

INTERNAL AND EXTERNAL ANALYSIS OF ASDA

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1 Introduction

Situational analysis as mentioned by Kotler & Keller (2011) normally involves examining both the internal and the external environment within which a given organization operates in. According to Herzog (2010), a situational analysis is very important as it helps an organization establish aspects in its internal and external environment that are most likely to affect its strategic options and opportunities. As mentioned by Bensoussan and Fleisher (2008), the most common considerations of a situational analysis include the particular sector and its competitive aspects as well as the organization's internal situation and the competitive position. Proctor (2000), Thomson and Fuller (2010), Keegan and Green (2005), and Peng (2008) have all discussed some of the most common analysis techniques used in internal and external analysis of an organization. Some of the techniques discussed by the various authors include SWOT analysis, PESTLE analysis, DEEPLIST analysis, PEST analysis and Michael Porter five forces analysis among others. The objective of this report is to conduct an internal and external analysis of a UK based retailer named Asda. To achieve the outlined objective, an overview of Asda is first presented before conducting an internal and external analysis of the organization.

2 Overview of Asda

Asda is a British based chain of supermarket that sells general merchandise, electronics, financial services, clothing as well as food among others. The supermarket chain is owned by American based retailer Wal-Mart which was named Forbes (2012) as the world's largest retailer. In the perspective of UK retail market, Asda is the second largest supermarket in terms of market share with the market leader being Tesco. As of December 2010, the retailer's share of the entire UK grocery market was said to be 16.5% (Sixth Sense, 2010). Currently, Asda has 170,000 dedicated employees in more than 376 superstores and supermarkets across United Kingdom. Asda records more than 18million shoppers on a weekly basis with an average yearly turnover of 20 billion pounds (Asda, 2012).

Asda organization structure is that of hierarchical type. Asda hierarchical structure has many levels. Each level is controlled by one person and instructions are generally passed down from one person to another until it gets to the bottom of the hierarchical structure. If there was a problem in a hierarchical structure it would move up through the structure again from one person to another until it gets to where it is supported to be (Asda, 2012).

In the perspective of Asda's human resource policies, the company's recruitment system is designed to seek and select the best possible individual for the vacant jobs in order to ensure that the right person who will help the organization achieve its objective is employed. Training is a continuous undertaking at Asda as senior management employees as well as junior management employees undergo training in different departments of the business in order to ensure that they keep a brace with changes happening in the retail sector. In addition, incentives in form of financial rewards, accolades or gift items are provided to motivate workers.

3 Asda Internal and External Analysis

3.1 Internal Analysis

An internal analysis as discussed by Cowe et al. (2011) examines a given organization's operations with its strengths and weaknesses. In that perspective Porter's value chain analysis will be used to conduct Asda's internal analysis.

A value chain analysis as describes different operations that take place in a given organization in perspective of the competitive position of the given organization (Sekhar, 2009). According to Bensoussan and Fleisher, (2008) most organizations mainly adopt differentiation or cost leadership strategies in order to ensure that they have a competitive advantage in the market place.

3.1.1 Inbound Logistics

While compared to other competitors, Asda is among the cheapest retailers in the UK (Reuben, 2011). Among others, Asda's efficient ordering system as well as the company's economies of scale plays a great role in ensuring that the company is able to sell products at low prices and be able to make profits.

3.1.2 Operations Management

As far as operations are concerned, Asda has adopted various strategies that ensure that the company's operations are efficient. For example, according to Sahota (2010), Asda has implemented an enterprise resource planning in place that ensures the company achieves efficient and effectiveness in all its operations.

3.1.3 Outbound Logistics

Apart from only relying on its physical stores, Asda has an online presence that ensures that customers who prefer to shop online or have no access to Asda's physical stores do their shopping online (Asda, 2012).

3.1.4 Service

Unlike in the past where Asda just offered groceries, the company has added more products and service to its offering in order to ensure that it appeals to various types of clients. For example, the company now has cafes in most of its stores implying that instead of customers just shopping, they can also enjoy a cup of coffee or meals at most of Asda's stores (Asda, 2012).

3.1.5 Other Supporting Services

Some of the other strategies that Asda has adopted in order to ensure that it is successful in the competitive retail sector includes establishing close relationships with various manufactures which ensures that the company is able to get products at low prices which means that the company is able to make good profit margins even though the products are sold at cheaper prices (Asda, 2012).

4 External Analysis

To conduct Asda's external environment analysis, PESTLE analysis and Michael Porter's five forces framework will be used.

4.1 PESTLE Analysis

PESTLE as mentioned by Abraham (2006) stands for political, economical, social, technological, legal and environmental factors

4.1.1 Political factors

The European Union has presented a good opportunity for Asda to expand into European markets as most of the trade barriers have been removed (BBC, 2009). In addition, the admission of China to the World Trade Organization (WTO) has made it possible for Asda to expand into the Chinese market while also making it easier for Asda to import products for sale from China.

4.1.2 Economical factors

As far as economic factors are concerned, they play a great role in the success or failure of Asda since if the UK economy was experiencing difficulties like was the case in 2008 when the economy was under recession, majority of people lost their jobs which meant that they had less spending power. Nevertheless, the recession as noted by Daily Mail (2008) and Murchie (2009) favored Asda as the company experienced increased revenues as customers who normally did their shopping at other expensive retailers such as Marks and Spencers were left with no option but to shop for cheaper products that were being sold by Asda.

4.1.3 Social factors

As customers become more informed, there is an increased demand for organic food implying that Asda has to ensure that it has organic food in its offering in order to meet the needs of the customers who are keen on organic foods.

4.1.4 Technological factors

As is the case with any other organization, Asda has to ensure that it adopts various technological innovations like online retail and e-marketing in order to be successful.

4.1.5 Legal factors

Since Asda operates in UK, the company has to ensure that it adheres to various rules and regulations put in place by the UK government in order to ensure that no fines are imposed.

4.1.6 Environmental factors

In order to ensure that Asda has a positive impact to the environment, the company has put in place an environmental friendly approach that has seen the company use recyclable materials in various situations like in packaging of most products.

4.2 Michael Porter's five forces analysis

Porter's five forces analysis as discussed by Paul (2011) is an analysis technique that aims at establish the position of an organization in a given industry in perspective of five different forces. The five forces are threat of substitute products, bargaining power of buyers, bargaining power of sellers, competitor rivalry and threat of new entrants.

4.2.1 Threat of substitute products

According to Lamb et al. (2010), the threat posed by substitute products is normally high in situation where customers can easily access the products without having to pay extra costs for the products. In the perspective of Asda, convenience stores commonly referred to as 'corner shops', organic shops and off licenses can be said to be the substitute products. The threat posed the these types of stores can be said to be low since they only stock certain types of products implying that customers would still have to frequent supermarkets in order to fulfill their shopping needs.

4.2.2 Bargaining power of buyers

As discussed by Shimizu (2011) and Stonehouse et al. (2004), buyers are said to have high bargaining power in situations where they can have an impact on a seller's sales terms mainly because they buy in large quantities. From that perspective, Asda customers can be said to have a low bargaining power as they make purchases as individuals in small quantities.

4.2.3 Threat of new entrants

The threat posed by new entrants to Asda can be argued to be low since it would require any new entrant a lot of capital investment for any new entrant to establish presence in the market. Nevertheless, it would also take the new entrant a lot of time before the entrant can be considered to be on the same footing with Asda, Tesco and other established retail supermarkets in the UK.

4.2.4 Bargaining power of suppliers

Suppliers have high bargaining power in situations where they are only few in numbers (Stonehouse et al. 2004). The bargaining power of Asda's supplier can be said to be low since they have to supplier products according to various supermarkets terms as explained by Renton (2011).

4.2.5 Existing rivalry between competitors

The existing rivalry between the competitors can be said to be very high as the five main supermarkets (Asda, Tesco, Morrisons, Sainsbury, Waitrose and The Co-operative) adopts various strategies in order to ensure that they appeal to the public who are their customers.

5 Asda SWOT analysis

SWOT analysis as discussed by Kotler (2011) is a situational analysis tool that is used to analyze an organization's internal strengths and weakness and at the same time used to analyze the external threats and opportunities.

5.1.1 Strengths

Asda's strengths can be argued to come from a wide network of numerous stores throughout United Kingdom that has ensured that Asda has a strong brand name. In addition, the fact that the company has over 136 retail stores means that the company benefits from economies of scale. Since Asda is owned by Wal-Mart, this can be argued to be strength to Asda as it can easily adopt a concept that works in America in UK.

5.1.2 Weakness

Asda main weakness can be argued to be the fact that it is viewed as a cheaper retailer which might at times imply that the company sells poor quality products as noted by Renton (2011). In addition, the large size of the company can be said to be a weakness as it can be at times difficult to manage and coordinate all the activities.

5.1.3 Opportunities

There are a lot of opportunities for Asda to exploit. Since UK belongs to the European Union there is an opportunity for Asda to expand into European markets that have high potential. In addition, the company can also diversity its service offering into other sectors such as travel, insurance and broadband services.

5.1.4 Threats

The main threat to Asda can be argued to be the increasing competition posed by other competitors such as Tesco and Morrisons that are in the market. In addition, as noted by Renton (2011) German based Aldi and Lidl have also been gradually gaining market share in the UK retail sector implying that they also pose a threat to Tesco.

6 Conclusion

The aim of this report was to conduct an internal and external analysis of Asda. As can be seen from the analysis, Asda can be said to be in a strong position as the company has implemented various strategies that have ensured that it is successful in the market place. Nevertheless, Mintel (2010) noted that Tesco has been the market leader for the last ten years as far as UK retail supermarket industry is concerned. From that perspective, it is evident that Asda now needs to implement other strategies that will ensure that the company becomes the market leader in a few years time.

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