

# Tesco and asda

Business, Marketing



In this assignment I am going to examine two well known supermarkets of UK, which are operating within the similar business environment, and yet, adapting very different strategies. This assignment will critically highlight possible reasons behind this, by looking at Michael Porter's SWOT analysis. Supermarket history and industry background " A supermarket is a self-service grocery outlet that sells food, beverages and other goods. They are located on urban high streets or in shopping malls, covering an area of between 4, 000 - 25, 000 square ft. They are located on urban high streets or in shopping malls. Over the last 10-15 years, many have developed branches in out-of-town or edge-of-town locations." (Corporate Watch, 2007)

The starting point of the UK supermarket industry dates back to the 1850s. About 40 years on multiple food stores later accounted for around 50. 0 per cent of all multiple stores. Their growth can somewhat be explained through the increased style in marketing themselves and their products through visually impressive displays, also the development of national brands and direct advertising to consumers.

After the launch of big chain stores all around the UK, followed very fast on the heels of earlier US progress. At the first place, it was been resulted by mergers between grocery firms and home & colonial stores in 1920s moving towards to more than 3, 000 branches. Which has been slow down in rapid growth during Second World War, when supermarket industry growth with the new addition of self service and economies of scale. (Economics. Network, 2007)

From the low hundreds in the 1950s to 4500, which become 7144 stores by 1998/99. (Competition Commission, 2000) The structure of industry had also been changed by the slow but sure shift from a market which is local dominance to national dominance. In 1998/99 the market Share of the top four giant supermarkets which are Tesco, Asda, Sainsbury, and Morrison was 71. 3%. At the period of time the leading supermarkets were in a position where they can apply a significant power in their purchase of goods and services. And by easy access to related information and sources general consumer perception was gained too.

In 2006 the UK supermarket industry is somehow different then it was in 2000. There was remarkable acquisition of Safeway by Morrison took place in 2005. This did not change the much of industry structure in 2006, when market share of four was at 74. 7%.(TNS, Evening Standard, 17 January 2006) In early 2007 the market was estimated of worth 123 billion and relative to 2000, supermarket sales increased by 20% while sales from specialist stores like green grocers and butchers has been increased only by 1%.(Evening Standard, 23 January 2007) Today " Every Little Helps", " More for you, for less", & " Try something new today", slogans which are unlikely that any of UK citizen could be unaware of it, as they represent the leading UK supermarkets.

Let's have a look at the market share of " four big" which are ruling over the UK supermarket industry. As we can see in above description, the environment is being more and more diversified day by day as competition raises amongst the supermarket for being superior. To remain competitive in

the current market environment and to fight against rivalry organisations has to take the steps in the forms of " strategies".

To look at how organisations survive and maintain to fight against the circumstance of diversion in environment by applying different strategies. Let's take the example of TESCO and ASDA, which are being the first most racers and as said by many as SUPERPOWERS of the industry in UK, as the table above show. The reasons to select these two supermarkets to illustrate the idea of the assignment are (a) that they both operate in similar business environment and (b) despite this they have very different strategies. Now let's have a look at each of them in turn in terms of background.

#### OVERVIEW OF TESCO

One of the world's largest international retailer and being the UK's largest supermarket industry since 1999 by currently acquiring 31. 5% of market share Tesco has its roots deep down in UK food and retail market. The group has expanded into different formats, markets and sectors, since the company first used the trading name of Tesco. And having 1, 988 numbers of stores all around UK spread over 27. 8 million sq ft of area, with a plan to open 142 new stores including acquisitions in 2007/2008. Tesco PLC is listed on the London Stock Exchange with the ticker symbol TSCO. (Tesco plc, 19 November 2007) Tesco is the biggest private sector employer with over 260, 000 employees and over 1, 900 stores, gains nearly 80% of group sales and profits from the UK business. (Tesco plc, 19 November 2007)