

M&S cuts prices by average of 24%

Marks & Spencer has cut prices in London and the regions by an average of 24%, according to research from a City investment bank.

Dresdner Kleinwort Wasserstein said: "In spite of the snow in the UK, it still feels very early to be cutting prices of spring merchandise." Stuart Rose, head of M&S, said last year its prices were too high. "We are bringing in ranges at new price points to compete against mid-market retailers like Next," said M&S.

Next is one of M&S's biggest competitors and the move may force it to lower prices. DrKW said the cuts are either to clear stock or could indicate a longer term "step change in pricing in certain areas" at M&S. "Either way, this cannot be good news for M&S' margin," it added. "We have brought in quite a lot of new clothing at new price points as part of Stuart Rose's strategy of quality, style -and price," said the M&S spokesman. Many analysts believe February is proving to be a difficult month for retailers and British Retail Consortium figures, due in a few weeks, are expected to reflect the tough trading environment. Separately, investment bank Goldman Sachs produced research showing that a basket of 35 M&S goods is now 11% above the high-street average, compared with 43% higher last year.

It has been a strange week for M&S, which on Tuesday received a statement from Philip Green, the billionaire Bhs owner, confirming he was not rebidding for the company. This was followed the same day by Mark Paulsmeier, a South African financier, issuing a press release saying his Paulsmeier Group was interested in M&S. A sudden spike in M&S's share price followed. However, an M&S spokesman said on Sunday it had no evidence that Mr Paulsmeier had lined up sufficient finance for a bid. He also said the Takeover Panel and the UK's financial watchdog the Financial Services

Authority had been in touch with M&S at the beginning of the week to find out what it knew about the Paulsmeier developments.