

An analysis of sainsbury's supermarkets ltd and the effect

[Business](#)



This dissertation seeks to examine Sainsbury's supermarkets plc (Sainsbury's) as a company and how they can use their established brand to branch out and gain potential growth in the industry, and to explore how they are coping with the recent credit crunch. Sainsbury's has come a long way from being the market leader to dropping to the third position which it is struggling to maintain. This can be attributed to a series of wrong decisions and lack of foresight leading to their current struggles. They suffered from poor management in the past and this has reflected on their effort to catch up with the industry leaders.

In addition, because of the recent credit crunch, banks have cut back on lending to both individuals and firms thereby swaying consumers to demand cheaper products and curb their expenditures.

A question springs to mind: prior to the crisis, supermarkets have passed on rising food prices to consumers but now more than ever prices are low, so why the sudden change in tactics? Small businesses are going under due to lack of finance which hinders them from competing and offering low prices but this loss to society becomes a gain to the big supermarkets. Does this mean that the supermarket industry has less risk than other industries or has the supermarket industry adjusted strategically to cope with the global downturn? 2. Background of the study Sainsbury's supermarket, a subsidiary of J Sainsbury plc was first opened in 1869 and is one of UK's most reputable stores.

They own 509 supermarkets and 276 convenience stores around the UK according to their website and are best known for their quality products that

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are priced fairly. It operates as an oligopoly where only few firms in the industry have majority of the market shares.

Historically they have had the advantage of been in the industry a lot longer than its competitors who have now taken over in both performance and market share. Over a consecutive three month period ending in June 2008, Sainsbury's reported 3.4% increase in like-for-like sales which exclude fuel. They have recently boosted their 'basics' range in order to meet the growing demand and attract new customers.

They have promoted their brand with the help of celebrity chef Jamie Oliver. In the current economic climate, the supermarket industry seems not to be affected financially by the lack of global credit but they have had to change their operations strategically to meet the demand of customers in the recent economic downturn.

The food industry runs a low risk trade because majority of its products are necessities unlike other industries such as the banking sector who have suffered greatly from the credit crunch e.g. Lehman brothers. Across the continent and the UK, supermarkets have not been adversely affected by the economic crisis. Contrary to the recent events, the supermarket industry has in general employed more staff globally than any other sector. E.

g. Asda has pledged to employ 7000 new workers in 2009 (BBC), Tesco also plans to take up 10,000 new workers (Sky News).