

Marks & Spencer's new chief executive has his sights set on restoring the retailer's fashion credentials.

George MacDonald reports

Can Steve Rowe put M&S clothing back in fashion?

As Steve Rowe takes charge at Marks & Spencer following his promotion to chief executive, he has one overriding objective. To be judged a success, he must restore the retailer's fashion fortunes.

The flagship division, which delivers significantly higher margin than the strongly performing food arm, has been lacklustre for years. But Rowe has pinned his colours firmly to the mast. The clothing business, he says, is his "number one priority".

He has skin in the game too. In his new role he will continue to oversee the fashion arm – he moved over from food to run it last summer – and its business unit heads will report directly to him.

So what can Rowe do to put the mojo back in M&S clothing? There are several levers he intends to pull ranging from price to availability and product quality – all standard retail disciplines but, if executed successfully, they may bring M&S renewed relevance on today's high street.

Pricing strategy

Traditionally famous for value as well as quality, M&S today competes in a very different market from that which it once dominated.

Rivals ranging from Next to Primark to the grocers have grown apace, competing at keen prices and quality on everything from staples such as socks and underwear to the latest must-have looks.

Since moving to general merchandise last year, Rowe has launched a variety of initiatives to better take on the competition. One has been

on price. Marks & Spencer cut prices of about 300 lines earlier this year and was pleased with the results.

Rowe will now look at how best to balance pricing, promotions and margins to be as competitive as possible.

There are grounds for optimism. M&S last week reported a 2.7% fall in like-for-like sales of clothing and home products in its fourth quarter.

However the decline was not as bad as had been feared by City analysts, who had pencilled in a fall of between 3% and 4%, and perhaps signalled changes such as that on price are starting to have an effect.

Rowe "sharpened" prices on M&S's core promoted spring womenswear collection, and cut prices of products such as jeggings by about 10%. M&S still delivered "a strong gross margin improvement" in the period, when it also continued to rein in promotions.

Rowe said: "We've got a lot more to do on clothing. We've started to improve our value proposition. It's the start of a programme where we're looking at the balance between pricing, promotions and margin.

"It's not a straightforward line between reduction in price and reduction in margin. There are tunes you can play."

He said some of the product volumes had risen "substantially", which benefits margin.

Fresh approach

Consultancy Verdict Retail's lead analyst Honor Westnedge observes of last week's update: "Clothing sales continue to decline, despite years of investment, focus, management reshuffles, rebranding and brand rationalisation.

"Steve Rowe has his work cut out to restore consumer confidence in its womenswear offer and acquire new shoppers to the M&S brand – something [predecessor Marc Bolland] tried to achieve but with minimal results.

"That said Bolland has left behind a much stronger infrastructure such as advanced online capabilities, a streamlined sourcing and manufacturer base and enhanced fulfilment and logistics capabilities, leaving Rowe to focus on one key element – the product.

"Rowe is rightly trying to continue the retailer's

move to reduce the level of items on promotion as well as sharpening prices, ensuring price points are attractive and provide shoppers with good value for money.

"This is essential as customers must be removed from the cycle of delaying purchases until they are on markdown – if price points are well justified and well targeted promotions are limited M&S should be able to achieve this."

Analysts at broker Peel Hunt also believe better prices are essential to future success at M&S's clothing division.

Peel Hunt analyst Jonathan Pritchard says: "Steve Rowe surely won't be so shortsighted to think that anything but a major overhaul in general merchandise is required.

"Our view is that process akin to that undertaken by the food division in 2008 is required. That took over 300 basis points of investment in gross margin to restore value credentials.

"If that's what is needed to put general merchandise back on an even keel then Mr Rowe should be brave enough to take M&S to a lower initial level of general merchandise profitability in order to rebuild it in a more sustainable way."

Product focus

It will take more than that of course. As Westnedge points out, consumers must want M&S's styles and that depends on product appeal.

Rowe said last week: "We've not been as stylish as we need to be." However, he pointed out the performance of M&S's Autograph collection, which delivered a sales rise of 10%.

That gives him confidence that the retailer can deliver fashion appeal, driven by Queral Ferrer.

Ferrer, who previously worked for Zara's owner Inditex, was promoted by Rowe last year to become M&S's director of design with responsibility for womenswear, lingerie and beauty – unified for the first time.

That appointment perhaps hints at how Rowe will approach the job of turning around M&S clothing.

He intends to listen to customers more effectively than in the past.

As well as being able to draw on insights from the retailer's new Sparks rewards scheme, the pulling together of responsibilities under



The Autograph range recorded a 10% uplift

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Ferrer indicates a greater focus on the M&S shopper in the round rather than on a departmental basis.

Personal touch

Another factor that may boost M&S's apparel performance is the personality of Rowe.

A so-called 'lifer' at the retailer and the son of a former director, he is steeped in M&S's heritage.

For him, leading a fashion revival is not just business, it is personal. He is determined to succeed and his ambition and drive is likely to rub off on others. That was evident in the City reaction to Rowe's first outing last week.

Canaccord Genuity analyst David Jeary says: "Given the breadth of his operational and managerial roles within M&S in his 25-plus years of service, we believe he already has a good idea of his priorities.

"Mr Rowe gives the strong sense of unfinished business with regard to his relatively brief sojourn in his previous role as head of general merchandise. Improving the 'not good enough' trading performance of general merchandise sounds to be a personal mission."

Shore Capital analyst Clive Black said: "While not necessarily insurmountable, fixing M&S's general merchandise conundrum, notably sustained brand corrosion, will not be an easy or quick process. If it was not the case then it would have been done before now. Equally we do not believe it is an impossible task and Mr Rowe may be particularly, nay distinctively, positioned to make the necessary changes as an M&S 'lifer'.

"The solutions revolve around product, range – including width merchandising, marketing and price."

Rowe is likely to unveil his vision next month, when M&S issues full-year results.

Between now and then Rowe and his team will continue to look at all aspects of the business and he said he is "open-minded to everything".

If Rowe can really deepen M&S's connection with customers by understanding them better, then he has all to play for.

M&S after all serves 33 million customers a year. If he can make more of them shop fashion as well as food, Rowe has the chance to put the clothing division back in style.

"We're looking at the balance between pricing, promotions and margin. It's not a straightforward line between reduction in price and reduction in margin"

Steve Rowe, M&S



New M&S chief executive Steve Rowe