

A new asda on the local grocery spar marketing essay



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In retail grocery industry bitter competition is present since last four decades mainly between modern and traditional retailer i. e. Supermarkets and Local groceries.

So, in this study we will analyse and measure the impact of opening of New Supermarket (ASDA) on Local Grocery (SPAR) at Leith.

During the last three decades UK has been transformed with innumerable small businesses to a supermarket culture dominated by handful of large retailers. Supermarkets wield immense power over the way UK market is growing. They are shaping our environment, our health and the way we interact socially. These changes have gone unchallenged because consumers have been sucked into superstore lifestyles, persuaded that the opportunity to select from variety of items i. e. cheaper to expensive, branded to non-branded. Various Superstores because of bitter competition from rivals run price cuts which at the end of the day benefits the customers. The supermarkets at moment comprises of 75. 3% of the grocery market share.

A local grocer is a small store or shop that sells day to day items such as candy, ice-cream, soft drinks, lottery tickets, cigarettes and other tobacco products, newspapers and magazines, along with a selection of processed food and perhaps some groceries. In UK convenience grocers are referred as newsagent, Off-License. The Local grocers have limited resources to deliver all what the customer demands for. The local market share as a whole including all the independent and symbol stores consist of only 4. 2% which

as compared to Jan 2006 had decreased from 7.41% of the market share (FALL of 3.21%).

INDUSTRY BACKGROUND

A term which is used for a form of franchise in the retail sector is known as symbol group. They do not own or operate stores, but act as suppliers to independent grocers and small supermarkets and produce stores which then trade under a common banner. Rather than by actively developing new outlets they have expanded primarily by selling their services to existing stores. SPAR is a well-known symbol group with stores in many countries.

SPAR was founded in Netherland in 1932. SPAR is the world's largest international food retail chain with nearly 16,000 stores, with a turnover in excess of £2.7 billion. The SPAR at Leith has been in business since last 4 years. SPAR at LEITH currently has 11 employees in which 7 are full time and 4 are part time.

ASDA was founded in 1965 by group of farmers from Yorkshire. It is the 2nd largest food retail in UK market after Tesco and has 17.10% of the market share. On 26 July 1999 ASDA was bought by an American Company WALMART for £6.7 billion. There are 346 ASDA store all over the UK. In respect to this ASDA has opened another new branch at Leith on 7th December 2008. So ASDA has been in business at Leith since last one year.

OBJECTIVES

To complete any research every topic should have some set objectives which explains the idea, purpose of choosing the topic. So, in regards to this I had

selected some objectives for my above topic which will help to extract the best information.

Evaluate the consumer Trends towards the new Supermarket ASDA.

To find out the perception of local customers about the introduction of ASDA at Leith.

Assess the extent to which ASDA opening have impacted on local SPAR (local Grocer).

To measure the effect of ASDA on the shopping pattern of customers.

To measure the business performance of Spar over the period notably on turnover, profit.

Calculate the economical impact of ASDA on SPAR.

These objectives will provide the basis of understanding the existing retail structure at Leith in terms of convenience stores and supermarket. Because in the past ten years the large supermarket operators have gained an ever increasing market share of the convenience sector at the expense of local and independent convenience retailers. A clear picture is emerging of a network of large dominant superstores, and a corresponding decline in the traditional smaller retailing sector.

The presence of large superstores in towns and cities e. g. across Edinburgh has caused the number of smaller grocers and food specialists including

greengrocers, newsagents, butchers and fishmongers in decline. In the last six years more than 1, 600 of these specialist shops closed across Scotland.

SWOT ANALYSIS

It is a strategic planning method to evaluate the strength, weaknesses, opportunities and threats involved in a business. Every organization has to undergo this kind of strategic planning to evaluate and evolve better business techniques.

As studied during my HND Course different techniques, theories about businesses the SWOT analysis has been always most important to understand behaviour, performance, trends, and market position or structure of the businesses e. g. Spar and ASDA. So, for better report building it is very important that I should carry out the SWOT analysis which in return will allow meeting the objectives of my report and will help me in writing the recommendation.

SWOT FOR SPAR:

Strengths:

One of the largest independent retailers in UK market.

The local SPAR has better bargains on daily usage products e. g. Bread, Milk, Butter, Vegetables, as compare to other local grocers and ASDA.

Offer different range of services which are not available at ASDA e. g. Pay Point

Strong management team with better staff relation and working conditions.

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Local SPAR has a strong team of trained 7 full time and 4 part time employees.

Better relation of employees with local community of being in business since last 4 years.

(Strengths Extracted from Appendix 2)

Actions: The Manager of Spar told me “ after looking at some of the strengths, we as a team of trained staff has worked hard on these strengths and developed better strategies for providing customers the ultimate experience of shopping while making them realize Spar works as a community store which understands the needs of customers e. g. more training is held for staff and courses are conducted at head office, extra promotions are given on daily products”.

Weaknesses:

Lack of promotions and advertising by SPAR.

Average size of SPAR at Leith is small as compare to its rival ASDA.

Lack of space for stock to put up has caused different products to be placed on different corners or floor which gives a weak layout to the store.

Fewer varieties of products are available than ASDA.

Lack of parking spaces for SPAR can cause Inconvenience for customers.

Limited sources of investment.

Less buying power of goods as wholesale.

(Weaknesses Extracted from Appendix 1 & 2)

Actions: The manager of Spar has discussed the weaknesses and she says “ As being a manager I am always trying to keep the store an easy access for shopping better than ASDA. Also as the delivery comes in morning two of member of staff are there to sort out the delivery and during the day i always check it out the parking spaces to allow only the spar customers to use the available spaces”.

Opportunities:

Expand as an organized supermarket.

Introduction of Home delivery for the customers.

Working with the local community, SPAR can change the image of being as retailer to community builder.

Technological changes e. g. automatic doors, fast pay.

(Opportunities Extracted from Appendix 2)

Actions: As Spar have very few opportunities but still the Manager thinks if they really work on these and some others can bring about a big change which will help to boost the sales. She Says “ I have spoken to head office for the home delivery and loyalty card services and she is positive to have it as early as possible”.

Threats:

Aggressive competition strategy by ASDA.

Opening of new ASDA within 1 mile radius.

Economic uncertainty in global market.

There are certain Safety issues for SPAR, because of being in a rough area which is usually affected by Local gangs.

Other local shops in the same locality offering the same products.

(Threats Extracted from Appendix 1)

Actions: The Spar has serious concerns on the threats and is trying to resolve the issues by introducing new products and techniques different than what the local groceries and ASDA is providing in same area e. g. discount cards, pay point etc. Also the Manager of Spar is looking deeply in to the strengths and working hard with the staff to produce an image of community service provider.

SWOT FOR ASDA:

Strengths:

One of the largest stores in an area.

Offer comprehensive range of different product and services from households to clothing.

Strong management team e. g. Line manager, Customer services manager.

Strong financial performance of ASDA since its opening.

ASDA products and services are comparatively more in variety, beautifully displayed.

346 free car park for customers.

Customers get everything in one place.

Frequently new offers on food and non-food items.

Customers can enjoy cafeteria services where they can have hot meals and drinks.

(Strengths Extracted from ASDA. com See Bibliography)

Weaknesses:

There is a lack of interaction with costumers because of huge numbers coming in every day as compare to SPAR where they know customers personally.

Pay point service is not available for costumers.

Lack of relationship building with communities.

Bigger area of shopping makes it difficult for older and disable to locate the products.

(Weaknesses Extracted from Appendix 1)

Opportunities:

Introduction of online ordering and delivering the products to consumer homes.

Due to recession customers tend towards cheaper and bulk buying shopping and ASDA has a policy of cutting prices every day.

Technological changes e. g. availability and checking of stock through computers.

More environmentally friendly will help to build up good moral relation with community.

Introduction of pharmacy can help to attract old age customers.

(Opportunities Extracted from Appendix 1)

Threats:

Greater number of staff for Leith ASDA can affect the individual motivation in a way that less attention is given to each employee.

Fears on the government imposed new policies of price setting and taxation rules e. g. Alcohol selling durations. These and others can cause the drop of annual revenue.

Enquiries made by OFT relating new ASDA? Issues regarding effect on the local grocers?

Economic uncertainty in global market.

Issues regarding 24 hours opening time i. e. troubles made by local gangs, less access of customers at night.

Survey out at Leith ASDA show that nearest Morrison is affecting ASDA business.

(Threats Extracted from Appendix 1)

PEST ANALYSIS:

It is the tool used for making strategies for organisations helping them to understand the external environment in which they are operating today and in future.

The introduction of PEST analysis will define the business development and decision making for both the stores e. g. Spar and ASDA. In regards to my report it will help me in gaining my objectives successfully by encouraging the proactive thinking.

Political Effect:

Planning restrictions may directly or indirectly impede competition (OFT, 2006). They may also limit the scope for profitable restructuring and efficient expansion by existing operators. Given the relationship between productivity and store size, this is potentially significant. This has led ASDA to change the planning of this new building and was not allowed to exceed building size like ASDA at Jewel and was allowed with limited car park, and more environmental friendly techniques of garbage, and pollution handling.

The office of fair trading OFT noted that “ consumers have benefited in recent years from falling prices, an increase in product range within stores, and an apparent improvement in service” (OFT, 2006). However, it identified features of the market that have the potential to harm consumers, including:

- Aspects of the planning system and landholding which may restrict competition between supermarkets in a locality;
- It has been seen in recent years that Supermarket like ASDA have been investing in localities like Leith in buying the local properties which may limit retailers choice because of increase market rates. This may stop the chances of expansion of independent retailers like SPAR.

Technological Effect:

Latest technology has allowed retailers for further development in logistics distribution, warehousing and purchasing. Larger retailers have come to organise wholesale and logistic systems themselves and influence supply chains. Wholesale markets have declined, in turn narrowing the supply base for independent retailers. 1. 5 million Households now make use of internet shopping for groceries. Here again is an area in which independents are less able to compete because SPAR do not have websites from where they can take the order and supply the customers at their home in contrast to ASDA which has this facility of internet shopping.

Demand and technological trends have reinforced each other. ASDA with wider product ranges have encouraged consumers to make larger, less frequent shops. Technological improvements (i. e. stock control; checkout scanning; fresh produce; longer shelf-lives) have further reduced costs and

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attracted consumers. Loyalty card schemes have given retailers new insight into consumer preferences and enabled them to get more involved in product development. According to the manager of SPAR “ the idea of loyalty scheme has been taken for the future consideration, as ASDA does not promote this kind of scheme”. (See Appendix 1)

To add other features local SPAR is looking to provide the customers with the facility of self-checkout which may help the customers to avoid ques.

Socio- Economic Factors:

Past purchase experiences can influence the store choice of consumers which are further affected by these Socio-economic factors such as income, geography, personality, age, etc. According to Economic survey (2009) Edinburgh has the highest Gross Domestic Product (GDP) per capita of any UK city outside London and is predicted to continue outperforming most of the UK with growth of 3. 3% a year until 2010.

Social-classes would be another aspect affecting the consumer behaviour. This refers to national status hierarchy by which groups and individuals are distinguished in terms of self-esteem and prestige (Consumer Behaviour & Market Strategy 2005 p. 339). Moreover the survey conducted (Appendix 1) shows that elderly people are less price conscious in comparison to youngsters. This implies that aspects such-as convenience and familiarity of corner-shops will be of greater importance than savings made at supermarket. Supermarkets to some extent do not interest seniors. Instead, shopping at ASDA is considered as leisure activity (because of Café and food)

and hence is expected to be on entertainment value or experimental shopping where a customer can enjoy variety of services.

This retail revolution has been underpinned by socio-economic trends on the demand side:

- Busy consumer lifestyles, with rising incomes;
- An increase in household numbers and women working;
- Wider car ownership and the falling cost of car travel;
- Wider ownership of fridge freezers.

Figure 1. 1 the Consolidation of the UK Grocery Market, by Value Market Share

Above chart explain the effect of Supermarkets on independent retailers and Co-ops; SPAR has been under the same influence because of opening of ASDA at Leith. The Manager of SPAR told me the economic effect on their business while conducting an interview that " most of the local shops has been shut due to the sharp decrease in sales and few are looking to relocate the businesses as ASDA had a severe effect on their income". In regards to SPAR she mentioned that " our business has been seriously hit with the same factor. The sale of our store has been down in first 6 months to 55% but recently the existing customers came back and sales increase to 70% but as a whole the individual sales of some of the products have been declined a lot". (See Appendix 1)

Spar Manager also defines the opening of ASDA as a “blow for their turnover” because of which she has to cut some of the working hours of staff to help cut the expenses. (Appendix 1)

Environmental and Atmospheric Effect:

Kotler (1973) suggests atmospherics as an important aspect for retailers.

Most shoppers find multiple motives in a single trip to stores which may include socializing or browsing refer to as experimental shopping, not necessarily purchasing according to which atmospherics and entertainment aspects should be focused upon. In spite of this trend less significance has been paid to the shopping motivations in local grocers.

Staff-attitude, queue-lengths, etc. influence consumer store choice pattern. Hence, tangible and intangible factors such as staff-attitude, location and ambiance are vital for consumer appreciation. In comparison of SPAR to ASDA the latter has an advantage in terms of space, ambiance and other physical characteristics, creating a better environment to attract more customers. In addition, services such as coffee-shops and restaurants are also offered at ASDA. Convenience, friendship is the key basis of choosing a store for consumers which is best provided by SPAR because of being small in size and old in business.

As studied in HND Business (managing people organisation) about Hygiene factors described by Herzberg in his theory are the key considerations for both Spar and ASDA to keep their staff motivated which is best found in Spar as being small grocer more attention is being paid by management to the issues and concerns of their employees, While gathering the information for

my project I found that in Spar the staff relationship between members, their interest in the job, and responsibility of task is better as compared to ASDA because it is easier to motivate each and every employee being smaller in size. (See SWOT Pg. 5-7).

Research Findings and Analysis:

To conduct the research I have chosen to carry out a survey outside ASDA to know the trends, behaviours, attitudes of costumers on the opening of new Supermarket in Leith area all this data being gathered survey attached as an Appendix 1. Regards to this I also conducted an interview with the Store Manager of SPAR to know her views regarding the effect of ASDA on their sales and how the business is behaving the results of this interview has being added as findings and questionnaire as an Appendix 2. So, 99 respondents are there for this survey on which my findings are based.

GENDER

Male

Female

Table 1. 1

The conducted questionnaire (Appendix 2) outside ASDA and an interview held with Spar Manager (Appendix 1) will discuss and explain the objectives of my topic. So the below findings has been extracted from the Appendixes.

The Fig 1. 2 Show that 50% of customers take grocery shopping as an essential part of their life and 29% do it as a recreational duty where they can enjoy away from home. On the other hand Spar Manger says that “ 80%

of customers who shop in Spar do come for essential products like milk, bread etc.” (See Appendix 1)

Fig 1. 2

ASDA to greater extent has affected almost half of the population of Leith where customers can do shopping of their most essential products rather than going to other convenient stores e. g. Spar. That’s show the big drift in the shopping pattern of customers who previously using the local stores like Spar.

The Fig 1. 3 below shows us that Leith ASDA has affected shopping patterns of customers e. g. Almost half of the shoppers are being attracted by services offered by ASDA i. e. restaurant or Café which allow customers to socialize while saving time and extra money spend in expensive restaurants.

The results of survey conducted (fig 1. 3) has provided with an important information that customers are more interested for shopping in places where variety of product and services are present, which not only help to cut cost of shopping and also allow them to carry out the essential part of activity e. g. Grocery Shopping (fig 1. 2 results show us grocery at ASDA is an essential part of life) in way which is most liked by the customers.

Fig 1. 3 Introduction of Recreational facilities at ASDA

The table 1. 2 suggest that almost 60% of customers are more likely attracted due to lower prices. Hence, value added services are important but the key factor is price.

Lower prices are influence in my store choice and purchase Opinion of Respondent Male/Female

Frequency

Strongly Agree

15

Agree

40

Neither Agree or Disagree

24

Disagree

14

Strongly Disagree

6

Table 1. 2

The table 1. 3 findings are different from table 1. 2 because some customers give priority on convenience than price e. g. Old age customers who cannot walk to ASDA or the existing customers which have been shopping in SPAR since last 4 years and are impressed with the service.

But some customer's i. e. young girls and boys were willing to travel longer distances for the sake of price or because of lack of availability of products in <https://assignbuster.com/a-new-asda-on-the-local-grocery-spar-marketing-essay/>

SPAR. The presence of ASDA at Leith is getting popular because people living at Leith have better variety of alternative.

Some families chose to shop in ASDA because being spacious, having fewer queues better availability of variety of products, and the prices are cheap as compared to other stores. E. g. a respondent " I like to do shopping from ASDA because its cheap and own brand products are of good quality". This quote clearly explains the effect ASDA have on individuals as they aspire to improve their standard of living by utilizing new services and form positive beliefs and attitudes towards a better life.

Convenience for me has more important over price in most aspects

Opinion of Respondent Male/Female

Frequency

Strongly Agree

15

Agree

40

Neither Agree or Disagree

24

Disagree

14

Strongly Disagree

6

Table 1. 3

The table 1. 4 shows that 92% of the customers use the opinion of others to make their own decision. This reveals the amount of trust society has developed amongst each other. This is because of high uncertainty that people find it hard to adapt to new trends.

Fig 1. 4

The results of above graph show us that the opening of ASDA has widely affected the shopping pattern of customers at Leith. Now customers tend to do weekly shopping rather than on daily basis. This shows a big change in way people behave at Leith.

I would like to try a new store if recommended by family/friends

Opinion of Respondent Male/female

Frequency

Strongly Agree

15

Agree

40

Neither Agree or Disagree

24

Disagree

14

Strongly Disagree

6

Table 1. 4

The results of above table is being supported by 50% of people which would not like to give us the traditional SPAR even if ASDA is more beneficial e. g. One customers says “ there is definitely a catch behind the low pricing, because how can they sell cheap stuff and still provide same quality?”. The doubts are clear by the comment of customers. However, these attitudes are not formed by majority of the respondents as other comments show appreciation and understanding towards the significance of ASDA in their area of Leith.

The Fig 1. 5 gives us the clear results that 15% of the customers in Leith area will shop in SPAR because of the personal relationships with the employees as being the oldest grocery shop stated by SPAR Manager “ Whenever my staff is working on the floor we specially care about the existing customers and give them extra time and treatment”. 54% of customers are attracted towards ASDA because of providing their customers with the services of home delivery and also the convenience of supermarket close to their homes.

Fig 1. 5

Fig 1. 6 demonstrates the perception of customers on the opening of new ASDA at Leith. Out of 99 respondents 65 of Customers has realized it will affect the local business. Again majority of customers 80 of them will be shopping from ASDA for price factors. Most of the customer's surveyed (80) welcome the opening of ASDA at Leith because they think it will create a competition which will benefit own self in terms of price, quality, and better services. (Appendix 2)

Fig 1. 6

CONCLUSION:

Evaluate the consumer Trends towards the new Supermarket ASDA. ASDA had changed the lifestyle to a great extent. This is an emerging trend and it is too early to determine its performance. Contrarily, popularity as a whole has increased leading to an increase in market-share. After much discussion (Research Finding & Analysis Pg. 13-17) it can be said that Consumers are manipulating retailers, using both services to their own advantage. Hence, there is no-set trend that follows one type of shopping.

To find out the perception of local customers about the introduction of ASDA at Leith It was found that (Appendix 2) consumer perception, attitude-and-behaviour changed in different demographics. Variation in perception of youngsters and elders is likely to determine the success of ASDA as both groups have different needs. But in the long run youngsters are likely to be the main drivers of this sector as their convenience and behavioural patterns correlate with the services offered by ASDA.

Most response gathered in relation to ASDA was positive 80 of the respondent were happy to have ASDA at Leith. While they also realized it would affect other local businesses. But as a whole customers welcome the new terms of shopping pattern at Leith. Analysis from the findings works as an evidence in support of these arguments. (Fig 1. 5)

Assess the extent to which ASDA opening have impacted on local SPAR (local Grocer) Spar is run efficiently e. g. it has effective cost control measures and hence has lower costs in many of the products like Bread and milk. It also offers consumers a range of attractive services alongside a basic range of groceries e. g. Pay point and are planning to introduce Loyalty Scheme cards. But because of the unequal buying power, better availability of more products, large space area for shopping, and 346 parking spaces negatively impacted on Spar, makes it difficult for Spar to compete with ASDA. (SWOT Analysis Pg. 5-7)

To measure the effect of ASDA on the shopping pattern of customers Consumer market at Leith is changing, as people are beginning to spend more money they expect maximum level of service-standard in return (as information is gathered through the survey made at Leith). The changing habits of customers at Leith have paved way for many corporations towards the launch of supermarkets like Morrison at Granton and ASDA at Leith.

The graph 1. 4 also explains the drift in the shopping pattern of customers at Leith. 63 out of 99 people surveyed have been affected by opening of ASDA. In a way that people tend more towards bulk buying.

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To measure the business performance of Spar over the period notably on turnover, profit According to the Manager of Spar “ the future of Spar is bright and her team will be keep working hard to benefit the community and show better results in all aspects of our business. We will push hard to get the maximum out of less by changing the strategies of management, training the staff, providing best of services we can. This will help to get the revenue figures back what we lost after the opening of ASDA. The increase in sales and profits during last 3 months show that customers are returning back to their local grocer Spar”.

Calculate the economic impact of ASDA on SPAR The retail market at Leith is being swept away by ASDA and the small stores are caught in the wave like SPAR. This is likely to increase competition which would improve services. As a result of this consumers will benefit from the improved services. Local grocer Spar however has been adversely affected by ASDA because of lack of financial strength and political power. Presently massive investments are being made by ASDA for the development of Leith area while providing a platform for a stronger economy and increasing the potential to generate greater amount of money. In the long run if consumers spend more the ASDA sales are likely to rise and it will cause the revenues of Spar to fall down sharply as more people will shop at ASDA.

RECOMMENDATIONS:

Government intervention is required to promote healthy competition. Hence, to overcome severe situations of destroying the local businesses

supermarkets should be restricted to a certain area. E. g. only one

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supermarket in the radius of 15-20 miles. This would save jobs and at the same time small-shop-traders may continue their businesses in local/smaller high-streets.

By introducing online-selling Spar will be able to targets various customers e. g. old age, cash rich, youngster, and time poor customers which will help to generate more revenues. As internet usage has become more popular. 1. 5 million Households now make use of internet shopping for groceries.

The loss of local, independent shops e. g. Spar can cause serious problems in terms of access to food, particularly for people on lower incomes or those who don't have the use of a car. A recent survey (Appendix 1) of shopping habits found that there is a strong bias towards use of SPAR in multi-ethnic and low-income areas (Leith). It also found that people in these locations were more likely to use local shops for their main shopping. So if local shops close down, the effects are more likely to be felt by those who may already struggle to get their food each week.

Spar has better advantage over ASDA in terms of being oldest in an area of Leith, has better terms with customers. These and others factors can be used by Spar to develop new planning and strategies in attracting the existing or new customers e. g. introduction of loyalty scheme, carrying out a survey on their product and services.

As studied in HND business (behaviour Skills) using a Fayol theory can bring a major difference in the overall performance of Spar i. e. with the help of strong management team Spar can help to improve the staff training, plan ahead of the promotions, advertisement in the store can be made better, <https://assignbuster.com/a-new-asda-on-the-local-grocery-spar-marketing-essay/>

effectively organising the time. Usage of the appropriate management tool will allow Spar to attract the existing customers in an organised method.

In order to be successful business Spar should apply S. M. A. R. T (Specific, measurable, achievable, realistic and time based). Processes of defining work within company for instance, what are the specific requirements of Customers at Leith? Whether they want reduction in price or payment option by card, it should be achievable whether it affects