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ASSESSMENT 1

LOG9705 PROCUREMENT AND SUPPLY CHAINS

Executive Summary

ASDA gets on with things, making operational effectiveness possible due to application of its IPL procurement strategy.

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1. Introduction

1.1 Background of ASDA

¹ The mission of ASDA is to be best-value retailer in Britain exceeding customer needs (ASDA, 2023). The mission of the brand means that it encourages every individual to be honest and open. ASDA works collaboratively and creatively with one another, valuing input of everyone in organisation. ASDA operates with a core value of respect for every stakeholder involved in the business. Vision statement of retail brand ¹ is to make services and products more affordable for its customers (ASDA, 2023). The company with its effective supply chain and procurement practices has constantly been growing in UK's competitive retail sector.

1.2 Brief Overview of ASDA's approach to procurement and supply chain management

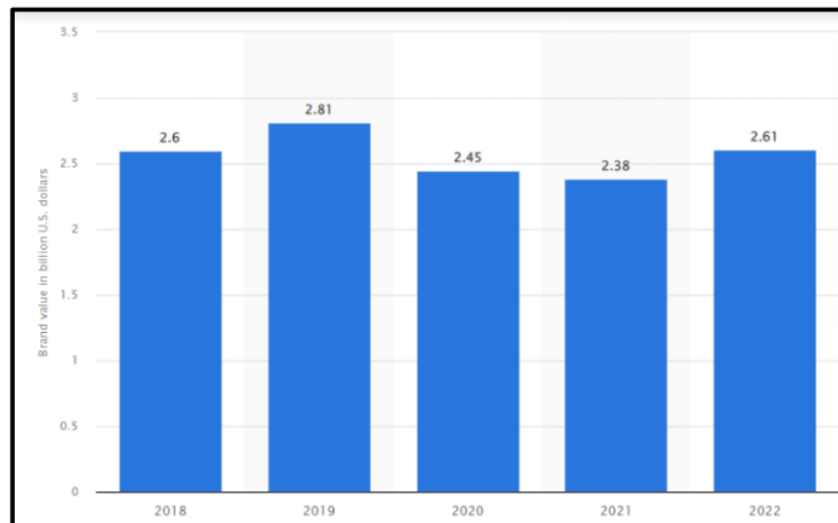


Figure 2: Brand value of ASDA 2018-2022

(Source: Statista, 2023b)

ASDA with procurement strategy of local suppliers acquisition has attained significant growth in past five years. In 2022, ASDA was valued to be \$2.61 billion which is almost similar to its five years ago sales of \$2.59 billion in 2018 (Statista, 2023b). Moreover, brand value is referred to as amount contributed by brand to overall corporation value. ASDA operated with EDLP (everyday low price strategy) business model in its supply chain emphasising volume selling (ASDA, 2021). This benefits the business to attain an elaborated loyal customer base over its competitors in UK. Therefore, indicating that the procurement strategies have led to improved operational effectiveness in post-covid environment but not supported sales excellence.

2. Analysis of Procurement and Supply strategy

2.1 Procurement Strategies

Procurement strategies of businesses drive operational effectiveness and performance due to improved relationship and dependency between companies and suppliers. According to O'Sullivan (2019), breakdown of businesses are at operational disruption level like quality issues, poor performance of suppliers, customer demand, equipment malfunctioning and transportation delay. Furthermore, the supply chain disruptions also include increasing intensity of competitiveness, capacity or inventory issues, and human-centred issues. In this context, ASDA faced a significant issue of increased customer demand and transportation delay during COVID-19 pandemic, opening doors for improved procurement and supply chain strategies (asda.com, 2023). The restriction in cross-border transportation and procurement led to limitation of inventory and capacity of ASDA. Therefore, adoption

of local supplier empowerment strategy adoption by the brand to cope with pandemic environment business complexities.

Recent tangible situations have promoted management of supply chain to crucial importance for improved stakeholder engagement and operational performance. Covid-19 pandemic led to global financial crisis due to closure of businesses and lockdown of logistics operations (Rejeb *et al.* 2020). However, ASDA sustainably fought with implications of the pandemic by establishing local suppliers and procurement strategies. As argued by Mena *et al.* (2021), most of the global businesses in recent years have a chief procurement manager reporting to procurement team and broad impacting performance throughout company. Procurement is becoming an effective part of business for those seeking to establish as a benchmark have demonstrable ROI. ASDA to cope with complications of COVID-19 pandemic undertook an agreement of 2degrees which is a collaboration with Co-op (asda.com, 2023). The developed relationship led to improved operational effectiveness gained by ASDA along with improved competitiveness in UK. The entire system of ASDA's product retail business is managed and operated by IPL activities, eliminating requirements for specific product buyers.

The procurement strategy of ASDA ensures not only business profitability and growth but also provides extended product availability and low-priced merchandise accessibility to customers. ASDA sources products from global suppliers permitting IPL to establish long-term relationships with suppliers and farmers (asda.com, 2022). However, extensive dependency on IPL framework undertaken by the retail brand has resulted in disrupted local supplier procurement. This is because IPL extensively focuses on international and cross-border supply chain or procurement avoiding local supplier concerns. Therefore, indicating a need for revised and improved

procurement and supply chain strategy adoption by ASDA to increase its competitiveness and revenue performance.

2.2 Supply Chain strategies and efficiency

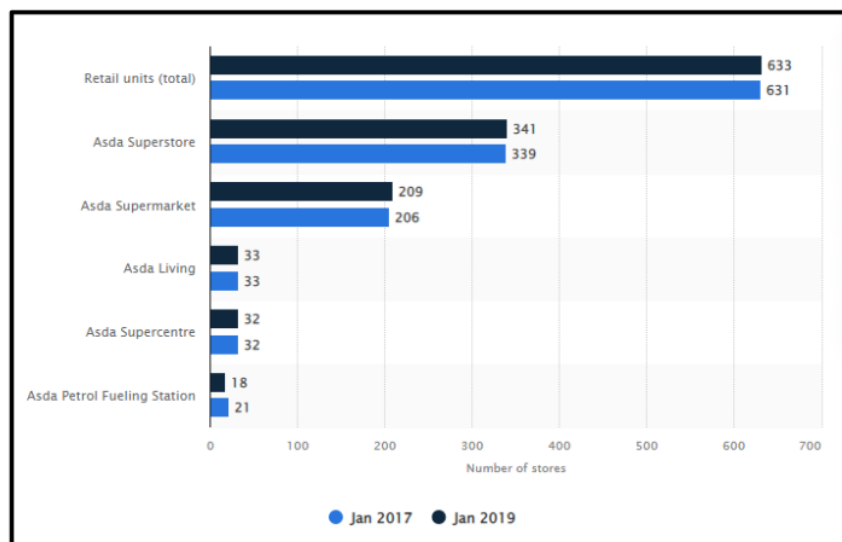


Figure 4: Number of ASDA stores in UK

(Source: Statista, 2022)

ASDA focuses on quantity value over profitability that has been driven by its low-priced products throughout its merchandise range. The retailing brand continues with 631 stores in UK, last record in 2017 out of which 339 are superstores (Statista, 2022). The business's market share is in close competition with Sainsbury's aiming to become a leading retail business in UK's competitive retail industry. The company with a sustainable supply chain process acquires products from over 300 local suppliers in UK (asda.com, 2022). Moreover, the business also focuses on increasing product variety concerning local market procurement to improve its sustainability of both business operation and logical small-scale suppliers. As mentioned by Johnsen *et al.* (2017), global enterprises have been focusing short-

term cost benefits through low-cost internal country sourcing with minimal regards for long-term global sustainability implications. ASDA in this respect emphasises low-priced product offering to its customers from both physical and online stores.

Effective procurement and supply chain activities play a critical role in improving market performance of global retailers by promoting effective stakeholders relationship establishment. Current business market disruptions like digital technologies, circular supply chain, and modern slavery evidently influences adoption of effective supply chain and procurement processes (Cherrafi *et al.* 2022). Application of digitised operations and blockchain in supply chain have also become significant recent trends. Similarly, as quoted by Grant *et al.* (2017), increasing carbon emissions through supply chain practices of retail sector in UK have resulted in need for sustainable and green procurement practices. Carbon emissions have been identified as significant recent issues faced by enterprises in supply chain management. For instance, in 2008 UK government recognised and abandoned individual carbon credit scheme under which individuals have an annual CO₂ limit for energy and fuel usage (Grant *et al.* 2017). However, CO₂ emissions can be exceeded by individuals taking credit in a market of secondary carbon-trading from those under limitation.

Numerous retail businesses source their grocery suppliers through bulk distributors or wholesalers. Large-scale retail establishments like ASDA handle supply of specialty or conventional items such as world foods, nature, and organic purchasing directly from manufacturers for selling them to retailers (ASDA, 2023). Supply effectiveness and strategies drive operational performance and effectiveness due to which establishing sustainable supply chain practice is essential for global companies. ASDA outsourced its application development to build and access skills

in development techniques to HCL (asda.com, 2023). Moreover, the company has undertaken a three-years contract with HCL technologies firm concerning IT services to back its digital transformations using service development applications. Hence, it has been evaluated that ASDA collaborated on operational and strategic procurement to attain global retail market sustainability.

2.3 ASDA’s success factor driven by supply chain and procurement

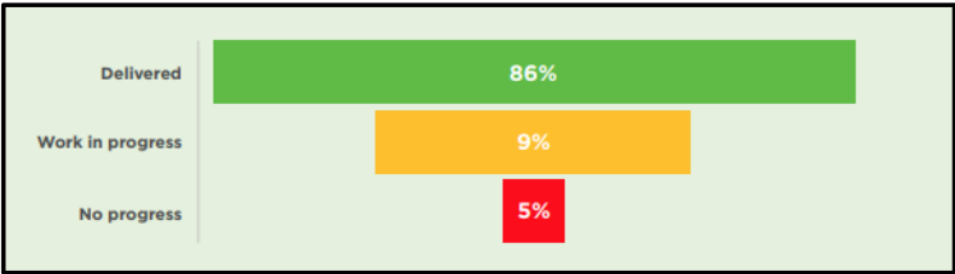


Figure 5: Modern Slavery Objectives 2021 of ASDA

(Source: ASDA, 2022b)

Supply chain and procurement efficiency has enabled ASDA to attain a suitable competitive edge facilitating customer and other stakeholder engagement. According to Voss *et al.* (2019), ASDA complies with modern slavery act engagement concerning its supply chain process to improve its CSR efficiency and performance. This has benefited the company to increase its brand value and reputation leading to enhanced customer engagement, as well as, sales. Similarly as mentioned by Jones and Comfort (2021), modern slavery has become an evident issue for global retail businesses to manage. ASDA constantly enhances its workforce consistency to maintain ethical business operations along with business sustainability attainment. In 2021, ASDA analysed areas for improvement concerning elimination of risk for workforce provision (asda.com 2022b). The retail brand continues to work with a

talent acquisition team, employment, labour, and GRI team to constantly improve its processes. Labour agencies for ASDA via IPL and GRI are needed to link ASDA on Sendex with complete SAQ.

3.4 Application of green or sustainable procurement practices

Green or sustainable procurement is an effective way to improve supply chain or procurement activities as it ensures complete and efficiency usage of enterprise resources. As quoted by Vadakkepatt *et al.* (2021), sustainable retailing is considered to be an effective way for establishing market positioning and competitiveness. In this regard, ASDA focuses on procurement efficiency by application of local supplier acquisition. However, the brand has an opportunity of adopting e-procurement strategies to improve its accessibility to local UK suppliers. This might permit the business to increase its suppliers range and eliminate dependency on specific suppliers in local market. As opined by Deberdt and Le (2022), responsible sourcing has become a critical need for global businesses to attain effective competitiveness. Green procurement acts as an effective solution for mitigating the environment issues like extensive carbon emission. Carbon footprint of ASDA was 30,372,830 tCO₂e in 2021 that was reduced by nearly 50% in 2022 (asda.com, 2023). Thus indicating that ASDA by application of green or sustainable procurement can improve its supply chain efficiency leading to improved customer retention.

3.5 Blockchain application in supply chain

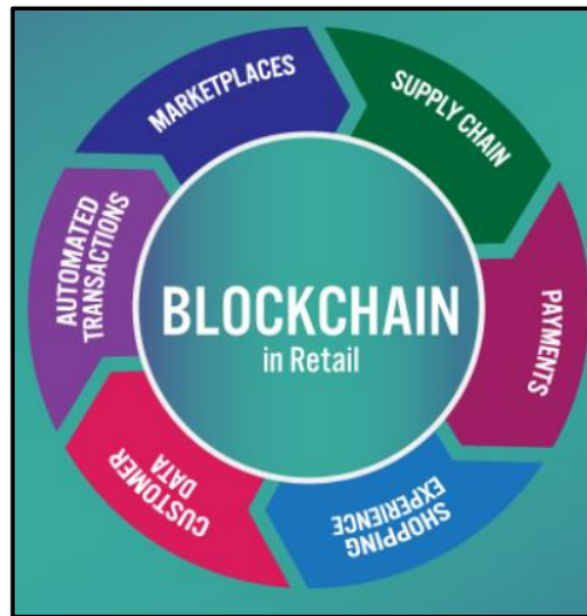


Figure 7: Blockchain technology value in retail

(Source: Guo *et al.* 2020)

Blockchain application enables retail businesses to offer operational process transparency to its stakeholders. Blockchain technology helps the enterprises to computerised business data leading to information recording efficiency. Additionally, blockchain also permits retail companies to improve flow of supply chain information due to centralised data storage (Guo *et al.* 2020). Centralisation of company data supports businesses to allocate all resources and enables their complete usage leading to improved operational efficiency. Blockchain also allows stakeholders to view the operational and strategic process of the business due to digitisation storage of business information (Sarkis *et al.* 2021). Thus, it can assist companies in improving organisational operations by enhancing precision rate successfully. Data digitisation opens doors for improved confidential data storage safety as layers of

blockchain restrict its accessibility by general employees or individuals without special permits. Blockchain is also beneficial for protecting cyber attacks due to creation of various level protection valves that creates distraction for attackers restricting loss of confidential information of firms.

3.6 Improved employee training

Improving employee training is another sustainable method to boost operational effectiveness of procurement and supply chain procedures. Furthermore, employee training for technology application and usage might help retail firms to adopt operational digitisation (Maghazei *et al.* 2022). Process digitisation in recent years has become an effective way to attain market competitiveness by establishing operational automation and effective interaction with stakeholders. Employee training provides opportunity of capability and skill development to workforce offering increased employee satisfaction and motivation for improved performance (Razak *et al.* 2021). It can be stated that with assistance from proper guidance and strategic HR management, companies might be able to improve sustainability and progress by enhancing productivity level. This in turn might help the business to grow its market reputation and stakeholder inclusivity leading to improved operational effectiveness. Moreover, employee training also helps businesses to identify inclusion of employees in supply chain procedure ensuring ethical business conduction. Employee training might also assure that global retail enterprises like ASDA establish transparent strategic relations with employees through improved training and learning processes. Hence, implying that ASDA by improving its employee training can facilitate its supply chain automation and efficiency.

4. Conclusion

ASDA has been focused on improving its procurement and supply chain processes to improve market stability and revenue profitability. It has been concluded that the retailing brand in recent years sustainably handles specialty or conventional items to increase its competitive market performance. Additionally, local market procurement strategy has enabled ASDA to improve its competitiveness and cope with cross-border procurement restrictions imposed by COVID-19 pandemic. The retail brand has been influenced by COVID-19 pandemic and cross-border procurement limitation resulting in adoption of local suppliers and increased involvement in business operations. It has also been concluded that ASDA effectively tackles the issue of modern slavery.

ASDA releases a modern slavery report every year to make its approaches of supporting health workforce and ethical operations transparent to its stakeholders. Moreover, it has been evaluated that the company using IPL control and management in procurement processes attains effective competitive edge in terms of improved stakeholder's engagement. Application of green or sustainable procurement practices has been recommended as an effective strategy through which ASDA might effectively improve its supply chain and procurement operations. Furthermore, application of blockchain in the supply chain can also support the company to increase operational transparency leading to increased stakeholder engagement.

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