

replace ASDA as U.K.'s second largest supermarket²⁹. On the contrary, its main competitor Tesco achieved 29.9% of the market share- a gain of 2%. In March 2005, ASDA appointed Andy Bond (Bond) as its Chief Executive in place of Tony DeNunzio. After his appointment Bond said that he would revive ASDA to gain its losing market share. But analysts felt that it would not be that easy for Bond. With a consumer led recession in U.K. retail market, ASDA faced tough times ahead. Its first challenge would be to compete with Tesco.

Trouble Shooting Initiatives

"Our 2006 store and investment programme further demonstrates our commitment to flexible formats, mixed use and re-generation schemes, enabling us to create an increasing number of jobs across the UK³⁰".

Judith McKenna, ASDA's chief financial officer.

In 2005, ASDA decided to expand itself in the online retail market and entered areas such as online sale of home entertainment products and contact lenses. ASDA followed Tesco's lead by adding CDs and DVDs to its online offering. The products were supplied from Jersey³¹, where tax regulations allowed them to be sold for a lower price as compared to other parts of the country³². In November 2005, ASDA started offering flower delivery and travel related services online and expanded its home-delivery service to cover 60% of the country in a bid to increase its reach. It also signed up online travel agent wefly.com and flower delivery service Superflora U.K. to supply co-branded services on its website - www.asda.co.uk.

In 2005, ASDA also started eight more stand-alone George stores which were located both- in the city as well as in the country side. The same year, it opened George Global, a new clothing line to drive its George brand to new markets around the world. Through George Global, the company tried to spread its clothing business across the world. This enabled ASDA to become Britain's number two fashion brand by volume.

In February 2006, ASDA decided to pay more attention to the out of town stores and spent £400million on a series of store extensions and new openings. It also extended some existing supermarkets; adding mezzanine floors to enlarge retail space in key areas. To make the most of a huge surge in non-food shopping at U.K. supermarkets, ASDA introduced a new format – 'ASDA Essentials discount store' in Northampton in March 2006. The cut-price Essentials chain stocked 95% private label goods, mainly ASDA's own brands. The Essentials were positioned as a family weekly shop in a discount style format and promised the best value for money in town. Unlike other discount stores, ASDA Essentials decided not to skimp on service and provided free carrier bags and accepted credit cards. ASDA's three main brands — Smartprice, ASDA Brand and Extra Special targeted different segments. The store also stocked kids' brand --'Great Stuff,' as well as 'Good for you,' the retailer's healthy-eating range. It improved the quality and breadth of its private label offerings. Globally, the company added over 60 million square feet of retail space till mid 2006.

ASDA also launched a new budget clothing line called 'George Must Haves'. The new line cost 20% less than the existing George brand. To address the fashion conscious consumers who could not afford value for money brands, Must Haves renewed the stock every month and offered 15 items of men and women fashion and a smaller selection of kids wear.

²⁹ Kate Rankine, 'Asda finds its market share is shrinking', <http://www.telegraph.co.uk>, 5th June 2005.

³⁰ www.news.bbc.co.uk.

³¹ Jersey was a town in Walton County, Georgia, United States. The population was 163 at the 2000 census.

³² There was absence of value added tax in Jersey. So Asda, was selling its product at lesser price. It sold Coldplay album online for £8.47 (delivered) compared with the £12 and DVD for around £12 compared with £15 if bought on the high street.

ASDA employed a specialist local sourcing team whose job was to satisfy the tastes and needs of local consumers. The team travelled across the country in search of local product ideas and listened to the views of customers and colleagues. ASDA's private label comprised 8,000 products positioned to match or better other manufacturers' brands and competitors' private label products. These lines were priced much lower than branded products.

Most of ASDA stores were located in the northern region. To address this, ASDA went national by buying more stores in the South. It also expanded its range of services to include Financial Services which were sold at its stores and online. Its product portfolio was expanded to include Car, Home, Travel, Life and Pet Insurance, Child Trust Funds and Credit Cards. ASDA talked to media companies to sell advertising space on its in-store TV channel --ASDA Live. It extended the TV network to 250 of its 280 branches³³.

In April 2006, a new page was added to the company website³⁴ targeting people who were suffering from heart disease and offered products to help maintain a healthy heart. It introduced a new tagline for its ads to emphasise its low prices. ASDA renewed its emphasis on in-store marketing and revamped its in-store promotional activity. More than one million point-of-sale displays using the line 'We sell for less' appeared in ASDA stores. The revamp was intended to simplify in store communications. ASDA's stores added healthy meals, yoghurts and lunch-box snacks to its offerings.

Challenges Ahead

Despite an aggressive pricing strategy, ASDA's sales were below its estimated performance. By the end of June 2006, ASDA's market share remained stagnant (from 16.7% in 2004 to 16.4% in 2006³⁵) whereas Tesco and Sainsbury had 31.1% and 16.0% (up from 15.8% in June 2005³⁶) in U.K. grocery market. Owing to stagnant sales over the last 24 months, many speculators believed that Britain's number two supermarket chain ASDA might be taken over by Sainsbury³⁷ in the near future³⁸.

To attract customers and gain market share by offering more services ASDA planned to launch estate agencies. The agencies would offer real estate services directly inside ASDA stores so that shoppers could browse properties for sale through computer terminals and list their homes online. As a trial the service would be offered in 10 stores before launching it all over the U.K. ASDA also planned to open two high-street George fashion branches, one each in Middlesbrough and South end.

The existence of the ASDA supermarkets was uncertain. What could ASDA then do sustain its market position? Would ASDA's renewed efforts to revive the company be successful? What strategies could ASDA adopt to increase its sales?

³³ www.digitalsignagenews.blogspot.com.

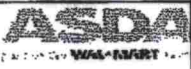
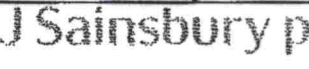
³⁴ www.asda.co.uk was a website of ASDA.

³⁵ Anita Awbi, 'Asda Wal-Mart unveils expansion plans', www.foodanddrinkeurope.com, 21st February 2006.

³⁶ Ibid.

³⁷ Sainsbury planned to double the amount of its stores as well as slash the prices of items such as televisions and kitchenware to challenge main rivals ASDA and Tesco in the non-food stakes.

³⁸ Kate Rankine, 'Asda finds its market share is shrinking', <http://www.telegraph.co.uk>, 5th June 2005.

Annexure I Competitors Comparison			
Company	ASDA	Tesco	Sainsbury
Logo			
Type:	Private	Public (LSE: TSCO)	Public (LSE:SBRY)
Founded:	1965 (Yorkshire, England)	1919	1869
Location:	Leeds (head office)	Cheshunt, United Kingdom	Holborn, London, UK
Key people	Andy Bond, Chief Executive	Sir Jack Cohen (founder), Sir Terry Leahy (CEO)	Justin King, CEO Philip Hampton, Chairman
Industry	Retail	Retail (Grocery)	Justin King, CEO Philip Hampton, Chairman
Products	Grocery, General merchandise, financial services	Groceries, general merchandise, financial services, telecoms	Supermarkets, banking
Operating income	£638m	£2,210 million	£267 million
Net income	£495m	£1,576 million	£58 million
No. of stores(2002)	258	498	779
Area of stores	4200 sq.m.	2800 sq.m.	2800 sq.m.
Parent / Subsidiary	Wal-Mart	Tesco Stores Limited Tesco Ireland Limited Tesco Personal Finance	Sainsbury's Bank Sainsbury's Supermarkets Ltd.
website	www.asda.co.uk	www.tesco.com	www.j-sainsbury.co.uk
<i>Source: compiled by IRC Pune, from different sources.</i>			

Annexure II Andy Bond's Strategy

In November 2000 Andy Bond (Bond) was appointed as a managing director of George. During that time, he expanded the George brand to the United States, Germany, Mexico, Canada, Japan and Korea. In September 2004, Andy Bond became coo of the company. The biggest challenge for Bond at ASDA was Tesco, the U.K.'s leading retailer and a major global competitor to Wal-Mart. Another major challenge was finding new ways to wring additional sales out of a base of stores that already boast exceptional productivity. He outlined a strategy based on "five key building blocks" - from simplifying internal procedures to cutting queues - designed to kick-start growth and deliver promised results in 12-18 months. Bond's five-point strategy focused on simplicity, prices, cost-cutting, differentiation and improving basic in-store housekeeping. According to Bond ASDA had become "slightly bureaucratic of late". He also promised to keep prices low: "I will make an unequivocal commitment that we will always be the lowest-priced retailer in the UK, whatever that takes".

Source: compiled by IRC Pune, from different sources.

Annexure III Timeline of ASDA

- 1965- H.J. Hindell founded ASDA.
- 1978- It bought Allied Carpet
- 1980- It crossed the sales of £1 billion
- 1985- It merged with MFI furniture
- 1989- It opened first George Stores
- 1990- It Acquired Gateway Stores
- 1991-Appointed Archie Norman for turnaround
- 1991 &1993- The company went public
- 1999- It was acquired by Wal-Mart
- 2004-It opened ASDA Living stores
- 2006-It opened ASDA Essential stores

Source: compiled by IRC Pune, from different sources.

Annexure IV

ASDA Supercentre & store in Edinburgh



Source: www.news.bbc.co.uk

Annexure V

ASDA vs. Sainsbury in 2003



Market share 17% v 16.2%
Grocery share 13% v 15.5%
Number of shops 260 v 500

Source: 'Asda overtakes Sainsbury's' www.bbc.com, 31 July, 2003

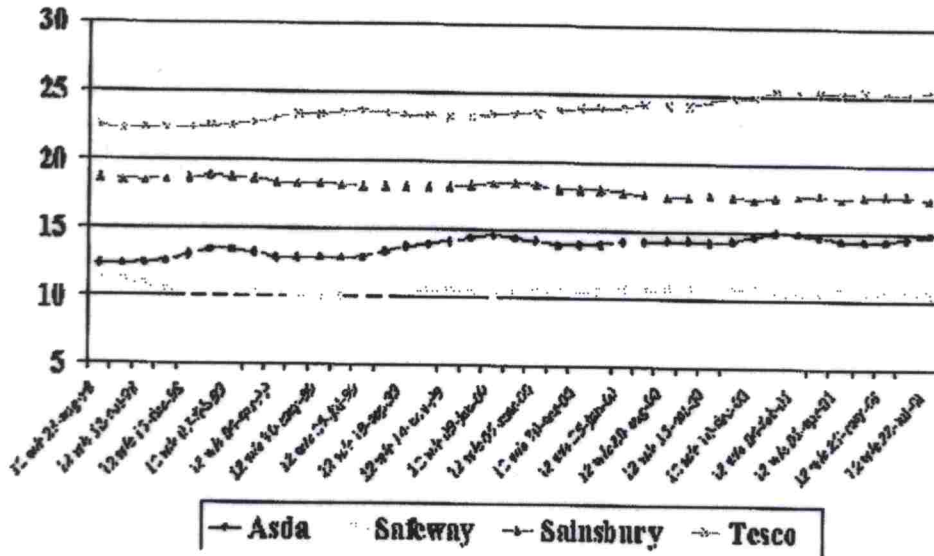
Annexure VI

Supermarket sales by market share (TNS data) in 2003

Tesco - 27%
Asda - 17%
Sainsbury's - 16.2%
Safeway - 9.2%
Morrisons - 6%

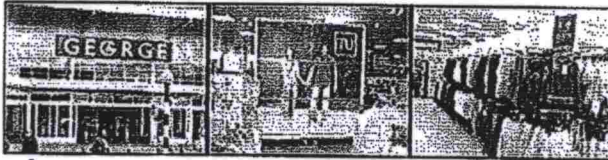
Source: 'Asda overtakes Sainsbury's' www.bbc.com, 31 July, 2003.

Annexure VII
Chart 1: Market Share of Till Roll Grocers



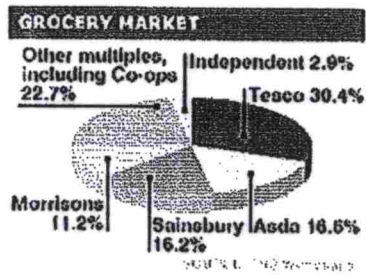
Source: www.kamcity.com

Annexure VIII
UK Retail Stars
UK Supermarket Fashion



Source: www.asda.co.uk

Annexure IX
U.K.'s retailers market share in 2006



Source: news.bbc.co.uk, 9th March 2006.

Annexure X
Market Share of the Top Supermarkets (%)

	1998	1999	2000	2001	Sep 2003	Apr 2005	Feb 2006
Tesco	22.9	23.4	24.2	22.8	29.8	26	30.6
Sainsbury's	19.8	19.1	18.6	15.8	16.2	15.9	16.3
Asda	14.1	14.8	16.2	12.4	17	16.5	16.6
Safeway	10.2	10.0	10.1	9.3	10	-	-
Morrisons	-	-	-	-	6	12.2*	11.1*

Source: <http://www.bized.ac.uk>