



University of Wales Trinity Saint David

Business Management

MARKETING FUNDAMENTALS

Assignment two

“Analysis and evaluation considering the impact of the
Covid-19 measure - Sainsbury’s”

Student: Veronika Sekulova

Student ID: 2125630

London

2022

Table of content:

1. Summary
2. Introduction
3. Changes/measures
4. Review of the year 2020
5. External changes and impacts:
 - Online shopping
 - Self-checkouts
 - Sainsburys merge over Argos
 - Furlough
 - Chain supply
6. Internal changes
 - 12 weeks off of work
 - Sick pay up to 14 days
 - Self-Isolation
 - 10% increase of the payment for March 2020
7. Critical evaluation
8. Conclusion
9. References

1. Summary:

In the following report we will examine and analyse the internally and externally of our company. The company that we will be conducting the critical analysis is Sainsbury's. How the measures against COVID-19 has had impacted our company on internal and external level. We are going to be having closer look in specific for the type of the stakeholders and which measures are reflecting on them the most. Were there a positive impact for future of our business, our brand and how we manage and execute our strategy. All of the above will be given of marketing manager point of view.

2. Introduction:

Sainsburys have been in the business for a bit over 150 years. Trough out these years Sainsbury's has had faced quite a few challenges including wars and depression and different crisis. Yet nothing in recent years have had quite the impact that COVID-19 has. We as nation and human beings have never been forced to implement changes that will both, keep the business going and keep our employees and customers safe. All of these changes needed to be put in place very quickly considering that we are business providing for first necessity needs. There for, the pressure to adopt changes that will allow us to deliver the goods that are needed, to meet the huge demands of basic items has got us unprepared. That could have been seen in the first week, even few days of the start of the pandemic. The speed with the idem has been going left us with empty shelf. Nobody in the world could have predicted or prepare us for this moment. The changes that we needed to make were internal and external. We are going to have closer look in them and evaluate, analyze and critically evaluate these changes.

3. Changes/ measures:

In the digital world that we live in today, and the way we are doing our every day and day-to-day shopping have been changing in the last twenty years. Online shopping was introduced in the mid-nineties and in specific to Sainsburys in 1999, and since then was developing, changing and adopting to

make the life of working people easier. Thus online shopping was not something new that we introduced during the pandemic, but it is something that has helped to pull together to protect our customers and colleagues, to feed the nation and to navigate the business through the COVID-19 pandemic, nevertheless needed to be adopted and changed to meet the pandemic rules and to be expanded to meet the demand that has occurred during this time. “We made a decision early on to prioritise all of our online delivery slots for elderly and vulnerable customers. We were able to contact over 450,000 vulnerable customers and offer them access to priority online booking.” (1)

Another measure that came in handy was the self-checkout service, still not new to the public since it was introduced in 1986, but the relief that it had and the peace of mind in times when you had to keep distance was tremendous.

The online shopping and self-checkouts might’ve not been new to Sainsbury’s, they definitely been introduced to smaller business. While we were having these to help us concentrate on other measures that were needed to be made – internally and externally, such as introducing the waiting lines with space between people; number of people allowed in closed space, cut number of employees in the building; reduce the contact between individuals. Introducing the priority slots for elderly people. Sanitizing the shops, baskets, trolleys around the clock, offering sanitizers and gloves. Introducing the Smartshop Scan that allowed you to do in store shopping without the need of interaction. All of the above measures mentioned are external ones, the internal ones that we have implemented were mostly regarding our employees. We have faced two main challenges and those were less employees in touch with the counters and more employees needed in the online shopping part, such as packing; delivering; sorting and etc. “To help meet demand, we have welcomed thousands of temporary colleagues since March, including online grocery pickers, delivery drivers and front-line managers.” (1)

“We have offered all store colleagues who are extremely vulnerable, vulnerable or who live with extremely vulnerable household members up to 12 weeks off work with full pay and colleagues who are sick or who need to self-isolate will be paid full pay for up to 14 days.” (1)

“We are also giving our front-line colleagues and managers a thank you payment of 10 per cent of their pay from 8 March to 5 April.” (1)

Externally every business was struggling with getting deliveries, the supplies chain was experiencing high pressure and demand. The way to avoid these demand was to deliver and implement more local and small businesses to work with us to supplying us. “We have extended support to suppliers with vital cash flow where needed and committed to pay at least 1,500 small suppliers immediately. We have also offered our concession partners and other tenants the ability to pay monthly in advance rather than quarterly in advance and a one month rent free period for 1 to 30 April 2020.” (1)

We have become in partnership with Argos, which helped us save over 500m in the next few years. Thankfully to this partnership, we were able to use the closed Argos stores for the click and collect points, giving us range and space to expand this service.

“Because we sell groceries and other essential items and with Government support to keep our operations running, we have not seen the dramatic decline in demand that has put pressure on other businesses. With our multi brand, multi-channel model we are, in many ways, well positioned to remain relevant and solvent through the COVID-19 crisis.”(1)

The rules that the government has introduced and the options that has given us such as furlough payments through the Government Job Retention Scheme and offer of delaying VAT payments, was great relive for the business.

4. Review of the year 2020

“In a competitive market, underlying profit before tax was £586 million, a decline of two per cent. Basic earnings per share decreased 23.7 per cent to 5.8 pence (2018/19: 7.6 pence) due to the £331 million charge recognised outside of underlying results. Underlying basic earnings per share decreased 4.3 per cent to 19.8 pence (2018/19: 20.7 pence).” (1)

5. External changes and impacts:

Online shopping.

Benefits of online shopping are unadaptable and in times of the pandemic they gave us the business and the customers huge comfort in the times of uncertainty. The online sales had increased significantly from the previous year in number: "our online shopping capacity – and we are working towards increasing capacity from 340,000 weekly orders to an ambition of 600,000 slots per week across delivery and Click & Collect....Over £6 billion of our sales across the business are digital. We are continuing to invest in this channel to deliver easy, speedy and seamless shopping." (1)

The numbers are speaking for themselves. Doubling the slots for the click and collect, which is initially done online without the delivering service. This for the business is cost efficient as it's saving for the gas and salary for the delivery person, as well as for extra cost for maintaining the vehicles and parking and the extra cost of maintaining them.

The online orders revenue was 6 billion pounds across the company. Predominantly people are buying necessity and groceries in their online shopping, therefore the sale of items such as clothing and toys had decreased. Of course, that is a result of the pandemic uncertainty that people lived through and saving on secondary need items, but our online shops are not designed to sell or promote our kitchen supplies such as cutlery; pans; pots; glasses; party bits and favours.

In store the sales of the items have decreased but not as much as online. If there were online promotions and adds on this item the sales of those could've been up.

Major change that the pandemic has forced to be used was the online shopping, of course, it has existed and been used for years prior but the percentages a result has increased. It has changed the business and the revenue for the future drastically and radically. During the pandemic took off

part of the pressure over the business and the customers, but the results for the future were the comfort and ease on the customers life of the task of groceries shopping.

Self-checkouts:

The self-checkouts were widely used during the pandemic, there for complaint with the rules and keeping the sales with no extra cost for members of staff.

The pandemic has shown how little of real-life employees are needed for sales to be executed, and how much customers and people are keen to shop without any face-to-face experience. That for the business is good news, as I allow it to safe from salaries and to implement much more online and digital options for shopping. There for, cut the cost for salaries and rent.

Sainsburys merge over Argos:

During the pandemic Sainsburys has merged over Argos giving them the opportunity to use the space of the closed stores, following the government orders, to expand the click and collect spaces and locations. Since their business was not essential, they were doing it most of it online and they were losing a lot of money on rent, so this is beneficial for both companies. Giving them the opportunities to expand their businesses and revenues.

Furlough

As company Sainsburys didn't take the opportunity to use furlough much rather Argos. Furlough was used from companies that could keep their staff fully employees home office, but didn't want to let them go. There was option for hybrid version for 0 hours contract and furlough combined. We decided to skip on the offer as we were able to keep our employees employed and even hire more to meet the need. "Throughout this time we also significantly increased our online shopping capacity" – and we are working towards increasing capacity from 340,000 weekly orders to an ambition of 600,000 slots per week across delivery and Click & Collect.

"Over £6 billion of our sales across the business are digital. We are continuing to invest in this channel to deliver easy, speedy and seamless shopping. "(1)

There for our expenses for salaries, sick pay and salary increase came sole from our company.

Chain supply

The suppliers that we have and had use in many years have been struggling to meet the demand of the groceries and food. As everybody and every business in the industry was not prepared for such a huge demand, closure of countries and borders, have got us unprepared. The closure of borders and the difficulties to transport any good even between the cities have forced us to be looking for new ways to get our deliveries.

One of the places we have looked and started shopping was locally and small businesses, but of course their stock was not enough.

There was positive side of supplying locally and that is helping the community and small business, for which extra change had to be made – ensuring the cash up.

6. Internal:

12 Weeks off of work

We have offered all store colleagues who are extremely vulnerable, vulnerable or who live with extremely vulnerable household members up to 12 weeks off work with full pay. (1) In times where our main priority was the safety of our customers and employees we have decided to give our hard working employees, even in this unprecedented time the option to take up to 12 weeks off, if they are someone who is extremely vulnerable in one way or other, this decision was taken considering the effect that Covid-19 has on one's health and the risk for their lives. It is needless to say that such long period of paid time off work covered by our company for employee or their immediate family has had huge toll on our financial situation and working force.

Sick pay up to 14 days

As recommended by the health and safety regulations and the Government, every person who has tested positive for Covid-19 had to isolate for fourteen days of the positive test. The time of isolation and sickness was covered by the company as it is sick pay. Considering that virus was spreading fast and easily despite all the regulations and measures that were installed. Having running business that has chain supply issues, regulations to meet and measures to take, new rules and criteria to meet and added staff that was on 12 weeks leave or sick for 2 weeks, was not of any good for the business. The workers who were still on site were stretched to maximum and exhausted.

Self-Isolation

As we have already mentioned the sick pay and leave, every person who has had symptoms of the virus had to self-isolate until the results were negative or they felt better. The self-isolation together with the sick leave and 2 weeks off of work were two-sided huge negative impacts for Sainsburys. Business who has to pay a lot of money or staff who is unable to work and running a business without healthy and enough staff is not a recipe for success.

10% increase of the payments for march 2020

Our employees were working frontline and extra hours in times and place where their lives and the lives of their families were at risk, there for to thank them for their work we have given 10% on top of their salaries to stimulate them and to show our appreciation.

7. Critical Evaluation

As we have the layout of the details and special circumstances that have had a cure during the covid-19 pandemic, or at least the for year of it where business and throughout all the sectors have experienced. Majority of those regulations were placed to keep all the people across the business safe. Every business that was not essential and couldn't be done from distance was expected to provide for the health and safety of every person. Measures such as: social distancing, regular disinfection, wearing masks and gloves, limiting people of the closed space. Paying in full for sick pays, vulnerable leaves and isolations are all expenses that have no positive impact on the business or

direct line to the business making. Those are purely expenses and there for lost.

According to Susannah Streeter £485m spent on Covid related costs . "Redesigning layouts to keep customers and staff safe, paying colleagues in full who needed to shield, all added [to costs] with £485m spent on Covid related costs," she said.(4) Considering the outcome of the year that Sainsburys had, "Sainsbury's has slumped to a £261m loss despite bumper food and Argos sales during the coronavirus pandemic." (4) Even taking in accounts that like-for-like sales were rising with 8.1%, the online sales went for 8% to 17% and the sales in general for groceries and food has risen enormously the price for the safety of the employees and customers were extremely high. These expenses were absolutely needed to be installed for everybody's safety, but even all the profit we have had the year still ended in negative profit. Which was the same amount as the profit from previous year.

Experts are expecting for the profits to rise and get back to normal in the following years.

Just for comparing Sainsburys expenses for the Covid measure sums up to 485m. pounds and for the rival Tesco those were nearly £900m to carry on trading during the pandemic.

"Sainsbury's said it had spent £485m on Covid-related costs, including paying colleagues that were required to shield or needed to self-isolate. It also paid back business rates relief on its stores in line with rivals." (4)

"The supermarket giant also paid out restructuring costs, including to close 170 standalone Argos stores. "(4) The merge between Sainsburys and Argos is positive for the future, during the pandemic the outcome wasn't in profits. The standalone Argos were making profits by increasing the online sales by 11% and continually sale, but the ones in store were closed as rebranding and repurposing of the spaces was taking place.

Profits for previous years: (source Sainsburys)

Years 2016-2018 – between 400-600 million

Years 2019-2020 - between 200-300 million

Year 2021 – 261 million pound in lost

With highest profit is the year of 2014, with over 800m, before tax.

The peak of Sainsburys profits is in 2014 and afterwards the profits of the company are continuedly going down. There could be many different reasons of two why, but the year Covid-19 happened the profit of Sainsburys went 261m below 0, even after all the measures and helps and reliefs from the Government. The profits of Sainsburys have been declining continuously for the past 5 years progressively. The positive outcomes of the pandemic and the experience is that online shopping is huge and people are more and more likely to be doing their shopping from distance. The need of face-to-face experience is getting lower and the future is to make the online and distance shopping easiest as possible. There are steps taken towards this already but they have to be superior to the rival brands.

The idea of opening smaller and convenience shops is with unclear future and not secure profits.

The financial situation is showing that lowering the prices is something that will keep the sales going.

8. Conclusion:

In conclusion Covid-19 has had negative impact on the industry and Sainsburys in particular. The measures have had been hard to meet and not cheap. The expenses that we have had had left no space for profit, even with the erasing prices.

The way Shopping is done and how, we as society function and do our daily task has change. Our priority as company are changing and new ways of work has to be implemented.

During these times one of the biggest expenses we had was the human resource, and the same time biggest cash flow was coming from online shopping, orders thru apps, self-check- outs and click and collect. Big percent of

the people will continue do it this way. That only goes to show that stores have to be modernise and be more technological. This is a lesson that has to be learn and all the novelties must be implemented. Change is not a scary thing, change is an exciting beginning.

9. References:

1. https://www.annualreports.com/HostedData/AnnualReportArchive/j/LS_E_GB0767628_2020.pdf
2. https://www.annualreports.com/HostedData/AnnualReportArchive/j/LS_E_GB0767628_2021.pdf
3. <https://www.economicsobservatory.com/update-which-firms-and-industries-have-been-most-affected-by-covid-19>
4. <https://www.bbc.co.uk/news/business-56912064>