

Swot analysis of the asda store commerce essay



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The aim of a SWOT analysis is to identify the extent to which the current strategy of a company and its specific strengths and weaknesses are relevant to, and capable of, dealing with the changes taking place in the business environment. It can also be used to assess whether there are opportunities to exploit further the unique resources of the organization.

It should also be remembered a SWOT is only a snapshot of a specific point in time. Given the dynamic nature of the modern business world, organizations need to continuously monitor their strategic position to ensure that their long-term strategies and operational procedures remain relevant to the needs of the market.

ASDA – Internal Strengths

Financial Resources and Economies of Scale

ASDA was founded in 1965 by a group of farmers from Yorkshire. Since that time the company has undergone many changes. In the early 1990s the company was in financial difficulty but was rescued by the leadership of Archie Norman.

From this point onwards the company flourished and was eventually bought by the US giant Wal-Mart in 1999. Wal-Mart is one of the largest companies in the world with huge sales revenue (\$316 billion). This provides ASDA with two internal strengths:

Financial Resources – Should ASDA wish to develop more stores or diversify into a new range of products and services, Wal-Mart could provide the necessary financial resources to fund these new developments. This means

that ASDA would not have to rely upon external providers (e. g. banks etc) to provide the necessary funds for business expansion.

Economies of Scale - Being able to charge lower prices on a consistent basis, is a key factor in terms of securing a substantial share of any market. Give the massive purchasing power Wal-Mart possesses, it is ideally placed to negotiate substantial discounts on a very wide range of products and services. ASDA can take advantage of these discounts.

Diversification

The profit margins on food items tend to be relatively low (e. g. 10 to 20%) when compared with other goods and services. Asda, along with its three main rivals (i. e. Tesco, Sainsbury's and Morrisons) have diversified into other products and services in order to bolster their profitability. ASDA is also involved with financial services, clothing and property development.

Clothing has proved to be its most successful element of its diversification policy. ASDA has its own range of clothing known as George. This is marketed as quality fashion clothing at affordable prices. It is estimated that George is the fourth largest retailer of clothing in the UK, after Marks and Spencers, the Arcadia Group and Next.

Diversification into other products, services and markets provides an internal strength because it protects ASDA's profit base from very intense competitive pressures in the grocery retailing market.

Employee Satisfaction / Environmental Issues

Both of these items are internal strengths for ASDA. In 2001, 2002 and 2003, the company was voted a top 10 UK employer by the Sunday Times Top 100 Employers Survey.

The company recognizes the impact it has on local and global economies. ASDA's long-term aim is to source 100% renewable energy. It is committed to reducing fuel emissions by 80, 000 tonnes by 2007. It has already reached half of this target. It is converting its entire fleet of trucks so that they run on bio diesel.

ASDA – Internal Weaknesses

Being Part of Wal-Mart

Being part of the Wal-Mart group is double-edged. As outlined earlier, ASDA is provided with internal strengths by being a Wal-Mart company. However, in the United States, Wal-Mart has been in receipt of major criticism from a variety of influential sources over a number of issues. These will be discussed in full under external threats. Any form of criticism generates negative press and television reports - ultimately this wave of dissatisfaction could spread to the UK. This would reflect badly on ASDA.

As Wal-Mart is the parent company it can ultimately override any decisions made by the ASDA board of directors. Thus Wal-Mart could force ASDA to introduce new working practices based upon its American operations. These working practices could be totally alien to a UK workforce and possibly prove very difficult to implement.

Employee Dissatisfaction

In 2006 the company was found to be in breach of the UK employment law with regard to trade unions and was fined £850, 000. Also in 2006 there was trouble when some Asian employees working in their distribution centres were asked to produce their passports in order to prove that they were entitled to work in the UK. This action led to claims that ASDA was acting in a racist manner. In 2005, it was revealed that in a survey, carried out by the company that only 1 in 4 of its staff shopped in-store.

ASDA – External Opportunities

External opportunities would be identified by completing a PEST analysis of the company's external environment. Social factors offer ASDA a variety of opportunities to expand upon the range of products and services they currently provide.

Life Trends / Demographics

Despite fluctuations in market and trade cycles over the last 30 years, the average disposable income per head of population in the UK has risen steadily during this period. In addition consumers have become much more sophisticated and demanding. They expect to buy top quality products at affordable prices. Clearly ASDA has managed to satisfy the expectations of its customers with its George range of clothing.

Given that ASDA currently holds 17% of the grocery retail market, being second only to Tesco; it has established a very strong presence and brand awareness within the minds of its customers. It is well placed to take advantage of changes in lifestyle trends and demographics, in terms of its

capability to develop new products and services to meet the rising expectations and needs of its customers.

Consumer Attitudes and Opinions / Consumer Buying Patterns / Advertising and Publicity / Brand, Company, Technology, Image

These areas are closely related to life trends and demographics. As disposable incomes increase, ASDA need to influence consumer attitudes and opinions, and buying patterns, by reinforcing its brand image and customer loyalty, through effective advertising and promotion.

A key aspect of having a large customer base is to encourage cross selling. Thus the company's overall number of customers may remain the same but over time the sales and profitability per head will increase. This will be achieved as ASDA expands the appeal of its products and services to all segments of its customer base.

ASDA's External Threats

The Anti-Wal-Mart Lobby

There is widespread resistance to the further development of new Wal-Mart stores. Why? It is argued that the company undercuts local retailers by having goods made in developing countries (e. g. China and Bangladesh) in sweatshop conditions and then selling them at prices, no one else in the local area can compete with. Ultimately the smaller stores are forced out of business and Wal-Mart gains a monopoly within that area. Wal-Mart also runs anti-union campaigns.

Since taking ASDA over in 1999, Wal-Mart has largely left the UK management team to get on with the running of the company. However, if it attempted to use some of its more aggressive policies in the UK - then, as evidenced by the American experience, this would result in a great deal of damage to ASDA in terms of lost customers and poor publicity.

Office of Fair Trading Investigation

In 2000 an investigation into the domination of the grocery retail market by the four big companies was turned out. Since then, all four companies have adopted aggressive expansion policies. They now control 74% of the market. This time there is a groundswell which suggests supermarkets will not escape regulation. Tough curbs on their ability to expand, or even rules forcing them to sell off stores where they dominate, could be introduced.

Stakeholder Mapping

In order to determine how ASDA should move forward in respect of the findings from the SWOT analysis, it is necessary to construct a stakeholder mapping. This is necessary in order for ASDA to understand the support and opposition it will generate for a planned change.

Opposition

Support

Active Opponents

Passive Opponents

Fence Sitters

Passive Supporters

Active Supporters

High

Office of Fair Trading

ASDA Shareholders

Stakeholder Power

Medium

Anti-

Wal-Mart campaigners in the USA

Various other groupings opposed to new retail developments e. g. local communities, local authorities

ASDA customers

Food manufacturers

Low

Association of Convenience Stores

Other grocery retail customers

Stakeholder Power

Stakeholders all have power, whether it is the formal power invested in a position or authority invested in a social power of being able to persuade others to support or oppose the change. Those with the higher power are going to be ASDA's most useful supporters or most dangerous opponents - thus power analysis will help ASDA to prioritize its focus on its stakeholders.

The Office of Fair Trading (OFT) is a fence-sitter as it must remain impartial. The Association of Convenience Stores is an active opponent. This is because its members are adversely affected when ASDA opens up a new store. The Association has low power because its members cannot compete with the big four retailers in the market place. However, by building an alliance, it is possible for an opponent to move upwards and into the high power box. This is because the Association has requested to the Office of Fair Trading that an investigation should take place.

How Active Opponents With Low Power Can Increase Their Power Status

The anti-Wal-Mart campaigners in the USA are listed because there is nothing to stop the anti-ASDA opponents from forming an alliance with them. Forging alliances between opponents helps to make them stronger because they can exchange ideas etc. Plus several parties, acting as one body provides a stronger focal point in terms of raising media interest and public awareness.

It must be remembered that a stakeholders' mapping is dynamic and the position of the various parties on the map are likely to change depending upon what ASDA decides to do. If the company adopts the same aggressive policies as Wal-Mart in the USA, this will convert passive opponents into more active ones. Also such action could convert passive supporters into passive opponents. ASDA must consider all of its options before proceeding to take action.

A Pre-emptive Strike To Avoid OFT Sanctions

Probably the most effective course of action for ASDA to follow is to sell off some of its grocery retail stores and become more active in diversifying its range of non-food products and services. This would be a proactive approach and could possibly help the company to avoid any sanctions the OFT could impose. If it did pursue a diversification policy it could meet stiff resistance from employees who do not like change.

Management and Leadership Theory

The main reason why employees do not like change is because it causes uncertainty. For example, will I still have a job after the changes are complete? Will I have new responsibilities? And so on. When an organization is faced with massive change it needs to engage with its workforce and explain the situation in full. A variety of forms could be used by ASDA to deliver this message. For example, a newsletter, a series of presentations by members of the senior management team, question and answer sessions etc.

ASDA would need to explain the implications of doing nothing i. e. the OFT would probably force the company to sell off some its stores. Such action will probably result in staff redundancies. By being proactive in terms of expanding its diversification policy - the likelihood is that all of the staff would be redeployed within the company's new non-food retail outlets. Herzberg's Motivators and Hygiene Factors theory could be used to facilitate this change.

The first stage involves hygiene (or maintenance) factors:

Status

Security

Relationship with subordinates

Personal life

Relationship with peers

Salary

Work conditions

Relationship with supervisor

Company policy and administration

Supervision

The employees need to feel secure and confident about the changes that are going to be implemented. These are the hygiene factors which need to be

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addressed. They are merely a launch pad for more developmental work - when these factors are damaged or undermined - no platform for progress exists.

The second stage involves using the following motivators:

Achievement

Recognition

Work itself

Responsibility

Advancement

Personal growth

These items are used to encourage the staff and make them feel positive about the changes that are going to be implemented. In other words the staff should see how they are going to benefit from the new direction the company is pursuing. The process of motivating the staff to embrace change will be improved if they are actively engaged in developing the content and responsibilities that their new position will entail.