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Strategies for Resilience and Prosperity:
BMSP6006

Assessment 1 - Report

Executive Summary

This report has been produced in order to analyse Asda's strategic management and evaluate the sustainability and resilience thereof. The report has the following objectives:

- Identify Asda's business strategy;
- Evaluate Asda's current position and workings towards sustainability and resilience; and
- To reach a conclusion as to the effectiveness of Asda's current strategy in this regard.

This report sought to identify Asda's key strategies and apply four academic models as lenses through which to view this strategy: Porter's Generic Strategies, Bowman's Strategy Clock, SWOT analysis and Power-Interest Matrix. Each model by itself reveals little about Asda's environment and management: synthesis of each, however, allowed for a thorough examination of Asda's environment and strategy.

A preliminary review of Asda's strategy revealed the following:

- Asda's mission statement is that its purpose is to serve customers, make its products more affordable and provide greater employment opportunities across the UK, and its vision statement is to become the UK's best-value retailer and to always exceed customer needs
- Its objectives are to create 12,000 additional jobs and introduce 1,000 online stores over the next five years
- Asda's competitive strategy is largely in its Everyday Low Price motto, although this has since lost steam against the price power of its rivals Aldi and Lidl
- The company's recent marketing strategies include market segmentation to attract younger audiences to its clothing line, George, developing an omnichannel approach to shopping for a tailored experience and demonstration of effective crisis management during the COVID-19 pandemic
- Asda is committed to sustainability, with its commitment: Better Planet, Communities, Lives & Business

The intended usage and common criticisms of each model was discussed. A frequently-appearing criticism of these models was a lack of nuance due to their inherent simplicity — both what makes these models easy to apply and the cause of their downfall. These models were used in analysis of Asda's strategy to reach the following conclusions:

- Asda is making great strides towards the improvement of the sustainability of its operations
- Improvement is required to address insufficient R&D competitiveness, increasing competition from discounters and reputation issues caused by dairy price-fixing
- Overall, Asda is in a good place at the moment but must remain proactive in its changing market to remain so

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1.0 Introduction

In today's digital world, the pace of change is faster than ever; even the most well-established organisations must constantly review and change their practices or fall behind. Perhaps the most widely observed failure of strategic management is the fall of Kodak — a film photography monolith that refused to see the rise of digital photography as the revolution as the force it was (Mui, 2012). Today, all eyes are on corporate sustainability amid a global worry of a worldwide climate event; if there ever was a time to direct focus on sustainability, now would definitely be it. Regardless, strategic management itself is a salient component of managing an organisation.

Strategic management consists of two words. In the long run, *strategy* determines focus and direction via the arrangement of resource allocation (Johnson et al, 2011) and *management* is the organisation and control of constituent components (Cambridge Dictionary, n.d.). Combined, strategic management means making strategic choices for the future and managing strategy in real time.

This report has been produced to analyse Asda's strategic management with an eye to evaluating its sustainability and resilience. Relevant academic models and theories will be drawn upon in order to explore Asda's business management strategies.

1.1 Company background

Asda was founded in Leeds in 1949, with its origin being traceable back to the 1920s (CompaniesHistory.com, n.d.). The value for money commonly associated with Asda — whose slogan is 'Get the Asda price feeling' (Nelson, 2021) — began with a soup tin discount in the 1960s (Asda, 2016; Asda Good Living, 2020).

Nowadays, the grocery industry is relatively stable, with the 'big four' brands — Tesco, Sainsbury's, Asda and Morrisons — enjoying relatively stable market shares. Asda's market share as of September 2022 was 13.9%, 0.9% and 13% below its competitors Sainsbury's and Tesco, respectively (Bedford, 2022). Asda has 632 locations across the UK, (ScrapeHero, 2022) some 2,100 less than Tesco.

1.2 Report objectives

The main objectives of this report are as follows:

- To identify Asda's business strategy;
- To evaluate Asda's current position and workings towards sustainability and resilience; and
- Ultimately, to reach a conclusion as to the effectiveness of Asda's current strategy in this regard.

1.3 Introduction to strategy

It is necessary to define the scope of this report in regards to strategy. Four main 'lenses' will be used through which to view and interpret Asda's strategy, which will be expanded upon later:

- Mintzberg's Emergent Strategy Model
- Porter's Generic Strategies
- Bowman's Strategy Clock
- SWOT Analysis
- Power / Interest Matrix

2.0 Findings

2.1 General Strategy Overview

In the article *Of Strategies, Deliberate and Emergent*, (Mintzberg & Waters, 1985, p.258) there are five types of strategies in a formation process;

- *Intended*, an organisation's pre-planned strategies;
- *Unrealised*, discarded in the process;
- *Deliberate*, realised as originally intended;
- *Emergent*, realised unintentionally due to the environment; and
- *Realised*, the finalised strategies at the end of the process.

In order to understand strategy, the vocabulary of the topic must also be made clear:

- The vision statement is two to three sentences conveying a desirable goal or vision (Kirkpatrick, 2008)
- The mission statement unifies an organisation toward a certain purpose and direction (Mullane, 2002)
- Objectives are clearly defined methods of achieving this strategic direction

Asda's mission statement is that its purpose is to serve customers, make goods and services more affordable and provide greater employment opportunities across the UK. Its vision statement is to become the UK's best value-retailer and to always exceed customer needs. Lastly, its objectives are to create 12,000 additional jobs and introduce 1,000 online stores over the next five years (Finance Notes Team, 2021).

Asda's key recent marketing strategies are as follows:

1. Developing an omnichannel approach to shopping, in which customers can tailor their shopping experience to their wishes, with in-store checkouts, a click and collect service and a money-saving tool;
2. Market segmentation to attract younger audiences to George, with young British designers producing new item ranges and inclusive, progressive marketing to appeal to younger sensibilities;
3. Effective crisis management during the COVID-19 pandemic, with measures to prevent the vulnerable, expansion of its delivery service to dissuade footfall and donation of millions of pounds of food to those who would've otherwise gone hungry;
4. Increasing its number of product and service lines in comparison to competitors, with George Clothing and George Home brands, mobile services, fuel stations, opticians, insurance products and children's lines (ContactPigeon, 2022).

It is also important to analyse Asda's competitive strategy — the company's process of developing a competitive advantage over its rivals (McGee & Sammut-Bonnici, 2015). Asda's competitive strategy is largely its Everyday Low Price promise. The Everyday Low Price strategy initially proved successful but lost steam in the early 2000s, a few years after the market entry of Aldi and Lidl (Vakhariya & Verma, 2007). In 2018, the company announced a price cut on 1,000 everyday products in an attempt to become price-competitive with these companies (Rahman, 2020).

The last component of Asda's strategy to be analysed is its sustainability commitment (Asda, n.d.). This is split into four areas of sustainable improvement:

- Better planet: sustainable sourcing, protection of biodiversity and improving affordability of 'green' products
- Better communities: working with partners and supporting communities to combat poverty and support cancer research
- Better lives: making the healthy choice the easier one, by making healthier food choices affordable
- Better business: become the UK's most trusted retailer by upholding standards of ethical conduct, fostering inclusive workplaces and sourcing products responsibly

2.2 Strategy in Detail (stakeholder analysis & models)

Following a general overview of Asda's strategy, the aforementioned strategies will be interpreted through the lenses of different academic models on the topic. Following this, a brief list of the advantages and disadvantages, relative to Asda's nature of operation, of each model will be made.

The first model to be used is Michael Porter's Generic Strategies model. It focuses on generating a competitive advantage (higher profits) either by reducing costs or raising revenues — or both, rarely. Porter suggested that these strategies are defined by two dimensions: scope of strategy and source of competitive advantage. For scope, a company can either target a broad or narrow market; and for source, a company can either be a low-cost leader or a differentiator — this results in four quadrants: Overall Cost, Overall Differentiation, Cost Focus and Differentiation Focus (Kryscynski, 2012).

Broad	Overall Cost Asda Tesco	Overall Differentiation
	Cost Focus Aldi Lidl	Differentiation Focus
Low Cost		Differentiation

Asda is a member of the Overall Cost range, as opposed to the Cost Focus range inhabited by Aldi and Lidl. A key difference between these strategies is that, while Asda offers low prices without sacrificing product range, Aldi does all it takes to reduce prices. Aldi's ethos is efficiency, which means:

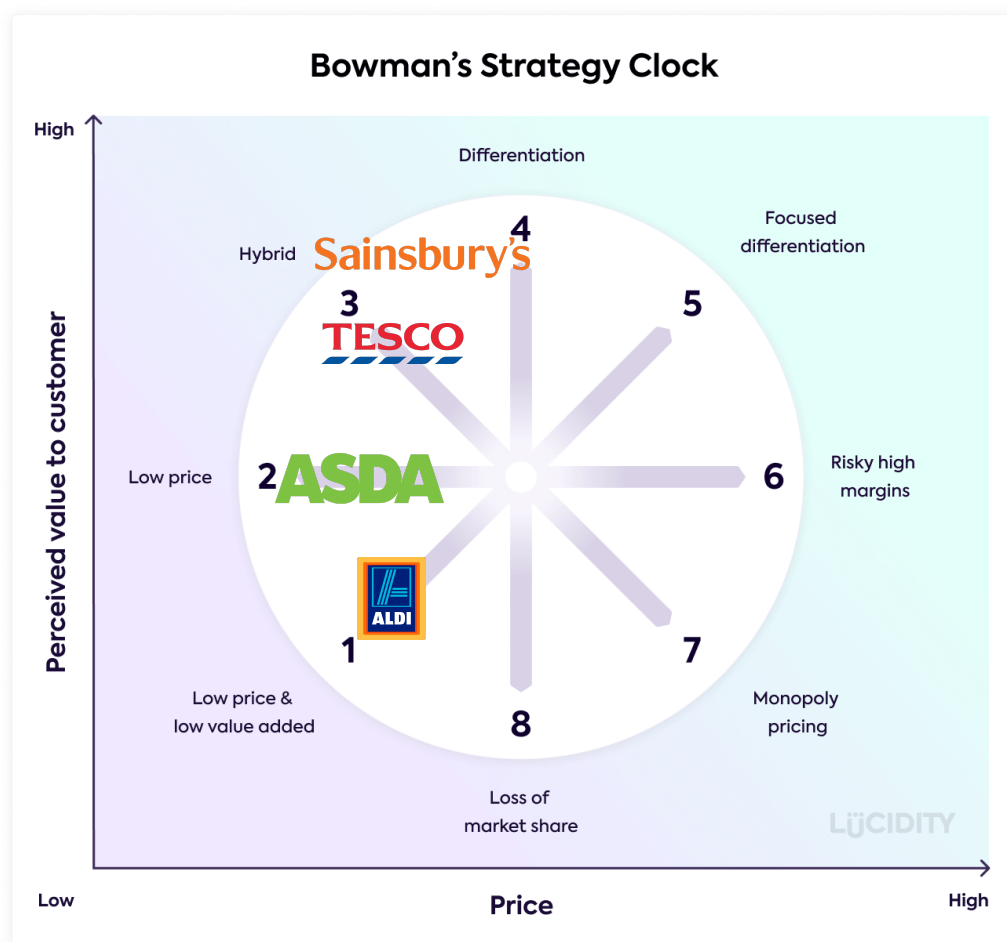
- Stocking 2,000 products at maximum per location
- Wrapping multiple barcodes around products for faster checkout time
- Only up to 40 employees per location, trained to jump between all tasks where necessary
- Ordering products in shelf-ready packaging to save time
- Mainly stocking own-brand products to set its own prices (Chamberlain, 2018)

The rapid success of Aldi and Lidl is a testament to strong customer demand for low prices. However, many returning customers enjoy Asda's range of products and style of service; furthermore, its vision and mission to always exceed customer needs and to provide more

employment may not be compatible with the aggressive cost-cutting strategy that Aldi uses to achieve its low prices.

A criticism of Porter's Generic Strategies is that it is much too rigid and general, and only to be used as a stepping stone to models with more nuance (Garcia, 2022). By itself, this model does not reveal much about Asda's environment.

The second model to be used is Bowman's Strategy Clock. This model analyses an organisation's competitive position in relation to rivals (Dănilache, 2018). The clock-shaped model features different positions, representing customer requirements in regards to price and value. Companies can choose to strategically align with any of the 8 positions, although some are more suited to different environments and companies, and some are destined for failure (Johnson et al, 2011).



(Lucidity, n.d.)

As seen on the model, Asda is in position 2 as it aims to offer an everyday price. Tesco is in position 3 as its strategy is both an extensive product offering and affordable prices. Aldi is in position 1 because its products are low in perceived value and are sold at the lowest price possible. Sainsbury's is informally seen as a high-end chain by some but also pursues a price

strategy similar to Asda in nature, so has been placed between positions 3 and 4 to reflect this (Lucidity, n.d.). Positions 6, 7 and 8 on the clock are all strategies which lead to ultimate failure — especially in the grocery market, where it is incredibly easy for customers to shop elsewhere for the best value.

Some key criticisms of Bowman's Strategy Clock are that strategies can easily take the form of more than one position. Although this model allows for more nuance than Porter's Generic Strategies, both suffer from rigidity that may not be present in a real-life competitive market (Lucid, n.d.; StudySmarter, n.d.). For both of these models, their simplicity is both their reason for common use and their downfall — although Bowman's Strategy Clock does a better job at addressing this issue with its greater nuance.

The next tool to be used is a SWOT analysis. This tool is for environmental analysis — both for internal and external environments — and is a simple method for listing points of interest in the organisational environment. It stands for *Strengths*, *Weaknesses*, *Opportunities*, *Threats*; the first two making up the internal environment, and the latter two the external (Pickton & Wright, 1998).

STRENGTHS: 1. Wide range of product lines, almost on par with Tesco 2. Very strong brand name and effective marketing efforts: 'pocket tap' is widely recognisable 3. Great quality products, sourced with sustainability in mind — sustainability is in fashion	WEAKNESSES: 1. Price-fixing on dairy products turning ethically-minded customers away 2. Approximately £3.5 billion in debt: a high gearing ratio is risky as capital is not owned by Asda 3. Research & Development not at a competitive level and decision-making is inefficient
OPPORTUNITIES: 1. Should seek to explore markets outside of the UK, particularly in developing nations — potentially profitable with initial spending 2. Invest in E-commerce and online marketing as internet usage grows each year, especially following pandemic 3. Continue investment towards meeting sustainable goals: society is shining a spotlight on business ethics	THREATS: 1. The retail market is one of stiff competition over prices. Independent online retailers entering the market pose a threat to the company 2. Currency fluctuations between markets — especially during today's rapidly-changing world — pose a threat to Asda's profits 3. Changing regulatory frameworks and policies result in legal costs to keep track of changes and prevent infractions

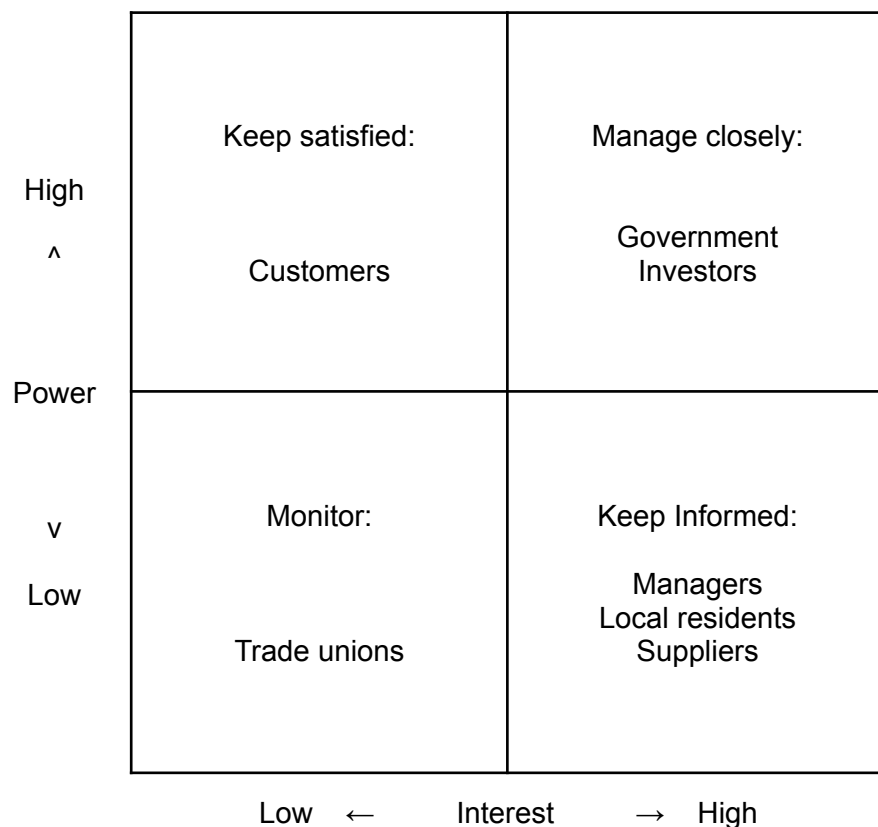
(Shastri, n.d.; Thomas, 2022; Tiwari, 2022)

Overall, the SWOT analysis shows that Asda has a strong base internally that could be exploited in order to expand to additional markets and reap benefits from these. However, Asda's brand image

may not necessarily carry over to a new market and it will take time for customers to become receptive. Asda needs to consider the cost of researching customer tastes abroad and whether this will be added to their £3.5 billion debt. The world is rapidly changing and Asda could stand to reap many benefits if it takes advantage of these market opportunities.

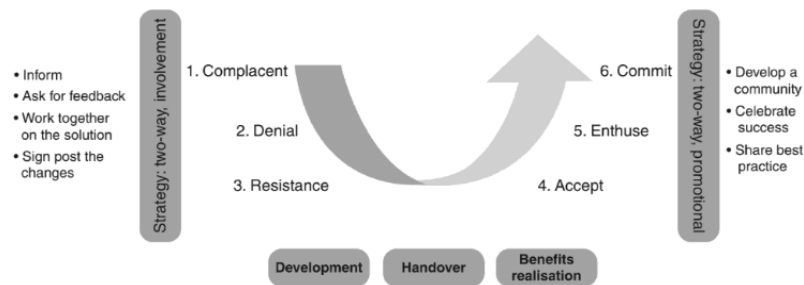
A key criticism of SWOT is in the way that it is frequently used: its common usage as a simple checklist reduces the nuance that it was originally created to have (Bell & Rockford, 2016). SWOT itself, though being a powerful tool for understanding one's environment, should be supported with further analysis.

The last tool to be used in this report is the Power/Interest Matrix model of stakeholder analysis. Similarly to SWOT, this looks at both internal and external agents who are acting with a connection or relationship to Asda (Slabá, 2014). In a similar way to Bowman's Strategy Clock model, the model has two axes: *Power* of the stakeholder and *Interest* in the business' operations, split into four quadrants.



Shown by this model, the stakeholders that Asda should keep at top priority are the government and its shareholders (investors). The government expects Asda to comply with business regulations and to do business within the confines of the law, and its shareholders expect returns on their investment and may pull out in the event of a lack of confidence.

Despite being the most prominent stakeholder management tool, the power-interest matrix is itself not immune to criticism. Companies too frequently expect to use this model to win the support of stakeholders by telling them what they wish to hear (Horton & Pilkington, 2014, p.122). This line of thinking is based on the *change curve*, which illustrates levels of stakeholder acceptance of a change. Typically, stakeholders only begin to truly accept a change post-implementation, meaning that many attempts to enthuse stakeholders beforehand will not work.



(Horton & Pilkington, 2014, p.122)

Concluding this section of the report, Asda is in a strong strategic position;

- It has captured its own segment of the retail market, as shown in Bowman's Strategy Clock model;
- It fits neatly into the Overall Cost quadrant of Porter's Generic Strategies model, thus avoiding complications caused by attempting to stretch to multiple strategies;
- The SWOT analysis reveals a strong internal base and huge opportunity for growth abroad; and
- The Power-Interest matrix provides a template strategy for interacting with its various stakeholders, categorised by importance.

A few minor setbacks are currently afflicting the company — namely insufficient R&D power and growing competition from discounters Aldi and Lidl.

3.0 Conclusion

This report set out to reveal the effectiveness of Asda's business strategy, with an eye to sustainability and resilience in particular. Throughout this report, several points affirming Asda's commitment to these principles have been raised:

- Asda's objective of 1,000 additional online stores highlights aspects of resilience in a market with changing customer needs.
- The firm's key marketing strategies — namely the development of an omnichannel approach and market segmentation for George — demonstrate that Asda has acknowledged the need for change to accommodate a new generation of shoppers.
- Asda's Better Planet, Communities, Lives & Business commitment indicates that the company is making real effort toward sustainability of its sourcing and operations.
- SWOT Strengths include sustainability-minded sourcing of products; such recognition further proves good steps in this direction from Asda.

These findings underpin the fact that Asda is making great strides towards greater sustainability and resilience of its operations; the company has acknowledged the need for sustainability and that it has acted on this acknowledgement. This proves that its strategy is working well.

There are, however, certain weaknesses to Asda's strategic management, which may imply that improvement is required, that must be addressed.

- Dairy price-fixing is not a good look for Asda, especially as it is trying to put forward a benevolent brand image. Farmers around the country are struggling with low profit margins (Renton, 2011; Harvey, 2022) and this is a big issue for ethically-minded customers.
- Asda's SWOT analysis revealed that its research and development is not at a sufficient level to compete; Asda may lack the resources to keep up with other chains in terms of sustainable operations. This may place its reputation as a sustainability-minded supermarket in jeopardy if it falls behind.
- The company's motto and reputation of having an everyday price may be trumped by Aldi and Lidl, which offer lower prices due to efficient practices, since customers are increasing the value they place on price amid the cost of living crisis. Asda may lose market share to these companies if it cannot improve its own operational efficiency.

Overall, although Asda has a solid base to rely on, it must remain proactive to ever-changing market conditions else this will prove to be its undoing. Asda has done well enough with strategic management over the years to achieve its current position in the 'big four'; the following years will be another test as it is pitted against its discounter rivals further.

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