

# Strengths and weaknesses of asda ltd marketing essay



## **Introduction**

Asda is second largest supermarket chain in the UK which is taken over by the Wal-Mart and Wal-Mart consider it as a “ model acquisition” and it was also claimed that the organisation is producing the desired result in the competitive market. This reflected by the following opinion of the Times. In accordance with the Times (2005),

“ One of the unintended consequences of the planning rules is that it is unlikely the competitive landscape will be defined by competitive advantage. It is defined by who has got the land. I would not want to be judged as wanting something uncompetitive but there is a fundamental economic point. Maybe someone should be looking at this in terms of market share and customer choice.”( Times, 2005, p 60)

Through this paper the competitive business structure will considered and will also focus on the strategy how Asda can face the changes and response. The responsiveness of the Asda in line with the changed action plan is considered with the competitive nature of the market to ensure the growth and profitability.

## **1. Requirement One**

### **1. 1 Strengths and Weaknesses of ASDA Ltd**

As a second largest supermarket of UK, Asda is operating its business with some strengths and weaknesses which is listed as following diagram.

## **Strengths**

## **Weaknesses**

Sufficient Shareholder

More brands but lower selling of high brand products.

Currently second largest supermarket chain in UK

Asda cannot be compared with TESCO(first biggest supermarket chain)

Provides best value rather money to the retailer

Focus on selling of Asda's product rather the big brand like Nestle, Cadbury, Proctor and Gamble, Unilever.

Having high profit margin

Less stores compared to the competitors

Efficient procurement system

Focus on great profit

Table: Strengths and Weaknesses of Asda (Skjott& Larsen, 2007)

## **1. 2 Strategies for Overcoming Weaknesses of ASDA**

According to Burt and Sparks (2006), company needs to focus on the weaknesses to overcome which helps to achieve the goals and objectives in line with the increased profit margins of the organisation. Moreover, seeking initiatives to reduce cost is not an only pathway to increase profit margin.

But, the reduced cost adds efficiency to overcome the weaknesses of the

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organisation. In this case, Burt, and Sparks (2001) argued that, Asda needs to continue the expansion strategy to increase the profit of the organisation which contributes to overcome the weaknesses. In addition, Asda needs to focus on the high branded product selling.

### **1. 3 Mitigating impact of the Weaknesses**

Yasemin and Mahoney, (2004) stated that, In order to overcome the core weaknesses Asda decided to increase its investment up to £1 billion over the periods of last three years. In addition, Asda focuses on the improvement of the core business in the field of the business expansion. Particularly, Funk, (2003) considered as, Asda focused on the South to expand the business through opening new stores. Additionally, this expansion strategy is building assistance to make the demands of the products and made the organisation more competitive. However, (Skjott&#x2013;Larsen, 2007) added that, Asda can overcome the weaknesses through the following actions.

Labelling own products

Ensuring computerised point of sale equipment

Ensuring more centralised distribution networks,

Making store refurbishment

## **2. Requirement Two**

### **2. 1 Comparative Measurement of Performance**

The performance extent is shown in the following figure which brought the result of 2009. In this table, the performance results of two years are clear.

Eventually, Asda make sure the outperformance compared with the Tesco (Britain's largest supermarket chain) which is substantial margin Retail Week (2009), stated that,

“ Comparisons with Sainsbury are difficult over this period as it has been such a problematic period for that company, but on most measures it is clear to see how Asda has closed the gap and overtaken Sainsbury.” (Retail Week, 2009, p21)

However, Asda have the lower profit growth than the Tesco in the area of the operating profit growth and operating margin performance. Particularly, Asda's sales area growth is closely matched with the Asda's space. It is completely depends upon the sales density increase which brought the result that Asda performing better than Tesco. But, the absolute performance is laying on the favour of Tesco.

Figure 1: Comparative Performance of Top UK supermarket Chain 1998-9 to 2009.

Source: Institute of Grocery Distribution (2009).

## **2. 2 Existing Performance Strengthen Strategy**

Wal-Mart designed to move on the improvement of the Asda's performance as the organisation has been taken over by the Wal-Mart in spite of the previous coping of the business. Currently, Asda is providing good service to the customer. But, Competition Commission (2008) argued that, this will not exist if the company cannot keep on the current performance in the service sector. However, Asda is trying to keep the current performance and also

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trying to increase the performance and growth. For that reason, Asda designed the strategy to focus on the food retailing because the non food items were weaker and the company designed to maintain the George clothing strategy. In accordance with Fernie et al., (2006), the strategy needs to focus on the following factor.

Popularity of the Asda

Customer responsiveness towards Asda

Interaction with the shareholder and stakeholder

Trustworthiness of brand

## **2.3 New Areas for Expanding Business**

Grean and Shaw, (2007) argued that, the financial crisis for investment is one of the key issues to expand the business. Moreover, Asda faced huge debt crisis in the early 1990s and now the company is stable due to the efficient business operation which is helping to expand business. But, to raise money the company has sold development sites to its rival Tesco. Currently, Asda is trying to expand the superstores in the different location and trying to expand the business in the international market. Particularly, the new area of business expansion is international market. Moreover, the company have merged with the Kingfisher which is the leading non food retailer. Specially, Asda have the areas of business in the non food item and branded product selling like P&G, Nestle, and Unilever. However, Asda has the different business operation and trying to produce own labelled product to conduct the business.

## **2. 4 Critical Analysis**

Asda has different strategy to operate the supermarket stores and the company always try to focus on the multi-format competitors. Furthermore, Grean and Shaw, (2007) added that, Asda focused on the business extension through opening new stores to the portfolio. Additionally, Asda focused on developing the Asda Wal-Mart supercentres which considered as the amongst the larger supermarket chain in the UK. But, this strategy has been more matched in the Tesco hypermarket format. Notably, Fitzsimmons et al., (2004) mentioned that, the core of the portfolio has mentioned in the Asda superstore which were the difficult to expand. However, the result of the supermarket chain less total supercentres or hypermarket and the superstore were full space rather than the Tesco and Sainsbury (see figure 1). In addition, the other supermarket chains have seen that how the multi-format approaches is adopted to assure the performance management. By contrasting this, Asda refused to shift in convenience stores and stopped some smaller store and focused to develop the non-food superstore chains.

## **3. Requirement Three**

### **3. 1 Assessment of Current Business Objectives and Plans**

Asda is a part of Wal-Mart and one of the known first line supermarket chain in the UK. Asda promises to provide the products at lower cost as a retailer. Moreover, Asda prefer to focus on the value rather money and Asda believes the money lies at the heart of everything. In addition, Asda is designed the objectives to provide the product at cheaper rate which is affordable and convenient for the customers. On the other hand, Grean and Shaw, (2007) stated that, Asda reduce the packaging cost so that the product price is laid

on the limit. Recently Asda stated that, the company will reduce the 25 percent packaging cost across the country which is determined for the next 12 months. However, the main objective is designed as to reduce the cost of Asda's products, offering better quality product at lower price, to recycle the wastage, to build the sustainable business, to provide the highly competitive service. Notably, the company successfully operates its activities in the competitive market.

### **3. 2 Incorporating Appropriate Changes**

According to Funk (2003), every business organisation has the unquestionable and inescapable objective and the objective is to become profitable. Particularly, to ensure the profitability and growth Asda needs to change the operations considering the circumstances of the business and need to bring the strategic change of the operation to achieve the aims and objectives of the organisation. Asda need to change operation management and make the supermarket enjoyable and happy shopping for the customers. Moreover, Fitzsimmons et al (2004) added that, the organisational culture needs to design in the friendly way. On the one hand, the organisation need to consider the advertisement through the social media and social networking site rather than the newspaper, radio, magazine, and television. On the other hand, Asda needs to consider the loyal customer and provide the loyalty advantage so that the customer retention strategy can be more efficient. Furthermore, Caves (2007) asserted that, the working environment need to change and need to designed as the pleasant, happy, and enjoyable working environment. The employees are the key factor to provide better



service and ensure growth for the organisation. So, Asda needs to change the benefit package for the employees.

### **3. 3 Action Plan for the implementation of Changes**

As the working place aimed to provide the better pleasant, happy, and enjoyable working place, Asda needs to plan for adjusting the changes in line with providing various incentives, bonus, benefits, like staff discount, pension from the company, and share package for the various opportunities for the promotions in the job as well as the salary of the organisation. According to Rahman (2004), Asda need to design its action to the customer to achieve the more customer retention and market share the company needs to design the lower product price which attract customers. The information that are shared with the customer need to relevant and authentic which is considered as the good manner and the public safety notices, price reduction notices, charity fund raising campaign etc. Customers become more trustworthy when Asda share the legal and authentic information with the customers.

### **3. 4 Results of the Changes**

The changes have logically brought about the particular effect on non food pricing which brought the customer satisfaction. Moreover, Asda will have logical impact of the changes to buying scale of the products. Humby et al., (2007) argued that, Asda has notable reduction of the non food price which will reduce the clothing products due to the changes of the action plan. Additionally, Womack et al., (2007) added that, the branded clothing products sale will be increased and the business expansion will be ensured. So, sharp price reduction can be brought about the customer acquisition and retention which will increase the market share. For that change in the <https://assignbuster.com/strengths-and-weaknesses-of-asda-ltd-marketing-essay/>

operation management the organisation will be awarded the improved the considerable growth.

### **3. 5 Demonstration of Results**

Experts has doubt that, Wal-Mart has huge effect on Asda. For that reason, one question always arised that, how Asda can be able to response with the changes though Asda operating business in the competitive nature of the market. Retail Week (2009) expressed that; the turnover will be rise when the operating profit will be increased as a result of the business performance of the Asda. However, Zhao (2004) asserted as, Asda will hve lower margin if the company don't reduce the product price. The cost reduction of the Asda is a positive impact which leads to customer retention. Moreover, the expected growth of the generated profit sharing is designed to increase the product sale. This result will lead Asda to takeover other business and expand its business. The result will make sure Asda's profit margin up wards trend which increase the growth of the organisation.

## **4. Requirement Four**

### **4. 1 Impact of the Proposed Changes**

The proposed changes which already describe in the report will have the particular impact on Asda. For that reason, the quality of the products as well as the maintaining systems needs to revise. Asda needs to consider its resources to response with the changes of its operations. However, the quality of the products is comprised with the huge resources, tools, and systems along with the systems of the organisation which is determined by the shareholders and stakeholders. To maintain the standard quality Asda

needs to check the quality of the products which helps organisation to increase the return. For that reason Pal and Byrom (2005), stated that,

“ There are staff as well as the managerial procedures are taken for the monitoring of the high standards of quality in Asda for the impact of the proposed changes.” (Pal and Byrom, 2005, p 16-149)

## **4. 2 Change Management**

As Wal-Mart has taken over Asda and is operating with more dynamic strategies, Asda can control the change management more easily and more conveniently (Guy, 2007). However, the change management is designed to develop the probable strategy which is completely designed to control the variables which has the common impact on the business. Moreover, Hughes et al., (2009) stated that, Asda needs to follow the change management from production to inventory. In that case, Asda control the entire factor including production plant, inventory, administration, and the shareholder as well as stakeholder. Finally the tools like just in time, machine utilisation control, stock control, quality control, and food additives can be used to ensure change management.

## **4. 3 Business Performance**

Chief executive Andy Clarke (2012) has been quick to state that

“ Asda “ has momentum” and, a year after the £778m acquisition of Netto, it’s hard to argue against the statement.”

The business performance can be shown through the statement of the Andy Clarke. Asda business performance is continuously improving which is shown

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from the figure one and the second largest supermarket chain has conceptualised the overall annual growth of the business. Gielens et al., (2008) argued that, Asda's administration argued that, over the half million people check the online superstore per week. The overall business performance of the organisation defiantly increased if the company can go through like the current scope of the organisation. So this is good observation for the organisation to increase the margin.

## **Conclusion and Recommendation**

Based on the above discussion, it is clear that, Asda is strong retail business in the UK and currently it is considered as the second largest supermarket chain in the UK. But, it is also important to consider that, the Wal-Mart has huge contribution behind the recognition and business expansion. Asda has expertise to make sure the positive feedback of the organisation. Besides, the organisation has the operational efficiencies, technological development, and massive buying power which can easily response with the changes of the action plan. Despite all of this however, Asda has not been able to close the gap on the UK market leader, Tesco, and has been reduced to calling for government intervention and for it to be cut down to size. In that respect it is fair to ask what has gone wrong with Asda. Finally, Asda can adapt in organizational change which ensure the ability to increase the profit margin and up word indication of future growth of business.