

Asda Stores Ltd - SWOT Analysis

Asda Stores Ltd (Asda), a wholly-owned subsidiary of Walmart, is a grocery and general merchandise retailer in the UK. Multiple retail formats, private and exclusive brands, and strong support from Walmart are the company's major strengths, whereas involvement in equal value claims remains cause for concern. Private labels gaining momentum, launch of new products and favorable trends in the UK online retail are likely to offer growth opportunities to the company. However, increase in counterfeit products, intense competition and shortage of skilled labor in Europe could affect its business operations.

Asda Stores Ltd- Strengths

Strengths - Multiple Retail Formats

Asda operates retail stores in the UK under multiple banners, including Supercenters, Superstores, Supermarkets, Living stores and Petrol stations and websites. Multiple retail formats enable the company to cater to a wide customer base besides diversifying its revenue sources. The Supercenters offer a full range of food and George and non-food products. The Superstores offer an extensive choice of foods and operate other divisions including cafe, pharmacy, optician, larger George and non-food. The Supermarkets provides food and convenience and offer essential non-food items. Asda Living stores offer merchandise ranging from George home, fashion and general merchandise. The Petrol Filling Stations offers both pay-at-pump and pay-at-kiosk services. It also includes convenience store that provides a variety of food to go, and travel friendly products. The company through its website offers a wide range of products which include home and garden products; clothing, footwear, and collection for men and women; kids and baby products; electrical; entertainment products; travel and leisure products; and gifts. The products ordered online through this channel will be delivered either directly to the customer's place or to the local store for collection.

Strengths - Private and Exclusive Brands

Asda offers various private label products at its stores and also online. The company works in close association with various private label suppliers to form strategic relationships to deliver own label products with high quality. Asda's private labels cover a range of product categories including food, grocery, home and leisure. For instance, George, Asda's flagship private label brand was launched in 1989. Currently, George is sold in over 560 stores and through George.com, which is one of the fastest growing online fashion businesses serving over 800,000 customers a week. Over the years, the company expanded the range of offerings under this brand and now includes an extensive selection of products across different categories including, home and garden products; clothing, footwear and accessories for men and women; kids and baby products; and furniture.

Strengths - Strong Support from Walmart

Asda was acquired by Walmart Inc in 1999 and became part of the world's biggest retailer. Wal-Mart serves nearly 270 million customers and operates than 11,700 stores under 65 banners and e-commerce websites in 28 countries. Asda has leveraged WalMart's global scale and steadily increased its market share to become one of the largest retailer chains in the UK. Under its parent's support, Asda became the second largest supermarket in the UK. Walmart provides Asda with strong brand recognition and enhanced customer reach.

Asda Stores Ltd - Weaknesses

Weaknesses - Involvement in Equal Value Claims

Asda is a defendant in an equal value claim that is currently proceeding before an Employment Tribunal in Manchester, the UK. The plaintiffs include both current and former employees of the company, who allege that the work performed by female employees at

Asda's retail stores is equal in terms of the demands of their jobs compared to male employees working in the company's warehouse and distribution facilities. However, there existed a disparity in pay between these different job positions, which is objectively not justified. The plaintiffs are requesting for differential back pay based on higher wage rates in the warehouse and distribution facilities and those higher wage rates on a potential basis as part of these equal value proceedings. Legal proceedings, above all, incur huge financial loss for Asda in the form of penalties, if proven guilty. Moreover, they also hamper the company's reputation in the market.

Asda Stores Ltd- Opportunities

Opportunities - Launch of New Products

The company has been enhancing its offering through new product launches. For instance, in October 2018, the company launched Ghost Crumpets, ideal for breakfast. It is available in a pack of six for GBP1. It is a light toasted until golden brown and topped with lashings of melted butter and jam. In the same month, the company launched Nacho Chicken Kievs, It is made from chicken, crisp nacho crumb and light spicy with jalapeno, paprika and coriander. In September 2018, the company launched gingerbread gin liqueur. It is a lightly-spiced and home-baked gingerbread and added with spritz of tonic. It adds a new product in the company's cocktail portfolio. In the same month, the company launched its first English Sparkling. In January 2018, the company launched new range of vegan food that offers a better meal option and also introduced Vegan Cheddar Cheese. In the same month, the company launched a new range of Multivitamin Milk which contains vitamins and minerals including Iron.

Opportunities - Private Labels Gaining Momentum

Asda stands to benefit from the increasing demand for private label products. Following a period of slow and negative economic growth, private label sales are rising as consumers increasingly shop to a budget. While price is a prime factor driving private label sales, improvements in packaging and quality have helped to remove the stigma attached to buying store brands. The global private-label penetration is expected to reach 50% by 2025. Its private label offerings extend across the range of food, grocery, and home leisure products. Changing customer preference and strong inclination towards private label products will enable the company to increase the sales of its own branded products. As these products have higher margins, they will contribute to a strong bottom line.

Opportunities - Favorable Trends in UK Online Retail

The company stands to benefit from growing trend of online retailing, which provides consumers convenience of shopping from home. With increase in interactive methods and limitless content, retail e-commerce is growing at a faster rate. According to in-house research, the online retail sector in the UK is forecast to grow at a CAGR of 6.6% during 2017-22 to reach a value of US\$60.6 billion by 2022 from US\$43.9 billion in 2017. The UK accounts for 23.9% of the European online retail sector value. Apparel retail is the largest segment of the market in 2017, accounting for 25.8% of the total value, followed by food and grocery retail (25.7%), electrical and electronics retail (23%), home and garden products (6.2%), furniture and floor coverings (4.5%), and footwear (4.1%). Other category accounted for 10.8% of the overall market. Multi-Channel Retail was the leading distribution channel in the UK online retail sector in 2017, Asda announced plans to strengthen its online business by expanding its home shopping and 'click and collect' operation over the next four years.

Asda Stores Ltd - Threats

Threats - Intense Competition

The company operates in a highly competitive retail market. A competitive environment could affect the company's market position and force it to curb its margins in future. It competes with J Sainsbury plc, Marks and Spencer Group plc, Tesco PLC, Waitrose Ltd and Wm Morrison Supermarkets PLC. These companies have increased their focus to gain market share in grocery and general merchandise market in the UK as well as emerging markets. The company competes on the basis of product development, shades, finishes and packaging, product benefits, brand recognition and product availability. The company also competes against a number of multi-national retailers, some of which are larger and have substantially greater resources and which may therefore have the ability to spend more aggressively on advertising and marketing and have more flexibility to respond to changing business and economic conditions than the company.

Threats - Increase in counterfeit products

The huge influx of counterfeit products could affect the company's business operations. As the company retails grocery and general merchandise items, it is exposed to such challenges. Penetration of counterfeit merchandise could lower the company's sales and affect its profit margins. Customers could mistakenly purchase counterfeit products bearing fake labels, low quality of the products affect consumer confidence and spoils the brand image of the genuine company. According to the International Chamber of Commerce (ICC), counterfeiting and piracy are estimated to cost G20 countries over US\$125 billion every year. It is also estimated that approximately 2.5 million jobs could be destroyed by counterfeiting and piracy.

Threats - Shortage of Skilled Labor in Europe

Low availability of skilled professionals may pose challenges to the company. Shortage of skilled manpower could impact the stability and operational efficiency of the company, as it operates predominantly in Europe. The problem of labor shortage is compounded in the EU as a result of low labor force participation rates, and is expected to become more acute in the future due to the ageing of population. According to European Centre for the Development of Vocational Training (CEDEFOP), 85 million jobs will become available by 2020 because of natural wastage. More than 20 million new jobs will be created in Europe between 2006 and 2020. CEDEFOP estimates that the participation rate will need to increase from 71% in 2006-2008 to 74% in 2020 for meeting increased labor demand. Even in spite of such increase, there will be labor shortage of 12 million workers as a result of occupational mismatches and skill gaps.

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