stores</td>
<td>Bokwang Family Mart</td>
<td>Family Mart</td>
<td>550</td>
</tr>
<tr>
<td></td>
<td>LG Distribution</td>
<td>LG 25</td>
<td>600</td>
</tr>
<tr>
<td></td>
<td>Circle-K Korea</td>
<td>Circle-K</td>
<td>140</td>
</tr>
<tr>
<td></td>
<td>Lotte</td>
<td>7-Eleven</td>
<td>170</td>
</tr>
</tbody>
</table>

Source: Suh, Yon Gu, Ibid, a
The vertical marketing system has emerged to challenge the conventional marketing systems in recent times. A conventional marketing channel comprises an independent producer, wholesaler(s), and retailer(s). Each is a separate business entity seeking to maximize its own profits, even if this goal reduces profit for the system as a whole. Marks & Spencer and its suppliers work in a unified but not necessarily equal system. In this case, M&S elicits cooperation by using its enormous bargaining power. Thus eliminating conflicts and harmonizing objectives.

Source: Philip Kotler
Source: Michael Porter, The Generic Value Chain
APPENDIX E

Sung Joo International Profile (End of 1996)

- Founded in September 1988 as a fashion division of Dae Sung Group
- Re-organized as Sung-Joo International LTD. In January 1991, as an independent entity from Dae Sung Group.
- Paid-in Capital: US$ 500,000
- Share Holders:
  - 10%: Soo-Keun Kim (Chairman of Dae Sung Group)
  - 25%: Young-Tae Kim (President of Dae Sung Group)
  - 5%: Young-Min Kim (Managing Director of Dae Sung Group)
  - 5%: Young-Hoon Kim (Managing Director of Dae Sung Group)
  - 55%: Sung-Joo Kim (Managing Director of Sung-Joo International LTD)
- Revenue
  - 1991: $6.3 million
  - 1992: $8.1 million
  - 1993: $8.2 million
  - 1994: $14.7 million
  - 1995: $36 million

Business Activities:

1. Import & Distribution (In Korean Market)
   - Sole agent of Guccio Gucci SPA: (Italy)
     10 duty paid Boutiques
   - Sole agent of Sonia Rykiel SDM: (France)
     6 duty paid boutiques
   - Sole agent of MCM: (Germany)
     4 duty paid Boutiques
     8 license-product shops
APPENDIX E (CONTINUED)

- Sole agent of Yves Saint Laurent: (France)
  5 YSL-variation boutiques
  1 YSL-Rive Gauche boutique
  10 YSL-Cosmetics counters

- Sole agent of Galeries Lafayette: (France)
  3 GL multishop

2. Duty Free Business in Korea

- Sole duty free agent for Gucci
  8 duty free boutiques

- Sole duty free agent for Sonia Rykiel
  4 duty free boutiques

- Sole duty free agent for MCM
  14 duty free boutiques

- Sole duty free agent for Dominique France
  3 Duty-free corners

- Sole duty free agent for Yves Saint Laurent (Cosmetics)
  14 duty free boutiques

- 2 in-flight duty free operations

3. License Control Business:
  Sung-Joo has exclusive rights to YSL licensees and Sonia Rykiel licensees in Korean market

4. OEM Production for MCM-America
  $5 million from the U.S. market for handbags and luggage.

5. OEM Production for Sonia Rykiel:
  Sung-Joo started manufacturing ladies outerwear and accessories for Sonia Rykiel

6. Buyer for Galeries Lafayette:
  Sung-Joo has been a buyer for GL for worldwide production of handbags, luggage, apparel and other accessories.
  Source: Marks & Spencer Press Release, June 1997
APPENDIX F

Dae Sung Group Profile (End of 1996)

Profile of Dae Sung Group (End of 1995)

- Founded in 1947 by Mr. Soo-Keun Kim
- One of 50 largest groups in Korea
- Family owned Company: (Kim's Family)
- Largest private company in the energy sector
- Large real estate portfolio which includes significant parts of key commercial sections in major cities.
- Paid-in-Capital: 32.5 billion won (Approx. US$ 45 million)
- Annual Revenue: 650 billion won (Approx. US$ 819 million)
- Total Assets: 659 billion won (Approx US$ 823 million)
- The Bank of Korea The Korean Tax Office rate Dae Sung Group as one of the best companies in terms of financial stability and management reliability.

Dae Sung's Social Connections:

- Mr. Soo-Keun Kim, the founder and current Chairman of Dae Sung Group, served as Vice-Chairman of the Advisory Board to the ruling party of President Kim Young Sam. He was also Chief-Advisor to the Korean Commerce Association.

- Mr. Kim's family had close connections to the President of Korea and his cabinet. The family has an excellent reputation for honesty in its business practices

- In 1995 Dae Sung Group had 16 successful joint ventures with well-established foreign companies (i.e. Siemens, L’Air Liquid, Schulemberger, Chaffeaux et Maury, etc) in various fields.

Source: Marks & Spencer Press Release, June, 1997
APPENDIX G

Myung-dong Store Background

- Myung-Dong area is the main downtown district that represents the only traditional high street environment in Seoul. This is a major business & commercial district.

- In Myung_Dong there are three major department stores (Shinsegae, Lotte) and many volume discount & multi national brand stores.

<table>
<thead>
<tr>
<th>Floor</th>
<th>Selling Area</th>
<th>Tills</th>
<th>Fitting Rooms</th>
<th>Walkway</th>
<th>Total</th>
<th>% of Total</th>
<th>Merchandise Grouping</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>3,840</td>
<td>100</td>
<td>140</td>
<td>40</td>
<td>4,120</td>
<td>15</td>
<td>Childrenswear + CSD</td>
</tr>
<tr>
<td>5</td>
<td>3,530</td>
<td>130</td>
<td>140</td>
<td>500</td>
<td>4,300</td>
<td>17</td>
<td>Lingerie</td>
</tr>
<tr>
<td>4</td>
<td>3,500</td>
<td>110</td>
<td>140</td>
<td>500</td>
<td>4,250</td>
<td>17</td>
<td>Menswear</td>
</tr>
<tr>
<td>3</td>
<td>3,500</td>
<td>110</td>
<td>140</td>
<td>500</td>
<td>4,250</td>
<td>17</td>
<td>Footwear, Accessories</td>
</tr>
<tr>
<td>2</td>
<td>3,500</td>
<td>110</td>
<td>140</td>
<td>500</td>
<td>4,250</td>
<td>17</td>
<td>Ladies formal wear</td>
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<tr>
<td>1</td>
<td>3,100</td>
<td>110</td>
<td>310</td>
<td>880</td>
<td>4,420</td>
<td>17</td>
<td>Ladies casual wear</td>
</tr>
<tr>
<td>Total</td>
<td>20,970</td>
<td>690</td>
<td>1,010</td>
<td>2,920</td>
<td>25,590</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

% to Total: 82  3  4  11  100

Source: Marks & Spencer Press Release, June, 1997
APPENDIX H

Apku-Jong Store Background

- Located in Apkujung- in the middle of a residential area. South of the Han River.
- Housing affluent people occupying relatively large apartment complexes (7,800 Hyundai and Misung apartment households plus 4,000 Apkujomng-dong households)
- Located on the opposite side of a main road from Hyundai Department Store
- Store positioned on ground floor of modern building containing a fitness club, sports shop, bank, clinic and restaurant.
- Chang-A health club membership: 3,000
- Average daily usage : Restaurant 600  
  Bank 500
- Public Access via excellent bus and subway links plus Chang-A building with 300 car-parking spaces.

Store Details (Area is sq.ft)

<table>
<thead>
<tr>
<th>Floor</th>
<th>Selling Area</th>
<th>Tills</th>
<th>Fitting Rms</th>
<th>Walk way</th>
<th>Total</th>
<th>Merchandise Grouping</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Floor</td>
<td>4,300</td>
<td>210</td>
<td>310</td>
<td>580</td>
<td>5,400</td>
<td>Ladies casual, Formal wear, Ladies Footwear, Lingerie</td>
</tr>
</tbody>
</table>

% of Total  

<table>
<thead>
<tr>
<th></th>
<th>Selling Area</th>
<th>Tills</th>
<th>Fitting Rms</th>
<th>Walk way</th>
<th>Total</th>
<th>Merchandise Grouping</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>80</td>
<td>4</td>
<td>6</td>
<td>10</td>
<td>100</td>
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Source: Marks & Spencer Press Release, June 1997
APPENDIX I

Apparel Market

<table>
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<tr>
<th>Year</th>
<th>Value (USD million)</th>
<th>Annual Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>1991</td>
<td>1,016</td>
<td>125.8</td>
</tr>
<tr>
<td>1992</td>
<td>1,229</td>
<td>120</td>
</tr>
<tr>
<td>1993</td>
<td>1,639</td>
<td>133.4</td>
</tr>
<tr>
<td>1994</td>
<td>2,113</td>
<td>128.9</td>
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<tr>
<td>1995</td>
<td>2,620</td>
<td>124</td>
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<td>1996</td>
<td>2,953</td>
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<tr>
<td>1997</td>
<td>2,989</td>
<td>101.2</td>
</tr>
<tr>
<td>1998</td>
<td>2,744 *</td>
<td>91.8 *</td>
</tr>
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<table>
<thead>
<tr>
<th>Year</th>
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<th>Annual Growth</th>
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<tr>
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<td>1,479</td>
<td>124.7</td>
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<tr>
<td>1992</td>
<td>1,770</td>
<td>119.7</td>
</tr>
<tr>
<td>1993</td>
<td>2,259</td>
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<td>119.4</td>
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<tr>
<td>1995</td>
<td>3,092</td>
<td>114.6</td>
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<tr>
<td>1996</td>
<td>3,445</td>
<td>111.4</td>
</tr>
<tr>
<td>1997</td>
<td>3,562</td>
<td>103.4</td>
</tr>
<tr>
<td>1998</td>
<td>3,550 *</td>
<td>99.7 *</td>
</tr>
</tbody>
</table>

* Korean Financial Crises

Source: U.S. Department of Commerce
**APPENDIX J**

(M&S Financial Information)

(M&S’s Homepage)

<table>
<thead>
<tr>
<th>Retail Sales</th>
<th>1997</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Pounds Million)</td>
<td></td>
<td>(26 wks)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>UK Retail</td>
<td>6349.5</td>
<td>6695.8</td>
<td>6601.1</td>
<td>2892.2</td>
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<tr>
<td>% Change</td>
<td>5.5</td>
<td>-1.4</td>
<td>-6</td>
<td></td>
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<tr>
<td>Europe</td>
<td>551.5</td>
<td>538.2</td>
<td>552.1</td>
<td>252.3</td>
</tr>
<tr>
<td>% Change</td>
<td>-2.4</td>
<td>2.6</td>
<td>4.4</td>
<td></td>
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<tr>
<td>North America</td>
<td>580</td>
<td>606.2</td>
<td>631.4</td>
<td>327.1</td>
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<td>% Change</td>
<td>4.5</td>
<td>4.2</td>
<td>12.5</td>
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<tr>
<td>Far East</td>
<td>144.8</td>
<td>128.3</td>
<td>90.8</td>
<td>48.6</td>
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<tr>
<td>% Change</td>
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<td>-29.2</td>
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<tr>
<td>Total Sales</td>
<td>7625.8</td>
<td>7968.5</td>
<td>7875.4</td>
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<td>% Change</td>
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<td>-1.2</td>
<td>-3.6</td>
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</tbody>
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<table>
<thead>
<tr>
<th>Operating Profit</th>
<th>1997</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Pounds Million)</td>
<td></td>
<td>(26 wks)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>UK Retail</td>
<td>855.6</td>
<td>871.5</td>
<td>478.9</td>
<td>161</td>
</tr>
<tr>
<td>% Change</td>
<td>1.9</td>
<td>-45</td>
<td>-38.9</td>
<td></td>
</tr>
<tr>
<td>Europe</td>
<td>37</td>
<td>31.8</td>
<td>26.9</td>
<td>17</td>
</tr>
<tr>
<td>% Change</td>
<td>-14.1</td>
<td>-184.6</td>
<td>169.8</td>
<td></td>
</tr>
<tr>
<td>North America</td>
<td>21</td>
<td>16.8</td>
<td>15.8</td>
<td>1.1</td>
</tr>
<tr>
<td>% Change</td>
<td>-20</td>
<td>-6</td>
<td>-191.7</td>
<td></td>
</tr>
<tr>
<td>Far East</td>
<td>32.7</td>
<td>18.3</td>
<td>3.5</td>
<td>2</td>
</tr>
<tr>
<td>% Change</td>
<td>-44</td>
<td>-119.1</td>
<td>66.7</td>
<td></td>
</tr>
<tr>
<td>Total Profit</td>
<td>946.3</td>
<td>938.4</td>
<td>464.3</td>
<td>140.9</td>
</tr>
<tr>
<td>% Change</td>
<td>-0.8</td>
<td>-50.5</td>
<td>-45.3</td>
<td></td>
</tr>
</tbody>
</table>
Global Sourcing Principles

For many years Marks & Spencer has sought to ensure that our goods are produced in good working conditions. This supports our core principles of providing our own workforce with meaningful jobs and providing customers with high quality products. We and our suppliers have found from experience that when people are treated with respect, in decent working conditions and fair rates of pay, then both they and their companies benefit from increased commitment and productivity. Customers benefit too from goods offering better quality and value.

Achieving this objective has come through the development of agreed standards between ourselves and suppliers, a regular pattern of visits and a policy of continual improvement — backed up by strict sanctions when standards are not met.

Increasing global expansion and international competition have brought new challenges. As a major retailer selling diverse product ranges under our own exclusive brand in more than thirty countries, Marks & Spencer now works with many different suppliers from around the world.

Most of our suppliers have suppliers of their own, whom in turn others may themselves supply. It would be impossible for us to control the working conditions of each of the vast number of people who contribute in some way to what eventually becomes a St Michael product. However, we are determined to do what we can to ensure adherence to the
principles that we believe in. We have therefore published our company-wide Global Sourcing Principles.

These principles clearly require all our direct suppliers — *i.e.* those with whom we directly contract for both goods and services — to ensure their facilities accord with what we believe to be acceptable standards, and to be continually improving. We enforce these principles firmly among direct suppliers and encourage their implementation further down the supply chain.

Marks & Spencer takes great care in choosing the companies who supply us directly with goods and services and with whom we aim to build long term partnerships. From the start we require each supplier to implement our Global Sourcing Principles, which establish a minimum acceptable entry standard. But as our business relationship develops, we expect the supplier steadily to raise standards and improve working conditions, taking account of internationally recognized standards.

**Supplier's Responsibility**

Together with each supplier we establish a set of standards, which includes specifications appropriate to the industries and countries producing the goods. It is the supplier's responsibility to achieve and maintain these standards.

**Worker's Rights**

The people working for our suppliers are to be treated with respect, and their health, safety and basic human rights are to be protected and promoted. Each supplier must, as a minimum, fully comply with all relevant local and national laws and regulations, particularly with regard to:
- Working hours and conditions, rates of pay and terms of employment.
- Minimum age of employment

Moreover, whatever the local regulations, workers should normally be at least 15 years old; as a norm, they should be free to join lawful trade unions or worker's associations.

**Regular Assessment**

All production sites are to be regularly visited and assessed by our suppliers and by our own staff. Together we will strive for continual improvement.

**Environmental Responsibility**

At the very least, suppliers must meet all relevant local and national regulations. In addition, we expect them steadily to improve their environmental performance by aiming to comply with international standards.

**Dedicated Production Units**

Once we have established significant levels of business with a supplier, we expect that supplier to produce our goods in units, and with workers, dedicated to Marks & Spencer orders.

**Commitment to Extending Principles through the Supply Chain**

We expect our suppliers to adopt similar principles in dealing with those who, in turn, supply them.

**Productions Sites and Labeling**

Suppliers of goods must agree with us in advance the production site or sites to be used for each order and no subcontracting of our orders from these agreed locations is allowed. All goods must be labeled with their country of origin.
APPENDIX K (Continued)

Suppliers must not only apply these principles at all times, but must also be able to show they are doing so. We will take action against suppliers, who do not comply, which may involve canceling our orders and ceasing to trade.

Source: Marks-and-Spencer.com
APPENDIX L

St. Michael Fashions (Supplier Management)

St. Michael Fashions

The selectors choose cloth, design, and style and are responsible for offering an attractive choice to customers. They travel extensively keeping abreast of the latest fashion trends, carry out comparative shopping to monitor competitors, and work closely with both manufacturers and M&S design departments.

The merchandisers are responsible for negotiating prices, estimating the quantities required and scheduling the production, constantly reacting to changing sales patterns to keep sales as high, and excess stock as low as possible.

The technologists stipulate and monitor quality standards and advise manufactures on the latest production techniques and efficiencies.

M&S pioneered a process whereby there is a reduction in manufacturing time from 14 to five weeks for dyeing batches of garments rather than the cloth, which will later be made into garments.

Marks & Spencer's extensive modern Head Office laboratory provides invaluable support. Although suppliers are encouraged to establish their own testing facilities, Head Office monitors quality standards while the technologists use the laboratory to establish manufacturing specifications.

The merchandise allocators send finished goods to stores on the basis of estimated future sales in relation to the available stock and store profile.

Source: Marks & Spencer Press Release, June 1997
APPENDIX M

St. Michael's Foods (Selection Process)

St. Michael's Foods

The same team structure of selector, merchandiser, technologist and merchandise allocators is used, although the methods of creating and selecting the products are obviously quite different.

The selectors work with highly qualified chefs, suppliers and, in some cases, restaurants, to create dishes which are better than, or different from, any other products available.

Once they find a good recipe it is matched to an appropriate manufacturer for experimenting with bulk production. Close liaison is maintained between the selector, technologist and the factory to make sure that bulk production retains the character and taste of the original recipe.

While the dish is being developed, packaging is designed and travel tests carried out from factory to depot, depot to store and to home.

After a few weeks on trial in a small number of stores, a decision is taken either to produce in bulk quantities for further develop the product.

Source: Marks-and-Spencer.com
Marks & Spencer is under the helm of new chairman Luc Vandevelde, who took control of the ailing company in March.

In an effort to improve M&S’ s merchandising mix a new upscale line is being introduced. The new line named “Autograph” is currently being rolled out in the UK. The Autograph collection has been well received in the fashion press.

Marks & Spencer has successfully tested a new assortment allocation system and plans to roll it out across its store base. Under the old system, product allocation was driven by store space rather than location or customer profile. Under the new system, although still centrally controlled, stores are categorized by the spending habits of their existing customers, and the profile of local shoppers generally.

In an effort to update its image, M&S has overhauled its presentation and introduced new designs for carriers bags, product labels, vehicle liveries, and staff uniforms. This is hoped to signal to employees and customers that M&S is becoming more modern. Also, the company has decided to focus on Marks & Spencer as a product and retail destination bran, rather than continue to promote St. Michael, which will be treated more as a hallmark.

APPENDIX 0

Tips For Doing Business in Korea

Be aware negotiators may not be the final decision makers

Do not assume you have been completely understood

Do not push your position too hard or expect to close a deal in a day

Win-win outcomes take time to achieve

Take time to build relationships and trust; get to know your Korean counterpart

Entertain and be entertained

Always praise, never back your counterpart into a corner

Do not always rely on Western logic to understand your Korean counterpart

Be aware of recent developments; know what is going on

Source: American Chamber of Commerce, “Guide to doing Business in Korea, p.67
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