
2008 Recession

What is a recession?



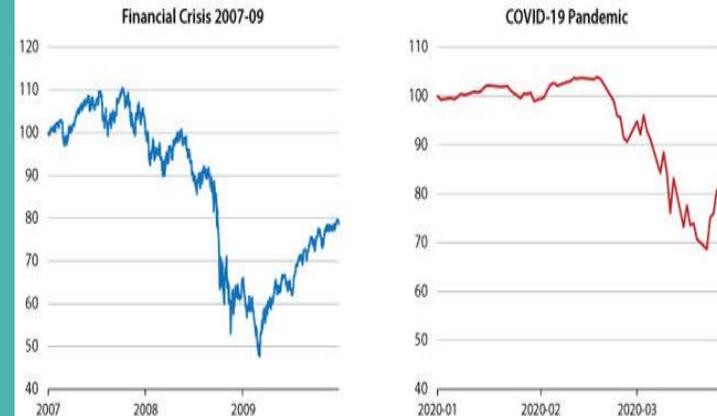
- A recession is a serious decline in an economy of a country that can last for years.
- Experts declare it a recession when the GDP declines.
- During a recession the economy struggles which puts families and households under stress to pay for food and bills.
- Because these families struggle they tend to cut down on luxurious items and buy cheaper stuff.
- A recession reduces consumer confidence which sends the economy into a downward spiral.

Marks and Spencer

MAJOR HIGH STREET JOB LOSSES



Figure 1
S&P 500



NOTE: The index is normalized to 100 at the beginning of each sample, 1/3/2007 for left panel and 1/2/2020 for right panel.
SOURCE: Yahoo! Finance and author's calculations.

What does it do?

M&S

- Marks and Spencers sells a range of high end products from food to clothing
- They have high quality items but they are also quite expensive
- People often go to marks and spencers if they want a fancy dinner or if they want some new clothes

Why did it struggle?

M&S

- Low cost alternatives like poundland and primark were taking over the market
- People didn't trust their value
- People felt that their prices were too high
- The chairman claimed that it was due to the economic state of the UK saying "The UK economy is having a very difficult time and we can't defy gravity. If I believed we had a bad business plan I would change it."
- They excel at christmas but people weren't really splashing out

BBC---->

M&S is facing competition from low-cost rivals like Primark, which said on Tuesday that its like-for-like sales had risen 4% in the year ending September 13.

What were the consequences

M&S

- During the three months leading up to Christmas (2008) sales dropped by 7.1% from the year before
- At the end of the year (end of 2008) profits were below £600,000 which is a significant drop from £1,000,000 the year before
- Shut down 27 shops and lost 1,230 jobs
- It began its 'wise buys', 'family favourites' and its popular 'dine in for £10'
- The figure for general merchandise, including fashion, fell 8.9%, while food was down 5.2%
- 30% overall sales loss during the recession

What could they have changed

M&S

- I believe that they did what they had to to keep their brand identity
- They slashed prices but kept the high quality with their new food ranges
- If they lost quality and became really cheap people wouldn't go there after the recession as they target posher and richer people.
- The only thing they could have done was decrease their prices faster instead of waiting till the end of 2008

Sources

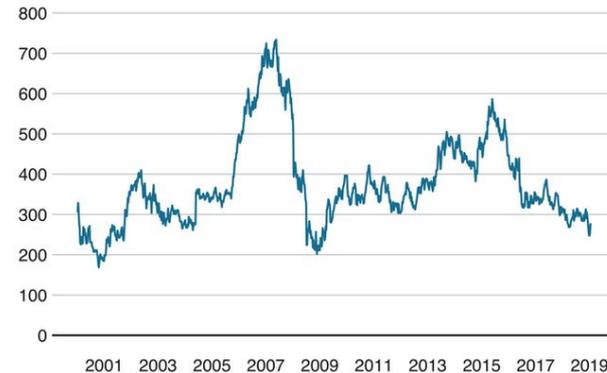
M&S

<https://www.dailymail.co.uk/news/article-1107564/Not-M-S-safe-recession-forces-closure-27-stores.html>-2008

<https://www.theguardian.com/business/2008/nov/04/marksspencer-retail>
-2009

Marks & Spencer's share price since 2000

Price in pence



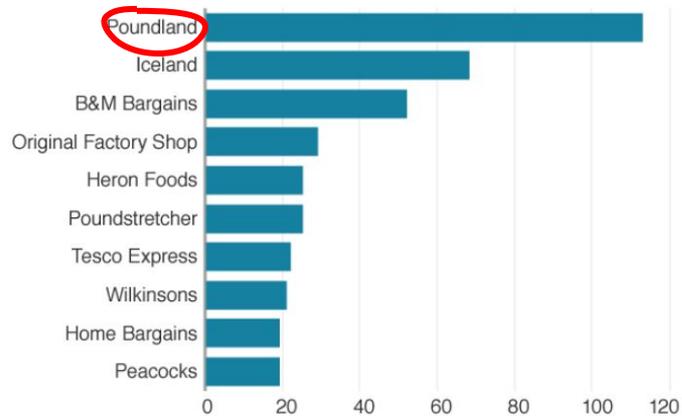
Source: Bloomberg



Poundland

Who has Woolworths stores now?

As of November 2018



Source: Radius data exchange

BBC





What does it do?

- Everything costs £1
- Cheap store that makes profit by buying in bulk
- Thrived due to the recession
- 2005 they wanted 400 stores, they reached this target in 2012
- Had years with a 46% profit increase, with £4.1m in 2006 to £12.7 in 2009



Why did it benefit?

- Original inflation free store- the prices don't change from £1
- Selling 2 litre milk, 1.5kg packs of sugar , 10 British eggs and wii console accessories all for a £1
- People want this cheap stuff when in a recession
- Good alternative to more expensive stores like M&S

What were the consequences?



- In a recession, people still need food
- They can't afford high prices, they want it cheap
- Poundland gives them these cheap prices
- Therefore, people flocked to poundland for their shopping
- Furthermore, stores like Woolworths ,who are struggling in the recession, closed
- Poundland were able to buy these stores cheaply, and turn them into more Poundland stores

Who has Woolworths stores now?
As of November 2018





The future

- 2010, sold to US company Warburg Pincus
- 2015, drop in share price
- 2016, sells to South African company Steinhoff
- Mid 2010s onwards change business strategy to sell things for more than a pound
- I think this has ruined their business model

Sources



<https://www.theguardian.com/business/2008/dec/06/poundland-recession-cr editcrunch-2008>

<https://www.independent.co.uk/news/business/news/poundlands-sales-soar-during-recession-1679911.html-2009>

[https://en.wikipedia.org/wiki/Poundland#1990%E2%80%931999: Formation and early history-Wiki](https://en.wikipedia.org/wiki/Poundland#1990%E2%80%931999:_Formation_and_early_history-Wiki)



Covid-19 recession- how can a supermarket cope?

- We are in a recession due to the pandemic. A supermarket can attempt to increase by:
- Selling takeout meals, many people still don't want to cook their own
- (At start of pandemic) Sell stuff cheaply but buy in bulk, with stockpiling, you can be quite sure you'll sell
- Deliveries, self-isolating people with no one to shop for them can still shop at your supermarket
- Add safety precautions so the confidence of the shoppers is higher



Thank you for
listening