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Executive summary

This report will analyse the external and internal market environment in the context of Asda. Some of the macro-environmental factors help in the growth of Asda, while others affect the business performance. Similarly, the industry analysis and internal analysis of the business will allow for identifying the opportunities and strengths of the business. This report will also explain the STP strategies and marketing mix of Asda. The report aims to understand the environmental factors and improve the overall scope of marketing of the business.

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1. Introduction

The marketing process is an integral activity of the business operations. The marketing activities of a business need to consider the external and internal conditions of the company. Large companies like Asda need to focus on environmental factors to improve the effectiveness of their marketing strategies. This report will analyse the external and internal business environment of Asda with the implementation of relevant modes and theories like Pestle analysis, Porter's five forces framework, SWOT analysis, etc. The report aims to understand the influence of internal and external environmental factors on business operations and provide effective recommendations to improve the marketing strategy of Asda.

2. Company Background

Asda is a British supermarket chain founded in 1949 with the merger of the retail business of the Asquith family and the Associated Dairies company of Yorkshire. The company acquired several businesses in different sectors including retail, furniture manufacturing, etc. However, the company currently focus mainly on the retail sector. The company offers a wide product range including fresh vegetables, groceries, clothing, home items, etc. including supermarkets, supercentres, superstores, Asda Living and George stores (asda.com, 2023). Asda also ventured into different sectors with their petrol filling stations, Asda Mobile, and Asda Money. The company employs 145,000 people in different stores and overall business operations. The business generated a revenue of more than £20.4 billion excluding their earning from petrol filling stations. Asda has been the third largest retailer in the UK. Product diversity, inclusiveness and consistent product quality have helped the business maintain its position in the competitive retail industry.

3. PESTLE analysis

The macro-environmental factors can affect business performance. The management of Asda needs to identify the influential factors in the external business environment to identify the opportunities and threats for the business.

Factors	Description	Impact
Political	- The political condition of The UK has been unstable since the implementation of Brexit. - The prime minister of the UK has been changed thrice in a short period.	Unfavourable

	The corruption index score of the country has hit the lowest point in 2022 compared to the last decade (statista.com, 2023).	
Economical	- The inflation rate of the UK has touched 10.4% in 2023 up from 10.1% (ons.gov.uk, 2023). - The job loss at the onset of the Covid-19 pandemic has also affected the spending capacity of consumers. - The companies like Asda have to incorporate competitive pricing strategies to remain relevant in the market.	Unfavourable
Social	- The preference for organic fruit and vegetables has increased. - Asda needs to incorporate sustainable practices and a supply chain network to deliver according to the demand (Haydock and Smith, 2019). - Many customers are inclined towards online shopping to match the demand of their fast-paced lifestyle.	Favourable
Technological	- The emergence of e-commerce has increased the scope of business for Asda (Sindakis and Aggarwal, 2022). - The latest communication tools have helped in the improvement of stakeholder relationships and transparency in a retail business. - AI and modern business analytics tools have improved the demand prediction capacity of the businesses like Asda.	Favourable
Legal	- Consumer protection laws and marketing laws have become stricter in the UK. - The companies like Asda have to provide employment rights to prevent legal intervention in future.	Unfavourable

	Asda also has to comply with copyright laws and intellectual property rights.	
Environmental	- The Government and consumers of the UK have become more aware of the environmental impact of large businesses (Aramyan <i>et al.</i>, 2021). - Asda needs to change its traditional supply chain activities and environmental policies to attract customers and comply with government regulations.	Unfavourable

The analysis in the table above highlights that the macro-environmental factors are both favourable and unfavourable. The management of Asda needs to consider these factors and formulate marketing policies accordingly.

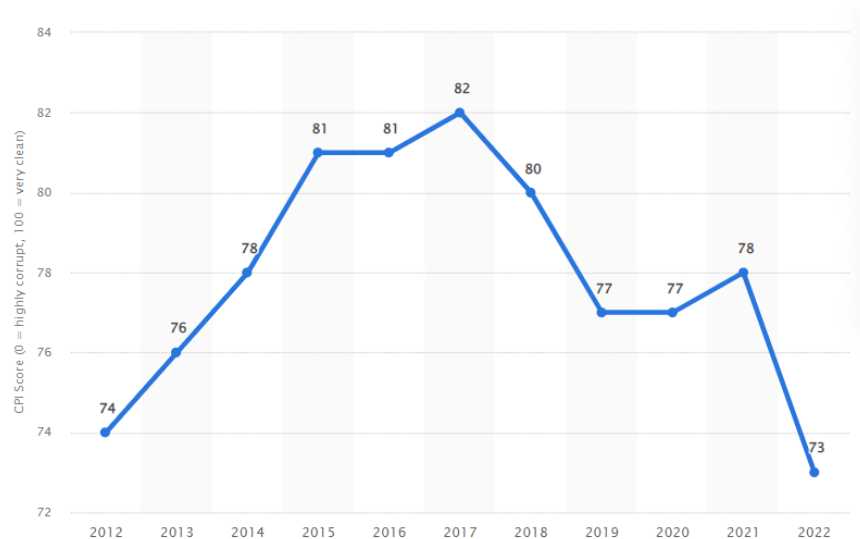


Figure 1: Corruption index score of the UK over the years

(Source: statista.com, 2023)

4. Porter 5 Forces model

Porter's five forces model provides an insight into the industry conditions. This section will analyse the retail industry of the UK and identify the position of Asda in the market.

Industry Forces	Description	Impact
The threat of new entrants	The entry of new companies into the retail industry requires huge funding.	Low

	• Retail companies need to establish a supplier base to manage the overall business operations and market demand (Scarborough <i>et al.</i>, 2020). • The presence of established brands in the retail sector prevents the entry of new companies.	
Bargaining power of suppliers	• The bargaining power of suppliers is not high. • The number of suppliers of Asda has been sufficient and spread across different parts of the world (Görçün <i>et al.</i>, 2022). • Though the company does not depend on specific suppliers the number of sustainable suppliers is limited.	Medium
Bargaining power of buyers	• The customers can compare the alternatives available in the market. • The switching cost for the customers is low, as all the competitors of Asda offer similar products at competitive pricing.	Medium
The threat of substitute product	• Asda offers essential items such as groceries, fresh vegetables clothing, etc. (Li <i>et al.</i>, 2023). • These products cannot be substituted and the demand will always be high.	Medium
Competition among existing companies	• The competitors of Asda are Tesco, Sainsbury's, Morrisons, M&S, Aldi, Lidl, etc (v Brierley, 2022). • All of these companies have industry connections, loyal customers and the required resources to compete with Asda.	High

The industry analysis of Asda shows the risk of new entrants in the market is less likely. The long-term suppliers of Asda provide a competitive advantage and help in maintaining the overall business operations of the company. However, the increasing bargaining power of the customers and intense competition in the market can highly influence the financial performance of the company.

5. SWOT analysis

The SWOT analysis of a business helps the management in identifying the opportunities and threats for the business. This section will provide a clear understanding of the strengths, weaknesses, opportunities and threats of the business.

	Internal Factors	External Factors
Positive factors	Strength • The brand value of Asda is strong. • The company has built a loyal customer base with 38% of the customers likely to maintain their association with the business (Xiao <i>et al.</i>, 2021). • The long-time suppliers of Asda have improved the sustainability of the business operations.	Opportunities • The rise of e-commerce has expanded the business area of Asda. • The digital business analytics system has improved the accuracy of market predictions for the business. • The communication system of Asda has improved with the incorporation of the latest communication tools.
Negative factors	Weakness • One of the biggest weaknesses of the business is its limited global presence. • The company cannot easily enter the foreign market at this stage due to business restrictions. • The incidents like Horse Meat Scandal have affected the brand reputation of Asda.	Threats • The intense competition in the retail industry may affect the market share of Asda in the upcoming years. • The company cannot keep high-profit margins to stay relevant in the competitive market (Brandenburg <i>et al.</i>, 2022). • The development of e-commerce and online marketing will increase the operational cost of the business.

Asda has been one of the most consistent performers in the retail industry of the UK. The company has built a strong brand image and loyal customer base with high-quality performances over the years. The company has also built strong industry connections and infrastructure to sustain itself in the competitive industry. However, Asda stores are limited to the UK, while its main competitors have built a global presence. Asda's reputation has also been affected by some controversies (Omarova *et al.*, 2021). The company can accelerate the growth of the business with the utilisation of e-commerce and the implementation of effective communication and marketing tools. This way the company can also prevent the threats of intense competition and maintain the profit margin irrespective of competitive pricing.

Advantage of SWOT analysis:

1. Both internal and external factors in the business environment are considered in Swot environment (Omarova *et al.*, 2021).
2. The concept of SWOT analysis is very simple and the management does not require dedicated training to conduct SWOT analysis.
3. This model integrates multi-level analysis and integration of data from different aspects of the business.

Disadvantage of SWOT analysis:

1. The effectiveness of this model can be questioned as the individual bias can affect the result of analysis.
2. One single factor may lead to different dimensions of the model. For instance, application of the latest technology can be strength of a business. However, increasing operational cost due to technological implementation can be weakness also (Sindakis and Aggarwal, 2022).

6. STP of Asda

Segmentation, targeting and positioning are essential aspects of marketing management. Proper STP strategies can improve the sales performance and profitability of the business.

- i. **Segmentation:** Asda offers a diverse product range to meet the requirements of different customer segments. The company divides the customers into different segments according to age, gender, income level, social status, etc. This allows the company to offer products in different price ranges (Bin *et al.*, 2020). For example, the

company offers clothing items in different price categories. This factor allows customers from different segments to get products according to their requirements.

- ii. **Targeting:** The company has identified different customer segments. The company uses different marketing channels to reach their diverse customer segments. For example, the younger customers are accessible through social media platforms and the elder generation can be reached through traditional marketing channels such as television, newspaper etc (Aiezza, 2023). Asda invests in specific marketing channels according to the age group of the target consumers for the particular product line.
- iii. **Positioning:** Asda has positioned itself as a company offering diverse products at affordable pricing. The company implemented sustainable practices to attract environmentally aware educated customers. The inclusive practices of the company also made it popular among customers from different minority communities (Czinkota *et al.*, 2021). The positioning of the company has helped it become one of the leading businesses in the retail industry of the UK over the years.

7. 4Ps of Asda

The marketing mix strategy of the businesses allows them to increase the exposure of the business and reach potential customers. This section will analyse the marketing mix of Asda.

- i. **Product:** The product range of Asda includes groceries, clothing items, home items, petrol, and other essential goods. Asda offers the products at competitive pricing. The company offers products considering the requirements of the customers of different customer segments (Mogaji and Mogaji, 2021). This strategy helps the company to maintain its sales performance. The packaging and customer service improves the customer experience while purchasing the products.
- ii. **Price:** Asda chooses a market penetration strategy with competitive pricing. The market-oriented pricing increases the affordability of the products. The company offers sales and extra discounts during special occasions such as Christmas, Halloween, Thanksgiving, etc. This strategy increases the sales rate during these occasions and helps the company to make a huge profit.
- iii. **Place:** Asda has more than 650 stores around the UK. The company divided the stores into different categories such as supercentres, superstores, supermarkets, etc., according to the available space (Dawes *et al.*, 2021). The company also offers e-commerce and

home delivery option. This strategy increased the presence of the business in the UK and allows the company to deliver according to the rising demand.

- iv. **Promotion:** Asda improves its marketing strategy by increasing its presence on different platforms. The company promotes the products or offers in selective platforms considering the availability of the target consumers in the specific platform (Erdmann and Ponzoa, 2021). Special offers and discounts at a specific time of the year is also a promotional strategy of Asda.

8. Conclusion and recommendations

The marketing management system of Asda will become more efficient when it is prepared after considering the internal and external market environments. The political, legal and environmental regulations of the UK are affecting the growth and development of businesses in the country. Asda can utilise social and technological factors to improve the growth and development of the business. The competitiveness in the retail industry and the increasing bargaining power of consumers threaten the growth and profitability of Asda. However, the long-time suppliers, strong brand image, loyal customers and the infrastructure of the business will support the business operations. The company targets different customer segments with their diverse product range. The company also utilises different marketing channels to reach potential customers. The positioning of the company as a sustainable and inclusive brand will be contributed to the growth of the business further. The management can follow some recommendations to improve marketing management.

- i. The requirements of the market are changing. Therefore, the marketing team must evaluate the effectiveness of the marketing strategy and modify them accordingly.
- ii. Asda needs to incorporate all the latest tools and technologies in the marketing process to improve the efficiency of the process.

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