

The Role of Digital Transformation in Enhancing Economic, Social, and Environmental Benefit: Take Marks & Spencer as Example

Zhiyue Zhang^{1,a,*}

*¹School of Environment, Education and Development (SEED), University of Manchester,
Manchester, United Kingdom*

a. zhiyue.zhang-5@student.manchester.ac.uk

**corresponding author*

Abstract: The term "digital transformation" refers to the thorough integration of digital technology into all aspect of company operations, radically changing the way businesses operate and produce value for corporations. Technological improvements have led to an increase in online shopping in the present digital age, which has made a thorough investigation of the effects of digital transformation across the economic, social, and environmental domains necessary. The objective of this article is to present a thorough study of the digital transformation path of a well-known retail business Marks and Spencer (M&S) by using Product-process Matrix to evaluate the competitors of M&S, then utilizing SWOT to analysis the current situation of M&S and indicate how digital transformation eliminate their weakness and threats by improving their opportunities and strengths. The emphasis will be on how M&S has adopted digital practices and technology to improve their revenue as well as society convenience and the environmentally friendly in addition to strengthening its position in the market. Then lastly evaluating how effectiveness of digital transformation and sustainability in the environment, social progress, and economic prosperity for the future.

Keywords: Marks and Spenser (M&S), Digital transformation, Society convenience, Environmentally friendly.

1. Introduction

Marks and Spencer (M&S) is a well-known British shop that serves millions of people worldwide with high-quality. The firm serves a wide range of consumers by operating in many markets, such as apparel, home goods, and luxury culinary items. This paper would just focus on how M&S deliver their retail sector service through digital transformation, with its upscale food selection, which includes prepared meals, premium produce, and specialized goods, M&S has set itself different. Their restaurants are known for service innovation, community and employee culture, business practices critical to retail value beyond price or promotion [1].

M&S has opened locations in Europe, Asia, and the Middle East with across over 100 markets around the world as part of its ongoing worldwide expansion [1]. This strategic action matches into the company's larger strategy to enter new and diverse markets throughout the globe and grow its presence outside of its native region. However, M&S's primary market is still in the UK as the brand

has grown over many years of business to enjoy an outstanding track record and broad appeal. There, they have strong potential to expand their global market. They could broaden its selection of products, changing its pricing policies, or improving its digital and delivery offerings, M&S may be able to attract a larger clientele especially in a market where consumers place a higher emphasis on convenience and online shopping, which would illustrate further in the next few parts.

According to Parashar, Sood and Agrawal, the manufacturing and consumption of food account for almost twenty percent of greenhouse gas emissions caused by human activity [2]. M&S provide their service with high quality, this requires a high technology while operating, which necessitates the use of advanced technology in its operations. Take supply chain as example, where the company must ensure the freshness and quality of perishable goods. To achieve this, M&S mainly relies on cold chain logistics, a technologically advanced system that maintains these items at the necessary low temperatures during storage and shipping. The use of these technology might cause carbon emission though these process and cause environmental damage. Moreover, there is an estimated 9800–16,900 million tons of carbon dioxide are produced annually by the food supply chain [2]. Therefore, this is one of the environmental factor that M&S might take consideration in their operations.

2. Literature Review

From the aspect of market share, M&S could be determining as not a market leader as comparing to Tesco market share [3]. They still facing stressful competition simultaneously. Here is the Product-Process Matrix of M&S (figure 1). It is a concept that suggests a trade-off between process and product innovation and describes how businesses could match the life cycles of their products with their production processes [4]. Through comparing to other brands from the aspect of how they operate their shops and selling products.

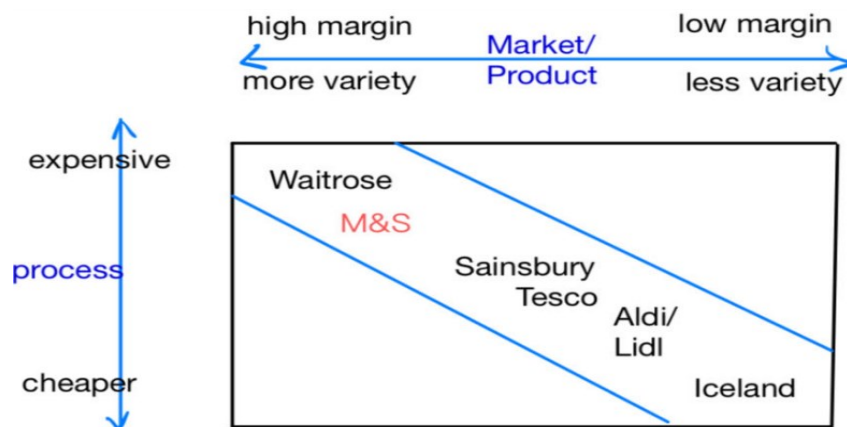


Figure 1: Product-process Matrix of M&S comparing to other brand.

Marks & Spencer is renowned for its exceptional product quality, stringent sourcing criteria, and leading-edge innovation. Therefore, they normally selling their products at higher prices comparing to other brands in the UK such as Lidl and Aldi. Lidl's commitment is providing the most value for the money by managing their company in an easy and sustainable manner [5]. Therefore, comparing to M&S their operational cost would be much higher than Lidl. On the other side, Waitrose looking for exceptional quality and guarantees the product with ethical responsibility, which drives higher expenses [6]. Thus, this places Waitrose at the higher end of the cost spectrum, followed by M&S, with Sainsbury's, Tesco, and Iceland positioned progressively lower due to their cost-saving strategies.

3. Method

3.1. Research Design

SWOT analysis is one of the business strategies used to for company to understanding their internal situation through strengths and weakness of business itself and external environment by looking at their opportunities and threats [7]. By using SWOT analysis to indicate the current situation of M&S and though this method there will be proper evaluation on how these factors will be improved by digital transforming.

Firstly, one of Marks & Spencer's key strengths lies in its unwavering commitment to premium quality, especially in its retail sector. This dedication has not only fostered a deeply loyal customer base but has also solidified its status as an established and trusted brand in the UK market. This longstanding reputation for quality and reliability is a cornerstone of M&S's enduring success.

Secondly, one significant vulnerability for Marks & Spencer is the financial burden resulting from its dedication to ethical and high-quality sourcing practices. These practices frequently drive up operating expenses, which in turn affect the company's profit margins. Furthermore, according to Smith there were 406 outlets worldwide in addition to the 1,064 shops in the UK [8]. This means they still rely on the UK market, where it has both big flagship stores and smaller high-street locations called "M&S Simply Food", which also makes it especially vulnerable to local market changes and economic downturns.

The market share of M&S food sector takes small proportion in the UK [9]. which indicate that they have potential opportunities of growth as well as their international stores. Moreover, they have a rare opportunity to improve its e-commerce infrastructure considerably. By doing this, it will be able to contact and interact with people worldwide through digital means, expanding its client base and stimulating growth.

For their threats, they need to put attention on the sustainable development especially on eco-friendly operations. As growing consumer knowledge of and demand for environmental sustainability poses a danger to Marks & Spencer which might change in customer preferences demands for an intricate and possibly expensive adjustment to more environmentally friendly procedures and product choices. Aligning M&S's operations with these changing consumer expectations and strict regulatory standards is a problem that might affect the company's operational and financial efficiency.

3.2. Economic Benefits

M&S has always approached retail from a customer-centrism perspective, emphasizing the delivery of high-quality goods and services as mentioned above. They have advanced significantly in e-commerce as well, embracing the digital era by fusing its in-person retail experience with online purchasing platforms. In 2019, they formed a 50/50 joint venture with Ocado Group plc, and in September 2020, they made their e-commerce appearance on Ocado.com [10]. This approach displays an awareness of how the retail industry is changing and how important accessibility and convenience are for digital transforming. Through the utilization of Ocado's strong logistical and technological infrastructure, M&S has improved its capacity to provide premium products along with the ease of online shopping. According to Ocado, they have reached over 830000 customers all over the UK with in more than 5000 in M&S food lines [10]. This also indicate that through digital transformation, M&S can reach a broader audience beyond their physical store locations. Therefore, expansion into e-commerce platforms. In addition, in 2014, Marks and Spencer introduced the "Leading Ladies" initiative and a fresh e-commerce system. By asking consumers to name a puppy they saw in a TV commercial, M&S leveraged social media to engage consumers and dramatically grow their Facebook following [11]. This action has not only increased their digital footprint but also fostered a

deeper connection with their audience. Furthermore, this has been instrumental in tapping into new customer bases, enhancing their brand image, and potentially boosting sales and revenue, showcasing the power of digital platforms in transforming traditional retail businesses.

Trends suggest M&S is starting to move more of its products into more countries [12]. This strategy is essential for meeting the distinct requirements and tastes of a wide range of global consumers and providing a more customised and customer-focused purchasing experience. Moreover, they also launched “Never the Same Again transformation” project, the launch virtually doubles the number of overseas regions in which the company has a pure online performance [12]. Through the utilizing of online platforms, the outcome establishes M&S as a strong participant in the global retail scene and may lead to a rise in sales and revenue globally, as well as an increase in the number of customers and brand awareness worldwide.

Economic benefits are directly impacted by Marks & Spencer's digital transformation, especially through collaborations and worldwide e-commerce development. This approach broadens the company's worldwide reach, expands its market presence, and improves operational efficiency. Through the utilization of digital channels, M&S expands its consumer base globally and raises awareness of their brand. This strategy also makes it possible for a more customized, customer orientated experience the importance in the retail sector. Additionally, reduced weakness (limited physical stores) and enhance their opportunities (growing in the number of international markets). All things considered, their digital transformation shows how technology driven business tactics may result in large financial advantages in the retail sector.

3.3. Social Benefits

Digital transforming definitely enhanced customer experience which brings a more convenience lifestyle for customers. This change makes it simpler and more enjoyable to shop by facilitating easier access to goods and services. Retailers meet the demands and preferences of modern lifestyles by providing customers with freedom and efficiency via the integration of digital technologies. In January 2022, M&S introduced live shopping sessions where customers could examine items, ask questions, and make purchases straight away. Because of how interesting the service was, 75% of users stayed on the internet [13]. This modern approach to shopping bridges the gap between online and physical shopping experiences, making retail more accessible and inclusive, especially for those who may face challenges in traditional shopping environments. By providing digital in-store services, retailers like M&S are not only elevating the shopping experience but also promoting social inclusion and accessibility in retail.

Moreover, this also creates job by adopting new technologies and digital platforms. Retailers open up opportunities for new roles and skill sets, ranging from IT and digital marketing to customer support and data analytic. Digital transformation, including technology services such as data processing, brings new opportunities to the retail industry [14]. This illustrates how digital innovations in retail not only improve consumer experiences but also create a range of job possibilities, supporting the expansion of the labour market and the workforce's acquisition of technology skills.

Digital transformation also involved health and safety benefit as one of the social factors. It significantly contributes to health and safety, a crucial social factor. By implementing digital solutions like online ordering, contactless payments, and virtual customer service, retailers can minimize physical contact, reducing health risks in scenarios such as COVID pandemics. This approach not only maintains service continuity but also prioritizes the health and safety of customers and staff, showcasing digital transformation's role in fostering a safer, health-conscious retail environment and finally enabling M&S's ongoing shift to online food business. This indicate that M&S has gained not only social benefits but also economic benefits. Socially, it aligns with consumer preferences for convenience and safety in shopping, especially significant during the pandemic, enhancing the overall

customer experience and meeting societal needs for accessible and safe shopping options. Economically, it aims to revive and double its £6 billion food business, addressing the decline in sales due to changing shopping behaviors. This moves positions M&S to capitalize on the growing demand for online shopping, as seen with Ocado's 40% sales growth.

In terms of society, Marks & Spencer's digital revolution has acted as a stimulant to improve shopping accessibility and ease, encouraging inclusion for those who would have been excluded from old retail models. In addition to improving the consumer experience, M&S has given priority to health and safety by including live shopping and other digital services. This is an important consideration that was brought to light during the epidemic. Also provide job opportunities within the society by offering more jobs to people who are not employed. This change is indicative of a thoughtful, digital age approach to social responsibility.

3.4. Environmental Benefits

The importance of environmental sustainability in today's society is becoming more widely acknowledged. Use of sustainable resources, promotion of eco-friendly practices, and reduction of carbon footprints are becoming increasingly important as organizations and consumers become more environmentally concerned. Companies are being compelled to innovate and adopt greener methods. This is also one of the threats that Marks and Spencer is now facing. Though what they have one in the base year of 2016–17, M&S has reduced its overall Scope 1 and 2 greenhouse gas emissions by 32%. They had a further 3% decline from 2021–2022. The majority of the decrease was caused by an 18% decrease in emissions from refrigerant leaks, which had spiked the year before during the COVID lockdowns but had now returned to normal.

Through digital transformation, for customers who choose to purchase online instead of visiting physical establishments cut down on the emissions produced by operating personal vehicles. This can have a particularly big effect on people who would normally have to drive a great distance to shop or in places where public transport is less accessible. M&S direct customers to items with less of an impact on the environment, provide eco-friendly packaging options, and even suggest grouped deliveries to save emissions from transit. One of their future plans is map design, according to M&S, they are aware of how important stakeholder participation is to achieving net zero emissions. This road map involves industry partners, suppliers, workers, and consumers in order to cut carbon emissions and towards net zero strategy [15]. M&S's all-encompassing strategy is designed to reduce emissions at every point in their value chain, from the acquisition of raw materials to the ultimate use of their products by clients.

4. Conclusion

In conclusion, Marks & Spencer's digital transformation journey highlights a multifaceted approach that intertwines technological advancements with a deep commitment to economic, social, and environmental benefits. M&S's strategic focus on digital transforming not only enhances customer convenience and expands its global market reach but also significantly contributes to environmental sustainability. Their achievements in reducing greenhouse gas emissions and embracing sustainable practices underscore the potential of digital transformation as a powerful tool for creating a more environmentally conscious and efficient business model. Looking ahead, M&S's sustained commitment on incorporating sustainability into its digital activities points to a bright future where environmental stewardship and commercial innovation coexist and set the standard for others in the sector. This also demonstrates how digital transformation can be a powerful tool for companies trying to strike a compromise between financial objectives and environmental stewardship. There are also some recommendations for M&S particularly for eco-friendly, they could have sustainable delivery

options such as electric vehicles. Transitioning the delivery fleet to electric vehicles could significantly reduce greenhouse gas emissions. M&S could start by integrating electric vehicles for local deliveries in urban areas, where charging infrastructure is more readily available, and progressively expand as the supporting infrastructure grows. Partnering with electric vehicles manufacturers for a customized fleet could also be explored. In addition, return and recycle process could also be one of the efficient methods. This program would facilitate easy returns for or recycling, thus minimizing waste and endorsing circular economy practices. Customers could be incentivised through discounts or loyalty points to return used products, which M&S could then refurbish, resell, or recycle. Educational campaigns could inform customers about the program's environmental benefits, and transparency in reporting the program's impact would further reinforce M&S's dedication to ecological responsibility. Through such initiatives, M&S would not only enhance its sustainability efforts but also strengthen customer engagement and brand loyalty.

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