



10 DOWNING STREET

THE PRIME MINISTER

20 March 1986

Dear Derek,

Many thanks for your letter of 14 March and the enclosed summary of the points you will be putting to the BIM Seminar on 1 May.

Your note certainly makes a powerful case for the policy which you and your colleagues have developed at Marks and Spencer and which has served it so well. I take the point, which of course you put to our meeting in January, that campaigns to promote British products need to be developed carefully to ensure that efforts are not duplicated and that their impact is not counter-productive, particularly in overseas markets.

I know my office are in touch with yours, and I very much hope you will be able to join us for lunch at Chequers on 11 May. I look forward to discussing your letter with you then.

Yours sincerely

Rayner Shaker

The Lord Rayner

810
Telegrams: Marsponca London
Telex No.: 267141
Telephone: 01-935 4422

Michael House,
Baker Street,
London, W1A 1DN.

from The Lord Rayner
14th March 1986

John Paine Minister.

When we spoke briefly following the Seminar "Better Made in Britain", I expressed the hope that I could have a short discussion with you. In fact, you raised one of the issues I had in mind when you spoke of the departure from government service of previous members of my Unit. In addition, I have knowledge of other outstanding people who have left. I believe their loss to government service is a matter of concern and I have some suggestions to make.

I also wish to express a view about the considerable amount of activity being generated by various groups with the object of promoting British merchandise in England. As you know, it is and remains the policy of this company to source 90% of its purchases in this country, as we believe this is the optimum level if we and our manufacturers are to maintain contacts with centres of excellence abroad.

Where the development of production abroad has become substantial, we have also been instrumental in persuading overseas manufacturers to set up production in this country for us. For example, two Israeli companies and our major Danish food supplier. Where we do import goods, this is usually through a British manufacturer so that he gains knowledge of the international market place. As a result of this policy, we sold last year additional goods made in Britain approaching £½ billion.

We have been equally active in promoting exports and as a result have increased sales last year to over £100 million. We shall be developing further our business abroad, but like other companies with strong international connections, we have to watch that we do not appear to be chauvinistic if we are to maintain the quality of overseas staff which we need to run our business abroad.

/I recounted briefly

I recounted briefly at the Seminar an early experience with our French staff who had happily handled and promoted over 85% of what they sold with Made in Britain labels. However, when we promoted here the importance of British Products for British Jobs, in spite of instructions to manufacturers to omit the tickets on our goods with overseas destinations, inevitably a number of deliveries were made to our businesses and customers abroad carrying labels which our staff there found unacceptable.

A further problem arises in the amount of time a business can devote to external activities. We are active through our own contacts in promoting the strengths of British industry. For example, I and four members of the Board are giving a lunch followed by a Seminar here for 20 senior people in industry in May. We believe that this direct approach is the most effective way of encouraging others.

I hope, therefore, you will understand that my colleagues and I are somewhat concerned with the activity which is trying to promote a national corporate image when we are firmly committed to the philosophy of encouraging British private enterprise, with government help only where appropriate, as the most effective way of selling goods Made in Britain.

I am leaving today for a three week overseas visit, but I would be grateful if your staff could arrange with my secretary for a brief meeting.

If you can find the time I attach a brief synopsis of a speech I shall be giving to the conference in May.

Mr Rt Hon Margaret Thatcher MP
10 Downing Street
LONDON SW1

*Yours sincerely
Joseph Howe*

THE STRENGTH OF BRITISH INDUSTRY - A RETAILER'S VIEW

MAIN THEME

Provided with the appropriate support, we have found British Industry capable of competing successfully in the world market place. Marks and Spencer sees its relationships with British suppliers as partnerships, some of which go back for nearly a century, and there is ample evidence of joint success.

OUTLINE

Introduction

- Will concentrate on the industries with which we are most familiar: Textiles and garment making, Footwear and Foods.
- Will draw lessons out that apply to industry at large.
- Will concentrate on the ingredients necessary for success between the customer and producer (M&S and suppliers), which should be sought by all British industrialists.

Intrinsic strengths of British Industry

- Inventiveness and innovation.
- High quality and specifications.

Traditional weaknesses

- High labour costs and poor productivity.
- Old fashioned management.

The M & S policy

- Commitment to supporting British Industry for sound commercial, not patriotic reasons.
- Recognition of the importance, economic and social, of strong manufacturing industry, associated with us.
- Recognition that for success, suppliers must be able to make what our customers want to buy (Design, quality and value).
- Recognition that both ourselves and suppliers are mutually dependant for success - a partnership.

continued.....

Ingredients for a successful partnership

- Effective communication to ensure that each other's strategic objectives are mutually understood and compatible. (eg Suppliers' Conference this year, explaining our direction; communication on computer link-ups; distribution systems).
- Joint commitment to long-term growth which should enable the suppliers to devote with confidence, funds for capital investment (eg the many new factory and plant openings attended recently - quote figures from "suppliers' investment" papers).
- Acceptance that both we and suppliers have to make a living: (whilst we can only change what the market will bear, and pressure on margins will be inevitable at times, we cannot exploit a supplier if we want a long term relationship. (eg Corah's cotton dress).
- Honesty in personal relationships at all levels, even when things go wrong (eg Vol-au-vents).
- Sharing of resources: Managerial, technical and development. (eg development of chilled foods, recipe dishes; new development areas such as footwear, lighting).
- Joint awareness of developments in both the retailing/design scene and mechanical/technical fields on a worldwide basis (eg Japanese fabric and packaging technology, Far Eastern manufacturing capabilities, operational advances in retailing techniques in the USA).
- Joint willingness to seek out and learn from centres of excellence. (eg Amsterdam - horticulture)

Profiles of successful suppliers

- "Good" management, aggressive marketing/sales, investment in plant, technology and design, competitive pricing, innovative ideas. (eg Northern Foods, Tinsley; Peter Black, Fiona; Gent, Ramar and Dewhirst).

continued.....

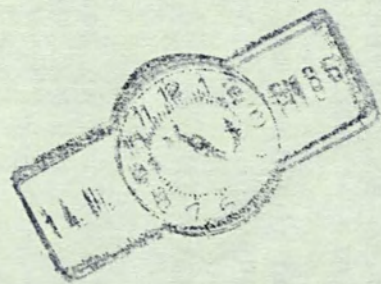
Difficulties experienced

- Some inertia initially eg the need to source footwear from abroad to goad UK suppliers into action.
- Shortages in calibre management and the lack of dialogue between education and industry.
- Relatively poor rewards in certain traditional industries.
- Some over-dependence on M&S to give a lead in terms of innovation and development.

The outcome

- Salvation of UK clothing business (jobs and technology). Rise even in exports.
- Increasing importance of UK for design and shopping.
- Success for those suppliers responding well.

A suitably amended message will be given to a conference of 400 suppliers on 28th May 1986.



Carole.

PRIME MINISTER

May? not ok.
The diary probably full (JG).
St to report back however.

This letter from Lord Rayner seeks a short meeting with you to talk about

- (i) the exodus of good people from the Civil Service; and
- (ii) campaigns like "Better Made in Britain".

Lord Rayner's main worry seems to be that the "Better Made in Britain" label will be counter-productive, a point he made at the meeting.

We could at a diary meeting try and find a slot for Lord Rayner to see you. You are however giving a dinner for Lord Sieff to discuss the "Sourcing in Britain" idea, and I suspect that Lord Rayner's letter reflects a certain amount of competition between the M&S line and Sir Basil Feldman.

Would you like us to find a time for a meeting, or prefer to leave this discussion for the dinner (which is however some -29 September way off)?

Mark Addison

(Mark Addison)

Would he like to come
to the lunch next Sunday
at the house?
mt

14 March 1986

11 May -