

# Third party merchandising at asda management essay



## **Introduction:**

Asda Stores limited is the second largest retail giant in the United Kingdom. The company has its Head Quarters based in Leeds. They are a part of the largest retail chain in the world “ Wal-Mart”. With more than 350 stores all over United Kingdom and over 160, 000 colleagues all over constitute a major community in the United Kingdom. (Asda website) Retail is a field which is always changing and needs constant adjustments to be made along the way. The thing that has remained the same over the decades has been the ability of Asda to offer very low prices to the consumers. With Every Day Low Prices strategy being followed what they have done is encouraged the shoppers to pursue a ‘ Just in Time’ approach to shopping. Rather than stocking all the goods at home they have made it convenient for the consumers to shop. Cost control is the core value of organisational performance. They have expanded over the years to Asda Living stores, Asda Pharmacy, George and its home shopping outlets which have given it a big boost since the last decade or so and ranked them to be the second largest retailer in the United Kingdom. The way of working in Asda is completely different from the anywhere else in the world. This is primarily because of the culture that it possesses. Customers are the heart of everything that is done in Asda and the purpose is to make the products as affordable as possible. There is a drive, commitment and a “ can do” attitude that helps to put great ideas into place at a very quick pace. They also have certain culture of wearing a name badge, the 10 foot rule, the big brunch and the huddles that makes it a very friendly atmosphere to work in. (Asda website)

As a student of Manchester Business School it has been a privilege for me to work in a retail giant such as Asda. Procurement is the full range of activities that deal with purchasing of goods, services and works. I was shortlisted to assist the Asda team working under the Procurement Department. The Procurement team sits in the Asda House within the Central Buying team. The team is lead by the Procurement Director Mr. Huw Edwards. I have been assisting them in certain deep dive project under the procurement team, with our team head being Mr Adam Davies. As there are three of us who are assisting Asda in the project so we had divided the work amongst our self's so that the work can be done faster. When I started with our work I were really very happy that I was involved in so many projects and the work will be so much that I will have to put in a lot and learn a lot from it. The atmosphere around was very friendly and I was motivate when I meet our entire team under the Procurement Team. We were told to start with the project without any delays from day one and it was a really very interesting experience. The project that we started was 3rd Party Merchandising.

### **3rd Party Merchandising Project:**

Asda has numerous merchandisers working in the stores all the time. Merchandising is the backbone of store operations with clearly defined set activities, processes and productivity rates. In store merchandising has become of prime importance as consumers of today have less patience and want clarity and value in the display of products. The total number of merchandising in Asda equates to £20m. A review of these third parties merchandising was initiated to indentify the in store operations and to evaluate the cost incurred in the same. The main aim of the project was to

reduce the cost and achieve maximum saving by reducing the number of merchandisers. The objective was also to recognize the array of 3rd party merchandisers used in the stores, the rationale behind each and the cost benefit of getting the 3rd party merchandising in-house.

There were mainly 2 reviews that were completed during 2007/2008 which identified that there were some additional activities being performed by the 3rd parties which estimated a cost of about c£100m.

Of which directly sourced by Asda is about c£20m. Activity carried out by outside suppliers equates to c£80m. Out of this half is spent on checking availability, new lines promotions and the other half accounts for the results of these checks made.

It was highlighted to do one of them or a mixture of the following:

Bringing the merchandisers in house

Bringing certain areas in house, while letting the specialist areas being outsourced

Remain outsourced in all areas with tender's process improving the cost and efficiency.

They have also estimated to have a potential saving of about £5.7m per annum for the whole estate by bringing all the merchandising in house.

In order to estimate the cost saved an estimate review was done in three stores -Trafford Park Supercentre, Westbrook, and Stockport Superstores over seven different merchandisers.

## **Store Cost Per Week**

### **Merchandiser**

### **Standard Hours**

### **Per Call**

### **Weekly**

### **Store Calls**

### **Total Std Hours**

### **Per Week**

### **Merchandiser Cost**

### **Per Week**

### **Asda Colleague Cost**

### **Per Week**

Dee Set

4. 92

5

24. 60

£295. 20

£183. 76

Schwartz

2

2

4

£48. 00

£29. 88

Icon

3. 29

5

16. 45

£197. 40

£122. 88

Hallmark

4. 26

5

21. 30

£255. 60

£159. 11

Mills & Boon

1. 69

Once every

two weeks

0. 845

£10. 14

£6. 31

Blue Gem

1. 02

1

1. 02

£12. 24

£7. 62

The Network

0. 83

1

0. 83

£9. 96

£6. 20

### **Total Call Cost/Week**

**£828. 54**

**£515. 77**

Source: ASDA 3rd Party Merchandising Final Report 2009

### **Store Cost Per Annum**

### **Total Estate Cost Per Annum**

### **Merchandiser**

### **Merchandiser Cost**

### **Asda Colleague**

### **Cost**

### **Merchandiser Total Cost**

### **Asda Colleague Total Cost**

### **Total Potential (Savings)**

### **Per Annum**

Dee Set

£15, 350

£9, 556



£5, 434, 042

£3, 382, 691

£2, 051, 351

Schwartz

£2, 496

£1, 544

£883, 584

£550, 031

£333, 553

Icon

£10, 265

£6, 390

£3, 633, 739

£2, 262, 003

£1, 371, 737

Hallmark

£13, 291

£8, 274

£4, 705, 085

£2, 928, 915

£1, 776, 170

Mills & Boon

£527

£328

£186, 657

£116, 194

£70, 463

Blue Gem

£636

£396

£65, 557

£40, 810

£24, 748

The Network

£517

£322

£183, 344

£114, 131

£69, 212

### **Totals**

**£43, 084**

**£26, 820**

**£15, 092, 008**

**£9, 394, 775**

**£5, 697, 233**

Source: ASDA 3rd Party Merchandising Final Report 2009

### **Summary of Potential Savings**

The savings per store per week- £313.

The savings per store per annum £16, 264.

Total savings for the whole estate per annum £5, 697, 233.

### **Above savings are based on:**

354 Asda Stores

Blue Gem only in 103 Stores

Merchandisers hourly rate of £12

Asda Colleague hourly rate of £7.47

Purely in-store costs.

Initially it took me a lot of time to get in tune with what the project was all about as I was totally oblivious from this part of the retail business. We had to have a proper base as to what the whole process was all about and had to start knowing from the very basic. The whole relationship between the suppliers and Asda and what role the Merchandisers had in the functioning. So in order to understand the whole process we divided our task amongst ourselves in order to have comprehensive information on the traders, suppliers and the merchandising process being followed in Asda.

### **Suppliers Presentations:**

In the supply chain, merchandising is the practice of making goods available to the consumers at the right place at the right time and in the right quantity. This is primarily done on the basis on stocking shelves and displays. This process is basically done by the store employees and many retail giants are trying to get it done by the manufactures or third parties to have cost-advantage. In the United Kingdom there are many organisations that provide these kinds of services to the retail giants and help them to reduce the costs.

After understanding the process a briefly we then were taken by the Asda team to some of the supplier's presentations and we tried to gain as to what they would be contributing in Asda how they would help Asda in 3rd party

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merchandising. There were in total top 9 companies selected among number of them and were called upon for these presentations which each lasted for about 3hrs. I was present there for about 3 presentations. These companies would generally be replaced by the current merchandisers and they would be solely responsible for it. Asda currently had a lot of suppliers under them and wanted to reduce the number from 20 to just about 2 or 3 with some being outsourced by the manufacture only. They needed the help of some field management companies which can motivate the merchandiser working in store, can give them proper training and also introduce certain technology which can be beneficial for the merchandisers working in the store, at the same time reduce the number so that there are more skilled and trained people at work. The main aim was to get an increase in the amount paid to the merchandisers working for Asda that could make them happy to concentrate on their work and can spend more time in the store doing more work, rather than going to some other store. Also at the same time to reduce the price paid to the 3rd party merchandisers to an amount that will be profitable for Asda.

The problem in Asda was that they were not that sure if this project would actually go through or not because it was just in the testing stage and they still had to tell their shareholders about the same project and were a bit unsure as to what the outcome will be like? Another problem that they had faced was they were not completely sure as to how many companies were to be selected from 9 of them. They were a bit confused between 2 or 3 suppliers who would come in and manage the affairs from Asda House and actually how the whole process would go about. Another problem related to

this was seen in this project was that Asda themselves were not sure as to how many merchandisers were operating in the stores. They always had an estimate that they could be between 20-30 merchandisers working or even more.

In order to reduce the number of suppliers that had presented we had to take a look at their responses to the RFP (Request for Proposal) sent to them and study the same to help them bring down the suppliers to the top 4 companies best suited for the job. As we had not attended all the presentations it was a bit difficult for us to get to know what exactly the remaining companies were trying to bring into Asda. While having a look at the few responses to the RFP's I had to bring out of all the responses information that could be useful for the project. But then we decided to make a template for all these companies so that it's a bit easier for all to get a grip as to what each company wants to do. We divided the table into two main parts Quantifiable and Non-Quantifiable variables. From the responses we understood that the main criterion which was important was the hours proposed and spent by Asda. The cost per hour, the setup cost involved, technology used and the resources each company had. In the quantifiable variables we could still make a clear difference between the suppliers seeing the vendor hours proposed and the cost per hour incurred for the suppliers. Still there was a problem as all the companies were not willing to share their information. We also made a proper cost breakdown of all the companies as to what they proposed for the project. This gave us a proper know how as to what each supplier will incur during the 1st year of functioning and what area's they would be spending.

In the Non- Quantifiable variables it was even tougher as the accreditation programme and the technology provided by almost all the companies were almost the same and gave little insight on what exactly we were interested in.

The problem faced in this task was mainly a bit of lack of management from Asda's point of view. All the responses were basically with one person who was the main person behind the project. The problem was that he had to go on leave for few weeks and there were no responses left back so that we could have a look at it and study the same. When found we could only find 5 responses and the rest we had to call the suppliers again. This whole process took a lot of time and actually delayed our project a lot. So because of this only we could make a template for 8 companies with the last one still pending.

### **Traders:**

We then decided to ask the traders as to what exactly they would like in the suppliers. How this was going to affect their role in as new suppliers will come into place. Get some feedback from the traders on the suppliers as they exactly know how their dealings are. Talking to the Traders would have been really very interesting as they exactly knew what the supplier's way of working is and which supplier will be suitable, so that they can fit into the culture and way of working that Asda are used to. What kind of market standing do the suppliers have? A questionnaire was also made for the Traders and the suppliers. From the questionnaire we wanted to know as to who all are the main suppliers of the traders and what strategic advantage do they provide to them. The bargaining power of each supplier and the <https://assignbuster.com/third-party-merchandising-at-asda-management-essay/>

credibility of each of the suppliers they deal with. This was important information for us to know about the suppliers. We also wanted to have detailed information about the daily peaks the suppliers had. We were willing to talk to the traders but were often stopped not to talk to them. There was some problem going on with the Asda and the traders so we were told it's not a great idea to talk to them. Sometimes we were told that they are busy so it will be very difficult to get an appointment with them. Even talking with the suppliers was not that much encouraged by anyone in the team. This hindered our progress towards our main project.

We still thought we could do a bit more in this project we even tried to look into all the details of the category wise and look into the monthly sales figure from a retail link software and make graphs so that it would give a clear picture as to in which month the peaks sales are achieved and digging more deeper into that as to on which day the highest and the lowest peaks were achieved. Having this been achieved we could let the suppliers know as to when they should be extra careful as to fill the stocks again and also they should be fully aware when there is an urgent need for the same.

### **Learning's from Internship:**

Working in Asda has been bliss for me. In order to understand the learning that I have gained during this process, I would like to take the help of Experiential Learning Theory (ELT) which provides a holistic approach towards the learning process. David A . Kolb has formed this theory “ whereby the knowledge is created through the transformation of experience.

Knowledge results from the combination of grasping and transforming

experience”. Kolb created this model with four basic elements (1) concrete <https://assignbuster.com/third-party-merchandising-at-asda-management-essay/>



experience (2) Reflective Observation, (3) Forming abstract concepts (4) testing new situations.

The learning cycle basically can occur from any of the four points and can be approached as a spiral. During my internship I feel that these four points were the main points that helped me learn a lot to develop myself. At first it gave me a concrete experience of directly working in a company and gave me an opportunity to reflect on the same. I could observe the way of working there in Asda also look into detail as to what the suppliers did and the traders wanted from the project. During the Internship I was also involved in a training programme and a store observation.

### **Training:**

It was a great opportunity for us as interns to be a part of a training programme for all the employees at Asda. It was first told to us that because we were in Asda for such a short period of time we would not be allowed for it. But somehow Ms. Louise Shannon the procurement coordinator of Asda somehow managed to fit us into the Best Welcome programme for all the new employees joining Asda. The Best welcome is actually a two day programme outlining the history of the supermarket, explains its values and new comers at each store are introduced to the rest of the staff. It's an award winning induction programme for understanding the Asda business and their unique culture.

As we were just interns we were just told to attend a two hours programme. It was a really good experience; at first we were given some information about Asda's clothing brand "George" and gave insight on what Asda does

to keep up to the fashion and maintain products at such low prices. How they could get new designs into the market within no time. Also how they understood the consumers need. They also stated that how they maintained the low prices by not spending much on areas like getting a model to promote the brand. They just took the people working in Asda to come in and gave them a chance to be the face of their clothing brand. There were 4 key areas of operation: Quality, price, style and availability with these areas being the key areas of operation for George as a brand.

The second part of the programme was a very interesting one. We were told about the history of Asda tracing its roots from 1920 and how it got its name and how from processing and retailing milk and meat they started to expand and acquired more dairies and farms under them. To the point when it was taken over by Wal-Mart. They also gave a brief touch on the history of Wal-Mart as a company as well. Told about how Mr. Sam Walton had an idea of getting all the things under a single roof and trying to save money of the people. They also shared how both Asda and Wal-Mart as a company were similar to each other. It was a very interactive programme as well with questions being put to all of us. It was a great programme and wished that somehow we could attend the whole of the programme. We also had the opportunity of doing the Asda chant which was really motivating and clearly stated the kind of culture and energy there in the people at Asda.

### **In store experience:**

Working in Asda House and not going to the Asda stores is like not seeing the real Asda. It's not like none of us have been to an Asda store before, it was just we were looking it now from a different angle and now we were not

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going there to shop but to observe what people in store feel like and how the merchandisers do their work. It was all thanks to our team head in Asda Mr. Adam Davies who thought it will be a good exposure for all of us to visit an Asda store. My teammates and I decide we would go to a store in Hulme, Manchester. Adam did the need full and contacted the store manager and told him that three of us will be coming for a store visit. We all were really very excited and got a time the next day to visit the store in Manchester for a few hours. As we reached there we felt a difference over there, it was exciting entering the store from the colleague entrance and the store manager was waiting for us to come. He gave us our Asda name tags for us to enter the store so that no one can question us as to who we were. It was interesting to see the colleague's area in a store; they had a proper coffee shop and a rest room only for the in store colleague's. As I entered the shop floor I knew we were at work and not for shopping. We went there basically to have a look at how the things are placed in the store, a general store walk, how much place do they occupy on the shelves, how filled and tidy are the shelves and how the merchandisers did their work. The good thing was that we had visited the store at a time where there were a lot of merchandisers working in store and we could have a proper know as to how they work. We were busy observing each shelf, some of them were almost empty and merchandisers were busy doing their work as quickly as possible. The good thing we saw was that whichever shelf was empty the reason was notified to the consumer like stock not available. The merchandiser working in the jam and spices had already done their job and the shelves were really very well stocked. Majority of the merchandisers in store were Asda

employees and not the 3rd party merchandisers. This could be differentiated  
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with the difference in the uniforms they were wearing. We noticed the colleague working in the chocolate area and the bread section were really doing a good job. They had a set target as to what were to be put in place and in how much quantity. The work done also did not take much time. It was also seen that the people working in one department were not just restricted to that only they were accountable for two or three areas.

Although the colleagues working were doing a great job but there were some problems observed as well. The area right in front of the fresh fruit section was blocked by the left over packing which was on the way of the customers. In another instance we also had a word with one of the customer who was a bit unhappy as he was finding a ground cardamom in the herbs section. It was a bit astonishing as there was no merchandiser nearby to help and also that the rest of the shelves were completely filled by the merchandiser but only the ground cardamom section was empty, without notifying any reason at all. We tried to help and find it ourselves as well but he just said that he will go to some other shop and find it easily. This was a let down on the merchandiser point of view. There was another instance were a customer was not able to find his desired medicine. We also had a word with a lady colleague who was working in the fresh meat section. She was happy with her work and stated that most of her customers were mainly Asians and there were not many people who bought meat from the store. Till that time it was time for us to go back for work to Leeds. It was an amazing experience because it was the first time we noticed things from a different point of view other than just shopping. While leaving it was nice of the colleagues at the Asda store to let us keep our name tags of Asda as a token from their side.

## **Working in teams:**

### **Problem with Dissertation:**

Till now whatever we did was totally practical and very beneficial as a learning experience and helped me a lot on a personal level as well. As it was a great opportunity for me to work for such a big company and that too assisting them on such a big project. The only problem I was facing while doing this was that we could not decide upon a particular topic for our dissertation. As after this project we were also to assist on few other projects as well. In all we were supposed to do 3-4 projects for Asda in the short period of time. It was getting a bit difficult to concentrate on a single project as it was difficult to write about 15, 000 words on either all the topics or any of the single topics. This was because if we split all the project it would have been impossible to write a dissertation on all those topics, and also if we had to write about a single topic as it was only the 3rd party merchandising project that we did spend some time. That too as we were not able to reach a proper conclusion to the project and leave the project in between so it was a bit difficult to write on that as we were not able to carry on the project for the entire two months and needed some more in depth knowledge for the same.

There was a lot of time wasted during that time period as to when we were not that sure as to what we would do as to our dissertation was concerned. We were a bit clueless as to what was to be done. It was until we met our supervisor Dr. McCann, who helped us and told us to consider few options on what we would like to do in Asda if we had to write a topic on it. We then read lots of articles on Wal-Mart and what they do which gave us a hint as to

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what all we would like to focus on. We then finalised our topic and decided to stick with “ HR practices in Asda” because we considered HR practices being key drivers towards Asda performance and have started to work on it with the projects being caring forward alongside it. To study the HR practice we decided that we can carry out our research on the basis of some interviews and kind of a survey. We then decided to concentrate our work on a system of High performance work system. We thought it would be a bit interesting to find out if Asda actually practices it and what role does the low cost strategy have on the white collar employees. We then with the help of Adam met a lady from the Peoples Team with whom we shared what we wanted to do. She in fact like the idea and was willing to help. It was actually a ray of hope for all of us after such a long time. We then decided to do a survey on for all the employees at the Asda House and mainly want to know as to why they like working in Asda. It would also give us some light on how the work system in Asda actually works and how happy are they working. We also decided to design a questionnaire so that we could conduct interviews on some of the peoples team members so that we can know about the HR practices pursued in Asda. We would like to finish it as soon as possible because this will give us more time for our report. But the problem is that getting the interview all in a single day was going to be very tough as everyone in office is very busy. Getting all the managers interviewed on a single day would be a tedious job.

## **Conclusion:**

By undergoing the turmoil that we went through the project, it was a total catastrophe in the beginning with us going nowhere with respect to our

dissertation is concerned. . The expectations that we had from the Internship were a bit too much, we really thought that we would be involved in some of the main strategies of Asda and would study something related to them, but initially it was a bit disappointing as there was nothing as such that they could offer to us and we were just supposed to do some normal office work related to the projects that they had offered. They also didnt have any idea that we required some academic reference for our report. But by the end of the project I would like to say we almost achieved what we wanted out of this internship. It firstly gave us a platform to work in such a work environment which is one of the best in the world. With workaholics all around it gave us an opportunity to be partially a part of such a big project of Asda as a whole. The main thing we learnt from this internship was the way we should work in group. With all three of us being from a different country it is always difficult to gel with each other. I think after so much trouble and difficulties our whole group was always together and we had from the start decided to work together so as to help each other. By learning how to work effectively within the group helps us to develop an important interpersonal skill that is required throughout our lives. We had also allocated a group coordinator amongst each other for a certain time limit so that none of us should feel that only one of us is responsible and taking all the credit of the project. This also helped us to bring out our leadership skill as well. I also learnt a lot from the leadership style that our team leader Mr Adam Davies had adopted. He gave us full freedom of what we wanted to do; he never stopped us from meeting anyone in Asda and in fact encouraged us to interact with people and always was more of a helping hand.

Working in Asda was an experience that cannot be forgotten, the only thing that I would wish I could do was to concentrate more and spend some more time working in Asda and assisting them in the 3rd party merchandising project. It would have been very interesting if I could do some more work on it and take it to the final stages of completion.