



Pupil

M&S

EST. 1884

## The Marks & Spencer Supply Chain

### INTRODUCTION:

The purpose of this activity is to investigate:

- the different parts of the world where goods come from,
- how and why goods are sourced from different parts of the world,
- the kinds of problems that occur when sourcing goods globally,
- how such problems may be overcome,
- the advantages and disadvantages of international trade, and,
- how important it is to gather and exchange information carefully.

### TASK 1:

There should be a banner on your desk that indicates what sourcing region your group is representing.

Research the data you have, focussing on your own sourcing region:

- a. How many Marks & Spencer products are supplied from your own region? Write your answer in the correct box in the table below using your team's line.
- b. Repeat this task on your same team line for the other three sourcing regions
- c. For each sourcing region, which countries supply products for Marks & Spencer?

	Europe & North Africa	China	Southern Asia	Indian Sub-continent	Total
Team 1					
Team 2					
Team 3					
Team 4					
Total					

### TASK 2:

A member from your team should visit the three other teams, and tell them how many garments you have found that belong to their sourcing region and which countries make them.

At the same time a member from each of the other three teams will come and inform your team of how many products they found from your sourcing region and what the countries are. Then work out your own region's numbers and finalise your list of countries.

- a. Which two countries are the source of the most products for Marks & Spencer in your region?
  - i. Share your final numbers and countries with the group as a whole.
  - ii. Complete your table creating an overview for all 50 garments.
- b. How do you think these figures compare to the actual percentages for Marks & Spencer?
- c. Why are sourcing regions helpful to Marks & Spencer?



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### TASK 3:

You must now imagine you are the Marks & Spencer sourcing office that works with your region.

You must decide what to do when problems arise within your region,

Refer to the two documents “Supply Chain Problems” and “Supply Chain Solutions”.

More specifically you must:

- a. Consider what the likely impact of the problem will be on:-
  - iii. The supply chain
  - iv. Marks & Spencer customers
  - v. Marks & Spencer shareholders
- b. Recommend what should be done to overcome the problem.

### Supply Chain Problems

#### *EUROPE and NORTH AFRICA*

- Strike action interrupts production of the ‘Best of British’ range, a flagship range that is meant to launch shortly. Understandably, there is a lot of media focus on the range and it is essential it launches successfully.
- Political instability and civil unrest in North Africa mean it becomes more unreliable and dangerous to move products through the region. Other routes to the market will have to be found, which could take longer.

#### *CHINA*

- Chinese New Year closes down factories for one week. Although the closure is temporary, production will cease altogether, and another solution will have to be found.
- Difficulties in coordinating and communicating between different businesses in the supply chain in China results in a batch of stock becoming delayed. Although the stock will now be late to market, the company has now located the stock, and understands what clothes are in it.

#### *SOUTHERN ASIA*

- Limited capacity in Southern Asia, caused by labour shortages, means that the company cannot increase production in line with a period increased sales. As a result, Marks & Spencer may miss out on potential profit from this popular line.
- Wasteful production in Cambodia adds to costs and potentially damages the reputation of Marks & Spencer. Although products are arriving on time and in the correct condition, this doesn’t seem like a sustainable or responsible way to manufacture products.

#### *INDIAN SUB-CONTINENT*

- Materials used in Sri Lanka are of inconsistent quality, causing varying levels of production and poor experiences for certain customers.
- Flooding in Bangladesh introduces complications to the infrastructure transporting garments from the manufacturer to port.



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### **Possible Supply Chain Solutions**

If relationships with suppliers break down then any business will face difficulties that will need to be overcome. This is particularly true for large companies, such as Marks & Spencer, who trade internationally and who have complex supply chains. Making supply chains as strong, as reliable and as flexible as possible is an important way for any business to improve its performance.

What follows are different ways supply chains may be improved, but all depend on the specific circumstances involved:

- Diversify sources of supply. Over-reliance on one supplier will cause huge problems if that supplier runs into any problems and cannot meet orders in the right quantities of the right quality and at the right time. Expanding the range of available suppliers can reduce this risk and exposure to such disruption and cost.
- Focus on a limited number of suppliers. Having many suppliers may reduce reliance on any one supplier, but it can make the supply chain so complex that it becomes too difficult to manage. Limiting supplier relationships to as few as possible enables a business to build long term relationships and reduces vulnerability.
- Sourcing products from different countries. In our increasingly unpredictable world, disruption can quickly spread from one country to another. There might be a natural disaster, such as an earthquake or tsunami, economic sanctions might make trade difficult or war could even make goods impossible to move. Being able to source goods from different parts of the world makes business sense.
- Require suppliers to use leaner production methods. Make it a contract requirement for a supplier to minimise stocks of raw materials, work-in-progress and finished products. Seeking to produce more by using less will improve efficiency and reduce costs.
- Change transport methods. Goods can often be delivered in different ways - by air, sea, rail and road. Choosing the most appropriate method will depend on many factors such as cost, weight, bulk, relative value and how urgent an order might be. An efficient supply chain will normally be able to offer flexible delivery methods to meet changing customer needs.
- Plan ahead. It is inevitable that any business, and especially one utilising global supply chains, will experience problems. Planning well ahead and for differing contingencies, should 'things go wrong', can be an effective way to manage risks. Working with suppliers able to adjust their own capacity as demand fluctuates and able to make design changes can only assist in this regard.



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**TASK 4:**

International trade is not easy. As we have seen early in the exercise, problems may arise. Being able to import goods such as clothes and footwear from overseas, however, clearly brings benefits too.

A report has landed on your desk which is intended to summarise the benefits of and difficulties faced by Marks & Spencer from international trade. Unfortunately a computer crash has mixed up the whole document and you must reconstruct it urgently.

There should be four sections and each section should have a “Benefits” part and a “Difficulties” part, eight parts in all.

Can you be the first to re-assemble the right sentences in the right order in the right section so the document reads logically?

	<b>Benefits</b>	<b>Difficulties</b>
<i>Cost</i>		
<i>Demand</i>		
<i>Supply</i>		
<i>Social, cultural &amp; political factors</i>		



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**The benefits of and difficulties faced by Marks & Spencer from international trade:**

- If Marks & Spencer wants to offer them for sale to its customers, it must import them.
- Some goods are cheaper to buy from overseas.
- This is especially the case in less developed parts of the world.
- Import duties must be paid, import regulations must be obeyed and fluctuating exchange rates planned for, all of which take time and add to business costs.
- Importing goods from overseas means larger transport distances.
- Other countries may measure goods in different ways and have different operating systems too.
- Language barriers make communication more difficult.
- Complexity inevitably adds cost to a business such as setting up regional offices for different sourcing regions.
- Improving consumer choice is an important way for any business to increase demand and build market share.
- Longer distances will lengthen the supply chain. Investments may also be needed in specialist transport and/or local infrastructure.
- It makes sense for Marks & Spencer to source goods from abroad which cost less and can then be sold to customers at lower prices.
- Improving consumer choice has its downside. The greater the number of countries Marks & Spencer trades with, then the greater the complexity.
- Marks & Spencer does sell lots of goods produced in the UK. Importing goods such as clothes, for example, does give Marks & Spencer customers a much bigger variety to choose from.
- These will all add to Marks & Spencer's costs.
- Buying goods from abroad is a powerful way to support the creation of jobs and higher living standards overseas.
- Some goods (such as tea and bananas) can only be sourced from the countries where they are grown.
- These complications will add to costs.
- Importing goods from foreign countries outside the European Union requires extra work.